

HUD PD&R Regional Reports

Region 6: Southwest

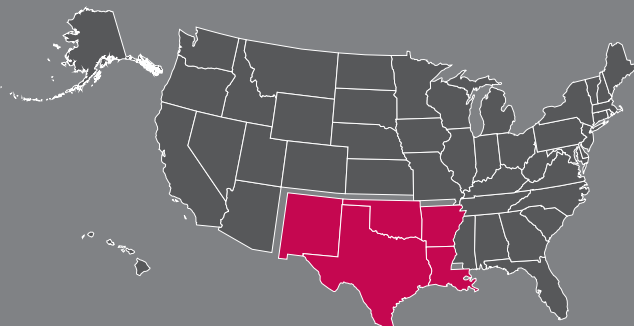


Quick Facts About Region 6

Little Rock, Arkansas

By Robert Stephens | 3rd quarter 2014

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



Overview

Economic growth in the Southwest region that began in 2011 continued during the third 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. Home sales and home sales prices increased in most markets, and apartment vacancy rates improved or remained low in several markets in the region.

During the third quarter of 2014—

- Nonfarm payrolls increased 2.9 percent, to 17.25 million jobs, and the rate of job growth accelerated during the past three consecutive quarters.
- Home sales and prices increased in most major metropolitan areas in the region, led by strong growth in many Texas sales housing markets.
- Combined single-family and multifamily building activity in the region increased for the fourth consecutive year, to 50,800 units permitted, and is currently at the highest third quarter level since 2007.



Strong job growth in the wholesale and retail trade and the professional and business services sectors led nonfarm payroll growth in the Southwest region.

	Third Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	16,755.9	17,245.1	489.2	2.9
Goods-producing sectors	2,699.8	2,798.1	98.3	3.6
Mining, logging, and construction	1,363.4	1,437.5	74.1	5.4
Manufacturing	1,336.4	1,360.6	24.2	1.8
Service-providing sectors	14,056.1	14,447.0	390.9	2.8
Wholesale and retail trade	2,612.1	2,680.6	68.5	2.6
Transportation and utilities	693.7	732.3	38.6	5.6
Information	276.2	278.1	1.9	0.7
Financial activities	948.8	976.0	27.2	2.9
Professional and business services	2,083.8	2,167.9	84.1	4.0
Education and health services	2,291.4	2,358.8	67.4	2.9
Leisure and hospitality	1,730.0	1,796.3	66.3	3.8
Other services	596.6	603.6	7.0	1.2
Government	2,823.4	2,853.3	29.9	1.1

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, accelerated during the third quarter of 2014. Nonfarm payrolls increased 2.9 percent, or by 489,200 jobs, to 17.25 million jobs compared with the same 3 months a year earlier. By comparison, during the third quarter of 2013, nonfarm payrolls grew 2.3 percent, or by 372,100 jobs, from the third quarter of 2012. The region has fully recovered from the recent economic downturn and surpassed the previous third quarter peak of 16.19 million jobs in 2008. Job growth occurred in every nonfarm payroll sector, with one of the fastest rates of growth occurring in the mining, logging, and construction sector, which increased by 74,100 jobs, or 5.4 percent. Continued strength in the energy industry and increasing residential construction activity contributed to growth in this sector. The largest number of jobs was added in the professional and business services sector, which increased by 84,100 jobs, or 4.0 percent.

During the third quarter of 2014—

- Nonfarm payrolls increased 3.6 percent, or by 403,000 jobs, in Texas, which accounted for more than 80 percent of job growth in the region. Approximately one-third of the growth occurred in the wholesale and retail trade and the professional and business services sectors.
- Increases in the construction subsector led the nonfarm payroll growth of 1.4 percent in Arkansas and 1.6 percent in Louisiana.

The unemployment rate in the Southwest region declined during the past 3 years and remained less than the national rate.



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

- Nonfarm payrolls in New Mexico and Oklahoma, which grew 0.7 and 2.1 percent, respectively, recorded strong gains in the education and health services sector.
- The unemployment rate in the region declined to 5.5 percent compared with the rate of 6.5 percent recorded during the third quarter of 2013. A decline of more than 1 percentage point in the unemployment rate in Texas, to 5.4 percent, led the improvement in the region.



Sales Market Conditions

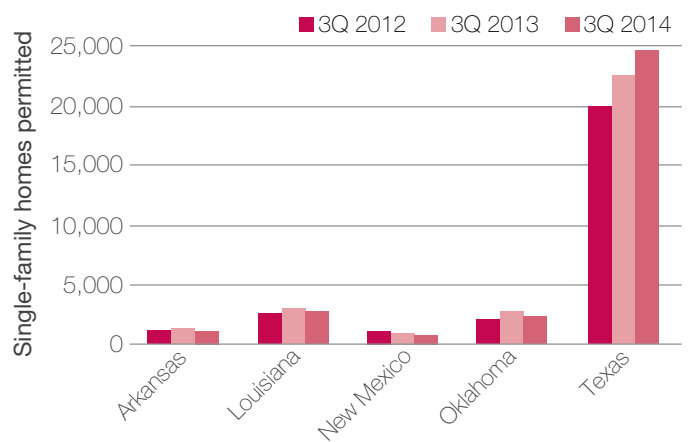
Sales housing market conditions ranged from balanced to slightly tight in most major metropolitan areas in the Southwest region during the third quarter of 2014. The number of new and existing home sales in Texas increased by 7,150, or 3 percent, to 279,300 homes sold during the 12 months ending September 2014 compared with the number sold during same 12 months a year earlier. By comparison, in 2011 and 2012, sales increased an average of 8 percent annually. Despite the slowdown in new and existing home sales, the average sales price of a new and existing home in Texas increased 7 percent, to \$236,400, and the inventory of unsold homes declined from a 4.3- to 3.5-month supply during the same period. Increases in home sales and home prices occurred in most major markets throughout the region during the past quarter. Home sales prices increased most rapidly in the Texas markets of Dallas, Fort Worth, and Houston, where prices rose 8 percent each during the 12 months ending September 2014. Little Rock was the only major market in the region to record a decline in home sales prices; the average price fell 4 percent, to \$170,800, during the same period.

During the third quarter of 2014 (preliminary data)—

- Approximately 32,150 single-family homes were permitted in the region, a 6-percent increase compared with the number permitted during the third quarter of 2013. By comparison, the number of single-family homes permitted in the region averaged 56,800 during the third quarters of 2004 through 2006 before declining to average 26,100 homes during the third quarters of 2007 through 2012.

- Compared with permitting activity during the third quarter of 2013, the number of single-family homes permitted in Texas increased by 2,250, or 10 percent, to 24,750 homes. Permitting activity in Arkansas, Louisiana, New Mexico, and Oklahoma declined by 75, 25, 5, and 400 homes, respectively, from the third quarter of 2013.
- In response to strong employment and population growth, single-family building activity increased in all major Texas markets from the third quarter of 2013, led by an increase of 950 homes, or 11 percent, in Houston.

Gains in Texas entirely drove growth in the number of single-family units permitted in the Southwest region.



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

Home sales and prices increased in most major metropolitan areas in the Southwest region, with the strongest price growth recorded 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)	September	8,575	8,400	- 2	AVG	209,200	213,300	2
Austin (N&E)	September	29,850	30,500	2	AVG	283,500	301,100	6
Dallas (N&E)	September	58,900	58,800	0	AVG	241,200	259,900	8
Fort Worth (N&E)	September	10,500	11,450	9	AVG	161,400	174,100	8
Houston (N&E)	September	79,300	81,800	3	AVG	240,900	260,600	8
Little Rock (N&E)	September	8,100	8,600	6	AVG	177,300	170,800	- 4
New Orleans (N&E)	September	9,575	9,900	3	AVG	218,600	220,400	1
Oklahoma City (N&E)	September	19,600	20,050	2	AVG	171,000	180,500	6
San Antonio (N&E)	September	23,600	24,850	5	AVG	203,300	214,900	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



Apartment Market Conditions

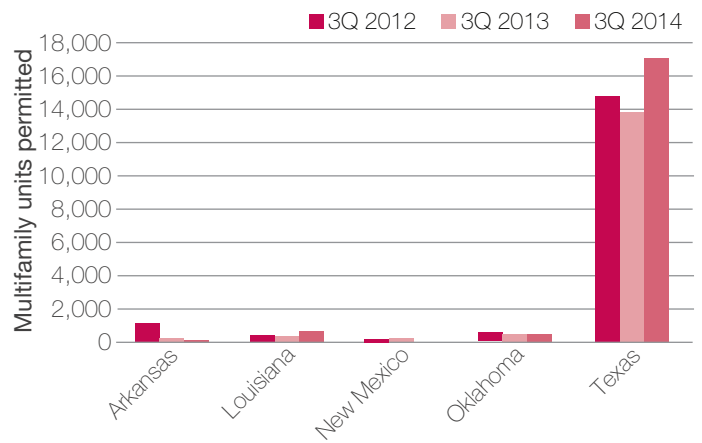
Apartment market conditions in large metropolitan areas in the Southwest region ranged from slightly tight to slightly soft during the third quarter of 2014; however, most markets were balanced. Among major Texas markets, San Antonio remained slightly soft, with a vacancy rate of 8.7 percent during the third quarter of 2014, up 0.4 percentage points from the third quarter of 2013. Rents in San Antonio increased 4 percent to \$860 during the same time. Despite a vacancy rate increase of 1.0 percentage point, to 6.8 percent, the apartment market in Austin recorded 8-percent rent growth, to \$1,075, and is slightly tight. Other Texas markets were balanced, including Houston, which experienced the most rent growth among all major markets in the region, increasing 8.0 percent with a 0.3-percentage-point decline in the vacancy rate, to 7.4 percent—the lowest rate recorded since 2005. Outside of Texas, apartment vacancy rates remained relatively unchanged or declined in most major markets during the third quarter of 2014. Apartment market conditions are slightly tight in Albuquerque and are currently balanced in Oklahoma City and New Orleans. Apartment market conditions remain slightly soft in Little Rock for the fourth consecutive quarter.

During the third quarter of 2014 (preliminary data)—

- Multifamily construction activity, as measured by the number of units permitted, increased significantly in the region compared with construction activity during the third quarter of 2013, led by increased building activity in Texas.
- Approximately 18,650 multifamily units were permitted in the region, a 21-percent increase from the number of units permitted during the third quarter of 2013 and the most units permitted during the third quarter in more than a decade. By comparison, the number of multifamily units permitted during the third quarter averaged 18,400 in 2007 and 2008 before declining to average 10,050 during the third quarters of 2009 through 2012.

- Multifamily permitting activity in Texas, which accounted for nearly all multifamily units permitted in the region, increased by 3,225 units, or 23 percent, from the third quarter of 2013, to 17,100 units, which surpassed the average of 13,700 units permitted in the third quarters during the peak multifamily building years of 2006 through 2008.
- Apartment market conditions remained balanced in Houston; however, the number of multifamily units permitted increased by 5,400 units, or more than 150 percent, to 8,700 units from the third quarter of 2013, the greatest increase among major metropolitan areas in the region.

Third quarter multifamily permitting activity increased in the Southwest region during 2014, more than offsetting the decline from the third quarter of the previous year.



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

Apartment markets in most major Southwest region metropolitan areas ranged from slightly tight to slightly soft.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2013 (%)	3Q 2014 (%)	Percentage Point Change	3Q 2013 (\$)	3Q 2014 (\$)	Percent Change
Albuquerque ^a	Slightly tight	4.3	3.4	-0.9	750	760	1
Austin ^b	Slightly tight	5.8	6.8	1.0	1,000	1,075	8
Dallas ^b	Balanced	7.1	6.8	-0.3	910	950	4
Fort Worth ^b	Balanced	7.2	6.4	-0.8	780	830	6
Houston ^b	Balanced	7.7	7.4	-0.3	880	950	8
Little Rock ^a	Slightly soft	6.6	6.7	0.1	690	700	1
New Orleans ^a	Balanced	6.2	5.6	-0.6	910	920	1
Oklahoma City ^a	Balanced	5.5	4.9	-0.6	590	610	3
San Antonio ^b	Slightly soft	8.3	8.7	0.4	830	860	4

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.

