

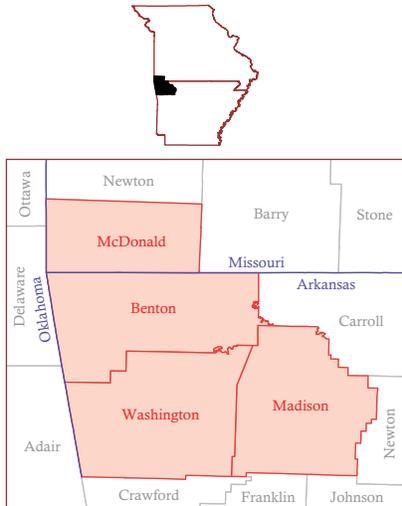


Fayetteville-Springdale-Rogers, Arkansas-Missouri

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of September 1, 2014



Housing Market Area



The Fayetteville-Springdale-Rogers Housing Market Area (hereafter, Fayetteville HMA) consists of Benton, Madison, and Washington Counties in northwest Arkansas and McDonald County in southwest Missouri. The HMA, in the Ozark Mountains, is coterminous with the Fayetteville-Springdale-Rogers, AR-MO Metropolitan Statistical Area (MSA), the 24th fastest growing MSA in the nation from 2010 to 2013.

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Summary

Economy

Nonfarm payrolls in the Fayetteville HMA are at record-high levels. During the 12 months ending August 2014, nonfarm payrolls totaled 216,800 jobs, increasing by 3,900 jobs, or 1.8 percent, from a year earlier. During the 3-year forecast period, nonfarm employment is expected to increase an average of 2.0 percent annually. The three largest employers in the HMA are Wal-Mart Stores, Inc. (Wal-Mart), Tyson Foods, Inc. (Tyson Foods), and the University of Arkansas (UA), which combined account for nearly one-fifth of all nonfarm payroll jobs. Table DP-1 at the end of this report provides additional employment data.

Sales Market

Sales housing market conditions in the HMA were soft as of September 1, 2014, with the sales vacancy rate estimated at 2.8 percent, down from 3.8 percent in April 2010. Demand is forecast for 6,700 new homes during the next 3 years (Table 1). The 300 homes currently under construction and a portion of the estimated 10,400 other vacant housing units that will likely reenter the sales market will satisfy some of the demand during the forecast period.

Rental Market

Rental housing market conditions are currently balanced in the HMA compared with soft conditions in 2010. As of September 1, 2014, the rental vacancy rate was an estimated 7.0 percent, down from 13.9 percent in April 2010. During the forecast period, demand is estimated for 3,650 new market-rate rental units (Table 1). The 400 units currently under construction will meet a portion of the demand.

Table 1. Housing Demand in the Fayetteville HMA* During the Forecast Period

	Fayetteville HMA*	
	Sales Units	Rental Units
Total demand	6,700	3,650
Under construction	300	400

*Fayetteville-Springdale-Rogers HMA.
 Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of September 1, 2014. A portion of the estimated 10,400 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is September 1, 2014, to September 1, 2017.

Source: Estimates by analyst

Economic Conditions

The economy of the Fayetteville HMA benefits considerably from its largest employers—Wal-Mart, Tyson Foods, and UA—which together account for nearly 20 percent of the total number of jobs in the HMA (Table 2). Wal-Mart, the largest retailer in the world, with a workforce of about 2.2 million, employs approximately 30,000 workers throughout the HMA, 14,000 of which work at its headquarters in Bentonville, in Benton County. In addition, approximately 1,300 vendors for the company maintain corporate offices locally and employ an estimated combined workforce of 13,000 in the HMA. Tyson Foods, one of the largest food manufacturing companies in the nation, employs 7,300 workers in the HMA at its facilities and corporate

headquarters in Springdale, in Benton and Washington Counties. Tyson Foods is currently the second largest employer in the HMA. Along with their headquarters facilities, Wal-Mart and Tyson Foods have various support, distribution, data processing, and operational (Wal-Mart, retail stores; Tyson Foods, manufacturing plants) facilities in the HMA, so these companies' employees are distributed among many nonfarm payroll sectors. The professional and business services sector, which includes corporate-level jobs at the two companies and their local vendors, was the largest employment sector in the HMA during the 12 months ending August 2014, with an average of 41,100 jobs, or 19.0 percent of all nonfarm payroll jobs (Figure 1). The wholesale and retail trade sector is the second largest sector, with 33,400 jobs, and the government sector is the third largest sector, with 31,700 jobs, including payrolls at UA in the city of Fayetteville, in Washington County. UA is the third largest employer, with 4,400 employees, and generates \$725 million in economic activity annually in the HMA (UA report).

Job growth in the HMA was strong during most of the 2000s, including gains in nonfarm payrolls of 5.1 and 5.4 percent during 2001 and 2005, respectively. From 2000 through 2006, employment increased by an average of 7,250 jobs, or 4.0 percent, annually to 205,400 jobs. The professional and business services sector, which gained an average of 1,350 jobs, or 4.9 percent, annually, led job growth because of widespread corporate hiring at headquarters and branch offices. Jobs in the wholesale and retail trade sector increased by an average of 1,250, or 4.8 percent, annually, and the transportation and utilities sector gained an

Table 2. Major Employers in the Fayetteville HMA*

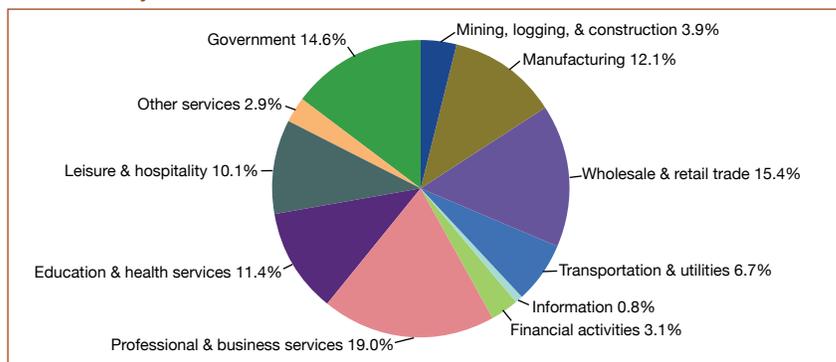
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Wal-Mart Stores, Inc.	Multiple sectors	30,000
Tyson Foods, Inc.	Multiple sectors	7,300
University of Arkansas	Government	4,400
George's Inc.	Manufacturing	2,500
J.B. Hunt Transport, Inc.	Transportation & utilities	2,500
Washington Regional Medical Center	Education & health services	2,000
Northwest Health System	Education & health services	1,950
Mercy Northwest Arkansas	Education & health services	1,600
Serco Inc.	Professional & business services	1,600
Arvest Bank	Financial activities	1,500

*Fayetteville-Springdale-Rogers HMA.

Note: Excludes local school districts.

Sources: Employers; local chambers of commerce

Figure 1. Current Nonfarm Payroll Jobs in the Fayetteville HMA,* by Sector



*Fayetteville-Springdale-Rogers HMA.

Note: Based on 12-month averages through August 2014.

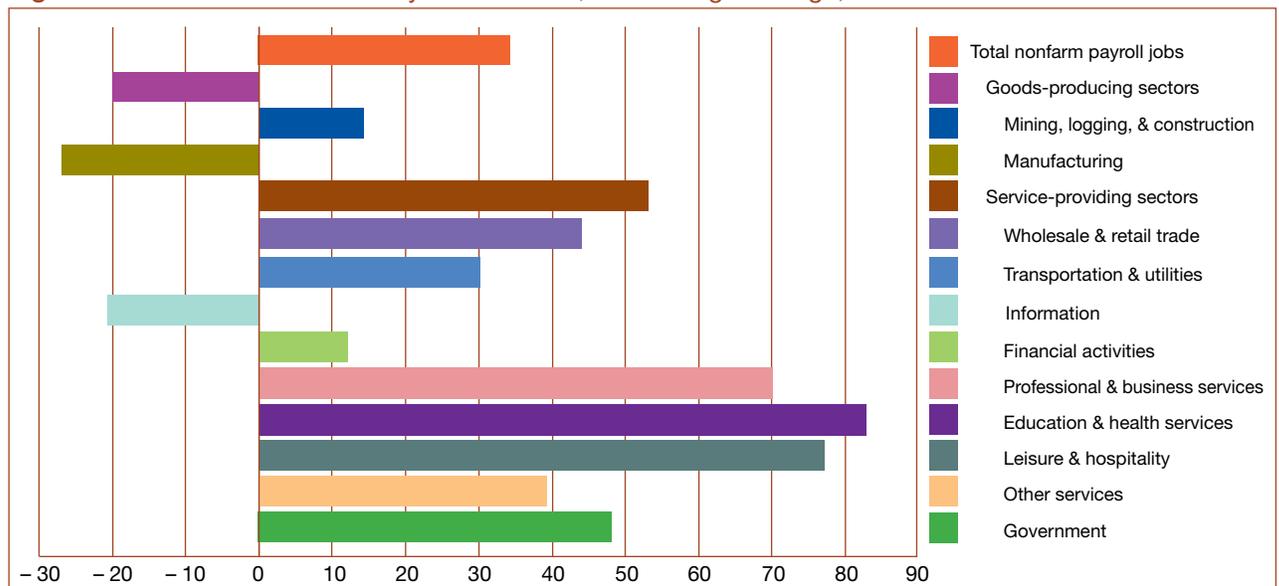
Source: U.S. Bureau of Labor Statistics

average of 1,050 jobs, or 7.8 percent, annually during the same period. J.B. Hunt Transport, Inc., the fourth largest employer in the HMA, with 2,500 employees, contributed to gains in the transportation and utilities sector from 2000 through 2006 by adding 300 workers. During 2007, job growth in the HMA slowed, with nonfarm payrolls increasing by an average of 2,800, or 1.4 percent, to 208,200 jobs. Employment gains during 2007 were partially offset by losses in the manufacturing sector of 1,100 jobs, or 3.3 percent, to 32,400, and in the mining, logging, and construction sector of 900 jobs, or 7.3 percent, to 11,500 jobs. Losses in the mining, logging, and construction sector were mostly in the construction subsector, which declined by 800 jobs, or 7.0 percent, to 10,800 jobs, as a result of a decrease in new home construction. Figure 2 shows sector growth in the HMA since 2000.

Because the HMA economy depends heavily on economic conditions nationally, the effects of the national

economic recession that began in December 2007 and ended in June 2009 were significant. During 2008 and 2009, the number of nonfarm jobs declined by an average of 4,350, or 2.1 percent, annually. By comparison, jobs nationally declined an average of 2.5 percent annually during the same period. Although job declines occurred in nearly every sector in the HMA, the transportation and utilities, the manufacturing, and the mining, logging, and construction sectors sustained the greatest job losses. The number of jobs declined in the transportation and utilities sector by an average of 1,600, or 9.7 percent, annually, and widespread layoffs resulted in the decrease in the manufacturing sector by an average of 1,550 jobs, or 4.9 percent, annually. In addition, significant declines in home construction activity resulted in fewer jobs in the mining, logging, and construction sector, which decreased by an average of 1,450 jobs, or 13.5 percent, annually. The number of jobs in the construction subsector decreased by an average

Figure 2. Sector Growth in the Fayetteville HMA,* Percentage Change, 2000 to Current



*Fayetteville-Springdale-Rogers HMA.

Note: Current is based on 12-month averages through August 2014.

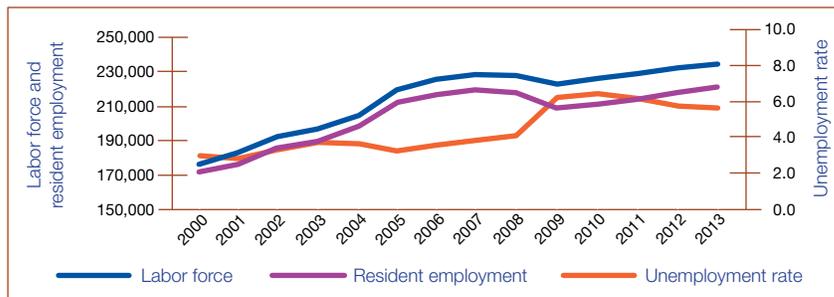
Source: U.S. Bureau of Labor Statistics

of 1,400, or 14.0 percent, annually during the same period. The average unemployment rate increased from 3.8 to 6.2 percent during the same 2-year period (Figure 3).

In 2010, the Fayetteville HMA economy began to expand again, and by late 2012 nonfarm jobs surpassed prerecession payroll levels. From 2010 through 2012, nonfarm payrolls increased by 3,350 jobs, or 1.6 percent, annually to 209,500. The professional and business services sector led gains with an average annual increase of 1,900, or 5.4 percent, to 38,800 jobs, because of widespread corporate hiring. The education and health services

sector gained an average of 930 jobs, a 4.3-percent increase, annually, to 23,600, as a result of several hospital expansions in the HMA, and the number of jobs in the wholesale and retail trade sector increased by an average of 870, or 2.8 percent, annually, to 32,400. Cabela's Inc. opened a new outdoor supply and sporting goods retail store in Rogers, in Benton County, in 2012, resulting in 180 new employees in the wholesale and retail trade sector. Academy Sports + Outdoors also opened a new store in Rogers in 2010 and in the city of Fayetteville in 2012, resulting in a combined 300 new jobs. The average unemployment rate in the HMA increased to 6.5 percent in 2010 before decreasing to a rate of 5.7 percent in 2012.

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Fayetteville HMA,* 2000 Through 2013



*Fayetteville-Springdale-Rogers HMA.

Source: U.S. Bureau of Labor Statistics

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Fayetteville HMA,* by Sector

	12 Months Ending		Absolute Change	Percent Change
	August 2013	August 2014		
Total nonfarm payroll jobs	212,900	216,800	3,900	1.8
Goods-producing sectors	34,700	34,800	100	0.3
Mining, logging, & construction	8,100	8,500	400	4.9
Manufacturing	26,600	26,300	-300	-1.1
Service-providing sectors	178,200	182,000	3,800	2.1
Wholesale & retail trade	32,800	33,400	600	1.8
Transportation & utilities	15,000	14,600	-400	-2.7
Information	1,900	1,800	-100	-5.3
Financial activities	6,600	6,700	100	1.5
Professional & business services	40,000	41,100	1,100	2.8
Education & health services	23,900	24,700	800	3.3
Leisure & hospitality	20,900	21,800	900	4.3
Other services	6,400	6,300	-100	-1.6
Government	30,800	31,700	900	2.9

*Fayetteville-Springdale-Rogers HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through August 2013 and August 2014.

Source: U.S. Bureau of Labor Statistics

During the 12 months ending August 2014, nonfarm payrolls in the HMA increased by an average of 3,900, or 1.8 percent, to a record high of 216,800 jobs (Table 3). Continuing a trend that began in 2010, the professional and business services sector led job growth during the 12 months ending August 2014, increasing by an average of 1,100, or 2.8 percent, to 41,100, partly the result of an expansion at Serco Inc., in Rogers, which resulted in 1,000 new jobs. Serco, the eighth largest employer in the HMA, with 1,600 employees, provides contract services for the federal government. Job growth was also strong in the leisure and hospitality sector, which increased by 900 jobs, or 4.3 percent, to 21,800. Gains in the leisure and hospitality sector were partly because of an increase in tourism in the HMA. Visitors to the HMA spent \$783 million during 2013, up 5.3 percent from a year earlier (Arkansas Department of Parks & Tourism). The number of visitors to the HMA

also increased by 124,100, or 3.8 percent, to 3.37 million, with 80 percent of the increase occurring in Benton County. The Crystal Bridges Museum of American Art in Bentonville, which has drawn about 1.50 million visitors since opening in November 2011, contributed to increased tourism in Benton County (Crystal Bridges Museum of American Art representatives). Hospitality tax revenues in the HMA increased more than 7.0 percent during the second quarter of 2014 from a year earlier, to a record-high \$1.52 million (local government officials). In Bentonville, hospitality tax revenues increased 9.3 percent during the same period. The government sector increased by 900 jobs, or 2.9 percent, to 31,700. The number of jobs in the state government subsector increased by 800, or 7.5 percent, to 11,500 jobs, partly because of additional hiring at UA, which increased by 180 employees, or 4.3 percent, during the same period.

The average unemployment rate in the HMA during the 12 months ending August 2014 was 5.2 percent compared with 5.7 percent a year earlier.

During the 3-year forecast period, the HMA economy is expected to continue expanding. Nonfarm payrolls are expected to increase an average of 2.0 percent annually. Job growth is expected to be strongest during the third year, with an estimated 2.1-percent increase. Payroll gains are projected to increase by the third year because of expected improvements in economic conditions both nationally and internationally (nearly 30 percent of the combined revenues earned by the HMA's two largest employers, Wal-Mart and Tyson Foods, are generated through sales from international markets). Although gains are expected in nearly every sector, job growth is projected to be greatest in the professional and business services sector.

Population and Households

The current population of the Fayetteville HMA is an estimated 502,900, representing an average increase of 9,000, or 1.9 percent, annually since 2010. During this period, net in-migration accounted for 57.5 percent of population growth, partly because of job growth in the HMA. The economy, scenic vistas, numerous recreational lakes, and a relatively affordable cost of living drew retirees to the HMA. Since 2010, the population of people 65 years of age and older increased by an estimated average of 2,550, or 3.8 percent, annually, a rate twice that of population growth overall

during the same period. Increased enrollment at UA has also contributed to population growth since 2010. Student enrollment increased between the spring semester in 2010 and the fall semester of 2014 by an average of 1,650, or 7.6 percent, annually, to 26,200, with nearly three-fourths of students enrolled at UA relocating to the HMA from other areas (UA data).

The most populous county in the HMA, Benton County, has an estimated population of 243,300, up an average of 2.4 percent annually since 2010. Washington County, the second most

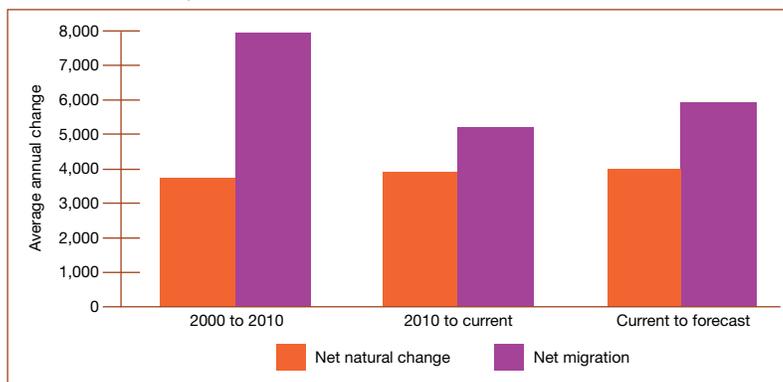
populous county, has a population of 221,400, representing an average increase of 2.0 percent annually since 2010. The combined population of Madison and McDonald Counties is an estimated 38,200, representing an average decrease of 0.5 percent annually since 2010. The most populous cities are Fayetteville, with 80,700 residents, and Springdale, with 77,000 residents. The populations of the cities of Rogers and Bentonville are estimated at 61,500 and 41,800, respectively. Bentonville has been the fastest growing city in the HMA since 2010, with an average increase of 2,000 people, or 4.1 percent, annually.

During the 2000s, the HMA was the 12th fastest growing metropolitan statistical area nationally, with an average population growth of 11,600 people, or 2.9 percent, annually. Net in-migration accounted for two-thirds of the population growth (Figure 4), mostly because of a strong economic expansion from 2000 through 2007. Population growth in the HMA peaked from 2004 through 2006 at an average of 3.8 percent annually, mostly as a result of strong job growth during the same period. During

this period, net in-migration occurred at an average of nearly 15,000 people annually. During the 2000s, the population increased more than 2.0 percent every year except in 2009, when growth slowed to 1.9 percent. Despite the loss of 7,700 jobs in the HMA during 2009, net in-migration of an estimated 5,375 people occurred, partly as a result of jobseekers being drawn to the HMA from surrounding counties and from Pulaski County, the predominant county of the Little Rock-North Little Rock-Conway, AR MSA (U.S. Census Bureau). Also contributing to net in-migration during 2009 was increased enrollment at UA of 650 students, or 3.4 percent. During the 3-year forecast period, the population is expected to increase by an average of 9,800, or 1.9 percent, annually, with net in-migration's portion of total population growth ranging from 59.2 percent during the first year to 60.0 percent by the third year.

The number of households in the HMA is currently an estimated 187,550, representing an average annual increase of 3,275 households, or 1.8 percent, since April 2010, a slightly slower pace than population growth. During the 2000s, the number of households increased at a significantly higher rate of 2.7 percent, or 4,100 households, annually. Owner household growth has comprised only 27 percent of total household growth since April 2010 compared with 53 percent from 2000 to 2010. Tighter mortgage lending standards and an increased propensity to rent have contributed to the decreased portion of new owner households since 2010. Job losses during 2010 and economic recovery from 2011 through late 2012

Figure 4. Components of Population Change in the Fayetteville HMA,* 2000 to Forecast



*Fayetteville-Springdale-Rogers HMA.

Notes: The current date is September 1, 2014. The forecast date is September 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

also contributed to changes in new owner household formation. Figure 5 shows the number of households in the HMA by tenure since 2000. During

the forecast period, the number of households in the HMA is expected to increase by an average of 3,375, or 1.8 percent, annually (Figure 6).

Figure 5. Number of Households by Tenure in the Fayetteville HMA,* 2000 to Current

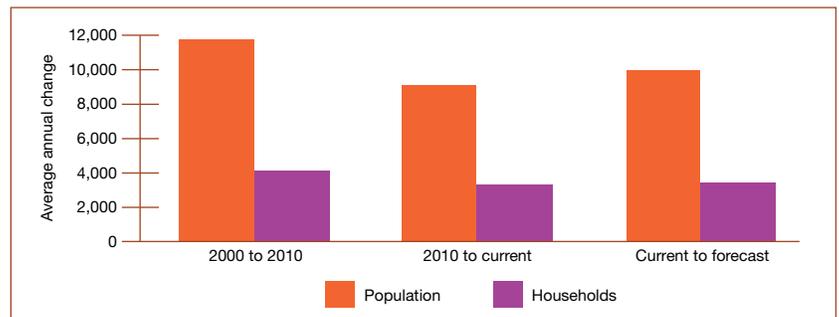


*Fayetteville-Springdale-Rogers HMA.

Note: The current date is September 1, 2014.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Fayetteville HMA,* 2000 to Forecast



*Fayetteville-Springdale-Rogers HMA.

Notes: The current date is September 1, 2014. The forecast date is September 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market

Sales housing market conditions in the Fayetteville HMA are soft but improving, with an average sales vacancy rate estimated at 2.8 percent as of September 1, 2014, down from 3.8 percent in April 2010. As of September 1, 2014, the unsold inventory in the HMA

totaled 3,450 homes, down nearly 2 percent from a year earlier and down 28 percent from 2010 (Yahoo!-Zillow Real Estate Network). Job growth and resulting net in-migration contributed to improved sales market conditions during the same period. Lower home

Housing Market Trends

Sales Market *Continued*

mortgage rates have also contributed to improved sales market conditions since 2010. The average rate for a 30-year, fixed-rate mortgage was 4.12 percent in August 2014, down from 5.97 percent in March 2010 (Freddie Mac). The average rate for a 30-year, fixed-rate mortgage reached 3.35 percent in December 2012 before increasing to the current level.

During the 12 months ending July 2014 (the best representative data available), new and existing home sales (including single-family homes, townhomes, and condominiums) increased by nearly 690, or 7 percent, to 10,300 in the HMA compared with sales a year earlier, and the average home sales price increased by \$7,625, or 5 percent, to \$174,300 (CoreLogic, Inc.). New home sales totaled 1,450, up by 230 homes, or 20 percent, from a year earlier, and the average new home sales price was a record-high \$228,000, up \$12,200, or 6 percent, during the same period. Existing home sales increased by 460, or 5 percent, to 8,875, compared with sales a year earlier, and the average price for an existing home increased \$5,950, or 4 percent, to \$165,500. One-fifth of the increase in existing home sales occurred in the town of Bella Vista, in Benton County. Existing home sales in Bella Vista totaled 520, representing an increase of 90 homes, or 21 percent. Bella Vista, a popular destination for retirees, was listed by Money.com, a subsidiary of Time Inc., as one of the best nine cities in which to retire in 2014.

Since 2000, new and existing home sales in Benton and Washington Counties have accounted for 55 and 40 percent of home sales in the HMA, respectively. Home sales in the HMA were greatest from 2004 through 2006, averaging 15,300 annually. Strong job

and population growth contributed to record-high sales during this period. From 2007 through 2010, however, home sales declined by an average of 1,550, or 15 percent, annually, reflecting tighter mortgage lending standards, the national recession, and the economic downturn in the HMA. The economic recovery, which began in 2010, contributed to an increase in home sales by an average of 1,075 homes, or 14 percent, annually from 2011 through 2013, to reach 10,200. New and existing home sales prices increased from 2000 to 2006 by an average of \$11,200, or 9 percent, annually to a record-high \$174,600, reflecting strong home sales demand stemming from population and job growth. Decreased home sales demand from 2007 through 2009 resulted in a decline in the average home sales price by an average of \$8,450, or 5 percent, annually, to \$149,300. From 2010 through 2013, the average home sales price increased an average of 4 percent annually, reflecting increased home sales demand.

In August 2014, 4.0 percent of mortgage loans in the Fayetteville HMA were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 6.0 percent a year earlier (Black Knight Financial Services, Inc.). The percentage of distressed mortgages peaked in January 2010 at 8.5 percent. Underwater mortgages currently comprise 11 percent of total home loans in the HMA compared with approximately 13 percent a year ago. The percentage of underwater loans peaked at 36 percent in December 2009 (CoreLogic, Inc.; adjustments by analyst). Distressed sales (REO sales and short sales) comprised an estimated 17 percent of total home sales in the HMA

Housing Market Trends

Sales Market *Continued*

during the 12 months ending July 2014, unchanged from a year earlier. Distressed sales peaked in the HMA in December 2009 at 29 percent of total sales.

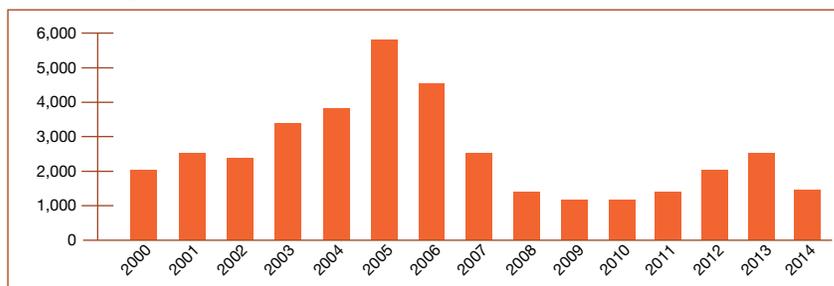
Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased by 150, or 6 percent, to an estimated 2,600 homes in the HMA during the 12 months ending August 2014 compared with the number permitted a year earlier (preliminary data; local sources). Increases in home sales and the average home sales price together with a decline in inventory available for sale contributed to the increased homebuilding activity during this period. Since 2000, approximately 55 percent of single-family homebuilding activity in the HMA has occurred in Benton County and 44 percent has occurred in Washington County; a combined 1 percent has occurred in Madison and McDonald Counties. Single-family homebuilding activity in the HMA peaked from 2004 through 2006, when an average of 4,675 homes were permitted annually. Relaxed mortgage lending standards combined with strong job and population growth were the primary reasons for increased homebuilding during this period. Single-family home construction declined each year from 2007 through

2010 by an average of 830 homes, or 29 percent, annually as a result of tightening lending standards and a contracting local economy. Economic recovery and increased confidence in the sales market among homebuyers resulted in an increase in homebuilding from 2011 through 2013 by an average of 450 homes, or 30 percent, annually. Figure 7 shows the number of single-family homes permitted in the HMA from 2000 to 2014.

An estimated 300 single-family homes are currently under construction in the HMA. In Bentonville, near Wal-Mart headquarters, construction is continuing at the Cornerstone Ridge residential community. Three- and four-bedroom homes, ranging in size from 2,200 to 3,300 square feet, are offered at prices ranging from \$240,500 to \$357,900. During the 12 months ending August 2014, 16 new homes averaging 2,500 square feet sold at Cornerstone Ridge for an average price of \$210,000. Approximately 200 of the 320 home sites approved by the City of Bentonville Planning Commission remain available for construction at Cornerstone Ridge. An estimated 2,825 home sites currently are available for construction in subdivisions throughout the HMA.

Demand is expected for 6,700 new homes in the HMA, evenly distributed throughout the 3-year forecast period (Table 1). The 300 homes currently under construction will meet part of the demand during the first year. A portion of the estimated 10,400 other vacant units in the HMA may reenter the sales market and satisfy some of the forecast demand. Demand is expected to be greatest for homes priced from \$150,000 to \$199,999. Table 4 shows estimated demand for new market-rate sales housing in the HMA by price range.

Figure 7. Single-Family Homes Permitted in the Fayetteville HMA,* 2000 to Current



*Fayetteville-Springdale-Rogers HMA.

Notes: Includes townhomes. Current includes data through August 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Fayetteville HMA* During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	1,350	20.0
150,000	199,999	1,600	24.0
200,000	249,999	1,150	17.0
250,000	299,999	940	14.0
300,000	349,999	670	10.0
350,000	449,999	670	10.0
450,000	549,999	200	3.0
550,000	and higher	130	2.0

*Fayetteville-Springdale-Rogers HMA.

Notes: The 300 homes currently under construction and a portion of the estimated 10,400 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is September 1, 2014, to September 1, 2017.

Source: Estimates by analyst

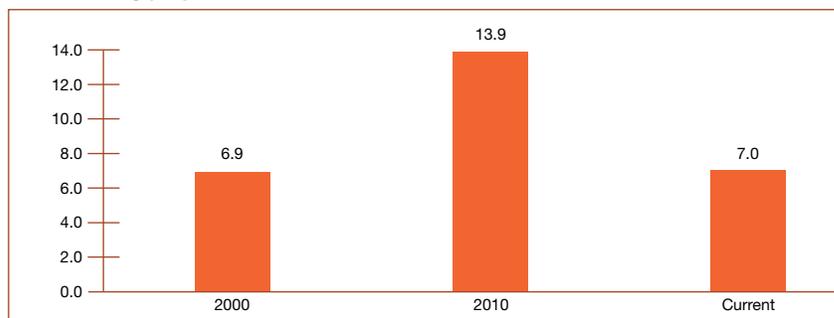
Rental Market

The rental housing market in the Fayetteville HMA was balanced as of September 1, 2014, with an overall rental vacancy rate estimated at 7.0 percent. Rental market conditions have improved considerably since April 2010, when the rental vacancy rate was 13.9 percent (Figure 8). Improved rental market conditions since 2010 have been partly the result of increased demand stemming from the growing local economy and increased enrollment at UA, which drew residents to the HMA.

The apartment market, comprising an estimated 60 percent of the rental market in the HMA, is currently

balanced as well. During the first half of 2014, the average apartment vacancy rate in the HMA was 6.5 percent, up from 4.0 percent a year earlier, and the average rent increased by \$25, or 4.5 percent, to \$570 (UA apartment vacancy report). The increase in the average apartment vacancy rate was because of the completion of several off-campus student apartment complexes near UA in the city of Fayetteville, resulting in the addition of a combined 500 units with 1,775 beds to the rental market. An estimated 20,400 UA students reside in the HMA housing market, and UA provides on-campus housing for the remaining 5,800 students. UA students account for more than an estimated 36 percent of renter households in the city of Fayetteville and approximately 9 percent of renter households in the HMA. Apartment market conditions in the city of Fayetteville are currently slightly soft, with an average apartment vacancy rate during the first half of 2014 of 7.2 percent compared with 5.6 percent a year earlier. Apartment market conditions in Bentonville, Springdale, and Rogers are tight, with average

Figure 8. Rental Vacancy Rates in the Fayetteville HMA,* 2000 to Current



*Fayetteville-Springdale-Rogers HMA.

Note: The current date is September 1, 2014.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

vacancy rates during the first half of 2014 of 3.7, 2.3, and 2.2 percent, respectively.

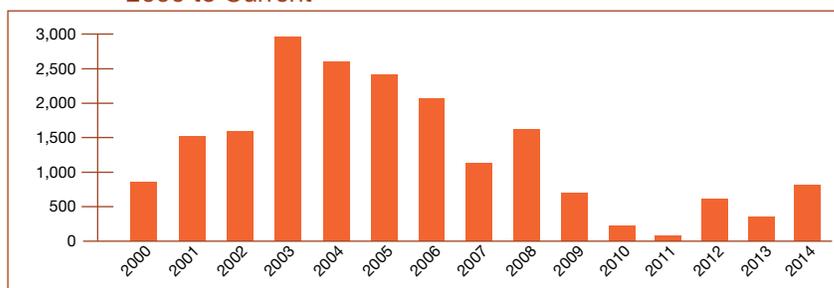
Apartment market conditions in the HMA were balanced to tight from 2000 through 2006, reflecting strong job and population growth, but apartment market conditions weakened during 2007, when the vacancy rate increased to 7.5 percent from approximately 4.0 percent in 2006 because of an influx of new rental units coming on line. As a result of the economic downturn during 2008 and 2009, the average apartment vacancy rate increased further to about 16.0 percent in the HMA by the end of 2009. Job losses during this period contributed to doubling up, or household consolidation, and a delay in household formation (typically of renter households) among young adults. From 2010 through 2012, the average apartment vacancy rate decreased considerably, to 4.3 percent. Significant increases in UA student enrollment, job growth, and tight mortgage lending standards that impeded some potential homebuyers from purchasing homes contributed to improving apartment market conditions in the HMA during this period.

Multifamily construction activity, as measured by the number of multifamily units permitted, increased in the Fayetteville HMA by 220 units, or 41

percent, to 760 units permitted during the 12 months ending August 2014 compared with the number permitted a year earlier. By comparison, from 2009 through 2011, an average of 320 units were permitted annually. Increased student enrollment at UA, combined with expanding economies in the HMA and the nation, contributed to a rise in multifamily construction activity beginning in 2012, when approximately 580 units were permitted. Annual construction during the 2000s peaked from 2003 through 2005, when an average of 2,675 units were permitted annually (Figure 9). Condominium construction in the HMA has totaled 660 units, or about 3 percent of multifamily construction, since 2000. Condominium construction peaked during 2007, when 260 units were permitted annually. Excluding 2007, condominium construction has averaged only 25 units annually since 2000.

Approximately 400 apartment units are currently under construction in the HMA, and an additional 700 units are planned and expected to be complete during the 3-year forecast period. Construction at Promenade Point Apartments in Rogers is expected to be complete in 2016. Proposed rents at the 200-unit project range from \$825 to \$850 for 84 one-bedroom units and from \$1,050 to \$1,075 for 96 two-bedroom units to \$1,300 for 20 three-bedroom units. Several off-campus student apartment developments are also under construction or planned near UA in the city of Fayetteville. The 670-bed, 213-unit Beechwood Village project, one-half mile west of the UA campus, is currently under construction and expected to be complete in August 2015. Rents at Beechwood Village will range from \$650 per bedroom in four-bedroom units to \$899 per one-bedroom unit.

Figure 9. Multifamily Units Permitted in the Fayetteville HMA,* 2000 to Current



*Fayetteville-Springdale-Rogers HMA.

Notes: Excludes townhomes. Current includes data through August 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market *Continued*

During the forecast period, demand is estimated for 3,650 new market-rate rental housing units (Table 1). Rental housing demand is expected to be greatest for two-bedroom units at rents ranging from \$800 to \$999

(Table 5). The 400 units currently under construction and 700 units in the planning stages that will come on the market during the next 3 years will meet a portion of the forecast demand.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Fayetteville HMA* During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
550 to 749	55	650 to 849	1,075	800 to 999	1,500	1,100 to 1,299	110
750 or more	20	850 or more	360	1,000 or more	500	1,300 or more	35
Total	75	Total	1,425	Total	2,000	Total	150

*Fayetteville-Springdale-Rogers HMA.

Notes: Numbers may not add to totals because of rounding. The 400 units currently under construction will likely satisfy some of the estimated demand. The forecast period is September 1, 2014, to September 1, 2017.

Source: Estimates by analyst

Data Profile

Table DP-1. Fayetteville HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	171,656	211,371	221,800	2.1	1.3
Unemployment rate	2.9%	6.5%	5.2%		
Nonfarm payroll jobs	162,000	200,300	216,800	2.1	2.2
Total population	347,045	463,204	502,900	2.9	1.9
Total households	131,939	173,054	187,550	2.7	1.8
Owner households	87,884	109,616	113,600	2.2	0.8
Percent owner	66.6%	63.3%	60.6%		
Renter households	44,055	63,438	73,950	3.7	3.5
Percent renter	33.4%	36.7%	39.4%		
Total housing units	144,435	198,298	206,800	3.2	1.0
Owner vacancy rate	2.7%	3.8%	2.8%		
Rental vacancy rate	6.9%	13.9%	7.0%		
Median Family Income	\$42,500	\$56,000	\$59,500	2.8	1.5

*Fayetteville-Springdale-Rogers HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2014. Median Family Incomes are for 1999, 2009, and 2013. The current date is September 1, 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 9/1/2014—Analyst’s estimates
 Forecast period: 9/1/2014–9/1/2017—Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an 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.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_Fayetteville-Springdale-RogersAR-MO_15.pdf.

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This analysis has been prepared for the assistance and guidance of 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.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to www.huduser.org/portal/ushmc/chma_archive.html.