



U.S. Housing Market Conditions

SOUTHWEST REGIONAL REPORT HUD Region VI



4th 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 jobs in the Southwest region recorded year-over-year increases in 2011 after reporting declines during the previous 2 years. During 2011, average nonfarm payrolls increased by 1.9 percent, or 302,800 jobs, to 16 million jobs. By comparison, in 2009 and 2010, nonfarm payrolls declined by an average of 1.4 percent, or 234,500 jobs, annually. Despite recent gains, the region needs to add approximately 166,000 jobs to recover to the peak level of 16.2 million jobs recorded in 2008. During 2011, the education and health services and the professional and business services sectors recorded the largest growth, adding 64,000 and 57,900 jobs, respectively. The mining and logging subsector, which benefited from rising oil and gas prices, was the region's fastest growing sector, with an increase of 43,600 jobs, or 13.2 percent. During

2011, the manufacturing sector, construction subsector, and financial activities sector added 27,200, 23,500, and 12,100 jobs, respectively, as housing markets in parts of the region began to recover. The trade, transportation, and utilities, the leisure and hospitality, and the other services sectors also added jobs in 2011. The information and government sectors recorded losses during 2011, down by 35,400 and 6,400 jobs, respectively. The information sector has shed nearly 81,000 jobs, or an average of 9,000 annually, since 2002. The decline in government jobs, which began during the second quarter of 2011, follows more than 10 years of job growth and resulted from the need for many state and local governments in the region to reduce staff in response to lower tax revenues.

During 2011, nonfarm payrolls grew year-over-year in every state in the region for the first time since the third quarter of 2008. Texas led job growth in 2011 with an increase of 2.2 percent, or 232,600 jobs, spread throughout all sectors except government and information, which declined by 22,800 and 7,900 jobs, respectively. In Oklahoma, nonfarm payrolls increased by 30,700 jobs, or 2 percent; a decline of 2,200 jobs in the government sector was offset by gains in most other sectors, including the manufacturing sector, which added 9,600 jobs, the largest year-over-year increase in the sector since 2006. In Louisiana, payrolls increased by 28,100 jobs, or 1.5 percent, after 2 years of



declines; a decline of 7,600 jobs, or 2.1 percent, in the government sector partially offset total gains, however. In Arkansas, nonfarm payrolls increased by 9,700 jobs, or 0.8 percent, because gains in most service-providing sectors offset losses in the goods-producing sectors and the government sector. Nonfarm payrolls in New Mexico increased by 1,700 jobs, or 0.2 percent, the first year-over-year increase in the state since 2008. For 2011, the unemployment rate in the region declined to 7.8 percent compared with the 8-percent rate recorded in 2010. The average unemployment rates ranged from 5.9 percent in Oklahoma to 8.1 percent in Texas. New Mexico, Louisiana, and Arkansas recorded unemployment rates of 7.1, 7.5, and 8 percent, respectively.

Sales housing market conditions in the Southwest region remained soft during 2011, despite modest job gains in the region over the past 12 months. In Texas, during 2011, new and existing home sales increased 1 percent to approximately 205,100, compared with sales during the previous year, according to the Real Estate Center at Texas A&M University. During 2011, the inventory of unsold homes in Texas was at a 7.4-month supply, unchanged from the previous year, but much greater than the 5-month average supply recorded from 2006 through 2008. In most major metropolitan areas in Texas, new and existing home sales increased in 2011, with gains ranging from less than 1 percent in Dallas and San Antonio to 4 and 7 percent in Houston and Austin, respectively. Fort Worth recorded a 2-percent decline in home sales. During 2011, the average home sales price in Texas increased 2 percent to \$195,700 compared with the average sales price during the previous year. Among major metropolitan areas in Texas, home sales price changes ranged from a 1-percent decline in Fort Worth to a 2-percent increase in Austin. Sales prices increased by less than 1 percent in Dallas and San Antonio and by 1 percent in Houston.

Home sales also increased in a number of markets elsewhere in the region during 2011. 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 11 percent to 7,675 homes, and the average sales price declined approximately 3 percent to \$205,300. During 2011, based on data from the Greater Baton Rouge Association of REALTORS®, home sales in Baton Rouge increased 3 percent to 6,575 homes, and the average home sales price decreased 3 percent to \$190,300. The Greater Albuquerque Association of REALTORS® reported that, in 2011, single-family home sales in Albuquerque increased by 2 percent to 6,550 homes compared with sales during 2010, and the average sales price declined 7 percent to \$201,500. Condominium sales in Albuquerque declined by 18 percent to 580 sales during the same period. According to the Oklahoma Association of REALTORS®, during the fourth quarter of 2011, new and existing home sales in Oklahoma were up 1,550, or 4 percent, to 42,050 homes sold, and the average home sales price increased by

approximately 3 percent to \$151,800 compared with the average price during the fourth quarter of 2010. According to the Arkansas REALTORS® Association, in 2011, the number of new and existing home sales in the state increased by 450, or 2 percent, to 23,200 homes compared with the number of homes sold during the previous year, and the average home sales price declined by 1 percent to \$143,800.

Despite a modest increase in home sales throughout the region, single-family construction activity, as measured by the number of building permits issued, continued to decline. Based on preliminary data, during 2011, 83,550 single-family homes were permitted, a decline of 2,875 homes, or 3 percent, compared with the number permitted during 2010. During 2011, Texas recorded a 1-percent decrease in the number of single-family homes permitted, down 930 to 62,050 homes. The other four states in the region also experienced declines in the number of single-family homes permitted, ranging from 4 percent in Louisiana to 15 percent in New Mexico. Oklahoma and Arkansas recorded declines of 8 and 12 percent, respectively.

Rental housing market conditions are soft in most of the large metropolitan areas in Texas, but improved significantly during the fourth quarter of 2011 because building activity remains well below the levels recorded during the mid-2000s. The Austin rental market is currently balanced. According to ALN Systems, Inc., the apartment vacancy rate in Austin for the fourth quarter of 2011 was 5.5 percent, down from 6.6 percent during the fourth quarter of 2010, and the average rent increased 5 percent to \$900. All other major Texas rental markets are currently soft. In San Antonio, the apartment vacancy rate declined from 10.2 percent during the fourth quarter of 2010 to 9.1 percent during the fourth quarter of 2011, and the average rent increased 4 percent to \$760. Rental markets in Dallas and Fort Worth remained soft, with apartment vacancy rates of 7.9 and 8.9 percent, respectively, during the fourth quarter of 2011. The average rents in Dallas and Fort Worth increased by 4 and 3 percent to \$830 and \$720, respectively, compared with rents during the fourth quarter of 2010. The Houston rental market was the softest of all major rental markets in Texas, with an 11.2-percent apartment vacancy rate during the fourth quarter of 2011, down from 12.7 percent during the fourth quarter of 2010. Rents remained essentially unchanged during that period, at \$790.

Rental housing market conditions also improved in other large metropolitan areas throughout the Southwest region during the fourth quarter of 2011. Rental markets in Albuquerque and Little Rock are currently balanced. According to Reis, Inc., in the fourth quarter of 2011, the apartment vacancy rate in Albuquerque was 3.9 percent, down from 5 percent a year earlier, and the average rent increased 1 percent to \$730. In Little Rock, during the fourth quarter of 2011, the apartment vacancy rate was 5.8 percent, down from 7.7 percent a year earlier, and



the average rent increased approximately 1 percent to \$660. Rental markets in the largest metropolitan areas in Oklahoma are improving but remained slightly soft during the fourth quarter of 2011. In Tulsa, the apartment vacancy rate declined significantly, from 8.8 percent in the fourth quarter of 2010 to 6.8 percent in the fourth quarter of 2011, and the average rent increased 1 percent to \$590. Rental market conditions improved in New Orleans during the fourth quarter of 2011; the apartment vacancy rate fell to 7.7 percent from the 9.3-percent rate recorded a year earlier, and the average rent increased 2 percent to \$880.

Despite continued soft conditions in many large metropolitan areas, builders responded to improved rental markets by increasing development. Multifamily

construction activity, as measured by the number of units permitted, increased in the Southwest region in 2011 following large declines during the previous 2 years. Based on preliminary data, the 37,550 units permitted during 2011 reflect a 57-percent increase compared with the number of units permitted during 2010. Multifamily permitting levels for 2011 remain approximately 50 percent below the average of 65,800 units recorded during the peak years of 2006 through 2008. During 2011, the number of multifamily units permitted in Texas increased by 61 percent, or 11,400 units, from the previous year to 30,100 units. In other states in the region, multifamily permitting activity ranged from unchanged in Arkansas to an increase of 1,075 units in Louisiana. New Mexico and Oklahoma recorded increases of 110 and 1,050 units, respectively.