

# HUD PD&R Regional Reports

## Region 6: Southwest

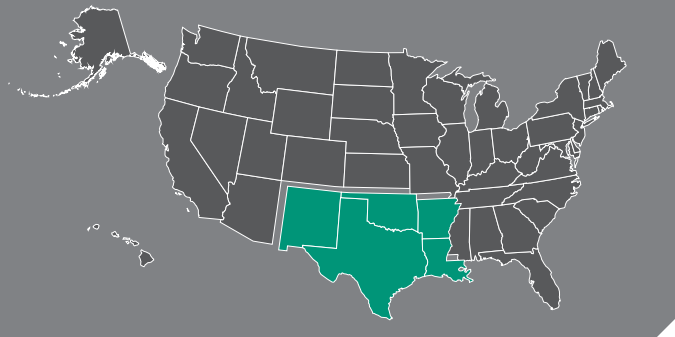


### Quick Facts About Region 6

Shreveport, Louisiana

By Robert Stephens | 1st quarter 2016

- **Sales market conditions—**
  - First quarter 2016: mixed (balanced to slightly tight).
  - Fourth quarter 2015: mixed (balanced to slightly tight).
  - First quarter 2015: mixed (balanced to slightly tight).
- **Apartment market conditions—**
  - First quarter 2016: mixed (balanced to slightly soft).
  - Fourth quarter 2015: mixed (balanced to slightly soft).
  - First quarter 2015: mixed (slightly tight to slightly soft).



### Overview

The economic expansion in the Southwest region that began in 2011 continued in the first quarter of 2016, but growth slowed from a year ago. Job losses occurred or payrolls were essentially unchanged in three states in the region, with growth among the service-providing sectors partially offsetting declines in the energy-related sectors. Continued, although significantly reduced, employment growth in the region overall contributed to balanced conditions in most major sales housing and apartment markets in the region. Home sales, home sales prices, and average apartment rents all increased, and apartment vacancy rates declined or remained mostly unchanged in most major markets.

During the first quarter of 2016—

- Nonfarm payrolls increased 1.1 percent, to 17.54 million jobs, from the first quarter of 2015. Year-over-year job growth in the region has been slowing since the beginning of 2015 after accelerating consistently from the beginning of 2013 to the end of 2014; the rate of job growth in the region is currently less than the national average.
- Home sales and sales prices increased in most major metropolitan areas in the region, led by strong price appreciation in many Texas markets.
- Combined single-family and multifamily permitting activity in the Southwest region declined in the first quarter for the first time since 2011.



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

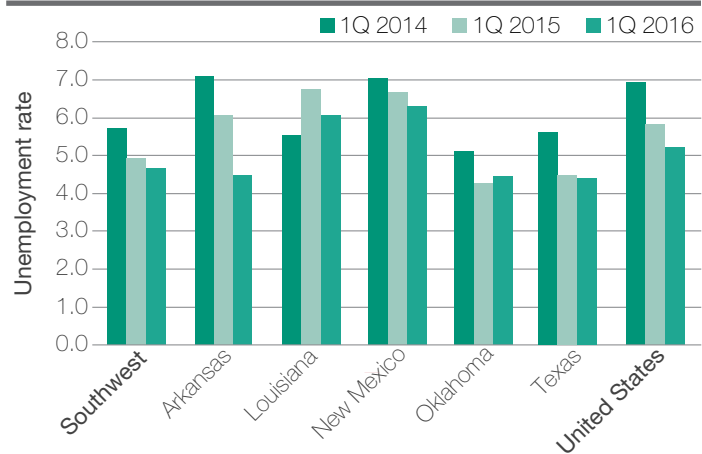
	First Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	17,358.3	17,544.3	186.0	1.1
Goods-producing sectors	2,785.2	2,660.8	- 124.4	- 4.5
Mining, logging, and construction	1,422.7	1,356.2	- 66.5	- 4.7
Manufacturing	1,362.5	1,304.6	- 57.9	- 4.2
Service-providing sectors	14,573.1	14,883.6	310.5	2.1
Wholesale and retail trade	2,695.4	2,755.5	60.1	2.2
Transportation and utilities	732.7	731.9	- 0.8	- 0.1
Information	270.1	271.5	1.4	0.5
Financial activities	963.1	978.6	15.5	1.6
Professional and business services	2,202.9	2,216.0	13.1	0.6
Education and health services	2,388.1	2,476.8	88.7	3.7
Leisure and hospitality	1,764.6	1,854.9	90.3	5.1
Other services	615.3	626.5	11.2	1.8
Government	2,940.8	2,971.8	31.0	1.1

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

## Economic Conditions

Nonfarm payroll job growth in the Southwest region slowed for the fifth consecutive quarter during the first quarter of 2016. Nonfarm payrolls increased 1.1 percent, or by 186,000 jobs, to 17.54 million jobs compared with the number of jobs during the same quarter a year earlier. By comparison, during the first quarter of 2015, nonfarm payrolls grew 2.7 percent, or by 462,600 jobs, from the first quarter of 2014. Job growth remained relatively strong in most service-providing sectors during the first quarter of 2015. The leisure and hospitality, education and health services, and wholesale and retail trade sectors increased by 90,300, 88,700, and 60,100 jobs, or 5.1, 3.7, and 2.2 percent, respectively. The goods-producing sectors continued declines that began during the second quarter of 2015. Mining, logging, and construction sector payrolls declined by 66,500 jobs, or 4.7 percent, and manufacturing sector payrolls declined by 57,900 jobs, or 4.2 percent. The slowdown in the mining, logging, and construction sector was entirely the result of a decline of 91,000 jobs, or 20.2 percent, in the mining and logging subsector, which until recently had been one of the fastest-growing subsectors in the region, increasing at an average annual rate of 9.2 percent from 2010 through 2014. Lower oil and gas prices led many energy-related companies to reduce workforces, which led to job losses in the mining, logging, and construction and the manufacturing 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, were particularly affected.

The unemployment rate in the Southwest region declined during each of the past 3 years and remained below the national rate.



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

During the first quarter of 2016—

- Nonfarm payrolls increased 1.6 percent, or by 183,000 jobs, in Texas from the first quarter of 2015, which accounted for most of the job growth in the region; however, payroll growth in Texas was at its lowest rate in more than 5 years. All the growth in Texas during the most recent quarter occurred in the service-providing sectors, primarily in the leisure and hospitality, education and health services, and wholesale and retail trade sectors.
- Arkansas had the highest job growth rate in the region, with payrolls increasing 2.3 percent, or by 27,600 jobs, from the first quarter of 2015; it was the highest rate of growth and the greatest

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number of jobs added year over year in more than 20 years. Growth in all service-providing sectors more than offset relatively small declines in the goods-producing sectors. Much of the recent growth was concentrated in northwest Arkansas, with approximately 40 percent of job gains in the state occurring in the Fayetteville metropolitan area. Recent growth in the Fayetteville area has been broad based but is driven, in part, by the three Fortune 500 companies headquartered in the area: Wal-Mart Stores, Inc., Tyson Foods, Inc., and J.B. Hunt Transport, Inc.

- Nonfarm payrolls were relatively unchanged from the first quarter of 2015 in New Mexico but declined by 6,100 jobs, or 0.4 percent, in Oklahoma and by 18,800 jobs, or 0.9 percent, in Louisiana. Education and health services was one of the two fastest-growing sectors in all three states.

- Payrolls in the mining and logging subsector fell sharply in every state in the region from the first quarter of 2015. Declines in the number of jobs ranged from 1,500 jobs, or 18 percent, in Arkansas to nearly 58,000 jobs, or 19 percent, in Texas. Mining and logging subsector payrolls in New Mexico, Louisiana, and Oklahoma declined by 7,300, 11,700, and 12,600, or 26, 22, and 21 percent, respectively.
- The unemployment rate in the region was 4.7 percent compared with 4.9 percent during the first quarter of 2015. Unemployment rates declined in every state in the region except Oklahoma, where the rate increased 0.1 percentage point. In Arkansas, the strong job growth in the past 12 months led to the largest unemployment rate decline in the region, from 6.1 to 4.5 percent.

## Population

The population of the Southwest region increased by 554,400, or 1.4 percent, from July 2014 to July 2015, slightly higher 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 July 2015 but 22 percent of the nation's total population growth from July 2014 to July 2015. Every state in the region except New Mexico added population during this time, but approximately 88 percent of the growth was in Texas, which accounts for only 66 percent of the total population in the region. Population increases in Texas and the region were, in part, the result of strong economic growth led by gains in the energy-related sectors, which remained strong through 2014.

During the 12 months ending July 1, 2015—

- Texas had the greatest population gain in the nation, at 490,000 people, and had the seventh highest rate of population growth in the nation, at 1.8 percent.

- New Mexico was the only state in the Southwest region and one of only seven states in the nation to record a decline in population; net natural increase of 9,225 people was offset by net out-migration of 9,725 people, which was the fifth most in the nation.
- Net in-migration slowed by 580 people in Louisiana from the previous year and accounted for 4 percent of total population growth. In Oklahoma and Texas, net in-migration increased by 5,400 and 32,550 people from the previous year and accounted for 49 and 55 percent of total population growth, respectively. In Arkansas, net in-migration accounted for 24 percent of total population growth, a significant improvement from net out-migration of 660 people during the previous year.
- The populations in the Houston and Dallas-Fort Worth metropolitan areas increased by approximately 159,100 and 144,700, or 2.4 and 2.1 percent, respectively, the 2 largest increases of any

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The rate of population growth in the Southwest region exceeded that of the nation because of strong growth in Texas.

	Population Estimate (as of July 1)			Percent Change	
	2013	2014	2015	2013 to 2014	2014 to 2015
United States	316,427,395	318,907,401	321,418,820	0.8	0.8
Southwest	40,026,417	40,560,080	41,114,489	1.3	1.4
Arkansas	2,957,957	2,966,835	2,978,204	0.3	0.4
Louisiana	4,627,491	4,648,990	4,670,724	0.5	0.5
New Mexico	2,086,890	2,085,567	2,085,109	-0.1	0.0
Oklahoma	3,853,405	3,879,610	3,911,338	0.7	0.8
Texas	26,500,674	26,979,078	27,469,114	1.8	1.8

Source: U.S. Census Bureau



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metropolitan area in the United States. The Austin and San Antonio areas, with increases of approximately 57,400 and 51,300, respectively, were also among the 15 metropolitan areas with the greatest population gains during this time. These 4 metropolitan

areas accounted for nearly 85 percent of the population growth in the state of Texas and collectively added more population than any state except for Texas itself.

## 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 2016, unchanged from the previous quarter. The number of new and existing home sales in Texas increased by 14,200, or 5 percent, to 314,100 homes sold during the 12 months ending March 2016 (Real Estate Center at Texas A&M University). Annual growth slowed significantly from a peak of 16 percent during 2013. Home sales have surpassed the previous 12-month peak of 306,200 homes sold as of February 2007, before the housing downturn. The average sales price of new and existing homes in Texas increased 4 percent during the 12 months ending March 2016, to \$252,000, and the inventory of unsold homes declined by 0.1 months to a 3.6-month supply. Despite generally tightening sales market conditions, price increases have slowed from an average of 8 percent in 2013 and 2014. Increases in home sales and home sales prices occurred in most major markets throughout the region during the past year. Home sales prices increased the most in the New Orleans, Austin, and Dallas-Fort Worth metropolitan areas, where prices rose 8, 7, and 7 percent, to \$242,500, \$334,500, and \$269,100, respectively, during the 12 months ending March 2016. Dallas-Fort

Worth and Austin each averaged a 2.3-month supply of unsold homes during the 12 months ending March 2016, the lowest supplies of any major metropolitan areas in Texas.

During the first quarter of 2016 (preliminary data)—

- Approximately 32,150 single-family homes were permitted in the region, relatively unchanged from the 32,250 homes permitted during the first quarter of 2015. By comparison, the number of single-family homes permitted in the region averaged 49,800 during the first quarters of 2004 through 2007 before declining to an average of 24,750 homes during the first quarters of 2008 through 2014.
- The number of single-family homes permitted in Texas declined by 60, or less than 1 percent, from the first quarter of 2015, to 24,800 homes, and accounted for approximately 77 percent of all homes permitted in the region. Permitting activity increased by 270 homes, or 22 percent, in Arkansas, was essentially unchanged in New Mexico, and declined by 110 and 180 homes, or 4 and 7 percent, respectively, in Louisiana and Oklahoma from the first quarter of 2015.

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### Home sales prices increased in most major metropolitan areas in the Southwest region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Albuquerque (N&E)	March	8,600	10,000	16	AVG	214,200	217,300	1
Austin (N&E)	March	30,575	31,850	4	AVG	312,700	334,500	7
Dallas-Fort Worth-Arlington (N&E)	March	89,850	96,500	7	AVG	252,000	269,100	7
Dallas (N&E)	March	11,500	12,050	5	AVG	332,100	351,200	6
Fort Worth (N&E)	March	11,050	12,050	9	AVG	187,900	199,000	6
Houston (N&E)	February	80,200	78,750	-2	AVG	271,500	279,400	3
Little Rock (N&E)	March	8,800	9,675	10	AVG	172,100	171,700	0
New Orleans (N&E)	March	10,800	12,650	17	AVG	224,500	242,500	8
Oklahoma City (N&E)	March	20,650	20,500	-1	AVG	184,500	187,300	2
San Antonio (N&E)	March	26,800	29,600	10	AVG	218,900	231,500	6

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

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

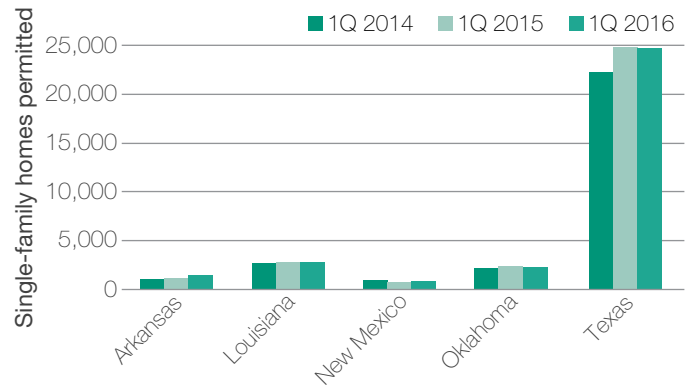
Sources: Arkansas Realtors® Association; Greater Albuquerque Association of Realtors®; New Orleans Metropolitan Association of Realtors®; Oklahoma City Metro Association of Realtors®; Real Estate Center at Texas A&M University



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- Single-family building activity remained relatively unchanged from the first quarter of 2015 in most major metropolitan areas in the region. The greatest changes in single-family homebuilding activity in the region occurred in the Dallas-Fort Worth and Houston metropolitan areas, where the number of single-family homes permitted increased by 270, or 9 percent, and declined by 280, or 3 percent, respectively, from the first quarter of 2015. These two metropolitan areas accounted for nearly 50 percent of all homes permitted in the region.

**Small, offsetting changes among the states led to a relatively unchanged number of single-family homes permitted in the Southwest region.**



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 slightly soft during the first quarter of 2016; however, most markets were balanced. Among major Texas markets, San Antonio remained slightly soft, with a vacancy rate of 10.7 percent during the first quarter of 2016, up 0.2 percentage point from the first quarter of 2015. The market in Houston became slightly soft as the vacancy rate increased 1.0 percentage point, to 9.7 percent, during the same period. The average rents in San Antonio and Houston increased 6 and 5 percent, respectively, during this time. The market in Houston has

softened, in part, from a combination of the large 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, which experienced 9-percent rent growth, the highest rate among all major markets in the region, and Dallas and Austin, which each experienced 7-percent rent growth. Demand created by employment and population gains resulted in respective vacancy rate declines of 1.1, 0.7, and 1.0 percentage points in each of these markets despite a significant increase in the volume of new construction. Outside Texas, most

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**Apartment market conditions in most major metropolitan areas in the Southwest region ranged from balanced to slightly soft.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2015 (%)	1Q 2016 (%)	Percentage Point Change	1Q 2015 (\$)	1Q 2016 (\$)	Percent Change
Albuquerque <sup>a</sup>	Balanced	2.7	3.4	0.7	770	790	3
Austin <sup>b</sup>	Balanced	9.4	8.4	- 1.0	1,100	1,175	7
Dallas <sup>b</sup>	Balanced	8.2	7.5	- 0.7	980	1,050	7
Fort Worth <sup>b</sup>	Balanced	7.6	6.5	- 1.1	850	930	9
Houston <sup>b</sup>	Slightly soft	8.7	9.7	1.0	980	1,025	5
Little Rock <sup>a</sup>	Balanced	7.4	7.2	- 0.2	720	740	3
New Orleans <sup>a</sup>	Balanced	5.2	5.5	0.3	930	990	6
Oklahoma City <sup>a</sup>	Balanced	5.3	5.8	0.5	610	630	3
San Antonio <sup>b</sup>	Slightly soft	10.5	10.7	0.2	870	920	6

1Q = first quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Reis, Inc.; (b) ALN Systems, Inc.



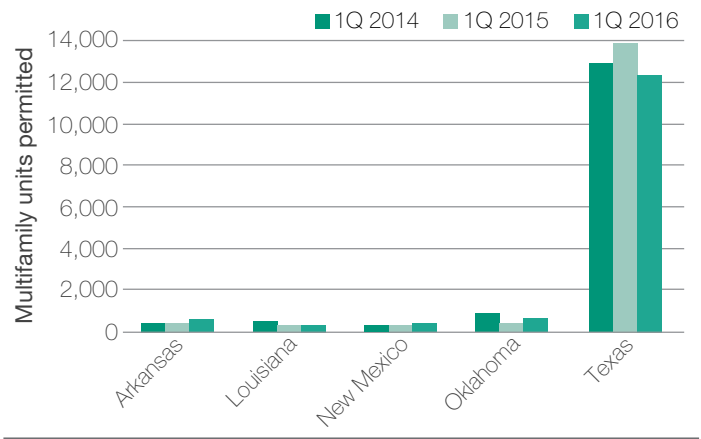
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major apartment markets were balanced during the first quarter of 2016. Rent growth in these markets ranged from 3 percent each in Albuquerque, Little Rock, and Oklahoma City to 6 percent in New Orleans. Vacancy rates ranged from 3.4 percent in Albuquerque to 7.2 percent in Little Rock.

During the first quarter of 2016 (preliminary data)—

- Approximately 14,400 multifamily units were permitted in the region, a 6-percent decline from the 15,350 units permitted during the first quarter of 2015. By comparison, the number of multifamily units permitted averaged 14,450 during the first quarters from 2012 through 2014.
- Multifamily permitting activity in Texas, which accounted for approximately 86 percent of all multifamily units permitted in the region, declined by 1,575 units, or 11 percent, from the first quarter of 2015, to 12,400 units. Texas was the only state in the region where permitting declined. Permitting increased by 270, 200, 90, and 70 units, or 71, 48, 32, and 24 percent, respectively, in Arkansas, Oklahoma, New Mexico, and Louisiana from the first quarter of 2015.
- Changes in multifamily permitting activity varied significantly among major metropolitan areas in the Southwest region. From the first quarter of 2015, permitting activity declined in Austin, Dallas-Fort Worth, Houston, and New Orleans but increased in Albuquerque, Little Rock, Oklahoma City, and San Antonio.

**Texas continued to lead the Southwest region in multifamily permitting activity, with more than 70 percent of regionwide activity occurring in the Austin, Dallas-Fort Worth, and Houston metropolitan areas.**



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

- The greatest decline in multifamily permitting from the first quarter of 2015 occurred in Houston, where the number of units permitted fell by 1,825, to 2,225 units, led by a decline of 1,500 units in Harris County. Vacancy rates in the Houston area have begun to increase after several years of sustained high production levels, in part, because weakness in the energy industry led to slower economic growth.

