

Mississippi Housing Recovery Data Project June 2010 Update

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I. EXECUTIVE SUMMARY

This update presents new information developed since our January 2009, June 2009 and December 2009 reports. Our January 2009 Executive Summary and Detailed Report, our June 2009 report, and our December 2009 report, are available at <http://www.smpdd.com/data-center/mississippi-housing-data-project.html>. Like our December 2009 report, this report covers Pearl River, Stone and George Counties in addition to Hancock, Harrison and Jackson counties.

For a detailed discussion of damaged homes not yet repaired, and for key maps, see our June 2009 report.

Updated Housing Stock Estimates: Three Coastal Counties

We have re-estimated the housing stock in the three coastal counties as of June 30, 2010 and June 30, 2011. See Section II of this report for our detailed housing stock estimates.

We increased our housing stock at June 30, 2010 because updated data from Mississippi Home Corporation indicates that several additional GO Zone Low Income Housing Tax Credit (LIHTC) apartment projects will be completed, by comparison to our earlier estimates. We increased our housing stock estimates at June 30, 2010 and June 30, 2011 because updated data from MDA indicates greater production from the Small Rental Assistance Program and Neighborhood Rental Restoration Program than we estimated previously.

We also reviewed the Gulf Regional Planning Commission apartment study dated June 2010 and used its data to update our apartment counts.

One useful way to assess the housing recovery is in relation to the number of housing units that received major or severe damage from Hurricane Katrina. The three coastal counties lost 52,512 housing units as a result of Hurricane Katrina¹. As of April 30, 2009, we estimate that 42,250 units (80.5% of 52,512) had been recovered (39,409 permanent housing units and 2,841 temporary housing units). As of June 30, 2011, we estimate that 50,885 units (96.9%, all of which are permanent housing units) will have been recovered. *Private and public efforts completed or currently under way are poised to produce essentially a full recovery relative to pre-Katrina levels.*

Another useful way to assess the housing recovery is in relation to the recovery of population.

The Census Bureau estimates that the July 2008 population of the three coastal counties was 93.5% of the pre-Katrina population. We estimate that the mid-2008 housing stock (including temporary housing) was 92.9% of the pre-Katrina housing stock. We estimate that the stock of permanent housing was 88.9% of the pre-Katrina housing stock. *At mid-2008, we estimate that the remaining stock of temporary housing was needed but that the recovery of permanent housing was well along.*

The Census Bureau estimates that the July 2009 population of the three coastal counties was 94.3% of the pre-Katrina population. We estimate that the area's housing stock at April 30, 2009 (including temporary housing) was 93.6% of the pre-Katrina housing stock. We estimate that the stock of permanent housing was 91.8% of the pre-Katrina housing stock. *At April 30, 2009 we estimate that the stock of permanent housing was nearly adequate in relation to population, and that the need for remaining temporary housing was driven primarily by affordability needs.*

If the area's population grows at the national-average rate (1.0% per year) through mid-2011, the area's population will have recovered to 96.2% of pre-Katrina levels by that time (the mid-2011 population would be about 14,000 people below the pre-Katrina population). We estimate that the mid-2011 housing stock will be 100.0% of the pre-Katrina housing stock. In other words, we estimate that by mid-2011 there will be more housing units (in relation to population) than the three coastal counties had pre-Katrina, and the same absolute number of housing units as pre-Katrina. *Accordingly, our current estimate confirms our earlier conclusions that private and public recovery efforts already under way will result in a more than adequate recovery in terms of total units. However, as discussed in our previous reports, the affordability of available units is more difficult post-Katrina.*

¹ 'Major' or 'severe' damage as defined by FEMA and HUD (February 12, 2006 estimates updated April 7, 2006). "Severe" damage generally means damage of more than \$30,000 per unit (for example, a home that needed a new roof and a new garage). "Major" damage generally means damage of \$10,000 to \$30,000 per unit. (for example, a home that needed roof repair and sustained limited water damage).

Housing Stock Estimates: Three Upper Counties

We have re-estimated the housing stock in Pearl River, Stone and George Counties as of June 30, 2010 and June 30, 2011. Our current estimates are consistent with the estimates in our December 2009 report. See Section III of this report for our detailed housing stock estimates.

Highlights include:

- By contrast to the three coastal counties, the three upper counties made strong population gains immediately post-Katrina and have grown at above-national-average rates since that time.
- By contrast to the three coastal counties, the three upper counties received relatively modest damage from Katrina and, we estimate, will have a much stronger housing recovery (in relation to Katrina damage).
- We estimate that housing and population are in balance in the upper three counties and should remain in balance through mid-2011.

The three upper counties lost 2,464 housing units as a result of Hurricane Katrina². As of April 30, 2009, we estimate that 4,051 units (164%) had been recovered (3,654 permanent housing units and 397 temporary housing units). *In the three upper counties, private and public efforts quickly produced much more than a full recovery relative to pre-Katrina levels. It appears that the additional recovery is needed in order to respond to population growth post-Katrina.*

The Census Bureau estimates that the July 2008 population of the three upper counties was 110.6% of the pre-Katrina population, and that the population of the upper three counties jumped 6.5% in the year following Hurricane Katrina alone. Since mid 2006, the Census Bureau estimates that population of the upper three counties has grown significantly faster than the national average rate of 1.0%. *By contrast to the three coastal counties, the housing recovery in the upper three counties appears primarily caused by population growth and only secondarily by hurricane damage.*

² ‘Major’ or ‘severe’ damage as defined by FEMA and HUD (February 12, 2006 estimates updated April 7, 2006). “Severe” damage generally means damage of more than \$30,000 per unit (for example, a home that needed a new roof and a new garage). “Major” damage generally means damage of \$10,000 to \$30,000 per unit. (for example, a home that needed roof repair and sustained limited water damage).

Market Rate Apartment Vacancy Rates

The table below shows vacancy rates for market rate apartments for the period from 2003 (pre Katrina) to the present. This information is from the Gulf Regional Planning Commission's periodic apartment studies, carried out by W.S. Loper & Associates.

	Hancock	Harrison	Jackson	Total
August 2003	7.5%	7.2%	12.3%	8.7%
October 2004	8.0%	8.4%	11.7%	9.3%
March 2007	3.6%	6.6%	7.0%	6.7%
April 2008	3.7%	6.2%	7.3%	6.5%
May 2009	15.1%	12.3%	11.6%	12.1%
June 2010	34.2%	12.8%	15.5%	14.4%

Source: W.S. Loper & Associates

Our original report, issued in January 2009, warned of potential over-recovery of housing (that is, too many physical housing units in relation to population). It is now apparent that over-recovery has occurred in the market rate apartment sector; one result is vacancy rates that are well above the normal 4% to 8% range typically found in balanced markets.

Market Rate Apartment Average Rents

Another impact of the over-recovery in the apartment sector is an ongoing decline in market rents, as shown in the tables on the next pages:

Average Market Rate Apartment Rents 2003-2010 -- Three Coastal Counties

	Hancock	Harrison	Jackson	Total
1BR Average Rents:				
August 2003	\$476	\$471	\$438	\$462
October 2004	\$480	\$471	\$448	\$465
March 2007	\$629	\$663	\$568	\$632
April 2008	\$629	\$694	\$611	\$668
May 2009	\$588	\$654	\$616	\$642
June 2010	\$569	\$604	\$606	\$604
2BR Average Rents:				
August 2003	\$547	\$574	\$519	\$557
October 2004	\$530	\$564	\$528	\$552
March 2007	\$703	\$755	\$647	\$718
April 2008	\$775	\$804	\$735	\$780
May 2009	\$671	\$751	\$718	\$738
June 2010	\$591	\$707	\$702	\$701
3BR Average Rents:				
August 2003	\$676	\$792	\$657	\$748
October 2004	\$682	\$746	\$659	\$718
March 2007	\$848	\$934	\$754	\$873
April 2008	\$881	\$984	\$908	\$956
May 2009	\$835	\$945	\$869	\$917
June 2010	\$767	\$892	\$872	\$879

Source: W. S. Loper & Associates

Change in Average Rents 2003-2010 -- Three Coastal Counties

Change in 1BR Rents:

Aug 2003 - Oct 2004	0.8%	0.0%	2.3%	0.6%
Oct 2004 - Mar 2007	31.0%	40.8%	26.8%	36.0%
Mar 2007 - Apr 2008	0.0%	4.7%	7.6%	5.6%
Apr 2008 - May 2009	-6.5%	-5.8%	0.8%	-3.9%
May 2009 - Jun 2010	-3.2%	-7.6%	-1.6%	-5.8%

Change in 2BR Rents:

Aug 2003 - Oct 2004	-3.1%	-1.7%	1.7%	-0.8%
Oct 2004 - Mar 2007	32.6%	33.9%	22.5%	30.0%
Mar 2007 - Apr 2008	10.2%	6.5%	13.6%	8.8%
Apr 2008 - May 2009	-13.4%	-6.6%	-2.3%	-5.5%
May 2009 - Jun 2010	-11.9%	-5.9%	-2.2%	-5.0%

Change in 3BR Rents:

Aug 2003 - Oct 2004	0.9%	-5.8%	0.3%	-4.0%
Oct 2004 - Mar 2007	24.3%	25.2%	14.4%	21.6%
Mar 2007 - Apr 2008	3.9%	5.4%	20.4%	9.5%
Apr 2008 - May 2009	-5.2%	-4.0%	-4.3%	-4.1%
May 2009 - Jun 2010	-8.1%	-5.6%	0.3%	-4.1%

Source: W. S. Loper & Associates

II. UPDATED HOUSING STOCK ESTIMATES: THREE COASTAL COUNTIES

On the following pages you will find our updated estimates for the housing stock of the three coastal counties.

Our new estimate includes updated production estimates for the following key recovery programs:

- MDA Public Housing Program
- MDA Small Rental Assistance Program
- MDA Long Term Work Force Housing Program
- GO Zone Low Income Housing Tax Credits

We developed these estimates based on updated project by project information from MDA and from the Mississippi Housing Corporation. It should be noted that these are the Housing Recovery Data Project Team's estimates and do not represent the opinions of MDA or the Mississippi Home Corporation.

Housing stock estimates are provided for the three coastal counties in total and for each of the individual counties.

Additional supporting information is included at Appendix 1:

- Explanation of our estimates through June 30, 2008.
- Explanation of our estimates as of April 30, 2009.
- Explanation of our estimates as of June 30, 2010.
- Explanation of our estimates as of June 30, 2011.
- A detailed discussion of our production estimate for MDA's Small Rental Assistance Program.
- A project by project listing of GO Zone LIHTC projects.
- A project by project detail of our public housing recovery estimate

III. HOUSING STOCK ESTIMATES: UPPER THREE COUNTIES

On the following pages you will find our estimates for the housing stock of Pearl River, Stone and George Counties.

We prepared our housing stock estimates using the same approach we followed for the three coastal counties, making adjustments as appropriate because of data availability.

Housing stock estimates are provided for the three upper counties in total and for each of the individual counties.

Additional supporting information is included at Appendix 2:

- Explanation of our estimates through June 30, 2008.
- Explanation of our estimates as of April 30, 2009.
- Explanation of our estimates as of June 30, 2010.
- Explanation of our estimates as of June 30, 2011.

APPENDIX 1. SUPPORTING INFORMATION FOR UPDATED HOUSING STOCK ESTIMATES (HANCOCK, HARRISON AND JACKSON COUNTIES)

On the following pages, we include additional supporting information for our updated housing stock estimates for the three coastal counties, over and above supporting information included in Section V of this report.

The following supporting information is included in Appendix 1:

- Explanation of our estimates through June 30, 2008.
- Explanation of our estimates as of April 30, 2009.
- Explanation of our estimates as of June 30, 2010.
- Explanation of our estimates as of June 30, 2011.
- A detailed discussion of our production estimate for MDA's Small Rental Assistance Program.
- A project by project listing of GO Zone LIHTC projects.

**APPENDIX 2. SUPPORTING INFORMATION FOR
HOUSING STOCK ESTIMATES
(PEARL RIVER, STONE AND GEORGE COUNTIES)**

On the following pages, we include additional supporting information for our housing stock estimates for the upper three counties, over and above supporting information included in Section VI of this report.

The following supporting information is included in Appendix 2:

- Explanation of our estimates through June 30, 2008.
- Explanation of our estimates as of April 30, 2009.
- Explanation of our estimates as of June 30, 2010.
- Explanation of our estimates as of June 30, 2011.