

HUD PD&R Housing Market Profiles

Fayetteville-Springdale-Rogers, Arkansas-Missouri

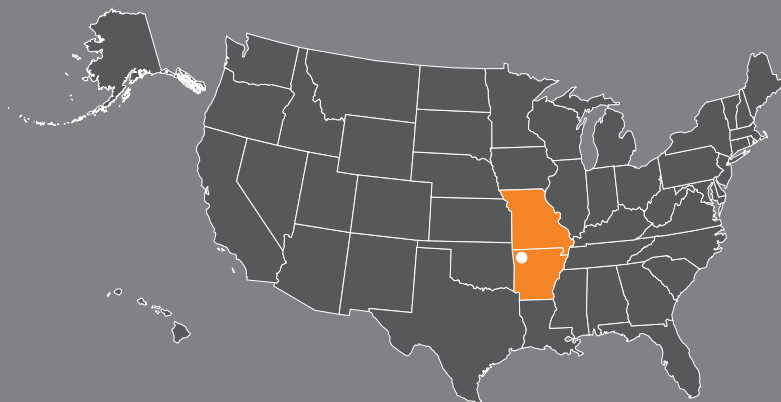


Quick Facts About Fayetteville-Springdale-Rogers

Fayetteville, Arkansas

By Randall Goodnight | As of July 1, 2022

- Current sales market conditions: tight
- Current apartment market conditions: very tight
- The metropolitan area is home to the corporate headquarters of three 2022 Fortune 500 companies, including the number-one company on the list: Walmart Inc.



Overview

The Fayetteville-Springdale-Rogers, AR-MO Metropolitan Statistical Area (hereafter, the Fayetteville metropolitan area) consists of Benton, Madison, and Washington Counties in northwest Arkansas and McDonald County in southwest Missouri. The metropolitan area, located in the Ozark Mountains, is home to the University of Arkansas (UA) and the corporate headquarters of three ranked 2022 Fortune 500 companies—Walmart Inc. (Walmart), Tyson Foods, Inc. (Tyson), and J.B. Hunt Transport Services, Inc. The metropolitan area ranked seventh among the “Best Places to Live in the U.S. in 2022–2023” published by *U.S. News & World Report*. Contributing to the ranking were abundant employment opportunities, community involvement among residents, and numerous state parks, bike trails, and cultural venues.

- As of July 1, 2022, the estimated population of the metropolitan area was 597,400, representing an average increase of 11,000, or 2.1 percent, annually since 2010 (Census Bureau and estimates by the analyst).
- Approximately 50 and 43 percent of the population in the metropolitan area resided in Benton and Washington

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Counties in 2021, respectively. From 2010 to 2021, population growth in Benton County accounted for 60 percent of the overall population increase in the metropolitan area, and population growth in Washington County accounted for 39 percent of the population increase in the area.

- The largest cities in the metropolitan area in 2021, all in Arkansas, were Fayetteville, Springdale, Rogers, and Bentonville, with populations of 95,200, 87,600, 71,100, and 56,700 people, respectively. Among these cities, Bentonville had the fastest annual population growth from 2010 to 2021, with an average increase of 4.3 percent.

Economic Conditions

The economy is currently strong in the Fayetteville metropolitan area. The metropolitan area economy recovered relatively quickly from job losses that occurred due to the impacts of the COVID-19 pandemic compared with the nation. The metropolitan area economy had recovered all of the 26,100 jobs lost in April 2020 by September 2021, and since May 2020, nonfarm payrolls increased by 38,700, or 148 percent of the jobs lost in April 2020 (monthly data, not seasonally adjusted). By comparison, the national economy fully recovered in May 2022 from job losses that occurred in March and April 2020, and payroll gains since May 2020 represent 108 percent of the number of jobs lost in March and April 2020.

The Fayetteville metropolitan area economy expanded at a fast pace nearly every year during the previous two decades. From 2013 through 2019, nonfarm payrolls increased by an average of 7,900, or 3.4 percent, annually. Although payrolls increased in every job sector during the period, gains were greatest in the professional and business services and the government sectors, which had average annual increases of 1,600 and 1,100, or

3.8 and 3.2 percent, respectively. Contributing to job growth in the professional and business services sector was an expansion in 2014 by Serco Inc. in the city of Rogers in Benton County, which resulted in 1,000 new back-office positions. Serco Inc., with 1,600 employees, provides contract services for the federal government. Two corporate expansions by Tyson, located in the city of Springdale in Benton and Washington Counties, also contributed to gains in the professional and business services sector and resulted in a combined 320 new jobs. The state government subsector increased an average of 800, or 6.4 percent, annually from 2013 through 2019, accounting for nearly three-fourths of nonfarm payroll increases in the government sector during the period. Contributing to the increase in payrolls in the state government subsector was an increase in hiring at the UA main campus in the city of Fayetteville in Washington County. The number of full-time employees at UA reached 4,725 in the fall of 2019, compared with 4,050 in the fall of 2012, representing an increase of nearly 680 employees during the period.

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Nonfarm payroll job growth was strong in the Fayetteville metropolitan area during the second quarter of 2022, with gains occurring in almost every job sector.

	3 Months Ending		Year-Over-Year Change	
	June 2021 (Thousands)	June 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	270.2	285.0	14.8	5.5
Goods-Producing Sectors	44.4	45.5	1.1	2.5
Mining, Logging, & Construction	13.8	13.8	0.0	0.0
Manufacturing	30.6	31.7	1.1	3.6
Service-Providing Sectors	225.8	239.5	13.7	6.1
Wholesale & Retail Trade	39.7	42.3	2.6	6.5
Transportation & Utilities	18.5	20.0	1.5	8.1
Information	2.0	2.1	0.1	5.0
Financial Activities	8.9	9.1	0.2	2.2
Professional & Business Services	52.7	57.9	5.2	9.9
Education & Health Services	29.9	30.5	0.6	2.0
Leisure & Hospitality	25.9	27.5	1.6	6.2
Other Services	9.9	10.0	0.1	1.0
Government	38.3	40.0	1.7	4.4
Unemployment Rate	3.2%	2.4%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



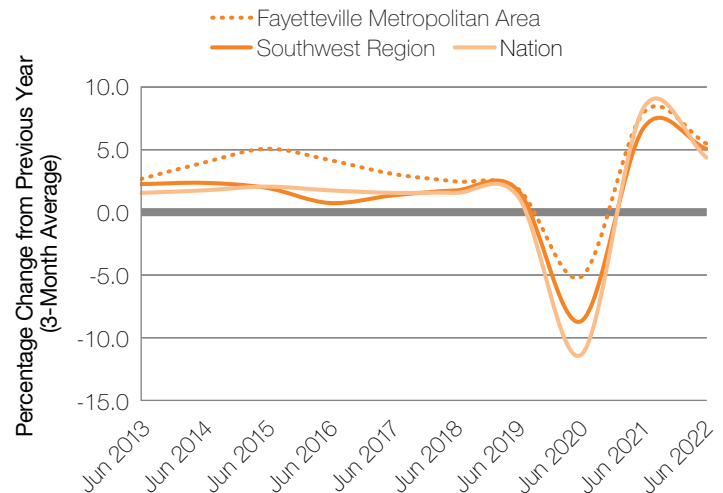
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During the second quarter of 2022—

- Nonfarm payrolls increased by 14,800, or 5.5 percent, to 285,000 jobs, compared with an 8.0-percent increase a year earlier. Payrolls increased in almost every job sector during the period.
- Widespread hiring in back-office and corporate-level positions contributed to the professional and business services sector being the leading job growth sector, increasing by 5,200, or 9.9 percent, compared with an increase of 6.5 percent a year earlier. The sector was also the largest job sector, with 57,900 jobs, accounting for more than 20 percent of nonfarm payrolls. The sector is expected to continue to increase partly because of several planned expansions. Canoo Technologies Inc., an electric vehicle manufacturer, announced plans to move its headquarters to the metropolitan area, which will result in approximately 550 new jobs.
- The wholesale and retail trade sector increased by 2,600, or 6.5 percent, to 42,300 jobs. The retail trade subsector accounted for 62 percent of job growth in the sector, increasing by 1,600, or 5.9 percent, to 28,700 jobs. Job growth in the sector generally followed national trends, with the wholesale and retail trade sector increasing 3.1 percent nationally and the retail trade subsector accounting for 69 percent of the sector gains overall.
- Nonfarm payroll growth was also strong in the government sector, which increased by 1,700, or 4.4 percent, to 40,000 jobs, compared with a 4.9-percent increase a year earlier. More than two-thirds of the increase occurred in the state government subsector, which increased by 1,200, or 7.3 percent, compared with an increase of 9.8 percent a year earlier.
- The average unemployment rate was 2.4 percent, down from 3.2 percent a year earlier and down from 6.7 percent during the second quarter of 2020.

The economy of the metropolitan area benefits considerably from its largest employers—Walmart, Tyson, and UA—which account for a combined 15 percent of all jobs in the metropolitan area. Walmart, the largest retailer in the world, with a workforce of 2.30 million worldwide, employs approximately 29,600 workers throughout the metropolitan area, of which 15,000 employees work at its corporate headquarters in the city of Bentonville in Benton County. In addition, an estimated 1,600 Walmart suppliers, 400 of which are 2022 Fortune 500 companies, maintain corporate offices locally and employ a combined workforce of more than an estimated 10,000 people in the metropolitan area (Bentonville Economic Development).

Job losses caused by the impacts of the COVID-19 pandemic were not as severe in the Fayetteville metropolitan area compared with the Southwest region and the nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Fayetteville Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Walmart Inc.	Multiple Sectors	29,600
Tyson Foods, Inc.	Multiple Sectors	7,500
University of Arkansas	Government	4,775

Note: Excludes local school districts.

Sources: Local chambers of commerce; local employers

Tyson, one of the largest food manufacturing companies in the nation, is the second largest employer in the metropolitan area, with 7,500 workers, of which 2,000 are employed at its corporate headquarters in the city of Springdale in Benton and Washington Counties. Corporate positions at Walmart and Tyson headquarters and the suppliers for Walmart represent nearly one-half of all jobs in the professional and business services sector in the metropolitan area. Walmart is currently building a new corporate headquarters campus in the city of Bentonville. The new campus is expected to be complete in 2024 and will include 12 office buildings on 350 acres. The campus will also include a health and fitness center, a childcare center, numerous bike trails for employees, and an AC Hotel by Marriott for visitors. With 4,775 full-time employees, UA is the third largest employer. UA generates \$1.4 billion in economic activity in the metropolitan area annually (University of Arkansas).

Sales Market Conditions

Sales housing market conditions are tight in the Fayetteville metropolitan area. The estimated sales vacancy rate is currently 1.1 percent, down from 3.8 percent as of April 1, 2010, when conditions were soft. The tight home sales market conditions have been partly due to a decrease in unsold home inventory and strong sales demand. The inventory of unsold homes in June 2022 represented 1.3 months of supply, unchanged from a year earlier and down from 1.6 months in June 2020 and from 12.7 months in March 2010 (CoreLogic, Inc.). By comparison, the supply of homes for sale averaged 4.5 months from 2013 through 2019. New and existing home sales in the metropolitan area totaled 18,200 during the 12 months ending May 2022. That number was a decrease of 200, or 1 percent, compared with a year earlier, when home sales increased 17 percent from the previous year, which at that time represented the highest level of home sales for any 12-month period since at least 2000. Strong home sales demand during the past 2 years has been partly due to low mortgage interest rates. Although the interest rate for a 30-year fixed-rate mortgage averaged 5.5 percent during June 2022, the average rates during 2021 and 2020 were 3.0 and 3.1 percent, respectively, representing the lowest and second lowest average rates for any year during the past 50 years (Freddie Mac). The average home sales price during the 12 months ending May 2022 was \$313,500, reflecting an increase of \$56,300, or 22 percent, from a year earlier, the largest increase since 2004. By comparison, the average home price increased 13 percent during the 12 months ending May 2021, which at that time also represented the largest increase in home sales price growth since 2004. The decrease in inventory of homes available for sale placed upward pressure on home prices, which contributed to strong increases in the average home price during the past 2 years. As of May 2022, 0.9 percent of home loans were seriously delinquent or in real estate owned (REO) status, down from 2.1 percent a year earlier and below the 7.0-percent peak rate in January 2010. The percentage of seriously delinquent mortgages and REO properties increased during the COVID-19 pandemic, but not as significantly compared with the nation. The percentage of seriously delinquent mortgages and REO properties in the metropolitan area reached a recent peak of 2.6 percent in October 2020, compared with a recent national peak level of 4.4 percent in August 2020.

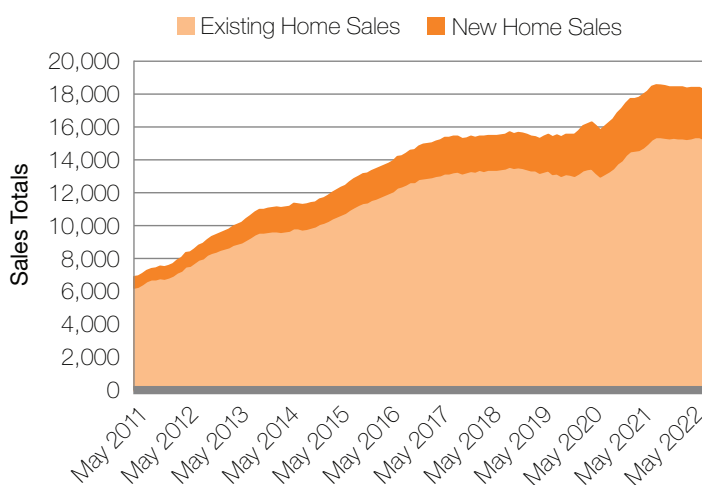
During the 12 months ending May 2022 —

- New home sales decreased 8 percent to 2,950 homes, compared with a 14-percent increase a year earlier. The average price for a new home increased 19 percent to \$335,700.

- Existing home sales were unchanged at 15,250, compared with an increase of 17 percent a year earlier. The average price for existing homes increased 23 percent to \$309,200.
- Distressed home sales accounted for only 3 percent of existing home sales, unchanged from a year earlier and down from the peak level of 32 percent in 2009.

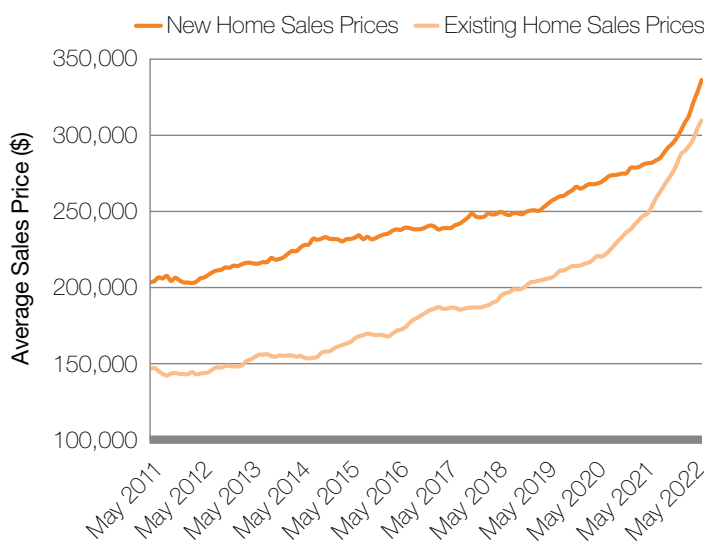
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Existing home sales in the Fayetteville metropolitan area have been at or near record levels since the spring of 2021, and new home sales have been strong since the spring of 2020.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

New and existing home prices in the Fayetteville metropolitan area have surged recently.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

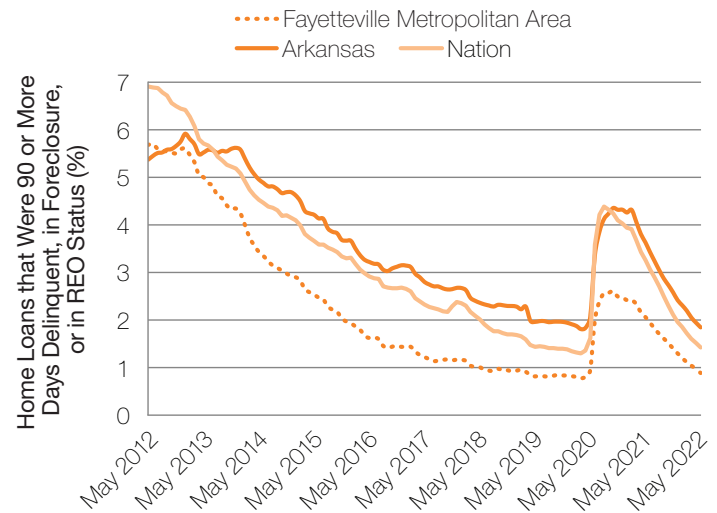
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- Benton County accounted for 61 percent of home sales in the metropolitan area, compared with 32 percent in Washington County. Madison and McDonald Counties accounted for a combined 7 percent of home sales.

Single-family homebuilding activity in the Fayetteville metropolitan area, as measured by the number of single-family homes permitted, increased by 520, or 10 percent, to 5,925 homes during the 12 months ending June 2022 as homebuilders responded to strong home sales demand. By comparison, homebuilding activity increased 29 percent during the 12 months ending June 2021. An estimated 3,700 single-family homes are currently under construction.

- Single-family home construction activity increased every year from 2014 through 2020, with an average increase of 310, or 10 percent, annually. Annual increases in homebuilding during the period ranged from 1 percent during 2017 to 25 percent during 2016.
- Since 2013, 64 percent of single-family home construction in the metropolitan area occurred in Benton County, and Washington County accounted for 35 percent. Single-family home construction activity in Madison and McDonald Counties combined accounted for 1 percent.
- The Aurora master-planned community is currently under construction in the city of Bentonville. The community will include a total of 245 single-family homes on 72 acres at build-out. Amenities at Aurora will include two community swimming pools, an Elevate Fitness Course, and a bike repair station. Two-, three-, and four-bedroom homes, ranging in size from 2,100 to 3,450 square feet, are offered at the community, with prices ranging from \$435,000 to \$725,000. Three homes have sold at the community for an average price of \$561,100. Fourteen homes are currently under construction, and an additional 37 home sites are available for construction.
- Construction is ongoing at the Allen's Mill residential community in the city of Cave Springs, near the city of Rogers. Three- and four-bedroom single-family homes, ranging in size from 1,800 to 2,800 square feet, are offered at the development, with prices starting at \$415,000. Since opening in 2019, approximately 110 new homes have sold at Allen's Mill. An additional eight homes are currently available for sale, and 16 home sites are ready for construction. The community is expected to include approximately 250 homes at build-out.
- In the city of Fayetteville, construction is nearing completion at the Magnolia Park residential community, which will include about 110 single-family homes at build-out. Since

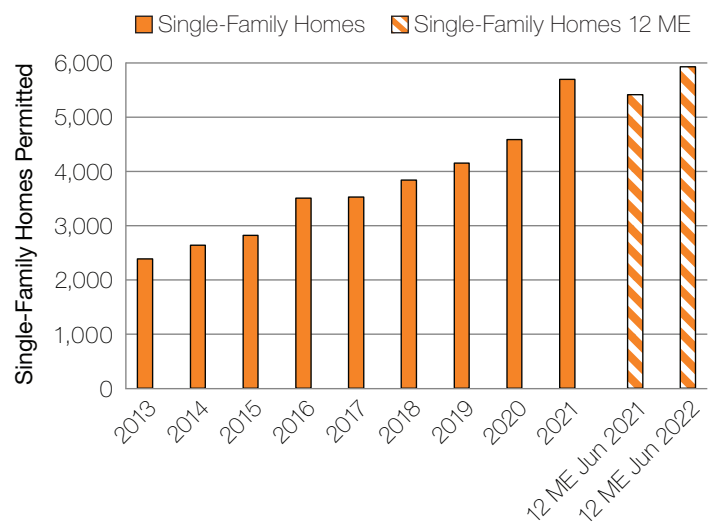
The share of seriously delinquent home loans and REO properties in the Fayetteville metropolitan area has been consistently below the national share and has been below the rate in Arkansas since September 2012.



REO = real estate owned.

Source: CoreLogic, Inc.

Single-family home construction activity in the Fayetteville metropolitan area has increased every year since 2014.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

opening in 2021, 75 new three- and four-bedroom homes have sold at the community. Eight homes, ranging in size from 1,875 to 2,750 square feet, are currently available for sale at prices starting at \$400,000, and an additional seven home sites are available for construction.

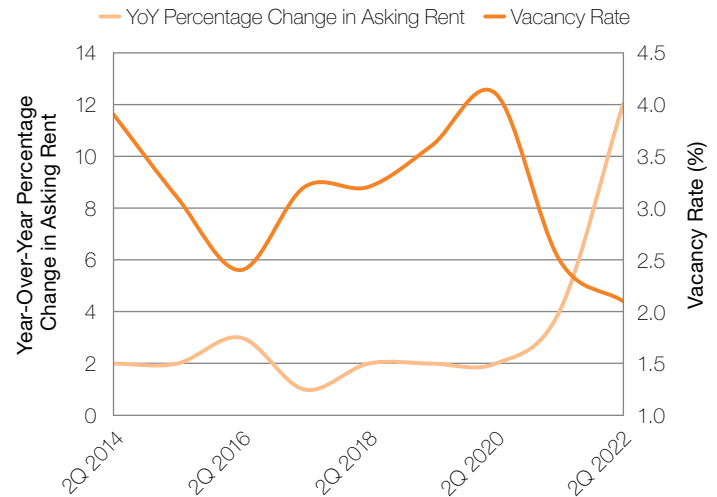
Apartment Market Conditions

Apartment market conditions are currently very tight in the Fayetteville metropolitan area, compared with soft conditions in 2010. During the second quarter of 2022, the average apartment vacancy rate was 2.1 percent, down from 2.5 percent a year earlier and down from 6.8 percent during the second quarter of 2010 (CoStar Group). By comparison, the average apartment vacancy rate averaged 3.4 percent from the second quarter of 2014 through the second quarter of 2020. An expanding economy and strong population growth in the metropolitan area have contributed to a lower average apartment vacancy rate compared with 2010. A limited inventory of homes for sale and strong home price growth have also contributed to the decline in the average apartment vacancy rate and strong apartment rent growth during the past year. Growth in student enrollment at UA in the city of Fayetteville—an average of 3.2 percent annually since 2010—also contributed to the decline in the average apartment vacancy rate. UA provides on-campus housing for approximately 6,200 students, or 21 percent of the 29,000 students enrolled as of the fall 2021 semester. The remaining 22,800 students, or an estimated 7,600 households, reside in the local housing market. An estimated 7,150 of those households are renter households and account for an estimated 8 percent of the metropolitan area rental market (University of Arkansas, with estimates by the analyst).

During the second quarter of 2022—

- The average apartment rent in the metropolitan area was \$969, representing an increase of 12 percent, compared with a 4-percent increase a year earlier (CoStar Group). By comparison, the average apartment rent increased an average of 2 percent annually from the second quarter of 2014 through the second quarter of 2020.
- The average vacancy rate for class A apartments in the metropolitan area decreased to 2.8 percent from 4.0 percent a year earlier, and the average rent was \$1,257, up 15 percent from a year earlier.
- The average vacancy rate for class B/C apartments was 1.9 percent, down slightly from 2.0 percent a year earlier, and the average rent for class B/C units increased 10 percent to \$855.
- The average apartment vacancy rates in the metropolitan area ranged from 1.7 percent in the city of Fayetteville to 3.6 percent in the city of Bentonville. Average apartment rents in the metropolitan area ranged from \$828 in the city of Fayetteville to \$1,136 in the city of Bentonville.
- The average apartment vacancy rate at properties located within 2 miles of the UA main campus was 1.4 percent, and the average rent increased 6 percent to \$808.

The average apartment rent in the Fayetteville metropolitan area surged during the second quarter of 2022, and the average apartment vacancy rate decreased to the lowest level since at least 2000.



2Q = second quarter. YoY = year-over-year.
Source: CoStar Group

Multifamily construction activity in the Fayetteville metropolitan area, as measured by the number of multifamily units permitted and analyst estimates, increased from 2014 through 2017 by an average of 330 units, or 50 percent, annually, as developers responded to increased apartment demand stemming from job and population growth. Strong enrollment growth at UA also contributed to the increase in multifamily construction. Off-campus student apartment construction near UA, which averaged 670 beds in 200 units annually from 2014 through 2017, accounted for 15 percent of the total number of multifamily units permitted during the same period. Multifamily construction activity surged during 2018 to 3,175 units. Contributing to the increase was the construction of a combined 1,300 beds in 280 units at two off-campus student apartment communities near UA. Also, more than one-third of the multifamily construction activity during 2018 occurred at two large apartment developments, with a combined 1,100 units, in the city of Bentonville. Multifamily construction activity remained strong during 2019 and 2020, averaging 2,575 units annually, albeit at a slower pace compared with the peak level of multifamily construction activity during 2018.

- Multifamily construction activity totaled an estimated 2,275 units during the 12 months ending June 2022, up 14 percent compared with 2,000 units permitted a year earlier (preliminary data, with adjustments by the analyst).
- An estimated 3,900 multifamily units are currently under construction in the metropolitan area, two-thirds of which

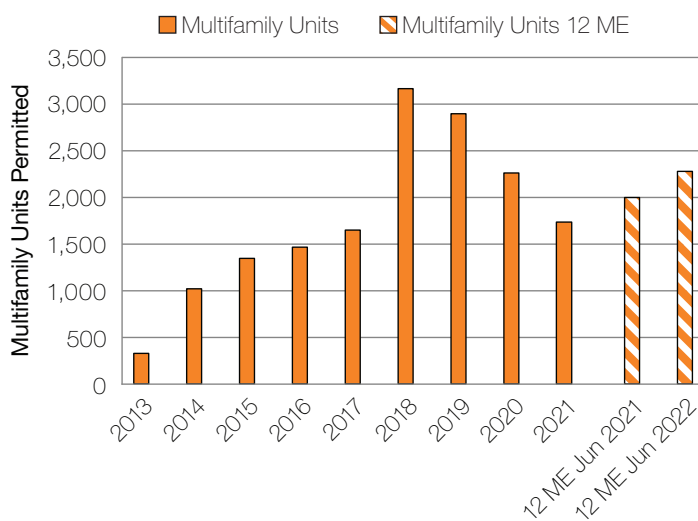
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are located in Benton County, in or near the cities of Bentonville and Rogers. One-third of the multifamily units under construction are located in Washington County, mostly in the cities of Fayetteville and Springdale.

- Construction on Dodson Pointe Apartment Homes in the city of Rogers is expected to be complete in the fall of 2022. The development is expected to include 240 market-rate one- and two-bedroom units. Rents are expected to start at \$1,040 and \$1,340 for one- and two-bedroom units, respectively.
- The Reserve at Springdale apartment community is also slated to open in the fall of 2022 in the city of Springdale, and it is expected to include 170 market-rate one-, two-, and three-bedroom units. Rents at The Reserve at Springdale are expected to start at \$899 for one-bedroom units, \$1,019 for two-bedroom units, and \$1,179 for three-bedroom units.
- The Retreat at Fayetteville, an off-campus student apartment community near UA, is currently under construction and expected to be complete in the fall of 2023. The community is expected to include a total of 585 beds in 140 two-, four-, and five-bedroom units when complete. Amenities at The Retreat at Fayetteville are expected to include an academic lounge, group study rooms, and an outdoor theater.

Multifamily construction activity in the Fayetteville metropolitan area has been relatively strong during most years since 2018 compared with the previous 5 years.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resales, short sales, and REO sales, where resales are home closings that have no ties to either new home closings (builders) or foreclosures and are homes that were previously constructed and sold to an unaffiliated third party.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Rental Market	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1. The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.