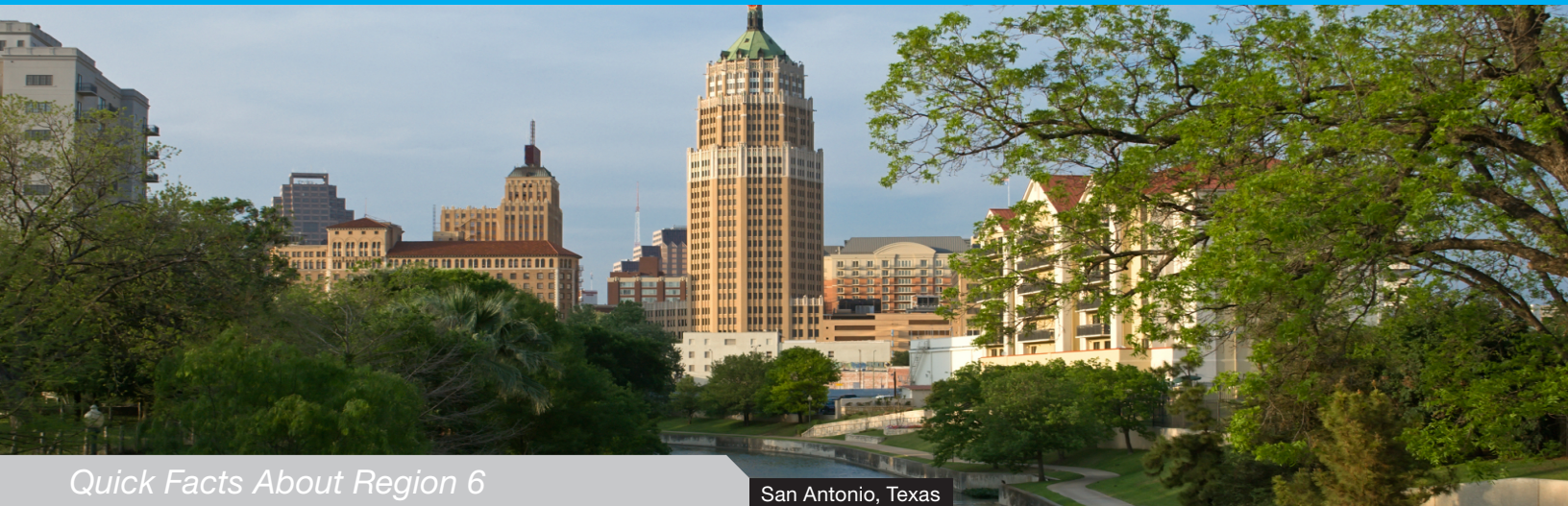


HUD PD&R Regional Reports

Region 6: Southwest

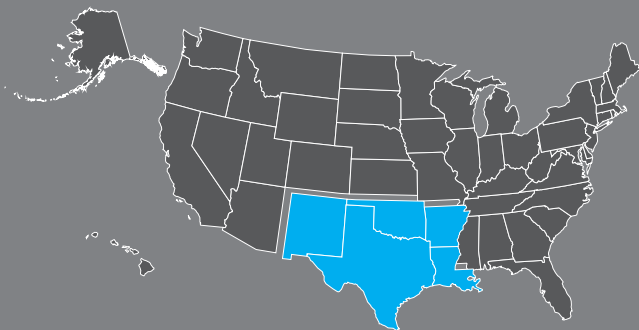


Quick Facts About Region 6

San Antonio, Texas

By Robert Stephens | 4th quarter 2015

- **Sales market conditions—**
 - Fourth quarter 2015: mixed (balanced to slightly tight).
 - Third quarter 2015: mixed (balanced to slightly tight).
 - Fourth quarter 2014: mixed (balanced to slightly tight).
- **Apartment market conditions—**
 - Fourth quarter 2015: mixed (balanced to slightly soft).
 - Third quarter 2015: mixed (slightly tight to slightly soft).
 - Fourth quarter 2014: mixed (slightly tight to slightly soft).



Overview

Economic growth in the Southwest region that began in 2011 slowed significantly during the fourth quarter of 2015. Job gains occurred in every state in the region, with growth among the service-providing sectors partially offset by declines in several energy-related sectors. Continued, although reduced, employment growth contributed to balanced conditions in most major sales housing and apartment markets in the region. Home sales, home sales prices, and average apartment rents increased and apartment vacancy rates declined in most major markets.

During the fourth quarter of 2015—

- Nonfarm payrolls increased 1.1 percent, to 17.69 million jobs, from the fourth quarter of 2014. Year-over-year job growth in the region has slowed for four consecutive quarters, after accelerating consistently from the beginning of 2013 to the end of 2014, to less than the national average rate of growth.
- 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 increased for the fifth consecutive year.



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

	Fourth Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	17,493.7	17,687.4	193.7	1.1
Goods-producing sectors	2,816.0	2,726.6	- 89.4	- 3.2
Mining, logging, and construction	1,449.9	1,415.0	- 34.9	- 2.4
Manufacturing	1,366.1	1,311.6	- 54.5	- 4.0
Service-providing sectors	14,677.7	14,960.8	283.1	1.9
Wholesale and retail trade	2,738.3	2,772.2	33.9	1.2
Transportation and utilities	732.5	730.1	- 2.4	- 0.3
Information	279.0	281.7	2.7	1.0
Financial activities	968.5	972.7	4.2	0.4
Professional and business services	2,212.8	2,271.2	58.4	2.6
Education and health services	2,397.5	2,487.4	89.9	3.7
Leisure and hospitality	1,771.1	1,843.1	72.0	4.1
Other services	615.4	619.0	3.6	0.6
Government	2,962.6	2,983.3	20.7	0.7

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

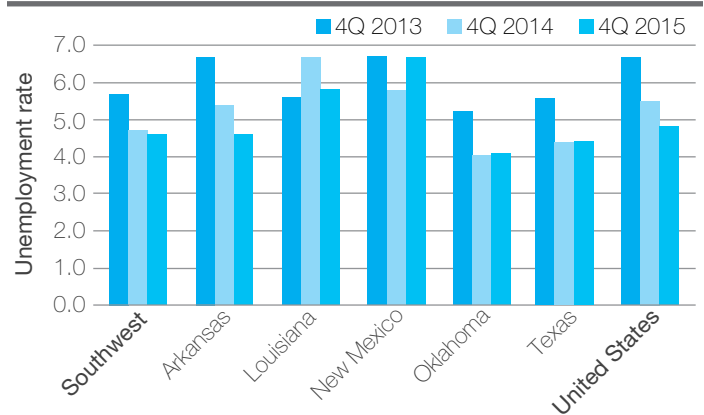
Economic Conditions

Nonfarm payroll job growth in the Southwest region, which resumed in 2011 after 2 years of declines, slowed significantly during the fourth quarter of 2015. Nonfarm payrolls increased 1.1 percent, or by 193,700 jobs, to 17.69 million jobs compared with the number of jobs during the same quarter a year earlier. By comparison, during the fourth quarter of 2014, nonfarm payrolls grew 2.7 percent, or by 462,300 jobs, from the fourth quarter of 2013. Job growth remained relatively strong in most service-providing sectors during the fourth quarter of 2015. The education and health services, leisure and hospitality, and professional and business services sectors increased by 89,900, 72,000, and 58,400 jobs, or 3.7, 4.1, and 2.6 percent, respectively. The goods-producing sectors continued declines that began earlier in 2015. Manufacturing sector payrolls declined by 54,500 jobs, or 4.0 percent, and mining, logging, and construction sector payrolls declined by 34,900 jobs, or 2.4 percent. The slowdown in the mining, logging, and construction sector was entirely the result of a decline of 57,100 jobs, or 12.3 percent, in the mining and logging subsector, which until recently had been one of the fastest growing subsectors in the region. Lower oil and gas prices led many energy-related companies to reduce workforces, which has affected jobs in the mining, logging, and construction and the manufacturing sectors.

During the fourth quarter of 2015—

- Nonfarm payrolls increased 1.6 percent, or by 187,100 jobs, in Texas, which accounted for more than 95 percent of job growth

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



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

in the region; during the preceding 2 years, Texas accounted for approximately 85 percent of job growth in the region. All the growth in Texas during the most recent quarter occurred in the service-providing sectors, primarily in the education and health services, leisure and hospitality, and professional and business services sectors.

- Nonfarm payrolls declined 0.6 and 0.1 percent, respectively, in Louisiana and Oklahoma and increased 1.6 and 0.4 percent, respectively, in Arkansas and New Mexico from the fourth quarter of 2014. Most job gains in these four states occurred in the service-providing sectors, led by the education and health services, professional and business services, and leisure and hospitality sectors.

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- Payrolls in the mining and logging subsector, which has been affected by the recent declines in energy prices, fell in every state in the region from the fourth quarter of 2014. The rate of decline ranged from approximately 8 percent each, or 800 and 2,400 jobs, respectively, in Arkansas and New Mexico to nearly 20 percent each, or 9,700 and 12,500 jobs, respectively, in Louisiana and Oklahoma. Mining and logging subsector payrolls in Texas declined by 31,800 jobs, or 10 percent.
- The unemployment rate in the region, which declined to 4.6 percent compared with the rate of 4.7 percent recorded during the fourth quarter of 2014, declined or remained relatively unchanged in every state in the region except New Mexico, where the rate increased by 0.9 percentage points because employment losses exceeded declines in the labor force.

Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight in most major metropolitan areas in the Southwest region during the fourth quarter of 2015, unchanged from the previous quarter. The number of new and existing home sales in Texas increased by 16,000, or 3 percent, to 295,400 homes sold during 2015. Growth slowed significantly from a peak annual increase of 16 percent during 2013. Home sales surpassed the previous peak level of 294,200 homes sold in early 2007, before the housing downturn. The average sales price of new and existing homes in Texas increased 5 percent during 2015, to \$252,000, and the inventory of unsold homes declined from a 3.5-month supply in 2014 to a 3.4-month supply in 2015. 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 Austin, Dallas, and Fort

Worth, where prices rose 8 percent each, to \$328,800, \$284,300, and \$190,400, respectively, during 2015. Together, Dallas and Fort Worth averaged a 2.1-month supply of unsold homes in 2015, the lowest supply of any major metropolitan area in Texas, and Austin averaged a 2.5-month supply of unsold homes.

During the fourth quarter of 2015 (preliminary data)—

- Approximately 28,700 single-family homes were permitted in the region, relatively unchanged from the 28,600 homes permitted during the fourth quarter of 2014. By comparison, the number of single-family homes permitted in the region averaged 45,050 during the fourth quarters of 2004 through 2006 before declining to an average of 21,250 homes during the fourth quarters of 2007 through 2013.

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Home sales prices increased in most major metropolitan areas in the Southwest region, led by strong growth in several Texas markets.

	12 Months Ending	Number of Homes Sold			Price			
		2014	2015	Percent Change	Average or Median	2014 (\$)	2015 (\$)	Percent Change
Albuquerque (N&E)	December	8,475	9,800	16	AVG	213,600	215,200	1
Austin (N&E)	December	30,950	32,150	4	AVG	305,500	328,800	8
Dallas (N&E)	December	60,150	63,300	5	AVG	263,900	284,300	8
Fort Worth (N&E)	December	11,700	12,600	8	AVG	177,100	190,400	8
Houston (N&E)	December	83,300	81,200	-3	AVG	265,500	274,600	3
Little Rock (N&E)	October	8,650	9,225	7	AVG	170,400	174,800	3
New Orleans (N&E)	November	17,700	18,200	3	AVG	196,700	203,700	4
San Antonio (N&E)	December	25,550	27,900	9	AVG	216,600	230,300	6
Tulsa (N&E)	December	13,350	13,350	0	AVG	168,500	176,800	5

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

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

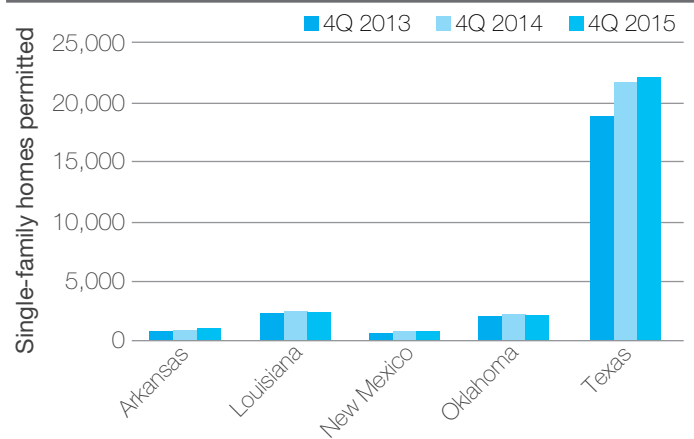
Sources: Arkansas Realtors® Association; CoreLogic, Inc., with adjustments by the analyst; Greater Albuquerque Association of Realtors®; Real Estate Center at Texas A&M University



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- Compared with permitting activity during the fourth quarter of 2014, the number of single-family homes permitted in Texas increased by 320 homes, or 1 percent, to 22,100 homes. Permitting activity increased by 120 homes in Arkansas, was essentially unchanged in New Mexico, and declined by 90 and 260 homes, respectively, in Louisiana and Oklahoma from the fourth quarter of 2014.
- Single-family building activity remained relatively unchanged from the fourth quarter of 2014 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 790, or 15 percent, and declined by 800, or 9 percent, respectively, from the fourth quarter of 2014. 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.



4Q = fourth 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 fourth quarter of 2015; however, most markets were balanced. Among major Texas markets, San Antonio remained slightly soft, with a vacancy rate of 10.2 percent during the fourth quarter of 2015, down 0.2 percentage points from the fourth quarter of 2014, and Houston became slightly soft as the vacancy rate increased 0.7 percentage points, to 9.1 percent, during the same period. The average rents in San Antonio and Houston increased 5 and 6 percent, respectively, during this time. Other Texas markets were balanced,

including Fort Worth and Dallas, which experienced 10 and 9 percent rent growth, respectively, the most rent growth among all major markets in the region, in part, because demand created by employment and population growth resulted in vacancy rate declines of 0.3 and 0.2 percentage points, respectively, despite a significant increase in the volume of new construction. Outside Texas, most major apartment markets were balanced during the fourth quarter of 2015. Rent growth in these markets ranged from 1 percent in Albuquerque to 3 percent each in Little Rock, New Orleans, and Tulsa.

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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		
		4Q 2014 (%)	4Q 2015 (%)	Percentage Point Change	4Q 2014 (\$)	4Q 2015 (\$)	Percent Change
Albuquerque ^a	Balanced	3.1	3.6	0.5	770	780	1
Austin ^b	Balanced	8.2	7.6	-0.6	1,100	1,175	7
Dallas ^b	Balanced	7.6	7.4	-0.2	960	1,050	9
Fort Worth ^b	Balanced	7.1	6.8	-0.3	840	920	10
Houston ^b	Slightly soft	8.4	9.1	0.7	970	1,025	6
Little Rock ^a	Balanced	7.6	7.5	-0.1	710	730	3
New Orleans ^a	Balanced	5.8	5.1	-0.7	930	960	3
San Antonio ^b	Slightly soft	10.4	10.2	-0.2	870	910	5
Tulsa ^a	Balanced	5.0	5.2	0.2	640	660	3

4Q = fourth 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.

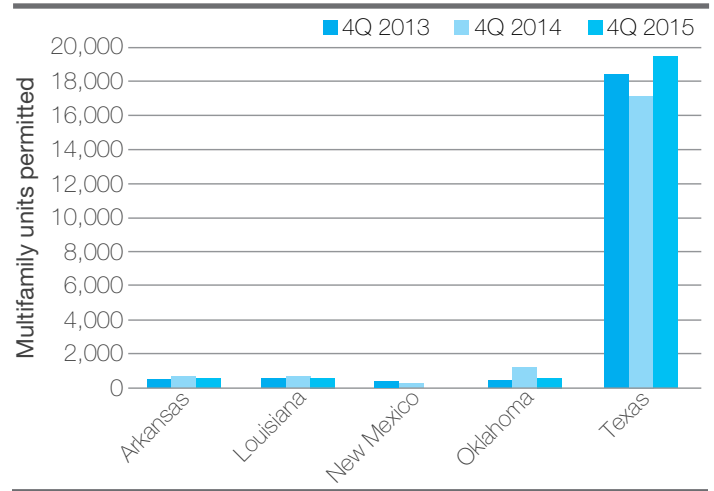


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During the fourth quarter of 2015 (preliminary data)—

- Approximately 21,250 multifamily units were permitted in the region, a 6-percent increase from the 20,100 units permitted during the fourth quarter of 2014. By comparison, the number of multifamily units permitted averaged 7,100 during the fourth quarters from 2008 through 2011 before increasing to 16,150 and 20,450 during the fourth quarters of 2012 and 2013, respectively.
- Multifamily permitting activity in Texas, which accounted for approximately 91 percent of all multifamily units permitted in the region, increased by 2,300 units, or 3 percent, from the fourth quarter of 2014, to 19,450 units. Texas was the only state in the region where permitting increased. Permitting declined by 700, 230, 160, and 25 units, respectively, in Oklahoma, New Mexico, Arkansas, and Louisiana from the fourth quarter of 2014.
- Changes in multifamily permitting activity varied significantly among major metropolitan areas in the Southwest region. From the fourth quarter of 2014, permitting activity declined in Albuquerque, Houston, Little Rock, and New Orleans but increased in Austin, Dallas-Fort Worth, San Antonio, and Tulsa.
- The greatest increase in multifamily permitting from the fourth quarter of 2014 occurred in Dallas-Fort Worth, where the number of units permitted grew by 2,775, to 7,400 units, led by increases of 1,550 and 510 units in Dallas and Collin Counties, respectively.

Texas continued to lead the Southwest region in multifamily permitting activity, with nearly 75 percent of regionwide activity occurring in Austin, Dallas-Fort Worth, and Houston.



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

