



U.S. Housing Market Conditions

SOUTHWEST REGIONAL REPORT HUD Region VI



4th 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.

The national economic downturn affected the Southwest region during 2009 as average nonfarm employment decreased by 303,100 jobs, or 1.9 percent, to 15.9 million jobs. In contrast, during 2008, nonfarm employment in the region increased by 276,000 jobs, or 1.7 percent. During the past year, gains in three employment sectors totaled 145,200 jobs but were offset by the 448,300 jobs lost in the remaining nine sectors combined. The education and health services sector recorded the largest growth, adding 75,700 jobs, up 3.7 percent. Employment in the government sector, primarily in local government, increased by 68,600 jobs, or 2.4 percent, in the region; all states recorded gains. The leisure and hospitality sector recorded a minimal gain of only 900 jobs. Weakness in residential and commercial

construction markets contributed to substantial losses in the construction sector of 85,900 jobs, or 8.6 percent, compared with a gain of 28,200 jobs, or 2.9 percent, a year earlier. The manufacturing sector, which recorded job losses in all states throughout the region, was down by 119,200 jobs, or 8.3 percent.

Job losses occurred in every state in the Southwest region in 2009. Texas lost 207,000 jobs, or 2 percent, with declines of more than 70,000 jobs each in the construction and manufacturing sectors. In Oklahoma, employment decreased by 30,600 jobs, or 1.9 percent, led by losses of 14,800 and 10,700 jobs in the manufacturing and professional and business services sectors, respectively. In Arkansas, employment declined by 26,200 jobs, or 2.2 percent. A combined decrease of 30,000 jobs in the manufacturing, trade, and transportation and utilities sectors in Arkansas offset gains of 8,200 and 4,700 jobs in the education and health services and government sectors, respectively. Employment in New Mexico, which declined for the fourth consecutive quarter, was down by 22,800 jobs, or 2.7 percent, for the year. Employment in Louisiana decreased by 16,500 jobs, or 0.8 percent, as a combined increase of 10,900 jobs in the construction, education and health services, and government sectors was offset by a combined loss of 27,600 jobs in the manufactur-



ing and trade sectors. In 2009, the unemployment rate in the region increased to 7.2 percent from 4.7 percent in 2008. The average unemployment rates ranged from a 6.4 percent in Oklahoma to 7.5 percent in Texas.

Job declines caused home sales market conditions to become soft in the region during 2009, although the number of sales increased in November because of the first-time homebuyer tax credit program. In Texas, 1-month sales were nearly 40 percent higher during November 2009 than 1-month sales in November 2008. Similarly, increases in metropolitan areas ranged from more than 40 percent in Baton Rouge to nearly 70 percent in Little Rock and 85 percent in Fayetteville. The surge in home sales related to the first-time homebuyer tax credit contributed to a relatively moderate decline of 7 percent in home sales in 2009, representing a marked improvement from the 18-percent decline in home sales in 2008. Home sales in Texas totaled 212,800 in 2009, a decrease of 9 percent, compared with a 16-percent decrease during 2008, according to data from the Real Estate Center at Texas A&M University. The level of sales were down in all major markets in the state with declines of 4, 7, 8, 11, and 14 percent recorded in San Antonio, Austin, Houston, Dallas, and Fort Worth, respectively. The average home sales price in Texas decreased by 3 percent to \$185,400 during 2009, down from a 1-percent decrease the previous year. In Dallas, the average price decreased by approximately 5 percent to \$200,200 compared with a 3-percent decline a year earlier. Fort Worth and Austin each recorded declines of approximately 3 percent during 2009 to \$138,800 and \$236,800, respectively. Home prices declined by 2 percent in Houston and San Antonio to \$200,500 and \$178,800, respectively.

According to the Oklahoma Association of REALTORS®, 44,800 homes were sold in Oklahoma during 2009, down 1 percent from the number sold a year ago but improved from the 13-percent decline during 2008. In Oklahoma City, 16,000 homes were sold during 2009, down 2 percent from the number sold in 2008. Home sales declined in Tulsa by 1 percent to 12,900 during 2009. For comparison, home sales in both Oklahoma City and Tulsa declined by 14 percent in 2008. During 2009, the average home sales price in Oklahoma declined by 5 percent to \$148,600; the average price increased during 2008 by 3 percent. During 2009, average home sales prices declined by 3 percent in Tulsa to \$151,900 and 4 percent in Oklahoma City to \$148,200. A year earlier, prices in Tulsa and Oklahoma City rose 1 and 2 percent, respectively.

The Arkansas REALTORS® Association reported that home sales for Arkansas totaled 24,300 in 2009, down 2 percent from the number of home sales a year earlier. The total number of homes sold increased in Little Rock and Fayetteville in 2009 by 3 and 5 percent to 8,225 and 5,625, respectively. Statewide, the average sales price decreased by 3 percent to \$144,600. Home

prices in Fayetteville decreased 7 percent to \$161,900, following a decline of 9 percent in 2008. In Little Rock, the average price was unchanged at \$161,300; the average price decreased by 5 percent a year earlier.

In New Mexico, the Greater Albuquerque Association of REALTORS® reported that in Albuquerque the number of sales was down 1 percent to 6,800 homes compared with a decrease in home sales of more than 28 percent recorded during 2008. The average sales price in Albuquerque declined by 7 percent to \$214,800. According to the New Orleans Metropolitan Association of REALTORS®, sales were down 3 percent to 8,300 homes compared with a 25-percent decline in home sales during 2008. Home prices declined in New Orleans by 3 percent to \$200,100. In Baton Rouge, the number of sales decreased 6 percent to 6,900, and the average price declined approximately 5 percent to \$191,300, based on data from the Greater Baton Rouge Association of REALTORS®.

In the Southwest region, the weak economy and soft sales housing market conditions resulted in a decline in single-family home construction activity, as measured by the number of single-family building permits issued. During 2009, the number of single-family homes permitted in the region totaled 87,900, a decline of 14,700 homes, or 14 percent, compared with the number permitted during 2008, based on preliminary data. Texas recorded a 16-percent decrease in the number of single-family homes permitted, down 11,800, to 63,600 homes. In other states in the region, declines ranged from 5 percent in Louisiana to 19 percent in New Mexico. Oklahoma and Arkansas recorded declines of 12 and 13 percent, respectively.

Rental housing market conditions continued to soften during 2009 in the largest metropolitan areas in the Southwest region because of new units entering the market and job losses. According to Reis, Inc., the apartment vacancy rate in Austin was 10.1 percent in the fourth quarter of 2009, up from 7.7 percent a year earlier, while the average rent was unchanged at \$870. In Dallas, the apartment vacancy rate increased from 8.1 percent in the fourth quarter of 2008 to 10.7 percent during the same period in 2009, and the average rent was unchanged at \$810. Rental markets in Fort Worth and Houston remained very soft with vacancy rates of approximately 11.8 and 12.4 percent, respectively. Average rents in Fort Worth declined by 1 percent to \$710, while rents in Houston were unchanged at \$770. In San Antonio, the vacancy rate increased during the fourth quarter of 2009 to 10.2 percent from 9 percent a year earlier, but the average rent was unchanged at \$700.

In Oklahoma City, the apartment vacancy rate rose from 8.6 percent in the fourth quarter of 2008 to 10 percent in the fourth quarter of 2009, but average



rents were unchanged at \$540, according to Reis, Inc. In Tulsa, the vacancy rate increased from 7.5 to 9.2 percent, and average rents decreased by 1 percent to \$575. The apartment vacancy rate in Little Rock was 8.4 percent, up from 6.8 percent a year earlier, while the average rent increased by 1 percent to \$640. The apartment vacancy rate in Albuquerque increased to 6.9 percent from 5.9 percent a year earlier; the average rent in Albuquerque was unchanged at \$710. Rental market conditions in New Orleans softened substantially due to more than 3,000 new units and approximately 1,000 units of substantial rehabilitation, which have been vacant since Katrina, entering the market during the past year. According to the *Greater New Orleans Multi-Family Report*[®], the apartment rental vacancy rate increased to 13 percent during the fourth quarter of 2009, up from 8 percent a year earlier.

During the fourth quarter of 2009, the average rent in New Orleans was down 3 percent to \$830 compared with the average rent recorded in the fourth quarter of 2008.

As a result of the soft rental markets, multifamily construction activity, as measured by the number of units permitted, decreased in the Southwest region during 2009, based on preliminary data. The 22,400 units permitted during 2009 reflect a 64-percent decline compared with the number of units permitted in 2008. The number of multifamily units permitted in Texas declined 67 percent, down 34,300 units to 16,500. Louisiana recorded a decline of 64 percent, or 2,800 units, to 1,600. In the other states in the region, declines in the number of multifamily units permitted ranged from 24 percent in Oklahoma to 37 and 42 percent in Arkansas and New Mexico, respectively.