

# HUD PD&R Regional Reports

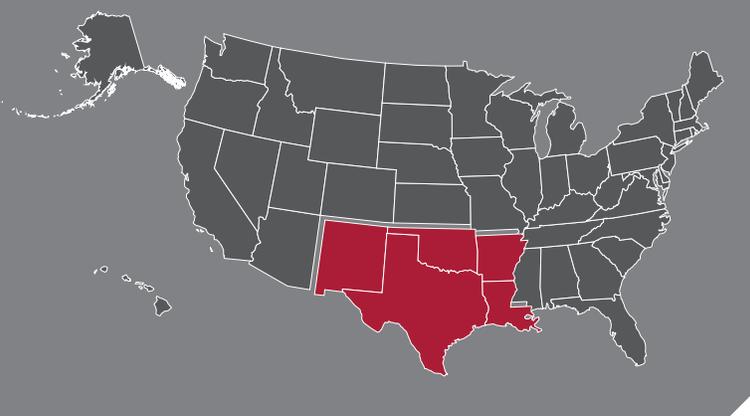
## Region 6: Southwest



Santa Fe, New Mexico

### Quick Facts About Region 6

- **Sales market conditions—**  
Third quarter 2020: mixed (balanced to slightly tight)  
Second quarter 2020: mixed (balanced to slightly tight)  
Third quarter 2019: mixed (balanced to slightly tight)
- **Apartment market conditions—**  
Third quarter 2020: mixed (slightly tight to soft)  
Second quarter 2020: mixed (slightly tight to soft)  
Third quarter 2019: mixed (slightly tight to soft)



By Robert Stephens | 3rd Quarter 2020

### Overview

The economic expansion in the Southwest region that began in 2011 ended in the second quarter of 2020 in response 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 in every state in the region during the third quarter of 2020. Despite significant job losses, conditions remained balanced in most major sales and rental housing markets in the region. Home sales increased in most major metropolitan areas in the region, and average rents continued to grow—although at a reduced pace, despite increasing vacancy rates in most major markets.

During the third quarter of 2020—

- Nonfarm payrolls fell 5.2 percent from the third quarter of 2019 to 17.63 million jobs. The level of job decline in the region was below the national average of 7.0 percent.
- Home sales prices increased in major metropolitan areas in the region, and the rate of price growth accelerated in most markets from the previous quarter.
- Combined single-family and multifamily permitting activity in the Southwest region increased approximately 9 percent from the third quarter of 2019 to 70,300 units.



## Economic Conditions

Nonfarm payrolls in the Southwest region declined during the third quarter of 2020 from the third quarter of 2019. The measures taken to slow the spread of COVID-19 caused economic activity in the Southwest region to slow dramatically, ending the economic expansion that began in 2011. Nonfarm payrolls fell to 17.63 million jobs—a decline of 5.2 percent, or 963,500 jobs, compared with the number of jobs during the same quarter a year earlier. By comparison, during the first quarter of 2020, nonfarm payrolls grew 1.5 percent, or by 267,400 jobs, from the first quarter of 2019, but declined 7.6 percent, or by 1.41 million jobs, from the second quarter of 2019 to the second quarter of 2020. Job declines during the third quarter occurred in all payroll sectors and all states within the region. Job losses were greatest in sectors with a large concentration of jobs that rely on in-person interactions, whereas those that were more easily adapted to telework lost the least number of jobs. As such, the financial activities, the government, and the professional and business services sectors had among the lowest rates of job declines. Those three sectors combined accounted for 36 percent of all payrolls in the region but contributed only 12 percent of the losses during the third quarter of 2020. By comparison, those sectors accounted for nearly 41 percent of all job gains in the Southwest region from the third quarter of 2018 to the third quarter of 2019.

Leisure and hospitality was the most heavily affected payroll sector, shedding 341,000 jobs, a decline of 16.6 percent, during the third quarter of 2020 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 many jobs during the third quarter include wholesale and retail trade, which declined by 92,400 jobs, or 3.4 percent, and education and health services, which fell by 109,500, or 4.2 percent. Those three sectors accounted for approximately 56 percent of job losses in the region during the third quarter of 2020.

The sector or subsector with the greatest rate of decline during this period was the mining and logging subsector, which fell by 86,700 jobs, or 21.7 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 32,300 jobs, or 8.6 percent, from the same quarter a year earlier. By comparison, the subsector added an average of 33,700 jobs a year from the fourth quarter of 2016 to the fourth quarter of 2018 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 on line. Oil and gas prices have recently

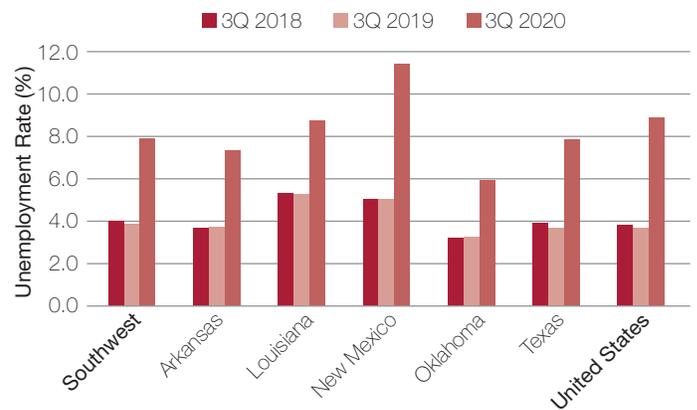
begun to decline, which has led many energy-related companies to reduce workforces. Parts of the region involved in the extraction of oil and gas—such as the Eagle Ford Shale region of south Texas—and in the processing, refining, and transportation of crude oil—such as the Gulf Coast regions of Texas and Louisiana—have been particularly affected. The Spot Price FOB of West Texas Intermediate Crude Oil (WTI) fell to \$40.89 per barrel during the third quarter of 2020 (U.S. Energy Information Administration). By comparison, the Spot Price FOB of WTI averaged \$56.37 per barrel during the third quarter of 2019 and \$69.76 per barrel during the third quarter of 2018. Nationwide oil and gas production has been affected by COVID-19. In August 2020, the United States had 250 crude oil and natural gas rotary rigs in operation—down 73 percent from a year earlier and the lowest monthly level of active rigs since at least 1973. By comparison, in February 2020, before the impact of COVID-19, the nation had 790 active rigs—down 25 percent from a year earlier.

During the third quarter of 2020—

- Nonfarm payrolls declined in Texas 4.9 percent, or by 631,500 jobs, from the third quarter of 2019. Job losses occurred in all sectors. The leisure and hospitality sector and the mining and logging subsector had the greatest rates of decline, falling 17.1 and 23.3 percent or by 241,200 and 57,900 jobs, respectively, and accounting for nearly one-half of all jobs lost in the state.
- The largest job loss in the region outside Texas occurred in Louisiana, where payrolls fell by 135,500, or 6.9 percent. Similar to the rest of the region, job declines were concentrated in the

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**The unemployment rate increased throughout the Southwest region from the third quarter of 2019, although rates remained below the national level in all states except New Mexico.**



3Q = third quarter.  
Source: U.S. Bureau of Labor Statistics



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leisure and hospitality sector, which fell by 45,200 jobs, or 19.1 percent; however, in Louisiana, all sectors lost jobs from the third quarter of 2019, and 8 of 11 sectors declined more than 4 percent.

- Nonfarm payrolls declined by 84,200 jobs, or 5.0 percent, in Oklahoma; 62,900 jobs, or 7.3 percent, in New Mexico; and 49,400 jobs, or 3.9 percent, in Arkansas, respectively, from the third quarter of 2019. In Arkansas and New Mexico, the largest decline occurred in the leisure and hospitality sector; however, in Oklahoma, the largest job loss was in the mining, logging, and construction sector. Arkansas and Oklahoma

both also had losses of more than 13,000 jobs each in the manufacturing sector.

- The unemployment rate in the region was 7.9 percent; that rate was up 4.0 percentage points from the third quarter of 2019. The unemployment rate rose substantively in all states in the region; however, only the 11.4-percent rate in New Mexico was above the national unemployment rate of 8.9 percent. Within New Mexico, declines in resident employment outpaced declines in the labor force, which caused the unemployment rate to rise by more than 5.5 percentage points in all metropolitan areas.

**All sectors in the Southwest region lost jobs from the third quarter of 2019, with the largest decline in the leisure and hospitality sector.**

	Third Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	18,593.1	17,629.6	-963.5	-5.2
Goods-Producing Sectors	2,855.0	2,627.1	-227.9	-8.0
Mining, Logging, & Construction	1,475.2	1,327.3	-147.9	-10.0
Manufacturing	1,379.9	1,299.8	-80.1	-5.8
Service-Providing Sectors	15,738.1	15,002.5	-735.6	-4.7
Wholesale & Retail Trade	2,741.3	2,648.9	-92.4	-3.4
Transportation & Utilities	829.7	816.7	-13.0	-1.6
Information	272.6	254.0	-18.6	-6.8
Financial Activities	1,079.2	1,075.0	-4.2	-0.4
Professional & Business Services	2,471.9	2,407.2	-64.7	-2.6
Education & Health Services	2,632.1	2,522.6	-109.5	-4.2
Leisure & Hospitality	2,050.9	1,709.9	-341.0	-16.6
Other Services	683.3	640.5	-42.8	-6.3
Government	2,977.2	2,927.7	-49.5	-1.7

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

## Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight in most major metropolitan areas in the Southwest region during the third quarter of 2020; those conditions were unchanged from the previous quarter. The number of new and existing home sales in Texas increased by 20,850, or 6 percent, to 373,400 homes sold during the 12 months ending September 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. The average sales price of new and existing homes in Texas increased 6 percent during the 12 months ending September 2020, to \$305,400; the inventory of unsold homes declined to a 3.0-month supply from a 3.5-month supply during the previous 12 months. 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. Outside of Texas, new and existing home sales and home sales prices rose during the 12 months ending September 2020 in every state in the region except for New Mexico, where sales fell by 740 homes, or 2.3 percent (Zonda). An increase of 210 homes, or 8.5 percent, among new sales was more than offset by declining sales of existing homes.

Home sales and home sales prices increased in most major markets throughout the region during the past year. The number of homes sold and home sales prices increased 6 and 8 percent, respectively, in Austin. Austin averaged a 1.8-month supply of unsold homes during the 12 months ending September 2020—

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Home sales and home sales prices increased in most 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)	September	12,250	12,500	2	AVG	\$255,500	\$276,600	8
Austin, TX (N&E)	September	35,950	38,250	6	AVG	\$388,200	\$418,400	8
Dallas-Plano-Irving, TX (N&E)	September	65,850	70,650	7	AVG	\$348,900	\$364,200	4
Fort Worth-Arlington, TX (N&E)	September	35,650	36,800	3	AVG	\$281,600	\$298,500	6
Houston, TX (N&E)	August	88,600	91,550	3	AVG	\$303,200	\$310,600	2
Little Rock, AR (N&E)	August	14,200	15,600	10	AVG	\$188,700	\$195,300	3
New Orleans, LA (N&E)	August	15,300	15,200	-1	AVG	\$254,900	\$269,700	6
Oklahoma City, OK (N&E)	September	24,250	26,000	7	AVG	\$205,300	\$221,400	8
San Antonio, TX (N&E)	September	35,100	38,000	8	AVG	\$264,800	\$282,200	7

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; Oklahoma City Metro Association of Realtors®; Real Estate Center at Texas A&M University

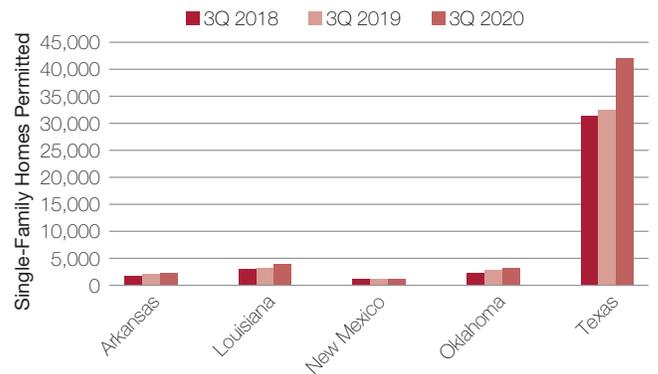
down from 2.5 months a year earlier. This figure represents the lowest inventory of unsold homes in the region and the first time the supply has fallen below 2.0 months in Austin since at least 1995. The only major market in the region to see a reduction in the number of homes sold during the 12 months ending August 2020 was New Orleans, where homes sales fell by 100 homes, or 1 percent. Much of the decline was among distressed sales, which fell by approximately 360 homes, or 34 percent, from a year earlier. Home sales prices rose at least 2 percent in all major metropolitan areas in the region during the most recent 12 months. The growth rate increased from the previous quarter in every area except Little Rock, where the growth rate remained unchanged.

During the third quarter of 2020 (preliminary data)—

- Approximately 52,450 single-family homes were permitted in the region—a 26-percent increase from the same quarter a year earlier and the most single-family homes permitted during any third quarter since 2005.
- The number of single-family homes permitted in Texas increased by 9,450, or 29 percent, from the third quarter of 2019 to 41,950 homes; that number accounted for approximately 80 percent of all homes permitted in the region. Permitting activity decreased by 20 homes in New Mexico but increased by 290, 360, and 630 homes, respectively, in Arkansas, Oklahoma, and Louisiana.

- 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 Houston, Dallas-Fort Worth-Arlington, and Austin increased by 14,300, 12,800, and 5,775 homes, or 35, 35, and 22 percent, respectively, from the third quarter of 2019.

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



3Q = third 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 third quarter of 2020. All major Texas markets except Houston and Austin were balanced. The vacancy rate in Houston, where

apartment conditions remain slightly soft, increased by 0.6 percentage point to 8.6 percent from the third quarter of 2019. The average rent increased 1 percent during the same time. The apartment market in Austin, where the average rent remained

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unchanged, transitioned from balanced to slightly soft. The vacancy rate increased 1.8 percentage points from 5.6 to 7.4 percent—the largest vacancy rate increase in the region. Fort Worth, where rents grew by more than 1 percent, was the only major market in Texas in which the vacancy rate did not increase. In Fort Worth, the vacancy rate remained unchanged at 6.8 percent, the lowest rate in the state, and the average rent increased 2 percent.

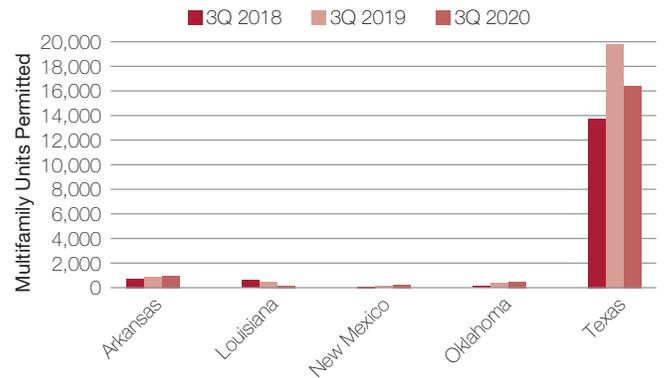
Outside of Texas, apartment market conditions were mixed during the third quarter of 2020. The apartment market in Albuquerque was slightly tight; rent growth was 4 percent, and the vacancy rate declined by 0.1 percentage point to 4.6 percent—the lowest rate in the region. In New Orleans, the apartment market remained balanced; the vacancy rate increased by 0.5 percentage point to 6.7 percent, and the average rent increased 2 percent. In Little Rock, the apartment market was balanced during the most recent quarter; the vacancy rate increased 0.2 of a percentage point to 7.6 percent, and rents grew 4 percent from the third quarter of 2019. In Oklahoma City, where the market is soft, rent growth was 2 percent, and the vacancy rate declined 0.5 percentage point to 9.4 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 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 third quarter of 2020 (preliminary data)—

- Approximately 17,900 multifamily units were permitted in the region—a 22-percent decline from the 22,900 units permitted during the third quarter of 2019. Permitting averaged 20,700 units during the third quarters of 2019 and 2020—the most units permitted during any two consecutive third quarters in more than 20 years.

- Multifamily permitting activity in Texas—which accounted for approximately 92 percent of all multifamily units permitted in the region—declined by 3,475 units, or 18 percent, from the third quarter of 2019 to 16,350 units. Permitting activity declined by 1,400 and 320 units, respectively, in Arkansas and Louisiana, and increased by 95 and 100 units, respectively, in New Mexico and Oklahoma.
- Changes in multifamily permitting were mixed among major metropolitan areas in the region. In Texas, an increase of 1,425 units in Austin, or 33 percent, was more than offset by a decline of 4,550 units, or 69 percent, in Dallas-Fort Worth-Arlington from the third quarter of 2019. In Arkansas, the large decline in multifamily permitting was primarily concentrated in Fayetteville, where permitting fell by 1,150 units, or 75 percent, from a record third-quarter high of 1,550 units permitted in 2019.

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



3Q = third quarter.

Note: Based on preliminary data.

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

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

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2019 (%)	3Q 2020 (%)	Percentage Point Change	3Q 2019 (\$)	3Q 2020 (\$)	Percent Change
Albuquerque, NM	Slightly Tight	4.7	4.6	-0.1	913	952	4
Austin, TX	Slightly Soft	5.6	7.4	1.8	1,364	1,362	0
Dallas, TX	Balanced	6.4	6.9	0.5	1,242	1,259	1
Fort Worth, TX	Balanced	6.8	6.8	0	1,117	1,142	2
Houston, TX	Slightly Soft	8.0	8.6	0.6	1,112	1,121	1
Little Rock, AR	Balanced	7.4	7.6	0.2	790	825	4
New Orleans, LA	Balanced	6.2	6.7	0.5	1,056	1,073	2
Oklahoma City, OK	Soft	9.9	9.4	-0.5	806	820	2
San Antonio, TX	Balanced	7.6	7.9	0.3	1,043	1,057	1

3Q = third 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

