

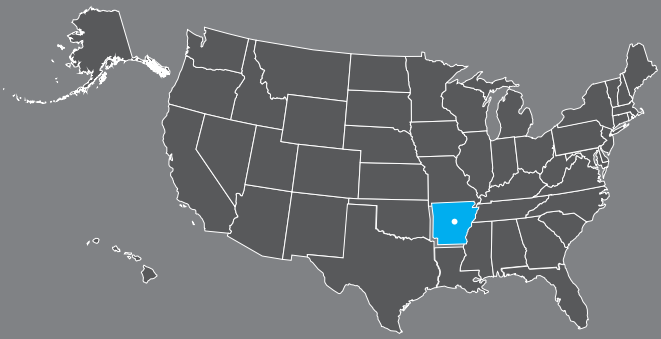
HUD PD&R Housing Market Profiles

Little Rock-North Little Rock-Conway, Arkansas



Quick Facts About Little Rock-North Little Rock-Conway

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: slightly soft.**
- **The metropolitan area is home to the state capital, the city of Little Rock, and Little Rock Air Force Base, which has an annual impact of \$814 million on the local economy (*The Little Rock Air Force Base Economic Impact Statement Fiscal Year 2014*).**



By T. Michael Miller | As of October 1, 2015

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 Clinton Presidential Library, which is located in the city of Little Rock, draws approximately 275,000 visitors annually.

- As of October 1, 2015, the estimated population of the metropolitan area is 737,900, an average increase of 6,900, or 1.0 percent, annually since April 2010.
- Population growth peaked at 10,600 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 average of 8,250, or 1.2 percent, annually.
- Net in-migration has accounted for nearly 47 percent of the total population growth since April 2010 compared with 62 percent from July 2004 to July 2007, primarily a result of a weaker economy.



Nonfarm payrolls increased in the Little Rock area during the 3 months ending September 2015, led by the mining, logging, and construction sector.

	3 Months Ending		Year-Over-Year Change	
	September 2014 (thousands)	September 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	344.6	352.4	7.8	2.3
Goods-producing sectors	36.8	39.3	2.5	6.8
Mining, logging, and construction	16.7	19.0	2.3	13.8
Manufacturing	20.1	20.3	0.2	1.0
Service-providing sectors	307.8	313.0	5.2	1.7
Wholesale and retail trade	52.8	52.6	-0.2	-0.4
Transportation and utilities	14.0	13.8	-0.2	-1.4
Information	6.7	6.6	-0.1	-1.5
Financial activities	20.6	20.9	0.3	1.5
Professional and business services	44.6	45.7	1.1	2.5
Education and health services	50.8	52.6	1.8	3.5
Leisure and hospitality	32.7	34.7	2.0	6.1
Other services	16.3	16.5	0.2	1.2
Government	69.3	69.6	0.3	0.4
	(percent)	(percent)		
Unemployment rate	5.8	5.0		

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

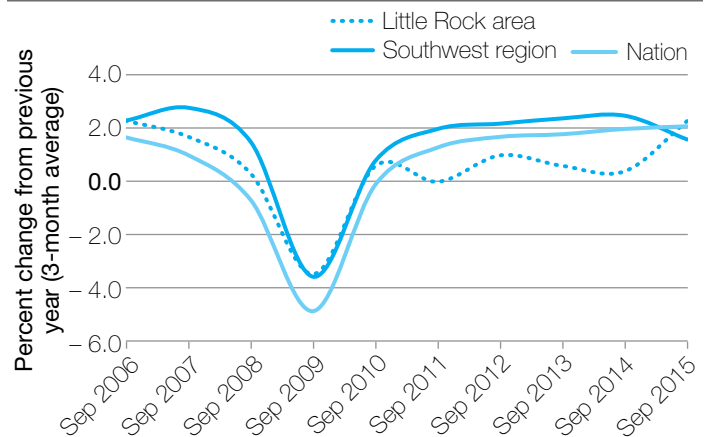
Economic Conditions

Nonfarm payrolls in the Little Rock metropolitan area have increased since 2010 to a new peak level, recovering the jobs lost during 2008 and 2009.

During the 3 months ending September 2015—

- Nonfarm payrolls increased by 7,800 jobs, or 2.3 percent, from the 3 months ending September 2014 to an average of 352,400 jobs. Growth is up considerably from last year, when payrolls increased by 1,400 jobs, or 0.4 percent, from the 3 months ending September 2012 to the 3 months ending September 2013.
- The mining, logging, and construction sector led growth with an increase of 2,300 jobs, or 13.8 percent, partly because of increased new home construction and the \$100 million mixed-use revitalization of the downtown Little Rock area, which includes affordable housing and arts-based businesses to attract residents and tourists to the downtown area.
- The government sector, with 69,600 jobs, is the largest sector, with approximately 20 percent of nonfarm payrolls in the metropolitan area, and includes the three largest employers.
- The unemployment rate decreased to the lowest rate recorded since 2007, averaging 5.0 percent, down from 5.8 percent a year earlier and 7.2 percent during 2011.

Nonfarm payroll growth in the Little Rock area recently surpassed the rate of growth in the Southwest region and the nation after recording weaker growth from 2011 through 2014.



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

Largest employers in the Little Rock area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Arkansas	Government	23,700
Little Rock Air Force Base	Government	9,700
University of Arkansas for Medical Sciences	Government	8,500

Notes: Excludes local school districts. State of Arkansas employment excludes employees of institutions of higher education. Data for Little Rock Air Force Base (AFB) include 1,500 civilian and 8,200 active-duty uniformed military personnel, but active-duty military personnel are not included in nonfarm payroll survey data.
Sources: Little Rock Regional Chamber of Commerce; Little Rock AFB



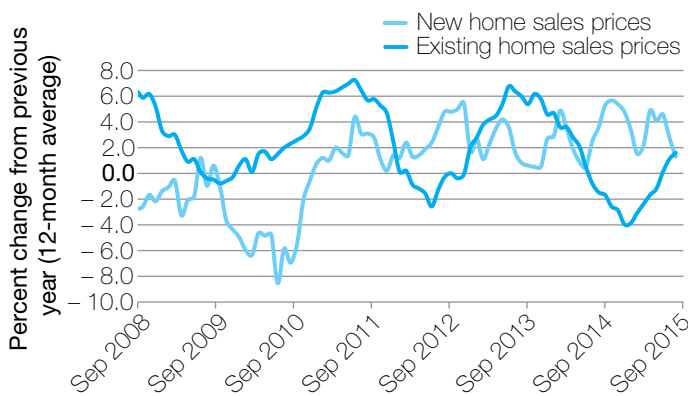
Sales Market Conditions

Sales housing market conditions are slightly soft in the Little Rock metropolitan area. The estimated sales vacancy rate is currently 2.4 percent, up from 2.1 percent in April 2010. As of September 2015, 5.1 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 from 5.6 percent a year earlier (Black Knight Financial Services, Inc.). The rate of home loans that were seriously delinquent or had transitioned into REO status peaked in January 2013 at 6.7 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 the 12 months ending September 2013, 11 percent of existing home sales were distressed sales; the share increased to 16 percent during the 12 months ending September 2015.

During the 12 months ending August 2015—

- Sales of existing homes totaled 11,900, up 4 percent from a year earlier; existing home sales increased an average of 7 percent annually from the end of 2011 through 2014 (CoreLogic, Inc., with adjustments by the analyst).
- The average sales price of an existing home increased 2 percent, to \$150,700, compared with a decrease of 2 percent during the previous 12 months.
- New home sales increased 4 percent, to 1,275 homes, from a year earlier; new home sales increased an average of nearly 4 percent

During the past 24 months, the existing home sales price has fluctuated as the new home sales price has increased in the Little Rock area.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

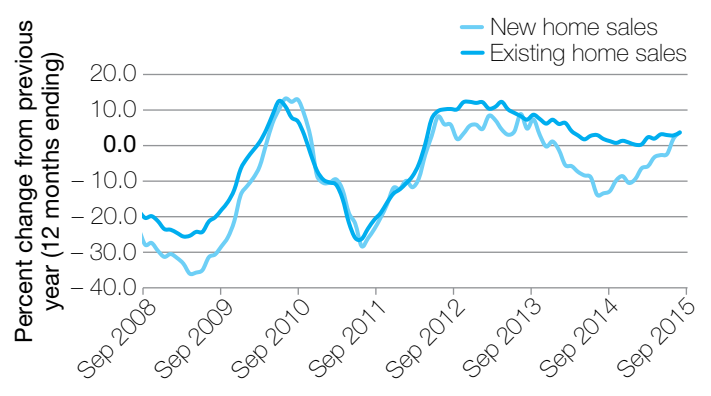
annually from 2012 through 2013 before declining 10 percent during 2014, when distressed sales increased 41 percent, providing a lower cost alternative to new home construction.

- The average sales price for a new home increased 1 percent, to \$203,100. The average new home sales price increased an average of about 2 percent annually from 2010 through 2014.

An increase in the number of new homes sold in the metropolitan area during the 12 months ending August 2015 coincided with an increase in single-family construction activity, as measured by the number of homes permitted.

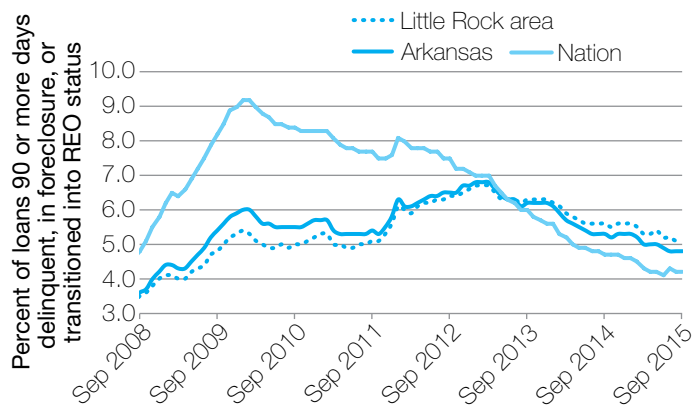
- During the 12 months ending September 2015, the number of single-family homes permitted increased 17 percent, to 1,400, from a year earlier (preliminary data). By comparison, single-family home permitting decreased an average of 24 percent during the 12 months ending September 2014 from a year earlier.
- Pulaski County, which includes the city of Little Rock, accounted for 53 percent of all single-family homes permitted in the metropolitan area during the 12 months ending September 2015.
- From 2006 through 2007, an average of 3,325 single-family homes were permitted annually. This figure declined 47 percent to an average of 1,775 homes permitted annually from 2008 through 2012 before decreasing to an average of 1,600 homes permitted annually from 2013 through 2014.

In the Little Rock area, existing home sales have recorded year-over-year gains every month since March 2012, while new home sales have fluctuated.



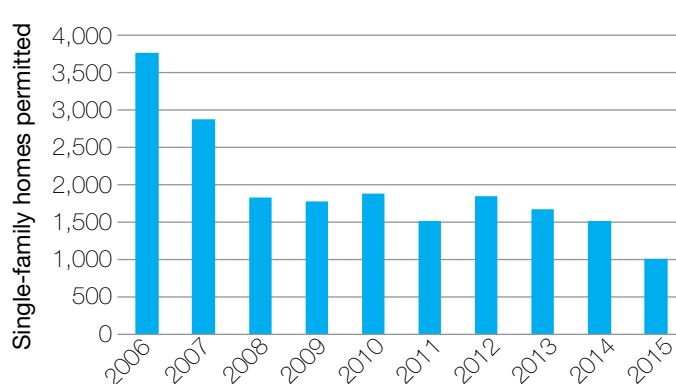
Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The housing crisis did not affect the Little Rock 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: Black Knight Financial Services, Inc.

The number of single-family homes permitted in the Little Rock area increased during the 12 months ending September 2015 but remained below pre-recession levels.



Note: Includes preliminary data from January 2015 through September 2015.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

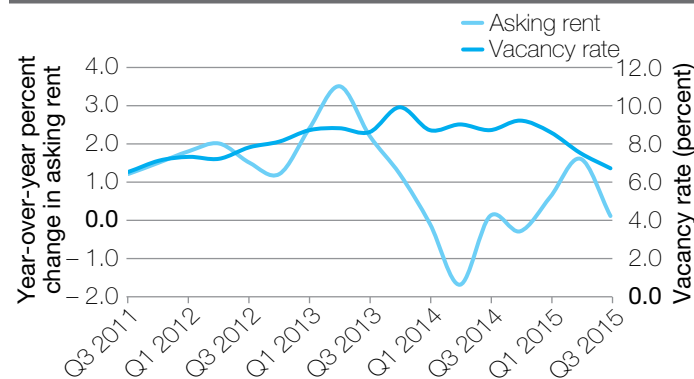
Apartment market conditions in the Little Rock metropolitan area are slightly soft. During the past 2 years, the apartment market has improved, partly because of moderate growth in the local economy.

- During the third quarter of 2015, the apartment vacancy rate was 6.7 percent, down from 8.7 percent a year earlier, and the average rent was unchanged, at \$699 (MPF Research).
- Vacancy rates continued to decline, a trend that began in 2014, as strong apartment demand continued to outpace new supply. Apartment absorption of 2,850 units since 2013 has exceeded the 2,425 apartment units added in the metropolitan area during the same period.

- In the Central Little Rock MPF Research-defined market area, which includes the neighborhoods surrounding the University of Arkansas for Medical Sciences and the University of Arkansas at Little Rock, apartment market conditions are soft, with an average apartment vacancy rate estimated at 10.8 percent.
- Apartment rents in the Central Little Rock area averaged \$652 monthly compared with \$854, \$756, and \$659 in the Downtown Little Rock, West Little Rock/Saline County, and North Little Rock/Jacksonville/Conway areas, respectively.

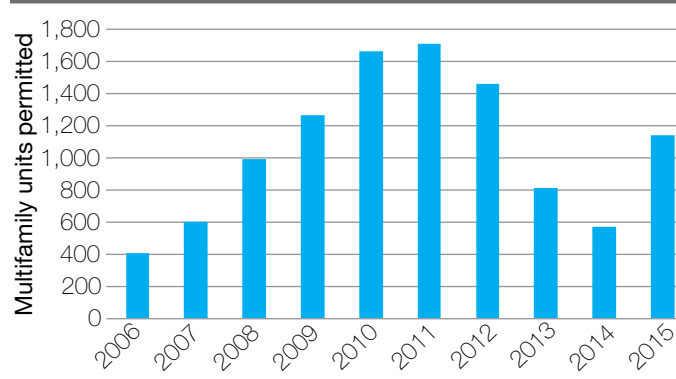
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Apartment market conditions have improved in the Little Rock area during the past year but remained slightly soft.



Source: MPF Research

Multifamily permitting in the Little Rock area has started to increase after declining from 2011 through 2014.



Note: Includes preliminary data from January 2015 through September 2015.
Source: U.S. Census Bureau, Building Permits Survey



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Multifamily construction activity, as measured by the number of units permitted, increased during the 12 months ending September 2015 as builders responded to increased rental housing demand. During the 12 months ending September 2015, 1,350 multifamily units were permitted, up 82 percent compared with the 740 units permitted during the previous 12 months (preliminary data).

- Multifamily permitting activity averaged 1,625 units annually from 2010 through 2012, and then declined to 810 and 570 units permitted during 2013 and 2014, respectively.
- Construction of the 96-unit MacArthur Commons apartment development in downtown Little Rock was completed in September 2015 with monthly asking rents of \$1,075 and \$1,425 for one- and two-bedroom units, respectively.
- The 36-unit Legion Village, currently under construction in downtown Little Rock, is expected to open in mid-2016. Monthly rents at Legion Village will range from \$825 to \$1,200 for one- and two-bedroom units.

