COMPREHENSIVE HOUSING MARKET ANALYSIS

Little Rock-North Little Rock-Conway, Arkansas

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of April 1, 2023

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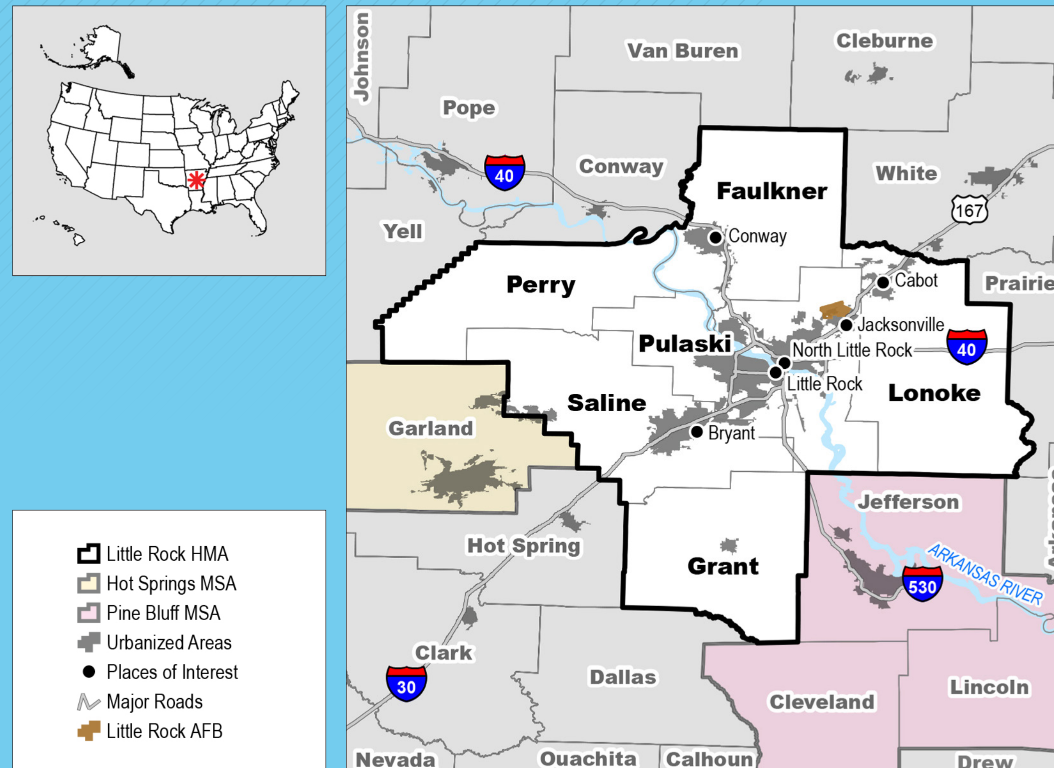
Executive Summary

Housing Market Area Description

The Little Rock-North Little Rock-Conway Housing Market Area (hereafter, Little Rock HMA) is coterminous with the Little Rock-North Little Rock-Conway, AR Metropolitan Statistical Area (MSA) and consists of Faulkner, Grant, Lonoke, Perry, Pulaski, and Saline Counties in central Arkansas. The Little Rock HMA is the largest MSA in the state and home to the state capital of Arkansas.

The current population of the HMA is estimated at 762,400.

On March 31, 2023, an EF3 tornado with 165 mph winds hit the HMA and traveled 32 miles from the west side of the city of Little Rock to the city of Cabot. According to the Federal Emergency Management Agency (FEMA), initial damage assessments indicated that 217 homes were destroyed, and 326 homes sustained major damage. The tornado damaged numerous businesses, which is anticipated to result in a short-term loss of jobs while the area recovers.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: Since the end of 2019, nonfarm payroll growth has averaged 3,900 jobs, or 1.0 percent, annually after accounting for the jobs lost and then subsequently recovered due to the impacts of COVID-19.

During the 12 months ending March 2023, nonfarm payrolls in the Little Rock HMA totaled 378,200, an increase of 11,600 jobs, or 3.2 percent, from the previous 12 months. All 11 of the payroll sectors added jobs during the 12 months ending March 2023, led by an increase of 2,200 jobs in both the education and health services and the wholesale and retail trade sectors for a gain of 3.7 and 4.1 percent, respectively. The unemployment rate in the HMA is currently 3.0 percent, down from 3.7 percent a year earlier. During the 3-year forecast period, job growth is expected to slow and average 0.8 percent annually.

Sales Market

Slightly Tight: The home sales market has an estimated vacancy rate of 1.5 percent, down from 1.8 percent during April 2020 and 2.1 percent in April 2010.

The recent Federal Reserve actions raising the target federal funds rate beginning in March of 2022 has led to rising interest rates on home mortgages and dampened sales demand. During the 12 months ending March 2023, home sales totaled 17,700, a decline of 5,000, or nearly 22 percent, from a year earlier when home sales were at near record levels (CoreLogic, Inc., with adjustments by the analyst). During the 12 months ending March 2023, the average home sales price in the HMA was $224,400, an increase of $23,600, or nearly 12.0 percent, from a year earlier. During the 3-year forecast period, demand is estimated for 8,125 new sales units; a portion of that demand is expected to be met by the 600 homes currently under construction.

Rental Market

Balanced: The overall rental market is currently balanced with a 9.6 percent vacancy rate, down from 10.8 percent in April 2020 and 10.1 percent in April 2010.

Apartment market conditions are balanced, with an 8.3-percent vacancy rate during the first quarter of 2023, up from 5.4 percent during the first quarter of 2022 (CoStar Group). As of the first quarter of 2023, the average rent for an apartment was up 4.0 percent from the first quarter of 2022, a smaller increase compared to a year earlier when the average rent increased more than 7.0 percent—the largest rent increase since at least 2000. During the 3-year forecast period, demand is expected for an additional 3,050 units. The 1,225 units currently under construction are anticipated to satisfy a portion of that demand.

TABLE OF CONTENTS

3-Year Housing Demand Forecast

		Sales Units	Rental Units
Little Rock- North Little Rock-Conway HMA	Total Demand	8,125	3,050
	Under Construction	600	1,225

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2023. The forecast period is April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Economic Conditions

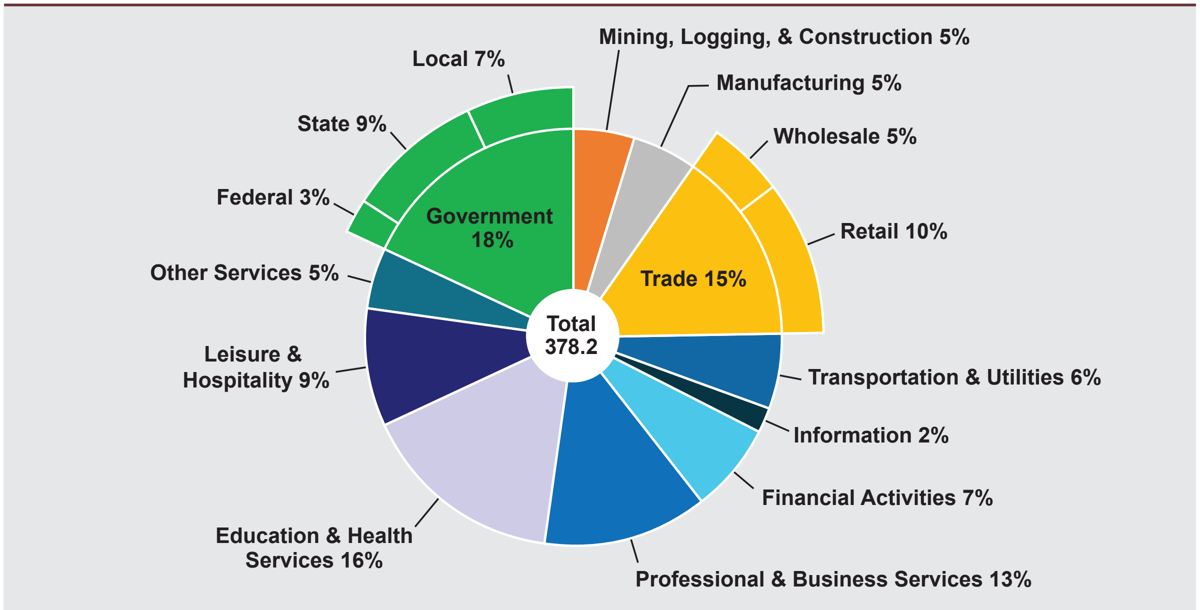
Largest Sector: Government

The government sector is the largest employment sector in the HMA, with 18 percent of all nonfarm payroll jobs during the 12 months ending March 2023, down from 21 percent of all jobs in 2010.

Primary Local Economic Factors

Historically, the HMA has been partially insulated from expansions and contractions of the national economy because the local economy benefits heavily from the stability of the education and health services and the government sectors. With the city of Little Rock being the state capital of Arkansas, government is the largest payroll sector, with 68,700 jobs, or approximately 18 percent, of all nonfarm payroll jobs (Figure 1). The state government accounts for 33,900 employees, or 49 percent, of all government jobs and includes the largest employer in the HMA, the University of Arkansas for Medical Sciences, which has 9,700 employees. In addition, the HMA is home to the Little Rock Air Force Base (LRAFB), with more than 7,800 employees—including 6,475 active-duty military personnel—contributing an annual economic impact of nearly $1.8 billion in fiscal year 2022 (Economic Impact Statement Fiscal Year 2022, LRAFB). Table 1 lists the largest employers in the HMA. The city of Little Rock is also a center for medical care for the larger area of central Arkansas, drawing many people from outside of the HMA.

Figure 1. Share of Nonfarm Payroll Jobs in the Little Rock-North Little Rock-Conway HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through March 2023.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Little Rock-North Little Rock-Conway HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Arkansas for Medical Sciences	Government	9,700
Little Rock Air Force Base	Government	7,800
Baptist Health	Education & Health Services	7,340
Arkansas Children's Hospital	Education & Health Services	4,370
Central Arkansas Veterans Healthcare System	Government	4,000
CHI St. Vincent Foundation	Education & Health Services	3,000
AT&T Inc.	Information	2,615
Arkansas Blue Cross and Blue Shield	Financial Activities	2,610
Entergy Arkansas, LLC	Transportation & Utilities	2,580
Verizon Communications Inc.	Information	2,500

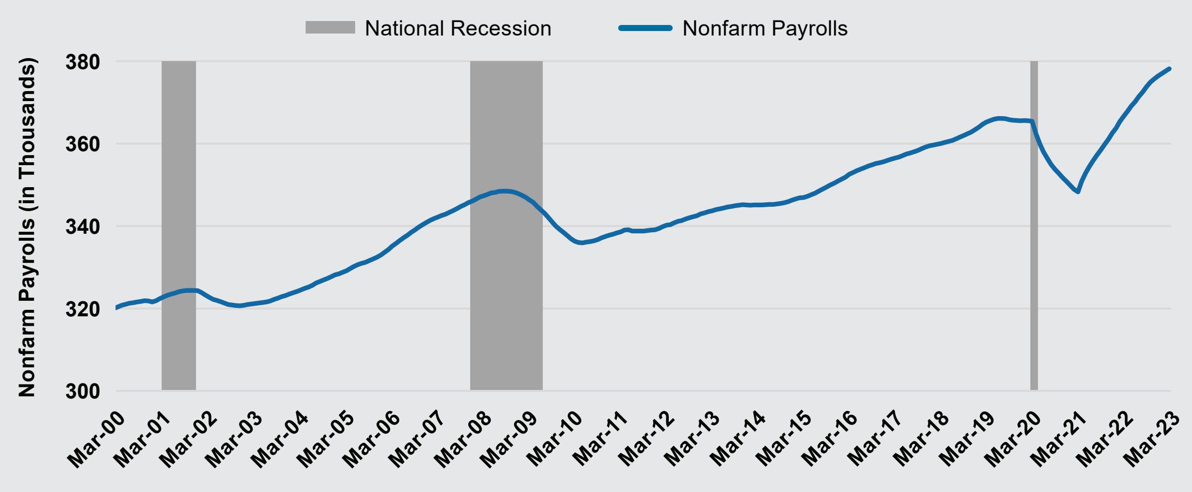
Notes: Excludes local school districts. Data include active duty military personnel who are not included in the nonfarm data.
Sources: Little Rock Regional Chamber; Little Rock Air Force Base Fiscal Year 2022 Economic Impact Statement

Current Conditions—Nonfarm Payrolls

Economic conditions in the Little Rock HMA remain strong, with nonfarm payrolls reaching an all-time high during the 12 months ending March 2023 at 378,200, an increase of 11,600 jobs, or 3.2 percent, from the previous 12 months. Job growth slowed from the 12 months ending March 2022, when nonfarm payrolls increased by 18,300, or 5.3 percent, to 366,600 jobs and surpassed prepandemic levels as the local economy recovered all the jobs lost in the downturn caused by the pandemic. The HMA has returned to the historic trend for job growth due to strong growth following the job losses during early 2020. From 2020 to current, a period including the COVID-19-related downturn, nonfarm payroll growth averaged 1.0 percent annually, slightly faster than the average annual increase of 0.9 percent during the previous increase from 2011 through 2019. Figure 2 shows the 12-month average nonfarm payrolls in the HMA since March 2000.

During the 12 months ending March 2023, job growth was led by the education and health services and the wholesale and retail trade sectors, with each sector increasing by 2,200 jobs, or 3.7 and 4.1 percent, respectively (Table 2). The job gains in the education and health services sector are a continuation of a long-term trend because the growth in the population aged 55 and older creates

Figure 2. 12-Month Average Nonfarm Payrolls in the Little Rock-North Little Rock-Conway HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Little Rock-North Little Rock-Conway HMA, by Sector

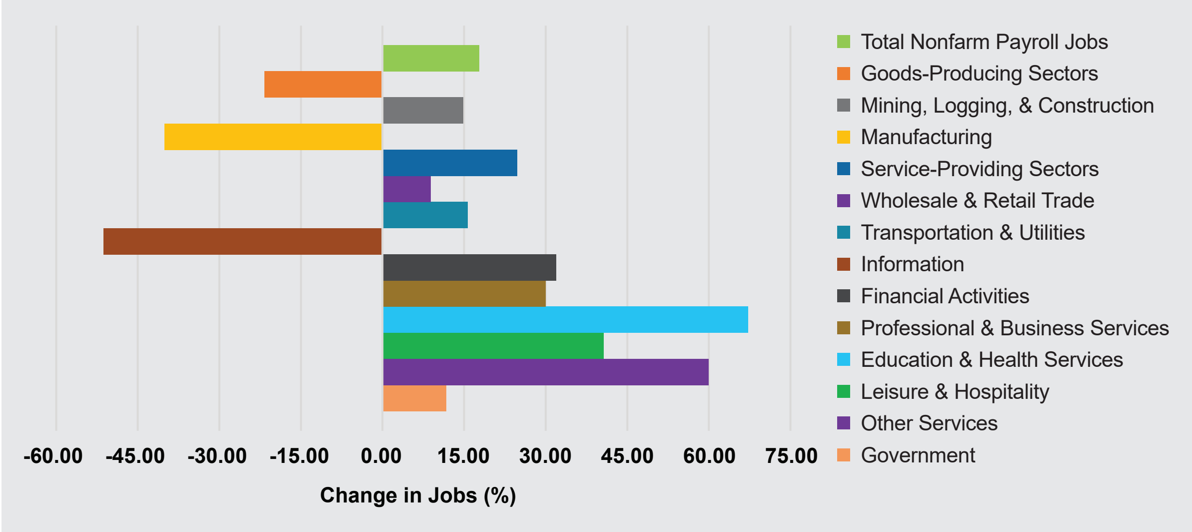
	12 Months Ending March 2022	12 Months Ending March 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**366.6**	**378.2**	**11.6**	**3.2**
Goods-Producing Sectors	37.8	38.9	1.1	2.9
Mining, Logging, & Construction	18.6	19.1	0.5	2.7
Manufacturing	19.2	19.9	0.7	3.6
Service-Providing Sectors	328.8	339.2	10.4	3.2
Wholesale & Retail Trade	54.2	56.4	2.2	4.1
Transportation & Utilities	19.4	21.4	2.0	10.3
Information	5.4	5.7	0.3	5.6
Financial Activities	24.1	24.7	0.6	2.5
Professional & Business Services	46.9	47.8	0.9	1.9
Education & Health Services	59.7	61.9	2.2	3.7
Leisure & Hospitality	32.6	33.6	1.0	3.1
Other Services	18.3	19.0	0.7	3.8
Government	68.4	68.7	0.3	0.4

Notes: Based on 12-month averages through March 2022 and March 2023. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

demand for more health services. Since 2001, the education and health services sector has been the fastest growing sector in the HMA, increasing by an average of 1,100 jobs, or 2.3 percent, annually. Figure 3 shows sector growth in the HMA from 2001 to current. During 2000, the education and health services sector totaled 37,000 jobs and accounted for 11.5 percent of all nonfarm payrolls, but during the 12 months ending March 2023, employment in this sector totaled 61,900 and accounted for more than 16 percent of all nonfarm payrolls in the HMA. During the past 12 months, job growth in the sector has been supported by the opening of the new 37-bed Unity Health hospital in the city of Jacksonville.

The transportation and utilities sector had the largest percentage gain during the 12 months ending March 2023, increasing 10.3 percent, and adding 2,000 jobs, to reach a new all-time high of 21,400. This rate of growth slowed from 23.0 percent a year earlier after adding 3,600 jobs during the previous 12 months. From 2020 to current, the transportation and utilities sector has been the fastest-growing sector in the HMA, increasing by an average of 1,400 jobs, or 7.7 percent, annually. With people working from home and social distancing measures in place, online purchases rapidly increased and contributed to large employment growth in this sector. The opening of two new facilities since 2020 by Amazon.com, Inc., in the cities of Little Rock and North Little Rock resulted in growth

Figure 3. Sector Growth in the Little Rock-North Little Rock-Conway HMA, 2001 to Current



Note: The current date is April 1, 2023.
Source: U.S. Bureau of Labor Statistics

in this sector. In addition, Lowe's Companies, Inc., recently completed the construction of a distribution center in the HMA.

Of the 11 nonfarm payroll sectors, the only sectors that have not returned to prepandemic job levels are the manufacturing, the leisure and hospitality, and the government sectors. The leisure and hospitality sector was hit especially hard during the initial phases of the COVID-19 pandemic because people avoided restaurants and entertainment venues, and travel was greatly reduced. During February 2020, jobs in the leisure and hospitality sector totaled 34,600, but by April 2020, the sector was down by 13,600 jobs, or more than 39 percent, on a monthly basis (not seasonally adjusted) to 21,000 jobs; losses in this sector accounted for nearly 38 percent of all job losses in the HMA. The leisure and hospitality sector is recovering, and during the 12 months ending March 2023, this sector added 1,000 jobs, or 3.1 percent, to 33,600 jobs, after increasing by 4,200 jobs, or 14.9 percent, during the previous 12 months.

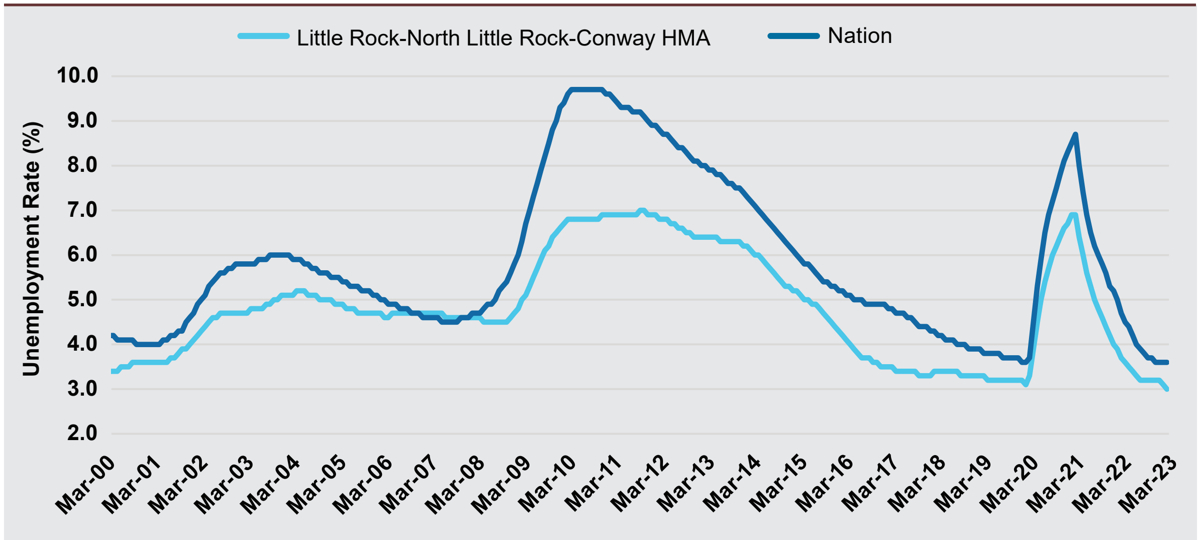
Job losses in the government sector were not entirely related to COVID-19. In 2019, Arkansas reorganized the state government, reducing the number of cabinet agencies from 42 to 15. Significant downsizing also occurred in many agencies through attrition rather than layoffs. During 2019, state government employment peaked at 35,600 jobs but has declined since then by an average of 500 jobs, or 1.5 percent, annually to the current level of 33,900 jobs. Though the overall trend has been down for government employment since 2020, during the 12 months ending March 2023, government employment increased by 300 jobs, or 0.4 percent, from a year earlier.

The manufacturing sector has still not surpassed the number of jobs before the COVID-19 downturn; however, job growth has been robust in the past 24 months. United States Steel Corporation is currently building a $3 billion factory in northeast Arkansas, which is the latest of several recent openings of new steel production facilities in the region. Although the factory is not located in the HMA, many of the suppliers of materials needed for the project are in the HMA, providing a boost to the local manufacturing sector. During the 12 months ending March 2023, manufacturing payrolls totaled 19,900, an increase of 700, or 3.6 percent, from the previous 12 months when the manufacturing sector increased by 400 jobs, or 2.2 percent. Even with the gains during the past 24 months, the manufacturing sector has still declined by an average of 400 jobs, or 1.8 percent, annually since 2019.

Current Conditions—Unemployment

The unemployment rate in the HMA averaged 3.0 percent during the 12 months ending March 2023, down from 3.7 percent during the previous 12 months. During 2019, before the COVID-19-related job losses, the unemployment rate was 3.2 percent, which, at the time, was the lowest unemployment rate in the HMA since the year 2000. The unemployment rate in the HMA has historically been below the national average (Figure 4).

Figure 4. 12-Month Average Unemployment Rate in the Little Rock-North Little Rock-Conway HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2001 Through 2008

From 2001 through 2008, nonfarm payrolls increased by an average of 3,300, or 1.0 percent, annually. The education and health services sector led job growth, increasing by an average of 1,400 jobs, or 3.3 percent, annually and accounted for more than 40 percent of all job growth during these years. The government and the leisure and hospitality sectors increased by annual averages of 900 and 700 jobs, or 1.5 and 2.6 percent, respectively.

2009 Through 2010

Job losses were severe during these years because the Great Recession impacted the HMA. Nonfarm payrolls declined by an average of 5,100, or 1.5 percent, annually. Although a period of severe job loss in the HMA, only 7 of the 11 employment sectors lost jobs. Job losses were most severe in the manufacturing sector, which declined by an average of 2,100 jobs, or 9.0 percent, annually. With a declining manufacturing output, the shipping of locally produced products decreased, and the transportation and utilities sector declined by an average of 1,700 jobs, or 11.4 percent, annually.

2011 Through 2014

Job growth was fairly slow while the local economy recovered from the Great Recession during these years. From 2011 through 2014, nonfarm payroll growth averaged 2,100 jobs, or 0.6 percent, annually. The professional and business services sector led job growth during this period, increasing by an average of 700 jobs, or 1.6 percent, annually. Job growth continued in the education and health services sector, but of all the periods of economic significance, the slowest growth in the sector occurred during this period, with increases averaging only 300 jobs, or 0.6 percent, annually.

2015 Through 2019

Job growth accelerated during these years, with payrolls increasing by an average of 3,900 jobs, or 1.1 percent, annually. The education and health services sector led job growth during these years, increasing by an average of 1,400 jobs, or 2.6 percent, annually. Job growth in the manufacturing sector resumed, with increases averaging 200 jobs, or 1.1 percent, annually during these years. The completion of the Big River Steel mill in Osceola, Arkansas—although located outside of the HMA—contributed to secondary manufacturing jobs and growth in the manufacturing sector, because the raw material produced in Osceola was made into finished products locally. Also, with the completion of the steel mill, job growth in the transportation and utilities sector was strong because trucking companies had to hire many new drivers to move these products. During these years, jobs in the transportation and utilities sector increased by an average of 500 jobs, or 3.6 percent, annually.

2020 and 2021

With the outbreak of the COVID-19 pandemic and associated stay-at-home declarations, job losses were severe in the HMA. In February 2020, nonfarm payrolls totaled 366,000, and by April 2020, nonfarm payroll jobs had declined 9.9 percent to 329,800 jobs (not seasonally adjusted). Nonfarm payroll jobs did not fully recover until October 2021, when nonfarm payrolls totaled 370,900 jobs (not seasonally adjusted).

On an annual basis, nonfarm payrolls during 2020 declined by 14,700 jobs, or 4.0 percent, from 2019. Job losses were most severe in the leisure and hospitality sector, which lost 5,200 jobs, or 15 percent, from the previous year. During 2021, nonfarm payrolls increased by 11,600 jobs, or 3.3 percent. The leisure and hospitality sector led job growth, increasing by 2,500 jobs, or 8.5 percent.

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 0.8 percent annually. Based on several recent announcements, job growth in the manufacturing sector is expected to continue. W&W-AFCO Steel LLC announced that they are spending $18.7 million on a new steel fabrication plant and expect to create 115 new jobs at the port of Little Rock. Westrock Coffee Company announced a $300 million investment and anticipates adding 600 more jobs during the next 5 years.

Population and Households

Current Population: 762,400

Since 2020, net in-migration to the HMA has accounted for approximately 83 percent of all population growth in the HMA.

Population Trends

The estimated population of the Little Rock HMA is currently 762,400, averaging an increase of 4,800, or 0.6 percent, annually since 2020. Since 2020, net in-migration has averaged 4,000 people annually, because an expanding economy and relatively affordable housing costs attract people to the region. Table 3 shows some population and household quick facts for the HMA.

Table 3. Little Rock-North Little Rock-Conway HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	699,757	762,400	779,700
	Average Annual Change	8,925	4,825	5,750
	Percentage Change	1.4	0.7	0.8
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	279,225	313,200	321,300
	Average Annual Change	3,825	2,625	2,700
	Percentage Change	1.5	0.9	0.9

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (April 1, 2023) to April 1, 2026.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Population growth since 2020 is up from the 2014 to 2020 period but still well below the period from 2000 to 2014 when population growth remained above 1.0 percent annually (U.S. Census Bureau decennial census counts and population estimates as of July 1). From 2014 to 2020, population growth in the HMA averaged 3,300 people, or 0.4 percent, annually, with net in-migration averaging 750 people a year. This period of slow population growth was partly due to the HMA having relatively slower job growth than other areas of the state and the region. By comparison, during these years, nonfarm payrolls in the Fayetteville-Springdale-Rogers, Arkansas metropolitan area increased an average of 3.7 percent annually, with many of these jobs being filled by people relocating from the HMA. Another factor that contributed to the slow population growth in this period was a drop in net international in-migration, which averaged 600 people a year from 2014 to 2020, down from the average of 930 people a year from 2010 through 2014, when population growth averaged 6,900 people, or 1.0 percent, annually, and net in-migration averaged 3,325 people a year. Another factor that contributed to slow population growth in the HMA was declining enrollment at the University of Central Arkansas and the University of Arkansas at Little Rock, which had a drop in combined enrollment from 23,100 students in the fall of 2016 to 16,500 during the fall of 2019.

The period of strongest population growth in the HMA was from 2005 through 2010, with the population increasing by an average of 10,750, or 1.6 percent, annually. During these years, net in-migration averaged 6,525 people annually. The early part of this period had strong job growth that attracted many people to the HMA. In 2008, during the Great Recession, job losses were less severe in the HMA compared to other parts of the nation due in part to the large presence of government and healthcare jobs continuing to attract people from other parts of the state for work. From 2003 through 2005, population growth in the HMA averaged 8,875, or 1.4 percent, annually, with net in-migration averaging 5,200 people a year, nearly double the rate during the period of 2000 through 2003 when net in-migration averaged only 2,675 people a year and overall population growth averaged 6,300, or 1.0 percent, annually. Figure 5 shows the components of population change in the HMA from 2000 through the forecast period.

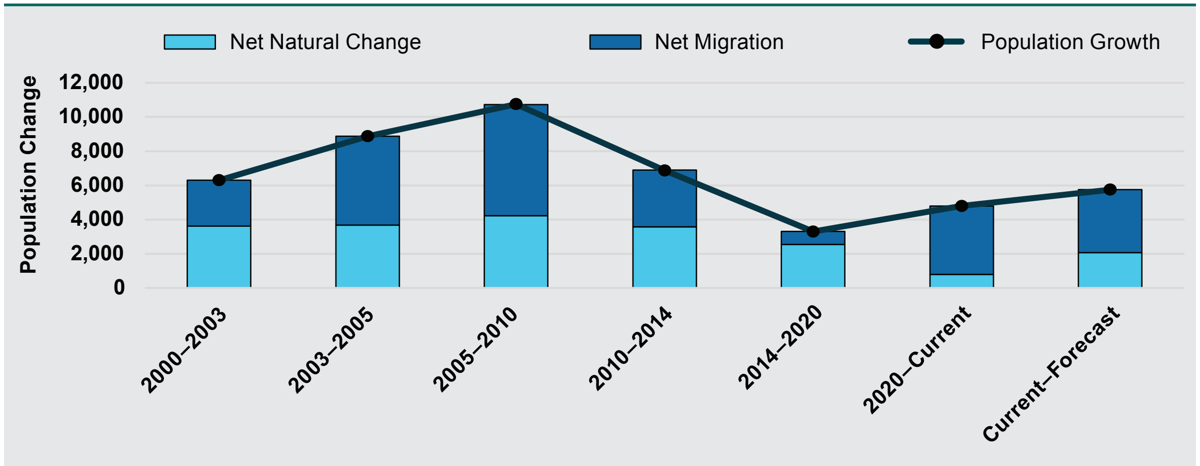
Population by Geography

Pulaski County, where the city of Little Rock is located, is the most populous county in the HMA and the state of Arkansas. As of the 2020 Census, Pulaski County accounted for more than 53 and 13 percent of the population totals in the HMA and Arkansas, respectively, with 399,125 residents. Faulkner, Saline, and Lonoke Counties are among the 10 largest counties in the state of Arkansas. Between 2010 and 2020, Saline County was the fastest-growing county in the HMA, increasing by an average of 2,350 people, or 2.5 percent, annually.

Demographic Trends

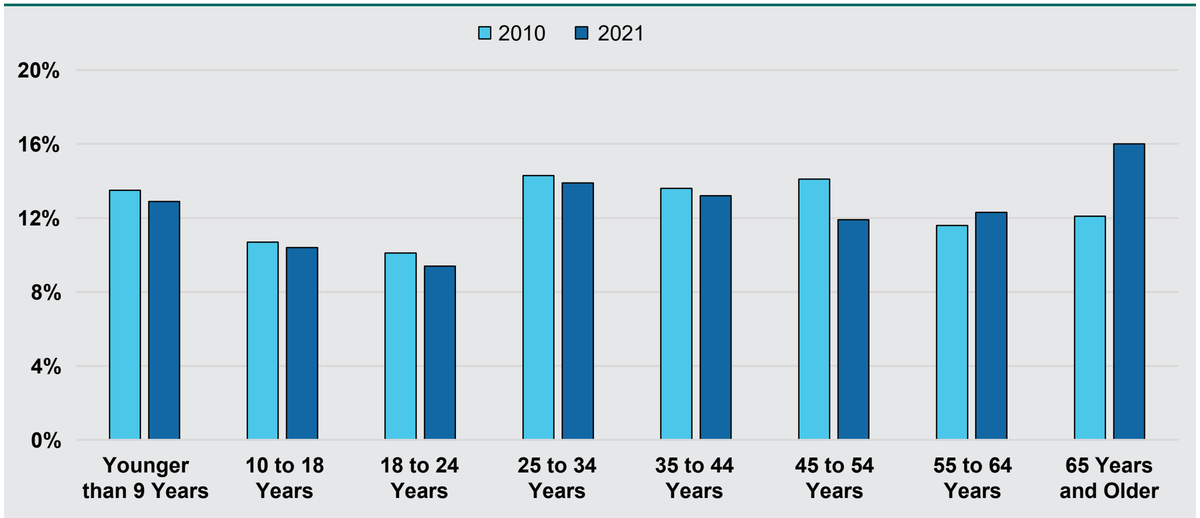
Like the nation, the demographic changes in the HMA include an aging population. From 2010 to 2021, the only age cohorts in the HMA to increase as a percentage of the overall population were those aged 55 to 64 years and 65 years and older (Figure 6). Every other age cohort comprised a smaller percentage. Although these changes follow the larger national trend of an aging population, the HMA is still generally younger than the nation. The median age in the HMA is 37.4 years of age, which is below the national median of 38.8. The HMA, with a slightly younger population, also has a slightly greater percentage of households with children. During 2010, 33.1 percent of all households in the HMA had a child younger than the age of 18 residing at home, but by 2021, that number had declined to 31.4 percent. During that same time, the number of people living alone also increased slightly from

Figure 5. Components of Population Change in the Little Rock-North Little Rock-Conway HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (April 1, 2023) to April 1, 2026.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Figure 6. Population by Age Range in the Little Rock-North Little Rock-Conway HMA



Source: 2010 and 2021 American Community Survey 1-year data

28.0 percent of all households in 2010 to 28.1 percent in 2021. Table 4 shows selected population and household demographics in the HMA.

Household Trends

The rate of household growth in the HMA has been above the rate of population growth since 2020 due in part to much smaller household sizes because of fewer households with children and more single-person households. An estimated 313,200 households currently reside in the HMA, an average increase of 2,575, or 0.8 percent, annually since 2020, which is below the rates in the previous periods that had much stronger population growth. From 2010 to 2020, households increased by an average of 2,625, or 0.9 percent, annually, which was below the rate of 3,825, or 1.5 percent, annually from 2000 to 2010 when population growth in the HMA was much stronger. Since 2000, an increasing proportion of household growth has been among renter households, causing the homeownership rate to drop continually. The homeownership rate in the HMA is currently 62.9 percent, down from 65.1 percent in 2010 and 66.6 percent in 2000 (Figure 7).

Forecast

During the 3-year forecast period, population growth is expected to accelerate compared with the growth since 2020, averaging 5,750, or 0.8 percent, annually. Although net in-migration is expected to slow slightly to an average of 3,700 people a year, population growth is expected to accelerate due to an expected increase in net natural change, averaging 2,050 people a year, up from the average of 790 people a year from 2020 through current. Net natural change is anticipated to increase because the number of deaths related to COVID-19 is expected to decrease significantly during the forecast period.

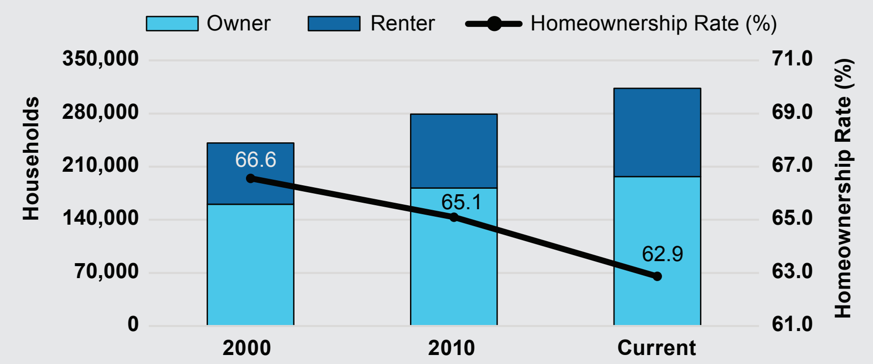
Household growth is expected to continue at a slightly higher rate than population growth as the trend of smaller households continues. During the 3-year forecast period, the number of households is expected to increase by an average of 2,700, or 0.9 percent, annually. Most new household growth is expected to take place in the three largest counties in the HMA: Pulaski, Saline, and Faulkner.

Table 4. Selected Population and Household Demographics in the Little Rock-North Little Rock-Conway HMA and the Nation

	Little Rock-North Little Rock-Conway HMA	Nation
Population Aged 18 and Younger	23.3%	22.0%
Population Aged 65 and Older	16.0%	17.0%
Median Age	37.4	38.8
Bachelor's Degree Holder or Higher, Aged 25 and Older	33.3%	35.0%
Graduate or Professional Degree Holder or Higher, Aged 25 and Older	13.0%	14.0%
Veteran	7.9%	6.4%
Foreign Born	3.9%	13.6%
Hispanic	5.7%	19.0%
Non-Hispanic	94.3%	81.0%
Median Household Income	$58,537	$69,717
Households With One or More Children, Aged Less Than 18 Years	31.4%	30.0%

Source: 2021 American Community Survey 1-year data

Figure 7. Households by Tenure and Homeownership Rate in the Little Rock-North Little Rock-Conway HMA



Note: The current date is April 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market

Market Conditions: Slightly Tight

Home sales decreased during the 12 months ending March 2023 after reaching an all-time peak during the previous 12-month period.

Current Conditions

Sales housing market conditions are slightly tight in the Little Rock metropolitan area. The vacancy rate is estimated at 1.5 percent, down from 1.8 percent in 2020 and 2.1 percent in 2010 (Table 5). During the 12 months ending March 2023, home sales totaled 17,700, a decline of 5,000, or nearly 22 percent, from a year earlier when the Federal Reserve started to raise its target interest rate (CoreLogic, Inc., with adjustments by the analyst). The average rate for a 30-year fixed-rate mortgage in the United States was 6.54 percent in March 2023, up from 4.17 percent a year earlier (Freddie Mac). Figure 8 shows the 12-month new and existing home sales totals in the Little Rock HMA. During March 2023, the active listings totaled 1,125 homes for sale in the HMA, up from 695 during March 2022 (Realtor.com). From 2016 through 2019, the active listings never totaled fewer than 2,600 homes in the HMA.

New Home Sales

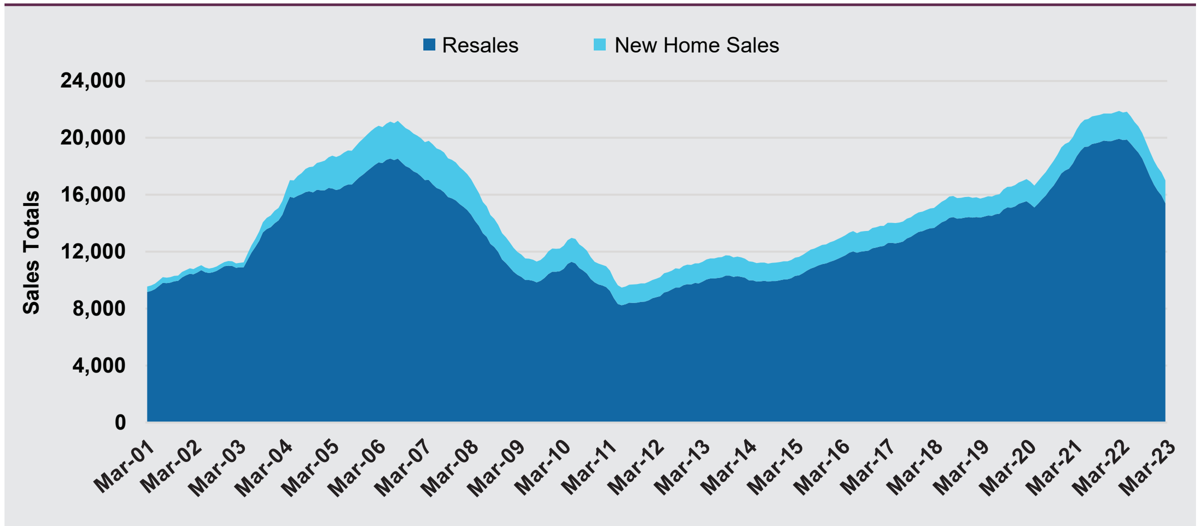
New home sales totaled 1,600 during the 12 months ending March 2023, down by 360 sales,

Table 5. Home Sales Quick Facts in the Little Rock-North Little Rock-Conway HMA

		Little Rock-North Little Rock-Conway HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.5%	NA
	Months of Inventory	NA	2.1
	Total Home Sales	17,700	5,901,000
	1-Year Change	-22%	-24%
	New Home Sales Price	$232,200	$495,200
	1-Year Change	3%	12%
	Existing Home Sales Price	$213,100	$393,200
	1-Year Change	11%	4%
	Mortgage Delinquency Rate	1.7%	1.1%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2018; and months of inventory and mortgage delinquency data are as of December 2018. The current date is April 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc.

Figure 8. 12-Month Sales Totals by Type in the Little Rock-North Little Rock-Conway HMA



Source: CoreLogic, Inc., with adjustments by the analyst or 18 percent, from the previous 12 months, in part due to rising interest rates impacting affordability and reducing demand. New home sales recently peaked but remained below levels from before the Great Recession. During 2004, new home sales totaled 2,000, and with strong economic conditions attracting many new residents during these years, sales increased by an average of 320, or 15 percent, annually to reach a peak level during 2006 of 2,650 homes sold. Following this peak, new home sales started to slow when credit conditions tightened. Demand declined greatly with the onset of the Great Recession, and sales continued to decline before reaching a low of approximately 1,275 homes sold during 2011, an average annual decline of 270 sales, or 13 percent, annually. Beginning in 2012, total home sales demand began to increase slightly with the economic recovery in the HMA, but subdued net in-migration limited demand for new housing during most of the period ending 2018. From 2012 through 2018, new home sales remained relatively stable, averaging 1,375 annually. During 2019, new home sales in the HMA started to rapidly increase due in part to declining mortgage rates, and by 2021, totaled 1,925 homes sold, an average increase of 170 sales, or 11 percent, annually. Low interest rates and personal savings rate increases from 8.9 percent in April 2019 to 33.8 percent during April 2020 left consumers flush with cash during the early stages of the COVID-19 pandemic and caused an increase in homebuying (Federal Reserve Bank of St. Louis).

Resale of Homes

The number of resale home sales totaled 15,400 during the 12 months ending March 2023, a decline of 4,525, or nearly 23 percent, from the previous 12 months when the resale of homes reached an all-time peak of nearly 19,950. The resale of homes declined during the past year because rising interest rates and sales prices reduced the affordability of homes for many potential buyers, and homebuyers who bought or refinanced at much lower interest rates are hesitant to sell.

During 2000, the resale of homes totaled nearly 9,000, and by 2006, the number of resales of homes had nearly doubled to 17,650, which, at the time, was an all-time high. The growth in the resale of homes during these years partly was due to steady economic growth and relaxed lending standards that allowed more buyers to afford newer or better quality homes, thereby increasing homebuilding activity, which increased the resale inventory and allowed more existing homeowners to upgrade. From 2001 through 2006, the resale of homes increased by an average of 1,450, or 12 percent, annually. In 2007, the resale of homes began to slow with the economic downturn, and by 2011, the resale of homes totaled 8,500, an average decline of 1,825, or 14 percent, annually. During 2012, the resale of homes began to increase once more with the local economic recovery, and from 2012 through 2019, the resale of homes steadily increased by an average of 840, or 8.0 percent, annually. With extremely low interest rates during 2020 and 2021, the total resale of homes increased at a faster rate, from 15,200 homes during 2019 to 19,800 during 2021, an average annual increase of 2,300, or 14 percent, annually.

New Home Sale Prices

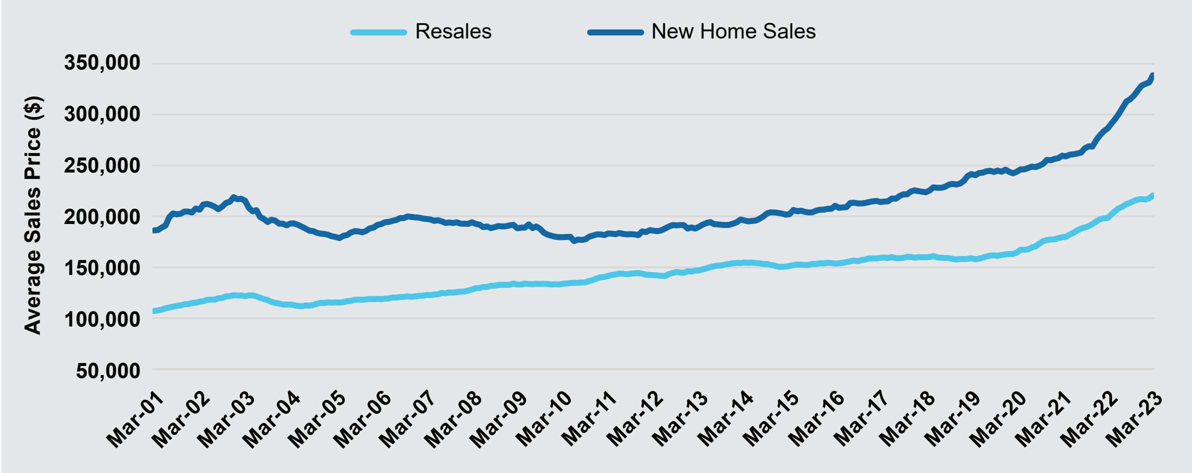
Although new home sales and resales have both slowed during the past 12 months, the average sales prices continued increasing. During the 12 months ending March 2023, the average sales price of a new home was $338,700, an increase of $52,300, or more than 18 percent, partly due to limited new housing inventory and rising material costs that have contributed to continued upward pressure on new home prices. Figure 9 shows the 12-month average sales price by sales type in the HMA from March 2001 to current.

The average sales price of a new home in the HMA during 2000 was $185,000, and by 2002, it was up to $218,900, an average increase of $16,950, or 9 percent, annually. This increase was due in part to a significant portion of the new homes being constructed in lakefront communities in the HMA, which command higher prices. As production increased during the next several years and a smaller proportion of the new homes were built in lakefront communities, the average sales price dropped below $200,000 again, and by 2008, the average sales price of a new home was $190,400, an average decline of $4,750, or 2 percent, annually. During the Great Recession and housing crisis, new home prices declined even further, and by 2010, were down to $182,500, an average decline of $3,975, or 2 percent, annually. With the start of the economic recovery in the HMA, new home prices began to increase, and by 2014, were back above $200,000 to an average sales price of $203,500, an increase of $5,250, or 3 percent, annually. With a faster pace of job growth from 2015 through 2019, the average sales price of a new home in the HMA increased by an average of $8,475, or 4 percent, annually to reach an average sales price of $245,900 during 2019. From 2020 through 2021, new home demand increased because the average 30-year mortgage rate dropped below 3 percent, and during 2021, the average sales price of a new home in the HMA was $274,900, an average increase of $14,500, or 6 percent, annually compared with prices in 2019.

Sales Price of Resale Homes

During the 12 months ending March 2023, the average sales price of a resale home was $220,500, an increase of $22,100, or more than 11 percent, from the previous 12 months. During 2000, the average sales price of a resale home was $105,300, and by 2002, it was up to $122,600, an average increase of $8,650, or 8 percent, annually. During 2003, the average sales price of a resale home was down to $114,400, a decline of $8,175, or 7 percent, from the previous years because the percentage of sales in lower-priced areas increased. Following this 1-year downturn, the average sales price of a resale home increased every year for the next 10 years due in part to stable job and population growth, because the housing crisis and Great Recession had a smaller impact in the HMA than the nation. By 2013, the average price of a resale home was $154,100, an average increase of $3,975, or 3 percent, annually since 2003. During 2014, the average sales price of a resale home dropped by $3,600, or more than 2 percent, to $150,500; this 1-year drop in price was partly the result of increasing home sales in lower-priced areas in the city of Little Rock because people began to desire more urban living and a slight increase in the purchase and rehabilitation of some of the older housing stock occurred. With much stronger job growth during the next several years contributing to increased demand, the average sales price of a resale home also increased, and by 2018, the average sales price was $158,300, an average increase of $1,950, or 1 percent, annually. In 2019, home prices further accelerated because increased demand from declining interest rates and limited supply helped push prices up. By 2021, the average sales price of a resale home was $194,900, an average increase of $12,200, or 7 percent, annually since 2019.

Figure 9. 12-Month Average Sales Price by Type of Sale in the Little Rock-North Little Rock-Conway HMA



Source: CoreLogic, Inc., with adjustments by the analyst

Sales Construction

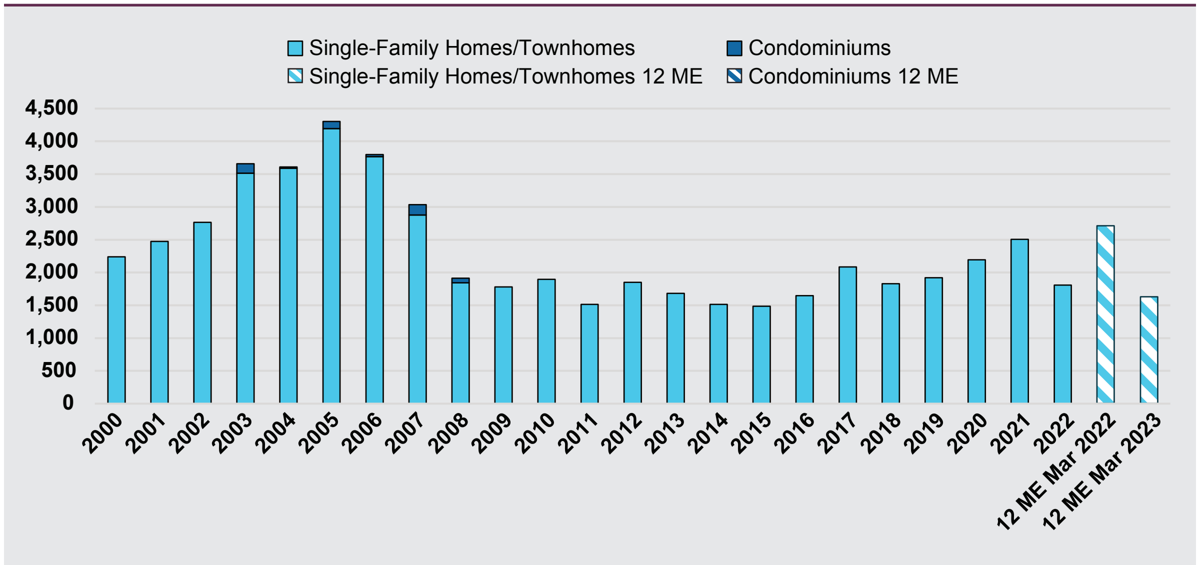
During the 12 months ending March 2023, new homebuilding activity—as measured by the number of building permits issued for single-family homes, townhomes, and condominiums (hereafter, owner units)—totaled 1,625, a nearly 40-percent decline from the previous 12 months when 2,700 owner units were permitted (preliminary data, with adjustments by the analyst). The 2,700 homes permitted during the 12 months ending March 2022 accounted for the highest level of homebuilding since the 3,025 owner units permitted in 2007. Production of owner units peaked in 2005, with 4,300 owner units permitted. From 2000 through 2007, an average of 3,225 owner units were permitted, but production declined from 2008 through 2016 and averaged only 1,700 owner units permitted annually. In 2017, production began to increase slightly in the HMA because builders responded to increasing home prices. From 2017 through 2021, production of owner units averaged 2,100 annually. Figure 10 shows annual sales permitting activity in the HMA from 2000 to current.

One of the newest developments is the Gardens at Rockwater, part of the larger master-planned community Rockwater Village, near the Arkansas River in the city of North Little Rock. The Gardens at Rockwater, which is 70 percent complete, consists of 30 single-family homes, with home prices starting at $490,000 for a three-bedroom home. Bell Valley in the city of Conway is a 53-unit single-family home development currently under construction, with completion expected in the fall of 2024. Home prices range from $195,000 to $235,000 for three-bedroom, two-bathroom homes.

Forecast

During the 3-year forecast period, demand is estimated for 8,125 homes (Table 6). The 600 homes currently under construction are anticipated to satisfy a portion of that demand. Demand is likely to be strongest during the first year of the forecast period while the HMA rebuilds following the tornado that destroyed more than 200 homes. It is estimated that approximately 40 percent of the demand is for new homes in Pulaski County, with the rest of the demand mostly within close proximity to the borders of Pulaski County, distributed throughout the other counties of the HMA.

Figure 10. Annual Sales Permitting Activity in the Little Rock-North Little Rock-Conway HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 6. Demand for New Sales Units in the Little Rock-North Little Rock-Conway HMA During the Forecast Period

	Sales Units
Demand	8,125 Units
Under Construction	600 Units

Note: The forecast period is from April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

From the first quarter of 2020 through the first quarter of 2023, the apartment rent has increased annually by an average of more than $43, or 5.0 percent, the largest 3-year average rent increase in the history of the HMA.

Current Conditions and Recent Trends

The overall rental market is currently balanced with a 9.6 percent vacancy rate, down from 10.8 percent in April 2020 and 10.1 percent in April 2010. Apartment market conditions are balanced also, with an 8.3-percent vacancy rate as of the first quarter of 2023, up from 5.4 percent during the first quarter of 2022 (CoStar Group). During the 12 months ending March 2023, absorption of apartment units was negative, with the number of occupied units declining by nearly 1,725 due in part to people who previously moved into apartments moving out or doubling up with other renter households because of rising rents. By comparison, during the two preceding 12-month periods, absorption of apartment units was positive, with the number of occupied apartment units increasing by 1,225 and 2,625 units, respectively. The historically unprecedented tightening of the apartment market during 2021 and 2022 in the Little Rock metropolitan area was due in part to increasing household formation, especially among single-person households, contributing to the vacancy rate dropping to a record low of 5.3 percent during the first quarter of 2021 from 8.0 percent during the first quarter of 2020. The negative absorption was most pronounced among smaller units. During the first quarter of 2023, studio apartments had the largest increase in vacancy rates, from 5.9 percent during the first quarter of 2022 to 10.0 percent during the first quarter of 2023, due to some single-person households doubling-up to offset rising rents. During the first quarter of 2023, two-bedroom apartments had the smallest increase in vacancy for any bedroom count, with a 7.6-percent vacancy rate, up from 5.4 percent during the first quarter of 2022. Table 7 shows rental and apartment market quick facts for the Little Rock HMA.

From 2000 through 2020, the apartment market vacancy rate was fairly stable, only increasing slightly to reach a peak vacancy rate during the onset of the Great Recession (Figure 11). The first quarter apartment vacancy rate was 8.4 percent during 2000, and by 2002, it had risen to 8.5 percent due to the contracting economy in the HMA. Economic conditions then began to improve and population growth in the HMA increased, causing the apartment vacancy rate to reach a then-record low of 7.1 percent during the first

Table 7. Rental and Apartment Market Quick Facts in the Little Rock-North Little Rock-Conway HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	10.1	9.6
		2010 (%)	2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	40	39
	Multifamily (2–4 Units)	15	14
	Multifamily (5+ Units)	37	41
	Other (Including Mobile Homes)	8	6
		1Q 2023	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate	8.3	3.0
	Average Rent	$934	4%
	Studio	$703	0%
	One-Bedroom	$863	4%
	Two-Bedroom	$973	5%
	Three-Bedroom	$1,217	4%

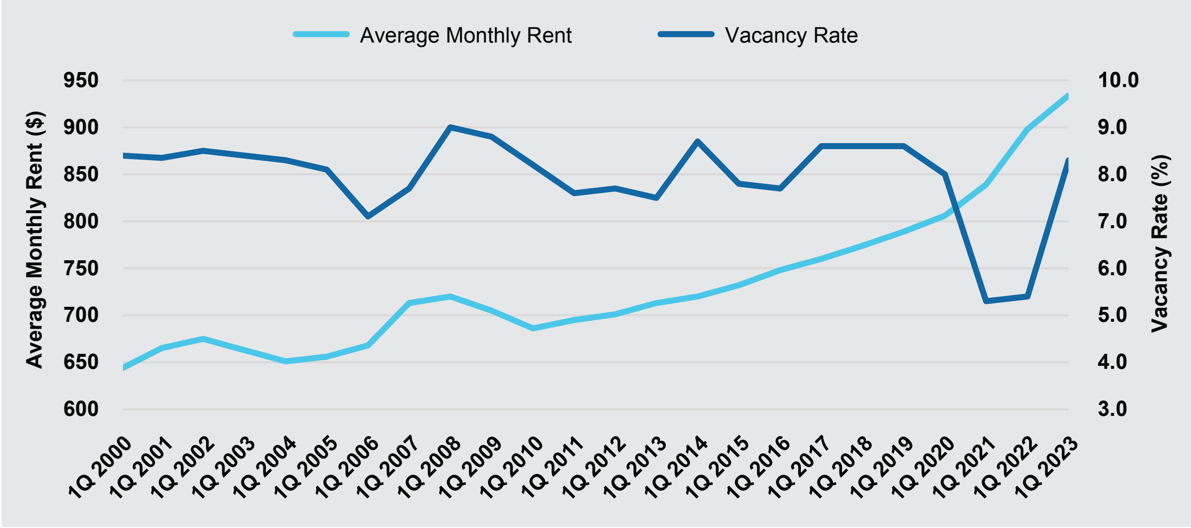
1Q = first quarter. YoY = year-over-year.
Notes: The current date is April 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data; apartment data—CoStar Group

quarter of 2006. The apartment vacancy rate rose to 9.0 percent as of the first quarter of 2008, with the beginning of the housing crisis and slowing economic growth. Following this peak, the apartment market vacancy rate began to decline with improving economic conditions in the HMA and reached a decade-low of 7.5 percent during the first quarter of 2013. With the apartment vacancy rate remaining below 8.0 percent for several years, developers increased production during 2013, contributing to a modest increase in the apartment vacancy rate during the first quarter of 2014 to 8.7 percent. Production declined significantly during 2014, and by 2016, the apartment vacancy rate was down to 7.7 percent. With slower population growth during these years, the apartment vacancy rate again began to rise, but conditions remained balanced as the apartment vacancy rate held steady at 8.6 from the first quarter of 2017 through the first quarter of 2019. With relatively low levels of production during 2014 through 2020, the apartment vacancy rate declined to 8.0 percent during the first quarter of 2020.

Rent Growth

During the first quarter of 2023, the average rent for an apartment was $934, an increase of $36, or 4.0 percent, compared with a year earlier when the average rent increased by $59, or slightly more than 7.0 percent—the largest annual rent increase since at least 2000. During the first quarter of 2023, studio apartments had an average rent of $703, which was unchanged from a year earlier due to weaker demand for smaller units. In contrast, during the first quarter of 2023, two-bedroom apartments had the largest percentage rent increase year over year, up more than 5.0 percent, or $50, to $973; demand for larger units increased in response to the increase in households doubling up.

Figure 11. Apartment Rents and Vacancy Rates in the Little Rock-North Little Rock-Conway HMA



1Q = first quarter.
Source: CoStar Group

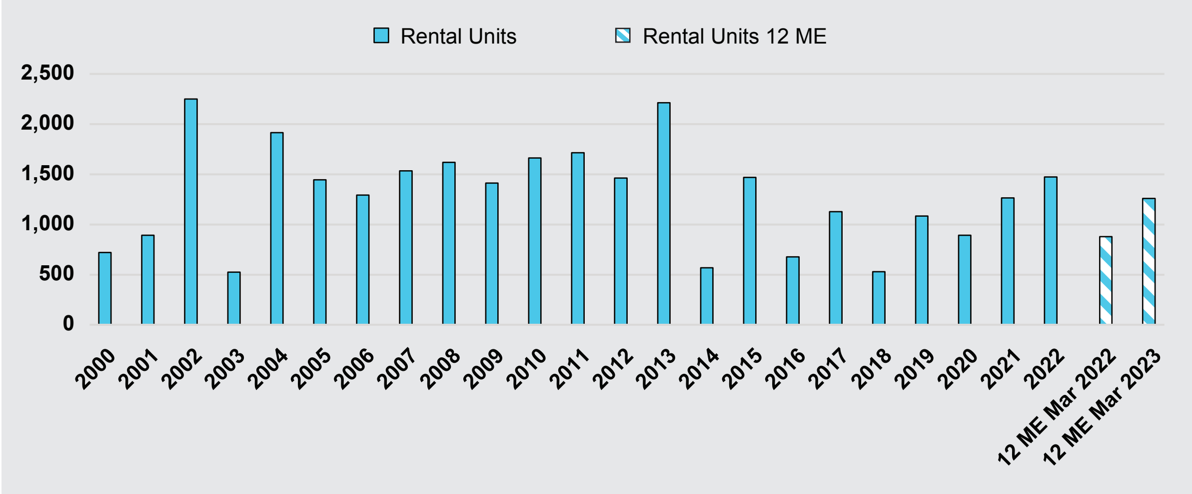
From 2000 to 2020, the apartment market remained essentially balanced, and the average rent increased very slowly. In the first quarter of 2000, the average rent for an apartment was $643, and by the first quarter of 2006, the average rent was $668, an average increase of $4, or 1.0 percent, annually. When the vacancy rate reached a low of 7.1 percent during the first quarter of 2006, the average rent increased slightly less than 7.0 percent, or $45, to $713 by the first quarter of 2007. With the apartment market softening slightly during the housing crisis and Great Recession, rent growth slowed significantly in the HMA, and by the first quarter of 2010, the average rent was down to $686, an average decline of $9, or 1.0 percent, annually from the first quarter of 2007. Rent growth during the next decade was fairly slow and consistent as the apartment market remained balanced. By the first quarter of 2020, the average rent in the HMA had increased to $806, an increase of $12, or less than 2.0 percent, annually since 2010.

Rental Construction

Rental building activity, as measured by the number of rental units permitted, has generally kept pace with renter household growth, despite year-to-year fluctuations. During the 12 months ending March 2023, rental building activity, as measured by the number of units permitted, totaled 1,250, an increase of 380 units, or 43 percent, from the previous 12 months because developers responded to tight conditions during the previous 2 years by increasing production (Figure 12).

During 2000, 720 rental units were permitted in the HMA, but then permitting increased rapidly during the next 2 years and reached a peak of 2,250 rental units permitted in 2002, an average annual increase of 770 units, or 77 percent. This increase in production during 2002 coincided with a mild local economic downturn, however, and developers slowed production greatly in 2003, when production declined by 1,725 units, or 77 percent, to a low of 525 units permitted to allow the units permitted in 2002 to be absorbed. This brief slowdown in production contributed to the vacancy rate remaining essentially stable during those years; production subsequently returned to a more sustainable level. From 2004 through 2012, an average of 1,575 rental units were permitted annually, which, along with steady population growth, kept the apartment market balanced for most of these years, except for a temporary decline in demand that caused slight softening during the Great Recession. During 2013, after the HMA recovered, the apartment vacancy rate dropped to the lowest level since 2006, and developers ramped up production with nearly 2,225 rental units permitted, the second-highest level recorded since 2000. With that level of production, coinciding with much slower population growth compared with earlier periods, the vacancy rate increased rapidly, and developers slowed production to only 570 rental units during 2014. From 2014 through 2020, production fluctuated within a range of 530 to 1,475 units annually but was much lower overall, compared with the previous 10 years, with an average of 910 rental units permitted annually. During 2021, production increased rapidly because the apartment market tightened significantly and recorded the lowest vacancy rates ever. From 2021 through 2022, production of rental units increased by an average of 290 units, or 28 percent, annually. These years were the first time the HMA had 2 consecutive years of increasing production since 2010 and 2011. Despite the increases, the average of 1,375 units permitted during 2021 and 2022 was less than the average annual production of 1,625 units from 2004 through 2013.

Figure 12. Annual Rental Permitting Activity in the Little Rock-North Little Rock-Conway HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

One of the more recent apartment developments is The Residences at Harbor Town along the Arkansas River, east of the Clinton Presidential Center. This 172-unit property opened in 2021 and consists of one- and two-bedroom units, with rents of $1,348 and $1,548, respectively. Another new development along the river in the city of North Little Rock is The Vue on Riverfront. This 244-unit midrise building opened in 2021 and is currently 95 percent occupied. This property consists of one- and two-bedroom units, with rents ranging from $1,449 to $2,472 per month.

Forecast

During the 3-year forecast period, demand is expected for an additional 3,050 units (Table 8). The 1,225 units currently under construction are expected to satisfy a portion of that demand. Slightly more than 70 percent of the expected demand is for units in Pulaski County, and the remaining demand is for units in the suburban counties within close proximity of the Interstate 30, 40, and 530 corridors. The anticipated slowdown in household growth is expected to reduce demand for additional rental units, compared with the average number of units permitted annually since 2020.

Table 8. Demand for New Rental Units in the Little Rock-North Little Rock-Conway HMA During the Forecast Period

	Rental Units
Demand	3,050 Units
Under Construction	1,225 Units

Note: The forecast period is April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area (HMA). Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Forecast Period	4/1/2023–4/1/2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.

B. Notes on Geography

1.	The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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