



# U.S. Housing Market Conditions



## SOUTHEAST/CARIBBEAN REGIONAL REPORT HUD Region IV

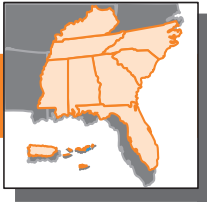
### 2nd Quarter Activity

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.

In the Southeast/Caribbean region during the 12-month period ending June 2011, nonfarm payrolls averaged about 25 million jobs, an increase of 50,100 jobs, or 0.2 percent, from the same period a year earlier. Job growth was mixed within the region, with the largest payroll gains occurring in Florida, Tennessee, and Kentucky, which increased by 26,400, 22,300, and 21,100 jobs, or 0.4, 0.9, and 1.2 percent, respectively. South Carolina, North Carolina, and Mississippi recorded job gains of 14,300, 11,500, and 5,800 jobs, or 0.8, 0.3, and 0.5 percent, respectively, during the same period. Nonfarm payrolls in Puerto Rico and Georgia declined by 19,000 and 5,100 jobs, or 2.0 and 0.1 percent,

respectively. In Alabama, average nonfarm payroll jobs increased by only 500 compared with the average during the 12 months ending June 2010. The average number of jobs during second quarter of 2011 was down 3,600, or 0.2 percent, compared with the second quarter of 2010, however, reflecting the effects of the tornadoes that hit the state on April 27, 2011.

Three sectors led job gains in the Southeast/Caribbean region during the 12 months ending June 2011. The largest increase in payrolls, 108,600 jobs, or 3.5 percent, came from the professional and business services sector, which is often viewed by labor economists as a leading indicator of overall payroll growth because it includes employment by temporary employment agencies. All eight states, Puerto Rico, and the Virgin Islands recorded employment increases in the sector. The education and health services sector and the leisure and hospitality sector followed, with increases of 47,400 and 45,200 jobs, or 1.4 and 1.7 percent, respectively. Job losses in the region during the 12 months ending June 2011 primarily occurred in the government sector, which fell by 68,400 jobs, or 1.5 percent, and the construction subsector, which declined by 55,500 jobs, or 6 percent. Most of the government job losses occurred in the state and local government subsectors, which cut costs in



response to budget shortfalls. During the 12 months ending June 2011, the average unemployment rate for the region decreased to 10.6 percent from 11 percent during the previous 12-month period. Florida was the only state to report an increase in the average unemployment rate, which rose from 11.1 percent to 11.4 percent in the state. During the past 12 months, unemployment rates ranged from 9.3 percent in Alabama to 15.9 percent in Puerto Rico.

Throughout the Southeast/Caribbean region, most sales housing markets are soft and will likely remain soft for some time because numerous distressed properties remain available. During the past 12 months, however, the percentage of distressed loans declined in every state in the region. According to LPS Applied Analytics, in June 2011, 10.9 percent of home loans in the region were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 11.7 percent in June 2010. The rates of distressed loans in June 2011 ranged from 5.9 percent in Kentucky to 17.8 percent in Florida. The large number of distressed home loans and falling home prices in Florida has led to a rise in investor purchases in the state, resulting in increased home sales. According to data from Florida Realtors®, during the 12 months ending June 2011, existing single-family home and condominium sales in Florida increased by 4 and 16 percent, to 177,600 and 82,800 units sold, respectively, compared with the sales during the previous 12-month period. The year-to-date median sales price through June 2011 for single-family homes in the state decreased by 6 percent to \$129,400 compared with the median price during the same period in 2010; the year-to-date median price for condominiums decreased by 8 percent to \$87,500. In Miami, existing single-family home sales increased by 23 percent to 8,650. The median price of a home sold in Miami decreased by 9 percent to \$185,400 during June 2011 compared with June 2010. Condominium sales increased by 59 percent to 13,100, and the median price decreased by 7 percent to \$119,800 in June 2011.

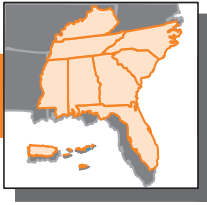
The Alabama Center for Real Estate reported that approximately 34,000 new and existing homes and condominiums sold statewide during the 12 months ending June 2011, a 17-percent decrease from sales during the 12 months ending June 2010. The average sales price for homes and condominiums was about \$144,800, virtually unchanged from the 12 months ending June 2010. According to the Greater Louisville Association of REALTORS®, approximately 2,750 new and existing single-family homes and 300 condominiums sold in the Louisville metropolitan area during the second quarter of 2011, decreases of 22 and 27 percent, respectively, from the second quarter of 2010. The median prices for single-family homes and condominiums sold during the second quarter of 2011 decreased by 2 and 1 percent, to \$137,000 and \$120,800, respectively, compared with prices during the second quarter of 2010. The Lexington

Bluegrass Association of REALTORS® reported that about 5,700 new and existing homes were sold in the Lexington metropolitan area during the 12 months ending June 2011, a 25-percent decrease from the previous 12 months. The average home sales price increased 1 percent to \$169,600. Approximately 450 condominiums and townhomes sold in Lexington during the 12 months ending June 2011, down 30 percent from sales during the previous 12 months, but the average price increased 14 percent to \$155,600.

According to the North Carolina Association of REALTORS®, Inc., during the 12 months ending June 2011, 76,500 existing homes sold in 21 reported areas, a 13-percent decrease compared with the previous 12-month period. The statewide average price for homes sold remained virtually unchanged at approximately \$201,300. The number of homes sold decreased in the three largest metropolitan areas of the state; Charlotte, Greensboro-Winston Salem, and Raleigh recorded 10-, 16-, and 20-percent declines, respectively. The average home price in Charlotte and Raleigh increased by less than 1 and 2 percent, respectively, but in Greensboro-Winston Salem decreased by less than 1 percent. South Carolina REALTORS® reported 43,950 homes sold statewide during the 12 months ending June 2011, a 15-percent decrease from the number sold during the previous 12 months. The number of homes sold declined in 13 of the 15 reported areas. The statewide median price for homes sold, year to date through June 2011, decreased by nearly 2 percent to \$146,000. Median home prices decreased in 9 of the 15 markets reported.

According to the Knoxville Area Association of REALTORS®, in the 12 months ending June 2011, the number of new and existing single-family homes sold in the Knoxville area decreased by 21 percent, to 8,050, but the average sales price increased by 5 percent to about \$175,800. Knoxville condominium sales decreased by 20 percent to 880, and the average price declined by 4 percent to \$153,400. According to the Greater Nashville Association of REALTORS® new and existing single-family home and condominium sales decreased by 18 and 28 percent, to 15,750 and 2,050 units sold, respectively, during the 12 months ending June 2011. The median price for single-family homes decreased by 3 percent, from \$181,300 in June 2010 to \$176,300 in June 2011. The median price for condominiums increased by 3 percent, from \$145,000 in June 2010 to \$150,000 in June 2011.

Single-family home production continued a 6-year decline in the Southeast/Caribbean region during the past 12 months because of weak economic conditions and tight lending standards. Based on preliminary data, during the 12-month period ending June 2011, single-family homebuilding, as measured by the number of building permits issued, decreased in the region by 16,800 homes, or 15 percent, to 97,350, well below the



average of 559,200 homes permitted annually from 2004 through 2007. Every state in the region recorded a decrease, ranging from a decline of approximately 3,750 homes, or 14 percent, in North Carolina to a decrease of 850 homes, or 20 percent, in Mississippi. The number of permits issued in the region remains near the lowest number recorded in more than 20 years.

Multifamily construction, as measured by the number of multifamily units permitted, also remained near historic lows in the Southeast/Caribbean region but appeared to be stabilizing following steep declines that began in 2007. According to preliminary data, during the 12 months ending June 2011, the number of multifamily units permitted in the region remained relatively unchanged at about 27,500 units, only 100 units fewer than during the previous 12 months. By comparison, multifamily construction averaged about 121,300 units annually from 2004 through 2007. Permitting trends in the past 12 months varied widely throughout the region. Permits decreased by 1,450 units, or 50 percent, to 1,475 units in Alabama but increased by 1,750 units, or 23 percent, to 9,175 units in Florida and by 824 units, or 85 percent, in Kentucky.

Continued low levels of apartment construction and increased demand allowed many rental markets in the region to reach or approach balanced conditions during the second quarter of 2011. According to Reis, Inc., between the second quarter of 2010 and the second quarter of 2011, vacancy rates decreased in 19 of the 20 largest metropolitan areas in the region, with 15 markets reporting vacancy rates below 8 percent and 9 markets reporting vacancy rates below 7 percent. During the second quarter of 2011, Louisville recorded the lowest apartment vacancy rate in the region, 4.9 percent, down from 6.7 percent during the second quarter of 2010. Soft market conditions continued in Atlanta, Columbia, Greensboro-Winston Salem, Jacksonville, and Memphis despite vacancy rate declines ranging from 1.8 to 3.5 percentage points. In Atlanta and Miami, during the second quarter of 2011, the vacancy rates were 8.7 and 5.4 percent, respectively, down from 11.3 and 6.2 percent, respectively, during the second quarter of 2010. Between the second quarter of 2010 and the second quarter of 2011, average monthly rents increased or remained unchanged in all 20 markets. Average rents were up by more than 1 percent in Atlanta and Miami to \$853 and \$1,089, respectively. Of the 20 markets, 11 recorded rent increases between 1 and 2 percent.