

1st Quarter 2010



# U.S. Housing Market Conditions

## SOUTHWEST REGIONAL REPORT HUD Region VI



### 1st 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 employment in the Southwest region continued to decline in the first quarter of 2010, a trend that began in May 2009. During the 12 months ending March 2010, average nonfarm employment decreased by 496,300 jobs, or 3.1 percent, to 15.6 million jobs compared with a growth rate of 111,900 jobs, or 0.7 percent, during the 12 months ending March 2009. The only nonfarm employment sectors to gain jobs during the past year were the education and health services and the government sectors. The education and health services sector recorded the largest job growth among employment sectors in the region, adding 76,000 jobs, or 3.7 percent, led by Texas, which gained 53,200 jobs, or 4.1 percent. The government sector increased by 52,500 jobs, or 1.8 percent,

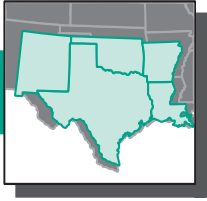
with all states recording increased employment in the sector. Weakness in residential and commercial construction markets contributed to substantial job losses in the construction sector, which decreased by 119,500 jobs, or 12.1 percent, compared with a gain of 6,300 jobs, or 0.6 percent, a year earlier. The manufacturing sector, which had the greatest number of job losses in the region, was down by 142,800 jobs, or 10 percent.

During the 12 months ending March 2010, job losses occurred in every state in the Southwest region. Employment in Texas declined by 321,300 jobs, or 3 percent, with the construction, manufacturing, and professional and business services sectors each losing more than 85,000 jobs. In Oklahoma, employment decreased by 60,700 jobs, or 3.8 percent, largely due to losses of 21,200 and 16,300 jobs in the manufacturing and professional and business services sectors, respectively. Employment in Louisiana decreased by 44,600 jobs, or 2.3 percent, as a combined increase of 12,900 jobs in the education and health services, other services, and government sectors was more than offset by a loss of 29,700 jobs combined in the manufacturing, construction, and professional and business services sectors. In Arkansas, employment declined by 35,900 jobs, or 3.0 percent. A decrease of 30,900 jobs combined in the manufacturing, trade, and transportation and utilities



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sectors in Arkansas more than offset gains of 5,600 and 2,600 jobs in the education and health services and the government sectors, respectively. Employment in New Mexico, which declined for the fourth consecutive quarter, decreased by 33,800 jobs, or 4.0 percent, during the 12 months ending March 2010. During the same period, the unemployment rate in the region increased to 7.7 percent compared with the 5.4-percent rate recorded during the previous 12-month period. The average unemployment rates ranged from 6.6 percent in Oklahoma to 8.0 percent in Texas.

Sales market conditions in the Southwest region remained soft during the 12 months ending March 2010 as a result of the economic downturn. Market conditions improved, however, in several states in the region primarily because of increased sales that resulted from the first-time homebuyer tax credit program. According to the Oklahoma Association of REALTORS®, in Oklahoma, during the 12 months ending March 2010, 44,900 homes were sold, up 2 percent from the number sold a year earlier. In Oklahoma City, 16,200 homes were sold, representing an increase of 3 percent, while home sales in Tulsa increased by 1 percent to 12,800. Home sales had declined by more than 14 percent in both Oklahoma City and Tulsa during the 12 months ending March 2009. During the 12 months ending March 2010, the average home sales price in Oklahoma declined by 3 percent to \$141,100; the average price increased by 1 percent during the same period a year earlier. The average home sales prices declined by 3 percent in Tulsa to \$151,100 and by 4 percent in Oklahoma City to \$147,200. A year earlier, average home sales prices in Tulsa were unchanged while in Oklahoma City they rose by 1 percent.

The Arkansas REALTORS® Association reported that during the 12 months ending March 2010 home sales for Arkansas totaled 24,600, up 5 percent from the number of home sales a year earlier. In Little Rock and Fayetteville, the total number of homes sold increased by 10 and 11 percent to 8,300 and 5,675, respectively. Statewide, the average home sales price decreased by 2 percent to \$144,300. Average home sales prices in Fayetteville decreased 4 percent to \$159,900 while in Little Rock they increased by 2 percent to \$163,000.

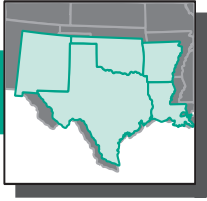
The Greater Albuquerque Association of REALTORS® reported that in Albuquerque during the 12 months ending March 2010 home sales totaled 6,800, up 6 percent compared with home sales a year earlier. The average home sales price in Albuquerque declined by 6 percent to \$213,600. According to the New Orleans Metropolitan Association of REALTORS®, sales were up 1 percent to 8,150 homes compared with a 25-percent decline in home sales during the 12 months ending March 2009. During the 12 months ending March 2010, average home sales prices declined in New Orleans by 1 percent to \$201,700. In Baton Rouge, the number of home sales

decreased 2 percent to 6,825, and the average home sales price declined approximately 4 percent to \$191,200, based on data from the Greater Baton Rouge Association of REALTORS®.

In Texas, according to data from the Real Estate Center at Texas A&M University, home sales totaled 215,200, down 2 percent compared with sales a year earlier and down 19 percent compared with sales 2 years earlier. The level of sales was down in all major markets in the state with 3-percent declines recorded in Austin and Houston and 5- and 6-percent declines recorded in Dallas and Fort Worth, respectively. San Antonio home sales increased by 5 percent compared with sales a year earlier but decreased 20 percent compared with home sales recorded 2 years earlier. The average home sales price in Dallas, Fort Worth, Austin, and San Antonio decreased by 3 percent to \$202,300, \$138,500, \$236,900, and \$177,700, respectively. The average home sales price in Houston increased 1 percent to \$204,400. The average home sales price for the state was \$187,100, down 1 percent compared with the price a year earlier.

In the Southwest region, increased home sales in several states resulted in an increase in single-family home construction activity, as measured by the number of single-family building permits issued. During the 12 months ending March 2010, based on preliminary data, the number of single-family homes permitted in the region totaled 94,400, representing an increase of 2,500 homes, or 3 percent, compared with the number permitted during the 12 months ending March 2009. Texas recorded a 2-percent increase in the number of single-family homes permitted, up 1,450 to 68,900 homes. Louisiana recorded an 8-percent increase in the number permitted, which reflects the ongoing reconstruction efforts in the New Orleans area following Hurricane Katrina. The number of single-family homes permitted increased in Arkansas and Oklahoma by 6 and 4 percent, respectively, but decreased in New Mexico by 4 percent.

Rental housing market conditions in the Southwest region were soft during the first quarter of 2010 partly because of job losses in nearly all of the larger metropolitan areas. According to Reis, Inc., the apartment vacancy rate in Austin was 10.1 percent, up from 9.5 percent a year earlier, but the average rent was unchanged at \$875. In Dallas, the apartment vacancy rate increased to 10.4 percent from the 8.5-percent rate recorded a year earlier, but the average rent was unchanged at \$814. Rental markets in Fort Worth and Houston remained very soft, with vacancy rates of approximately 11.1 and 12.9 percent, respectively. Average rents in Fort Worth declined by 1 percent to \$710 but in Houston were unchanged at \$775. In San Antonio, the vacancy rate increased to 10.7 percent from the 10-percent rate recorded a year earlier, and the average rent increased nearly 1 percent to \$700.



In Oklahoma City in the first quarter of 2010, the apartment vacancy rate rose to 10.1 percent from the 8.9-percent rate recorded a year earlier, but average rents were unchanged at \$550, according to Reis, Inc. In Tulsa, the vacancy rate increased to 9.4 percent from 8.3 percent a year earlier, but average rents were unchanged at \$580. The apartment vacancy rate in Little Rock was 8.6 percent, up from 7.5 percent a year earlier, and the average rent increased by 1 percent to \$650. The apartment vacancy rate in Albuquerque declined slightly to 6.4 percent from the 6.8-percent rate recorded a year earlier, and the average rent declined nearly 1 percent to \$710. In New Orleans, the vacancy rate increased to 11 percent during the fourth quarter of 2009, up from the 7.7-percent rate recorded a year earlier, and the average rent was down 1 percent to \$850.

As a result of the soft rental markets, multifamily construction activity, as measured by the number of units permitted, decreased in the Southwest region during the first quarter of 2010, based on preliminary data. During the 12 months ending March 2010, 18,600 units were permitted, which reflects a 64-percent decline compared with the number of units permitted a year earlier. The number of multifamily units permitted in Texas declined 68 percent, down 28,200 units to 12,000. Louisiana recorded a decline of 64 percent, or 2,250 units, to 830. In the other states in the region, declines in the number of multifamily units permitted ranged from 48 percent in Arkansas to 64 percent in New Mexico. Oklahoma was the only state to record an increase, up 340 units, or 26 percent, to 1,650 multifamily units permitted.