



U.S. Housing Market Conditions



SOUTHWEST REGIONAL REPORT HUD Region VI

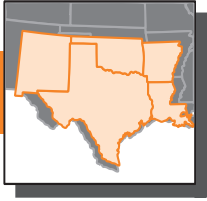
2nd Quarter Activity

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.

For the second consecutive quarter, nonfarm payroll jobs in the Southwest region recorded year-over-year increases following 2 years of declines. During the 12 months ending June 2011, average nonfarm payrolls increased by 1.4 percent, or 217,900 jobs, to 15.9 million jobs. By comparison, for the 12 months ending June 2010, average nonfarm payrolls declined by 2.4 percent, or 384,300 jobs. During the 12 months ending June 2011, the education and health services and the professional and business services sectors recorded the largest growth, adding 59,200 and 55,500 jobs, respectively. The mining and logging subsector, which benefited from rising oil and gas prices, increased by 32,800 jobs, or 10.4 percent. The construction subsector recorded job growth for the

first time in 2 years, with an increase of 6,400 jobs, or 0.8 percent, as housing markets in parts of the region began to recover. The information, government, and financial activities sectors lost 6,500, 3,900, and 1,000 jobs, respectively. The decline in government jobs during the most recent 12 months represents the first year-over-year employment loss in the sector in more than 10 years, a result of reduced staffing levels as many state and local governments in the region responded to decreased tax revenues.

During the 12 months ending June 2011, a decline of 4,400 jobs, or 0.6 percent, in New Mexico was more than offset by nonfarm payroll gains in every other state in the region. Texas led job growth during that period with an increase of 194,100 jobs spread throughout all sectors except information, which declined by 7,200 jobs. In Arkansas, nonfarm payrolls increased by 12,200 jobs, or 1.1 percent, because losses in the goods-producing sectors and government were offset by gains in most private service-providing sectors. In Oklahoma, nonfarm payrolls increased by 10,900 jobs, or 0.7 percent, with a decline of 6,000 jobs in the government sector offset by gains in most other sectors, including the manufacturing sector, which added 4,500 jobs, the largest year-over-year increase in the sector since 2006.



In Louisiana, payrolls increased by 5,100 jobs, or 0.3 percent, the first year-over-year increase in 2 years; however, total gains were partially offset by a decline of 10,000 jobs, or 2.7 percent, in the government sector. For the 12 months ending June 2011, the unemployment rate in the region increased slightly to 7.9 percent, up from the 7.8-percent rate recorded during the previous 12 months. The average unemployment rates ranged from 6.4 percent in Oklahoma to 8.2 percent in Texas. Louisiana, Arkansas, and New Mexico recorded unemployment rates of 7.8, 7.9, and 8.1 percent, respectively.

Sales housing market conditions in the Southwest region remained soft during the second quarter of 2011 despite small job gains in the region over the past 12 months. In Texas, during the 12 months ending June 2011, approximately 192,600 new and existing homes sold, according to the Real Estate Center at Texas A&M University. Home sales were down 14 percent compared with the number sold during the previous 12 months and 8 percent from the number sold during the 12 months ending June 2009. For the 12-month period ending June 2011, the inventory of unsold homes in Texas was at a 7.8-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. In most major metropolitan areas in Texas, new and existing home sales fell during the 12 months ending June 2011, with declines ranging from 12 percent in San Antonio to 18 percent in Dallas. Houston, Austin, and Fort Worth recorded decreases in home sales of 13, 14, and 17 percent, respectively. During the 12 months ending June 2011, the average home sales price in Texas increased 5 percent to \$197,200 compared with the average price during the previous 12 months. Among major metropolitan areas in Texas, home sales price increases ranged from 4 percent in Fort Worth and Houston to 7 percent in Austin and San Antonio. In Dallas, the average sales price of \$218,200 surpassed the previous peak average sales price of \$216,700 recorded in 2007.

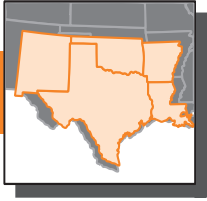
Home sales declined in a number of markets elsewhere in the region during the 12 months ending June 2011. In New Orleans, according to the New Orleans Metropolitan Association of REALTORS® and Gulf South Real Estate Information Network, Inc., new and existing single-family home sales fell 11 percent to 6,925 homes, and the average sales price increased 2 percent to \$211,300. Based on data from the Greater Baton Rouge Association of REALTORS®, home sales in Baton Rouge declined 18 percent during the 12 months ending June 2011 to 5,900 homes, and the average home sales price increased 2 percent to \$196,000. The Greater Albuquerque Association of REALTORS® reported that, during the 12 months ending June 2011, single-family home sales in Albuquerque were down 17 percent to 6,175 homes compared with sales during the previous 12 months and that the average sales price remained unchanged at \$212,300. Condominium sales in Albuquerque declined

by 33 percent, to 590, during the same period. According to the Oklahoma Association of REALTORS®, during the second quarter of 2011, new and existing home sales in Oklahoma were down 7,250, or 16 percent, to 38,800 homes sold, and the average home sales price increased by approximately 5 percent, to \$151,400, compared with the average price during the second quarter of 2010. According to the Arkansas REALTORS® Association, during the 12 months ending May 2011, the number of new and existing home sales in the state declined by 2,125, or 15 percent, to 21,750 homes compared with the number of homes sold during the previous 12 months, and the average home sales price remained unchanged at \$144,100.

Builders in the Southwest region responded to declining home sales by reducing single-family construction activity, as measured by the number of building permits issued. During the 12 months ending June 2011, 80,300 single-family homes were permitted, a decline of 15,850 homes, or 17 percent, compared with the number permitted during the previous 12 months, based on preliminary data. For the 12 months ending June 2011, Texas recorded a 16-percent decrease in the number of single-family homes permitted, down 11,350 to 58,350 homes. Other states in the region also experienced declines in the number of single-family homes permitted, ranging from 6 percent in Louisiana to 21 percent in Arkansas. Oklahoma and New Mexico recorded declines of 17 and 18 percent, respectively.

Rental housing market conditions are soft in most of the large metropolitan areas in Texas, but they improved significantly during the second quarter of 2011 because building activity remains well below recent levels. The Austin rental market is currently balanced. According to ALN Systems, Inc., in the second quarter of 2011 the apartment vacancy rate in Austin was 5.8 percent, down from 9.6 percent during the second quarter of 2010, and the average rent increased 4 percent to \$870. All other major Texas rental markets are currently soft. In San Antonio, the apartment vacancy rate declined from 10.5 to 8.3 percent during the second quarter of 2011, and the average rent increased 1 percent to \$740. Rental markets in Dallas and Fort Worth remained soft, with apartment vacancy rates of 8.3 and 9.4 percent, respectively, during the second quarter of 2011. The average rents in Dallas and Fort Worth increased 2 percent each to \$810 and \$710, respectively, compared with rents during the second quarter of 2010. The Houston rental market was the softest of all major rental markets in Texas, with an 11.7-percent apartment vacancy rate during the second quarter of 2011, down from 14.2 percent during the second quarter of 2010. Rents declined by 1 percent during that period, to \$790.

Rental housing market conditions improved in other large metropolitan areas throughout the Southwest region during the second quarter of 2011. Rental markets



in Albuquerque and Little Rock are currently balanced. According to Reis, Inc., in the second quarter of 2011, the apartment vacancy rate in Albuquerque was 4.4 percent, down from 6.5 percent a year earlier, and the average rent increased 2 percent to \$720. In Little Rock, during the second quarter of 2011, the apartment vacancy rate was 6.5 percent, down from 8.3 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 second quarter of 2011. In Oklahoma City, the apartment vacancy rate declined significantly from the second quarter of 2010 to the second quarter of 2011, from 10.2 to 7.5 percent, and the average rent increased 3 percent to \$560. In Tulsa, the vacancy rate declined from 9.8 percent in the second quarter of 2010 to 7.8 percent during the same period in 2011, and the average rent increased 1 percent to \$590. Rental market conditions improved in New Orleans during the second quarter of 2011; the apartment rental vacancy rate fell to 8.2 percent, down from the 10.1-percent rate recorded a year earlier, and the average rent increased 2 percent to \$870.

Builders responded to the improving rental markets and, despite continued soft conditions 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 June 2011 following large declines during the previous 2 years. Based on preliminary data, during the 12 months ending June 2011, the 30,200 units permitted reflect a 63-percent increase compared with the number of units permitted during the previous 12 months. Multifamily permitting levels for the 12 months ending June 2011 remain approximately 54 percent below the average of 65,800 units recorded during the peak years of 2006 through 2008. During the 12 months ending June 2011, the number of multifamily units permitted in Texas increased by 70 percent, or 9,775 units, from the previous year, to 23,550 units. Increases in multifamily units permitted in other states in the region ranged from 70 units in New Mexico to 1,100 units in Louisiana. Oklahoma and Arkansas recorded increases of 290 and 500 units, respectively.