

HUD PD&R Regional Reports

Region 4: Southeast/Caribbean

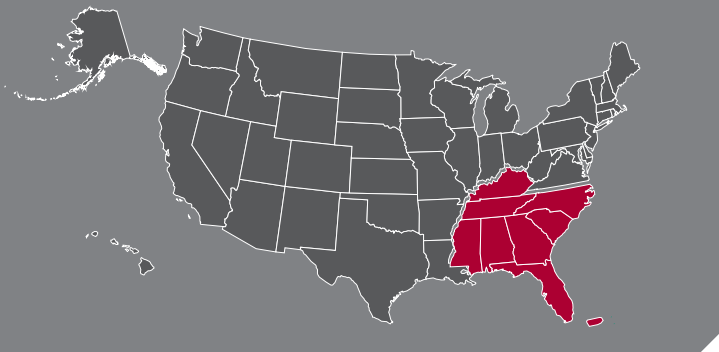


Charleston, South Carolina

By Robyn E. Bowen | 3rd quarter 2015

Quick Facts About Region 4

- **Sales market conditions—**
Third quarter 2015: mixed (balanced to soft).
Second quarter 2015: mixed (balanced to soft).
Third quarter 2014: mixed (balanced to soft).
- **Apartment market conditions—**
Third quarter 2015: mixed (balanced to tight).
Second quarter 2015: mixed (soft to tight).
Third quarter 2014: mixed (balanced to tight).



Overview

Economic expansion in the Southeast/Caribbean region, which has occurred during the past 4 years, continued during the third quarter of 2015. Nonfarm payroll jobs in the region had the highest third quarter average since 2007. Consistent economic growth has sustained improving sales and apartment market conditions throughout the region. The number of distressed loans and real estate owned (REO) properties declined, and home sales and prices increased in most states in the region during the 12 months ending August 2015. Apartment vacancy rates declined in most of the major metropolitan areas during the third quarter of 2015; however, supply has begun to outpace demand in many areas. Residential construction activity increased in the region compared with activity during the previous year, with the rate of single-family permitting nearly doubling from 2014.

- During the third quarter of 2015, nonfarm payrolls in the region increased 2.4 percent, to 27.32 million, the same growth rate reported during the third quarter of 2014.
- Home sales increases ranged from 2 to 17 percent in every state in the region except Mississippi, where sales declined 5 percent.
- Permitting of single-family homes and multifamily units increased 10 and 17 percent, respectively, during the 3 months ending August 2014 compared with respective increases of 5 and 17 percent a year earlier (preliminary data).



Nonfarm payrolls in the Southeast/Caribbean region increased 2.4 percent during the third quarter, led by the leisure and hospitality sector.

	Third Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	26,684.9	27,320.2	635.3	2.4
Goods-producing sectors	3,651.6	3,730.3	78.7	2.2
Mining, logging, and construction	1,239.4	1,286.3	46.9	3.8
Manufacturing	2,412.1	2,443.9	31.8	1.3
Service-providing sectors	23,033.3	23,589.9	556.6	2.4
Wholesale and retail trade	4,350.1	4,448.5	98.4	2.3
Transportation and utilities	1,026.5	1,059.3	32.8	3.2
Information	467.5	470.5	3.0	0.6
Financial activities	1,485.4	1,517.9	32.5	2.2
Professional and business services	3,653.0	3,765.9	112.9	3.1
Education and health services	3,608.9	3,716.4	107.5	3.0
Leisure and hospitality	3,105.0	3,241.1	136.1	4.4
Other services	1,009.3	1,026.8	17.5	1.7
Government	4,327.5	4,343.4	15.9	0.4

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

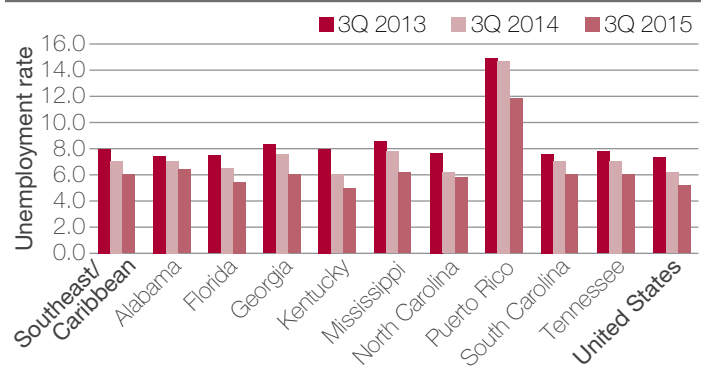
Economic Conditions

Economic conditions in the Southeast/Caribbean region, which began to improve in 2011, continued to strengthen during the third quarter of 2015. Nonfarm payrolls averaged 27.32 million during the third quarter of 2015, an increase of 635,300 jobs, or 2.4 percent, from a year ago. By comparison, nonfarm payrolls increased by 622,400 jobs, or 2.4 percent, during the third quarter of 2014 from the third quarter of 2013. During the third quarter of 2015, nonfarm payrolls grew in every state and Caribbean territory in the region, led by Florida, Georgia, and North Carolina. All payroll sectors in the region added jobs, with the leisure and hospitality, professional and business services, and education and health services sectors leading job growth and increasing by 136,100, 112,900, and 107,500 jobs, or 4.4, 3.1, and 3.0 percent, respectively. The unemployment rate for the region declined to 6.1 percent during the third quarter of 2015 from 7.1 percent a year ago, the same percentage-point decline as in the nation, which had an unemployed rate decline from 6.2 to 5.2 percent. The unemployment rate declined in every state in the region, with Mississippi reporting the greatest improvement, from 7.9 to 6.1 percent, from the third quarter of 2014 to the third quarter of 2015, as employment growth outpaced growth in the labor force.

During the third quarter of 2015—

- Payroll growth was greatest in Florida, North Carolina, and Georgia, which gained 247,200, 106,900, and 87,700 jobs, or 3.2, 2.6, and 2.1 percent, respectively.
- Nonfarm payrolls increased by 6,700 and 200 jobs, or 0.8 and 0.4 percent, in Puerto Rico and the U.S. Virgin Islands, respectively,

The unemployment rate declined in every state in the Southeast/Caribbean region.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

after declining during the third quarter of 2014. The increase in Puerto Rico is in part because of the 4,100 jobs added in the education and health services sector, an increase of 3.5 percent.

- The unemployment rate among the states in the region ranged from 5.0 percent in Kentucky to 6.4 percent in Alabama. The unemployment rate in Kentucky is the lowest third quarter average for the state since 2004.
- Puerto Rico reported an average unemployment rate of 11.9 percent, the highest rate in the region, declining from 14.7 percent during the third quarter of 2014.
- Lyft, a peer-to-peer ride-sharing company, opened a \$5.1 million customer-service headquarters in downtown Nashville. Approximately 400 jobs are expected to be created during the next several years, with approximately 100 positions expected to be filled by the end of 2015.



Sales Market Conditions

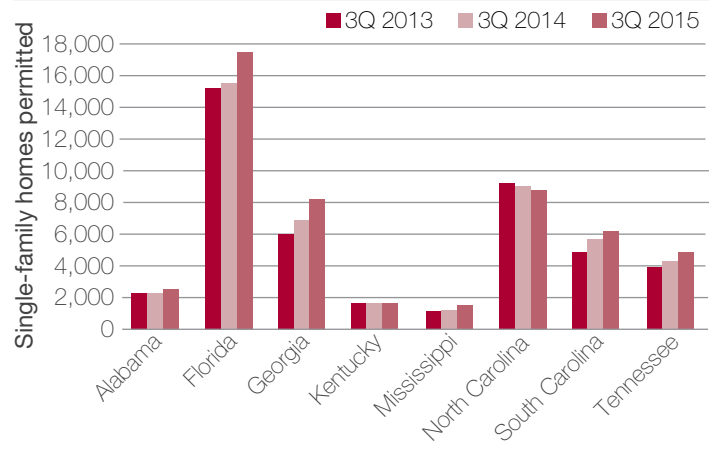
Sales housing market conditions in the Southeast/Caribbean region were mixed, ranging from balanced to soft, during the third quarter of 2015. Moderate economic growth continued to strengthen demand and increase home sales in the region. Alabama home sales reached 76,550 during the 12 months ending August 2015 (the most recent data available), an increase of 17 percent from the previous 12 months, the highest increase in the region, as payroll growth in the state accelerated (CoreLogic, Inc., with adjustments by the analyst). Georgia and Tennessee had the second highest growth in the region, each increasing 8 percent, to 183,200 and 139,700 homes sold, respectively. Mississippi began to trail the region in growth during the second quarter of 2014 and, during the 12 months ending August 2015, the number of homes sold in Mississippi declined by 700, or 5 percent, from the previous 12-month period to approximately 12,700 homes. Home prices increased in every state in the region, including Mississippi, where prices increased 2 percent to \$190,300, in part because of the decline of distressed home sales (REO and short sales). Although Alabama had the greatest increase in home sales, the average sales price increased only marginally, to \$203,700, as the number of distressed home sales increased. The rates of seriously delinquent mortgages (mortgages 90 or more days delinquent or in foreclosure) and loans that transitioned into REO status declined in every state in the region from a year ago. In September 2015, 5.0 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 6.0 percent in September 2014 (Black Knight Financial Services, Inc.). Florida had the fourth highest percentage of seriously delinquent loans and REO properties in the nation in September 2015 at 6.7 percent, declining from 8.6

percent in September 2014, when it was the second highest in the nation. Mississippi had the highest percentage in the region and ranked third in the nation at 6.9 percent, declining from 7.6 percent during the previous year. The percentage of seriously delinquent home loans and REO properties in the region remains above the national average, which was 4.2 percent in September 2015, down from 4.7 percent in September 2014.

Continued economic growth and increased home sales have increased single-family construction activity, as measured by the number of single-family homes permitted, in the region.

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Single-family permitting increased throughout the Southeast/Caribbean region, except in North Carolina, where permitting declined slightly.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Home sales and prices increased in most of the Southeast/Caribbean region, with the exception of Mississippi, where home sales declined.

	12 Months Ending	Number of Homes Sold			Price			
		2014	2015	Percent Change	Average or Median	2014 (\$)	2015 (\$)	Percent Change
Alabama (N&E)	August	65,300	76,550	17	AVG	203,200	203,700	0
Florida (N&E)	August	506,100	541,100	7	AVG	216,300	230,500	7
Georgia (N&E)	August	169,800	183,200	8	AVG	181,100	195,600	8
Kentucky (N&E)	August	63,000	67,250	7	AVG	139,000	144,900	4
Mississippi (N&E)	August	13,400	12,700	-5	AVG	186,000	190,300	2
North Carolina (N&E)	August	162,400	173,700	7	AVG	193,800	200,400	3
South Carolina (N&E)	August	91,300	93,050	2	AVG	208,700	217,800	4
Tennessee (N&E)	August	129,000	139,700	8	AVG	159,100	170,000	7

AVG = average. E = existing. N&E = new and existing.
 Note: Includes single-family homes, townhomes, and condominiums.
 Source: CoreLogic, Inc., with adjustments by the analyst



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During the 3 months ending August 2015 (preliminary data)—

- The number of single-family homes permitted in the region increased by 4,875 homes, or 10 percent, from the previous year, to approximately 51,300 homes.
- In Alabama, Georgia, and Tennessee, where home sales increased the most in the region, single-family permitting increased 19, 18, and 13 percent, to 2,600, 8,150, and 4,925 homes, respectively.

- Florida led the region in single-family permitting with 17,550 homes, an increase of 13 percent from a year ago, after only a 2-percent increase during the 3 months ending August 2014, as home sales market conditions improved.
- Single-family building activity continued to decline in North Carolina, decreasing by 200 homes, or 2 percent, after a 2-percent decline during the previous year. North Carolina was the only state in the region with a decline in single-family permitting; however, it had the second highest level of single-family permitting in the region with nearly 8,800 homes permitted.

Apartment Market Conditions

Apartment market conditions were mixed throughout the Southeast/Caribbean region during the third quarter of 2015, ranging from balanced to tight. The elevated volume of new apartments coming on the market has resulted in some markets shifting from tight to more balanced market conditions during the past year. Miami and Nashville apartment markets were tight; however, conditions in the Miami market have eased a bit as supply outpaces demand. The apartment vacancy rate in Miami was 3.0 percent during the third quarter of 2015, up from 2.5 percent during the third quarter of 2014 (MPF Research). Vacancy rates in Birmingham and Louisville also

increased slightly, from 6.3 and 4.1 percent to 6.5 and 4.4 percent, respectively. Jackson had the largest decline in the vacancy rate, from 6.7 to 4.9 percent, followed by Atlanta, with the rate declining from 6.0 to 5.1 percent as demand remained strong. Rent growth was led by Atlanta and Nashville, where the average rents increased 10 and 9 percent, to \$1,003 and \$1,031, respectively, in response to declining vacancy rates. The average rent remained flat in Louisville during the third quarter of 2015 at \$774.

Multifamily construction, as measured by the number of units permitted, has increased in the region as rental demand continues to grow.

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Apartment market conditions were mixed in the Southeast/Caribbean region, with Atlanta leading the region in both vacancy rate decline and rent growth.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2014 (%)	3Q 2015 (%)	Percentage Point Change	3Q 2014 (\$)	3Q 2015 (\$)	Percent Change
Atlanta	Balanced	6.0	5.1	-0.9	914	1,003	10
Birmingham*	Balanced	6.3	6.5	0.2	808	827	2
Charlotte	Balanced	4.4	4.2	-0.2	903	969	7
Columbia	Balanced	6.9	6.3	-0.6	814	842	3
Jackson*	Balanced	6.7	4.9	-1.8	773	781	1
Louisville	Balanced	4.1	4.4	0.3	773	774	0
Miami	Tight	2.5	3.0	0.5	1,233	1,311	6
Nashville	Tight	3.7	3.0	-0.7	949	1,031	9

3Q = third quarter.

* Second quarter data.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research

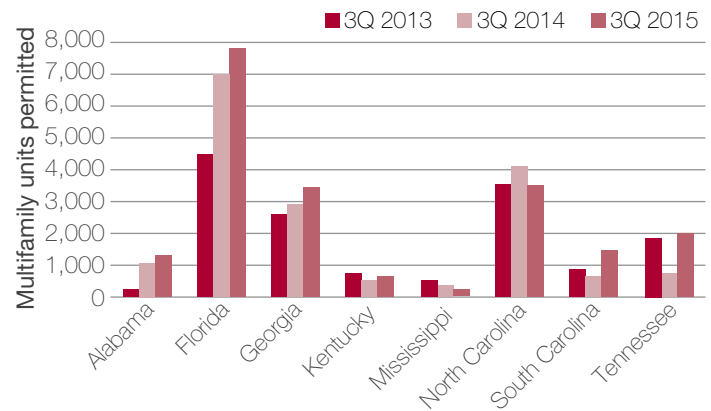


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During the 3 months ending August 2015 (preliminary data)—

- Permits were issued for 20,600 multifamily units in the region, a 17-percent increase from the number of units permitted during the 3 months ending August 2014.
- In Florida, after increasing nearly 56 percent during the 3 months ending August 2014, the number of units permitted increased only 12 percent as vacancy rates increased throughout the state.
- Tightening apartment market conditions contributed to the number of multifamily units permitted more than doubling in Tennessee and South Carolina, where permitting increased by 1,300 and 770 units, to 2,025 and 1,450 units, respectively. Tennessee had the greatest increase in the region.
- The number of units permitted in Mississippi and North Carolina declined 46 and 13 percent, to 250 and 3,550 units, respectively, in part because of slow economic growth in Mississippi and a large apartment pipeline in North Carolina.

Multifamily permitting in the Southeast/Caribbean region increased overall, despite declines in Mississippi and North Carolina.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

