

HUD PD&R Regional Reports

Region 4: Southeast/Caribbean

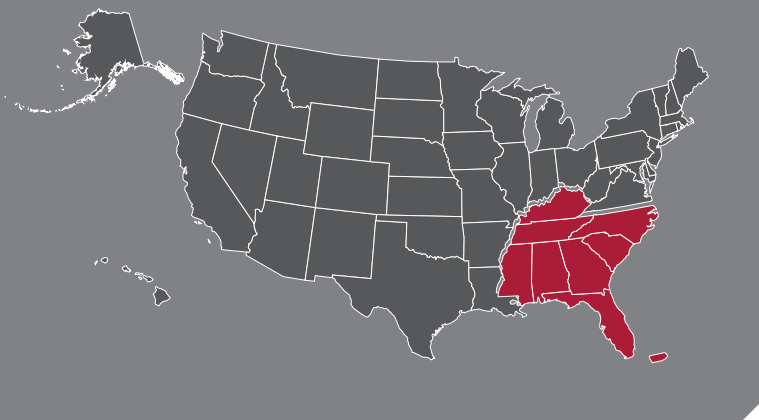


Quick Facts About Region 4

Jackson, Mississippi

By Casey M. Blount | 3rd Quarter 2020

- **Sales market conditions—**
Third quarter 2020: mixed (slightly tight to slightly soft)
Second quarter 2020: mixed (balanced to slightly soft)
Third quarter 2019: mixed (slightly tight to slightly soft)
- **Apartment market conditions—**
Second quarter 2020: mixed (balanced to tight)
Second quarter 2020: balanced
Thirds quarter 2019: mixed (balanced to slightly tight)



Overview

Economic conditions in the Southeast/Caribbean region weakened significantly during the third quarter of 2020 due in large part to the ongoing impact of COVID-19, although the rate of job loss in the region was notably less severe than during the second quarter of 2020. Year-over-year, nonfarm payrolls in the region fell 5.1 percent during the third quarter of 2020, compared with a 9.1-percent decline during the second quarter of 2020. By comparison, nonfarm payrolls in the nation declined 7.0 percent during the third quarter of 2020. The largest job losses in the region during the third quarter of 2020 were in Florida, where nonfarm payrolls declined by 470,700 jobs, or 5.3 percent. The fastest rate of job losses, 6.6 percent, occurred in both North Carolina and Kentucky, where nonfarm payrolls declined by 302,000 and 128,400 jobs, respectively. The unemployment rate increased significantly in all eight states in the region and Puerto Rico. Sales market conditions in the region were mixed, ranging from slightly tight to slightly soft. New and existing home sales declined 1 percent in the region during the 12 months ending August 2020. Due in part to declining levels of for-sale inventory, however, the average sales price increased

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6 percent. Apartment market conditions in the region ranged from balanced to tight. Average rents rose in seven of the eight markets covered in this report, with rent growth exceeding the slight increase for the nation in five of those seven markets.

- Unemployment rates in the region ranged from 5.9 percent in Kentucky to 8.9 percent in Florida.

Economic Conditions

After a 1.6-percent increase a year ago, the number of jobs in the Southeast/Caribbean region fell significantly during the third quarter of 2020. Nonfarm payrolls in the region averaged 27.94 million jobs during the third quarter of 2020, a decline of 1.51 million jobs, or 5.1 percent. Each state in the region lost jobs during the past year, ranging from a 2.9-percent decline in Mississippi to 6.6-percent declines in both North Carolina and Kentucky. In the Caribbean territories of Puerto Rico and the U.S. Virgin Islands, nonfarm payrolls fell by 67,950 jobs, or 7.8 percent, and 1,225 jobs, or 3.3 percent, respectively. All nonfarm payroll sectors lost jobs in the region, with the largest and fastest decline in the leisure and hospitality sector. Efforts to slow the spread of COVID-19—including severe reductions in travel and tourism and closures and limitations placed on bars and restaurants—contributed significantly to losses in the sector, which declined by 625,900 jobs, or 17.6 percent.

The unemployment rate for the region averaged 7.8 percent during the third quarter of 2020—more than double the 3.7-percent rate during the third quarter of 2019, with

- Approximately 1.47 million new and existing homes sold in the region, and the average sales price in the region rose to \$280,000.
- Among the largest markets in the region, Miami had the highest average monthly rent, \$1,677, whereas Jackson, Mississippi had the lowest apartment vacancy rate, 3.6 percent.

increases in all eight states and Puerto Rico. In Florida, the unemployment rate rose to 8.9 percent, up from 3.2 percent a year ago—the largest percentage-point increase in the region. In the remaining seven states, unemployment rates ranged from 5.9 percent in Kentucky to 8.3 percent in Tennessee. In Puerto Rico, the unemployment rate rose to 8.4 percent—up from 7.7 percent a year ago. By comparison, the national unemployment rate rose to 8.9 percent during the third quarter of 2020, from 3.7 percent a year ago.

During the third quarter of 2020—

- In Florida, nonfarm payrolls averaged 8.12 million, a decrease of 470,700 jobs, or 5.3 percent, with the leisure and hospitality sector—which declined by 234,700 jobs, or 18.9 percent—accounting for one-half of the jobs lost in the state. A 33-percent decline in tourism during the first six months of 2020 contributed to the significant layoffs in the sector (Visit Florida).

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During the third quarter of 2020, all nonfarm payroll sectors in the Southeast/Caribbean region lost jobs.

	Third Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	29,457.8	27,944.2	-1,513.6	-5.1
Goods-Producing Sectors	4,187.9	4,022.3	-165.6	-4.0
Mining, Logging, & Construction	1,557.9	1,521.4	-36.5	-2.3
Manufacturing	2,629.9	2,500.9	-129.0	-4.9
Service-Providing Sectors	25,269.9	23,921.9	-1,348.0	-5.3
Wholesale & Retail Trade	4,535.1	4,441.6	-93.5	-2.1
Transportation & Utilities	1,273.5	1,247.6	-25.9	-2.0
Information	474.2	431.1	-43.1	-9.1
Financial Activities	1,663.2	1,641.0	-22.2	-1.3
Professional & Business Services	4,191.2	3,973.4	-217.8	-5.2
Education & Health Services	4,062.9	3,927.0	-135.9	-3.3
Leisure & Hospitality	3,557.4	2,931.5	-625.9	-17.6
Other Services	1,107.1	1,054.5	-52.6	-4.8
Government	4,405.4	4,274.2	-131.2	-3.0

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

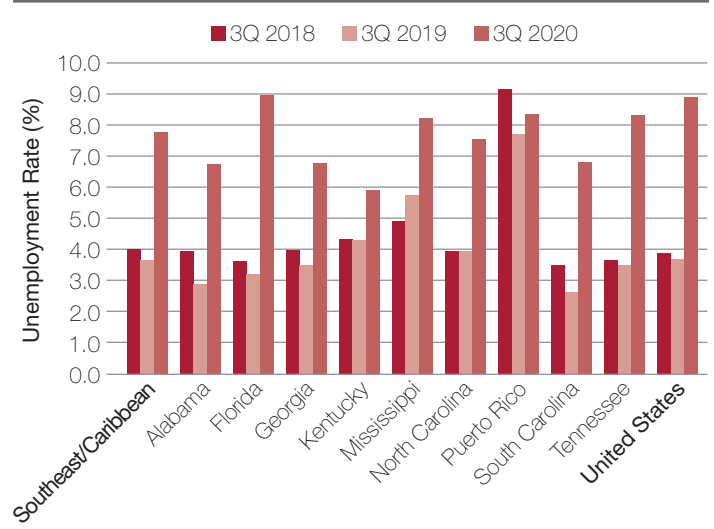
Source: U.S. Bureau of Labor Statistics



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- Job losses were less severe than the 7.0-percent decline for the nation in all eight states in the region, including Mississippi, Georgia, and Alabama, where nonfarm payrolls declined by 33,800, 183,300, and 85,100 jobs, or 2.9, 4.0, and 4.1 percent, respectively.
- The number of jobs in North Carolina and Kentucky, where nonfarm payrolls declined by 302,000 and 128,400 jobs, respectively, averaged 4.26 million and 1.81 million.
- Nonfarm payrolls decreased by 144,700 and 96,350 jobs, or 4.6 and 4.4 percent, respectively, in Tennessee and South Carolina.

Unemployment rates rose throughout the Southeast/Caribbean region during the third quarter of 2020.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales market conditions in the Southeast/Caribbean region were mixed during the third quarter of 2020, ranging from slightly tight to slightly soft. The volume of sales activity declined throughout the region during the past year due in large part to the job losses associated with the COVID-19 pandemic; however, reduced levels of for-sale inventory contributed to increased sales prices. The total inventory of homes available for sale in the region declined from 3.6 months in September 2019 to 2.5 months in September 2020; the current rate is a fraction of the September high of 12.2 months in 2010, during the peak of the housing crisis (CoreLogic, Inc.). For-sale inventory was particularly limited in Kentucky, where the supply of available homes was only 1.8 months in September 2020—down from 2.6 months a year ago.

About 1.47 million new and existing homes (including single-family homes, townhomes, and condominiums) were sold in the region during the 12 months ending August 2020—down 1 percent from the previous 12 months (Zonda). The number of homes sold decreased in five of the eight states in the region, with the fastest declines in Florida, South Carolina and Kentucky, where home sales fell 5, 5, and 3 percent, respectively. The average new and existing home sales price rose 6 percent, to \$280,000, in the region during the most recent 12 months—approximately 17 percent higher than the

previous peak of \$239,200 in 2007, before the housing market crisis. Home sales prices increased in every state in the region, with increases of at least 6 percent in seven of the eight states, led by 8-percent increases in both Mississippi and South Carolina.

Weakening economic conditions contributed to significantly increased rates of distressed mortgages in each state in the region during the past year. As of August 2020, 5.0 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status—more than triple the 1.7-percent rate in August 2019 and the second highest rate of the 10 HUD regions (CoreLogic, Inc.). By comparison, the national rate rose from 1.4 during August 2019 to 4.4 percent during August 2020. Both the highest rate and the largest increase were in Florida, where the rate was 6.1 percent in August 2020, up from 1.8 percent a year ago. The lowest rate in the region, 3.4 percent, was in Kentucky.

Despite rising delinquency and foreclosure rates, new home construction increased throughout much of the region during the past year, as for-sale inventory declined sharply and home prices rose. The total number of single-family homes permitted in the Southeast/Caribbean region rose 22 percent during the third quarter of 2020, with increases in all eight states.

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The number of homes sold decreased in five of the eight states in the Southeast/Caribbean region during the past year, whereas the average sales price increased in all eight states.

	12 Months Ending	Number of Homes Sold				Price		
		2019	2020	Percent Change	Average	2019 (\$)	2020 (\$)	Percent Change
Alabama (N&E)	August	67,250	65,900	-2	AVG	\$221,800	\$229,200	3
Florida (N&E)	August	589,500	560,100	-5	AVG	\$299,700	\$321,500	7
Georgia (N&E)	August	241,900	246,800	2	AVG	\$245,100	\$259,100	6
Kentucky (N&E)	August	55,900	54,000	-3	AVG	\$191,800	\$204,300	7
Mississippi (N&E)	August	12,900	12,800	-1	AVG	\$237,900	\$258,100	8
North Carolina (N&E)	August	233,000	242,300	4	AVG	\$249,700	\$265,000	6
South Carolina (N&E)	August	122,000	115,800	-5	AVG	\$246,800	\$266,100	8
Tennessee (N&E)	August	164,500	167,900	2	AVG	\$234,100	\$249,500	7

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

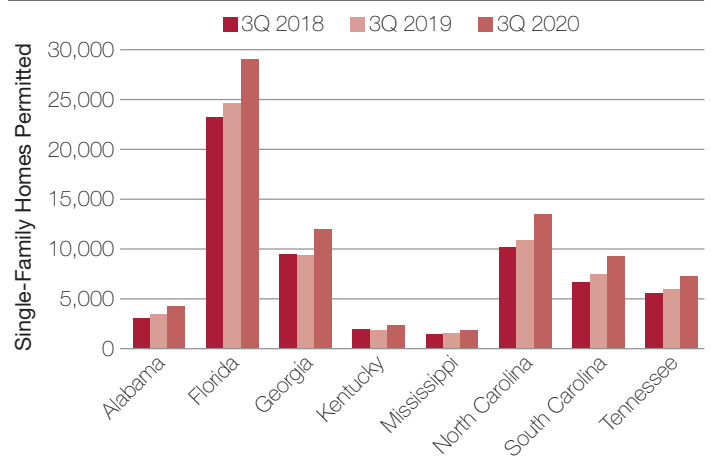
Notes: Data include new and existing single-family homes, townhomes, and condominiums. Data for Mississippi exclude Hinds County, the most populous county in the Jackson metropolitan area.

Source: Zonda

During the third quarter of 2020 (preliminary data)—

- Approximately 79,550 single-family homes were permitted in the region—up 22 percent from 65,200 homes a year ago.
- The largest increase in the region was in Florida, where the number of single-family homes permitted rose by 4,400 homes, or 18 percent, to 29,000.
- Single-family permitting increased 28 and 26 percent, to 12,000 and 9,300 homes, respectively, in Georgia and South Carolina—the two fastest increases in the region.
- The number of single-family homes permitted rose 24 percent in both Alabama and North Carolina, to 4,275 and 13,450 homes, respectively.
- In Kentucky, Tennessee, and Mississippi, single-family permitting increased 22, 21, and 19 percent, to 2,350, 7,275, and 1,875 homes, respectively.

The number of single-family homes permitted increased throughout the Southeast/Caribbean region during the third quarter of 2020.



3Q = third quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions in the Southeast/Caribbean region ranged from balanced to tight during the third quarter of 2020. Apartment vacancy rates increased in seven of the eight major markets in the region, with the largest increase—1.4 percentage points—in Nashville; there, the average rent declined 1 percent (RealPage, Inc.). Average apartment rents increased throughout the remaining seven markets, with rent growth exceeding the less-than-1-percent increase for the nation in five of them. The

fastest rate of rent growth, 5 percent, was in Jackson, Mississippi, which was the only market in the region where the apartment vacancy rate declined. Apartment market conditions in Miami moved from slightly tight to balanced, although the market remained the most expensive in the region, with an average rent of \$1,677—up less than 1 percent from a year ago and 17 percent higher than the national average of \$1,436.

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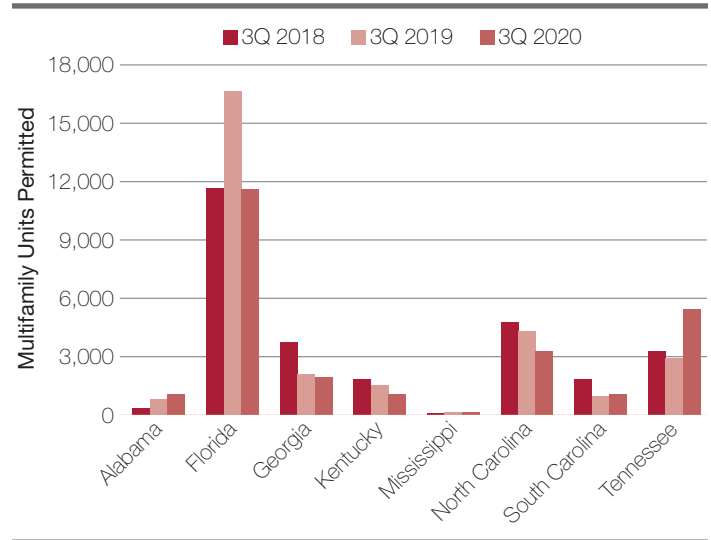
Multifamily home permitting activity in the region decreased during the past year, as apartment vacancy rates rose. The number of units permitted fell in four of the eight states, with those declines partially offset by increases in Alabama, Mississippi, South Carolina, and Tennessee. About 25,400 multifamily units were permitted in the region during the third quarter of 2020—a decrease of 3,700 units, or 13 percent, following an increase of 1,800 units, or 7 percent, during the third quarter of 2019.

During the third quarter of 2020 (preliminary data)—

- The 11,550 units permitted in Florida were the most of any state in the region, although the decline of 5,000 units from a year ago was the largest decrease. The Tampa and Orlando markets—where the number of multifamily units permitted declined 39 and 34 percent, to 2,975 and 1,400, respectively—accounted for just under one-half of the statewide decrease.
- The fastest decrease in multifamily permitting was in Kentucky, where the number of units permitted declined 33 percent from a year ago to 1,025 units. A 75-percent decrease in multifamily permitting in the Louisville market, from 720 to 180 units, contributed significantly to the decline in the state.
- In North Carolina and Georgia, the number of units permitted declined 23 and 7 percent, respectively, to 3,275 and 1,925 units. Multifamily permitting fell significantly in several markets in the two states, including from 2,075 to 1,325 units in Charlotte and from 1,300 to 890 units in Atlanta.

- The number of multifamily units permitted rose in the remaining four states in the region, with the largest and fastest increase in Tennessee, where multifamily permitting rose 85 percent, to 5,375 units, due in large part to an 82-percent increase, from 2,200 to 4,025 units, in Nashville.

The number of multifamily units permitted declined in the Southeast/Caribbean region during the third quarter of 2020, with decreases in four of the eight states.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

During the third quarter of 2020, apartment vacancy rates increased in seven of the eight major markets within the Southeast/Caribbean region, with rent growth of less than 3 percent in five of those markets.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2019 (%)	3Q 2020 (%)	Percentage Point Change	3Q 2019 (\$)	3Q 2020 (\$)	Percent Change
Atlanta	Balanced	4.4	4.5	0.1	1,279	1,283	0
Birmingham	Slightly Tight	4.3	4.3	0.0	1,007	1,033	3
Charlotte	Slightly Tight	3.8	4.2	0.4	1,174	1,183	1
Columbia	Balanced	4.6	5.1	0.5	954	978	3
Jackson	Tight	4.4	3.6	-0.8	884	930	5
Louisville	Balanced	3.8	4.8	1.0	910	918	1
Miami	Balanced	4.0	4.6	0.6	1,670	1,677	0
Nashville	Balanced	3.7	5.1	1.4	1,278	1,264	-1

3Q = third quarter.
 Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

