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Policy Development & Research

Analysis of the Athens, Georgia Housing Market

As of November 1, 2002



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

FOREWORD

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 be useful also to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals under consideration in the housing market area.

The factual framework for this analysis was developed by HUD's Economic and Market Analysis Division on the basis of information available on the "as-of" date from both local and national sources. As such, the analysis may be modified by subsequent market developments. We wish to express our appreciation to those industry sources and government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three time periods: 1990 to 2000, 2000 to the as-of date of the analysis ("Current date"), and from the Current date to a "Forecast date." The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 and 2000 censuses, the Current date, and Forecast date. For the purposes of this analysis the forecast period is 24 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in demand-supply relationships given the market's condition on the as-of date of the analysis. This analysis was prepared by Mrs. Tammy Fayed, the Division's Field Economist in the Atlanta Regional Office, based on fieldwork conducted in November 2002. If there are questions regarding the findings and conclusions of the analysis, she may be reached at (404) 331-5001, extension 2475 and at Tammy_Fayed@hud.gov.

Housing Market Area

For the purposes of this study, the Housing Market Area (HMA) is defined as the Athens, Georgia Metropolitan Statistical Area, which includes Clarke, Madison, and Oconee Counties. The HMA is located in the northeastern portion of Georgia and lies approximately 65 miles northeast of Atlanta. The central city for the metropolitan area is Athens, the fifth largest city in Georgia, with a population of 100,266 at the time of the 2000 census. Athens-Clarke County is a unified government that accounted for approximately 65 percent of the HMA's population in 2000.

Summary

The University of Georgia, located in Athens, remains the cornerstone of the local economy. Chartered in 1785, the University of Georgia has been the foundation of the community for more than two centuries. The university is a stabilizing factor in the local economy. The current recession has not affected the metropolitan area as severely as other areas of the country because of the large portion of the labor force either employed by the university or dependent upon the university.

Population in the Athens HMA increased steadily throughout the 1990s. Although moderate employment growth and increasing student enrollment at the University of Georgia in the past fueled population growth, the university has approached its maximum size. For this reason, the rate of population growth in the Athens HMA is expected to slow slightly during the 2-year forecast period. With slowing population growth and the completion of new dormitory housing during the forecast period, the rate of household formation in the HMA will also slow.

At the time of this study conditions in both the sales and the rental markets in the metropolitan area were somewhat soft, and these conditions are expected to continue during the forecast period. The softer conditions and excess vacancies will be more pronounced in the rental market. Additional rental construction already underway and a reduction in student demand due to an increase in dormitory housing for university students are expected to result in an increase in the overall rental vacancy rate during the forecast period.

During the 2-year forecast period 770 additional owner and 600 additional renter households are expected to be formed. Given the current rates of construction, expected demolitions, a shift in tenure from renter to owner status, and other factors, 850 additional sales units and no additional rental units will be required in the HMA by November 1, 2004.

Economy of the Area

The largest employer in the HMA is the University of Georgia, with an estimated 10,000 full- and part-time faculty and staff, or 14 percent of total employment in the metropolitan area. The university's Terry College of Business estimated the direct economic impact of the university on the HMA was \$671 million in 1998. Other large employers in the HMA are Athens Regional Medical Center with 2,000 employees; ConAgra, a prepackaged food company, with 1,800; St. Mary's Hospital with 1,254; and Gold Kist, Inc., a cooperative chicken company, with 1,144.

The local economy experienced slow but steady growth throughout the mid to late 1990s. Employment growth began to slow in 1999, and by 2001 nonagricultural employment in the HMA declined by 400 jobs (0.5 percent). During the 12-month period ending in October 2002 nonagricultural wage and salary employment in the HMA increased to 73,300 or an average annual increase of 0.5 percent. The University of Georgia does not anticipate cutting jobs, but intends to freeze hiring until the economy has recovered. No major employment announcements have been made recently. During the 2-year forecast period nonagricultural employment is expected to increase by 2,100 jobs to 75,400, an average annual increase of 1.4 percent. The trend in labor force and total employment in the HMA from 1990 to the Current date is presented in Table 1. The trend in nonagricultural employment by industry is presented in Table 2.

The largest sector of the Athens economy is the government sector. For the 12-month period ending in October 2002 government employment averaged 21,000 jobs, of which 48 percent were employed by the University of Georgia. As of October 2002 government employment in the Athens metropolitan area was 29 percent of total nonagricultural employment. The services sector in the HMA employed 18,100 in October 2002, 25 percent of total employment. The services sector, which has continued to expand in the HMA through the current economic recession, is expected to be the largest contributor to employment growth in the forecast period.

Manufacturing employment has declined in the HMA since 1990. In 1990 manufacturing employment accounted for 19 percent of nonagricultural employment. By 2000 it had fallen to 16 percent, and by the Current date it comprised only 13 percent of nonagricultural employment. Since 2000 approximately 1,800 manufacturing jobs have been lost in the HMA; however, employment increases in the services sector have nearly offset the declines. The largest job losses since 2000 occurred at General Time, Inc., with two separate layoffs totaling nearly 400 jobs.

Historically, Athens has enjoyed one of the lowest unemployment rates in Georgia. From 1993 to 1999 the unemployment rate remained below 4.0 percent, and declined to 2.4 percent in 2000. With the current recession the unemployment rate increased slightly to 3.1 percent in 2001. The unemployment rate in the Athens HMA averaged 2.9 percent during the 12 months ending in October 2002.

Household Incomes

HUD estimates the 2003 median family income of all families in the HMA to be \$51,500. This represents a 3.4 percent average annual increase from the 1999 median family income of \$45,727.

Population

According to the 2000 census, the population for the Athens HMA had increased to 153,444, an average annual increase of nearly 2,725 persons since 1990. More than 50 percent of the increase in population occurred in Clarke County. As of the Current date the population in the HMA is estimated to be 159,000. The university is a major factor in the HMA's population, as well as its economy. Currently, more than 20 percent of the HMA's population are college students. Family members of students, particularly graduate students, are also a significant portion of the population. The proportion of students is highest in Clarke County. Table 3 presents the trend in population change in the HMA from 1990 through the Current date.

Since the 1990 census the percent of the population in the HMA that resides in Clarke County has declined as suburban Madison and Oconee Counties have grown at a faster rate. From 1990 to 2000 the population of Clarke, Madison, and Oconee Counties grew at average annual rates of 1.5, 2.0, and 4.1 percent, respectively.

During the 2-year forecast period the population of the HMA is expected to grow to 163,700 persons, an average annual increase of 1.5 percent. This forecast rate of growth is approximately equal to the rate of change from 2000 to the Current date, but significantly below that from 1990 to 2000. The lower rate of growth parallels the slower rate of employment growth and the lack of growth in student enrollment at the university.

Net natural increase (resident births minus resident deaths) for the HMA averaged 890 persons annually from 1990 through 2000. According to data from Georgia Vital Statistics, net natural increase has been gradually increasing since 1990. This trend is expected to continue. Net migration averaged more than 1,825 persons annually from 1990 to 2000, but migration from 2000 to the Current date has slowed slightly because of the downturn in the Athens economy. As the economy recovers net migration is expected to return to near its long-term trend.

Because of the University of Georgia the HMA has a large nonhousehold population. As of 2000 there were some 6,600 students in group quarters, including approximately 5,400 students from the University of Georgia. As of the Current date approximately 85 percent of the first-year students live on campus. After their first year, most move off campus and seek housing within the Athens rental market. The university will attempt to retain some of these second-year students with the new housing currently under construction. As a result, the nonhousehold population is expected to increase during the 2-year forecast period.

Households

Between 1990 and 2000 households in the HMA grew to 58,557, an annual average increase of 1,149 households or 2.2 percent. Since 2000 the rate of growth in households has slowed with the slowdown in job formation and in-migration. As of the Current date there were an estimated 61,200 households in the HMA for an average annual increase of approximately 1,025, or 1.7 percent. Since the 1990 census the rate of household growth in Madison and Oconee Counties has been greater than in Clarke County. From 1990 to 2000 the number of households in Clarke, Madison, and Oconee Counties grew at average annual rates of 1.8, 2.4, and 3.9 percent, respectively.

Because the university is adding approximately 1,700 units of dormitory housing and enrollment is expected to remain constant, the increase in nonhousehold population will reduce the number of student households living in the community, slow the rate of household formation during the forecast period, and reduce the rate of growth in demand for rental housing. During the 2-year forecast period the number of households in the HMA is expected to increase by 685 annually.

Housing Inventory

As of 2000 the Athens HMA's housing inventory had increased to 62,174 units, an average annual increase of 1,121 units or 2 percent since the 1990 census. The rate of growth in the housing inventory from 2000 to the Current date was significantly higher than the increase between 1990 and 2000 due to increased housing demand and near-record levels of construction in the HMA. Since 2000 the inventory increased by an estimated 1,475 units annually, or 2.3 percent, to 66,000. The trends in housing inventory, tenure of occupancy, and housing vacancy from 1990 to the Current date are shown in Table 4.

From January 2000 to October 2002 building permits were issued for 2,875 single-family and 1,874 multifamily units in the Athens HMA. The Athens-Clarke County Planning Department reports the most active area for new construction in Clarke County is the east side of Athens. Some development has occurred on the outer edges of Clarke County, particularly along the Middle Oconee River. Table 5 shows the number of housing units authorized by building permits in the HMA since 1990.

The Athens HMA has a higher percentage of rental units, nearly 46 percent, because of the large student population. Single-family units account for 22 percent of rental housing available in the Athens HMA, and almost all of the two-, three-, and four-family units are renter occupied. In 2000, 97 percent of 4,084 occupied duplex units, and 96 percent of 3,126 triplex and quadruplex units were renter occupied. Entire rental developments of two-, three-, or four-unit properties are often built in the HMA.

A high percentage of condominiums in the HMA are also renter occupied. In 1990, 68 percent of the 1,824 condominium units in the HMA were renter occupied. Since 1990

more than 1,150 condominium units have been added to the housing inventory. The Athens-Clarke County Building Permit and Inspections Office indicates that a high percentage of new condominium units are also renter occupied. Some parents of college students purchase condominiums for their children and other college students attending the university. Although the units are initially sold as owner units, many of these become rental units.

Madison and Oconee Counties have few student households and much higher rates of homeownership. In 2000 Clarke County had 39,706 occupied housing units, with 16,681 owner-occupied units; Madison County had 9,800 occupied housing units, with 7,861 owner-occupied units; and Oconee County had 9,051 occupied units, with 7,263 owner-occupied units. Between 1990 and 2000 owner-occupied units increased in Clarke, Madison, and Oconee Counties at average annual rates of 1.3, 2.2, and 4.3 percent, respectively. The higher rates of growth in owner-occupied housing in the outlying counties reflect both Oconee County's popularity as a location for subdivision development in the past decade and the increasing subdivision development in Madison County.

Manufactured housing is a significant part of the housing inventory in the Athens HMA, particularly in suburban Madison and Oconee Counties. As of the Current date there were an estimated 8,500 mobile homes in the HMA. In Athens-Clarke County the number of mobile homes has steadily declined since 2000, from 2,753 units to an estimated 2,625 units as of the Current date. Mobile home placements in the county are strictly regulated. The number of mobile homes without foundations has been decreasing in recent years, and several mobile home parks have been closed in the county since 2000. In Madison County the number of mobile homes increased from 3,084 in 1990, to 4,040 in 2000, to an estimate of 4,600 units as of the Current date. In Oconee County, a bedroom community, mobile homes increased from 1,065 in 1990 to 1,200 in 2000 to 1,275 as of the Current date.

Housing Vacancy

The 2000 census recorded a sales vacancy rate in the Athens HMA of 1.6 percent. Since 2000 the sales market has slowed. Local real estate agents report properties are remaining on the market longer and move-up buyers are hesitant because of the uncertainty of the current economy. The sales vacancy rate as of the Current date is estimated to be 2.0 percent.

In 2000 the overall rental vacancy rate in the Athens HMA was 5.2 percent. Property management companies report increases in rental vacancy rates in the Athens HMA since the 2000 census. While new properties generally have high levels of occupancy, many older developments that are not near the University of Georgia campus currently have excessive vacancies. Properties adjacent to campus, which have typically maintained full occupancy, now have some vacancies. As of the Current date the HMA had an estimated overall rental vacancy rate of 8.0 percent.

Sales Market Conditions

Some evidence suggests the sales market in Athens experienced a slowdown in 2002. The Athens-Clarke County Tax Assessor's office reports 1,931 housing sales during 2001. By the end of October 2002 there were 776 sales. The highest volume of sales for 2001 was in the \$100,000–\$120,000 price range. During the current year, however, the highest volume of sales has been in the “below \$80,000” price range. Since the 2000 census the rate of construction has been greater than during the 1990s. Approximately 2,600 new sales units have been completed since 2000, and more than 330 units are currently under construction. Given a lower rate of household formation and a high rate of construction, the sales vacancy rate increased to 2.0 percent.

Mortgage lenders in the area report a steady stream of applications for both sales and refinancing. Typical terms for mortgages include interest rates between 5.75 and 6.0 percent for a 30-year fixed-rate mortgage with zero points. Lenders find both 30-year and 15-year terms to be popular choices. Many refinancing borrowers are choosing 15-year fixed-rate mortgages because current low interest rates allow borrowers to pay off their loans in a shorter period of time with the same monthly payment they were once paying at a higher interest rate.

Rental Market Conditions

As of the Current date the rental market in the HMA is soft overall with the notable exception of properties adjacent to campus that continue to experience high occupancy rates despite the slow economy. Newer Class A developments with substantial amenities are recording occupancy rates of 95 percent or more, while a few older properties not located near the university have reported occupancy rates of 80 percent or lower. Overall rental vacancy is estimated at 8 percent.

During the 1990s moderate employment growth and increasing enrollment at the University of Georgia supported a high rate of construction in the rental market. In 2000 the rental market was balanced with a vacancy rate of 5.2 percent. Since 2000 both employment and enrollment growth have slowed, while construction has continued at a rapid pace. Approximately 980 rental units have been completed in the HMA since the time of the 2000 census, and the rental vacancy rate has increased to 8 percent as new units have entered the market.

Given anticipated renter household formation of 600 during the forecast period, the 840 rental units already under construction, and a current excess vacancy of approximately 300 rental units, the rental vacancy rate is expected to continue to increase and conditions are expected to remain highly competitive. If no additional rental units are constructed during the forecast period, the rental vacancy rate will increase to 9.3 percent upon completion of the units currently under construction.

Rents in the HMA vary depending on the proximity to the university. Efficiency units range in rent from \$350 to \$450, one-bedroom units range from \$400 to \$600, two-bedroom units range from \$500 to \$800, three-bedroom units range from \$800 to \$1,200, and four-bedroom units range from \$1,000 to \$1,500.

University Housing

As of the Current date approximately 5,400 students reside on campus at the University of Georgia in residence halls. At the time of this study one dormitory, Myers Hall, with 472 beds was vacant and under renovation and a new dormitory with capacity for 1,220 students was under construction. Currently, most dormitories on campus have shared bathroom facilities and no kitchen. The new units under construction for the university will consist of two- and four-bedroom suites with one or two bathrooms and shared living area with limited kitchen facilities in each suite. Both developments are scheduled to be completed before the end of the forecast period, adding 1,692 beds on campus.

The university also has approximately 550 housing units for families and graduate students. This housing has historically had occupancy rates of 98 percent or higher year-round and a waiting list of approximately 300. The university has no plans to increase the number of units for families and graduate students, but plans to maintain the current number of units through renovation and new construction.

The university's long-term plan is to nearly double the current capacity of on-campus housing. Within the next 10 years, the university plans to have approximately 9,000 beds of on-campus housing. Currently, on-campus housing is occupied primarily by first-year students. The university hopes to retain more second- and third-year students and encourage a stronger campus community.

Forecast Housing Demand

During the 2-year forecast period 770 additional owner and 600 additional renter households will be added to the Athens HMA. Taking into consideration current market conditions and the number of units already under construction, demand for 850 new unassisted housing units is expected for the Athens HMA. Of the 850 units required during the forecast period, all 850 units will be sales units. Rental demand will be fully met by excess vacant units and rental units currently under construction. No additional rental construction would be required until some time after the forecast period when the market has had sufficient time to absorb all units currently under construction.

Table 1

**Civilian Labor Force and Employment Trends
Athens, Georgia Housing Market Area
Annual Averages (in Thousands)
1990 to October 31, 2002**

	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>% Unemployed</u>
1990	64,248	60,466	3,782	5.9
1991	62,889	60,385	2,504	4.0
1992	62,537	59,348	3,189	5.1
1993	64,289	61,787	2,502	3.9
1994	66,380	64,039	2,341	3.5
1995	68,453	66,258	2,195	3.2
1996	70,728	68,512	2,216	3.1
1997	72,756	70,581	2,175	3.0
1998	74,136	71,943	2,193	3.0
1999	73,361	71,440	1,921	2.6
2000	74,016	72,236	1,780	2.4
2001	73,374	71,080	2,294	3.1
12-month average ending 10-31-01	73,372	71,139	2,233	3.0
12-month average ending 10-31-02	75,751	73,554	2,197	2.9

Source: Georgia Department of Labor

Table 2

**Nonagricultural Wage and Salary Employment Trends By Industry
Athens, Georgia Housing Market Area
Annual Averages (in Thousands)
1990 to October 31, 2002**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	12 mo. ending <u>10-31-01</u>	12 mo. ending <u>10-31-02</u>
Nonagricultural	59.7	59.2	59.2	61.7	65.0	69.0	71.1	71.7	73.3	73.3	73.3	72.9	72.9	73.3
Mining and Construction	2.3	2.0	1.8	2.0	2.3	2.5	2.5	2.6	2.8	2.9	3.1	3.1	3.1	3.2
Manufacturing	11.4	11.2	11.3	11.1	11.3	11.5	11.8	11.6	11.7	11.9	11.5	10.7	10.8	9.7
Durables	5.2	4.8	4.6	4.6	4.7	4.9	5.2	5.2	5.4	5.7	5.5	5.0	5.1	4.9
Nondurables	6.2	6.4	6.7	6.5	6.7	6.6	6.5	6.4	6.3	6.2	6.0	5.7	5.7	4.8
Service Producing	46.0	46.0	46.1	48.6	51.3	55.0	56.8	57.5	58.8	58.6	58.7	59.0	58.9	60.4
Transportation and Public Utilities	1.5	1.5	1.5	2.8	1.8	1.9	2.0	1.8	1.8	1.9	2.0	1.9	1.9	1.9
Wholesale and Retail	13.8	13.4	13.7	15.0	15.6	16.5	17.9	18.2	17.9	17.5	17.1	17.1	17.0	17.0
Finance, Insurance, and Real Estate	1.9	2.0	1.9	2.0	2.1	2.1	2.2	2.2	2.4	2.3	2.3	2.3	2.4	2.4
Services	10.2	10.1	10.7	11.1	11.7	13.5	15.1	15.6	16.5	17.2	17.3	17.4	17.3	18.1
Government	18.6	19.0	18.4	18.9	20.3	21.1	19.8	19.7	20.3	19.7	20.0	20.3	20.4	21.0
Federal	2.0	1.8	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.8	1.7	1.7	1.8
State and Local	16.6	17.2	16.6	17.2	18.6	19.4	18.1	18.0	18.6	18.0	18.2	18.6	18.7	19.1

Source: Bureau of Labor Statistics

Table 3

**Population and Household Trends
Athens, Georgia Housing Market Area
1990 to November 1, 2004**

	Apr. 1, 1990	Apr. 1, 2000	Nov. 1, 2002	Nov. 1, 2004	Average Annual Change					
					Apr. 1, 1990 to Apr. 1, 2000		Apr. 1, 2000 to Nov. 1, 2002		Nov. 1, 2002 to Nov. 1, 2004	
					Number	Percent	Number	Percent	Number	Percent
Population										
HMA Total ¹	126,262	153,444	159,000	163,700	2,718	2.0	2,151	1.4	2,350	1.5
Clarke County	87,594	101,489			1,390	1.5				
Madison County	21,050	25,730			468	2.0				
Oconee County	17,618	26,225			861	4.1				
Households										
HMA Total ¹	47,066	58,557	61,200	62,600	1,149	2.2	1,023	1.7	700	1.1
Clarke County	33,170	39,706			654	1.8				
Madison County	7,740	9,800			206	2.4				
Oconee County	6,156	9,051			290	3.9				

Sources: U.S. Census Bureau, 1990 and 2000 census
2002 and 2004 estimates by HUD Economist

Table 4

**Housing Inventory, Tenure, and Vacancy
Athens, Georgia Housing Market Area
1990 to November 1, 2004**

	<u>Apr. 1, 1990</u>	<u>Apr. 1, 2000</u>	<u>Nov. 1, 2002</u>
Total Housing Units	50,960	62,174	66,000
Total Occupied Units	47,066	58,557	61,200
Owner-Occupied Units	25,786	31,805	34,500
Percent	54.8	54.3	56.4
Renter-Occupied Units	21,280	26,752	26,700
Percent	45.2	45.7	43.6
Total Vacant Units	3,894	3,617	4,775
Available Vacant Units	2,458	1,974	3,025
For Sale	495	517	700
Sales Vacancy Rate	1.9	1.6	2.0
For Rent	1,963	1,457	2,325
Rental Vacancy Rate	8.4	5.2	8.0
Other Vacant Units ¹	1,436	1,643	1,750

¹Includes dilapidated units, units rented or sold and awaiting occupancy, vacant seasonal units, units held off the market, and units held for migratory workers.

Note: Data do not add to total because of rounding.

Sources: U.S. Census Bureau, 1990 and 2000 census
2002 estimates by HUD Economist

Table 5

**Units Authorized by Building Permits
Athens, Georgia Housing Market Area
1990 to November 1, 2002**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	Jan–Oct <u>2002</u>
Athens HMA	788	1,124	832	906	1,176	1,517	1,891	1,042	1,446	1,507	1,358	1,427	1,964
Single-Family	650	576	663	716	725	781	780	765	1,080	897	931	959	985
Multifamily	138	548	169	190	451	736	1,111	277	366	610	427	468	979

Source: U.S. Census Bureau