



# 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.

Economic conditions in the Southwest region turned positive in the fourth quarter of 2010, the first 12-month increase in nonfarm payroll jobs in nearly 2 years. During the 12 months ending December 2010, average nonfarm payrolls increased by 0.1 percent, or 23,000 jobs, to 15.7 million jobs. By comparison, average nonfarm payrolls declined by 2.8 percent, or 460,000 jobs, for the 12 months ending December 2009. The education and health services sector recorded the largest growth during the 12 months ending December 2010, adding 80,100 jobs, an increase of 3.8 percent. The government sector increased by 23,400 jobs, or 0.8 percent, despite Louisiana and Oklahoma's combined losses of 4,400 jobs in the sector. The leisure

and hospitality sector recorded gains for the second consecutive quarter, with an increase of 13,900 jobs, or 0.9 percent. Significant declines continued from the previous quarter in the construction sector as soft housing and commercial property markets contributed to a decrease of 37,800 jobs, or 4.2 percent, compared with a decrease of 103,400 jobs, or 10.4 percent, during the 12 months ending December 2009. The manufacturing sector, which recorded declines in all states in the region, except New Mexico, lost 19,800 jobs, or 1.5 percent, during the 12 months ending December 2010.

During the fourth quarter of 2010, job losses in Arkansas, Louisiana, New Mexico, and Oklahoma were offset by the largest nonfarm payroll gains recorded in Texas since the second quarter of 2009. During the 12 months ending December 2010, Texas gained 42,100 jobs, or 0.4 percent, led by an increase of 52,800 jobs, or 4 percent, in the education and health services sector. In Oklahoma, nonfarm payrolls decreased by 5,600 jobs, or 0.4 percent, led by losses of 6,000 jobs in the manufacturing sector and 3,800 jobs in the government sector, or 4.6 and 1.1 percent, respectively. Nonfarm payroll losses in Louisiana appear to have bottomed out with only a small decrease of 100 jobs, as combined gains of more than 12,900 jobs in the leisure and hospi-



tality and the education and health services sectors were partially offset by combined losses of 12,000 jobs in the construction, manufacturing, and financial activities sectors. Nonfarm payrolls in New Mexico declined by 10,000 jobs, or 1.2 percent, for the 12 months ending December 2010. In Arkansas, nonfarm payrolls declined by 3,500 jobs, or 0.3 percent, with declines in the manufacturing, trade, and leisure and hospitality sectors accounting for nearly 70 percent of the total loss. For the 12 months ending December 2010, the unemployment rate in the region increased to 8 percent from the 7.4-percent rate for the previous 12 months. The average unemployment rates ranged from a low of 6.8 percent in Oklahoma to a high of 8.4 percent in New Mexico; Louisiana, Arkansas, and Texas recorded rates of 7.4, 7.7, and 8.2 percent, respectively.

Sales housing market conditions in the Southwest region remained slightly soft during the 12 months ending December 2010 because of continued job losses in most states in the region. During the 12 months ending December 2010, approximately 202,900 homes sold in Texas, down nearly 5 percent compared with the number sold during the previous 12 months and 13 percent below the number sold during the 12 months ending December 2008, according to the Real Estate Center at Texas A&M University. The inventory of unsold homes was at a 7-month supply for the 12-month period ending December 2010, relatively unchanged from the previous year but well above the 5-month average supply recorded between 2006 and 2008. During the 12 months ending December 2010, the number of homes sold declined in most major metropolitan areas in Texas, with declines ranging from 2 percent in San Antonio to 8 percent in Dallas. Much of the recent sales activity in the Dallas area has occurred in Collin County, where the average sales price of \$246,500 for 2010 was approximately 28 percent above the state average. The average home sales price in Texas increased 4 percent to \$192,900 during the 12 months ending December 2010 compared with the average price during the previous 12 months but still remains approximately 1 percent below the level recorded during the 12 months ending December 2008. Home sales price increases among major metropolitan areas in Texas ranged from 3 percent in San Antonio to 7 percent in Dallas.

Home sales declined in a number of markets in states elsewhere in the region during the 12 months ending December 2010. According to the New Orleans Metropolitan Association of REALTORS® and Gulf South Real Estate Information Network, Inc., new and existing single-family home sales in New Orleans were down 9 percent to 6,925 homes during the 12 months ending December 2010, but the median sales price increased 4 percent. In Baton Rouge, the number of home sales declined 8 percent to 6,375 homes, based on data from the Greater Baton Rouge Association of REALTORS®, but the average home sales price increased 2 percent

to \$195,700, although the price still remains nearly 3 percent below the level recorded during the 12 months ending December 2008. During the 12 months ending December 2010, The Greater Albuquerque Association of REALTORS® reported that the number of home sales was down 5 percent in Albuquerque to 6,475 homes compared with the number sold during the previous 12-month period. The average home sales price in Albuquerque was relatively unchanged at \$216,000 during the 12 months ending December 2010. According to the Oklahoma Association of REALTORS®, the number of homes sold in Oklahoma was down 4,300 or 10 percent during the 12 months ending December 2010, at 40,500 homes sold, but the average home sales price increased by approximately 1 percent to \$147,700. According to the Arkansas REALTORS® Association, during the 12 months ending December 2010, the number of home sales for the state declined by 7 percent to 22,750 homes, but the average home sales price remained relatively unchanged at \$145,200.

Builders in the Southwest region responded to declining home sales by reducing single-family construction activity, as measured by the number of single-family building permits issued. During the 12 months ending December 2010, the total number of single-family homes permitted in the region was 86,400, a decline of 1,475 homes, or 2 percent, compared with the number permitted during the previous 12 months, based on preliminary data. The number of permits issued during the 12 months ending December 2010 was 16 percent below the levels recorded during the 12 months ending December 2008. For the 12 months ending December 2010, Texas recorded a 1-percent decrease in the number of single-family homes permitted, down 620, to 63,000 homes. Other states in the region experienced changes in the number of single-family homes permitted, ranging from a decline of 6 percent in Oklahoma to an increase of 3 percent in Arkansas. Louisiana and New Mexico each recorded declines of 4 percent in the number of single-family homes permitted during the 12 months ending December 2010.

Rental housing market conditions in the largest metropolitan areas in Texas are soft but have improved slightly during the 12 months ending December 2010 as builders responded to soft market conditions by reducing multifamily construction activity. Austin remained the only major Texas market with an apartment vacancy rate under 10 percent. According to ALN Systems, Inc., the apartment vacancy rate in Austin was 8.7 percent for the 12 months ending December 2010, down from 11.5 percent during the previous 12 months, and the average rent declined 2 percent to \$840. In San Antonio, the apartment vacancy rate declined slightly from 11.9 to 10.2 percent during the 12 months ending December 2010, and the average rent remained unchanged at \$730. Rental markets in Fort Worth and Houston remained very soft, with vacancy rates of 11.4 and 13.8 percent,



respectively, during the 12 months ending December 2010. The average rent in Fort Worth declined by 3 percent to \$700 during the 12 months ending December 2010. During the same period, the average rent in Houston remained unchanged at \$790, the first 12-month period since 2005 in which average rents have not increased. In Dallas, during the 12 months ending December 2010, the vacancy rate declined to 10.9 percent from the 12-percent rate recorded during the 12-month period ending December 2009, and the average rent declined 2 percent to \$800.

Rental housing market conditions were mixed in large metropolitan areas in other states throughout the Southwest region during the fourth quarter of 2010. Rental markets in Albuquerque and Little Rock are currently balanced. According to Reis, Inc., the apartment vacancy rate in Albuquerque was 5 percent in the fourth quarter of 2010, down from 6.9 percent a year earlier, and the average rent increased 2 percent to \$720. In Little Rock, during the fourth quarter of 2010, the apartment vacancy rate was 7.3 percent, down from 8.4 percent a year earlier, and the average rent increased approximately 2 percent to \$660. Rental markets in the largest metropolitan areas in Oklahoma were slightly soft during the fourth quarter of 2010. In Oklahoma City, the apartment vacancy rate declined slightly from 10 percent in the fourth quarter of 2009 to 8 percent in the fourth quarter of 2010, and the average rent

increased 3 percent to \$560. In Tulsa, the vacancy rate declined slightly from 9.2 percent in the fourth quarter of 2009 to 8.8 percent during the same period in 2010, and the average rent increased 1 percent to \$580.

Rental market conditions in New Orleans remained soft as the apartment rental vacancy rate fell to 9.3 percent during the fourth quarter of 2010, down from the 11-percent rate recorded a year earlier, and the average rent increased 2 percent to \$870.

Despite soft apartment rental markets 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 December 2010, based on preliminary data. The 24,000 units permitted during the 12 months ending December 2010 reflect a 7-percent increase compared with the number of units permitted during the previous 12 months. Multi-family permitting levels remain approximately 61 percent below the levels recorded during the 12 months ending December 2008. During the 12 months ending December 2010, the number of multifamily units permitted in Texas grew by 13 percent, or 2,175 units, from the previous year to 18,700 units. Louisiana and Oklahoma recorded declines of 35 and 12 percent, respectively, and Arkansas and New Mexico recorded increases of 4 and 5 percent, respectively, for the 12 months ending December 2010.