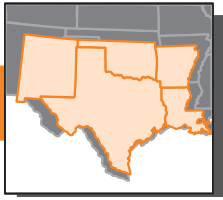


Housing Market Profile



Southwest • HUD Region VI

Austin-Round Rock-San Marcos, Texas

Located in central Texas, the Austin-Round Rock-San Marcos metropolitan area consists of Bastrop, Caldwell, Hays, Travis, and Williamson Counties. The area is home to the state capital, the University of Texas at Austin (UT), and Texas State University (TSU). As of July 1, 2011, the estimated population was 1.8 million, an increase of about 36,000, or 2.1 percent, during the past 12 months. Population growth has slowed slightly during the past 2 years as a result of recent declines in nonfarm payroll growth. The population has increased at an average annual rate of about 39,800, or 2.4 percent, since the beginning of 2008 compared with a rate of nearly 55,700, or 3.7 percent, annually from 2004 through 2007. The largest employers in the area include UT, H-E-B grocery stores, and Dell Inc., with 16,150, 14,900, and 14,000 employees, respectively.

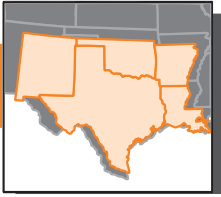
During the past year, nonfarm payrolls began to recover from the decline that began in January 2009. During the 12 months ending May 2011, nonfarm payrolls in the metropolitan area increased by 13,000 jobs, or 1.7 percent, to average 772,000 jobs, compared with the decline of 12,000 jobs, or 1.6 percent, during the previous 12 months. During the 12 months ending May 2011, every sector added jobs except the mining, logging, and construction and financial activities sectors, which declined by 900 and 600 jobs, or 2.2 and 1.4 percent, respectively. The declines are due primarily to a slowdown in the housing industry. Relocation and expansion of new and existing businesses added more than 3,500 new jobs since January 2011. eBay Inc., HostGator.com LLC, and Samsung expanded into the Austin-Round Rock-San Marcos area, adding 1,000, 500, and 300 jobs, respectively. The most significant gains during the 12 months ending May 2011 occurred in the education and health services sector, professional and business services sector, and wholesale trade subsector, which added 4,100, 3,200, and 1,900 jobs, or 4.8, 3, and 5 percent, respectively. These job gains contributed to the decrease in the 12-month average unemployment rate from 7.2 percent in May 2010 to 7 percent in May 2011.

The Austin-Round Rock-San Marcos home sales market is currently soft. Based on data from Hanley Wood, LLC, existing single-family home sales in the area totaled approximately 15,800 during the 12 months ending May 2011, a decrease of 24 percent compared with the 20,900

homes sold during the same period a year earlier. The decrease in sales was a result of tighter lending practices and slower population growth. Despite the decrease in sales, the average sales price of existing homes increased by 12 percent, to \$266,400, during the 12 months ending May 2011, from \$236,900 during the previous 12 months, primarily because of an increase in the proportion of sales of higher priced homes. Sales of new single-family homes totaled 5,800 for the 12 months ending May 2011, a decrease of 24 percent from the previous year. New home sales have been declining since 2007; an average of 15,600 homes sold each year from 2005 through 2007 compared with an average of 8,100 homes sold annually from 2008 through 2010. Hanley Wood, LLC data indicate an average sales price of \$240,800 for new homes in the area during the 12 months ending May 2011, an increase of 5 percent. Despite the recent increase, new home prices remain well below the average of \$255,100 recorded from 2006 through 2008. According to LPS Applied Analytics, as of May 2011, 3.2 percent of total loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down slightly from 3.6 percent in May 2010. This rate is lower than the 4.5-percent state rate and much lower than the 7.8-percent national rate.

Builders have continued to curtail production as new and existing home sales have declined since 2008. Based on preliminary data, building permits were issued for 5,900 single-family homes in the Austin-Round Rock-San Marcos area during the 12-month period ending May 2011 compared with 7,500 single-family home permits during the previous 12 months, a 21-percent decline. From 2008 through 2010, an average of 6,825 single-family homes were permitted annually, down significantly from the average of 15,350 homes a year from 2004 through 2007.

New and existing condominium sales have decreased significantly since 2008. During the 12 months ending May 2011, approximately 2,175 existing condominiums were sold in the area, a 21-percent decrease compared with the 2,750 sold during the previous 12 months, while the average sales price increased by 15 percent to \$223,800. The number of new condominiums sold during the 12 months ending May 2011 decreased by 54 percent to 460; however, the average sales price increased 30 percent to \$294,000. Based on the 2009 American Community Survey, approximately 5 percent of multifamily units in the area were owner occupied. During the 12 months ending May 2011, multifamily permits were issued for 2,100 units, of which an estimated 25 percent were intended for owner occupancy, based



on preliminary data. Since 2000, 15 percent of multifamily construction has been for owner-occupied units. The number of multifamily units permitted was down from an average of 6,400 units annually from 2006 through 2009.

The rental market is currently balanced, with an overall estimated vacancy rate of 6 percent, primarily because of job gains since 2010. Single-family homes comprise 25 percent of the metropolitan area rental market. Occupancy and rents increased in the fourth quarter of 2010 and the first quarter of 2011, the first time growth occurred in these quarters in more than 5 years. Large student enrollments at UT and TSU have had a substantial impact on the local rental market. The schools have a combined enrollment of more than 71,000 but provide housing for fewer than 20,000. According to

ALN Systems, Inc., the apartment vacancy rate as of May 2011 was 5.8 percent, down from 9.3 percent a year earlier. Vacancy rates in Hays County, south of the city of Austin, showed the largest improvement in the area, down to 6.4 percent in May 2011 compared with 11.7 percent in May 2010. The average effective rent in May 2011 was \$890, up 4 percent from the previous year. The absorption of more than 7,700 existing vacant units during the 12 months ending May 2011 was in part because of a decrease in new apartment completions. During the 12 months ending May 2011, 2,100 apartment units completed construction, down from approximately 3,800 completions during the previous 12 months. Since the beginning of 2010, nearly 90 percent of all newly completed multifamily units have been in the city of Austin.