

HUD PD&R Regional Reports

Region 6: Southwest



Quick Facts About Region 6

Albuquerque, New Mexico

By Robert Stephens | 3rd quarter 2015

● Sales market conditions—

Third quarter 2015: mixed (balanced to slightly tight).

Second quarter 2015: mixed (balanced to slightly tight).

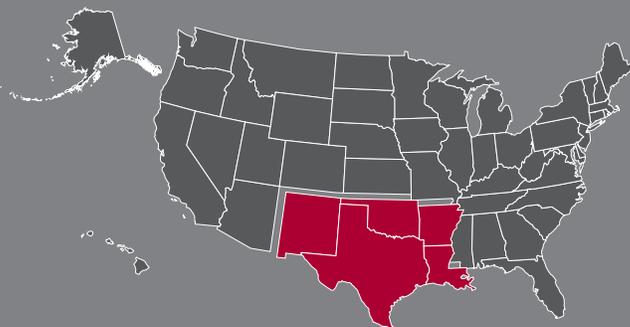
Third quarter 2014: mixed (balanced to slightly tight).

● Apartment market conditions—

Third quarter 2015: mixed (slightly tight to slightly soft).

Second quarter 2015: mixed (slightly tight to slightly soft).

Third quarter 2014: mixed (slightly tight to slightly soft).



Overview

Economic growth in the Southwest region that began in 2011 slowed during the third quarter of 2015. Job gains occurred in every state in the region, with growth concentrated among the service-providing sectors. Continued, though reduced, employment growth contributed to balanced conditions in most major sales housing and apartment markets in the region. Home sales, home sales prices, and average apartment rents increased; however, apartment vacancy rates, while remaining relatively low, increased in several markets in the region in response to increased production levels and moderating economic conditions.

During the third quarter of 2015—

- Nonfarm payrolls increased 1.6 percent, to 17.48 million jobs, from the third quarter of 2014. Year-over-year job growth in the region has slowed for three consecutive quarters after accelerating consistently since the beginning of 2013 and is now less than the national average rate of growth.
- Home sales and sales prices increased in most major metropolitan areas in the region, led by strong price appreciation in many Texas home sales markets.
- Combined single-family and multifamily permitting activity in the Southwest region increased for the fifth consecutive year.



Nonfarm payroll growth in the Southwest region was concentrated in the service-providing sectors.

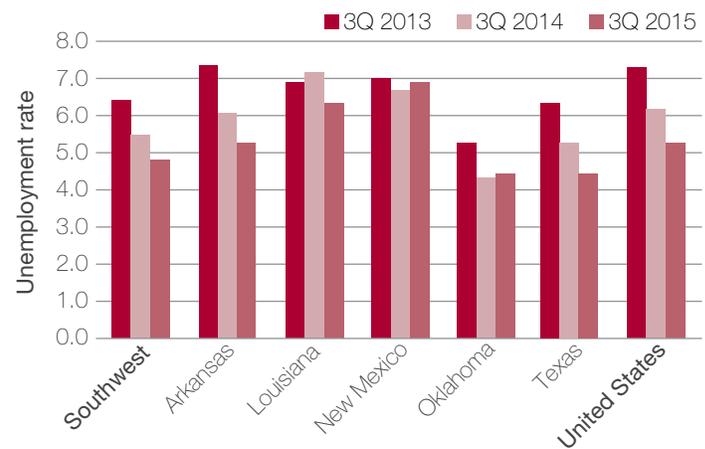
	Third Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	17,202.0	17,483.0	281.0	1.6
Goods-producing sectors	2,799.4	2,747.7	- 51.7	- 1.8
Mining, logging, and construction	1,438.6	1,422.6	- 16.0	- 1.1
Manufacturing	1,360.8	1,325.0	- 35.8	- 2.6
Service-providing sectors	14,402.6	14,735.3	332.7	2.3
Wholesale and retail trade	2,676.4	2,727.9	51.5	1.9
Transportation and utilities	713.4	724.4	11.0	1.5
Information	276.9	282.2	5.3	1.9
Financial activities	960.3	968.9	8.6	0.9
Professional and business services	2,190.6	2,254.0	63.4	2.9
Education and health services	2,346.0	2,438.5	92.5	3.9
Leisure and hospitality	1,795.1	1,874.8	79.7	4.4
Other services	617.8	624.1	6.3	1.0
Government	2,826.1	2,840.6	14.5	0.5

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, slowed significantly during the third quarter of 2015. Nonfarm payrolls increased 1.6 percent, or by 281,000 jobs, to 17.48 million jobs compared with the number of jobs during the same quarter a year earlier. By comparison, during the third quarter of 2014, nonfarm payrolls grew 2.5 percent, or by 419,800 jobs, from the third quarter of 2013. Job growth remained relatively strong in most service-providing sectors during the third quarter of 2015. The education and health services, leisure and hospitality, professional and business services, and wholesale and retail trade sectors each added in excess of 50,000 jobs, with growth rates of 3.9, 4.4, 2.9, and 1.9 percent, respectively. Among the goods-producing sectors, mining, logging, and construction payrolls declined by 16,000 jobs, or 1.1 percent, during the most recent period, the first regionwide decline in this sector in the past 5 years, and manufacturing payrolls continued the decline that began during the previous quarter, decreasing by 35,800 jobs, or 2.6 percent. The slowdown in the mining, logging, and construction sector was entirely the result of a decline of 39,500 jobs, or 8.5 percent, in the mining and logging subsector, which until recently had been one of the fastest growing sectors in the region. Lower oil and gas prices led many energy-related companies to slow hiring or reduce workforces, which has affected jobs in the mining, logging, and construction and the manufacturing sectors.

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



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

During the third quarter of 2015—

- Nonfarm payrolls increased 2.1 percent, or by 239,600 jobs, in Texas, which accounted for more than 85 percent of job growth in the region. More than one-half of the growth occurred in the education and health services and the leisure and hospitality sectors.
- Nonfarm payrolls in Arkansas, Louisiana, New Mexico, and Oklahoma grew 2.1, 0.2, 0.9, and 0.3 percent, respectively.

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Most growth in these states occurred in the service-providing sectors, led by the education and health services and the professional and business services sectors.

- Payrolls in the mining and logging subsector, which has been affected by the recent declines in energy prices, fell in every state in the region from the third quarter of 2014, with the rate of decline ranging from 3.3 percent, or 900 jobs, in New Mexico to more than 14 percent each, or 7,900 and 9,000 jobs, respectively, in Louisiana

and Oklahoma. From 2010 through 2014, this subsector, which accounts for less than 3 percent of total nonfarm jobs in the region, provided nearly 10 percent of all nonfarm payroll growth.

- The unemployment rate in the region, which declined to 4.8 percent compared with the rate of 5.5 percent recorded during the third quarter of 2014, declined or remained unchanged in every state in the region except New Mexico, where the rate increased by a modest 0.2 percentage points.

Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight in most major metropolitan areas in the Southwest region during the third quarter of 2015, unchanged from the previous quarter.

The number of new and existing home sales in Texas increased by 16,000, or 6 percent, to 295,900 homes sold during the 12 months ending September 2015 compared with the number sold during the same 12 months a year earlier. Growth slowed significantly from a peak rate of 19 percent during the 12 months ending September 2013 but has begun to rise from a low of 3 percent during the 12 months ending September 2014. Home sales have now surpassed the previous peak level of 294,200 homes sold that was recorded in early 2007, before the housing downturn. The average sales price of new and existing homes in Texas increased 6 percent during the most recent 12 months, to \$250,000, and the inventory of unsold homes declined from a 3.6- to a 3.4-month supply during the same

period. Increases in home sales and home sales prices occurred in most major markets throughout the region during the past year. Home sales prices increased the most in Dallas and Fort Worth, where prices rose 8 percent each, to \$280,700 and \$188,100, respectively, during the 12 months ending September 2015. Home sales prices grew slowest in Albuquerque and Little Rock, at 1 percent each, to \$215,400 and \$173,400, respectively.

During the third quarter of 2015 (preliminary data)—

- Approximately 33,200 single-family homes were permitted in the region, a 3-percent increase compared with the 32,350 units permitted during the third quarter of 2014. By comparison, the number of single-family homes permitted in the region averaged 53,200 during the third quarters of 2004 through 2006 before declining to average 26,700 homes during the third quarters of 2007 through 2013.

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Home sales prices increased in most major metropolitan areas in the Southwest region, led by strong growth in several Texas markets.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Albuquerque (N&E)	September	8,400	9,500	13	AVG	213,300	215,400	1
Austin (N&E)	September	30,450	32,050	5	AVG	300,900	321,700	7
Dallas (N&E)	September	59,150	62,450	6	AVG	259,500	280,700	8
Fort Worth (N&E)	September	11,550	12,400	7	AVG	174,000	188,100	8
Houston (N&E)	September	81,900	83,200	2	AVG	260,700	274,400	5
Little Rock (N&E)	July	8,575	9,025	5	AVG	171,500	173,400	1
New Orleans (N&E)	August	9,825	11,900	21	AVG	220,300	233,900	6
Oklahoma City (N&E)	September	20,050	20,850	4	AVG	180,500	186,100	3
San Antonio (N&E)	September	24,900	27,700	11	AVG	215,000	228,100	6

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

Note: Data include single-family homes, townhomes, and condominiums.

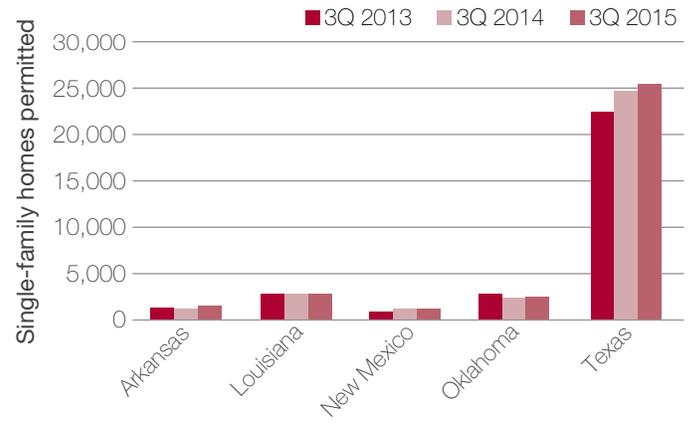
Sources: Arkansas Realtors® Association; Greater Albuquerque Association of Realtors®; New Orleans Metropolitan Association of Realtors®; Oklahoma City Metro Association of Realtors®; Real Estate Center at Texas A&M University



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- Compared with permitting activity during the third quarter of 2014, the number of single-family homes permitted in Texas increased by 600 homes, or 2 percent, to 25,400 homes. Permitting activity declined by 30 homes in Louisiana, was essentially unchanged in New Mexico, and increased by 200 and 100 homes, respectively, in Arkansas and Oklahoma from the third quarter of 2014.
- Despite increasing regionwide, single-family building activity declined from the third quarter of 2014 in several large markets in the region, led by a decrease of 510 homes, or 5 percent, in the Houston metropolitan area in response to slowing employment growth.
- The Dallas-Fort Worth metropolitan area led the increase in single-family homebuilding activity in the region, with 7,600 homes permitted, an increase of 350 homes, or 6 percent, from the third quarter of 2014; this area accounted for more than 20 percent of all homes permitted in the region.

The number of single-family homes permitted in the Southwest region increased for the fourth consecutive year, led by growth in Dallas-Fort Worth.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in large metropolitan areas in the Southwest region ranged from slightly tight to slightly soft during the third quarter of 2015, unchanged from the previous quarter; however, most markets were balanced. Among major Texas markets, San Antonio remained slightly soft, with a vacancy rate of 9.4 percent during the third quarter of 2015, up 0.7 percentage points from the third quarter of 2014. The average rent in San Antonio increased 5 percent, to \$900, during the same period. The average rent in Houston was up 8 percent, to \$1,025, and the market was balanced despite a vacancy rate increase of 1.2 percentage points,

to 8.6 percent, caused in part by the large number of units that are currently in lease up. Other Texas markets were balanced, including Dallas and Fort Worth, which, along with Houston, experienced the most rent growth among all major markets in the region. Outside Texas, apartment vacancy rates declined or remained essentially unchanged in most major markets during the third quarter of 2015. Apartment market conditions are slightly tight in Albuquerque and are balanced in Little Rock, New Orleans, and Oklahoma City; rent growth in these four markets was modest, at 3 percent each.

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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		
		3Q 2014 (%)	3Q 2015 (%)	Percentage Point Change	3Q 2014 (\$)	3Q 2015 (\$)	Percent Change
Albuquerque ^a	Slightly tight	3.4	3.4	0.0	760	780	3
Austin ^b	Balanced	6.8	7.6	0.8	1,075	1,150	7
Dallas ^b	Balanced	6.8	7.2	0.4	950	1,025	8
Fort Worth ^b	Balanced	6.4	6.7	0.3	830	900	8
Houston ^b	Balanced	7.4	8.6	1.2	950	1,025	8
Little Rock ^a	Balanced	7.5	7.3	-0.2	710	730	3
New Orleans ^a	Balanced	5.6	5.1	-0.5	920	950	3
Oklahoma City ^a	Balanced	5.2	5.3	0.1	600	620	3
San Antonio ^b	Slightly soft	8.7	9.4	0.7	860	900	5

3Q = third 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.

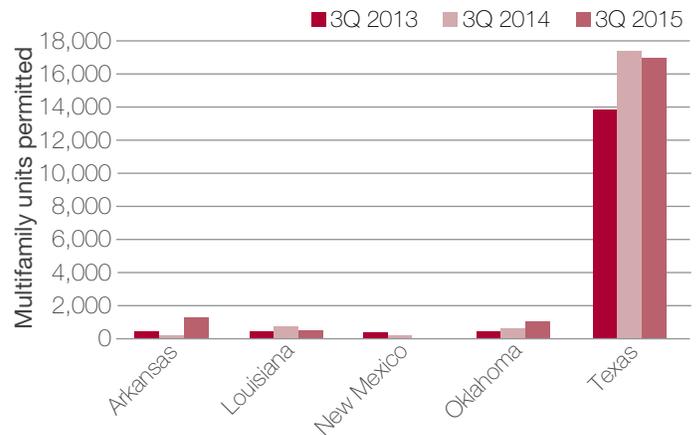


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During the third quarter of 2015 (preliminary data)—

- Approximately 19,800 multifamily units were permitted in the region, a 5-percent increase from the 18,950 units permitted during the third quarter of 2014. By comparison, the number of multifamily units permitted averaged 7,650 during the third quarters from 2009 through 2011 before increasing to an average of 16,400 during the third quarters of 2012 and 2013.
- Multifamily permitting activity in Texas, which accounted for approximately 86 percent of all multifamily units permitted in the region, declined by 310 units, or 3 percent, from the third quarter of 2014, to 17,100 units. Permitting activity increased by 1,075 and 400 units, respectively, in Arkansas and Oklahoma and declined in Louisiana and New Mexico by 280 and 50 units, respectively, from the third quarter of 2014.
- Changes in multifamily permitting activity varied significantly among major metropolitan areas in the Southwest region. From the third quarter of 2014, permitting activity declined in Albuquerque, Austin, Houston, Oklahoma City, and San Antonio but increased in Dallas-Fort Worth, Little Rock, and New Orleans.
- The largest increase in multifamily permitting from the third quarter of 2014 occurred in Dallas-Fort Worth, where the number of units permitted grew by 4,875, to 7,600 units, led by increases of 2,650 and 1,350 units in Collin and Dallas Counties, respectively.

Texas continued to lead the Southwest region in multifamily permitting activity, with nearly 75 percent of regionwide activity occurring in Dallas-Fort Worth, Houston, and Austin.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

