

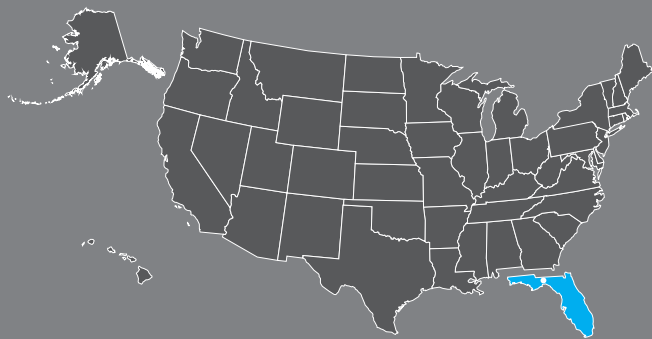
# HUD PD&R Housing Market Profiles

## Tallahassee, Florida



### Quick Facts About Tallahassee

- **Current sales market conditions: soft but improving.**
- **Current apartment market conditions: tight.**
- **The city of Tallahassee is home to one of the three locations in the United States of a National High Magnetic Field Laboratory, which houses the largest and highest-powered magnets in the world.**



By Tomasz Kukawski | As of December 1, 2016

### Overview

The Tallahassee metropolitan area includes Gadsden, Jefferson, Leon, and Wakulla Counties in the center of the Florida Panhandle. The metropolitan area is a regional center for scientific research, trade, health care, agriculture, and tourism. The city of Tallahassee, in Leon County, is the largest city in the HMA and is home to the state capital, Florida State University (FSU), and Florida Agricultural and Mechanical University (FAMU).

- As of December 1, 2016, the estimated population of the Tallahassee metropolitan area is 383,800, representing an average increase of 2,450, or 0.7 percent, annually since 2010.
- From 2000 to 2010, net in-migration to the metropolitan area averaged 2,700 people annually, but since 2010 net in-migration has fallen to an average of 1,000 people a year. The decreased in-migration was largely due to a decline in student enrollment at FAMU and slow growth in student enrollment at FSU compared with a robust expansion in the overall student enrollment during the previous decade. Student enrollment growth in state universities across Florida has been slower since the recent economic recovery in the state.
- Leon County is the most populous county in the metropolitan area with nearly 288,000 people, accounting for 75 percent of total population in the metropolitan area; the city of Tallahassee has a population of 189,700.



During the 3 months ending November 2016, growth in three sectors exceeded 5 percent in the Tallahassee area.

	3 Months Ending		Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	175.2	178.4	3.2	1.8
Goods-producing sectors	9.9	9.8	-0.1	-1.0
Mining, logging, and construction	6.9	6.9	0.0	0.0
Manufacturing	3.0	2.8	-0.2	-6.7
Service-providing sectors	165.3	168.6	3.3	2.0
Wholesale and retail trade	22.5	22.6	0.1	0.4
Transportation and utilities	1.9	2.0	0.1	5.3
Information	3.4	3.3	-0.1	-2.9
Financial activities	6.9	7.2	0.3	4.3
Professional and business services	18.9	19.9	1.0	5.3
Education and health services	21.2	21.7	0.5	2.4
Leisure and hospitality	19.5	20.7	1.2	6.2
Other services	8.8	9.1	0.3	3.4
Government	62.2	62.0	-0.2	-0.3
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	4.9	4.8		

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

## Economic Conditions

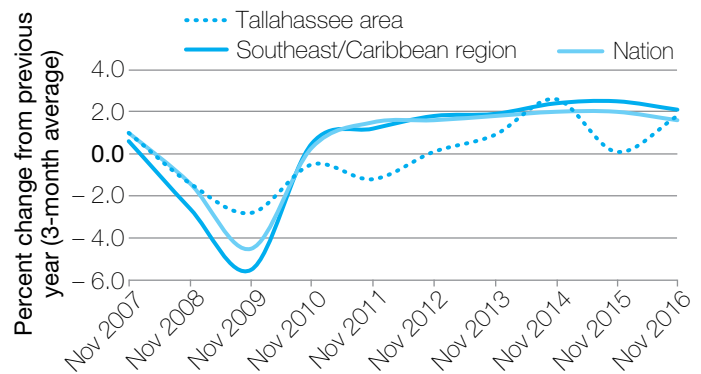
Economic conditions in the Tallahassee metropolitan area have been expanding during the past 4 years, but nonfarm payrolls are still below prerecessionary levels and are 1 percent below the previous 3-month average high of 180,300 reported in 2007.

During the 3 months ending November 2016—

- Nonfarm payrolls in the Tallahassee metropolitan area grew by 3,200 jobs, or 1.8 percent, compared with nonfarm payrolls during the 3 months ending November 2015, to 178,400.
- Employment growth was led by the leisure and hospitality sector, which increased by 1,200 jobs, or 6.2 percent, mainly because the metropolitan area is becoming more popular as a sports travel destination. The leisure and hospitality sector has been the fastest-growing sector in the metropolitan area since 2000.
- The professional and business services and the education and health services sectors also recorded job gains of 1,000 and 500, or 5.3 and 2.4 percent, respectively.
- Employment in the government sector declined by 200 jobs, or 0.3 percent; losses of 200 and 100 jobs occurred in the state and local government subsectors, respectively, but employment in the federal subsector expanded by 100 jobs.

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The rate of job growth in the Tallahassee area has generally been lower than the rates for Florida and the nation since late 2010.



Note: Nonfarm payroll jobs.  
Source: U.S. Bureau of Labor Statistics

## Largest employers in the Tallahassee area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Florida	Government	22,600
Florida State University	Government	12,500
Publix Super Markets, Inc.	Wholesale and retail trade	3,450

Notes: Excludes local school districts. State of Florida figure excludes state universities.  
Source: Tallahassee/Leon County Office of Economic Vitality



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- The unemployment rate in the metropolitan area declined to 4.8 percent from 4.9 percent during the same period a year ago.

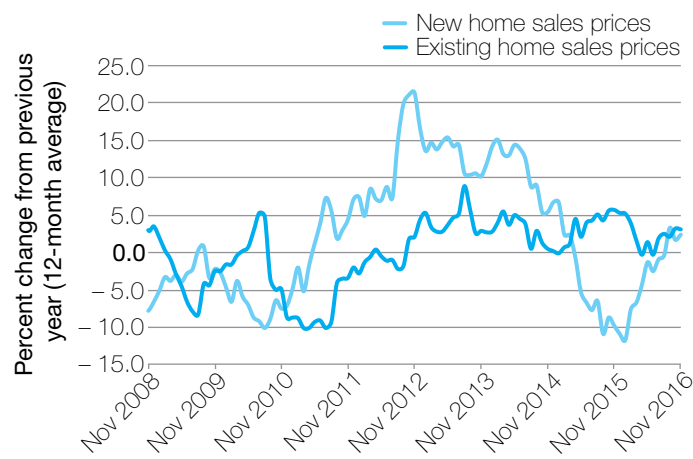
The government sector is the largest employment sector in the metropolitan area, with more than 60,000 employees, and accounts for nearly 35 percent of all payroll jobs. FSU and FAMU are two of the leading employers in the sector with 12,510 and 1,760 employees, respectively. In the fiscal year 2014–15, FSU had an overall economic impact of approximately \$10 billion on the metropolitan area (FSU data). During the same time period, total research

and development expenditures at FSU were \$256.5 million. The university currently has a budget of nearly \$520 million for ongoing construction projects and an additional \$409.5 million in future construction spending planned through 2020 (FSU). Visitors come to the metropolitan area mainly for reasons related to the state legislature, universities, and sports tourism. Football games generate nearly \$50 million in direct spending by out-of-town attendees annually, and in 2015 Leon County reached a tourism milestone as it surpassed \$1 billion in economic impact on the metropolitan area for the first time (Leon County Division of Tourism Development).

## Sales Market Conditions

The sales housing market in the Tallahassee metropolitan area currently is soft but improving. The sales vacancy rate is estimated at 2.2 percent, down from 2.7 percent in April 2010. The economic expansion since 2012 has contributed to greater demand for single-family homes. During the 12 months ending November 2016, new and existing home sales increased by 600, or nearly 14 percent, to 5,025 homes. The percentage of home loans in the metropolitan area that were seriously delinquent (those 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 3.4 percent in November 2016, down from 4.7 percent a year ago (CoreLogic, Inc.). The current rate is slightly less than the 3.8-percent rate for Florida but more than the 2.6-percent rate for the nation.

**New home sales prices in the Tallahassee area increased during the past 3 months after more than a year of decline, but growth in existing home sales prices has been relatively steady since late 2012.**



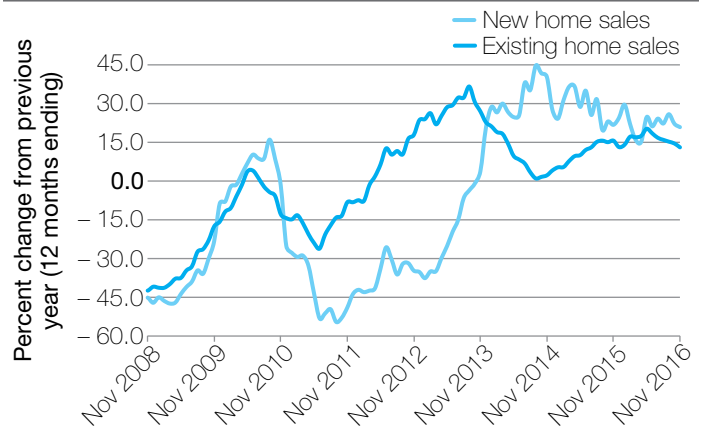
Note: Includes single-family homes, townhomes, and condominiums.  
Source: Metrostudy, A Hanley Wood Company

During the 12 months ending November 2016—

- The 5,025 new and existing home sales were more than 50 percent less than the previous peak of 11,500 in 2005.
- New home sales accounted for nearly 8 percent of all sales and totaled 400, representing an increase of 70 sales, or 21 percent, from the previous 12 months; the average new home sales price rose by \$5,425, or 2 percent, to \$234,500.
- Existing home sales rose by 530 homes, or 13 percent, to 4,625 homes from the 12 months ending November 2015; the average existing home sales price increased by \$6,150, or 3 percent, to \$202,100.
- Despite a continuing decline since the peak of 1,575 in 2014, REO sales in the metropolitan area averaged 1,125, exceeding new home sales by more than a two-to-one ratio, despite the growing economy and a prolonged expansion of the sales market.

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**Growth in the number of new home sales in the Tallahassee area has slowed since September 2014, but double-digit growth has occurred in existing home sales since May 2015.**



Note: Includes single-family homes, townhomes, and condominiums.  
Source: Metrostudy, A Hanley Wood Company

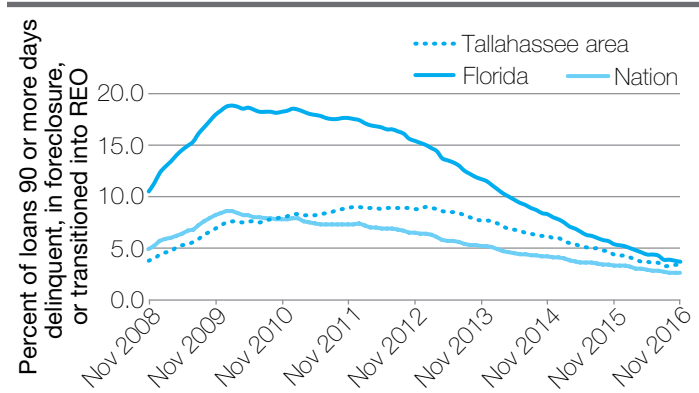


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Single-family home construction activity, as measured by the number of single-family homes permitted, is well below prerecessionary levels.

- The number of single-family homes permitted totaled 710 during the 12 months ending November 2016, representing a gain of 30 homes, or 4 percent, from 1 year earlier (preliminary data).

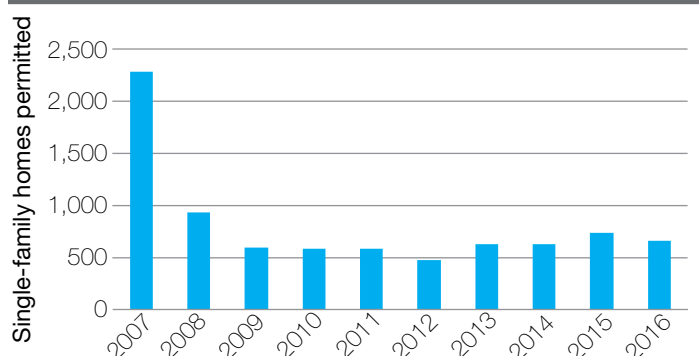
Foreclosures in the Tallahassee area did not reach levels observed in the state as a whole, but the rate of decline in mortgage delinquencies has been slower than in Florida.



REO = real estate owned.  
Source: CoreLogic, Inc.

- From 2007 to 2008, single-family home construction activity fell nearly 60 percent, to 930 homes, because of the national housing market crisis; from 2009 through 2014, construction activity averaged only 580 homes permitted annually.
- Construction continues on the 110-home Ox Bottom Crest development in the city of Tallahassee. As of December 1, 2016, more than 50 percent of the three- and four-bedroom homes have sold, with home prices starting at \$250,000.

Single-family home construction in the Tallahassee area has increased modestly since the low in 2012 but has remained well below 2007 levels.



Note: Includes preliminary data from January 2016 through November 2016.  
Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

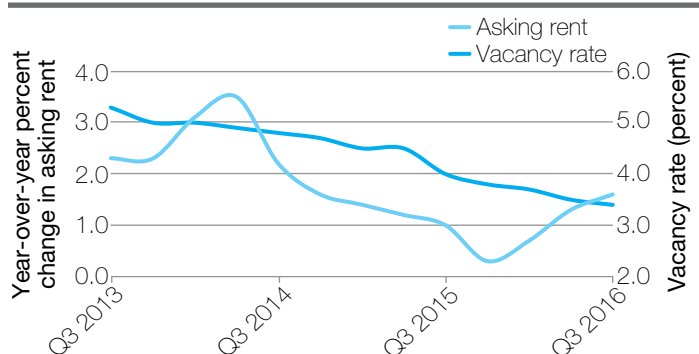
The apartment market in the Tallahassee metropolitan area is tight, with a 3.4-percent vacancy rate during the third quarter of 2016, down from 6.1 percent reported during the third quarter of 2012 (Reis, Inc.; earliest data available). Since 2012, the apartment market in the metropolitan area has begun to recover from the national recession. Expanding economic conditions and an increase in student demand for newly constructed apartments contributed to the decline in the apartment vacancy rate.

- College students are estimated to represent 25 percent of all renter households in the metropolitan area; 23 percent of all apartments currently under construction, and an additional 73 percent of apartments in the final planning stage, are going to be college student apartments.
- The average monthly apartment asking rent, excluding student apartments, was \$890 during the third quarter of 2016, a nearly 2-percent increase from a year earlier; the average asking rent has increased each year since 2012.
- Since 2000, virtually all the apartment buildings built in the metropolitan area have been in the city of Tallahassee.

- The student housing apartment market segment currently is tight, with a 2.6-percent vacancy rate, with units built since 2010 having a vacancy rate of less than 1 percent. The average monthly asking rate for a student apartment was \$1,550 in November 2016. By comparison, in November 2015, the student housing

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The apartment market in the Tallahassee area continued to tighten, but the current pace of rent growth is below the recent peak in 2014 when a large number of student apartments came on line.



Q3 = third quarter.  
Source: Reis, Inc.





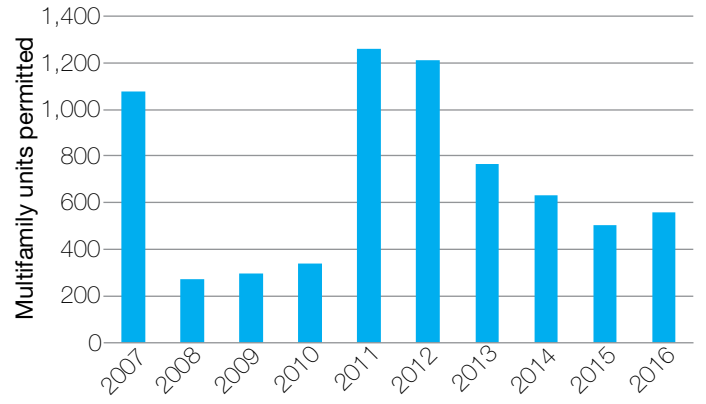
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apartment market had a vacancy rate of 6.3 percent, and the average monthly asking rate for a student apartment was \$1,527 (ALN Apartment Data, Inc.).

Multifamily construction activity, as measured by the number of units permitted, has rebounded since 2011 mainly because of development of new student housing apartments in the city of Tallahassee.

- During the 12 months ending November 2016, approximately 550 multifamily units were permitted (preliminary data with adjustments by the analyst) compared with 490 units during the same period a year earlier.
- In the aftermath of the national recession, multifamily construction fell precipitously and averaged only 320 units permitted from 2008 through 2010. Then, in response to rising student demand, developers increased production, and multifamily construction in the HMA rose to an average of 1,250 units permitted annually during 2011 and 2012 and moderated to an average of 700 units permitted during the next 2 years.
- Since 2010, more than 2,950 student apartments have come on line in the metropolitan area, with 59 percent of those units having three or more bedrooms (ALN Apartment Data, Inc.).
- The 80-unit Stadium Centre opened in the summer 2016. The development has 260 student beds; starting rents are \$1,110 for one-bedroom unit, \$810 per bedroom in a two-bedroom unit, \$870 per bedroom in a three-bedroom unit, and \$800 per

Multifamily construction in the Tallahassee area has moderated in recent years after a rapid expansion in 2011 and 2012 that occurred largely because of an increase in building of new student apartments in the city of Tallahassee.



Note: Includes preliminary data from January 2016 through November 2016.  
Source: U.S. Census Bureau, Building Permits Survey

bedroom in a four-bedroom unit. In addition, construction currently is under way in the city of Tallahassee at Arbor Crossing at Buck Lake apartments. When completed in the summer of 2017, this nearly 200-unit, general-occupancy development will offer one-, two-, and three-bedroom units with rents starting at \$1,040, \$1,190, and \$1,340, respectively.