

HUD PD&R Regional Reports

Region 4: Southeast/Caribbean



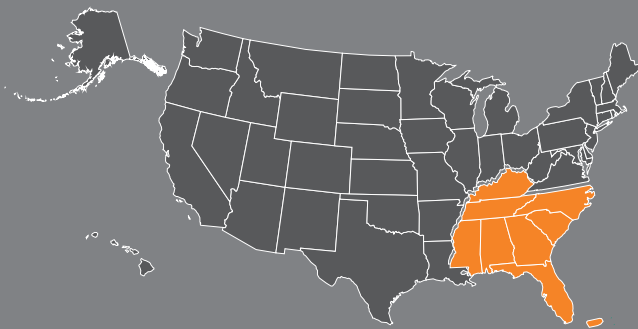
Memphis, Tennessee

By Casey M. Blount | 2nd quarter 2016

Quick Facts About Region 4

- **Sales market conditions—**
Second quarter 2016: mixed (balanced to slightly soft).
First quarter 2016: mixed (balanced to slightly soft).
Second quarter 2015: mixed (balanced to soft).

- **Apartment market conditions—**
Second quarter 2016: mixed (balanced to tight).
First quarter 2016: mixed (balanced to tight).
Second quarter 2015: mixed (soft to tight).



Overview

Economic expansion continued in the Southeast/Caribbean region during the second quarter of 2016 as nonfarm payrolls increased (year over year) for the sixth consecutive year. The rate of job growth in the region slowed slightly from the same period in 2015 but exceeded the national rate for the third consecutive year. Strengthening economic conditions contributed to improving sales housing and apartment markets. Sales housing markets are currently balanced to slightly soft, with increases in homes sales, average sales prices, and single-family home construction throughout most of the region. Apartment market conditions in the region range from balanced to tight, with vacancy rate declines reported in seven of eight major metropolitan areas and rent growth of at least 3 percent reported in all those areas (MPF Research).

- Nonfarm payrolls in the region expanded by 647,900 jobs, or 2.4 percent, during the second quarter of 2016, more than the 1.8-percent rate for the nation. The number of nonfarm payroll jobs—at 28.02 million—was 3.3 percent more than the prerecession high of 27.12 million during the second quarter of 2007.

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- Home sales increased in every state in the region, except in Mississippi, during the 12 months ending May 2016, ranging from a 1-percent increase in South Carolina to a 10-percent increase in Tennessee. Average prices increased at least 6 percent in seven of the eight states, with the only statewide decline reported in Mississippi.
- Despite large pipelines (the number of units under construction and in planning) that led to declines in the number of multi-family units permitted in three of the eight states during the second quarter of 2016, apartment market conditions remained balanced to tight in the largest metropolitan areas of the region, with vacancy rates ranging from 2.8 percent in Miami to 6.7 percent in Birmingham (MPF Research).

Economic Conditions

During the second quarter of 2016, nonfarm payrolls in the Southeast/Caribbean region increased by 647,900 jobs, or 2.4 percent, after a 2.5-percent increase during the second quarter of 2015. The professional and business services sector led payroll growth in the region during the second quarter of 2016, with a gain of 147,900 jobs, or 3.9 percent. Since the second quarter of 2010, the sector has added an average of 129,400 jobs, an increase of 3.8 percent, a year, both the greatest and fastest job growth in the region. Despite a 1.1-percent increase in the labor force during the second quarter of 2016, the unemployment rate for the region fell to 5.1 percent, down from 6.0 percent during the second quarter of 2015.

During the second quarter of 2016—

- Every state in the region reported job gains, led by Florida, which recorded both the greatest gains and the fastest growth at 262,700 jobs, or 3.3 percent. Job growth in the state was led by the professional and business services, leisure and hospitality,
- and education and health services sectors, which expanded by 48,050, 47,900, and 44,050 jobs, or 4.0, 4.2, and 3.7 percent, respectively.
- Other notable job gains occurred in Georgia and North Carolina, which added 129,900 and 84,750 nonfarm payroll jobs, increases of 3.0 and 2.0 percent, respectively. Job growth in Georgia included the 300 jobs created when Mercedes-Benz USA, LLC, relocated its headquarters to a temporary site in the city of Dunwoody. As many as 700 additional permanent jobs will be created by early 2018, when the company's new facility, which is currently under construction in Sandy Springs, is complete. In North Carolina, MetLife created 1,000 jobs at a new facility in the city of Cary, which opened in mid-2015, completing a plan announced in 2013 to create 2,600 jobs statewide.
- Job growth slowed in Mississippi, where nonfarm payroll growth has trailed the other states in the region since 2010. The state

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Nonfarm payrolls in the Southeast/Caribbean region increased year over year for the 24th consecutive quarter.

	Second Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	27,375.4	28,023.3	647.9	2.4
Goods-producing sectors	3,734.9	3,822.7	87.8	2.4
Mining, logging, and construction	1,274.2	1,324.1	49.9	3.9
Manufacturing	2,460.8	2,498.6	37.8	1.5
Service-providing sectors	23,640.5	24,200.6	560.1	2.4
Wholesale and retail trade	4,444.4	4,555.9	111.5	2.5
Transportation and utilities	1,065.9	1,091.5	25.6	2.4
Information	471.3	466.0	- 5.3	- 1.1
Financial activities	1,505.8	1,540.3	34.5	2.3
Professional and business services	3,748.5	3,896.4	147.9	3.9
Education and health services	3,702.6	3,805.8	103.2	2.8
Leisure and hospitality	3,230.9	3,332.8	101.9	3.2
Other services	1,026.4	1,042.4	16.0	1.6
Government	4,444.8	4,469.6	24.8	0.6

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



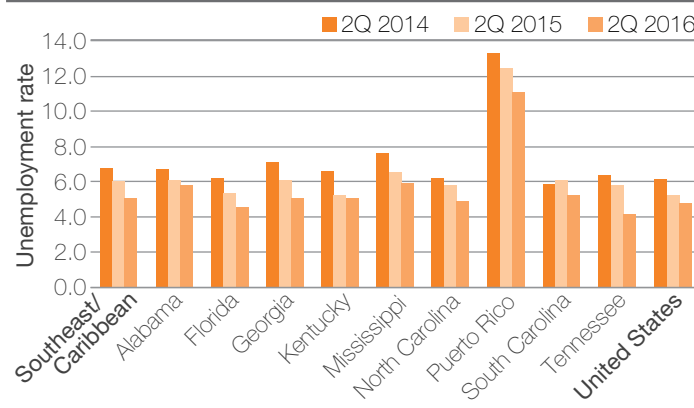
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added 8,975 jobs, an increase of 0.8 percent, compared with an increase of 13,050 jobs, or 1.2 percent, during the second quarter of 2015.

- The only job losses in the region occurred in Puerto Rico, which declined by 9,475 jobs, or 1.0 percent; nonfarm payrolls in the U.S. Virgin Islands remained largely unchanged. The economies of both territories are yet to recover from the most recent national recession, with nonfarm payrolls during the second quarter of 2016 approximately 15 and 18 percent less than their respective highs, which occurred during the second quarters of 2005 and 2007, respectively.
- Unemployment rates decreased throughout the region, with the greatest declines for states reported in Georgia and North Carolina, where the rates were 5.1 and 5.0 percent, down from 6.0 and 5.9 percent, respectively, during the second quarter of 2015. The lowest rate in the region was 4.2 percent in Tennessee. The 6.0-percent rate in Mississippi was the highest in the region, but it was the lowest for a second

quarter in the state since 2004. The unemployment rate in Puerto Rico was 11.1 percent, down from 12.5 percent a year ago.

State unemployment rates declined throughout the Southeast/Caribbean region to near or below the rate for the nation, except in Alabama and Mississippi.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions in the Southeast/Caribbean region remained mixed (balanced to slightly soft) during the second quarter of 2016. Markets throughout the region improved significantly during the past 5 years, with strong job growth and low levels of homebuilding in the early 2010s contributing to reductions in available inventory for sale. The number of seriously delinquent (90 or more days delinquent or in foreclosure) loans and real estate owned (REO) properties declined in the region, continuing a trend that began 6 years ago.

During May 2016, 3.4 percent of mortgages were seriously delinquent or had transitioned into REO status, down from 4.8 percent in May 2015 and much less than the 11.2-percent rate in May 2010 (CoreLogic, Inc.). Florida and Mississippi reported the highest rates of seriously delinquent loans and REO properties in the region, at 4.4 percent each in May 2016, down from 6.6 and 5.0 percent, respectively, during May 2015 and significantly improved from 18.6 and 7.8 percent, respectively, in May 2010 (CoreLogic, Inc.).

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Continued job growth contributed to increased home sales and rising sales prices in most of the Southeast/Caribbean region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Alabama (N&E)	May	77,200	81,400	5	AVG	151,800	162,200	7
Florida (N&E)	May	538,700	550,800	2	AVG	226,600	239,900	6
Georgia (N&E)	May	181,000	197,600	9	AVG	191,900	212,400	11
Kentucky (N&E)	May	71,600	74,550	4	AVG	139,800	153,300	10
Mississippi (N&E)	May	14,050	13,500	-4	AVG	188,000	183,700	-2
North Carolina (N&E)	May	174,300	183,900	6	AVG	197,900	213,500	8
South Carolina (N&E)	May	99,650	100,900	1	AVG	189,500	207,100	9
Tennessee (N&E)	May	136,700	149,800	10	AVG	166,900	181,400	9

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

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

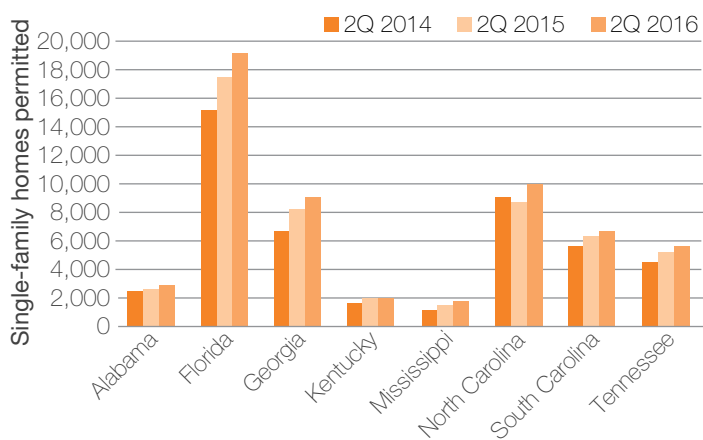
Source: CoreLogic, Inc., with adjustments by the analyst



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During the 12 months ending May 2016, home sales increased in seven of the eight states in the region (CoreLogic, Inc., with adjustments by the analyst). Tennessee, Georgia, and North Carolina reported the greatest percentage gains in home sales of 10, 9, and 6 percent, respectively. Average home prices also increased in seven of the eight states, led by Georgia, where the average price increased 11 percent, to \$212,400, and Kentucky, where the average price increased 10 percent, to \$153,300. Mississippi was the only state where statewide declines in home sales and average home sales prices, which decreased 4 and 2 percent, respectively, were reported. Recent data show improvement in the sales market in the 10-county central Mississippi area, which includes the Jackson metropolitan area, however. From January through June of 2016,

Improving sales market conditions resulted in increased single-family permitting in every state in the Southeast/Caribbean region.



2Q = second quarter.

Note: Based on preliminary data.

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

the number of home sales in the area increased 9 percent from the same period in 2015 and the average home sales price increased 1 percent (Central Mississippi MLS).

During the second quarter of 2016 (preliminary data)—

- Builders increased single-family home production, as measured by the number of homes permitted, in the region for the fifth consecutive year as economic and home sales market conditions continued to improve. The number of single-family homes permitted increased 10 percent, to 57,200, up from 51,800 during the second quarter of 2015.
- Increases in the number of homes permitted ranged from 6 percent in Alabama, where 2,825 homes were permitted, to 17 percent in Mississippi, where 1,700 homes were permitted, up from 1,450 homes during the second quarter of 2015. The Jackson metropolitan area accounted for approximately 28 percent of the increase.
- Florida accounted for approximately 34 percent of the single-family homes permitted in the region. The number of single-family homes permitted in the state increased to 19,350, an 11-percent increase from 17,450 during the second quarter of 2015.
- In Georgia, where single-family permitting increased 12 percent, plans were recently announced for Pinewood Forest, a \$700 million multiuse development located near the city of Fayetteville. The project will encompass 230 acres adjacent to Pinewood Atlanta Studios, a full-service film and entertainment studio complex, which supports an estimated 2,000 jobs. When complete, the project is expected to include 1,250 residences consisting of single-family homes, townhomes, and apartments and also a combined 270,000 square feet of office, restaurant, and retail space. Preliminary work has already begun, with construction of the first residential and commercial areas scheduled for early 2017.

Apartment Market Conditions

Apartment market conditions were mixed throughout the Southeast/Caribbean region during the second quarter of 2016, ranging from balanced to tight. The apartment markets in Miami and Nashville remained tight despite apartment construction continuing at relatively high levels. The respective apartment inventories increased by 6,175 and 4,900 units, from the second quarter of 2015, after increases of 6,975 and 4,625 units, respectively, during the previous year. Apartment market conditions in Charlotte and Louisville moved from balanced to tight as the vacancy rates declined from 5.0 to 3.9 percent and from 4.8 to 3.7 percent, respectively, because strong demand continued to outpace apartment completions (MPF Research). Columbia had the greatest decline in the vacancy rate, from 7.4 to 4.4 percent, as economic conditions in

the market continued to improve. The vacancy rate in Birmingham increased slightly, from 6.5 to 6.7 percent, because of a relatively large increase in the apartment inventory, which expanded by 640 units during the past year, up from an average of 530 units a year from the second quarter of 2012 through the second quarter of 2015. Rent growth was fastest in Miami and Nashville, which also had the highest average rents. Average rents increased 9 percent in each market, to \$1,396 and \$1,085, respectively. Louisville continued to have the lowest average rent in the region, despite a 4-percent increase to \$793. The slowest rent growth occurred in Birmingham, where average rents increased 3 percent, to \$852.

Although conditions in apartment markets throughout the Southeast/Caribbean region, in general, are balanced to tight, multifamily

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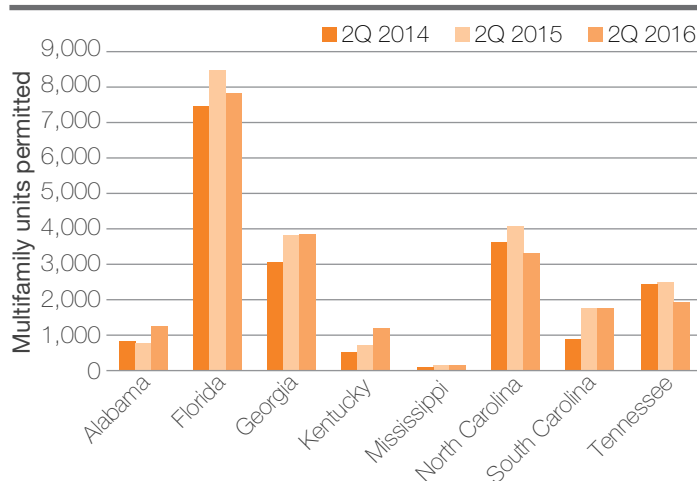
construction, as measured by the number of units permitted, declined in many areas because of large pipelines. Multifamily permitting increased significantly in Alabama and Kentucky, however.

During the second quarter of 2016 (preliminary data)—

- The number of multifamily units permitted in the region was 21,200, a 4-percent decrease from the number of units permitted during the second quarter of 2015.
- Large numbers of units moving from planning to under construction in major markets in North Carolina, Florida, and Tennessee resulted in declines of 760, 620, and 590 units permitted in the three states, respectively. Miami has a particularly large pipeline, with 21,650 units estimated to be under construction, including two highrise buildings in downtown Miami. Both the 44-story Luma at Miami Worldcenter, which will have 429 units, and the 42-story Avant at Met Square, which will have 391 units, are scheduled to be complete in 2018.
- Multifamily permitting increased by 510 and 500 units, or 73 and 74 percent, respectively, in Alabama and Kentucky. The 1,175 units permitted in Kentucky represent the highest total for a second quarter since 2001. Developers responded to tightening apartment market conditions, particularly in Louisville, which accounted for 21 percent of all units permitted in the state, up from 9 percent during the second quarter of 2015.

- In Mississippi, the number of multifamily units permitted increased by only 20 units, to 160, and Georgia reported a 1-percent increase, to 3,850 units. Multifamily permitting was relatively unchanged, at 1,725 units, in South Carolina.

Multifamily permitting increased in one-half of the states in the Southeast/Caribbean region, but large development pipelines in several major markets resulted in an overall decline.



2Q = second quarter.

Note: Based on preliminary data.

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

Vacancy rates were below 5 percent in six of the eight major metropolitan areas highlighted this quarter in the Southeast/Caribbean region, and rents increased by at least 5 percent in one-half of them.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2015 (%)	2Q 2016 (%)	Percentage Point Change	2Q 2015 (\$)	2Q 2016 (\$)	Percent Change
Atlanta	Balanced	5.8	5.2	- 0.6	971	1,034	6
Birmingham	Balanced	6.5	6.7	0.2	827	852	3
Charlotte	Tight	5.0	3.9	- 1.1	946	992	5
Columbia	Balanced	7.4	4.4	- 3.0	839	874	4
Jackson	Balanced	4.9	4.4	- 0.5	781	814	4
Louisville	Tight	4.8	3.7	- 1.1	763	793	4
Miami	Tight	3.6	2.8	- 0.3	1,336	1,396	9
Nashville	Tight	3.7	3.4	- 0.3	999	1,085	9

2Q = second quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research