



U.S. Housing Market Conditions



SOUTHWEST REGIONAL REPORT HUD Region VI

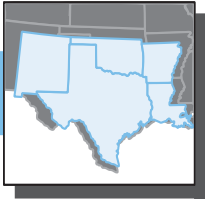
4th Quarter Activity

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.

Nonfarm payroll job growth in the Southwest region accelerated for the second consecutive year in 2012 after declines in 2009 and 2010. During 2012, nonfarm payrolls increased 2.1 percent, or by 332,500 jobs, to 16.31 million jobs. By comparison, in 2011, nonfarm payrolls grew 1.6 percent, or by 257,700 jobs. With the recent gains, the region has fully recovered from the economic downturn and surpassed the previous peak level of 16.18 million jobs recorded in 2008. In 2012, the leisure and hospitality, education and health services, and trade sectors recorded the greatest total growth, adding 67,900, 65,300, and 56,400 jobs, increases of 4.3, 3.0, and 2.3 percent, respectively. The mining and

logging subsector, which benefited from high oil and gas prices, was the region's fastest growing sector or subsector, with an increase of 34,000 jobs, or 9.1 percent. The construction subsector grew by 19,700 jobs, or 2.3 percent, the greatest annual increase in construction jobs since 2008 in part because of increasing residential construction activity throughout the region. The only sectors to record job losses in 2012 were the government and information sectors, which declined by 26,200 and 3,800 jobs, or 0.9 and 1.4 percent, respectively. The number of government-sector jobs has declined by more than 80,000 since the third quarter of 2010. This decline, which comes after more than 10 years of job growth, is a result of lower state and local tax revenues.

In 2012, nonfarm payrolls grew in every state in the region except New Mexico. Texas led job growth with an increase of 2.7 percent, or 248,600 jobs; the government and information sectors recorded the only job losses in the state, with declines of 30,800 and 2,700 jobs, or 1.7 and 1.4 percent, respectively. In Oklahoma, nonfarm payrolls increased by 39,200 jobs, or 2.5 percent; minimal declines in the information sector and the construction subsector were more than offset by increases in all other sectors. In Louisiana, nonfarm payrolls increased in all



sectors by 38,800 total jobs, or 2.0 percent, with the education and health services sector recording the greatest gain of 9,500 jobs, or 3.4 percent. Nonfarm payrolls in Arkansas increased by 7,800 jobs, or 0.7 percent, after declining by 44,500 jobs from 2008 through 2011. In New Mexico, nonfarm payrolls declined by 1,900 jobs, or 0.2 percent, in 2012. Job gains of 3,500 and 2,300, or 2.9 and 2.7 percent, in the education and health services and the leisure and hospitality sectors, respectively, were more than offset by declines in several sectors, including the government and the professional and business services sectors, which declined by 3,800 and 3,600 jobs, or 1.9 and 3.6 percent, respectively. In 2012, the unemployment rate in the region declined to 6.7 percent compared with the 7.7-percent rate recorded in 2011. The average unemployment rates ranged from 5.2 percent in Oklahoma to 7.3 percent in Arkansas. New Mexico, Louisiana, and Texas recorded unemployment rates of 6.7, 6.8, and 6.8 percent, respectively.

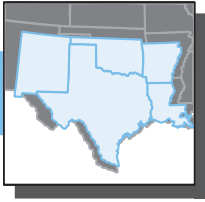
Many sales housing markets in the Southwest region returned to balanced conditions in 2012, helped by job gains during the past 2 years. In 2012, new and existing home sales in Texas increased 15 percent, to approximately 237,200 homes sold, compared with sales in 2011, according to the Real Estate Center at Texas A&M University. In 2012, the inventory of unsold homes in Texas was at a 5.6-month supply, down from a 7.4-month supply during the previous year. Sales housing market conditions were balanced in all major metropolitan areas in Texas, where new and existing home sales increased in 2012, with gains ranging from 11 percent in Fort Worth and San Antonio to 20 percent in Austin. Houston and Dallas recorded increases in home sales of 16 and 17 percent, respectively. In 2012, the average home sales price in Texas increased 6 percent, to \$206,200, compared with the average home sales price in 2011. Among major metropolitan areas in Texas, the increase in home sales prices ranged from 5 percent in Dallas and San Antonio to 7 percent in Fort Worth. Austin and Houston each recorded home sales price increases of 6 percent in 2012.

Home sales also increased in several markets elsewhere in the Southwest region in 2012. In New Orleans, according to the New Orleans Metropolitan Association of REALTORS® and Gulf South Real Estate Information Network, Inc., new and existing single-family home sales increased 13 percent, to 8,575 homes, and the average home sales price declined approximately 1 percent, to \$204,700, during the 12 months ending November 2012. The Greater Albuquerque Association of REALTORS® reported that, in 2012, single-family home sales in Albuquerque increased 14 percent, to 7,475 homes, compared with sales in 2011, and the average sales price increased 1 percent, to \$204,200. Condominium sales in Albuquerque increased 19 percent, to 700 sales, during the same period. New and existing home sales in Oklahoma City increased by an estimated 2,625, or 17 percent, to 18,250

homes sold during 2012 compared with the number sold a year ago, and the average price increased by \$5,225, or 3 percent, to \$163,700, based on data from the Oklahoma City Metro Association of REALTORS®. In Tulsa, according to the Greater Tulsa Association of REALTORS®, new and existing home sales increased by 1,650, or 16 percent, to 11,800 homes sold and the average price increased by \$9,025, or 6 percent, to \$158,400 in 2012. According to the Arkansas REALTORS® Association, during the 12 months ending October 2012 (the most recent data available), the number of new and existing home sales in the state increased by 370, or 2 percent, to 23,400 homes compared with the number of homes sold during the previous year, and the average home sales price increased 9 percent, to \$155,100.

Increases in home sales throughout the region led to increased single-family construction activity, as measured by the number of single-family homes permitted. Based on preliminary data, 103,000 single-family homes were permitted during 2012, an increase of 19,450 homes, or 23 percent, compared with the number permitted during 2011. Texas recorded a 22-percent increase in the number of single-family homes permitted, increasing by 13,400 to 75,450 homes permitted during 2012. The other states in the region recorded increases in the number of single-family homes permitted ranging from 13 percent in New Mexico to 52 percent in Oklahoma. Louisiana and Arkansas recorded increases of 17 and 31 percent, respectively.

Apartment rental market conditions in most of the large metropolitan areas in Texas were balanced during the fourth quarter of 2012. Reduced multifamily building activity during the past 3 years led to rent increases and the lowest vacancy rates recorded since the early to mid-2000s. The Austin apartment market is currently balanced. According to ALN Systems, Inc., the apartment vacancy rate in Austin for the fourth quarter of 2012 was 5.9 percent, up from 5.5 percent during the fourth quarter of 2011, and the average rent increased 6 percent, to \$940. Most other major Texas apartment markets became balanced during the fourth quarter of 2012. In San Antonio, the apartment vacancy rate declined by 1.2 percentage points, to 7.9 percent, from the fourth quarter of 2011, and the average rent increased 5 percent, to \$800. The apartment markets in Dallas and Fort Worth also improved during the fourth quarter of 2012, with apartment vacancy rates of 7.6 and 7.7 percent down from 7.9 and 8.9 percent, respectively, during the fourth quarter of 2011. The average rents in Dallas and Fort Worth increased 5 percent each, to \$870 and \$750, respectively, compared with rents during the fourth quarter of 2011. The Houston apartment market was the softest of all major apartment markets in Texas during the fourth quarter of 2012, but it also improved the most, with a 9.1-percent apartment vacancy rate, down 2.1 percentage points from the fourth quarter of 2011. Average rents in Houston increased 6 percent, to \$840, during that period.



Apartment rental market conditions also improved in other large metropolitan areas throughout the Southwest region. The apartment market in Albuquerque was tight during the fourth quarter of 2012. According to Reis, Inc., the apartment vacancy rate in Albuquerque was 3.6 percent, down from 4.1 percent a year earlier, and the average rent increased 2 percent, to \$740. Apartment markets in Little Rock, New Orleans, and Tulsa improved significantly during the past year and are currently balanced. During the fourth quarter of 2012, the apartment vacancy rate was 5.7 percent in Little Rock, down from 6.7 percent a year earlier, and the average rent increased approximately 3 percent, to \$690. In New Orleans, the apartment vacancy rate declined from 7.7 percent in the fourth quarter of 2011 to 6.7 percent in the fourth quarter of 2012, and the average rent increased 2 percent, to \$890. The apartment vacancy rate in Tulsa fell to 6.2 percent during the fourth quarter of 2012 from the 7.0-percent rate recorded a year earlier, and the average rent increased 3 percent, to \$610.

Responding to improved rental market conditions in many large metropolitan areas, multifamily construction activity, as measured by the number of units permitted, accelerated in the region. Based on preliminary data, 61,000 multifamily units were permitted during 2012, a 62-percent increase compared with the number of units permitted during 2011 and substantially more than the average of 25,450 multifamily units permitted annually in 2009 and 2010. Multifamily permitting levels remain 11 percent less than the average of 68,700 units recorded during the peak years of 2007 and 2008, when overbuilding led to the softening of many rental markets in the region. During 2012, the number of multifamily units permitted in Texas increased 79 percent, or by 23,850 units, from the previous year, to 53,950 units. In other states in the region, the changes in multifamily permitting activity ranged from declines of 120, 170, and 510 units, respectively, in Oklahoma, Arkansas, and Louisiana to an increase of 390 units in New Mexico.