



# U.S. Housing Market Conditions

## SOUTHWEST REGIONAL REPORT HUD Region VI



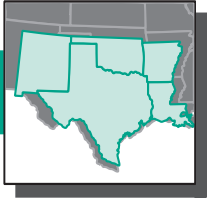
### 1st Quarter Activity

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.

After 2 years of declines, nonfarm payroll jobs have begun to increase in the Southwest region. During the 12 months ending March 2011, average nonfarm payrolls increased by 1 percent, or 149,700 jobs, to 15.9 million jobs. By comparison, for the 12 months ending March 2010, average nonfarm payrolls declined by 3.1 percent, or 497,300 jobs. During the 12 months ending March 2011, the education and health services sector recorded the largest growth, adding 62,000 jobs, an increase of 2.9 percent. The professional and business services and the government sectors increased by 46,100 jobs, or 2.5 percent, and 27,200 jobs, or 0.9 percent, respectively. The fastest growing sector was the natural resources and mining sector, which benefited from rising oil and

gas prices, with an increase of 24,100 jobs, or 7.6 percent. Because of continued soft housing and commercial property markets, job losses continued in the construction sector but at a much slower pace, with a decline of 13,500 jobs, or 1.5 percent, compared with a decrease of 115,100 jobs, or 11.7 percent, during the 12 months ending March 2010. During the 12 months ending March 2011, the manufacturing sector declined by 10,300 jobs, or 0.8 percent, continuing a trend of job losses in the sector that began in 2008.

During the 12 months ending March 2011, job losses in Louisiana and New Mexico were more than offset by nonfarm payroll gains in Arkansas, Oklahoma, and Texas. During the 12 months ending March 2011, Texas gained 144,800 jobs, or 1.4 percent, led by an increase of 48,900 jobs, or 3.6 percent, in the education and health services sector. In Arkansas, nonfarm payrolls increased by 10,300 jobs, or 0.9 percent, as losses in the goods-producing sectors were offset by gains in most service-providing sectors. In Oklahoma, nonfarm payrolls increased by 1,300 jobs, or 0.1 percent, which represents the first increase since the 12 months ending March 2009. In Louisiana, a decline of 1,100 jobs, or 0.1 percent, was led by nonfarm payroll declines of 5,700 each in the construction and government sectors.



During the most recent 12 months, nonfarm payrolls in New Mexico recorded the largest decline in the region, down 5,600 jobs, or 0.7 percent, as job gains in the natural resources and mining and the education and health services sectors were offset by declines in most other sectors. For the 12 months ending March 2011, the unemployment rate in the region increased to 8 percent, up from the 7.7-percent rate recorded during the previous 12 months. The average unemployment rates ranged from 6.7 percent in Oklahoma to 8.4 percent in New Mexico; Louisiana, Arkansas, and Texas recorded unemployment rates of 7.7, 7.8, and 8.2 percent, respectively.

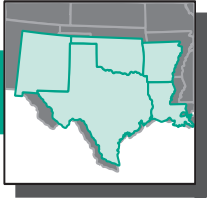
Sales housing market conditions in the Southwest region remained soft during the first quarter of 2011 despite small job gains in the region over the past 12 months. In Texas, during the 12 months ending March 2011, approximately 200,200 new and existing homes were sold, down 7 percent compared with the number sold during the previous 12 months and down 9 percent from the number sold during the 12 months ending March 2009, according to the Real Estate Center at Texas A&M University. For the 12-month period ending March 2011, the inventory of unsold homes in Texas was at a 7.5-month supply, up from the 7-month supply for the previous 12-month period and well above the 5-month average supply recorded from 2006 through 2008. During the 12 months ending March 2011, in most major metropolitan areas in Texas, the number of new and existing homes sold declined, with declines ranging from 5 percent in San Antonio to 10 percent in Dallas and Fort Worth. Houston and Austin recorded declines in the number of homes sold of 6 and 8 percent, respectively. During the 12 months ending March 2011, the average home sales price in Texas increased 4 percent to \$194,900 compared with the average price during the previous 12 months. Among major metropolitan areas in Texas, home sales price increases ranged from 3 percent in Houston to 7 percent in Dallas. Fort Worth and San Antonio recorded home sales price increases of 4 percent each, and Austin recorded a 5-percent increase. In Dallas, during the 12 months ending March 2011, the average sales price of \$216,000 has nearly recovered to the average sales price of \$216,300 recorded 3 years earlier during the 12 months ending March 2008.

Home sales declined in a number of markets in states elsewhere in the region during the 12 months ending March 2011. In New Orleans, during the 12 months ending March 2011, according to the New Orleans Metropolitan Association of REALTORS® and Gulf South Real Estate Information Network, Inc., new and existing single-family home sales were down 5 percent to 7,075 homes, and the average sales price increased 2 percent to \$210,500. In Baton Rouge, during the 12 months ending March 2011, based on data from the Greater Baton Rouge Association of REALTORS®, the number of home sales declined 9 percent to 6,275

homes, and the average home sales price increased 2 percent to \$194,600. The Greater Albuquerque Association of REALTORS® reported that, in Albuquerque, during the 12 months ending March 2011, the number of home sales was down 8 percent to 6,450 homes compared with the number sold during the previous 12-month period, and that the average sales price increased 1 percent to \$215,600. According to the Oklahoma Association of REALTORS®, in Oklahoma, during the first quarter of 2011, the number of new and existing homes sold was down 4,725, or 11 percent, at 40,100 homes sold, and the average home sales price increased by approximately 1 percent to \$148,100 compared with the first quarter of 2010. According to the Arkansas REALTORS® Association, during the 12 months ending March 2011, the number of new and existing home sales in the state declined by 1,900, or 8 percent, to 22,700 homes compared with the number of homes sold during the previous 12 months and the average home sales price increased 1 percent to \$145,700.

Builders in the Southwest region responded to declining home sales by reducing single-family construction activity, which is measured by the number of single-family building permits issued. During the 12 months ending March 2011, the total number of single-family homes permitted was 81,200, a decline of 13,350 homes, or 14 percent, compared with the number permitted during the previous 12 months, based on preliminary data. For the 12 months ending March 2011, Texas recorded a 14-percent decrease in the number of single-family homes permitted, down 9,925 to 59,000 homes permitted. Other states in the region experienced declines in the number of single-family homes permitted, ranging from 9 percent in Louisiana to 18 percent in Oklahoma. Arkansas and New Mexico recorded declines of 14 and 17 percent, respectively.

Rental housing market conditions are soft in the largest metropolitan areas in Texas but improved during the first quarter of 2011 as builders responded to the soft market conditions by reducing multifamily construction activity. According to ALN Systems, Inc., in the first quarter of 2011, the apartment vacancy rate in Austin was 7.3 percent, down from 10.7 percent during the first quarter of 2010, and the average rent increased 4 percent to \$860. In San Antonio, the apartment vacancy rate declined from 11.9 to 9.4 percent during the first quarter of 2011, and the average rent increased 1 percent to \$740. Rental markets in Fort Worth and Houston remained very soft, with vacancy rates of 10.9 and 12.6 percent, respectively, during the first quarter of 2011. The average rents in Fort Worth and Houston remained unchanged at \$700 and \$790, respectively, compared with the first quarter of 2010. In Dallas, during the first quarter of 2011, the vacancy rate declined to 9.3 percent from the 12.8-percent rate recorded during the first quarter of 2010, but the average rent remained unchanged at \$800.



Rental housing market conditions improved in large metropolitan areas in other states throughout the Southwest region during the first quarter of 2011. Rental markets in Albuquerque and Little Rock are currently balanced. According to Reis, Inc., in the first quarter of 2011, the apartment vacancy rate in Albuquerque was 4.7 percent, down from 6.4 percent a year earlier, and the average rent increased 2 percent to \$720. In Little Rock, during the first quarter of 2011, the apartment vacancy rate was 6.9 percent, down from 8.6 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 soft during the first quarter of 2011. In Oklahoma City, from the first quarter of 2010 to the first quarter of 2011, the apartment vacancy rate declined significantly from 10.1 to 7.5 percent, and the average rent increased 2 percent to \$560. In Tulsa, the vacancy rate declined from 9.4 percent in the first quarter of 2010 to 8.3 percent during the same period in 2011, and the average rent increased 1 percent to \$580. In New Orleans, during the first quarter of 2011, rental market conditions improved as the apartment rental vacancy rate fell to 8.8 percent, down

from the 10.5-percent rate recorded a year earlier, and the average rent increased 3 percent to \$870.

Despite soft apartment rental markets in many large metropolitan areas, multifamily construction activity, as measured by the number of units permitted, increased in the Southwest region during the 12 months ending March 2011, following a large decline during the previous 12 months. Based on preliminary data, during the 12 months ending March 2011, the 25,600 units permitted reflect a 44-percent increase compared with the number of units permitted during the previous 12 months. Multifamily permitting levels for the 12 months ending March 2011 are approximately 48 percent below the 51,050 units recorded during the 12 months ending March 2009. During the 12 months ending March 2011, the number of multifamily units permitted in Texas increased by 55 percent, or 7,325 units, from the previous year, to 20,725 units. Other states in the region experienced changes in the number of multifamily units permitted, ranging from a decline of 680 units in Oklahoma to an increase of 1,200 units in Arkansas. Louisiana and New Mexico recorded increases of 100 and 170 units, respectively.