



U.S. Housing Market Conditions

SOUTHWEST REGIONAL REPORT HUD Region VI



3rd 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 third quarter of 2010, a trend that began in May 2009. During the 12 months ending September 2010, average nonfarm payrolls decreased by 1.2 percent, or 184,200 jobs, to 15.7 million jobs. By comparison, average nonfarm payrolls declined by 1.8 percent, or 291,100 jobs, for the 12 months ending September 2009. During the 12 months ending September 2010, gains in three employment sectors, totaling 128,700 jobs, were offset by a combined loss of 312,900 jobs in the remaining nine sectors. The education and health services sector recorded the largest growth, adding 80,200 jobs, an increase of 3.9 percent. The government sector increased by 41,900 jobs, or 1.4 percent, with all states in the region recording increased

jobs in the sector. The leisure and hospitality sector recorded gains for the first time in a year, with an increase of 6,600 jobs, or 0.4 percent. Significant declines continued from the previous quarter in the construction sector as soft housing and commercial property markets contributed to a decrease of 81,300 jobs, or 8.7 percent, compared with a decrease of 65,100 jobs, or 6.5 percent, during the 12 months ending September 2009. The manufacturing sector, which recorded declines in all states in the region, lost 67,200 jobs, or 5 percent, during the 12 months ending September 2010.

Job losses have occurred in every state in the Southwest region since June 2009. During the 12 months ending September 2010, Texas lost 100,400 jobs, or 1 percent, led by a decline of more than 64,000 jobs, or 10.3 percent, in the construction sector. In Oklahoma, nonfarm payrolls decreased by 28,200 jobs, or 1.8 percent, led by losses of 12,000 jobs in the manufacturing sector and 5,000 jobs in the natural resources and mining sector, or 8.9 and 10.8 percent, respectively. Nonfarm payrolls in Louisiana decreased by 21,600 jobs, or 1.1 percent, as combined gains of more than 12,500 jobs in the leisure and hospitality and the education and health services sectors were offset by losses of a combined 15,800 jobs in the construction and manufacturing sectors. Nonfarm payrolls in New



Mexico declined by 18,600 jobs, or 2.3 percent, for the 12 months ending September 2010. In Arkansas, nonfarm payrolls declined by 15,500 jobs, or 1.3 percent, with declines in the manufacturing, trade, and transportation and utilities sectors accounting for nearly 70 percent of the total loss. For the 12 months ending September 2010, the unemployment rate in the region increased to 7.9 percent compared with the 6.8-percent rate for the previous 12 months. The average unemployment rates ranged from a low of 6.8 percent in Oklahoma to a high of 8.3 percent in New Mexico; Louisiana, Arkansas, and Texas recorded rates of 7.3, 7.7, and 8.2 percent, respectively.

Sales housing market conditions in the Southwest region improved during the 12 months ending September 2010 but remain slightly soft because of the continued job losses. During the 12 months ending September 2010, approximately 212,500 homes sold in Texas, up nearly 4 percent when compared with the number sold during the previous 12 months; however, home sales were 13 percent below the number sold during the 12 months ending September 2008, according to the Real Estate Center at Texas A&M University. The inventory of unsold homes was at a 7-month supply for the 12-month period ending September 2010, the highest level since 2000 and well above the 5.4-month average supply recorded between 2000 and 2009. Despite remaining at a high level, the inventory of unsold homes was relatively unchanged during the past year. During the 12 months ending September 2010, the number of homes sold increased in most major Texas markets, with increases ranging from less than 1 percent in Dallas to 8 percent in San Antonio. The average home sales price in the state increased 3 percent to \$190,000 during the 12 months ending September 2010, reversing a trend of home sales price declines that began in late 2008. Home sales price changes among major Texas markets ranged from a decline of 1 percent in San Antonio to an increase of 4 percent in Dallas and Houston.

Home sales continued to increase in a number of markets in states elsewhere in the region during the 12 months ending September 2010, following approximately 3 years of declines. According to the New Orleans Metropolitan Association of REALTORS® and Gulf South Real Estate Information Network, Inc., the median price of new and existing single-family homes in New Orleans declined by 2 percent, and home sales were up 2 percent to 7,650 homes during the 12 months ending September 2010. In Baton Rouge, the number of home sales was relatively unchanged at 6,700, based on data from the Greater Baton Rouge Association of REALTORS®, and the average home sales price remained stable at \$191,400. During the 12 months ending September 2010, The Greater Albuquerque Association of REALTORS® reported that the number of home sales was up 12 percent in Albuquerque to 6,950 homes when compared with the number sold during the previous 12-month period, although the level of sales still remains 5 percent below the number of homes sold during the 12 months ending September 2008. The average home

sales price in Albuquerque was relatively unchanged at \$212,700 during the 12 months ending September 2010. According to the Oklahoma Association of REALTORS®, the number of homes sold in Oklahoma was relatively unchanged during the 12 months ending September 2010 at 42,850, and the average home sales price declined by approximately 1 percent to \$145,800. According to the Arkansas REALTORS® Association, during the 12 months ending September 2010, home sales for the state increased by 5 percent to 23,950, and the average price remained stable at \$144,800.

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 September 2010, the total number of single-family homes permitted in the region was 89,650, an increase of 5,700 homes, or 7 percent, compared with the number permitted during the previous 12 months, based on preliminary data. Texas recorded a 7-percent increase in the number of single-family homes permitted, up 4,550, to 65,450 homes. In other states in the region, changes ranged from an increase of 2 percent in Louisiana and New Mexico to an increase of 15 percent in Arkansas. Oklahoma recorded a 5-percent increase in the number of single-family homes permitted.

Rental housing market conditions in the largest metropolitan areas in Texas remained soft during the 12 months ending September 2010 due, in part, to continued job losses and the large number of units completed since 2005. Austin was the only major Texas market with an apartment vacancy rate under 10 percent. According to ALN Systems, Inc., the apartment vacancy rate in Austin was 9.7 percent for the 12 months ending September 2010, down from 11.4 percent during the previous 12 months, and the average rent declined 3 percent to \$840. In Dallas, the apartment vacancy rate declined slightly from 11.8 to 11.3 percent during the 12 months ending September 2010, and the average rent declined 3 percent to \$800. Rental markets in Fort Worth and Houston remained very soft, with vacancy rates of 12.2 and 14.3 percent, respectively, during the 12 months ending September 2010. The average rent in Fort Worth declined by 3 percent to \$700, during the 12 months ending September 2010. During the same period, the average rent in Houston increased 1 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 September 2010, the vacancy rate declined to 10.9 percent from the 11.7-percent rate recorded during the 12-month period ending September 2009, and the average rent increased less than 1 percent to \$730.

Rental housing market conditions were mixed in large metropolitan areas in other states throughout the Southwest region during the third quarter of 2010. Rental markets in Albuquerque and Little Rock were balanced during this period. According to Reis, Inc., the apartment vacancy rate in Albuquerque was 5.6 percent in the third quarter



of 2010, down from 7 percent a year earlier, and the average rent increased 1 percent to \$710. In Little Rock, during the third quarter of 2010, the apartment vacancy rate was 7.8 percent, down slightly from 8.3 percent a year earlier, and the average rent increased approximately 2 percent to \$660. Rental markets in the largest metropolitan areas in Oklahoma were soft during the third quarter of 2010. In Oklahoma City, the apartment vacancy rate declined slightly from 9.6 percent in the third quarter of 2009 to 9.3 percent in the third quarter of 2010, and the average rent increased 1 percent to \$550. In Tulsa, the vacancy rate declined slightly from 9 percent for the third quarter of 2009 to 8.9 percent for the same period in 2010, and the average rent remained relatively unchanged at \$580. Rental market conditions in New Orleans remained soft as the apartment rental vacancy rate fell to 10 percent during the third quarter of 2010, according to the *Greater New Orleans Multi-Family Report*[®], down slightly from the 13-percent rate

recorded a year earlier, and the average rent increased 1 percent to \$840.

As a result of soft apartment 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 September 2010, based on preliminary data. The 18,850 units permitted during the 12 months ending September 2010 reflect a 26-percent decline compared with the number of units permitted during the previous 12 months. During the 12 months ending September 2010, the number of multifamily units permitted in Texas declined by 28 percent, or 6,250 units, from the previous year to 16,450 units. In other states in the region, changes ranged from a decline of 50 percent in Louisiana to 850 units to an increase of 3 percent in Oklahoma. Arkansas and New Mexico recorded declines of 8 and 18 percent, respectively, for the 12 months ending September 2010.