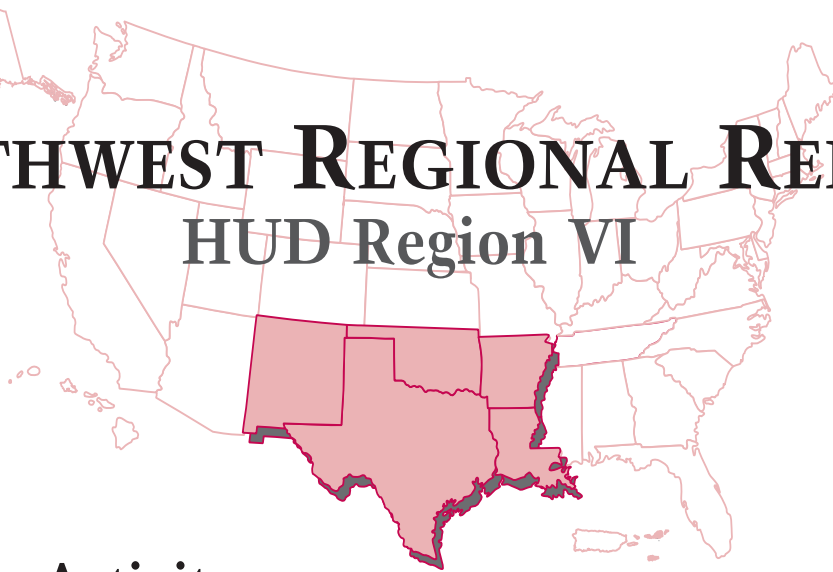




# U.S. Housing Market Conditions

## SOUTHWEST REGIONAL REPORT HUD Region VI



### 3rd 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 third consecutive quarter, nonfarm payroll jobs in the Southwest region recorded year-over-year increases following 2 years of declines. During the 12 months ending September 2011, average nonfarm payrolls increased by 1.8 percent, or 277,500 jobs, to 15.9 million jobs. By comparison, for the 12 months ending September 2010, average nonfarm payrolls declined by 1.3 percent, or 212,900 jobs. During the 12 months ending September 2011, the education and health services and the professional and business services sectors recorded the largest job growth, gaining 60,800 and 56,000 jobs, respectively. The mining and logging subsector, which benefited from increased oil and gas prices, was the region's fastest growing sector, with an increase of 38,900 jobs, or 12.1

percent. The construction subsector and the manufacturing and financial activities sectors each gained jobs during the most recent 12 months, with increases of 23,300, 20,100, and 5,200 jobs, respectively, as housing markets in parts of the region began to recover. The information and government sectors recorded the only jobs losses during the 12 months ending September 2011, down by 19,900 and 5,300 jobs, respectively. The decline in government jobs represents the second consecutive quarter of year-over-year employment losses in the sector following more than 10 years of job growth, because many state and local governments in the region responded to lower tax revenues by reducing staffing levels.

During the 12 months ending September 2011, a decline of 1,400 jobs, or 0.2 percent, in New Mexico was more than offset by nonfarm payroll gains in all other states in the region. Texas led job growth during that period with an increase of 2.2 percent, or 228,200 jobs spread throughout all sectors except the information and government sectors, which declined by 7,400 and 1,700 jobs, respectively. In Arkansas, nonfarm payrolls increased by 12,400 jobs, or 1.1 percent, because losses in the goods-producing sectors and the government sector were offset by gains in all private service-providing sectors. In Oklahoma, nonfarm payrolls increased by 21,700 jobs, or 1.4 percent, with a decline of 4,800 jobs in the government



sector offset by gains in most other sectors, including the manufacturing sector, which gained 7,800 jobs, the largest year-over-year increase in the sector since 2006. In Louisiana, payrolls increased by 16,500 jobs, or 0.9 percent, the second consecutive quarter of year-over-year increases following 2 years of declines; however, total gains were partially offset by a decline of 10,200 jobs, or 2.8 percent, in the government sector. For the 12 months ending September 2011, the unemployment rate in the region remained unchanged at 7.9 percent compared with the rate for the previous 12 months. The average unemployment rates ranged from 6.1 percent in Oklahoma to 8.2 percent in Texas. New Mexico, Louisiana, and Arkansas recorded unemployment rates of 7.6, 7.7, and 8.0 percent, respectively.

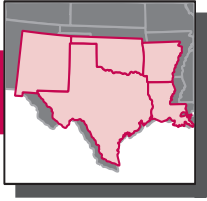
Sales housing market conditions in the Southwest region remained soft during the third quarter of 2011 despite modest job gains in the region over the past 12 months. In Texas, during the 12 months ending September 2011, the number of new and existing homes sold declined by 5 percent, to approximately 202,000 homes, compared with the number sold during the previous 12 months, according to the Real Estate Center at Texas A&M University. For the 12-month period ending September 2011, the inventory of unsold homes in Texas was at a 7.7-month supply, up from the 7.2-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 September 2011, with declines ranging from 1 percent in Austin to 9 percent in Fort Worth. Houston, San Antonio, and Dallas recorded decreases in home sales of 3, 5, and 7 percent, respectively. During the 12 months ending September 2011, the average home sales price in Texas increased 4 percent to \$196,300 compared with the average price during the previous 12 months. Among major metropolitan areas in Texas, home sales price increases ranged from 2 percent in Fort Worth and 3 percent in Houston to 4 percent in Dallas, Austin, and San Antonio.

Home sales also declined in a number of housing markets elsewhere in the region during the 12 months ending September 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 4 percent to 7,200 homes, and the average home sales price remained essentially unchanged at \$209,900. Based on data from the Greater Baton Rouge Association of REALTORS®, during the 12 months ending September 2011, the number of homes sold in Baton Rouge declined by 6 percent to 6,300 homes, and the average home sales price increased 2 percent to \$194,900. The Greater Albuquerque Association of REALTORS® reported that, during the 12 months ending September 2011, the number of single-family home sales in Albuquerque was down 8 percent to 6,425 homes compared with the number of sales during the previous

12 months, and the average home sales price declined 3 percent to \$206,800. The number of condominium sales in Albuquerque declined by 21 percent, to 600, during the same time. According to the Oklahoma Association of REALTORS®, during the second quarter of 2011 (the most recent data available), the number of new and existing homes sold in Oklahoma was 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 homes sold in the state declined by 1,025, or 4 percent, to 22,950 homes compared with the number of homes sold during the previous 12 months, and the average home sales price declined by 2 percent to \$142,600.

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 August 2011, 81,300 single-family homes were permitted, a decline of 10,000 homes, or 11 percent, compared with the number permitted during the previous 12 months, based on preliminary data. For the 12 months ending August 2011, Texas recorded an 11-percent decrease in the number of single-family homes permitted, down by 7,500 homes to 59,300 homes permitted. Other states in the region also experienced declines in the number of single-family homes permitted, ranging from 2 percent in Louisiana to 19 percent in Arkansas. New Mexico and Oklahoma recorded declines of 14 and 15 percent, respectively.

Rental housing market conditions are soft in most of the large metropolitan areas in Texas; however, because building activity remains well below the levels recorded during the mid-2000s, conditions improved significantly during the second quarter of 2011. The Austin rental market is currently balanced. According to ALN Systems, Inc., the apartment vacancy rate in Austin for the third quarter of 2011 was 5.3 percent, down from 7.8 percent during the third quarter of 2010, and the average rent increased 6 percent to \$900. All other major Texas rental markets are currently soft. In San Antonio, the apartment vacancy rate declined from 9.4 to 8.1 percent during the third quarter of 2011, and the average rent increased 3 percent to \$760. Rental markets in Dallas and Fort Worth remained soft, with apartment vacancy rates of 7.6 and 8.7 percent, respectively, during the third quarter of 2011. The average rents in Dallas and Fort Worth increased by 3 and 2 percent to \$830 and \$710, respectively, compared with rents during the third quarter of 2010. The Houston rental market was the softest of all major rental markets in Texas, with an 11-percent apartment vacancy rate during the third quarter of 2011, down from 13.2 percent during the third quarter of 2010. Rents remained essentially unchanged during that period at \$790.



Rental housing market conditions also improved in other large metropolitan areas throughout the Southwest region during the third quarter of 2011. Rental markets in Albuquerque and Little Rock are currently balanced. According to Reis, Inc., in the third quarter of 2011, the apartment vacancy rate in Albuquerque was 4.1 percent, down from 5.6 percent a year earlier, and the average rent increased 2 percent to \$730. In Little Rock, during the third quarter of 2011, the apartment vacancy rate was 6.2 percent, down from 7.8 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 third quarter of 2011. In Oklahoma City, the apartment vacancy rate declined significantly from the third quarter of 2010 to the third quarter of 2011, from 9.2 to 7.1 percent, and the average rent increased 2 percent to \$560. Rental market conditions improved in New Orleans during the third quarter of 2011; the apartment rental vacancy rate fell to 7.7 percent, down from the 9.5-percent rate recorded a year earlier, and the average rent increased by 2 percent to \$880.

Despite continued soft conditions in many large metropolitan areas, builders responded to improving rental housing market conditions. Multifamily construction activity, as measured by the number of units permitted, increased in the Southwest region during the 12 months ending August 2011, after large activity declines during the previous 2 years. Based on preliminary data, during the 12 months ending August 2011, the 29,300 units permitted reflect a 52-percent increase compared with the number of units permitted during the previous 12 months. For the 12 months ending August 2011, multifamily permitting levels remain approximately 55 percent below the average of 65,800 units recorded during the peak years of 2006 through 2008. During the 12 months ending August 2011, the number of multifamily units permitted in Texas increased by 60 percent, or 9,750 units, from the previous year, to 25,900 units. In other states in the region, changes in multifamily units permitted ranged from a decline of 160 units in Arkansas to an increase of 1,225 units in Louisiana. New Mexico and Oklahoma recorded increases of 70 and 220 units, respectively.