

HUD PD&R Regional Reports

Region 6: Southwest

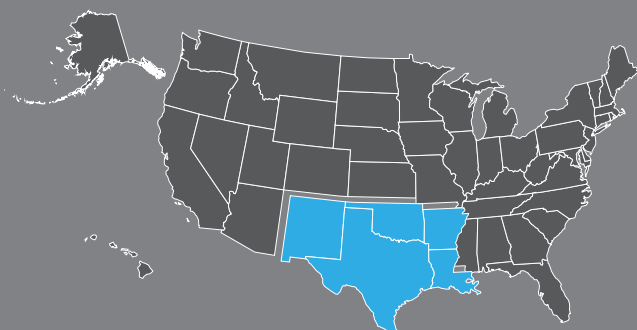


Quick Facts About Region 6

New Orleans, Louisiana

By Robert Stephens | 4th Quarter 2019

- **Sales market conditions—**
Fourth quarter 2019: mixed (balanced to slightly tight)
Third quarter 2019: mixed (balanced to slightly tight)
Fourth quarter 2018: mixed (balanced to slightly tight)
- **Apartment market conditions—**
Fourth quarter 2019: mixed (slightly tight to soft)
Third quarter 2019: mixed (slightly tight to soft)
Fourth quarter 2018: mixed (balanced to soft)



Overview

The economic expansion in the Southwest region that began in 2011 continued in the fourth quarter of 2019. The rate of job growth has 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; both the goods-producing and the service-providing sectors gained jobs. 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 average rents continued to grow despite a high level of multifamily completions in the region. At the same time, vacancy rates remained relatively stable or declined in most markets throughout the region.

During the fourth quarter of 2019—

- Nonfarm payrolls increased 2.0 percent from the fourth quarter of 2018, to 18.89 million jobs. The level of job growth in the region was above the national average of 1.4 percent, partly because of strong growth among energy-related industries.

continued on page 2



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continued from page 1

- Home sales prices increased in most major metropolitan areas in the region and the rate of price growth increased in most markets from the fourth quarter of 2018.
- Combined single-family home and multifamily unit permitting activity in the Southwest region increased 21 percent, to 60,950 units, from the fourth quarter of 2018.

Economic Conditions

Nonfarm payroll growth in the Southwest region accelerated slightly during the fourth quarter of 2019 from the fourth quarter of 2018. Nonfarm payrolls increased to 18.89 million jobs—an increase of 2.0 percent, or 371,100 jobs, compared with the number of jobs during the same quarter a year earlier; during the fourth quarter of 2018, nonfarm payrolls grew 1.9 percent, or by 348,600 jobs, from the fourth quarter of 2017. Despite recent gains, the rate of job growth remains less than the annual 2.5-percent increase averaged from 2012 through 2014. Job growth remained relatively strong in most service-providing sectors during the fourth quarter of 2019; the only loss occurred in the information sector. The education and health services sector led job growth in the region, increasing by 74,500 jobs, or 2.9 percent, from the fourth quarter of 2018. The leisure and hospitality and the professional and business services sectors each added more than 50,000 jobs during the same time. Those three sectors combined accounted for nearly one-half of the net job gain in the region.

The goods-producing sectors, which declined in the region in 2015 and 2016 because of a contraction in energy-related industries, added 72,200 jobs, or 2.6 percent, during the fourth quarter of 2019. Growth in the construction subsector continued, partly because residential building activity remained high throughout

much of the region; the subsector grew by 55,500 jobs, or 5.1 percent—the highest rate of growth of any sector or subsector in the region this quarter. After slowing considerably during the previous quarter, growth in the mining and logging subsector ceased during the most recent quarter, falling by 1.9 percent, or by 7,100 jobs, from the fourth quarter of 2018—the first job declines in the subsector since the first quarter of 2017. Manufacturing sector payrolls increased by 23,800 jobs, or 1.8 percent, from the fourth 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; that reduction led to overall job losses in 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. Beginning in 2017, crude oil production in the Southwest region surged; that led to an increase in hiring to bring new production on line. During the 12 months ending November 2019, field production of crude oil in the Gulf Coast, as defined by the U.S. Energy Information Administration (EIA), and

continued on page 3

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

	Fourth Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	18,519.8	18,890.8	371.0	2.0
Goods-Producing Sectors	2,819.2	2,891.4	72.2	2.6
Mining, Logging, & Construction	1,461.1	1,509.5	48.4	3.3
Manufacturing	1,358.1	1,381.9	23.8	1.8
Service-Providing Sectors	15,700.5	15,999.4	298.9	1.9
Wholesale & Retail Trade	2,800.4	2,835.4	35.0	1.2
Transportation & Utilities	824.9	843.7	18.8	2.3
Information	270.2	265.7	-4.5	-1.7
Financial Activities	1,050.9	1,083.3	32.4	3.1
Professional & Business Services	2,417.7	2,473.3	55.6	2.3
Education & Health Services	2,613.9	2,688.4	74.5	2.9
Leisure & Hospitality	1,984.4	2,034.7	50.3	2.5
Other Services	665.1	687.0	21.9	3.3
Government	3,073.1	3,087.9	14.8	0.5

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

Source: U.S. Bureau of Labor Statistics



continued from page 2

the Southwest region increased 11 percent from the previous 12 months, to 470.51 million barrels per day (EIA). By comparison, crude oil production declined an average of 2 percent a year in these regions in 2015 and 2016 before increasing an average of 24 percent a year in 2017 and 2018.

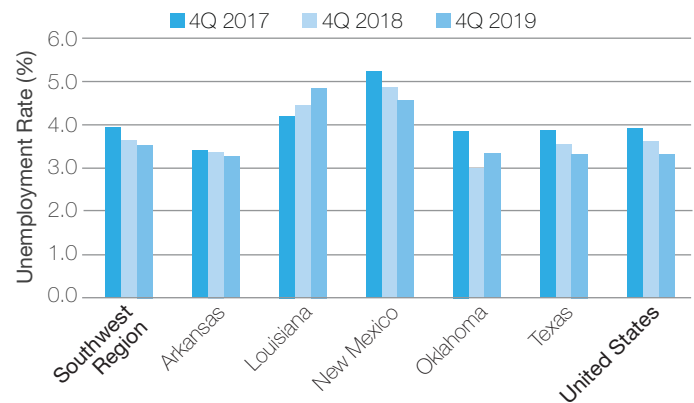
During the fourth quarter of 2019—

- Nonfarm payrolls increased 2.6 percent, or by 332,700 jobs, in Texas from the fourth quarter of 2018. Growth occurred in all sectors except information; a gain of 59,300 jobs, or 3.4 percent, in the education and health services sector led job growth. Although the mining, logging, and construction sector added 52,100 jobs, or a gain of 5.2 percent, growth was entirely in the construction subsector; payrolls in the mining and logging subsector declined by 4,100 jobs, or 1.6 percent—the first decline in this subsector since the first quarter of 2017.
- Other than in Texas, most growth in the region occurred in Arkansas and New Mexico, where nonfarm payrolls increased by 17,200 and 15,600 jobs, or 1.3 and 1.8 percent, respectively. Growth in Arkansas was relatively widespread, with the only declines occurring in the information sector and the mining and logging subsector; nearly one-third of net job gains in New Mexico occurred in the construction subsector, which increased by 5,200 jobs, or 10.9 percent.
- Payrolls in Louisiana increased by 7,000 jobs, or 0.4 percent, from the fourth quarter of 2018. A loss of 9,000 jobs, or 6.0 percent, in the construction subsector was more than offset by gains in most other sectors. Large-scale construction projects at several petrochemical facilities throughout the state are nearing completion, thus reducing the demand for construction workers.

Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight in most major metropolitan areas in the Southwest region during the fourth quarter of 2019; those conditions were unchanged from the previous quarter. The number of new and existing home sales in Texas increased by 13,050, or 4 percent, to 356,600 homes sold during the 12 months ending December 2019 (Real Estate Center at Texas A&M University). The annual sales growth average of 4 percent from 2014 through 2018 slowed significantly from a recent 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 December 2019, to \$291,900; the inventory of unsold homes increased slightly, to a 3.6-months' supply from a 3.5-months' supply, during the previous 12 months. Home price growth averaged

The unemployment rate declined in most states in the Southwest region from the fourth quarter of 2018.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

- Nonfarm payrolls in Oklahoma declined by 1,500 jobs, or 0.1 percent, from the fourth quarter of 2018—the first decline in the state since the first quarter of 2017. Job losses occurred in 7 of 11 payroll sectors, with the largest combined decline of 7,700 jobs in the mining, logging, and construction and the manufacturing sectors.
- The unemployment rate in the region was 3.5 percent; that rate was down 0.1 percentage point from the fourth quarter of 2018. Increases of 0.3 and 0.4 percentage point in Oklahoma and Louisiana partially offset declines ranging from 0.1 to 0.3 percentage point in Arkansas, New Mexico, and Texas, respectively.

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 2018.

Home sales and home sales prices increased in most major markets throughout the region during the past year. The number of homes sold and the home sales price increased 6 percent and 4 percent, respectively, in Austin. Austin averaged a 2.4-month supply of unsold homes during the 12 months ending December 2019; this was among the lowest supplies of any major area in Texas. The region's most rapid increase in home sales prices during the 12 months ending December 2019 was 8 percent, in the Albuquerque metropolitan area. Home sales prices rose at least 2 percent in all major metropolitan areas in the region during the most recent 12 months.

continued on page 4

continued from page 3

Home sales and 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, NM (N&E)	December	12,100	12,450	3	AVG	241,100	260,900	8
Austin, TX (N&E)	December	34,600	36,650	6	AVG	379,800	393,500	4
Dallas-Plano-Irving, TX (N&E)	December	64,750	67,200	4	AVG	345,600	351,400	2
Fort Worth-Arlington, TX (N&E)	December	35,500	36,000	1	AVG	274,900	285,600	4
Houston, TX (N&E)	November	87,400	89,100	2	AVG	295,600	304,100	3
Little Rock, AR (N&E)	December	14,000	14,550	4	AVG	182,600	188,500	3
New Orleans, LA (N&E)	December	15,500	16,050	4	AVG	249,700	257,200	3
Oklahoma City, OK (N&E)	December	23,800	24,700	4	AVG	197,000	208,900	6
San Antonio, TX (N&E)	December	33,450	35,350	6	AVG	257,400	268,300	4

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

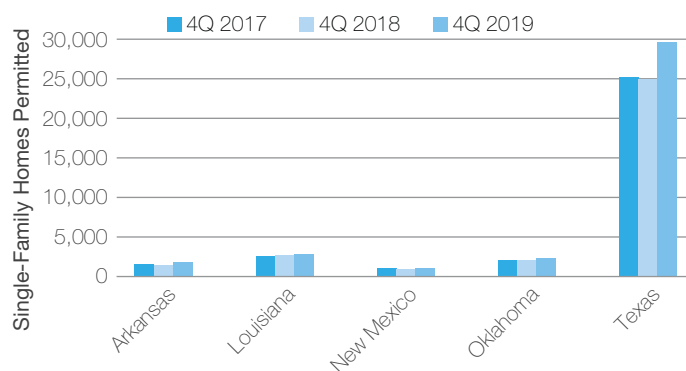
Notes: Data include single-family homes, townhomes, and condominiums.

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

During the fourth quarter of 2019 (preliminary data)—

- Approximately 37,200 single-family homes were permitted in the region; that number of homes permitted was up 17 percent from the same quarter a year earlier and was the highest fourth-quarter level since 2006. The number of single-family homes permitted in the region has risen an average of 14 percent a year, from a fourth-quarter low of 16,900 homes in 2010.
- The number of single-family homes permitted in Texas increased by 4,650, or 19 percent, from the fourth quarter of 2018, to 29,700 homes; that number accounted for approximately 79 percent of all homes permitted in the region and 85 percent of the increase. Permitting activity rose in all other states in the region; increases ranged from 60 homes in Louisiana to 380 homes in Arkansas.
- The number of single-family homes permitted rose in most major metropolitan areas in the region—the largest increase of 1,400 homes, or 17 percent, was in the Houston metropolitan area. Outside Texas, increases ranged from 20 homes in the New Orleans metropolitan area to 180 homes in the Oklahoma City metropolitan area.

The number of single-family homes permitted increased throughout the Southwest region from the fourth quarter of 2018; the largest increase was in Texas.



4Q = fourth 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 fourth quarter of 2019, unchanged from the previous quarter. All major Texas markets except for Austin and Houston were balanced. The apartment market in Austin—which had the highest rent growth in the state at 6 percent—remained slightly tight, with a 5.9-percent vacancy rate. Since the fourth quarter of 2018, the vacancy rate in Houston—which transitioned from balanced to slightly soft this

quarter—remained unchanged, at 8.3 percent, and rent growth increased 2 percent. 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 0.7 percentage point, to 6.6 percent, in Fort Worth and by 0.1 percentage point, to 6.6 percent, in Dallas. The increased vacancies occurred primarily because of an increase in the volume of newly completed units.

continued on page 5

continued from page 4

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

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2018 (%)	4Q 2019 (%)	Percentage Point Change	4Q 2018 (\$)	4Q 2019 (\$)	Percent Change
Albuquerque, NM	Balanced	6.4	4.9	-1.5	880	910	3
Austin, TX	Slightly Tight	5.6	5.9	0.3	1,300	1,375	6
Dallas, TX	Balanced	6.5	6.6	0.1	1,200	1,250	4
Fort Worth, TX	Balanced	5.9	6.6	0.7	1,075	1,125	5
Houston, TX	Slightly Soft	8.3	8.3	0	1,100	1,125	2
Little Rock, AR	Slightly Soft	9.5	8.1	-1.4	770	800	4
New Orleans, LA	Balanced	5.9	6.1	0.2	990	1,050	6
Oklahoma City, OK	Soft	10.6	9.6	-1.0	790	810	3
San Antonio, TX	Balanced	7.8	7.9	0.1	1,000	1,050	5

4Q = fourth quarter.

Note: Excludes units in initial lease up.

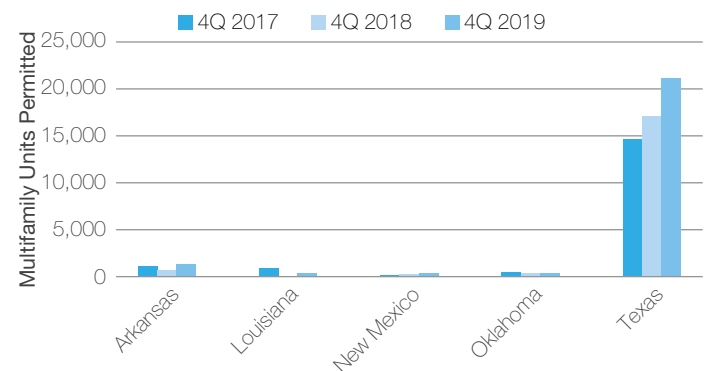
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—ALN Apartment Data, Inc., with adjustments by the analyst

Outside Texas, apartment market conditions were mixed during the fourth quarter of 2019. The apartment market in Albuquerque remained balanced; rent growth was 3 percent, and the vacancy rate declined 1.5 percentage points, to 4.9 percent. In New Orleans, the apartment market remained balanced; the vacancy rate increased 0.2 percentage point, to 6.1 percent, and the average rent increased 6 percent. In Little Rock, the apartment market remained slightly soft during the most recent quarter. The vacancy rate declined 1.4 percentage points, to 8.1 percent, and rents grew 4 percent from the fourth quarter of 2018. In Oklahoma City, rent growth was 3 percent, and the vacancy rate declined 1.0 percentage point, to 9.6 percent—the highest rate in the region despite the large decline. The high vacancy rate is partly due to a plentiful supply of new apartment units that have been completed in Oklahoma City since 2015; almost one-fourth of the supply has been concentrated in and around the Central Business District. Most of this new supply entered the market at a time when energy-related job growth had slowed significantly. Despite recent improvement in the energy sector, apartment market conditions in Oklahoma City remain soft.

During the fourth quarter of 2019 (preliminary data)—

- Approximately 23,250 multifamily units were permitted in the region, a 28-percent increase from the 18,150 units permitted during the fourth quarter of 2018 and the most units permitted during any fourth quarter since 2005. By comparison, multifamily permitting averaged 18,050 units during the fourth quarters of 2012 through 2017.
- Multifamily permitting activity in Texas, which accounted for approximately 90 percent of all multifamily units permitted in the region, increased by 3,950 units, or 23 percent, from the fourth

The number of multifamily units permitted increased in most states in the Southwest region from the fourth quarter of 2018; the largest increase was in Texas.



4Q = fourth quarter.

Note: Based on preliminary data.

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

quarter of 2018 to 20,850 units. Permitting activity increased by 710 units in Arkansas, 240 units in Louisiana, and 180 units in New Mexico, but declined by 10 units in Oklahoma.

- Multifamily permitting increased in most major metropolitan areas in the region except for Houston. In Houston, permitting declined by 780 units, or 12 percent, from 6,800 units during the fourth quarter of 2018—the highest fourth-quarter total in more than 20 years. The largest increases occurred in the Texas markets of Dallas-Fort Worth-Arlington and Austin; there, permitting rose by 2,125 and 1,675 units, or 38 and 76 percent, respectively.