

HUD PD&R Regional Reports

Region 6: Southwest



Oklahoma City, Oklahoma

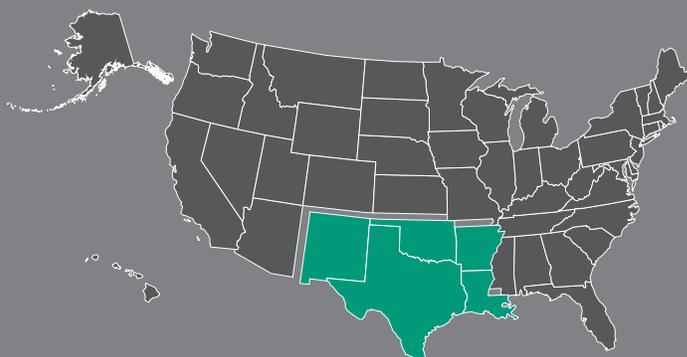
Quick Facts About Region 6

Sales market conditions—

- First quarter 2021: mixed (slightly tight to tight)
- Fourth quarter 2020: mixed (balanced to tight)
- First quarter 2020: mixed (balanced to slightly tight)

Apartment market conditions—

- First quarter 2021: mixed (slightly tight to soft)
- Fourth quarter 2020: mixed (slightly tight to soft)
- First quarter 2020: mixed (slightly tight to soft)



By Robert Stephens | 1st Quarter 2021

Overview

The economic expansion in the Southwest region that began in 2011 ended in the second quarter of 2020 due to job losses caused by the outbreak of COVID-19 and state and local actions taken to limit the contagion of the virus. Payrolls continued to decline year-over-year in every state in the region during the first quarter of 2021. From March 2020 through April 2020, the region lost approximately 2.05 million jobs. From April 2020 through March 2021, the region added jobs in most months and recovered approximately 1.28 million jobs, or 62 percent of the jobs lost in March and April. Despite these significant job losses, conditions were slightly tight to tight in most major sales housing markets and balanced in most major rental housing markets in the region. Home sales and home sales prices increased in all major metropolitan areas in the region. Average rents continued to grow—although slower compared with the previous year.

During the first quarter of 2021—

- Nonfarm payrolls fell 4.6 percent from the first quarter of 2020 to 17.84 million jobs. The level of job decline in the region was below the national average of 5.4 percent.

continued on page 2



continued from page 1

- Home sales prices increased in the major metropolitan areas in the region, and the rate of price growth accelerated in most markets compared with the previous quarter.
- Combined single-family and multifamily home permitting activity in the Southwest region increased approximately 16 percent from the first quarter of 2020 to 74,800 units.

Economic Conditions

Nonfarm payrolls in the Southwest region declined during the first quarter of 2021 from the first quarter of 2020. The measures taken to slow the spread of COVID-19 dramatically slowed economic activity in the Southwest region, ending the economic expansion that began in 2011. Nonfarm payrolls fell to 17.84 million jobs—a decline of 4.6 percent, or 850,300 jobs, compared with the number of jobs during the same quarter a year earlier. By comparison, during the first quarter of 2020, before the outbreak of COVID-19, nonfarm payrolls grew 1.4 percent, or by 252,600 jobs, from the first quarter of 2019. Jobs during the first quarter of 2021 declined in all states in the region and all but one payroll sector. Job losses were greatest in the sectors with a large concentration of jobs that rely on in-person interactions, whereas fields that were more easily adapted to telework, such as those in the financial activities sector, lost the least number of jobs. The transportation and utilities sector grew by 25,600 jobs, or 3.0 percent, and has recovered all jobs lost during the recent downturn. Increased sales among online retailers and distributors during the pandemic helped job growth in this sector.

The leisure and hospitality sector was the most heavily affected payroll sector; the sector declined by 269,100 jobs, or 13.5 percent, during the first quarter of 2021 from a year earlier. This sector was particularly hard hit because it relies heavily on in-person interactions and cannot easily adapt to social distancing guidelines. In addition, most localities in the region closed bars and restaurants for some time and, once reopened, instituted capacity restrictions. By comparison, the sector added jobs every year from 2011 through 2019, at an average annual rate of 3.7 percent. Other sectors that lost a significant number of jobs during the first quarter include mining, logging, and construction, which declined by 157,100 jobs, or 11.0 percent; government, which declined by 101,700 jobs, or 3.3 percent; and education and health services, which fell by 97,000, or 3.6 percent. Those three sectors and the leisure and hospitality sector accounted for approximately 73 percent of net job losses in the region during the first quarter of 2021.

The subsector with the greatest rate of decline during the first quarter of 2021 was the mining and logging subsector, which fell by 82,400 jobs, or 24.4 percent. Declines in this subsector were not entirely related to actions taken to limit the spread of COVID-19. During the first quarter of 2020, before the impact of COVID-19, payrolls in this sector declined by 36,900

jobs, or 9.8 percent, from the same quarter a year earlier. By comparison, the subsector added an average of 28,500 jobs a year from the first quarter of 2017 to the first quarter of 2019 and was one of the fastest growing subsectors in the region during that time. 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 online. Oil and gas prices began to decline in 2019, before COVID-19, as increased U.S. petroleum production put downward pressure on prices; those prices then fell precipitously during the early part of 2020, largely because of the virus and actions taken to limit the contagion. Despite the prices increasing from these very low levels during the latter half of 2020, they remained well below where they were before the pandemic. These low prices have led many energy-related companies to reduce their 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 significantly affected. The Spot Price FOB of West Texas Intermediate Crude Oil (WTI) fell to \$42.24 per barrel during the 12 months ending March 2021 (U.S. Energy Information Administration). By comparison, the Spot Price FOB of WTI averaged \$54.72 per barrel during the 12 months ending March 2020 and \$62.92 per barrel during the 12 months ending March 2019. The COVID-19 pandemic has affected nationwide oil and gas production largely because of reduced worldwide demand for petroleum products and the resulting aforementioned price declines. In March 2021, the United States had 408 crude oil and natural gas rotary rigs in operation—up from a nearly 50-year low of 250 active rigs in August 2020. By comparison, in February 2020, before the effects of COVID-19, the nation had 790 active rigs—down 25 percent from a year earlier.

During the first quarter of 2021—

- In Texas, nonfarm payrolls declined 3.9 percent, or by 502,900 jobs, from the first quarter of 2020, despite increases in the financial activities and the transportation and utilities sectors. The leisure and hospitality sector and the mining and logging subsector had the greatest rates of decline, falling 13.2 and 23.0 percent, or by 181,800 and 53,800 jobs, respectively.

continued on page 3



continued from page 2

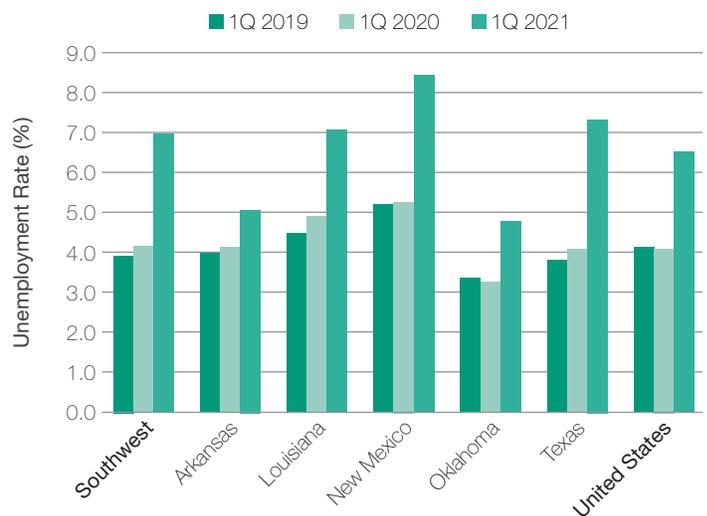
All sectors in the Southwest region lost jobs from the first quarter of 2020, with the largest decline in the leisure and hospitality sector.

	First Quarter		Year-Over-Year Change	
	2020 (Thousands)	2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	18,686.3	17,836.0	-850.3	-4.6
Goods-Producing Sectors	2,801.9	2,572.5	-229.4	-8.2
Mining, Logging, & Construction	1,428.5	1,271.4	-157.1	-11.0
Manufacturing	1,373.5	1,301.1	-72.4	-5.3
Service-Providing Sectors	15,884.4	15,263.6	-620.8	-3.9
Wholesale & Retail Trade	2,737.8	2,693.3	-44.5	-1.6
Transportation & Utilities	844.9	870.5	25.6	3.0
Information	275.3	254.9	-20.4	-7.4
Financial Activities	1,084.7	1,074.5	-10.2	-0.9
Professional & Business Services	2,480.4	2,435.9	-44.5	-1.8
Education & Health Services	2,672.9	2,575.9	-97.0	-3.6
Leisure & Hospitality	1,996.6	1,727.5	-269.1	-13.5
Other Services	678.6	619.5	-59.1	-8.7
Government	3,113.2	3,011.5	-101.7	-3.3

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

- The largest job loss in the region outside of Texas occurred in Louisiana, where payrolls fell by 152,800, or 7.7 percent. Similar to the rest of the region, job declines occurred primarily in the leisure and hospitality sector, which fell by 40,900 jobs, or 17.6 percent. In Louisiana, however, all sectors lost jobs from the first quarter of 2020, and 9 of 11 sectors declined more than 5 percent.
- Nonfarm payrolls declined by 82,500 jobs, or 4.9 percent, in Oklahoma; 77,500 jobs, or 9.0 percent, in New Mexico; and 34,600 jobs, or 2.7 percent, in Arkansas from the first quarter of 2020. In New Mexico and Arkansas, the largest declines occurred in the leisure and hospitality sector; however, in Oklahoma, the largest job losses were in the goods-producing sectors.
- The unemployment rate in the region was 7.0 percent; that rate was up 2.8 percentage points from the first quarter of 2020. The unemployment rate rose substantively in all states in the region. Only the 5.1-percent rate in Arkansas and the 4.8-percent rate in Oklahoma remained below the national unemployment rate of 6.5 percent.

The unemployment rate increased throughout the Southwest region from the first quarter of 2020 and was above the national level in the majority of states.



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

Population

The population of the Southwest region increased by an average of 448,600, or 1.1 percent annually, from April 1, 2010, to April 1, 2020. The region accounted for approximately 13 percent of the total population in the nation in 2020, up from 12 percent in 2010, but accounted for nearly 20 percent of the national population growth during the period. Every state in the

region added population during this time, but approximately 89 percent of the growth was in Texas, which accounted for only 68 percent of the total regional population in 2020. Population increases in Texas and the region were partly due to affordable housing and strong economic growth relative to those conditions in other parts of the country.

continued on page 4



continued from page 3

From April 1, 2010, to April 1, 2020—

- Texas had the largest average annual population gain in the nation, at 400,000 people, and had the third-highest population growth rate in the nation at 1.5 percent.
- All other states in the Southwest region ranked in the bottom half of population growth rates among all states and had population growth rates that were less than the nation.

- Louisiana had the tenth lowest population growth rate in the nation, at 0.3 percent, and New Mexico added the tenth fewest people, at an average of 5,825 annually.
- Despite having the lowest rate of population growth in the region, Louisiana was the only state to grow at a faster pace (0.3 percent) during the 2010s than during the 2000s (0.1 percent).

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

	Population (as of April 1)			Average Annual Percentage Change	
	2000	2010	2020	2000 to 2010	2010 to 2020
United States	281,421,906	308,745,538	331,449,281	0.9	0.7
Southwest Region	33,263,896	38,405,381	42,891,661	1.4	1.1
Arkansas	2,673,400	2,915,918	3,011,524	0.9	0.3
Louisiana	4,468,976	4,533,372	4,657,757	0.1	0.3
New Mexico	1,819,046	2,059,179	2,117,522	1.2	0.3
Oklahoma	3,450,654	3,751,351	3,959,353	0.8	0.5
Texas	20,851,820	25,145,561	29,145,505	1.9	1.5

Source: U.S. Census Bureau

Sales Market Conditions

Sales housing market conditions ranged from slightly tight to tight in most major metropolitan areas in the Southwest region during the first quarter of 2021. By comparison, conditions ranged from balanced to tight during the previous quarter. The number of new and existing home sales in Texas increased by 35,500, or 10 percent, to 401,300 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 2019 was a significant slowdown from a recent peak of 16 percent during 2013 in Texas. The average sales price of new and existing homes in Texas increased 11 percent during the 12 months ending March 2020 to \$326,300; the inventory of unsold homes declined to a 1.3-month supply in March 2021 from a 3.0-month supply in March 2020. 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 2019. The inventory of unsold homes is currently at its lowest level in more than 25 years, primarily because the number of listings declined 53 percent from March 2019 to March 2020 to its lowest level in more than 25 years. Outside Texas, new and existing home sales and home sales

prices rose during the 12 months ending March 2020 in every state in the region (Zonda).

Home sales and home sales prices increased in all major metropolitan areas throughout the region during the past year. The number of home sales and home sales prices increased 8 and 16 percent, respectively, in Austin, Texas (Real Estate Center at Texas A&M University). Austin averaged a 0.4-month supply of unsold homes in March 2020—down from 1.8 months a year earlier. That figure represents the lowest inventory of unsold homes in the region and the lowest months’ supply in Austin since at least 1995. In March 2020, all major Texas markets except Houston had a 1.7-month or less supply of unsold homes. The rate of home sales price growth increased by 2 or more percentage points from the previous quarter in every major market in Texas.

During the first quarter of 2021 (preliminary data)—

- Approximately 53,200 single-family homes were permitted in the region—a 23-percent increase from the same quarter a year earlier and the most single-family homes permitted during any first quarter since 2006.
- The number of single-family homes permitted in Texas increased by 7,575, or 22 percent, from the first quarter

continued on page 5



continued from page 4

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

	12 Months Ending	Number of Homes Sold				Price		
		2020	2021	Percent Change	Average	2020 (\$)	2021 (\$)	Percent Change
Albuquerque, NM (N&E)	March	12,600	13,500	7	AVG	264,800	295,700	12
Austin, TX (N&E)	March	37,750	40,850	8	AVG	398,300	460,300	16
Dallas-Plano-Irving, TX (N&E)	March	69,100	74,350	8	AVG	354,300	388,200	10
Fort Worth-Arlington, TX (N&E)	March	36,400	38,650	6	AVG	287,800	317,100	10
Houston, TX (N&E)	February	92,200	100,600	9	AVG	306,000	326,900	7
Little Rock, AR (N&E)	March	15,100	17,200	14	AVG	191,600	207,800	8
New Orleans, LA (N&E)	March	16,450	18,100	10	AVG	262,400	283,100	8
Oklahoma City, OK (N&E)	March	21,900	23,250	6	AVG	215,100	227,700	6
San Antonio, TX (N&E)	March	36,550	41,150	13	AVG	270,400	299,000	11

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

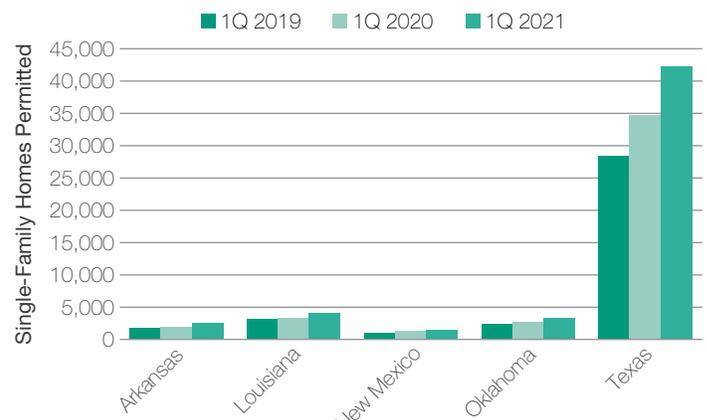
Note: Data include single-family homes, townhomes, and condominiums.

Sources: Greater Albuquerque Association of Realtors®; Zonda, with adjustments by the analyst; CoreLogic, Inc. (Listing Trends); Real Estate Center at Texas A&M University

of 2020 to 42,100 homes; that number accounted for approximately 79 percent of all homes permitted in the region. Permitting activity increased by 260, 570, 610, and 800 homes in New Mexico, Oklahoma, Arkansas, and Louisiana, respectively.

- The number of single-family homes permitted rose in most major metropolitan areas in the region; however, the largest increases occurred in Texas. Single-family permitting in the markets of Dallas-Fort Worth-Arlington, Houston, Austin, and San Antonio increased by 2,550, 1,800, 1,250, and 1,250 homes, or 24, 16, 25, and 52 percent, respectively, from the first quarter of 2020.

The number of single-family homes permitted rose in all states in the Southwest region from the first quarter of 2020; 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 slightly tight to soft during the first quarter of 2021. All major Texas markets except Houston and Austin were balanced. The vacancy rate in Houston, where apartment conditions remain slightly soft, increased by 0.8 percentage point, to 9.1 percent, from the first quarter of 2020. The average rent increased 2 percent during the same time. The apartment market was also slightly soft in Austin, where the average rent remained unchanged.

The vacancy rate in Austin increased 1.1 percentage points, from 6.6 to 7.7 percent—the largest vacancy rate increase in the region. Market conditions have softened in Austin despite continued strong population and household growth because of significantly increased multifamily homebuilding activity. In Fort Worth, where market conditions are currently balanced, the vacancy rate declined 0.4 percentage point to 6.5 percent—the lowest rate in the state. There, the average rent increased 4 percent—the largest increase in the state.

continued on page 6



continued from page 5

Most major apartment markets in the Southwest region remained balanced during the first quarter of 2021.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2020 (%)	1Q 2021 (%)	Percentage Point Change	1Q 2020 (\$)	1Q 2021 (\$)	Percent Change
Albuquerque, NM	Slightly Tight	5.9	4.8	-1.1	921	990	7
Austin, TX	Slightly Soft	6.6	7.7	1.1	1,393	1,391	0
Dallas-Plano-Irving, TX	Balanced	6.7	6.8	0.1	1,258	1,289	2
Fort Worth-Arlington, TX	Balanced	6.9	6.5	-0.4	1,126	1,176	4
Houston, TX	Slightly Soft	8.3	9.1	0.8	1,123	1,141	2
Little Rock, AR	Balanced	9.0	6.6	-2.4	810	838	3
New Orleans, LA	Balanced	6.4	7.0	0.6	1,075	1,090	1
Oklahoma City, OK	Soft	9.9	9.2	-0.7	811	831	2
San Antonio, TX	Balanced	8.3	7.4	-0.9	1,059	1,076	2

1Q = first quarter.

Note: Excludes units in initial lease up.

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

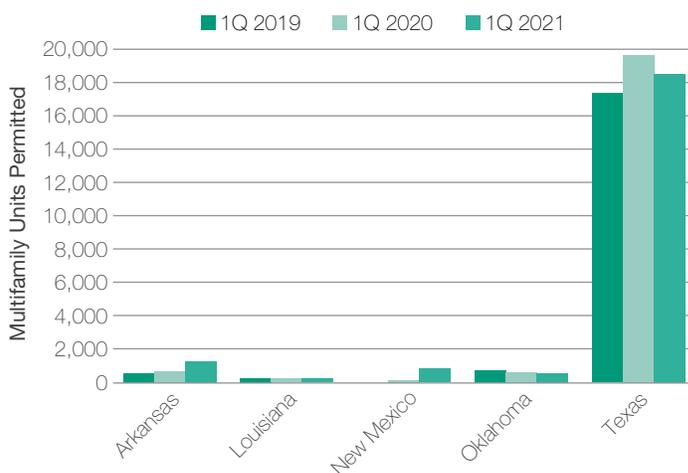
Outside Texas, apartment market conditions were mixed during the first quarter of 2021. The apartment market in Albuquerque was slightly tight; rent growth was 7 percent, and the vacancy rate declined by 1.1 percentage points, to 4.8 percent—the lowest rate in the region. In New Orleans, the apartment market remained balanced; the vacancy rate increased 0.6 percentage point to 7.0 percent, and the average rent increased 1 percent. In Little Rock, the apartment market was balanced during the most recent quarter; the vacancy rate declined 2.4 percentage points to 6.6 percent, and the average rent grew 3 percent from the first quarter of 2020. In Oklahoma City, where the market is soft, rent growth was 2 percent and the vacancy rate declined 0.7 percentage point to 9.2 percent—the highest rate in the region despite the 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 them are in and around the Central Business District. Most of the new supply entered the market at a time when energy-related job growth had slowed significantly.

During the first quarter of 2021 (preliminary data)

- Approximately 21,600 multifamily units were permitted in the region—a 1-percent increase from the 21,400 units permitted during the first quarter of 2020. By comparison, multifamily permitting averaged 15,400 units during the first quarters of 2013 through 2019.
- Multifamily permitting activity in Texas—which accounted for approximately 86 percent of all multifamily units permitted in the region—declined by 1,075 units, or 6 percent, from the first quarter of 2020 to 18,550 units. Permitting activity also fell in Oklahoma, declining by 45 units; however, these declines were more than offset by increases of 25, 600, and 690 units in Louisiana, Arkansas, and New Mexico, respectively.

- In Austin, the number of multifamily units permitted rose by 1,750 units, or 31 percent, from the first quarter of 2020. The 7,350 units permitted during the first quarter of 2021 were the most units permitted during any first quarter in more than 20 years and was more than double the average of 3,075 units permitted during the past five first quarters.
- The largest decline in multifamily permitting occurred in the Houston market, where permitting fell by 4,475, or 67 percent, from the first quarter of 2020. The 6,700 units permitted during the first quarter of 2020 were the most units permitted during any first quarter in more than 20 years.

The number of multifamily units permitted rose slightly in the Southwest region from the first quarter of 2020; declines in Texas and Oklahoma were more than offset by increases elsewhere in the region.



1Q = first quarter.

Note: Based on preliminary data.

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

