



U.S. Housing Market Conditions



SOUTHWEST REGIONAL REPORT HUD Region VI

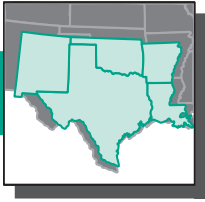
1st Quarter Activity

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 payroll job growth in the Southwest region accelerated during the past 12 months after declines in 2009 and 2010. During the 12 months ending March 2012, average nonfarm payrolls increased 1.8 percent, or 281,700 jobs, to 16.1 million jobs. By comparison, during the previous 12 months, nonfarm payrolls grew 1.0 percent, or 160,800 jobs. Despite recent gains, the region needs to add approximately 107,600 jobs to recover to the peak level of 16.2 million jobs recorded in 2008. During the 12 months ending March 2012, the professional and business services, education and health services, leisure and hospitality, and trade sectors recorded the greatest total growth, adding 66,800, 64,600, 51,100, and

49,800 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 45,100 jobs, or 13.3 percent. The manufacturing, transportation and utilities, financial activities, and other services sectors also added jobs during the 12 months ending March 2012. During the same period, the government sector, construction subsector, and information sector recorded losses of 64,100, 2,300, and 2,000 jobs, respectively. Since peaking in 2008, the construction subsector has shed 157,000 jobs, an average of 48,000 annually, because of declines in new home construction. The decline in government-sector jobs, which began during the third quarter of 2010, 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 the 12 months ending March 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 225,600 jobs; the government sector and construction subsector recorded the only job losses, with declines of 57,300 and 1,900 jobs, respectively. In Louisiana, nonfarm payrolls increased by 30,000 jobs,



or 1.6 percent, but a decline of 3,300 jobs, or 0.9 percent, in the government sector partially offset gains in most other sectors. In Oklahoma, nonfarm payrolls increased by 25,600 jobs, or 1.7 percent; a decline of 1,500 jobs, or 0.4 percent, in the government sector only partially offset gains in most other sectors, including the manufacturing sector, which added 6,700 jobs, the largest year-over-year increase in the sector in more than 10 years. Nonfarm payrolls in New Mexico increased by 2,400 jobs, or 0.3 percent, the second consecutive quarter with year-over-year payroll increases after more than 3 years of decline that began in 2008. In Arkansas, nonfarm payrolls declined by 1,900 jobs, or 0.2 percent, during the 12 months ending March 2012; the manufacturing sector, in which losses accelerated to 3,700 jobs, or 2.3 percent, has declined by more than 65,000 jobs, or 30 percent, during the past 10 years. During the 12 months ending March 2012, the unemployment rate in the region declined to 7.5 percent compared with the 7.9-percent rate recorded during the previous 12 months. The average unemployment rates ranged from 6.0 percent in Oklahoma to 7.9 percent in Arkansas. Louisiana, New Mexico, and Texas recorded unemployment rates of 7.2, 7.3, and 7.7 percent, respectively.

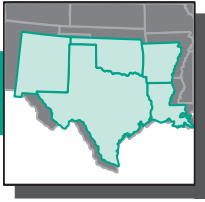
Sales housing market conditions in the Southwest region improved during the 12 months ending March 2012 but remained slightly soft, despite modest job gains during the past 12 months. In Texas, during the 12 months ending March 2012, new and existing home sales increased 5 percent, to approximately 210,300, compared with sales during the previous year, according to the Real Estate Center at Texas A&M University; however, sales remained more than 20 percent below the level recorded during the peak sales years of 2006 through 2008. During the 12 months ending March 2012, the inventory of unsold homes in Texas was at a 7.0-month supply, down from 7.6 months during the previous 12 months but much 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 March 2012, with gains ranging from 2 percent in San Antonio to 11 percent in Austin. Dallas, Fort Worth, and Houston each recorded 6-percent increases in home sales. During the 12 months ending March 2012, the average home sales price in Texas increased less than 1 percent, to \$195,800, compared with the average sales price during the previous 12-month period. Among major metropolitan areas in Texas, home sales price changes ranged from 1-percent declines in Dallas, Fort Worth, and San Antonio to 1- and 2-percent increases in Houston and Austin, respectively.

Home sales also increased in a number of markets elsewhere in the region during the 12 months ending March 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 12 percent, to 7,950

homes, and the average sales price declined approximately 3 percent, to \$204,000. During the 12 months ending March 2012, based on data from the Greater Baton Rouge Association of REALTORS®, home sales in Baton Rouge increased 8 percent, to 6,825 homes, and the average home sales price decreased 3 percent, to \$189,600. The Greater Albuquerque Association of REALTORS® reported that, during the 12 months ending March 2012, single-family home sales in Albuquerque increased 4 percent, to 6,725 homes, compared with sales during the previous 12 months, and the average sales price declined 8 percent, to \$198,500. Condominium sales in Albuquerque declined 15 percent, to 590 sales, during the same period. According to the Oklahoma Association of REALTORS®, during the fourth quarter of 2011 (the latest data available), 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 approximately 3 percent, to \$151,800, compared with the average price during the fourth quarter of 2010. According to the Arkansas REALTORS® Association, during the 12 months ending March 2012, the number of new and existing home sales in the state increased by 900, or 4 percent, to 23,600 homes compared with the number of homes sold during the previous year, and the average home sales price declined 1 percent, to \$144,600.

Modest increases in home sales throughout the region led to increased single-family construction activity, as measured by the number of building permits issued, in four of the five states in the region. Based on preliminary data, during the 12 months ending March 2012, 86,750 single-family homes were permitted, an increase of 5,250 homes, or 6 percent, compared with the number permitted during the previous 12 months. During the 12 months ending March 2012, Texas recorded a 9-percent increase in the number of single-family homes permitted, up 5,150 to 64,450 homes. The other four states in the region experienced changes in the number of single-family homes permitted ranging from a 5-percent decline in New Mexico to a 4-percent increase in Oklahoma. Arkansas and Louisiana recorded increases of less than 1 percent each.

Rental housing market conditions in most of the large metropolitan areas in Texas are soft, but they improved significantly during the first quarter of 2012, 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 first quarter of 2012 was 6.2 percent, down from 7.3 percent during the first quarter of 2011, and the average rent increased 5 percent to \$900. All other major Texas rental markets are currently soft. In San Antonio, during the first quarter of 2012, the apartment vacancy rate remained unchanged at 9.4 percent from the first quarter of 2011, and the average rent increased 4 percent, to \$770. The rental markets in Dallas and Fort Worth remained soft during the first quarter of 2012, with apartment vacancy rates of 8.2 and 9.0 percent, respectively, down from 9.3 and 10.4 percent,



respectively, during the first quarter of 2011. The average rents in Dallas and Fort Worth increased 4 and 3 percent, to \$840 and \$720, respectively, compared with rents during the first quarter of 2011. The Houston rental market was the softest of all major rental markets in Texas during the first quarter of 2012, with an 11.2-percent apartment vacancy rate, down from 12.6 percent during the first quarter of 2011. Average rents increased 2 percent, to \$800, during that period.

Rental housing market conditions also improved in other large metropolitan areas throughout the Southwest region during the first quarter of 2012. Rental markets in Albuquerque and Little Rock are currently balanced. According to Reis, Inc., in the first quarter of 2012, the apartment vacancy rate in Albuquerque was 3.9 percent, down from 4.7 percent a year earlier, and the average rent increased 1 percent, to \$730. In Little Rock, during the first quarter of 2012, the apartment vacancy rate was 5.6 percent, down significantly from 7.3 percent a year earlier, and the average rent increased approximately 2 percent, to \$670. Rental markets in the largest metropolitan areas in Oklahoma are improving but remained slightly soft during the first quarter of 2012. In Oklahoma City, the apartment vacancy rate declined from 7.5 percent in the first quarter of 2011 to 6.7 percent in the first quarter of 2012, and the average rent increased

2 percent, to \$570. Rental market conditions improved in New Orleans during the first quarter of 2012; the apartment vacancy rate fell to 7.3 percent from the 8.8-percent rate recorded a year earlier, and the average rent increased 1 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 during the 12 months ending March 2012 after substantial declines during the previous 2 years. Based on preliminary data, 45,000 multifamily units were permitted during the 12 months ending March 2012, a 70-percent increase compared with the number of units permitted during the previous 12 months. Multifamily permitting levels remain approximately 32 percent below the average of 65,800 units recorded during the peak years of 2006 through 2008. During the 12 months ending March 2012, the number of multifamily units permitted in Texas increased 79 percent, or 16,500 units, from the previous year, to 37,350 units. In other states in the region, the changes in multifamily permitting activity ranged from a decline of 630 units in Arkansas to an increase of 1,450 units in Oklahoma. New Mexico and Louisiana recorded increases of 550 and 600 units, respectively.