

# HUD PD&R Regional Reports

## Region 6: Southwest



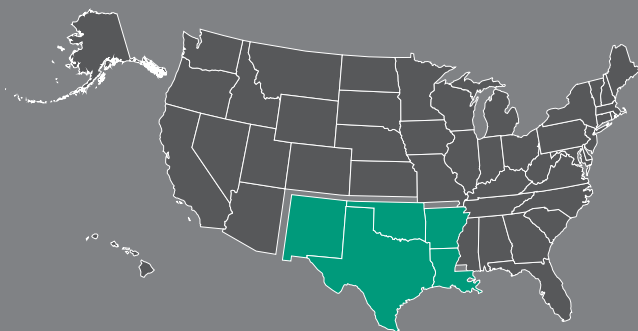
### Quick Facts About Region 6

#### Sales market conditions—

First quarter 2019: mixed (balanced to slightly tight)  
Fourth quarter 2018: mixed (balanced to slightly tight)  
First quarter 2018: mixed (balanced to slightly tight)

#### Apartment market conditions—

First quarter 2019: mixed (slightly tight to soft)  
Fourth quarter 2018: mixed (balanced to soft)  
First quarter 2018: mixed (balanced to soft)



Oklahoma City, Oklahoma

By Robert Stephens | 1st Quarter 2019

### Overview

The economic expansion in the Southwest region that began in 2011 continued in the first quarter of 2019. The rate of job growth quickened during the past year but remains below the strong rate of growth that occurred earlier in the decade. Texas led payroll increases in the region, with gains in both the goods-producing and the service-providing sectors. Continued employment growth in the region contributed to balanced conditions in most major sales and rental housing markets. Home sales prices increased in most major markets and, despite a high level of multifamily completions in the region, average rents continued to grow, and vacancy rates remained stable or declined in most markets throughout the region.

During the first quarter of 2019—

- Nonfarm payrolls increased 1.8 percent from the first quarter of 2018 to 18.36 million jobs. The level of job growth in the region was above the national average of 1.6 percent, in part because of strong growth among energy-related industries.
- Home sales prices increased in most major metropolitan areas in the region, although the rate of price appreciation slowed in most markets from the first quarter of 2018.
- Combined single-family and multifamily permitting activity in the Southwest region increased 4 percent, to 54,100, from the first quarter of 2018.



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## Economic Conditions

Nonfarm payroll growth in the Southwest region accelerated during the first quarter of 2019 from the past year. Nonfarm payrolls increased 1.8 percent, or by 318,900 jobs, compared with the number of jobs during the same quarter a year earlier, to 18.36 million jobs. By comparison, during the first quarter of 2018, nonfarm payrolls grew 1.7 percent, or by 305,500 jobs, from the first quarter of 2017. Despite recent gains, the rate of job growth remains less than the 2.5-percent increase averaged annually from 2012 through 2014. Job growth remained relatively strong in most service-providing sectors during the first quarter of 2019, with the only loss occurring in the information sector. The education and health services and leisure and hospitality sectors led job growth in the region, increasing by 52,700 jobs, or 2.1 percent, and 51,300, or 2.7 percent, respectively, and accounting for nearly one-third of the total net gain in nonfarm payrolls.

The goods-producing sectors, which declined in the region in 2015 and 2016 because of a contraction in energy-related industries, added 92,200 jobs, a gain of 3.4 percent, during the first quarter of 2019. Growth in the construction subsector continued, in part because residential building activity increased throughout much of the region; the subsector grew by 29,500 jobs, or 2.8 percent. The mining and logging subsector increased 6.9 percent, or by 24,200 jobs, the fastest rate of growth of any sector or subsector in the region. Mining and logging had been one of the fastest growing subsectors in the region, increasing at an average annual rate of 10.0 percent from 2011 through 2014, before shedding an average of 72,200 jobs, or 15.5 percent, annually in 2015 and 2016. Similarly, manufacturing sector payrolls increased by 38,500 jobs, or 2.9 percent, from the first quarter of 2018 after falling by

an average of 31,600 jobs, or 2.3 percent, annually in 2015 and 2016. Lower oil and gas prices led many energy-related companies to reduce workforces, which led to overall job losses in the goods-producing sectors in 2015 and 2016. Parts of the region involved in the extraction of oil and gas—such as the Eagle Ford Shale region of south Texas—and in the processing, refining, and transportation of crude oil—such as the Gulf Coast regions of Texas and Louisiana—were particularly affected. By 2017, crude oil production in the Southwest region surged, which led to an increase in hiring to bring new production online. During the 12 months ending February 2019, field production of crude oil in the Southwest and Gulf Coast regions increased 24 percent, to 404.03 million barrels per day, from the previous 12 months (U.S. Energy Information Administration). By comparison, crude oil production declined an average of 2 percent a year in these regions in 2015 and 2016.

During the first quarter of 2019—

- Nonfarm payrolls increased 2.3 percent, or by 281,100 jobs, in Texas from the first quarter of 2018. Growth occurred in all sectors except information. The mining, logging, and construction sector led growth, increasing by 46,600 jobs, or 4.9 percent.
- New Mexico had the second fastest rate of job growth in the region, following Texas. Payrolls increased 1.0 percent, or by 8,700 jobs, from the first quarter of 2018. Job growth was driven, in part, by increasing tourism in popular travel destinations such as Santa Fe. The largest sector gains, totaling 8,700 jobs, occurred in the mining, logging, and construction

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### Job growth in the Southwest region was broad based with gains in all but one nonfarm payroll sector.

	First Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	18,043.5	18,362.4	318.9	1.8
Goods-Producing Sectors	2,713.7	2,805.9	92.2	3.4
Mining, Logging, & Construction	1,392.0	1,445.7	53.7	3.9
Manufacturing	1,321.7	1,360.2	38.5	2.9
Service-Providing Sectors	15,329.9	15,556.5	226.6	1.5
Wholesale & Retail Trade	2,729.5	2,750.1	20.6	0.8
Transportation & Utilities	782.1	807.2	25.1	3.2
Information	269.5	264.8	-4.7	-1.7
Financial Activities	1,031.0	1,048.4	17.4	1.7
Professional & Business Services	2,348.3	2,382.2	33.9	1.4
Education & Health Services	2,556.0	2,608.7	52.7	2.1
Leisure & Hospitality	1,923.9	1,975.2	51.3	2.7
Other Services	646.8	666.6	19.8	3.1
Government	3,042.8	3,053.2	10.4	0.3

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

Source: U.S. Bureau of Labor Statistics

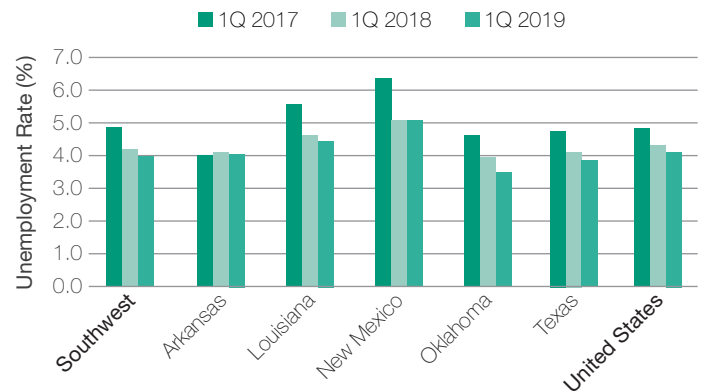


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and the leisure and hospitality sectors. Growth was partially offset by losses in several sectors or subsectors, including the retail trade subsector and the government sector, which declined by a combined 2,300 jobs.

- Oklahoma added the second most jobs in the region, following Texas. Payrolls increased by 12,700 jobs, or 0.8 percent, from the first quarter of 2018. Job growth was concentrated in the mining, logging, and construction sector, which increased by 7,800 jobs, or 6.1 percent.
- Nonfarm payrolls grew by 11,300 and 5,000 jobs, or 0.9 and 0.3 percent, from the first quarter of 2018 in Arkansas and Louisiana, respectively. In Arkansas, job gains were widespread, with growth in most payroll sectors. In Louisiana, a loss of 5,300 jobs in the mining, logging, and construction sector was more than offset by gains in most other sectors.
- The unemployment rate in the region was 4.0 percent, down 0.2 percentage point from the first quarter of 2018. The rate declined or remained unchanged in all states in the region during this time.

**The unemployment rate declined or remained unchanged in all states in the region from the first quarter of 2018.**



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

## Population

The population of the Southwest region increased by 391,600, or 0.9 percent, from 2017 to 2018, the lowest rate of growth this decade (Census Bureau population estimates as of July 1). The region accounted for approximately 13 percent of the total population in the nation in 2017, but 19 percent of the nation's total population growth from 2017 to 2018. Every state in the region except Louisiana added population during this time, but approximately 95 percent of the growth was in Texas, which accounts for only 68 percent of the total population in the region. Population increases in Texas and the region were, in part, the result of affordable housing and strong economic growth relative to other parts of the country.

During the 12 months ending July 1, 2018—

- Texas had the greatest population gain in the nation, at 379,100 people, and had the eighth highest rate of population growth in the nation, at 1.3 percent.
- Louisiana was one of only nine states in the nation that had a population decline. Population in the state fell by 10,850, or 0.2 percent, entirely the result of net domestic out-migration of 27,925 people.
- New Mexico and Oklahoma also experienced net domestic out-migration, of 5,850 and 4,475, respectively; however, the

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**Population in the Southwest region grew faster than the national rate, led by gains in Texas.**

	Population Estimate			Percentage Change	
	2016	2017	2018	2016 to 2017	2017 to 2018
United States	323,071,342	325,147,121	327,167,434	0.6	0.6
Southwest Region	41,625,675	42,022,567	42,414,155	1.0	0.9
Arkansas	2,990,410	3,002,997	3,013,825	0.4	0.4
Louisiana	4,678,215	4,670,818	4,659,978	-0.2	-0.2
New Mexico	2,092,789	2,093,395	2,095,428	0.0	0.1
Oklahoma	3,926,769	3,932,640	3,943,079	0.1	0.3
Texas	27,937,492	28,322,717	28,701,845	1.4	1.3

Note: The population estimates are as of July 1.

Source: U.S. Census Bureau

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population continued to grow in both states because these losses were more than offset by a net natural increase (resident births minus resident deaths) and net international in-migration. Net in-migration accounted for 50 and 44 percent of population growth in Texas and Arkansas, respectively.

- Of the 10 counties with the largest population gains in the nation, 4 were in Texas: Bexar County in the San Antonio metropolitan area; Harris County in the Houston metropolitan area; and Collin and Tarrant Counties in the Dallas-Fort Worth

metropolitan area. The Dallas-Fort Worth metropolitan area also added the most people of any metropolitan area in the nation; increasing by 131,800 people, or 1.8 percent.

- Midland and Odessa were the first and fifth fastest growing metropolitan areas in the nation with respective growth rates of 4.3 and 3.2 percent. These two metropolitan areas, located adjacent to one another in West Texas, serve as a hub for the extraction of oil and natural gas in the Permian Basin and have benefited from recent improvements in the energy industry.

## Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight in most major metropolitan areas in the Southwest region during the first quarter of 2019, unchanged from the previous quarter. The number of new and existing home sales in Texas increased by 4,775, or 1 percent, to 344,600 homes sold during the 12 months ending March 2019 (Real Estate Center at Texas A&M University). Annual sales growth averaged 4 percent from 2014 through 2017, slowing significantly from a peak of 16 percent during 2013. The average sales price of new and existing homes in Texas increased 3 percent during the 12 months ending March 2019 to \$285,000, and the inventory of unsold homes remained unchanged at a 3.6-months' supply. Home price growth averaged 7 percent annually from 2013 through 2015, a period during which sales market conditions in most major Texas markets were generally tightening, before slowing to an average of 5 percent in 2016 and 2017.

Home sales were mixed, and home sales prices increased in most major markets throughout the region during the past year. The number of homes sold declined modestly in the Fort Worth-Arlington and Dallas-Plano-Irving metropolitan divisions during the 12 months ending March 2019 despite home sales price increases of 5 and 3 percent, respectively. Demand for new homes in these metropolitan divisions remains strong, but there is an increasing shortage of new homes for sale and vacant developable land on which to build new homes. The Fort Worth and Dallas metropolitan divisions averaged 2.4- and 3.0-months' supplies of unsold homes during the same time, among the lowest supplies of any major area in Texas. The most rapid increase in home sales in the region occurred outside of Texas in the Albuquerque metropolitan area, rising 4 percent during the 12 months ending January 2019. Home sales prices rose at least

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

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average or Median	2018 (\$)	2019 (\$)	Percent Change
Albuquerque (N&E)	February	11,850	12,300	4	AVG	233,600	243,400	4
Austin (N&E)	March	34,450	34,550	0	AVG	369,600	382,100	3
Dallas-Plano-Irving (N&E)	March	66,550	63,850	-4	AVG	336,900	346,000	3
Fort Worth-Arlington (N&E)	March	35,850	35,550	-1	AVG	264,900	279,400	5
Houston (N&E)	February	84,850	86,650	2	AVG	289,000	297,900	3
Little Rock (N&E)	February	10,550	10,550	0	AVG	188,000	187,800	0
New Orleans (N&E)	February	12,600	13,000	3	AVG	260,000	270,100	4
Oklahoma City (N&E)	March	23,150	23,850	3	AVG	193,000	199,200	3
San Antonio (N&E)	March	32,750	33,750	3	AVG	249,400	259,800	4

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

Note: Data include single-family homes, townhouses, 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





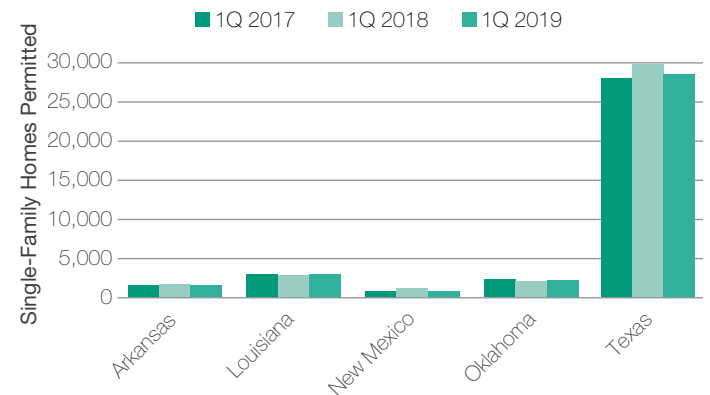
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3 percent in all major metropolitan areas in the region, except for Little Rock, where home sales were relatively unchanged and home sales prices declined less than 1 percent during the 12 months ending February 2019.

During the first quarter of 2019 (preliminary data)—

- Approximately 36,450 single-family homes were permitted in the region, down 4 percent from the same quarter a year earlier. Following the housing market downturn, the number of single-family homes permitted in the region rose an average of 13 percent a year from a first-quarter low of 19,950 homes in 2011 to a first-quarter peak of 38,050 homes in 2018.
- The number of single-family homes permitted in Texas declined by 1,275, or 4 percent, from the first quarter of 2018 to 28,500 homes permitted, accounting for approximately 78 percent of all homes permitted in the region. Permitting activity increased by 150 homes, or 5 percent, in Louisiana but declined in all other states in the region.
- In Texas, an increase of 270 homes permitted, or 7 percent, in the Austin metropolitan area was more than offset by declines of 920 homes, or 9 percent, in the Houston metropolitan area and 630 homes, or 7 percent, in the Dallas-Fort Worth metropolitan area.

An increase in the number of single-family homes permitted in Louisiana from the first quarter of 2018 was more than offset by declines elsewhere in the region.



1Q = first quarter.

Note: Based on preliminary data.

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

## Apartment Market Conditions

Apartment market conditions in large metropolitan areas in the Southwest region ranged from slightly tight to soft during the first quarter of 2019, although vacancy rates declined or remained unchanged in most metropolitan areas. All major Texas markets except for Austin were balanced, unchanged from the first quarter of 2018. The vacancy rate in Houston fell by 0.4 percentage point, to 8.3 percent, from the first quarter of 2018, with rent growth of 2 percent during the same time. Fort Worth and Dallas had

rent growth rates of 5 and 4 percent, respectively. Despite strong demand created by employment and population gains, the vacancy rate increased by 0.2 percentage point, to 6.1 percent, in Fort Worth, and remained unchanged at 6.6 percent in Dallas, in part because of an increase in the volume of newly constructed units. Austin, which transitioned from balanced to slightly tight market conditions during the most recent quarter, recorded the largest

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Most major apartment markets in the Southwest region remained balanced during the first quarter of 2019.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2018 (%)	1Q 2019 (%)	Percentage Point Change	1Q 2018 (\$)	1Q 2019 (\$)	Percent Change
Albuquerque	Balanced	6.4	5.9	-0.5	860	880	2
Austin	Slightly Tight	6.5	5.6	-0.9	1,250	1,325	6
Dallas	Balanced	6.6	6.6	0.0	1,150	1,200	4
Fort Worth	Balanced	5.9	6.1	0.2	1,050	1,100	5
Houston	Balanced	8.7	8.3	-0.4	1,075	1,100	2
Little Rock	Slightly Soft	9.6	9.5	-0.1	760	770	1
New Orleans	Balanced	7.1	6.3	-0.8	970	1,000	3
Oklahoma City	Soft	11.7	10.6	-1.1	770	790	3
San Antonio	Balanced	8.1	8.1	0.0	980	1,025	5

1Q = first quarter.

Note: Excludes units in initial lease-up.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—ALN Apartment Data, Inc., with adjustments by the analyst



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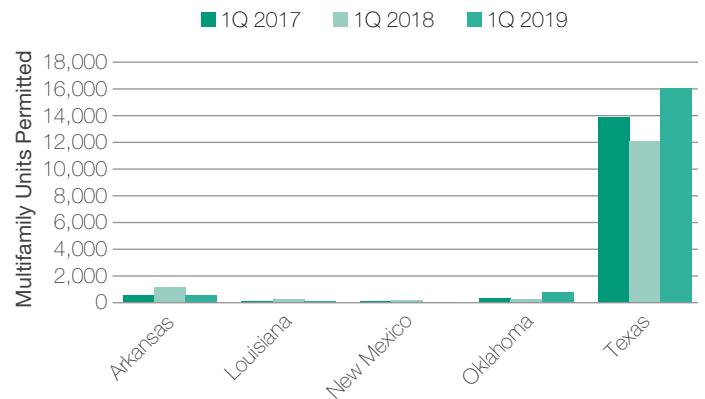
vacancy rate decline in the state, from 6.5 to 5.6 percent, and the most rapid rent growth in the region at 6 percent.

Outside of Texas, apartment market conditions were mixed during the first quarter of 2019. The apartment market in Albuquerque remained balanced with rent growth of 2 percent and a 0.5-percentage-point decline in the vacancy rate, to 5.9 percent. In New Orleans, the apartment market remained balanced as the vacancy rate declined 1.8 percentage points, to 6.3 percent, and the average rent increased 3 percent. In Little Rock, the apartment market remained slightly soft during the most recent quarter. The vacancy rate declined 0.1 percentage point, to 9.5 percent, and rents grew 1 percent from the first quarter of 2018, the lowest rate of growth in the region. In Oklahoma City, rent growth was 3 percent, and the vacancy rate declined 1.1 percentage points to 10.6 percent—the highest rate in the region despite the large decline. A large supply of new apartment units has been completed in Oklahoma City since 2015, with almost one-fourth of the supply concentrated in and around the Central Business District. Most of this new supply entered the market at a time when energy-related job growth slowed significantly. Despite recent improvement in the energy sector, apartment market conditions in Oklahoma City remain soft.

During the first quarter of 2019 (preliminary data)—

- Approximately 17,650 multifamily units were permitted in the region, a 26-percent increase from the 14,050 units permitted during the first quarter of 2018 and the second largest first-quarter total since at least 2001. By comparison, multifamily permitting averaged 15,050 during the first quarters of 2012 through 2017.
- Multifamily permitting activity in Texas, which accounted for approximately 91 percent of all multifamily units permitted in

### The number of multifamily units permitted in the Southwest region increased from the first quarter of 2018, led by growth in Texas.



1Q = first quarter.

Note: Based on preliminary data.

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

the region, increased by 3,950 units, or 33 percent, from the first quarter of 2018, to 16,100 units. Permitting activity increased by 500 units in Oklahoma but declined in all other states in the region.

- In Texas, most of the increase in multifamily permitting was concentrated in the Houston metropolitan area, where the number of units permitted increased by 4,050 from the first quarter of 2018, to 5,600 units, representing the most units permitted during the first quarter in this market since 2003. This increase was partially offset by declines of 720 and 230 units, respectively, in the Austin and Dallas-Fort Worth metropolitan areas.