

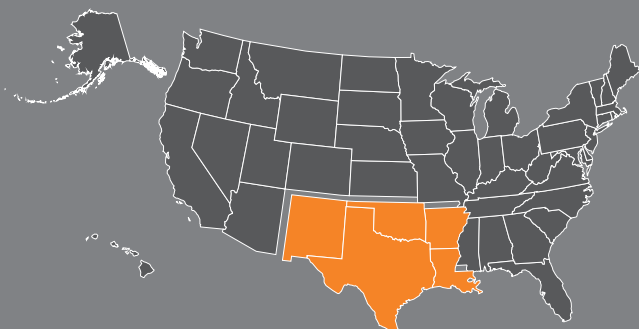
HUD PD&R Regional Reports

Region 6: Southwest



Quick Facts About Region 6

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



By Robert Stephens | 2nd quarter 2013

Overview

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

During the second quarter of 2013—

- Nonfarm payrolls increased 2.2 percent, to 16.77 million jobs, and surpassed the previous second quarter peak of 16.26 million jobs in 2008.
- Sales and rental market conditions remained balanced in most major markets in the region, 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.

	Second Quarter		3-Month Change (2012–13)	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	16,414.4	16,772.7	358.3	2.2
Goods-producing sectors	2,611.3	2,672.6	61.3	2.3
Mining, logging, and construction	1,286.8	1,346.3	59.5	4.6
Manufacturing	1,324.4	1,326.2	1.8	0.1
Service-providing sectors	13,803.2	14,100.2	297.0	2.2
Wholesale and retail trade	2,531.6	2,608.7	77.1	3.0
Transportation and utilities	671.1	673.0	1.9	0.3
Information	274.8	275.4	0.5	0.2
Financial activities	913.5	928.1	14.6	1.6
Professional and business services	2,006.7	2,072.4	65.7	3.3
Education and health services	2,254.3	2,303.6	49.3	2.2
Leisure and hospitality	1,651.7	1,722.5	70.8	4.3
Other services	578.9	583.2	4.3	0.7
Government	2,920.6	2,933.3	12.7	0.4

Source: U.S. Bureau of Labor Statistics

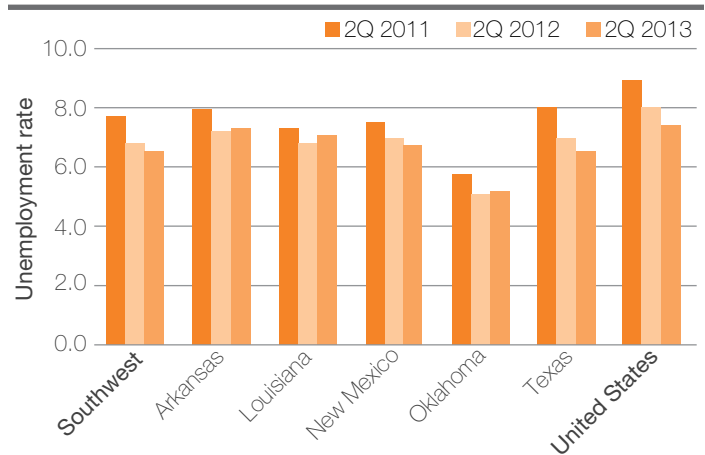
Economic Conditions

Nonfarm payroll job growth in the Southwest region, which resumed after declines in 2009 and 2010, continued during the second quarter of 2013. Nonfarm payrolls increased 2.2 percent, or by 358,300 jobs, to 16.77 million jobs. By comparison, during the second quarter of 2012, nonfarm payrolls also grew 2.2 percent, or by 359,600 jobs. With the recent gains, the region has fully recovered from the economic downturn and surpassed the previous second quarter peak of 16.26 million jobs recorded in 2008. Job growth in the region occurred in every nonfarm employment sector, led by the wholesale and retail trade sector, which increased by 77,100 jobs, or 3.0 percent. Continued strength in the oil and gas industry and increasing residential construction activity combined to make the mining, logging, and construction sector the fastest growing in the region, with growth of 4.6 percent, or 59,500 jobs.

During the second quarter of 2013—

- Texas accounted for approximately 85 percent of job growth in the region, with an increase in nonfarm payrolls of 2.8 percent, or 305,400 jobs.
- Nonfarm payrolls grew between 0.6 and 1.1 percent in the other four states in the region.
- The unemployment rate in the region declined to 6.5 percent compared with the rate of 6.8 percent recorded during the second quarter of 2012.

The unemployment rate in the Southwest region continued to decline despite increases in three of the five states.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

- The unemployment rate declined 0.4 percentage points, to 6.5 percent, in Texas and 0.2 percentage points, to 6.7 percent, in New Mexico.
- The unemployment rate increased between 0.1 and 0.2 percentage points in the other states in the region, to 7.3 percent in Arkansas, 7.0 percent in Louisiana, and 5.2 percent in Oklahoma.



Sales Market Conditions

Sales housing market conditions were balanced in most major metropolitan areas in the Southwest region. New and existing home sales in Texas increased during the 12 months ending June 2012, with gains ranging from 15.7 percent in Fort Worth to 20.4 percent in Houston. San Antonio, Dallas, and Austin recorded home sales increases of 16.0, 19.9, and 20.3 percent, respectively. Among the major metropolitan areas in Texas, the increase in home sales prices ranged from approximately 5.8 percent in San Antonio to 8.9 percent in Austin. Houston, Fort Worth, and Dallas recorded home sales price increases of 7.8, 8.3, and 8.7 percent, respectively. During the same period, the number of new and existing home sales in metropolitan areas elsewhere in the region increased 17.5 percent in Albuquerque, 4.0 percent in Little Rock, 8.7 percent in New Orleans, and 10.9 percent in Oklahoma City, and average prices increased 1.7, 5.7, 4.6, and 5.1 percent, respectively.

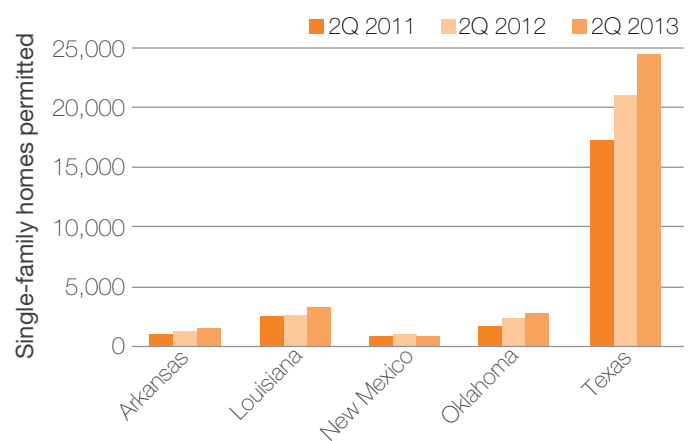
Based on preliminary data, during the second quarter of 2013—

- Approximately 32,600 single-family homes were permitted in the region, a 16-percent increase compared with the number permitted during the second quarter of 2012.
- By comparison, the number of single-family homes permitted in the region averaged 54,678 during the second quarters from 2004 through 2007 before declining to average 25,857 during the second quarters from 2008 through 2011.
- Compared with permitting activity during the second quarter of 2012, the number of single-family homes permitted increased by 3,500, or 17 percent, to 24,500 homes in Texas; by 540, or 20

percent, to 3,200 homes in Louisiana; by 350, or 15 percent, to 2,700 homes in Oklahoma; and by 160 homes, or 13 percent, to 1,425 homes in Arkansas.

- Single-family permitting activity in New Mexico declined by 100 homes, or 11 percent, to 820 homes permitted when compared with permitting activity during the second quarter of 2012.

Texas reported a significant increase in single-family permitting.



2Q = second 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)	June	6,908	8,120	17.5	AVG	201,316	204,776	1.7
Austin (N&E)	June	23,213	27,916	20.3	AVG	255,902	278,552	8.9
Dallas (N&E)	June	46,120	55,295	19.9	AVG	216,463	235,299	8.7
Fort Worth (N&E)	June	8,528	9,867	15.7	AVG	145,978	158,127	8.3
Houston (N&E)	June	62,526	75,282	20.4	AVG	215,594	232,388	7.8
Little Rock (N&E)	June	7,397	7,691	4.0	AVG	168,659	178,207	5.7
New Orleans (N&E)	June	8,284	9,002	8.7	AVG	205,759	215,136	4.6
Oklahoma City (N&E)	June	16,974	18,824	10.9	AVG	159,592	167,704	5.1
San Antonio (N&E)	June	19,181	22,258	16.0	AVG	188,106	199,062	5.8

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



Apartment Market Conditions

Apartment market conditions in most of the large metropolitan areas in the Southwest region were balanced during the second quarter of 2013. In several Texas markets, reduced multifamily building activity during the past 3 years and increased demand led to nearly the lowest vacancy rates recorded in a decade and to rent increases. Vacancy rates declined by between 0.1 and 1.5 percentage points from the second quarter of 2012, to 7.2 percent in Dallas, 7.7 percent in Fort Worth, and 8.2 percent in Houston (ALN Systems, Inc.). During the same period, vacancy rates increased by 0.6 percentage points, to 6.1 percent, in Austin and by 0.9 percentage points, to 9.0 percent, in San Antonio. In Texas markets, average rents increased 5 percent in Dallas, Fort Worth, Houston, and San Antonio, to \$892, \$775, \$862, and \$817, respectively, and rents increased 6 percent in Austin, to \$980. Outside Texas, apartment markets in Albuquerque, Little Rock, New Orleans, and Oklahoma City were balanced, with vacancy rates of 4.2, 6.7, 6.2, and 5.6 percent, respectively (Reis, Inc.). Vacancy rates increased 0.1 and 1.3 percent, respectively, in Albuquerque and Little Rock and declined 0.8 and 0.6 percent, respectively, in New Orleans and Oklahoma City from the second quarter of 2012. Average rents increased 1 percent in New Orleans, to \$902; 2 percent in Albuquerque, to \$747; and 3 percent each in Oklahoma City and Little Rock, to \$591 and \$694, respectively.

Apartment markets in the Southwest region were balanced.

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

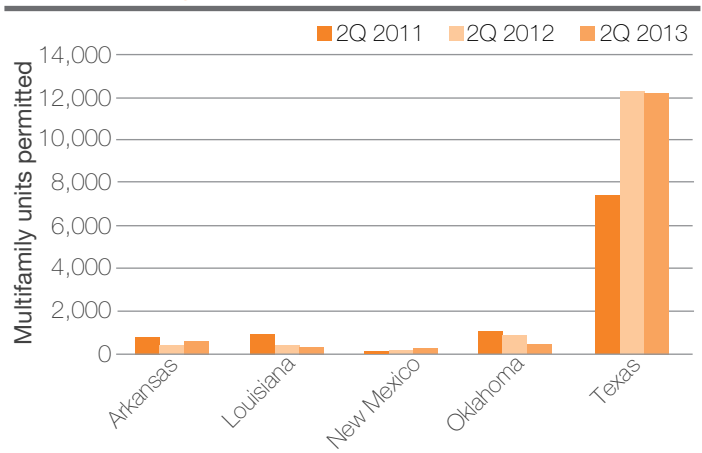
Source: HUD, PD&R, Economic and Market Analysis Division

Multifamily construction activity, as measured by the number of units permitted, was relatively unchanged during the second quarter of 2013 compared with the level recorded during the second quarter of 2012, and it remains less than the levels recorded during the peak production years of the previous decade.

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

- Approximately 13,750 multifamily units were permitted in the region, a 1-percent decline compared with the number of units permitted during the second quarter of 2012.
- By comparison, the number of multifamily units permitted in the region averaged 15,997 during the second quarters from 2006 through 2008 before declining to average 8,014 during the second quarters from 2009 through 2011.
- Multifamily permitting activity was relatively unchanged in Texas and Louisiana, declining by 60 units, to 12,200, and by 45 units, to 300, respectively.
- Compared with permitting activity during the second quarter of 2012, multifamily permitting activity declined by 480 units, to 380, in Oklahoma; increased by 270 units, to 620, in Arkansas; and increased by 140 units, to 260, in New Mexico.

Multifamily permitting trends were mixed in the Southwest region.



2Q = second quarter.

Note: Based on preliminary data.

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

