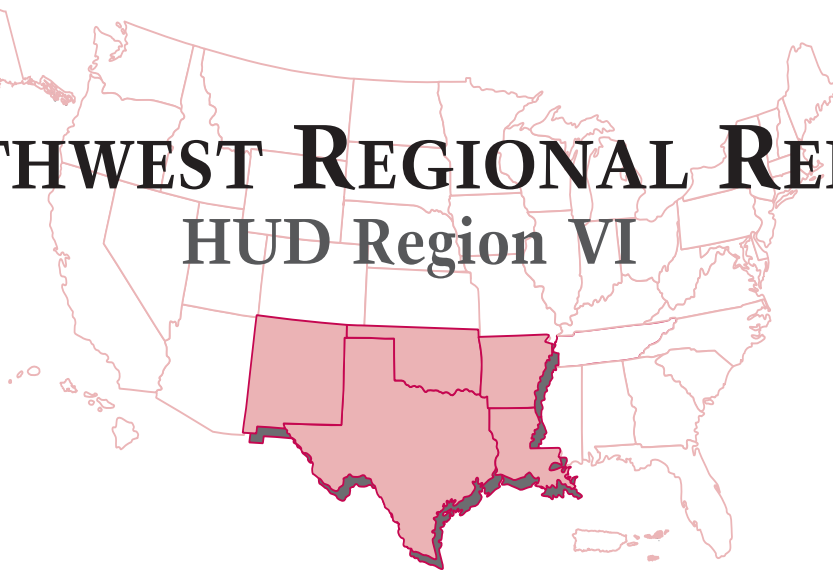




# U.S. Housing Market Conditions

## SOUTHWEST REGIONAL REPORT HUD Region VI



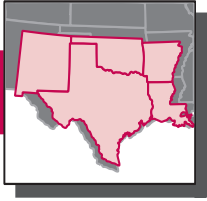
### 3rd Quarter Activity

The following summary of the Southwest region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Southwest region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

Economic conditions in the Southwest region weakened significantly during the 12 months ending September 2009 as average nonfarm employment decreased by 164,000 jobs, or 1 percent, to 16 million jobs. In contrast, during the 12 months ending September 2008, nonfarm employment in the region increased by 2.2 percent, or 348,000 jobs. During the past year, gains in three employment sectors, totaling 139,000 jobs, were offset by a combined total of 303,000 jobs lost in the remaining nine sectors. The education and health services sector recorded the largest growth among employment sectors in the region, adding 73,000 jobs, an increase of 3.6 percent, with job creation in medical services, research, and health insurance. Employment in the government sector, pri-

marily in the local subsector, was up 54,900 jobs, or 1.9 percent, in the region, where all states recorded increases. The leisure and hospitality sector added 11,200 jobs, up 0.7 percent. During the 12 months ending September 2009, softening housing and commercial construction markets have resulted in a decrease in the construction sector of 53,300 jobs, or 5.4 percent, compared with a gain of 40,600 jobs, or 4.3 percent, during the 12 months ending September 2008. The manufacturing sector, which recorded declines in all states in the region, lost 94,000 jobs, or 6.5 percent.

Job losses occurred in every state in the Southwest region during the 12 months ending September 2009. For the first time in this decade, all five states in the region simultaneously recorded a 12-month period of job decline. During the 12 months ending September 2009, Texas lost 105,900 jobs, or 1.0 percent, led by declines of more than 50,000 jobs each in both the manufacturing and construction sectors. Employment in Louisiana decreased by 2,600 jobs, or 0.1 percent, as job gains of more than 2 percent each in the construction and the education and health services sectors were offset by losses of a combined 12,300 jobs in the manufacturing and trade sectors. In Oklahoma, employment decreased by 15,500 jobs, or 1.0 percent, during the 12 months ending September 2009, led by



losses of 11,200 jobs in the manufacturing sector and 7,600 jobs in the professional and business services sector. Employment in New Mexico declined for the third consecutive quarter and was down by 17,800 jobs, or 2.1 percent, for the 12 months ending September 2009. In Arkansas, employment declined by 22,100 jobs, or 1.8 percent, with declines in the manufacturing, trade, and transportation and utilities sectors accounting for nearly 80 percent of the total loss. For the 12 months ending September 2009, the unemployment rate in the region increased to 6.6 percent compared with 4.4 percent for the previous 12 months. The average unemployment rates ranged from a low of 5.8 percent in Oklahoma to a high of 6.9 percent in Texas; New Mexico, Louisiana, and Arkansas recorded rates of 6.0, 6.3, and 6.6 percent, respectively.

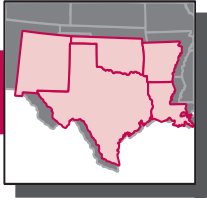
Sales housing market conditions in the Southwest region were soft, as moderating economic conditions led to declines in the number of homes sold and to an increased inventory of unsold homes. Home sales continued to decline in Texas during the past quarter and are currently at their lowest level since mid-2003, according to data from the Real Estate Center at Texas A&M University. During the 12 months ending September 2009, approximately 204,800 homes were sold in Texas, down 16 and 28 percent from the 12 months ending September 2008 and September 2007, respectively. The number of homes sold declined in all major Texas markets during the 12 months ending September 2009, while the number of months of unsold inventory in the state increased approximately 9 percent, from 6.4 to 7 months. Declines in home sales among the major Texas markets ranged from 14 percent in San Antonio to 21 percent in Fort Worth. Houston, Dallas, and Austin recorded declines of 16, 17, and 18 percent, respectively. The average home sales price in the state decreased 4 percent to \$185,100 during the 12 months ending September 2009, continuing a trend that began in late 2008. Dallas and Houston recorded the largest drops in average home prices among major Texas markets, falling 5 percent in each area to \$201,300 and 197,700, respectively. The average price decreased 4 percent in Fort Worth to \$138,600 and by 3 percent in Austin to \$236,700. The average price of homes sold in San Antonio remained essentially unchanged at \$181,100.

Home sales decreased by double-digit percentages in a number of markets in states elsewhere in the region during the 12 months ending September 2009. According to the New Orleans Metropolitan Association of Realtors®, sales were down 15 percent to 7,875 homes and the average price dropped approximately 4 percent to \$198,800. In Baton Rouge, the number of sales decreased 16 percent to 6,650, based on data from the Greater Baton Rouge Association of REALTORS®, and the average price declined approximately 5 percent to \$192,700. The Greater Albu-

querque Association of REALTORS® reported that the number of sales was down 15 percent in Albuquerque to 6,225 homes, approximately 50 percent below the peak level of sales recorded in mid-2006, while the average sales price declined by 10 percent to \$214,100, continuing a pattern of accelerating decreases that began in mid-2008. According to the Oklahoma City Metropolitan Association of REALTORS®, the number of homes sold in Oklahoma City was down 13 percent to 15,200 and the average price declined 3 percent to \$149,500. In Tulsa, home sales declined 10 percent to 10,500, according to the Greater Tulsa Association of REALTORS®, and the average price decreased 8 percent to \$144,200. According to the Arkansas REALTORS® Association, home sales for the state declined by 12 percent to 22,300 during the 12 months ending August 2009 (the most recent data available) and the average price dropped by 3 percent to \$148,800. Home prices were down approximately 2 percent in Little Rock to \$161,300 and down 12 percent in Fayetteville to \$166,000.

In the Southwest region, an increased inventory of unsold homes resulted in decreased single-family construction activity, as measured by the number of single-family building permits issued. During the 12 months ending September 2009, the total number of single-family homes permitted in the region was 71,700, a decline of 19,150 homes, or 21 percent, compared with the number permitted during the previous 12 months, based on preliminary data. Texas recorded a 23-percent decrease in the number of single-family homes permitted, down 14,950, to 51,450 homes. In other states in the region, declines ranged from 10 percent in Louisiana to 25 percent in New Mexico. Oklahoma and Arkansas recorded declines of 19 and 22 percent, respectively.

Rental housing market conditions continued to soften over the past year in the largest metropolitan areas in Texas because builders only recently responded to declining job growth by reducing apartment construction activity. According to ALN Systems, Inc., the apartment vacancy rate in Austin was 11.6 percent for the 12 months ending September 2009, up from 7.7 percent during the 12 months ending September 2008, and the average rent increased 2 percent to \$870. In Dallas, the apartment vacancy rate increased from 9.2 to 11.3 percent during the 12 months ending September 2009 as average rents increased 2 percent to \$820. Rental markets in Fort Worth and Houston remained very soft with vacancy rates of 12.4 and 12.3 percent, respectively. Average rents in Fort Worth increased by 1 percent to \$720. Average rents in Houston increased 4 percent to \$780, partly due to the completion of more than 20,000 additional units, during the 12 months ending September 2009, with rents well above the average. In San Antonio, during the 12 months ending September 2009, the vacancy rate rose to 11.7 percent from 9.9 percent during the 12-month



period ending September 2008 and average rents increased 2 percent to \$730. Corpus Christi had one of the lowest vacancy rates in Texas, at 8.8 percent, during the most recent 12 months, with an average rent of \$710.

Rental housing market conditions were soft in large metropolitan areas in other states throughout the Southwest region. The rental market in Albuquerque began to soften during the past year. According to Reis, Inc., the apartment vacancy rate in Albuquerque increased to 7 percent in the third quarter of 2009, up from 5.4 percent a year earlier. The average rent in Albuquerque increased 1 percent to \$710. In Little Rock, for the third quarter of 2009, the apartment vacancy rate was 8.3 percent, up from 6.5 percent a year earlier and the average rent remained essentially unchanged at \$640. In Oklahoma City, the apartment vacancy rate rose from 8.1 percent in the third quarter of 2008 to 9.6 percent in the third quarter of 2009 and average rents increased 2 percent to \$550. In Tulsa, the vacancy rate increased from 7.7 percent for the third quarter of 2008 to 9.2 percent for the same period in 2009 and average rents remained essentially unchanged at \$580. Rental market conditions in New Orleans

changed substantially as the apartment rental vacancy rate increased to 13 percent during the third quarter of 2009, according to the Greater New Orleans Multi-Family Report<sup>®</sup>, up significantly from the 8 percent recorded a year earlier. During the third quarter of 2009, the average rent in New Orleans was down 3 percent to \$830 compared with the rent recorded during the third quarter of 2008.

As a result of soft apartment markets in many large metropolitan areas, multifamily construction activity, as measured by the number of units permitted, decreased in the Southwest region during the 12 months ending September 2009, based on preliminary data. The 19,300 units permitted during the 12 months ending September 2009 reflect a 62-percent decline compared with the number of units permitted during the 12-month period ending September 2008. The number of multifamily units permitted in Texas declined 66 percent, down 27,950 units to 14,300. Louisiana also recorded a decline of 66 percent, or 2,775 units, to 1,425. In the other states in the region, declines in the number of multifamily units permitted ranged from 19 percent in Oklahoma to 22 and 25 percent in Arkansas and New Mexico, respectively.