

HUD PD&R Regional Reports

Region 6: Southwest

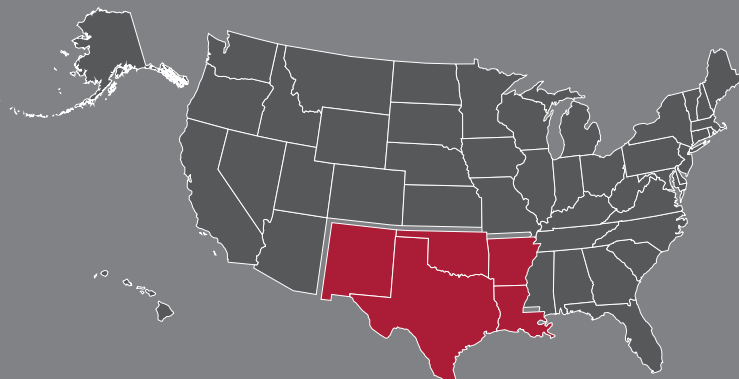


Oklahoma City, Oklahoma

By L. David Vertz | 3rd Quarter 2023

Quick Facts About Region 6

- Sales market conditions—**
Third quarter 2023: mixed (slightly soft to slightly tight)
Second quarter 2023: mixed (slightly soft to tight)
Third quarter 2022: mixed (balanced to tight)
- Apartment market conditions—**
Third quarter 2023: mixed (soft to slightly tight)
Second quarter 2023: mixed (soft to slightly tight)
Third quarter 2022: mixed (soft to tight)



Overview

During the third quarter of 2023, the economy in the Southwest region continued to expand—the tenth consecutive quarter of strong annual job growth. Nonfarm payrolls increased by 537,700 jobs, or 2.8 percent, from a year ago, and every state in the region added jobs. Since May 2020, when recovery began, every state in the region except Louisiana has fully recovered the number of jobs lost during March and April 2020 due to the COVID-19 pandemic, and payrolls exceed prepandemic levels (monthly data, not seasonally adjusted). Louisiana has recovered approximately 95 percent of jobs lost. Sales housing market conditions during the third quarter of 2023 ranged from slightly soft to slightly tight in most metropolitan areas in the region. Apartment market conditions ranged from soft to slightly tight throughout the region, with the Little Rock-North Little Rock-Conway metropolitan area having the most substantial rent increase, up 7 percent from a year ago (ALN Apartment Data, Inc.).

- Home sales decreased in every state in the region during the 12 months ending August 2023 compared with a year

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earlier, led by a 32-percent decline in Arkansas (CoreLogic, Inc., with adjustments by the analyst). Conversely, home sales prices were up in four of the five states in the region, ranging from a 2-percent increase in New Mexico to a 10-percent increase in Arkansas. In Louisiana, the home sales price declined 2 percent from the same period a year ago because of weakening sales market conditions throughout the state.

- As of the third quarter of 2023, 626 apartment properties containing a combined 165,100 units were under construction in the region; approximately 89 percent of the units were in Texas (CoStar Group). Within Texas, the Dallas-Fort Worth metropolitan area had the most building activity, with approximately 54,850 units in 184 apartment properties under construction.

Economic Conditions

Economic growth in the Southwest region continued during the third quarter of 2023, a trend that began with year-over-year job gains during the second quarter of 2021. Nonfarm payrolls in the region increased by 537,700 jobs, or 2.8 percent, to 19.86 million jobs as of the third quarter of 2023, compared with the same quarter a year earlier. The education and health services and the government sectors accounted for approximately 37 percent of the total payroll increases in the region. The education and health services sector added 122,500 jobs, a 4.5-percent increase from a year ago, and the government sector increased by 78,400 jobs, or 2.6 percent. As of the third quarter of 2023, the regional unemployment rate increased to 4.1 percent, up from 3.8 percent during the third quarter of 2022. The largest statewide increase was in Texas, where the unemployment rate rose from 3.9 percent in the third quarter of 2022 to 4.4 percent during the third quarter of 2023.

As of the third quarter of 2023—

- Nonfarm payrolls in Texas increased by 419,200 jobs, or 3.1 percent, compared with the same period a year ago. A gain in the education and health services sector of 88,700 jobs, or 4.9 percent, led to that increase.
- In Louisiana, nonfarm payrolls increased by 41,600 jobs, or 2.2 percent, from the third quarter of 2022, with the education and health services and the mining, logging, and construction sectors contributing gains of 12,100 and 10,800 jobs, or 3.7 and 6.7 percent, respectively. The construction subsector gained 8,800 jobs, up 6.8 percent from a year earlier.
- In Oklahoma, nonfarm payrolls increased by 28,800 jobs, or 1.7 percent, to 1.73 million jobs. The government sector

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The education and health services sector, which added 122,500 jobs as of the third quarter of 2023, led job gains in the Southwest region.

	Third Quarter		Year-Over-Year Change	
	2022 (Thousands)	2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	19,325.8	19,863.5	537.7	2.8
Goods-Producing Sectors	2,802.5	2,912.6	110.1	3.9
Mining, Logging, & Construction	1,405.2	1,475.4	70.2	5.0
Manufacturing	1,397.3	1,437.2	39.9	2.9
Service-Providing Sectors	16,523.3	16,950.9	427.6	2.6
Wholesale & Retail Trade	2,856.8	2,902.4	45.6	1.6
Transportation & Utilities	960.1	972.0	11.9	1.2
Information	299.8	304.9	5.1	1.7
Financial Activities	1,167.8	1,208.0	40.2	3.4
Professional & Business Services	2,799.1	2,828.9	29.8	1.1
Education & Health Services	2,719.0	2,841.5	122.5	4.5
Leisure & Hospitality	2,053.8	2,125.6	71.8	3.5
Other Services	695.1	717.4	22.3	3.2
Government	2,971.7	3,050.1	78.4	2.6

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

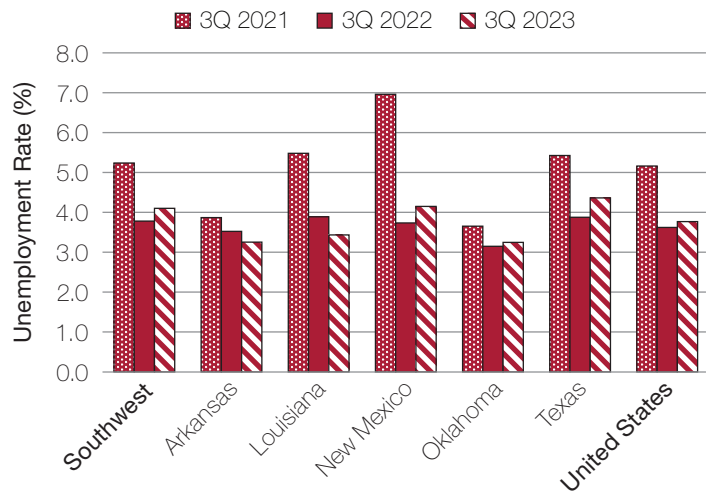


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added 8,900 jobs, or 2.6 percent, the largest year-over-year gain among all payroll sectors in the state.

- Nonfarm payrolls in Arkansas increased by 28,200 jobs, or 2.1 percent, from the third quarter of 2022. The leisure and hospitality sector increased by 10,700 jobs, or 8.6 percent, and accounted for approximately 38 percent of all jobs added year over year.
- Nonfarm payrolls in New Mexico reached 868,800 jobs, an increase of 20,000 jobs, or 2.4 percent, compared with the same period a year ago. The government sector added 7,200 jobs, or 4.1 percent—the largest payroll gain in the state year over year.

The unemployment rate declined in two of the five states in the Southwest region from the third quarter of 2022, but the regional rate is higher than the national rate.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Home sales decreased in the Southwest region during the 12 months ending August 2023, compared with sales during the same period a year ago. The number of new and existing home sales in the region—including single-family homes, townhomes, and condominiums—decreased 26 percent from a year ago to approximately 832,300 home sales, compared with a 3-percent decrease in the number of homes sold a year ago (CoreLogic, Inc., with adjustments by the analyst). During the 12 months ending August 2023, the average home sales price in the region increased 4 percent to \$311,500, with the strongest price gains mostly occurring outside Texas.

New and existing home sales declined in every major metropolitan area of the region during the third quarter of 2023. Although the rate of decline varied by market, home sales have generally trended down following historically strong increases in home sales and home sales prices during 2021 and 2022 due to more relaxed lending standards and low mortgage interest rates. The Federal Reserve raised its target federal funds rate, which led to rising interest rates on home mortgages, dampening sales demand beginning in late 2022. The average rate for a 30-year fixed-rate mortgage in the United States was 7.31 percent in September 2023, up from 6.70 percent a year earlier and 3.01 percent in September 2021 (Freddie Mac). Notwithstanding the higher borrowing costs, home sales prices continued to increase in some metropolitan areas in the region, reflecting the slightly tight market conditions in those areas.

Sales housing market conditions during the third quarter of 2023 ranged from balanced to slightly tight in the largest metropolitan areas of Texas despite slowing home sales. The Austin-Round Rock metropolitan area sales market was slightly tight during the third quarter of 2023. The number of new and existing homes sold decreased 17 percent from the 36,800 home sales a year earlier, and the average home sales price declined 7 percent to \$579,400 (Texas Real Estate Research Center at Texas A&M University). The Austin-Round Rock metropolitan area was the only major metropolitan area in the region to record a decline in the average home sales price from a year ago; however, the average home sales price was approximately 47 percent higher than the \$393,300 average home sales price recorded during the 12 months ending December 2019, before the COVID-19 pandemic. The sales market was slightly tight in the Dallas-Plano-Irving metropolitan division. New and existing home sales were down 12 percent to 60,550 homes sold, and the average home sales price increased 3 percent to \$514,500. In the Fort Worth-Arlington metropolitan division, the sales market was slightly tight. New and existing home sales were down 14 percent, with 31,100 homes sold, and the average sales price increased 2 percent to \$427,200. Sales market conditions in the Houston-The Woodlands-Sugar Land metropolitan area were balanced. Sales decreased 20 percent from the same period a year ago to 86,950 homes sold, and the average sales price increased

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2 percent to \$410,000. The sales market was balanced in the San Antonio-New Braunfels metropolitan area during the 12 months ending September 2023. The number of new and existing homes sold decreased 15 percent to 33,900 home sales, compared with the number sold a year earlier, and the average home sales price increased 1 percent to \$372,800.

Outside Texas, home sales declined and home prices increased. In the Albuquerque metropolitan area, the sales market was slightly tight during the 12 months ending August 2023. New and existing home sales decreased 25 percent to 16,000 homes sold, and the average sales price increased 5 percent to \$349,800, compared with a year earlier (CoreLogic, Inc., with adjustments by the analyst). The sales market was slightly tight in the Little Rock-North Little Rock-Conway metropolitan area. The number of new and existing homes sold decreased 31 percent to 14,850 home sales compared with the number sold a year ago, but the average home sales price increased 7 percent to \$221,700. The sales market was slightly soft in the New Orleans-Metairie metropolitan area. New and existing home sales declined 29 percent to 15,600 homes sold, and the average home sales price was relatively unchanged at \$298,300. Sales market conditions in the Oklahoma City metropolitan area were slightly tight. Total home sales decreased 22 percent to 30,600 homes sold, but the average sales price increased 5 percent from the same period a year ago to \$252,800.

The percentage of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region decreased during the past year. As of August 2023, 1.2 percent of home loans in the region were

seriously delinquent or had transitioned into REO status, down from 1.6 percent a year ago (CoreLogic, Inc.).

During the third quarter of 2023 (preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of homes permitted, increased to approximately 49,000 single-family homes, up by 4,450 homes, or 10 percent, from the number of homes permitted during the third quarter of 2022.
- The number of single-family homes permitted in Oklahoma increased 13 percent to 2,625 homes permitted from 2,325 homes permitted a year ago. In the Oklahoma City metropolitan area, single-family home permitting increased at a similar rate, up 12 percent from a year ago to 1,350 homes permitted.
- In Texas, the number of single-family homes permitted increased 12 percent to 38,950 homes from 34,850 homes permitted a year ago. Single-family homes permitted in the Houston-The Woodlands-Sugar Land metropolitan area increased at the highest rate of the four largest metropolitan areas in the state, up 29 percent from a year ago to 13,250 homes, offsetting a decline of 5 percent from 4,825 to 4,600 homes permitted in the Austin-Round Rock metropolitan area. The number of single-family homes permitted increased 10 and 7 percent, to 11,000 and 2,250 homes, in the Dallas-Fort Worth-Arlington and San Antonio-New Braunfels metropolitan areas, respectively.
- In Arkansas, single-family home permitting increased 11 percent to 2,625 homes from the 2,375 homes permitted

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Home sales prices increased modestly in most major metropolitan areas of the Southwest region as of the third quarter of 2023 despite a significant decline in the number of homes sold during the past year as mortgage interest rates increased.

	12 Months Ending	Number of Homes Sold				Price		
		2022	2023	Percent Change	Average	2022 (\$)	2023 (\$)	Percent Change
Albuquerque, NM (N&E)	August	21,200	16,000	-25	AVG	\$332,500	\$349,800	5
Austin-Round Rock, TX (N&E) ^a	September	36,800	30,600	-17	AVG	\$623,500	\$579,400	-7
Dallas-Plano-Irving, TX (N&E) ^a	September	68,650	60,550	-12	AVG	\$501,500	\$514,500	3
Fort Worth-Arlington, TX (N&E) ^a	September	36,150	31,100	-14	AVG	\$418,400	\$427,200	2
Houston-The Woodlands-Sugar Land, TX (N&E) ^a	August	108,100	86,950	-20	AVG	\$400,700	\$410,000	2
Little Rock-North Little Rock-Conway, AR (N&E)	August	21,500	14,850	-31	AVG	\$207,300	\$221,700	7
New Orleans-Metairie, LA (N&E)	August	22,100	15,600	-29	AVG	\$297,900	\$298,300	0
Oklahoma City, OK (N&E)	August	39,100	30,600	-22	AVG	\$241,800	\$252,800	5
San Antonio-New Braunfels, TX (N&E) ^a	September	39,750	33,900	-15	AVG	\$370,200	\$372,800	1

AVG = average. N&E = new and existing.

^aTexas Real Estate Research Center at Texas A&M University

Source: All other areas—CoreLogic, Inc., with adjustments by the analyst

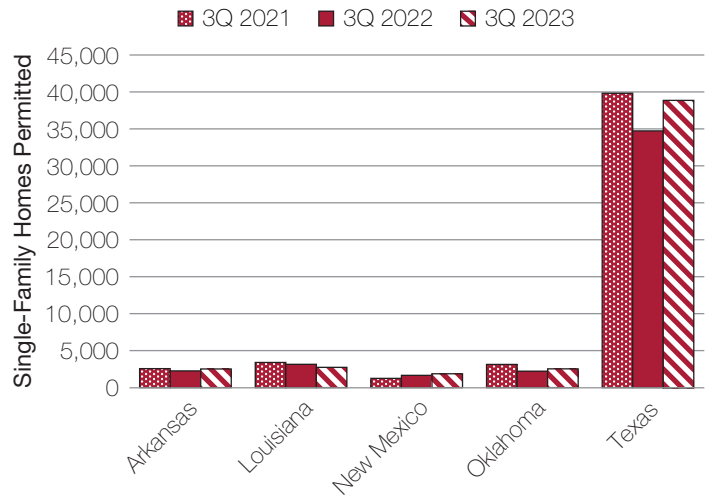


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a year ago. The number of single-family homes permitted in the Fayetteville-Springdale-Rogers metropolitan area totaled 1,725, up from 1,400 homes permitted a year ago, offsetting a decline of 13 percent from 450 to 390 homes permitted in the Little Rock-North Little Rock-Conway metropolitan area.

- In New Mexico, single-family home permitting increased 11 percent to 1,950 homes, compared with the 1,775 homes permitted a year ago. Single-family permitting declined in every metropolitan area in the state except Albuquerque, which increased 33 percent to 570 homes permitted during the third quarter of 2023, up from 430 homes permitted during the same period a year ago.
- The number of single-family homes permitted in Louisiana decreased 13 percent to 2,825 homes from the 3,275 homes permitted a year ago. The largest numerical decline in single-family home permitting occurred in the New Orleans-Metairie metropolitan area, down 270 homes, or 34 percent, from the third quarter of 2022 to 530 homes permitted.

The number of single-family homes permitted increased in most states in the Southwest region from the third quarter of 2022, with the largest numerical gain in Texas.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions ranged from soft to slightly tight in the large metropolitan areas in the Southwest region during the third quarter of 2023, compared with conditions ranging from soft to tight a year earlier, and vacancies increased compared with a year ago in all the major metropolitan areas. Conditions were balanced in the Austin-Round Rock metropolitan area; the apartment vacancy rate increased from 6.2 to 8.2 percent, and the average rent declined 2 percent from a year earlier to \$1,704 (ALN Apartment Data, Inc.). Conditions were slightly tight in the Dallas-Plano-Irving metropolitan division; the apartment vacancy rate increased from 6.0 to 7.5 percent, and the average rent was essentially unchanged from a year earlier at \$1,602. The apartment market was balanced in the Fort Worth-Arlington metropolitan division, with an 8.7-percent vacancy rate in the third quarter of 2023, up from 6.5 percent a year earlier, and the average rent increased 1 percent to \$1,436. In the Houston-The Woodlands-Sugar Land metropolitan area, conditions were balanced during the third quarter of 2023, with an 8.2-percent vacancy rate, up from 7.5 percent a year earlier, and the average rent increased 2 percent to \$1,346. Conditions were soft in the San Antonio-New Braunfels metropolitan area; the apartment vacancy rate increased from 7.1 to 9.7 percent, and the average rent decreased 1 percent from a year earlier to \$1,273.

Outside Texas, apartment market conditions as of the third quarter of 2023 were also generally softer than a year ago.

The apartment market in the Albuquerque metropolitan area was balanced, with a 6.0-percent vacancy rate, up from 4.9 percent a year earlier, and the average rent was up 5 percent to \$1,302 (ALN Apartment Data, Inc.). In the Little Rock-North Little Rock-Conway metropolitan area, the apartment market was balanced; the vacancy rate increased to 9.4 percent, up from 8.2 percent a year earlier, and the average rent increased 7 percent from the third quarter of 2022 to \$1,031. In the New Orleans-Metairie metropolitan area, the apartment market was soft during the third quarter of 2023; the average rent increased 3 percent from a year earlier to \$1,272, but the apartment vacancy rate remained high, increasing from 8.6 to 9.8 percent. In Oklahoma City, the apartment market was soft; the average rent increased 5 percent to \$1,029, but the vacancy rate increased 2.8 percentage points to 9.3 percent—the largest year-over-year gain in vacancies among the major metropolitan areas and divisions in the region. Apartment completions in Oklahoma City have increased since the first quarter of 2023, whereas absorption has been negative for four consecutive quarters and slowing since the first quarter of 2022.

During the third quarter of 2023 (preliminary data)—

- Multifamily home construction in the region, as measured by the number of multifamily units permitted, decreased 43 percent from the third quarter of 2022 to 23,400 units.

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Most major apartment markets in the Southwest region were balanced during the third quarter of 2023.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2022 (%)	3Q 2023 (%)	Percentage Point Change	3Q 2022 (\$)	3Q 2023 (\$)	Percent Change
Albuquerque, NM	Balanced	4.9	6.0	1.1	1,240	1,302	5
Austin-Round Rock, TX	Balanced	6.2	8.2	2	1,736	1,704	-2
Dallas-Plano-Irving, TX	Slightly Tight	6.0	7.5	1.5	1,599	1,602	0
Fort Worth-Arlington, TX	Balanced	6.5	8.7	2.2	1,424	1,436	1
Houston-The Woodlands-Sugar Land, TX	Balanced	7.5	8.2	0.7	1,320	1,346	2
Little Rock-North Little Rock-Conway, AR	Balanced	8.2	9.4	1.2	966	1,031	7
New Orleans-Metairie, LA	Soft	8.6	9.8	1.2	1,232	1,272	3
Oklahoma City, OK	Soft	6.5	9.3	2.8	983	1,029	5
San Antonio-New Braunfels, TX	Soft	7.1	9.7	2.6	1,285	1,273	-1

3Q = third quarter.

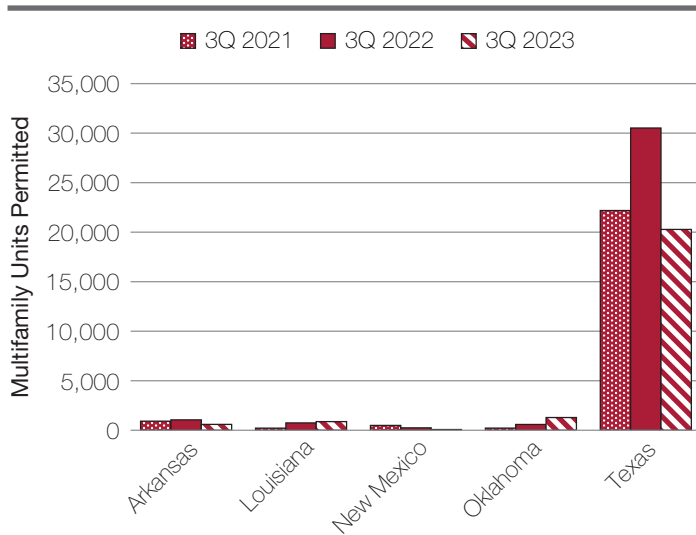
Note: Excludes units in initial lease up.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—ALN Apartment Data, Inc., with adjustments by the analyst

- The number of multifamily units permitted in Oklahoma more than doubled to 1,375 units, up from 660 units during the same period a year ago. In the Tulsa metropolitan area, approximately 700 units were permitted, a significant increase compared with 290 units during the third quarter of 2022. In the Oklahoma City metropolitan area, the number of multifamily units permitted increased to 580 from 230 a year ago.
- The number of multifamily units permitted in Louisiana increased 15 percent from 820 units during the third quarter of 2022 to 950 units in the third quarter of 2023. In the New Orleans-Metairie metropolitan area, 470 multifamily units were permitted, up from 280 units permitted a year ago, offsetting a decline of 54 percent from 240 to 110 units permitted in the Lake Charles metropolitan area.
- In Texas, the number of multifamily units permitted decreased 33 percent to 20,350 from 30,600 units during the same period a year ago. Multifamily permitting in the San Antonio-New Braunfels metropolitan area decreased sharply during the past year—down 84 percent from 5,025 to 800 units.
- In Arkansas, 640 multifamily units were permitted, down 43 percent from the 1,125 units permitted during the same period a year ago. Multifamily permitting in the Arkansas portion of the Texarkana metropolitan area increased from 10 to 20 units; no other major market in Arkansas recorded a gain from a year ago.

- In New Mexico, only 120 multifamily units were permitted statewide, down 63 percent from the 310 units permitted during the same period a year ago. Approximately 90 percent of the decline in multifamily building activity occurred in the Santa Fe metropolitan area, where 30 units were permitted, down from 240 units a year ago.

During the third quarter of 2023, multifamily permitting trends were mixed despite rising apartment vacancy rates in all major markets in the Southwest region.



3Q = third quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey



Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Seriously Delinquent Home Loans	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

- 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.