

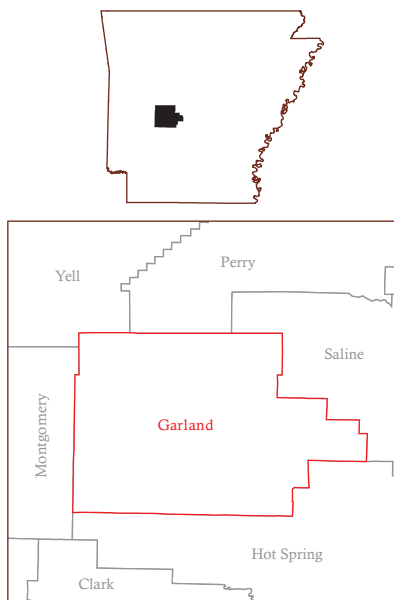


Hot Springs, Arkansas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2012



Housing Market Area



The Hot Springs Housing Market Area (HMA) is coterminous with Garland County and is located in the Ouachita Mountain region of Arkansas, 55 miles west of Little Rock. The HMA is home to Hot Springs National Park and is a popular retirement and tourist destination, known for its hot spring bathhouses and annual horseracing.

Market Details

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Summary

Economy

The economic decline that began in the Hot Springs HMA in late 2008 has bottomed out in recent months. During the 12 months ending March 2012, total nonfarm payrolls were nearly unchanged, at 37,250 jobs, compared with nonfarm payrolls during the previous 12 months. The economy continues to improve and job growth is expected to average 2.4 percent annually during the forecast period, with broad growth across most employment sectors.

Sales Market

The home sales market in the HMA is soft, with a current estimated vacancy rate of 3 percent. According to Hanley Wood, LLC, during the 12 months ending March 2012, the number of new and existing home sales totaled 1,700, down 7 percent from 1,825 homes sold in the previous 12 months and down 35 percent from the average annual level of 2,625 homes sold from 2005 through 2008. Demand is forecast for 830 new homes during the next 3 years, including 100 mobile homes (Table 1); however, builders should be aware of the estimated 7,375 other vacant units in the HMA,

some of which may come back on line during the forecast period and satisfy a portion of the demand.

Rental Market

The rental housing market in the HMA is currently soft, with an estimated overall rental vacancy rate of 8.1 percent, down from 9.5 percent in 2010. Single-family homes account for approximately 45 percent of all rental units in the HMA. The apartment vacancy rate is currently estimated to be 6 percent. Demand is forecast for 70 new rental units during the next 3 years (Table 1); no units are currently under construction.

Table 1. Housing Demand in the Hot Springs HMA, 3-Year Forecast, April 1, 2012 to April 1, 2015

	Hot Springs HMA	
	Sales Units	Rental Units
Total Demand	830	70
Under Construction	45	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Includes an estimated demand for 100 mobile homes. Units under construction as of April 1, 2012. A portion of the estimated 7,375 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

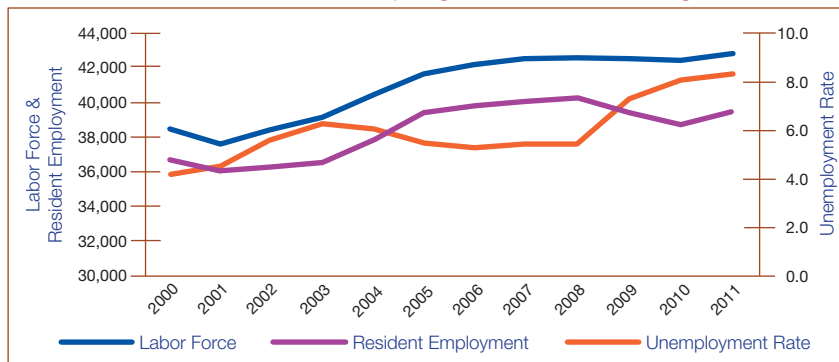
The economic decline that began in the Hot Springs HMA in late 2008 bottomed out in recent months. During the 12 months ending March 2012, total nonfarm payrolls were relatively unchanged, at 37,250 jobs, compared with the previous 12 months, when payrolls were down 400 jobs, or 1.2 percent, compared with the 12 months ending March 2010. Nonfarm payrolls peaked during the 12 months ending April 2008, at 39,100, and from 2003 through mid-2008, grew by an average of 620 jobs, or 1.7 percent, annually. During the 12 months ending March 2012, the average unemployment rate decreased slightly to 8.1 percent

compared with the 8.2-percent unemployment rate during the previous 12 months. Figure 1 illustrates trends in the labor force, resident employment, and unemployment rate in the HMA from 2000 through 2011.

For data broken out by sectors, only covered payroll information is available and only through September 2011. During the 12 months ending September 2011, covered payrolls declined by 200, or 0.5 percent, to 35,500. In the manufacturing sector, a gain of 225 jobs, or 10.6 percent, was offset by losses in the professional and business services and the government sectors, which lost 200 and 100 jobs, or 6.1 and 1.9 percent, respectively (Table 2). The Berry Plastics Corporation, formerly known as Rexam PLC, a packaging manufacturer in the city of Hot Springs, led manufacturing sector gains with the hiring of an additional 140 employees. Figure 2 illustrates employment sector changes in the HMA from 2001 to the current date.

The three largest employment sectors in the Hot Springs HMA are the education and health services, the trade, transportation, and utilities, and the leisure and hospitality sectors, representing 21, 20, and 18 percent of covered payrolls, respectively (Figure 3). The top three employers in the area are St. Joseph's Mercy Health Center, Oaklawn Racing & Gaming, and Wal-Mart Stores, Inc., with 2,300, 1,225, and 1,100 employees, respectively (Table 3). Education and health services is the largest sector, in part, because of an increasing demand for health services by the one-third of the population that is age 55 or older. Although no significant gains were reported in the most recent sector data available, the education and health services sector is the only sector in

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Hot Springs HMA, 2000 Through 2011



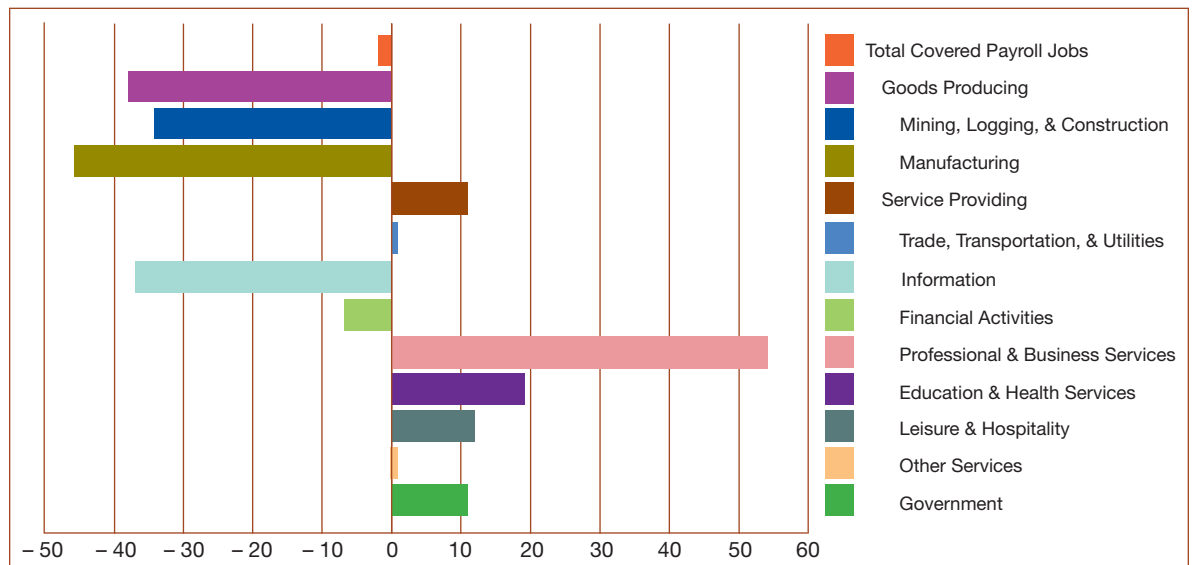
Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Covered Payroll Jobs in the Hot Springs HMA, by Sector

	12 Months Ending September 2010	12 Months Ending September 2011	Percent Change
Total Covered Payroll Jobs	35,700	35,500	- 0.5
Goods Producing	4,050	4,150	2.7
Mining, Logging, & Construction	2,075	2,000	- 4.0
Manufacturing	1,950	2,175	10.6
Service Providing	31,650	31,350	- 0.9
Trade, Transportation, & Utilities	7,275	7,200	- 0.8
Information	340	320	- 6.3
Financial Activities	1,375	1,400	3.4
Professional & Business Services	3,275	3,075	- 6.1
Education & Health Services	7,400	7,450	0.7
Leisure & Hospitality	6,275	6,250	- 0.7
Other Services	950	980	2.6
Government	4,775	4,675	- 1.9

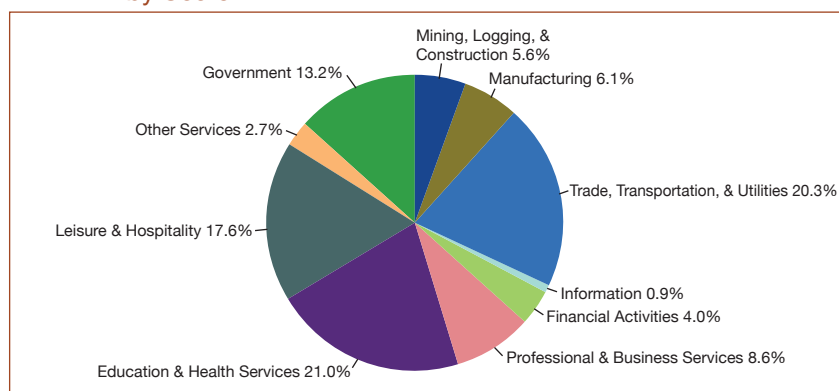
Notes: Based on 12-month averages through September 2010 and September 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Hot Springs HMA, Percentage Change, 2001 to Current

Note: Current is based on 12-month averages through September 2011.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Covered Payroll Jobs in the Hot Springs HMA, by Sector

Note: Based on 12-month averages through September 2011.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Hot Springs HMA

Name of Employer	Covered Payroll Sector	Number of Employees
St. Joseph's Mercy Health Center	Education & Health Services	2,300
Oaklawn Racing & Gaming	Leisure & Hospitality	1,210
Wal-Mart Stores, Inc.	Trade, Transportation, & Utilities	1,100
National Park Medical Center	Education & Health Services	650
City of Hot Springs	Government	620
National Park Community College	Education & Health Services	610
ACCENT Marketing Services, LLC	Professional & Business Services	500
Berry Plastics Corporation	Manufacturing	490
Xerox Corporation	Professional & Business Services	450
Arlington Resort Hotel & Spa	Leisure & Hospitality	380

Note: Excludes local school districts.

Source: The Greater Hot Springs Chamber of Commerce

the HMA that did not experience a contraction in year-over-year annual average employment at any point during the past 4 years. Tourist demand for leisure and hospitality services has long been an important component of the Hot Springs economy. According to information from an economic impact study conducted by The BaxStarr Consulting Group of Dallas, visitors to the Hot Springs metropolitan area spent \$560 million in 2010 compared with \$547 million in 2009. For 2011 this number is expected to be closer to \$580 million. The Oaklawn Racing & Gaming facility, located in the city of Hot Springs, attracts more commercial tourists than any other destination in Arkansas, and the area is expected to benefit from improvements in the national economy.

During the 3-year forecast period, nonfarm payrolls in the HMA are expected to increase by 2,800 jobs, or 2.4 percent, annually. Job growth is expected to be strongest in the second and third years of the forecast period, with broad employment gains across

most sectors. Within the next year, the ACCENT Boost Mobile contact center plans to hire an additional 40 employees and Triumph Airborne Structures,

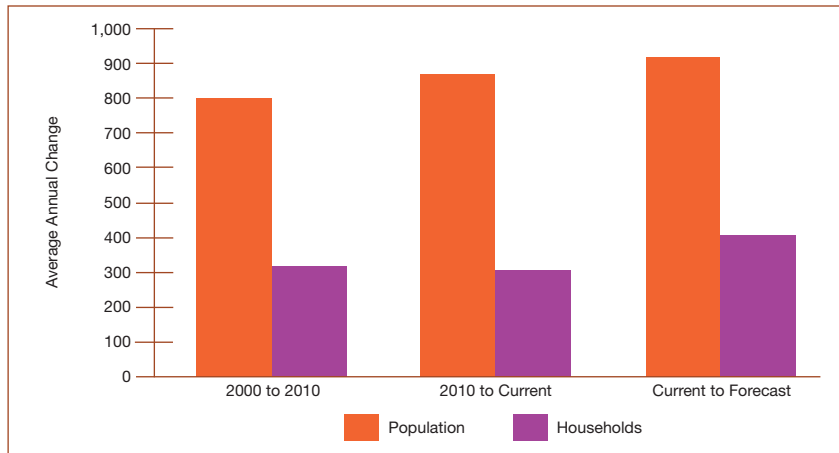
Inc., an aircraft structure repair and maintenance provider, will be hiring an additional 30 employees.

Population and Households

Since 2000, the population of the Hot Springs HMA has increased by an average of 810, or 0.9 percent, annually to an estimated 97,750 as of April 1, 2012. All this growth comes from net migration because net natural change (resident births minus resident deaths) in Garland County has been

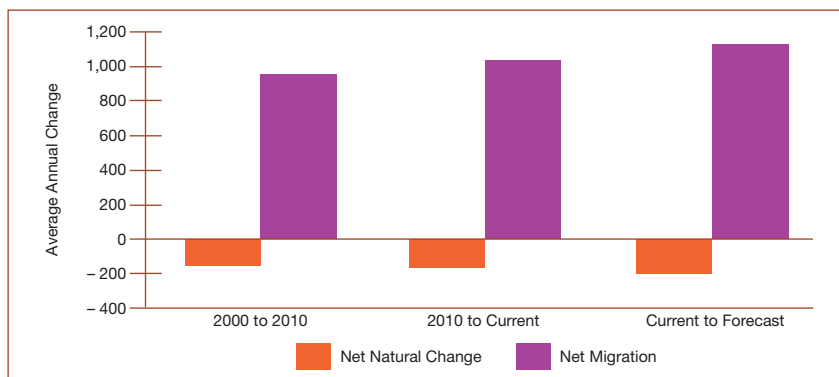
negative for more than two decades. From 2000 through 2007, population growth averaged 1 percent a year. From 2008 to 2010, however, in-migration slowed considerably and the average annual population growth rate decreased to 0.3 percent, a result of weak overall economic conditions. Since April 2010, population growth has once again increased to an average of 0.9 percent, or 860 people, annually (Figure 4). The population growth in the 2000s is attributed to the popularity of the HMA as a retirement destination, largely because of the relatively low cost of living, mild climate, and access to extensive healthcare and recreational services. From the April 2000 Census to the April 2010 Census, the population age 55 and older grew at an average annual rate of 1.6 percent compared with 0.5 percent for the rest of the population. As of the 2010 Census, 35 percent of the population of the HMA was 55 or older compared with only 25 percent nationally. The population is expected to increase at an average annual rate of 920, or 0.9 percent, during the forecast period as the economy continues to improve. By April 2015, the total population is projected to be 100,500. Figure 5 shows components of population change from 2000 through the forecast period, and Table DP-1, at the end of this report, contains information on population and household growth for the HMA from 2000 through the current date.

Figure 4. Population and Household Growth in the Hot Springs HMA, 2000 to Forecast



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

Figure 5. Components of Population Change in the Hot Springs HMA, 2000 to Forecast

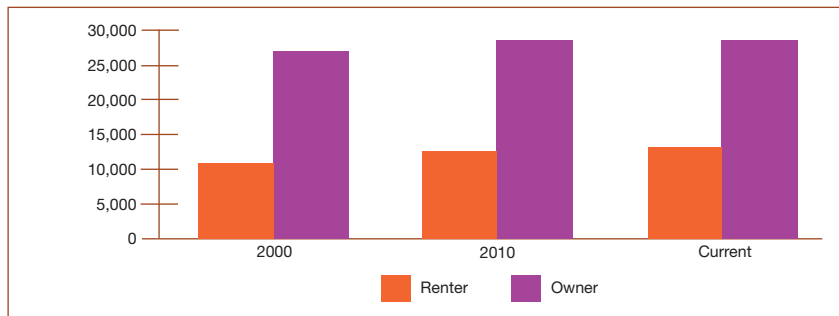


Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Since 2000, the growth in the number of households has paralleled the population change in the area and, currently, an estimated 41,600 households are in the HMA. Household growth is

expected to average 1 percent during the forecast period, slightly more than the 2000-to-2010 decade average rate of 0.8 percent annually. The proportion of owner households in the HMA has decreased from 71.1 percent in 2000 to 69.4 percent in 2010 compared with the 2010 national homeownership rate of 65.1 percent. The current homeownership rate in the Hot Springs HMA is estimated to have continued to decline to 68.6 percent. Figure 6 shows the number of households by tenure from 2000 to the current date.

Figure 6. Number of Households by Tenure in the Hot Springs HMA, 2000 to Current



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

Housing Market Trends

Sales Market

The home sales market in the Hot Springs HMA is soft, with an estimated vacancy rate of 3 percent, a result of slower in-migration and weak economic conditions from 2009 through 2011. According to Hanley Wood, LLC, during the 12 months ending March 2012, the number of new and existing homes sold was 1,700, down 7 percent from 1,825 homes sold in the previous 12 months and down 9 percent from the average annual home sales activity from April 2008 to April 2010. The most recent 12-month sales activity is down 35 percent from the average annual level of 2,625 homes sold from 2005 through 2008. In the HMA, more than 55 percent of the 1,050 home sales in which the buyer's age was reported were made by someone age 55 or older during the 12 months

ending March 2012 compared with 33 percent nationally, based on data from Hanley Wood, LLC. During the same period, homes purchased by absentee owners made up nearly 36 percent of all purchases, up from 32 percent in the previous 12-month period and an average of 25 percent annually from 2005 through 2009. Condominium sales comprised approximately 14 percent of all home sales activity during the most recent 12-month period, nearly unchanged from previous years going back to 2005. The 12-month average sales price for new and existing homes increased by 1 percent, from \$150,600 to \$152,200, during the most recent 12-month period compared with an average sales price of \$147,600 from 2005 through 2008.

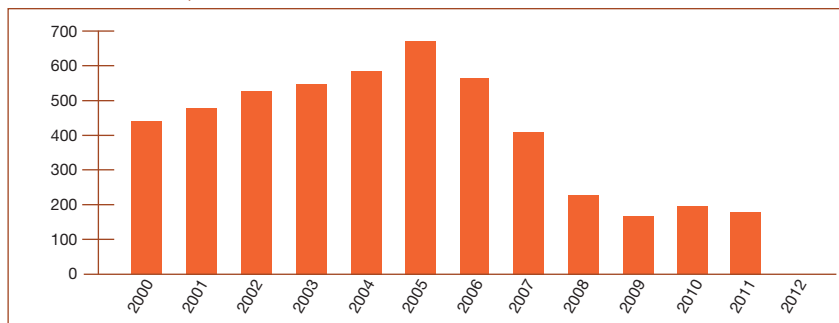
During the 12 months ending March 2012, construction began on approximately 190 single-family homes, unchanged from the previous year but a 60-percent decline compared with the estimated average building activity of 470 new homes annually from 2005 through 2008. Figure 7 shows the estimated number of single-family home starts from 2000 to the current date.

Hot Springs Village, 20 miles north of the city of Hot Springs, is the self-proclaimed largest gated community in the United States. Founded in 1970, the community comprises an estimated 8,600 homes built on 40 square miles, and the median age of its residents is 67 years. According to data from the

Hot Springs Village Property Owners' Association, building activity has slowed from an average of 210 homes annually from 2005 through 2008 to 65 annually during the past 3 years. Although a portion of the overall development is in neighboring Saline County, Arkansas, nearly 60 percent is in Garland County. In southwestern Hot Springs city, Forest Lakes Garden Homes, an age-restricted property for residents 55 and older, broke ground on a new 25-unit addition in late 2011, adding to the existing 80 units. The smallest designs in Forest Lakes are three-bedroom units that start at \$230,000. According to property management, continued development of new units in additional phases is planned over the next decade as demand dictates. Hickory Hills, a 72-lot subdivision in southeast Hot Springs, has been in development since 2008. Currently, 9 homes are under construction with 13 vacant lots remaining. Home sales prices start at \$122,000 for a three-bedroom home.

During the 3-year forecast period, demand is expected for 730 new market-rate sales housing units and an additional 100 new mobile homes (Table 1). An even distribution of demand is expected over the 3-year forecast period; however, the 45 units currently under construction will meet a portion of the demand during the first year. In addition, some of the estimated 7,375 other vacant units may come back on the market and satisfy a portion of the forecast demand. Table 4 illustrates estimated demand for new market-rate sales housing in the HMA by price range.

Figure 7. Single-Family Building Permits Issued in the Hot Springs HMA, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Hot Springs HMA, April 1, 2012 to April 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
90,000	99,999	20	3.0
100,000	149,999	190	26.0
150,000	199,999	200	28.0
200,000	249,999	120	17.0
250,000	349,999	130	18.0
350,000	499,999	35	5.0
500,000	and higher	20	3.0

Notes: The 45 homes currently under construction and a portion of the estimated 7,375 other vacant units in the submarket will likely satisfy some of the forecast demand. Excludes mobile homes.

Source: Estimates by analyst

Rental Market

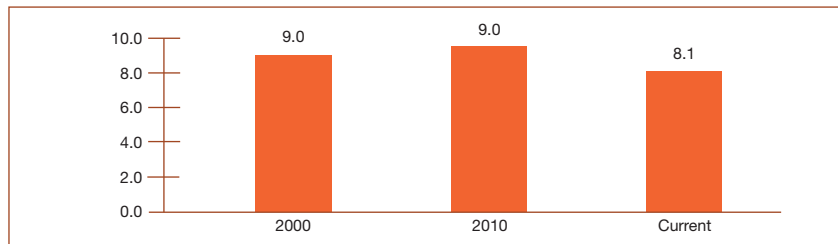
The rental housing market in the metropolitan area is currently soft, with an estimated overall rental vacancy rate of 8.1 percent, down from 9.5 percent in April 2010, with an estimated 45 percent of all rental units being single-family homes. Figure 8 illustrates overall rental market vacancy rates since 2000. According to local sources, the number of for-sale condominiums and single-family homes also being offered for lease has increased in the past 3 years in response to the slow sales housing market. The apartment rental vacancy rate, currently estimated at 6 percent, is lower than the overall

rental market vacancy rate. Average apartment asking rents, based on an analyst's survey completed in March 2012, are estimated to be \$560, \$650, and \$760 for one-, two-, and three-bedroom units, respectively.

Estimated rental building activity in the HMA has slowed slightly to an average of 60 units constructed annually since April 2010, down from 70 units during 2009 and an average of 90 units constructed annually from 2005 through 2008. Figure 9 shows the number of multifamily units constructed in the HMA. The Pointe at Hot Springs, a 192-unit building, completed construction in May 2010 and is currently 92-percent leased up, with monthly rents ranging from \$650 to \$1,250 for one- to three-bedroom units. Hamilton Hills Apartments, comprising 12 two-bedroom units with monthly rents of \$725, completed construction in February 2012 and is fully occupied.

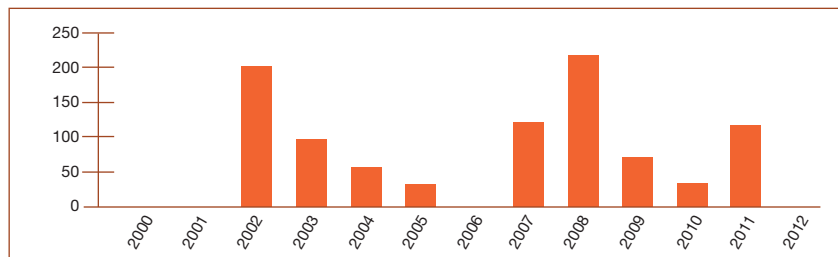
Demand is estimated for 70 new market-rate rental units during the 3-year forecast period (Table 1). To allow the current surplus of available rental units to be absorbed, new units should not come on line until the third year of the forecast period. Table 5 shows estimated demand for new market-rate rental housing in the HMA categorized by rent level and number of bedrooms.

Figure 8. Rental Vacancy Rates in the Hot Springs HMA, 2000 to Current



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

Figure 9. Multifamily Building Permits Issued in the Hot Springs HMA, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

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

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Hot Springs HMA, April 1, 2012 to April 1, 2015

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 to 849	25	775 or more	30	900 or more	10
850 or more	10				
Total	30	Total	30	Total	10

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

Source: Estimates by analyst

Data Profile

Table DP-1. Hot Springs HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	36,836	38,889	39,550	0.5	0.6
Unemployment Rate	4.2%	8.1%	8.1%		
Covered Payroll Jobs	NA	35,600	35,500	NA	- 0.2
Total Population	88,068	96,024	97,750	0.9	0.9
Total Households	37,813	40,994	41,600	0.8	0.7
Owner Households	26,901	28,438	28,550	0.6	0.2
Percent Owner	71.1%	69.4%	68.6%		
Renter Households	10,912	12,556	13,050	1.4	1.9
Percent Renter	28.9%	30.6%	31.4%		
Total Housing Units	44,953	50,548	51,000	1.2	0.4
Owner Vacancy Rate	2.8%	3.4%	3.0%		
Rental Vacancy Rate	9.0%	9.5%	8.1%		
Median Family Income	\$38,079	\$47,076	\$43,935	2.1	- 6.7

NA = not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2012. Median family incomes are for 1999, 2009, and 2010. Current covered payroll jobs represent the 12 months through September 2011.

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: 4/1/2012—Analyst’s estimates
Forecast period: 4/1/2012–4/1/2015—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_HotSpringsAR_12.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.