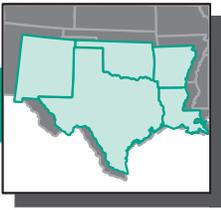


Housing Market Profile

Southwest • HUD Region VI



Hot Springs, Arkansas

The Hot Springs metropolitan area, which is coterminous with Garland County, Arkansas, is located 55 miles west of Little Rock. As of April 1, 2012, the population was estimated at 97,750, an average annual increase of 860, or 0.9 percent, from the April 2010 Census. Population increased at a 0.5-percent average annual rate from 2007 through 2009. Net in-migration has accounted for all of the population growth in the area since at least 1990. The metropolitan area is a popular retirement area and has long been a sought-after vacation destination. Leading private employers include St. Joseph's Mercy Health Center and Oaklawn Racing & Gaming, with 2,300 and 1,225 employees, respectively.

The economic decline that began in the metropolitan area in late 2008 bottomed out in recent months. During the 12 months ending February 2012, total nonfarm payrolls were almost unchanged at 37,300 jobs compared with nonfarm payrolls during the previous 12 months, which were down 400 jobs, or 1.1 percent, compared with the 12 months ending February 2010. The education and health services sector accounts for 20 percent of all nonfarm payrolls, in part because of an increasing demand for health services by the one-third of the population that is age 55 or older. During the 12 months ending June 2011, the most recent data available, a gain of 200 jobs, or 12.1 percent, in the manufacturing sector was offset by losses of 200 jobs each in the government and the professional and business services sectors. Rexam PLC, a packaging manufacturer in the city of Hot Springs, led manufacturing sector gains with the hiring of an additional 130 employees. The average unemployment rate for the 12 months ending February 2012 was 7.9 percent, down from 8.1 percent during the 12 months ending February 2011.

The metropolitan area sales housing market remains soft as a result of job losses, with an estimated vacancy rate of 3 percent, unchanged from April 2010. According to Hanley Wood, LLC, during the 12 months ending February 2012, the number of new and existing home sales was 1,700, down 7 percent from 1,825 in the previous 12 months and down 31 percent from the average annual level of 2,475 homes sold from 2005 through 2009. As of April 2010, more than 60 percent of all owner-occupied housing units housed someone age 55 or older. During the same period, homes purchased by absentee owners made up nearly 35 percent of all purchases, up from 32 percent in the previous 12-month period and an average

of 25 percent annually from 2005 through 2009. Despite falling sales, the 12-month average sales price for new and existing homes increased by 4 percent, from \$149,600 to \$155,800, during the most recent 12-month period compared with an average sales price of \$147,600 from 2005 through 2008. According to LPS Applied Analytics, as of February 2012, 4.2 percent of total home loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), relatively unchanged from 4.1 percent a year earlier.

Home construction, as measured by analyst estimates, slowed considerably beginning in 2007. During the 12 months ending April 2012, construction began on approximately 130 homes, unchanged from the previous year but a 70-percent decline compared with the estimated average of 400 homes started annually from 2005 through 2008. Hot Springs Village, 20 miles north of the city of Hot Springs, is the self-proclaimed largest gated community in the United States. Founded in 1970, the community comprises an estimated 8,600 homes built on 40 square miles, and the median age of its residents is 67 years. According to data from the Hot Springs Village Property Owners' Association, building activity slowed from an average of 210 homes annually from 2005 through 2008 to 65 annually during the past 3 years. Hickory Hills, a 72-lot subdivision in southeast Hot Springs in development since 2008, has 9 homes under construction and 13 vacant lots remaining, with prices starting at \$122,000 for a three-bedroom home.

The metropolitan area rental housing market is currently soft, with an estimated overall rental vacancy rate of 8 percent, down from an estimated 9.5 percent in April 2010; 45 percent of all rental units are single-family homes. According to local sources, the number of condominiums and single-family homes offered as rentals increased in the past 3 years in response to the slow sales market. The apartment rental vacancy rate is lower, currently estimated at 6 percent. Average apartment asking rents, based on an analyst survey, are estimated to be \$560, \$650, and \$760 for one-, two-, and three-bedroom units, respectively. Estimated rental building activity has slowed to 60 units annually since April 2010, down from an average of 100 units annually from 2005 through 2010. The 192-unit The Pointe at Hot Springs completed construction in May 2010 and is currently 92-percent leased up, with monthly rents ranging from \$650 to \$1,250 for one- to three-bedroom units. Hamilton Hills Apartments, comprising 12 two-bedroom units with monthly rents of \$725, completed construction in February 2012 and are fully occupied.