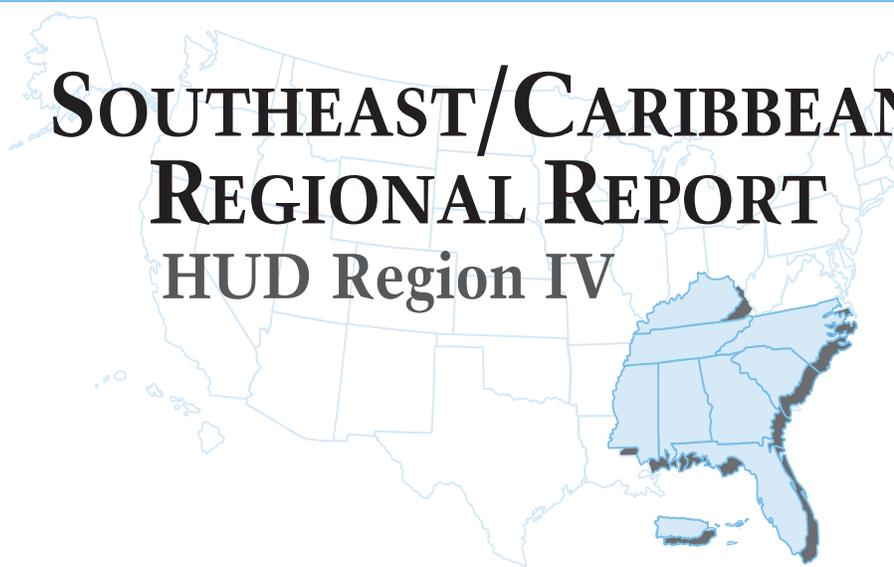




# U.S. Housing Market Conditions



## SOUTHEAST/CARIBBEAN REGIONAL REPORT HUD Region IV

### 4th 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.

Nonfarm payrolls in the Southeast/Caribbean region increased in 2011, with gains beginning in the second quarter, marking the first year of increased payrolls since employment peaked at approximately 27.2 million jobs in 2007. In 2011, nonfarm payrolls in the region averaged 25.1 million jobs, an increase of 120,600 jobs, or 0.5 percent, from 2010. Employment increased in most states in the region but decreased by 15,600 jobs, or 0.4 percent, in Georgia; 8,300 jobs, or 0.9 percent, in Puerto Rico; and 1,100 jobs, or 2.4 percent, in the Virgin Islands. Employment increased in Florida by 56,900 jobs, or 0.8 percent, the largest increase of any state in the region during 2011. From 2008 through 2010, Florida lost more jobs than

any other state in the region. Gains of 24,500 jobs, or 1.4 percent, in Kentucky and 23,000 jobs, or 0.9 percent, in Tennessee were the region's other leading totals.

In 2011, nonfarm payroll gains in the Southeast/Caribbean region occurred across multiple sectors, with the largest job gains in the professional and business services, leisure and hospitality, and education and health services sectors, which increased by 83,100, 68,800, and 52,900 jobs, or 2.6, 2.6, and 1.6 percent, respectively. The construction subsector continued to lose jobs in 2011 as a result of weakness in the sales housing market and tight credit markets that limited financing for residential and commercial construction projects; employment in the sector decreased by 42,300 jobs, or 4.4 percent. Federal, state, and local governments continued to reduce payrolls in the region, decreasing government employment by 81,900 jobs, or 1.8 percent. Losses were distributed relatively evenly among the three government subsectors. In 2011, the unemployment rate for the region decreased to an average of 10.3 percent from 10.9 percent in 2010. Reflecting generally improving economic conditions in the region, the unemployment rate decreased in every state in the region and in the Caribbean, although rates remained elevated, ranging from 9.3 percent in Alabama to 15.7 percent in Puerto Rico. The largest decrease in the



average unemployment rate occurred in South Carolina, where the rate decreased from 11.2 percent in 2010 to 10.2 percent in 2011. After continuing to lose jobs in 2011, Georgia had the smallest decrease in the unemployment rate in the region, from 10.2 percent in 2010 to 10 percent in 2011.

Sales housing markets throughout the Southeast/Caribbean region are soft but improving. According to data from LPS Applied Analytics, the percentage of mortgages 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) decreased from 11.5 percent in December 2010 to 10.8 percent in December 2011, but remained above the national average of 7.6 percent. The percentage of loans with this status decreased in every state in the region, with Florida and Georgia—two of the states hardest hit by the foreclosure crisis—showing the greatest decreases, from 18.6 to 17.6 percent in Florida and from 9.2 to 8.1 percent in Georgia, during the same period. Investor purchases of distressed homes continue to lower sales prices in Florida. According to data from Florida Realtors®, during 2011, sales of existing homes in the state totaled 185,900, an 8-percent increase compared with the 172,500 homes sold in 2010. In 2011, the median sales price for an existing single-family home was \$131,700, down 3 percent from the previous year. Sales of existing condominiums also increased 15 percent to 87,600 units statewide, and the median sales price of an existing condominium was \$88,300, 2 percent less than the median price reported in 2010. The number of existing single-family homes sold in Miami increased by 36 percent to 9,925 homes, and the median sales price declined by 9 percent to \$172,700. Condominium sales in the Miami metropolitan area increased by 54 percent to 15,000 homes, whereas the median sales price in 2011 decreased by 3 percent to \$113,800.

In the Carolinas, trends in home sales were mixed, but decreases in home sales prices were widespread. The North Carolina Association of REALTORS®, Inc. reported approximately 80,050 homes sold statewide during 2011, 1 percent fewer than the number sold in 2010. The average sales price for a home was approximately \$197,000, down 3 percent from 2010. In the Charlotte and Greensboro-Winston-Salem areas, existing home sales increased by 4 and 2 percent to 22,950 and 11,150 homes, respectively, and the average sales price of a home decreased by 3 percent each, to \$200,300 and \$151,400, respectively. In 2011, new and existing home sales in the Raleigh-Durham area decreased by 4 percent to approximately 19,500 homes, and the average sales price of a home decreased by 3 percent to \$222,100. According to data from South Carolina REALTORS®, in 2011, the number of existing homes sold in the state decreased by approximately 2,600, or 5 percent, to 44,950 homes. The number of home sales decreased in 13 of the 15 reported areas, ranging from less than 1 percent, or 7,550 homes, in the Myrtle Beach area to almost 15 percent, or 2,350 homes, in the Rock Hill area. In 2011, the median home sales price for South Carolina increased

by less than 1 percent from the previous year, to approximately \$150,400, and median sales prices decreased in 7 of 15 reported areas, ranging from less than 1 percent in Greater Pee Dee to 14 percent in the North Augusta area.

According to the Greater Louisville Association of REALTORS®, approximately 9,900 new and existing single-family homes and 1,100 condominium units sold during 2011, decreases of 3 and 12 percent, respectively, from 2010. The median sales prices of single-family homes and condominiums decreased by 3 percent to \$135,900, and by 4 percent to \$119,000, respectively. The Lexington-Bluegrass Association of REALTORS® reported that 6,650 new and existing homes sold during 2011, 1 percent fewer than the number sold in 2010 and that the median sales price of a home decreased by 3 percent to \$137,900. In 2011, condominium and townhome sales in Lexington decreased by 14 percent to approximately 480 homes, and the median sales price decreased by 1 percent to \$118,000.

Sales of single-family homes and condominiums increased in three of the four largest metropolitan areas of Alabama during 2011, according to the Alabama Center for Real Estate. The largest increase was in Huntsville, where home sales were up by 45 percent to 6,325 homes; the average sales price of these homes decreased by 36 percent to approximately \$127,500. Statewide, nearly 37,000 homes sold, up 2 percent from 2010, and the statewide average sales price decreased by 3 percent to \$141,400. In Tennessee, according to the Knoxville Area Association of REALTORS®, in 2011, the number of new and existing single-family homes sold in Knoxville decreased by 630, or 7 percent, to 8,500 homes, and the average sales price was virtually unchanged at \$171,400. Knoxville condominium sales decreased by 11 percent to 890 units, and the average sales price increased by 2 percent to \$156,200. According to the Greater Nashville Association of REALTORS® Inc., the number of new and existing single-family homes sold increased by 2 percent to 17,200 homes, but the number of condominiums sold decreased by 6 percent to 2,000 units. The median sales price for a single-family home in December 2011 was \$168,500, a 3-percent decrease from December 2010, and the median sales price for a condominium was virtually unchanged at \$140,000.

As a result of continued weakness in the sales housing market in 2011, single-family homebuilding, as measured by the number of building permits issued, continued to decline in the Southeast/Caribbean region. Preliminary data indicate that, in 2011, the number of single-family homes permitted decreased by 1,450, or 1 percent, to approximately 103,900 homes. Although permits issued declined in the past year, the pace of the decline has slowed significantly compared with the average decrease of nearly 125,800 homes a year in 2008 and 2009. State trends in the region were mixed, with permits remaining relatively stable in some states and decreasing in others. Only Florida recorded an increase, of 1,675 homes, or 6 percent, to 31,300 homes permitted. In 2011, North Carolina recorded



the largest decrease in permits of any state in the region, a decline of approximately 1,200, or 5 percent, to 23,100 homes permitted. Based on preliminary data, in 2011, multifamily permit activity in the region increased by 15 percent, or 4,100 units, to 32,200 units. Trends varied by state, but activity doubled in Georgia and South Carolina and increased in Kentucky, Florida, and Alabama by 42, 18, and 16 percent, respectively. The increases in the number of multifamily permits issued in those states were a result of comparatively low permit activity in the previous year and tighter apartment markets leading to increased interest in apartment development.

With limited apartment construction in the Southeast/Caribbean region during the past 3 years, apartment markets continued to tighten in 2011 and have become

balanced in many metropolitan areas. According to Reis, Inc., during the fourth quarter of 2011, apartment vacancy rates decreased and asking rents increased compared with the corresponding data in the fourth quarter of 2010 in each of the 20 reported areas. Vacancy rates decreased the most in Charleston and Greensboro-Winston Salem, by 2.7 percentage points each to 5.5 and 7.5 percent, respectively. The vacancy rates in Atlanta and Miami declined from 9.8 and 5.7 percent, respectively, during the fourth quarter of 2010 to 7.7 and 4.7 percent, respectively, during the fourth quarter of 2011. Average asking rents rose by more than 3 percent to \$650 in Chattanooga, the largest percentage increase in the region. In Atlanta and Miami, rents increased by approximately 1 percent each to \$860 and \$1,100, respectively.