

HUD PD&R Regional Reports

Region 6: Southwest

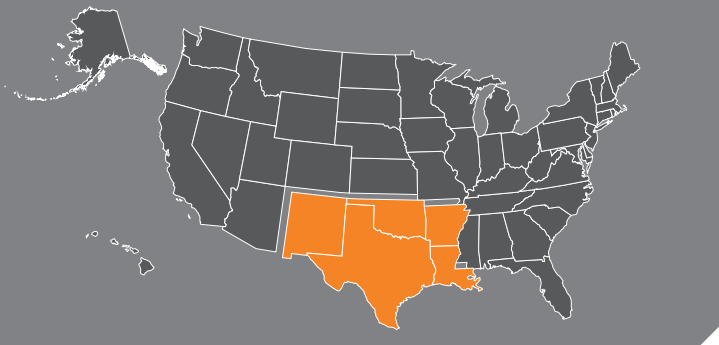


Oklahoma City, Oklahoma

Quick Facts About Region 6

By Robert Stephens | 2nd quarter 2015

- **Sales market conditions—**
Second quarter 2015: mixed (balanced to slightly tight).
First quarter 2015: mixed (balanced to slightly tight).
Second quarter 2014: mixed (balanced to slightly tight).
- **Apartment market conditions—**
Second quarter 2015: mixed (slightly tight to slightly soft).
First quarter 2015: mixed (slightly tight to slightly soft).
Second quarter 2014: mixed (slightly tight to slightly soft).



Overview

Economic growth in the Southwest region that began in 2011 continued during the second quarter of 2015. Job gains occurred in every state in the region and in most nonfarm payroll sectors. Strong employment growth 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, while apartment vacancy rates declined or remained low in most markets in the region.

During the second quarter of 2015—

- Nonfarm payrolls increased 2.0 percent, to 17.53 million jobs, from the second quarter of 2014. Although payroll growth remains strong relative to other regions, year-over-year job growth has slowed for two consecutive quarters after accelerating consistently since the beginning of 2013.
- Home sales and sales prices increased in most major metropolitan areas in the region, led by strong price appreciation in many Texas home sales markets.
- Single-family building activity in the region increased for the fourth consecutive year, but multifamily permitting declined significantly from a record high in the second quarter of 2014.



PD&R

Nonfarm payroll growth in the Southwest region was broad based during the second quarter of 2015, with the only decline occurring in the manufacturing sector.

	Second Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	17,180.2	17,529.4	349.2	2.0
Goods-producing sectors	2,752.2	2,749.9	- 2.3	- 0.1
Mining, logging, and construction	1,401.5	1,413.8	12.3	0.9
Manufacturing	1,350.7	1,336.0	- 14.7	- 1.1
Service-providing sectors	14,428.0	14,779.5	351.5	2.4
Wholesale and retail trade	2,649.5	2,716.6	67.1	2.5
Transportation and utilities	703.5	723.6	20.1	2.9
Information	278.5	282.1	3.6	1.3
Financial activities	950.2	972.0	21.8	2.3
Professional and business services	2,170.8	2,228.2	57.4	2.6
Education and health services	2,340.7	2,417.5	76.8	3.3
Leisure and hospitality	1,789.9	1,869.5	79.6	4.4
Other services	616.5	621.6	5.1	0.8
Government	2,928.3	2,948.2	19.9	0.7

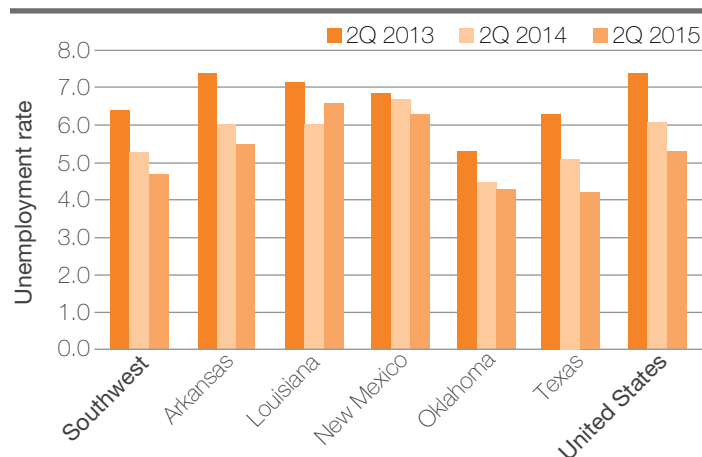
Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Economic Conditions

Nonfarm payroll job growth in the Southwest region, which resumed in 2011 after 2 years of declines, slowed slightly during the second quarter of 2015. Nonfarm payrolls increased 2.0 percent, or by 349,200 jobs, to 17.53 million jobs compared with the number of jobs during the same quarter a year earlier. By comparison, during the second quarter of 2014, nonfarm payrolls grew 2.3 percent, or by 393,200 jobs, from the second quarter of 2013. Job growth was strong in most service-providing sectors during the second quarter of 2015. The leisure and hospitality, education and health services, and wholesale and retail trade sectors each added in excess of 65,000 jobs, with growth rates of 4.4, 3.3, and 2.5 percent, respectively. Among the goods-producing sectors, growth in mining, logging, and construction slowed significantly, to 12,300 jobs, or 0.9 percent, during the most recent period and was more than offset by a decline of 14,700 jobs, or 1.1 percent, in the manufacturing sector, the first regionwide decline in this sector in the past 5 years. The slowdown in the mining, logging, and construction sector was entirely the result of a decline of 17,800 jobs, or 3.9 percent, in the mining and logging subsector, which before this quarter had been one of the fastest growing sectors in the region. Lower oil and gas prices led many energy-related companies to slow hiring or reduce workforces, which has affected jobs in both the mining, logging, and construction and the manufacturing sectors.

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

During the second quarter of 2015—

- Nonfarm payrolls increased 2.5 percent, or by 288,700 jobs, in Texas, which accounted for more than 80 percent of job growth in the region. More than one-half of the growth occurred in the leisure and hospitality, education and health services, and wholesale and retail trade sectors.
- Nonfarm payrolls in Arkansas, Louisiana, New Mexico, and Oklahoma grew 2.0, 0.6, 1.3, and 0.9 percent, respectively. All the growth in these states occurred in the service-providing sectors, led by the leisure and hospitality and the education and health services sectors.

continued on page 3

continued from page 2

- Payrolls in the mining and logging subsector, which has been affected by the recent declines in oil and gas prices, fell in every state in the region from the second quarter of 2014, with the rate of decline ranging from 0.6 percent, or 200 jobs, in New Mexico to 10.7 percent, or 5,700 jobs, in Louisiana. From 2010 through 2014, this subsector, which accounts for less than 3 percent of total nonfarm jobs in the region, provided nearly 10 percent of all nonfarm payroll growth.
- The unemployment rate in the region declined to 4.7 percent compared with the rate of 5.3 percent recorded during the second quarter of 2014 and declined in every state in the region except Louisiana, where the rate increased 0.6 percentage points, because large increases in the labor force exceeded resident employment growth in most parts of the state.

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 2015. The number of new and existing home sales in Texas increased by 11,550, or 4 percent, to 290,400 homes sold during the 12 months ending June 2015 compared with the number sold during the same 12 months a year earlier. Growth slowed significantly from 18 percent during the 12 months ending June 2013 and 8 percent during the 12 months ending June 2014, but home sales are at the highest level since mid-2007 and are approaching the previous peak level of 294,200 homes sold that was recorded in early 2007 before the housing downturn. Despite the slowdown in new and existing home sales during the past year, the average sales price in Texas increased 6 percent, to \$247,100, and the inventory of unsold homes declined from a 3.7- to a 3.4-month supply during the same period. Increases in home sales and home sales prices occurred in most major markets throughout the region

during the past year. Home sales prices increased the most in Austin, Dallas, and Fort Worth, where prices rose 8 percent each, to \$317,300, \$276,200, and \$187,800, respectively, during the 12 months ending June 2015. Little Rock was the only major market in the region to record a decline in home sales prices; the average price fell 1 percent, to \$172,400, during the 12 months ending May 2015.

During the second quarter of 2015 (preliminary data)—

- Approximately 36,200 single-family homes were permitted in the region, a 6-percent increase compared with the number permitted during the second quarter of 2014. By comparison, the number of single-family homes permitted in the region averaged 55,150 during the second quarters of 2004 through 2007 before declining to average 28,550 homes during the second quarters of 2008 through 2014.

continued on page 4

Home sales prices increased in most major metropolitan areas in the Southwest region during the second quarter of 2015, led by strong growth in several Texas markets.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Albuquerque (N&E)	June	8,600	9,000	5	AVG	213,700	214,700	0
Austin (N&E)	June	30,825	31,375	2	AVG	294,700	317,300	8
Dallas (N&E)	June	59,300	61,050	3	AVG	254,900	276,200	8
Fort Worth (N&E)	June	11,275	12,050	7	AVG	170,400	184,800	8
Houston (N&E)	June	81,500	83,125	2	AVG	256,100	271,900	6
Little Rock (N&E)	June	8,425	8,875	5	AVG	173,400	172,400	-1
New Orleans (N&E)	June	9,575	11,050	15	AVG	222,600	228,900	3
San Antonio (N&E)	June	24,550	27,050	10	AVG	211,500	224,500	6
Tulsa (N&E)	June	12,875	13,500	5	AVG	164,600	174,700	6

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

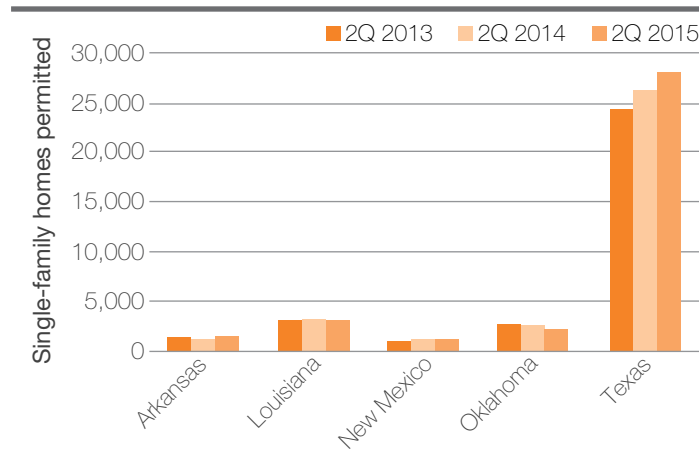
Note: Data include single-family homes, townhomes, and condominiums.

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&M University

continued from page 3

- Compared with permitting activity during the second quarter of 2014, the number of single-family homes permitted in Texas increased by 1,875 homes, or 7 percent, to 28,150 homes. Permitting activity increased by 370 and 10 homes, respectively, in Arkansas and New Mexico, and declined by 75 and 290 homes, respectively, in Louisiana and Oklahoma from the second quarter of 2014.
- Despite increasing regionwide, single-family building activity declined from the second quarter of 2014 in several large markets in the region, led by a decrease of 210 homes, or 2 percent, in the Houston metropolitan area and declines of fewer than 200 homes each in Albuquerque, Austin, New Orleans, and Tulsa in response to slowing employment and home sales growth.
- The Dallas-Fort Worth metropolitan area led the increase in single-family homebuilding activity in the region, with 8,100 homes permitted, an increase of 2,225 homes, or 38 percent, from the second quarter of 2014; this area accounted for nearly 25 percent of all homes permitted in the region.

The number of single-family homes permitted in the Southwest region increased for the fourth consecutive year, led by growth in the Dallas-Fort Worth metropolitan area and a number of smaller areas in Texas.



2Q = second 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 slightly soft during the second quarter of 2015; however, most markets were balanced. Among major Texas markets, San Antonio remained slightly soft, with a vacancy rate of 9.7 percent during the second quarter of 2015, up 0.5 percentage points from the second quarter of 2014. The average rent in San Antonio increased 5 percent, to \$890, during the same period. The average rent in Austin was up 8 percent,

to \$1,131, and the market was balanced, despite a vacancy rate increase of 1.3 percentage points, to 9.0 percent, caused in part by the many higher priced projects currently in lease up. Other Texas markets were balanced, including Houston, which, along with Austin, experienced the most rent growth among all major markets in the region. The average rent in Houston increased 8 percent and the vacancy rate declined 0.7 percentage points, to 7.9 percent. Outside Texas, apartment vacancy rates declined in most major markets

continued on page 5

Apartment market conditions in most major metropolitan areas in the Southwest region during the second quarter of 2015 ranged from slightly tight to slightly soft.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2014 (%)	2Q 2015 (%)	Percentage Point Change	2Q 2014 (\$)	2Q 2015 ^a (\$)	Percent Change
Albuquerque ^b	Slightly tight	3.7	3.6	-0.1	759	776	2
Austin ^a	Balanced	7.7	9.0	1.3	1,052	1,131	8
Dallas ^a	Balanced	7.4	7.7	0.3	934	1,002	7
Fort Worth ^a	Balanced	7.2	7.0	-0.2	814	874	7
Houston ^a	Balanced	8.6	7.9	-0.7	929	1,002	8
Little Rock ^b	Balanced	6.8	6.3	-0.5	701	716	2
New Orleans ^b	Balanced	5.7	5.3	-0.4	926	945	2
San Antonio ^a	Slightly soft	9.2	9.7	0.5	847	890	5
Tulsa ^b	Balanced	5.6	4.9	-0.7	632	649	3

2Q = second quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) ALN Systems, Inc.; (b) Reis, Inc.



continued from page 4

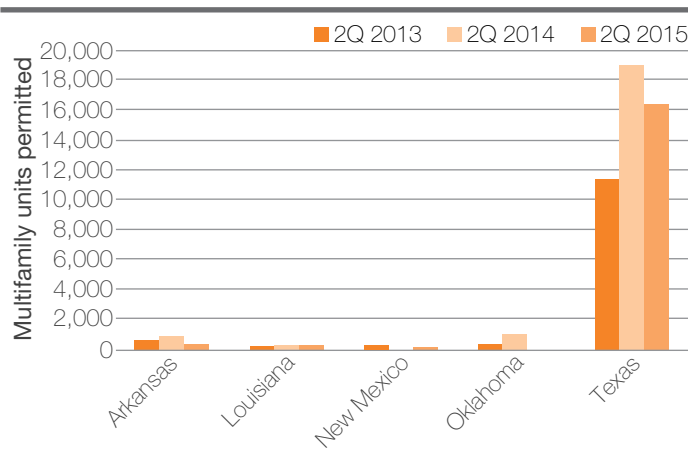
during the second quarter of 2015. Apartment market conditions are slightly tight in Albuquerque and are balanced in Little Rock, Tulsa, and New Orleans; rent growth in these four markets was modest and ranged from 2 to 3 percent.

During the second quarter of 2015 (preliminary data)—

- Approximately 17,350 multifamily units were permitted in the region, a 14-percent decline from the number of units permitted during the second quarter of 2014. By comparison, the number of multifamily units permitted averaged 10,150 during the second quarters from 2009 through 2013 before increasing significantly to 21,300 during the second quarter of 2014, the highest second quarter permitting level in more than a decade.
- Multifamily permitting activity in Texas, which accounted for approximately 94 percent of all multifamily units permitted in the region, declined by 2,600 units, or 14 percent, from the second quarter of 2014, to 16,400 units. Permitting activity increased by 20 and 160 units, respectively, in Louisiana and New Mexico and declined in Arkansas and Oklahoma by 560 and 980 units, respectively, from the second quarter of 2014.
- Multifamily permitting activity declined significantly in several major markets in the region from the second quarter of 2014; the greatest decline, of 1,200 units, or 19 percent, occurred in the Dallas-Fort Worth metropolitan area. These declines were partially offset by an increase in the Houston metropolitan area of 890 units, or

15 percent, to 6,775 units; these increases were, in part, a result of the Downtown Initiative, which offers incentives and tax rebates for the construction of up to 5,000 new residential units in downtown Houston.

Texas continued to lead the Southwest region in multifamily permitting activity, with nearly 70 percent of the regionwide activity during the second quarter of 2015 occurring in the two largest metropolitan areas of Dallas-Fort Worth and Houston.



2Q = second quarter.

Note: Based on preliminary data.

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