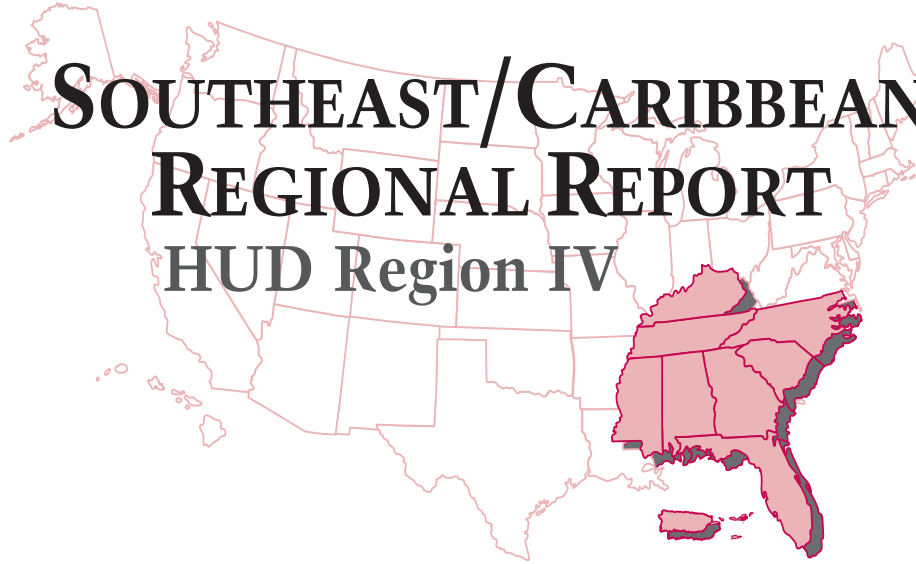




U.S. Housing Market Conditions

SOUTHEAST/CARIBBEAN REGIONAL REPORT HUD Region IV



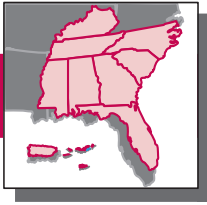
3rd Quarter Activity

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. 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 September 2011, nonfarm payrolls averaged about 25.1 million jobs, an increase of 84,000 jobs, or 0.3 percent, from the same period a year earlier. Slow job growth occurred in most areas within the region, with the largest payroll gains recorded in Florida, Kentucky, and Tennessee, which gained 29,400, 23,000, and 22,400 jobs, or 0.4, 1.3, and 0.9 percent, respectively. South Carolina, North Carolina, and Mississippi recorded job gains of 17,200, 10,900, and 6,300 jobs, or 1.0, 0.3, and 0.6 percent, respectively, during the same period. Nonfarm payrolls in Puerto Rico and Georgia declined by 15,200 and 9,800 jobs, or 1.6 and 0.3 percent, respectively. In

Alabama, average nonfarm payroll jobs remained unchanged from the previous 12 months, but nonfarm payrolls for the third quarter of 2011 were down by 2,700 jobs, or 0.1 percent, compared with the third quarter of 2010, reflecting the continued effects of the tornadoes that struck the state in April 2011.

Three sectors accounted for 87 percent of the increased payrolls in the Southeast/Caribbean region during the 12 months ending September 2011. The largest increase in payrolls, 93,400 jobs, or 3.0 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 leisure and hospitality and the education and health services sectors followed, with increases of 66,800 and 47,000 jobs, or 2.5 and 1.4 percent, respectively. Job losses in the region during the 12 months ending September 2011 occurred in five sectors, led by the government sector, which fell by 83,200 jobs, or 1.8 percent, and the construction subsector, which declined by 49,400 jobs, or 5.1 percent. Government job losses occurred in federal, state, and local government subsectors. During the 12 months ending September 2011, the average unemployment rate for the region decreased to 10.6 percent, down from the 11.0-percent rate recorded during the previous 12-month period. During the past 12 months,



all areas in the region reported unemployment rate declines but had unemployment rates above the 9.2-percent national average, with rates ranging from 9.5 percent in Alabama to 15.8 percent in Puerto Rico.

Most sales housing markets within the Southeast/Caribbean region are soft because of slow employment growth and large inventories of unsold homes, including numerous distressed properties. Conditions are not expected to improve significantly in the near term. According to LPS Applied Analytics, in September 2011, 10.8 percent of home loans in the region were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 11.6 percent in September 2010. Within the region, the percentage of distressed loans in September 2011 ranged from 6.0 percent in Kentucky to 17.7 percent in Florida. The large number of distressed home loans in Florida, as well as falling home sales prices, continue to spur investor purchases in the state, resulting in increased home sales. According to data from Florida Realtors®, during the 12 months ending September 2011, existing single-family home and condominium sales in Florida increased by 4 and 16 percent, to 183,200 homes and 86,250 units sold, respectively, compared with the number sold during the previous 12-month period. The year-to-date median home sales price through September 2011 for single-family homes in the state decreased by 4 percent to \$131,600 compared with the price during the same period in 2010; the year-to-date median sales price for condominiums also decreased by 4 percent to \$88,200. In Miami, the number of existing single-family home sales increased by 36 percent to 9,500 homes sold and the number of condominium sales increased by 58 percent to 14,300 condominiums sold during the 12 months ending September 2011. The median sales price for a single-family home sold in September 2011 was \$176,600, a decrease of 6 percent from September 2010; the median price for condominiums sold in September 2011 was \$116,000, an increase of 17 percent from September 2010.

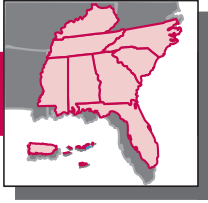
The Alabama Center for Real Estate reported that approximately 35,950 new and existing single-family homes and condominiums sold statewide during the 12 months ending September 2011, a 7-percent decrease from the 12 months ending September 2010. The average sales price for homes and condominiums was about \$144,400, which was relatively unchanged from the previous 12 months. According to the Greater Louisville Association of REALTORS®, approximately 2,850 new and existing single-family homes and 310 condominiums sold in the Louisville metropolitan area during the third quarter of 2011, increases of 16 and 2 percent, respectively, from the third quarter of 2010. The median sales prices for single-family homes and condominiums sold during the third quarter of 2011 decreased by 2 and 6 percent, to \$142,500 and \$117,900, respectively. The Lexington Bluegrass Association of REALTORS® reported that about 6,050 new and existing single-family homes were sold in

the Lexington metropolitan area during the 12 months ending September 2011, a 13-percent decrease from the previous 12 months. The average home sales price was unchanged from the previous 12 months, at \$168,150. Approximately 450 condominiums and townhomes were sold in Lexington during the 12 months ending September 2011, down 24 percent from the previous 12 months, but the average sales price increased 9 percent to \$153,525.

According to data from the North Carolina Association of REALTORS®, Inc., during the 12 months ending September 2011, the number of existing homes sold in the state decreased by approximately 5,150, or 6 percent, to 79,100 homes. The number of homes sold decreased in 19 of the 21 areas reported. Only the Outer Banks and Brevard areas recorded sales increases of 7 and 8 percent, to 310 and 1,360 homes, respectively. Sales decreased by 1, 6, and 12 percent in Charlotte, Greensboro-Winston Salem, and Raleigh to 22,550, 10,900, and 19,200 homes sold, respectively. Statewide, the average sales price for an existing home was approximately \$199,500, a decline of \$2,700, or 1 percent, from the previous 12 months. Average home sales prices decreased in 18 of the 21 reported areas, including Charlotte, Greensboro-Winston Salem, and Raleigh, where average home sales prices decreased by 2 percent or less in each area, to \$202,800, \$154,000, and \$225,100, respectively. South Carolina REALTORS® reported 44,300 homes sold statewide during the 12 months ending September 2011, a 10-percent decrease from the previous 12 months. The number of homes sold declined in all 15 areas reported. Statewide, the median home sales price, year to date through September 2011, decreased by 1 percent to \$147,900. Median home sales prices decreased in 9 of the 15 markets reported.

According to the Knoxville Area Association of REALTORS®, in the 12 months ending September 2011, the number of new and existing single-family homes sold in the Knoxville area decreased by 12 percent, to 8,425, but the average home sales price increased by 1 percent to about \$174,700. Condominium sales in the Knoxville area decreased by 16 percent to 880, and the average sales price declined by 3 percent to \$153,500. According to the Greater Nashville Association of REALTORS®, new and existing single-family home and condominium sales decreased by 8 and 19 percent, to 16,550 and 2,125 units sold, respectively, during the 12 months ending September 2011. The median home sales price for single-family homes decreased by 5 percent, from \$171,800 in September 2010 to \$163,000 in September 2011. The median sales price for condominiums decreased by 7 percent, from \$155,000 to \$144,900, during the same period.

Single-family home production, as measured by the number of permits issued, continued a 6-year decline in the Southeast/Caribbean region during the 12 months ending September 2011, because of soft home sales markets and reduced access to mortgage funds due to tighter lending standards. Based on preliminary data, during the



12-month period ending September 2011, single-family homebuilding in the region decreased by 9,575 homes permitted, or 9 percent, to 100,400 homes permitted. This number was approximately one-fifth the average number of homes permitted annually from 2004 through 2006. Every state in the region recorded a decrease, ranging from declines of approximately 350 homes, or 9 percent, in Mississippi to 2,975 homes, or 12 percent, in North Carolina. Multifamily construction, as measured by the number of units permitted, also remained below historical levels in the Southeast/Caribbean region. According to preliminary data, during the 12 months ending September 2011, the number of multifamily units permitted in the region decreased by 1,200 units, or 4 percent, to 27,525 units, also approximately one-fifth the average number of units permitted annually from 2004 through 2006. Permitting trends in the past 12 months varied widely within the region. Multifamily construction decreased by 2,625 units, or 55 percent, to 2,170 units in Tennessee but increased by 900, 800, and 930 units, or by 87, 9, and 35 percent in Kentucky, Florida, and Georgia, respectively.

Continued low levels of apartment construction and increased demand for rental units allowed many apartment housing markets in the region to reach or approach balanced conditions during the third quarter of 2011. According to Reis, Inc., between the third quarter of 2010 and the third quarter of 2011, vacancy rates decreased and asking rents increased in each of the 20 largest metropolitan areas surveyed in the region. In Miami, Charlotte, and Atlanta, apartment vacancy rates decreased over the period by 0.8, 0.2, and 2.2 percentage points to 5.1, 6.8, and 8.4 percent, respectively, and average asking rents increased between 2 and 3 percent to \$1,093, \$817, and \$859, respectively. Real Data reports strong absorption in several apartment markets surveyed in the region during the third quarter of 2011. In the Raleigh-Durham apartment market, 3,065 apartment units were absorbed between July 2010 and July 2011, resulting in a decline of 2 percentage points in the vacancy rate to 6.7 percent in July 2011. Average rents in Raleigh-Durham increased by almost 5 percent to \$824. In the Charleston apartment market, net absorption for the 12 months ending August 2011 was almost 1,100 units, reducing the vacancy rate by 3.5 percentage points to 6.3 percent. Average rents in the area increased by nearly 5 percent to \$807.