

HUD PD&R Regional Reports

Region 6: Southwest



San Antonio, Texas

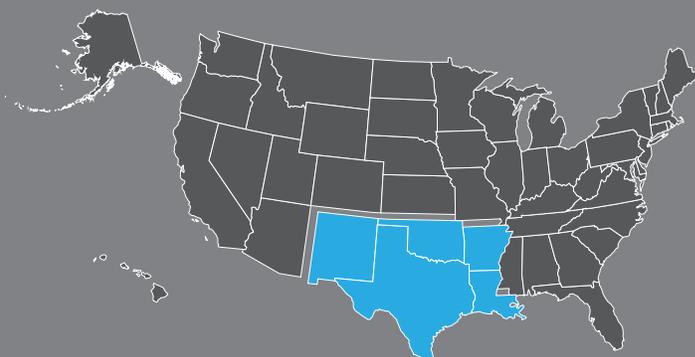
Quick Facts About Region 6

Sales market conditions—

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

Apartment market conditions—

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



By Robert Stephens | 4th Quarter 2020

Overview

The economic expansion in the Southwest region that began in 2011 ended in the second quarter of 2020; that shift was 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 year-over-year in every state in the region during the fourth quarter of 2020. From March 2020 through April 2020, the region lost approximately 1.95 million jobs. From April 2020 through December 2020, the region added jobs each month and recovered approximately 1.37 million jobs, or 70 percent of the jobs lost in March and April. Despite these significant job losses, conditions remained balanced 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, and average rents continued to grow—although at a reduced pace compared with the previous year.

During the fourth quarter of 2020—

- Nonfarm payrolls fell 4.0 percent from the fourth quarter of 2019, to 18.12 million jobs. The level of job decline in the region was below the national average of 5.9 percent.

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- 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 10 percent from the fourth quarter of 2019, to 67,250 units.

Economic Conditions

Nonfarm payrolls in the Southwest region declined during the fourth quarter of 2020 from the fourth 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 18.12 million jobs—a decline of 4.0 percent, or 751,300 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 1.5 percent, or by 267,400 jobs, from the first quarter of 2019. Jobs during the fourth quarter declined in all states in the region and all but two payroll sectors. The financial activities sector increased by 11,300 jobs, or 1.0 percent, from the fourth quarter of 2019, and it more than recovered all jobs lost during the recent downturn. Job losses were greatest in the sectors with a large concentration of jobs that rely on in-person interactions, whereas those jobs 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 6,300 jobs, or 0.7 percent, and has also 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 261,100 jobs, or 12.9 percent, during the fourth 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 a significant number of jobs during the fourth quarter include wholesale and retail trade, which declined by 73,000 jobs, or 2.6 percent; government, which declined by 76,800 jobs, or 2.5 percent; and education and health services, which fell by 113,500, or 4.2 percent. Those three sectors and the leisure and hospitality sector accounted for nearly 70 percent of net job losses in the region during the fourth quarter of 2020.

The subsector with the greatest rate of decline during the fourth quarter of 2020 was the mining and logging subsector, which fell by 75,900 jobs, or 21.4 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 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 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 as a result 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 \$42.45 per barrel during the fourth quarter of 2020 (U.S. Energy Information Administration). By comparison, the Spot Price FOB of WTI averaged \$56.96 per barrel during the fourth quarter of 2019 and \$59.08 per barrel during the fourth quarter of 2018. COVID-19 has affected nationwide oil and gas production. In September 2020, the United States had 257 crude oil and natural gas rotary rigs in operation—down 71 percent from a year earlier and the second lowest monthly number of active rigs since at least 1973. 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 fourth quarter of 2020—

- In Texas, nonfarm payrolls declined 3.7 percent, or by 475,200 jobs, from the fourth quarter of 2019, despite increases in the professional and business services, 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 13.3 and 19.6 percent, or by 186,400 and 47,400 jobs, respectively.

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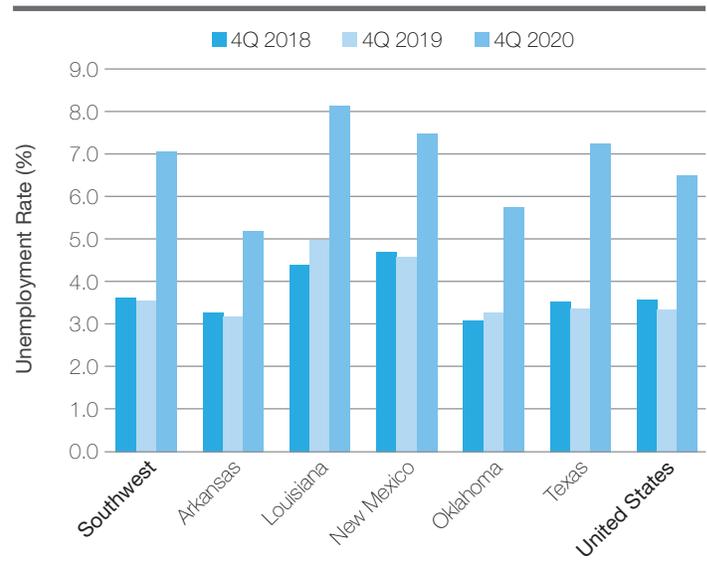
All but two sectors in the Southwest region lost jobs from the fourth quarter of 2019, with the largest decline in the leisure and hospitality sector.

	Fourth Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	18,867.2	18,115.9	-751.3	-4.0
Goods-Producing Sectors	2,853.4	2,664.3	-189.1	-6.6
Mining, Logging, & Construction	1,475.3	1,352.8	-122.5	-8.3
Manufacturing	1,378.1	1,311.4	-66.7	-4.8
Service-Providing Sectors	16,013.8	15,451.7	-562.1	-3.5
Wholesale & Retail Trade	2,800.3	2,727.3	-73.0	-2.6
Transportation & Utilities	862.7	869.0	6.3	0.7
Information	273.4	257.9	-15.5	-5.7
Financial Activities	1,080.5	1,091.8	11.3	1.0
Professional & Business Services	2,493.0	2,491.1	-1.9	-0.1
Education & Health Services	2,675.8	2,562.3	-113.5	-4.2
Leisure & Hospitality	2,030.0	1,768.9	-261.1	-12.9
Other Services	682.4	644.6	-37.8	-5.5
Government	3,115.7	3,038.9	-76.8	-2.5

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 Texas occurred in Louisiana, where payrolls fell by 97,200, or 4.9 percent. Similar to the rest of the region, job declines occurred primarily in the leisure and hospitality sector, which fell by 28,900 jobs, or 12.0 percent. In Louisiana, however, all sectors except the wholesale and retail trade sector lost jobs from the fourth quarter of 2019, and 6 of 11 sectors declined more than 5 percent.
- Nonfarm payrolls declined by 82,300 jobs, or 4.8 percent, in Oklahoma; 58,800 jobs, or 6.8 percent, in New Mexico; and 37,800 jobs, or 2.9 percent, in Arkansas, respectively, from the fourth quarter of 2019. In New Mexico, the largest decline occurred in the leisure and hospitality sector; however, in Oklahoma and Arkansas, the largest job losses were in the goods-producing sectors.
- The unemployment rate in the region was 7.1 percent; that rate was up 3.5 percentage points from the fourth quarter of 2019. The unemployment rate rose substantively in all states in the region. Only the 5.2-percent rate in Arkansas and the 5.7-percent rate in Oklahoma remained below the national unemployment rate of 6.5 percent.

The unemployment rate increased throughout the Southwest region from the fourth quarter of 2019 and was above the national level in most states.



4Q = fourth quarter.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions ranged from balanced to tight in most major metropolitan areas in the Southwest region during the fourth quarter of 2020. By comparison, conditions ranged from balanced to slightly tight during the previous quarter. The number of new and existing home sales in Texas increased by

33,900, or 9 percent, to 393,200 homes sold during the 12 months ending December 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

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average sales price of new and existing homes in Texas increased 8 percent during the 12 months ending December 2020, to \$315,700; the inventory of unsold homes declined to a 1.7-month supply in December 2020 from a 3.0-month supply in December 2019. 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 39 percent from December 2019 to December 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 December 2020 in every state in the region except New Mexico, where sales fell by 150 homes, or 0.5 percent (Zonda). A decline of 750 homes, or 40 percent, among real estate owned (REO) sales more than offset an increase of 210 homes, or 8 percent, among new sales and 390 homes, or 1 percent, among regular resales.

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 11 percent, respectively, in Austin, Texas (Real Estate Center at Texas A&M University). Austin averaged a 0.6-month supply of unsold homes in December 2020—down from 1.7 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 December 2020, all major Texas markets except Houston had a 1.7-month or less supply of unsold homes. Houston had a 2.3-month supply of unsold homes in November 2020 and currently has balanced sales market conditions; the city also had the lowest

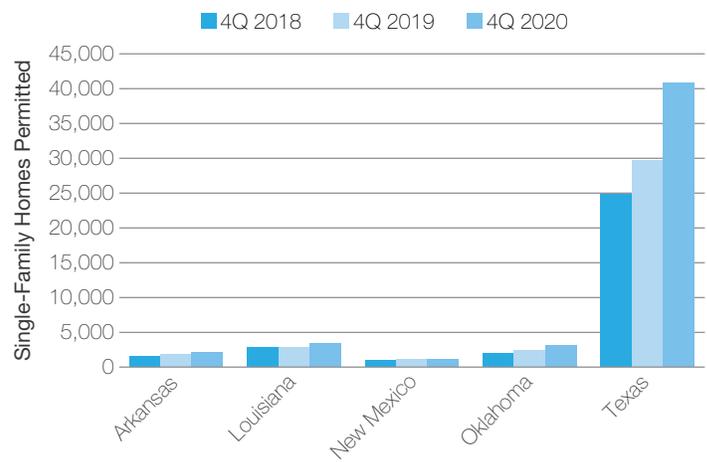
home sales price growth in the region, at 5 percent, during the 12 months ending November 2020. Home sales prices rose at least 7 percent in all other major metropolitan areas in the region during the most recent 12 months. The growth rate increased by 2 or more percentage points from the previous quarter in every major market in the region.

During the fourth quarter of 2020 (preliminary data)—

- Approximately 50,550 single-family homes were permitted in the region—a 34-percent increase from the same quarter

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



4Q = fourth quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Home sales and home sales prices increased in all major metropolitan areas in the Southwest region from the fourth quarter of 2019.

	12 Months Ending	Number of Homes Sold				Price		
		2019	2020	Percent Change	Average	2019 (\$)	2020 (\$)	Percent Change
Albuquerque, NM (N&E)	December	12,450	13,150	6	AVG	260,900	287,200	10
Austin, TX (N&E)	December	37,050	40,150	8	AVG	393,300	438,200	11
Dallas-Plano-Irving, TX (N&E)	December	67,450	74,050	10	AVG	351,000	375,200	7
Fort Worth-Arlington, TX (N&E)	December	36,100	38,400	6	AVG	285,600	307,900	8
Houston, TX (N&E)	November	89,750	97,250	8	AVG	304,100	319,300	5
Little Rock, AR (N&E)	December	14,650	16,700	14	AVG	190,400	203,900	7
New Orleans, LA (N&E)	December	16,250	17,200	6	AVG	256,700	279,200	9
Oklahoma City, OK (N&E)	December	24,700	27,250	10	AVG	208,900	229,000	10
San Antonio, TX (N&E)	December	35,950	40,100	12	AVG	268,500	291,400	9

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



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- a year earlier and the most single-family homes permitted during any fourth quarter since 2005.
- The number of single-family homes permitted in Texas increased by 11,200, or 38 percent, from the fourth quarter of 2019, to 40,900 homes; that number accounted for approximately 81 percent of all homes permitted in the region. Permitting activity increased by 60, 260, 620, and 720 homes in New Mexico, Arkansas, Louisiana, and Oklahoma, 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, and Austin increased by 3,750, 3,125, and 1,975 homes, or 44, 32, and 48 percent, respectively, from the fourth quarter of 2019.

Apartment Market Conditions

Apartment market conditions in large metropolitan areas in the Southwest region ranged from slightly tight to soft during the fourth 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 0.7 percentage point, to 9.0 percent, from the fourth quarter of 2019. The average rent increased 1 percent during the same time. The apartment market was also slightly soft in Austin, where the average rent declined 2 percent. The vacancy rate in Austin increased 1.9 percentage points, from 5.9 to 7.8 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 0.1 percentage point, to 6.5 percent—the lowest rate in the state. There, the average rent increased 3 percent—the largest increase in the state.

Outside Texas, apartment market conditions were mixed during the fourth quarter of 2020. The apartment market in Albuquerque

was slightly tight; rent growth was 6 percent, and the vacancy rate declined by 0.3 percentage point, to 4.6 percent—the lowest rate in the region. In New Orleans, the apartment market remained balanced; the vacancy rate increased 0.6 percentage point, to 6.7 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 0.9 percentage point, to 7.2 percent, and the average rent grew 4 percent from the fourth quarter of 2019. In Oklahoma City, where the market is soft, rent growth was 2 percent and the vacancy rate declined 0.2 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 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 fourth quarter of 2020 (preliminary data)—

- Approximately 16,700 multifamily units were permitted in the region—a 28-percent decline from the 23,250 units

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

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2019 (%)	4Q 2020 (%)	Percentage Point Change	4Q 2019 (\$)	4Q 2020 (\$)	Percent Change
Albuquerque, NM	Slightly Tight	4.9	4.6	-0.3	911	963	6
Austin, TX	Slightly Soft	5.9	7.8	1.9	1,384	1,354	-2
Dallas, TX	Balanced	6.6	7.0	0.4	1,246	1,263	1
Fort Worth, TX	Balanced	6.6	6.5	-0.1	1,119	1,151	3
Houston, TX	Slightly Soft	8.3	9.0	0.7	1,112	1,122	1
Little Rock, AR	Balanced	8.1	7.2	-0.9	801	831	4
New Orleans, LA	Balanced	6.1	6.7	0.6	1,064	1,078	1
Oklahoma City, OK	Soft	9.6	9.4	-0.2	808	825	2
San Antonio, TX	Balanced	7.9	7.6	-0.3	1,047	1,062	1

4Q = fourth 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

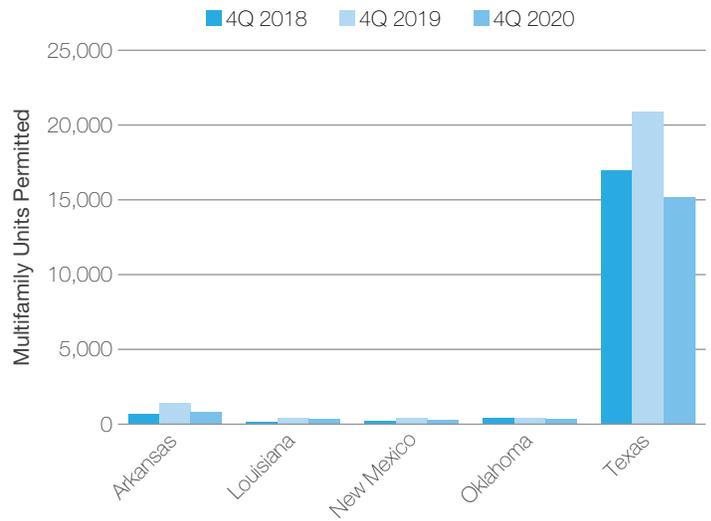


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permitted during the fourth quarter of 2019. By comparison, multifamily permitting averaged 18,100 units during the fourth quarters of 2012 through 2018.

- Multifamily permitting activity in Texas—which accounted for approximately 91 percent of all multifamily units permitted in the region—declined by 5,725 units, or 28 percent, from the fourth quarter of 2019, to 15,150 units. Permitting activity declined by 55, 110, 120, and 530 units in Louisiana, New Mexico, Oklahoma, and Arkansas, respectively.
- The largest declines in multifamily permitting occurred in the markets of Dallas-Fort Worth-Arlington and Houston, where permitting fell by 3,900, or 50 percent, and 1,850, or 31 percent, respectively, from the fourth quarter of 2019.
- In Austin, the number of multifamily units permitted remained essentially unchanged from the fourth quarter of 2019; however, building activity during the past 3 years has been very high. The 15,300 multifamily units permitted annually from 2018 through 2020 is 50 percent above the average of 10,200 units permitted annually from 2012 through 2017, and the 19,200 units permitted in 2020 represents the highest annual level of multifamily permitting in more than 40 years.

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



4Q = fourth quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

