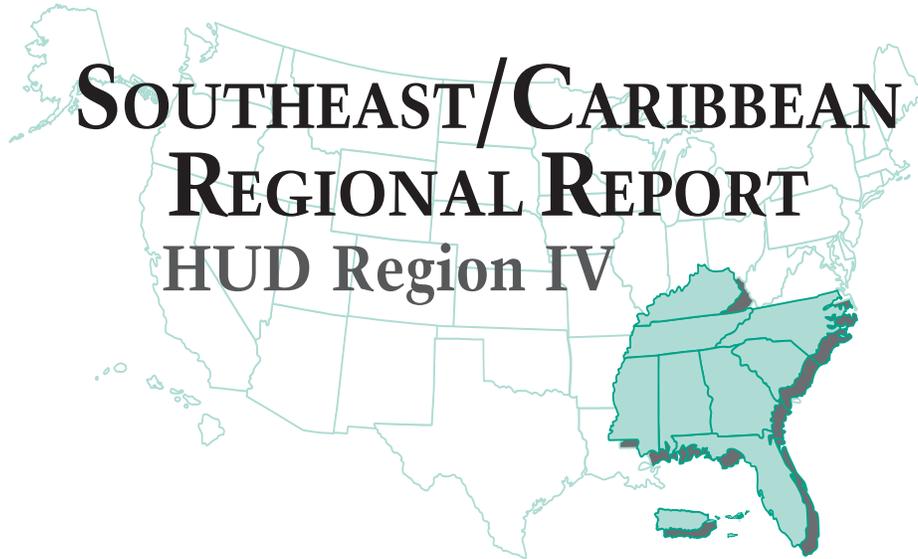


1st Quarter 2012



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.

Nonfarm payroll gains that began during the second quarter of 2011 continued during the first quarter of 2012 in the Southeast/Caribbean region. During the 12-month period ending March 2012, nonfarm payrolls averaged approximately 25.4 million jobs, an increase of 235,600 jobs, or 0.9 percent, from the same period a year earlier. Florida, Tennessee, North Carolina, and Georgia added 78,300, 42,500, 41,500, and 41,200 jobs, or 1.1, 1.6, 1.1, and 1.1 percent, respectively. Kentucky and South Carolina added 22,000 and 20,800 jobs, or 1.2 and 1.1 percent, respectively. Alabama, Mississippi, and Puerto Rico lost 4,500, 2,800, and 2,800 jobs, respectively, a rate of less than 0.5 percent each, whereas the 600 jobs lost in the Virgin Islands represented a 1.3-percent decline.

Three sectors accounted for 96 percent of the increased payrolls in the region during the 12 months ending March 2012. The largest increase in payrolls, of 114,800 jobs, or 3.6 percent, occurred in the professional and business services sector. All eight states, Puerto Rico, and the Virgin Islands recorded job gains in the sector. The education and health services and the leisure and hospitality sectors followed, with increases of 66,800 and 44,100 jobs, or 1.9 and 1.6 percent, respectively. The government sector, which fell by 48,300 jobs, or 1.1 percent, and the construction subsector, which declined by 35,900 jobs, or 3.8 percent, led job losses in the region during the 12 months ending March 2012. Approximately one-half of the government sector job losses occurred in the federal government subsector, and the state and local government subsectors split the remaining share evenly. During the 12 months ending March 2012, the average unemployment rate for the region decreased to 10.0 percent compared with the 10.7-percent rate recorded during the previous 12-month period. During the past 12 months, every state and territory in the region reported unemployment rate declines, and all except Alabama, with an 8.5-percent rate, had unemployment rates greater than the 8.7-percent national average. Puerto Rico continued to record the highest rate of unemployment in the region, at 15.4 percent.



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





Nearly every sales housing market in the Southeast/Caribbean region is soft but improving. According to LPS Applied Analytics, in March 2012, 11.1 percent of home loans in the region were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), much greater than the 7.8-percent national rate. Although the current rate for the region is unchanged from March 2011, it fell to as little as 10.6 percent in November 2011 before returning to the current rate. Within the region, the percentage of distressed loans in March 2012 ranged from 6.3 percent in Alabama to 18.0 percent in Florida. In Florida, the large number of distressed home loans continues to stimulate investor purchases, resulting in increased home sales. According to data from Florida Realtors®, during the 12 months ending March 2012, existing single-family home sales in Florida increased 3 percent, to 198,800 homes sold, compared with the number sold during the previous 12 months; existing townhome and condominium sales increased less than 1 percent, to 102,300 units, during the same period. During March 2012, the median sales prices for a single-family home and for a townhouse or condominium unit were \$139,000 and \$105,000, increases of 10 and 21 percent, respectively, from March 2011. According to Miami REALTORS®, during the 12 months ending March 2012, 10,000 existing single-family homes sold, a 25-percent increase compared with the 8,025 sold during the previous 12 months in the Miami metropolitan area. The median price in March 2012 was \$180,000, up 13 percent from March 2011. The number of existing condominiums sold during the past 12 months increased 45 percent, to 15,050 units, and the median price increased 46 percent, to \$141,700.

The Alabama Center for Real Estate reported that approximately 37,850 new and existing single-family homes and condominiums sold statewide during the 12 months ending March 2012, a 6-percent increase from the 12 months ending March 2011. The average sales price for homes and condominiums was nearly \$141,200, down 3 percent from the previous 12 months. The North Carolina Association of REALTORS® reported that, during the 12 months ending March 2012, approximately 82,050 homes sold statewide, a 2-percent increase compared with the number sold during the 12 months ending March 2011. The average home sales price was approximately \$196,900, down 2 percent from the previous 12 months. In the Charlotte and Greensboro-Winston Salem metropolitan areas, existing home sales increased 7 and 5 percent, to 23,550 and 11,450 homes, respectively, and the average home sales price decreased 2 and 3 percent, to \$200,350 and \$150,550, respectively. During the 12 months ending March 2012, new and existing home sales in the Raleigh-Durham metropolitan area remained relatively unchanged at 20,150 homes, and the average home sales price decreased 3 percent, to \$220,850. South Carolina REALTORS® reported that, during the 12 months ending March 2012, 45,900 homes sold statewide, a 3-percent

increase from the previous 12 months. The number of homes sold increased in 13 of the 15 reported areas in the state. Statewide, the median home sales price for the first quarter of 2012 increased 2 percent, to \$143,000, from the first quarter of 2011. Median home sales prices increased in 10 of the 15 reported areas.

The Lexington-Bluegrass Association of REALTORS® reported that, during the 12 months ending March 2012, approximately 6,575 new and existing single-family homes sold in the Lexington metropolitan area, a 6-percent increase from the previous 12 months. The average home sales price for the same period was \$164,900, a 3-percent decrease from the previous year. Approximately 450 condominiums and townhomes sold in the Lexington metropolitan area, down 7 percent from the previous 12 months; the average sales price decreased 6 percent, to \$145,100. According to the Knoxville Area Association of REALTORS®, during the 12 months ending March 2012, the number of new and existing single-family homes sold in the Knoxville metropolitan area increased 1 percent, to 8,850, and the average home sales price declined 3 percent, to approximately \$170,100. The number of condominium units sold in the Knoxville area decreased 9 percent, to 890 units, and the average price declined 2 percent, to \$152,300. According to the Greater Nashville Association of REALTORS®, new and existing single-family home and condominium sales increased 7 and 2 percent, to 17,875 and 2,275, respectively, during the 12 months ending March 2012. The median price of a single-family home sold increased 2 percent, from \$165,000 in March 2011 to \$168,500 in March 2012. The median price of a condominium unit sold decreased 6 percent, to \$135,000, during the same period.

Based on preliminary data, during the 12-month period ending March 2012, single-family homebuilding in the region increased by 9,900 homes, or 10 percent, to 108,700 homes permitted. This increase followed a decline of 14,150 homes permitted, or 13 percent, during the 12 months ending March 2011. Homebuilding in the region peaked at 526,400 homes permitted during 2005, then declined by an average 103,400 homes, or 20 percent, a year during the next 4 years before increasing approximately 1 percent during 2010. During the past 12 months, homebuilding activity increased in every state in the region except Kentucky and Mississippi, which recorded declines of 480 and 180 homes, respectively. Florida accounted for approximately one-half of the increase with an increase of 5,100 homes permitted, or 18 percent, to 33,000 homes. North Carolina and South Carolina each reported an increase of approximately 1,600 homes, to 10,250 and 3,050 homes permitted, respectively. Multifamily construction, as measured by the number of units permitted, also increased in the region during the first quarter of 2012 but remained well below historical levels. According to preliminary data, during the 12 months ending March 2012, the number of multifamily



units permitted in the region increased by 10,450, or 37 percent, to 38,950 units, approximately 10 percent of the average number of units permitted annually from 2004 through 2006. Permitting trends in the past 12 months varied widely within the region. In Georgia and South Carolina, multifamily construction more than doubled, to 5,100 and 3,050 units, respectively. Florida and North Carolina recorded the largest numbers of multifamily units permitted during the period, 11,250 and 10,275 units, increases of 19 and 31 percent, respectively.

Continued low levels of apartment construction and increased demand for rental units allowed most apartment housing markets in the region to reach or approach balanced conditions during the first quarter of 2012. According to Reis, Inc., between the first quarter of 2011 and the first quarter of 2012, vacancy rates decreased and asking rents increased in each of the 20 largest metropolitan areas surveyed in the region. In Miami and Atlanta, apartment vacancy rates decreased over the period by

1.2 and 1.8 percentage points, to 4.4 and 7.4 percent, respectively, and average asking rents increased nearly 2 percent and more than 1 percent, to \$1,105 and \$859, respectively. Real Data reports that, in several markets surveyed in the region during 2011, apartment absorption slowed compared with significant increases during 2010. In the Raleigh-Durham apartment market, 1,950 apartment units were absorbed between January 2011 and January 2012, the most recent data available, fewer than the 4,500 units absorbed during the previous year but enough to produce a decline in the vacancy rate from 7.1 to 6.7 percent during the period. Average rents in the Raleigh-Durham apartment market increased almost 4 percent, to \$834. In the Charlotte apartment market, net absorption during the 12 months ending February 2012 was almost 3,000 units, down from 7,075 units the previous year but sufficient to reduce the vacancy rate by 2.3 percentage points, to 6.7 percent. Average rents in the Charlotte area increased 5 percent, to \$807.