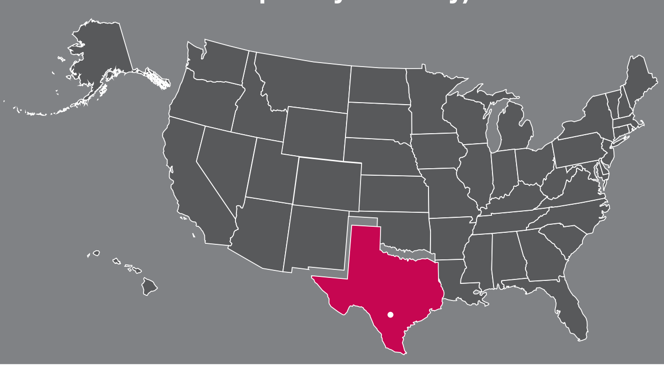
HUD PD&R Housing Market Profiles

San Antonio-New Braunfels, Texas

Quick Facts About San Antonio-New Braunfels

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced but softening.**
- **The tourism industry accounts for 130,800 jobs in the San Antonio metropolitan area and has been the second greatest source of job growth since 2000. Home to the Alamo, the Riverwalk, SeaWorld San Antonio, Six Flags Fiesta Texas, and Schlitterbahn Waterpark New Braunfels, the metropolitan area received 34.4 million visitors during 2015 with an economic impact of $13.6 billion (The Economic Impact of San Antonio Hospitality Industry).**



By T. Michael Miller | As of October 1, 2017

Overview

The San Antonio metropolitan area encompasses eight counties in south-central Texas. The principal city of San Antonio in Bexar County includes nearly 80 percent of the population in the metropolitan area. San Antonio is the seventh most populous city and, during 2016, had the third largest population increase in the United States (Census Bureau population estimates as of July 1). The metropolitan area is home to Joint Base San Antonio, which includes 57,150 uniformed military personnel and 31,600 civilian employees.

- As of October 1, 2017, the estimated population of the San Antonio-New Braunfels metropolitan area is 2.49 million, reflecting an average annual increase of 46,250, or 2.0 percent, since 2010.
- From 2000 to 2010, the population grew at an annual rate of 43,100, or 2.3 percent. The large military presence in the metropolitan area helped stabilize the economy during the national recession, which led to strong population growth despite weaker economic conditions during the period.
- Net in-migration has averaged 29,850 people annually and has accounted for 65 percent of total population growth since 2010. By comparison, net in-migration averaged 25,700 people annually from 2000 to 2010, accounting for 60 percent of total population growth.

The education and health services sector led nonfarm payroll growth in the San Antonio area.

	3 Months Ending		Year-Over-Year Change	
	September 2016 (thousands)	September 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,019.6	1,042.6	23.0	2.3
Goods-producing sectors	106.5	113.1	6.6	6.2
Mining, logging, and construction	58.6	63.7	5.1	8.7
Manufacturing	47.8	49.4	1.6	3.3
Service-providing sectors	913.1	929.5	16.4	1.8
Wholesale and retail trade	149.8	147.0	– 2.8	– 1.9
Transportation and utilities	29.6	30.7	1.1	3.7
Information	21.0	20.4	– 0.6	– 2.9
Financial activities	87.7	88.2	0.5	0.6
Professional and business services	131.5	135.7	4.2	3.2
Education and health services	157.0	167.8	10.8	6.9
Leisure and hospitality	133.2	132.8	– 0.4	– 0.3
Other services	37.4	38.1	0.7	1.9
Government	165.9	168.7	2.8	1.7
	(percent)	(percent)		
Unemployment rate	4.0	3.5		

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

Economic Conditions

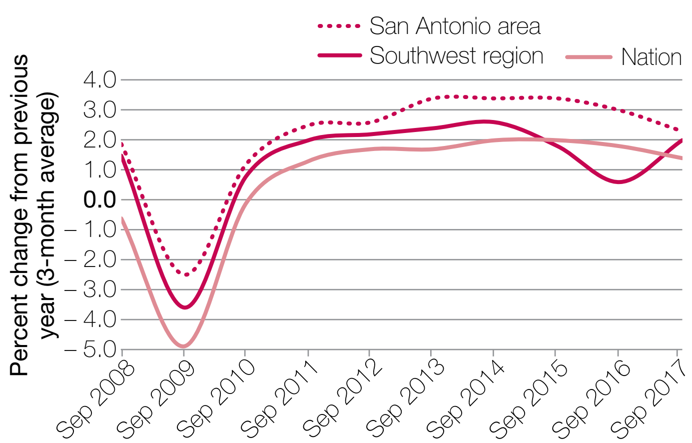
Economic conditions in the San Antonio-New Braunfels metropolitan area continue to expand. Since 2010, nonfarm payroll jobs have increased by an average of 24,700 jobs, or 2.7 percent annually. The government sector is the largest employment sector in the metropolitan area with 172,200 jobs, accounting for 17 percent of all nonfarm payroll jobs. Joint Base San Antonio is the largest public employer in the sector, with 31,600 civilian employees and a total workforce of 88,750. The education and health services sector is the second largest employment sector, with 164,600 jobs, and has been one of the fastest-growing employment sectors in the metropolitan area since 2000, adding an average 4,200 jobs, or 3.5 percent annually. Methodist Healthcare System and Baptist Heath System are the fourth and fifth largest employers in the metropolitan area with 8,125 and 6,500 employees, respectively.

During the 3 months ending September 2017—

- Nonfarm payrolls increased by 23,000 jobs, or 2.3 percent, to an average of 1,042,600 jobs from the 3 months ending September 2016. Nearly all growth occurred in the service-providing sectors.
- The education and health services sector led job growth, expanding by 10,800 jobs, or 6.9 percent, to 167,800. Methodist Healthcare System expanded children's services in 2017, adding 147 patient rooms and 15 emergency rooms in San Antonio.

continued on page 3

Nonfarm payroll growth in the San Antonio area has been strong since 2011.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the San Antonio area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base San Antonio	Government	88,750
H-E-B	Wholesale and retail trade	20,000
USAA	Financial services	17,000

Notes: Excludes local school districts. Joint Base San Antonio (JBSA) includes Lackland Air Force Base, Fort Sam Houston, and Randolph Air Force Base. Data for JBSA include 57,150 uniformed military personnel, who are not included in nonfarm payroll survey data.
Sources: San Antonio Economic Development Foundation; Texas Comptroller of Public Accounts

continued from page 2

- The mining, logging, and construction sector added 5,100 jobs, or 8.7 percent, to average 63,700 jobs from a year earlier, primarily a result of increased construction in the metropolitan area.
- The wholesale and retail trade, the information, and the leisure and hospitality sectors were the only sectors to decline compared with the 3 months ending September 2016, declining by 2,800, 600, and 400 jobs, or 1.9, 2.9, and 0.3 percent, respectively.

Nearly one in eight jobs in the San Antonio metropolitan area is related to the tourism industry, which has been negatively impacted by a decline in international travel from Mexico. In January 2017, a U.S. dollar could be exchanged for 21.48 Mexican pesos, up from 17.94 and 14.60 Mexican pesos in January 2016 and January 2015, respectively. The reduced spending power of the Mexican peso contributed to decreased air travel from Mexico to the San Antonio metropolitan area, which declined 30 percent during the first quarter of 2017 from the previous year and 21 percent during 2016 compared with 2015 (Tourism Economics). International tourism has a significant impact on and supports many jobs in the retail trade subsector in the metropolitan area. Mexican nationals who visit the San Antonio area to shop contribute about $394.5 million annually to the economy, supporting nearly 4,350 jobs (SABER Research Institute, 2012). The declining value of the Mexican peso resulted in fewer visits by Mexican nationals, which contributed to job losses in the leisure and hospitality and the wholesale and retail trade sectors.

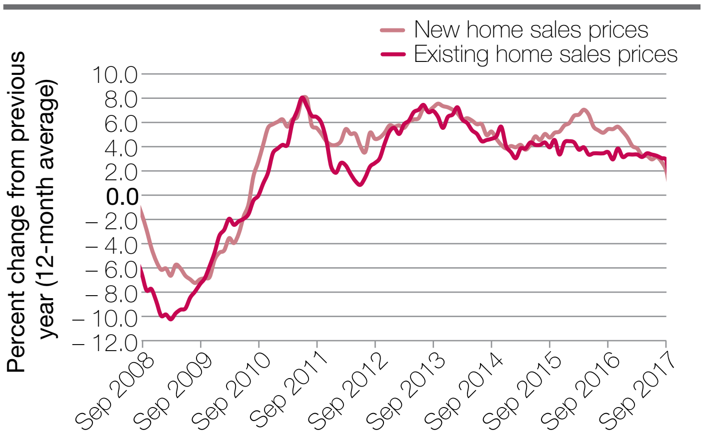
Sales Market Conditions

Sales housing market conditions in the San Antonio metropolitan area are currently balanced, with job growth and strong net in-migration contributing to increased demand, which is causing an increase in both home sales prices and single-family home construction. Approximately 10,300 new single-family homes, townhomes, and condominiums sold during the 12 months ending September 2017, up 5 percent from the 9,825 homes sold during the previous 12-month period. By comparison, new home sales averaged 16,800 a year during a 3-year peak from 2004 through 2007 but only 7,375 a year from 2009 through 2012. During the 12 months ending September 2017, the average sales price of a new home increased 2 percent from a year ago to $279,700, which is 30 percent more than the previous high of $214,700 for the 12-month period ending with January 2008 (CoreLogic, Inc., with adjustments by the analyst). An estimated 3.7 months of for-sale inventory was available in the San Antonio metropolitan area as of September 2017, up slightly from 3.6 months during September 2016 (Real Estate Center at Texas A&M University).

- Existing home sales increased to 42,700 during the 12 months ending September 2017, up 1 percent from the 42,100 existing homes sold during the 12 months ending September 2016 and up 31 percent from the average of 30,500 existing homes sold each year from 2009 through 2012.
- The average sales price of an existing home was $220,300 during the 12 months ending September 2017, a 3-percent increase from $213,800 during the previous 12 months and 18 percent more than the $186,000 average during the 12 months ending January 2008.

continued on page 4

In the San Antonio area, new and existing home sales price growth has been strong since 2013 but slowed slightly during the past year.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

New home sales in the San Antonio area increased during the past year, after strong increases in new home prices resulted in a slight sales decline.

Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

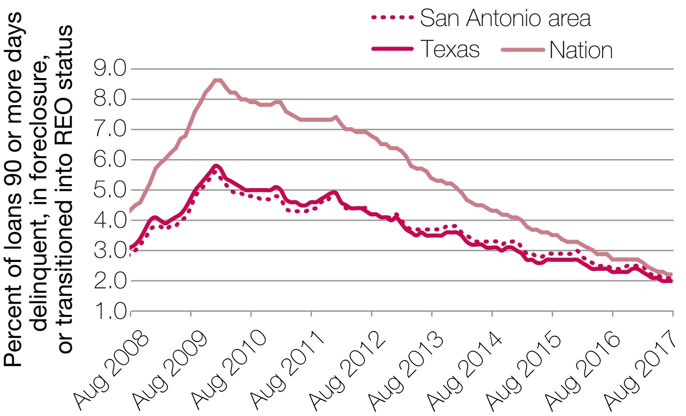
continued from page 3

- The gain in the average existing home sales price was partly attributed to a decline in the number of real estate owned (REO) home sales, which are currently priced approximately $57,200 less than the price of regular resales. Distressed home sales (REO and short sales) accounted for 6 percent of total existing sales during the 12 months ending September 2017, down from 8 percent during the previous 12-month period.
- As sales market conditions improved, the percentage of home loans in the San Antonio metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status declined from 2.4 percent in September 2016 to 2.1 percent in September 2017 (CoreLogic, Inc.).

Single-family home construction activity, as measured by the number of single-family homes permitted, increased during the past 12 months in response to greater net in-migration and improved sales market conditions, after remaining unchanged in 2016 when builders responded to the slight decline in new home sales.

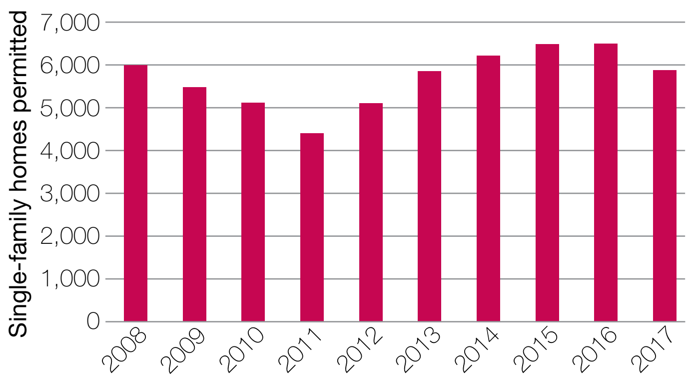
- The number of single-family homes permitted grew to 7,375 during the 12 months ending September 2017, up 16 percent from the 6,350 homes permitted a year earlier (preliminary data).
- Single-family construction activity averaged 5,225 homes annually from 2008 through 2012 before increasing to an average 6,250 homes annually from 2013 through 2016.
- Notable single-family developments under construction are in Northwest San Antonio and include the Valley Ranch master-planned community with approximately 2,650 homes at buildout. The community has 400 homes already completed and 50 homes currently under construction. Home sales prices at Valley Ranch during the third quarter of 2017 started at $190,000, and the average sales price was $262,200.

The housing crisis did not affect the San Antonio area as severely as the nation, but the percentage of seriously delinquent loans and REO properties has not improved as quickly as the national average.



REO = real estate owned.
Source: CoreLogic, Inc.

Single-family permitting in the San Antonio area remained unchanged in 2016, after increasing each year since 2011.



Note: Includes preliminary data from January 2017 through September 2017.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment housing market conditions in the San Antonio metropolitan area currently are balanced but softening, as the supply exceeded the demand for apartments during the past year, with 7,500 units added and 5,175 new units absorbed.

During the third quarter of 2017—

- Apartment vacancy rates in the 14 MPF Research-defined market areas within the San Antonio metropolitan area ranged from 4.6 percent in the New Braunfels-Schertz-Universal City market area to 8.8 percent in the Medical City market area.
- The apartment vacancy rate increased in 11 of the 14 market areas relative to a year ago. The largest apartment vacancy rate increase occurred in the Medical City market area, where the apartment vacancy rate was up 3.6 percentage points from a year ago. Approximately 70 percent of the total apartment additions were completed in market areas that recorded vacancy increases during the past year.
- The largest vacancy decline, 1.8 percentage points, occurred in the Far West San Antonio market area, which had an average asking apartment rent barely above the average in the metropolitan area at $952, up more than 1 percent from the third

continued on page 5

continued from page 4

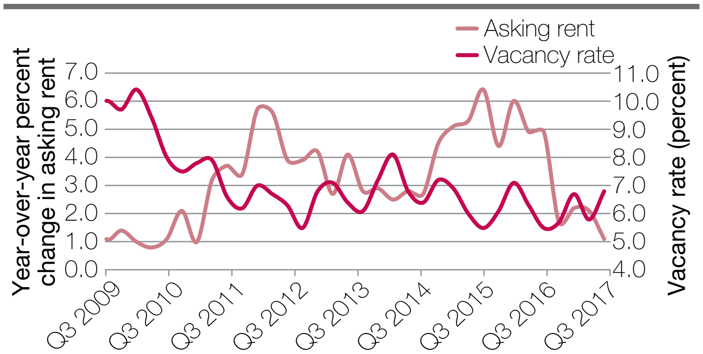
quarter of 2016. The Far West San Antonio market area had an apartment vacancy rate of 5.3 percent, down from 7.1 percent a year ago, partially because developers slowed production of apartment units to allow for the absorption of the large number of units added during the previous year.

- Asking apartment rents increased from the third quarter of 2016 in all market areas, except the Far Northwest San Antonio and the Far North Central San Antonio market areas, in which rents declined 8.2 and 6.3 percent, respectively. Asking apartment rent increases ranged from less than 1 percent in the Alamo Heights market area to more than 10 percent in the Central San Antonio market area.

In response to softening rental market conditions, multifamily construction in the metropolitan area has slowed since 2016. During the 12 months ending September 2017, 5,325 multifamily units were permitted in the metropolitan area, a 27-percent decline from the same period a year ago. The average 9,100 units permitted annually during 2014 and 2015 is the highest figure on record for any 2-year period and 36 percent more than the previous high of 6,675 units permitted during 2005 and 2006.

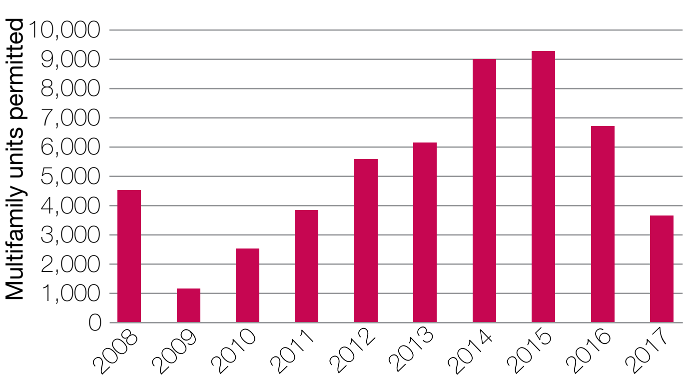
- An average of 5,850 multifamily units were permitted each year during 2012 and 2013, compared with an average of only 2,500 multifamily units permitted each year from 2009 through 2011 and an average of 4,450 units permitted each year from 2000 through 2008.
- An estimated 7,500 units were added to the apartment inventory in the metropolitan area from the third quarter of 2016 to the third quarter of 2017. That figure represents a 4-percent expansion of the existing inventory during the period, continuing a 3- to 4-percent expansion annually since 2013.
- Recent multifamily construction was concentrated in the Far Northwest San Antonio and Central San Antonio market areas, which accounted for approximately 41 percent of all multifamily construction activity during the past 2 years.
- An estimated 5,700 apartment units are currently under construction in the metropolitan area, concentrated in the Far Northwest San Antonio, Southwest San Antonio, and Central San Antonio market areas with 31, 23, and 11 percent, respectively, of total units under construction in the metropolitan area.

Rent growth slowed in the San Antonio area during the past year as the vacancy rate fluctuated between 5 and 7 percent.



Q3 = third quarter.
Source: MPF Research

The number of multifamily units permitted in the San Antonio area had increased each year since 2009, before declining in 2016.



Note: Includes preliminary data from January 2017 through September 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by the analyst