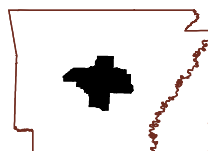
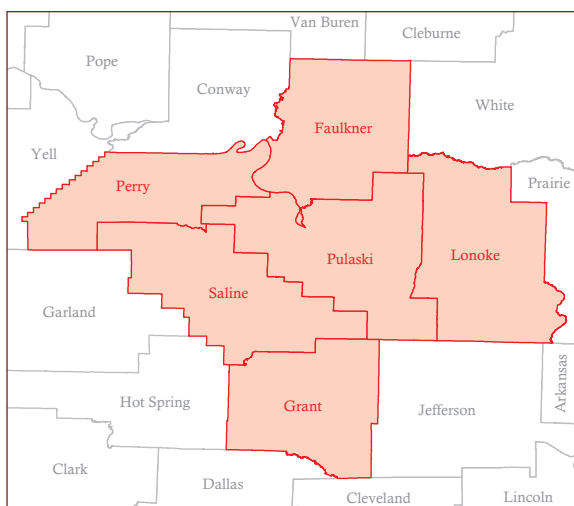




# Little Rock-North Little Rock-Conway, Arkansas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2013

PD&amp;R



## Housing Market Area

The Little Rock-North Little Rock-Conway Housing Market Area (hereafter the Little Rock HMA) in central Arkansas is bisected by the Arkansas River. The principal city, Little Rock, is the state capital and is in Pulaski County along with the city of North Little Rock. For purposes of this analysis, the HMA is divided into three submarkets: the Central submarket is coterminous with Pulaski County; the Southern submarket comprises Grant and Saline Counties; and the Northern submarket, which includes the city of Conway, consists of Faulkner, Lonoke, and Perry Counties.

## Summary

### Economy

Economic conditions in the Little Rock HMA have continued to improve since mid-2010. During the 12 months ending May 2013, nonfarm payrolls increased by 3,000 jobs, or 0.9 percent, to 343,500 jobs, compared with a 0.5-percent increase during the previous 12-month period. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 3,550 jobs, or 1.0 percent, annually. The State of Arkansas

is the largest employer in the HMA, with 21,650 employees, excluding state higher education employment.

### Sales Market

Sales housing market conditions in the HMA are currently slightly soft, with an estimated sales vacancy rate of 1.8 percent, down from 2.1 percent in April 2010. During the forecast period, employment and population gains are expected to support demand for 8,725 new homes (Table 1). The 560 homes currently under construction and a portion of the 12,700 other vacant units in the HMA that may reenter the market will likely satisfy some of the demand.

### Rental Market

The rental housing market in the HMA is currently soft, with an estimated overall rental vacancy rate of 9.6 percent, down from 10.1 percent in April 2010. The apartment market is slightly soft with an estimated vacancy rate of 8.1 percent, up from 7.4 percent in 2010. During the forecast period, demand is expected for 1,300 new market-rate rental units (Table 1). The 1,390 units currently under construction will likely satisfy all of this demand.

## Market Details

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**Table 1.** Housing Demand in the Little Rock HMA,\* 3-Year Forecast, June 1, 2013, to June 1, 2016

	Little Rock HMA*		Central Submarket		Southern Submarket		Northern Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	8,725	1,300	2,925	130	2,675	340	3,125	830
Under construction	560	1,390	260	840	160	0	140	550

\* Little Rock-North Little Rock-Conway HMA.

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2013. A portion of the estimated 12,700 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

## Economic Conditions

The economy of the Little Rock HMA continues to grow at a slow rate after recording job losses from mid-2008 through mid-2010. During the 12 months ending May 2013, total nonfarm payrolls in the HMA grew by 3,000 jobs, or 0.9 percent, to 343,500, compared with the rate of growth during the previous 12 months and the national rate of 1.6 percent (Table 2). Current nonfarm payrolls remain 5,000 jobs below the peak of 348,500

jobs recorded during the 12 months ending September 2008, despite job gains during the past 2 years. During the recession, which lasted from December 2007 through June 2009, nonfarm payrolls dropped by an average of 7,600 jobs annually, or 2.1 percent, compared with a decline of 3.4 percent nationally. During that time, most sectors in the HMA lost jobs, with the transportation and utilities and the manufacturing sectors recording the greatest losses. Only the education and health services and the government sectors avoided job losses during the period. Before the recession, annual job gains averaged 4,500 jobs, or 1.4 percent, from 2002 through 2007 compared with the national rate of 1.1 percent. During the 12 months ending May 2013, the unemployment rate decreased from 6.8 to 6.5 percent. By comparison, from 2000 through 2008, the unemployment rate averaged 4.5 percent before increasing to a peak of 7.0 percent during the 12 months ending January 2011. Figure 1 shows the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2012.

**Table 2.** 12-Month Average Nonfarm Payroll Jobs in the Little Rock HMA,\* by Sector

	12 Months Ending May 2012	12 Months Ending May 2013	Absolute Change	Percent Change
Total nonfarm payroll jobs	340,500	343,500	3,000	0.9
Goods-producing sectors	37,200	36,500	- 700	- 1.9
Mining, logging, & construction	17,200	16,500	- 700	- 4.1
Manufacturing	20,100	20,000	- 100	- 0.5
Service-providing sectors	303,200	307,000	3,800	1.3
Wholesale & retail trade	52,300	54,900	2,600	5.0
Transportation & utilities	13,300	14,000	700	5.3
Information	7,400	7,200	- 200	- 2.7
Financial activities	19,600	19,800	200	1.0
Professional & business services	43,400	42,800	- 600	- 1.4
Education & health services	51,000	52,200	1,200	2.4
Leisure & hospitality	30,100	30,400	300	1.0
Other services	15,400	15,500	100	0.6
Government	70,700	70,000	- 700	- 1.0

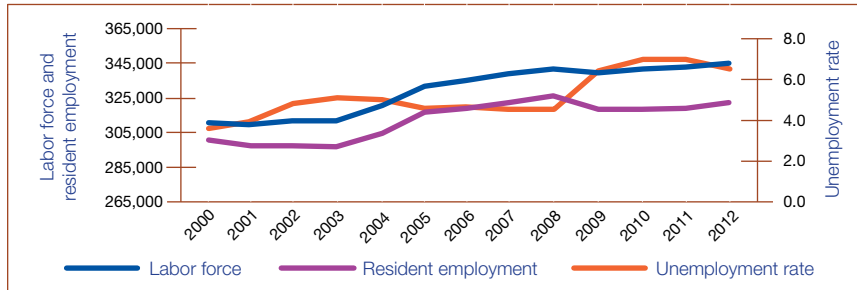
\* Little Rock-North Little Rock-Conway HMA.

Notes: Based on 12-month averages through May 2012 and May 2013. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

During the 12 months ending May 2013, the retail trade subsector led job growth in the HMA, gaining 2,700 jobs, or 7.3 percent, to total 39,100 jobs. A new Dillards online fulfillment center opened in September 2012,

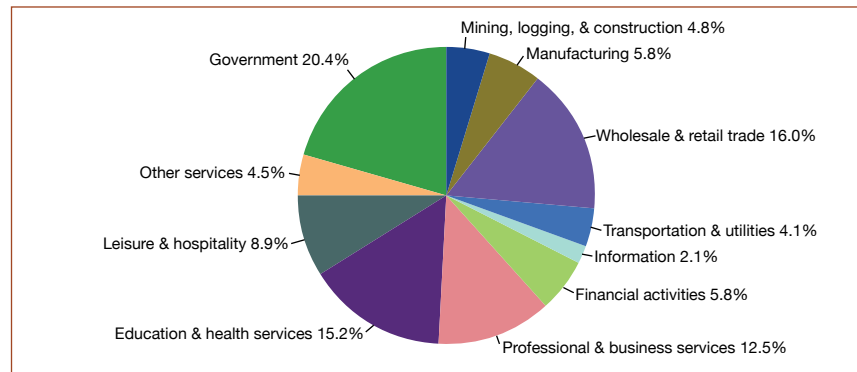
**Figure 1.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Little Rock HMA,\* 2000 Through 2012



\* Little Rock-North Little Rock-Conway HMA.

Source: U.S. Bureau of Labor Statistics

**Figure 2.** Current Nonfarm Payroll Jobs in the Little Rock HMA,\* by Sector



\* Little Rock-North Little Rock-Conway HMA.

Note: Based on 12-month averages through May 2013.

Source: U.S. Bureau of Labor Statistics

**Table 3.** Major Employers in the Little Rock HMA\*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Arkansas	Government	21,650
Little Rock Air Force Base	Government	9,475
University of Arkansas for Medical Sciences	Government	8,500
Baptist Health	Education & health services	7,000
Acxiom Corporation	Professional & business services	4,380
Central Arkansas Veterans Healthcare System	Government	3,500
Entergy Arkansas, Inc.	Transportation & utilities	2,740
AT&T Inc.	Transportation & utilities	2,600
St. Vincent Health System	Education & health services	2,600
Arkansas Children's Hospital	Education & health services	2,470

\* Little Rock-North Little Rock-Conway HMA.

Notes: Excludes local school districts. State of Arkansas employment excludes employees of institutions of higher education.

Source: Little Rock Regional Chamber of Commerce

which added 300 jobs, and occupancy increased at two shopping malls that opened in 2008 (The Promenade at Chenal and Shackleford Crossing Shopping Center). The education and health services sector also grew rapidly during the 12 months ending May 2013, gaining 1,200 jobs, or 2.4 percent, to total 52,200 jobs. A new wing in the Arkansas Children's Hospital opened in June 2012, adding 100 jobs during the months following the opening. These sector gains were partially offset by losses in the government, the mining, logging, and construction, and the professional and business services sectors, which declined by 700, 700, and 600 jobs, or 1.0, 4.1, and 1.4 percent, respectively. The decline in construction activity of single-family and multifamily homes, along with decreased tax revenue for state and local government projects, has continued to affect construction subsector jobs. The state and local government subsectors also accounted for most of the net job losses in the government sector, declining by 300 and 250 jobs, or 0.8 and 0.9 percent, respectively, as they remain revenue constrained.

The government sector is the largest in the HMA (Figure 2) and accounts for 20.4 percent of nonfarm payrolls. The HMA contains the state capital of Little Rock, the University of Arkansas at Little Rock, the University of Arkansas for Medical Sciences (UAMS), the University of Central Arkansas (UCA) in Conway, and Little Rock Air Force Base (LRAFB). The State of Arkansas is the largest employer in the HMA, with 21,650 employees, a figure that excludes employment in state higher education institutions (Table 3). UAMS is the third largest employer in the HMA, with approximately 8,500 employees

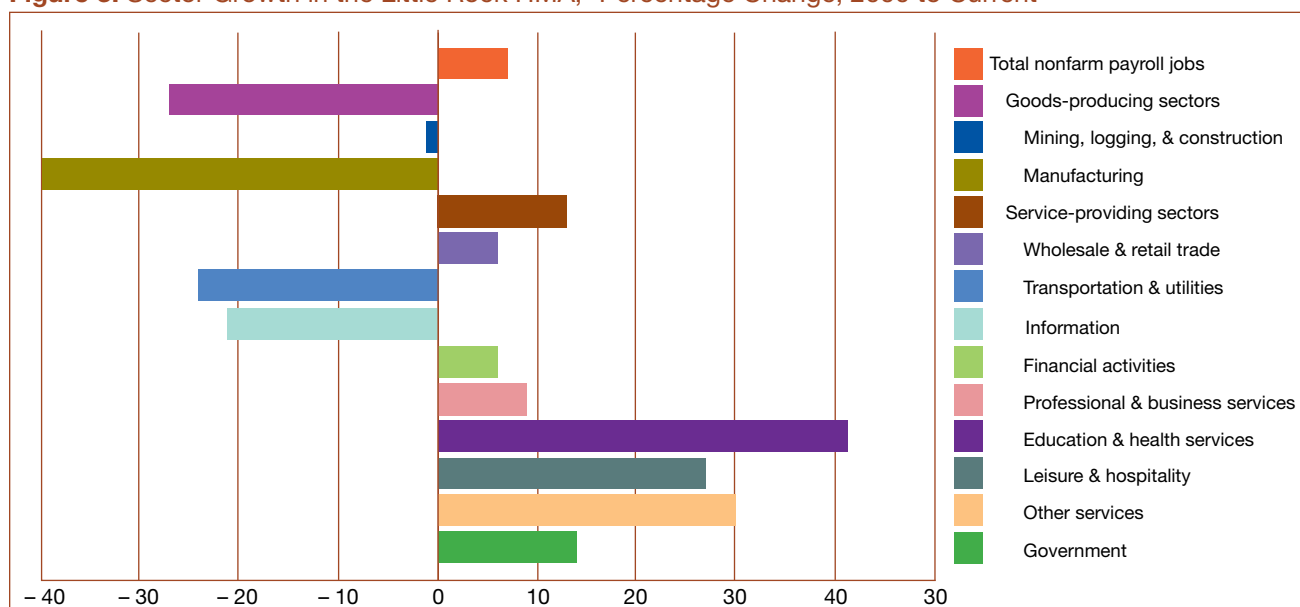
and 2,800 students. The university has an annual economic impact of \$1.1 billion in the HMA (Battelle Memorial Institute Technology Partnership Practice, December 2012 economic impact study). LRAFB, in Pulaski County, is the second largest employer in the HMA, with an estimated 5,775 active-duty personnel, 750 civilian employees, and an additional 2,950 trainees and cadets. The base has an annual statewide economic impact of nearly \$900 million (LRAFB, 2012 study).

From 2000 through the current date, the fastest growing sectors in the HMA were education and health services, other services, and leisure and hospitality, which grew by 41, 30, and 27 percent, respectively. During 2012, travel spending in Pulaski County alone was \$1.6 billion, up from \$1.3 billion in 2006; during the same period, visitor volume increased 8 percent to 5.7 million as the national economy continued to improve (Arkansas Department of Parks & Tourism). The increase in

tourism is, in part, because of the opening of the Clinton Presidential Center in 2004; its continued popularity has contributed to growth in the leisure and hospitality sector since 2000. By contrast, the manufacturing, the transportation and utilities, and the information sectors lost 40, 24, and 21 percent, respectively, from 2000 to the current date (Figure 3). In late 2012 and into 2013, the Beechcraft Corporation (previously Hawker Beechcraft) laid off 200 workers in Little Rock, where it ceased the manufacture of its line of private jets, which contributed to job losses in the manufacturing sector during the period.

During the 3-year forecast period, non-farm payrolls are expected to increase by an average annual rate of 3,550 jobs, or 1.0 percent. Dassault Falcon Jet Corporation plans to invest \$60 million in a 250,000-square-foot hangar space and finishing facility at the Bill and Hillary Clinton National Airport, which could create 300 permanent jobs during the next 3 years.

**Figure 3. Sector Growth in the Little Rock HMA,\* Percentage Change, 2000 to Current**



\* Little Rock-North Little Rock-Conway HMA.

Note: Current is based on 12-month averages through May 2013.

Source: U.S. Bureau of Labor Statistics

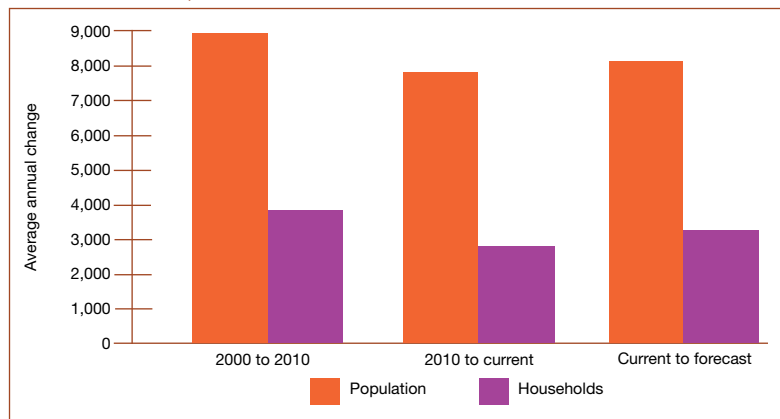
The company has signed economic development and incentive agreements with the state of Arkansas and the airport. The new jobs will contribute mostly to growth in the manufacturing sector. Midcontinent Independent System Operator, Inc., a regional electric transmission company also plans to invest \$5 to \$8 million in

its operations center in Little Rock, adding 35 to 50 transportation and utility sector jobs during the forecast period. AT&T Inc. is expected to hire 75 new employees, including technicians, sales consultants, and customer service representatives, for its call centers and retail stores.

## Population and Households

As of June 1, 2013, the population of the Little Rock HMA was estimated at 724,600, reflecting an average annual increase of 7,850,

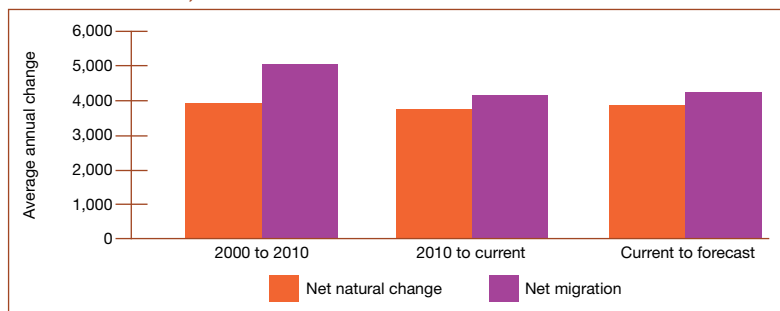
**Figure 4. Population and Household Growth in the Little Rock HMA, \* 2000 to Forecast**



\* Little Rock-North Little Rock-Conway HMA.

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

**Figure 5. Components of Population Change in the Little Rock HMA, \* 2000 to Forecast**



\* Little Rock-North Little Rock-Conway HMA.

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

or 1.1 percent, from approximately 699,800 on April 1, 2010. By comparison, from 2000 to 2010, the population increased by an average annual rate of 8,925, or 1.4 percent, with faster growth averaging 10,450, or 1.6 percent, annually occurring from 2005 to 2010. During the forecast period, the population is expected to increase by 8,100, or 1.1 percent, annually, to total 748,900 by June 1, 2016 (Figure 4).

Since 2000, net in-migration has been the larger component of population growth in the HMA (Figure 5). From 2000 to 2010, net in-migration accounted for 56 percent of population growth, averaging 5,000 people annually, with faster net in-migration from 2005 to 2010, averaging 6,525 annually, or 61 percent of population growth, likely a result of the HMA's economy generally growing at a faster rate than the national average leading up to, and during, the recession. During the same decade, net natural increase (resident births minus resident deaths) averaged 3,925 people annually. Since 2010, net in-migration has averaged 4,100 people annually, because the rate of employment gains in the HMA has not kept pace with the national



rate. During the forecast period, net in-migration to the HMA is expected to average 4,200 people annually.

As of April 1, 2010, the cities of Little Rock and North Little Rock, in Pulaski County, had a combined population of 255,828, accounting for approximately 37 percent of the HMA's population. The Central submarket accounted for 24 percent of the population growth in the HMA from 2000 to 2010. During this period, the population in the submarket increased by an average of 2,125, or 0.6 percent, annually, entirely because of net natural increase, because net out-migration during the first half of the decade more than offset net in-migration in the second half. Since 2010, the population growth rate has increased to an average of 2,675 people, or 0.7 percent, annually; the population of the submarket is currently estimated at 391,200. Net in-migration has accounted for 15 percent of the population growth since 2010, or 400 people a year; net natural change has accounted for the remainder of the growth. Net in-migration is expected to decline during the 3-year forecast period and average 25 people annually as the submarket returns to migration trends similar to those that occurred before the recession and as employment in the HMA continues to grow at a slower rate than the national average. The population during the next 3 years is expected to increase by an average of 2,375, or 0.6 percent, annually in the Central submarket to 398,300.

From 2000 to 2010, the population in the Southern submarket increased by an average of 2,500, or 2.3 percent, annually to 124,971, and accounted for 18 percent of the total population of the HMA in 2010. During the mid-2000s, the population in the Southern

submarket grew rapidly because home sales prices and rents were estimated to be an average of 22 and 12 percent lower, respectively, than in the Central submarket in 2005, with 87 percent of growth coming from net in-migration. Since 2010, the annual population growth rate has slowed, increasing by 2,150 people, or 1.7 percent, because of weaker job growth. The population of the submarket is currently estimated at 131,800. Net in-migration accounted for 83 percent of the growth, or 1,800 people a year since 2010; the remainder of the growth was because of net natural change. Net in-migration is expected to increase during the 3-year forecast period to an average of 2,000 people a year. During the next 3 years, the population is expected to increase by an average of 2,400, or 1.8 percent, annually in the Southern submarket to 139,000 because of improving economic conditions.

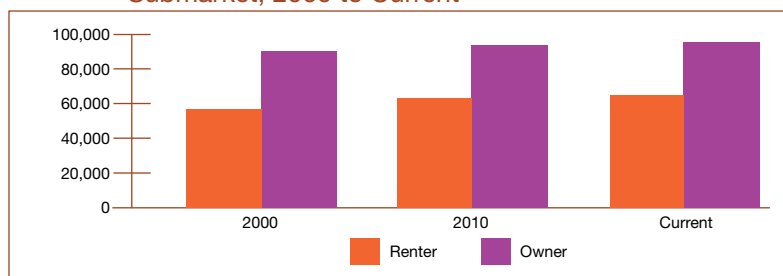
During the 2000s, the population in the Northern submarket grew the fastest of the submarkets in the HMA, reaching 192,038 in 2010, up by an average of 4,300, or 2.6 percent, annually, with the fastest growth occurring during the middle of the decade. More than 75 percent of the growth during the decade was from net in-migration, partially because of growing student enrollment at UCA, currently estimated to be 11,200 students, up from 8,400 in 2000. Growth in the submarket is also a result of lower home sales prices and rents, which were estimated to be 25 and 20 percent lower than the average home sales price and rent, respectively, in the Central submarket in 2005. Since 2010, population growth rate has slowed, increasing by 3,025 people annually, or 1.5 percent, because

of weaker job growth and small declines in UCA enrollment. The population of the Northern submarket is currently estimated to be 201,600. Net in-migration has accounted for 63 percent of the growth, or 1,925 people a year, since 2010. The remainder of the growth resulted from net natural change. Net in-migration is expected to increase slightly during the 3-year

forecast period to an average of 2,175 people a year. During the next 3 years, as economic conditions improve, the population is expected to increase by an average of 3,325, or 1.6 percent, annually to 211,600 in the Northern submarket. Enrollment at UCA is expected to remain unchanged.

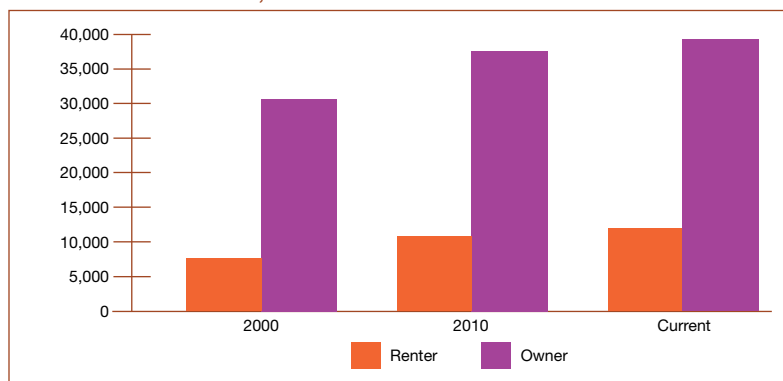
Consistent with slower population growth, the number of households in the Little Rock HMA has increased at a slower rate since 2010 than during the previous decade. Since 2010, the number of households has increased by 2,800, or 1.0 percent, annually compared with an average annual increase of 3,825, or 1.5 percent, during the past decade ending 2010. The number of households in the HMA is currently estimated at 288,100. The current homeownership rates are 76.8, 67.0, and 59.4 percent in the Southern, Northern, and Central submarkets, respectively; the Central submarket is the most urban. In the overall HMA, the homeownership rate, which is currently estimated to be 64.5 percent, is down nearly 4.0 percentage points from the rate of 68.1 recorded in 2010. Figures 6, 7, and 8 illustrate the number of households by tenure in each submarket for 2000, 2010, and the current date. During the 3-year forecast period, the number of households is expected to increase by 3,275, or 1.1 percent, annually, to total approximately 297,900 by June 1, 2016. Nearly 40 percent of this growth is expected to occur in the Northern submarket, and 30 percent of the growth is expected in each of the Central and Southern submarkets. Tables DP-1 through DP-4, at the end of this report, provide additional demographic data for the HMA and submarkets.

**Figure 6. Number of Households by Tenure in the Central Submarket, 2000 to Current**



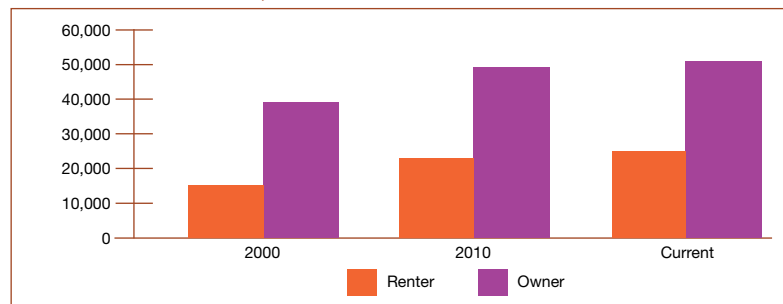
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

**Figure 7. Number of Households by Tenure in the Southern Submarket, 2000 to Current**



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

**Figure 8. Number of Households by Tenure in the Northern Submarket, 2000 to Current**



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

# Housing Market Trends

## Sales Market—Central Submarket

The sales housing market in the Central submarket is currently slightly soft, with an estimated vacancy rate of 1.9 percent, after 2 years of job losses followed by a slow recovery (Table DP-2 at the end of the report). Sales of existing, nondistressed homes (that is, those not foreclosed on) in the submarket totaled 7,450 in 2005 and declined by an average of 13 percent annually, to 4,325 sales in 2009 (Metrostudy, A Hanley Wood Company). Since 2009, the number of existing, nondistressed homes sales has fluctuated around 4,000 homes annually. Existing, nondistressed home sales totaled 4,225 during the 12 months ending May 2013, approximately 11 percent more than the number sold during the 12 months ending May 2012. New home sales in the submarket totaled 1,175 in 2005 and increased to 1,275 in 2006 before declining sharply by an average of 18 percent annually to approximately 470 new homes sold in 2011. New home sales have continued to decline in the submarket, although at a slower rate, from 490 during the 12 months ending May 2012 to 460 during the 12 months ending May 2013, a 6-percent decline.

Distressed property sales, or REO (Real Estate Owned) sales, account for a significant share of home sales in the Central submarket, currently accounting for approximately 11 percent of all home sales in the submarket, unchanged from 11 percent in 2008, and up from 4 percent in 2005 (Metrostudy, A Hanley Wood Company). The rate of home loans that were 90 or more days delinquent, were in foreclosure, or transitioned to REO was 6.6 percent as of June 1, 2013, unchanged from a year ago, after

averaging 4.7 percent from mid-2008 through 2011 (LPS Applied Analytics). Distressed sales are expected to continue to affect the existing home sales market, at least in the near future.

The average sales price for existing, nondistressed homes was \$194,000 during the 12 months ending May 2013, up 1 percent from the average sales price during the 12 months ending May 2012. From 2005 through 2009, the average sales price for existing, nondistressed homes rose 2 percent annually to \$178,500. Since 2009, the average sales price has continued to rise at a similar pace, only declining for a brief period in 2012. The average sales price for a distressed REO home was \$112,900 during the 12 months ending May 2013, up 4 percent from the 12 months ending May 2012. The average sales price of new homes increased nearly 3 percent to \$226,200 during the 12 months ending May 2013 compared with the average price during the previous year. This increase also compares with a less than 1-percent annual average decrease in the average sales price of new homes from 2005 through 2009.

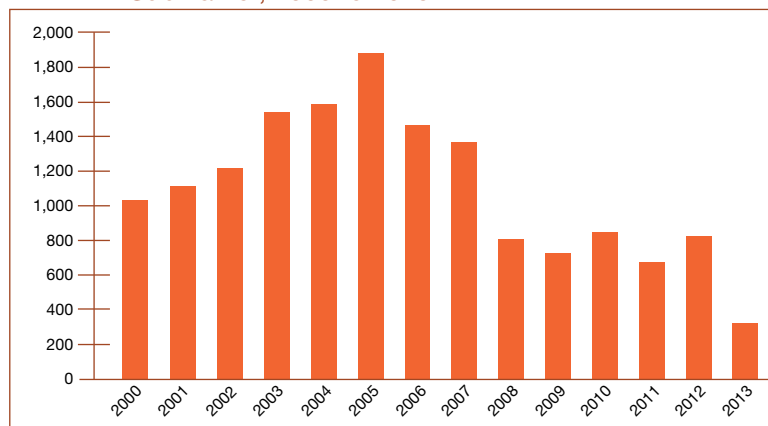
Approximately 810 homes were permitted in the submarket during the 12 months ending May 2013, a 15-percent increase from the 12 months ending May 2012 (preliminary data). New home construction activity, as measured by the number of homes permitted, declined by 20 percent annually from the peak of 1,875 in 2005 to 730 in 2009. Since 2009, building activity has remained more stable, averaging 790 single-family homes permitted annually (Figure 9). Woodlands Edge, a single-family development on the western edge of the city of Little



## Housing Market Trends

Sales Market—Central Submarket Continued

**Figure 9.** Single-Family Homes Permitted in the Central Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through May 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Central Submarket, June 1, 2013, to June 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
110,000	149,999	790	27.0
150,000	199,999	670	23.0
200,000	249,999	500	17.0
250,000	299,999	380	13.0
300,000	349,999	230	8.0
350,000	449,999	200	7.0
450,000	and higher	150	5.0

Note: The 260 homes currently under construction and a portion of the estimated 6,650 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rock that broke ground in 2002, has 510 homes built on 604 lots. Home sales prices in Woodlands Edge currently start at \$350,000 for three-bedroom, four-bathroom floor plans.

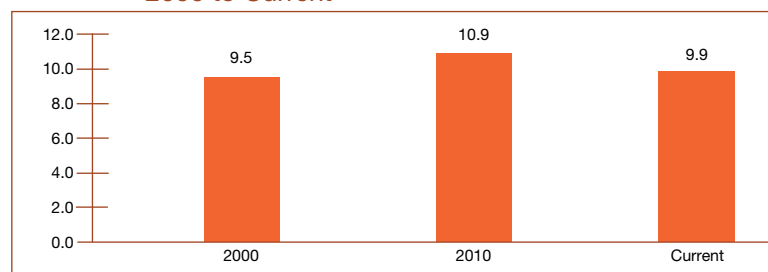
During the next 3 years, demand is expected for an estimated 2,925 new homes in the Central submarket (Table 1). The 260 homes already under construction and a portion of the estimated 6,650 other vacant units that may reenter the market may satisfy a portion of that demand. Demand is expected to increase each year through the forecast period, with the strongest demand for new homes in the \$110,000-to-\$149,999 price range. Table 4 shows estimated demand by price range for new market-rate sales housing during the forecast period.

## Rental Market—Central Submarket

The Central submarket rental housing market is soft but improving. The overall rental vacancy rate is currently estimated at 9.9 percent, down slightly from 10.9 percent in April 2010 (Figure 10). Single-family homes make

up an estimated 33 percent of rental units in the submarket, and units in larger structures (with five or more units) make up an estimated 43 percent of the rental supply. The apartment market is also soft in the submarket, where the apartment vacancy rate increased to 10.7 percent during the first quarter of 2013 from 9.3 percent during the same period in 2012 (ALN Systems, Inc.). The increase resulted partially from the addition of an estimated 650 units during 2012. Apartment vacancy rates increased slowly in the submarket from 2010 through the first quarter of 2013. The average

**Figure 10.** Rental Vacancy Rates in the Central Submarket, 2000 to Current



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

## Housing Market Trends

### Rental Market—Central Submarket Continued

apartment rent in the submarket increased 1 percent from the first quarter of 2012 to \$690 in first quarter of 2013 compared with \$670 during the first quarter of 2010.

LRAFB, with approximately 5,775 active-duty personnel, currently houses an estimated 1,400 personnel on base. Roughly 520 dormitory-style accommodations are available for active-duty, unaccompanied airmen, but the nearly 980 privately owned, single-family rental units managed by Little Rock Family Housing, LLC, comprise most of the long-term base housing. Active-duty military and their families stationed at the base receive occupancy priority. Local sources indicate that both the dormitory-style housing and the single-family units are typically at least 95 percent occupied, leaving an estimated 4,375 active-duty personnel currently living off base, occupying 6 percent of the rental units in the Central submarket. In addition, the base hosts between 1,800 and 3,000 trainees and cadets at any given time and can house nearly 2,000 on the base, while the rest live in housing in the private market.

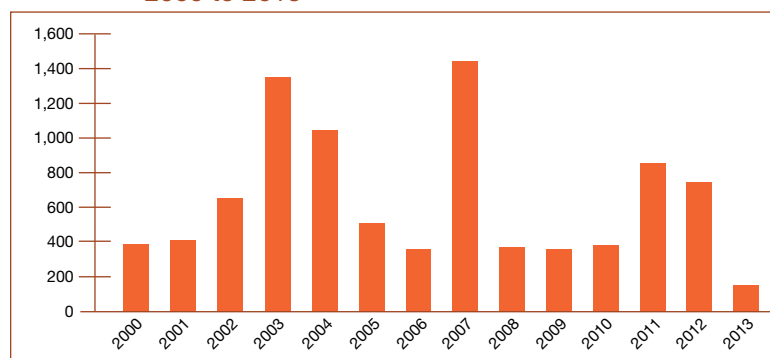
In the Central submarket, during the 12 months ending May 2013, 580 multifamily units were permitted, reflecting

a 28-percent decline from the previous 12 months, when 810 multifamily units were permitted (preliminary data). Multifamily construction activity, as measured by the number of multifamily units permitted, averaged 760 units annually from 2000 through 2007 before declining to average 370 units annually between 2008 and 2010, reflecting the economic slowdown (Figure 11). Approximately 90 percent of multifamily units permitted since 2000 have been for renter occupancy (Economic and Market Analysis Division estimates).

Recent rental properties developed in the Central submarket include The Greens at the Rock Apartments, in North Little Rock, which was completed in March 2013 and is currently in lease up. The complex includes 430 apartments with asking rents ranging from \$575 to \$645 for a one-bedroom unit and from \$705 to \$825 for a two-bedroom unit. The Riverside at Rockwater Apartments, also in North Little Rock, was completed in April 2012 and has 264 units with asking rents ranging from \$775 for a one-bedroom unit to \$1,155 for a two-bedroom unit. The 240-unit Pointe at Brodie Creek apartments in western Little Rock is currently under construction and should be complete in late 2013. The property includes one-, two-, and three-bedroom apartments with rents starting at \$925, \$1,200, and \$1,400, respectively.

During the next 3 years, the 840 units currently under construction (Table 1) will meet the estimated demand for 130 new market-rate units. Table 5 shows the estimated demand by number of bedrooms and rent level.

**Figure 11. Multifamily Units Permitted in the Central Submarket, 2000 to 2013**



Notes: Excludes townhomes. Includes data through May 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

## Housing Market Trends

### Rental Market—Central Submarket Continued

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Central Submarket, June 1, 2013, to June 1, 2016

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
575 to 774	35	705 to 904	45	950 or more	20
775 or more	10	905 or more	15		
Total	50	Total	60	Total	20

Notes: Numbers may not add to totals because of rounding. The 840 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

## Sales Market—Southern Submarket

The sales housing market in the Southern submarket is currently slightly soft, with an estimated vacancy rate of 1.7 percent, down from 1.9 percent in April 2010 (Table DP-3 at the end of the report). During the 12 months ending May 2013, approximately 1,650 existing, nondistressed homes sold, a 20-percent increase from the 1,375 sold during the 12 months ending May 2012 (Metrostudy, A Hanley Wood Company). Distressed sales declined from 12 to 9 percent of all sales activity during the same time. The number of existing, nondistressed home sales declined by an average of 14 percent per year from 2005 through 2009, from 3,050 to 1,600, while the proportion of distressed sales increased, from 2 to 10 percent of all homes sales. New home sales averaged 600 homes annually from 2005 through 2007 and then declined to 450 annually from 2008 through 2010. New home sales in the submarket continued to decline to 290 during the 12 months ending May 2013, a 7-percent decline from the previous 12 months. Approximately 6.7 percent of all home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned to REO as of June 1, 2013, relatively unchanged from a year

ago and up from an average of 5.2 percent from 2008 through 2011 (LPS Applied Analytics).

The average sales price of an existing, nondistressed home during the 12 months ending May 2013 was \$155,900, an 8-percent increase from the previous 12-month period. In the Southern submarket, the average sales price of existing, nondistressed homes did not decline between 2005 and 2009, unlike in many other parts of the country, primarily because the Little Rock HMA was not as overbuilt. Instead, sales prices increased nearly 3 percent annually during this period, to an average of \$140,700. The average REO home sales price was \$118,900 during the 12 months ending May 2013, nearly 8 percent more than the average REO sales price during the previous 12 months. The average sales price for REO properties had declined from 2005 through 2009, by an average of 5 percent annually to \$111,500 in 2009. The average sales price of new homes increased nearly 4 percent to \$194,500 during the 12 months ending May 2013 compared with the average price for the same period during the previous year. This increase compares with a less-than-1-percent annual average

## Housing Market Trends

### Sales Market—Southern Submarket Continued

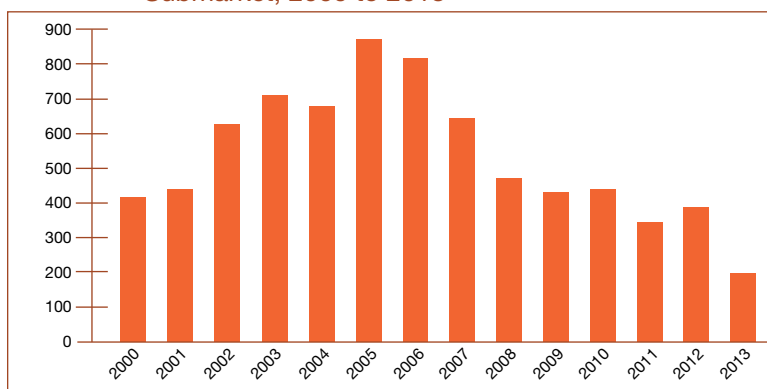
growth rate in the average sales price of new homes from 2005 through 2009.

During the 12 months ending May 2013, 400 single-family homes were permitted, unchanged from the number of single-family homes permitted in the previous 12-month period (preliminary data). By comparison, single-family home construction averaged

625 homes permitted annually from 2000 through 2005, with a peak of 870 in 2005 (Figure 12). From 2006 through 2009, single-family building activity, as measured by the number of single-family homes permitted, declined by an average of 16 percent annually to 430 homes in 2009. Centennial Valley, a housing development that broke ground in 2006 on the western edge of Benton, Arkansas, in Saline County, has built an estimated 110 homes and has an additional 40 lots remaining. Asking prices for new homes range from \$116,700 to \$137,300. Coldwater Creek, another housing development that broke ground in 2006, has sold and built on 98 lots out of 216. New home sales prices in Coldwater Creek start at \$170,000.

During the next 3 years, demand is estimated for 2,675 new homes in the Southern submarket (Table 1). The 160 homes currently under construction and some of the estimated 2,575 other vacant units in the submarket that might return to the sales housing market will satisfy a portion of the demand. Demand is expected to increase each year through the forecast period and to be strongest for new homes in the \$100,000-to-\$149,999 price range. Table 6 shows estimated demand by price range for new market-rate sales housing during the forecast period.

**Figure 12.** Single-Family Homes Permitted in the Southern Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through May 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

**Table 6.** Estimated Demand for New Market-Rate Sales Housing in the Southern Submarket, June 1, 2013, to June 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	1,400	52.0
150,000	199,999	690	26.0
200,000	299,999	480	18.0
300,000	and higher	110	4.0

Note: The 160 homes currently under construction and a portion of the estimated 2,575 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

## Rental Market—Southern Submarket

Rental housing market conditions in the Southern submarket are currently soft, with an estimated rental vacancy rate of 7.3 percent, a slight improvement compared with the 2010 rental vacancy rate of 7.5 percent (Figure 13). Single-family homes make up an

estimated 50 percent of the overall rental units in the Southern submarket, and larger structures with five or more units are estimated to make up less than 15 percent of the total rental supply. Formerly owner-occupied, single-family homes have entered the

# Housing Market Trends

## Rental Market—Southern Submarket Continued

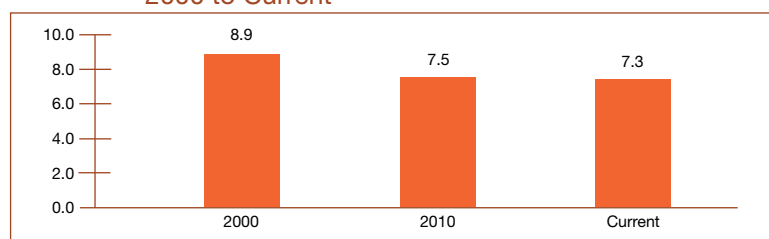
rental housing market at a faster pace since the start of the recession in response to soft home sales market conditions and have kept the overall rental vacancy rate elevated. Conditions in the apartment market are tight. The apartment vacancy rate in Saline County, the only county with data available, was 1.6 percent in the first quarter of 2013, unchanged from the first quarter of 2012 and up from 0.5 percent in 2010. The average monthly apartment rent was unchanged at \$610 in the first quarter of 2013 compared with the average rent reported during the first quarter of 2012, but it was up from \$590 in 2010 (ALN Systems, Inc.).

Multifamily construction activity, as measured by the number of units permitted, has been sporadic since 2000 (McGraw-Hill Construction Pipeline Database). Since 2010, permit activity has been low, although periods of very low multifamily permitting are not unusual for the area (Figure 14). During the 12 months ending May 2013, 15 multifamily units were permitted in the Southern submarket, up from zero units permitted during the previous 12-month period (preliminary data). From 2000 through 2010, an average of 140 multifamily units were permitted annually. Owner-occupied, multifamily construction is not a significant part of the Southern submarket.

Larger apartment construction in the submarket has been limited since 2000. The 576-unit apartment complex, Greens at Hurricane Creek, which opened in late 2003, currently offers one-bedroom units starting at \$525 and two-bedroom units starting at \$700 per month. The 8-unit Arbor Creek apartments in Bryant, in Saline County, opened in 2011 and included only two-bedroom apartments for \$850 per month.

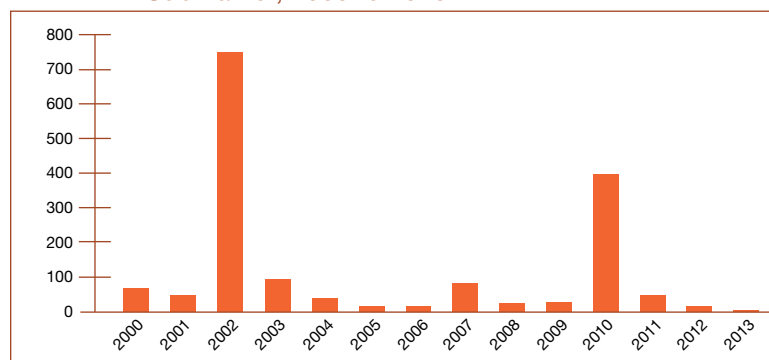
During the 3-year forecast period, demand is estimated for 340 new market-rate rental units and no units are currently under construction in the submarket (Table 1). Table 7 shows forecast demand by number of bedrooms and rent level.

**Figure 13. Rental Vacancy Rates in the Southern Submarket, 2000 to Current**



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

**Figure 14. Multifamily Units Permitted in the Southern Submarket, 2000 to 2013**



Notes: Excludes townhomes. Includes data through May 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst



## Housing Market Trends

Rental Market—Southern Submarket Continued

**Table 7.** Estimated Demand for New Market-Rate Rental Housing in the Southern Submarket, June 1, 2013, to June 1, 2016

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
650 or more	100	800 to 999	190	1,000 or more	30
		1,000 or more	10		
Total	100	Total	200	Total	35

Note: Numbers may not add to totals because of rounding.

Source: Estimates by analyst

## Sales Market—Northern Submarket

The sales housing market in the Northern submarket is slightly soft. The current estimated sales housing vacancy rate is 1.6 percent, down from 1.8 percent in April 2010 (Table DP-4 at the end of the report). Approximately 2,575 existing, nondistressed single-family homes sold during the 12 months ending May 2013, approximately 16 percent more than during the previous 12 months (Metrostudy, A Hanley Wood Company). Sales of existing, nondistressed homes declined by an average of nearly 7 percent annually, from 3,525 homes sold in 2005 to 2,475 homes sold in 2009. Sales of new homes declined by an average of 7 percent annually from 2005 through 2009, to 570 homes sold, and have continued to decline since that time. During the 12 months ending May 2013, approximately 310 new homes sold, 12 percent fewer than during the previous 12 months. As in the other submarkets, distressed homes remain an elevated share of home sales in the Northern submarket. Distressed home sales accounted for 3 percent of total sales in 2005 and 9 percent in 2010 (Metrostudy, A Hanley Wood Company). Of the 3,125 total home sales recorded in the submarket during the 12 months ending May 2013, approximately 7 percent, or 230, were distressed homes,

down from 8 percent the previous year. As of June 1, 2013, approximately 5.6 percent of home loans were 90 or more days delinquent, were in foreclosure, or transitioned to REO, an increase from 5.2 percent in the previous year and the average of 3.6 percent from 2008 through 2011 (LPS Applied Analytics).

Although the number of existing home sales has declined and the proportion of distressed homes remains elevated, average existing home sales prices have continued to rise in the Northern submarket, despite the economic recession. The average sales price for an existing, nondistressed home averaged \$151,500 during the 12 months ending May 2013, up less than 3 percent from the previous 12 months. From 2005 through 2009, the average sales price for an existing, nondistressed home increased from \$127,300 to \$141,400, or an average of 4 percent annually. The average sales price of distressed homes in the submarket averaged \$111,700 during the past 12 months, 29 percent less than during the previous 12-month period.

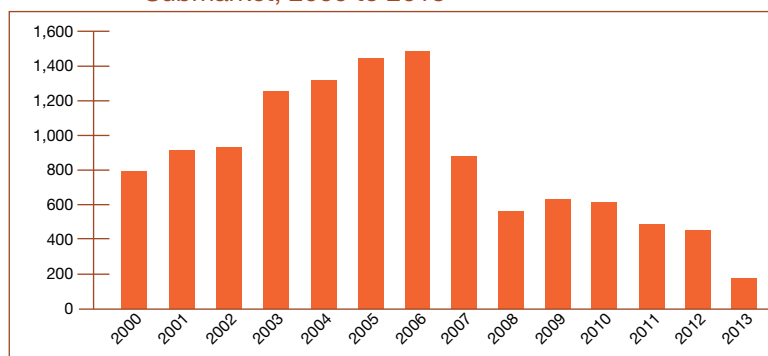
During the 12 months ending May 2013 in the Northern submarket, 430 single-family homes were permitted, an increase of approximately 16 percent

## Housing Market Trends

### Sales Market—Northern Submarket *Continued*

from the 380 homes permitted in the previous 12 months (preliminary data). Since 2008, building activity has remained below 650 (Figure 15) and builders remain cautious because the sales housing market remains slightly soft in the submarket. Single-family home construction, as measured by

**Figure 15.** Single-Family Homes Permitted in the Northern Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through May 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

**Table 8.** Estimated Demand for New Market-Rate Sales Housing in the Northern Submarket, June 1, 2013, to June 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
110,000	149,999	1,550	50.0
150,000	199,999	810	26.0
200,000	299,999	590	19.0
300,000	and higher	160	5.0

Note: The 140 homes currently under construction and a portion of the estimated 3,450 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

the number of single-family homes permitted, increased by an average of 12 percent annually from 790 in 2000 to a peak of 1,475 in 2006 before falling substantially in 2007 and 2008 to an average of 575 annually. Approximately 60 percent of single-family homes permitted in the submarket since 2000 have been in Faulkner County, where the city of Conway is located. Shadow Ridge, a subdivision in Conway that broke ground in 2008, has sold and built on 96 out of 105 lots. Home sales prices start at approximately \$125,000 for a three-bedroom, two-bathroom home.

During the next 3 years, demand is estimated for 3,125 new homes in the Northern submarket (Table 1). The 160 homes currently under construction and a portion of the 3,450 other vacant units in the submarket that might reenter the market will satisfy a portion of that demand. Demand is expected to increase each year through the forecast period, with strongest demand for homes priced between \$110,000 and \$149,999. Table 8 shows estimated demand by price range for new market-rate sales housing during the forecast period.

## Rental Market—Northern Submarket

Rental housing market conditions in the Northern submarket are currently soft, with a vacancy rate estimated at 10.0 percent, up from 9.2 percent in April 2010 (Figure 16). Single-family homes make up an estimated 38 percent of the total rental supply in the Northern submarket, and larger structures with five or more units are estimated to make up 25 percent of the rental supply. As in the other two submarkets, formerly owner-occupied,

single-family homes have entered the rental housing market in response to soft home sales market conditions since 2008 and have kept the overall rental vacancy rate elevated. The apartment market is tighter than the overall rental housing market, but it is still slightly soft. During the first quarter of 2013, the apartment vacancy rate was reported at 6.1 percent in in Faulkner and Lonoke Counties, the only counties with data available, down

## Housing Market Trends

### Rental Market—Northern Submarket Continued

from 6.4 percent during the first quarter of 2012 but up from 4.0 percent in 2010 (ALN Systems, Inc.). During the first quarter of 2013, average rents increased 1 percent in the Northern submarket, to \$560, compared with rents during the same quarter a year earlier and compared with \$540 in 2010.

An estimated 7,325 UCA students live off campus, along with an additional estimated 240 and 580 students from Hendrix College and Central Baptist College, respectively; these student renters comprise an estimated 14 percent of the overall renter households in the Northern submarket. As of the fall 2012 semester, the three universities housed an estimated combined 4,700 students in on-campus dormitories. Enrollment is expected to remain constant during the forecast period. Multiple apartment complexes in Conway cater predominantly to students.

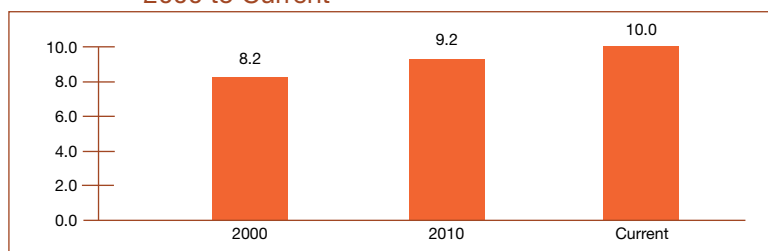
Monthly rent for a one-bedroom unit in these complexes ranges from \$395 to the mid-\$700s.

Multifamily construction activity, as measured by the number of units permitted, had slowed considerably since 2010, until the most recent 12 months, in response to increasing vacancy rates. In the 12 months ending May 2012, 15 multifamily units were permitted, a figure that increased significantly, to 590 units, during the 12 months ending May 2013, likely in response to improvements in the apartment market (preliminary data). From 2000 through 2010, an average of 500 multifamily units were permitted annually in the Northern submarket, with a peak of 1,050 units permitted in 2005 (Figure 17). Since 2000, approximately 83 percent of all multifamily permit activity in the submarket has been in Faulkner County. Less than 5 percent of multifamily units permitted in the submarket since 2000 have been for owner occupancy.

New rental development in the Northern submarket includes Fairways at Nutters Chapel Apartments, a 360-unit apartment property in Conway, in Faulkner County, which began leasing in the summer of 2011. The property includes one- and two-bedroom apartments with rents ranging from \$525 to \$770.

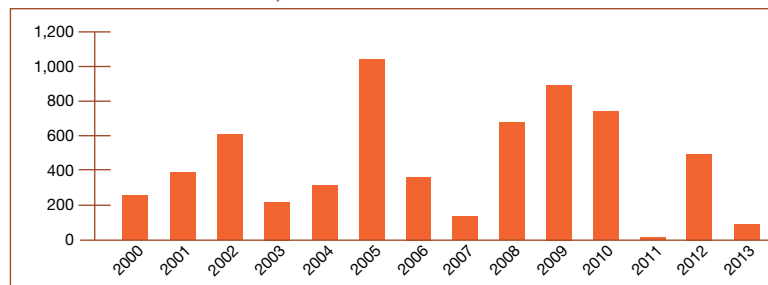
During the 3-year forecast period, demand is estimated for 830 new rental units (Table 1). The 550 rental units currently under construction will likely satisfy most of this demand. Table 9 shows estimated demand for new market-rate rental housing by number of bedrooms and monthly rent in the submarket during the forecast period.

**Figure 16. Rental Vacancy Rates in the Northern Submarket, 2000 to Current**



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

**Figure 17. Multifamily Units Permitted in the Northern Submarket, 2000 to 2013**



Notes: Excludes townhomes. Includes data through May 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

## Housing Market Trends

Rental Market—Northern Submarket Continued

**Table 9.** Estimated Demand for New Market-Rate Rental Housing in the Northern Submarket, June 1, 2013, to June 1, 2016

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
525 or more	270	675 to 874	470	800 or more	60
		875 or more	25		
Total	270	Total	500	Total	60

Notes: Numbers may not add to totals because of rounding. The 550 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

## Data Profiles

**Table DP-1.** Little Rock HMA\* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	300,692	318,355	321,000	0.6	0.3
Unemployment rate	3.6%	7.0%	6.5%		
Nonfarm payroll jobs	321,600	337,600	343,500	0.5	0.7
Total population	610,518	699,757	724,600	1.4	1.1
Total households	241,094	279,225	288,100	1.5	1.0
Owner households	160,466	181,770	185,700	1.3	0.7
Percent owner	66.6%	65.1%	64.5%		
Renter households	80,628	97,455	102,400	1.9	1.6
Percent renter	33.4%	34.9%	35.5%		
Total housing units	261,917	306,882	315,100	1.6	0.8
Owner vacancy rate	1.9%	2.1%	1.8%		
Rental vacancy rate	9.2%	10.1%	9.6%		
Median Family Income	\$45,900	\$57,765	\$57,767	2.3	0.0

\* Little Rock-North Little Rock-Conway HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through May 2013. Median Family Incomes are for 1999, 2009, and 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

**Table DP-2. Central Submarket Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	361,474	382,748	391,200	0.6	0.7
Total households	147,942	158,772	161,700	0.7	0.6
Owner households	90,029	94,826	96,100	0.5	0.4
Percent owner	60.9%	59.7%	59.4%		
Rental households	57,913	63,946	65,650	1.0	0.8
Percent renter	39.1%	40.3%	40.6%		
Total housing units	161,135	175,555	177,500	0.9	0.3
Owner vacancy rate	1.8%	2.3%	1.9%		
Rental vacancy rate	9.5%	10.9%	9.9%		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

**Table DP-3. Southern Submarket Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	99,993	124,971	131,800	2.3	1.7
Total households	38,019	48,374	50,950	2.4	1.7
Owner households	30,666	37,629	39,150	2.1	1.3
Percent owner	80.7%	77.8%	76.8%		
Rental households	7,353	10,745	11,850	3.9	3.1
Percent renter	19.3%	22.2%	23.2%		
Total housing units	40,785	52,569	55,150	2.6	1.5
Owner vacancy rate	1.5%	1.9%	1.7%		
Rental vacancy rate	8.9%	7.5%	7.3%		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

**Table DP-4. Northern Submarket Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	149,051	192,038	201,600	2.6	1.5
Total households	55,133	72,079	75,400	2.7	1.4
Owner households	39,771	49,315	50,550	2.2	0.8
Percent owner	72.1%	68.4%	67.0%		
Rental households	15,362	22,764	24,900	4.0	2.9
Percent renter	27.9%	31.6%	33.0%		
Total housing units	59,997	78,758	82,450	2.8	1.5
Owner vacancy rate	2.3%	1.8%	1.6%		
Rental vacancy rate	8.2%	9.2%	10.0%		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst



## Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census  
 2010: 4/1/2010—U.S. Decennial Census  
 Current date: 6/1/2013—Analyst's estimates  
 Forecast period: 6/1/2013–6/1/2016—Analyst's estimates

**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.

**Other Vacant Units:** In the U.S. Department of Housing and Urban Development's (HUD's) analysis, 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.

**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.

For additional data pertaining to the housing market for this HMA, go to [www.huduser.org/publications/pdf/CMARtables\\_LittleRock-NorthLittleRock-ConwayAR\\_14.pdf](http://www.huduser.org/publications/pdf/CMARtables_LittleRock-NorthLittleRock-ConwayAR_14.pdf).

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to  
[www.huduser.org/publications/econdev/mkt\\_analysis.html](http://www.huduser.org/publications/econdev/mkt_analysis.html).