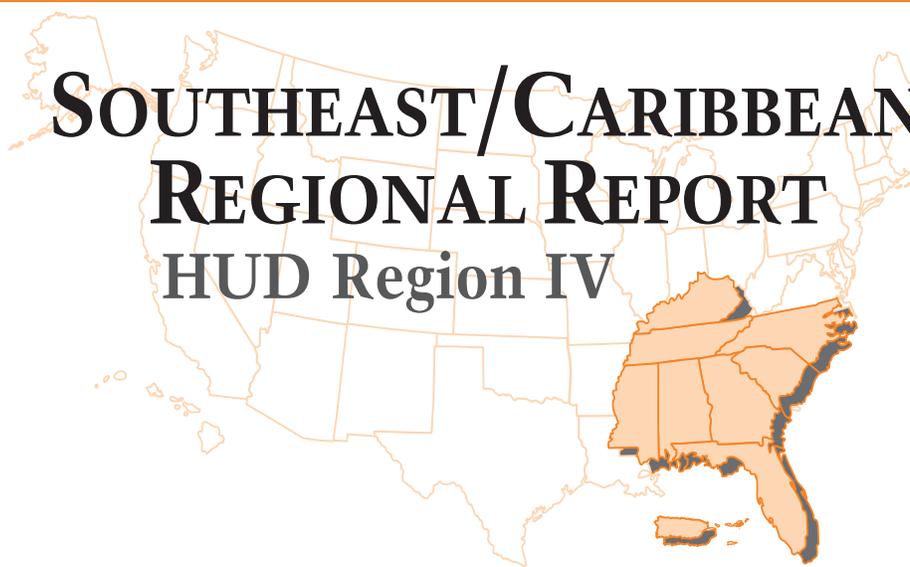




U.S. Housing Market Conditions



SOUTHEAST/CARIBBEAN REGIONAL REPORT HUD Region IV

2nd 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.

The decline in the economy of the Southeast/Caribbean region that began in 2008 continued in the second quarter of 2009. During the 12-month period ending June 2009, nonfarm employment in the region decreased by 920,300 jobs, or 3.4 percent, to approximately 26.1 million jobs compared with the number of jobs recorded during the previous 12-month period. In comparison, employment levels had remained virtually unchanged during the 12 months ending June 2008. In the past 12 months, employment decreased in each major sector except the education and health services and the government sectors, which recorded increases of 59,000 and 34,200 jobs, or 1.8 and 0.8 percent, respectively. The largest employment declines occurred in the manu-

facturing, construction, and trade sectors, with decreases of 238,200, 196,700, and 164,300 jobs, or 8.6, 14, and 3.7 percent, respectively. During the past 12 months, total employment fell in each of the eight states in the region and Puerto Rico. Decreases of 354,300, 138,200, and 124,100 jobs in Florida, Georgia, and North Carolina, respectively, accounted for approximately two-thirds of job losses in the region. During the past 12 months, the unemployment rate in the region averaged 8.7 percent, a 3.3-percentage-point increase from the average rate of 5.4 percent recorded during the preceding 12 months. During the 12 months ending June 2009, the unemployment rate increased in every state in the region, ranging from a low of 7.4 percent in Alabama to a high of 13.4 percent in Puerto Rico.

Most local housing markets in the region are soft because the slowing economy has produced declines in both the number of home sales and home prices during the past year. In Florida, however, the sales rebound that began in the first quarter of 2009 gained momentum. According to the Florida Association of REALTORS®, during the 12 months ending June 2009, 138,000 existing single-family homes were sold statewide, an increase of 16 percent compared with the number sold during the same period a year ago. The number of condominium units sold in the state also increased by 16 percent, to



42,900 units. A continuing reduction in sales prices for both single-family homes and condominium units contributed to the rise in sales. The median price of a single-family home sold in Florida declined from \$202,100 during the first six months of 2008 to \$142,300 during the first six months of 2009, or by 30 percent. During the same period, the median price of a condominium unit sold in the state decreased by 38 percent to \$110,700.

According to the Alabama Center for Real Estate, during the 12 months ending June 2009, approximately 38,450 homes were sold, a 24-percent decline compared with the 50,500 homes sold in the state during the same period a year ago. During the 12 months ending June 2009, the average inventory of unsold homes decreased by almost 5 percent to 41,600 homes, representing approximately a 13-month supply based on the number of homes sold during this same 12-month period. The number of days homes remained on the market during this period increased by 16 to 144, and the average sales price declined by almost 5 percent to \$150,150.

Data from South Carolina REALTORS® indicate that, for the 12 months ending June 2009, the number of homes sold in the 15 reported areas of the state fell from 54,250 to 40,700 homes, a 25-percent drop. Sales in each of the reported areas fell by at least 10 percent. The largest decline occurred in the Piedmont region, just outside Charlotte and across the South Carolina border, where home sales decreased 33 percent, from 3,425 to 2,275 homes. In the first 6 months of 2009, the median price of a home sold in the state was \$135,000, down 8 percent from the median price in the first 6 months of 2008. The median price declined in 13 out of 15 areas reported.

According to data from the North Carolina Association of REALTORS®, Inc., during the 12 months ending June 2009, the number of existing homes sold in the state declined by 31,800, or 29 percent, to 78,250 homes and the average price of a home sold decreased by almost 7 percent to \$206,900. The number of homes sold decreased in 19 of 20 areas for which 24 months of data are available. Only Brunswick, which recorded significant declines in existing home sales from 2005 to 2007, had an increase in sales of 20 percent to 1,800 homes during the past 12 months. During the period, the number of existing homes sold declined by 33 percent in Charlotte to 22,150 and by 27 percent in Greensboro to 10,750. In Raleigh, the number of new and existing homes sold fell 35 percent to 18,900. Average home prices declined by 8 percent in Charlotte to \$209,100, by 7 percent in Greensboro to \$163,700, and by 3 percent in Raleigh to \$234,600.

In Tennessee, sales of single-family homes and condominium units decreased in the Knoxville, Memphis, and Nashville metropolitan areas during the 12 months ending June 2009. In Knoxville, single-family home sales

decreased by 26 percent to 9,125 homes; in Memphis, the decrease was 16 percent to 11,250 homes; and in Nashville, the decrease was 26 percent to 17,100 homes. The number of condominium units sold in the three areas decreased by 44 percent to 1,000 units, 28 percent to 430 units, and 42 percent to 2,475 units, respectively. During the past year, the average price of a single-family home decreased by 4 percent to \$179,100 in Knoxville and by 16 percent to \$135,200 in Memphis. The average price of a condominium unit decreased by 6 percent to \$165,600 in Knoxville and by 9 percent to \$139,200 in Memphis. In Nashville, the median price of a single-family home sold in June 2009 decreased by 3 percent to \$177,700 and the median price of a condominium unit sold decreased by 18 percent to \$152,900, compared with median prices recorded in June 2008.

In Kentucky, according to the Greater Louisville Association of REALTORS®, during the 12 months ending June 2009, 2,900 single-family homes and condominium units were sold in the Louisville metropolitan area, down 14 percent compared with the number sold during the previous 12-month period. During the past year, the median price was \$135,000, 1 percent below the median price recorded during the previous 12 months. The Lexington-Bluegrass Association of REALTORS® reported about 2,150 homes and condominium units were sold in Lexington during the second quarter of 2009, 16 percent fewer than the number sold during the second quarter of 2008. In the second quarter of 2009, the median price was \$140,000, 1 percent below the median price recorded in the second quarter of 2008.

Single-family homebuilding in the region, as measured by the number of building permits issued, declined rapidly during the past 12 months as builders continued to curtail production in response to slower home sales and large inventories of unsold new and existing homes in most markets. During the 12 months ending June 2009, 117,100 homes were permitted in the region, a decrease of 100,300 homes, or 46 percent, when compared with the number permitted during the 12-month period ending June 2008. Single-family home production declined in all states in the region. During the past 12 months, North Carolina replaced Florida as the state with the largest drop in the number of homes permitted in the region, with a decrease of 24,300 homes, or 46 percent. The decrease in Florida totaled 23,100 homes, or 44 percent. The largest percentage decrease in the number of homes permitted occurred in Georgia, which recorded a 57-percent decline, primarily due to a 68-percent drop in the Atlanta metropolitan area.

Apartment market conditions softened in most areas of the region during the second quarter of 2009 as a result of the current national recession and increased competition from unsold single-family homes and condominiums made available for rent. Balanced apartment



markets remained in a few areas in the Southeast/Caribbean region, but most had soft market conditions. According to Reis, Inc., during the second quarter of 2009, Miami, Louisville, and Fort Lauderdale recorded vacancy rates of 5.8, 6.6, and 7.7 percent, respectively, indicating relatively balanced markets. Eight of the 19 markets Reis, Inc., surveyed in the region recorded vacancy rates above 10 percent. In South Carolina, vacancy rates increased to 13 percent in both Columbia and Charleston. The vacancy rate in Greenville was 11.7 percent, an increase of 4.2 percentage points compared with the rate recorded during the second quarter of 2008 and the largest increase of any of the regional markets surveyed. The vacancy rates in the Charlotte and Greensboro-Winston Salem markets in North Carolina increased to 10.1 and 12.1 percent, respectively, while the vacancy rate in Memphis increased to 11.9 percent. In Atlanta, the apartment vacancy rate increased to 11.2 percent, a 2.4-percentage point increase during the past year. Of the 5 Florida markets surveyed, only Jacksonville, with a current rate of 13.1 percent, recorded a vacancy rate above 10 percent. During the past year, softer market conditions dampened rent growth throughout the region, with changes in average rent ranging from a decrease of 2.7 percent

in Miami to an increase of 1.7 percent in Birmingham. Average rent increased in 10 of the markets surveyed, although increases in 5 of those markets were at or below 0.5 percent.

Multifamily construction in the region, as measured by the number of units permitted, declined by 26,900 units, or 36 percent, to 48,700 units during the 12 months ending June 2009. All states in the region reported fewer multifamily units permitted during the past year. In Florida, the number of multifamily units permitted decreased by 12,000 units, or 45 percent, as apartment and condominium builders continued to reduce production in response to soft sales and rental housing markets. During the past 12 months, the smallest decline in multifamily building activity occurred in Kentucky, where 490 fewer units were permitted, a 16-percent reduction compared with the number permitted during the previous 12 months. In Lexington, most of the 950 multifamily units permitted during the 12 months ending June 2009 were privately owned apartments for student occupancy; the number of units permitted in Lexington during the period reflect a 25-percent increase compared with the number permitted during the previous 12 months.