

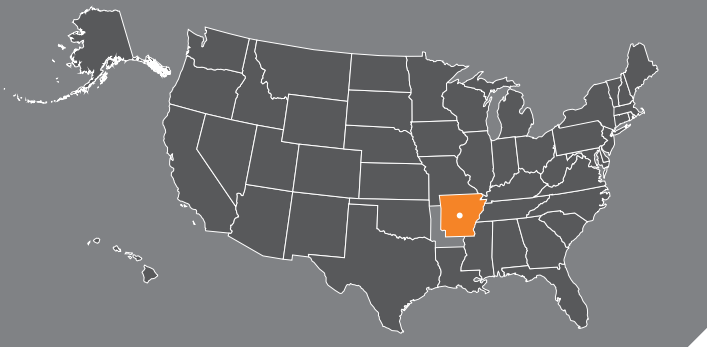
HUD PD&R Housing Market Profiles

Little Rock-North Little Rock-Conway, Arkansas



Quick Facts About Little Rock-North Little Rock-Conway

- Current sales market conditions: slightly soft.
- Current apartment market conditions: slightly soft.
- The metropolitan area is home to the state capital, the city of Little Rock, and the Little Rock Air Force Base, which, as the 7th largest employer in the state of Arkansas, has an annual impact of \$469 million on the local economy (The Little Rock Air Force Base *Economic Impact Statement Fiscal Year 2016*).



By T. Michael Miller | As of June 1, 2017

Overview

The Little Rock-North Little Rock-Conway (hereafter, Little Rock) metropolitan area consists of Faulkner, Grant, Lonoke, Perry, Pulaski, and Saline Counties in central Arkansas. The metropolitan area is home to 16 national and multinational business and organization headquarters, including Dillard's, Inc. and Windstream Communications, with 2,400 and 1,400 employees, respectively. The American Taekwondo Association (ATA) International completed a new 45,000-square-foot, \$13 million headquarters in November 2016. The ATA World Expo has been held in the city of Little Rock each year since 1977, contributing \$6 million annually to the local economy.

- As of June 1, 2017, the estimated population of the metropolitan area is 737,800, an average increase of 5,300, or 0.7 percent, annually since 2010. Although Pulaski County accounts for 53 percent of the population of the metropolitan area, the surrounding counties accounted for 70 percent of the population increase since 2010.
- Population growth peaked at 10,600 people, or 1.6 percent, annually from July 2004 to July 2007, when economic conditions were strong. From July 2007 to July 2014, when the economy was weaker, population growth slowed to an average of 8,250, or 1.2 percent, annually (U.S. Census population estimates as of July 1).

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- Although economic conditions in the metropolitan area have improved since 2014, population growth has weakened to average 2,575 people, or 0.5 percent, annually from July 2014 to July 2016, partly due to stronger economic growth in nearby

metropolitan areas attracting workers. Net in-migration accounted for 59 percent of the total population growth from July 2004 to July 2007, but has fallen to 51 and 14 percent of total growth from July 2007 to July 2014 and July 2014 to July 2016, respectively.

Economic Conditions

Nonfarm payrolls in the Little Rock metropolitan area have increased since 2011 but began to slow following 2 years of stronger growth. During 2015 and 2016, nonfarm payrolls increased by an average of 4,100 jobs, or 1.2 percent, led by the education and health services and the professional and business services sectors, which increased by an average of 1,400 and 850 jobs, respectively. By comparison, nonfarm payroll growth averaged 2,000 jobs, or 0.6 percent, annually from 2011 through 2014.

During the 3 months ending May 2017—

- Nonfarm payrolls increased by 600 jobs, or 0.2 percent, from the 3 months ending May 2016 to an average of 355,400 jobs. Growth is down considerably from the past year, when payrolls increased by 5,800 jobs, or 1.7 percent, from the 3 months ending May 2015 to the 3 months ending May 2016.
- The education and health services sector led growth with an increase of 2,600 jobs, or 4.9 percent. Contributing to

the increase, Baptist Health Medical Center opened a new 260,000-square-foot medical facility in the city of Conway in September 2016, which employs more than 300 workers.

- Nonfarm payrolls declined or remained unchanged in 7 of 11 sectors, led by the government and the leisure and hospitality sectors, which declined by 1,000 and 800 jobs, or 1.4 and 2.4 percent, respectively. The leisure and hospitality sector averaged nonfarm payroll growth of 800 jobs, or 2.4 percent, from 2012 through 2016, annually.
- The unemployment rate decreased to the lowest rate recorded, averaging 3.0 percent, down from 3.4 percent a year earlier and 7.2 percent during 2011. Resident employment growth has outpaced labor force growth during the past 2 years, primarily a result of slower in-migration of workers.

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Nonfarm payrolls increased slightly in the Little Rock area during the 3 months ending May 2017, as strong gains in the education and health services sector were offset by losses in 5 of 11 sectors.

	3 Months Ending		Year-Over-Year Change	
	May 2016 (thousands)	May 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	354.8	355.4	0.6	0.2
Goods-producing sectors	37.4	36.6	-0.8	-2.1
Mining, logging, and construction	17.2	16.6	-0.6	-3.5
Manufacturing	20.2	20.0	-0.2	-1.0
Service-providing sectors	317.4	318.8	1.4	0.4
Wholesale and retail trade	54.3	54.3	0.0	0.0
Transportation and utilities	15.5	15.9	0.4	2.6
Information	6.4	6.1	-0.3	-4.7
Financial activities	20.4	20.4	0.0	0.0
Professional and business services	47.5	47.6	0.1	0.2
Education and health services	53.4	56.0	2.6	4.9
Leisure and hospitality	33.9	33.1	-0.8	-2.4
Other services	14.4	14.8	0.4	2.8
Government	71.6	70.6	-1.0	-1.4
	(percent)	(percent)		
Unemployment rate	3.4	3.0		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics



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The government sector, currently accounts for 19.7 percent of nonfarm jobs in the metropolitan area and includes the three largest employers. During 2008 and 2009, as nonfarm payrolls declined by an average 5,100 jobs, or 1.5 percent, the government sector increased by an average 1,100 jobs, or 1.5 percent, partially offsetting losses. Since 2010, when the government sector represented 21.1 percent of total nonfarm jobs in the metropolitan area, the sector has declined by 100 jobs annually, or 0.2 percent, primarily as local government budgets tighten. Since 2010, the local government subsector has reduced nonfarm payrolls by an average 400

Largest employers in the Little Rock area

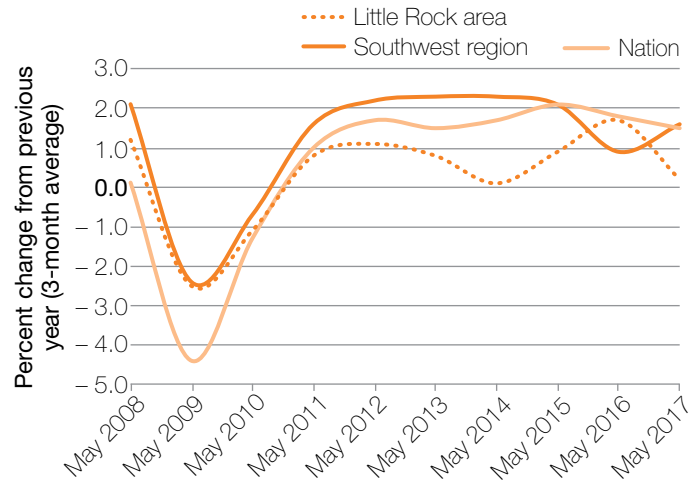
Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Arkansas	Government	23,300
University of Arkansas for Medical Sciences	Government	9,100
Little Rock Air Force Base	Government	7,700

Notes: Excludes local school districts. State of Arkansas employment excludes employees of institutions of higher education. Data for Little Rock Air Force Base include 1,400 civilian and 6,300 active-duty uniformed military personnel, but active-duty military personnel are not included in nonfarm payroll survey data.

Sources: Little Rock Regional Chamber of Commerce; Little Rock Air Force Base

jobs, or 1.5 percent, annually to average 25,600 jobs during the 12 months ending May 2017, the lowest number of jobs recorded in the subsector since 2002.

Nonfarm payrolls have increased in the Little Rock area since 2011, albeit mostly at a slower rate than in the Southwest region and the nation.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions are slightly soft in the Little Rock metropolitan area. The estimated sales vacancy rate is currently 2.1 percent, unchanged from April 2010. As of April 2017, 3.4 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 3.8 percent a year earlier (CoreLogic, Inc.). The rate of home loans that were seriously delinquent or had transitioned into REO status peaked in January 2013, at 6.2 percent, because of a backlog of loans in the foreclosure process. As servicers worked through the backlog, the share of distressed sales (REO and short sales) increased. During 2012, only 9 percent of existing home sales were distressed sales; the share increased to 17 percent during 2014 and remained at 15 percent for most of 2015 and 2016. Currently, nearly 14 percent of all existing sales are the result of distressed sales.

During the 12 months ending April 2017 (the most representative data available)—

- Sales of existing homes totaled 12,700, down 3 percent from a year earlier; nearly 70 percent of the decline was due to fewer distressed sales. Existing home sales increased an average of 8 percent annually from the end of 2012 through 2015 (CoreLogic, Inc., with adjustments by the analyst).

- The average sales price of an existing home increased 5 percent, to \$159,200, following an increase of 5 percent during the previous 12 months. From 2005 through 2013, the average sales price of an existing home increased each year, by an average of \$3,950, or 3 percent, annually, to an average of \$144,325 in 2013.
- New home sales decreased 7 percent, to 1,275 homes, from a year earlier. New home sales decreased an average of nearly 5 percent annually from 2012 through 2014, when distressed sales more than doubled, from 975 sales to 2,000 sales, annually. The increase in distressed sales provided a lower cost alternative to new home construction. During 2015, distressed sales declined 4 percent, and new home sales increased 7 percent.
- The average sales price for a new home increased 4 percent to \$216,700. The average new home sales price increased an average of about 2 percent annually from 2010 through 2015.

Despite a decrease in the number of new homes sold in the metropolitan area during the 12 months ending April 2017, single-family construction activity, as measured by the number of homes permitted, increased during the same period.

- During the 12 months ending May 2017, the number of single-family homes permitted increased 5 percent, to 1,650, from a year earlier (preliminary data). By comparison, single-family home permitting increased an average of 11 percent during the 12 months ending May 2016 from a year earlier.

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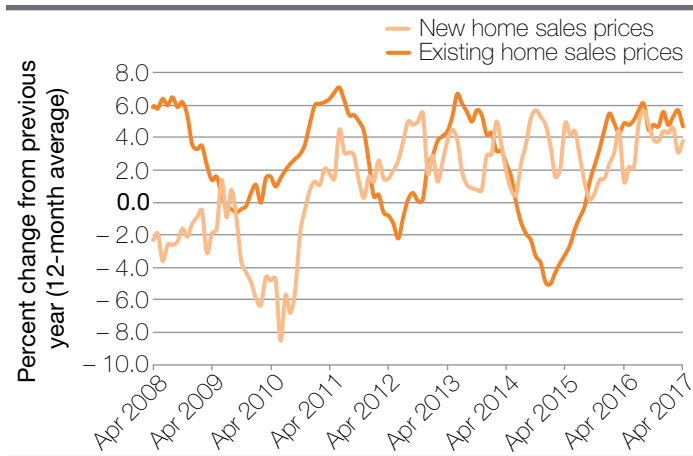
- Pulaski County, which includes the city of Little Rock, accounted for 47 percent of all single-family homes permitted in the metropolitan area during the 12 months ending May 2017, which is up from 42 percent during 2006 and 2007.
- From 2006 through 2007, an average of 3,325 single-family homes were permitted annually. This figure declined 47 percent

to an average of 1,775 homes permitted annually from 2008 through 2012, before decreasing to an average of 1,550 homes permitted annually from 2013 through 2015.

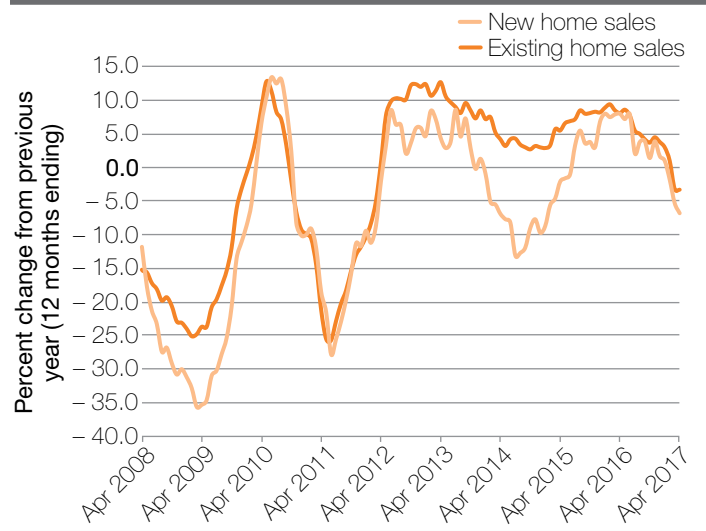
- An estimated 750 single-family homes are currently under construction in the metropolitan area.

Existing home sales prices in the Little Rock area have increased since late 2015, after fluctuating for more than 6 years, and new home sales prices have increased since 2011.

New and existing home sales in the Little Rock area declined in 2017, as the growth in nonfarm payrolls slowed.



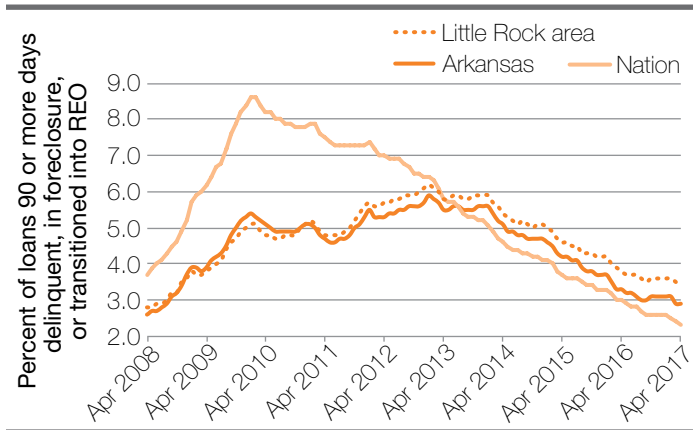
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.



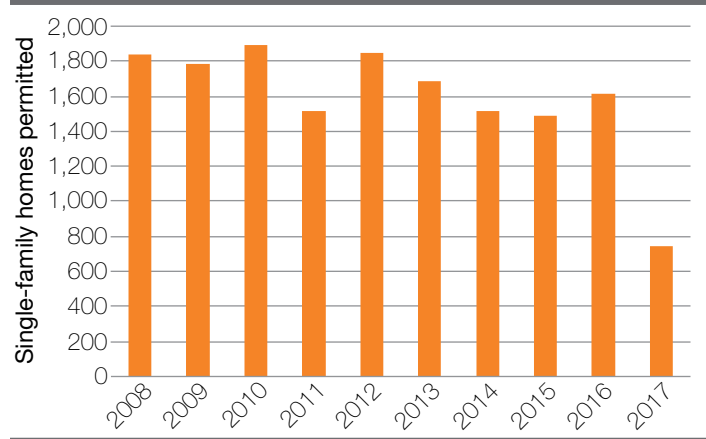
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

The housing crisis did not effect the Little Rock area as severely as the rest of the nation, but the percentage of seriously delinquent loans and REO properties has not improved as quickly as the national average.

Single-family permitting in the Little Rock area increased during 2016, after declining from 2013 through 2015.



REO = real estate owned. Source: CoreLogic, Inc.



Note: Includes preliminary data from January through May 2017. Source: U.S. Census Bureau, Building Permits Survey

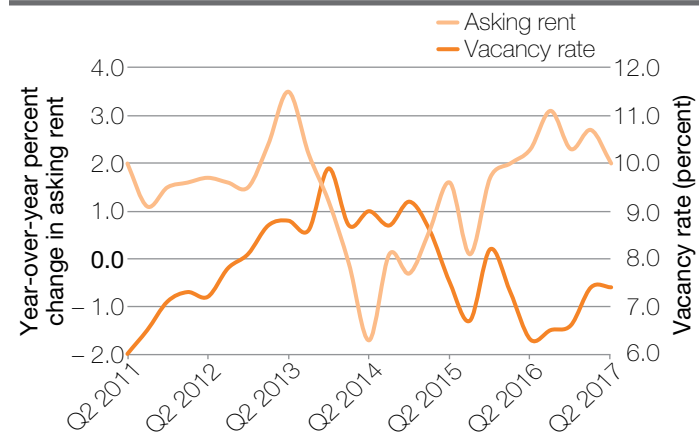


Apartment Market Conditions

Apartment market conditions in the Little Rock metropolitan area are slightly soft. During the past 2 years, the apartment market had slightly soft conditions, despite stronger growth in the local economy as the market absorbs the large number of units constructed during 2016.

- During the second quarter of 2017, the apartment vacancy rate was 7.4 percent, up from 6.3 percent a year earlier, and the average rent increased 2 percent to \$730 (MPF Research).
- Vacancy rates declined through mid-2016, a trend that began in 2014 as strong apartment demand outpaced new supply. Apartment absorption of 3,050 units from 2014 through mid-2016 exceeded the 2,075 apartment units added in the metropolitan area during the same period. Since mid-2016, 1,000 units have been added, however, only 650 units have been absorbed during the same period, as population growth in the metropolitan area has slowed.
- In the Central Little Rock MPF Research-defined market area, which includes the neighborhoods surrounding the University of Arkansas for Medical Sciences and the University of Arkansas at Little Rock, apartment market conditions are soft, with an average apartment vacancy rate estimated at 10.1 percent, up from 7.7 percent a year earlier. Although no apartment units have been constructed in the Central Little Rock market area since 2014, more than 500 student-housing units have been added during the same period.

Rent growth slowed in the Little Rock area during the past year as vacancy rates increased slightly.



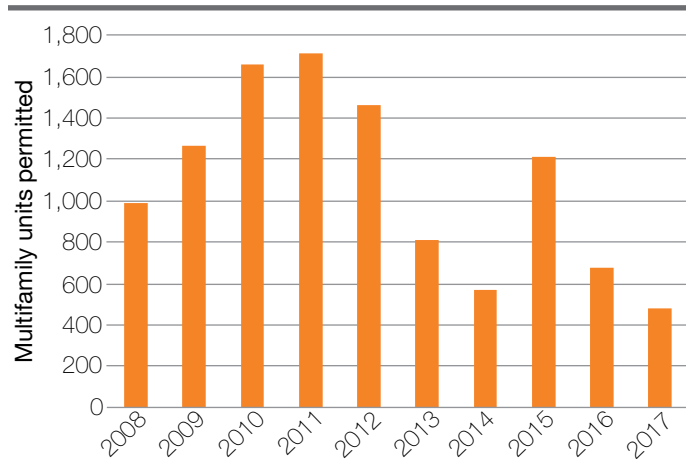
Q2 = second quarter.
Source: MPF Research

- Apartment rents in the Central Little Rock area averaged \$676 monthly compared with \$932, \$762, and \$697 in the Downtown Little Rock, West Little Rock-Saline County, and North Little Rock-Jacksonville-Conway areas, respectively.

Multifamily construction activity, as measured by the number of units permitted, decreased during the 12 months ending May 2017 as builders responded to decreased rental housing demand. During the 12 months ending May 2017, 770 multifamily units were permitted, down 41 percent compared with the 1,300 units permitted during the previous 12 months (preliminary data).

- Multifamily permitting activity averaged 1,625 units annually from 2010 through 2012, and then declined to an average of 690 units permitted during 2013 and 2014, before increasing to 1,200 units during 2015.
- The 240-unit Fontaine Bleu West Apartments development in West Little Rock began leasing in late 2016. Monthly asking rents for the one-, two-, and three-bedroom units range from \$999 to \$1,049, \$1,299 to \$1,349, and \$1,539 to \$1,589, respectively.
- The 217-unit Bowman Pointe was completed in late 2016 in West Little Rock, with one- and two-bedroom units renting from \$799 to \$1,349. Phase II of Bowman Pointe is currently under construction and will consist of 392 units when complete in late 2017.

Multifamily permitting in the Little Rock area since 2013 has been down substantially compared with permitting from 2009 through 2012.



Note: Includes preliminary data from January through May 2017.
Source: U.S. Census Bureau, Building Permits Survey