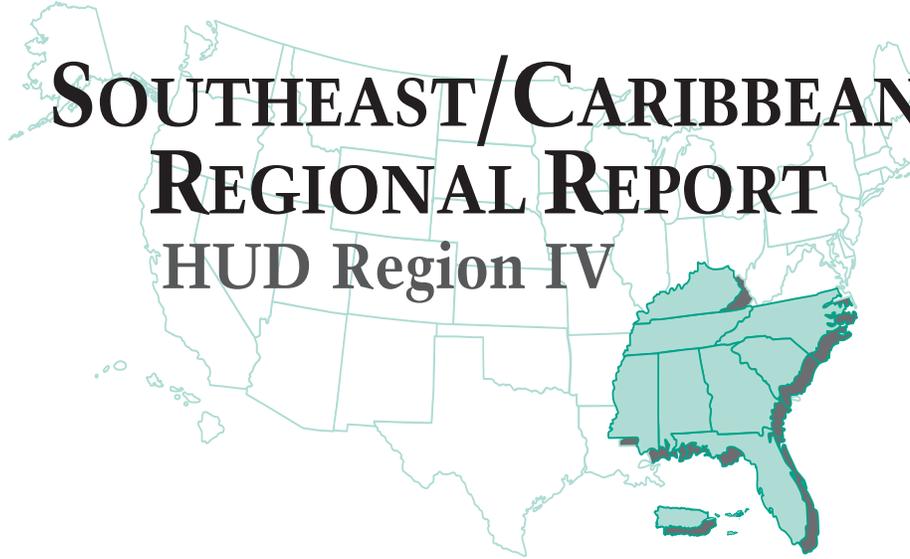




U.S. Housing Market Conditions

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 2011, non-farm payrolls averaged 25.1 million jobs, a decrease of 20,500 jobs, or 0.1 percent, from the same period a year earlier. Results were mixed in the region, with payrolls increasing the most in Tennessee and Kentucky, by 17,900 and 16,800 jobs, or 0.7 and 1 percent, respectively. During the 12 months ending March 2011, Mississippi, South Carolina, and the Virgin Islands also recorded employment gains that ranged from 0.3 to 0.6 percent. Employment in Puerto Rico declined the most in the region, down by 28,800 jobs, or 3 percent, to 918,700 jobs, followed by Georgia and Florida, where employment decreased by 16,400 and 11,200 jobs to 3,828,500

and 7,184,900 jobs, respectively. During the first quarter of 2011, payroll growth was positive in every state in the region compared with the growth recorded during the first quarter of 2010, when employment declined in every state in the region. Only Puerto Rico and the Virgin Islands recorded continued job losses during the first quarter of 2011.

Job losses in the Southeast/Caribbean region during the 12 months ending March 2011 resulted primarily from declines in employment in the construction sector, which fell by 70,900 jobs, or 7 percent. Soft sales and rental markets, as well as tight credit markets, have contributed to job losses in the sector. Other significant declines in nonfarm payrolls in the region included the manufacturing and government sectors, which decreased by 36,500 and 27,300 jobs, or 1.7 and 0.6 percent, respectively. During the past 12 months, manufacturing employment in the region continued a long-term decline that occurred partially because of international manufacturing competition. Decreases in government employment were primarily the result of cost-cutting efforts by state and local governments to compensate for long-term decreases in tax revenues resulting from the slow economy. The largest increase in employment, 107,900 jobs, or 3.5 percent, came from the professional



and business services sector; every state and the Caribbean recorded an increase in employment in the sector. During the past 12 months, the education and health services sector and the leisure and hospitality sector in the region increased by 48,600 and 20,200 jobs, or 1.4 and 0.8 percent, respectively. During the 12 months ending March 2011, the unemployment rate for the region decreased to an average of 10.7 percent from 10.9 percent during the previous 12-month period. During the past 12 months, unemployment rates ranged from 9.2 percent in Alabama to 16.2 percent in Puerto Rico.

Throughout the Southeast/Caribbean region, sales housing markets remain soft because of the large number of distressed properties; however, during the past 12 months, the percentage of distressed loans declined in every state in the region. According to LPS Applied Analytics, in March 2011, 11.1 percent of home loans in the region were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 12.2 percent in March 2010. In March 2011, the rates of distressed loans ranged from 5.8 percent in Kentucky to 18.1 percent in Florida. The large number of distressed home loans and falling housing prices in Florida have increased investor purchases in the state, resulting in an increase in the number of home sales. According to data available from Florida Realtors®, during the 12 months ending March 2011, sales of existing homes and condominiums in Florida increased by 4 percent to 176,600 and by 25 percent to 78,550, respectively, compared with the numbers sold during the previous 12-month period. The year-to-date median sales price through March 2011 for an existing single-family home or condominium decreased by 6 percent to \$123,600 and by 14 percent to \$80,700, respectively, from the median prices during the first quarter of 2010. In Miami, during the 12 months ending March 2011, existing single-family home sales increased by 17 percent to 8,025, with the year-to-date median sales price down 19 percent to \$159,800. In Miami, during the same period, condominium sales increased by 54 percent to 11,500, but the year-to-date median sales price decreased by 30 percent to \$97,400.

The Alabama Center for Real Estate reported that, during the 12 months ending March 2011, approximately 35,800 new and existing homes and condominiums sold statewide, a 9-percent decrease from the 12 months ending March 2010. The average price for a home or condominium sold was about \$145,600, which was virtually unchanged from the price during the 12 months ending March 2010. In Kentucky, during the first quarter of 2011, according to the Greater Louisville Association of REALTORS®, approximately 1,950 new and existing single-family homes and 225 condominiums were sold, a decrease of 7 and 12 percent, respectively, from the first quarter of 2010. During the first quarter of 2011, the median prices of single-family homes and condominiums sold decreased by 3 percent to \$130,000 and by 4 percent to \$116,500, respectively, compared with

the first quarter of 2010. The Lexington Bluegrass Association of REALTORS® reported that, during the 12 months ending March 2011, about 6,225 new and existing homes were sold, a decrease of 14 percent from the previous 12 months. During the 12-month period ending March 2011, the average price of a home sold increased 2 percent to \$170,200. During that same period, approximately 500 condominiums and townhomes in Lexington were sold, down 22 percent from the previous 12 months, but the average price increased 13 percent to \$153,800.

According to the North Carolina Association of REALTORS®, Inc., during the 12 months ending March 2011, 80,500 existing homes were sold in the 21 areas reported on by the association, a 3-percent decrease compared with the number sold during the previous 12-month period. The statewide average price of a home increased by less than 1 percent to \$201,700. The number of homes sold decreased in the three largest metropolitan areas of the state—Charlotte, Greensboro, and Raleigh—which recorded declines of 2, 4, and 6 percent, respectively. The average home price in Charlotte and Raleigh increased by 1 and 3 percent, respectively, but decreased by nearly 2 percent in Greensboro. South Carolina REALTORS® reported that, during the 12 months ending March 2011, 45,100 homes were sold statewide, a decrease of nearly 5 percent from the number sold during the previous 12 months. During the 12 months ending March 2011, the number of homes sold declined in 9 of the 14 reported areas for which 24 months of data were available and median home prices decreased in 10 areas. The year-to-date median price of a home decreased 4 percent to \$140,000 statewide.

According to the Knoxville Area Association of REALTORS®, in the 12 months ending March 2011, the number of new and existing single-family homes sold in Knoxville decreased by 9 percent to 8,770 homes, but the average sales price increased to \$174,800, up nearly 2 percent. Knoxville condominium sales decreased by nearly 9 percent to 970, and the average price declined by 3 percent to \$154,800. According to the Greater Nashville Association of REALTORS® the number of new and existing single-family homes and condominiums sold decreased by 7 percent to 16,740 and by 17 percent to 2,225, respectively, during the 12 months ending March 2011. From March 2010 to March 2011, the median price for a single-family home increased from \$159,250 to \$165,000, or 4 percent, and the median price for a condominium increased from \$137,450 to \$143,000, or 4 percent. According to the Memphis Area Association of REALTORS®, in the 12 months ending March 2011, 9,800 new and existing single-family homes were sold, a decrease of 12 percent; the average price decreased by 1 percent to \$143,600. Condominium sales decreased by 22 percent to 350, while the average sales price declined to \$142,100, compared with the sales price recorded during the previous 12 months.



As a result of weak economic conditions and tight credit markets in the Southeast/Caribbean region, single-family production continued to decline during the past 12 months. Based on preliminary data, during the 12-month period ending March 2011, single-family homebuilding in the region, as measured by the number of building permits issued, decreased by 14,400 homes, or 13 percent, to 98,550. Every state in the region recorded a decrease in single-family homebuilding, ranging from a decrease of approximately 3,300 homes, or 13 percent, in North Carolina, to a decrease of 835 homes, or 15 percent, in Kentucky. The number of permits issued in the region remains near the lowest number recorded in more than 20 years.

Because of soft apartment markets and tight credit conditions in 2010, multifamily construction, as measured by the number of multifamily units permitted, remained near historic lows in the Southeast/Caribbean region but increased slightly in some states in the region. According to preliminary data, during the 12 months ending March 2011, the number of multifamily units permitted increased by 830 units, or 3 percent, to approximately 28,750 units. Trends in permits during the past 12 months varied throughout the region. Permits decreased by 1,400 units, or 42 percent, in Alabama to 1,950 units but increased by 2,625 units, or 39 percent, to 9,450 units in Florida. Kentucky and North Carolina also recorded increases of 570 and 490 units permitted, respectively.

As a result of minimal apartment construction and improved absorption during the past 12 months, significant decreases in apartment vacancy rates have occurred in each of the 20 largest metropolitan areas in the region in the first quarter of 2011. Of the 20 areas, 15 are considered to have balanced apartment market conditions. According to Reis, Inc., vacancy rates declined by at least 2 percentage points in Atlanta, Columbia, Greensboro-Winston-Salem, Jacksonville, and Memphis, but, because of an excessive number of vacant units in 2010, the declines were not sufficient to achieve balanced apartment market conditions. The largest decline in vacancy rates occurred in Charleston, where, from the first quarter of 2010 to the first quarter of 2011, the vacancy rate decreased from 11.6 to 7.5 percent. Vacancy rates ranged from 5.2 percent in Chattanooga to 11.2 percent in Memphis during the first quarter of 2011. In Atlanta and Miami, during the first quarter of 2011, the vacancy rates were 9.1 and 5.6 percent, down from 11.5 and 6.3 percent during the first quarter of 2010, respectively. Between the first quarter of 2010 and the first quarter of 2011, average monthly rents increased in 19 areas; only Jacksonville had a decrease in rent of less than 1 percent to \$800. Rent increases ranged from nearly 4 percent in Greenville to less than 1 percent in Atlanta, Birmingham, Lexington, and Orlando. During the first quarter of 2011, rents averaged \$846 in Atlanta and increased by 1 percent to \$1,088 in Miami from the first quarter of 2010.