

COMPREHENSIVE HOUSING MARKET ANALYSIS

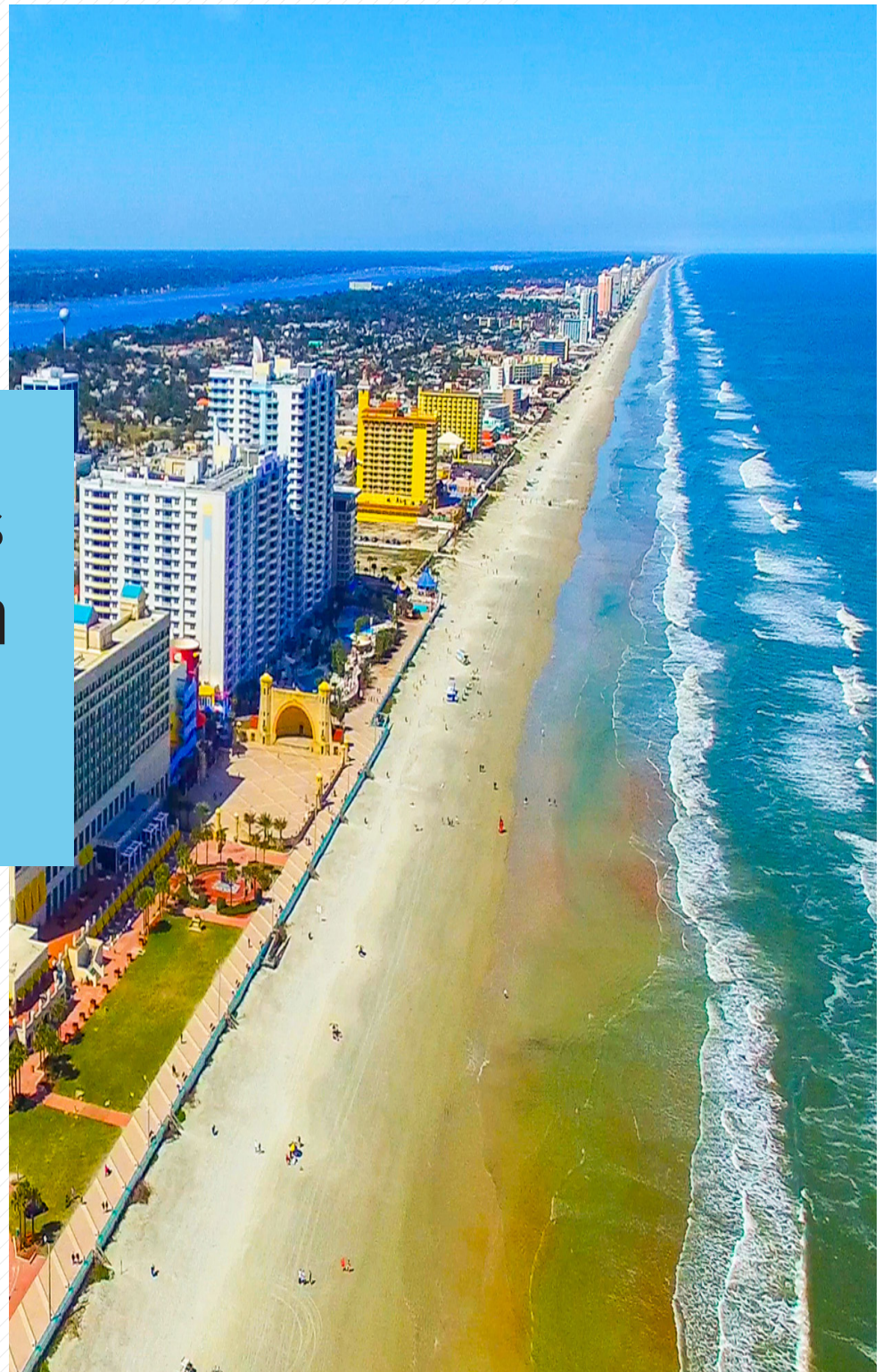
Crestview-Fort Walton Beach-Destin, Florida

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of September 1, 2023



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Executive Summary

Housing Market Area Description

Located along the Florida panhandle, the Crestview-Fort Walton Beach-Destin Housing Market Area (hereafter, Crestview HMA) is coterminous with the metropolitan statistical area (MSA) of the same name. The HMA is on the western shore of Florida and includes Okaloosa and Walton Counties. Crystal clear water and white sand beaches along the Gulf of Mexico draw more than 5 million visitors each year, providing a \$7.2 billion economic impact on the HMA (Walton County Tourism 2022). The HMA is home to two U.S. Air Force installations and one of the largest military communities in Florida. A combined 29,000 personnel are stationed at Eglin Air Force Base (AFB)—the largest air force base in the world, with more than 700 acres—and Hurlburt Field.

The current population of the HMA is estimated at 306,900.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Strong: During the 12 months ending August 2023, nonfarm payrolls increased by 4,100 jobs, or 3.3 percent, to 130,000 jobs.

Economic conditions in the Crestview HMA were strong during the 12 months ending August 2023, and the local economy has continued to grow after the recovery from the COVID-19 pandemic. Nine of the 11 payroll sectors added jobs during the 12 months ending August 2023; the transportation and utilities sector remained flat, and the financial activities sector fell 1.3 percent. During the 3-year forecast period, payrolls are expected to increase at an average rate of 2.3 percent annually.

Sales Market



Balanced: The HMA had a 5.0-month supply of for-sale inventory during August 2023, up from a 3.6-month supply a year earlier (Redfin, a national real estate brokerage).

The sales vacancy rate in the HMA is estimated at 1.6 percent as of September 1, 2023, down from 2.2 percent in April 2020 and considerably lower than the 4.1-percent rate in April 2010, when the sales market was soft following the Great Recession. During the 12 months ending August 2023, new and existing home sales totaled 10,750, down 33 percent from the previous 12 months and well below the recent high of 18,550 during the 12 months ending August 2021 (CoreLogic, Inc., with adjustments by the analyst). The average sales price for a home fell 4 percent to \$572,200 during the 12 months ending August 2023, compared with the previous 12 months. Demand is estimated for 6,900 new homes during the forecast period. The 1,425 homes under construction are expected to meet some of that demand.

Rental Market



Slightly Soft: As of the second quarter of 2023, the average apartment rent decreased 4 percent to \$1,735 from a year earlier.

Rental market conditions are slightly soft in the HMA as of September 1, 2023; the rental vacancy rate is currently estimated at 21.0 percent, down slightly from 22.1 percent in 2020, when rental market conditions were soft during the COVID-19 pandemic. By comparison, the HMA had slightly tight conditions in the mid- to late-2010s, before the pandemic, when vacancy rates were mostly in the high teens. The rental vacancy rate in the HMA trends higher than in other areas of the country because of a relatively high number of short-term and vacation rentals. The apartment market is also slightly soft, with an average vacancy rate of 8.6 percent during the second quarter of 2023, up from 7.3 percent a year earlier (CoStar Group). During the forecast period, demand is estimated for 2,300 new rental units. The 2,075 units under construction are expected to satisfy most of that demand.

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3-Year Housing Demand Forecast			
Crestview HMA		Sales Units	Rental Units
	Total Demand	6,900	2,300
	Under Construction	1,425	2,075

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of September 1, 2023. The forecast period is September 1, 2023, to September 1, 2026.
Source: Estimates by the analyst



Economic Conditions

Largest Sector: Leisure and Hospitality

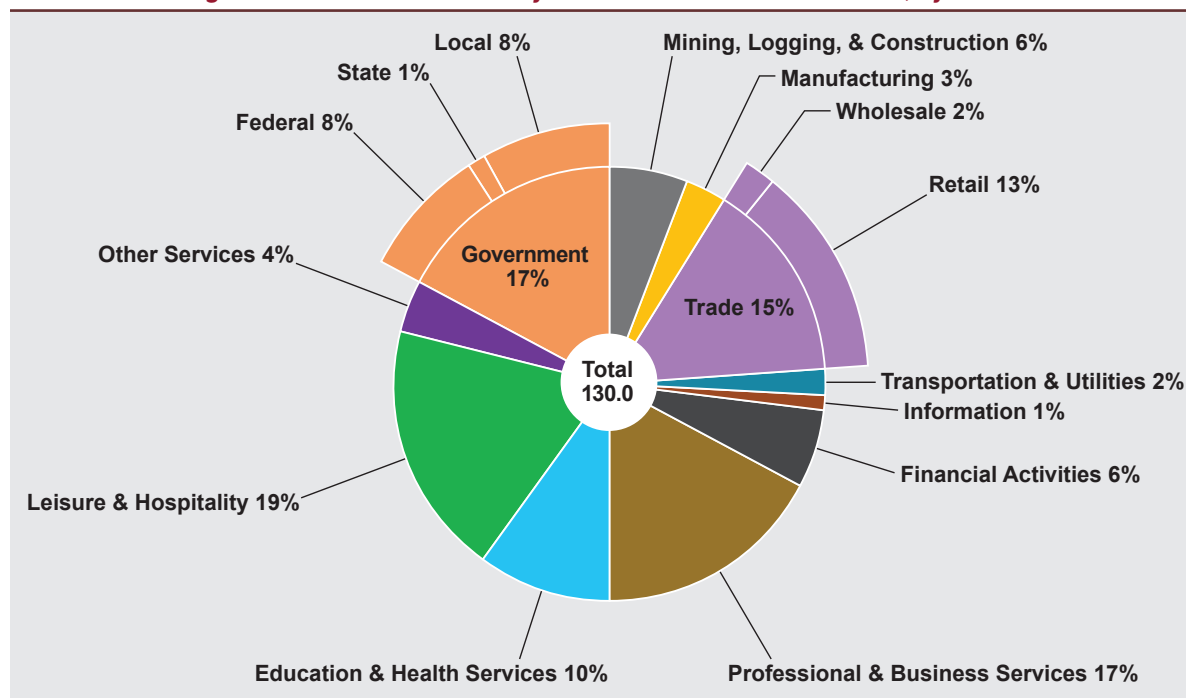
The leisure and hospitality sector is the largest sector in the Crestview HMA, representing 19 percent of all nonfarm payrolls.

Primary Local Economic Factors

The Crestview HMA serves as a major tourism, retirement, and military area. In 2021, the HMA attracted 5.3 million visitors, who spent more than \$4.8 billion (Walton County Tourism). Gulf Islands National Seashore is partly in the HMA, and many fishing, snorkeling, and watersports attractions are available in the Choctawhatchee Bay and the Gulf of Mexico. Southern Walton County is home to Point Washington State Forest, a 15,000-acre recreation and preservation area with more than 27 miles of nature trails. Tourism supports jobs in the wholesale and retail trade and the leisure and hospitality sectors, which combine to account for 34 percent of all jobs in the HMA (Figure 1). The HMA has also become a retirement destination, in part because of the climate, white sand beaches, and ample golf courses, combined with relatively affordable housing.

The economy in the HMA depends heavily on the government sector, which includes the largest employer, the U.S. Department of Defense (DoD), with 37,000 jobs (Table 1; DoD numbers are greater than government sector payrolls because military personnel are not included in nonfarm payroll survey data). Eglin AFB and Hurlburt

Figure 1. Share of Nonfarm Payroll Jobs in the Crestview HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through August 2023. Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Crestview HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
United States Department of Defense	Government	37,000
Sandestin Beach Hotel, LTD.	Leisure & Hospitality	1,800
Walmart Inc.	Wholesale & Retail Trade	1,700
HCA Florida Fort Walton-Destin Hospital	Education & Health Services	1,225
Publix Super Markets, Inc.	Wholesale & Retail Trade	1,050
Northwest Florida State College	Government	770
North Okaloosa Medical Center	Education & Health Services	740
Reliance Test and Technology, LLC	Professional & Business Services	730
Lockheed Martin Corporation	Manufacturing	700
White Wilson Medical Center	Education & Health Services	500

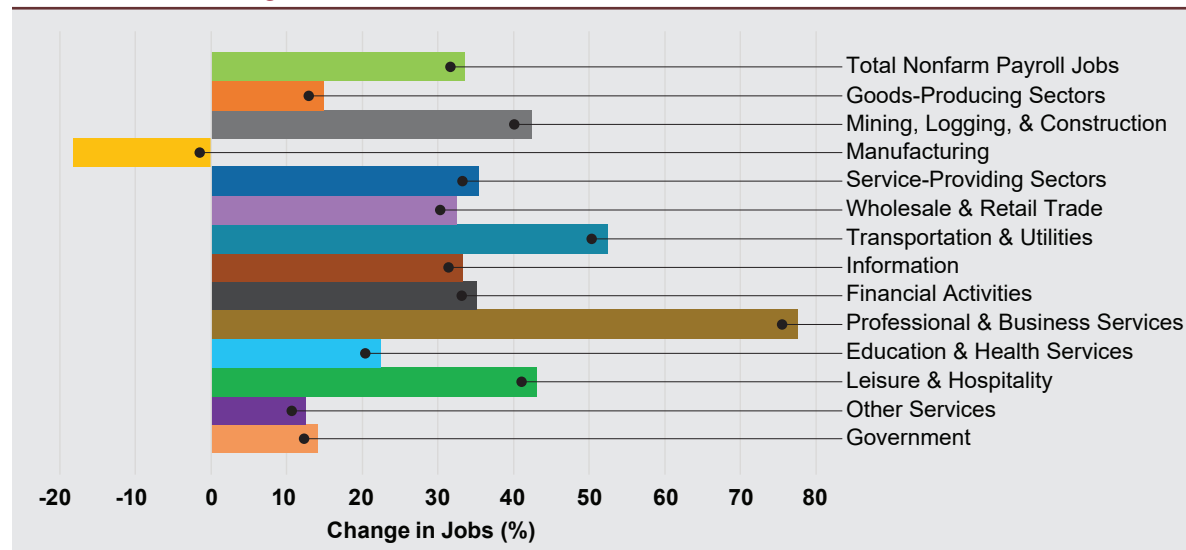
Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data. Sources: One Okaloosa Economic Development Council; Florida Chamber of Commerce

Field have a combined economic impact on the HMA of nearly \$9.2 billion annually. In addition to providing direct jobs, the military supports jobs in the HMA through \$1.43 billion in DoD contracts, contributing to continued growth in the professional and business services sector, which has increased 78 percent since 2011 (Figure 2). In total, military installations account for 73,200 direct and indirect jobs, including military personnel, in the HMA (Enterprise Florida, 2022). The HMA is home to more than 40,000 military veterans. Approximately 22 percent of the population in Okaloosa County are veterans, the largest concentration in Florida (Stacker.com). Military retirees in the HMA benefit from the availability of commissary access and other military services.

Current Conditions— Nonfarm Payrolls

During the 12 months ending August 2023, nonfarm payrolls increased by 4,100, or 3.3 percent, following a gain of 5,100 jobs, or 4.2 percent, during the 12 months ending August 2022 (Table 2). The service-providing sectors had strong payroll gains, increasing by 3,400 jobs, or 3.0 percent, representing 83 percent of all payroll growth, following a gain of 4,600 jobs, or 90 percent of all payroll growth, during the 12 months ending August 2022. The largest payroll gains in the HMA during the past 12 months were in the leisure and hospitality sector, which added 1,000 jobs, or 4.3 percent, because tourism was strong

Figure 2. Sector Growth in the Crestview HMA, 2011 to Current



Note: Current data represent the 12-month average through August 2023.

Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Crestview HMA, by Sector

	12 Months Ending August 2022	12 Months Ending August 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	125.9	130.0	4.1	3.3
Goods-Producing Sectors	11.0	11.7	0.7	6.4
Mining, Logging, & Construction	7.5	8.1	0.6	8.0
Manufacturing	3.5	3.6	0.1	2.9
Service-Providing Sectors	114.9	118.3	3.4	3.0
Wholesale & Retail Trade	19.5	20.0	0.5	2.6
Transportation & Utilities	2.6	2.6	0.0	0.0
Information	1.5	1.6	0.1	6.7
Financial Activities	7.9	7.8	-0.1	-1.3
Professional & Business Services	21.8	22.4	0.6	2.8
Education & Health Services	12.6	13.2	0.6	4.8
Leisure & Hospitality	23.2	24.2	1.0	4.3
Other Services	4.9	5.0	0.1	2.0
Government	20.9	21.6	0.7	3.3

Notes: Based on 12-month averages through August 2022 and August 2023. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

in the HMA. This increase was slightly lower than the growth of 1,100 jobs, or 4.9 percent, during the previous 12 months. The government sector added 700 jobs, or 3.3 percent, partly due to staff increases at Eglin AFB, following a decline of 100 jobs, or 0.4 percent, during the 12 months ending August 2022. The education and health services sector—the fifth largest sector in the HMA, representing 10 percent of nonfarm payrolls—added 600 jobs, or 4.8 percent. Some of this growth can be attributed to HCA Fort Walton-Destin Hospital,

which added a new wing with 28 additional beds in late 2022, and the newly expanded Cardiac Rehabilitation Center, completed in early 2023, adding a combined 60 jobs. In the goods-producing sectors, 86 percent of all payroll growth was in the mining, logging, and construction sector, which added 600 jobs, or 8.0 percent—the largest percentage gain of all sectors—because residential construction was up significantly compared with the previous 5 years.

Economic Periods of Significance

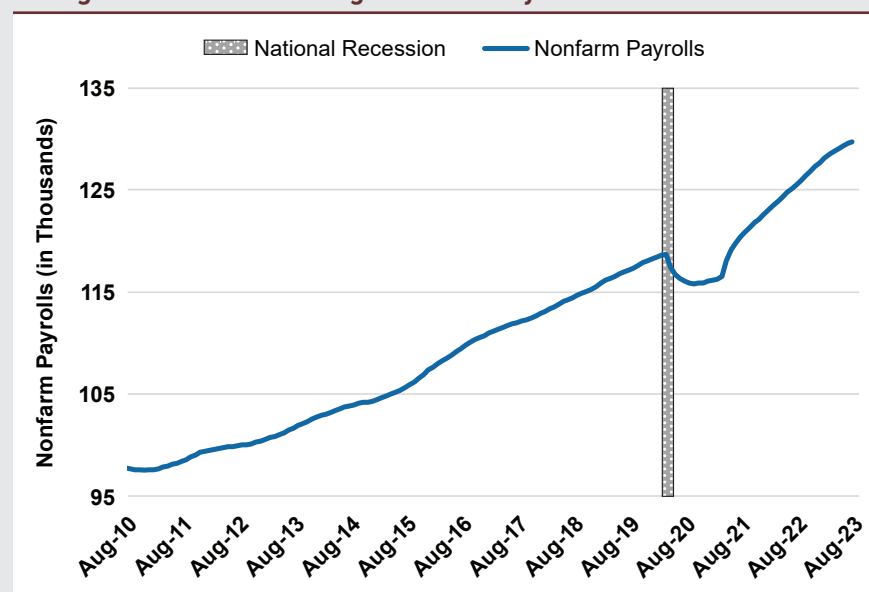
2010 Through 2013

Nonfarm payrolls in the HMA began to recover from the Great Recession in 2010. From 2011 through 2013, nonfarm payrolls in the HMA increased by an average of 1,700 jobs, or 1.7 percent, annually (Figure 3). Tourists began to return to the HMA because the national economy was recovering from the Great Recession; the leisure and hospitality and the wholesale and retail trade sectors led growth with average annual increases of 800 and 500 jobs, or 4.5 and 3.2 percent, respectively. In the goods-producing sectors, however, payroll declines continued, with the manufacturing sector declining by 200 jobs, or 4.8 percent, annually, while losses averaged 100 jobs, or 1.2 percent, annually in the mining, logging, and construction sector because homebuilding was subdued during the period.

2014 Through 2019

The economy in the HMA strengthened, and nonfarm payrolls surpassed the prerecession level, with prolonged expansion beginning in mid-2015. From 2014 through 2019, nonfarm payrolls increased by an average of 2,600 jobs, or 2.4 percent, annually, a faster pace than the national rate of 2.0 percent during the same period. The professional and business services sector led gains with an average of 800 jobs, or 5.2 percent, annually. Some of this growth can be attributed to expansions at companies that contract with Eglin AFB, such as MAG Aerospace Industries, Inc., an operations, training, and

Figure 3. 12-Month Average Nonfarm Payrolls in the Crestview HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

technical services company, which added a new facility with 50 employees in January 2019. The leisure and hospitality sector increased by an average of 600 jobs, or 2.7 percent, annually, partly because of seven new hotels opening and adding more than 700 rooms during the period. The wholesale and retail

trade sector also had strong growth, increasing by an average of 400 jobs, or 2.2 percent, annually because tourists patronized local retail shops.

2020

The effects of COVID-19 were significant in the HMA, and the subsequent economic recovery was relatively rapid. The state of Florida issued a stay-at-home order beginning on April 3, 2020, to slow the spread of COVID-19. Among other restrictions, the order closed all restaurant dining rooms, theme parks, and bars in the state and required all nonessential businesses to limit activity to minimum basic operations. On a monthly basis, nonfarm payrolls in the HMA declined by 15,600 jobs, or 13.1 percent, during the month of April 2020 (not seasonally adjusted). Nonfarm payroll declines were greatest in the leisure and hospitality sector, which lost 10,000 jobs, or 43 percent, accounting for nearly two-thirds of all job losses during April 2020. The state lifted pandemic-related restrictions on May 4, 2020, and the local economy began to recover jobs at a relatively fast pace.

Unemployment Trends

Since 2010, the average unemployment rate in the HMA has been lower than the national rate, due in large part to the stabilizing effect of Eglin AFB and Hurlburt Field on the HMA economy (Figure 4). The unemployment rate reached a recent high of 6.1 percent during the 12 months ending March 2021, a period that included pandemic-related shutdowns. Since then, the unemployment rate has fallen precipitously, averaging 2.7 percent during the 12 months ending August 2022 and 2.4 percent during the 12 months ending August 2023. Nationally, the average unemployment rate during the 12 months ending August 2023 was 3.6 percent, down from 3.9 percent a year earlier and well below a recent peak of 8.7 percent during the 12 months ending March 2021.

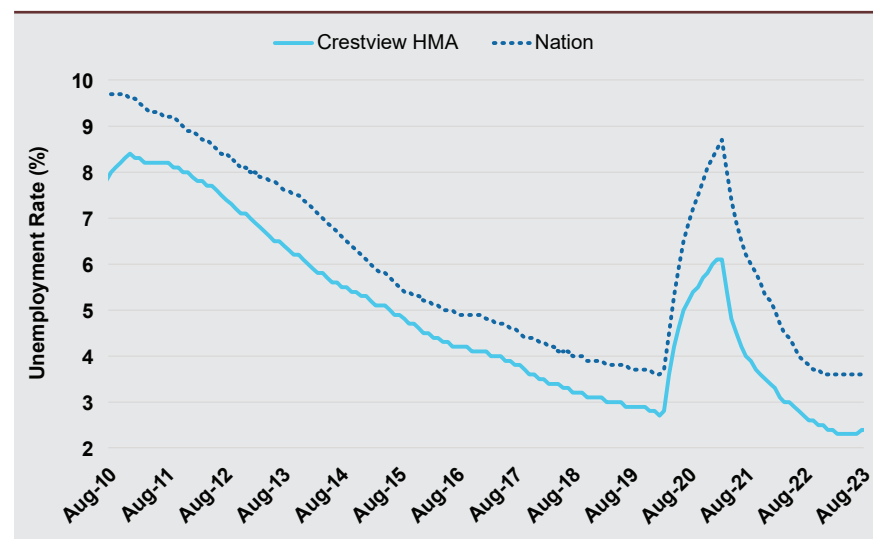
Commuting Patterns

Approximately 65 percent of the employed residents live and work in the HMA. Approximately 74 percent of those workers are employed in Okaloosa County, home to the principal cities of Crestview, Fort Walton Beach, and

2021 and 2022

By March 2021, the HMA had recovered all jobs lost during April 2020 on a monthly basis, whereas the nation regained COVID-19-related losses by May 2022. The economy strengthened because restrictions in Florida were less stringent than in many other parts of the nation, which attracted visitors. During 2021 and 2022, nonfarm payrolls increased by 5,800 jobs, or 4.9 percent, annually, with gains in every sector. The greatest gains were in the professional and business services sector, which added 1,900 jobs, or 9.5 percent. The leisure and hospitality and the wholesale and retail trade sectors increased by respective averages of 1,400 and 800 jobs, or 6.8 and 4.3 percent, respectively, annually, during a strong rebound of tourism. The mining, logging, and construction sector increased by 400 jobs, or 5.6 percent, annually during 2021 and 2022.

Figure 4. 12-Month Average Unemployment Rate in the Crestview HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics



Destin; 26 percent work in Walton County (U.S. Census Bureau, OnTheMap, 2020). Residents leaving the HMA for work most frequently go to the adjacent Pensacola-Ferry Pass-Brent, FL metropolitan area, followed by the Panama City, FL metropolitan area, accounting for 14 and 5 percent of the total workforce, respectively. Less than 2 percent of all workers commute to the Tampa-St Petersburg-Clearwater metropolitan area. The remaining 14 percent work in other locations.

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 2.3 percent annually. Job growth is expected to be slower

during the second and third years of the forecast period, when the momentum from the postrecession recovery slows. In the manufacturing sector, Central Moloney, Inc. announced the construction of a \$50 million electrical transformer manufacturing facility in the city of Crestview, which is expected to break ground near the end of 2023 and add 350 jobs during the next 3 years. Gulf Air Group, Inc. is expected to add 50 employees as part of a \$16 million aircraft hangar expansion, which is anticipated to be complete in 2025.



Population and Households

Current Population: 306,900

Robust net in-migration in the Crestview HMA since 2010 has resulted in strong population growth despite slowing net natural change.

Population Trends

The current population of the HMA is estimated at 306,900, an average increase of 5,850, or 2.0 percent, annually since 2020 (Table 3). The population in the HMA has increased every year since 2010 because of strong net in-migration (Figure 5). From 2010 to 2013, the population increased by an average of 4,775, or 2.0 percent, annually, and net natural increase averaged 1,200 people. Net in-migration, accounting for 75 percent of growth, averaged 3,575 people annually because the economy began to recover from the Great Recession. From 2013 to 2016, the population of the HMA increased at a slightly slower rate, by an average of 4,425, or 1.7 percent, annually. Net in-migration averaged 3,150 people annually, accounting for 71 percent of growth, and net natural increase grew to an average of 1,275 people a year. From 2016 to April 1, 2020, the population increased by an average of 5,950, or 2.2 percent, annually. A strong stock market, which boosted retirement savings, and an aging population in the nation

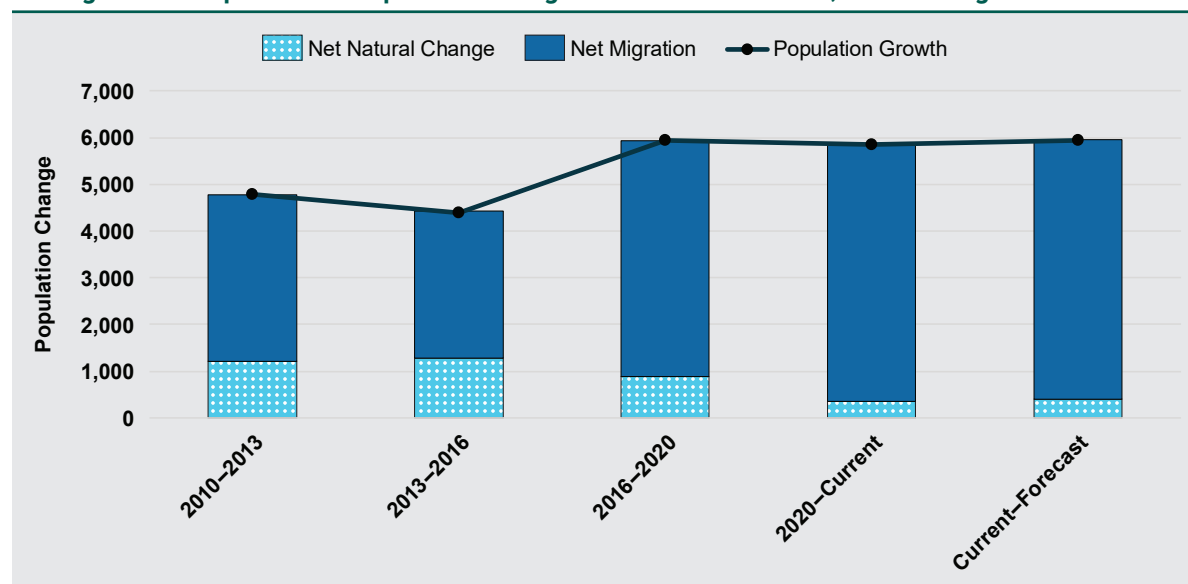
Table 3. Crestview HMA Population and Household Quick Facts

Population Quick Facts	2020	Current	Forecast
	Population	286,970	306,900
	Average Annual Change	5,100	5,850
	Percentage Change	2.0	1.9
Household Quick Facts	2020	Current	Forecast
	Households	113,938	122,100
	Average Annual Change	1,925	2,375
	Percentage Change	1.9	2.0

Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is from the current date (September 1, 2023) to September 1, 2026.

Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Crestview HMA, 2010 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (September 1, 2023) to September 1, 2026. Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

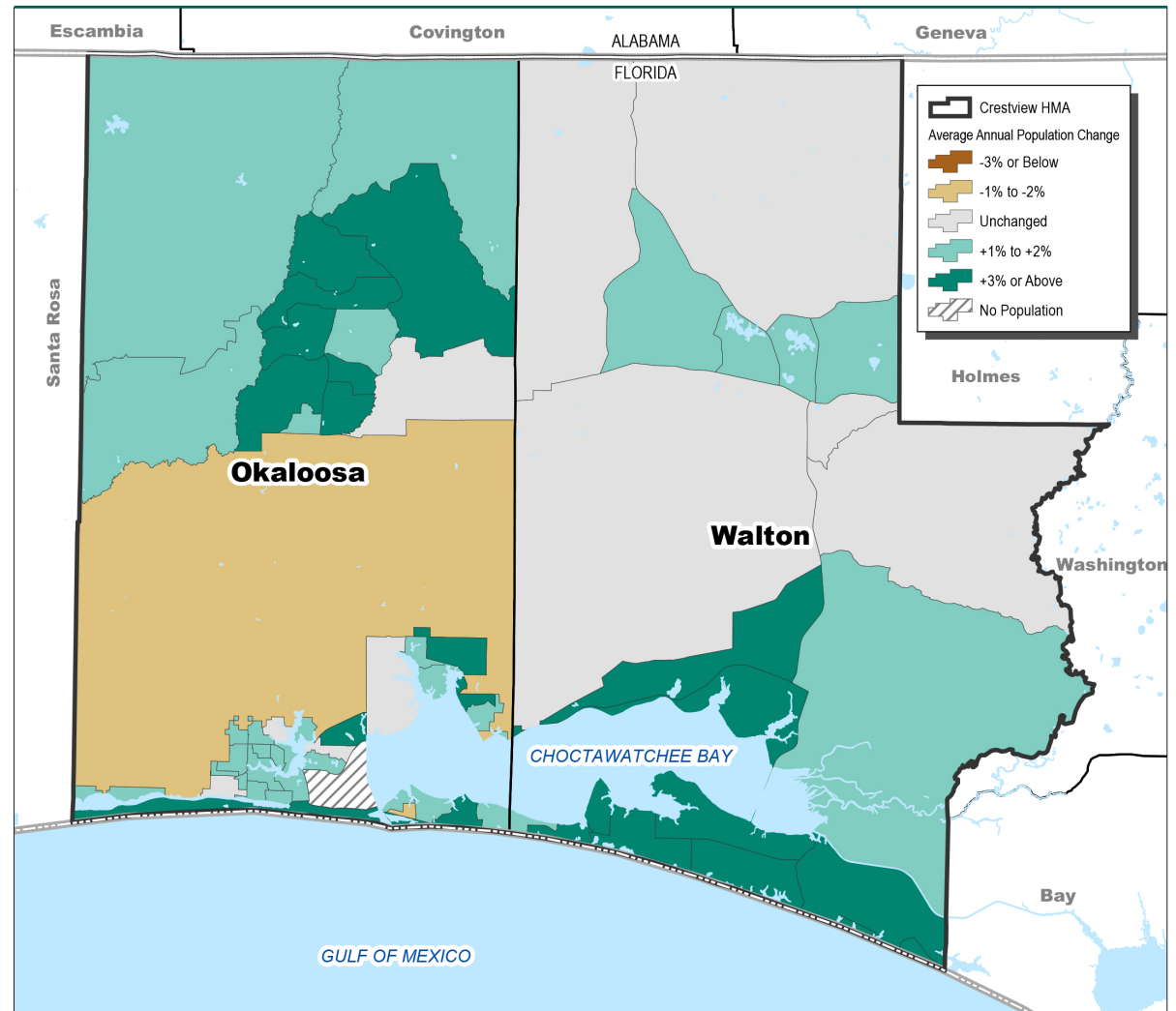
brought an influx of retirees to the HMA. During the period, net in-migration averaged 5,050 people annually, accounting for 85 percent of the population growth, and net natural increase slowed to an average of 900 people annually. From 2020 to the current date, the population increased by an

average of 5,850, or 2.0 percent, annually. Net in-migration strengthened to 94 percent of population growth, averaging 5,500 people annually, because pandemic-related telework and retirements brought people to coastal communities. Net natural change continued to slow, averaging 350 people annually, mostly because of an elevated number of deaths stemming from COVID-19.

Population by Geography

Okaloosa County is the most populous county in the HMA, with a population of 216,482 in 2022, or 72 percent of the total population of the HMA (U.S. Census Bureau population estimates as of July 1). The population of the county, which encompasses Eglin AFB and Hurlburt Field and many employment centers and tourist attractions in the HMA, increased by an average of 2,900, or 1.5 percent, annually from 180,822 in 2010 (Map 1). By comparison, the population of Walton County increased by an average of 2,300, or 3.4 percent, annually from 55,043 in 2010 to 83,304 in 2022. Most of the population of Walton County is concentrated near major travel arteries and the waterfront in the southern part of the county, whereas the northern part of the county is relatively rural. The coastal communities are popular because of an abundance of protected public lands; however, the protected areas limit the land available for development.

Map 1. Population Change in the Crestview HMA, 2010 Through 2020



Source: 2010 and 2020 Decennial Census, with adjustments by the analyst

Population by Age Cohort

With a median age of 45 in 2020, the residents of Walton County tend to be older on average compared with residents of Okaloosa County and the nation, who have respective median ages of 38 and 39 years. The 65-and-older age cohort has grown at a strong pace in the HMA since 2010, reflecting national trends. From 2010 to 2020, the population of residents in the HMA in this age cohort increased an average of 4.0 percent annually to 50,491 (U.S. Census Bureau decennial census counts). Nationally, the age cohort of residents 65 and older increased an average of 3.3 percent annually from 2010 to 2020. Residents in the HMA in this age cohort accounted for 17.6 percent of the total HMA population in 2020, compared with 16.8 percent of the population nationally. This growth was due to a 5.5-percent annual increase in this age cohort in Walton County and 3.4-percent growth in Okaloosa County. The portion of residents in Walton County aged 65 years and older grew from 16.2 percent in 2010 to 20.3 percent in 2020, while the portion in Okaloosa County increased from 13.9 percent in 2010 to 16.6 percent in 2020.

Household Growth Trends

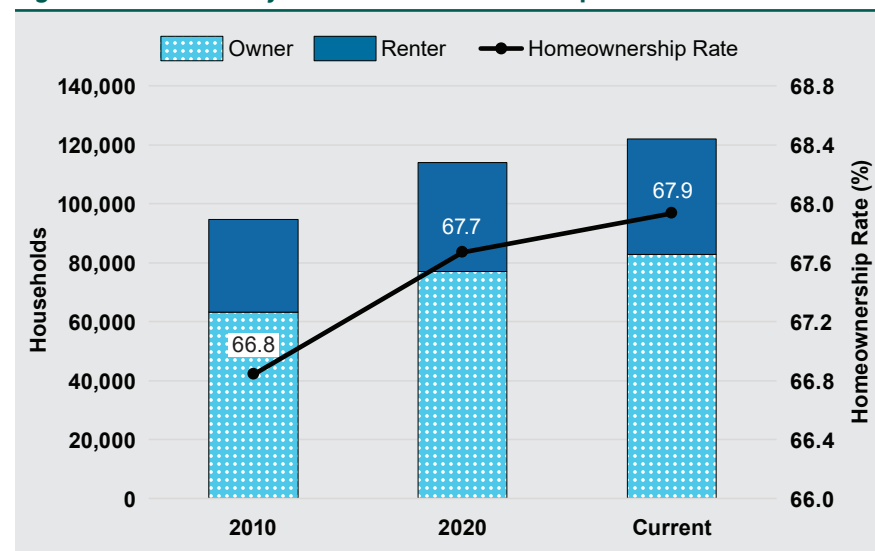
The number of households in the HMA is currently estimated to be 122,100, representing an average increase of 2,375 households annually, or 2.0 percent, since 2020, equal to the pace of population growth during the same period. By comparison, the number of households increased an average of 1.9 percent annually from 2010 to 2020, a slower pace than population growth during the same period, because retirees—who tend to form smaller households—represented a smaller portion of the growth.

Households by Tenure

Partly because of the influx of retirees into the HMA, owner household growth has exceeded renter household growth and accounted for 72 percent of total household growth in the Crestview HMA since 2010. During the early to mid-2010s, tightened lending standards and an increased propensity to rent contributed to a decrease in the homeownership rate. Homeownership reached an estimated low of 65.2 percent in 2013 and has since trended

upward because of strengthening economic conditions and slightly looser lending standards (American Community Survey [ACS] 1-year estimates). The current homeownership rate is an estimated 67.9 percent, up from 66.8 and 67.7 percent in 2010 and 2020, respectively (Figure 6).

Figure 6. Households by Tenure and Homeownership Rate in the Crestview HMA



Note: The current date is September 1, 2023.

Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst

Military Households

Military households have a notable impact on the local housing market. Approximately 8,000 people live on Eglin AFB. The base provides housing for unmarried military personnel in barracks with 1,100 beds and has approximately 2,300 privatized homes in six neighborhoods throughout the base for married military personnel and their families. Hurlburt Field has 824 beds for enlisted personnel and 404 housing units on base. The remaining military personnel and family members, or approximately 19,750 households, live off base and account for an estimated 16 percent of all households in the HMA.

Forecast

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 5,950, or 1.9 percent, annually. Net in-migration is expected to increase during the first year because the economy is likely to expand at a slightly faster pace in the first year than in the second and third

years. The number of households is expected to increase by an average of 2,575, or 2.1 percent, annually during the forecast period, a faster pace than population growth during the same period because more people are expected to retire in the HMA, and retirees tend to have smaller household sizes.



Home Sales Market

Market Conditions: Balanced

The total number of homes sold declined 33 percent in the Crestview HMA during the 12 months ending August 2023 to the lowest level since early 2017, in part due to increasing mortgage interest rates.

Current Conditions

Sales market conditions in the HMA are currently balanced, with an estimated vacancy rate of 1.6 percent as of September 1, 2023, down from the 2.2-percent rate during April 2020 (Table 4). Tight market conditions developed because increased teleworking during the COVID-19 pandemic strengthened the demand for homes in the HMA, with inventory reaching a 1.3-month supply low in March 2021. Rapidly rising mortgage interest rates that began in early 2022 contributed to declining sales since 2022. As of December 30, 2021, the average interest rate for a 30-year fixed-rate mortgage was 3.11 percent; by August 31, 2023, the rate was 7.18 percent (Freddie Mac). This rise has increased the cost of financing a home and slowed sales, bringing the market into balance. During the 12 months ending August 2023, home sales decreased 33 percent from a year earlier to 10,750, compared with a decline of 13 percent the previous year (CoreLogic, Inc., with adjustments

Table 4. Home Sales Quick Facts in the Crestview HMA

Home Sales Quick Facts	Crestview HMA		Nation
	Vacancy Rate	1.6%	NA
	Months of Inventory	5.0	2.7
	Total Home Sales	10,750	5,262,000
	1-Year Change	-33%	-28%
	New Home Sales Price	\$591,300	\$495,900
	1-Year Change	7%	5%
	Existing Home Sales Price	\$568,000	\$391,100
	1-Year Change	-5%	0%
	Mortgage Delinquency Rate	0.9%	1.0%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending August 2023; and months of inventory and mortgage delinquency data are as of August 2023. The current date is September 1, 2023.
Sources: Vacancy rate—estimates by the analyst; home sales, prices, and mortgage delinquency rate—CoreLogic, Inc.; months of inventory—Redfin, a national real estate brokerage

by the analyst). The average sales price decreased 4 percent during the past 12 months to \$572,200, compared with an 11-percent increase during the 12 months ending August 2022.

Existing Home Sales and Prices

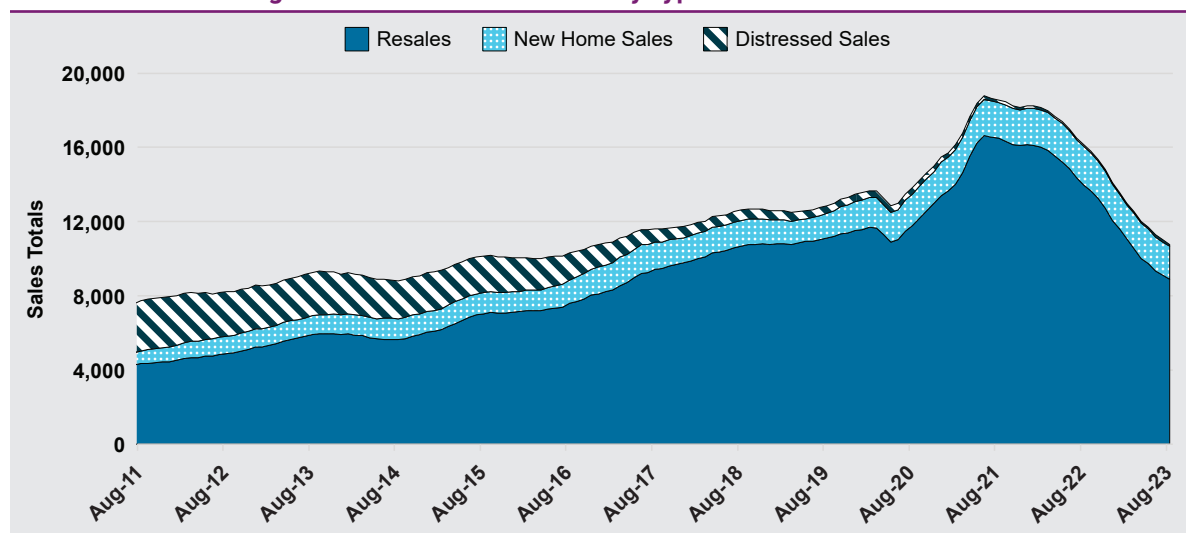
Since March 2022, increasing mortgage interest rates have raised the cost of buying a home. This effect has also lowered the inventory of existing homes for sale because homeowners with mortgages choose to stay in their current homes rather than buy a new home at a higher interest rate. During the 12 months ending August 2023, existing home sales decreased 36 percent to 9,000, compared with a decline of 16 percent during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). During the 12 months ending August 2023, the average price of an existing home decreased 5 percent to \$568,000, compared with a gain of 13 percent during the 12 months ending August 2022.

In the wake of the Great Recession during the early 2010s, the existing home sales market in the HMA slowly cleared distressed properties from the market. When economic conditions improved, the housing market strengthened (Figure 7). During 2011, existing home sales were strong, but many of the homes sold in the HMA were distressed sales stemming from job losses during the Great Recession. Existing home sales increased by 1,075 homes, or 18 percent, from the previous year to 7,175 homes sold during 2011; however, 2,725, or 38 percent, of the existing homes sold were distressed sales, which contributed to the price of existing homes declining 2 percent to \$240,200 in 2011 (Figure 8). The modest economic recovery in the



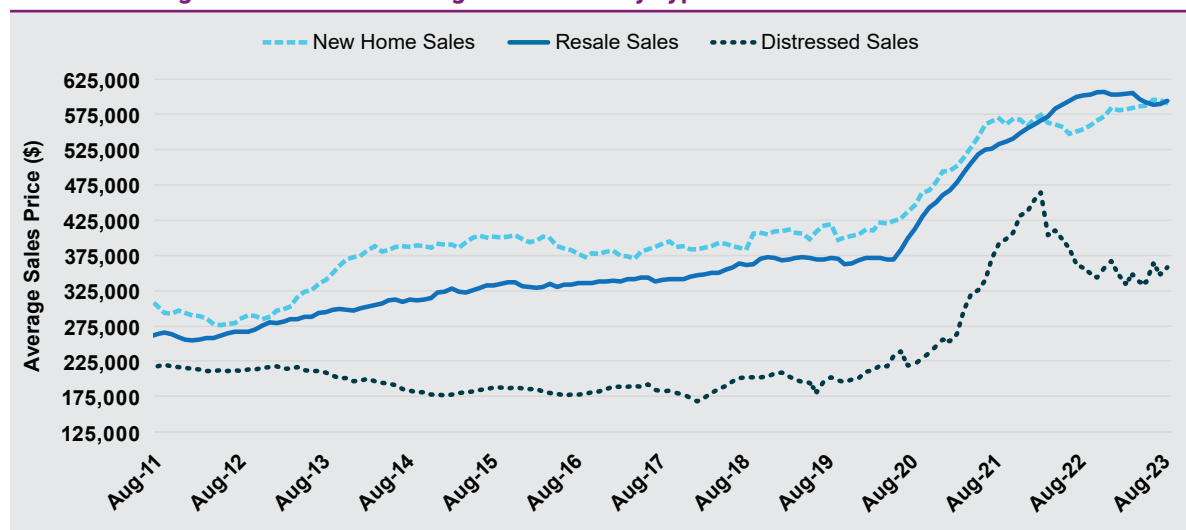
HMA began to strengthen, and distressed home sales declined by 220, or 9 percent, annually from 2012 through 2015, but still were a considerable portion of sales, representing 26 percent of existing home sales in the HMA. When demand strengthened, existing home sales increased an average of 6 percent annually from 2012 through 2015, and the price of an existing home increased an average of 6 percent annually during the same period to \$300,900 in 2015. From 2016 through 2019, strong economic conditions led to further declining distressed sales because fewer homeowners fell behind on mortgage payments, and existing home sales increased an average of 7 percent a year to 11,900 existing homes sold in 2019. During that period, resales increased by an average of 1,100 homes sold, or 13 percent, annually, whereas distressed home sales declined by an average of 360 homes, or 32 percent, a year; the price of an existing home increased an average of 5 percent annually to \$362,800. During 2020 and 2021, new telework options and the retirement of many older workers during the COVID-19 pandemic contributed to continued strong in-migration. Historically low mortgage interest rates bolstered the demand for homes, and existing home sales increased an average 17 percent annually to 16,250 homes sold in 2021. The influx of retirees and remote workers put upward pressure on home sales prices during the period, which contributed to the average existing home prices increasing 24 percent annually to \$554,800 in 2021.

Figure 7. 12-Month Sales Totals by Type in the Crestview HMA



Source: CoreLogic, Inc., with adjustments by the analyst

Figure 8. 12-Month Average Sales Price by Type of Sale in the Crestview HMA

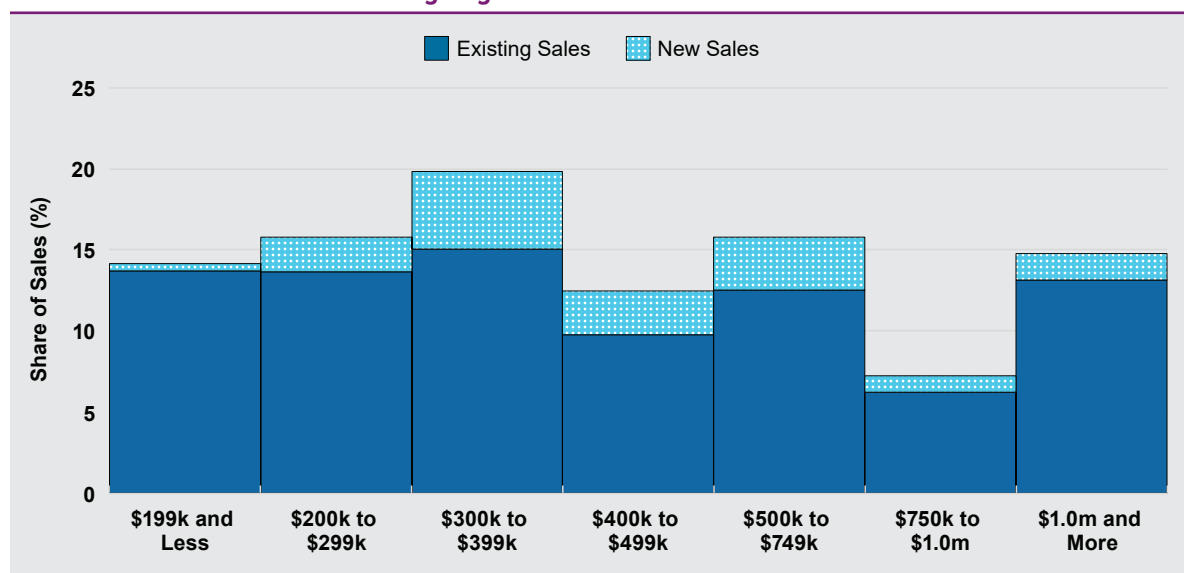


Source: CoreLogic, Inc., with adjustments by the analyst

New Home Sales and Prices

New home sales increased during most of the late 2010s, with strong growth in the early 2020s; however, recent increases in mortgage interest rates have impacted demand. During the 12 months ending August 2023, new home sales decreased 16 percent to 1,750 homes sold compared with the previous 12-month period, when sales increased 9 percent to 2,075 new homes sold. New home prices have increased despite slower home sales growth because of low inventory overall in the HMA. The average price of a new home increased 7 percent to \$591,300 during the 12 months ending August 2023, which followed a decline of 3 percent during the 12 months ending August 2022, when new home prices fell below existing home prices in that tight market. The greatest portion of new homes sold during the 12 months ending August 2023 had prices ranging from \$300,000 to \$399,000 (Zonda; Figure 9). From 2011 through 2013, new home sales increased an average of 28 percent annually to 1,075 homes sold in 2013, and the price of a new home increased 6 percent annually when the recovery from the Great Recession began. Increased new home sales demand, stemming from job and population growth, contributed to an average 6-percent increase in new home sales each year from 2014 to 2019. The price of a new home increased an average of 1 percent annually from 2014 through 2019. During 2020 and 2021, new home sales

Figure 9. Share of Overall Sales by Price Range During the 12 Months Ending August 2023 in the Crestview HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

increased 12 percent annually to 1,975 because of strong in-migration. The average price of a new home increased 17 percent annually to \$558,800 in 2021, partly because supply chain issues increased the cost of building materials during the pandemic.

Seriously Delinquent Mortgages and REO Properties

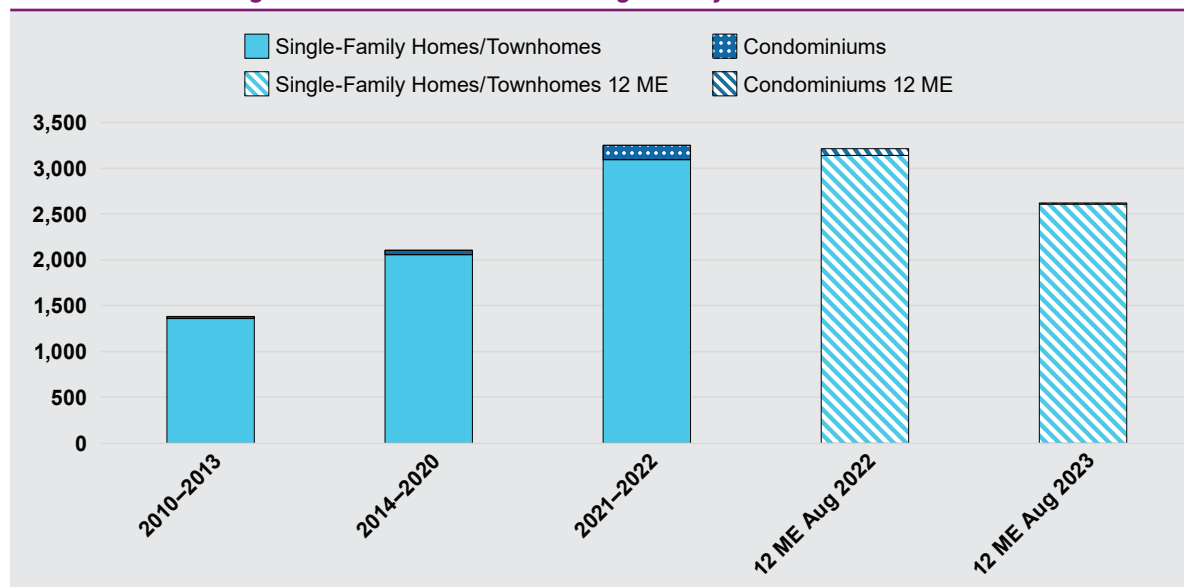
The percentage of seriously delinquent mortgages and REO properties in the HMA increased significantly during the early stages of the COVID-19 pandemic because weakened economic conditions made it more difficult for many homeowners to stay current on their mortgage payments, and a large number of home mortgages were placed in forbearance. The percentage of seriously delinquent mortgages and REO properties increased from 1.6 percent in March 2020 to a 4.2-percent high in August 2020. Most of those mortgages were 90 or more days delinquent because many homeowners participated in mortgage forbearance. The rate of seriously delinquent mortgages and REO properties subsequently decreased to 0.9 percent during August 2023, down from 1.1 percent a year ago and well below the 12.6-percent

January 2011 peak rate. By comparison, the national percentage of seriously delinquent mortgages and REO properties was 1.0 percent in August 2023, down from 1.3 percent a year earlier and significantly below the 8.6-percent January 2010 peak rate.

Sales Construction Activity

Home sales construction activity, as measured by the number of single-family homes, townhomes, and condominiums permitted (see [building permits](#)), has been elevated in the HMA since 2020 because builders responded to strong home sales demand during most of the period. During 2010, approximately 860 new homes were permitted in the HMA because sales dropped sharply during the housing crisis. From 2011 through 2013, sales permitting increased 29 percent annually to approximately 1,825 homes in 2013, when the economy began to recover from the Great Recession and net in-migration increased (Figure 10). From 2014 through 2020, for-sale housing construction increased modestly by an average of 95 homes, or 4 percent, annually to approximately 2,500 homes permitted in 2020. During 2021, sales permitting increased by 1,125 homes, or 46 percent, in response to strong in-migration to the HMA. During the 12 months ending August 2023, builders grew cautious because of continued high inflation and rising interest rates, and sales construction activity decreased 19 percent from a year earlier to 2,600 homes permitted, compared with 3,225

Figure 10. Annual Sales Permitting Activity in the Crestview HMA



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2010-22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

homes during the 12 months ending August 2022 (preliminary data, with adjustments by the analyst). Condominium construction accounted for approximately 1 percent of the homes permitted from 2010 through 2019 but has accounted for 4 percent of the construction of for-sale housing since 2020.

Current Sales Construction Activity

Recent new home construction has been generally concentrated in areas with convenient access to employment centers or amenities in the HMA. Development has been particularly strong in and around the cities of Destin—north of Route 98—and Crestview—along Interstate 10 and State Route 85. Several single-family home communities are underway, including the Magnolia Creeks subdivision, which is south of the city of Crestview near the interchange of Interstate 10 and State Route 85. Approximately 50 of the 83 single-family homes planned at buildout in the development have sold. The community offers three- to four-bedroom homes ranging in size from 1,600 to 1,800 square feet, respectively, with prices starting at \$315,000. Harbor Place is a 54-townhome community in the city of Destin, north of State Route 98, with prices starting in the \$400,000s. Of these 1,500-square-foot, three-bedroom homes with one-car garages, 24 have sold.

Forecast

During the 3-year forecast period, demand is expected for 6,900 new homes, with demand evenly distributed throughout each year of the forecast period (Table 5). Continued population growth is expected to contribute to home sales demand during the forecast period. The 1,425 homes under construction are expected to satisfy some of the demand during the first year.

Table 5. Demand for New Sales Units in the Crestview HMA During the Forecast Period

Sales Units	
Demand	6,900 Units
Under Construction	1,425 Units

Note: The forecast period is from September 1, 2023, to September 1, 2026.
Source: Estimates by the analyst



Rental Market

Market Conditions: Slightly Soft

Strong renter household growth contributed to declining rental vacancy rates in the early 2010s after the housing crisis, but an increase in new apartment units entering the market since 2020 has contributed to rising rental vacancy rates.

Current Conditions and Recent Trends

The rental housing market in the Crestview HMA is currently slightly soft. Like other HMAs with a large supply of vacation homes, the balanced rental vacancy rate is higher than in areas of the country with fewer short-term and vacation rentals. The overall rental vacancy rate is currently estimated at 21.0 percent, representing a slight decline from 22.1 percent in April 2020 (Table 6). As of the second quarter of 2023, the apartment vacancy rate in the HMA was 8.6 percent, up from 7.3 percent a year ago. Average apartment rent in the HMA was

Table 6. Rental and Apartment Market Quick Facts in the Crestview HMA

Rental Market Quick Facts		2020 (%)	Current (%)
	Rental Vacancy Rate	22.1	21.0
		2013 (%)	2022 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	50	40
Apartment Market Quick Facts	Multifamily (2–4 Units)	13	16
	Multifamily (5+ Units)	26	31
	Other (Including Mobile Homes)	11	13
		2Q 2023	YoY Change
	Apartment Vacancy Rate	8.6	1.3
	Average Rent	\$1,735	-4%
	Studio	\$1,262	-4%
	One-Bedroom	\$1,560	-5%
	Two-Bedroom	\$1,752	-3%
	Three-Bedroom	\$2,240	-6%

2Q = second quarter. YoY= year-over-year.

Notes: The current date is September 1, 2023. Percentages may not add to 100 percent due to rounding.

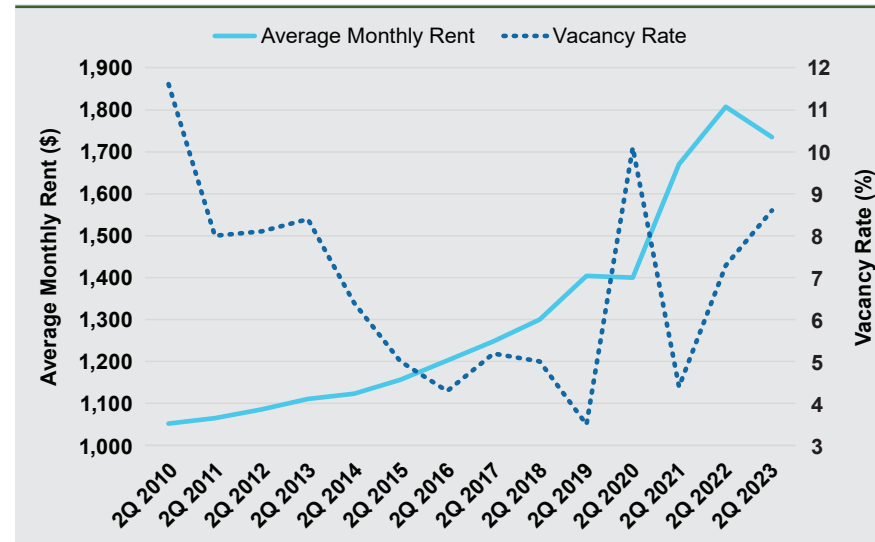
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2013 and 2022 American Community Survey 1-year data; apartment data—CoStar Group

\$1,735 as of the second quarter of 2023, a 4-percent decline from the second quarter of 2022. Single-family homes decreased from 50 percent of occupied rental units in the HMA in 2013, when investors bought up distressed single-family homes for rental use, to 40 percent in 2022 (ACS 1-year estimates). Some of these renters shifted to apartment buildings with five or more units because many more large rental communities have been added since the mid-2010s. Since 2017, 6,075 units in large apartment communities have been permitted, compared with 2,150 from 2010 through 2016.

Apartment Market Conditions

Apartment market conditions are slightly soft, partly because approximately 1,025 new units have entered the market since the start of 2020. Apartment market conditions were balanced in the HMA during most of the mid- and late-2010s, when a general trend of declining vacancy rates contributed to consistent rent growth (Figure 11). Accelerating in-migration contributed to declining vacancy rates in the HMA during the late 2010s. From 2010 to 2019,

Figure 11. Apartment Rents and Vacancy Rates in the Crestview HMA



2Q = second quarter.

Source: CoStar Group

the apartment vacancy rate declined during 7 of the 9 years, from 11.6 percent to a second quarter low of 3.5 percent in 2019 (CoStar Group). The average rent in the HMA rose an average of 3 percent annually, from \$1,053 as of the second quarter of 2010 to \$1,404 as of the second quarter of 2019, the same as the average annual rent growth in the nation during the period. After remaining relatively unchanged from the second quarter of 2019 to the second quarter of 2020, the average rent in the HMA rose to \$1,807 as of the second quarter of 2022, representing a year-over-year increase of 14 percent. Despite rising vacancy rates, rent growth accelerated in the HMA during 2021 and 2022 because many new, generally higher priced luxury apartment units entered the market. By comparison, the average rent for the nation increased 8 percent annually from \$1,426 as of the second quarter of 2020 to \$1,658 as of the second quarter of 2022. During the past year, the average rent fell 4 percent in the HMA to \$1,735 as of the second quarter of 2023; however, the vacancy rate has been mostly elevated during the past 4 years. As of the second quarter of 2023, the apartment vacancy rate in the HMA was 8.6 percent, up from 7.3 percent a year ago.

Apartment Market Conditions by Geography

Apartment market conditions in Okaloosa County, where Eglin AFB and other major employment

centers are located, are tighter than conditions in Walton County. More than three-quarters of all apartment units in the HMA are in Okaloosa County; however, only 19 percent of units completed since the start of 2020 were built in this area. The apartment vacancy rate in Okaloosa County rose to 5.9 percent as of the second quarter of 2023, up from 5.6 percent as of the second quarter of 2022. The average rent in Okaloosa County as of the second quarter of 2023 was \$1,626, down 3 percent from \$1,669 the previous year. Rental units near the military installations had a lower vacancy rate of 4.8 percent as of the second quarter of 2023, up from 2.6 percent as of the second quarter of 2022. The average rent near the military installations was \$1,290 as of the second quarter of 2023, up 9 percent from \$1,182 as of the second quarter of 2022. Rents are lower in this area because most units are older than the overall housing stock in the HMA. More than 80 percent of the units added since 2020 are in Walton County; thus, the county had a very high apartment vacancy rate of 17.1 percent as of the second quarter of 2023, up from 12.7 percent a year ago. Apartment vacancies in the county are currently concentrated around the southern beach areas. The average rent in Walton County as of the second quarter of 2023 was \$2,017, down 6 percent from \$2,150 the previous year.

Senior Rental Housing

The portion of renters aged 65 years and older in the HMA increased from 12 percent of all renters in 2013 to 15 percent in 2018; however, recent strong homeownership growth in the HMA brought this portion down to 11 percent in 2022 (ACS 1-year estimates). In response to this decline, the portion of rental housing constructed for seniors has decreased in the HMA. Approximately 12 percent of all rental units permitted in the HMA since 2018 have been for age-restricted units, compared with 23 percent from 2013 through 2017.

Rental Construction Activity

Rental construction activity in the HMA, as measured by the number of units permitted, was generally subdued from 2010 through 2018 because apartment market conditions remained balanced, although vacancy rates trended downward. Rental construction remained limited from 2010 through 2014 after the Great Recession, when an average of 280 units a year were permitted. This was followed by a slight increase from 2015 through 2018, when an average of 370 units were permitted annually. From 2019 through 2022, developers responded to the strong in-migration and falling vacancy rates in the HMA, and an average of 930 rental units were permitted annually (Figure 12). During the 12 months ending August 2023, approximately 1,400 rental units were permitted in the HMA, down slightly from

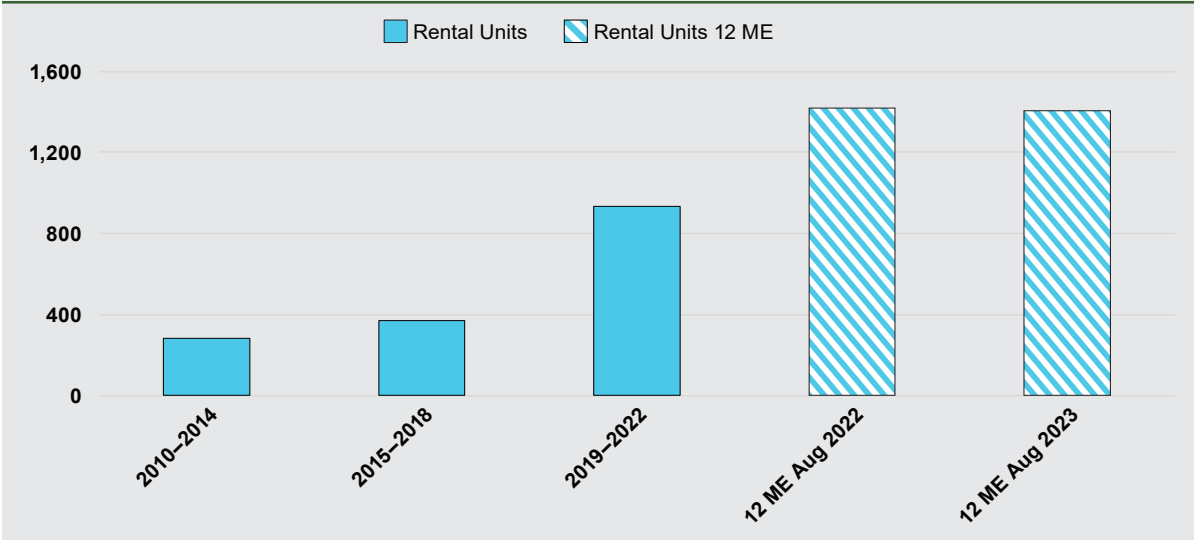
1,425 units during the previous 12 months (preliminary data and estimates by the analyst).

Rental Construction Activity by Geography

Approximately 3,300 units, or 61 percent, of all rental units in the HMA were built in Walton County during the past 5 years. Recent rental construction in and around the community of Santa Rosa Beach, near U.S. Highway 98, has accounted for approximately 35 percent of the new rental units completed in the county since 2019. Recently completed properties in the community of Santa Rosa Beach include Primrose at Santa Rosa Beach, a 350-unit apartment development completed in 2021 north of U.S. Highway 98. Rents range from \$1,855 to \$3,875 for one-, two-, and three-bedroom units.

The remaining 2,425 rental units built in the HMA during the past 5 years are in Okaloosa County. The cities of Crestview and Fort Walton Beach accounted for 37 and 18 percent of those units, respectively. Keystone Townhomes, a 102-unit rental townhome community in the city of Crestview, north of Interstate 10, was completed in 2022. The development offers three-bedroom, two-and-one-half bath units with garages, with an asking rent of \$2,050 and offering short-term leases, making it an attractive rental option for servicemembers. Brookdale Fort Walton Beach,

Figure 12. Annual Rental Permitting Activity in the Crestview HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

an assisted living and memory care apartment community completed in 2022, has 32 units, which include studio and companion suites, with rents starting at \$3,055.

Forecast

During the 3-year forecast period, demand is expected for an estimated 2,300 rental units in the HMA. Demand is expected to be relatively steady each year during the forecast period (Table 7). The 2,075 units under construction are expected to satisfy the rental demand through a portion of the third year of the forecast period.

Table 7. Demand for New Rental Units in the Crestview HMA During the Forecast Period

Rental Units	
Demand	2,300 Units
Under Construction	2,075 Units

Note: The forecast period is September 1, 2023, to September 1, 2026.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area (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.
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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resale sales, short sales, and REO sales.
Forecast Period	9/1/2023–9/1/2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.

Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.

D. Photo/Map Credits

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