

HUD PD&R Regional Reports

Region 6: Southwest



Quick Facts About Region 6

New Orleans, Louisiana

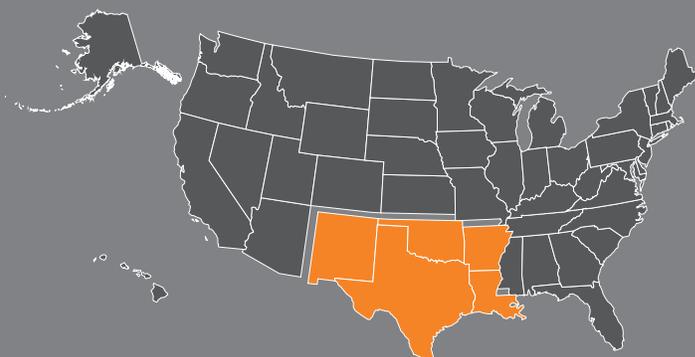
By Robert Stephens | 2nd Quarter 2021

Sales market conditions—

- Second quarter 2021: mixed (slightly tight to tight)
- First quarter 2021: mixed (slightly tight to tight)
- Second quarter 2020: mixed (balanced to slightly tight)

Apartment market conditions—

- Second quarter 2021: mixed (tight to slightly soft)
- First quarter 2021: mixed (slightly tight to soft)
- Second quarter 2020: mixed (slightly tight to soft)



Overview

The economic expansion in the Southwest region that began in 2011 ended in the second quarter of 2020 due to job losses caused by the outbreak of COVID-19 and state and local actions taken to limit the contagion of the virus. Year-over-year payroll growth resumed in every state in the region during the second quarter of 2021. From March 2020 through April 2020, the region lost approximately 2.05 million jobs. From April 2020 through June 2021, the region added jobs in most months and recovered approximately 1.53 million jobs, or 75 percent of the jobs lost in March and April 2020. Despite these significant job losses, conditions were slightly tight to tight in major sales housing markets and balanced in most major rental housing markets in the region. Home sales and home sales prices increased in all major metropolitan areas in the region. Apartment vacancy rates declined, and average rents continued to grow in all major apartment markets in the region—although rent growth slowed in most markets compared with the previous quarter.

During the second quarter of 2021—

- Nonfarm payrolls increased 6.5 percent from the second quarter of 2020 to 18.14 million jobs. The level of job growth in the region was below the national average of 8.5 percent.

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- Home sales prices increased, and the rate of price growth accelerated in the major metropolitan areas in the region compared with the previous quarter.
- Combined single-family and multifamily home permitting activity in the Southwest region increased approximately 37 percent from the second quarter of 2020 to 81,200 units.

Economic Conditions

Nonfarm payrolls in the Southwest region increased during the second quarter of 2021 from the second quarter of 2020—the first year-over-year quarterly increase since the beginning of the pandemic. The measures taken to slow the spread of COVID-19 dramatically slowed economic activity in the Southwest region, ending the economic expansion that began in 2011. Nonfarm payrolls rose to 18.14 million jobs during the second quarter of 2021—an increase of 6.5 percent, or 1.10 million jobs, compared with the number of jobs during the same quarter a year earlier. By comparison, during the first quarter of 2020, before the outbreak of COVID-19, nonfarm payrolls grew 1.4 percent, or by 252,600 jobs, from the first quarter of 2019. Jobs during the second quarter of 2021 increased in all states in the region and all but one payroll sector. Job gains this quarter were generally greatest in those sectors that previously lost the largest number of jobs—primarily sectors with a large concentration of jobs that rely on in-person interactions. Fields that were more easily adapted to telework, such as those in the financial activities sector, lost the least number of jobs. The transportation and utilities sector grew by 53,300 jobs, or 6.5 percent, and has recovered all jobs lost during the recent downturn. Increased sales among online retailers and distributors during the pandemic helped job growth in this sector.

The sector with the greatest rate of increase during the second quarter of 2021 was leisure and hospitality, which increased by 409,800 jobs, or 28.1 percent, from a year earlier; however, the sector remains approximately 93,500 jobs, or 5 percent, below the prepandemic peak. This sector was particularly hard hit because it relies heavily on in-person interactions and cannot easily adapt to social distancing guidelines. In addition, most localities in the region closed bars and restaurants for some time and, once reopened, instituted capacity restrictions. By comparison, the sector added jobs every year from 2011 through 2019, at an average annual rate of 3.7 percent. Other sectors that added more than 100,000 jobs during the second quarter of 2021 include professional and business services, wholesale and retail trade, and education and health services. Those three sectors and the leisure and hospitality sector accounted for approximately 81 percent of net job gains in the region during the second quarter of 2021. Of these sectors, professional and business services and wholesale and retail trade have fully recovered all jobs lost during the pandemic.

The only sector to lose jobs during the second quarter of 2021 was the mining, logging, and construction sector, which fell by 7,700 jobs, or 0.6 percent. Job losses were concentrated

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All sectors in the Southwest region added jobs from the second quarter of 2020 except for mining, logging, and construction.

| | Second Quarter | | Year-Over-Year Change | |
|----------------------------------|---------------------|---------------------|-------------------------|---------|
| | 2020 (Thousands) | 2021 (Thousands) | Absolute (Thousands) | Percent |
| Total Nonfarm Payrolls | 17,040.2 | 18,144.4 | 1,104.2 | 6.5 |
| Goods-Producing Sectors | 2,594.4 | 2,609.7 | 15.3 | 0.6 |
| Mining, Logging, & Construction | 1,301.6 | 1,293.9 | -7.7 | -0.6 |
| Manufacturing | 1,292.8 | 1,315.9 | 23.1 | 1.8 |
| Service-Providing Sectors | 14,445.8 | 15,534.7 | 1,088.9 | 7.5 |
| Wholesale & Retail Trade | 2,544.2 | 2,726.9 | 182.7 | 7.2 |
| Transportation & Utilities | 814.6 | 867.9 | 53.3 | 6.5 |
| Information | 246.6 | 256.6 | 10.0 | 4.1 |
| Financial Activities | 1,056.7 | 1,086.1 | 29.4 | 2.8 |
| Professional & Business Services | 2,296.9 | 2,493.9 | 197.0 | 8.6 |
| Education & Health Services | 2,477.9 | 2,583.3 | 105.4 | 4.3 |
| Leisure & Hospitality | 1,456.5 | 1,866.3 | 409.8 | 28.1 |
| Other Services | 568.9 | 635.4 | 66.5 | 11.7 |
| Government | 2,983.5 | 3,018.4 | 34.9 | 1.2 |

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



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entirely in the mining and logging subsector, which declined by 13,900 jobs, or 5.0 percent. Declines in this subsector were not entirely related to actions taken to limit the spread of COVID-19. During the first quarter of 2020, before the impact of COVID-19, payrolls in this subsector declined by 36,900 jobs, or 9.8 percent, from the same quarter a year earlier as oil and gas production declined in response to lower prices. By comparison, the subsector added an average of 28,500 jobs a year from the first quarter of 2017 to the first quarter of 2019 and was one of the fastest growing subsectors in the region during that time. Oil and gas prices began to decline in 2019, before COVID-19, as increased U.S. petroleum production put downward pressure on prices; those prices then fell precipitously during the early part of 2020, largely because of the virus and actions taken to limit contagion. Despite significant gains in recent months, the Spot Price FOB of West Texas Intermediate Crude Oil (WTI) was \$51.81 during the 12 months ending June 2021 and remains below the previous peak of \$65.64 during the 12 months ending November 2018. Despite recent price increases, job declines have continued in this subsector because production has yet to increase significantly in response to the higher prices. In June 2021, the United States had 464 crude oil and natural gas rotary rigs in operation—up from a nearly 50-year low of 250 active rigs in August 2020. By comparison, the number of active rigs peaked most recently at 1,077 in December 2018.

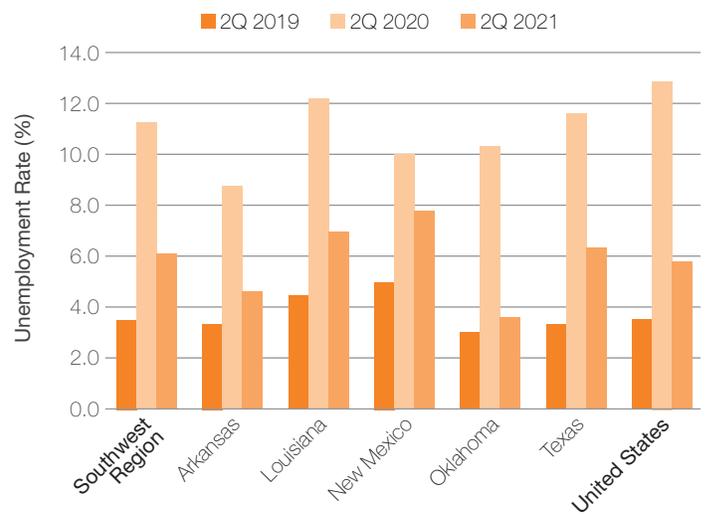
During the second quarter of 2021—

- In Texas, nonfarm payrolls increased 7.1 percent, or by 834,700 jobs, from the second quarter of 2020, despite a loss of 2.2 percent, or 4,300 jobs, in the mining and logging subsector. All other sectors added jobs from the second quarter of 2020, with the largest gain of 287,600 jobs, or 28.5 percent, in the leisure and hospitality sector.
- The largest payroll increase in the region outside of Texas occurred in Louisiana, where payrolls rose by 98,600, or 5.7 percent. Similar to the rest of the region, job growth

was highest in the leisure and hospitality sector, which rose by 45,900 jobs, or 30.0 percent. In Louisiana, however, the largest payroll decline from the second quarter of 2020 occurred in the manufacturing sector, which fell by 4,100 jobs, or 3.2 percent.

- Despite the large increase this quarter, Louisiana and New Mexico have each recovered less than one-half of all jobs lost during the economic downturn. Oklahoma has recovered approximately 65 percent of lost jobs, whereas Arkansas and Texas have each recovered more than 80 percent of lost jobs.
- The unemployment rate in the region was 6.1 percent; that rate was down 5.2 percentage points from the second quarter of 2020. The unemployment rate fell substantially in all states in the region but remains above prepandemic levels in all states.

The unemployment rate declined throughout the Southwest region from the second quarter of 2020, but rates remained above levels from 2 years earlier.



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

Sales Market Conditions

Sales housing market conditions ranged from slightly tight to tight in most major metropolitan areas in the Southwest region during the second quarter of 2021. The number of new and existing home sales in Texas increased by 68,400, or 19 percent, to 422,800 homes sold during the 12 months ending June 2020 (Real Estate Center at Texas A&M University). By comparison, annual sales growth in Texas averaged 4 percent annually from 2014 through 2019, which was a significant slowdown from the previous peak of 16 percent

during 2013. The average sales price of new and existing homes in Texas increased 18 percent during the 12 months ending June 2020, to \$346,400; the inventory of unsold homes declined to a 1.4-month supply in June 2021 from a 2.9-month supply in June 2020. 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 4 percent a year from 2016 through 2019. Annual home price growth had not exceeded

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10 percent in Texas since 2000. The inventory of unsold homes is currently at its lowest level in more than 25 years, primarily because the number of listings declined 42 percent from June 2020 to June 2021. Outside Texas, new and existing home sales and home sales prices rose during the 12 months ending June 2021 in every state in the region (Zonda).

Home sales and home sales prices increased in all major metropolitan areas throughout the region during the past year. The number of home sales and home sales prices increased 19 and 26 percent, respectively, in Austin, Texas (Real Estate Center at Texas A&M University). Austin had a 0.6-month supply of unsold homes in June 2021—down from 1.7 months a year earlier. That figure represents the lowest inventory of unsold homes in the region and the lowest supply in Austin since at least 1995. In June 2021, all major Texas markets had a 1.6-month or less supply of unsold homes. In Houston, the inventory of unsold homes fell 1.9 percentage points, to a 1.4-month supply, between May 2020 and May 2021. The number of listings in Houston declined 46 percent during the same time, while new and existing home sales increased 24 percent during the 12 months ending May 2021. The year-over-year rate of home sales price growth increased by 3 or more percentage points from the previous quarter in every major market in the Southwest region.

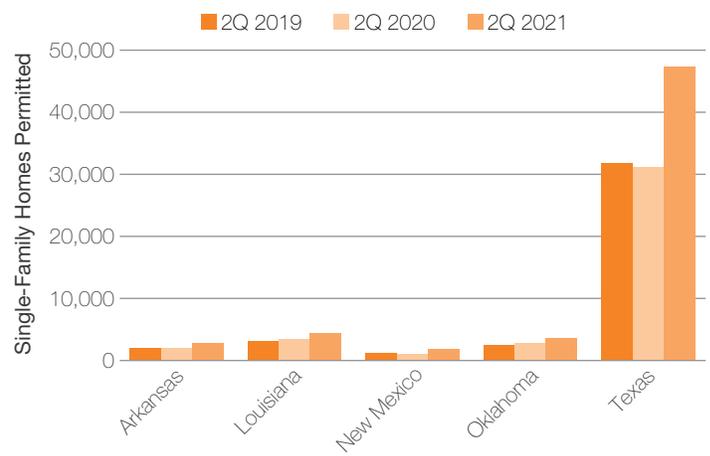
During the second quarter of 2021 (preliminary data)—

- Approximately 59,400 single-family homes were permitted in the region—a 48-percent increase from the same quarter a year earlier and the most single-family homes permitted during any second quarter since 2006.
- The number of single-family homes permitted in Texas increased by 16,150, or 52 percent, from the second quarter of 2020, to 47,300 homes; that number accounted

for approximately 80 percent of all homes permitted in the region. Permitting activity increased by 700, 720, 840, and 920 homes in New Mexico, Arkansas, Oklahoma, and Louisiana, respectively.

- The number of single-family homes permitted rose in all major metropolitan areas in the region; however, the largest increases occurred in Texas. Single-family permitting in the markets of Dallas-Fort Worth-Arlington, Houston, Austin, and San Antonio increased by 5,025, 4,875, 2,625, and 1,600 homes, or 56, 48, 57, and 70 percent, respectively, from the second quarter of 2020.

The number of single-family homes permitted rose in all states in the Southwest region from the second quarter of 2020; the largest increase was in Texas.



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

Home sales and home sales prices increased in all major metropolitan areas in the Southwest region during the past year.

| | 12 Months Ending | Number of Homes Sold | | | Average | Price | | |
|--------------------------------|------------------|----------------------|---------|----------------|---------|-----------|-----------|----------------|
| | | 2020 | 2021 | Percent Change | | 2020 (\$) | 2021 (\$) | Percent Change |
| Albuquerque, NM (N&E) | June | 12,050 | 14,025 | 16 | AVG | \$266,300 | \$310,600 | 17 |
| Austin, TX (N&E) | June | 36,200 | 43,150 | 19 | AVG | \$399,800 | \$505,200 | 26 |
| Dallas-Plano-Irving, TX (N&E) | June | 66,950 | 77,400 | 16 | AVG | \$352,200 | \$414,700 | 18 |
| Fort Worth-Arlington, TX (N&E) | June | 35,300 | 39,700 | 12 | AVG | \$289,900 | \$334,700 | 15 |
| Houston, TX (N&E) | May | 88,250 | 109,400 | 24 | AVG | \$305,000 | \$343,200 | 13 |
| Little Rock, AR (N&E) | June | 15,150 | 18,050 | 19 | AVG | \$191,800 | \$213,400 | 11 |
| New Orleans, LA (N&E) | June | 16,800 | 21,600 | 29 | AVG | \$266,000 | \$296,500 | 11 |
| Oklahoma City, OK (N&E) | June | 24,600 | 29,350 | 19 | AVG | \$213,100 | \$244,900 | 15 |
| San Antonio, TX (N&E) | June | 36,000 | 42,850 | 19 | AVG | \$272,800 | \$312,800 | 15 |

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

Notes: Data include single-family homes, townhomes, and condominiums.

Sources: Greater Albuquerque Association of Realtors®; Oklahoma City Metro Association of Realtors®; Zonda, with adjustments by the analyst; Real Estate Center at Texas A&M University



Apartment Market Conditions

Apartment market conditions in large metropolitan areas in the Southwest region ranged from tight to slightly soft during the second quarter of 2021. The vacancy rate declined and average rents increased in all major markets in the region from a year ago. All major Texas markets except Dallas were balanced. The vacancy rate in Dallas, where apartment conditions transitioned from balanced to slightly tight, declined by 1.3 percentage points, to 5.6 percent, from the second quarter of 2020. The average rent increased 6 percent during the same time. In Houston, the apartment market transitioned from slightly soft to balanced. The vacancy rate declined 1.3 percentage points, to 7.3 percent, and the average rent increased 4 percent from the second quarter of 2020. In Austin, the apartment market is balanced. The vacancy rate declined 1.2 percentage points to 5.8 percent, and the average rent increased 7 percent from the second quarter of 2020. A significant number of units are currently in initial lease up, under construction, and in planning in the Austin area.

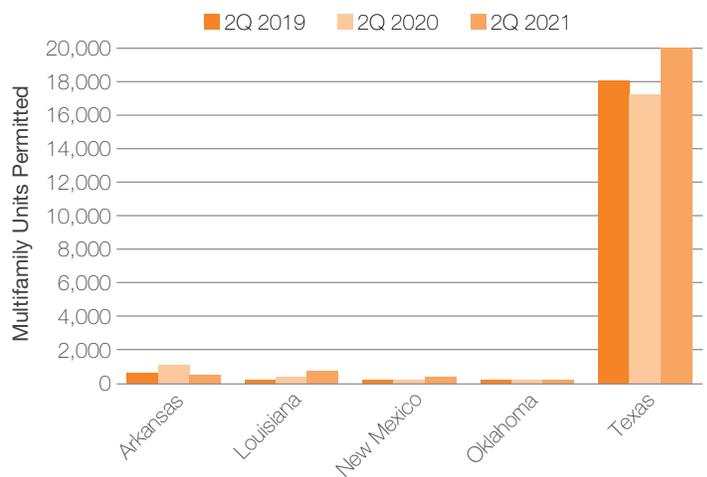
Outside Texas, apartment market conditions were mixed during the second quarter of 2021. The apartment market in Albuquerque was tight; rent growth was 12 percent, the highest rate of growth in the region, and the vacancy rate declined by 0.2 percentage point, to 4.7 percent—the lowest rate in the region. In New Orleans, the apartment market remained balanced; the vacancy rate declined 0.3 percentage point, to 6.8 percent, and the average rent increased 1 percent. In Little Rock, the apartment market was balanced during the most recent quarter; the vacancy rate declined 2.4 percentage points, to 5.6 percent, and the average rent grew 6 percent from the second quarter of 2020. In Oklahoma City, where the market transitioned from soft to slightly soft, rent growth was 6 percent, and the vacancy rate declined 2.4 percentage points, to 6.8 percent.

During the second quarter of 2021 (preliminary data)—

- Approximately 21,800 multifamily units were permitted in the region—a 14-percent increase from the 19,100 units permitted during the second quarter of 2020. By comparison, multifamily permitting averaged 18,900 units during the second quarters of 2014 through 2019.
- Multifamily permitting activity in Texas—which accounted for approximately 92 percent of all multifamily units permitted in the region—increased by 2,750 units, or 16 percent, from the

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The number of multifamily units permitted rose from the second quarter of 2020 in all states in the Southwest region except Arkansas and Oklahoma.



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

Most major apartment markets in the Southwest region remained balanced during the second quarter of 2021.

| | Market Condition | Vacancy Rate | | | Average Monthly Rent | | |
|-------------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
| | | 2Q 2020 (%) | 2Q 2021 (%) | Percentage Point Change | 2Q 2020 (\$) | 2Q 2021 (\$) | Percent Change |
| Albuquerque, NM | Tight | 4.9 | 4.7 | -0.2 | 938 | 1,052 | 12 |
| Austin, TX | Balanced | 7.0 | 5.8 | -1.2 | 1,380 | 1,472 | 7 |
| Dallas, TX | Slightly Tight | 6.9 | 5.6 | -1.3 | 1,260 | 1,339 | 6 |
| Fort Worth, TX | Balanced | 7.1 | 5.6 | -1.5 | 1,137 | 1,216 | 7 |
| Houston, TX | Balanced | 8.6 | 7.3 | -1.3 | 1,125 | 1,172 | 4 |
| Little Rock, AR | Balanced | 8.0 | 5.6 | -2.4 | 818 | 870 | 6 |
| New Orleans, LA | Balanced | 7.1 | 6.8 | -0.3 | 1,073 | 1,086 | 1 |
| Oklahoma City, OK | Slightly Soft | 9.2 | 6.8 | -2.4 | 814 | 861 | 6 |
| San Antonio, TX | Balanced | 8.2 | 6.6 | -1.6 | 1,057 | 1,115 | 5 |

2Q = second 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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second quarter of 2020, to 20,000 units. Permitting activity also rose in Louisiana and New Mexico, increasing by 360 and 150 units, respectively. These gains were partially offset by a decline of 590 units in Arkansas. The number of units permitted remained relatively unchanged in Oklahoma.

- In Austin, the number of multifamily units permitted rose by 3,075 units, or 79 percent, from the second quarter of 2020. The 24,700 units permitted during the 12 months ending June 2021 were the most units permitted during any 12-month

period in more than 20 years, and that number was more than double the average of 11,250 units permitted annually from 2015 through 2019.

- The largest declines in multifamily permitting occurred in the San Antonio and Houston markets, where permitting fell by 1,250 and 380 units, or 63 and 9 percent, respectively, from the second quarter of 2020. The 1,975 units permitted in San Antonio during the second quarter of 2020 were the most units permitted during any second quarter in more than 20 years.

