

The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of government policies to counteract the disruption. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

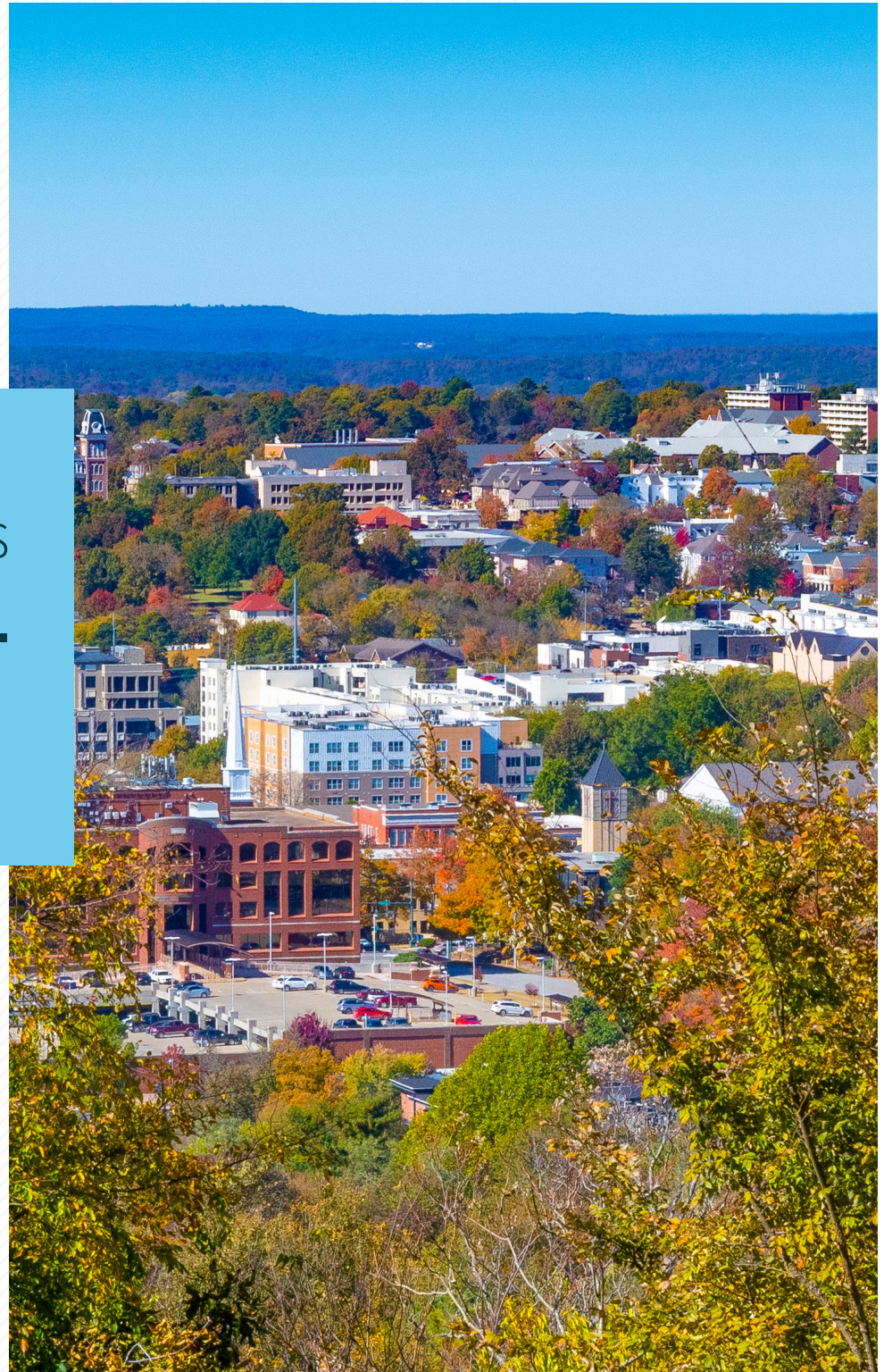
Fayetteville-Springdale-Rogers, Arkansas-Missouri

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of November 1, 2019



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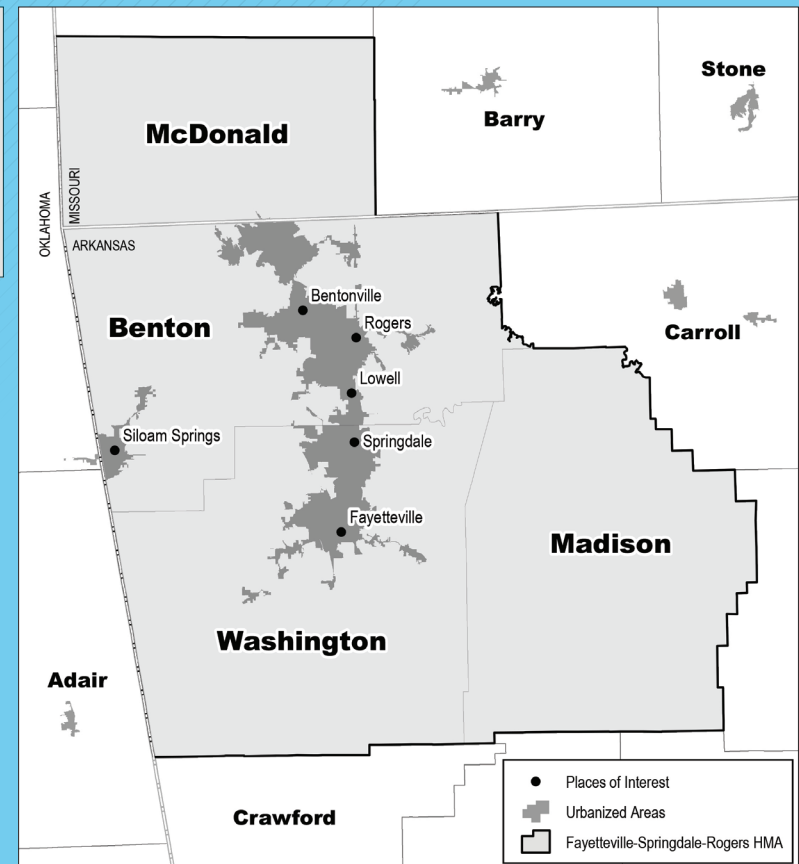


Executive Summary

Housing Market Area Description

The Fayetteville-Springdale-Rogers Housing Market Area (hereafter, Fayetteville HMA) includes Benton, Madison, and Washington Counties in northwest Arkansas and McDonald County in southwest Missouri. The HMA, in the Ozark Mountains, is coterminous with the Fayetteville-Springdale-Rogers, AR-MO Metropolitan Statistical Area (MSA). Residents and visitors are drawn to the HMA's numerous state parks, more than 500 miles of lake shoreline, and a wide array of entertainment and sports events, including University of Arkansas (UA) football games and shows at several local art centers.

The current population is estimated at 563,000.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#). Additional data for the HMA can be found in this report's [supplemental tables](#). For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Strong: Nonfarm payrolls totaled 263,700 jobs during the 12 months ending October 2019. Payrolls increased by 6,300 jobs, or 2.4 percent, compared with a 2.3-percent increase the previous year.

The economy of the HMA benefits considerably from its largest employers—Walmart Inc. (Walmart), Tyson Foods, Inc. (Tyson Foods), and UA, which account for a combined 16 percent of jobs in the HMA. During the next 3 years, nonfarm payrolls are expected to increase an average of 2.7 percent annually.

Sales Market



Slightly tight: During the 12 months ending October 2019, home sales increased 2 percent and the average home sales price increased 7 percent.

Sales housing market conditions in the HMA are currently slightly tight compared with soft conditions in April 2010. The current sales vacancy rate is estimated at 1.8 percent, down from 3.8 percent in April 2010. Demand for 10,500 new homes is forecast during the next 3 years. Demand is expected to increase slightly in the second and third years of the forecast period because of greater anticipated net in-migration. The 970 homes currently under construction will satisfy some of the demand during the forecast period.

Rental Market



Slightly tight: The rental vacancy rate is currently estimated at 6.6 percent, down from 13.9 percent in April 2010.

Rental market conditions are slightly tight in the HMA as of November 1, 2019, compared with soft conditions in April 2010. During the third quarter of 2019, the average apartment vacancy rate—excluding units in lease-up—was 2.8 percent, down from 3.0 percent a year earlier, and the average apartment rent was \$736, up 3 percent from a year earlier (Reis, Inc.). During the forecast period, demand is estimated for 5,200 new rental units. The 2,800 units currently under construction are expected to satisfy part of the demand during the forecast period.

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3-Year Housing Demand Forecast

	Sales Units	Rental Units
Fayetteville HMA		
Total Demand	10,500	5,200
Under Construction	970	2,800

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of November 1, 2019. The forecast period is November 1, 2019, to November 1, 2022.

Source: Estimates by the analyst



Economic Conditions

Largest sector: Professional and Business Services

Nonfarm payroll growth has been generally strong in the HMA for most of the past two decades, with average annual increases of 4.0 percent or greater from 2001 through 2006 and from 2014 through 2017.

Primary Local Economic Factors

The economy of the Fayetteville HMA depends heavily on its largest employers—Walmart, Tyson Foods, and UA (Table 1). Walmart, the largest retailer in the world, with a workforce of 2.20 million worldwide, employs approximately 28,000 workers throughout the HMA; 17,000 of those employees work at its corporate headquarters in the city of Bentonville in Benton County. In addition, an estimated 1,500 Walmart suppliers maintain corporate offices locally and employ a combined workforce of an estimated 10,000 people in the HMA. Tyson Foods, one of the largest food manufacturing companies in the nation, is the second

largest employer in the HMA, with 7,900 workers; 2,000 of those workers are employed at its corporate headquarters in the city of Springdale in Benton and Washington Counties. Along with their headquarters facilities, Walmart and Tyson Foods have various support, distribution, data processing, and operational facilities (retail stores and manufacturing plants, respectively) throughout the HMA, with jobs distributed among numerous sectors. With 6,400 employees, UA is the third largest employer. UA generates \$1.4 billion in economic activity in the HMA annually (UA 2019 report).

The professional and business services sector in the Fayetteville HMA has a significant impact on the local economy. The sector was the largest during the 12 months ending October 2019 with 51,800 jobs, or one-fifth of all nonfarm payroll jobs (Figure 1). Corporate headquarters for many companies are often included in this sector, even if those firms have essential activities carried out at other facilities that are located in one or more other sectors. The sector has

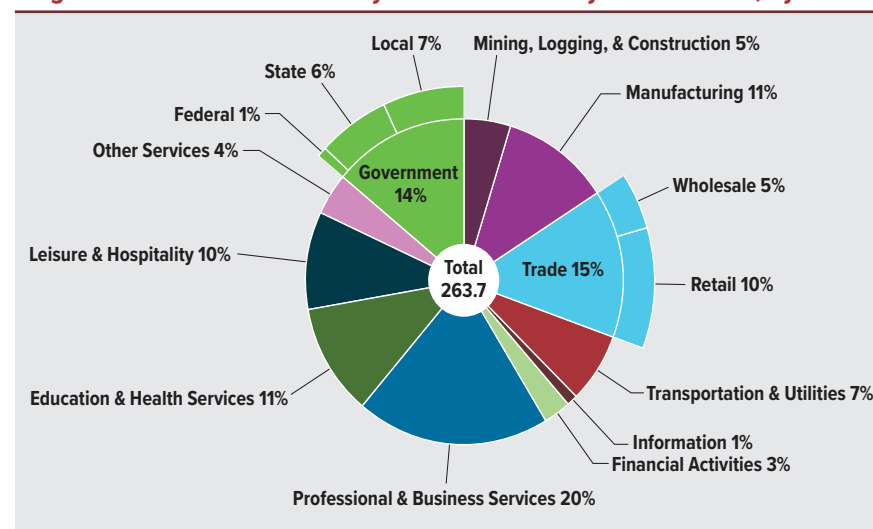
Table 1. Major Employers in the Fayetteville HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Walmart Inc.	Multiple Sectors	28,000
Tyson Foods, Inc.	Multiple Sectors	7,900
University of Arkansas	Government	6,400
J.B. Hunt Transport, Inc.	Transportation & Utilities	4,000
Mercy Northwest Arkansas	Education & Health Services	3,000
Washington Regional Medical Center	Education & Health Services	3,000
George's, Inc.	Manufacturing	2,500
Northwest Health	Education & Health Services	2,200
Arvest Bank	Financial Activities	2,000
Simmons Foods, Inc.	Manufacturing	1,900

Notes: Excludes local school districts. The U.S. Bureau of Labor Statistics classifies headquarters and support facilities of large corporations into nonfarm payroll sectors that may differ from those of the corporations' main line of business; see text.

Sources: Employers; local chambers of commerce

Figure 1. Share of Nonfarm Payroll Jobs in the Fayetteville HMA, by Sector



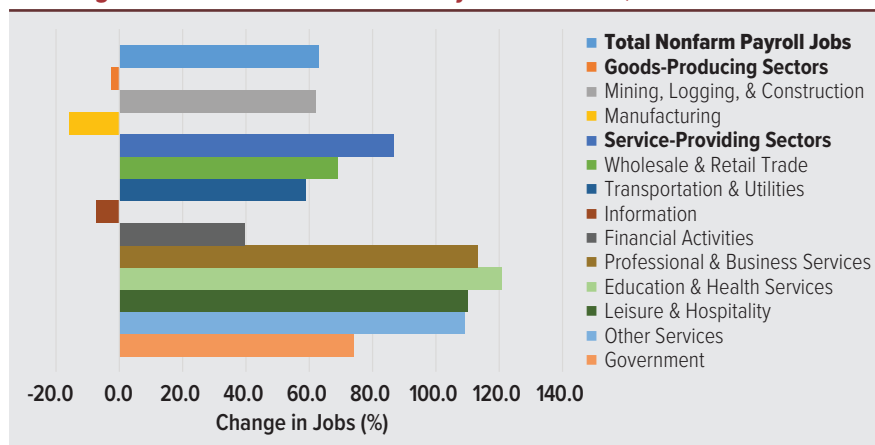
Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through October 2019.

Source: U.S. Bureau of Labor Statistics



added the greatest number of jobs since 2001, accounting for 27 percent of all new jobs during the period; it was also the second fastest growth sector since 2001, behind the education and health services sector (Figure 2). The strong job growth in the professional and business services sector—which offers higher wages than most other sectors—contributed to an average annual increase in per capita personal income in the HMA of 4.6 percent during the 2000s and an average increase of 6.3 percent annually from 2010 through 2018; those numbers are compared with national average increases of 3.6 and 3.7 percent annually, respectively (Bureau of Economic Analysis). The relatively high percentage of professional and business services sector jobs in the HMA—20 percent compared with 14 percent nationally—also contributed to a per capita income in 2018 of \$68,300, 20 percent higher than the national level. Within the HMA, Benton County had the largest year-to-date percentage increase in average weekly wages among large counties in the nation during the second quarter of 2019, up 16 percent (Bureau of Labor Statistics). The professional and business services sector contributed the most to the increase in weekly wages in the county, averaging a gain of \$557, or 35 percent.

Figure 2. Sector Growth in the Fayetteville HMA, 2001 to Current



Note: The current date is November 1, 2019.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Nonfarm Payrolls

During the 12 months ending October 2019, nonfarm payrolls in the Fayetteville HMA rose by 6,300 jobs, or 2.4 percent, to 263,700, compared with an increase of 2.3 percent during the previous 12 months (Table 2). Job growth was greatest in the professional and business services and government sectors, which increased by 1,800 and 1,300 jobs, respectively, or 3.6 percent each. Two corporate expansions by Tyson Foods contributed to gains in the professional and business services sector and resulted in a combined 320 new jobs. Of the 1,300 jobs gained in the government sector, 1,000 jobs were added in the state government subsector. Job growth was also strong in the education and health services sector, which increased by 700, or 2.4 percent. Numerous hospital expansions by Mercy Northwest Arkansas, the sixth largest employer, resulted in 800 new jobs, which contributed to growth in the sector.

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Fayetteville HMA, by Sector

	12 Months Ending October 2018	12 Months Ending October 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	257.4	263.7	6.3	2.4
Goods-Producing Sectors	41.2	42.2	1.0	2.4
Mining, Logging, & Construction	11.6	12.0	0.4	3.4
Manufacturing	29.6	30.2	0.6	2.0
Service-Providing Sectors	216.2	221.5	5.3	2.5
Wholesale & Retail Trade	38.6	39.1	0.5	1.3
Transportation & Utilities	17.2	17.8	0.6	3.5
Information	2.0	2.1	0.1	5.0
Financial Activities	8.1	8.4	0.3	3.7
Professional & Business Services	50.0	51.8	1.8	3.6
Education & Health Services	29.1	29.8	0.7	2.4
Leisure & Hospitality	26.1	25.9	-0.2	-0.8
Other Services	9.2	9.4	0.2	2.2
Government	35.9	37.2	1.3	3.6

Notes: Based on 12-month averages through October 2018 and October 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

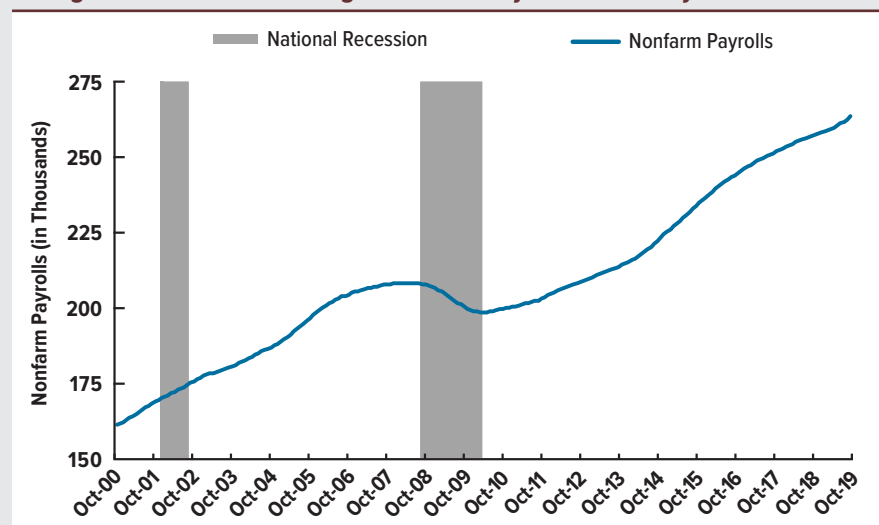


Economic Periods of Significance

2001 through 2006

From 2001 through 2006, nonfarm payrolls increased by an average of 7,200 jobs, or 4.0 percent, annually, to 205,400 jobs (Figure 3). The professional and business services and the wholesale and retail trade sectors led job growth during this period. The professional and business services sector gained an average of 1,300 jobs, or 4.9 percent, annually, because of widespread hiring at corporate offices. Job growth was strong in the wholesale and retail trade sector, which also increased by an average of 1,300 jobs, or 4.9 percent, annually. The transportation and utilities sector gained an average of 1,100 jobs, or 7.8 percent, annually, during the same period. Several Walmart distribution center expansions near the city of Bentonville contributed to gains in the transportation and utilities sector.

Figure 3. 12-Month Average Nonfarm Payrolls in the Fayetteville HMA



Note: Based on 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

2007 through 2009

During 2007, job growth in the HMA slowed to an average increase of 2,800, or 1.4 percent. Widespread losses in the manufacturing sector of 1,100 jobs, or 3.3 percent, and a decline of 900 jobs, or 7.3 percent, in the mining, logging, and construction sector partially offset overall gains. The decline in the mining, logging, and construction sector was mostly because of a slowdown in homebuilding. During 2008 and 2009, the number of nonfarm jobs decreased by an average of 4,300, or 2.1 percent, annually, as the HMA was affected by the Great Recession. The number of jobs declined in the transportation and utilities sector by an average of 1,600, or 9.7 percent, annually, and widespread layoffs resulted in a decrease in the manufacturing sector by an average of 1,500 jobs, or 4.9 percent, annually. In addition, significant declines in home construction resulted in fewer jobs in the mining, logging, and construction sector, which decreased by an average of 1,500 jobs, or 13.5 percent, annually. Similar to the nation, an increase in the education and health services sector, which increased by an average of 1,000 jobs, or 4.9 percent, annually, partially offset nonfarm payroll losses during this period.

2010 through 2017

In 2010, the economy in the HMA began to recover and nonfarm jobs surpassed prerecession payroll levels by late 2012. From 2010 through 2013, nonfarm payrolls increased by an average of 3,800 jobs, or 1.9 percent, annually, to 214,800. The professional and business services sector led job gains with an average annual increase of 2,000, or 5.5 percent, partly because of an increase in back-office and corporate-level positions. Economic expansion was strong from 2014 through 2017, when nonfarm payrolls increased by an average of 9,400 jobs, or 4.1 percent, annually; job growth occurred in every payroll sector. During this period, the HMA had the tenth fastest job growth nationally compared with other MSAs. The professional and business services sector, which increased by an average of 2,300, or 5.1 percent, annually, led job growth from the 2014-through-2017 period; that growth was partly because of



an expansion in 2014 at Serco Inc., in the city of Rogers, that resulted in 1,000 new back-office positions. Serco Inc., with 1,600 employees, provides contract services for the federal government. Job growth was also strong in the wholesale and retail trade sector, which increased by an average of 1,300, or 3.8 percent,

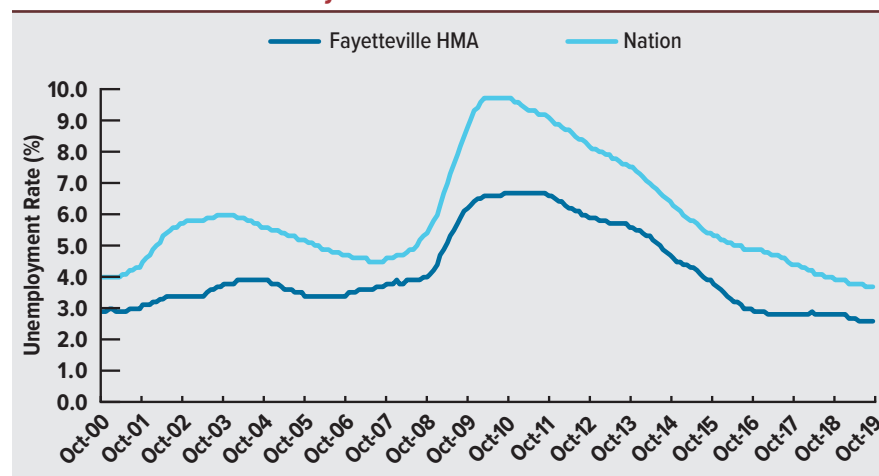
annually. Several Walmart store openings that resulted in more than 1,000 new jobs contributed to the increase. Widespread hiring at 11 new hospitals in the HMA contributed to an increase in the education and health services sector by an average of 1,100, or 4.2 percent, annually during the period.

Unemployment Rate Trends

The average unemployment rate in the HMA has been lower than the national rate since at least 2000 (Figure 4). From 2000 through 2008, the unemployment rate averaged 3.6 percent in the HMA, compared with 5.1 percent nationally. During 2009 and 2010, the average unemployment rate in the HMA increased, reaching 6.7 percent by the end of 2010, compared with the national rate of 9.6 percent. The unemployment rate in the HMA subsequently declined during each

of the next 7 years, to 2.8 percent in 2017, when the national unemployment rate was 4.4 percent. During the 12 months ending October 2019, the unemployment rate in the HMA was 2.6 percent, down from 2.8 percent a year earlier; the national rate declined to 3.7 percent from 4.0 percent during the same period. Relatively strong employment growth in the HMA, which has averaged 2.5 percent annually since 2000—compared with an average annual 0.7-percent increase nationally—has contributed to relatively low unemployment rates in the HMA compared with the nation.

Figure 4. 12-Month Average Unemployment Rate in the Fayetteville HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Forecast

During the forecast period, nonfarm payrolls are expected to increase an average of 2.7 percent annually. Job growth is expected to increase each year of the forecast period, with strong growth expected to continue in the professional and business services sector. J.B. Hunt Transport, Inc., the fourth largest employer with 4,000 employees, completed a new training and technology center in August 2019 near its headquarters in the city of Lowell in Benton County. The new facility will result in up to 1,000 new jobs, which will contribute to sector growth. Ongoing construction of the new Walmart headquarters campus, which began in the summer of 2019, will contribute to gains in the mining, logging, and construction sector. Completion is slated for 2024, at which time the campus will include approximately 20 buildings on more than 300 acres. Simmons Foods, Inc. is building a new poultry production plant near the city of Siloam Springs in Benton County, which will contribute to gains in the manufacturing sector. The new \$300 million plant is expected to result in 1,400 new jobs by the end of 2022.



Population and Households

Current population: 563,000

Since 2010, the population growth of the HMA has been strong, albeit slower compared with the 2000s.

The population of the HMA is estimated at 563,000 as of November 1, 2019 (Table 3). The current population represents an average annual increase of 10,400, or 2.1 percent, since April 2010. During the period, net in-migration accounted for 64 percent of the total population growth (Figure 5). The growing economy, scenic vistas, numerous recreational lakes, and the relatively affordable cost of living have drawn residents to the HMA, which ranked fourth in the *U.S. News & World Report* Best Affordable Places to Live in 2019.

Population Trends

During the 2000s, the HMA population increased by an average of 11,600, or 2.9 percent, annually, with an average annual net in-migration of 7,925 people, or 68 percent of the population growth (U.S. Census Bureau decennial census counts). Population growth was strong from 2002 to 2007, averaging 13,800 people, or 3.5 percent, annually, because of strong job growth (U.S. Census Bureau population estimates as of July 1). During the period, net in-migration accounted for 72 percent of the population growth. Population growth slowed from 2007 to April 2010, when the population increased by an average of 9,700, or 2.2 percent, annually; that growth reflected a 1.5-percent average annual job decline during the same period. Despite the local economic slowdown during the period, the relatively low unemployment rate in the HMA compared with the rates in other areas of the nation drew jobseekers in; this trend resulted in net in-migration accounting for 57 percent of the population growth. Also contributing to population growth during the period was increased enrollment at UA, which grew by an average of 640 students, or 3.5 percent, annually during the period; of those students, 92 percent relocated from outside the HMA (UA enrollment data; Figure 6). From 2010 to

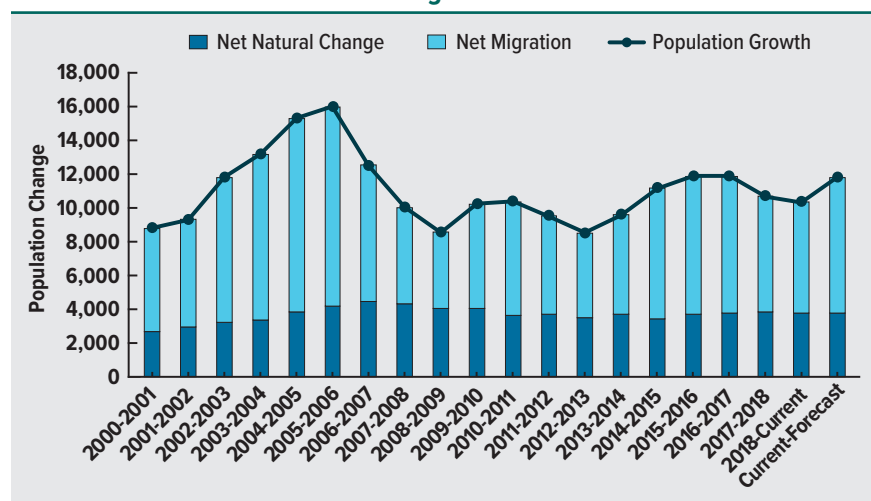
Table 3. Fayetteville HMA Population and Household Quick Facts

	2010	Current	Forecast	
Population Quick Facts	Population	463,204	563,000	598,400
	Average Annual Change	11,600	10,400	11,800
	Percentage Change	2.9	2.1	2.1
Household Quick Facts	Households	173,054	211,300	225,300
	Average Annual Change	4,100	4,000	4,650
	Percentage Change	2.7	2.1	2.2

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (November 1, 2019) to November 1, 2022.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Fayetteville HMA, 2000 Through the Forecast

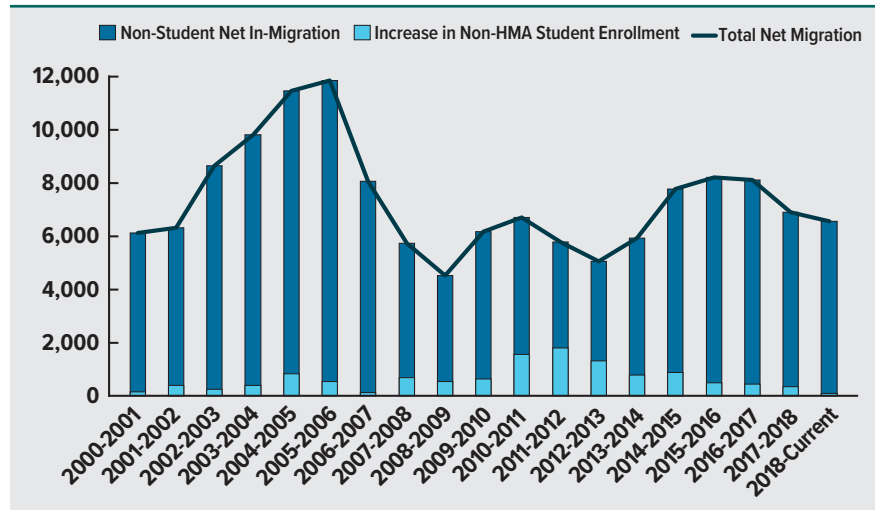


Notes: Net natural change and net migration totals are average annual totals over the period. The forecast period is from the current date (November 1, 2019) to November 1, 2022.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst



Figure 6. University of Arkansas Student Enrollment and Net Migration Trends in the Fayetteville HMA



Note: Enrollment changes are based on fall semester enrollments.
Sources: U.S. Census Bureau; University of Arkansas

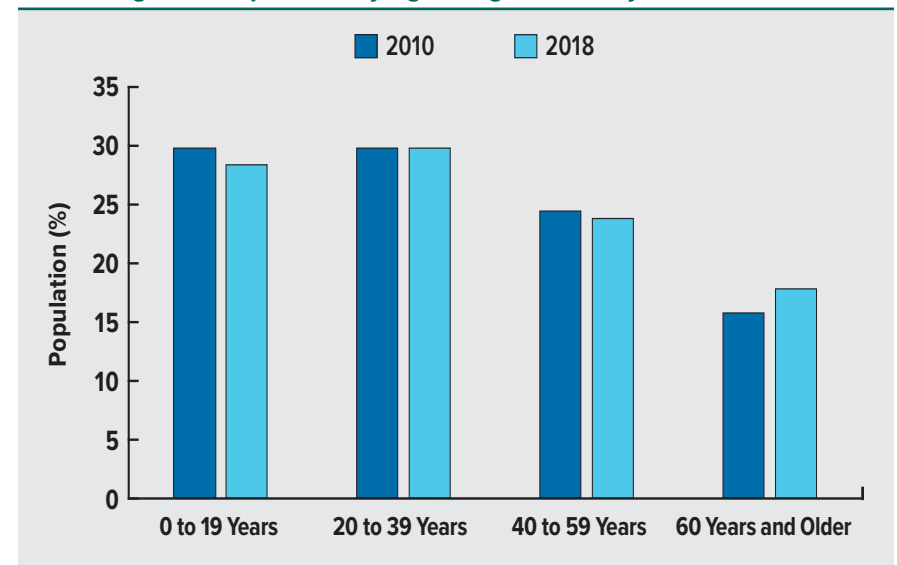
2017, the population increased by an average of 10,350, or 2.1 percent, annually. Net in-migration accounted for 65 percent of the population growth during the period. Contributing to population growth during the period was strong job growth in the HMA and increased enrollment at UA, which gained an average of 1,050 students, or 4.6 percent, annually, from 2010 to 2017—86 percent of those students relocated from outside the HMA.

Age Cohort Trends

The age cohort of 60 and older has grown at a faster pace in the HMA since 2010 compared with the age cohort of 59 and younger, reflecting national trends. From April 2010 to July 2018, the population of residents in the HMA ages 60 and older increased an average of 3.7 percent annually to 98,550 (U.S. Census Bureau decennial census counts and U.S. Census Bureau population estimates as of July 1). By comparison, the number of residents ages 59 and younger increased an average of 1.8 percent annually. The relatively

faster rate of population growth among residents in the HMA ages 60 and older resulted in the cohort accounting for a greater proportion of the total population in 2018, increasing to 17.9 percent, compared with 15.8 percent in 2010 (Figure 7). Nationally, the age cohort of 60 years and older increased an average of 3.0 percent annually from 2010 to 2018, whereas the age cohort of 59 and younger increased an average of only 0.1 percent annually. The population of residents 60 years and older accounted for 22.2 percent of the population nationally in 2018, compared with 18.5 percent in 2010. Although most of the increase in the population of residents 60 years and older in the HMA was the result of residents aging in place, a portion of the increase was because of retirees moving to the area. From 2014 to 2018, an average annual 3,325 residents ages 60 and older moved to the HMA from another state or from abroad (U.S. Census Bureau). Retirees are drawn to the HMA because of its relatively low cost of living and recreational and entertainment venues.

Figure 7. Population by Age Range in the Fayetteville HMA



Source: U.S. Census Bureau



Population by Geography

As of July 2018, Benton County was the most populous county in the HMA, with 50 percent of the HMA population (U.S. Census Bureau population estimates as of July 1). Benton County also accounted for 60 percent of the population growth from April 2010 to July 2018, increasing an average of 2.6 percent annually (U.S. Census Bureau decennial census counts and U.S. Census Bureau population estimates as of July 1). Washington County accounted for 43 percent of the HMA population in 2018. The population of Washington County increased an average of 1.9 percent annually from 2010 to 2018, representing 39 percent of the HMA population growth during the period. The combined population of the remaining two counties accounted for 7 percent of the HMA population in 2018 and only 1 percent of the population growth from 2010 to 2018. The city of Fayetteville, with a population of 85,500 as of 2018, was the most populous city in the HMA. The population of Fayetteville grew an average of 2.0 percent annually from 2010 to 2018. Springdale, Rogers, and Bentonville, with populations of 81,000, 67,600, and 51,100, were the second, third, and fourth largest cities in the HMA, respectively. Among the largest cities, Bentonville had the fastest population growth rate from 2010 to 2018, with an average increase of 4.5 percent annually.

Household Growth Trends

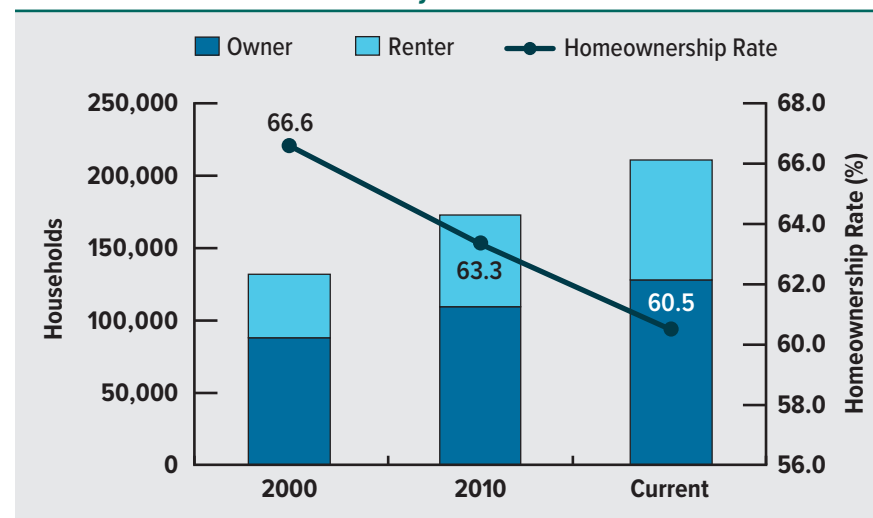
The current number of households in the HMA is an estimated 211,300, representing an average annual increase of 4,000 households, or 2.1 percent, since April 2010—a pace similar to that of population growth in the HMA during the same period. The number of households increased an average of 2.7 percent annually during the 2000s, a slightly slower pace compared with population growth during the same period. An increase in doubling up of households and a delay in new household formation in the late 2000s as a result of the Great Recession, reflecting national trends, contributed to the slower pace (U.S. Census Bureau).

Households by Tenure

Tightened mortgage lending standards, strong enrollment growth at UA, and an increased propensity to rent contributed to strong renter household growth in the HMA in the early and mid-2010s, although an increase in homeownership has occurred more recently. Renter household growth has accounted for 52

percent of all household growth since 2010, compared with 47 percent during the 2000s. Renter households currently account for an estimated 39.5 percent of all households in the HMA, compared with 36.7 and 33.4 percent in 2010 and 2000, respectively (Figure 8). Although the homeownership rate in the HMA remains below the 2010 rate, it has increased by an estimated 0.5 percentage point annually since 2016, partly because of increased confidence in the home sales market. The increased population in the HMA of residents ages 60 and older—who are more likely to own than other age cohorts—has also contributed to the recent increase in homeownership. From 2010 to 2018, the percentage of owner households in the HMA with householders ages 60 and older increased by an average of 1,550 households, or 3.6 percent, annually, to 47,500 (2010–2018 American Community Survey [ACS] 1-year data). Enrollment trends at UA during the past 2 years have also contributed to the recent increase in the homeownership rate in the HMA. The UA average annual enrollment growth was flat during 2018 and 2019, compared with an average

Figure 8. Households by Tenure and Homeownership Rate in the Fayetteville HMA



Note: The current date is November 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

increase of 4.6 percent annually from 2010 to 2017. Washington County, where UA is located, accounted for 53 percent of all renter households in the HMA in 2018; the county also had a homeownership rate of only 53.2 percent, compared with 67.2 percent in Benton County and a combined average of 73.6 percent for the remaining counties.

Forecast

During the forecast period, the population of the HMA is expected to increase by an average of 11,800, or 2.1 percent, annually. Net in-migration is expected

to increase during the second and third years as the economy expands at a slightly faster pace compared with the first year. The number of households in the HMA is expected to increase by an average of 4,650, or 2.2 percent, annually during the forecast period—a slightly faster pace than population growth. Contributing to the slightly faster pace is the increasing proportion of residents ages 60 and older, who tend to have smaller household sizes. Owner households are expected to account for 60 percent of new household formation in the HMA during the next 3 years due to the recent trend of rising homeownership.



Home Sales Market Conditions

Market Conditions: Slightly Tight

Strengthening economic conditions, population growth, increased personal income, and access to credit have contributed to improved sales market conditions in the HMA compared with 2010.

Current Conditions

Sales housing market conditions in the Fayetteville HMA are currently slightly tight compared with soft conditions in April 2010. The sales vacancy rate is currently estimated at 1.8 percent, down from 3.8 percent in April 2010 (Table 4). The inventory of homes for sale represented a 3.1-month supply in October 2019, unchanged from a year earlier; that inventory was well below both the 12.6-month supply in April 2010 and the peak level of a 14.7-month supply in

August 2008, however (CoreLogic, Inc.). Since 2010, the home sales market in the HMA has benefitted from job gains, increased personal income, population growth, and increased access to credit. The average rate nationally for a 30-year fixed-rate mortgage was 3.8 percent in October 2019, down from 5.0 percent in 2010 (Freddie Mac). The current share of home mortgages with negative equity in the HMA is 5 percent, unchanged from a year ago but significantly improved compared with 34 percent in 2010.

Current Home Sales and Prices

During the 12 months ending October 2019, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 14,550 homes sold in the Fayetteville HMA. That number was an increase of 290, or 2 percent, compared with no change a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Figure 9). The average price increased by \$15,350, or 7 percent, to \$232,800, compared with a 7-percent increase a year earlier. During the 12 months ending October 2019, new home

Table 4. Home Sales Quick Facts in the Fayetteville HMA

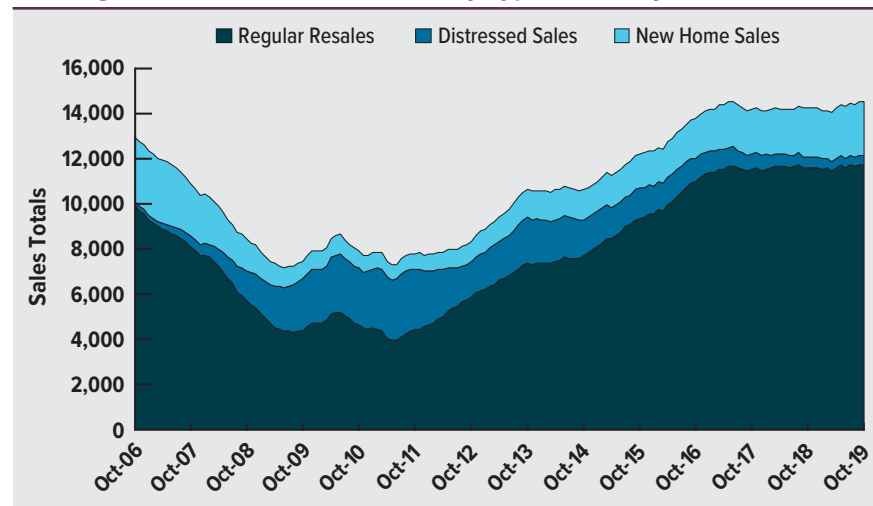
	Fayetteville HMA	Nation
Vacancy Rate	1.8%	NA
Months of Inventory	3.1	3.1
Total Home Sales	14,550	5,963,000
1-Year Change	2%	0%
New Home Sales Price	\$264,100	\$410,800
1-Year Change	7%	0%
Existing Home Sales Price	\$228,000	\$316,500
1-Year Change	7%	2%
Mortgage Delinquency Rate	0.8%	1.4%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending October 2019; and months of inventory and mortgage delinquency data are as of October 2019. The current date is November 1, 2019.

Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Figure 9. 12-Month Sales Totals by Type in the Fayetteville HMA

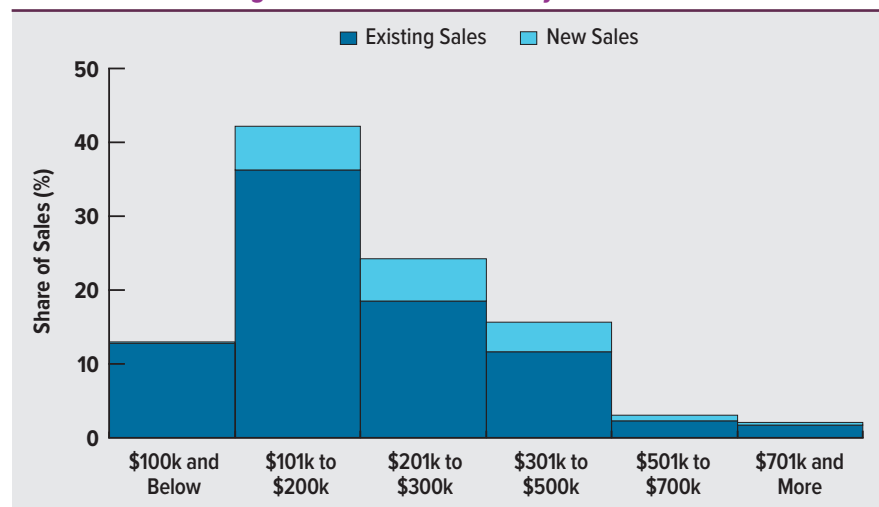


Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst



sales increased 10 percent to 2,400 and the average price for a new home increased 7 percent to \$264,100. Regular resale home sales increased 1 percent to 11,800 homes and the average price for a regular resale home was \$228,000, up 7 percent from a year earlier. Homes priced from \$101,000 to \$200,000 accounted for the greatest share of total home sales in the HMA during the past year (Figure 10). Distressed sales (real estate owned [REO] and short sales) accounted for 3 percent of existing home sales, down from 4 percent a year earlier and down from a peak level of 41 percent in June 2011. Absentee-owner sales—which are primarily investment or second-home purchases—accounted for 21 percent of total sales during the 12 months ending October 2019, unchanged from a year earlier and down slightly from an average of 23 percent from 2010 through 2017. By comparison, absentee-owner sales accounted for 27 percent of total sales nationally during the 12 months ending October 2019, compared with an average of 29 percent from 2010 through 2017.

Figure 10. Share of Sales by Price Range During the 12 Months Ending October 2019 in the Fayetteville HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
 Source: Metrostudy, A Hanley Wood Company

Home Sales Trends

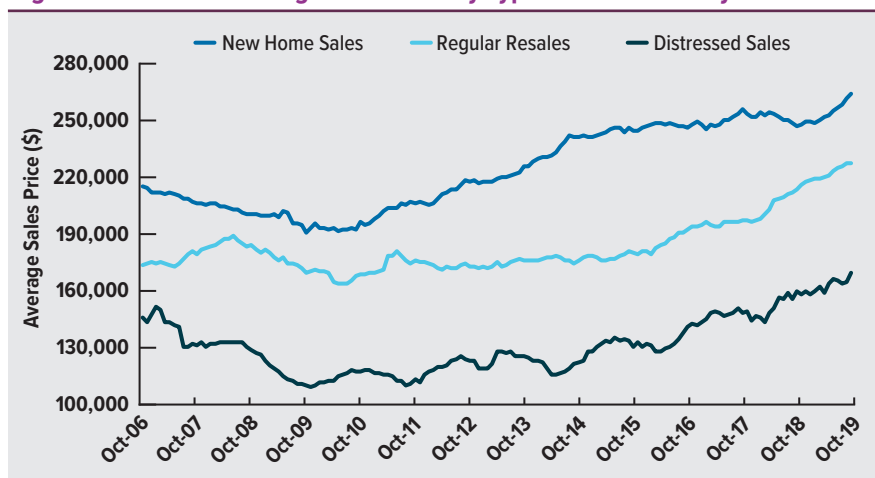
Home sales trends in the HMA have been similar to national trends since 2005. Home sales declined from 2006 through 2009 by an average of 1,775, or 15 percent, annually in the HMA to 7,950, compared with an average annual decrease of 14 percent nationally (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The significant decrease in home sales during the period resulted from the housing crisis and job losses in 2008 and 2009. Tighter mortgage lending standards also contributed to declining home sales during the period. In 2009, adjustable-rate mortgages—which can be used as a tool to qualify more borrowers—accounted for only 3 percent of all home mortgages in the HMA, compared with 22 percent in 2005. By comparison, adjustable-rate mortgages also accounted for 3 percent of home mortgages nationally in 2009, compared with 43 percent in 2005. Home sales continued to decline during 2010 and 2011 in the HMA, but at a much slower pace. During the period, home sales decreased by an average of 95, or 1 percent, annually, to 7,750, compared with an average annual decrease of 4 percent nationally. The economic recovery, which began in 2010 in the HMA and 2011 nationally, contributed to relatively improved conditions during the period compared with the 2006-through-2009 period. Strong job and population growth, increased personal income, and access to credit in the HMA contributed to an average increase in home sales of 1,050, or 11 percent, annually from 2012 through 2017 to 14,100 homes, compared with 7 percent nationally.

Home Sales Price Trends

During 2006 and 2007, before the local economic downturn, the average price for a home in the HMA increased by an average of \$5,525, or 3 percent, annually, to \$185,200. During 2008 and 2009, the average price declined by an average of \$14,000, or 8 percent, annually, to \$157,200. Lower home sales demand in the HMA stemming from job losses contributed to a decrease in the average home sales price during the period. Also contributing to the decrease in home prices was the growing share of relatively lower priced distressed

sales, which increased from 5 percent of total sales in 2007 to 30 percent in 2009. The average distressed sales price in 2009 was 34 percent lower than the average price for regular resale homes and 49 percent below the average price for new homes (Figure 11). From 2010 through 2017, increased home sales demand—stemming from strong population, job, and per capita income growth—contributed to an increase in the average price of a home by an average of \$5,675, or 3 percent, annually, to \$202,600.

Figure 11. 12-Month Average Sales Price by Type of Sale in the Fayetteville HMA



Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Delinquent Mortgages and REO Properties

In October 2019, 0.8 percent of home loans in the Fayetteville HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status; that percentage is down from 0.9 percent a year earlier and well below the 6.6-percent rate in April 2010 (CoreLogic, Inc.). By comparison, the national rate of seriously delinquent mortgages and REO properties was 1.4 percent in October 2019, down from 1.7 percent a year earlier and a rate of 8.2 percent in April 2010. The percentage of seriously delinquent

mortgages and REO properties peaked in the HMA in January 2010 at 7.0 percent. Nationally, the percentage of seriously delinquent mortgages and REO properties also peaked in January 2010, reaching 8.6 percent.

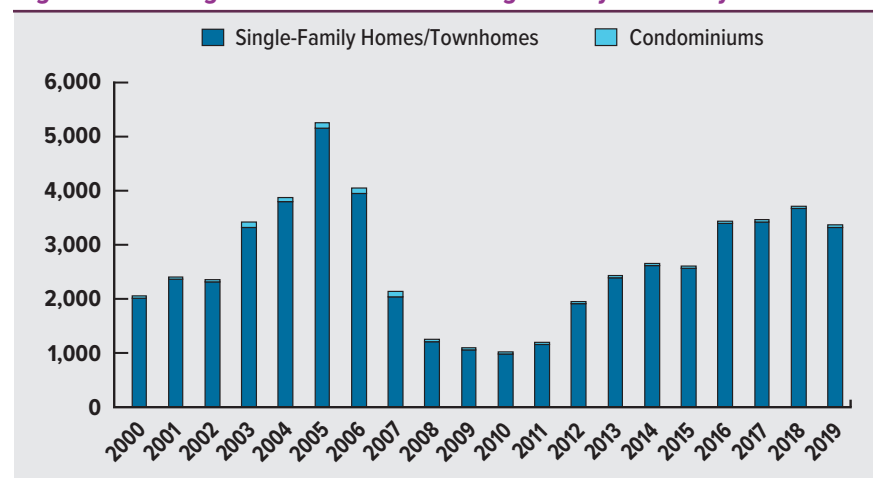
Current Sales Construction

Homebuilders responded to increased home sales demand during the 12 months ending October 2019 by boosting construction activity, as measured by the number of building permits issued for sales housing, which includes single-family homes, townhomes, and condominiums. Homebuilding activity increased 8 percent to 4,025 in the HMA during the 12 months ending October 2019 compared with the number permitted a year earlier (preliminary data).

Sales Construction Trends

Homebuilding activity peaked in 2005 when 5,275 homes were permitted (Figure 12). Relaxed mortgage lending standards and job and population growth—which resulted in increased demand—were the primary reasons for

Figure 12. Average Annual Sales Permitting Activity in the Fayetteville HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through October 2019. Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst



increased homebuilding. Home construction declined from 2006 through 2010 by an average of 850, or 28 percent, annually. Decreased confidence in the home sales market, tighter lending standards stemming from the national housing crisis and recession, and job losses in the HMA during 2008 and 2009 contributed to that decline. From 2011 through 2017, home construction activity increased by an average of 350, or 19 percent, annually, because of increased demand stemming from strong population, job, and income growth and increased confidence in the home sales market among homebuyers. Only moderate condominium construction has occurred in the HMA since 2000; an estimated total of 600 condominium units have been built, representing 1 percent of sales construction overall.

Home Sales Construction Activity by Geography

Benton County accounted for 65 percent of homebuilding activity in the HMA during the 12 months ending October 2019, whereas Washington County accounted for 35 percent. A combined total of only 12 home permits were issued during the period in the remaining two counties. Homebuilding was strong in the cities of Bentonville and Rogers, where a combined one-fourth of homebuilding activity in the HMA occurred. Construction is nearly completed at the Cornerstone residential community in the city of Bentonville. Since opening in 2017, 58 new three- and four-bedroom homes, ranging in size from 1,800 to 2,600 square feet, have sold for an average price of \$239,000. An additional

21 homes are available for sale and 1 home site remains available for construction. In the city of Rogers, 7 new single-family homes of the 65 homes planned at buildout are available for sale at the Chandler Run residential community, which opened in 2018. Approximately 57 new three- and four-bedroom homes have sold for an average price of \$268,700. Homes at Chandler Run range in size from 1,735 to 2,200 square feet. One home site remains available for construction at the development.

Forecast

Demand is expected for 10,500 new homes in the HMA during the next 3 years (Table 5). New home sales demand is expected to increase slightly each year of the forecast period, partly because of increasing employment and net immigration during the second and third years. The 970 homes currently under construction will meet part of the demand during the first year. Demand is expected to continue to be strong in the cities of Bentonville and Rogers.

Table 5. Demand for New Sales Units in the Fayetteville HMA During the Forecast Period

Sales Units	
Demand	10,500 Units
Under Construction	970 Units

Note: The forecast period is from November 1, 2019, to November 1, 2022.
Source: Estimates by the analyst



Rental Market Conditions

Market Conditions: Slightly Tight

Rental market conditions have improved since 2010 despite a significant increase in the supply of new rental units.

Current Conditions

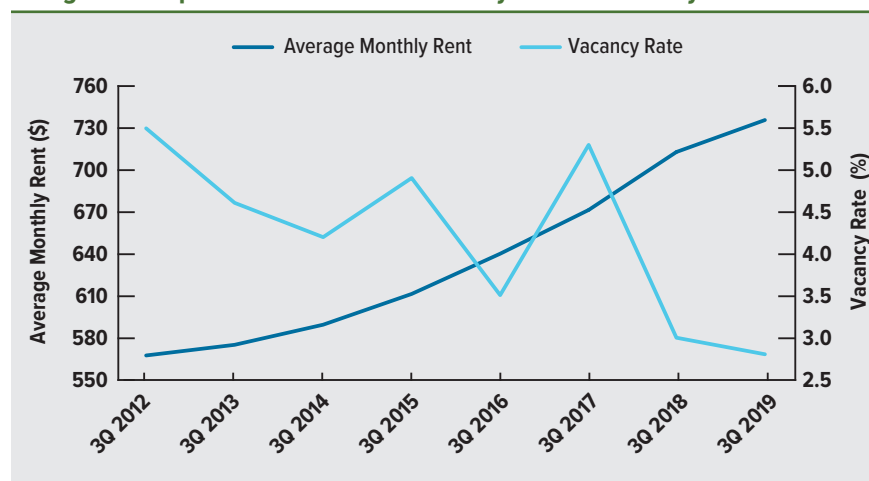
Rental market conditions in the HMA are slightly tight as of November 1, 2019, compared with soft conditions during April 2010. The overall rental vacancy rate is currently an estimated 6.6 percent, down from 13.9 percent in April 2010 (Table 6). Apartment market conditions in the HMA are currently tight. During the third quarter of 2019, the average apartment vacancy rate, excluding units in lease-up, was 2.8 percent, down from 3.0 percent a year earlier. The average apartment rent was \$736—an increase of 3 percent from a year earlier, compared with a 6-percent increase during the same period the previous year (Reis, Inc.; Figure 13). The overall rental vacancy rate is typically higher than the apartment vacancy rate in the HMA because of higher vacancy rates in the single-family rental market, which account for approximately 45 percent of the total number of occupied rental units in the HMA (2018 ACS 1-year data). Increased demand as a result of strong job and population growth in the past year has contributed to tighter rental market conditions. The rental market also has benefitted from increased enrollment at UA since 2010.

Table 6. Rental Market Quick Facts in the Fayetteville HMA

	2010 (%)	Current (%)
Rental Vacancy Rate	13.9	6.6
Occupied Rental Units by Structure		
Single-Family Attached & Detached	40.1	45.3
Multifamily (2–4 Units)	17.7	15.5
Multifamily (5+ Units)	36.3	42.0
Other (Including Mobile Homes)	5.9	5.0

Source: 2010 and 2018 American Community Survey 1-year data

Figure 13. Apartment Rents and Vacancy Rates in the Fayetteville HMA



3Q = third quarter.
Source: Reis, Inc.

Apartment Market Trends

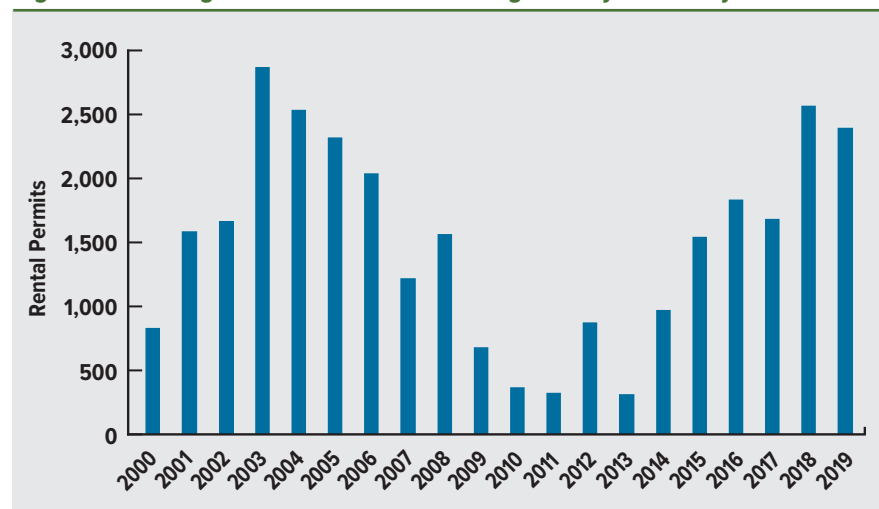
From 2000 through 2006, apartment market conditions in the HMA were balanced, reflecting an expanding economy and significant net in-migration. Apartment market conditions began to weaken in 2007, however, and the average apartment vacancy rate increased to almost 16.0 percent in 2009 (UA apartment vacancy survey). Job losses in 2008 and 2009 and a significant increase in apartment supply because of the completion of an estimated 4,800 new apartment units from 2007 through 2009 contributed to softening apartment market conditions. From 2010 through 2012, increased UA student enrollment, an expanding local economy, and an increased preference to rent—combined with reduced apartment construction activity—contributed to a significant decline in the average apartment vacancy rate, which reached 5.5 percent in 2012 (Reis, Inc.). From 2013 through 2017, strong payroll increases in the HMA and enrollment growth at UA contributed to an average apartment vacancy rate of 4.5 percent in the HMA, with rates ranging from 3.5 percent in 2016 to 5.3 percent in 2017. Increased apartment demand during the period

contributed to an increase in rent growth from an average annual 2-percent increase during 2013 and 2014 to an average increase of 4 percent annually from 2015 through 2017.

Rental Construction Activity

Rental construction activity in the Fayetteville HMA, as measured by the number of rental units permitted, has been strong recently as developers have responded to relatively low apartment vacancy rates and strong rent growth. During the 12 months ending October 2019, 2,550 units were permitted, up 9 percent compared with a year earlier (preliminary data, with adjustments by the analyst). During the 2000s, rental construction activity was strongest from 2003 through 2006, averaging 2,450 units annually (Figure 14). Weakening apartment market conditions from 2007 through 2009 and job losses in 2008 and 2009 contributed to rental construction activity decreasing by an average of 340, or 31 percent, annually from 2007 through 2011, to 330 units.

Figure 14. Average Annual Rental Permitting Activity in the Fayetteville HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through October 2019. Sources: U.S. Census Bureau, Building Permits Survey; 2000–2018 final data and estimates by the analyst; 2019 preliminary data and estimates by the analyst

Rental construction activity continued to occur at a moderate pace from 2012 through 2014, averaging 730 units annually, as builders were slow to respond to improving economic and rental market conditions during the period. From 2015 through 2017, rental construction activity was relatively strong compared with 2007 through 2014. From 2015 through 2017, rental construction activity averaged 1,700 units annually. Significant declines in the average apartment vacancy rate, strong rent growth, and population and job growth contributed to the relatively strong rental construction activity during the period.

New Construction

An estimated 2,800 apartment units are currently under construction in the HMA and an additional 1,000 units are in the final planning stages. In the city of Bentonville, construction began in 2018 on the 604-unit Walton Crossing apartment community. The development, located 2 miles south of the Walmart corporate headquarters, is nearing completion and offers one- and two-bedroom units with rents starting at \$745 and \$840, respectively. In the city of Fayetteville, the second phase of The Greens at Fayetteville began in August 2019. The 300-unit apartment community is expected to be complete in 2020, and it will include a nine-hole regulation golf course. Rent information is not yet available. Construction was completed in 2019 at The Avenue, an off-campus student apartment community located near the UA campus. Rents at the community, which include 180 units with a combined 652 beds, range from \$679 to \$699 per bed in four-bedroom units and \$759 to \$769 per bed in two-bedroom units. Several age-restricted apartment communities have been built recently or are under construction in the HMA. In the city of Fayetteville, Grand Village at Clear Creek, a retirement community restricted to residents ages 55 and older, was completed in 2019. The 110-unit community includes one-, two-, and three-bedroom apartment units and single-family homes, with monthly payments—which account for rent, meals, and utility cost—starting at \$2,699. Amenities at the 20-acre community include an indoor pool, walking trails, and a 100-seat movie theater. In the city of Rogers, construction began on the Pinnacle Groves senior living community. Pinnacle Groves, also restricted to residents ages 55 and older, is slated for completion in December 2020.



Once completed, the community is expected to include approximately 100 independent living units and 100 assisted living units. Independent living units at Pinnacle Groves will include studio, one-, and two-bedroom apartment units and single-family homes for rent. Amenities at Pinnacle Groves will include a fishing lake, walking trails, and indoor swimming pool. Rent information for Pinnacle Groves is not yet available.

UA Impact on the HMA Rental Market

The HMA rental market benefits significantly from enrollment at UA. Approximately 6,300 UA students reside on campus and the remaining 21,200 UA students reside off-campus; those students residing off-campus account for an estimated 8 percent of all renter households in the HMA. Although UA has added on-campus housing to accommodate an additional 850 students since 2010, UA enrollment increased by 7,700 students during the same period. Since 2010, private developers have responded to enrollment growth at UA by building 13 off-campus student apartment communities in the HMA, with a combined 6,725 beds in 2,225 units; this construction accounted for one-sixth of rental construction activity during the period (RealPage, Inc.). Despite the increase in both UA on-campus housing and privately owned off-campus student apartments in the HMA since 2010, the student apartment market has been balanced to tight almost every year during the period. In the fall of 2019, the average vacancy rate at UA on-campus housing was 2.3 percent, compared

with no vacancies a year earlier and an average vacancy rate of 2.1 percent from 2010 to 2017. The average off-campus student apartment vacancy rate in the HMA, excluding units in lease-up, is currently 4.5 percent, unchanged from a year ago and down compared with an average vacancy rate of 5.3 percent from 2010 through 2017. The average off-campus student apartment rent in the HMA is currently \$511 per bed, up 2 percent from a year ago, compared with an average increase of 2 percent annually from 2010 to 2017.

Forecast

During the forecast period, demand is estimated for 5,200 new rental units in the HMA (Table 7). Demand is expected to increase slightly in the second and third years of the forecast period because of greater net in-migration. The 2,800 units currently under construction and an additional 1,000 units in final planning stages are expected to satisfy demand during the first 2 years of the forecast period.

Table 7. Demand for New Rental Units in the Fayetteville HMA During the Forecast Period

Rental Units	
Demand	5,200 Units
Under Construction	2,800 Units

Note: The forecast period is November 1, 2019, to November 1, 2022.

Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Distressed Sales	Short sales and real estate owned (REO) sales.
Forecast Period	11/1/2019–11/1/2022—Estimates by the analyst
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Large Counties	The Bureau of Labor Statistics defines large counties as counties with employment levels of 75,000 or greater.



Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau’s 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.



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