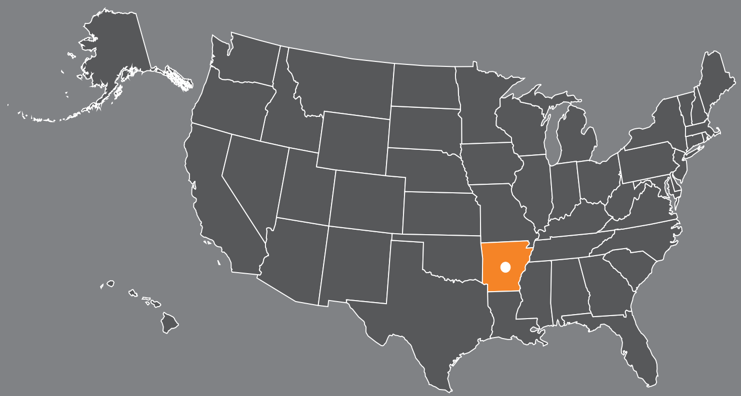
HUD PD&R **Housing Market Profiles**

Little Rock-North Little Rock-Conway, Arkansas

Little Rock, Arkansas

Quick Facts About Little Rock-North Little Rock-Conway

- **Current sales market conditions: slightly soft**
- **Current apartment market conditions: balanced**
- **The metropolitan area is home to the state capital—the city of Little Rock—and the Little Rock Air Force Base, which is the fourth largest employer in the state of Arkansas and has an annual impact of $597 million on the local economy (Little Rock Air Force Base *Economic Impact Statement Fiscal Year 2018*).**



By T. Michael Miller | As of June 1, 2020

Overview

The Little Rock-North Little Rock-Conway (hereafter, Little Rock) metropolitan area consists of Faulkner, Grant, Lonoke, Perry, Pulaski, and Saline Counties in central Arkansas. The metropolitan area is home to 16 national and multinational business and organization headquarters, including Dillard's, Inc. and Windstream Holdings, Inc., with 2,000 and 1,400 employees, respectively. The Port of Little Rock has begun construction on $11 million in infrastructure improvements to allow heavy industrial transportation in anticipation of CZ-USA locating their $90 million North American headquarters and manufacturing facility at the port.

- As of June 1, 2020, the estimated population of the metropolitan area is 744,300, an average increase of 4,375, or 0.6 percent, annually since 2010. Although Pulaski County accounts for 53 percent of the population of the metropolitan area, the surrounding counties accounted for 79 percent of the population increase since 2010.
- Population growth peaked at 10,650 people, or 1.6 percent, annually from July 2004 to July 2007, when economic conditions were strong. From July 2007 to July 2014, when the economy was weaker, population growth slowed to an

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average of 8,100, or 1.2 percent, annually (Census Bureau population estimates as of July 1).

- Although economic conditions in the metropolitan area have improved since 2014, population growth has weakened to average 2,725 people, or 0.4 percent, annually since July 2014, partly due to stronger economic growth in nearby metropolitan areas attracting workers. Net in-migration accounted for 62 percent of the total population growth from July 2004 to July 2007 but has fallen to 52 percent of total growth from July 2007 to July 2014. Since July 2014, net in-migration has accounted for 7 percent of population growth.

Economic Conditions

Nonfarm payrolls in the Little Rock metropolitan area have slowed during the past 12 months following 4 years of stronger growth. From 2015 through 2018, nonfarm payrolls increased by an average of 4,300 jobs, or 1.2 percent. The education and health services and the professional and business services sectors, which increased by an average of 1,500 and 900 jobs, respectively, led that increase. By comparison, nonfarm payroll growth averaged 2,100 jobs, or 0.6 percent, annually from 2011 through 2014.

During the 3 months ending May 2020—

- Nonfarm payrolls declined by 24,800 jobs, or 6.7 percent, from the 3 months ending May 2019 to an average of 342,900 jobs. The effects of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, have been substantial on the metropolitan area economy. Nationally the effects were more severe, with average nonfarm payroll declines of 8.2 percent from the 3 months ending May 2019.
- The sectors that were most affected by the countermeasures to limit the contagion of COVID-19 led job declines: the leisure and hospitality, the education and health services, and the wholesale and retail trade sectors declined by 7,600, 3,700, and 3,500 jobs, or 21.8, 6.4, and 6.6 percent, respectively.
- Nonfarm payrolls declined in 10 of 11 sectors, with only the mining, logging, and construction sector posting gains, an increase of 300 jobs, or 1.7 percent.
- The unemployment rate increased to 8.5 percent, up from a recent low of 3.0 percent for the same 3-month period a year earlier. The monthly unemployment rate peaked in April 2020 at 10.9 percent. When COVID-19 containment measures loosened in May 2020, the unemployment rate declined to 10.1 percent.

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Nonfarm payrolls declined significantly in the Little Rock metropolitan area during the 3 months ending May 2020, with losses in 10 of 11 sectors.

	3 Months Ending		Year-Over-Year Change	
	May 2019 (Thousands)	May 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	367.7	342.9	-24.8	-6.7
Goods-Producing Sectors	38.9	37.2	-1.7	-4.4
Mining, Logging, & Construction	17.5	17.8	0.3	1.7
Manufacturing	21.4	19.5	-1.9	-8.9
Service-Providing Sectors	328.9	305.7	-23.2	-7.1
Wholesale & Retail Trade	53.4	49.9	-3.5	-6.6
Transportation & Utilities	17.0	16.9	-0.1	-0.6
Information	4.4	3.8	-0.6	-13.6
Financial Activities	22.0	21.1	-0.9	-4.1
Professional & Business Services	49.3	46.4	-2.9	-5.9
Education & Health Services	58.0	54.3	-3.7	-6.4
Leisure & Hospitality	34.9	27.3	-7.6	-21.8
Other Services	18.4	17.2	-1.2	-6.5
Government	71.5	68.9	-2.6	-3.6
Unemployment Rate	3.0%	8.5%		

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

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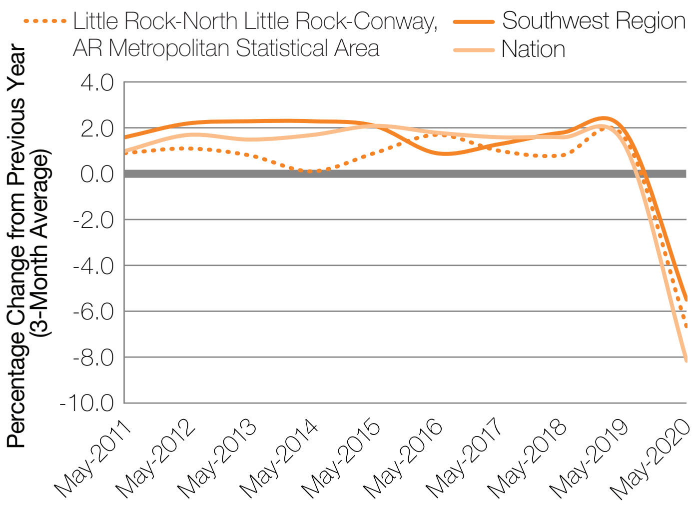
The government sector currently accounts for 20.0 percent of nonfarm jobs in the metropolitan area and includes the two largest employers. During 2008 and 2009, as nonfarm payrolls declined by an average of 5,100 jobs, or 1.5 percent, the government sector increased by an average of 1,300 jobs, or 1.8 percent, partially offsetting losses. Since 2010, when the government sector represented 21.1 percent of total nonfarm jobs in the metropolitan area, the sector has declined by 100 jobs annually, or 0.1 percent, primarily as local government budgets tightened. From 2010 to 2019, the local government subsector reduced nonfarm payrolls by an average of 300 jobs, or 1.0 percent, annually to average 25,300 jobs—the lowest number of jobs recorded in the subsector since 2002. Since 2019, the decline in the local government subsector has accelerated, with nonfarm payrolls in the subsector declining by an average 1,900 jobs, or 7.4 percent. Although 200 of the jobs lost were a result of the cancelation of summer programs, to slow the spread of COVID-19, the vast majority of jobs lost were the result of budget cuts that preceded the pandemic.

Nonfarm payrolls have declined in the Little Rock metropolitan area since mid-2019, albeit at a slower rate than the nation.



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

Largest Employers in the Little Rock Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Arkansas	Government	35,400
University of Arkansas for Medical Sciences	Government	9,700
Baptist Health	Education & Health Services	7,340

Note: Excludes local school districts.
Source: Little Rock Regional Chamber of Commerce

Sales Market Conditions

Sales housing market conditions are slightly soft in the Little Rock metropolitan area. The estimated sales vacancy rate is currently 2.5 percent, up from 2.1 percent in April 2010. As of April 2020, 2.3 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down slightly from 2.4 percent a year earlier (CoreLogic, Inc.). The rate of home loans that were seriously delinquent or had transitioned into REO status peaked in January 2013, at 6.2 percent, because of a backlog of loans in the foreclosure process. As servicers worked through the backlog, the share of distressed sales (REO and short sales) increased. During 2012, only 9 percent of existing home sales were distressed sales; the share increased to 17 percent during 2015 and remained at 12 percent from 2016 through 2018. Currently, less than 6 percent of all existing sales are distressed sales.

During the 12 months ending April 2020 (the most representative data available)—

- Sales of existing homes totaled 14,250, down 5 percent from a year earlier; nearly 41 percent of the decline was due to fewer distressed sales. Existing home sales increased an average of 7 percent annually from 2012 through 2018 (CoreLogic, Inc., with adjustments by the analyst).
- The average sales price of an existing home increased 6 percent, to $165,500, following an increase of less than 1 percent during the previous 12 months. From 2015 through 2018, the average sales price of an existing home increased each year, by an average of $2,000, or 1 percent, annually, to an average of $155,700 in 2018.
- New home sales increased 11 percent, to 1,475 homes, from a year earlier. In 2014, new home sales decreased 8 percent as a large increase in distressed sales provided a lower cost alternative to new home construction. As distressed sales declined from 2015 through 2018, new home sales increased an average 2 percent annually.
- The average sales price for a new home increased 1 percent to $244,400. The average new home sales price increased an average of about 2 percent annually from 2010 through 2018.

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Single-family construction activity, as measured by the number of homes permitted, increased during the 12 months ending May 2020, as builders respond to the increase in the number of new homes sold in the metropolitan area during the past year.

- During the 12 months ending May 2020, the number of single-family homes permitted increased 12 percent, to 1,925, from a year earlier (preliminary data). By comparison, single-family home permitting declined an average of 14 percent during the 12 months ending May 2019 from a year earlier.
- Pulaski County, which includes the city of Little Rock, accounted for 47 percent of all single-family homes

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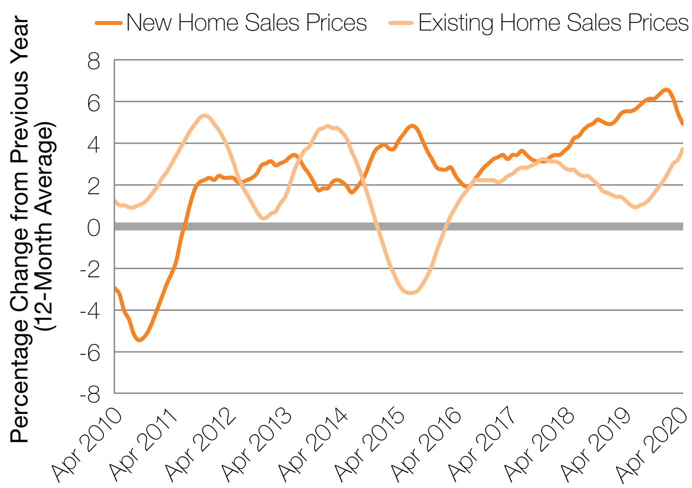
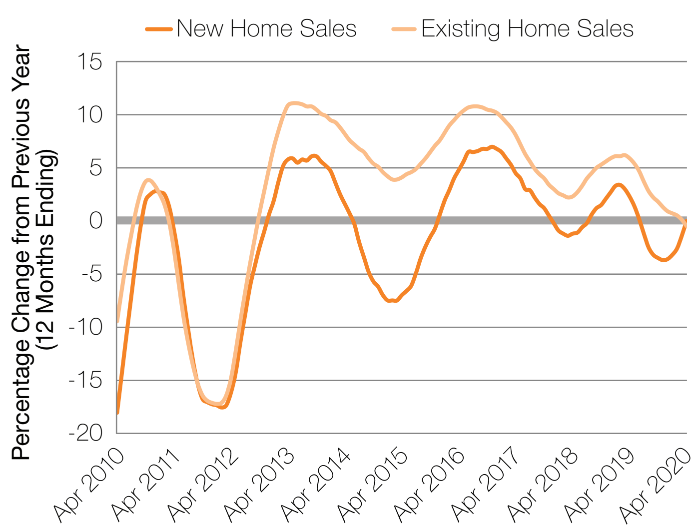
Existing home sales prices in the Little Rock metropolitan area have mostly increased during the past decade, with declines during 2015 when distressed sales were at a peak, whereas new home sales prices have increased since 2011.



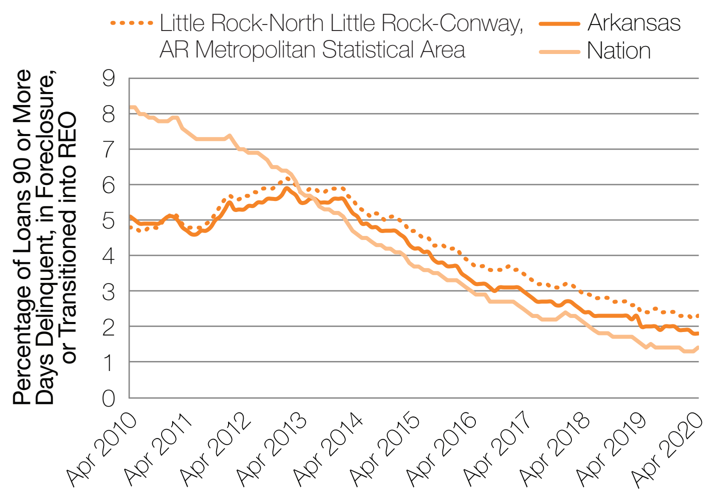
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

Existing home sales in the Little Rock metropolitan area have slowed in 2020 after increasing since 2013, as new home sales moderated during the same period.



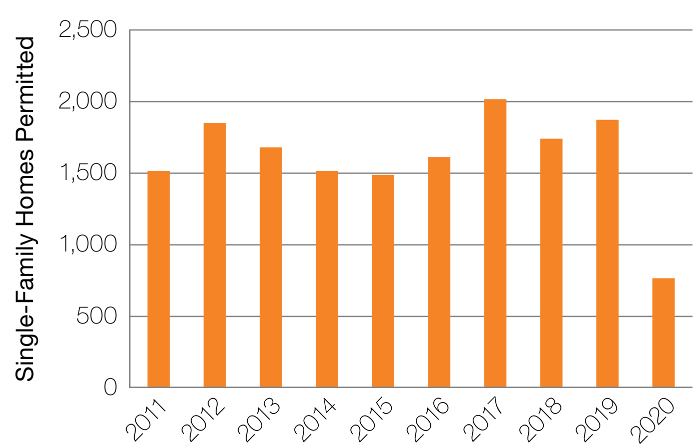
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

The housing crisis did not affect the Little Rock metropolitan area as severely as the rest of the nation, but the percentage of seriously delinquent loans and REO properties has not improved as quickly as the national average.



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

Single-family permitting in the Little Rock metropolitan area increased during 2019 after declining during 2018.



Note: Includes preliminary data from January 2020 through April 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

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permitted in the metropolitan area during the 12 months ending May 2020, which is up from 40 percent during 2018.

- From 2000 through 2007, an average of 3,300 single-family homes were permitted annually. This figure declined 42 percent to an average of 1,925 homes permitted annually from 2008 through 2010. Single-family permitting continued to decline to 1,625 homes permitted annually from 2011 through 2015—when population growth continued to slow—before increasing to an average of 1,875 homes permitted annually from 2016 through 2018.
- An estimated 750 single-family homes are currently under construction in the metropolitan area.

Apartment Market Conditions

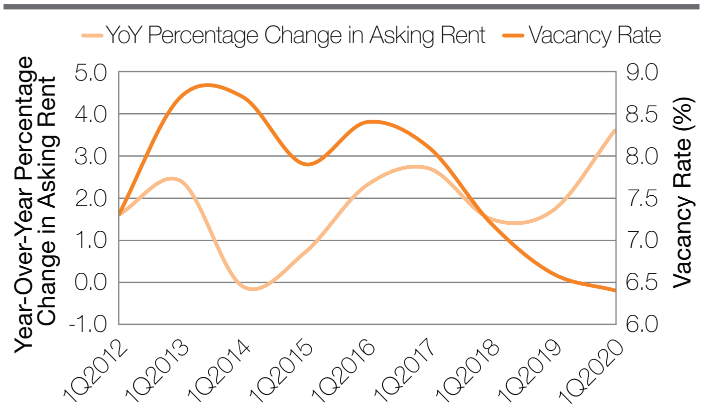
Apartment market conditions in the Little Rock metropolitan area are balanced. During the past 2 years, apartment market conditions have improved as the market absorbed the large number of units constructed during 2017.

- During the first quarter of 2020, the apartment vacancy rate was 6.4 percent, down from 6.6 percent a year earlier, and the average rent increased 4 percent to $784 (MPF Research).
- Vacancy rates declined through the first quarter of 2020, a trend that began in 2016 as strong apartment demand outpaced new supply. Apartment absorption of 3,150 units from 2016 through 2018 exceeded the 2,200 apartment units completed in the metropolitan area during the same period. Since 2019, 290 units have been added and 810 units have been absorbed, although population growth in the metropolitan area has slowed.
- Vacancy rates are lowest in the West Little Rock-Saline County and North Little Rock-Jacksonville-Conway MPF Research-defined market areas where apartment market conditions are balanced. Average apartment vacancy rates are estimated at 4.9 and 5.0 percent, respectively, each down from 5.8 percent a year earlier.
- Apartment rents were highest in the Downtown Little Rock area, which averaged $954 monthly compared with $706, $746, and $844 in the Central Little Rock-Southeast Pulaski County, North Little Rock-Jacksonville-Conway, and West Little Rock-Saline County areas, respectively.

Multifamily construction activity, as measured by the number of units permitted, increased significantly during the 12 months ending May 2020 as builders responded to increased rental housing demand. During the 12 months ending May 2020, 1,275 multifamily units were permitted, compared with the 220 units permitted during the previous 12 months (preliminary data).

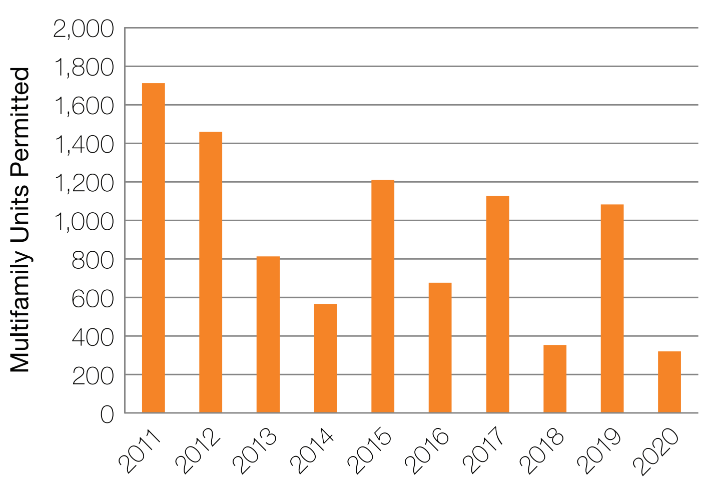
- Multifamily permitting activity averaged 2,625 units annually from 2010 through 2013, and then declined to an average of 990 units permitted annually from 2014 through 2017, before declining further to 340 units during 2018.
- The 339-unit Fountaine Bleau Central Landing development in the city of Conway began leasing in late 2019. Monthly asking rents for the one-, two-, and three-bedroom units are $1,049, $1,299, and $1,539, respectively.
- The 217-unit Bowman Pointe III was completed in late 2019 in West Little Rock, with studio, one-, two-, and three-bedroom unit rents starting at $708, $815, $1,195, and $1,624, respectively.

Apartment vacancy rates have declined in the Little Rock metropolitan area since 2016 as rent growth has increased.



1Q = first quarter. YoY = year-over-year.
Source: MPF Research

Multifamily permitting in the Little Rock metropolitan area has varied since 2014.



Note: Includes preliminary data from January 2020 through April 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst