

HUD PD&R Regional Reports

Region 6: Southwest



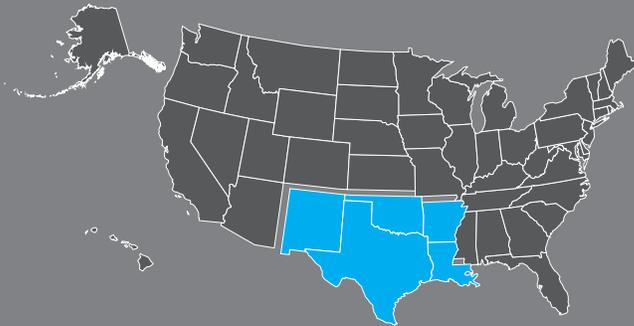
Quick Facts About Region 6

New Orleans, Louisiana

By Robert Stephens | 4th quarter 2014

- **Sales market conditions—**
Fourth quarter 2014: mixed (balanced to slightly tight).
Third quarter 2014: mixed (balanced to slightly tight).
Fourth quarter 2013: mixed (balanced to slightly tight).

- **Apartment market conditions—**
Fourth quarter 2014: mixed (slightly tight to slightly soft).
Third quarter 2014: mixed (slightly tight to slightly soft).
Fourth quarter 2013: mixed (balanced to slightly soft).



Overview

Economic growth in the Southwest region that began in 2011 continued during the fourth quarter of 2014. Job gains occurred in every nonfarm payroll sector and every state in the region. Strong employment and population growth contributed to balanced conditions in most major sales housing and apartment markets in the region. Home sales and home sales prices increased in most markets, and apartment vacancy rates improved or remained low in several markets in the region.

During the fourth quarter of 2014—

- Nonfarm payrolls increased 3.2 percent, to 17.54 million jobs, and the rate of job growth has accelerated for the past four consecutive quarters.
- Home sales and prices increased in most major metropolitan areas in the region, led by strong growth in many Texas sales markets.
- Combined single-family and multifamily building activity in the region increased for the fourth consecutive year, to 48,700 units permitted, the highest fourth quarter level since 2006.



The mining, logging, and construction and the professional and business services sectors led nonfarm payroll growth in the Southwest region.

	Fourth Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	17,000.7	17,537.7	537.0	3.2
Goods-producing sectors	2,699.6	2,816.8	117.2	4.3
Mining, logging, and construction	1,359.1	1,452.0	92.9	6.8
Manufacturing	1,340.5	1,364.9	24.4	1.8
Service-providing sectors	14,301.1	14,720.8	419.7	2.9
Wholesale and retail trade	2,674.5	2,735.3	60.8	2.3
Transportation and utilities	706.6	750.1	43.5	6.2
Information	275.3	282.5	7.2	2.6
Financial activities	946.8	984.8	38.0	4.0
Professional and business services	2,102.0	2,189.2	87.2	4.1
Education and health services	2,327.7	2,414.2	86.5	3.7
Leisure and hospitality	1,712.4	1,767.0	54.6	3.2
Other services	594.3	603.9	9.6	1.6
Government	2,961.6	2,993.9	32.3	1.1

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

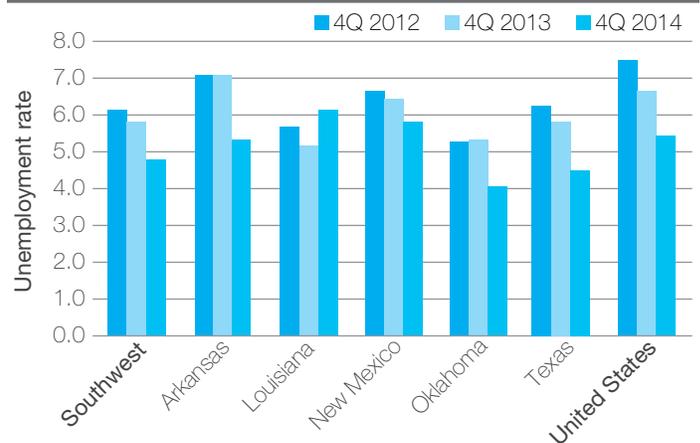
Economic Conditions

Nonfarm payroll job growth in the Southwest region, which resumed in 2011 after 2 years of declines, accelerated during the fourth quarter of 2014. Nonfarm payrolls increased 3.2 percent, or by 537,000 jobs, to 17.54 million jobs compared with the number of jobs during the same quarter a year earlier. By comparison, during the fourth quarter of 2013, nonfarm payrolls grew 2.0 percent, or by 339,400 jobs, from the fourth quarter of 2012. The region has fully recovered from the recent economic downturn and surpassed the previous fourth quarter peak of 16.30 million jobs in 2008. Job growth occurred in every nonfarm payroll sector, with the highest rate of growth and the most jobs added in the mining, logging, and construction sector, which increased by 92,900 jobs, or 6.8 percent. Continued strength in the energy industry, despite recently declining oil prices, and increasing residential construction activity contributed to growth in this sector. The professional and business services and the education and health services sectors also added a significant number of jobs, 87,200 and 86,500, respectively. These three sectors together accounted for nearly one-half of all job growth in the Southwest region during this period.

During the fourth quarter of 2014—

- Nonfarm payrolls increased 3.9 percent, or by 445,500 jobs, in Texas, which accounted for more than 80 percent of job growth in the region. The mining and logging subsector grew at the fastest rate, increasing by 32,700 jobs, or 11.1 percent.

The unemployment rate in the Southwest region has declined for the past 3 years and remained below the national rate.



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

- Increases in the manufacturing sector accounted for much of the nonfarm payroll growth of 1.6 percent in Arkansas and 1.2 percent in Louisiana.
- Nonfarm payroll growth in New Mexico and Oklahoma of 1.5 and 2.1 percent, respectively, was led by strong gains in the education and health services sector.
- The unemployment rate in the region declined to 4.8 percent compared with the rate of 5.8 percent recorded during the fourth quarter of 2013 and declined by at least 0.5 percentage points in all states in the region except Louisiana, where the rate increased by 1.0 percentage point.



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 2014. The number of new and existing home sales in Texas increased by 8,200, or 3 percent, to 284,600 homes sold during the 12 months ending December 2014 from the same 12 months a year earlier. By comparison, in 2012 and 2013, sales increased an average of 14 percent annually. Despite the slowdown in new and existing home sales, the average sales price of new and existing homes in Texas increased 7 percent, to \$239,900, and the inventory of unsold homes declined from a 4.0- to a 3.5-month supply during the same period. Increases in home sales and prices occurred in most major markets in the region during the past year. Home sales prices increased most rapidly in the Texas markets of Fort Worth and Houston, where prices rose 8 percent each during the 12 months ending December 2014. Little Rock was the only major market in the region to record a decline in home sales prices; the average price fell 4 percent, to \$170,300, from a high of \$178,200 during the 12 months ending June 2013, in part because of an increase in the number of REO (Real Estate Owned) sales. REO sales more than doubled to 1,375 during the 12 months ending October 2014 from the previous 12 months and accounted for nearly 13 percent of all existing home sales in Little Rock, the highest percentage in more than a decade (CoreLogic, Inc., with adjustments by the analyst).

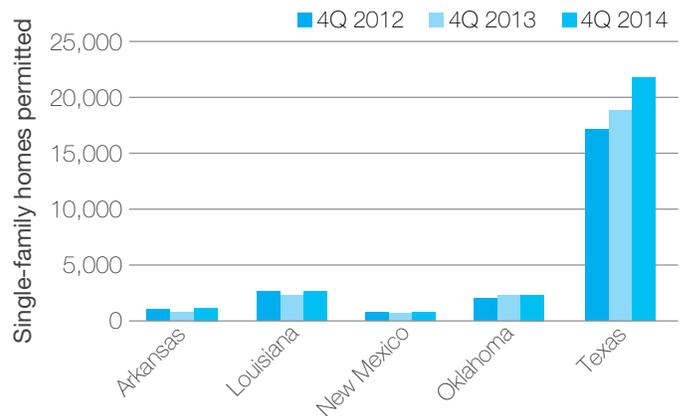
During the fourth quarter of 2014 (preliminary data)—

- Approximately 28,600 single-family homes were permitted in the region, a 13-percent increase compared with the number permitted during the fourth quarter of 2013. 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 average 20,600 homes during the fourth quarters of 2007 through 2012.

- Compared with permitting activity during the fourth quarter of 2013, the number of single-family homes permitted in Texas increased by 2,850, or 15 percent, to 21,750 homes. Permitting activity in Arkansas, Louisiana, New Mexico, and Oklahoma increased by 160, 120, 100, and 140 homes, respectively, from the fourth quarter of 2013.
- In response to strong employment growth, single-family building activity increased from the fourth quarter of 2013 in every major market in the Southwest region, except New Orleans and San Antonio, and was led by an increase of 1,200 homes, or 16 percent, in Houston.

Single-family permitting increased in every state in the Southwest region, led by gains in Texas.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Home sales and prices increased in most major metropolitan areas in the Southwest region, with the greatest price growth in the Texas markets.

	12 Months Ending	Number of Homes Sold			Price			
		2013	2014	Percent Change	Average or Median	2013 (\$)	2014 (\$)	Percent Change
Albuquerque (N&E)	December	6,575	7,475	14	AVG	201,500	204,200	1
Austin (N&E)	December	30,450	30,900	1	AVG	286,500	305,700	7
Dallas (N&E)	December	59,700	59,800	0	AVG	246,600	264,200	7
Fort Worth (N&E)	December	10,900	11,650	7	AVG	164,300	177,400	8
Houston (N&E)	December	80,900	83,200	3	AVG	245,000	265,500	8
Little Rock (N&E)	November	8,100	8,700	7	AVG	177,100	170,300	-4
New Orleans (N&E)	December	9,600	10,100	5	AVG	221,800	222,800	0
San Antonio (N&E)	December	24,100	25,500	6	AVG	206,800	216,600	5
Tulsa (N&E)	December	12,825	13,375	4	AVG	166,900	168,500	1

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

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

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



Apartment Market Conditions

Apartment market conditions in large metropolitan areas in the Southwest region ranged from slightly tight to slightly soft during the fourth quarter of 2014; however, most markets were balanced. Among major Texas markets, San Antonio remained slightly soft, with a vacancy rate of 10.4 percent during the fourth quarter of 2014, up 1.4 percentage points from the fourth quarter of 2013. Rents in San Antonio increased 5 percent, to \$870, during the same period. The apartment market in Austin recorded a 7-percent rent growth, to \$1,100, and was balanced, despite a vacancy rate increase of 1.6 percentage points, to 8.2 percent, caused in part by the many projects in lease up. Other Texas markets were balanced, including Houston, which experienced the most rent growth among all major markets in the region. Rents in Houston increased 8 percent despite a 0.4-percentage-point increase in the vacancy rate, to 8.4 percent. Outside Texas, apartment vacancy rates declined in most major markets during the fourth quarter of 2014. Apartment market conditions are slightly tight in Albuquerque and are balanced in Tulsa and New Orleans. Apartment market conditions remained slightly soft in Little Rock for the fifth consecutive quarter despite a vacancy rate decline of 0.4 percentage point.

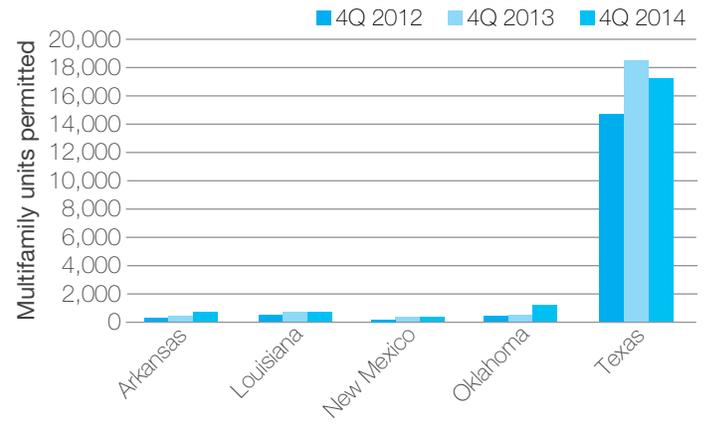
During the fourth quarter of 2014 (preliminary data)—

- Approximately 20,100 multifamily units were permitted in the region, a 2-percent decline from the number of units permitted during the fourth quarter of 2013. By comparison, the number of multifamily units permitted averaged 6,075 during the fourth quarters from 2008 through 2010 before increasing to average 13,150 during the fourth quarters of 2011 and 2012.
- Multifamily permitting activity in Texas, which accounted for approximately 85 percent of all multifamily units permitted in the

region, declined by 1,325 units, or 7 percent, from the fourth quarter of 2013, to 17,150 units. Permitting activity declined in New Mexico by 100 units and increased in Arkansas, Louisiana, and Oklahoma by 250, 70, and 740 units, respectively, from the fourth quarter of 2013.

- New Orleans, Oklahoma City, and Tulsa were the only major markets in the Southwest region to record increases in the number of multifamily units permitted from the fourth quarter of 2013. Permitting activity in Oklahoma City increased from 300 to 720 units and in New Orleans and Tulsa it increased from 25 units each to 150 and 370 units, respectively.

Multifamily permitting activity in the Southwest region declined but remained near the fourth quarter peak of 20,450 units in 2013.



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

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

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2013 (%)	4Q 2014 (%)	Percentage Point Change	4Q 2013 (\$)	4Q 2014 (\$)	Percent Change
Albuquerque ^a	Slightly tight	4.0	3.1	-0.9	760	770	1
Austin ^b	Balanced	6.6	8.2	1.6	1,025	1,100	7
Dallas ^b	Balanced	7.4	7.6	0.2	910	960	5
Fort Worth ^b	Balanced	7.5	7.1	-0.4	790	840	6
Houston ^b	Balanced	8.0	8.4	0.4	890	960	8
Little Rock ^a	Slightly soft	7.2	6.8	-0.4	700	710	1
New Orleans ^a	Balanced	6.2	5.8	-0.4	920	930	1
Tulsa ^a	Balanced	5.9	5.0	-0.9	620	640	3
San Antonio ^b	Slightly soft	9.0	10.4	1.4	830	870	5

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.

