

Housing Market Profile

Southeast/Caribbean • HUD Region IV



Hot Springs, Arkansas

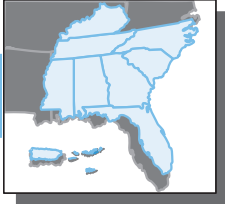
The Hot Springs metropolitan area, located in the Ouachita Mountains in southwest Arkansas, comprises Garland County and is coterminous with the Hot Springs Metropolitan Statistical Area (MSA). The metropolitan area is a popular retirement and vacation destination because of its numerous outdoor and recreational attractions, including the Hot Springs National Park, the Ouachita National Forest, and Oaklawn Jockey Club racetrack and casino. As of December 2009, the population of the metropolitan area was estimated at 99,100. Annual population growth has been relatively consistent averaging about 1,200 people, or 1.3 percent, during the past 3 years, entirely due to net in-migration. People of retirement age account for an estimated one-third of the total population. The city of Hot Springs is the most populous city in the metropolitan area, with an estimated current population of nearly 40,000 people.

Employment in the metropolitan area remained stable during the past 2 years, following average annual gains of 2.1 percent between 2002 and 2006. During the 12 months ending November 2009, nonfarm employment averaged 39,100 jobs, a gain of 200 jobs, or a 0.4-percent increase, compared with the number of jobs during the same period ending November 2008. The education and health services sector coupled with the leisure and hospitality sector account for more than one-third of the total employment in the metropolitan area, reflecting the needs of the large retirement community and the significant presence of the tourism industry. During the 12-month period ending November 2009, the education and health services sector averaged 7,200 jobs, which is unchanged compared with the number of jobs during the previous 12 months. Nearly all the jobs in this sector are within the healthcare and social assistance subsector. More than one-fourth of these jobs are located at St. Joseph's Mercy Health Center, the leading employer in the metropolitan area, with 2,000 workers. According to the Arkansas Department of Parks & Tourism, visitors spend more than \$500 million in the metropolitan area annually. The leisure and hospitality sector, with about 6,450 jobs, recorded the largest gain during the past 12 months, with an increase of 60 jobs, or 1 percent. Jobs at the gaming and racetrack facilities, owned and operated by the Oaklawn Jockey Club—the second leading employer, with 1,200 employees—account for nearly one-fifth of all jobs in this sector.

The Hot Springs metropolitan area sales market is currently soft with an estimated vacancy rate of 3 percent compared with more balanced conditions a year ago. According to the Arkansas REALTORS® Association, during the 12 months ending October 2009, new and existing home sales declined by 310, or 21 percent, to 1,150 homes compared with the number of homes sold during the same period a year ago; home sales volume peaked at 1,650 homes in 2005. During the 12-month period ending October 2009, the average sales price also decreased by \$17,000, or 10 percent, to \$159,200 compared with a decade-high increase of 6 percent a year ago. According to local REALTORS®, stricter lending standards have particularly hindered purchasing by second-home buyers and investors. More than 7 percent of the homes in the metropolitan area are vacation homes, a higher percentage than in 90 percent of the nation's MSAs. In Hot Springs Village, a town located 50 miles west of Little Rock, nearly 80 percent of the 34,000 property owners are nonresidents, according to the Hot Springs Village Property Owners' Association. According to local REALTORS®, condominium sales account for nearly one-sixth of the total sales market; units are sold primarily to retired people, second-home buyers, and investors. The price for a two-bedroom condominium typically ranges from \$200,000 to \$250,000.

Reflecting continued slowing home sales volume and declining prices, single-family construction activity, as measured by the number of building permits issued, remained stable during the past year. During the 12 months ending November 2009, approximately 150 single-family homes were permitted, a figure unchanged from a year ago but down from the 320 homes permitted in 2007. Sixty waterfront condominium units are under construction at Woodland Condominiums, located at Lake Hamilton in Hot Springs. According to the developer, 22 of the 36 units completed have sold at a price of \$129,000 for one-bedroom, 900-square-foot units and at prices ranging from \$199,000 to \$245,000 for two-bedroom, 1,500-square-foot units.

The metropolitan area rental housing market is soft, with an estimated rental vacancy rate of 9 percent, unchanged from a year ago but down from 14.5 percent in 2000. According to local REALTORS®, the number of nonseasonal rental units available for rent typically diminishes during summer months, reflecting more job opportunities and short-term leasing due to increased tourism. Construction of nonseasonal rental units totaled an estimated 250 units during the 12 months ending November 2009, compared with the 350 units



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constructed a year ago. An estimated 1,150 nonseasonal rental units have been built since 2000, and the approximately 200 units currently under construction are expected to be available by the spring of 2010. Also under construction are the 75 units at The Brookfield

Assisted Living facility in Hot Springs, which are expected to be completed by the spring of 2011. This \$8.7 million project will have 75 units with rents ranging from \$2,300 to \$3,600 per month.