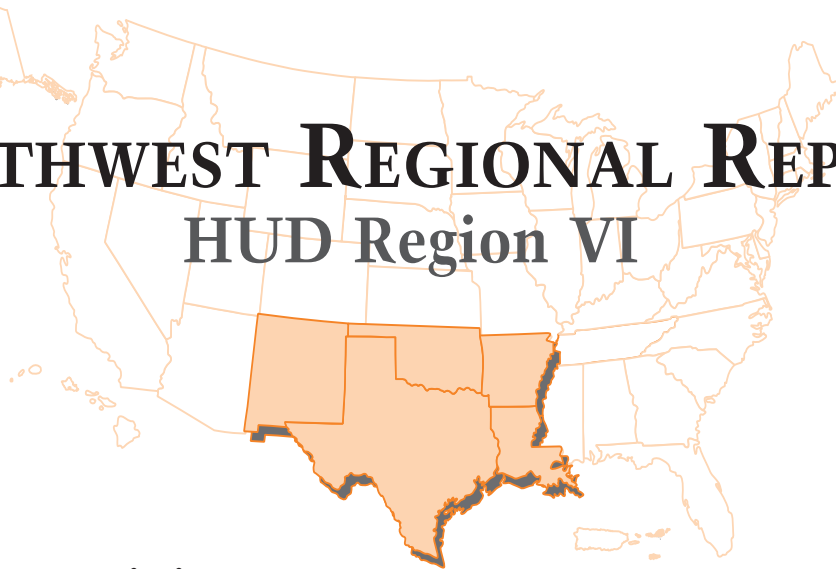




U.S. Housing Market Conditions

SOUTHWEST REGIONAL REPORT HUD Region VI



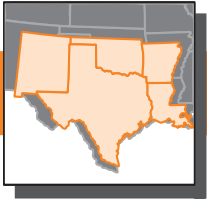
2nd Quarter Activity

The following summary of the Southwest region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Southwest region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

Nonfarm payroll job growth in the Southwest region continued to accelerate during the past 12 months after declines in 2009 and 2010. During the 12 months ending June 2012, average nonfarm payrolls increased 1.9 percent, or by 300,100 jobs, to 16.14 million jobs. By comparison, during the previous 12 months, nonfarm payrolls grew 1.3 percent, or by 210,800 jobs. With recent gains, the region needs to add only 40,000 more jobs to recover to the peak level of 16.18 million jobs recorded in 2008. During the 12 months ending June 2012, the education and health services, professional and business services, leisure and hospitality, and trade sectors recorded the greatest total growth, adding 70,900, 58,800, 54,900, and

48,500 jobs, respectively. The mining and logging subsector, which benefited from high oil and gas prices, was the region's fastest growing sector, with an increase of 46,700 jobs, or 13.4 percent. The manufacturing, financial activities, transportation and utilities, and other services sectors and the construction subsector also added jobs during the 12 months ending June 2012. The gain of 100 jobs, or 0.1 percent, was the first year-over-year increase in construction employment in more than 3 years. During the 12 months ending June 2012, the government sector and information sector recorded losses of 55,900 and 1,500 jobs, respectively. The decline in the number of government-sector jobs, which began during the third quarter of 2010, comes after more than 10 years of job growth and resulted from lower state and local tax revenues.

During the 12 months ending June 2012, nonfarm payrolls grew year over year in every state in the region, except Arkansas. Texas led job growth with an increase of 2.2 percent, or 229,400 jobs; the government and information sectors recorded the only job losses, with declines of 58,700 and 100 jobs, respectively. In Louisiana, nonfarm payrolls increased by 38,100 jobs, or 2.0 percent, with the largest gain of 14,200 jobs, or 5.2 percent, occurring



in the education and health services sector. In Oklahoma, nonfarm payrolls increased by 31,000 jobs, or 2.0 percent; small declines in the other services and the information sectors and in the construction subsector were more than offset by increases in all other sectors and subsectors. Nonfarm payrolls in New Mexico increased by 2,600 jobs, or 0.3 percent, led by an increase of 2,400 jobs, or 12.3 percent, in the mining and logging subsector. In Arkansas, nonfarm payrolls declined by 1,000 jobs, or 0.1 percent, during the 12 months ending June 2012; the manufacturing sector, in which losses accelerated to 4,300 jobs, or 2.7 percent, has declined by more than 85,000 jobs, or 35 percent, since peaking in 2008. During the 12 months ending June 2012, the unemployment rate in the region declined to 7.3 percent compared with the 7.9-percent rate recorded during the previous 12 months. The average unemployment rates ranged from 5.8 percent in Oklahoma to 7.7 percent in Arkansas. New Mexico, Louisiana, and Texas recorded unemployment rates of 7.1, 7.2, and 7.4 percent, respectively.

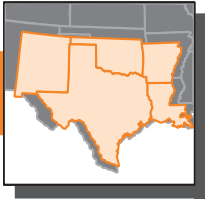
Many sales housing markets in the Southwest region began to return to balanced conditions during the 12 months ending June 2012, helped by moderate job gains during the past 2 years. In Texas, during the 12 months ending June 2012, new and existing home sales increased 13 percent, to approximately 218,800 homes sold, compared with sales during the previous year, according to the Real Estate Center at Texas A&M University; however, sales remained 20 percent less than the level recorded during the peak sales years of 2006 through 2008. During the 12 months ending June 2012, the inventory of unsold homes in Texas was at a 6.5-month supply, down from 7.8 months during the previous year but still somewhat higher than the 5.0-month average supply recorded from 2006 through 2008. In all major metropolitan areas in Texas, new and existing home sales increased during the 12 months ending June 2012, with gains ranging from 7 percent in San Antonio to 21 percent in Austin. Dallas, Fort Worth, and Houston recorded increases in home sales of 9, 14, and 16 percent, respectively. During the 12 months ending June 2012, the average home sales price in Texas increased 2 percent, to \$200,000, compared with the average home sales price during the previous 12-month period. Among major metropolitan areas in Texas, home sales prices were essentially unchanged in Dallas and San Antonio, but Austin, Fort Worth, and Houston recorded increases of 1, 2, and 2 percent, respectively.

Home sales also increased in a number of markets elsewhere in the Southwest region during the 12 months ending June 2012. In New Orleans, according to the New Orleans Metropolitan Association of REALTORS® and Gulf South Real Estate Information Network, Inc., new and existing single-family home sales increased 20 percent, to 8,275 homes, and the average home sales price declined approximately 3 percent, to \$205,800. During the 12 months ending June 2012, according to data from

the Greater Baton Rouge Association of REALTORS®, home sales in Baton Rouge increased 21 percent, to 7,175 homes sold, and the average home sales price decreased 3 percent, to \$188,900. The Greater Albuquerque Association of REALTORS® reported that, during the 12 months ending June 2012, single-family home sales in Albuquerque increased 12 percent, to 6,900 homes, compared with sales during the previous 12 months, and the average sales price declined 5 percent, to \$201,300. Condominium sales in Albuquerque increased 5 percent, to 620 sales, during the same period. According to the Oklahoma Association of REALTORS®, during the 12 months ending June 2012, new and existing home sales in Oklahoma City increased by 2,775 sales, or 19 percent, to 17,025 homes sold, and the average home sales price increased approximately 1 percent, to \$159,300, compared with the average sales price during the previous 12 months. According to the Arkansas REALTORS® Association, during the 12 months ending June 2012, the number of new and existing home sales in the state increased by 1,775, or 8 percent, to 23,550 homes compared with the number of homes sold during the previous year, and the average home sales price increased 3 percent, to \$149,000.

Increases in home sales throughout the region led to increased single-family construction activity, as measured by the number of single-family building permits issued, in four of the five states in the region. Based on preliminary data, during the 12 months ending June 2012, 92,000 single-family homes were permitted, an increase of 11,700 homes, or 15 percent, compared with the number permitted during the previous 12 months. Texas recorded a 17-percent increase in the number of single-family homes permitted, increasing by 9,875 permits to 68,200 homes permitted during the 12 months ending June 2012. The other four states in the region experienced changes in the number of single-family homes permitted ranging from a 2-percent decline in New Mexico to a 22-percent increase in Oklahoma. Louisiana and Arkansas recorded increases of 2 and 14 percent, respectively.

Apartment market conditions in most of the large metropolitan areas in Texas remained somewhat soft during the second quarter of 2012. Reduced multifamily building activity during the past 3 years has allowed for vacancy rates to decline, however, to their lowest levels since the early to mid-2000s and for moderate rent increases to occur. The Austin apartment market is currently balanced. According to ALN Systems, Inc., the apartment vacancy rate in Austin for the second quarter of 2012 was 5.4 percent, down from 5.8 percent during the second quarter of 2011, and the average rent increased 6 percent to \$910. Most other major Texas apartment markets remain slightly soft but are moving toward becoming balanced. In San Antonio, the apartment vacancy rate declined by 0.2 percentage points to 8.1 percent from the second quarter of 2011, and the average rent increased 5 percent, to \$780. The apartment markets in Dallas and Fort Worth also improved during the second quarter of 2012, with



apartment vacancy rates of 7.3 and 7.9 percent, respectively, down from 8.3 and 8.4 percent, respectively, during the second quarter of 2011. The average rents in Dallas and Fort Worth increased 5 and 4 percent, to \$850 and \$740, respectively, compared with rents during the second quarter of 2011. The Houston apartment market was the softest of all major apartment markets in Texas during the second quarter of 2012, but it also improved the most, with a 9.7-percent apartment vacancy rate, down 2.0 percentage points from the second quarter of 2011. Average rents in Houston increased 4 percent, to \$820, during that period.

Apartment market conditions also improved in other large metropolitan areas throughout the Southwest region. The apartment market in Albuquerque was somewhat tight during the second quarter of 2012. According to Reis, Inc., the apartment vacancy rate in Albuquerque was 4.0 percent, down from 4.4 percent a year earlier, and the average rent increased 2 percent, to \$740. Apartment markets in Little Rock, Oklahoma City, and New Orleans improved significantly during the past year and are currently balanced. During the second quarter of 2012, the apartment vacancy rate was 5.4 percent in Little Rock, down significantly from 6.7 percent a year earlier, and the average rent increased approximately 2 percent, to \$670. In Oklahoma City, the apartment vacancy rate

declined from 7.5 percent in the second quarter of 2011 to 6.3 percent in the second quarter of 2012, and the average rent increased 3 percent, to \$580. Apartment market conditions improved in New Orleans during the second quarter of 2012; the apartment vacancy rate fell to 7.0 percent from the 8.2-percent rate recorded a year earlier, and the average rent increased 2 percent, to \$890.

Responding to improved rental markets in many large metropolitan areas, builders increased development in the past year. Multifamily construction activity, as measured by the number of units permitted, increased in the region during the 12 months ending June 2012 after substantial declines during the previous 2 years. Based on preliminary data, 48,400 multifamily units were permitted during the 12 months ending June 2012, a 62-percent increase compared with the number of units permitted during the previous 12 months. Multifamily permitting levels remain approximately 26 percent less than the average of 65,800 units recorded during the peak years of 2006 through 2008. During the 12 months ending June 2012, the number of multifamily units permitted in Texas increased 81 percent, or by 18,550 units, from the previous year, to 41,950 units. In other states in the region, the changes in multifamily permitting activity ranged from declines of 750 and 600 units in Arkansas and Louisiana, respectively, to increases of 580 and 620 units in Oklahoma and New Mexico, respectively.