

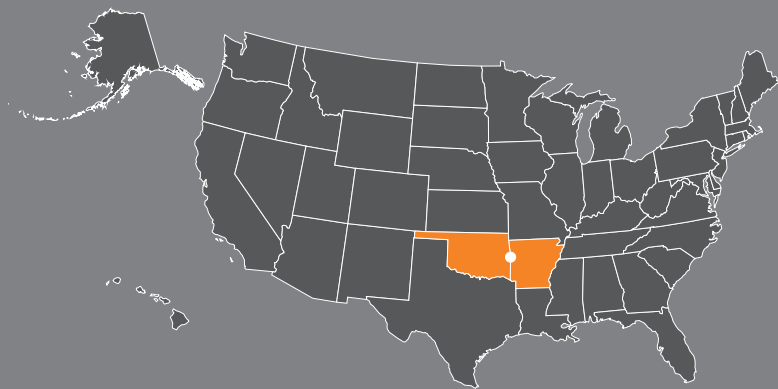
HUD PD&R Housing Market Profiles

Fort Smith, Arkansas-Oklahoma



Quick Facts About Fort Smith

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **The U.S. military base from which the city got its name, Fort Smith, was founded in 1817 where the Arkansas and Poteau rivers meet, and the fort remains a national historic site.**



By Alexander Flowers | As of May 1, 2023

Overview

The Fort Smith Metropolitan Statistical Area (hereafter Fort Smith metropolitan area) is located on the Arkansas-Oklahoma border and is defined as Sebastian, Crawford, Le Flore, and Sequoyah Counties. The metropolitan area has historically been known for strong manufacturing activity, and although the sector declined significantly during the 2008 recession, it remains the largest in the area. The metropolitan area is also a regional source for medical services, with two of the largest employers in the metropolitan area, Mercy Hospital Fort Smith and Baptist Health-Fort Smith. Mercy Hospital employs more than 3,000 people, and Baptist Health employs between 1,500 and 2,000 people. Government is the second largest employment sector in the metropolitan area, including the city of Fort Smith and several Native American casinos and resorts. The metropolitan area is also home to the University of Arkansas – Fort Smith, which has an annual economic impact of over \$300 million, contributes more than 1,500 jobs, and maintains an enrollment of 5,450 students as of fall 2021. The area is also home to the Ebbing Air National Guard Base, which was recently selected to participate as part of the Foreign Military Sales Program Private Training Center,

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a move that is expected to bring hundreds of military personnel, with over 300 dependent families, to the metropolitan area over the course of the next year. The training center is anticipated to have a \$1 billion economic impact on the metropolitan area (Talk Business & Politics).

- As of May 1, 2023, the population of the Fort Smith metropolitan area is estimated at 280,600, representing an average annual increase of 1,700, or 0.6 percent, since April 2020, with net in-migration averaging 2,075 people annually because job growth and housing affordability have increasingly attracted people to the area.

Economic Conditions

Economic conditions in the Fort Smith metropolitan area have remained strong since the end of 2021. Total nonfarm payrolls have fully recovered the number of jobs lost during March and April 2020 due to the COVID-19 pandemic (monthly data, not seasonally adjusted). Payrolls in the metropolitan area exceeded prepandemic levels in October of 2021, and growth has continued since then. During the 3 months ending April 2023, nonfarm payrolls totaled 115,200, reflecting an increase of 2,500 jobs or 2.2 percent, from the 3 months ending April 2022, when nonfarm payrolls increased by 2,200 jobs, or 2.0 percent.

During the 3 months ending April 2023—

- Job growth in the metropolitan area was led by the education and health services sector, which has increased by 700 jobs,

or 4.0 percent, from a year ago to 18,000 jobs. Gains in the sector were bolstered by the opening of the new Fort Smith ER & Hospital.

- The manufacturing sector is the largest sector in the metropolitan area. That sector increased by 600 jobs, or 3.3 percent, to 18,700 jobs from a year ago because of the expansion of several manufacturing facilities.
- The professional and business services sector declined by 700 jobs, or 5.8 percent, to 11,300. The sector expanded a year earlier by 200 jobs, or 1.7 percent, to 12,000, the highest level since the first quarter of 2019.

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During the 3 months ending April 2023, nonfarm payrolls in the Fort Smith metropolitan area increased in all sectors except the financial activities and professional and business services sectors.

	3 Months Ending		Year-Over-Year Change	
	April 2022 (Thousands)	April 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	112.7	115.2	2.5	2.2
Goods-Producing Sectors	23.1	24.0	0.9	3.9
Mining, Logging, & Construction	5.0	5.3	0.3	6.0
Manufacturing	18.1	18.7	0.6	3.3
Service-Providing Sectors	89.6	91.2	1.6	1.8
Wholesale & Retail Trade	17.8	17.9	0.1	0.6
Transportation & Utilities	6.3	6.7	0.4	6.3
Information	1.3	1.4	0.1	7.7
Financial Activities	4.2	4.1	-0.1	-2.4
Professional & Business Services	12.0	11.3	-0.7	-5.8
Education & Health Services	17.3	18.0	0.7	4.0
Leisure & Hospitality	9.4	9.9	0.5	5.3
Other Services	3.5	3.6	0.1	2.9
Government	17.9	18.2	0.3	1.7
Unemployment Rate	3.3%	2.7%		

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

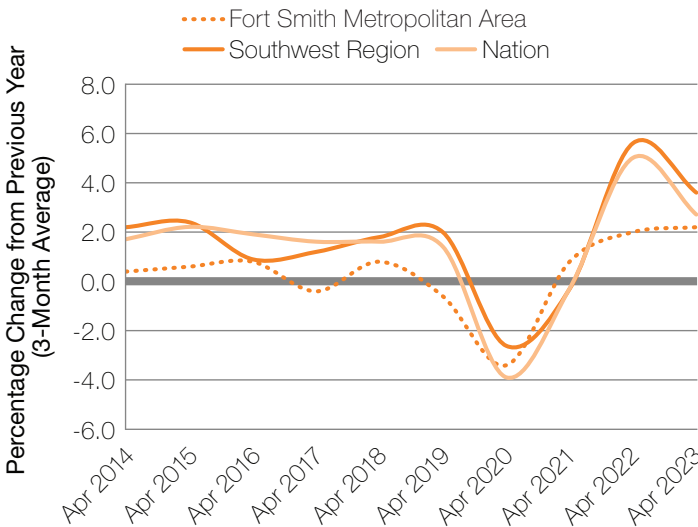
Source: U.S. Bureau of Labor Statistics



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- The unemployment rate was 2.7 percent, down from 3.3 percent a year earlier and below the national rate of 3.5 percent. The unemployment rate reached a recent peak of 9.5 percent during the second quarter of 2020.

Nonfarm payrolls in the Fort Smith metropolitan area recovered more quickly than both the Southwest region and the nation following the COVID-19 pandemic, but they have since grown at a slower pace.



Source: U.S. Bureau of Labor Statistics

The manufacturing sector has been one of the most consistently declining employment sectors in the Fort Smith metropolitan area during the past 10 years, but recent developments have provided the sector with a boost. Mars Petcare completed a \$117 million expansion to its manufacturing facility in 2023, adding over 260 jobs in response to a growing demand for pet food during the pandemic. Hytrol Conveyor Company, Inc., is a parcel manufacturing company that flourished in the e-commerce boom during the pandemic. The company moved into the area in 2021, and it has announced a \$20 million expansion, which will contribute 100 additional jobs to the area over the next 3 years. In addition to the expansion of manufacturing facilities, the University of Arkansas – Fort Smith received a \$1 million investment from ABB Ltd. to launch a Center of Excellence in Advanced Manufacturing, designed to educate and train skilled manufacturing laborers.

Largest Employers in the Fort Smith Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
OK Foods, Inc.	Manufacturing	3,000+
Mercy Hospital Fort Smith	Education & Health Services	3,000+
Baptist Health-Fort Smith	Education & Health Services	1,500–2,000

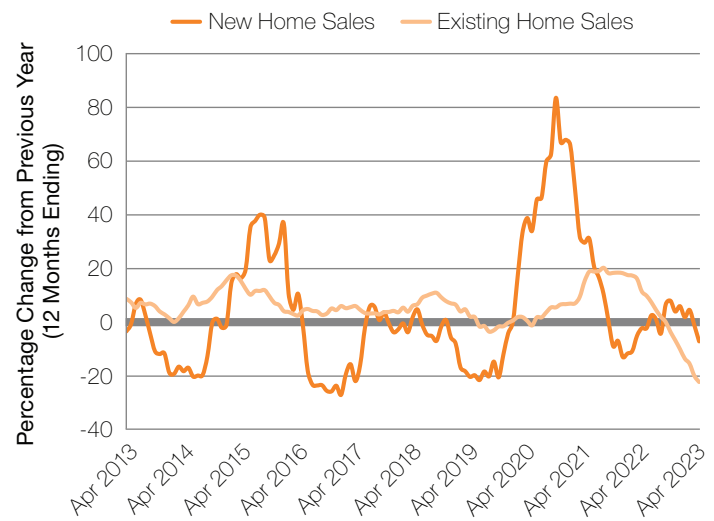
Note: Excludes local school districts.

Source: Fort Smith Regional Chamber of Commerce

Sales Market Conditions

The sales housing market in the Fort Smith metropolitan area is currently balanced, with an estimated vacancy rate of 1.9 percent, down from 2.2 percent in April 2010. Market conditions have tightened in the past 3 years. Increased population growth, the availability of remote work, the relative affordability of housing in the region when compared to nearby metropolitan areas, and the expanding local economy contributed to an increase in housing demand in the metropolitan area. Recently, however, increased interest rates and slightly elevated housing prices have had a negative effect on home sales. Total home sales declined from a year earlier by 1,475, or 22 percent, to 5,250 homes sold during the 12 months ending April 2023, similar to levels before the pandemic (CoreLogic, Inc.). The average home price increased by \$5,375, or 3 percent, from a year earlier. As a result of the COVID-19 pandemic and the associated economic disruption, the percentage of home loans in the metropolitan area that were seriously delinquent or had transitioned into real estate owned (REO) status rose steeply throughout 2020 to a peak of 0.5 percent in February 2021. That rate was greater than the rates in both Arkansas and the nation. The rate has declined sharply since then to 1.7 percent as of April 2023, below the

New home sales accelerated strongly during 2020 before decelerating in 2021 because pandemic-related disruptions limited inventory.



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

Source: CoreLogic, Inc., with adjustments by the analyst

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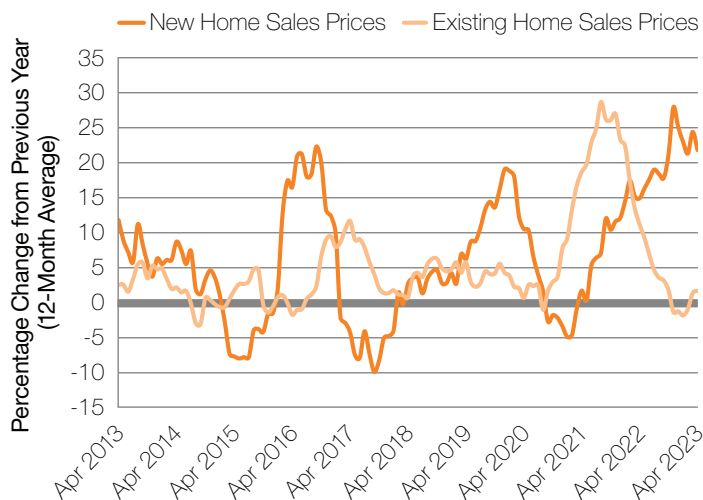
prepandemic level. The respective rates for Arkansas and the nation were 1.4 and 1.1 percent in April 2023, down from 1.9 and 1.5 percent a year earlier.

During the 12 months ending April 2023—

- New home sales totaled 230 in the metropolitan area, representing an 8-percent decrease from 250 during the previous 12 months, as rising prices and interest rates tempered demand (CoreLogic, Inc., with adjustments by the analyst).
- Existing home sales totaled 5,025, reflecting a decline of 1,450, or 23 percent, from the previous 12 months, when existing home sales totaled 6,475. Existing home sales peaked at 6,525 homes sold during the 12 months ending March 2022.
- The average sales price for new homes was \$303,700, up \$54,100, or 22 percent, from a year earlier. The average new home sales price increased by \$32,150, or 15 percent, during the 12 months ending April 2022.
- The average sales price for an existing home was \$159,200, representing an increase of \$2,500, or 2 percent, from the 12 months ending April 2022, when home prices increased at a faster rate of \$15,650, or 11 percent.

The construction of homes in the Fort Smith metropolitan area, as measured by the number of single-family homes permitted, reached a local peak of 510 units in 2021, the highest number of homes permitted since 2010. Production has begun to

Existing home sales price growth accelerated strongly in 2021 before decelerating significantly in 2022, whereas new home sales prices have grown at an increasing rate since mid-2021.

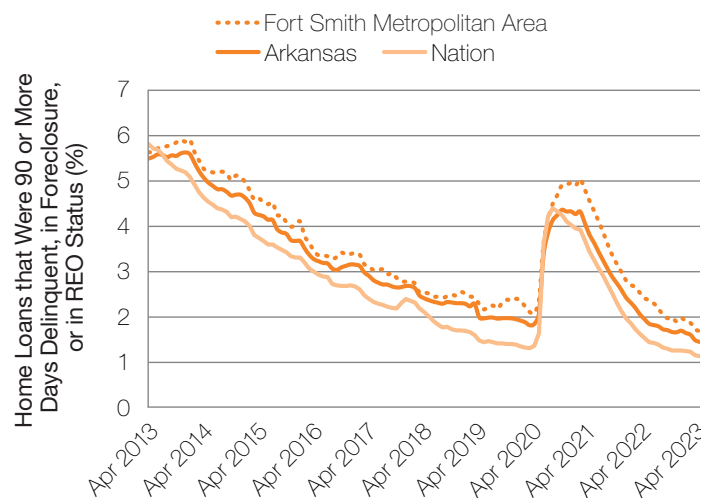


Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

decline slightly from the local peak because higher prices have reduced demand, but the continued increase in population has contributed to construction remaining above levels of production in the decade before the pandemic. By comparison, single-family permitting from 2014 through 2019 averaged 380 homes annually, with 400 homes permitted in 2019.

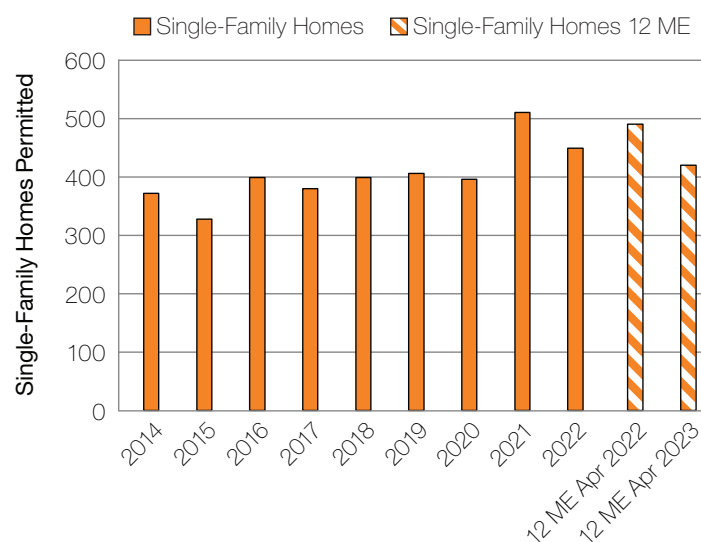
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The percentage of home loans that were 90+ days delinquent, in foreclosure, or had recently transitioned to REO status in the Fort Smith metropolitan area rose sharply during the COVID-19 pandemic, but that percentage has fallen to an all-time low since then.



REO = real estate owned.
Source: CoreLogic, Inc., with adjustments by the analyst

Single-family permitting in the Fort Smith metropolitan area declined during the 12 months ending April 2023 but remains high.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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- During the 12 months ending April 2023, the number of single-family homes permitted decreased by 70 homes, or 14 percent, to 420 homes, compared with the previous year (preliminary data, with estimates by the analyst).
- During the 12 months ending March 2023, 170 homes, or 40 percent of all single-family homes permitted in the metropolitan area, were in the city of Fort Smith, down from 180 homes, or 37 percent of all single-family homes permitted during the previous 12 months. Other areas with strong single-family permitting in the metropolitan area include the city of Van Buren in Crawford County and Roland Town in Sequoyah County, with 60 and 50 units permitted during the 12 months ending April 2023, respectively.

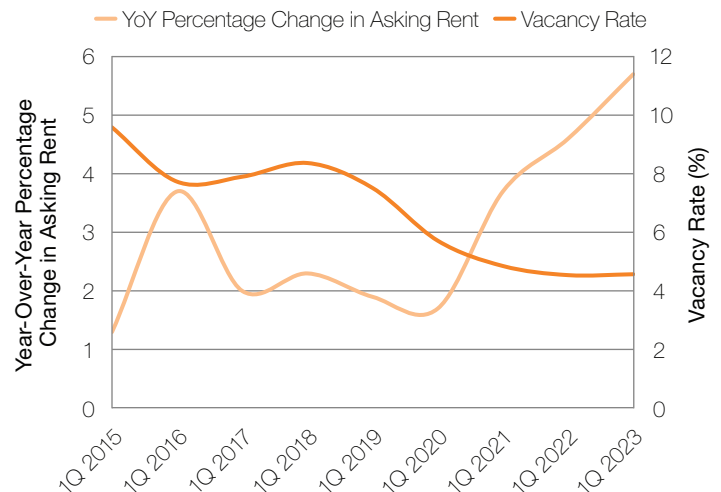
- Construction is ongoing at several developments throughout the Fort Smith metropolitan area, notably in the city of Barling in Sebastian County. These communities include Stoneshire at Chaffee Crossing, a 123-lot community of custom single-family homes with three-, four-, and five-bedroom homes starting at \$379,000; that development is more than 85 percent sold. Shire Glen is a 71-lot development in south Barling that is more than 50 percent complete, with three- and four-bedroom homes ranging in size from 1,850 to 2,230 square feet and prices starting between \$354,500 and \$420,500.

Rental Market Conditions

The rental market in the Fort Smith metropolitan area is currently balanced. A recent increase in population, following a decade of decline, led to improved rental market conditions. The estimated vacancy rate for all rental units (including single-family homes, mobile homes, and apartments) is 8.0 percent, down from 10.0 percent in April 2010. Approximately 48 percent of all renter households in the metropolitan area live in single-family homes. In the 5 years leading up to the COVID-19 pandemic, apartment market conditions in the metropolitan area ranged from soft to balanced as the population in the metropolitan area stagnated and out-migration occurred. Since 2020, the population of the metropolitan area has increased because of strong in-migration, which resulted in tight apartment market conditions during the first quarter of 2020. Apartment conditions have remained tight since the first quarter of 2021. The percentage of renters occupying units in structures with five or more units, typically apartments, was 23 percent in 2018, unchanged from 2017 (2017–2018 American Community Survey 1-year data).

- In April 2023, the average vacancy rate for professionally managed three-bedroom single-family homes was 2.1 percent, down from 2.2 percent a year ago. The average rent was \$1,181, down \$83, or 7 percent, from \$1,264 in April 2022 (CoreLogic, Inc.).
- The apartment vacancy rate in the metropolitan area averaged 4.6 percent as of the first quarter of 2023, unchanged from the same quarter a year earlier. That rate is well below the 7.5 percent rate as of the first quarter of 2019, before the pandemic (CoStar Group).
- Apartment asking rents in the metropolitan area averaged \$690 as of the first quarter of 2023, reflecting an increase of \$37, or nearly 6 percent, from \$653 a year earlier. That increase represents an acceleration from the annual rent increase of \$29, or 5 percent, in the first quarter of 2022.

Since the first quarter of 2020, the apartment market has remained tight, whereas rent growth has accelerated continuously.



1Q = first quarter. YoY = year-over-year.
Source: CoStar Group

- The average apartment vacancy rate within a 2-mile radius of the University of Arkansas – Fort Smith was 5 percent as of the first quarter of 2023, reflecting a decrease from 5.5 percent a year earlier. Rent averaged \$626, representing an increase of \$30, or 5 percent, from the previous year. Student households make up slightly more than 1 percent of renter households in the metropolitan area.

Multifamily construction activity in the metropolitan area, as measured by the number of units permitted and analyst estimates, increased during the 12 months ending April 2023. The number of multifamily units permitted was elevated in 2016 and 2017, contributing to a soft apartment market from 2017

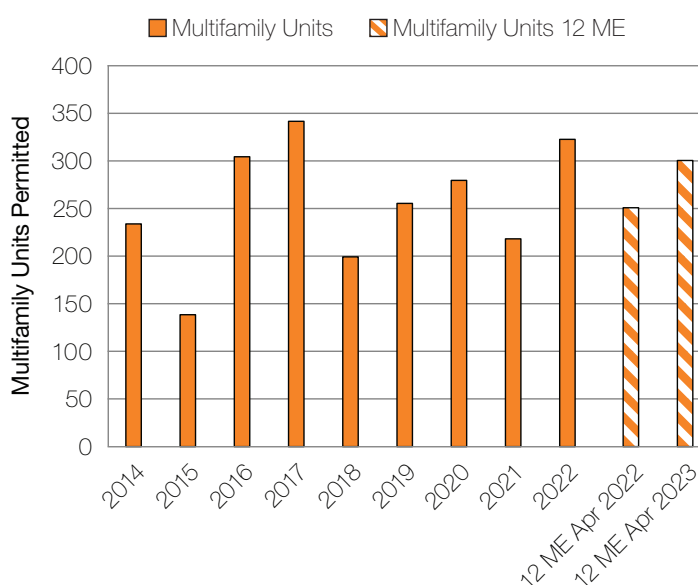
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through 2019. During the 12 months ending April 2023, 300 multifamily units were permitted in the metropolitan area, up from 250 units permitted during the 12 months ending April 2022.

- An average of 190 multifamily units were permitted in the metropolitan area from 2014 through 2015. That average increased to 320 units annually from 2016 through 2017, only to fall to 240 units annually from 2018 through 2021.
- An estimated 240 apartment units are currently under construction in the Fort Smith metropolitan area, mostly in the city of Barling.
- Since the beginning of 2020, an estimated 240 apartment units in and around the city of Fort Smith in Sebastian County were completed (CoStar Group). In addition, 70 units were completed in the city of Van Buren in Crawford County, and 25 units were completed in Barling in Sebastian County.
- Developments in the area include the Prairie at Chaffee Crossing apartments, a 180-unit market-rate multifamily development underway in the city of Barling comprised of studio, one-, and two-bedroom apartments, and Electric Park, a 56-unit low-income development which includes one-, two-, and three-bedroom apartments in north Fort Smith. Both developments are expected to be complete in 2024.

Multifamily permitting increased in the Fort Smith metropolitan area in the 12 months ending April 2023, but permitting has not surpassed the all-time peak in 2017.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—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.
Existing Home Sales	Include resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90 or more 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.
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