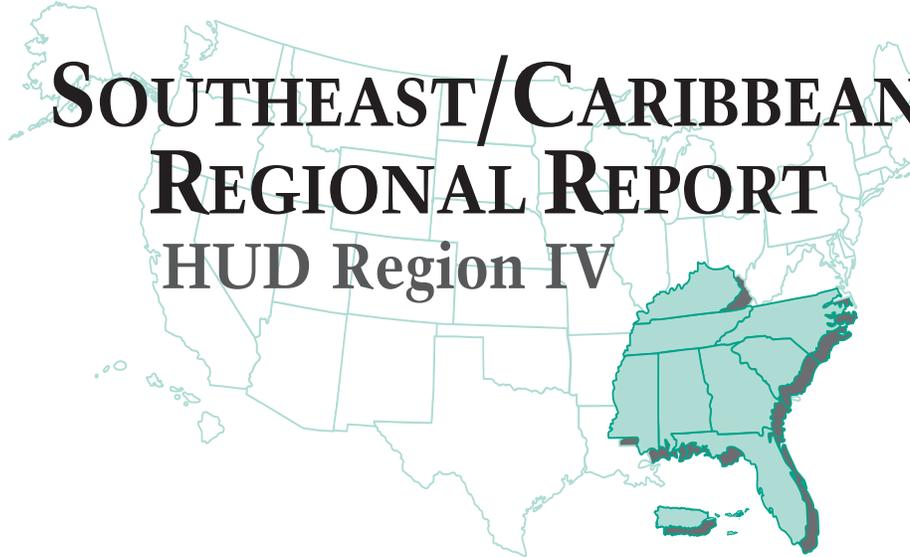


1st Quarter 2009



# U.S. Housing Market Conditions

## SOUTHEAST/CARIBBEAN REGIONAL REPORT HUD Region IV



### 1st Quarter Activity

The following summary of the Southeast/Caribbean region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Southeast/Caribbean region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

During the 12-month period ending March 2009, nonfarm employment in the Southeast/Caribbean region declined by 665,700 jobs, or 2.5 percent, compared with the level of employment during the previous 12 months, to an average of 26.4 million jobs. Employment fell in each state in the region and in Puerto Rico. The largest decline occurred in Florida, where employment declined by 315,000 jobs, or 3.9 percent, to 7.7 million jobs. Georgia and North Carolina recorded the most job losses after Florida; employment declined in the two states by 89,400 and 72,700 jobs, or by 2.2 and 1.7 percent, respectively. Job losses occurred in all employment sectors in the region except the education and health

services and the government sectors, where employment increased by 63,600 and 52,200 jobs, or by 2 and 1.2 percent, respectively.

A decline in construction employment accounted for 29 percent of all job losses posted in the region during the 12 months ending March 2009. During the period, employment in the construction sector fell by 194,800 jobs, or 12 percent, to approximately 1.5 million, largely due to continued cutbacks in residential construction. Florida led the region in construction job losses, with a decline of 107,600 jobs, and accounted for 55 percent of job losses in the sector. North Carolina and Georgia followed with losses of 27,000 and 21,500 construction sector jobs, respectively. Mississippi was the only state in the region that did not have a decline in construction sector employment; elevated multifamily construction in 2008 compensated for a decline in single-family production during the same year. During the past 12 months, the professional and business services sector, which has been the fastest growing employment sector in the region since 2005, lost 132,700 jobs, a 3.9-percent decline.

During the 12 months ending March 2009, the unemployment rate increased in every state in the region.



U.S. Department of Housing and Urban Development  
Office of Policy Development and Research





Average unemployment rates range from a low of 6.1 percent in Alabama to a high of 12.3 percent in Puerto Rico. The largest increase occurred in Florida, where the unemployment rate increased from an average of 4.4 percent for the 12 months ending March 2008 to 7.3 percent for the 12 months ending March 2009. The increased rate in Florida was followed closely by increased unemployment rates in North Carolina and South Carolina, from 4.9 to 7.7 percent and from 5.5 to 8.3 percent, respectively.

Single-family home production, as measured by the number of homes permitted, declined by 46 percent in the region to approximately 137,600 homes during the 12 months ending March 2009 compared with an annual average of 446,700 homes permitted during the period from 2002 to 2005. In the past 12 months, the number of homes permitted fell in each state. The greatest decline occurred in Florida, where the number of permits issued for single-family homes decreased by 29,100, or 41 percent, to 38,000 permits. The decrease in construction activity in the remainder of the region ranged from 3,500 permits in Kentucky to 27,200 permits in North Carolina.

During the past 12 months, in the Southeast/Caribbean region, multifamily construction activity, as measured by the number of units permitted, has continued to decline from the record highs recorded in 2005. During the 12-month period ending March 2009, the number of multifamily units permitted in the region declined by 28,950, or 34 percent, to 57,200. In contrast, an annual average of 132,800 units were permitted in 2004 and 2005, when rapid apartment and condominium construction occurred. During the past 12 months, the number of units permitted fell in each state except Kentucky, where an increase in multifamily construction activity in the Lexington metropolitan area contributed to an overall statewide increase of 847 units, or 32 percent.

During the past 12 months, both home sales and home sales prices continued to fall throughout the region except in Florida, where sales rebounded slightly. According to data from the Florida Association of REALTORS® (FAR), in the 12 months ending March 2009, annualized sales of existing homes in Florida increased for the first time since the end of 2005. During the most recent 12-month period, sales of existing single-family homes totaled 129,700 statewide, an increase of 9,500 homes, or 8 percent. Continuing lower sales prices contributed to the modest increase in sales. FAR data indicate that, during the first quarter of 2009, the median price of an existing single-family home in Florida was \$141,000, a decrease of 30 percent, or \$61,300, from the median price recorded during the first quarter of 2008. During the past 12 months, statewide sales of existing condominiums remained relatively constant, at 39,500 units. In addition to the

effect of a large inventory of unsold condominium units, auctions of new condominium units have driven down condominium sales prices across the region. During the first quarter of 2009, the median price of an existing condominium in Florida was \$110,100, 38 percent below the median price recorded during the first quarter of 2008.

In the 12 months ending March 2009, sales of existing homes in Alabama continued to decrease. According to data from the Alabama Center for Real Estate, sales of existing single-family homes totaled approximately 40,850 statewide, a 25-percent decrease compared with the number sold during the 12 months ending March 2008. This slowdown in sales occurred in every metropolitan area in the state. During the 12 months ending March 2009, the average price of an existing single-family home in Alabama was \$153,200, a decrease of nearly 3 percent from the average price recorded during the previous 12-month period. Tighter lending standards, an excess supply of both new and existing homes, and uncertainty in the job market are major contributors to the decline in sales volume and prices.

According to data from the North Carolina Association of REALTORS®, during the 12 months ending March 2009, existing home sales in the 20 reporting areas in the state declined by 34,200 homes, or 29 percent, to 84,700 homes. The total number of homes sold during the past 12 months fell in 19 of the 20 areas. Only Brunswick, which recorded a 9-percent decrease in sales for the 12 months ending March 2008 and a 57-percent decrease in sales for the 12 months ending March 2007, posted a 31-percent increase in sales of 420 homes, to nearly 1,800 units during the past 12 months. In 2007, the number of home sales in the coastal area of Brunswick declined to levels far below typical sales volume for the area, ahead of declines in sales in other areas of North Carolina. Although sales in Brunswick have increased during the past 12 months, they remain below the annual average of 2,175 homes sold from 2002 to 2007. During the past 12 months, the price of an existing home in North Carolina fell by 5 percent to an average of \$211,900. Although most areas in the state recorded declines in average home prices, Fayetteville, Goldsboro, and Neuse River posted moderate increases in the average price, ranging from 3 to 12 percent.

Sales and prices of existing homes continued to fall in the largest metropolitan areas of Tennessee. During the 12 months ending March 2009, the Greater Nashville Association of REALTORS®, Inc., reported that sales of single-family homes in Nashville decreased by 28 percent, from approximately 25,350 to 18,750 homes. Condominium sales continued to decrease to approximately 2,900 units, a 36-percent decline. In March 2009, the median price of a single-family home decreased by 11 percent to \$158,000 and the median price of a condominium unit decreased by 3 percent to \$155,700, compared with March 2008. According to



the Knoxville Area Association of REALTORS®, during the 12 months ending March 2009, single-family home sales in Knoxville totaled 9,850 homes, a 26-percent decrease compared with the number of homes sold during the previous 12 months. Condominium sales decreased by 41 percent to approximately 1,100 units. During the 12 months ending March 2009, the average sales price of single-family homes and condominiums decreased by 5 percent each, to \$179,600 and \$167,400, respectively. During the first quarter of 2009, the Memphis Area Association of REALTORS® reported that single-family home sales in Memphis decreased by 25 percent to 4,225 homes, compared with the first quarter of 2008, and condominium sales decreased by 38 percent to approximately 140 units. During the same period, the average price of a single-family home fell to \$108,800, an 11-percent decline, and the average price of a condominium unit decreased by 25 percent to \$100,100.

According to Reis, Inc., during the first quarter of 2009, apartment vacancy rates increased in 19 of 20 reporting areas in the Southeast. High levels of apartment construction, competition from condominium units made available for rent, and recent job losses accounted for the increase in vacancy rates in the region. Palm Beach, Florida, was the only area in the region to record a decline in the vacancy rate, which fell from 8 percent during the first quarter of 2008 to 7.7 percent during the first quarter of 2009. Vacancy rates continued to

rise in other areas of Florida between the first quarter of 2008 and the first quarter of 2009, after increasing in each market between the first quarter of 2007 and the first quarter of 2008. During the first quarter of 2009 in other areas of Florida, vacancy rates were 5.7 percent in Miami, 7.1 percent in Fort Lauderdale, 9.3 percent in Tampa-St. Petersburg, 9.9 percent in Orlando, and 12.7 percent in Jacksonville.

Because of limited apartment construction in Kentucky during the past year, markets in the state were the only ones in the region in which the apartment vacancy rate remained stable, at 7.6 percent in Lexington and 7.1 percent in Louisville. In South Carolina during the past 12 months, high levels of apartment construction contributed to the rise in vacancy rates. With high vacancy rates and concessions common, apartment markets in the state are currently the softest in the region. In Charleston, Columbia, and Greenville, vacancy rates increased to 11.5, 13.5, and 10.1 percent, respectively, during the first quarter of 2009. In North Carolina, the rates reached 8.5, 11.3, and 7.8 percent in Charlotte, Greensboro, and Raleigh, respectively. Between the first quarter of 2008 and the first quarter of 2009, rents generally increased 1 to 3 percent across the region despite increases in vacancy rates. Three Florida markets—Fort Lauderdale, Miami, and Palm Beach—were the only markets in the region that recorded slight declines of less than 2 percent in rents.