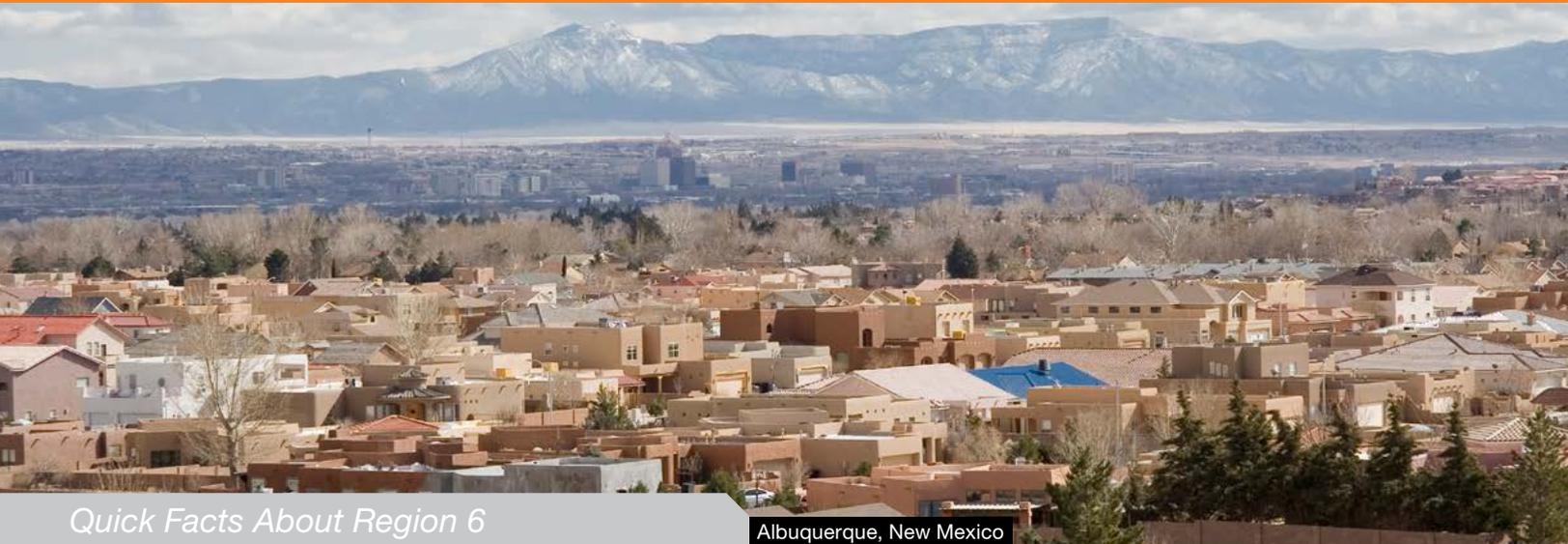


HUD PD&R Regional Reports

Region 6: Southwest



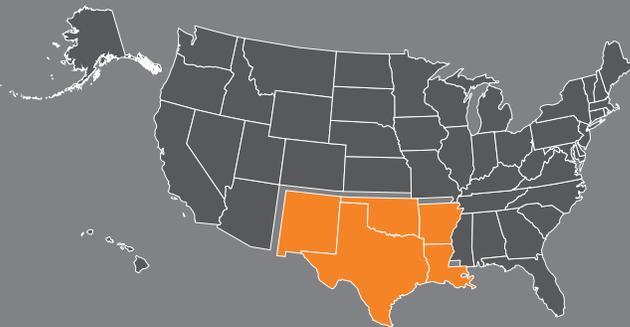
Quick Facts About Region 6

Albuquerque, New Mexico

By Robert Stephens | 2nd quarter 2014

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

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



Overview

Economic growth in the Southwest region that began in 2011 continued during the second quarter of 2014. Job gains occurred in every nonfarm payroll sector in the region and in every state except New Mexico. Strong employment and population growth contributed to balanced conditions in most major sales housing and apartment markets in the region. Home sales and prices increased in most markets, and apartment vacancy rates improved or remained low in several markets in the region.

During the second quarter of 2014—

- Nonfarm payrolls increased 2.6 percent, to 17.20 million jobs, and the rate of job growth accelerated during the past two 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 fifth consecutive year, to 55,150 permits issued, and is currently at a level surpassed only by the peak building years of 2003 through 2007, before the housing downturn, when an average of 67,750 permits were issued annually.



Strong job growth in the wholesale and retail trade sector led nonfarm payroll growth in the Southwest region.

	Second Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	16,767.6	17,198.4	430.8	2.6
Goods-producing sectors	2,674.9	2,746.5	71.6	2.7
Mining, logging, and construction	1,343.5	1,397.4	53.9	4.0
Manufacturing	1,331.4	1,349.1	17.7	1.3
Service-providing sectors	14,092.7	14,451.9	359.2	2.5
Wholesale and retail trade	2,584.0	2,659.9	75.9	2.9
Transportation and utilities	688.9	720.4	31.5	4.6
Information	278.0	279.4	1.4	0.5
Financial activities	938.1	962.1	24.0	2.6
Professional and business services	2,065.4	2,138.3	72.9	3.5
Education and health services	2,291.7	2,349.6	57.9	2.5
Leisure and hospitality	1,725.1	1,794.1	69.0	4.0
Other services	594.1	602.9	8.8	1.5
Government	2,927.3	2,945.2	17.9	0.6

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

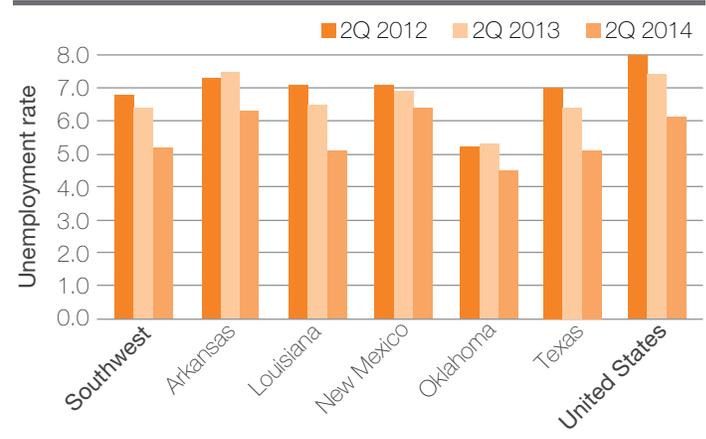
Economic Conditions

Nonfarm payroll job growth in the Southwest region, which resumed in 2011 after 2 years of declines, accelerated during the second quarter of 2014. Nonfarm payrolls increased 2.6 percent, or by 430,800 jobs, to 17.20 million jobs. By comparison, during the second quarter of 2013, nonfarm payrolls grew 2.2 percent, or by 356,100 jobs. The region has fully recovered from the recent economic downturn and surpassed the previous second quarter peak of 16.13 million jobs in 2008. Job growth occurred in every nonfarm payroll sector, led by the wholesale and retail trade and the professional and business services sectors, which increased by 75,900 and 72,900 jobs, or 2.9 and 3.5 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 4.0 percent, or 53,900 jobs, to 1.40 million jobs.

During the second quarter of 2014—

- Nonfarm payrolls increased 3.3 percent, or by 366,400 jobs, in Texas, which accounted for approximately 85 percent of job growth in the region. Approximately one-third of the growth occurred in the trade and the professional and business services sectors.
- Nonfarm payrolls grew 1.3 percent in Arkansas, 1.0 percent in Louisiana, and 1.9 percent in Oklahoma; the leisure and hospitality sector was one of the leading job growth sectors in each of these states.

The unemployment rate in the Southwest region, which has declined for the past 3 years, remained below the national rate.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

- Nonfarm payrolls declined by 1,100 jobs, or 0.1 percent, in New Mexico, with the largest decline of 3,100 jobs, or 1.6 percent, occurring in the government sector.
- The unemployment rate in the region declined to 5.2 percent compared with the rate of 6.4 percent recorded during the second quarter of 2013 and is only slightly higher than the average rate of 5.1 percent recorded during the second quarters from 2000 through 2008.

Sales Market Conditions

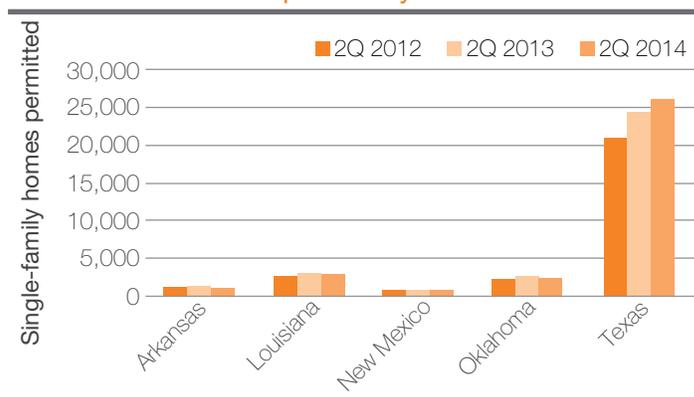
Sales housing market conditions ranged from balanced to slightly tight in most major metropolitan areas in the Southwest region during the second quarter of 2014. New and existing home sales in Texas increased by 19,450, or 8 percent, to 278,500 homes sold during the 12 months ending June 2014 compared with the number sold during same 12 months a year earlier. The average sales price of a new and existing home in Texas increased 8 percent, to \$232,600, and the inventory of unsold homes declined from a 4.7- to a 3.7-month supply during the same period. Increases in home sales and home prices occurred in most major Texas markets during the past quarter. 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, in general, was stronger during the past year. Home sales prices increased in most major markets outside of Texas, except in Little Rock, where prices declined 2 percent, to \$173,400, during the 12 months ending May 2014 compared with prices during the previous 12 months. Home sales prices in Little Rock have declined since peaking at \$178,200 during the 12 months ending June 2013.

During the second quarter of 2014 (preliminary data)—

- Approximately 33,800 single-family homes were permitted in the region, a 4-percent increase compared with the number permitted during the second quarter of 2013. By comparison, the number of single-family homes permitted in the region averaged 54,700 during the second quarters from 2004 through 2007 before declining to average 26,300 during the second quarters from 2008 through 2012.

- Compared with permitting activity during the second quarter of 2013, the number of single-family homes permitted increased by 1,800, or 7 percent, to 26,250 homes in Texas and by 40 homes, or 5 percent, to 870 homes permitted in New Mexico. Permitting activity in Arkansas, Louisiana, and Oklahoma declined by 250, 100, and 130 homes, respectively, from the second 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 1,025 homes, or 42 percent, from the second quarter of 2013.

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



2Q = second 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 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)	June	8,125	8,600	6	AVG	204,800	213,700	4
Austin (N&E)	June	27,850	30,900	11	AVG	278,400	294,800	6
Dallas (N&E)	June	55,700	59,050	6	AVG	234,500	255,400	9
Fort Worth (N&E)	June	9,975	11,200	12	AVG	157,800	170,900	8
Houston (N&E)	June	75,400	81,400	8	AVG	232,100	256,000	10
Little Rock (N&E)	May	7,650	8,425	10	AVG	176,600	173,400	-2
New Orleans (N&E)	June	9,125	9,450	4	AVG	213,700	219,400	3
Oklahoma City (N&E)	June	18,800	20,050	7	AVG	167,700	175,400	5
San Antonio (N&E)	June	22,400	24,500	9	AVG	198,900	211,600	6

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

Notes: 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

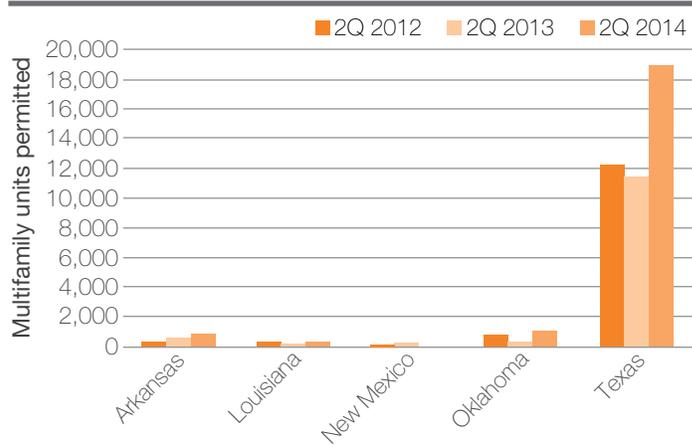
Apartment market conditions in most large metropolitan areas in the Southwest region ranged from slightly tight to slightly soft during the second quarter of 2014; however, most markets were balanced. Among major Texas markets, San Antonio remained slightly soft, with a vacancy rate of 9.2 percent during the second quarter of 2014, up 0.2 percentage points from the second quarter of 2013. Rents in San Antonio increased 4 percent to \$850 during the same time. Other Texas markets were balanced, including Austin and Houston, which experienced the most rent growth among all major markets in the region of 7 and 8 percent, respectively. Outside of Texas, apartment vacancy rates declined in most major markets during the first 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 third consecutive quarter.

During the second 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 second quarter of 2013, led by increased building activity in Texas.
- Approximately 21,350 multifamily units were permitted in the region, a 66-percent increase from the number of units permitted during the second quarter of 2013 and the most units permitted during the second quarters in more than a decade. By comparison, the number of multifamily units permitted during the second quarter previously peaked at 17,350 in 2008 before declining to average 9,500 during the second quarters from 2009 through 2012.

- Multifamily permitting activity in Texas, which accounted for nearly 90 percent of all multifamily units permitted in the region, increased by 7,550 units, or 66 percent, from the second quarter of 2013 to 18,950 units, which surpassed the average of 12,850 units permitted in the second quarters during the peak multifamily building years of 2006 through 2008.
- Apartment market conditions remained balanced in Dallas and Fort Worth; however, the number of multifamily units permitted increased by 3,700, or nearly 150 percent, to 6,250 units from the second quarter of 2013, the greatest increase among major metropolitan areas in the region.

Texas led the increase in multifamily permitting activity in the Southwest region during the second quarter of 2014.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment markets in the Southwest region were primarily balanced during the second quarter of 2014.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2013 (%)	2Q 2014 (%)	Percentage Point Change	2Q 2013 (\$)	2Q 2014 (\$)	Percent Change
Albuquerque ^a	Slightly tight	4.3	3.3	-1.0	750	760	1
Austin ^b	Balanced	6.0	7.7	1.7	980	1,050	7
Dallas ^b	Balanced	7.2	7.4	0.2	890	930	4
Fort Worth ^b	Balanced	7.7	7.2	-0.5	780	820	5
Houston ^b	Balanced	8.2	7.9	-0.3	860	930	8
Little Rock ^a	Slightly soft	6.7	6.6	-0.1	690	700	1
New Orleans ^a	Balanced	6.2	5.7	-0.5	900	920	2
Oklahoma City ^a	Balanced	5.6	4.9	-0.7	590	600	2
San Antonio ^b	Slightly soft	9.0	9.2	0.2	820	850	4

2Q = second 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.

