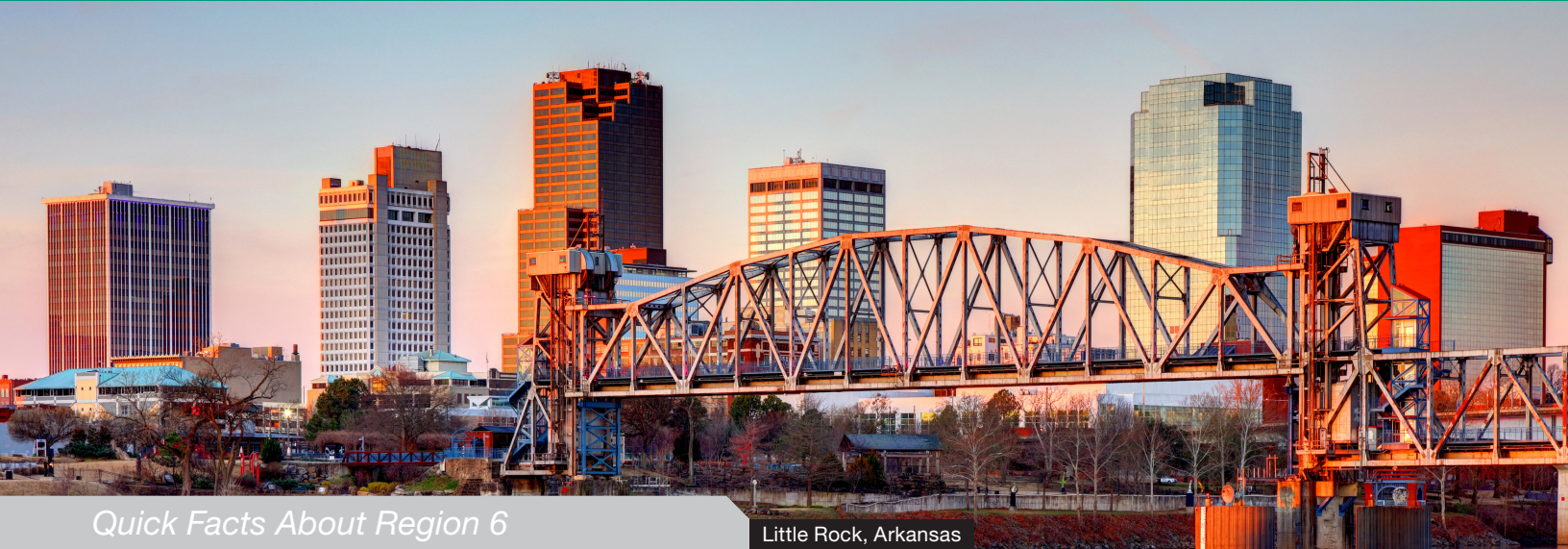


HUD PD&R Regional Reports

Region 6: Southwest



Little Rock, Arkansas

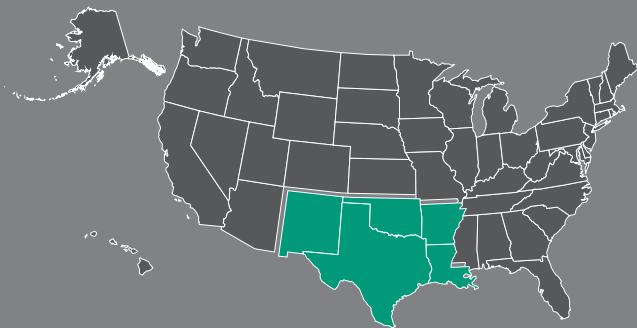
Quick Facts About Region 6

Sales market conditions—

- First quarter 2020: mixed (balanced to slightly tight)
- Fourth quarter 2019: mixed (balanced to slightly tight)
- First quarter 2019: mixed (balanced to slightly tight)

Apartment market conditions—

- First quarter 2020: mixed (balanced to soft)
- Fourth quarter 2019: mixed (slightly tight to soft)
- First quarter 2019: mixed (slightly tight to soft)



By Robert Stephens | 1st Quarter 2020

Overview

This report reflects market conditions as of the first quarter of 2020. Much of this period was prior to the COVID-19 outbreak in the United States and therefore most of the data in this report do not reflect the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. Initial unemployment insurance claims in the Southwest region rose to 564,500 claims in the week ending March 28, 2020, compared with 19,900 claims in the same week a year earlier. HUD will continue to monitor market conditions in the region and provide an updated report reflecting conditions during the second quarter of 2020.

The economic expansion in the Southwest region that began in 2011 continued in the first quarter of 2020. The rate of job growth has slowed during the past year and remains well below the strong growth rate that occurred earlier in the decade. Texas led payroll increases in the region and, along with New Mexico, was one of only two states in the region to add jobs. Continued, albeit reduced, employment growth in the region contributed to balanced conditions in most major sales and rental housing

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markets. Home sales increased in major metropolitan areas in the region, and average rents continued to grow; that growth coincided with a high level of multifamily home completions in the region.

During the first quarter of 2020—

- Nonfarm payrolls increased 1.6 percent from the first quarter of 2019, to 18.72 million jobs. The level of job growth in the region remained above the national average of 1.3 percent, despite

recent job losses among energy-related industries in the region.

- Home sales prices increased in major metropolitan areas in the region, and the rate of price growth increased or remained unchanged in most markets from the first quarter of 2019.
- Combined single-family and multifamily permitting activity in the Southwest region increased 13 percent, to 62,500 units, from the first quarter of 2019.

Economic Conditions

Nonfarm payroll growth in the Southwest region slowed during the first quarter of 2020 from the first quarter of 2019. Nonfarm payrolls increased to 18.72 million jobs—an increase of 1.6 percent, or 287,400 jobs, compared with the number of jobs during the same quarter a year earlier; during the first quarter of 2019, nonfarm payrolls grew 2.1 percent, or by 381,300 jobs, from the first quarter of 2018. The current rate of job growth remains well below the annual 2.5-percent increase averaged from 2012 through 2014. Job growth remained relatively strong in most service-providing sectors during the first quarter of 2020; the only loss occurred in the retail trade subsector, which declined by 900 jobs, or less than 0.1 percent. The education and health services sector led job growth in the region, increasing by 64,600 jobs, or 2.5 percent, from the first quarter of 2019. The professional and business services and government sectors each added more than 40,000 jobs during the same time. Those three sectors combined accounted for more than one-half of the net job gain in the region.

The goods-producing sectors, which had added jobs since mid-2017, fell by 7,000 jobs, or 0.2 percent, during the first quarter of 2020. Growth in the construction subsector continued, partly

because residential building activity remained high throughout much of the region; the subsector grew by 28,400 jobs, or 2.6 percent. Job losses in the mining and logging subsector accelerated during the most recent quarter, falling 8.5 percent, or by 31,900 jobs, from the first quarter of 2019. By comparison, the subsector added 64,800 jobs between the fourth quarter of 2016 and the fourth quarter of 2018. After growth slowed considerably during the previous quarter, manufacturing sector payrolls declined by 3,600 jobs, or 0.3 percent, from the first quarter of 2019—the first year-over-year job loss in the sector since the first quarter of 2017. Beginning in 2017, crude oil production in the Southwest region surged in response to increasing oil and gas prices; that surge led to an increase in hiring to bring new production on line. Oil and gas prices have recently begun to decline, and that decline has led many energy-related companies to reduce workforces. 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. The Spot Price FOB of West Texas Intermediate Crude

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Job growth in the Southwest region was concentrated in the service-providing sectors.

	First Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	18,429.9	18,717.3	287.4	1.6
Goods-Producing Sectors	2,825.6	2,818.6	-7.0	-0.2
Mining, Logging, & Construction	1,456.8	1,453.3	-3.5	-0.2
Manufacturing	1,368.8	1,365.2	-3.6	-0.3
Service-Providing Sectors	15,604.2	15,898.8	294.6	1.9
Wholesale & Retail Trade	2,734.0	2,746.2	12.2	0.4
Transportation & Utilities	814.5	849.7	35.2	4.3
Information	270.7	271.2	0.5	0.2
Financial Activities	1,055.6	1,078.8	23.2	2.2
Professional & Business Services	2,419.1	2,475.9	56.8	2.3
Education & Health Services	2,607.9	2,672.5	64.6	2.5
Leisure & Hospitality	1,973.7	2,012.6	38.9	2.0
Other Services	666.2	686.3	20.1	3.0
Government	3,062.5	3,105.5	43.0	1.4

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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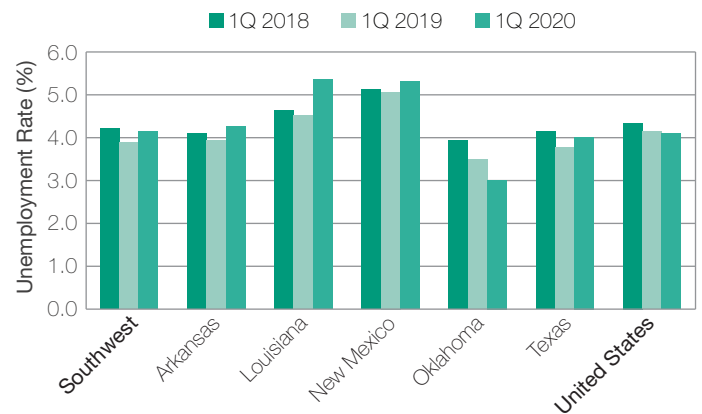
Oil (WTI) fell to \$29.21 per barrel in March 2020. (U.S. Energy Information Administration). By comparison, the Spot Price FOB of WTI averaged \$56.98 per barrel in 2019 and \$64.93 per barrel in 2018. The current price is the lowest level recorded since mid-2003.

During the first quarter of 2020—

- Nonfarm payrolls increased 2.3 percent, or by 288,000 jobs, in Texas from the first quarter of 2019. Growth occurred in all sectors; a gain of 59,800 jobs, or 3.4 percent, in the professional and business services sector led job growth. Although the mining, logging, and construction sector added 11,300 jobs, or a gain of 1.1 percent, growth was entirely in the construction subsector; payrolls in the mining and logging subsector declined by 21,100 jobs, or 8.3 percent.
- Other than Texas, the only state in the region to add jobs was New Mexico, where nonfarm payrolls increased by 13,600, or 1.6 percent. New Mexico is less heavily dependent on oil and gas industries than other parts of the region, and gains in most other sectors more than offset a small decline of 200 jobs in the mining and logging subsector.
- The largest job loss in the region occurred in Louisiana, where payrolls fell by 9,500, or 0.5 percent. The mining, logging, and construction sector led declines with a loss of 9,500 jobs, or 5.2 percent. In addition to losses related to lower oil and gas prices, large-scale construction projects at several petrochemical facilities throughout the state are nearing completion, thus reducing the demand for construction workers.

- Nonfarm payrolls in Oklahoma and Arkansas declined by 4,400 jobs, or 0.3 percent, and 300 jobs, or less than 0.1 percent, from the first quarter of 2019, respectively. In both states, job losses primarily occurred in the goods-producing sectors, with declines in both the manufacturing sector and the mining and logging subsector.
- The unemployment rate in the region was 4.1 percent; that rate was up 0.3 of a percentage point from the first quarter of 2019. A decline of 0.5 of a percentage point in Oklahoma partially offset increases ranging from 0.2 to 0.8 of a percentage point elsewhere in the region.

The unemployment rate increased in most states in the Southwest region from the first quarter of 2019.



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

Population

The population of the Southwest region increased by 385,200, or 0.9 percent, from 2018 to 2019 (U.S. Census Bureau population estimates as of July 1). The region accounted for approximately 13 percent of the total population in the nation in 2018 but 25 percent of the national population growth from 2018 to 2019. Every state in the region except Louisiana added population during this time, but approximately 95 percent of the growth was in Texas, which accounts for only 68 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 those conditions in other parts of the country.

During the 12 months ending July 1, 2019—

- Texas had the greatest population gain in the nation, at 367,200 people, and had the fifth highest rate of population growth in the nation, at 1.3 percent. Net in-migration accounted for 52 percent of population growth in the state.

- Louisiana was 1 of only 10 states in the nation that had a population decline. The population in the state fell by 10,900, or 0.2 percent—entirely the result of net domestic out-migration of 26,050 people.
- New Mexico also experienced net domestic out-migration, of 2,125; however, the population continued to grow because a net natural increase (resident births minus resident deaths) and net international in-migration more than offset those losses. Net in-migration accounted for 34 and 49 percent of population growth in Arkansas and Oklahoma, respectively.
- Of the 12 counties with the largest population gains in the nation, 8 were in Texas: Bexar County in the San Antonio metropolitan area; Harris and Fort Bend Counties in the Houston metropolitan area; Collin, Denton, and Tarrant Counties in the Dallas-Fort Worth metropolitan area; and Travis and Williamson Counties in the Austin metropolitan area. The Dallas-

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Fort Worth metropolitan area also added the most people of any metropolitan area in the nation, increasing by 117,400 people, or 1.6 percent.

- Midland and Odessa were the 9th and 12th fastest growing metropolitan areas in the nation, with respective growth rates

of 2.6 and 2.5 percent. Those two metropolitan areas, which are adjacent to one another in West Texas, serve as a hub for the extraction of oil and natural gas in the Permian Basin and benefited from growth in the energy industry throughout much of the period.

The population in the Southwest region grew faster than the national rate; the largest increase was in Texas.

	Population Estimate (as of July 1)			Percentage Change	
	2017	2018	2019	2017 to 2018	2018 to 2019
United States	324,985,539	326,687,501	328,239,523	0.5	0.5
Southwest Region	41,990,278	42,331,065	42,716,279	0.8	0.9
Arkansas	3,001,345	3,009,733	3,017,804	0.3	0.3
Louisiana	4,670,560	4,659,690	4,648,794	-0.2	-0.2
New Mexico	2,091,784	2,092,741	2,096,829	0.0	0.2
Oklahoma	3,931,316	3,940,235	3,956,971	0.2	0.4
Texas	28,295,273	28,628,666	28,995,881	1.2	1.3

Source: U.S. Census Bureau

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 2020; those conditions were unchanged from the previous quarter. The number of new and existing home sales in Texas increased by 18,600, or 5 percent, to 362,100 homes sold during the 12 months ending March 2020 (Real Estate Center at Texas A&M University). The annual sales growth

average of 4 percent from 2014 through 2018 was a significant slowdown from a recent peak of 16 percent during 2013. The average sales price of new and existing homes in Texas increased 4 percent during the 12 months ending March 2020, to \$294,900; the inventory of unsold homes declined slightly, to a 3.5-month supply from a 3.6-month supply, during the previous 12 months.

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Home sales and home sales prices increased in major metropolitan areas in the Southwest region.

	12 Months Ending	Number of Homes Sold			Average	Price		
		2019	2020	Percent Change		2019 (\$)	2020 (\$)	Percent Change
Albuquerque, NM (N&E)	March	12,050	12,550	4	AVG	\$244,700	\$264,700	8
Austin, TX (N&E)	March	34,650	37,250	8	AVG	\$380,500	\$398,900	5
Dallas-Plano-Irving, TX (N&E)	March	64,000	68,550	7	AVG	\$345,300	\$354,500	3
Fort Worth-Arlington, TX (N&E)	March	35,450	36,150	2	AVG	\$277,200	\$287,900	4
Houston, TX (N&E)	February	86,600	91,400	6	AVG	\$297,700	\$306,100	3
Little Rock, AR (N&E)	March	10,550	11,250	7	AVG	\$187,700	\$198,700	6
New Orleans, LA (N&E)	March	15,750	16,050	2	AVG	\$252,000	\$262,800	4
Oklahoma City, OK (N&E)	March	23,850	24,950	5	AVG	\$199,200	\$210,800	6
San Antonio, TX (N&E)	March	33,700	35,900	7	AVG	\$259,300	\$270,700	4

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

Note: Data include single-family homes, townhomes, and condominiums.

Sources: Arkansas Realtors® Association; Greater Albuquerque Association of Realtors®; Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Oklahoma City Metro Association of Realtors®; Real Estate Center at Texas A&M University



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Home price growth averaged 7 percent annually from 2013 through 2015—a period during which sales market conditions in most major Texas markets were generally tightening—before slowing to an average of 4 percent a year from 2016 through 2018.

Home sales and home sales prices increased in major markets throughout the region during the past year. The number of homes sold and the home sales price increased 8 percent and 5 percent, respectively, in Austin. Austin averaged a 2.2-month supply of unsold homes during the 12 months ending March 2019; this inventory was among the lowest supply of any major area in Texas. The most rapid increase in the region in home sales prices during the 12 months ending March 2020 was 8 percent, in the Albuquerque metropolitan area. Home sales prices rose at least 3 percent in all major metropolitan areas in the region during the most recent 12 months.

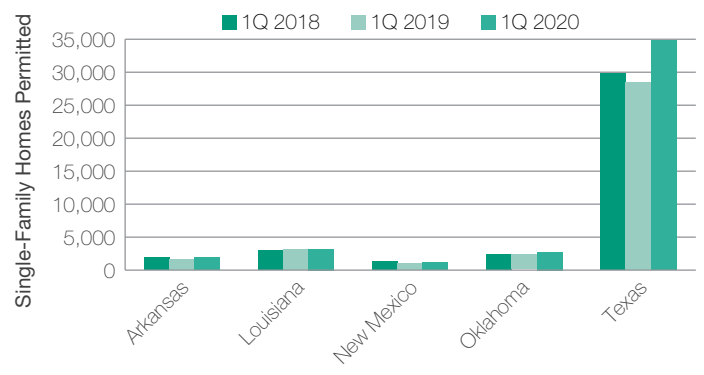
During the first quarter of 2020 (preliminary data)—

- Approximately 43,600 single-family homes were permitted in the region; that number was up 20 percent from the same quarter a year earlier and was the highest first-quarter level since 2006. The number of single-family homes permitted in the region has risen an average of 13 percent a year, from a first-quarter low of 18,200 homes in 2009.
- The number of single-family homes permitted in Texas increased by 6,525, or 23 percent, from the first quarter of 2019, to 34,800 homes; that number accounted for approximately 80 percent of all homes permitted in the region and 90 percent of the increase. Permitting activity increased by

170 homes in New Mexico, 230 homes in Arkansas, and 370 homes in Oklahoma but declined by 20 homes in Louisiana.

- The number of single-family homes permitted rose in most major metropolitan areas in the region; the largest increase of 2,325 homes, or 29 percent, was in the Dallas-Fort Worth-Arlington metropolitan area. Outside Texas, changes ranged from a decline of 20 homes in the New Orleans metropolitan area to an increase of 160 homes in the Albuquerque metropolitan area.

The number of single-family homes permitted increased in most states in the Southwest region from the first quarter of 2019; the largest increase was in Texas.



1Q = first quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in large metropolitan areas in the Southwest region ranged from balanced to soft during the first quarter of 2020. All major Texas markets except Houston were balanced. The vacancy rate in Houston, where apartment conditions remain slightly soft, increased by 0.2 of a percentage point, to 8.5 percent, from the first quarter of 2020. The average rent increased 2 percent during the same time—the lowest rent growth in any major Texas market. The apartment market in Austin—which had the highest rent growth in the state at 5 percent—transitioned from slightly tight to balanced, as the vacancy rate increased from 5.6 to 6.5 percent. Rent growth has slowed and vacancy rates have risen in the suburban counties of Hays and Williamson. Fort Worth and Dallas had rent growth rates of 3 and 4 percent, respectively. Despite strong demand created by employment and population gains, the vacancy rate increased by 0.7 of a percentage point, to 6.8 percent, in Fort Worth and was unchanged in Dallas, at 6.6 percent. The increased vacancies occurred primarily because of an increase in the volume of newly completed units.

Outside Texas, apartment market conditions were mixed during the first quarter of 2020. The apartment market in Albuquerque remained balanced; rent growth was 4 percent, and the vacancy rate declined 0.3 of a percentage point, to 5.6 percent. In New Orleans, the apartment market remained balanced; the vacancy rate was unchanged at 6.3 percent, and the average rent increased 7 percent. In Little Rock, the apartment market remained slightly soft during the most recent quarter; the vacancy rate declined 0.7 of a percentage point, to 8.8 percent, and rents grew 5 percent from the first quarter of 2019. In Oklahoma City, where the market is soft, rent growth was 2 percent and the vacancy rate declined 0.8 of a percentage point, to 9.8 percent—the highest rate in the region despite the large decline. The high vacancy rate is partly due to a plentiful supply of new apartment units that have been completed in Oklahoma City since 2015; almost one-fourth of the supply has been in and around the Central Business District. Most of this new supply entered the market at a time when energy-related job growth had slowed significantly.

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Most major apartment markets in the Southwest region remained balanced during the first quarter of 2020.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2019 (%)	1Q 2020 (%)	Percentage Point Change	1Q 2019 (\$)	1Q 2020 (\$)	Percent Change
Albuquerque, NM	Balanced	5.9	5.6	-0.3	881	916	4
Austin, TX	Balanced	5.6	6.5	0.9	1,324	1,389	5
Dallas, TX	Balanced	6.6	6.6	0	1,203	1,254	4
Fort Worth, TX	Balanced	6.1	6.8	0.7	1,093	1,124	3
Houston, TX	Slightly Soft	8.3	8.5	0.2	1,096	1,120	2
Little Rock, AR	Slightly Soft	9.5	8.8	-0.7	771	810	5
New Orleans, LA	Balanced	6.3	6.3	0	1,004	1,072	7
Oklahoma City, OK	Soft	10.6	9.8	-0.8	792	810	2
San Antonio, TX	Balanced	8.1	8.3	0.2	1,023	1,055	3

1Q = first quarter.

Note: Excludes units in initial lease up.

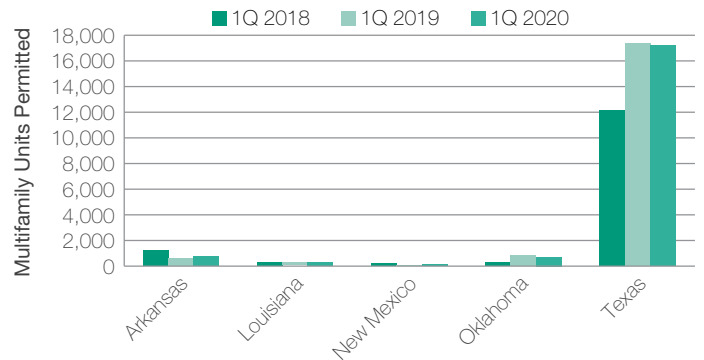
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—ALN Apartment Data, Inc., with adjustments by the analyst

During the first quarter of 2020 (preliminary data)—

- Approximately 18,900 multifamily units were permitted in the region—a 1-percent decline from the 19,050 units permitted during the first quarter of 2019. Despite the decline, permitting remains at a historically high level. By comparison, multifamily permitting previously peaked at 18,550 units during the first quarter of 2008 and averaged 14,900 units during the first quarters of 2012 through 2018.
- Multifamily permitting activity in Texas—which accounted for approximately 91 percent of all multifamily units permitted in the region—declined by 140 units, or 1 percent, from the first quarter of 2019, to 17,200 units. Permitting activity declined by 130 units in Oklahoma, was unchanged in Louisiana, and increased by 20 and 120 units, respectively, in New Mexico and Arkansas.
- Changes in multifamily permitting were mixed among major metropolitan areas in the region. In Austin, permitting increased by 3,350 units, to 5,625 units, from 2,275 units during the first quarter of 2019—the highest first-quarter total in more than 20 years. The largest declines occurred in the Texas

markets of Dallas-Fort Worth-Arlington and San Antonio; there, permitting fell by 2,000 and 1,275 units, or 35 and 62 percent, respectively.

The number of multifamily units permitted fell in most states in the Southwest region from the first quarter of 2019; the largest decline was in Texas.



1Q = first quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

