COMPREHENSIVE HOUSING MARKET ANALYSIS

Pensacola-Ferry Pass-Brent, Florida

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

As of October 1, 2022

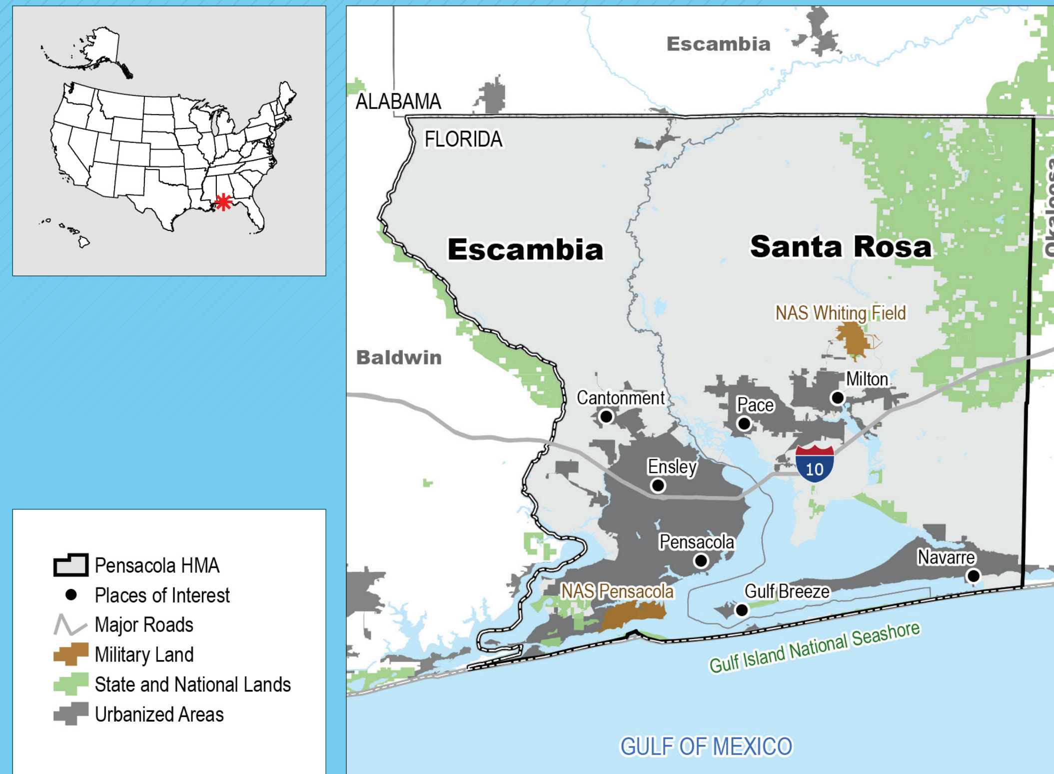
Share on:

Executive Summary

Housing Market Area Description

Located along the Florida panhandle, the Pensacola-Ferry Pass-Brent, FL, Housing Market Area (hereafter, Pensacola HMA) is coterminous with the metropolitan statistical area (MSA) of the same name. The HMA is the westernmost metropolitan area in Florida and consists of Escambia and Santa Rosa Counties. The HMA is home to Naval Air Station Pensacola, which hosts the Blue Angels.

The current population of the HMA is estimated at 526,000.



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 September 2022, nonfarm payrolls increased by 7,700 jobs, or 4.2 percent, to 192,400 jobs.

Economic conditions in the Pensacola HMA were strong during the 12 months ending September 2022, and the local economy has completely recovered from severe job losses that occurred during April 2020 from the COVID-19 pandemic. By August 2021, the HMA economy recovered all the 18,700 jobs lost in April 2020, and since May 2020, nonfarm payrolls have increased by 26,400 jobs (monthly data, not seasonally adjusted). All payroll sectors added jobs during the 12 months ending September 2022, except the government sector, which fell 1.8 percent. During the 3-year forecast period, payrolls are expected to increase at an average rate of 1.9 percent annually.

Sales Market

Slightly Tight: The HMA had a 2.5-month supply of for-sale inventory during September 2022, down from a 3.2-month supply a year earlier (Redfin, a national real estate brokerage).

The sales vacancy rate in the HMA is estimated at 1.9 percent as of October 1, 2022, less than the 3.0-percent rate in April 2010, when the sales market was soft. During the 12 months ending September 2022, new and existing home sales totaled 15,550, up 6 percent from the previous 12 months. The average sales price for a home rose 17 percent to $306,200 (CoreLogic, Inc., with adjustments by the analyst). Demand is estimated for 9,150 new homes during the forecast period. The 1,800 homes currently under construction will meet some of that demand.

Rental Market

Balanced: The rental vacancy rate is currently estimated at 8.0 percent, down from 15.9 percent in 2010, when conditions were soft.

Rental market conditions are balanced in the HMA as of October 1, 2022, compared with soft conditions in April 2010. The apartment market is also balanced, with an average vacancy rate of 7.8 percent during the third quarter of 2022, up from 5.7 percent a year earlier (CoStar Group). The average apartment rent increased 5 percent to $1,322 from a year earlier. During the forecast period, demand is estimated for 2,175 new rental units. The 510 units currently under construction are expected to satisfy part of that demand.

TABLE OF CONTENTS

3-Year Housing Demand Forecast

		Sales Units	Rental Units
Pensacola HMA	Total Demand	9,150	2,175
	Under Construction	1,800	510

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2022. The forecast period is October 1, 2022, to October 1, 2025.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Wholesale and Retail Trade

The wholesale and retail trade sector is the largest sector in the Pensacola HMA, representing 16 percent of all nonfarm payrolls.

Primary Local Economic Factors

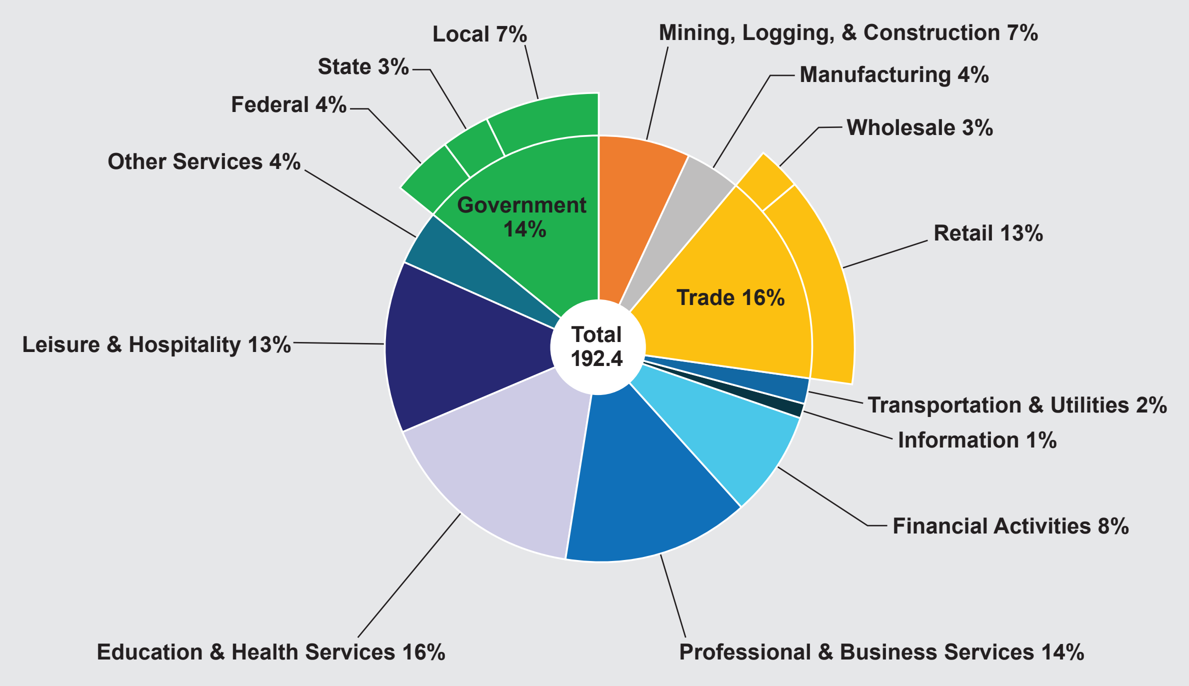
The HMA economy depends heavily on the Naval Air Station (NAS) Pensacola, which employs 23,400, including 16,000 military personnel and 7,400 civilians (NAS Pensacola; Table 1). NAS Pensacola has an economic impact on the HMA of more than $7.6 billion annually and accounts for a combined 60,000 direct and indirect jobs in the HMA, including contractors (Greater Pensacola Chamber of Commerce). The HMA is also home to more than 35,000 military retirees, the second largest total of any metropolitan area in the nation (Florida West Economic Development Alliance). Military retirees in the HMA benefit from the availability of commissary and other military services, coastal amenities such as beaches and fishing, and relatively affordable housing. The large presence of the military and its contracts creates jobs in the government and the professional and business services sectors, the third and fourth largest payroll sectors in the HMA, respectively (Figure 1). The second largest employer in the HMA is Navy Federal Credit Union, which provides banking services to military personnel and retirees and has contributed to the strong

Table 1. Major Employers in the Pensacola HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Naval Air Station Pensacola	Government	23,400
Navy Federal Credit Union	Financial Activities	8,725
Baptist Health Care	Education & Health Services	6,625
Sacred Heart Health System, Inc.	Education & Health Services	4,825
University of West Florida	Government	1,900
Ascend Performance Materials	Manufacturing	1,275
HCA Florida West Hospital	Education & Health Services	1,200
GE Renewable Energy	Manufacturing	700
International Paper Company	Manufacturing	600
Medical Center Clinic	Education & Health Services	500

Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data.
Sources: Florida West Economic Development Alliance; Santa Rosa Economic Development; U.S. Department of Defense

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

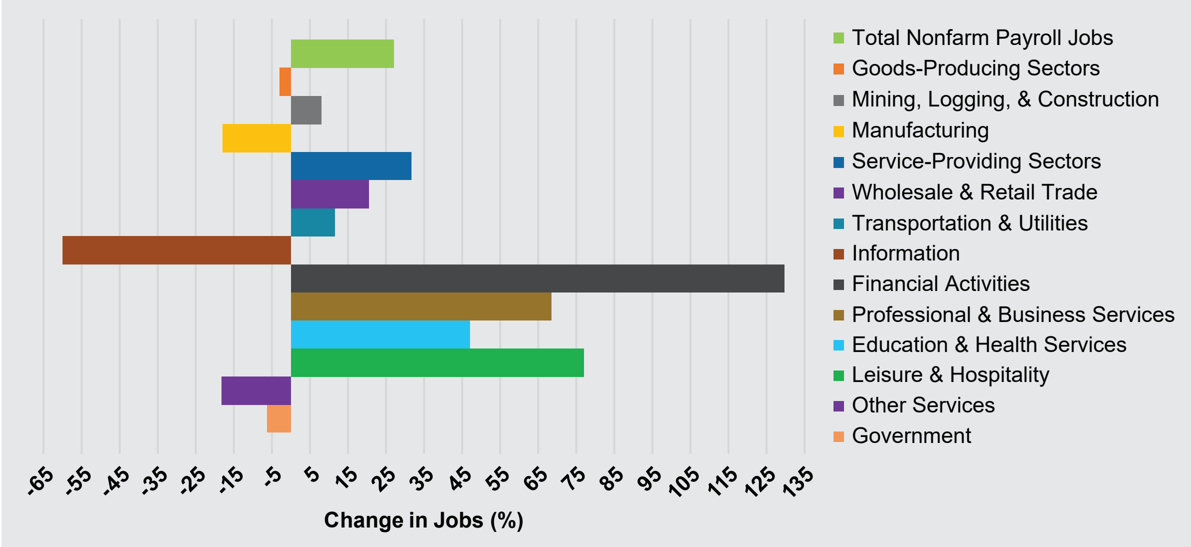


Notes: Military jobs are not included in these data. Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through September 2022.
Source: U.S. Bureau of Labor Statistics

growth in the financial services sector, the fastest growing sector in the HMA since 2001 (Figure 2).

The HMA is also a popular tourist destination, drawing 2.48 million visitors who spent more than $1.2 billion in 2021. NAS Pensacola is home to the Blue Angels flight demonstration squadron, which attracts tourists from across the world to attend airshows. Tourism supports jobs in the wholesale and retail trade and the leisure and hospitality sectors, which combine to account for 29 percent of all jobs in the HMA. The education and health services sector is the second largest sector in the HMA, accounting for 4 of the 10 largest employers, many of which provide healthcare services to aging retirees.

Figure 2. Sector Growth in the Pensacola HMA, 2001 to Current



Note: Current is based on 12 months ending September 2022.
Source: U.S. Bureau of Labor Statistics

2020 Recession

The impacts of COVID-19 were significant in the HMA, although the subsequent economic recovery was relatively rapid. The state of Florida issued a stay-at-home order beginning on April 3, 2020, in an effort to slow the spread of COVID-19. Among other restrictions, the order resulted in the closure of all restaurant dining rooms, theme parks, and bars in the state and required that all nonessential businesses limit activity to minimum basic operations. On a monthly basis, nonfarm payrolls in the HMA declined by 18,700 jobs, or 9.9 percent, during the month of April 2020 (not seasonally adjusted). Although job losses occurred in every payroll sector, declines were notably severe in sectors with jobs that could not be performed remotely. Nonfarm payroll decreases were greatest in the leisure and hospitality sector, which declined by 9,100 jobs, or 35 percent, accounting for nearly one-half of all job losses during April 2020. Losses were also significant in the wholesale and retail trade sector, which declined by 2,700 jobs, or 9.1 percent. The retail trade subsector, which decreased by 2,500 jobs, or 10.5 percent, accounted for more than 90 percent of the total decrease in payrolls in the sector. The state lifted restrictions on May 4, 2020, which contributed to a relatively fast economic recovery in the HMA.

2021 Recovery

During 2021, nonfarm payrolls increased by 5,000 jobs, or 2.8 percent, with gains in nearly every sector, as a robust recovery began. The greatest gains, in terms of percentage, were in the transportation and utilities sector, which grew 7.0 percent, or by 300 jobs. The pandemic accelerated a shift toward online shopping and deliveries and boosted job growth in the sector. Growth was strong in the mining, logging, and construction sector, which added 700 jobs, or 5.8 percent, as building increased to accommodate strong population growth. All the jobs lost in the HMA in April 2020 had been recovered by August 2021, whereas the nation regained COVID-19-related losses by May 2022.

Current Conditions—Nonfarm Payrolls

During the 12 months ending September 2022, the service-providing sectors had strong payroll gains, increasing by 7,100 jobs, or 4.3 percent, representing 92 percent of all payroll growth (Table 2). All job sectors have recovered from the COVID-19-induced losses except the government sector, which has incurred further losses because of budget-related declines at the state and local levels. The largest payroll gains in the HMA during the past 12 months were in the leisure and hospitality and the wholesale and retail trade sectors, which added 2,000 and 1,900 jobs, or 8.5 and 6.4 percent, respectively, as tourism rebounded in the HMA.

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

	12 Months Ending September 2021	12 Months Ending September 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**184.7**	**192.4**	**7.7**	**4.2**
Goods-Producing Sectors	19.7	20.3	0.6	3.0
Mining, Logging, & Construction	12.6	13.1	0.5	4.0
Manufacturing	7.1	7.2	0.1	1.4
Service-Providing Sectors	165.0	172.1	7.1	4.3
Wholesale & Retail Trade	29.7	31.6	1.9	6.4
Transportation & Utilities	4.6	4.7	0.1	2.2
Information	1.5	1.6	0.1	6.7
Financial Activities	15.2	16.1	0.9	5.9
Professional & Business Services	25.3	27.1	1.8	7.1
Education & Health Services	30.7	31.3	0.6	2.0
Leisure & Hospitality	23.5	25.5	2.0	8.5
Other Services	6.9	7.0	0.1	1.4
Government	27.7	27.2	-0.5	-1.8

Notes: Military jobs are not included in these data. Based on 12-month averages through September 2021 and September 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

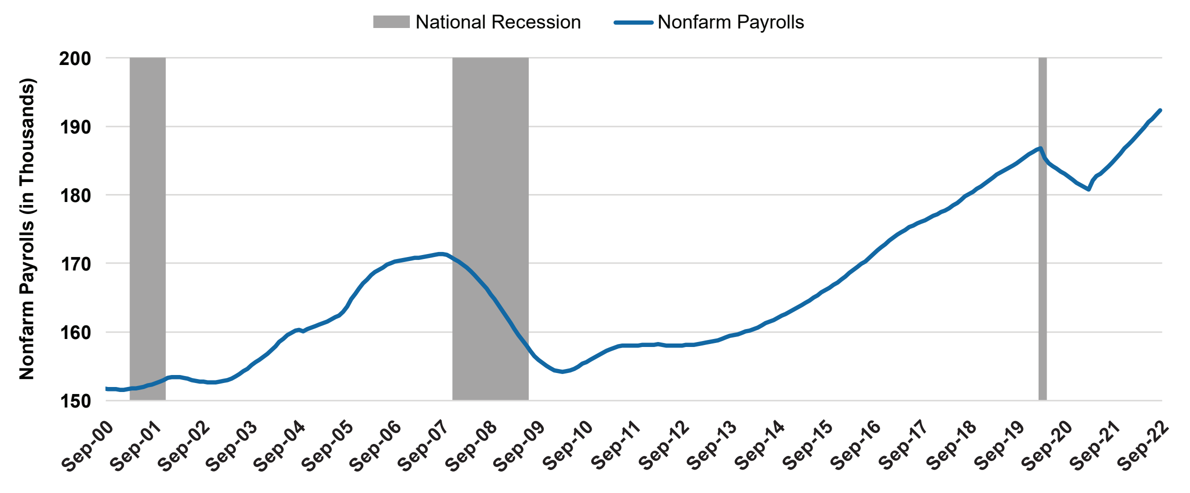
2001 and 2002

A local economic downturn during 2002 followed the 2001 national recession. During 2001, nonfarm payrolls increased 1.1 percent, before declining during 2002 by 600, or 0.4 percent (Figure 3). Job declines during 2002 were greatest in the mining, logging, and construction sector, which decreased by 1,700, or 13.3 percent, because of a decrease in homebuilding. An increase in the education and health services sector, which increased by 1,100, or 5.0 percent, partly offset job losses in the HMA during the period. Gains in the sector during the period were at a faster pace than in the nation, which increased 3.7 percent.

2003 Through 2006

A housing boom contributed to strong job growth in the HMA in the mid-2000s. Nonfarm payrolls increased by an average of 4,500 jobs, or 2.8 percent, each year from 2003 through 2006, much higher than the 1.1-percent average annual rate for the nation during the period. The mining, logging, and construction sector led job growth during this period, with average gains of 1,100 jobs, or 8.5 percent, annually, due in part to rebuilding homes damaged or destroyed by Hurricane Ivan, which made landfall in 2004. Job growth was also strong in the professional and business services sector, which increased by an average of 1,000 jobs, or 5.3 percent, annually.

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



Notes: Military jobs are not included in these data. 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

2007 Through 2009

Nonfarm payrolls in the HMA were unchanged in 2007, before declining sharply because of the effects of the Great Recession, which began in December 2007 and ended in June 2009. During 2008 and 2009, nonfarm payrolls in the HMA decreased by an average of 8,000 jobs, or 4.8 percent, annually, a much higher rate than the 1.0-percent average annual decline nationally. Although job declines occurred in the HMA in every sector, losses were greatest in the mining, logging, and construction sector, decreasing by an average of 2,100, or 15.4 percent, annually, due in part to an average decrease of 26 percent annually in residential construction activity. Job losses averaging 1,100, or 5.5 percent, annually in the professional and business services sector reflected declines in the temporary help services industry.

2010 Through 2012

The HMA began to recover in 2010 from the local economic downturn. From 2010 through 2012, nonfarm payrolls in the HMA fluctuated but increased by an average of 1,100 jobs, or 0.7 percent, annually, with mixed economic activity. The professional and business services and the leisure and hospitality sectors led growth with average annual increases of 1,000 and 600 jobs, or 5.0 and 3.1 percent, respectively.

Job losses that averaged 400, or 3.9 percent, annually continued in the mining, logging, and construction sector, because homebuilding remained subdued during the period.

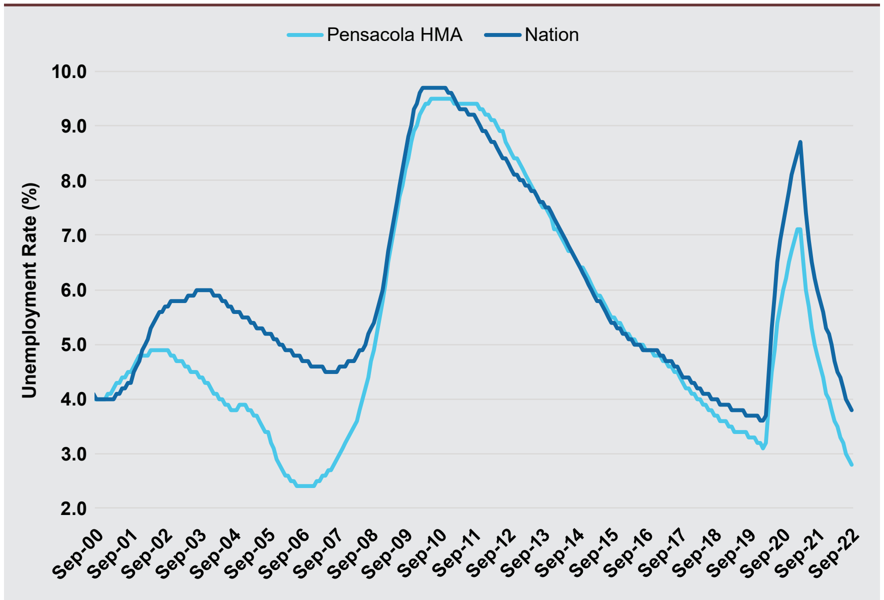
2013 Through 2019

The HMA economy had begun a strong, prolonged expansion in 2013, and by late 2016, nonfarm payrolls surpassed the prerecession level. From 2013 through 2019, nonfarm payrolls increased by an average of 4,000 jobs, or 2.3 percent, annually, with gains in nearly every sector, a faster pace than the national rate of 2.0 percent during the same period. The leisure and hospitality sector led gains, with an average increase of 900 jobs, or 4.2 percent, annually, partly because of the opening of seven new hotels, which added more than 700 rooms during the period. The financial activities sector gained an average of 800 jobs, or 7.5 percent, annually. Expansions by Navy Federal Credit Union, which added a combined 2,200 jobs between 2012 and 2013, contributed to gains in this sector. The professional and business services sector gained an average of 400 jobs, or 2.0 percent, annually, partly from an expansion by CHCS Services, a third-party insurance administrator that added 380 jobs in 2013.

Unemployment Trends

Since 2000, the average unemployment rate in the HMA was mostly less than the national rate, due in large part to the stabilizing effect of NAS Pensacola on the HMA economy. From 2000 through 2008, the unemployment rate in the HMA averaged 4.0 percent annually compared with the average rate of 5.1 percent nationally (Figure 4). Because of the effects of the Great Recession on the local economy, the unemployment rate in the HMA increased rapidly during 2009 to an average of 8.9 percent compared with 9.3 percent nationally. During the early to mid-2010s, the recovery from the Great Recession was slower for the HMA than the nation, and the HMA average unemployment rate briefly exceeded the national rate before falling back below as the local economic expansion accelerated until the onset of COVID-19. After the recent high level of 7.1 percent during the 12 months ending March 2021, strong job growth in the HMA contributed to an average unemployment rate of 2.8 percent during the 12 months ending September 2022 compared with 4.8 percent a year earlier. Nationally, the average unemployment rate during the 12 months ending September 2022 was 3.8 percent, down from 6.0 percent a year earlier and below a recent peak of 8.7 percent during the 12 months ending March 2021.

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



Notes: Based on the 12-month moving average. Active-duty military personnel are not included in these data.
Source: U.S. Bureau of Labor Statistics

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.9 percent annually. Job growth is expected to be slower during the first year of the forecast period, partly because of high inflation and increasing interest rates. Job growth is expected to strengthen during the second and third years of the forecast period. In the manufacturing sector, Pegasus Laboratories, Inc. is expected to add 63 jobs in the next 5 years.

Jobs in the education and health services sector will increase, in part, due to an expansion by CIRCULOGENE, a biotechnology company that offers blood testing, that is expected to create 70 jobs during the next 4 years. Additional staffing of the new Baptist Health Care Medical Campus, expected to open in the fall of 2023, will also contribute to gains in the sector.

Population and Households

Current Population: 526,000

Robust net in-migration in the Pensacola HMA since the late 2010s has resulted in strong population growth despite relatively lower net natural change.

Population Trends

The current population of the HMA is estimated at 526,000, an average increase of 6,175, or 1.3 percent, annually since 2010 (Table 3). Since 2000, the population has increased in all but 1 year in the HMA. From 2000 to 2006, the population increased by an average of 5,000, or 1.2 percent, annually (U.S. Census Bureau decennial census count and population estimates as of July 1; Figure 5). Net in-migration accounted for 3,225 people annually, or 65 percent of population growth, because of economic growth in the HMA during most of the period. From 2006 to 2009, population growth in the HMA averaged 1,050 people, or 0.2 percent, annually, with a net natural increase of 2,225. During this period, net out-migration averaged 1,175 people annually, because no job growth occurred in 2007, and jobs declined in 2008 and 2009. From 2009 to 2011, the population increased by an average of 4,300, or 1.0 percent, annually, and net natural increase averaged 1,700. Net in-migration, accounting for 60 percent of growth, averaged 2,600 people annually, because the economy began to recover. From 2011 to 2017, the population of the HMA increased by an average of 5,375, or 1.1 percent, annually because of an expanding economy during most of the period. Net in-migration averaged 4,150 people annually, accounting for 77 percent of growth, and net natural increase declined to an average of 1,225 a year. From 2017 to April 1, 2020, job growth

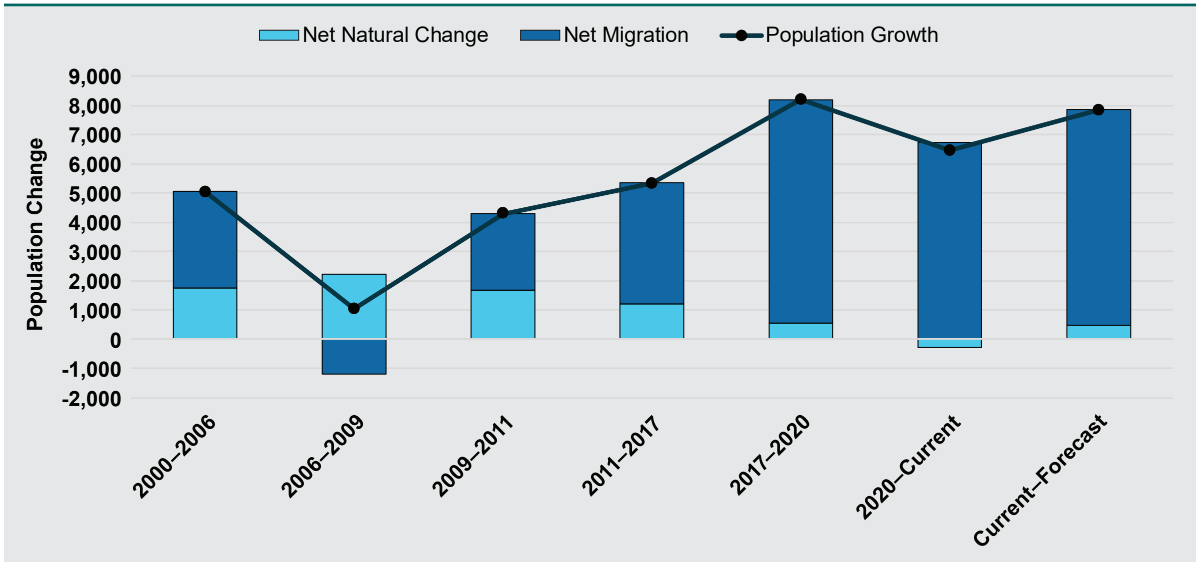
Table 3. Pensacola HMA Population and Household Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	448,991	526,000	549,600
	Average Annual Change	3,675	6,175	7,850
	Percentage Change	0.9	1.3	1.5

Household Quick Facts		2010	Current	Forecast
	Households	173,148	204,750	214,500
	Average Annual Change	1,825	2,525	3,250
	Percentage Change	1.1	1.4	1.6

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (October 1, 2022) to October 1, 2025.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Pensacola HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (October 1, 2022) to October 1, 2025.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

contributed to the population increasing by an average of 8,200, or 1.7 percent, annually, and net in-migration averaged 7,650 annually, accounting for 93 percent of the population growth. Net natural increase continued to slow to an average of 550 annually. From 2020 to the current date, the population increased by an average of 6,450, or 1.3 percent, annually. Net in-migration remained strong, because telework brought people to coastal communities, averaging 6,750 people annually. However, negative net natural change averaging 300 annually occurred in the HMA mostly because of an elevated number of deaths stemming from the effects of COVID-19.

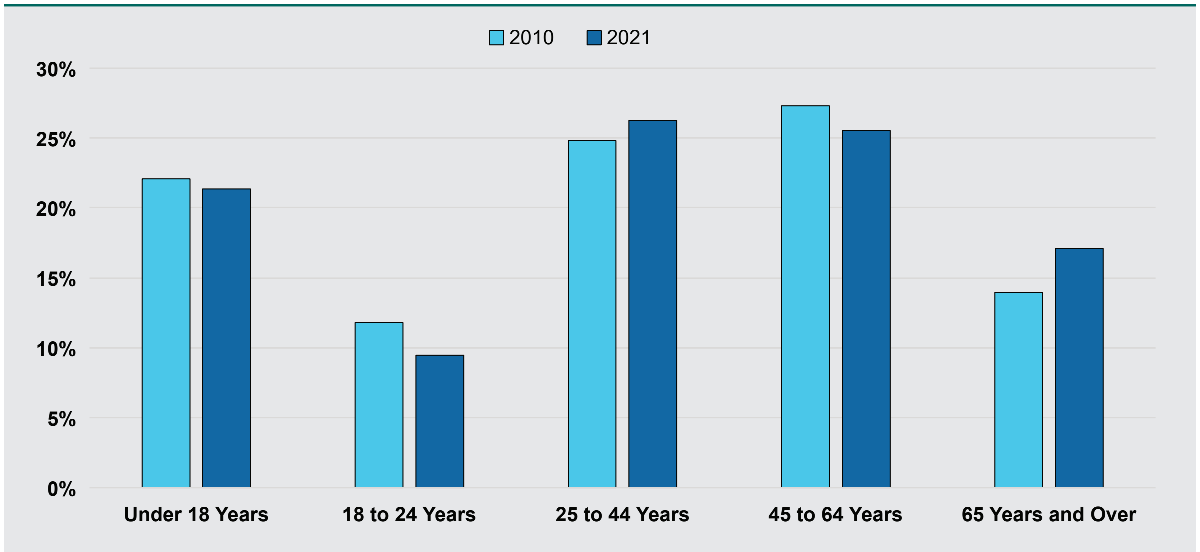
Population by Geography

Escambia County is the most populous county, with a population of 322,400 in 2021, or 62 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 NAS Pensacola and many of the employment centers in the HMA, increased by an average of 2,200, or 0.7 percent, annually from 297,619 in 2010 to 322,400 in 2021. By comparison, the population of Santa Rosa County increased by an average of 3,775, or 2.2 percent, annually from 151,372 in 2010 to 194,000 in 2021. Most of the population of Santa Rosa County is concentrated near major travel arteries and waterfronts in the southern part of the county, whereas the northern part of the county is relatively rural. The coastal community of Navarre grew an average of 2.7 percent annually from 2010 to 2020 (U.S. Census Bureau decennial census counts). The community of Pace, which is midway between the job centers of NAS Pensacola and the smaller pilot training base NAS Whiting Field, grew 2.1 percent annually from 2010 to 2020.

Population by Age Cohort

The age cohort of 65 and older has grown at a strong pace in the HMA since 2010, reflecting national trends. From 2010 to 2021, the population of residents in the HMA aged 65 and older increased an average of 3.1 percent annually to 88,500 (U.S. Census Bureau decennial census counts and population estimates as of July 1). Nationally, the age cohort of 65 and older increased an average of 3.0 percent annually from 2010 to 2021 by comparison. Residents in the HMA aged 65 and older accounted for 17.1 percent of the total HMA population in 2021 compared with 16.8 percent of the population nationally (Figure 6). Among the younger age groups in the HMA, those aged 25 to 44 represented the only other age cohort to have a greater portion of the total population in 2021, increasing to 136,300, or 26.3 percent, compared with 24.8 percent in 2010, partly resulting from workers moving to the area during a period of job growth.

Figure 6. Population by Age Range in the Pensacola HMA



Source: 2021 and 2010 American Community Survey 1-year data

Migration Trends

Since the mid-2010s, strong job growth in the HMA has contributed to significant net in-migration, particularly from outside the state of Florida. Residents who relocated from outside the state accounted for approximately 74 percent, or 25,150 of the 33,850 total domestic in-migration to the HMA from 2015 to 2019 (U.S. Census Bureau County-to-County Migration Flows). The greatest number of residents relocating from outside the state were from the Virginia Beach-Norfolk-Newport News, VA-NC, MSA, representing 3 percent of net domestic in-migration. Naval Station Norfolk is the headquarters and home port of the U.S. Navy's Fleet Forces Command. Residents who relocated from metropolitan areas within Florida accounted for 26 percent of all domestic in-migration. The greatest number of residents moving into the HMA from inside the state were from the Crestview-Fort Walton Beach-Destin, FL, MSA, representing 7 percent of domestic in-migration. People relocating from outside the United States accounted for 6 percent of all in-migration to the HMA; the largest portion, 39 percent, relocated from Asia.

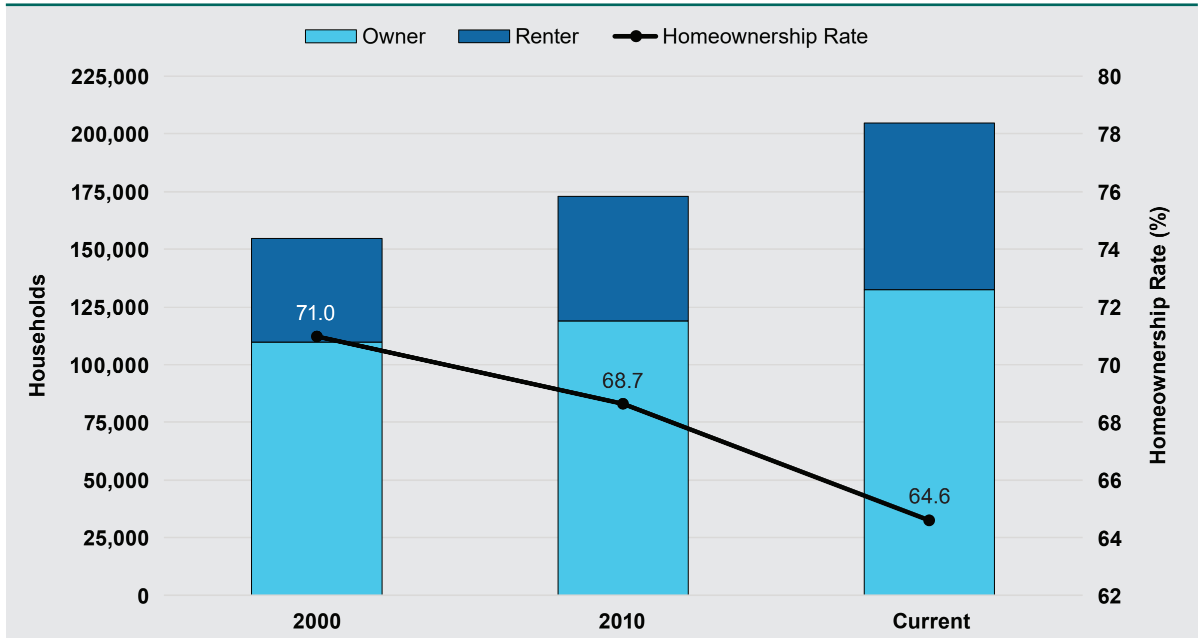
Household Growth Trends

The number of households in the HMA is currently estimated to be 204,750, representing an average increase of 2,525 households annually, or 1.4 percent, since 2010, a slightly faster pace compared with population growth during the same period. By comparison, the number of households increased an average of 1.1 percent annually during the 2000s, also a faster pace compared with population growth during the same period, because retirees, who tend to form smaller households, represented a significant portion of the growth.

Households by Tenure

Since 2010, owner household growth has accounted for 42 percent of total household growth compared with 49 percent during the 2000s. Tightened lending standards and an increased propensity to rent contributed to the decreased portion of new-owner households during the early to mid-2010s. Homeownership reached an estimated low of 63.0 percent in 2014 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 64.6 percent, down from 68.7 and 71.0 percent in 2010 and 2000, respectively (Figure 7).

Figure 7. Households by Tenure and Homeownership Rate in the Pensacola HMA



Note: The current date is October 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Military Households

NAS Pensacola has a notable impact on the local housing market. The base provides housing for unmarried military personnel in 13 dormitories consisting of a combined 3,000 beds and has approximately 530 privatized homes in eight neighborhoods throughout the base for married military personnel and their families. The remaining military personnel and family members, or approximately 10,000 households, live off base and account for an estimated 5 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 7,850, or 1.5 percent, annually. Net in-migration is expected to increase during the second and third years, as the economy expands at a slightly faster pace compared with the first year. The number of households is expected to increase by an average of 3,250, or 1.6 percent, annually during the forecast period, a slightly faster pace compared with population growth during the same period, as the retirement-aged population continues to grow.

Home Sales Market

Market Conditions: Slightly Tight

Increased home sales demand stemming from population growth since 2010 has contributed to slightly tight sales housing market conditions in the Pensacola HMA.

Current Conditions

Sales market conditions in the HMA are currently slightly tight, with an estimated vacancy rate of 1.9 percent as of October 1, 2022, down from the 3.0-percent rate during April 2010 (Table 4). Increased teleworking strengthened demand for sales housing in the HMA during the past 2 years, but a rapid increase in mortgage interest rates slowed sales growth in the past several months.

Existing Home Sales and Prices

During the 12 months ending September 2022, existing home sales increased 7 percent to 13,000 compared with the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). During the period, the average price of an existing home increased 16 percent to $294,700. However, existing home sales slowed most recently in the HMA because of increasing mortgage interest rates and strong home price growth. A slowdown in home sales volume was evident during the third quarter of 2022, when existing home sales declined 11 percent compared with the third quarter of 2021. The recent decrease in home sales demand also contributed to slowing price growth. The average price of an existing home increased 6 percent to $302,400 between the third quarter of 2021 and the third quarter of 2022.

Table 4. Home Sales Quick Facts in the Pensacola HMA

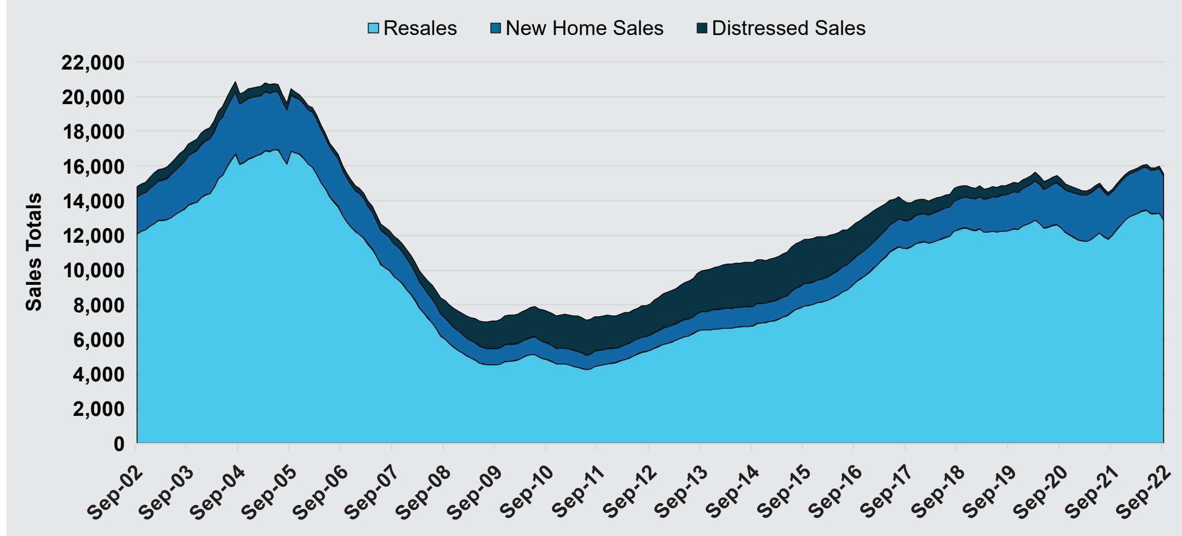
		Pensacola HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.9%	NA
	Months of Inventory	2.5	2.3
	Total Home Sales	15,550	6,875,000
	1-Year Change	6%	-11%
	New Home Sales Price	$365,000	$399,800
	1-Year Change	26%	10%
	Existing Home Sales Price	$294,700	$397,400
	1-Year Change	16%	10%
	Mortgage Delinquency Rate	1.6%	1.3%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2022; and months of inventory and mortgage delinquency data are as of September 2022. The current date is October 1, 2022.
Sources: Vacancy rate—estimates by the analyst; home sales and prices and mortgage delinquency rate—CoreLogic, Inc.; months of inventory—Redfin, a national real estate brokerage

From 2003 through 2005, sales of existing homes increased an average of 8 percent annually to 16,700 homes sold in 2005 because of strong economic growth and relaxed lending standards. Average home sales prices during the period increased an average of 18 percent annually to $167,300. The number of existing home sales and the average home sales price declined sharply in the following 4 years because of the housing crisis and eventual job losses from the Great Recession. From 2006 through 2009, existing home sales decreased by an average of 2,575, or 21 percent, annually to 6,425 homes sold in 2009, and the average home sales price decreased an average of 3 percent annually to $147,700 in 2009. An increase in distressed sales also contributed to the decrease in the average sales price during the period (Figure 8).

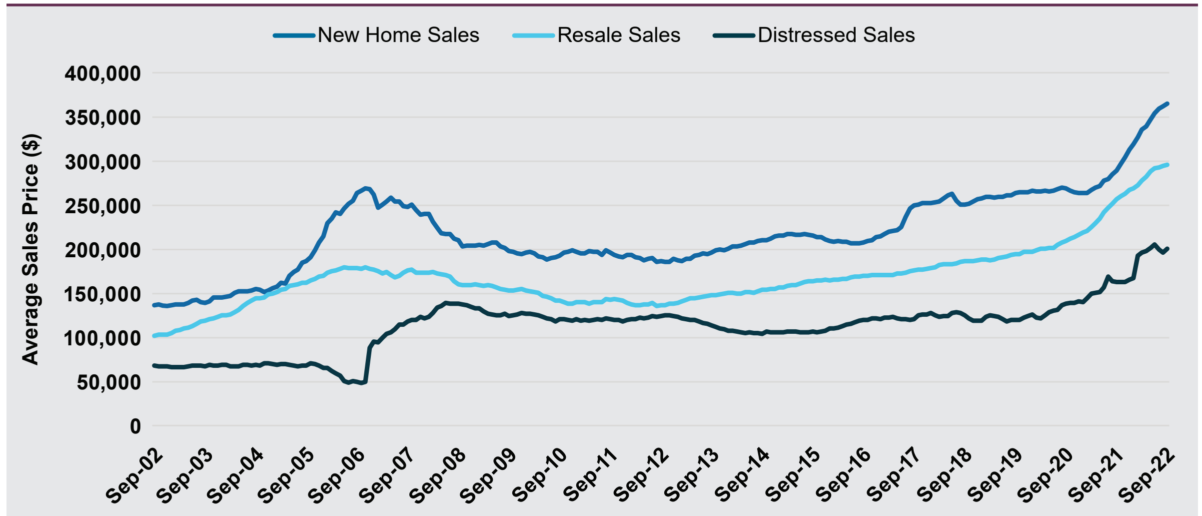
The HMA began a modest economic recovery, and existing home sales increased an average of 1 percent annually during 2010 and 2011, but the average price of an existing home decreased an average of 4 percent annually during the same period. The relatively high number of distressed home sales during the period contributed to the home price decline. Distressed sales averaged 1,825 during 2010 and 2011, representing 25 percent of all home sales in the HMA compared with 3 percent of all sales from 2002 through 2005, before the housing crisis. The average price for distressed sales decreased an average of 4 percent annually from $127,900 in 2009 to $118,600 in 2011 (Figure 9). Demand for sales housing strengthened, and existing home sales increased an average of 13 percent annually from 2012 through 2015, while the average price of an existing home increased an average of 3 percent annually during the same period to $151,900 in 2015. Despite the continued high number of distressed home sales during the period, distressed home prices fell more slowly, because stronger economic conditions led to higher population growth. Distressed sales averaged 2,325 from 2012 through 2015, representing 23 percent of all home sales in the HMA, and the average price for distressed sales decreased an average of 2 percent annually to $108,000 in 2015. From 2016 through 2019, existing home sales increased an average of 5 percent a year despite declining distressed sales. During that period, resales increased by an average of 1,100 homes sold, or 12 percent, annually, whereas distressed sales declined by an average of 490 homes, or 33 percent, a year, and the average price of an existing home increased an average of 6 percent annually to $193,900. During 2020, existing home sales decreased by 880, or less than 7 percent to 12,200 homes sold, because fewer homes were being listed for sale during several months following the onset of COVID-19. Lower home inventory available for sale put upward pressure on home prices, which contributed to the average existing home sales price increasing 11 percent to $214,800 in 2020. Because new telework options during COVID-19 contributed to strong in-migration during 2021, existing home sales

Figure 8. 12-Month Sales Totals by Type in the Pensacola HMA



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

Figure 9. 12-Month Average Sales Price by Type of Sale in the Pensacola HMA

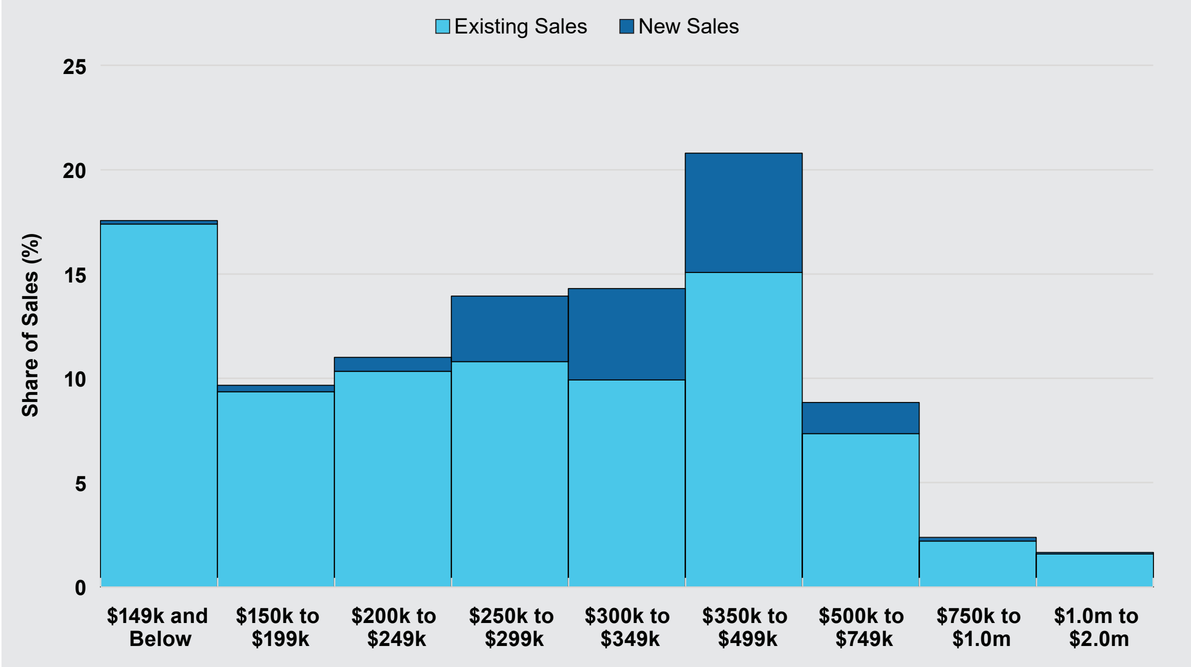


Source: CoreLogic, Inc., with adjustments by the analyst increased by 850, or 7 percent, to 13,000 homes sold. The availability of vaccines allowed buyers to tour occupied homes more safely. An influx of remote workers contributed to the average existing home sales price increasing 24 percent to $266,200 in 2021.

New Home Sales and Prices

New home sales have trended upward in the past several years, nearing the levels of the early 2000s. During the 12 months ending September 2022, new home sales increased 1 percent compared with a year earlier to 2,550 homes sold. The average price of a new home increased 26 percent to $365,000 during the same period, due in part to rising building material costs. During September 2022, the producer price index for building materials and supplies dealers was 32 percent higher than the September 2019 level before the pandemic (Federal Reserve Bank of St. Louis). The average price of a new home was 23 percent higher than the price of an existing home during the 12 months ending September 2022 compared with a gap of 13 percent the previous year. The greatest portion of new homes sold was at prices ranging from $350,000 to $499,000 (Zonda; Figure 10). Recently, slower home sales growth was partly due to increases in mortgage interest rates coupled with higher new home sales prices. New home sales accounted for 16 percent of total homes sold from 2002 through 2006,

Figure 10. Share of Overall Sales by Price Range During the 12 Months Ending September 2022 in the Pensacola HMA



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

when an average of 2,850 new homes sold annually. From 2007 through 2011, new home sales decreased by an average of 300, or 18 percent, annually to 850 new homes sold in 2011 because of net out-migration and weakening economic conditions. The average price of a new home declined 7 percent annually from 2007 through 2011 to $191,300. From 2012 through 2019, new home sales increased an average of 12 percent annually to 2,150 homes sold in 2019. Increased new home sales demand, stemming from job and population growth, contributed to the increase during the period. The average price of a new home increased an average of 4 percent annually from 2012 through 2019. During 2020, new home sales increased 20 percent to 2,575, because new homes were safer to tour than existing homes during the height of the COVID-19 pandemic. New home sales declined 4 percent to 2,475 in 2021, as buyers could tour existing homes more safely because of the availability of vaccines.

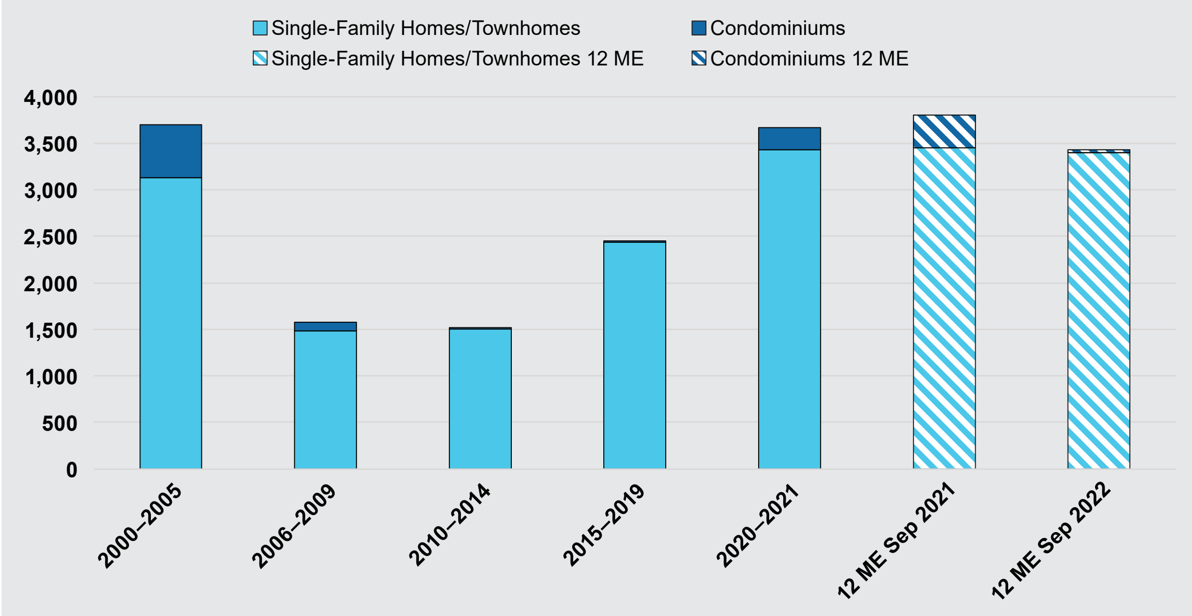
REO Sales and Delinquent Mortgages

The foreclosure crisis of the late 2000s had a significant impact in the HMA. The rate of home loans that were seriously delinquent or had transitioned into real estate owned (REO) status declined to 1.6 percent in March 2020 from the peak of 9.9 percent in December 2011. However, the percentage of seriously delinquent mortgages and REO properties increased significantly during the early stages of the COVID-19 pandemic, as 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. By November 2020, the rate of seriously delinquent mortgages and REO properties reached a recent peak of 4.6 percent. Those mortgages were almost entirely 90 or more days delinquent, partly due to the forbearance plans for federally backed mortgages enacted in the Coronavirus Aid, Relief, and Economic Security, or CARES, Act that allowed many homeowners to avoid foreclosure. The rate of seriously delinquent mortgages and REO properties subsequently decreased to 1.6 percent during September 2022, down from 2.8 percent a year ago.

Sales Construction Activity

Home sales construction activity, as measured by the number of homes permitted, including single-family homes, townhomes, and condominiums, has been elevated in the HMA since 2020, as builders responded to strong home sales demand during most of the period. From 2000 through 2005, during strong population growth, an average of 3,700 homes were permitted annually (see building permits; Figure 11). From 2006 through 2009, the number of homes permitted decreased by an average of 650, or 28 percent, annually to 960 homes because of net out-migration during the housing crisis. From 2010 through 2014, an average of 1,500 homes were permitted annually, when the economy began to recover and net in-migration increased. Increased new home sales demand beginning in 2012 also contributed to an increase in home construction activity during the period. From 2015 through 2019, for-sale housing construction trended upward, increasing by an average of 210 homes, or 10 percent, annually to 2,675 homes permitted in 2019. During 2020 and 2021, an average of 3,675 homes were permitted in response to strong population growth in the HMA. Condominium construction accounted for approximately 13 percent of the homes permitted from 2000 through 2007 but accounted for less than 1 percent of the construction of for-sale housing from 2008 through 2020. During the most recent 24 months, condominium construction accounted for 6 percent of new homes permitted in the HMA.

Figure 11. Annual Sales Permitting Activity in the Pensacola HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Current Sales Construction Activity

During the 12 months ending September 2022, builders have grown cautious because of high inflation and rising interest rates, and sales construction activity decreased 10 percent from a year earlier to 3,425 homes permitted (preliminary data, with adjustments by the analyst). Currently, an estimated 1,800 homes are under construction in the HMA. Recent new home construction has generally been concentrated in areas with convenient access to employment centers or amenities of the HMA. Development has been particularly strong in and around the community of Ensley and the town of Cantonment, along the Interstate 10 corridor northwest of the city of Pensacola. Several single-family home communities are under construction, including Mahogany Woods south of Cantonment between Interstate 10 and State Route 29. Construction of the 37 single-family homes in the development is nearing completion, with four-bedroom homes ranging in size from 1,800 to 2,200 square feet, for sale, with prices starting at $339,000. The Water's Edge single-family home community in the city of Gulf Breeze is also nearing completion. Thirty-seven homes have sold at the community, and three- and four-bedroom homes, ranging in size from 2,400 to 3,200 square feet, are available for sale at prices starting in the high $400,000s.

Forecast

During the 3-year forecast period, demand is expected for 9,150 new homes, with demand evenly distributed among each year of the forecast period (Table 5). Improving economic conditions and strong population growth are expected to contribute to home sales demand during the forecast period. The 1,800 homes under construction will satisfy some of the demand during the first year.

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

Sales Units	
Demand	9,150 Units
Under Construction	1,800 Units

Note: The forecast period is from October 1, 2022, to October 1, 2025.
Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

Strong renter household growth contributed to declining rental vacancy rates through the late 2010s, but an increase in apartment construction during the past 2 years has recently contributed to rising rental vacancy rates.

Current Conditions and Recent Trends

The rental housing market in the Pensacola HMA is currently balanced. 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 in the HMA is currently estimated at 8.0 percent, down from 15.9 percent in April 2010, when rental market conditions were soft. (Table 6). Net in-migration and increased renter household growth since 2010, combined with relatively low levels of rental construction during the early 2010s, contributed to improved rental market conditions in the HMA compared with 2010. Single-family homes, which are increasingly popular with members of the military who have families, increased from 43 percent of occupied rental units in the HMA in 2010 to approximately 50 percent of all occupied rental units in 2019 (ACS 1-year estimates).

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

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	15.9	8.0
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	43	50
	Multifamily (2–4 Units)	17	15
	Multifamily (5+ Units)	28	26
	Other (Including Mobile Homes)	12	9
		3Q 2022	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate	7.8	2.1
	Average Rent	$1,322	5%
	Studio	$1,102	6%
	One-Bedroom	$1,243	6%
	Two-Bedroom	$1,462	6%
	Three-Bedroom	$1,845	3%

3Q = third quarter. YoY = year-over-year.
Notes: The current date is October 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—CoStar Group

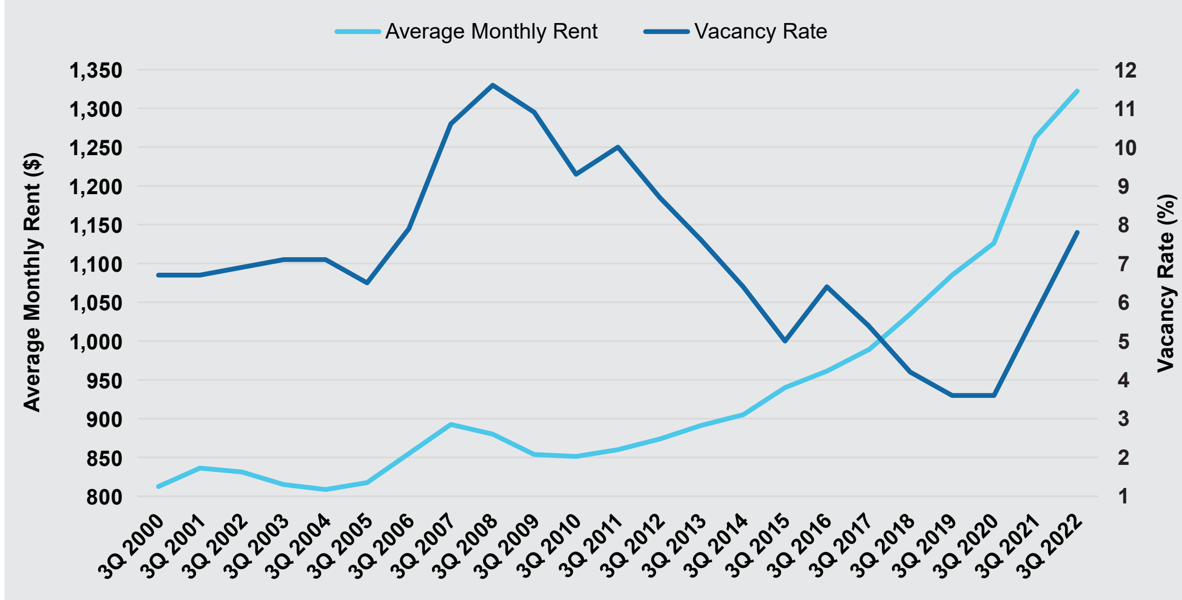
Current Apartment Market Conditions

The apartment market in the HMA is balanced, with an average vacancy rate of 7.8 percent during the third quarter of 2022, up from 5.7 percent during the third quarter of 2021 and 3.6 percent in the third quarter of 2020 (CoStar Group). The apartment vacancy rate increased during the past 2 years, mostly due to a significant increase in apartment completions, particularly near Interstate 10 northwest of the city of Pensacola. An estimated 1,550 new apartment units were completed and added to the existing apartment supply from the third quarter of 2020 through the third quarter of 2022. The recent influx of new, mostly higher priced apartment units also contributed to sharp rent growth in the HMA during the past 2 years. The average rent in the HMA was $1,322 during the third quarter of 2022, up 5 percent from a year ago compared with an increase of 12 percent the previous year, which was the greatest rent increase since at least 2001. By comparison, the average rent for the nation increased 6 percent to $1,637 during the third quarter of 2022 compared with a 10-percent increase the previous year.

Apartment Market Trends

From 2000 through 2005, the apartment market in the HMA was balanced, and the supply of new apartment units met demand stemming from the economic expansion during most of the period (Figure 12). During this period, the apartment vacancy rate averaged 7.0 percent annually, and the average rent increased an average of less than 1 percent a year. The apartment market softened from 2006 through 2008, partly because of the addition of 750 new apartment units to existing apartment supply and the economic downturn in the HMA. The average apartment vacancy rate rose each year to a third-quarter peak of 11.6 percent in the third quarter of 2008, and rents increased an average of 2 percent annually because of the addition of the new higher priced units. Balanced apartment market conditions returned, and during the third quarter of 2016, the average apartment vacancy rate was 6.4 percent. Increased demand stemming from job growth and net in-migration during most of the period, combined with moderate rental construction activity, contributed to improved apartment market conditions. During this period, rents increased an average of 1 percent annually. Despite declining vacancy rates, rental construction activity remained relatively limited in the late 2010s, and apartment market conditions transitioned from balanced to tight. The apartment vacancy rate decreased to 3.6 percent by the third quarter of 2019, and

Figure 12. Apartment Rents and Vacancy Rates in the Pensacola HMA



3Q = third quarter.
Source: CoStar Group

the average rent increased an average of 4 percent annually. Job growth and net in-migration during the period also contributed to tightening apartment market conditions.

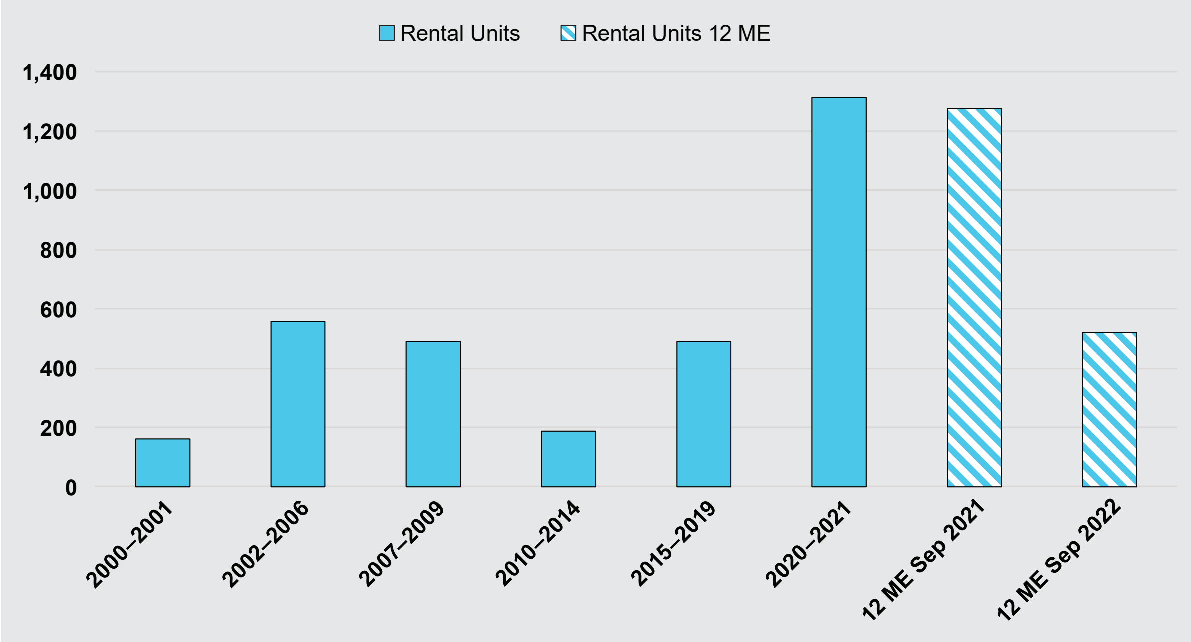
Age-Restricted Apartment Market Conditions

The portion of renters aged 60 years and older in the HMA increased from 11 percent in 2010 to 15 percent of all renters in 2019 (ACS 1-year estimates). However, rent growth at age-restricted apartments has been slower than apartment market rent growth overall in the HMA, due to fewer new age-restricted apartment developments that tend to have higher rents. The average rent for age-restricted apartments increased 3 percent during the third quarter of 2022 to $1,738 from a year earlier compared with a 1-percent increase during the previous year (CoStar Group). Construction of age-restricted rental housing designed for seniors has declined in the HMA. About 3 percent of all rental units permitted in the HMA since 2017 have been age-restricted compared with 11 percent from 2011 through 2016. The average apartment vacancy rate for age-restricted apartments was 5.9 percent during the third quarter of 2022, up from 4.6 percent during the third quarter of 2021.

Rental Construction Activity

Rental construction in the HMA, as measured by the number of rental units permitted, has trended sharply upward since the late 2010s compared with the first part of the decade. During 2020 and 2021, developers responded to the strong population growth in the HMA, and an average of 1,325 rental units were permitted, up from an average of 490 units annually from 2015 through 2019 (Figure 13). Rental construction was subdued from 2010 through 2014 after the Great Recession, when an average of 190 units a year were permitted. By comparison, during the housing boom from 2002 through 2006, an average of 560 rental units were permitted, before declining to 490 units annually from 2007 through 2009, when the economy began to contract. During the 12 months ending September 2022, 520 rental units were permitted in the HMA, down 59 percent from 1,275 units during the previous 12 months (preliminary data and estimates by the analyst).

Figure 13. Annual Rental Permitting Activity in the Pensacola HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Rental Construction Activity by Geography

Approximately 2,275 units, or 85 percent, of all rental units in the HMA have been built in Escambia County during the past 5 years. Recent rental construction in and around the community of Ensley, near Interstate 10, has accounted for approximately 72 percent of the new rental units completed in the county since 2017. Recently completed properties near the community of Ensley include Inspire Apartments, a 350-unit development completed in 2022 southwest of Interstate 10. Rents at Inspire Apartments currently range from $1,304 to $2,586 for studio, one-, two-, and three-bedroom units. The remaining 400 rental units built in the HMA during the past 5 years are in Santa Rosa County. The cities of Gulf Breeze and Milton accounted for 56 and 25 percent of those units, respectively. Azalea Bay apartments, a 222-unit apartment community in the city of Gulf Breeze near State Routes 98 and 281, was completed in 2022. Rents at Azalea Bay range from $1,625 to $1,850 for one-bedroom units, $1,900 to $2,050 for two-bedroom units, and $2,250 to $2,400 for three-bedroom units. Carter Crossing, an age-restricted apartment community completed in 2018 in the city of Milton, includes 99 income-restricted studio, one-, and two-bedroom units, with rents ranging from $623 to $798.

Forecast

During the 3-year forecast period, demand is expected for an estimated 2,175 rental units in the HMA. Demand is expected to be relatively steady each year during the forecast period (Table 7). The 510 units currently under construction are expected to satisfy some of the rental demand during the first year.

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

Rental Units	
Demand	2,175 Units
Under Construction	510 Units

Note: The forecast period is October 1, 2022, to October 1, 2025.
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 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.
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	10/1/2022–10/1/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, 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	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+ 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

Cover Photo	Adobe Stock

Contact Information

Karen M. Ostrye, Economist
Atlanta HUD Regional Office
678–732–2233
karen.m.ostrye@hud.gov