

HUD PD&R Regional Reports

Region 6: Southwest



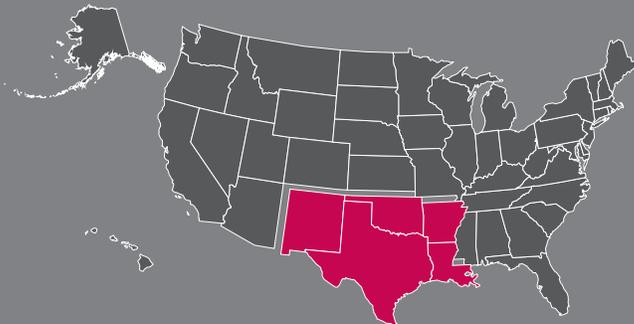
Quick Facts About Region 6

Little Rock, Arkansas

By Robert Stephens | 3rd quarter 2013

● **Sales market conditions—**
Third quarter 2013: balanced.
Second quarter 2013: balanced.
Third quarter 2012: balanced.

● **Apartment market conditions—**
Third quarter 2013: balanced.
Second quarter 2013: balanced.
Third quarter 2012: balanced.



Overview

Economic growth that began in 2011 continued in the Southwest region during the 3 months ending August 2013. Employment gains occurred in every nonfarm payroll sector and every state in the region. Many sales and apartment housing markets in the region improved during the past year, and the markets in most large metropolitan areas were balanced during the third quarter of 2013. Home sales and prices increased in each of these markets, and apartment vacancy rates remained low in several markets in the region.

During the 3 months ending August 2013—

- Nonfarm payrolls increased 2.1 percent, to 16.72 million jobs, and surpassed the previous corresponding-period peak of 16.20 million jobs in the 3 months ending August 2008.
- Most major sales and apartment markets in the region remained balanced, in part because of 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.

	3 Months Ending August		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	16,372.1	16,717.2	345.1	2.1
Goods-producing sectors	2,634.5	2,688.5	54.0	2.0
Mining, logging, and construction	1,300.9	1,354.6	53.7	4.1
Manufacturing	1,333.6	1,333.9	0.3	0.0
Service-providing sectors	13,737.6	14,028.7	291.1	2.1
Wholesale and retail trade	2,545.8	2,619.6	73.8	2.9
Transportation and utilities	674.6	675.8	1.2	0.2
Information	272.9	278.0	5.1	1.9
Financial activities	920.0	939.0	19.0	2.1
Professional and business services	2,019.1	2,093.4	74.3	3.7
Education and health services	2,247.9	2,288.5	40.6	1.8
Leisure and hospitality	1,663.5	1,733.2	69.7	4.2
Other services	583.8	584.4	0.6	0.1
Government	2,810.0	2,816.8	6.8	0.2

Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013.
Source: U.S. Bureau of Labor Statistics

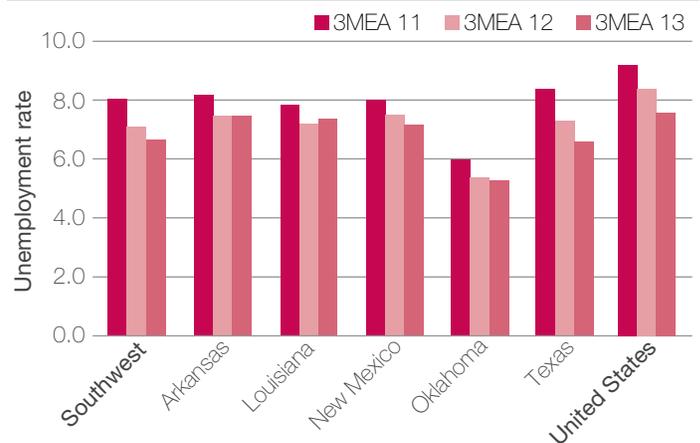
Economic Conditions

Nonfarm payroll job growth in the Southwest region, which resumed after declines in 2009 and 2010, continued during the 3 months ending August 2013. Nonfarm payrolls increased 2.1 percent, or by 345,100 jobs, to 16.72 million jobs. By comparison, during the 3 months ending August 2012, nonfarm payrolls grew 2.2 percent, or by 355,400 jobs. With the recent gains, the region has fully recovered from the economic downturn and surpassed the previous corresponding-period peak of 16.20 million jobs recorded in the 3 months ending August 2008. Job growth in the region occurred in every nonfarm payroll sector, led by the professional and business services and the wholesale and retail trade sectors, which increased by 74,300 jobs, or 3.7 percent, and 73,800 jobs, or 2.9 percent, respectively. Continued strength in the oil and gas industry and increasing residential construction activity combined to make the mining, logging, and construction sector, which grew 4.1 percent, or by 53,700 jobs, one of the fastest growing in the region.

During the 3 months ending August 2013—

- Nonfarm payrolls increased 2.6 percent, or by 286,100 jobs, in Texas, which accounted for approximately 83 percent of job growth in the region.
- Nonfarm payrolls grew between 0.7 and 1.5 percent in the other four states in the region.

The unemployment rate in the Southwest region continued to decline and remained less than the national rate.



3MEA = 3 months ending August.
Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013.
Source: U.S. Bureau of Labor Statistics

- The unemployment rate in the region declined to 6.7 percent compared with the rate of 7.1 percent recorded during the 3 months ending August 2012.
- The unemployment rate declined by 0.7 percentage points, to 6.6 percent, in Texas; by 0.3 percentage points, to 7.2 percent, in New Mexico; and by 0.1 percentage points, to 5.3 percent, in Oklahoma.
- The unemployment rate remained unchanged at 7.5 percent in Arkansas and increased by 0.2 percentage points, to 7.4 percent, in Louisiana.



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 by 43,600, or 19 percent, to 271,700 homes sold during the 12 months ending September 2013. The average sales price of a new or existing home in Texas increased 9 percent, to \$221,400, during the same period, and the inventory of unsold homes declined to a 4.3-month supply from a 6.0-month supply during the previous 12 months. Increases in both the number of home sales and home prices occurred in most major Texas markets during the 12 months ending September 2013. One of the greatest increases in the state occurred in Houston, where home sales increased 21.3 percent and home prices increased 10.5 percent because of sustained employment and population growth in the metropolitan area, which benefited from strength 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 the region, although less than in the major Texas markets, where employment growth was generally stronger during the past year.

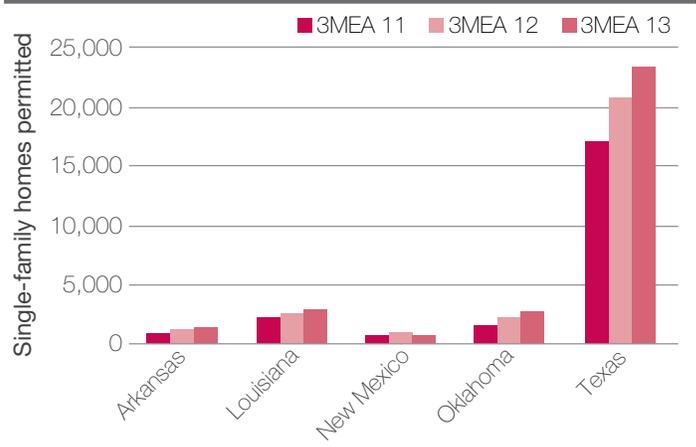
During the 3 months ending August 2013 (preliminary data)—

- Approximately 31,250 single-family homes were permitted in the region, a 12-percent increase compared with the number permitted during the 3 months ending August 2012.
- By comparison, the number of single-family homes permitted in the region averaged 52,600 during the 3 months ending August from 2004 through 2007 before declining to average 24,700 during the 3 months ending August from 2008 through 2011.
- Compared with permitting activity during the 3 months ending August 2012, the number of single-family homes permitted

increased in every state in the Southwest region except New Mexico, led by an increase of 2,575, or 12 percent, to 23,350 homes in Texas.

- The average of 830 homes permitted during the 3 months ending August from 2011 through 2013 represented the lowest level of single-family permitting activity in New Mexico since at least the mid-1990s and a significant decline from the average of 2,850 homes permitted during the 3 months ending August from 2003 through 2006.

Single-family permitting increases continued in most states in the Southwest region.



3MEA = 3 months ending August.

Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data. Source: U.S. Census Bureau, Building Permits Survey

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

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2012	2013	Percent Change		2012 (\$)	2013 (\$)	Percent Change
Albuquerque (N&E)	September	7,223	8,582	18.8	AVG	202,313	209,153	3.4
Austin (N&E)	September	24,295	29,889	23.0	AVG	260,583	283,542	8.8
Dallas (N&E)	September	48,300	58,593	21.3	AVG	220,057	241,734	9.9
Fort Worth (N&E)	September	8,781	10,428	18.8	AVG	148,295	161,712	9.0
Houston (N&E)	September	65,385	79,316	21.3	AVG	217,906	240,851	10.5
Little Rock (N&E)	September	7,266	8,097	11.4	AVG	173,996	177,298	1.9
New Orleans (N&E)	August	8,283	9,431	13.9	AVG	205,496	218,415	6.3
Oklahoma City (N&E)	September	17,632	19,578	11.0	AVG	160,108	170,989	6.8
San Antonio (N&E)	September	19,819	23,521	18.7	AVG	190,152	203,266	6.9

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 were balanced during the third quarter of 2013. In several Texas markets, reduced multifamily building activity and increased demand during the past year led to declining vacancy rates and rent increases. Vacancy rates declined by between 0.1 and 1.5 percentage points from the third quarter of 2012, to 7.1 percent in Dallas, 7.2 percent in Fort Worth, and 7.7 percent in Houston (ALN Systems, Inc.). During the same period, vacancy rates increased by 0.9 percentage points, to 5.8 percent, in Austin and by 0.7 percentage points, to 8.3 percent, in San Antonio. In Texas markets, average rents increased 3 percent in San Antonio, to \$823; 5 percent in Dallas and Fort Worth, to \$908 and \$784, respectively; 6 percent in Houston, to \$879; and 7 percent in Austin, to \$1,009. Outside Texas, apartment markets in Albuquerque, Little Rock, New Orleans, and Oklahoma City were balanced, with vacancy rates of 4.3, 6.6, 6.2, and 5.5 percent, respectively (Reis, Inc.). Vacancy rates increased by 0.5 and 0.4 percentage points, respectively, in Albuquerque and Little Rock but declined by 0.7 percentage points each in New Orleans and Oklahoma City from the third quarter of 2012. Average rents increased 2 percent in Albuquerque, New Orleans, and Oklahoma City, to \$752, \$906, and \$591, respectively, and 3 percent in Little Rock, to \$701.

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

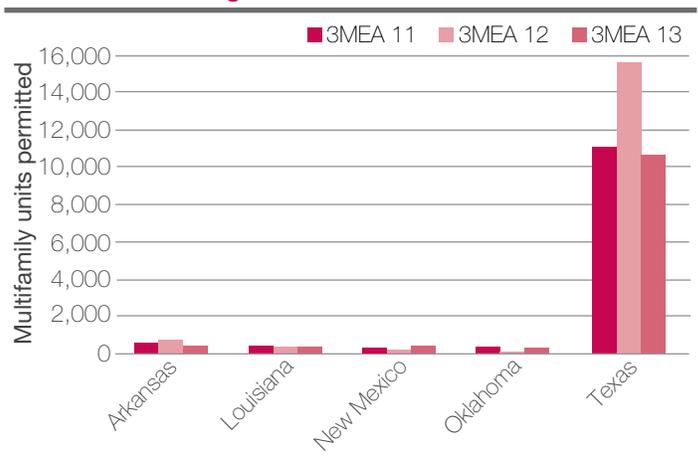
Source: HUD, PD&R, Economic and Market Analysis Division

Multifamily construction activity in the Southwest region, as measured by the number of units permitted, declined significantly during the 3 months ending August 2013 compared with the level recorded during the 3 months ending August 2012, led by decreased building activity in Texas.

During the 3 months ending August 2013 (preliminary data)—

- Approximately 12,300 multifamily units were permitted in the region, a 27-percent decline compared with the number of units permitted during the 3 months ending August 2012.
- By comparison, the number of multifamily units permitted in the region averaged 17,500 during the 3 months ending August from 2006 through 2008 before declining to average 8,575 during the 3 months ending August from 2009 through 2011.
- Multifamily permitting activity decreased significantly in Texas and Arkansas, declining by 4,950 units, or 32 percent, to 10,650 units and by 310 units, or 41 percent, to 450 units, respectively.
- Compared with permitting activity during the 3 months ending August 2012, multifamily permitting activity increased by 300 units, to 460, in New Mexico; by 270 units, to 390, in Oklahoma; and by 55 units, to 370, in Louisiana.

Texas led declines in multifamily permitting activity in the Southwest region.



3MEA = 3 months ending August.

Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data.

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

