



U.S. Housing Market Conditions



SOUTHEAST/CARIBBEAN REGIONAL REPORT HUD Region IV

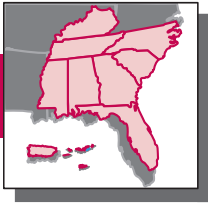
3rd Quarter Activity

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, nonfarm payroll gains that began in 2010 continued during the third quarter of 2012. During the 12 months ending September 2012, nonfarm payrolls averaged approximately 25.46 million jobs, an increase of 235,400 jobs, or 0.9 percent, from the same period a year earlier. Florida, Georgia, Tennessee, and North Carolina gained 72,000, 42,700, 40,500, and 32,700 jobs, or 1.0, 1.1, 1.5, and 0.8 percent, respectively. Kentucky and South Carolina added 31,900 and 21,500 jobs, 1.8- and 1.2-percent increases, respectively. Job declines of 4,700 and 2,400 in Puerto Rico and Mississippi, respectively, represented a rate of less than 0.5 percent each, whereas the 1,800 jobs lost in the Virgin Islands represented a 4.0-percent decline.

Three sectors accounted for 86 percent of the increased payrolls in the region during the 12 months ending September 2012. The largest increase in payrolls, of 98,700 jobs, or 3 percent, occurred in the professional and business services sector. Every state and territory in the region posted gains in this sector except Mississippi and Puerto Rico, where the sector declined by 800 and 2,500 jobs, or 0.8 and 2.4 percent, respectively. The education and health services and the trade sectors followed, with increases of 67,600 and 36,200 jobs, or 2.0 and 0.8 percent, respectively. The construction subsector, which declined by 38,400 jobs, or 4.1 percent, and the government sector, which fell by 16,100 jobs, or 0.4 percent, led job losses in the region. During the 12 months ending September 2012, the average unemployment rate for the region decreased to 9.3 percent compared with the 10.5-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 had unemployment rates greater than the 8.3-percent national average except Alabama, with a 7.9-percent rate, and Tennessee, with an 8.2-percent rate. Puerto Rico continued to record the highest unemployment rate in the region, at 14.5 percent.

Nearly every sales housing market in the Southeast/Caribbean region is soft but improving. According to



LPS Applied Analytics, as of September 2012, 10.5 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, which is much greater than the 7.5-percent national rate. The current rate for the region is slightly less than the 10.8-percent rate recorded in September 2011, but it increased to as high as 11.4 percent in January 2012 before gradually declining to the current rate. Within the region, the rates in September 2012 ranged from 6.2 percent in North Carolina to 16.9 percent in Florida.

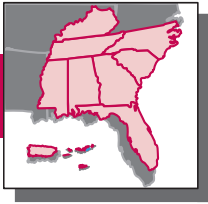
According to data from Florida Realtors®, during the 12 months ending September 2012, the number of existing single-family home sales in Florida increased 5 percent, to 195,700 homes sold, compared with the number sold during the previous 12 months; existing townhome and condominium sales decreased 1 percent, to 98,950 homes sold, during the same period. The median sales prices for a single-family home and for a townhouse or condominium sold during the past 12 months were \$140,000 and \$100,000, increases of 5 and 11 percent, respectively, from the previous 12 months. According to the Greater Tampa Association of REALTORS®, during the 12 months ending September 2012, 16,300 existing single-family homes sold in the Tampa-St. Petersburg-Clearwater metropolitan area compared with the 15,700 homes sold during the previous 12 months, a 4-percent increase. The median price of existing single-family homes sold during the 12 months ending September 2012 was \$140,000, up 6 percent from the previous 12 months. The number of existing townhouse and condominium sales decreased to 5,050 during the past 12 months, down 1 percent from the previous 12-month period; the median price was \$81,000 during the same period, up 17 percent from the previous 12 months.

The Georgia Association of REALTORS® reported that about 86,650 existing homes and condominiums sold statewide during the 12 months ending September 2012, about 10 percent more than during the previous 12 months. The combined median sales price of single-family homes, townhomes, and condominiums during the 12 months ending September 2012 was \$104,000, a decrease of nearly 5 percent from the preceding 12 months. The Alabama Center for Real Estate reported that approximately 38,750 new and existing single-family homes and condominiums sold statewide during the 12 months ending September 2012, an 8-percent increase from the 12 months ending September 2011. The average sales price was \$142,300, down 1 percent from the previous 12 months. In Birmingham, 10,700 single-family homes and condominiums sold, up 15 percent from the same period a year earlier, and the average price increased 1 percent, to \$178,200. Mobile recorded a 6-percent increase in the number of existing home sales, to 3,400, and a 4-percent decrease in average home sales price, to \$125,100. The North Carolina Association of REALTORS®, Inc., reported that, during the 12 months ending September 2012, approximately 88,650 homes sold statewide, an 11-percent increase

compared with the number sold during the 12 months ending September 2011. The average home sales price was approximately \$198,500, about the same as during the previous 12 months. In the Charlotte metropolitan area, the number of existing home sales increased 12 percent, to 25,600, and the sales price increased 1 percent, to \$203,900. In the Greensboro metropolitan area, during the 12 months ending September 2012, the number of existing home sales also increased 9 percent, to 11,950, as the average price declined 3 percent, to \$148,800. During the 12 months ending September 2012, the number of new and existing home sales in the Raleigh metropolitan area increased 14 percent, to 22,400, and the average sales price decreased 1 percent, to \$222,200. South Carolina REALTORS® reported that, during the 12 months ending September 2012, 50,800 homes sold statewide, an 8-percent increase from the previous 12 months. During the same period, the average home sales price was \$194,900, a 2-percent increase from the average for the 12 months ending September 2011.

The Kentucky Association of REALTORS®, reporting data for new and existing homes, recorded about 37,550 homes and condominiums sold statewide during the 12 months ending September 2012, 14 percent more than during the previous 12 months. The median sales price for a home or condominium sold during the third quarter of 2012 was about \$108,550, down 0.9 percent from the third quarter of 2011. The Lexington-Bluegrass Association of REALTORS® reported that, during the 12 months ending September 2012, approximately 7,750 new and existing homes and condominiums sold in the Lexington metropolitan area, a 19-percent increase from the previous 12 months. The median price for a home or condominium sold during the third quarter of 2012 was about \$143,000, a decrease of nearly 2 percent from the third quarter of 2011. According to the Knoxville Area Association of REALTORS®, during the 12 months ending September 2012, the number of new and existing single-family homes sold in the Knoxville metropolitan area increased 15 percent, to 9,750, and the average home sales price declined nearly 3 percent, to approximately \$170,100. The number of condominiums sold in the Knoxville area increased 19 percent, to 1,150 units sold, and the average sales price declined less than 1 percent, to \$152,200. According to the Greater Nashville Association of REALTORS® Inc., the number of new and existing single-family home and condominium sales increased 23 and 26 percent, to 20,350 and 2,675, respectively, during the 12 months ending September 2012. The median sales price of a single-family home increased 7 percent, from \$163,000 in September 2011 to \$175,000 in September 2012. During the same period, the median sales price of a condominium increased 6 percent, to \$153,900.

In response to improving economic conditions, increasing home sales, declining inventories of unsold homes, and tighter rental markets throughout the Southeast/Caribbean region, developers increased the construction of new units.



Based on preliminary data, during the 12-month period ending September 2012, single-family homebuilding in the region increased by 20,100 homes, or 20 percent, to 120,500 homes permitted. This increase followed a decline of 9,575 homes permitted, or 9 percent, during the 12 months ending September 2011. Homebuilding in the region peaked at 526,400 homes permitted during 2005, declined by an average 103,400 homes, or 20 percent, a year during the next 4 years, then increased approximately 1 percent during 2010. During the past 12 months, homebuilding activity increased in every state and territory in the region. Florida, North Carolina, and Georgia accounted for 73 percent of the increase, recording gains of 26, 18, and 23 percent, to 37,550, 26,550, and 14,450 homes permitted, respectively. Multifamily construction, as measured by the number of units permitted, also increased in the region during the third quarter of 2012, but it remained well below historical levels. According to preliminary data, during the 12 months ending September 2012, the number of multifamily units permitted in the region increased by 31,100, or 114 percent, to 58,400 units. By comparison, permits were issued for an average of 129,200 multifamily units annually from 2004 through 2006, followed by an average annual decline of 19 percent between 2007 and 2010. During the 12 months ending September 2012, multifamily permitting activity increased in every state, led by the 19,650 units permitted in Florida, an increase of 108 percent, and the 15,250 units permitted in North Carolina, an increase of 130 percent compared with the number permitted during the previous 12 months.

Increased demand for rental units caused most apartment housing markets in the region to reach balanced-to-tight conditions during the third quarter of 2012. According to MPF Research, between the third quarter of 2011 and the third quarter of 2012, vacancy rates decreased in all but 2 of the 22 metropolitan areas surveyed in the region. In Raleigh-Durham, the rate increased from 4.6 to 5.0 percent, a result of new apartments entering the market and the loss of tenants to a resurgent local sales market, aided by declining home prices. In Jackson, the rate increased from 5.6 to 5.8 percent, the first vacancy rate increase in the market since the first quarter of 2010. Apartment market conditions in three Southeast/Caribbean region markets were tight, with vacancy rates below 4 percent: Miami, Louisville, and Lexington had rates of 3.2, 3.5, and 3.9 percent, respectively. Relatively balanced conditions, with vacancy rates in the 4-to-6 percent range, prevailed in 14 markets, including Charlotte, Nashville, Fort Lauderdale, and Orlando. Of the 22 metropolitan areas surveyed, Jacksonville, Atlanta, and Memphis had the highest vacancy rates, of 7.9, 7.8, and 7.4 percent, respectively. Although these three metropolitan areas had relatively balanced apartment markets overall, each area recorded wide variations in vacancy rates among submarkets. All 22 of the apartment markets recorded increased effective rents during the past year, with an average increase of slightly more than 3 percent. The strongest rent growth occurred in Charlotte, Louisville, Nashville, and Greenville-Spartanburg-Anderson—with annual gains of 5 to 6 percent in each market. Rent gains of less than 1 percent were recorded in Birmingham and Greensboro-Winston Salem.