

# HUD PD&R Regional Reports

## Region 6: Southwest

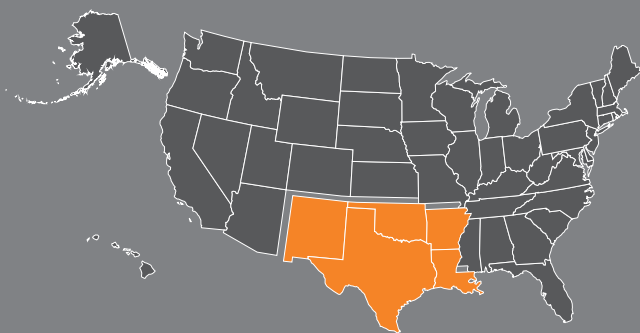


Dallas, Texas

### Quick Facts About Region 6

By Robert Stephens | 2nd quarter 2016

- **Sales market conditions—**  
Second quarter 2016: mixed (balanced to slightly tight).  
First quarter 2016: mixed (balanced to slightly tight).  
Second quarter 2015: mixed (balanced to slightly tight).
- **Apartment market conditions—**  
Second quarter 2016: mixed (balanced to slightly soft).  
First quarter 2016: mixed (balanced to slightly soft).  
Second quarter 2015: mixed (slightly tight to slightly soft).



### Overview

The economic expansion in the Southwest region that began in 2011 continued in the second quarter of 2016, but growth slowed from a year ago. Payrolls declined or were essentially unchanged in three states in the region, with growth among the service-providing sectors partially offsetting losses in the energy-related sectors. Continued, albeit reduced, employment growth in the region overall contributed to balanced conditions in most major sales housing and apartment markets in the region. Home sales, home sales prices, and average apartment rents increased in most major markets, although apartment vacancy rates have begun to increase in several Southwest markets, in part, because of a high level of multifamily construction activity since 2014.

During the second quarter of 2016—

- Nonfarm payrolls increased 1.1 percent, to 17.73 million jobs, from the second quarter of 2015. Year-over-year job growth in the region has been slowing since the beginning of 2015, after accelerating consistently from the beginning of 2013 to the end of 2014; the rate of job growth in the region is currently less than the national average.

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- Home sales and sales prices increased in most major metropolitan areas in the region, led by strong price appreciation in New Orleans and several Texas markets.
- Combined single-family and multifamily permitting activity in the Southwest region declined to 53,650 units after reaching a second quarter peak of 55,600 in 2014 but remains well below the average of 69,950 units annually from 2004 through 2007 before the housing market downturn.

## Economic Conditions

The rate of nonfarm payroll growth in the Southwest region remained unchanged during the second quarter of 2016 compared with the preceding quarter, after slowing for five consecutive quarters. Nonfarm payrolls increased 1.1 percent, or by 194,300 jobs, to 17.73 million jobs compared with the number of jobs during the same quarter a year earlier. By comparison, during the second quarter of 2015, nonfarm payrolls grew 2.0 percent, or by 344,000 jobs, from the second quarter of 2014. Job growth remained relatively strong in most service-providing sectors during the second quarter of 2016. The education and health services, leisure and hospitality, and wholesale and retail trade sectors led growth, increasing by 87,400, 76,400, and 56,800 jobs, or 3.6, 4.1, and 2.1 percent, respectively. The goods-producing sectors continued declines that began during the second quarter of 2015. Mining, logging, and construction sector payrolls declined by 54,400 jobs, or 3.9 percent, and manufacturing sector payrolls declined by 57,700 jobs, or 4.3 percent. The slowdown in the mining, logging, and construction sector was entirely the result of a decline of 73,900 jobs, or 18.0 percent, in the mining and logging

subsector, which, until recently, had been one of the fastest-growing subsectors in the region, increasing at an average annual rate of 9.2 percent from 2010 through 2014. Lower oil and gas prices led many energy-related companies to reduce workforces, which led to job losses in the mining, logging, and construction and the manufacturing sectors. 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.

During the second quarter of 2016—

- Nonfarm payrolls increased 1.5 percent, or by 179,800 jobs, in Texas from the second quarter of 2015, which accounted for most of the job growth in the region; however, payroll growth in Texas was at its lowest rate in more than 5 years. Nearly all the growth in Texas during the most recent quarter occurred in the service-providing sectors, primarily in the leisure and hospitality, education and health services, and wholesale and retail trade

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### Nonfarm payroll growth in the Southwest region was concentrated in the service-providing sectors.

	Second Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	17,534.0	17,728.3	194.3	1.1
Goods-producing sectors	2,746.8	2,634.6	- 112.2	- 4.1
Mining, logging, and construction	1,399.3	1,344.9	- 54.4	- 3.9
Manufacturing	1,347.5	1,289.8	- 57.7	- 4.3
Service-providing sectors	14,787.3	15,093.6	306.3	2.1
Wholesale and retail trade	2,729.2	2,786.0	56.8	2.1
Transportation and utilities	734.3	730.5	- 3.8	- 0.5
Information	276.5	276.0	- 0.5	- 0.2
Financial activities	971.6	987.3	15.7	1.6
Professional and business services	2,223.9	2,246.6	22.7	1.0
Education and health services	2,415.1	2,502.5	87.4	3.6
Leisure and hospitality	1,859.6	1,936.0	76.4	4.1
Other services	627.7	639.0	11.3	1.8
Government	2,949.3	2,989.8	40.5	1.4

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



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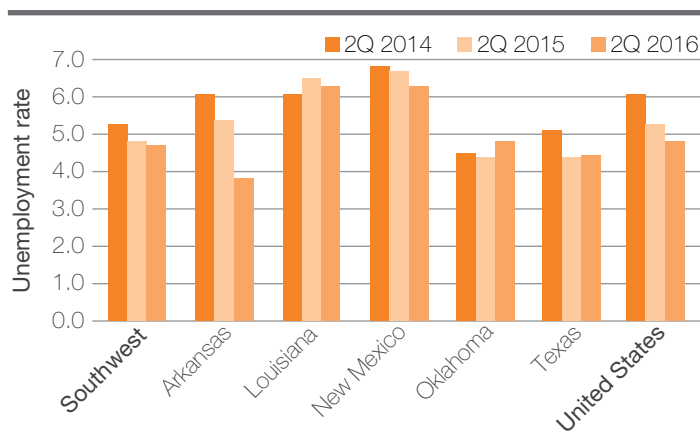
sectors. An increase of 8,500 jobs, or 1.3 percent, in construction payrolls from the second quarter of 2015, the smallest quarterly increase since the fourth quarter of 2011, was more than offset by large declines in payrolls for the mining and logging subsector and the manufacturing sector.

- Arkansas had the highest rate of job growth in the region. Payrolls increased 2.0 percent, or by 23,800 jobs, from the second quarter of 2015, indicating one of the highest rates of growth and one of the greatest number of jobs added year over year in more than 20 years. The current growth is second only to the 2.3 percent, or 27,700 job, increase of the preceding quarter. Growth in all service-providing sectors more than offset relatively small declines in the goods-producing sectors. Much of the recent growth was concentrated in northwest Arkansas, with approximately 40 percent of job gains in the state occurring in the Fayetteville metropolitan area. Recent growth in the Fayetteville metropolitan area is broad based but is driven, in part, by the three Fortune 500 companies headquartered in the area: Wal-Mart Stores, Inc.; Tyson Foods, Inc.; and J.B. Hunt Transport, Inc.
- Nonfarm payrolls were relatively unchanged from the second quarter of 2015 in Oklahoma; declined by 15,500 jobs, or 0.8 percent, in Louisiana; and increased by 6,400 jobs, or 0.8 percent, in New Mexico. The education and health services sector was one of the two fastest-growing sectors in all three states.
- Payrolls in the mining and logging subsector fell sharply in every state in the region from the second quarter of 2015. Declines in the number of jobs ranged from 1,600 jobs, or 19.3 percent, in Arkansas to 4,700 jobs, or 17.2 percent, in Texas. Mining and

logging subsector payrolls in Oklahoma, Louisiana, and New Mexico declined by 10,200, 8,600, and 6,300 jobs, or 18.8, 17.8, and 24.3 percent, respectively.

- The unemployment rate in the region was 4.7 percent compared with 4.8 percent during the second quarter of 2015. Unemployment rates declined or remained unchanged in every state in the region except Oklahoma, where the rate increased 0.4 percentage point. In Arkansas, the strong job growth in the past 12 months led to the greatest unemployment rate decline in the region, from 5.4 to 3.8 percent.

**The unemployment rate in the Southwest region declined during each of the past 3 years and remained below the national rate.**



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

## 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 2016, unchanged from the previous quarter. The number of new and existing home sales in Texas increased by 14,900, or 5 percent, to 317,900 homes sold during the 12 months ending June 2016 (Real Estate Center at Texas A&M University). Annual sales growth slowed significantly from a peak of 16 percent during 2013. Home sales surpassed the previous 12-month peak of 306,200 homes sold in February 2007, before the housing downturn. The average sales price of new and existing homes in Texas increased 4 percent during the 12 months ending June 2016, to \$254,200, and the inventory of unsold homes remained unchanged at a 3.6-month supply. Price increases slowed from an average of 7 percent during 2013 through 2015, a period when sales market conditions in most major Texas markets were generally tightening. Increases in home sales and home sales prices occurred in most

major markets throughout the region during the past year, although the rate of growth generally slowed in comparison with recent strong gains. Home sales prices increased the most in the New Orleans, Austin, and Dallas-Fort Worth metropolitan areas, where prices rose 7, 6, and 6 percent, to \$245,200, \$339,600, and \$273,800, respectively, during the 12 months ending June 2016. Dallas-Fort Worth and Austin averaged a 2.3- and 2.4-month supply of unsold homes, respectively, during the 12 months ending June 2016, the lowest supplies of any major metropolitan areas in Texas.

During the second quarter of 2016 (preliminary data)—

- Approximately 36,650 single-family homes were permitted in the region, up 2 percent from the 35,800 homes permitted during the second quarter of 2015. By comparison, the number of single-family homes permitted in the region averaged 53,300 during

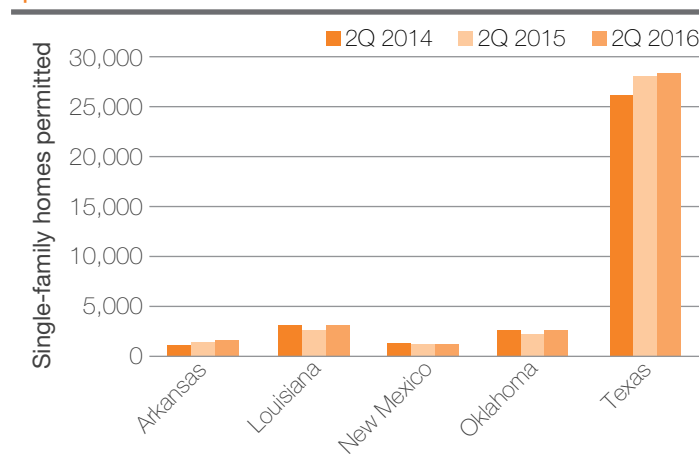
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the second quarters of 2003 through 2007 before declining to an average of 28,550 homes during the second quarters of 2008 through 2014.

- The number of single-family homes permitted in Texas increased by 330, or 1 percent, from the second quarter of 2015, to 28,350 homes permitted, and accounted for approximately 77 percent of all homes permitted in the region. Permitting activity increased in all other states in the Southwest region from the second quarter of 2015. Increases ranged from 10 homes, or 1 percent, in New Mexico to 180 homes, or 7 percent, in Louisiana.
- Single-family building activity remained relatively unchanged from the second quarter of 2015 in most major metropolitan areas in the region. The greatest changes in single-family homebuilding activity in the region occurred in the Austin and Houston metropolitan areas, where the number of single-family homes permitted increased by 490, or 15 percent, and declined by 630, or 6 percent, respectively, from the second quarter of 2015.

Single-family permitting activity increased in every state in the Southwest region from the second quarter of 2015.



2Q = second quarter.

Note: Based on preliminary data.

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

The number of homes sold and home sales prices increased in most major metropolitan areas in the Southwest region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Albuquerque (N&E)	June	9,000	10,250	14	AVG	214,700	219,900	2
Austin (N&E)	June	30,700	32,550	6	AVG	319,000	339,600	6
Dallas-Fort Worth-Arlington (N&E)	June	90,650	97,450	8	AVG	259,000	273,800	6
Dallas (N&E)	June	11,550	12,000	4	AVG	340,900	352,400	3
Fort Worth (N&E)	June	11,300	12,050	7	AVG	191,300	203,700	6
Houston (N&E)	May	79,800	79,450	0	AVG	274,500	278,800	2
Little, Rock (N&E)	June	8,975	9,925	11	AVG	172,600	173,500	1
New Orleans (N&E)	June	11,450	12,700	11	AVG	230,200	245,200	7
San Antonio (N&E)	June	27,850	30,050	8	AVG	223,600	233,100	4
Tulsa (N&E)	June	13,500	13,600	1	AVG	174,700	175,000	0

AVG = average. N&amp;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&amp;M University

## Apartment Market Conditions

Apartment market conditions in large metropolitan areas in the Southwest region ranged from balanced to slightly soft during the second quarter of 2016; however, most markets were balanced. Among major Texas markets, San Antonio and Houston remained slightly soft, with respective vacancy rates of 10.5 and 10.4 percent during the second quarter of 2016, up 0.8 and 1.8 percentage points from the second quarter of 2015. The average rents in San

Antonio and Houston increased 5 and 4 percent, respectively, during this time. The market in Houston softened, in part, from a combination of the large number of units recently completed and declining demand caused by weakness in the energy industry. Balanced conditions prevailed in other Texas markets, including Fort Worth, which experienced a 10-percent rent growth, the highest rate among all major markets in the region, and Dallas and Austin,

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which experienced 8- and 6-percent rent growth, respectively. Demand created by employment and population gains resulted in respective vacancy rate declines of 1.2 and 0.4 percentage points in Fort Worth and Austin, but the vacancy rate in Dallas increased 0.3 percentage point, in part, because of a significant increase in the volume of new construction in 2015. Outside Texas, most major apartment markets were balanced during the second quarter of 2016. Rent growth in these markets ranged from 2 percent each in Albuquerque and Little Rock to 4 percent in New Orleans. Vacancy rates ranged from 3.3 percent in Albuquerque to 11.6 percent in Oklahoma City, one of the only major markets in the Southwest region outside of Texas that is slightly soft.

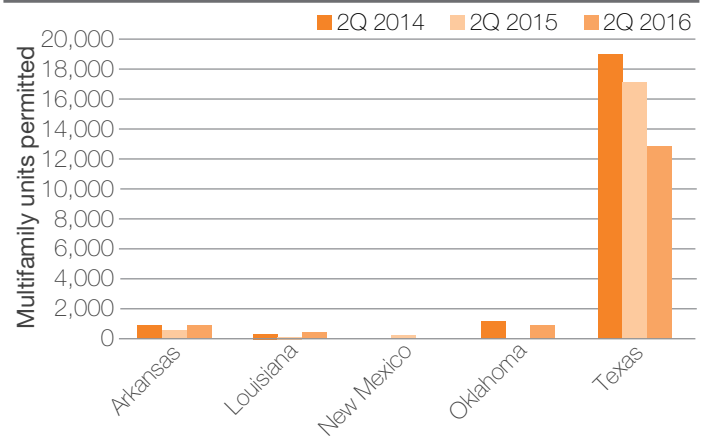
During the second quarter of 2016 (preliminary data)—

- Approximately 15,200 multifamily units were permitted in the region, a 15-percent decline from the 17,850 units permitted during the second quarter of 2015 and a nearly 30-percent decline from the 21,300 units permitted during the second quarter of 2014, which was the highest level of multifamily permitting during any second quarter in more than a decade. By comparison, the number of multifamily units permitted averaged 12,300 during the second quarters from 2011 through 2013.
- Multifamily permitting activity in Texas, which accounted for approximately 84 percent of all multifamily units permitted in the region, declined by 4,300 units, or 25 percent, from the second quarter of 2015, to 12,800 units. Permitting declined by 110 units in New Mexico but increased by 850, 590, and 350 units, respectively, in Oklahoma, Arkansas, and Louisiana from the second quarter of 2015.
- Changes in multifamily permitting activity varied significantly among major metropolitan areas in the Southwest region. From

the second quarter of 2015, permitting activity declined in Albuquerque, Austin, Dallas-Fort Worth, Houston, and Little Rock but increased in New Orleans, Oklahoma City, and San Antonio.

- The greatest decline in multifamily permitting from the second quarter of 2015 occurred in Houston, where the number of units permitted fell by 3,700, to 3,200 units, led by a decline of 3,075 units in Harris County, which includes the principal city of Houston. Vacancy rates in the Houston metropolitan area began to increase after several years of sustained high production levels, in part, because weakness in the energy industry led to slower economic growth.

**Multifamily permitting activity in the Southwest region fell nearly 15 percent from the second quarter of 2015, led by a 4,300-unit, or 25-percent, decline in Texas.**



2Q = second quarter.

Note: Based on preliminary data.

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

**Apartment market conditions in most major metropolitan areas in the Southwest region ranged from balanced to slightly soft.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2015 (%)	2Q 2016 (%)	Percentage Point Change	2Q 2015 (\$)	2Q 2016 (\$)	Percent Change
Albuquerque <sup>a</sup>	Balanced	3.6	3.3	- 0.3	777	796	2
Austin <sup>b</sup>	Balanced	9.0	8.6	- 0.4	1,131	1,203	6
Dallas <sup>b</sup>	Balanced	7.7	8.0	0.3	1,002	1,084	8
Fort Worth <sup>b</sup>	Balanced	7.0	5.8	- 1.2	874	958	10
Houston <sup>b</sup>	Slightly soft	8.6	10.4	1.8	1,002	1,039	4
Little Rock <sup>b</sup>	Balanced	10.3	7.8	- 2.5	709	720	2
New Orleans <sup>a</sup>	Balanced	5.3	5.5	0.2	959	997	4
Oklahoma City <sup>b</sup>	Slightly soft	10.0	11.6	1.6	709	731	3
San Antonio <sup>b</sup>	Slightly soft	9.7	10.5	0.8	890	932	5

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.