

HUD PD&R Regional Reports

Region 6: Southwest

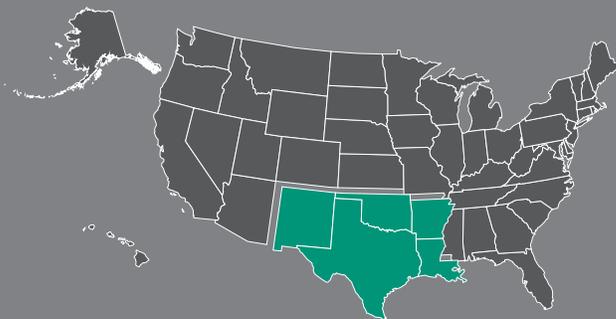


Quick Facts About Region 6

Houston, Texas

By Robert Stephens | 1st quarter 2014

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



Overview

Economic growth in the Southwest region that began in 2011 continued during the first 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. Apartment vacancy rates improved or remained low in several markets in the region.

During the first quarter of 2014—

- Nonfarm payrolls increased 2.2 percent, to 16.89 million jobs, significantly more than the previous first quarter peak of 16.09 million jobs in 2008.
- Home sales and prices increased in most major metropolitan areas in the region, led by strong growth in many Texas markets.
- Combined single-family and multifamily building activity in the region increased for the fourth consecutive year but remained well below the levels from before the housing downturn that began in 2007.



PD&R

Strong job growth in the leisure and hospitality sector led nonfarm payroll growth in the Southwest region.

	First Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	16,527.2	16,891.5	364.3	2.2
Goods-producing sectors	2,636.6	2,690.0	53.4	2.0
Mining, logging, and construction	1,309.4	1,354.8	45.4	3.5
Manufacturing	1,327.1	1,335.2	8.1	0.6
Service-providing sectors	13,890.6	14,201.5	310.9	2.2
Wholesale and retail trade	2,553.8	2,616.5	62.7	2.5
Transportation and utilities	682.9	707.0	24.1	3.5
Information	273.0	273.2	0.2	0.1
Financial activities	928.2	946.6	18.4	2.0
Professional and business services	2,035.8	2,080.7	44.9	2.2
Education and health services	2,274.5	2,327.4	52.9	2.3
Leisure and hospitality	1,637.6	1,711.0	73.4	4.5
Other services	582.3	595.6	13.3	2.3
Government	2,922.5	2,943.6	21.1	0.7

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

Economic Conditions

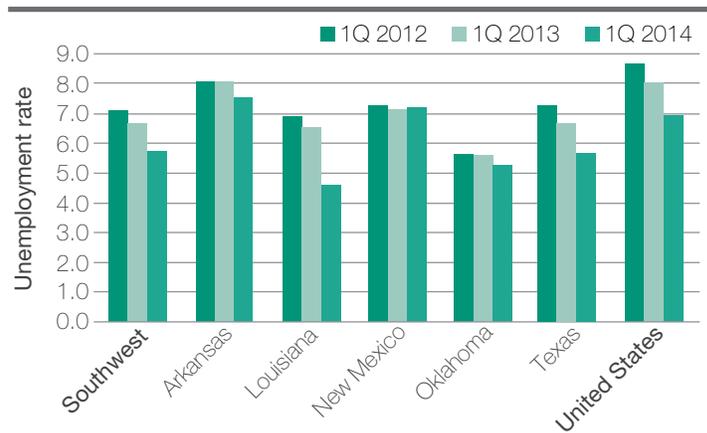
Nonfarm payroll job growth in the Southwest region, which resumed in 2011 after 2 years of declines, continued during the first quarter of 2014. Nonfarm payrolls increased 2.2 percent, or by 364,300 jobs, to 16.89 million jobs. By comparison, during the first quarter of 2013, nonfarm payrolls grew 2.4 percent, or by 392,400 jobs. The region has fully recovered from the recent economic downturn and surpassed the previous first quarter peak of 16.89 million jobs in 2008. Job growth occurred in every nonfarm payroll sector, led by the leisure and hospitality and the wholesale and retail trade sectors, which increased by 73,400 and 62,700 jobs, or 4.5 and 2.5 percent, respectively. Continued strength in the oil and gas industry and increasing residential construction activity contributed to growth in the mining, logging, and construction sector of 3.5 percent, or 45,400 jobs, to 1.35 million jobs. This sector has added 213,600 jobs, an 18.7-percent increase, since the first quarter of 2010 and surpassed its previous first quarter peak of 1.33 million jobs, recorded in 2008.

During the first quarter of 2014—

- Nonfarm payrolls increased 2.8 percent, or by 311,300 jobs, in Texas, which accounted for approximately 85 percent of job growth in the region.
- Nonfarm payrolls remained essentially unchanged in New Mexico, with the most growth, of 2,700 jobs, occurring in the wholesale and retail trade sector and the greatest decline, of 3,100 jobs, occurring in the government sector.

- Nonfarm payrolls grew 0.9 percent in Arkansas, 1.2 percent in Louisiana, and 1.4 percent in Oklahoma; the wholesale and retail trade sector was one of the leading job growth sectors in each of these states.
- The unemployment rate in the region declined to 5.7 percent compared with the rate of 6.7 percent recorded during the first quarter of 2013 but remained higher than the average rate of 5.3 percent recorded during the first quarters from 2000 through 2008.

The unemployment rate in the Southwest region has been declining since 2010 and remained below the national rate.



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



Population

The population of the Southwest region increased by 456,800, or 1.2 percent, from July 2012 to July 2013, similar to the growth rates during the preceding 2 years. The region accounted for approximately 13 percent of the total population in the nation in July 2013; however, the region accounted for 21 percent of the nation's total population growth from July 2010 to July 2013. Every state in the region added population during this time, but approximately 85 percent of the growth occurred in Texas, which experienced strong, sustained net in-migration driven primarily by solid job growth that outpaced growth in much of the rest of the nation.

During the 12 months ending July 1, 2013—

- Texas added the most population of any state in the nation and, of states with more than 3 million residents, was the fastest growing.

- New Mexico was the only state in the Southwest region to record net out-migration; net domestic out-migration of 10,550 people more than offset net international in-migration of 4,750 people.
- Net in-migration accounted for 9, 18, 46, and 56 percent of total population growth in Arkansas, Louisiana, Texas, and Oklahoma, respectively.
- Austin, the fastest growing metropolitan area in the region, with a 2.6-percent population increase, is also the fastest growing in the nation for metropolitan areas with more than 1 million people. The region contains 4 of the 10 fastest growing metropolitan areas with more than 1 million people in the nation.

Texas added the most population of any state in the Southwest region and in the nation.

	Population Estimate (as of July 1)			Percent Change	
	2011	2012	2013	2011 to 2012	2012 to 2013
United States	311,582,564	313,873,685	316,128,839	0.7	0.7
Southwest	39,018,065	39,512,078	39,968,891	1.3	1.2
Arkansas	2,938,506	2,949,828	2,959,373	0.4	0.3
Louisiana	4,575,197	4,602,134	4,625,470	0.6	0.5
New Mexico	2,077,919	2,083,540	2,085,287	0.3	0.1
Oklahoma	3,785,534	3,815,780	3,850,568	0.8	0.9
Texas	25,640,909	26,060,796	26,448,193	1.6	1.5

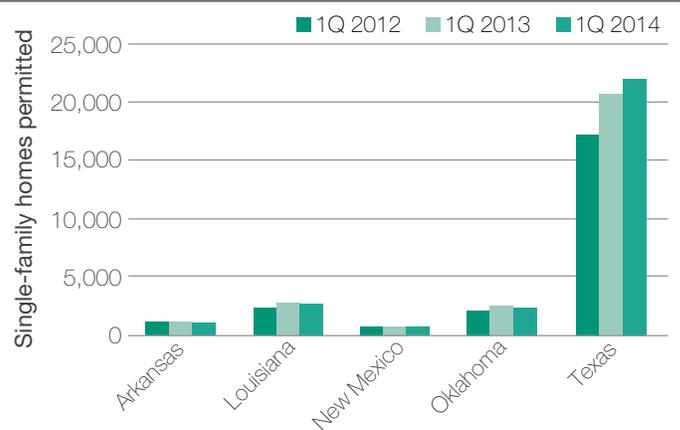
Source: U.S. Census Bureau

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 2014. New and existing home sales in Texas increased by 31,000, or 13 percent, to 277,500 homes sold during the first quarter of 2014. The average sales price of a new or existing home in Texas increased 10 percent, to \$229,100, during the same period, and the inventory of unsold homes declined to a 3.9-month supply from a 5.1-month supply during the first quarter of 2013. Increases in the number of home sales and home prices occurred in most major Texas markets during the past quarter. One of the greatest increases in the state occurred in Houston, where home sales increased 15 percent and home prices increased 12 percent because of sustained employment and population growth in the metropolitan area, which partially resulted from gains in the oil and gas industry. During the same period, the number of new and existing home sales increased in most major markets elsewhere in

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Single-family permitting increases, which began in 2011, continued in the Southwest region, but at a much lower rate than in the previous year.



1Q = first quarter.

Note: Based on preliminary data.

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

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the region, although less than in the major Texas markets, where employment growth was generally stronger during the past year.

During the first quarter of 2014 (preliminary data)—

- Approximately 28,900 single-family homes were permitted in the region, a 4-percent increase compared with the number permitted during the first quarter of 2013.
- By comparison, the number of single-family homes permitted in the region averaged 49,550 during the first quarters from 2004 through 2007 before declining to average 23,000 during the first quarters from 2008 through 2012.

- Compared with permitting activity during the first quarter of 2013, the number of single-family homes permitted increased by 1,375, or 7 percent, to 22,050 homes in Texas and by 40, or 2 percent, to 2,750 homes in Louisiana. Permitting activity in Arkansas, New Mexico, and Oklahoma declined by 55, 20, and 230 homes, respectively, from the first quarter of 2013.
- In response to strong new and existing home sales, single-family building activity in Austin grew the most among all major metropolitan areas in the region, increasing by 330 homes, or 15 percent, from the first quarter of 2013.

Home sales and prices increased in most major market areas in the Southwest region, with the strongest growth in the Texas markets.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Albuquerque (N&E)	March	7,650	8,775	15	AVG	205,200	211,000	3
Austin (N&E)	March	26,600	30,700	15	AVG	269,600	290,300	8
Dallas (N&E)	March	52,500	59,400	13	AVG	225,100	252,500	12
Fort Worth (N&E)	March	9,425	10,950	16	AVG	154,100	165,600	7
Houston (N&E)	March	71,250	81,600	15	AVG	223,900	250,700	12
Little Rock (N&E)	March	7,525	8,275	10	AVG	174,700	174,700	0
New Orleans (N&E)	March	8,975	9,600	7	AVG	207,600	223,600	8
Oklahoma City (N&E)	March	18,500	19,600	6	AVG	165,200	173,100	5
San Antonio (N&E)	March	21,150	24,300	15	AVG	194,600	209,000	7

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

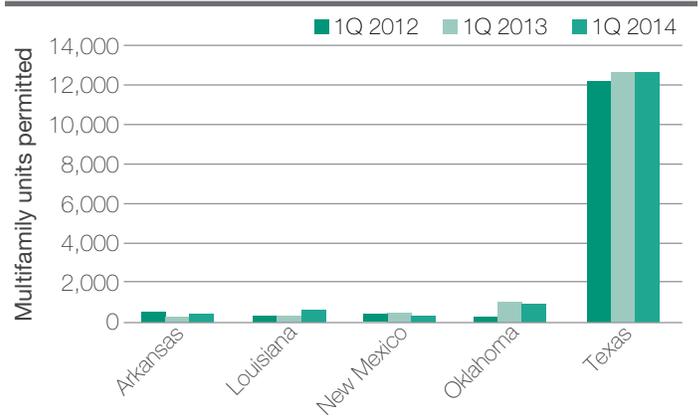
Sources: Arkansas REALTORS® Association; Greater Albuquerque Association of REALTORS®; New Orleans Metropolitan Association of REALTORS®; Oklahoma City Metro Association of REALTORS®; Real Estate Center at Texas A&M University

Apartment Market Conditions

Apartment market conditions in most large metropolitan areas in the Southwest region ranged from slightly tight to slightly soft during the first quarter of 2014; however, most markets were balanced. Among major Texas markets, Austin remained slightly tight despite a 1.9-percentage-point increase in the vacancy rate from the first quarter of 2013. Rents in Austin, however, increased the most of all major metropolitan areas in the region during the most recent quarter and increased an average of 6 percent annually during the past 4 years. Other Texas markets were balanced with the exception of San Antonio, which experienced slightly soft conditions and recorded the least rent growth among all Texas markets. Outside of Texas, apartment market conditions in Albuquerque, New Orleans, and Oklahoma City improved during the first quarter of 2014 and are currently balanced, but conditions in Little Rock remained slightly soft for the second consecutive quarter.

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Multifamily permitting activity in the Southwest region slowed during the first quarter of 2014.



1Q = first quarter.

Note: Based on preliminary data.

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



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Multifamily construction activity, as measured by the number of units permitted, increased in the Southwest region during the first quarter of 2014 compared with construction activity during the first quarter of 2013, led by increased building activity in Texas.

During the first quarter of 2014 (preliminary data)—

- Approximately 14,900 multifamily units were permitted in the region, a 2-percent increase from the number of units permitted during the first quarter of 2013 and the most units permitted during the first quarter since 2008.
- By comparison, the number of multifamily units permitted in the region averaged 17,100 during the first quarters from 2006 through 2008 before declining to average 6,125 during the first quarters from 2009 through 2011.

- Multifamily permitting activity in Texas, which accounted for nearly 85 percent of all multifamily units permitted in the region, was essentially unchanged from the first quarter of 2013 at 12,600 units.
- Apartment vacancy rates remained unchanged in Dallas and Fort Worth, despite a 1,800-unit, or 69-percent, increase in the number of multifamily units permitted from the first quarter of 2013, the greatest increase among major metropolitan areas in the region.

Apartment markets in the Southwest region were primarily balanced.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2013 (%)	1Q 2014 (%)	Percentage Point Change	1Q 2013 (\$)	1Q 2014 (\$)	Percent Change
Albuquerque	Balanced	4.1	3.7	- 0.4	742	758	2
Austin	Slightly tight	6.1	8.0	1.9	955	1,035	8
Dallas	Balanced	7.8	7.8	0.0	874	915	5
Fort Worth	Balanced	7.8	7.8	0.0	762	798	5
Houston	Balanced	9.1	8.4	- 0.7	848	904	7
Little Rock	Slightly soft	6.3	7.0	0.7	688	699	2
New Orleans	Balanced	6.6	6.0	- 0.6	897	911	2
Oklahoma City	Balanced	5.9	5.2	- 0.7	588	600	2
San Antonio	Slightly soft	9.0	9.8	0.8	808	835	3

1Q = first quarter.

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

