

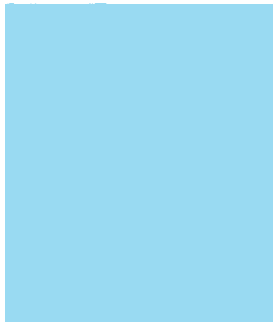
COMPREHENSIVE HOUSING MARKET ANALYSIS

Palm Bay-Melbourne-Titusville, Florida



U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2006

PD&R

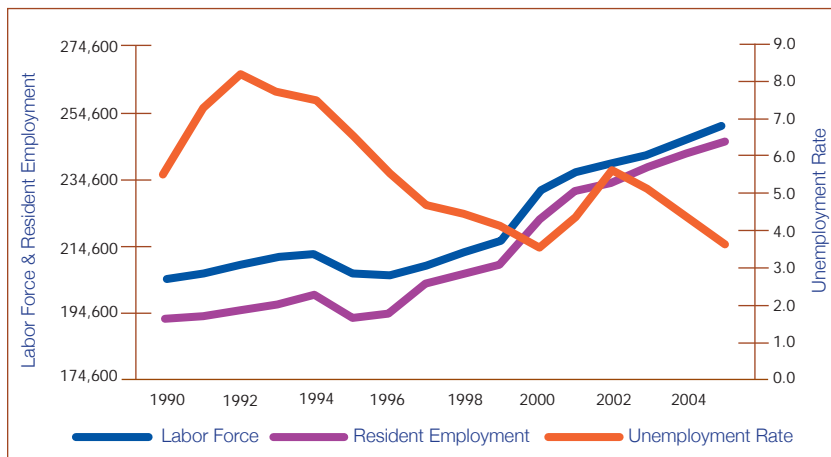


Economic Conditions

During the 1990s, the Palm Bay-Melbourne-Titusville HMA was characterized by moderate resident employment growth of 1.4 percent annually, particularly during the first half of the decade. Through the late 1990s and up to the current period, employment has grown at a faster pace of 1.6 percent a year (see Figure 1). During the

forecast period, annual employment growth is expected to be stronger, reaching 2 percent a year. As a result of stronger employment growth, the unemployment rate has declined significantly. For the 12-month period ending June 2006, the average rate decreased to 3.1 percent from 4.1 percent recorded a year ago.

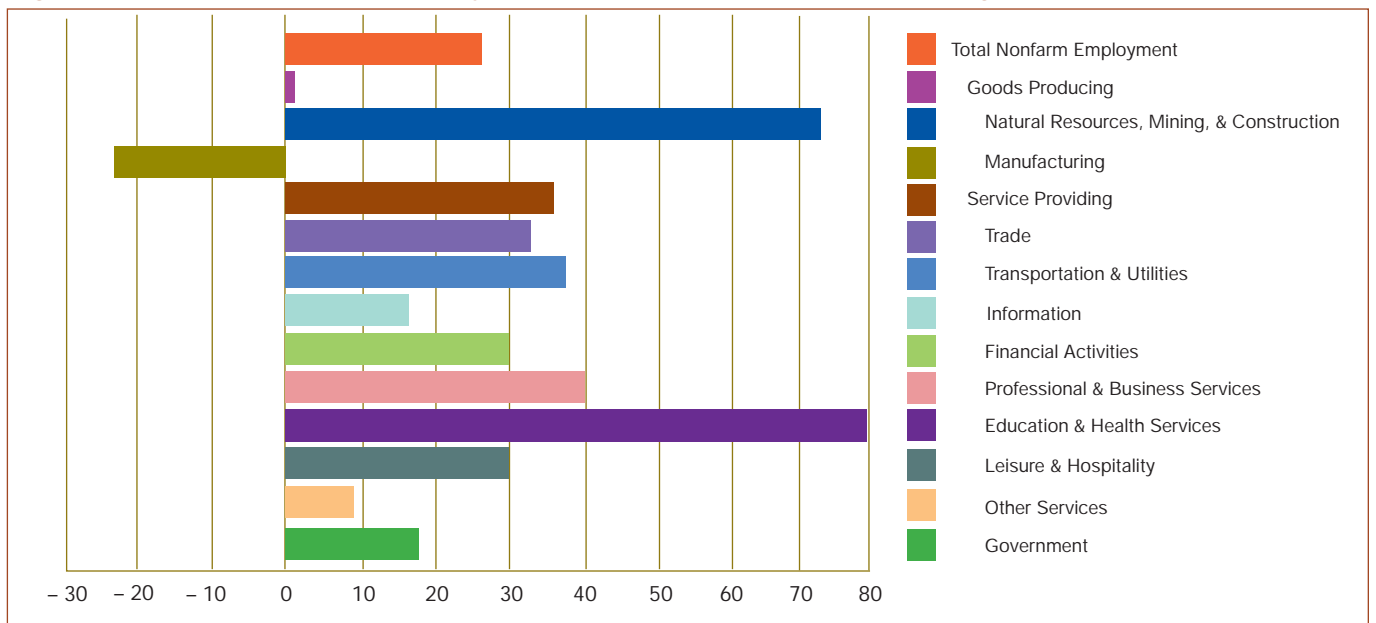
Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Palm Bay-Melbourne-Titusville HMA, 1990 to 2005



Source: U.S. Bureau of Labor Statistics

The largest nonfarm employment increase from 1990 to the current date was recorded in the education and health services sector, which grew 4.9 percent a year (see Figure 2). Strong growth in this sector is due to increased hiring of school staff to meet the educational needs of new households migrating to the HMA. The Brevard County School District is the leading employer in the area (see Table 2). Increased demand for health services from the growing elderly population also contributed to the growth of the education and health services sector.

Figure 2. Sector Growth in the Palm Bay-Melbourne-Titusville HMA, Percent Change, 1990 to Current



Note: Current is based on 12-month averages through June 2006.

Source: U.S. Bureau of Labor Statistics

Nonfarm employment growth in the HMA has improved since 2003 after remaining relatively unchanged between 2001 and 2002. Between 2003 and 2005, employment growth escalated to an average annual rate of 3.7 percent. During the 12 months ending June 2006, nonfarm employment increased by 2.5 percent compared with the previous 12 months (see Table 3). The fastest growing employment sectors for the period have been the natural resources,

mining, and construction sector and the leisure and hospitality sector. Employment in the natural resources, mining, and construction sector grew by 2,000 jobs, or nearly 13 percent, mostly from gains in the construction industry as a result of housing and public works projects under way. Construction employment is expected to remain strong throughout the forecast period with several planned projects. One such development is the construction of the 31,000-square-foot, \$5.4 million Technological Research and Development Authority Business Innovation Center in Melbourne. The center, when completed in May 2007, is expected to house 35 new businesses and generate up to 100 new jobs. The Magnolia Pointe Economic Development Initiative, a mixed-use project planned for the city of Cocoa, includes the construction of 33,500 square feet of retail and office space, 48 low-income housing units for the elderly, 70 affordable single-family homes, and a 3,200-square-foot community center. The \$15.7 million project is expected to be completed in 2007.

The leisure and hospitality sector grew by 1,400 jobs, or 7 percent, during the 12 months ending June 2006 because the HMA is a popular tourist

Table 2. Major Employers in the Palm Bay-Melbourne-Titusville HMA

Name of Employer	Employment Sector	Number of Employees
Brevard County School District	Government	9,075
Harris Corporation	Manufacturing	6,500
United Space Alliance	Professional & Business Services	6,500
Health First	Health Services	6,100
Space Gateway Support	Professional & Business Services	3,000
Wuesthoff Health Systems	Health Services	2,500
National Aeronautics and Space Administration at John F. Kennedy Space Center	Government	2,025

Source: *Space Coast Economic Development Commission*

Table 3. 12-Month Average Employment in the Palm Bay-Melbourne-Titusville HMA, by Sector

Employment Sector	12 Months Ending June 2005	12 Months Ending June 2006	Percent Change
Total Nonfarm Employment	208,000	213,200	2.5
Goods Producing	39,800	40,700	2.3
Natural Resources, Mining, & Construction	15,800	17,800	12.7
Manufacturing	23,900	22,900	-4.2
Service Providing	168,200	172,500	2.6
Trade	32,500	33,200	2.2
Transportation & Utilities	3,700	4,000	8.1
Information	2,700	2,800	3.7
Financial Activities	8,100	8,300	2.5
Professional & Business Services	37,900	39,100	3.2
Education & Health Services	26,900	27,300	1.5
Leisure & Hospitality	20,000	21,400	7.0
Other Services	8,100	8,300	2.5
Government	28,400	28,200	-0.7

Notes: Numbers may not add to totals due to rounding. Based on 12-month averages through June 2005 and June 2006.

Source: U.S. Bureau of Labor Statistics

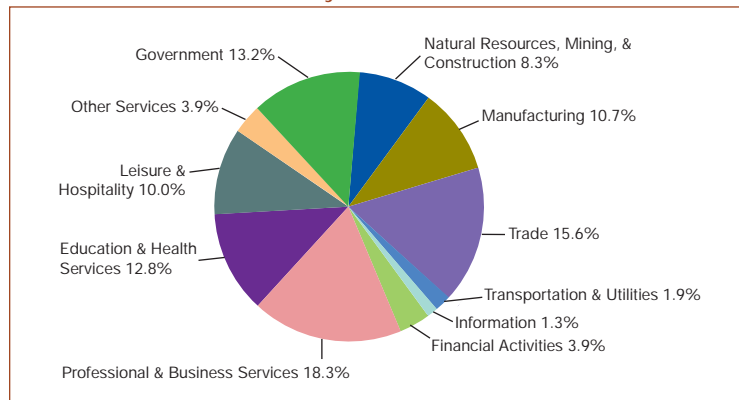
destination. Sport complexes, golf courses, fishing charter businesses, and tour boat businesses are among the primary employment sources in this sector. Port Canaveral, the world's second largest cruise port, had a record 4.6 million passengers in 2005. The port accounts for 34,000 jobs and helps support the local economy with \$1.1 billion in wages a year, according to the Space Coast Economic Development Commission. During

2005, direct spending for the space program at NASA amounted to more than \$1.6 billion. NASA accounts for approximately 12,100 jobs in the area, 85 percent of which are held by contractors.

Despite continued declines in manufacturing, the sector currently represents nearly 11 percent of total nonfarm employment in the HMA (see Figure 3) and some firms are expanding. High-technology manufacturing firms such as Knight's Manufacturing Company, Avidyne Corporation, and Intersil Corporation have added in total about 750 jobs to the local economy since 2001.

The professional and business services sector has gained 1,200 jobs during the past year and growth is expected to continue. Liberty Mutual Insurance Company and MedSolutions plan to establish regional call centers; each company plans to add approximately 600 new jobs over the next few years.

Figure 3. Current Employment in the Palm Bay-Melbourne-Titusville HMA, by Sector



Note: Based on 12-month averages through June 2006.

Source: U.S. Bureau of Labor Statistics

Population and Households

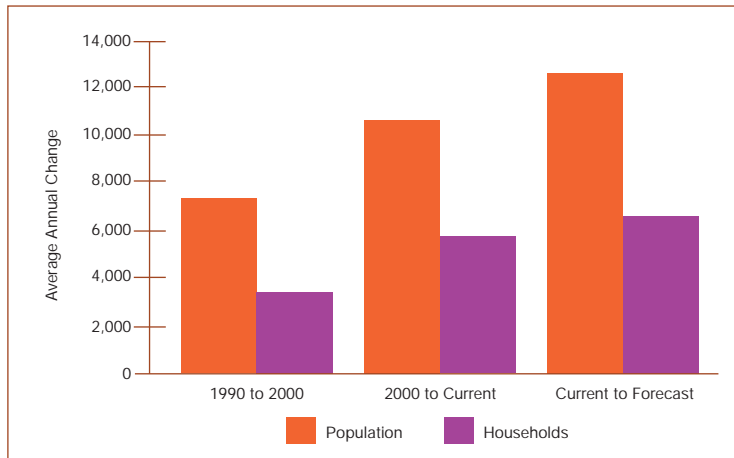
Reflecting a strong economy in the second half of the 1990s, increased in-migration placed the Palm Bay-Melbourne-Titusville HMA among the fastest growing areas in the state. In-migration has remained elevated since 2000 and the continued strengthening of the economy is expected to generate increased in-migration during the forecast period.

The current population of the HMA is estimated at 547,800 and the number of households is estimated at 235,600. Since 2000, the population has expanded at an average annual rate of 2.3 percent and the number of households has increased by an average annual growth rate of 2.8 percent. The number of households has grown at a faster rate than population because

of declining household size. During the forecast period, population and household growth are expected to remain strong as the local economy continues to expand and retirees continue to migrate to the area (see Figure 4). In the next 3 years, the population of the HMA and the number of households are estimated to reach 586,300 and 256,000,

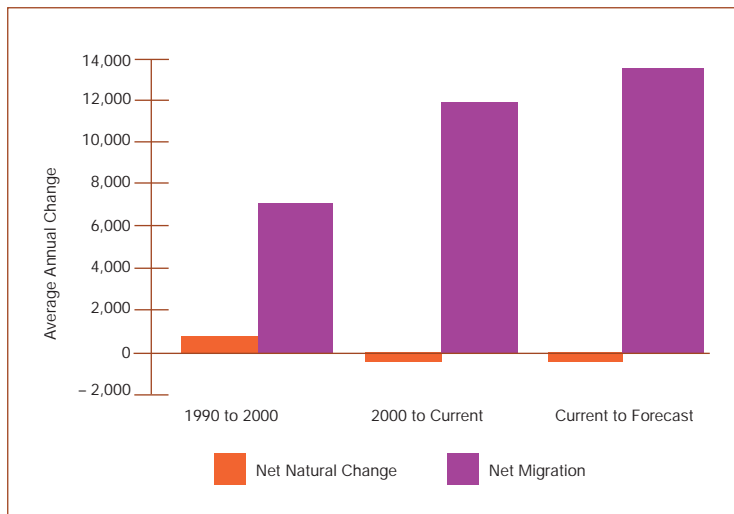
respectively. Palm Bay, the largest city in the area, has a population of 92,800 and will continue to lead population expansion in the HMA with an estimated annual growth rate of 3.3 percent during the forecast period. See Table DP-1 at the end of this report for detailed information about population and household change in the HMA.

Figure 4. Population and Household Growth in the Palm Bay-Melbourne-Titusville HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Palm Bay-Melbourne-Titusville HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

The population and the number of households have grown as a result of increased numbers of both families and retirees migrating to the HMA. The trend is expected to continue as job growth, high-quality health care, and recreational activities attract people. Rapid population growth will continue in the southern part of the HMA in response to job opportunities at expanding industries. Population growth has been moderate in the north and central mainland areas and Merritt Island and has remained stable in the beach areas as retirees continue to migrate to that area.

As the HMA has grown into a popular destination for retirees, net natural change (number of births minus number of deaths) has changed from a positive value to a negative one in which deaths outnumber births. Since 2000, net natural change has declined by an average of 380 people a year, a trend that is expected to continue. Conversely, during the same period, net in-migration has increased by an average of 6,850 people annually and is expected to grow to 13,200 people a year during the 3-year forecast period (see Figure 5).

Housing Market Trends

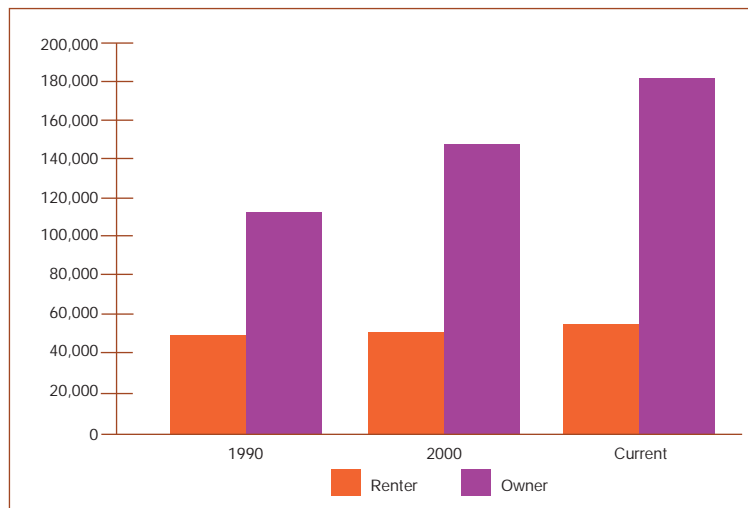
Sales Market

Employment gains, historically low interest rates, and steady household growth supported a strong home sales market in the Palm Bay-Melbourne-Titusville HMA from 2000 to 2005, when single-family home sales and prices increased at a rapid pace. During the 5-year period, sales volume increased by an average of 13 percent a year but stabilized at 8,050 units a year in 2005. From 2000 to 2005, according to the Florida Association of REALTORS®, the median sales price for single-family homes increased by 28 percent a year and was \$226,100 in 2005. The homeownership rate

has increased to nearly 77 percent as of the current date with an estimated 180,500 owner-occupied households (see Figure 6).

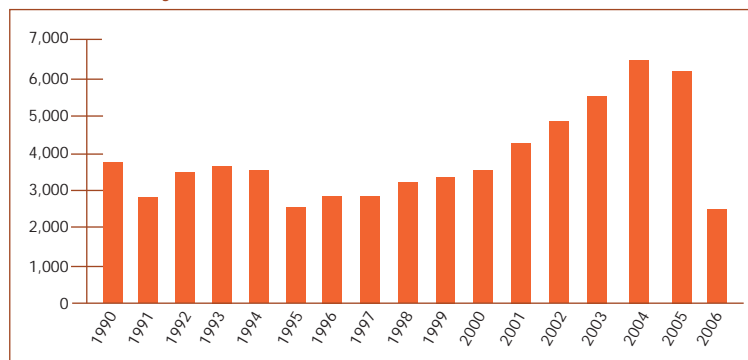
The number of building permits issued for single-family homes increased by an average of 568 units a year from 2000 to 2005. For the 12 months ending June 2006, the number of single-family building permits slightly declined by 369 units, to 5,857, a 6-percent drop compared with the previous 12-month period. Figure 7 illustrates the number of single-family building permits issued in the HMA from 1990 through June 2006.

Figure 6. Number of Households by Tenure in the Palm Bay-Melbourne-Titusville HMA, 1990 to Current



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

Figure 7. Single-Family Building Permits Issued in the Palm Bay-Melbourne-Titusville HMA, 1990 to 2006



Notes: Includes single-family units. Includes data through June 2006.

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

Recent mortgage interest rate increases and high prices have had a cooling effect on the HMA's home sales market, but conditions remain balanced. Sales have slowed and home sales prices have declined, especially during the first half of 2006. From January to June 2006, home sales declined to 3,000 units, a 30-percent drop compared with the 4,300 units sold during the first 6 months of 2005. During the same period, the median sales price of homes decreased less than 1 percent to \$232,900 from \$234,400. Condominium sales during this period dropped substantially to 357 units, or 70 percent, from the 1,253 units sold during the first 6 months in 2005. Median sales prices for condominiums also declined, falling 12 percent to \$185,000 from \$208,300 recorded 6 months ago. The current sales vacancy rate is estimated at 2.7 percent, up slightly from the 2.3-percent rate recorded in 2000. This increase occurred because of the market's inability to absorb the surplus number of condominium units that entered the market during the past 2 to 3 years.

Demand is expected for 17,650 new sales units during the 3-year forecast period. Sales prices for new starter single-family and condominium homes are expected to begin at \$160,000 with most of the demand falling in the \$160,000-to-\$220,000 price range. Table 4 shows estimated demand by price range for new market-rate sales housing in the HMA.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Palm Bay-Melbourne-Titusville HMA, July 1, 2006 to July 1, 2009

Price Range (\$)		Units of Demand	Percent of Total
From	To		
160,000	169,999	6,175	35.0
170,000	179,999	2,650	15.0
180,000	189,999	1,775	10.1
190,000	199,999	1,425	8.1
200,000	219,999	1,050	5.9
220,000	239,999	880	5.0
240,000	259,999	710	4.0
260,000	279,999	530	3.0
280,000	299,999	460	2.6
300,000	324,999	440	2.5
325,000	349,999	420	2.4
350,000	399,999	410	2.3
400,000	and higher	725	4.1

Source: Estimates by analyst

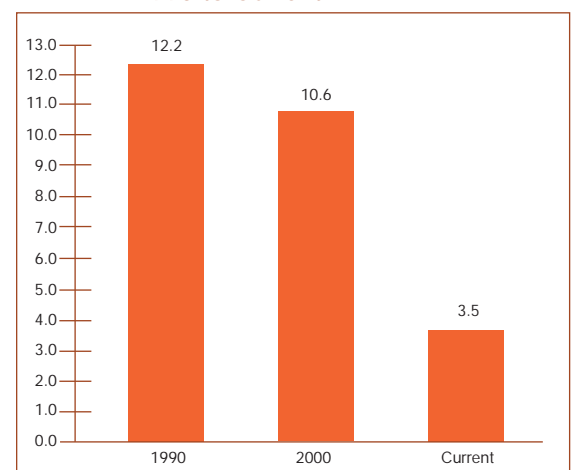
Rental Market

The rental market in the HMA is currently much tighter than it was in 2000 because the production of new rental housing has not been sufficient to meet increased demand from renter household growth. The rental vacancy rate, including apartments, single-family homes, mobile homes, and other rental units, has declined to 3.5 percent as of the current date from 10.6 percent in 2000 (see Figure 8). An important factor contributing to the tighter market has been the conversion of more than 1,000 apartments to condominium units during the past 3 years. Figure 9 shows the number of multifamily building permits issued in the HMA since 1990. Because of a sharp reduction in the number of condominium units permitted, the number of multifamily building permits issued in the HMA decreased 12 percent to 1,478 units during the 12 months ending June 2006 compared with the previous 12 months.

The tight market conditions have resulted in significant rent increases. According to ALN Systems, Inc., the average apartment rent increased from \$668 to \$739 during the 12 months ending June 2006, an 11-percent increase compared with the same period a year earlier. Average monthly rents are estimated at \$650 for a one-bedroom unit, \$800 for a two-bedroom unit, and \$1,000 for a three-bedroom unit.

Healthy economic growth and the continued immigration of retirees will continue to attract new renter households to the HMA during the next 3 years. Demand for 4,250 new market-rate rental units is estimated during the next 3 years. Table 5 shows estimated rental demand for rental housing in the HMA by rent levels and the number of bedrooms. Currently, about 390 market-rate rental units are under construction in the HMA. Approximately 550 affordable rental units, including 160 low-income housing tax credit units, are currently in the construction pipeline and are expected to come on line in April 2007. Most of the multifamily rental units planned for construction during the forecast period are expected to be built in the cities of Melbourne, Cape Canaveral, Titusville, and Rockledge.

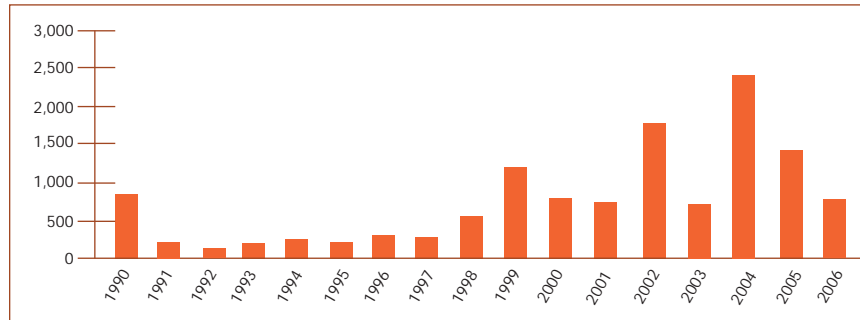
Figure 8. Rental Vacancy Rates in the Palm Bay-Melbourne-Titusville HMA, 1990 to Current



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

Housing Market Trends
 Rental Market *Continued*

Figure 9. Multifamily Building Permits Issued in the Palm Bay-Melbourne-Titusville HMA, 1990 to 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2006.

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

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Palm Bay-Melbourne-Titusville HMA, July 1, 2006 to July 1, 2009

0 Bedrooms		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	Monthly Gross Rent (\$)	Units of Demand
650	420	750	1,270	900	1,920	1,150	640
700	360	800	1,120	950	1,575	1,200	570
750	330	850	1,030	1,000	1,450	1,250	510
800	290	900	930	1,050	1,300	1,300	450
850	240	950	810	1,100	1,130	1,350	370
900	200	1,000	690	1,150	960	1,400	330
950	160	1,050	580	1,200	800	1,450	290
1,050	130	1,150	460	1,300	650	1,550	210
1,150	100	1,250	370	1,400	420	1,650	150
1,250	80	1,350	290	1,500	290	1,750	110
1,350	170	1,450	630	1,600	460	1,850	240
and higher		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

Table DP-1.7 ~~COMPENSATION~~

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	194,096	223,587	246,800	1.4	1.6
Unemployment Rate (%)	5.5	3.6	3.1		
Nonfarm Employment	167,800	191,500	213,200	1.3	1.7
Total Population	398,978	476,230	547,800	1.8	2.3
Total Households	161,400	198,200	235,600	2.1	2.8
Owner Households	111,760	147,890	180,500	2.8	3.2
Percent Owner (%)	69.2	74.6	76.6		
Renter Households	49,640	50,310	55,050	0.1	1.5
Percent Renter (%)	30.8	25.4	23.4		
Total Housing Units	185,150	222,072	259,600	1.8	2.5
Owner Vacancy Rate (%)	3.3	2.3	2.7		
Rental Vacancy Rate (%)	12.2	10.6	3.5		
Median Family Income	\$35,402	\$47,571	\$57,300	3.4	2.9

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

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2006—Analyst's estimates

Forecast period: 7/1/2006–7/1/2009—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 http://www.huduser.org/publications/pdf/CMARTables_PalmBayFL.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 wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

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