



U.S. Housing Market Conditions



SOUTHWEST REGIONAL REPORT HUD Region VI

2nd Quarter Activity

The following summary of the Southwest region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Southwest region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

Economic conditions in the Southwest region continued to decline in the second quarter of 2010, a trend that began in May 2009. During the 12 months ending June 2010, average nonfarm employment decreased by 378,800 jobs, or 2.4 percent, to 15.6 million jobs. By comparison, nonfarm employment declines averaged 0.5 percent or 82,200 jobs for the 12 months ending June 2009. During the 12 months ending June 2010, gains in 2 employment sectors, totaling 131,400 jobs, were offset by a combined loss of 510,200 jobs in the remaining 10 sectors. The education and health services sector recorded the largest growth among employment sectors in the region, adding 80,000 jobs, an increase of 3.9 percent. The government sector increased by 51,400 jobs, or 1.8

percent, with all states in the region recording increased employment in the sector. Significant declines continued in the construction sector during the 12 months ending June 2010 as soft housing and commercial property markets contributed to a decrease of 107,900 jobs, or 11.2 percent, compared with a decrease of 28,000 jobs, or 2.8 percent, during the 12 months ending June 2009. The manufacturing sector, which recorded declines in all states in the region, lost 113,900 jobs, or 8.2 percent, during the 12 months ending June 2010.

Job losses have occurred in every state in the Southwest region since June 2009. During the 12 months ending June 2010, Texas lost 234,800 jobs, or 2.2 percent, led by a decline of more than 82,100 jobs in the construction sector. In Oklahoma, employment decreased by 51,600 jobs, or 3.3 percent, led by losses of 17,900 jobs in the manufacturing sector and 11,000 jobs in the professional and business services sector. Employment in Louisiana decreased by 37,400 jobs, or 1.9 percent, as combined gains of more than 10,900 jobs in the other services and the education and health services sectors were offset by losses of a combined 19,600 jobs in the manufacturing and professional and business services sectors. Employment in New Mexico declined by 27,600 jobs, or 3.3 percent, for the 12 months ending June 2010. In Arkansas,



employment declined by 27,400 jobs, or 2.3 percent, with declines in the manufacturing, trade, and transportation and utilities sectors accounting for nearly 90 percent of the total loss. For the 12 months ending June 2010, the unemployment rate in the region increased to 7.9 percent compared with 6.1 percent for the previous 12 months. The average unemployment rates ranged from a low of 6.8 percent in Oklahoma to a high of 8.2 percent in Texas and New Mexico; Louisiana and Arkansas recorded rates of 7.2 and 7.6 percent, respectively.

Sales housing market conditions in the Southwest region improved but remained slightly soft with the continued job losses. During the 12 months ending June 2010, approximately 224,000 homes were sold in Texas, up nearly 8 percent when compared with the number sold during the previous 12 months; however, home sales still remain nearly 14 percent below the average annual level of 259,200 homes sold from 2005 through June 2009. The inventory of unsold homes is at a 7-month supply, the highest level since 2000 and well above the 5.3-month average supply recorded between 2000 and 2007. During the 12 months ending June 2010, the number of homes sold increased in most major Texas markets, with increases ranging from 4 percent in Dallas to 13 percent in Austin and San Antonio. The average home sales price in the state increased 1 percent to \$188,400 during the 12 months ending June 2010, reversing a trend of price declines that began in late 2008. Home sales price changes among major Texas markets ranged from a decline of 3 percent in San Antonio to an increase of 2 percent in Houston.

Home sales began to increase in a number of markets in states elsewhere in the region during the 12 months ending June 2010 following 3 years of declines. According to the New Orleans Metropolitan Association of REALTORS®, home sales were up 9 percent to 8,525 homes, and the average sales price declined less than 1 percent to \$201,500. In Baton Rouge, the number of sales increased 8 percent to 7,125 homes, based on data from the Greater Baton Rouge Association of REALTORS®, and the average sales price declined approximately 2 percent to \$191,200. The Greater Albuquerque Association of REALTORS® reported that the number of home sales was up 21 percent in Albuquerque to 7,400 homes, though it still remains more than 23 percent below the average annual level of 9,600 homes sold from 2006 through June 2009. The average sales price in Albuquerque declined by 4 percent to \$212,300. According to the Oklahoma Association of REALTORS®, the number of homes sold in Oklahoma increased 7 percent during the 12 months ending June 2010 to 46,050, and the average sales price declined 4 percent to \$144,700. According to the Arkansas REALTORS® Association, home sales for the state increased by 11 percent to 25,550 and the average price fell by 2 per-

cent to \$144,400, during the 12 months ending May 2010. Home sales still remain more than 12 percent below the average annual level of 29,150 homes sold from 2005 through June 2009.

In the Southwest region, increased home sales resulted in increased single-family construction activity, as measured by the number of single-family building permits issued. During the 12 months ending June 2010, the total number of single-family homes permitted in the region was 95,150, an increase of 11,550 homes, or 14 percent, compared with the number permitted during the previous 12 months, based on preliminary data. Texas recorded a 14-percent increase in the number of single-family homes permitted, up 8,675, to 69,600 homes. In other states in the region, changes ranged from an increase of 7 percent in New Mexico to an increase of 23 percent in Arkansas. Oklahoma and Louisiana recorded increases of 9 and 14 percent, respectively.

Rental housing market conditions in the largest metropolitan areas in Texas remained soft during the 12 months ending June 2010 due, in part, to continued job losses and the large number of units completed since 2005. According to ALN Systems, Inc., the apartment vacancy rate in Austin was 10.6 percent for the 12 months ending June 2010, down slightly from 10.9 percent during the previous 12 months, and the average rent declined 3 percent to \$840. In Dallas, the apartment vacancy rate increased from 10.6 to 12.3 percent during the 12 months ending June 2010 as the average rent declined 2 percent to \$800. Rental markets in Fort Worth and Houston remained very soft, with vacancy rates of 12.8 and 14.3 percent, respectively, during the 12 months ending June 2010. The average rent in Fort Worth declined by 2 percent to \$710, during the 12 months ending June 2010. During the same period, the average rent in Houston increased 2 percent to \$790, the smallest increase in average rents in Houston during a 12-month period since 2006. In San Antonio, during the 12 months ending June 2010, the vacancy rate rose slightly to 11.5 percent from the 11.3-percent rate recorded during the 12-month period ending June 2009, and the average rent increased less than 1 percent to \$730. The smaller metropolitan areas of Abilene, Corpus Christi, and Lubbock had three of the lowest apartment vacancy rates in Texas, at 8.7, 9.8, and 9.9 percent, respectively, during the 12 months ending June 2010.

Rental housing market conditions were mixed in large metropolitan areas in other states throughout the Southwest region during the second quarter of 2010. During the same period, the rental markets in Albuquerque and Little Rock were balanced. According to Reis, Inc., the apartment vacancy rate in Albuquerque was 6.3 percent in the second quarter of 2010, down from 7.2 percent 1 year earlier, and the average rent



remained essentially unchanged at \$710. In Little Rock, for the second quarter of 2010, the apartment vacancy rate was 8.3 percent, down slightly from 8.7 percent 1 year earlier, and the average rent increased approximately 2 percent to \$650. Rental markets in the largest metropolitan areas in Oklahoma were soft during the second quarter of 2010. In Oklahoma City, the apartment vacancy rate rose from 9.6 percent in the second quarter of 2009 to 10.2 percent in the second quarter of 2010 and the average rent remained essentially unchanged at \$550. In Tulsa, the vacancy rate increased from 8.8 percent for the second quarter of 2009 to 9.8 percent for the same period in 2010 and the average rent remained essentially unchanged at \$580. Rental market conditions in New Orleans remained soft as the apartment rental vacancy rate fell to 12 percent during the first quarter of 2010, according to the Greater New Orleans Multi-Family Report[®], down slightly from the 13-percent rate recorded 1 year earlier, and the average rent remained unchanged at \$840.

As a result of soft rental markets in many large metropolitan areas, multifamily construction activity, as measured by the number of units permitted, decreased in the Southwest region during the 12 months ending June 2010, based on preliminary data. The 18,400 units permitted during the 12 months ending June 2010 reflect a 57-percent decline compared with the number of units permitted during the 12-month period ending June 2009. During the 12 months ending June 2010, the number of multifamily units permitted in Texas declined 60 percent from the previous year, down 20,400 units to 12,300 units. In other states in the region during the 12 months ending June 2010, changes in the number of multifamily units permitted ranged from a decline of 23 percent in Oklahoma to a decline of 74 percent in Louisiana. Arkansas and New Mexico recorded declines of 34 and 44 percent, respectively, for the same period.