



Gainesville, Florida

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2007



Housing Market Area



The Gainesville Housing Market Area (HMA) is composed of Alachua and Gilchrist Counties in north-central Florida. The city of Gainesville is home to the University of Florida (UF), one of the largest universities in the nation. Recreational and cultural amenities, along with a mild climate and an expanding economy, attract new residents to the area.

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Summary

Economy

UF is the leading employer in the Gainesville HMA. Research programs at the university in fields such as health care and biotechnology support the development of new businesses in the area. Employment in the education and health services sector has grown steadily in recent years. Job growth has also been strong in the leisure and hospitality and the professional and business services sectors. During the 12 months ending September 2007, nonfarm employment increased by nearly 2,400 jobs, or 1.8 percent, and the unemployment rate averaged 2.7 percent. Continued steady job growth is expected during the 3-year forecast period.

Sales Market

Single-family home sales in the HMA have declined by 18 percent in the past year, and condominium sales are down 33 percent. Median sales prices for existing single-family homes and condominiums are down 3.7 and 1.1 percent, respectively, from prices a year ago. The construction of single-family homes has declined by a more than one-third during the past year.

Despite the slowdown in sales, the overall market is relatively balanced. The vacancy rate for sales housing is estimated at 2.1 percent. During the

3-year forecast period, demand is expected for approximately 4,400 new sales housing units in the HMA (see Table 1).

Rental Market

The rental housing market was soft in 2000, but has tightened in recent years, in part due to conversions of apartments to condominiums. Currently, the rental market is nearly balanced, with an estimated vacancy rate of 6.7 percent. Rents in the HMA have increased during the past 2 years because of rising property taxes and insurance premiums.

Multifamily construction has been stable in recent years. During the 3-year forecast period, demand is expected for approximately 2,000 new rental units in the HMA (see Table 1).

Table 1. Housing Demand in the Gainesville HMA, 3-Year Forecast, October 1, 2007 to October 1, 2010

	Gainesville HMA	
	Sales Units	Rental Units
Total Demand	4,400	2,000
Under Construction	800	300

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, 2007.

Source: Estimates by analyst

Economic Conditions

Located in the city of Gainesville, UF is one of the nation's largest state universities, with nearly 50,000 students. The university is also the leading employer in the Gainesville HMA, with more than 27,000 full- and part-time employees. Gainesville is a regional center for health care and biomedical research. Other leading employers in the area include Shands HealthCare and the Malcom Randall Veterans Affairs Medical Center, with 7,500 and 2,700 workers, respectively. Shands HealthCare is affiliated with the UF Health Science Center, the largest biomedical research organization in the state. Table 2 lists major employers in the HMA.

The Gainesville area has benefited from the increase in investment in high-technology research and development in Florida. The university, along with state and local governments, has been working to develop a biotechnology industry cluster in the area, with companies spun off from UF research programs. Currently, three business incubator campuses are in the HMA, and UF is considered one of the top U.S. universities for the transfer of research technology to the marketplace.

Gainesville's central location on Interstate 75 (I-75), approximately halfway between Atlanta and the major population centers of South Florida, has prompted the construction of several new hotels in the area and a boost in leisure and hospitality sector employment. Transportation employment in the HMA has also increased due to the completion of several large distribution centers, including a 500,000-square-foot facility for foodservice provider SYSCO Corporation and a 1.25-million-square-foot Wal-Mart Stores, Inc., facility. Employment in the transportation and utilities sector has more than doubled since 2000. Figure 1 shows employment sector growth in the HMA from 1990 to the current date.

Because UF and federal and state healthcare organizations are among the leading employers, the government sector accounts for more than 30 percent of nonfarm jobs in the HMA. The education and health services sector has the next largest share of jobs and accounts for nearly 17 percent of nonfarm employment. Figure 2 shows current employment by sector in the HMA.

Recent employment growth in the HMA has been broad based. During the 12 months ending September 2007, nonfarm employment averaged about 134,400 jobs, an increase of 2,350 jobs, or 1.8 percent, from the employment level recorded a year earlier. Employment in the education and health services sector continued a steady expansion, increasing by 1.4 percent, or by about 300 jobs, compared with employment levels recorded in that sector a year earlier. During the same period, employment in the leisure and hospitality sector

Table 2. Major Employers in the Gainesville HMA

Name of Employer	Employment Sector	Number of Employees
University of Florida	Government	12,212
Shands HealthCare	Health Services	7,508
Malcom Randall Veterans Affairs Medical Center	Government	2,700
The Oaks Mall	Retail Trade	2,500
Florida Department of Children and Families	Government	2,119
Publix Super Markets	Retail Trade	1,865
North Florida Regional Medical Center	Health Services	1,646
Tacachale	Health Services	1,500
Nationwide Mutual Insurance Company	Financial Activities	1,099
Santa Fe Community College	Government	831

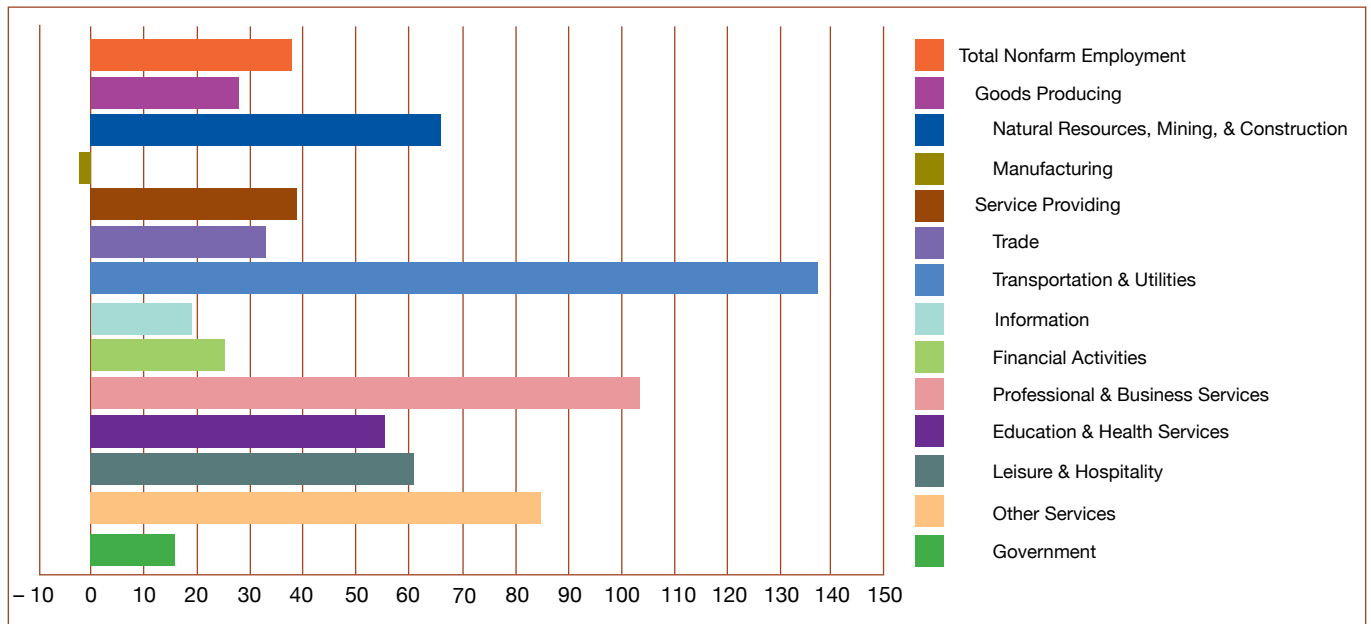
Note: University of Florida employment includes full-time employees.

Source: Gainesville Council for Economic Outreach

rose by 3.6 percent, or about 500 jobs, particularly in areas near I-75, and employment in the professional and business services sector increased by 3.3 percent, or about 400 jobs. The 12-month average unemployment rate remained relatively unchanged, at 2.7 percent, compared with 2.8 percent

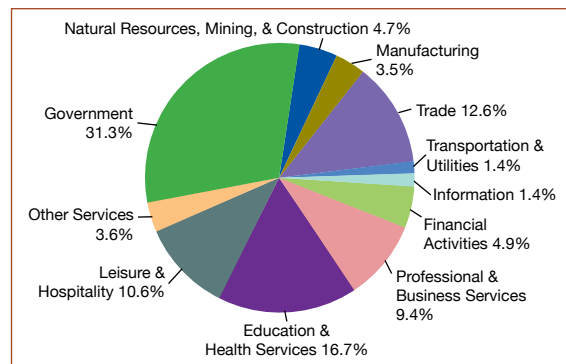
for the previous 12-month period. Figure 3 shows trends in labor force, resident employment, and the unemployment rate in the HMA from 1990 to 2006. Table 3 provides details on 12-month average employment by sector in the HMA.

Figure 1. Sector Growth in the Gainesville HMA, Percentage Change, 1990 to Current



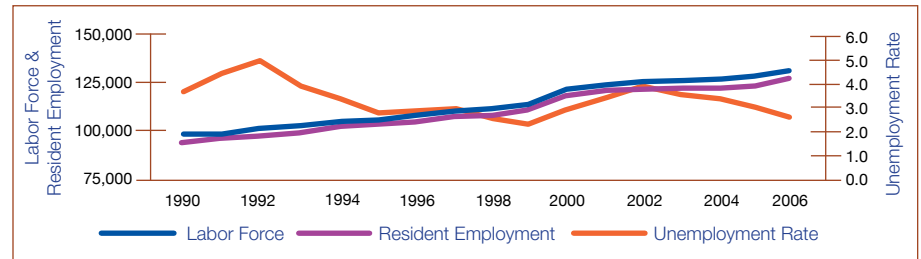
Note: Current is based on 12-month averages through September 2007.
Source: Bureau of Labor Statistics

Figure 2. Current Employment in the Gainesville HMA, by Sector



Note: Based on 12-month averages through September 2007.
Source: Bureau of Labor Statistics

During the 3-year forecast period, job growth is expected to continue, particularly in the education and health services and the leisure and hospitality sectors. Nonfarm employment is expected to increase by nearly 2,900 jobs a year, or 2.1 percent.

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Gainesville HMA, 1990 to 2006

Source: Bureau of Labor Statistics

Table 3. 12-Month Average Employment in the Gainesville HMA, by Sector

	12 Months Ending September 2006	12 Months Ending September 2007	Percent Change
Total Nonfarm Employment	132,000	134,400	1.8
Goods Producing	10,800	11,000	1.9
Natural Resources, Mining, & Construction	6,300	6,300	0.0
Manufacturing	4,600	4,700	2.2
Service Providing	121,200	123,300	1.7
Trade	16,700	16,900	1.2
Transportation & Utilities	1,800	1,900	5.6
Information	2,000	1,900	-5.0
Financial Activities	6,400	6,600	3.1
Professional & Business Services	12,200	12,600	3.3
Education & Health Services	22,200	22,500	1.4
Leisure & Hospitality	13,700	14,200	3.6
Other Services	4,600	4,800	4.3
Government	41,700	42,000	0.7

Notes: Based on 12-month averages through September 2006 and September 2007. Numbers may not add to totals because of rounding.

Source: Bureau of Labor Statistics

Population and Households

The presence of cultural and recreational amenities, along with a pleasant climate and expanding employment, has influenced population growth in the Gainesville HMA.

Enrollment at UF increased significantly during the 1990s, from about 35,000 students in 1990 to nearly 50,000 students in 2000. The increased enrollment accounted for roughly half of net in-migration during the decade. Although enrollment at UF has not increased since 2000, net in-migration

has remained strong due to steady job growth in the HMA. Since 2000, the population has been increasing by about 3,800, or 1.6 percent, a year. As of October 1, 2007, the population of the HMA is estimated at 261,200.

More than two-thirds of the population growth that has occurred since 1990 has resulted from net in-migration; net natural increase (resident births minus resident deaths) has accounted for the remainder. Net in-migration averaged about 2,900 people a year in the 1990s

Population and Households *Continued*

and about 2,800 people a year after 2000. Figure 4 shows components of population change in the HMA from 1990 to the forecast period. Because post-2000 in-migration was driven by job growth rather than university enrollment, households migrating to the area in the latter period have been somewhat larger—and there have been fewer of them. During the 1990s, the number of households in the HMA increased by about 1,800,

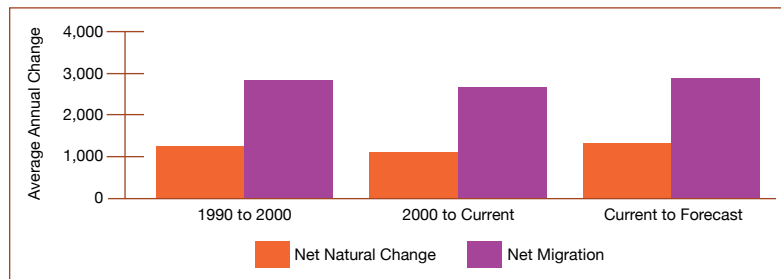
or 2.2 percent, a year. After 2000, household growth slowed somewhat to about 1,600 households, or 1.7 percent, a year, despite strong in-migration. Figure 5 illustrates population and household growth in the HMA from 1990 to the forecast period.

During the 1990s, the number of owner households increased by about 1,100 a year, accounting for 60 percent of the total gain in households. Since 2000, the number of owner households has grown by slightly more than 1,100 a year, accounting for approximately 70 percent of household growth. Figure 6 shows the number of households by tenure in the HMA from 1990 to the current date.

The number of renter households increased by 700 a year during the 1990s, but growth slowed to 500 households a year after 2000. The decrease in the level of renter household growth was attributable in part to stable enrollment at UF and the construction of new dormitories offering approximately 450 rooms on campus. Another factor for the decrease was economic conditions, including low mortgage interest rates that favored homeownership. See Table DP-1 at the end of this report for additional information about population and households in the HMA from 1990 to the current date.

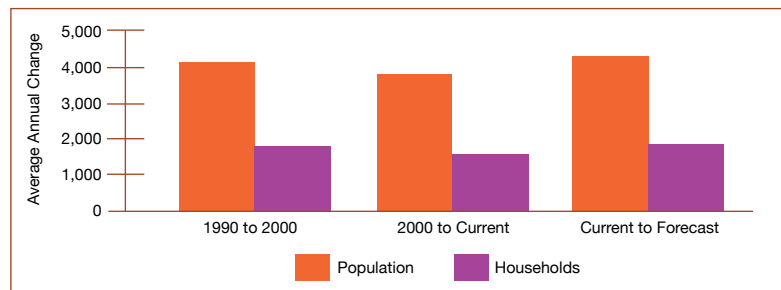
Given anticipated continued employment growth during the 3-year forecast period, net in-migration is expected to remain strong, and the population of the HMA is expected to increase by more than 4,200 a year. The number of households in the HMA is expected to increase by approximately 1,800 a year during the forecast period.

Figure 4. Components of Population Change in the Gainesville HMA, 1990 to Forecast



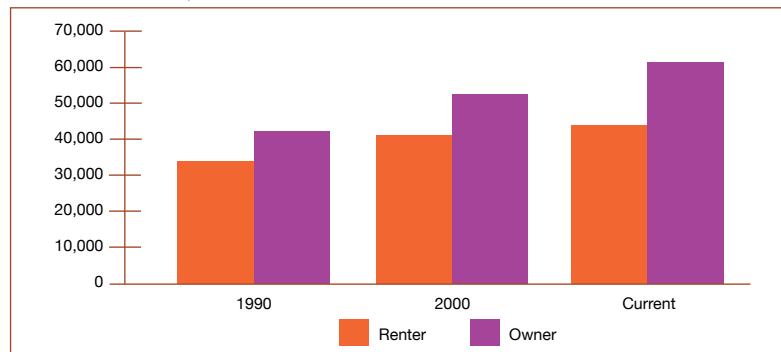
Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Gainesville HMA, 1990 to Forecast



Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Gainesville HMA, 1990 to Current



Sources: 1990 and 2000–1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

Sales Market

Home sales in the Gainesville HMA have slowed in recent months, and the construction of new homes has also declined. Overall, however, the sales housing market remains balanced, with an estimated vacancy rate of 2.1 percent.

Credit conditions for homebuyers have tightened in the past year and are one reason for the decline in home sales and decreases in sales prices. According to the Florida Association of REALTORS® (FAR), during the 12 months ending September 2007, sales of existing single-family homes in the Gainesville area were down 18 percent compared with the number of existing home sales recorded during the same period a year ago, from 3,400 to 2,800 homes. During the same period, sales of existing condominiums fell by 29 percent, from 1,400 to 1,000 units. According to FAR, the median price for existing single-family homes sold during the third quarter of 2007 was \$207,300, down nearly 4 percent from \$215,200 a year earlier. During this same 12-month period, median prices for existing condominiums fell by 1 percent, from \$156,300 to \$154,600.

In response to the slowdown in home sales, builders have scaled back

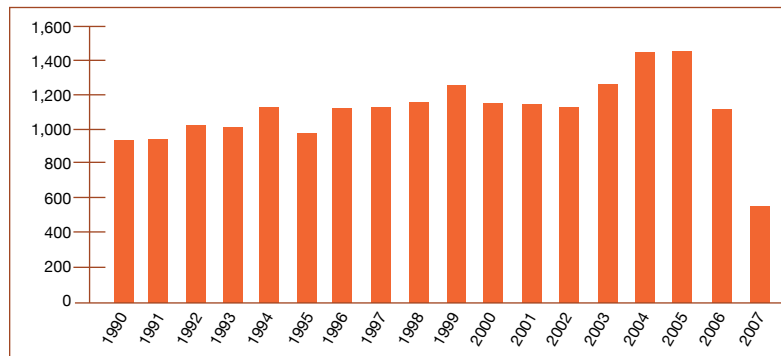
housing construction in the HMA, as measured by the number of building permits issued. For the 12 months ending September 2007, the number of single-family homes authorized by building permits declined by one-third compared with the number recorded during the same period a year ago, from 1,200 to 800 homes. Figure 7 provides details about single-family building permits issued in the HMA from 1990 to 2007.

About one-fourth of multifamily units built in the HMA since 2000 have been condominiums, including several complexes located near the university. Many of these developments consist of high-end units, which appeal to residents who want to live near the campus stadium and other urban amenities. One such example is University Corners, a mixed-used residential and retail complex to be located adjacent to the UF campus.

As of September 2007, approximately 2,100 homes were for sale in the HMA, according to the NATIONAL ASSOCIATION OF REALTORS®. At the current pace of sales, the unsold inventory represents a supply of less than 3 months. Despite the slowdown in home sales, the sales housing market is relatively balanced. The current sales vacancy rate of 2.1 percent is just slightly above the 2-percent vacancy rate recorded in 2000.

Anticipated household growth during the 3-year forecast period will result in a demand for 4,400 new sales units. A portion of the expected demand will be met by the 800 units currently under construction. Table 4 shows estimated demand by price range for new market-rate sales housing in the HMA during the forecast period.

Figure 7. Single-Family Building Permits Issued in the Gainesville HMA, 1990 to 2007



Notes: Includes only single-family units. Includes data through September 2007.
Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Gainesville HMA, October 1, 2007 to October 1, 2010

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	420	9.5
150,000	199,999	660	15.0
200,000	249,999	830	18.9
250,000	299,999	690	15.7
300,000	349,999	500	11.4
350,000	399,999	350	8.0
400,000	449,999	300	6.8
450,000	499,999	220	5.0
500,000	549,999	130	3.0
550,000	599,999	90	2.0
600,000	649,999	60	1.4
650,000	and higher	150	3.4

Source: Estimates by analyst

Rental Market

Multifamily construction in the HMA was strong in the late 1990s. By 2000, the rental market was soft, with a vacancy rate of 7.9 percent. Conditions have tightened in recent years, partly as a result of the conversion of some existing rental units to condominiums. Currently, the rental housing market is balanced, with an estimated vacancy rate of 6.7 percent. Figure 8 illustrates rental vacancy rates in the HMA from 1990 to the current date.

The current average monthly rent in the HMA is about \$750 for a two-

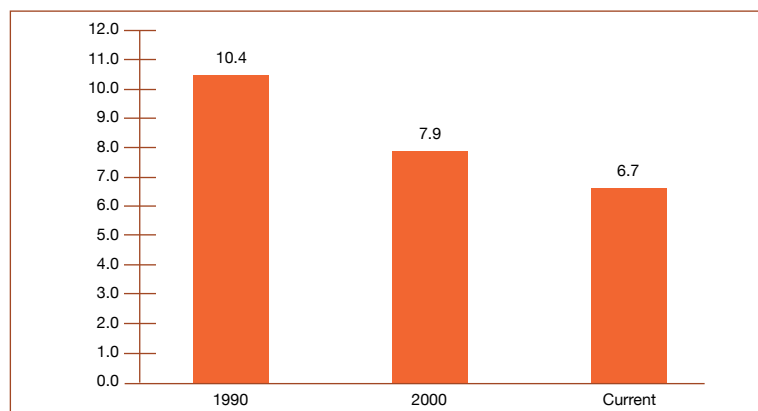
bedroom apartment. During the past 2 years, average rents have risen by nearly 4 percent a year due to rising property insurance premiums, taxes, and other operating costs.

Students represent the largest group of renters in the HMA. About 80 percent of UF students live off campus; approximately half of those students live in three- or four-bedroom units with separate leases for individual occupants. The average monthly rent for off-campus housing is about \$550.

From 2004 to 2006, approximately 20 apartment complexes, or 3,000 apartments, were converted to condominiums in the HMA. Many of these units were bought by investors and have remained in the rental inventory. The impact on the student-driven rental market was limited because most of the converted apartments were one- or two-bedroom units instead of the larger apartments frequently rented by students.

Although the level of multifamily construction in the HMA peaked in the late 1990s, construction

Figure 8. Rental Vacancy Rates in the Gainesville HMA, 1990 to Current



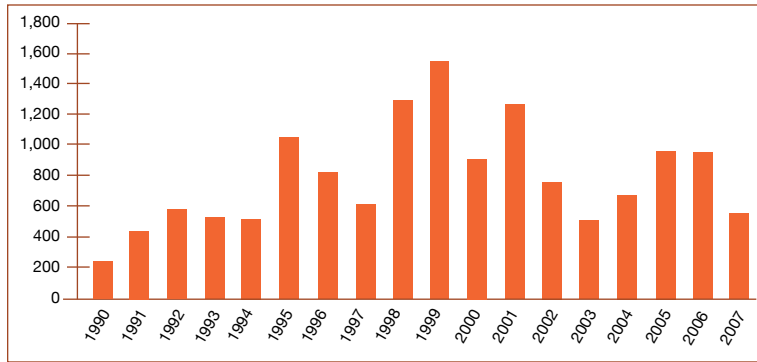
Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends
Rental Market *Continued*

activity, as measured by the number of building permits issued, has remained relatively strong since 2000. Multifamily construction averaged fewer than 500 units permitted a year during the early 1990s but increased to more than 1,000 units a year in the late 1990s. Since 2000, the number of units permitted has averaged

about 900 units a year. During the 12 months ending September 2007, building permits were issued for approximately 800 multifamily units, essentially unchanged from the number of units permitted during the previous 12 months. Figure 9 provides details about multifamily building permits issued in the HMA from 1990 to 2007.

Figure 9. Multifamily Building Permits Issued in the Gainesville HMA, 1990 to 2007



Notes: Includes all multifamily units in structures with two or more units. Includes data through September 2007.

Source: U.S. Census Bureau, Building Permits Survey

During the 3-year forecast period, student enrollment at UF is expected to remain stable and growth in the number of renter households will be driven primarily by employment and population increases. Demand is expected for 2,000 new rental units, part of which will be met by the 300 units currently under construction. Table 5 shows estimated demand by rent level for new market-rate rental housing in the HMA during the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Gainesville HMA, October 1, 2007 to October 1, 2010

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
600	880	800	870	1,100	250
650	775	850	720	1,150	230
700	710	900	660	1,200	200
750	640	950	590	1,250	180
800	560	1,000	510	1,300	150
850	475	1,050	440	1,350	130
900	400	1,100	370	1,400	110
1,000	320	1,200	300	1,500	80
1,100	260	1,300	190	1,600	60
1,200	200	1,400	130	1,700	40
1,300	160	1,500	90	1,800	30
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Gainesville HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	94,303	118,900	130,300	2.3	1.2
Unemployment Rate (%)	3.8	3.0	2.7		
Nonfarm Employment	97,100	123,300	134,400	2.4	1.2
Total Population	191,263	232,392	261,200	2.0	1.6
Total Households	74,542	92,530	104,700	2.2	1.7
Owner Households	41,331	52,416	60,800	2.4	2.0
Percent Owner (%)	55.4	56.6	58.1		
Renter Households	33,211	40,114	43,900	1.9	1.2
Percent Renter (%)	44.6	43.4	41.9		
Total Housing Units	83,093	101,019	115,100	2.0	1.8
Owner Vacancy Rate (%)	3.0	2.0	2.1		
Rental Vacancy Rate (%)	10.4	7.9	6.7		
Median Family Income	\$31,402	\$46,587	\$54,854	4.0	2.4

Note: Median family incomes are for 1989, 1999, and 2006.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 10/1/2007—Analyst's estimates

Forecast period: 10/1/2007–10/1/2010—
Analyst's estimates

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

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

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

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

For additional reports on other market areas, please go to
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