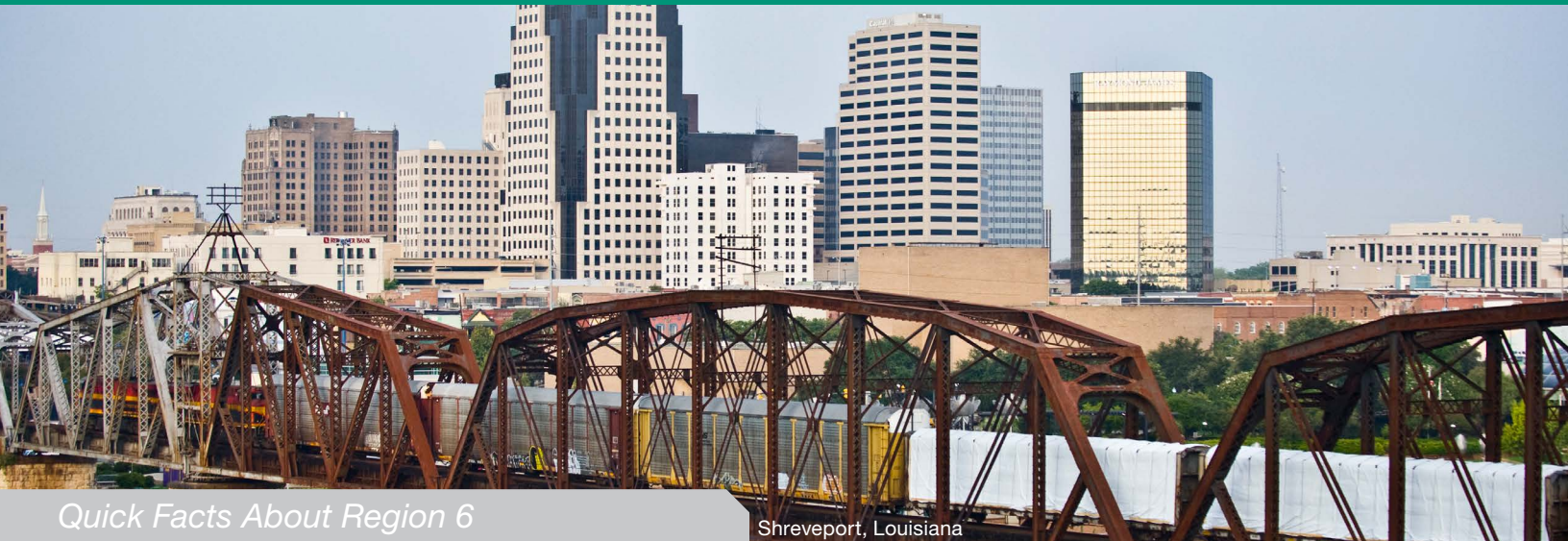


HUD PD&R Regional Reports

Region 6: Southwest

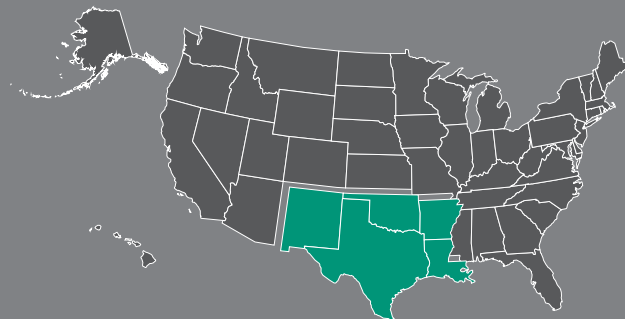


Quick Facts About Region 6

Shreveport, Louisiana

By Robert Stephens | 1st quarter 2018

- **Sales market conditions—**
 - First quarter 2018: mixed (balanced to slightly tight).
 - Fourth quarter 2017: mixed (balanced to slightly tight).
 - First quarter 2017: mixed (balanced to slightly tight).
- **Apartment market conditions—**
 - First quarter 2018: mixed (balanced to soft).
 - Fourth quarter 2017: mixed (balanced to soft).
 - First quarter 2017: mixed (balanced to soft).



Overview

The economic expansion in the Southwest region that began in 2011 continued in the first quarter of 2018. The rate of job growth quickened during the past year but remains somewhat subdued compared with growth earlier in the decade. Payrolls increased in all states in the region, led by growth in Texas, with gains in both the goods-producing and the service-providing sectors. Continued employment growth in the region contributed to balanced conditions in most major sales and rental housing markets. Home sales, home sales prices, and average apartment rents increased or remained unchanged in all major markets. Although average rents increased, the rate of growth slowed and apartment vacancy rates rose in several Southwest region markets, in part because of a high level of multifamily completions.

During the first quarter of 2018—

- Nonfarm payrolls increased 1.9 percent from the first quarter of 2017 to 18.06 million jobs. Despite increasing during the most recent quarter, year-over-year job growth in the region remains below the recent peak of 2.9 percent during the fourth quarter of 2014. However, the rate of job growth in the region was above the national average of 1.5 percent, in part because of resumed growth in the goods-producing sectors.

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- Home sales and sales prices increased in all major metropolitan areas in the region, and the rate of price appreciation increased in many markets from the first quarter of 2017.
- Combined single-family and multifamily permitting activity in the Southwest region increased 2 percent from the first quarter of 2017 to 52,050.

Economic Conditions

Nonfarm payroll growth in the Southwest region was up during the first quarter of 2018 from the past year. Nonfarm payrolls increased 1.9 percent, or by 339,800 jobs, compared with the number of jobs during the same quarter a year earlier to 18.06 million jobs. By comparison, during the first quarter of 2017, nonfarm payrolls grew 1.0 percent, or by 179,300 jobs, from the first quarter of 2016. Job growth remained relatively strong in most service-providing sectors during the first quarter of 2018, with the only losses occurring in the information sector. The professional and business services, leisure and hospitality, and education and health services sectors led job growth, increasing by 68,800, 59,600, and 36,800 jobs, or 3.0, 3.2, and 1.5 percent, respectively.

The goods-producing sectors, which declined in the region for most of the past 2 years, added 97,600 jobs, a gain of 3.7 percent. Growth in the construction subsector continued, in part, because residential building activity continues to increase throughout much of the region; the subsector grew by 39,800 jobs, or 3.9 percent. The mining and logging subsector increased by 31,300 jobs, or 9.9 percent, the highest rate of growth of any sector or subsector in the region. Mining and logging had been one of the fastest-growing subsectors in the region, increasing at an average annual rate of 10.1 percent from 2011 through 2014 before shedding an average

of 72,200 jobs, or 15.5 percent, annually in 2015 and 2016. Similarly, manufacturing sector payrolls increased by 26,400 jobs, or 2.1 percent, from the first quarter of 2017 after declining by 21,200 jobs, or 1.6 percent, between the first quarters of 2016 and 2017. Lower oil and gas prices led many energy-related companies to reduce workforces, which led to job losses in the goods-producing sectors in 2015 and 2016. 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. However, crude oil production in the Southwest region surged in 2017, which led to an increase in hiring to bring new production online. In February 2018, field production of crude oil in the Southwest and Gulf Coast regions increased 40 percent, to 330.47 million barrels per day, from February 2017 (U.S. Energy Information Administration). By comparison, crude oil production declined 3 percent in these regions from February 2016 to February 2017.

During the first quarter of 2018—

- Nonfarm payrolls increased 2.4 percent, or by 289,800 jobs, in Texas from the first quarter of 2017, which accounted for more than 85 percent of the job growth in the region, although Texas

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Job growth in the Southwest region was broad based, with gains in all but one nonfarm payroll sector.

	First Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	17,724.9	18,064.7	339.8	1.9
Goods-producing sectors	2,611.4	2,709.0	97.6	3.7
Mining, logging, and construction	1,327.9	1,399.1	71.2	5.4
Manufacturing	1,283.5	1,309.9	26.4	2.1
Service-providing sectors	15,113.5	15,355.7	242.2	1.6
Wholesale and retail trade	2,730.0	2,751.6	21.6	0.8
Transportation and utilities	761.5	783.4	21.9	2.9
Information	271.8	265.2	- 6.6	- 2.4
Financial activities	999.7	1,022.1	22.4	2.2
Professional and business services	2,275.3	2,344.1	68.8	3.0
Education and health services	2,525.2	2,562.0	36.8	1.5
Leisure and hospitality	1,878.9	1,938.5	59.6	3.2
Other services	634.2	647.6	13.4	2.1
Government	3,036.9	3,041.2	4.3	0.1

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

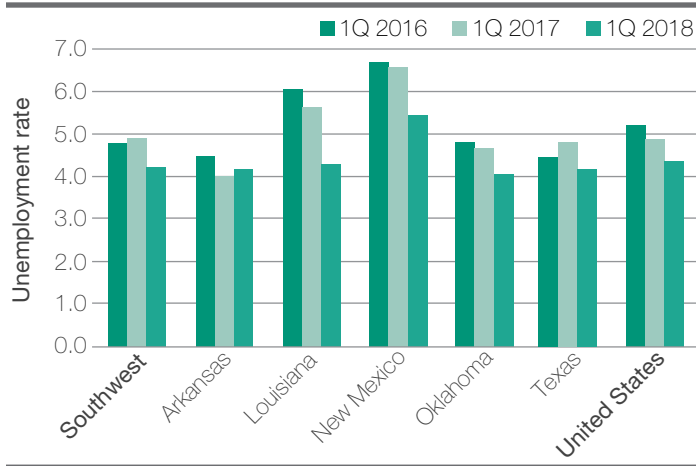


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accounts for less than 70 percent of the total jobs in the region. Growth occurred in most sectors in the state. The mining, logging, and construction sector, which benefited from increasing crude oil production and increased by 60,800 jobs, or 6.7 percent, led growth.

- Oklahoma had the highest rate of job growth in the region outside of Texas. Payrolls increased 1.9 percent, or by 31,500 jobs, from the first quarter of 2017. A gain of 7,700 jobs, or 6.4 percent, in the mining, logging, and construction sector led broad-based growth, with increases in every sector except for information.

The unemployment rate declined in all but one state in the Southwest region from the first quarter of 2017 and fell below the national rate.



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

- Louisiana had the lowest rate of job growth in the region, adding 4,900 jobs, an increase of 0.2 percent, from the first quarter of 2017. Growth was concentrated primarily in the education and health services, leisure and hospitality, and professional and business services sectors, which each added more than 4,000 jobs. Most other sectors declined or added a small number of jobs; including mining, logging, and construction, which declined by 800 jobs, or 0.4 percent, the first year-over-year decline in this sector since the fourth quarter of 2016. Much of the growth during this time occurred in Baton Rouge and Lake Charles along the Gulf Coast and was the result of the construction and expansion of several petrochemical plants and natural gas exporting facilities.
- Nonfarm payrolls grew by 8,800 and 4,900 jobs, or 1.1 and 0.4 percent, from the first quarter of 2017 in New Mexico and Arkansas, respectively. Job gains in New Mexico were highest in the mining, logging, and construction sector, which increased by 4,000 jobs, or 6.3 percent; although, unlike elsewhere in the region, this growth was concentrated almost entirely in the construction subsector. Nearly 70 percent of the net job gains in Arkansas were concentrated in the service-providing sectors.
- The unemployment rate in the region was 4.2 percent, down 0.7 percentage point from the first quarter of 2017. Strong declines, ranging from 0.6 to 1.3 percentage points, occurred in all states in the region except for Arkansas. The rate in Arkansas increased 0.2 percentage point. In Arkansas, resident employment declined 0.1 percent while the labor force increased 0.1 percent; the first employment decline and the lowest labor force growth rate in the state since 2014.

Population

The population of the Southwest region increased by 426,300, or 1.0 percent, from 2016 to 2017, the lowest rate of growth this decade (Census Bureau population estimates as of July 1). The region accounted for approximately 13 percent of the total population in the nation in 2015, but 18 percent of the nation's total population growth from 2016 to 2017. Every state in the region except Louisiana added population during this time, but more than 90 percent of the growth was in Texas, which accounts for only 67 percent of the total population in the region. Population increases in Texas and the region were, in part, the result of affordable housing and strong economic growth relative to other parts of the country; these increases occurred despite weakness in the energy-related industries, which began to shed jobs in mid-2015.

During the 12 months ending July 1, 2017—

- Texas had the greatest population gain in the nation, at 399,700 people, and had the seventh highest rate of population growth in the nation, at 1.4 percent.
- Louisiana was one of only eight states in the nation that had a population decline. Population in the state fell by 1,825, or less than 0.1 percent, entirely the result of net domestic out-migration of 27,525 people.
- Oklahoma and New Mexico also experienced net domestic out-migration, of 10,450 and 7,450, respectively; however, population continued to grow in both states because these losses were more than offset by a net natural increase (resident births minus resident deaths) and net international in-migration.
- Net in-migration accounted for 47 and 51 percent of population growth in Texas and Arkansas, respectively. The level of net in-migration slowed in Texas in response to relatively weaker

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economic conditions but increased to 8,225 in Arkansas from 3,525 during the previous 12 months. Arkansas is less reliant on energy-related industries than other states in the Southwest region, and job growth in the state was relatively stronger during this period.

- Of the 10 counties with the largest population gains in the nation, 6 were in Texas: Bexar County in the San Antonio metropolitan area; Harris County in the Houston metropolitan area; and Collin, Dallas, Denton, and Tarrant Counties in the Dallas-Fort Worth

metropolitan area. The Dallas-Fort Worth metropolitan area also added the most people of any metropolitan area in the nation; increasing by 146,200 people, or 2.0 percent.

- The Austin metropolitan area was the ninth fastest growing metropolitan area in the nation with a 2.7-percent growth rate. Hays County, the primary county in the Austin metropolitan area, was the fourth fastest growing county in the nation with a 5.0-percent growth rate, although it fell from being the fastest growing county in the nation during the previous year.

Population in the Southwest region grew faster than the national rate, led by gains in Texas.

	Population Estimate (as of July 1)			Percent Change	
	2015	2016	2017	2015 to 2016	2016 to 2017
United States	321,039,839	323,405,935	325,719,178	0.7	0.7
Southwest region	41,088,334	41,585,889	42,012,142	1.2	1.0
Arkansas	2,975,626	2,988,231	3,004,279	0.4	0.5
Louisiana	4,671,211	4,686,157	4,684,333	0.3	0.0
New Mexico	2,082,264	2,085,432	2,088,070	0.2	0.1
Oklahoma	3,904,353	3,921,207	3,930,864	0.4	0.2
Texas	27,454,880	27,904,862	28,304,596	1.6	1.4

Source: U.S. Census Bureau

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 2018, unchanged from the previous quarter. The number of new and existing home sales in Texas increased by 12,300, or 4 percent, to 339,400 homes sold during the 12 months ending March 2018 (Real Estate Center at Texas A&M University). Annual

sales growth averaged 4 percent from 2014 through 2016 after slowing significantly from a peak of 16 percent during 2013. The average sales price of new and existing homes in Texas increased 5 percent during the 12 months ending March 2018 to \$276,000, and the inventory of unsold homes remained unchanged at a 3.7-month supply. Home price growth was up from 4 percent in

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The number of homes sold and home sales prices increased or remained unchanged in all major metropolitan areas in the Southwest region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2017	2018	Percent Change		2017 (\$)	2018 (\$)	Percent Change
Albuquerque (N&E)	March	11,150	11,900	7	AVG	223,900	235,400	5
Austin (N&E)	March	32,900	34,450	5	AVG	352,500	370,100	5
Dallas-Plano-Irving (N&E)	March	64,250	66,450	3	AVG	317,200	337,100	6
Fort Worth-Arlington (N&E)	March	35,000	35,850	2	AVG	244,300	264,900	8
Houston (N&E)	February	81,200	84,800	4	AVG	283,900	289,000	2
Little, Rock (N&E)	March	10,100	10,500	4	AVG	181,000	188,200	4
New Orleans (N&E)	March	12,500	12,500	0	AVG	249,700	261,300	5
Oklahoma City (N&E)	March	21,900	23,150	6	AVG	186,800	192,900	3
San Antonio (N&E)	March	31,600	32,800	4	AVG	239,300	249,400	4

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

Note: Data include single-family, townhouses, 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



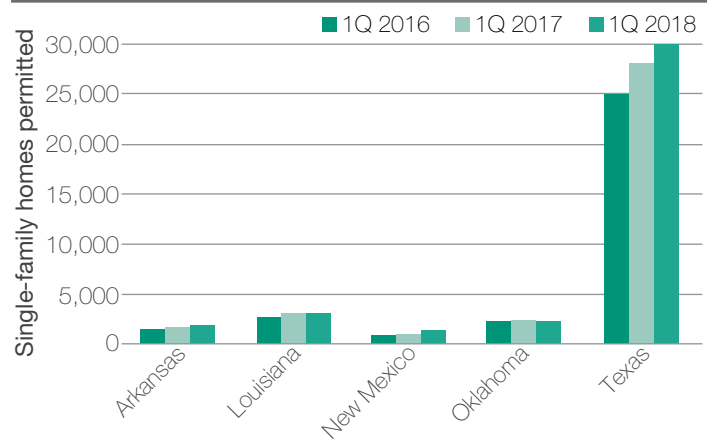
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2016 but below the average annual increase of 7 percent from 2013 through 2015, a period during which sales market conditions in most major Texas markets were generally tightening. Increases in home sales and home sales prices occurred in all major markets throughout the region during the past year except New Orleans where the number of homes sold remained unchanged at 12,500. Despite the recent slowdown, the number of homes sold in New Orleans is well above the most recent low of 6,925 in 2010 and approximately equal to the average number of homes sold annually from mid-2005 through mid-2007; the 2 years immediately following Hurricane Katrina and prior to the nationwide housing market downturn. Home sales prices increased the most in the Fort Worth-Arlington and Dallas-Plano-Irving metropolitan divisions, rising 8 and 6 percent to \$264,900 and \$337,100, respectively, during the 12 months ending March 2018. Demand for new homes in these divisions remains strong, but an increasing shortage exists of developed subdivisions and vacant developable land on which to build new subdivisions. The Fort Worth and Dallas metropolitan divisions averaged 2.1- and 2.4-month supplies of unsold homes during the same time, the lowest supplies of any major areas in Texas.

During the first quarter of 2018 (preliminary data)—

- Approximately 38,250 single-family homes were permitted in the region, up 6 percent from the same quarter a year earlier. Following the housing market downturn, the number of single-family homes permitted in the region has risen an average of 12 percent a year from a low of 18,200 homes during the first quarter of 2009.
- The number of single-family homes permitted in Texas increased by 1,875, or 7 percent, from the first quarter of 2017 to 29,900 homes permitted, accounting for approximately 78 percent of all homes permitted in the region. Permitting activity increased by

Single-family permitting activity increased in the Southwest region from the first quarter of 2017, led by growth in Texas.



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

- 130 and 290 homes, or 8 and 30 percent, in Arkansas and New Mexico, respectively, and declined by 80 and 130 homes, or 3 and 6 percent, respectively, in Louisiana and Oklahoma.
- The greatest increases in single-family homebuilding activity in the region occurred in the Texas markets of Houston and Dallas-Fort Worth, where the number of single-family homes permitted increased by 1,525 and 370, or 17 and 4 percent, from the first quarter of 2017 to 10,450 and 8,850, respectively. Outside of Texas, Albuquerque had the largest increase in single-family homebuilding activity and the fastest rate of growth in the region, rising by 220, or 44 percent, to 720 homes.

Apartment Market Conditions

Apartment market conditions in large metropolitan areas in the Southwest region ranged from balanced to soft during the first quarter of 2018, although vacancy rates rose in most metropolitan areas. Among major Texas markets, Houston transitioned from slightly soft to balanced as economic conditions strengthened and most of the large number of units completed during the past 3 years have been absorbed. Houston was the only major market in Texas where vacancy rates declined; falling 1.0 percentage point, to 8.6 percent, from the first quarter of 2017. The average rent in Houston increased 5 percent during the same time. Balanced conditions prevailed in other Texas markets, including Dallas and Fort Worth, which had rent growth rates of 4 percent each, two of the highest rates among all major markets in the region. Despite strong demand created by employment and population gains, the vacancy rate

increased 0.7 percentage point, to 6.2 percent, in Dallas, and 0.5 percentage point, to 5.6 percent in Fort Worth, in part, because of an increase in the volume of newly constructed units. Austin, which also had an uptick in new supply, recorded a vacancy-rate increase from 5.9 to 6.3 percent and rent growth of 1 percent. Rent growth in the Austin market area was slow during the past year despite balanced market conditions, in part, because the number of units entering the market in lower priced areas outside of downtown Austin and Travis County increased.

Outside of Texas, apartment market conditions were mixed during the first quarter of 2018. Apartment markets in New Orleans and Albuquerque were balanced, with rent growth of 3 percent and 2 percent, respectively. The vacancy rate in New Orleans remained unchanged at 7.0 percent and increased 0.9 percentage point to

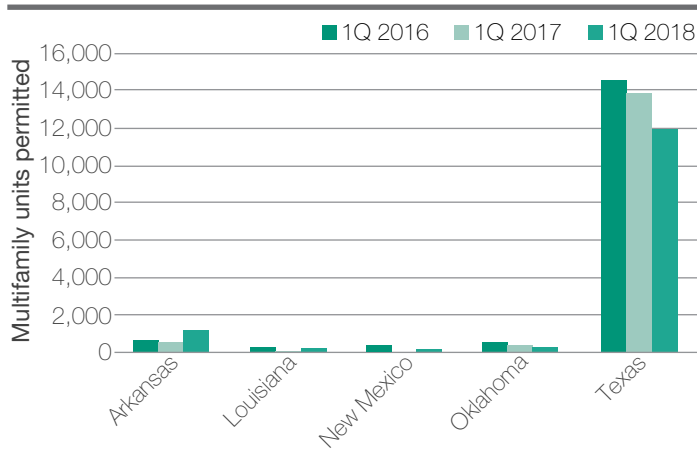
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6.2 percent in Albuquerque. In Little Rock, the apartment market was slightly soft during the most recent quarter, with a vacancy-rate decline of 0.3 percentage points to 9.2 percent and rent growth of 2 percent. In Oklahoma City, rent growth was 1 percent, and the vacancy rate rose 1.1 percentage point to 11.7 percent—both the highest rate and the largest increase in the region. Nearly 5,000 new units have been completed in Oklahoma City since 2015, with almost one-quarter of the supply concentrated in and around the Central Business District. Most of this new supply entered the market at a time when energy-related job growth slowed significantly. Despite recent improvement in the energy sector, apartment market conditions in Oklahoma City remain soft.

Multifamily permitting activity fell in the Southwest region from the first quarter of 2017, led by declines in Texas and Oklahoma.



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

During the first quarter of 2018 (preliminary data)—

- Approximately 13,800 multifamily units were permitted in the region, an 8-percent decline from the 15,000 units permitted during the first quarter of 2017. Multifamily building activity has fallen from a recent first quarter high of 16,550 units permitted during 2016, but is well above the recent low of 6,125 units permitted averaged during the first quarters of 2009 through 2011 during the housing market downturn.
- Multifamily permitting activity in Texas, which accounted for approximately 86 percent of all multifamily units permitted in the region, declined by 1,975 units, or 14 percent, from the first quarter of 2017 to 11,925 units. Permitting increased by 130, 130, and 650 units, respectively, in Louisiana, New Mexico, and Arkansas from the first quarter of 2017. In Oklahoma, where the major apartment markets are generally soft, the number of units permitted fell by 130 units during the same time.
- The greatest decline in multifamily permitting from the first quarter of 2017 occurred in the Dallas-Fort Worth market, which fell by 2,475 units, or 31 percent, to 5,600 units. Despite adding more than 82,000 units from 2015 through 2017, the highest 3-year total since the mid-1980s, apartment markets in both Dallas and Fort Worth remain balanced.
- Despite an overall decline, permitting activity rose in several large metropolitan areas in the region, including Austin and Houston, which increased by 660 and 280 units, or 26 and 21 percent, respectively, from the first quarter of 2017 to 3,000 and 1,600 units. In Houston, building activity peaked in 2014 and 2015 at 45,550 units before falling to only 15,400 units permitted in 2016 and 2017, allowing the apartment market to recover. In Austin, permitting activity has remained elevated for most of the past 6 years, but market conditions remain balanced.

Despite generally increasing vacancy rates, most major apartment markets in the Southwest region remained balanced.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2017 (%)	1Q 2018 (%)	Percentage Point Change	1Q 2017 (\$)	1Q 2018 (\$)	Percent Change
Albuquerque	Balanced	5.3	6.2	0.9	839	859	2
Austin	Balanced	5.9	6.3	0.4	1,244	1,261	1
Dallas	Balanced	5.5	6.2	0.7	1,118	1,166	4
Fort Worth	Balanced	5.1	5.6	0.5	1,005	1,050	4
Houston	Balanced	9.6	8.6	- 1	1,032	1,079	5
Little Rock	Slightly Soft	9.5	9.2	- 0.3	752	769	2
New Orleans	Balanced	7.0	7.0	0	954	978	3
Oklahoma City	Soft	10.6	11.7	1.1	762	773	1
San Antonio	Balanced	7.6	7.9	0.3	958	987	3

1Q = first quarter.
 Note: Excludes units in initial lease up.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—ALN Apartment Data, Inc.

