

Housing Market Profile



Southeast/Caribbean • HUD Region IV

Little Rock, Arkansas

The Little Rock metropolitan area consists of six counties in the eastern foothills of the Ozark Mountains in central Arkansas. As of October 1, 2009, the population of the metropolitan area is estimated at 683,600. This figure reflects a gain of 1 percent compared with population levels recorded as of October 1, 2008; approximately one-half of the growth is due to net in-migration. As a result of declining economic conditions, population growth moderated slightly during the past year compared with an estimated 1.4-percent growth rate recorded during the 12 months ending September 2008. Little Rock is the state capital and the most populous city in the metropolitan area, with a current estimated population of 190,000.

Economic conditions in the metropolitan area declined during the past year. During the 12-month period ending August 2009, nonfarm employment decreased by an average of 3,750 jobs, or 1.1 percent, compared with the number of jobs recorded during the previous 12 months, to 344,800 jobs. In comparison, employment grew by 1.2 percent between the 12-month periods ending August 2007 and August 2008. During the 12 months ending August 2009, nearly all employment sectors lost jobs. Although more than one-half of the total loss occurred in the professional and business services sector, approximately two-thirds of the 1,900 jobs lost in the sector are expected to be offset during the next year by the anticipated addition of 1,200 positions at a new personnel support center at Hewlett-Packard Development Company in Conway, which is expected to open in November 2009. During the past year, job growth occurred in only three employment sectors—education and health services, leisure and hospitality, and government. The education and health services sector gained 1,875 jobs, an increase of 3.9 percent, due to numerous hospital expansions. The leisure and hospitality sector increased by 360 jobs, or 2.7 percent, and the government sector increased by 490 jobs, or 0.7 percent, with gains occurring almost entirely in the federal government subsector. Reflecting overall job losses during the past year, the average unemployment rate increased from 4.2 percent during the 12 months ending August 2008 to 5.5 percent during the 12 months ending August 2009.

Sales housing market conditions in the metropolitan area remained soft during the past year for the second consecutive year. According to the Arkansas REAL-

TORS® Association, during the 12 months ending July 2009, 7,550 new and existing homes were sold, down 15 percent compared with the number sold during the same period a year ago, and the average sales price declined by 2 percent to \$160,900. The decrease in demand was primarily due to tighter lending standards combined with relatively moderate household and population growth stemming from job losses. During the 12 months ending July 2008, the number of homes sold also declined by 15 percent and the average price declined by 4 percent compared with sales activity and prices recorded a year earlier. During the past year, the slower pace of home sales caused single-family homebuilding activity, as measured by the number of building permits issued, to continue to decline. Based on preliminary building permit data, during the 12-month period ending August 2009, single-family home construction declined by an estimated 370 homes, or 20 percent, to a total of 1,500 homes. During the same period a year ago, home construction declined by almost 40 percent compared with construction levels recorded during the previous year. Single-family homebuilding activity peaked between 2004 and 2006, when an average of 3,850 homes were permitted annually.

An estimated 300 single-family homes are currently under construction in the Little Rock metropolitan area. In Conway, homes being built at the Village at Hendrix, a mixed-use development, are slated for completion in 3 years and include 52 single-family homes, 62 townhomes, and 75 apartments as well as retail space, restaurants, and public areas for community gatherings. Prices for single-family homes will range from \$209,000 for a two-bedroom, 1,600-square-foot home to \$435,000 for a four-bedroom, 3,200-square-foot home. During the 12 months ending August 2009, condominium construction totaled 200 units, compared with 180 units built during the same period a year ago. River Market Tower, a 20-story, 135-unit condominium development in the River Market District in downtown Little Rock, was completed in June 2009. A typical 1,200-square-foot unit at River Market Tower is priced at an average of \$376,400. Nearly one-fourth of the units at River Market Tower have sold since completion.

Multifamily construction activity, as measured by the number of units permitted, has been stable in the metro-politan area during the past year. Based on preliminary building permit data, an estimated 1,000 multifamily rental units were permitted during the 12 months ending August 2009, practically unchanged compared with the number of units permitted during



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U.S. Housing Market Conditions
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the same period a year ago. During the past 12 months, apartment construction accounted for about 85 percent of multifamily building activity, consistent with recent history. From 2006 to 2007, an average of only 500 multifamily units were permitted annually, down significantly compared with an average of 1,100 units permitted annually between 2000 and 2005. Currently, an estimated 700 apartments are under construction and another 800 units are in the pipeline in the metropolitan area. The 168-unit Pointe at Conway apartment development, which is expected to be completed in 2009, will offer units ranging from 750 to 1,300 square feet and renting at rates between \$600 and \$850 a month.

Metropolitan area rental housing market conditions are currently soft compared with more balanced conditions recorded a year ago. Softening conditions are due to new apartment units coming on line, combined with decreased demand because of moderating household growth. According to Reis, Inc., during the second quarter of 2009, the apartment vacancy rate was 8.7 percent, up from 6.9 percent during the same period of 2008. The average rent was essentially unchanged, at \$640, while the portion of apartment complexes offering concessions remained unchanged, at approximately one-third. Typical rental concessions include 1 month's free rent on new 12-month leases.