

HUD PD&R Regional Reports

Region 4: Southeast/Caribbean



Birmingham, Alabama

By Casey M. Blount | 3rd Quarter 2019

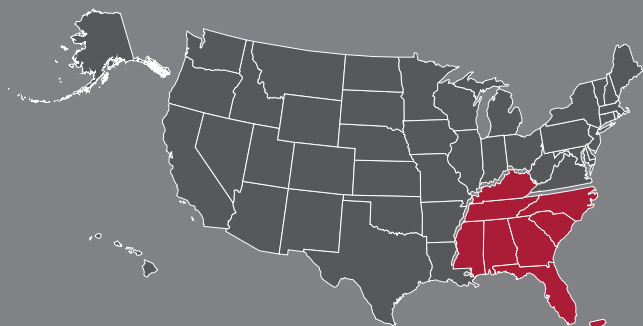
Quick Facts About Region 4

Sales market conditions—

Third quarter 2019: mixed (slightly tight to slightly soft)
Second quarter 2019: mixed (slightly tight to slightly soft)
Third quarter 2018: mixed (slightly tight to slightly soft)

Apartment market conditions—

Third quarter 2019: mixed (slightly tight to balanced)
Second quarter 2019: mixed (slightly tight to balanced)
Third quarter 2018: mixed (slightly tight to balanced)



Overview

Job growth remained strong in the Southeast/Caribbean region during the third quarter of 2019. Nonfarm payrolls in the region increased 2.0 percent, unchanged from the growth rate during the previous year. The largest job gains in the region were in Florida, where nonfarm payrolls rose by 233,000 jobs or 2.7 percent. The fastest rate of job growth, 5.4 percent, was in the U.S. Virgin Islands as economic conditions in the territory continued to improve following the impact of Hurricanes Irma and Maria in 2017. Unemployment rates declined in one-half of the eight states in the region as well as Puerto Rico. Sales market conditions in the region were mixed, ranging from slightly tight to slightly soft. New and existing home sales declined 2 percent in the region during the most recent 12 months while the average sales price increased 4 percent. Apartment market conditions in the region were also mixed, ranging from slightly tight to balanced. Average rents rose throughout the region, with rent growth exceeding the 5-percent rate for the nation in five of the eight markets covered in this report.

During the third quarter of 2019—

- Unemployment rates in the region ranged from 2.9 percent in Alabama to 7.4 percent in Puerto Rico.

continued on page 2



continued from page 1

- New and existing home sales in the region totaled 1.56 million, and the average sales price in the region rose to \$241,000.

Economic Conditions

The rate of job growth remained strong in the Southeast/Caribbean region during the past year, continuing a trend of relatively rapid economic expansion that began in 2011. Nonfarm payrolls averaged 29.54 million during the third quarter of 2019, an increase of 574,000 jobs, or 2.0 percent, compared with an increase of 558,300 jobs, or 2.0 percent, during the third quarter of 2018. Each state in the region added jobs during the past year, ranging from 1.2-percent growth in Kentucky to 2.7-percent growth in Florida. Recovery from Hurricanes Irma and Maria continued in the Caribbean territories of Puerto Rico and the U.S. Virgin Islands where nonfarm payrolls increased by 12,800 and 1,800 jobs, or 1.5 and 5.4 percent, respectively. All nonfarm payroll sectors added jobs in the region, led by the education and health services sector, which expanded by 122,800 jobs, or 3.1 percent. The fastest job growth was in the leisure and hospitality sector, which added 114,800 jobs, or 3.3 percent. The unemployment rate for the region averaged 3.9 percent during the third quarter of 2019, down from 4.0 percent during the third quarter of 2018, with declines in four of eight states as well as in Puerto Rico, where the rate fell from 9.1 to 7.4 percent. In Alabama, the rate fell from 4.0 percent to 2.9 percent, the largest percentage point decline of any state in the nation. The largest increase in the region, from 4.8 to 5.9 percent, was in Mississippi.

During the third quarter of 2019—

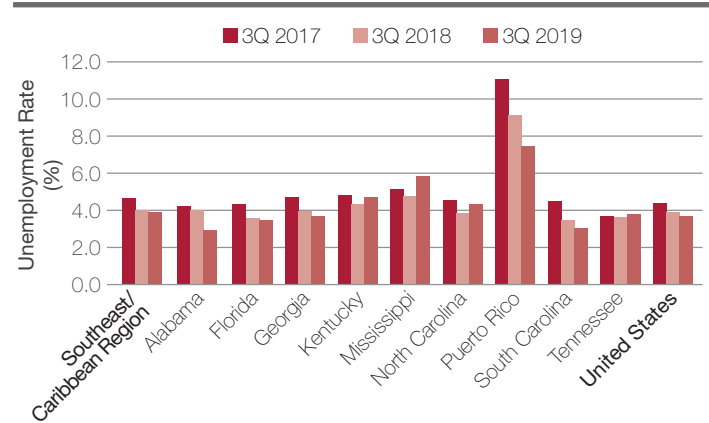
- In Florida, nonfarm payrolls averaged 8.96 million, an increase of 233,000 jobs, or 2.7 percent. The education and health

- Among the largest markets in the region, Nashville had the lowest apartment vacancy, 3.7 percent, and the fastest rent growth, 9 percent.

services sector in Florida expanded by 63,250 jobs, or 4.8 percent, the largest and fastest growth rate of any sector in the state. Multiple hospital expansions contributed to gains in the sector including more than 100 jobs at Orlando Health's new \$69 million emergency care center in the city of Kissimmee.

continued on page 3

Unemployment rates declined in four of the eight states in the Southeast/Caribbean region as well as Puerto Rico, where the rate fell by 1.7 percentage points.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

All nonfarm payroll sectors added jobs in the Southeast/Caribbean region during the third quarter of 2019.

	Third Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	28,965.9	29,539.9	574.0	2.0
Goods-Producing Sectors	4,095.5	4,165.2	69.7	1.7
Mining, Logging, & Construction	1,499.4	1,535.5	36.1	2.4
Manufacturing	2,596.1	2,629.8	33.7	1.3
Service-Providing Sectors	24,870.4	25,374.7	504.3	2.0
Wholesale & Retail Trade	4,553.1	4,598.9	45.8	1.0
Transportation & Utilities	1,205.4	1,243.3	37.9	3.1
Information	477.3	479.6	2.3	0.5
Financial Activities	1,615.1	1,656.8	41.7	2.6
Professional & Business Services	4,105.1	4,194.1	89.0	2.2
Education & Health Services	3,959.8	4,082.6	122.8	3.1
Leisure & Hospitality	3,474.2	3,589.0	114.8	3.3
Other Services	1,088.3	1,109.1	20.8	1.9
Government	4,392.2	4,421.3	29.1	0.7

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



continued from page 2

- Job growth exceeded the 1.5-percent rate for the nation in seven of the eight states in the region including Alabama and North Carolina, where nonfarm payrolls expanded by 41,350 and 81,350 jobs, or 2.0 and 1.8 percent, respectively.
- Nonfarm payroll growth accelerated in four of eight states in the region, with the most significant change in Mississippi,

which added 18,050 jobs, or 1.4 percent, up from an increase of 2,225 jobs, or 0.2 percent, a year ago. The leisure and hospitality sector, which expanded by 5,150 jobs, or 3.8 percent, led job gains as sports wagering, which was legalized in the state in mid-2018, generated \$9.7 million in taxable revenue during the third quarter of 2019, up 55 percent from the third quarter of 2018.

Sales Market Conditions

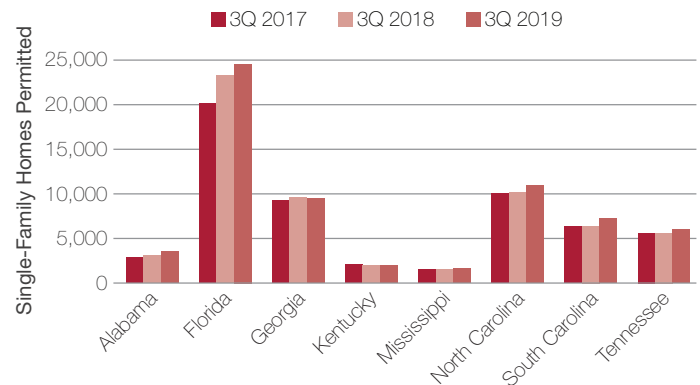
Sales market conditions in the Southeast/Caribbean region were mixed during the third quarter of 2019, ranging from slightly tight to slightly soft. The volume of home sales activity declined in several major markets due in part to declining levels of available inventory. Home prices rose throughout much of the region, however, as economic conditions continued to strengthen. The inventory of available homes in the region decreased from 3.9 months in August 2018 to 3.6 months in August 2019; it is currently 63 percent below the August high of 11.0 months in 2010, during the peak of the housing crisis (CoreLogic, Inc., with adjustments by the analyst). The level of for-sale inventory is particularly low in Kentucky, where the supply of available homes was only 2.7 months in August 2019, down from 2.9 months in August 2018, and the lowest figure in the region. During the 12 months ending August 2019, 1.56 million new and existing homes (including single-family homes, townhomes, and condominiums) were sold in the region, down 2 percent from the previous 12 months. The number of homes sold decreased in seven of the eight states in the region during the 12 months ending August 2019 with Alabama, where home sales rose 1 percent, the only state where home sales increased. The fastest decrease, 6 percent, was in Kentucky. The average new and existing home price increased 4 percent in the region during the most recent 12 months and is approximately 12 percent higher than the previous peak of \$215,100 in 2006, prior to the housing market crisis. Home sales prices increased in every state in the region except Mississippi, where home prices declined 1 percent.

Home prices increased at least 5 percent in four of the eight states in the region with the fastest increase, 7 percent, in Tennessee.

New home construction increased throughout much of the region in response to rising home prices during the past year. The total number of single-family homes permitted in the Southeast/Caribbean region rose 6 percent during the third quarter of 2019, with increases in seven of the eight states.

continued on page 4

Single-family permitting increased in seven of eight states in the Southeast/Caribbean region during the third quarter of 2019.



3Q = third quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

The number of homes sold decreased in seven of the eight states in the Southeast/Caribbean region during the past year while the average sales price increased at least 5 percent in four of them.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2018	2019	Percent Change		2018 (\$)	2019 (\$)	Percent Change
Alabama (N&E)	August	103,200	104,300	1	AVG	169,600	178,700	5
Florida (N&E)	August	604,900	594,200	-2	AVG	269,700	280,300	4
Georgia (N&E)	August	242,100	237,400	-2	AVG	221,300	230,900	4
Kentucky (N&E)	August	85,050	80,150	-6	AVG	157,400	166,400	6
Mississippi (N&E)	August	21,350	20,250	-5	AVG	201,100	199,900	-1
North Carolina (N&E)	August	233,100	231,700	-1	AVG	225,500	235,900	5
South Carolina (N&E)	August	130,600	125,200	-4	AVG	219,400	228,400	4
Tennessee (N&E)	August	172,500	167,800	-3	AVG	198,700	212,100	7

AVG = average. N&E = new and existing.

Notes: Data include new and existing single-family homes, townhomes, and condominiums. Data for Mississippi exclude Hinds County, the most populous county in the Jackson metropolitan area.

Source: CoreLogic, Inc., with adjustments by the analyst



continued from page 3

During the third quarter of 2019 (preliminary data)—

- The number of single-family homes permitted in the region totaled approximately 65,150, up 6 percent from 61,300 a year ago.
- In Florida, the number of single-family homes increased 6 percent to 24,550, the largest increase in the region.

Apartment Market Conditions

Apartment market conditions in the Southeast/Caribbean region were mixed during the third quarter of 2019, ranging from balanced to slightly tight. Apartment vacancy rates declined in each of the major markets in the region, with the largest decline of 1.0 percentage point in Jackson, where limited development of new apartments has allowed for significant absorption of existing inventory since the start of 2018 (RealPage, Inc.). Average apartment rents rose sharply throughout much the Southeast/Caribbean region with rent growth exceeding the 5-percent rate for the nation in five of the major markets. A sharp decline in the apartment vacancy rate contributed to rent growth of 9 percent in Nashville, the fastest growth rate in the region. Miami remained one of the most expensive apartment markets in the region, with an average rent of \$1,643, up 6 percent from a year ago and 16 percent higher than the national average of \$1,418.

Multifamily permitting activity in the region has increased during each of the past 2 years as developers have responded to declining apartment vacancy rates and strong rent growth. The increase during the past year was heavily concentrated in the major markets in Florida, however, as multifamily permitting declined in five of eight states in the region. During the third quarter of 2019, 29,500 multifamily units were permitted in the region, an increase of 2,200 units, or 8 percent, following an increase of 3,775 units, or 16 percent, during the third quarter of 2018.

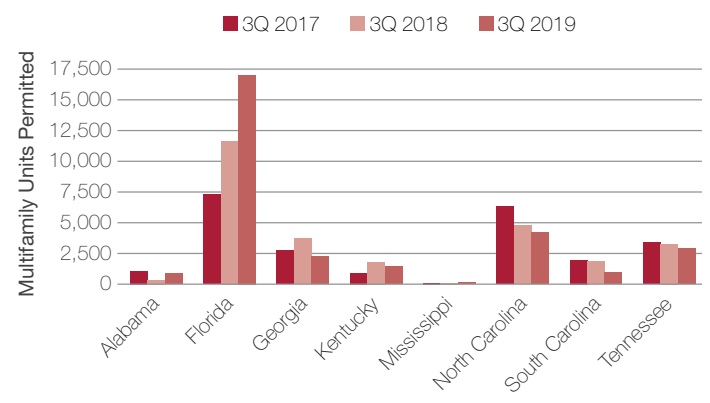
- The fastest increases in the region were in Alabama and South Carolina, where the number of single-family homes permitted increased 15 and 13 percent, to 3,450 and 7,200, respectively.
- The number of single-family homes permitted declined 1 percent in Georgia but increases ranged from 3 to 8 percent in the remaining four states in the region.

During the third quarter of 2019 (preliminary data)—

- The 17,000 units permitted in Florida were the most of any state in the region, as was the increase of 5,400 units from

continued on page 5

Increases in the number of multifamily units permitted in Alabama, Florida, and Mississippi more than offset declines in the remaining states in the Southeast/Caribbean region during the third quarter of 2019.



3Q = third quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

During the third quarter of 2019, rent growth exceeded the national rate of 5 percent in five of the eight major markets in the Southeast/Caribbean region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2018 (%)	3Q 2019 (%)	Percentage Point Change	3Q 2018 (\$)	3Q 2019 (\$)	Percent Change
Atlanta	Balanced	4.8	4.4	-0.4	1,196	1,273	6.4
Birmingham	Balanced	5.1	4.2	-0.9	944	1,007	6.7
Charlotte	Slightly Tight	4.3	3.8	-0.5	1,094	1,173	7.2
Columbia	Balanced	5.1	4.6	-0.5	910	950	4.4
Jackson	Balanced	5.6	4.6	-1.0	846	880	4.0
Louisville	Slightly Tight	4.1	3.9	-0.2	866	908	4.8
Miami	Slightly Tight	4.4	4.0	-0.4	1,553	1,643	5.8
Nashville	Balanced	4.5	3.7	-0.8	1,162	1,269	9.2

3Q = third quarter.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.



continued from page 4

- a year ago. Increased development activity was particularly notable in the central part of the state. Multifamily permitting increased 46 percent to 4,475 units in the Orlando market and more than quadrupled to 2,750 units in the Tampa market.
- The fastest increase in multifamily permitting was in Alabama where the number of units permitted more than doubled to 830. Student housing contributed significantly to the increase as the Auburn and Tuscaloosa markets, which are home to Auburn University and the University of Alabama, respectively, combined to account for 46 percent of all multifamily units permitted in the state.
 - In Mississippi, the number of multifamily units permitted increased 42 percent. No units were permitted in the Jackson market, while the Gulfport market accounted for more than one-half of the 90 units permitted in the state.
 - The number of multifamily units permitted in South Carolina, Georgia, and Kentucky fell 50, 40, and 20 percent to 910, 2,200, and 1,450 units, respectively. Less dramatic declines occurred in North Carolina and Tennessee where 4,175 and 2,850 multifamily units were permitted, respectively, both down 12 percent from the third quarter of 2018.