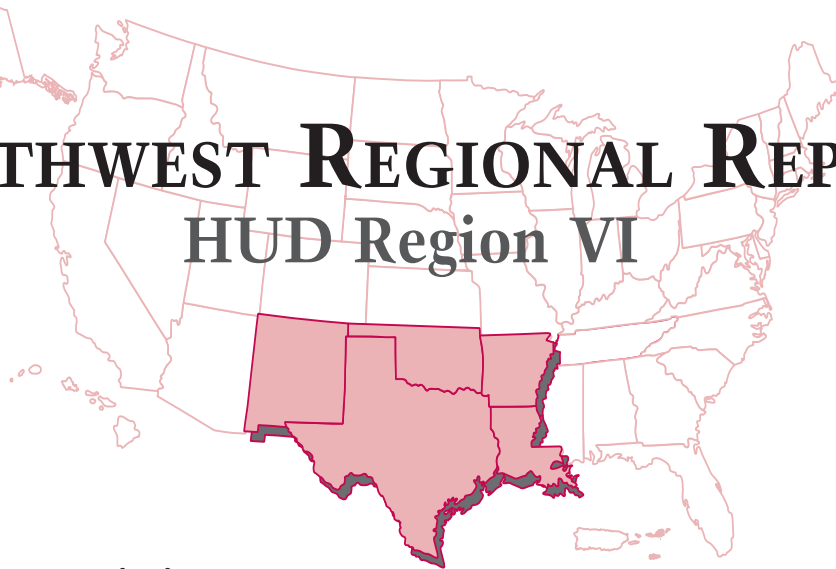




U.S. Housing Market Conditions

SOUTHWEST REGIONAL REPORT HUD Region VI



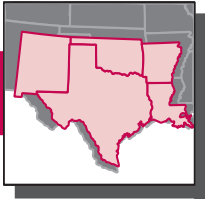
3rd Quarter Activity

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.

Nonfarm payroll job growth in the Southwest region continued to accelerate during the past 12 months after declines in 2009 and 2010. During the 12 months ending September 2012, nonfarm payrolls increased 2.0 percent, or by 313,200 jobs, to 16.23 million jobs. By comparison, during the previous 12 months, nonfarm payrolls grew 1.6 percent, or by 249,600 jobs. With recent gains, the region has fully recovered from the recent economic downturn and surpassed the peak level of 16.18 million jobs recorded in 2008. During the 12 months ending September 2012, the education and health services, leisure and hospitality, professional and business services, and trade sectors recorded the greatest total growth, adding 69,500,

61,600, 53,700, and 48,300 jobs, increases of 3.2, 4.0, 2.8, and 2.0 percent, respectively. The mining and logging subsector, which benefited from high oil and gas prices, was the region's fastest growing sector or subsector, with an increase of 43,000 jobs, or 11.9 percent. The manufacturing, transportation and utilities, financial activities, and other services sectors and the construction subsector also added jobs during the 12 months ending September 2012, with gains ranging from 0.9 to 2.8 percent. The gain of 7,900 jobs, or 0.9 percent, in the construction subsector was the largest year-over-year increase in construction employment in more than 3 years. During the 12 months ending September 2012, the government and information sectors recorded losses of 44,900 and 2,800 jobs, or 1.5 and 1.0 percent, respectively. The decline in the number of government sector jobs, which began during the third quarter of 2010, comes after more than 10 years of job growth and resulted from lower state and local tax revenues.

During the 12 months ending September 2012, nonfarm payrolls grew year over year in every state in the region, except New Mexico. Texas led job growth with an increase of 2.2 percent, or 232,600 jobs; only the government and information sectors recorded net job losses, with



declines of 50,800 and 1,500 jobs, or 2.8 and 0.8 percent, respectively. In Louisiana, where nonfarm payrolls increased by 40,600 jobs, or 2.1 percent, the largest gain, of 12,400 jobs, or 4.5 percent, occurred in the education and health services sector. In Oklahoma, nonfarm payrolls increased by 36,200 jobs, or 2.3 percent; small declines in the other services and information sectors and in the construction subsector were more than offset by increases in all other sectors. Nonfarm payrolls in Arkansas increased by 4,100 jobs, or 0.4 percent, the first year-over-year increase in statewide employment since the third quarter of 2011. In New Mexico, nonfarm payrolls declined by 400 jobs, or 0.1 percent, during the 12 months ending September 2012. Job gains of 4,100 and 2,000, or 3.4 and 9.8 percent, respectively, in the education and health services sector and the mining and logging subsector were more than offset by declines in other sectors and subsectors, including the government sector and the construction subsector, which declined by 3,300 and 1,200 jobs, or 1.7 and 2.9 percent, respectively. During the 12 months ending September 2012, the unemployment rate in the region declined to 7.0 percent compared with the 7.8-percent rate recorded during the previous 12 months. The average unemployment rates by state ranged from 5.5 percent in Oklahoma to 7.4 percent in Arkansas. New Mexico, Louisiana, and Texas recorded unemployment rates of 6.8, 7.1, and 7.1 percent, respectively.

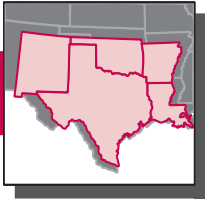
Many sales housing markets in the Southwest region returned to balanced conditions during the 12 months ending September 2012, helped by job gains during the past 2 years. In Texas, during the 12 months ending September 2012, new and existing home sales increased 12 percent, to approximately 227,400 homes sold, compared with sales during the previous year, according to the Real Estate Center at Texas A&M University. During the same period, the inventory of unsold homes in Texas was at a 6.0-month supply, down from a 7.7-month supply during the previous year. Sales housing market conditions were balanced in most major metropolitan areas in Texas. New and existing home sales increases during the 12 months ending September 2012 ranged from 8 percent in Fort Worth and San Antonio to 18 percent in Austin. Houston and Dallas recorded increases in the number of home sales of 13 and 15 percent, respectively. During the 12 months ending September 2012, the average home sales price in Texas increased 4 percent, to \$203,000, compared with the average home sales price during the previous 12-month period. Among major metropolitan areas in Texas, the increases in home sales prices ranged from 2 percent in Dallas and San Antonio to 3 percent in Austin, Fort Worth, and Houston. Sales housing market conditions remained soft in several smaller Texas metropolitan areas, such as Beaumont, Port Arthur, Tyler, and McAllen, which recorded inventories of unsold homes in excess of a 10-month supply.

Home sales also increased in a number of markets elsewhere in the Southwest region during the 12 months

ending September 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 14 percent, to 8,325 homes sold, and the average home sales price declined approximately 3 percent, to \$205,200. The Greater Albuquerque Association of REALTORS® reported that, during the 12 months ending September 2012, single-family home sales in Albuquerque increased 13 percent, to 7,225 homes sold, compared with sales during the previous 12 months, and the average home sales price declined 2 percent, to \$202,300. Condominium sales in Albuquerque increased 11 percent, to 670 sales, during the same period. Based on data from the Oklahoma City Metro Association of REALTORS®, compared with conditions a year ago, new and existing home sales in Oklahoma City increased by an estimated 2,600, or 19 percent, to 16,600 homes sold, and the average home sales price increased by \$4,000, or 3 percent, to \$164,000 during the 12 months ending September 2012. According to the Arkansas REALTORS® Association, during the 12 months ending September 2012, the number of new and existing home sales in Arkansas increased by 350, or 2 percent, to 23,300 homes sold compared with the number of homes sold during the previous year, and the average home sales price increased 8 percent, to \$154,200.

Increased home sales throughout the region led to increased single-family construction activity, as measured by the number of single-family homes permitted. Based on preliminary data, 97,450 single-family homes were permitted in the region during the 12 months ending September 2012, an increase of 15,550 homes, or 19 percent, compared with the number permitted during the previous 12 months. Texas recorded a 19-percent, or 11,500-home, increase in the number of single-family homes permitted, to 71,800 homes permitted during the 12 months ending September 2012. The other states in the region recorded increases in the number of single-family homes permitted ranging from 5 percent in New Mexico to 39 percent in Oklahoma. Louisiana and Arkansas recorded increases of 9 and 24 percent, respectively.

Apartment rental market conditions in most of the large metropolitan areas in Texas remained slightly soft during the third quarter of 2012. Reduced multifamily building activity during the past 3 years, however, enabled vacancy rates to decline to their lowest levels since the early to mid-2000s and rent increases to be sustained. The Austin apartment market is currently slightly tight. According to ALN Systems, Inc., the apartment vacancy rate in Austin for the third quarter of 2012 was 4.9 percent, down from 5.3 percent during the third quarter of 2011, and the average rent increased 6 percent, to \$950. Most other major Texas apartment markets remain slightly soft but are moving toward becoming balanced. In San Antonio, the apartment vacancy rate declined by 0.5 percentage points, to 7.6 percent, from the third quarter of 2011, and the average rent increased 5 percent, to \$800.



The apartment markets in Dallas and Fort Worth also improved but remained slightly soft during the third quarter of 2012, with apartment vacancy rates of 7.2 and 7.6 percent, respectively, down from 7.6 and 8.7 percent, respectively, during the third quarter of 2011. The average rents in Dallas and Fort Worth increased 5 percent each, to \$870 and \$750, respectively, compared with rents during the third quarter of 2011. The Houston apartment market was the softest of all the major apartment markets in Texas during the third quarter of 2012, but it also improved the most, with a 9.2-percent apartment vacancy rate, down 1.8 percentage points from the third quarter of 2011. Average rents in Houston increased 5 percent, to \$830, during that period.

Apartment rental market conditions also improved in other large metropolitan areas throughout the Southwest region. The apartment market in Albuquerque was tight during the third quarter of 2012. According to Reis, Inc., the apartment vacancy rate in Albuquerque was 3.7 percent, down from 4.1 percent a year earlier, and the average rent increased 1 percent, to \$740. Apartment markets in Little Rock, Oklahoma City, and New Orleans improved significantly during the past year and are currently balanced. During the third quarter of 2012, in Little Rock, the apartment vacancy rate was 6.0 percent, down from 6.4 percent a year earlier, and the average rent increased approximately 1 percent, to \$680. In Oklahoma City, the

apartment vacancy rate declined from 7.1 percent in the third quarter of 2011 to 6.2 percent in the third quarter of 2012, and the average rent increased 1 percent, to \$580. In New Orleans, the apartment vacancy rate fell to 6.9 percent during the third quarter of 2012 from 7.7 percent a year earlier, and the average rent increased less than 1 percent, to \$890.

In response to improved rental housing market conditions in many large metropolitan areas, multifamily construction activity, as measured by the number of units permitted, accelerated in the region. Based on preliminary data, 55,300 multifamily units were permitted during the 12 months ending September 2012, a 69-percent increase compared with the number of units permitted during the previous 12 months and substantially more than the average of 25,450 multifamily units permitted annually in 2009 and 2010. Multifamily permitting levels remain 20 percent below the average of 68,700 units recorded during the peak years of 2007 and 2008, when overbuilding led many rental markets in the region to soften. During the 12 months ending September 2012, the number of multifamily units permitted in Texas increased 81 percent, or by 21,350 units, from the previous year, to 47,650 units. In other states in the region, the changes in multifamily permitting activity ranged from a decline of 530 units in Louisiana to increases of 1,125, 510, and 170 units in Oklahoma, New Mexico, and Arkansas, respectively.