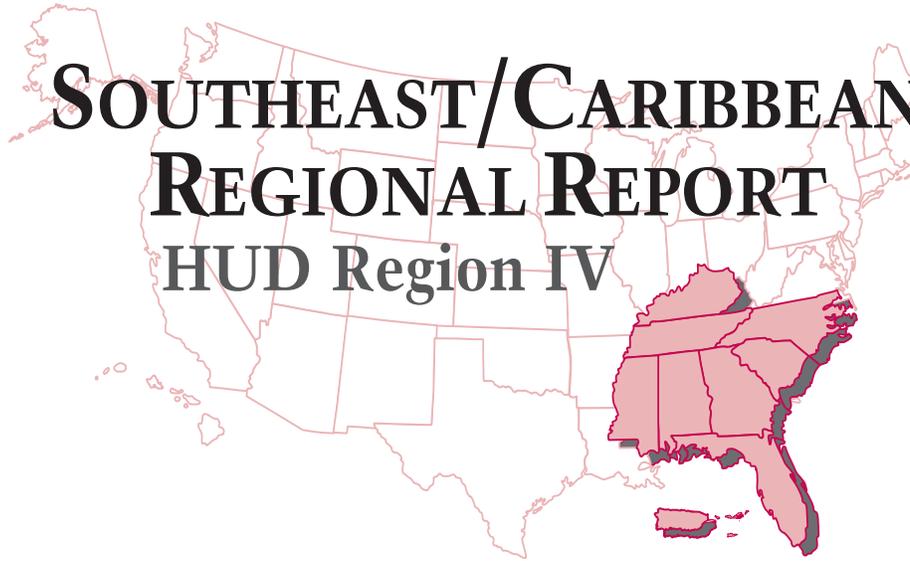


U.S. Housing Market Conditions

SOUTHEAST/CARIBBEAN REGIONAL REPORT HUD Region IV



3rd 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. Also included are profiles of selected local housing market areas that provide a perspective of current economic conditions and their impact on the regional housing market. The reports and profiles are 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 economy of the Southeast/Caribbean region continued to contract during the third quarter of 2009 after peaking in 2007. During the 12-month period ending September 2009, nonfarm employment in the region decreased by more than 1.1 million jobs, or 4.2 percent, to approximately 25.8 million jobs compared with the number of jobs recorded during the previous 12-month period. During the past 12 months, employment decreased in every sector except the education and health services and the government sectors, which recorded increases of 53,800 and 18,300 jobs, or 1.6

and 0.4 percent, respectively. The largest employment declines occurred in the manufacturing, construction, and trade sectors, which recorded decreases of 285,500 jobs, 207,900 jobs, and 195,700 jobs, or 10, 15, and 4.4 percent, respectively. During the period, total employment fell in each of the eight states in the region and Puerto Rico. Decreases of 379,200 jobs in Florida, 181,900 in Georgia, and 170,600 in North Carolina accounted for approximately two-thirds of the job losses in the region. During the past 12 months, the unemployment rate in the region averaged 9.7 percent, a 3.8-percentage point increase from the average rate of 5.9 percent recorded during the preceding 12 months; the unemployment rate increased in every state in the region and in Puerto Rico, ranging from a low of 8.7 percent in Alabama to a high of 14.4 percent in Puerto Rico.

Most local sales housing markets in the region are soft because of weak economic conditions and more restrictive credit standards. In Florida, the sales market remains soft but existing home sales increased during the third quarter of 2009. According to the Florida Association of REALTORS®, during the 12 months ending September 2009, 148,900 existing single-family homes were sold statewide, an increase of 24 percent compared with the number sold during the same



period a year ago. During the past year, the number of condominium units sold in the state increased by 27 percent, to 48,050 units. Continuing reductions in sales prices of both single-family homes and condominium units contributed to the rise in sales volume. The median price of a single-family home sold in Florida declined from \$196,500 during the first 9 months of 2008 to \$143,600 during the first 9 months of 2009, or by 27 percent. During the same period, the median price of a condominium unit sold in the state decreased by 37 percent to \$109,000.

According to the Alabama Center for Real Estate, during the 12 months ending September 2009, approximately 37,300 homes were sold, a 21-percent decline compared with the 47,200 homes sold in the state during the same period a year ago. During the 12 months ending September 2009, the average inventory of unsold homes decreased by 6 percent to 40,900 homes, representing approximately a 13-month supply based on the number of homes sold during that period. During the past year, the number of days a home remained on the market increased by 17 to 150 and the average sales price declined by 8 percent to \$145,200.

Data from South Carolina REALTORS® indicate that, during the 12 months ending September 2009, the number of homes sold in the 15 reported areas of the state fell from 50,400 to 40,000 homes, a 21-percent drop. Declines ranged from 11 percent in Beaufort to 29 percent in the Piedmont region, just outside Charlotte, North Carolina, and across the South Carolina border. During the first 9 months of 2009, the median price of a home sold in South Carolina was \$142,000, down 8 percent from the median price recorded in the first 9 months of 2008. The median price declined in all 15 reported areas, ranging from a decline of less than 1 percent in Florence to a decline of nearly 19 percent in Hilton Head.

According to data from the North Carolina Association of REALTORS®, during the 12 months ending September 2009, the number of existing homes sold in the state declined by 25,200, or 25 percent, to 76,050 homes and the average price of a home sold decreased by 7 percent to \$202,000. 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, posted an increase in sales of 11 percent to 1,850 homes during the past 12 months. During the period, the number of existing homes sold declined by 29 percent to 21,100 in Charlotte and by 25 percent to 10,300 in Greensboro. In Raleigh, the number of new and existing homes sold fell 27 percent to 18,850. Average home prices declined by 9 percent to \$202,400 in Charlotte, by 8 percent to \$160,200 in Greensboro, and by 6 percent to \$227,500 in Raleigh.

In Tennessee, during the 12 months ending September 2009, sales of single-family homes and condominium units decreased in the Knoxville, Memphis, and Nashville metropolitan areas. Single-family home sales decreased by 20 percent to 8,900 homes in Knoxville, 19 percent to 10,250 homes in Memphis, and 25 percent to 16,600 homes in Nashville. The number of condominium units sold in the three areas decreased by 34 percent to 950 units, 26 percent to 420 units, and 38 percent to 2,400 units, respectively. During the past year, the average price of a single-family home decreased by 7 percent to \$173,500 in Knoxville and 4 percent to \$146,600 in Memphis. The average price of a condominium unit decreased by 5 percent to \$163,300 in Knoxville and 17 percent to \$129,900 in Memphis. In Nashville, the median price of a single-family home sold in September 2009 decreased by nearly 6 percent to \$160,000 and the median price of a condominium unit sold decreased by 4 percent to \$142,500, compared with median prices recorded in September 2008.

In Kentucky, according to the Greater Louisville Association of REALTORS®, during the 12 months ending September 2009, a total of 9,550 single-family homes and townhomes were sold in the Louisville metropolitan area, down 11 percent compared with the number sold during the previous 12-month period; the number of condominium units sold decreased by 22 percent to 1,150 units. During the past year, the median price of a single-family home, townhome, or condominium unit sold in the Louisville metropolitan area was \$131,500, 3 percent below the median price recorded during the previous year. The Lexington-Bluegrass Association of REALTORS® reported that 6,650 single-family homes were sold in Lexington during the 12 months ending September 2009, 11 percent fewer than the number sold during the previous 12 months. The average price of a home sold decreased by 4 percent to \$166,200. During the past 12 months, 560 condominium units and townhomes were sold in Lexington, down 30 percent compared with the number sold during the previous 12 months; the median price decreased 8 percent to \$134,600.

Single-family homebuilding activity, as measured by the number of building permits issued, declined rapidly in the Southeast/Caribbean region 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. Based on preliminary data, during the 12 months ending September 2009, 100,100 homes were permitted in the region, a decrease of 73,500 homes, or 42 percent, when compared with the number permitted during the 12-month period ending September 2008. Single-family home production declined in all states in the region, with decreases ranging from 30 percent in Alabama to 53 percent in Georgia. North Carolina, Florida, and Georgia accounted for more than two-thirds of the



regional decline, with decreases of 19,850, 17,400, and 13,750 homes, respectively. Multifamily construction activity, as measured by the number of units permitted, also declined significantly in the region during the past year. Preliminary data indicate the number of multifamily units permitted declined by 39,200 units, or 53 percent, to 35,300 units. All states in the region reported fewer multifamily units permitted during the past year as apartment and condominium builders continued to reduce production in response to the declining economy and soft sales and rental housing markets throughout most areas of the region. As with single-family home production, the largest multifamily reductions occurred in Florida, Georgia, and North Carolina, which recorded decreases of 15,150, 6,700, and 6,450 units, respectively, and accounted for 72 percent of the total decline for the region.

Apartment markets remained soft throughout the region. According to Reis, Inc., during the third quarter of 2009, apartment vacancy rates increased in 18 of the 19 Southeast/Caribbean region markets surveyed compared with vacancy rates recorded during the third quarter of 2008. The lone exception was Chattanooga, Tennessee, where the vacancy rate fell 1 percentage point from the rate recorded a year earlier to 7.3 percent due to increased rental demand resulting from the ongoing construction of the \$1 billion Volkswagen

Group of America, Inc., assembly plant scheduled to open in early 2011. During the third quarter of 2009, vacancy rates above 10 percent were reported in 9 of the markets, including 2 of the 3 North Carolina markets surveyed. In the Greensboro–Winston-Salem market, the vacancy rate increased 3.9 percentage points to 12.6 percent, the largest increase of any regional markets surveyed. In Charlotte, the vacancy rate increased by 3.3 percentage points to 10.5 percent during the period. In South Carolina, current vacancy rates of 12.9, 12.0, and 11.4 percent were recorded in the Columbia, Charleston, and Greenville markets, respectively. In Atlanta, the vacancy rate increased to 11.1 percent, a 1.8-percentage-point increase compared with the rate recorded during the third quarter of 2008. The highest apartment vacancy rate posted in the region during the third quarter of 2009 was in Jacksonville, Florida, where the rate increased to 13.3 percent compared with 11.2 percent during the same quarter of 2008. In the past year, softer market conditions dampened rent increases throughout the region, with changes in average rent ranging from a decrease of 3.5 percent in Miami to an increase of 0.8 percent in Louisville. Average rent increased in 7 of the markets surveyed, although increases in 6 of those markets were below 0.5 percent.