

# HUD PD&R Regional Reports

## Region 6: Southwest



### Quick Facts About Region 6

New Orleans, Louisiana

By Robert Stephens | 1st quarter 2017

- **Sales market conditions—**  
First quarter 2017: mixed (balanced to slightly tight).  
Fourth quarter 2016: mixed (balanced to slightly tight).  
First quarter 2016: mixed (balanced to slightly tight).
- **Apartment market conditions—**  
First quarter 2017: mixed (balanced to soft).  
Fourth quarter 2016: mixed (balanced to soft).  
First quarter 2016: mixed (balanced to slightly soft).

### Overview

The economic expansion in the Southwest region that began in 2011 continued in the first quarter of 2017, although growth remained subdued compared with conditions earlier in the decade. Payrolls increased in three of the five states in the region, led by growth in Texas, with gains among the service-providing sectors more than offsetting losses in the energy-related industries. Continued—albeit reduced—employment growth in the region contributed to balanced conditions in most major sales housing markets, although many rental markets have begun to soften. Home sales, home sales prices, and average apartment rents increased in most major markets. Rent growth slowed and apartment vacancy rates rose, however, in several Southwest markets, in part because of a high level of multifamily construction activity in 2014 and 2015.

During the first quarter of 2017—

- Nonfarm payrolls increased 1.4 percent from the first quarter of 2016 to 17.80 million jobs. Despite increasing during the most recent quarter, year-over-year job growth in the region slowed significantly from a recent peak of 3.0 percent during the fourth quarter of 2014, and the rate of job growth in the region was less than the national average of 1.6 percent.
- Home sales and sales prices increased in most major metropolitan areas in the region, although the rate of price appreciation slowed significantly in many markets from the previous 3 years.
- Combined single-family and multifamily permitting activity in the Southwest region rose for the sixth consecutive first quarter, to 52,950 units, but remained well below the first quarter peak of 74,750 units permitted in 2006 prior to the housing market downturn.



Nonfarm payroll growth in the Southwest region was concentrated in the service-providing sectors, including education and health services, which accounted for approximately 30 percent of all jobs added.

	First Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	17,556.2	17,803.2	247.0	1.4
Goods-producing sectors	2,650.3	2,644.1	- 6.2	- 0.2
Mining, logging, and construction	1,345.5	1,345.7	0.2	0.0
Manufacturing	1,304.8	1,298.3	- 6.5	- 0.5
Service-providing sectors	14,905.8	15,159.1	253.3	1.7
Wholesale and retail trade	2,724.5	2,734.9	10.4	0.4
Transportation and utilities	747.3	768.1	20.8	2.8
Information	272.0	265.6	- 6.4	- 2.4
Financial activities	978.1	997.2	19.1	2.0
Professional and business services	2,230.6	2,279.7	49.1	2.2
Education and health services	2,465.3	2,538.0	72.7	2.9
Leisure and hospitality	1,844.9	1,887.8	42.9	2.3
Other services	626.9	640.7	13.8	2.2
Government	3,016.3	3,047.2	30.9	1.0

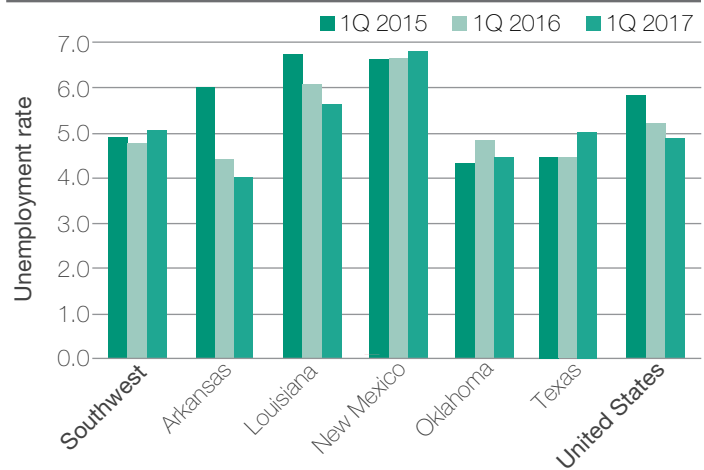
Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics

## Economic Conditions

Nonfarm payroll growth in the Southwest region remained subdued during the first quarter of 2017, although the rate of growth has increased from the past year. Nonfarm payrolls increased 1.4 percent, or by 247,000 jobs, compared with the number of jobs during the same quarter a year earlier to 17.80 million jobs. By comparison, during the first quarter of 2016, nonfarm payrolls grew 0.9 percent, or by 164,000 jobs, from the first quarter of 2015. Job growth remained relatively strong in most service-providing sectors during the first quarter of 2017. The education and health services sector led job growth, increasing by 72,700 jobs, or 2.9 percent, and accounted for approximately 30 percent of the total nonfarm payroll change. The professional and business services and leisure and hospitality sectors grew by 49,100 and 42,900 jobs, or 2.2 and 2.3 percent, respectively, accounting for a combined nearly 40 percent of the total nonfarm payroll change.

The goods-producing sectors continued a decline that began during the second quarter of 2015, although at a greatly reduced rate and entirely from a 6,500-job loss in the manufacturing sector. Mining, logging, and construction sector payrolls increased by 200 jobs, or less than 0.1 percent, representing the first increase in the sector since the first quarter of 2015. Growth in the sector is entirely the result of an increase of 25,600 jobs, or 2.6 percent, in the construction subsector, in part because residential building activity continues to increase throughout much of the region. The mining and logging subsector, which had been one of the fastest-growing subsectors

Despite declining nationally, the unemployment rate rose in the Southwest region during the first quarter of 2017.



1Q = first quarter.  
Source: U.S. Bureau of Labor Statistics

in the region, increasing at an average annual rate of 9.2 percent from 2010 through 2014, shed 25,400 jobs, a decline of 7.2 percent between the first quarters of 2016 and 2017. Lower oil and gas prices led many energy-related companies to reduce workforces, which led to job losses in the goods-producing sectors. Parts of the region involved in the extraction of oil and gas—such as the Eagle Ford Shale region of south Texas—and in the processing, refining, and transportation of crude oil—such as the Gulf Coast regions of Texas and Louisiana—have been particularly affected during the past 2 years. However, crude oil production in Texas has

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surged in recent months, and the most recent job decline in the mining and logging subsector is the smallest since losses began 2 years earlier. Similarly, the recent decline in manufacturing payrolls is the smallest since losses in the sector began in the second quarter of 2015.

During the first quarter of 2017—

- Nonfarm payrolls increased 2.0 percent, or by 237,900 jobs, in Texas from the first quarter of 2016, which accounted for most of the job growth in the region. Nearly all the growth in Texas during the most recent quarter occurred in the service-providing sectors, primarily in the education and health services, professional and business services, and leisure and hospitality sectors. Combined, these sectors accounted for nearly 60 percent of the change in nonfarm payrolls. In the goods-producing sectors, continued declines in payrolls in the mining and logging subsector and the manufacturing sector more than offset an increase of 14,000 jobs, or 2.0 percent, in construction subsector payrolls from the first quarter of 2016.
- Arkansas had the highest rate of job growth in the region outside of Texas. Payrolls increased 1.3 percent, or by 15,800 jobs, from

the first quarter of 2016. Growth in service-providing sectors—particularly education and health services, which grew by 7,300 jobs, or 4.1 percent—more than offset relatively small declines in the goods-producing sectors.

- New Mexico added 3,600 jobs, an increase of 0.4 percent, from the first quarter of 2016 continuing a long-term trend of modest job gains, although payroll growth has not exceeded 1.0 percent since the second quarter of 2015. As with other states in the region, the service-providing sectors grew, whereas the goods-producing sectors lost jobs.
- Nonfarm payrolls declined from the first quarter of 2016 in Louisiana and Oklahoma by 4,800 and 5,400 jobs, or 0.2 and 0.3 percent, respectively. Declines in both states were more broad-based than elsewhere in the region, and they were the only states in which both the goods-producing and the service-providing sectors shed jobs.
- The unemployment rate in the region was 5.1 percent, up 0.3 percentage point from the first quarter of 2016. A 0.1-percentage-point increase in New Mexico and a 0.5-percentage-point increase in Texas more than offset modest declines that ranged from 0.3 to 0.5 percentage point in Arkansas, Louisiana, and Oklahoma.

## Population

The population of the Southwest region increased by 472,900, or 1.2 percent, from 2015 to 2016, slightly lower than the growth rates during the preceding 3 years (Census Bureau population estimates as of July 1). The region accounted for approximately 13 percent of the total population in the nation in 2015 but 21 percent of the nation's total population growth from 2015 to 2016. Every state in the region increased in population during this time, but approximately 92 percent of the growth was in Texas, which accounts for only 67 percent of the total population in the region. Population increases in Texas and the region were, in part, the result of affordable housing and strong economic growth relative to other parts of the country despite weakness in the energy-related industries, which began to shed jobs in mid-2015.

During the 12 months ending July 1, 2016—

- Texas had the greatest population gain in the nation, at 433,000 people, and had the tenth highest rate of population growth in the nation at 1.6 percent.
- New Mexico resumed minimal population growth after losing residents during the previous 12 months. Among the 42 states that increased in population, it added the second fewest number of people (690) and grew at the second lowest rate (less than 0.1 percent).
- Two states in the region, New Mexico and Louisiana, had net out-migration of 7,100 and 5,025, respectively; for New Mexico,

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### Population in the Southwest region grew at nearly double the national rate, led by gains in Texas.

	Population Estimate (as of July 1)			Percent Change	
	2014	2015	2016	2014 to 2015	2015 to 2016
United States	318,563,456	320,896,618	323,127,513	0.7	0.7
Southwest region	40,520,066	41,064,194	41,537,086	1.3	1.2
Arkansas	2,966,912	2,977,853	2,988,248	0.4	0.3
Louisiana	4,647,880	4,668,960	4,681,666	0.5	0.3
New Mexico	2,083,024	2,080,328	2,081,015	-0.1	0.0
Oklahoma	3,877,499	3,907,414	3,923,561	0.8	0.4
Texas	26,944,751	27,429,639	27,862,596	1.8	1.6

Source: U.S. Census Bureau



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this was an improvement from net out-migration of 9,725 people during the previous 12 months. Louisiana, which had net in-migration of 920 people during the previous 12 months, was heavily affected by recent weakening among energy-related sectors.

- Net in-migration accounted for 50, 34, and 18 percent of population growth in Texas, Arkansas, and Oklahoma, respectively. The level of net in-migration slowed in both Texas and Oklahoma in response to relatively weaker economic conditions but increased in Arkansas to 3,525, from 2,675 during the previous 12 months. Arkansas is less heavily reliant on energy-related industries than most other states in the region.

- Harris County, Texas, the primary county of the Houston metropolitan area, had the second highest population growth in the nation at 56,600 people. It had been first in the nation for the preceding 8 years but was surpassed by Maricopa County, Arizona. The gain in Harris County was entirely the result of net natural change and net international migration; net domestic out-migration occurred in Harris County for the first time in nearly a decade, in part, a result of weakening economic conditions caused by energy-related job losses.

## Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight in most major metropolitan areas in the Southwest region during the first quarter of 2017, unchanged from the previous quarter. The number of new and existing home sales in Texas increased by 13,150, or 4 percent, to 327,900 homes sold during the 12 months ending March 2017 (Real Estate Center at Texas A&M University). Annual sales growth averaged 4 percent in 2014 and 2015 after slowing significantly from a peak of 16 percent during 2013. Home sales surpassed the previous peak of 306,200 homes sold during the 12 months ending February 2007, before the housing downturn. The average sales price of new and existing homes in Texas increased 5 percent during the 12 months ending March 2017 to \$264,100, and the inventory of unsold homes was unchanged

at a 3.6-month supply from a year earlier. Price increases slowed from an average of 7 percent from 2013 through 2015, a period when sales market conditions in most major Texas markets were generally tightening. Increases in home sales and home sales prices occurred in most major markets throughout the region during the past year, although the rate of growth generally slowed by comparison with recent strong gains. Home sales prices increased the most in the Dallas-Fort Worth metropolitan area, where prices rose 8 percent to \$291,600 during the 12 months ending March 2017, despite a relatively slower increase in the number of homes sold. The Dallas-Fort Worth metropolitan area averaged a 2.2-month supply of unsold homes during the same time, the lowest supply of any major metropolitan area in Texas.

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The number of homes sold and home sales prices continued to increase in most major metropolitan areas in the Southwest region.

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 (\$)	2017 (\$)	Percent Change
Albuquerque (N&E)	March	10,199	11,134	9	AVG	216,001	223,946	4
Austin (N&E)	March	31,854	33,193	4	AVG	334,420	352,345	5
Dallas-Fort Worth-Arlington (N&E)	March	96,454	99,198	3	AVG	269,030	291,607	8
Dallas (N&E)	March	12,007	11,863	-1	AVG	350,177	373,821	7
Fort Worth (N&E)	March	12,040	12,054	0	AVG	205,699	226,865	10
Houston (N&E)	February	78,845	80,946	3	AVG	279,388	283,880	2
Little Rock (N&E)	February	9,608	9,986	4	AVG	171,790	180,175	5
New Orleans (N&E)	March	12,668	12,502	-1	AVG	242,493	249,712	3
Oklahoma City (N&E)	March	20,482	21,911	7	AVG	187,258	186,790	0
San Antonio (N&E)	March	29,537	31,757	8	AVG	231,373	239,690	4
Tulsa (N&E)	March	13,435	14,266	6	AVG	176,736	180,851	2

AVG = average. N&E = new and existing.

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

Sources: Arkansas Realtors® Association; Greater Albuquerque Association of Realtors®; New Orleans Metropolitan Association of Realtors®; Oklahoma City Metro Association of Realtors®; Real Estate Center at Texas A&M University

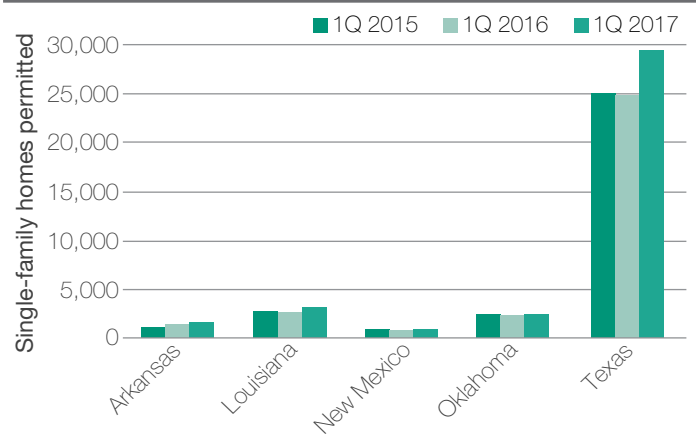


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During the first quarter of 2017 (preliminary data)—

- Approximately 37,550 single-family homes were permitted in the region, up 17 percent from the 32,150 homes permitted during the first quarter of 2016. By comparison, after the housing market downturn, the number of single-family homes permitted in the region fell each year from a first quarter peak of 58,100 in 2006 to a first quarter low of 19,950 in 2011, an average decline of 7,625 homes, or 13 percent, annually.
- The number of single-family homes permitted in Texas increased by 4,550, or 18 percent, from the first quarter of 2016, to 29,400 homes permitted and accounted for approximately 78 percent of all homes permitted in the region. Permitting activity increased by 130 homes each, or 8, 16, and 6 percent, in Arkansas, New Mexico, and Oklahoma, respectively, and by 470 homes, or 18 percent, in Louisiana.
- Single-family building activity increased from the first quarter of 2016 in many major metropolitan areas in the region. The greatest increase in single-family homebuilding activity in the region occurred in the market with the greatest home price appreciation, the Dallas-Fort Worth metropolitan area, where the number of single-family homes permitted increased by 1,800, or 26

Single-family permitting activity increased in all states in the Southwest region from the first quarter of 2016, led by growth in Texas.



1Q = first quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

percent, from the first quarter of 2016 to 8,125, which was the highest first quarter level since 12,150 homes were permitted in 2006 prior to the housing market downturn.

## Apartment Market Conditions

Apartment market conditions in large metropolitan areas in the Southwest region ranged from balanced to soft during the first quarter of 2017; however, vacancy rates increased and rent growth slowed in most areas. Among major Texas markets, San Antonio remained slightly soft and Houston remained soft, with respective

vacancy rates of 11.0 and 12.2 percent during the first quarter of 2017, up 0.3 and 2.5 percentage points, respectively, from the first quarter of 2016. The average rents in San Antonio and Houston increased 3 and 2 percent, respectively, during the first quarter of 2017. The market in Houston softened, in part, from a combination

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Apartment markets softened while vacancy rates rose in most major metropolitan areas in the Southwest region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2016 (%)	1Q 2017 (%)	Percentage Point Change	1Q 2016 (\$)	1Q 2017 (\$)	Percent Change
Albuquerque	Balanced	7.0	5.8	- 1.2	802	830	3
Austin	Balanced	8.4	9.3	0.9	1,179	1,204	2
Dallas	Balanced	7.5	8.8	1.3	1,049	1,110	6
Fort Worth	Balanced	6.5	6.7	0.2	928	994	7
Houston	Soft	9.7	12.2	2.5	1,022	1,039	2
Little Rock	Soft	9.1	9.9	0.8	714	724	1
New Orleans	Balanced	7.0	7.2	0.2	918	964	5
Oklahoma City	Soft	12.2	11.8	- 0.4	725	725	0
San Antonio	Slightly soft	10.7	11.0	0.3	917	949	3
Tulsa	Soft	9.3	9.9	0.6	681	680	0

1Q = first quarter.  
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—ALN Apartment Data, Inc.



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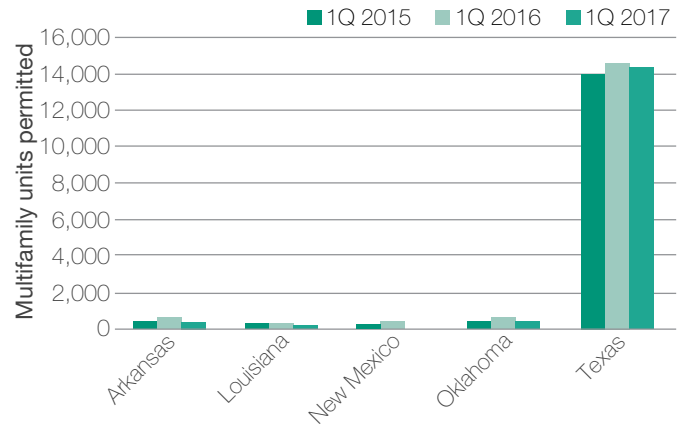
of the high number of units recently completed and declining demand caused by weakness in the energy industry. Balanced conditions prevailed in other Texas markets, including Fort Worth and Dallas, which had respective rent growth rates of 7 and 6 percent, the highest rates among all major markets in the region. Despite strong demand created by employment and population gains, the vacancy rate increased 0.2 percentage point in Fort Worth, to 6.7 percent, and 1.2 percentage points to 8.8 percent in Dallas in part because of an increase in the volume of new construction. Austin, which has also had an uptick in construction activity, recorded a vacancy rate increase from 8.4 to 9.3 percent but remained balanced despite a slowdown in rent growth to 2 percent that was caused, in part, by a large number of recently completed income-restricted and affordable units.

Outside of Texas, apartment market conditions were mixed during the first quarter of 2017. Apartment markets in Albuquerque, one of only two major markets in the region with a declining vacancy rate, and New Orleans were balanced with respective rent growth of 3 and 5 percent. In Little Rock, the apartment market transitioned from balanced to soft during the most recent quarter, while the vacancy rate rose 0.8 percentage point, to 9.9 percent, and rent growth slowed to 1 percent. Apartment markets are soft in the Oklahoma markets of Tulsa and Oklahoma City. Despite declining 0.4 percentage point, the vacancy rate in Oklahoma City remains the second highest in the region at 11.8 percent, and rent growth slowed to a halt. Rents were also relatively unchanged in Tulsa, and the vacancy rate rose 0.6 percentage point to 9.9 percent. Weakness is concentrated primarily in the Class A apartment market, in part, because worsening economic conditions caused renters to seek lower-cost housing options, and some newer apartment complexes began to reduce rents.

During the first quarter of 2017 (preliminary data)—

- Approximately 15,400 multifamily units were permitted in the region, a 7-percent decline from the 16,550 units permitted during the first quarter of 2016, the only first quarter decline since 2010. Multifamily permitting activity increased from a first quarter low of 3,950 units in 2010 to 16,550 units in 2016. By comparison, first quarter permitting activity previously peaked at an average of 17,200 units during the construction boom in 2006 through 2008.
- Multifamily permitting activity in Texas, which accounted for approximately 93 percent of all multifamily units permitted in the region, declined by 230 units, or 2 percent, from the first quarter of 2016 to 14,400 units. Builders responded to slowing employment growth in several metropolitan areas throughout the state

**Multifamily permitting activity in the Southwest region fell slightly from the first quarter of 2016, with declines in all states.**



1Q = first quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

by reducing building activity from the very high levels recorded in 2014 and 2015, which represent the 2 years with the highest permitting levels in Texas since the mid-1980s. Permitting fell by 160, 220, 250, and 300 units, respectively, in Louisiana, Oklahoma, Arkansas, and New Mexico from the first quarter of 2016, representing declines of between 35 and 83 percent.

- Changes in multifamily permitting activity were mixed among major metropolitan areas in the Southwest region. From the first quarter of 2016, permitting activity declined by 40, 690, 290, 510, and 60 units, respectively, in Albuquerque, Houston, Little Rock, Oklahoma City, and San Antonio but increased by 320, 1,725, 50, and 50 units, respectively, in Austin, Dallas-Fort Worth, New Orleans, and Tulsa.
- The greatest declines in multifamily permitting from the first quarter of 2016 occurred in the markets of Houston, Oklahoma City, and Little Rock, which fell by 690, 510, and 290 units, or 34, 91, and 80 percent, respectively. All three apartment markets are currently soft, and builders slowed construction activity in response to high vacancy rates and minimal rent growth caused by weak economic conditions and reduced demand.
- The greatest increase in multifamily permitting from the first quarter of 2016 occurred in the Dallas-Fort Worth market, where permitting grew by 1,725 units, or 27 percent, to 8,125 units, the most multifamily units permitted during any first quarter since at least 2001.

