

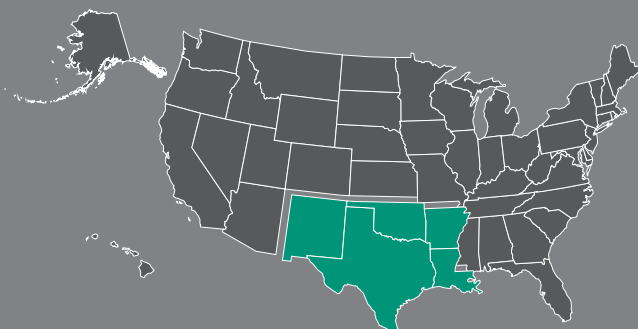
HUD PD&R Regional Reports

Region VI: Southwest



Quick Facts About Region VI

- **Sales market conditions—**
First quarter 2013: balanced.
Fourth quarter 2012: balanced.
First quarter 2012: slightly soft.
- **Rental market conditions—**
First quarter 2013: mixed (balanced to tight).
Fourth quarter 2012: balanced.
First quarter 2012: mixed (balanced to soft).



By Robert Stephens | 1st quarter 2013

Overview

Economic growth that began in 2011 continued in the Southwest region during the first quarter of 2013. Employment gains were widespread, with job growth occurring in all employment sectors and all states in the region. Sales and rental housing markets in the region improved during the past year, and markets in most large metropolitan areas were balanced during the first quarter of 2013. Home sales and prices increased in each of these markets, and apartment vacancy rates neared the lowest levels recorded in nearly a decade in several markets in the region.

During the first quarter of 2013—

- Nonfarm payrolls increased 2.4 percent, to 16.54 million jobs, and surpassed the previous first-quarter peak of 16.09 million jobs in 2008.
- Sales and rental market conditions in the region remained balanced in most major markets, helped by job gains during the past 2 years and reduced building activity compared with the levels recorded before the housing downturn that began in 2007.



Nonfarm payrolls were up in every sector in the Southwest region.

	First Quarter		3-Month Change (2012–13)	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	16,144.6	16,535.3	390.7	2.4
Goods-producing sectors	2,557.9	2,627.0	69.1	2.7
Mining, logging, and construction	1,247.0	1,304.4	57.4	4.6
Manufacturing	1,310.9	1,322.6	11.7	0.9
Service-providing sectors	13,586.7	13,908.3	321.6	2.4
Wholesale and retail trade	2,500.5	2,576.1	75.6	3.0
Transportation and utilities	662.9	673.9	10.9	1.6
Information	271.1	272.2	1.1	0.4
Financial activities	903.4	918.6	15.2	1.7
Professional and business services	1,961.0	2,021.8	60.8	3.1
Education and health services	2,235.7	2,296.0	60.2	2.7
Leisure and hospitality	1,567.7	1,645.6	78.0	5.0
Other services	563.5	575.1	11.6	2.1
Government	2,920.8	2,928.9	8.1	0.3

Source: U.S. Bureau of Labor Statistics

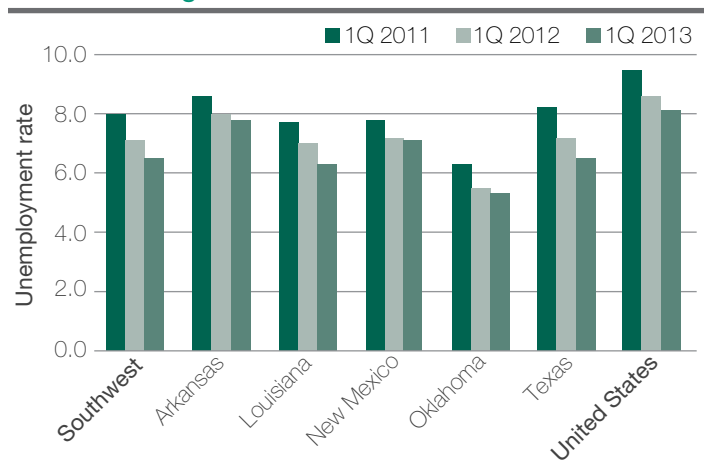
Economic Conditions

Nonfarm payroll job growth in the Southwest region, which resumed after declines in 2009 and 2010, accelerated during the first quarter of 2013. Nonfarm payrolls increased 2.4 percent, or by 390,700 jobs, to 16.54 million jobs. By comparison, during the first quarter of 2012, nonfarm payrolls grew 2.3 percent, or by 361,900 jobs. With the recent gains, the region has fully recovered from the economic downturn and surpassed the previous first-quarter peak of 16.09 million jobs in 2008. Job growth in the region occurred in all employment sectors, led by the leisure and hospitality sector, which increased by 78,000 jobs, or 5.0 percent. Because of less state and local tax revenue, the government sector was the slowest growing sector at 0.3 percent, an increase of 8,100 jobs.

During the first quarter of 2013—

- Texas accounted for approximately 86 percent of job growth in the region, with an increase of 3.2 percent, or 337,600 jobs.
- In Louisiana and Oklahoma, nonfarm payrolls grew by 26,300 jobs, or 1.4 percent, and by 18,400 jobs, or 1.2 percent, respectively.
- In New Mexico and Arkansas, nonfarm payrolls grew by 4,300 jobs, or 0.5 percent, and by 4,100 jobs, or 0.3 percent, respectively.

The unemployment rate declined in every state in the Southwest region.



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

- The unemployment rate in the region declined to 6.5 percent compared with the rate of 7.1 percent recorded during the first quarter of 2012.
- The unemployment rate declined by between 0.1 and 0.7 percentage points in every state in the region, to 7.8 percent in Arkansas, 7.1 percent in New Mexico, 6.5 percent in Texas, 6.3 percent in Louisiana, and 5.3 percent in Oklahoma.

Sales Market Conditions

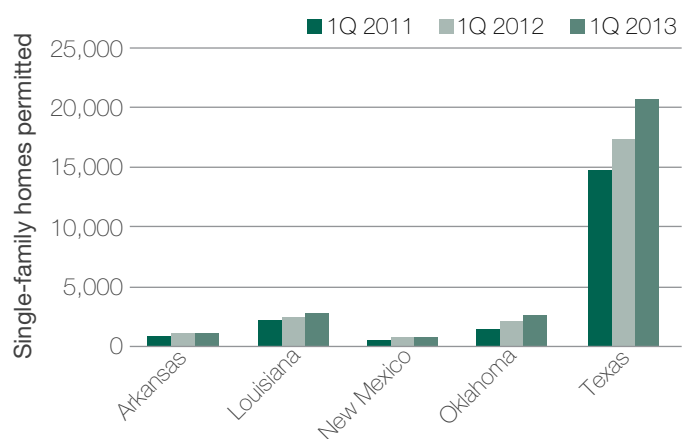
Sales housing market conditions were balanced in all major metropolitan areas in Texas. New and existing home sales increased during the 12 months ending March 2012, with gains ranging from 11.1 percent in Fort Worth to 21.7 percent in Austin. San Antonio, Dallas, and Houston recorded increases in home sales of 11.8, 18.7, and 18.8 percent, respectively. Among the major metropolitan areas in Texas, the increase in home sales prices ranged from approximately 6.0 percent in Dallas, Houston, and San Antonio to 8.3 percent in Fort Worth. Austin recorded a 6.9-percent home sales price increase. Home sales also increased in several markets elsewhere in the Southwest region during the most recent 12 months. In Albuquerque, during the 12 months ending March 2013, new and existing single-family home sales increased 13.6 percent compared with the number of sales during the previous 12 months, and the average sales price increased 3.3 percent. During the 12 months ending February 2013, the number of new and existing home sales increased 2.2 percent in Little Rock, 12.3 percent in New Orleans, and 13.7 percent in Oklahoma City compared with the number of homes sold during the previous 12 months. During the same time, average prices increased 5.7, 2.0, and 3.9 percent in Little Rock, New Orleans, and Oklahoma City, respectively.

Based on preliminary data, during the first quarter of 2013—

- Approximately 27,960 single-family homes were permitted, an 18-percent increase compared with the number of homes permitted during the first quarter of 2012. By comparison, the number of single-family homes permitted in the region averaged 49,259 during the first quarters from 2004 through 2007 before declining to average 22,853 during the first quarters from 2008 through 2011.

- Single-family permitting activity increased by 3,319 permits, to 20,702, in Texas; by 448 permits, to 2,839, in Louisiana; and by 519 permits, to 2,575, in Oklahoma when compared with permitting activity during the first quarter of 2012.
- Single-family permitting activity declined by 22 permits, to 1,097, in Arkansas and remained essentially unchanged, at 747 permits, in New Mexico when compared with permitting activity during the first quarter of 2012.

Texas reported a significant increase in single-family permitting.



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

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

	12 Months Ending	Number of Homes Sold			Price			
		2012	2013	Percent Change	Average or Median	2012 (\$)	2013 (\$)	Percent Change
Albuquerque (N&E)	March	6,739	7,655	13.6	AVG	198,538	205,159	3.3
Austin (N&E)	March	21,872	26,616	21.7	AVG	252,340	269,673	6.9
Dallas (N&E)	March	44,073	52,328	18.7	AVG	212,640	225,515	6.1
Fort Worth (N&E)	March	8,454	9,391	11.1	AVG	142,348	154,138	8.3
Houston (N&E)	March	59,954	71,209	18.8	AVG	210,797	223,989	6.3
Little Rock (N&E)	February	7,285	7,442	2.2	AVG	165,482	174,954	5.7
Oklahoma City (N&E)	February	16,127	18,331	13.7	AVG	158,395	164,588	3.9
New Orleans (N&E)	February	7,800	8,760	12.3	AVG	203,971	208,043	2.0
San Antonio (N&E)	March	18,847	21,075	11.8	AVG	184,344	194,721	5.6

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



Rental Market Conditions

Apartment market conditions in most of the large metropolitan areas in the Southwest region were balanced during the first quarter of 2013. In Texas, vacancy rates declined by between 0.1 and 2.1 percentage points from the first quarter of 2012 in all major markets, to 6.1 percent in Austin, 7.8 percent in Dallas and Fort Worth, 9.0 percent in San Antonio, and 9.1 percent in Houston (ALN Systems, Inc.). Average rents in Texas markets increased 5 percent in Dallas, Fort Worth, and San Antonio, to \$874, \$762, and \$808, respectively, and 6 percent in Austin and Houston, to \$955 and \$848, respectively. Reduced multifamily building activity during the past 3 years and increased demand led to rent increases and vacancy rates near the lowest levels recorded in a decade in a number of Texas markets. Outside Texas, the apartment market in Albuquerque was tight during the first quarter of 2013, with a 4.0-percent vacancy rate (Reis, Inc.). Apartment markets in Oklahoma City, Little Rock, and New Orleans were balanced, with vacancy rates of 5.9, 6.2, and 7.2 percent, respectively. Average rents increased 2 percent each in Albuquerque and New Orleans, to \$742 and \$897, respectively, and 3 percent each in Oklahoma City and Little Rock, to \$588 and \$688, respectively.

Nearly all the metropolitan apartment markets in the Southwest region were balanced.

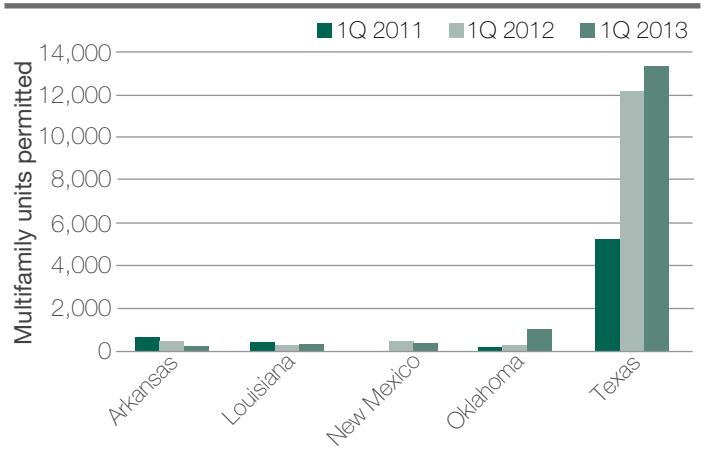
Metropolitan Area	Market Condition
Albuquerque	Tight
Austin	Balanced
Dallas	Balanced
Fort Worth	Balanced
Houston	Balanced
Little Rock	Balanced
New Orleans	Balanced
Oklahoma City	Balanced
San Antonio	Balanced

Source: HUD, PD&R, Economic and Market Analysis Division

Responding to improved rental housing market conditions in many large metropolitan areas, multifamily construction activity, as measured by the number of units permitted, accelerated in the region. Based on preliminary data, during the first quarter of 2013—

- Approximately 15,287 multifamily units were permitted, a 12-percent increase compared with the number of units permitted during the first quarter of 2012. By comparison, the number of multifamily units permitted in the region averaged 16,619 during the first quarters from 2005 through 2008 before declining to average 6,122 during the first quarters from 2009 through 2011.
- Multifamily permitting activity increased by 1,173 permits, to 13,241, in Texas; by 753 permits, to 1,008, in Oklahoma; and by 74 permits, to 355, in Louisiana when compared with permitting activity during the first quarter of 2012.
- Multifamily permitting activity declined by 38 permits, to 381, in New Mexico and by 279 permits, to 202, in Arkansas when compared with permitting activity during the first quarter of 2012.

Multifamily permitting trends were mixed in the Southwest region.



1Q = first quarter.

Note: Based on preliminary data.

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

