

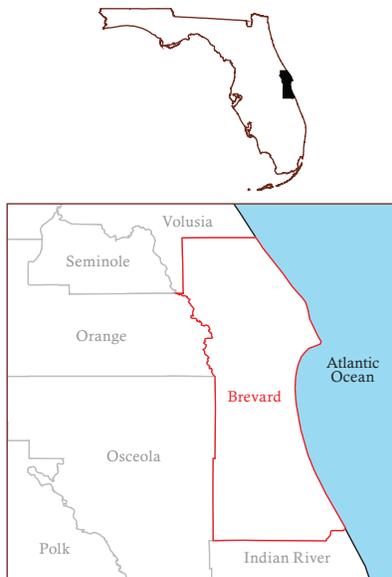


Palm Bay-Melbourne-Titusville, Florida

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2012



Housing Market Area



The Palm Bay-Melbourne-Titusville Housing Market Area (HMA) (hereafter, the Palm Bay HMA), 35 miles east of Orlando, consists of Brevard County and is situated along Florida’s Atlantic Coast. Known as the “Space Coast,” the HMA was home to the National Aeronautics and Space Administration space shuttle program before it shut down in July 2011.

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Summary

Economy

Economic conditions in the Palm Bay HMA have weakened each year since 2007. During the 12 months ending March 2012, nonfarm payrolls averaged 193,600 jobs, a loss of 1,300 jobs, or 0.7 percent, compared with a loss of 300 jobs, or 0.1 percent, a year earlier. During the 3-year forecast period, nonfarm payrolls are expected to grow an average of 0.9 percent annually. Table DP-1, at the end of this report, provides employment data for the HMA.

Sales Market

The sales housing market in the HMA is currently soft, with an estimated sales vacancy rate of 3.8 percent. During the 12 months ending March 2012, 6,575 new and existing single-family homes were sold, a 5-percent decrease from a year earlier, and the average sales price decreased 4 percent, to \$163,900. During the next 3 years, the current supply of excess vacant available units and units under construction will satisfy the demand for new homes (Table 1). In addition, a portion of the estimated 24,900 other vacant units in the HMA may reenter the home sales market during the forecast period.

Rental Market

Rental housing market conditions in the HMA are soft, with an estimated overall rental vacancy rate of 13.7 percent. According to ALN Apartment Data, Inc., the apartment vacancy rate during March 2012 was 10.3 percent, unchanged from March 2011. No additional rental units should be constructed during the 3-year forecast period to allow for the absorption of the current supply of excess vacant available units (Table 1).

Table 1. Housing Demand in the Palm Bay HMA,* 3-Year Forecast, April 1, 2012 to April 1, 2015

	Palm Bay HMA*	
	Sales Units	Rental Units
Total Demand	0	0
Under Construction	100	0

* Palm Bay-Melbourne-Titusville HMA.
 Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2012. A portion of the estimated 24,900 other vacant units in the HMA will likely satisfy some of the forecast demand.
 Source: Estimates by analyst

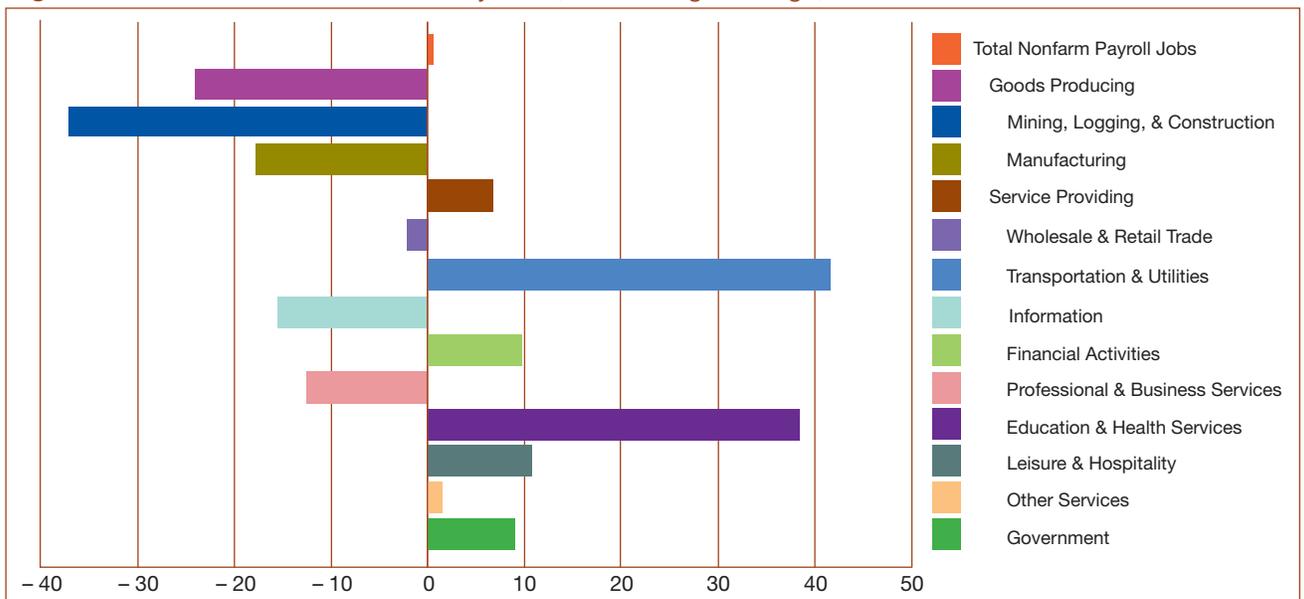
Economic Conditions

After 5 years of continual job losses, the local economy of the Palm Bay HMA was further weakened with the ending of the space shuttle program in 2011. During the early 2000s, nonfarm payrolls in the HMA increased progressively, averaging an increase of 3,425 jobs annually from 2000 through 2006, with significant increases in residential and commercial construction activity. During this 2000-through-2006 period, the mining, logging, and construction sector increased by an average of 800 jobs, or 6.4 percent, annually with nearly all gains occurring in the construction subsector. After peaking at 216,300 jobs in 2006, nonfarm payrolls declined by an average of 4,000 jobs, or 1.8 percent, annually from 2007 through 2011; the construction subsector suffered the greatest decline, decreasing by 2,000 jobs, or

1.8 percent, annually. Figure 1 shows the percentage change in sector growth from 2000 to the current date.

During the 12 months ending March 2012, the economy in the HMA continued to weaken. During this period, nonfarm payrolls averaged 193,600 jobs, a loss of 1,300 jobs, or 0.7 percent, compared with a loss of 300 jobs, or 0.1 percent, a year earlier (Table 2). Current nonfarm payrolls are 22,450 jobs, or 12 percent, below the peak job levels recorded in 2006. During the 12 months ending March 2012, the largest decline in nonfarm payrolls occurred in the professional and business services sector, which lost 2,675 jobs, or 8.2 percent, principally from contractor layoffs after the space shuttle program ended. United Space Alliance, the main contractor for the shuttle program, laid off approximately 2,850 employees during

Figure 1. Sector Growth in the Palm Bay HMA,* Percentage Change, 2000 to Current



* Palm Bay-Melbourne-Titusville HMA.

Note: Current is based on 12-month averages through March 2012.

Source: U.S. Bureau of Labor Statistics

2011, and the contractor expects to lay off an additional 200 employees in mid-2012. The largest increase in nonfarm payrolls occurred in the transportation and utilities sector, which increased 28 percent, or by 880 jobs, mostly because of increased hiring at Port Canaveral, the second largest cruise port in the world. According to the Canaveral Port Authority, the port had an economic impact of 13,100 jobs and \$648.8 million in

wages during 2010, the most recent data available. A \$60 million port expansion is currently under construction and includes a new cruise terminal that is scheduled to open in 2013.

The largest employers in the HMA include Patrick Air Force Base (AFB), with 9,475 military personnel and 600 civilian employees, and Harris Corporation, a Florida-based international manufacturer of communications equipment, with 8,500 employees. Patrick AFB recently announced plans to build a \$158 million, 276,000-square-foot complex, which will be the new headquarters of the Air Force Technical Application Center and is expected to be complete by early 2014. Embraer, one of the world's largest manufacturers of commercial jets, announced plans to expand its operations at the Melbourne International Airport beginning the summer 2012. The expansion includes a new research and development facility and is expected to add 200 new engineering jobs, including at least 40 in 2012, with an average salary of \$70,000 during the next 3 years. Table 3 lists major employers in the area.

Reflecting a growing retiree population in the HMA, the education and health services sector is the largest employment sector, with 33,050 jobs, accounting for approximately 17 percent of the total number of jobs in the HMA (Figure 2). During the 12 months ending March 2012, the education and health services sector increased by an average of 650 jobs, or 2 percent. Health First, a health-care company with four hospitals in the HMA, is the third largest

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Palm Bay HMA,* by Sector

	12 Months Ending March 2011	12 Months Ending March 2012	Percent Change
Total Nonfarm Payroll Jobs	194,900	193,600	-0.7
Goods Producing	29,000	28,350	-2.3
Mining, Logging, & Construction	8,575	7,900	-7.9
Manufacturing	20,450	20,450	0.0
Service Providing	166,000	165,200	-0.4
Wholesale & Retail Trade	29,750	30,600	2.9
Transportation & Utilities	3,100	3,975	28.3
Information	2,325	2,275	-2.1
Financial Activities	7,525	7,350	-2.4
Professional & Business Services	32,700	30,000	-8.2
Education & Health Services	32,400	33,050	2.0
Leisure & Hospitality	21,250	21,800	2.7
Other Services	7,675	7,825	1.8
Government	29,200	28,300	-3.1

* Palm Bay-Melbourne-Titusville HMA.

Notes: Based on 12-month averages through March 2011 and March 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Palm Bay HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Patrick Air Force Base	Government	10,100
Harris Corporation	Manufacturing	8,500
Health First	Education & Health Services	6,100
United Space Alliance	Professional & Business Services	4,500
45th Space Wing	Government	4,175
Wuesthoff Health System	Education & Health Services	2,425
Northrop Grumman Norden Systems	Manufacturing	2,175
National Aeronautics and Space Administration	Government	2,025
Space Gateway Support	Government	1,775

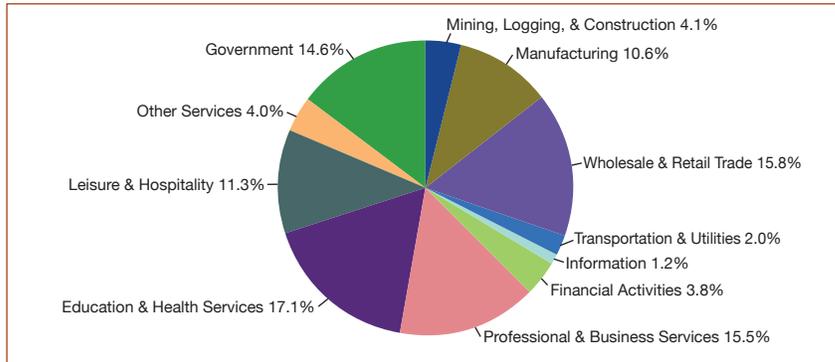
* Palm Bay-Melbourne-Titusville HMA.

Notes: Excludes local school districts. The numbers for Patrick Air Force Base include 9,475 military personnel not included in nonfarm payrolls.

Source: Moody's Economy.com

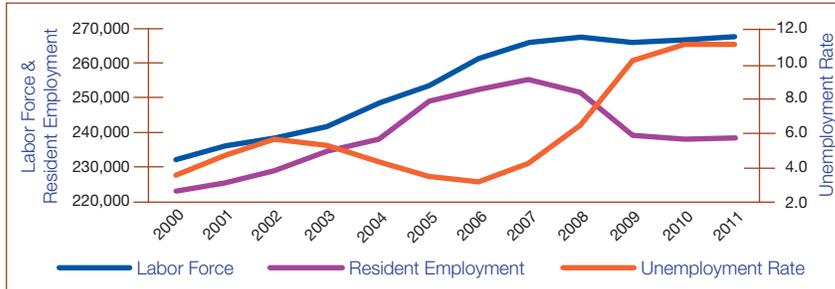
employer in the area. Viera Hospital, which opened in April 2011, is the newest addition to the Health First system and includes 200 staff and 100 patient beds. The average

Figure 2. Current Nonfarm Payroll Jobs in the Palm Bay HMA,* by Sector



* Palm Bay-Melbourne-Titusville HMA.
 Note: Based on 12-month averages through March 2012.
 Source: U.S. Bureau of Labor Statistics

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Palm Bay HMA,* 2000 Through 2011



* Palm Bay-Melbourne-Titusville HMA.
 Source: U.S. Bureau of Labor Statistics

unemployment rate in the HMA during the 12 months ending March 2012 was 10.8 percent, down slightly from 11.0 percent during the previous 12 months but still significantly higher than the 3.2-percent rate recorded in 2006. Figure 3 shows trends in the labor force, resident employment, and unemployment rate.

During the next 3 years, nonfarm payroll jobs in the HMA are expected to increase by an average of 1,800 jobs, or 0.9 percent, annually, with steadily increasing employment growth throughout the forecast period. New development projects at Port Canaveral are expected to add an estimated 3,000 direct and indirect jobs after development is complete in 2013. BlueWare, Inc., a Michigan-based health-history information company, announced plans to relocate operations to the HMA beginning April 2012 and expects to hire 190 employees during the next 4 years, with an average wage of \$69,000.

Population and Households

As of April 1, 2012, the population in the Palm Bay HMA was estimated at 545,000, an increase of 810, or 0.1 percent, annually since April 2010; net in-migration accounted for all population growth during this period. Negative net natural change (resident births minus resident deaths) of 1,725 occurred

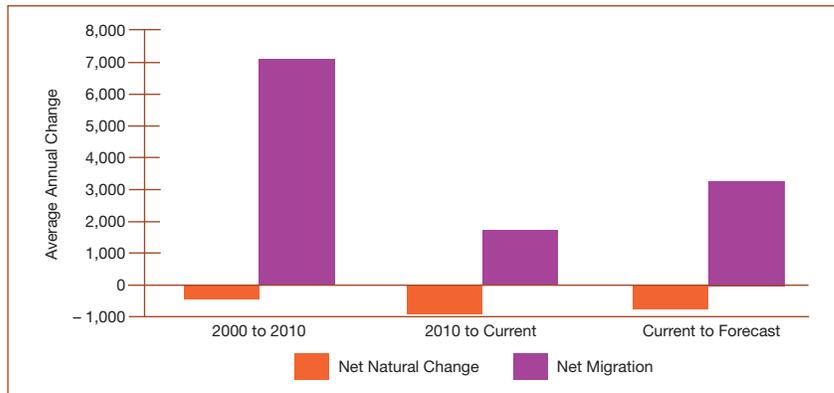
annually, reflecting the large population of elderly people. According to the 2010 Census, 110,700 people age 65 and older, or 20 percent of the total population, lived in the HMA in 2010. Most communities for elderly people are concentrated in the central portion of the county, in part because of the accessibility of healthcare

services in the area; an estimated 55,000 elderly people reside between Merritt Island and Palm Bay, where more than one-half of all major hospitals are located. Between 2000

and 2010, negative net natural change averaged 3,225 annually. From 2000 to 2005, population growth was strongest, averaging a 2.1-percent increase annually. During this period, net in-migration averaged 10,900 people annually. From 2006 through 2009, as employment and the housing market weakened, net in-migration slowed to an average of 2,400 people a year, and net natural change became negative, both causing population growth to slow to an average annual rate of 0.6 percent. During the next 3 years, the population is expected to increase by an average of 2,625, or 0.5 percent, annually, entirely the result of net in-migration. Figure 4 shows components of population change from 2000 to the forecast date.

Currently, an estimated 230,600 households are in the HMA. The number of households grew by an average of 3,150, or 1.5 percent, annually from 2000 to 2010. Coinciding with decreased growth in population, growth in the number of households slowed to 430, or 0.2 percent, annually from April 2010 to April 2012. Figure 5 illustrates the number of households by tenure in the HMA for 2000, 2010, and the current date. During the next 3 years, the number of households is expected to increase by 1,100, or 0.5 percent, annually. Figure 6 shows population and household growth in the HMA from 2000 to the forecast date.

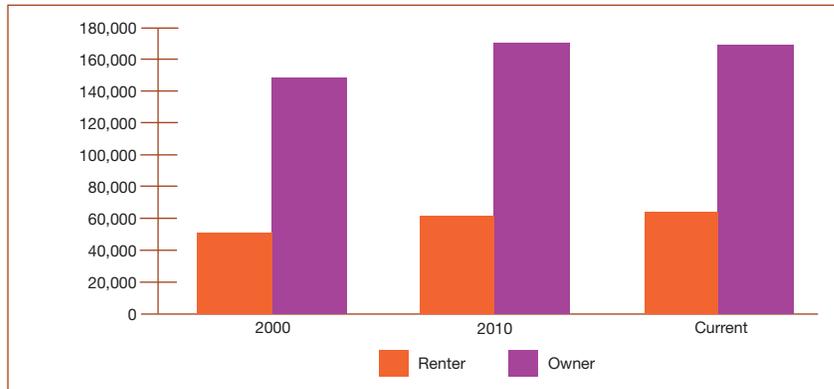
Figure 4. Components of Population Change in the Palm Bay HMA,* 2000 to Forecast



* Palm Bay-Melbourne-Titusville HMA.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

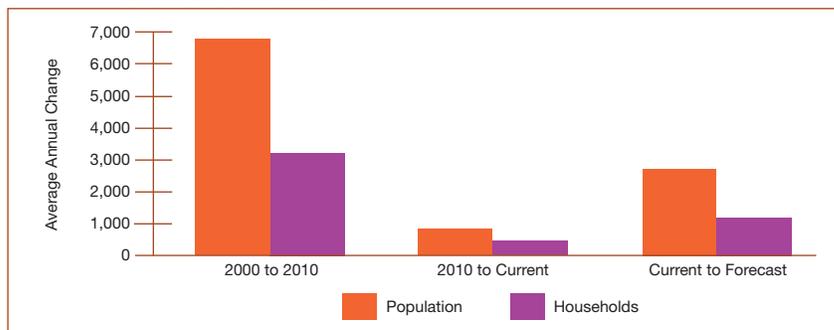
Figure 5. Number of Households by Tenure in the Palm Bay HMA,* 2000 to Current



* Palm Bay-Melbourne-Titusville HMA.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Palm Bay HMA,* 2000 to Forecast



* Palm Bay-Melbourne-Titusville HMA.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market

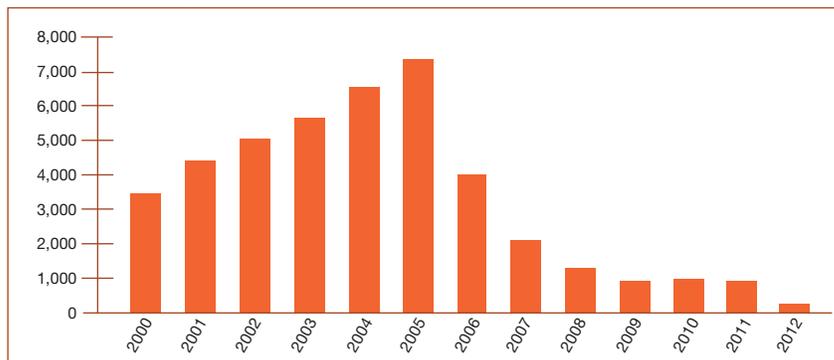
Partly because of the weak local economy and persistent job losses, the sales housing market in the Palm Bay HMA is currently soft as it has been since 2010. As of April 1, 2012, the estimated sales vacancy rate was 3.8 percent, unchanged from 2010. According to Hanley Wood, LLC, during the 12 months ending March 2012, 6,575 new and existing single-family homes were sold in the area, a 5-percent decrease from the previous year, and the average sales price decreased 4 percent, to \$163,900. By comparison, new and existing single-family home sales peaked at 19,200 homes sold in 2005 at an average price of \$222,200; in 2006, home sales dropped to 14,500 and the average price continued to increase to \$227,600. From 2007 through 2010, home sales averaged 7,625 annually, with an average price of \$191,200, coinciding with the beginning of job losses in the HMA. During the 12 months ending March 2012, 1,575 new and existing condominiums sold, 9 percent more than sold the previous year, because of increased demand for beachfront condominiums; the

average sales price for condominiums was \$241,600, a 6-percent increase from a year earlier. Condominium sales peaked in 2005 at 4,100 units sold at an average price of \$241,600; by comparison, from 2006 through 2010, an average of 2,000 condominiums sold at an average price of \$249,400.

The high percentage of distressed mortgages in the HMA also contributed to soft home sales market conditions. According to LPS Applied Analytics, as of March 2012, approximately 14,300 home loans, or 15.6 percent, were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, slightly higher than the 15.3-percent rate recorded in March 2011. Although the current rate is twice the national rate of 7.8 percent, it is lower than the state rate of 17.8 percent.

Reflecting soft home sales market conditions in the HMA, single-family homebuilding activity, as measured by the number of building permits issued, has declined 88 percent since peaking at 7,325 homes in 2005 (Figure 7). Single-family home construction averaged 2,025 homes annually from 2006 through 2009. Based on preliminary data, during the 12 months ending March 2012, permits were issued for 830 single-family homes, down 1 percent from the number of homes permitted during the previous year. Some small-scale development remains in the HMA, with most new construction activity in the city of Palm Bay, including Parkside West, which has

Figure 7. Single-Family Building Permits Issued in the Palm Bay HMA,* 2000 to 2012



* Palm Bay-Melbourne-Titusville HMA.

Notes: Includes townhomes. Includes data through March 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

approximately 11 home sites available with sales prices ranging from \$117,900 to \$181,300.

Because of soft home sales market conditions in the HMA, demand for additional new sales units is not expected during the forecast period (Table 1). In addition, the 100 new homes currently under construction are expected to be complete during

the forecast period, and a portion of the 24,900 other vacant units in the HMA may reenter the market. These additions to the existing housing supply may contribute further to soft home sales market conditions. Builders should begin constructing new homes in the third year to meet anticipated demand for homes beyond the forecast period.

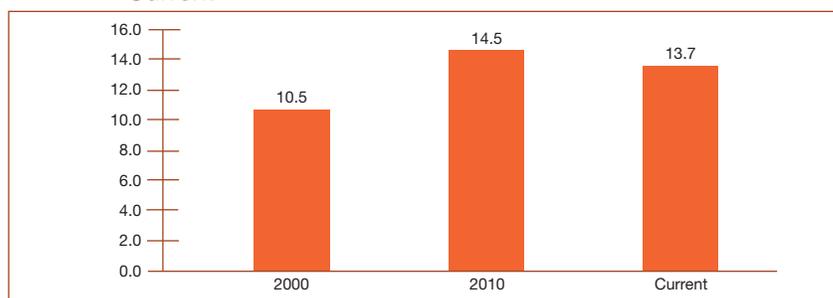
Rental Market

Overall rental housing market conditions in the Palm Bay HMA are currently soft because of continued job losses and household doubling. The current overall rental vacancy rate, including apartments, single-family homes, and other rental units, is estimated at 13.7 percent, a decrease from the 14.5-percent rate reported in April 2010 (Figure 8). According to ALN Apartment Data, Inc., the apartment vacancy rate during March 2012 was 10.3 percent, relatively unchanged from March 2011. The average asking rent in the area was approximately \$690 in March 2012, down 1 percent from a year earlier. Average rents for one-, two-, and three-bedroom apartment units were

\$590, \$710, and \$830, respectively. According to the same source, during March 2006, the apartment vacancy rate was 2.5 percent and the market was tight; then, in March 2007, the apartment vacancy rate increased to 10 percent after nearly 5,000 multifamily units were permitted and built between 2004 and 2006. The apartment vacancy rate averaged approximately 13 percent between March 2008 and March 2010.

Two segments of the population that affect the rental market are retirees and the military, who tend to live in areas with lower vacancy rates than in the HMA overall. According to The Shimberg Center for Housing Studies, most elderly people in the HMA reside in the Melbourne submarket, where nearly 70 percent of surveyed housing units for elderly people were located. Approximately 10 percent of the elderly population in the HMA are renters. Average rents for the surveyed units were \$620 for one-bedroom, one-bathroom units and \$750 for two-bedroom, two-bathroom units, with an average vacancy rate of approximately 2 percent. The military affects rental market conditions primarily in

Figure 8. Rental Vacancy Rates in the Palm Bay HMA,* 2000 to Current



* Palm Bay-Melbourne-Titusville HMA.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends
 Rental Market *Continued*

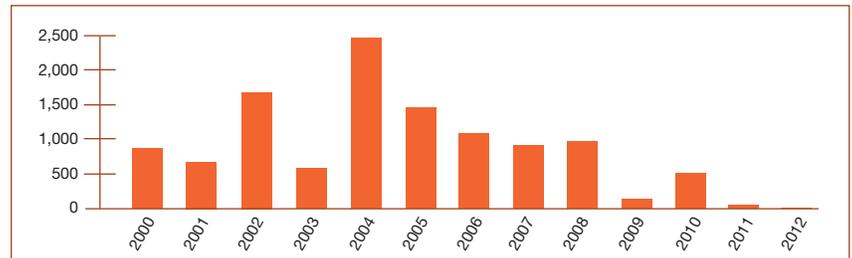
the central part of Brevard County, near the Cocoa Beach and Merritt Island area. With only about 1,000 rental units on base, more than one-half of the military live off base and are mostly renters. According to local sources, the apartment market in the Merritt Island community is more balanced than the overall apartment market in the HMA, with a vacancy rate estimated at 8 percent. Cinnamon Cove II, a 160-unit, market-rate apartment property that will be built in Palm Bay, is in the planning stages; currently, no public information is available regarding rents or a completion date.

Reflecting soft rental market conditions, based on preliminary data, virtually no multifamily units were

permitted during the 12 months ending March 2012 compared with the approximately 230 units permitted during the previous 12 months and an average of 690 units permitted annually from 2006 through 2010. Multifamily construction peaked during 2004, when 2,450 units were permitted; from 2005 through 2009, multifamily permits averaged approximately 900 units. Figure 9 shows the number of multifamily units permitted from 2000 through the current date.

No demand for new rental units is expected during the forecast period because of soft rental market conditions and the existing supply of excess vacant available units (Table 1).

Figure 9. Multifamily Building Permits Issued in the Palm Bay HMA,* 2000 to 2012



* Palm Bay-Melbourne-Titusville HMA.

Notes: Excludes townhomes. Includes data through March 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Data Profile

Table DP-1. Palm Bay HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	223,587	237,191	238,700	0.6	0.5
Unemployment Rate	3.6%	11.1%	10.8%		
Nonfarm Payroll Jobs	192,300	194,900	193,600	0.1	- 0.5
Total Population	476,230	543,376	545,000	1.3	0.1
Total Households	198,195	229,692	230,600	1.5	0.2
Owner Households	147,885	168,841	167,500	1.3	- 0.4
Percent Owner	74.6%	73.5%	72.7%		
Renter Households	50,310	60,851	63,000	1.9	1.8
Percent Renter	25.4%	26.5%	27.3%		
Total Housing Units	222,072	269,864	272,100	2.0	0.4
Owner Vacancy Rate	2.3%	3.8%	3.8%		
Rental Vacancy Rate	10.6%	14.5%	13.7%		
Median Family Income	\$48,300	\$62,200	\$62,900	2.6	1.1

* Palm Bay-Melbourne-Titusville HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2012. Median family incomes are for 2009 and 2010.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 4/1/2012—Analyst’s estimates
Forecast period: 4/1/2012–4/1/2015—Analyst’s estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_PalmBayFL_13.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.