

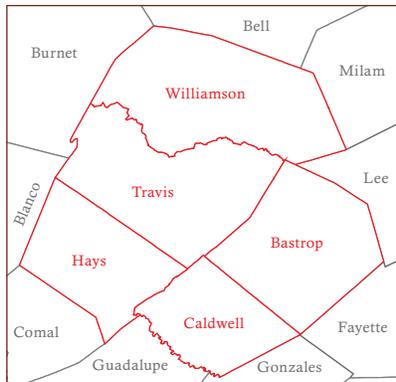


# Austin-Round Rock-San Marcos, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2012



## Housing Market Area



The Austin-Round Rock-San Marcos Housing Market Area (HMA) (hereafter, the Austin HMA), which is coterminous with the Austin-Round Rock-San Marcos, TX Metropolitan Statistical Area, is in central Texas, approximately 80 miles northeast of San Antonio. For purposes of this analysis, the HMA is divided into two submarkets: the Austin submarket, which includes the principal city of Austin, the capital of Texas, consists of Bastrop, Travis, and Williamson Counties; and the San Marcos submarket, which consists of Caldwell and Hays Counties.

## Market Details

- Economic Conditions ..... 2
- Population and Households ..... 5
- Housing Market Trends ..... 7
- Data Profiles ..... 13

## Summary

### Economy

The economy of the Austin HMA improved significantly for the second consecutive year. During the 12 months ending June 2012, nonfarm payrolls increased 2.7 percent compared with a 2.8-percent increase during the previous 12-month period. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average annual rate of 19,450 jobs, or 2.4 percent. The State of Texas is the largest employer in the HMA, with 41,750 employees.

### Sales Market

The sales housing market in the HMA is balanced, with an estimated sales vacancy rate of 1.8 percent. During

the forecast period, employment and population gains are expected to support demand for 36,520 new homes, including 100 mobile homes (Table 1). The 2,240 homes currently under construction and a portion of the 20,200 other vacant units in the HMA that may reenter the market will satisfy some of the demand.

### Rental Market

The rental housing market in the HMA is currently balanced, with an estimated overall rental vacancy rate of 5.2 percent, down from 8.6 percent in April 2010. During the forecast period, demand is expected for 20,450 new rental units (Table 1). The 8,400 units currently under construction will satisfy a portion of the forecast demand.

**Table 1. Housing Demand in the Austin HMA,\* 3-Year Forecast, July 1, 2012 to July 1, 2015**

	Austin HMA*		Austin Submarket		San Marcos Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	36,520	20,450	32,700	18,600	3,820	1,850
Under Construction	2,240	8,400	1,900	7,100	340	1,300

\* Austin-Round Rock-San Marcos 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 July 1, 2012. A portion of the estimated 20,200 other vacant units in the HMA will likely satisfy some of the forecast demand. The sales demand figures for the Austin submarket and for the HMA include demand for 100 mobile homes.

Source: Estimates by analyst

# Economic Conditions

The economy of the Austin HMA continues to grow after recording job losses from the 12 months ending July 2009 through the 12 months ending August 2010. During the recessionary period, most sectors lost jobs, with the mining, logging, and construction and the manufacturing sectors recording the greatest losses; only the education and health services, the leisure and hospitality, and the government sectors avoided job losses during the period. During the 12 months ending

June 2012, total nonfarm payrolls in the HMA grew by 21,400 jobs, or 2.7 percent, to 802,700 jobs (Table 2). Annual gains from 2003 to 2008, before the national economic recession that began in 2008, averaged 25,000 jobs, or 3.5 percent. Current nonfarm payrolls exceeded the prerecession level of 775,800 jobs recorded in 2008. During the 12 months ending June 2012, the unemployment rate decreased from 6.9 to 6.4 percent. By comparison, from 2000 through 2008, the unemployment rate averaged 4.6 percent. Figure 1 shows the labor force, resident employment, and unemployment rate in the HMA from 2000 to 2011.

During the 12 months ending June 2012, the professional and business services sector led job growth in the HMA, gaining 6,100 jobs, or 5.4 percent, to total 119,200 jobs. The leisure and hospitality sector also recorded strong growth, gaining 5,700 jobs, or 6.6 percent, to total 92,850 jobs. The W Austin Hotel, which included 251 hotel rooms, 159 condominiums, and a restaurant when completed in December 2010, added jobs to the leisure and hospitality sector during the period.

The government sector is the largest in the HMA (Figure 2), accounting for 20.9 percent of nonfarm payrolls, because the city of Austin is the state capital and the home of the flagship campus of the University of Texas system. The State of Texas is the largest employer in the HMA with 41,750 employees, a figure that excludes employment in state higher education institutions (Table 3). The University of Texas at Austin (UTA) is the second largest employer in the HMA, with approximately 25,300 employees and 51,100 students. According to the UTA website, the university has

**Table 2. 12-Month Average Nonfarm Payroll Jobs in the Austin HMA,\* by Sector**

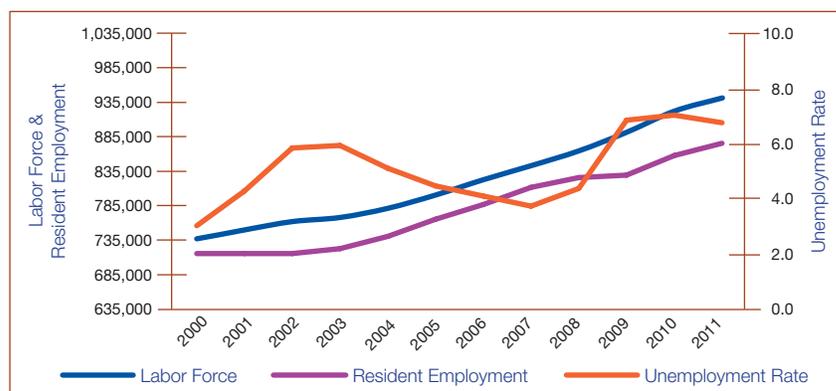
	12 Months Ending June 2011	12 Months Ending June 2012	Percent Change
Total Nonfarm Payroll Jobs	781,300	802,700	2.7
Goods Producing	88,700	91,500	3.2
Mining, Logging, & Construction	40,100	40,550	1.1
Manufacturing	48,600	50,950	4.9
Service Providing	692,600	711,200	2.7
Wholesale & Retail Trade	124,800	126,300	1.2
Transportation & Utilities	13,150	13,400	2.0
Information	19,800	20,250	2.1
Financial Activities	43,050	45,200	5.0
Professional & Business Services	113,100	119,200	5.4
Education & Health Services	89,250	92,450	3.6
Leisure & Hospitality	87,150	92,850	6.6
Other Services	33,200	33,900	2.2
Government	169,100	167,600	-0.9

\* Austin-Round Rock-San Marcos HMA.

Notes: Based on 12-month averages through June 2011 and June 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

**Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Austin HMA,\* 2000 Through 2011**



\* Austin-Round Rock-San Marcos HMA.

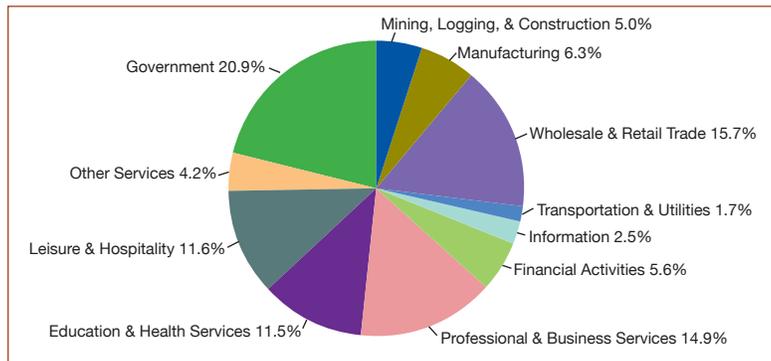
Source: U.S. Bureau of Labor Statistics

an annual statewide economic impact of \$8.2 billion in business activity and \$2.4 billion in personal income. Texas State University at San Marcos (TSUSM), in the San Marcos submarket, is the ninth largest employer in the HMA with 3,825 employees, and it enrolls approximately 34,100 students. According to the TSUSM website, the university has an annual statewide economic impact of nearly \$1 billion. During the 12 months ending June 2012, the government sector was the only sector to lose jobs, declining by 1,500 jobs, or 0.9 percent. Job losses in the sector were primarily in the state government

subsector, which lost 1,500 jobs, or 2.0 percent, because of cutbacks by the state government. The federal government subsector lost 300 jobs, or 2.8 percent. By contrast, the local government subsector gained 300 jobs, or 0.4 percent. The high-technology industry also significantly affects the HMA's economy, contributing to employment in the information, manufacturing, and professional and business services sectors. Dell Inc., a major high-technology employer in the manufacturing sector, is the third largest employer in the HMA, with 14,000 employees.

From 2000 through the current date, the fastest growing sectors in the HMA were the education and health services, the leisure and hospitality, and the other services sectors, which grew 48, 53, and 52 percent, respectively. Seton Medical Center Hays, in the San Marcos submarket city of Kyle, opened in 2009, adding 2,300 jobs to the education and health services sector during the period. According to the Austin Convention and Visitors Bureau, from 2009 to 2010, travel spending in the Austin HMA increased 9.1 percent, to \$4.5 billion; during the same period, visitor volume increased 3.1 percent. The increase in tourism contributed to growth in the leisure and hospitality sector since 2000. By contrast, the manufacturing and information sectors recorded losses of 38 and 17 percent, respectively, from 2000 to the current date (Figure 3). The information sector job losses were concentrated in the 2000-to-2003 period because of the recession in the early 2000s; during that time, employment in the sector decreased from 24,300 to 20,800 jobs, an average annual decrease of 1,175 jobs, or 5.1 percent. The losses in the manufacturing sector were greatest

**Figure 2. Current Nonfarm Payroll Jobs in the Austin HMA,\* by Sector**



\* Austin-Round Rock-San Marcos HMA.

Note: Based on 12-month averages through June 2012.

Source: U.S. Bureau of Labor Statistics

**Table 3. Major Employers in the Austin HMA\***

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Texas	Government	41,750
The University of Texas at Austin (UTA)	Government	25,300
Dell Inc.	Manufacturing	14,000
Seton Healthcare Network	Education & Health Services	11,600
St. David's HealthCare Partnership	Education & Health Services	7,100
International Business Machines Corporation	Professional & Business Services	6,250
Internal Revenue Service	Government	4,500
Freescale Semiconductor, Inc.	Manufacturing	4,325
Texas State University at San Marcos (TSUSM)	Government	3,825
AT&T Communications	Information	3,450

\* Austin-Round Rock-San Marcos HMA.

Notes: Excludes local school districts. State of Texas employment figures exclude UTA and TSUSM.

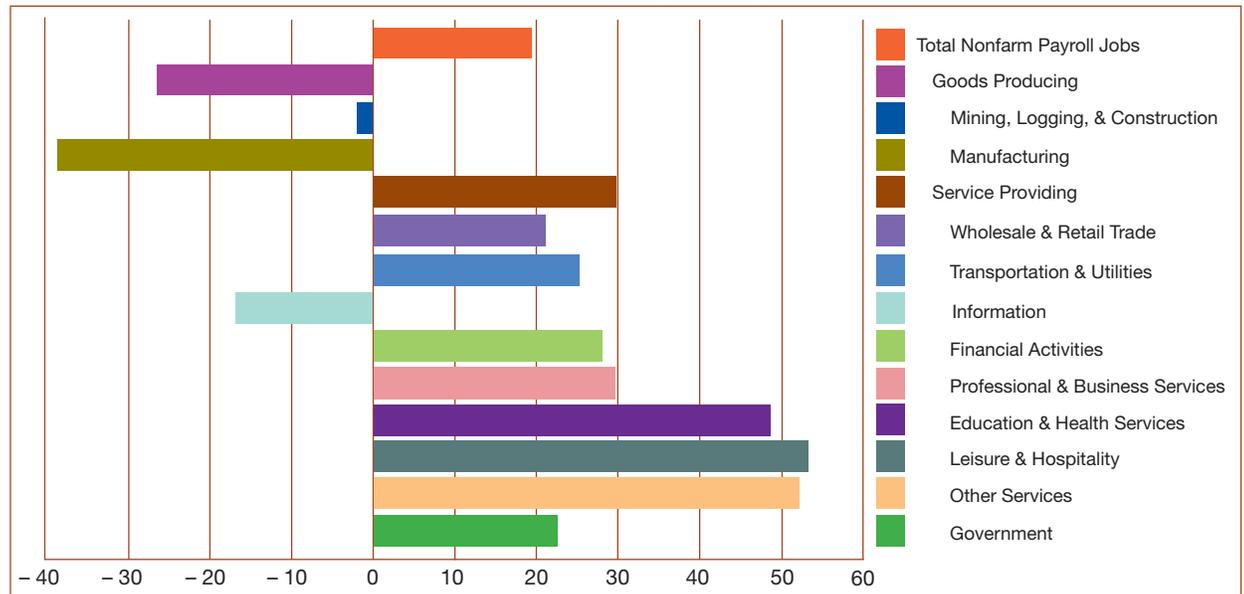
Source: Austin Chamber of Commerce

from 2000 through 2003, although significant losses were also recorded from 2007 through 2009. In 2009, Samsung Group laid off 500 workers when it closed an old semiconductor manufacturing facility, which contributed to job losses in the manufacturing sector during the period.

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average annual rate of 19,450 jobs, or 2.4 percent. Apple Inc. plans to establish the Americas Operations Center in the city of Austin, a \$300 million investment that will create 3,600 jobs during the next 10 years. The company signed economic development and incentive agreements with the city of Austin and with Travis County. The new

jobs will contribute to growth in the professional and business services and the information sectors. Lumeris, Inc., a healthcare technology company, is opening a software engineering and innovation center in the city of Austin; the facility is expected to create 100 jobs in the professional and business services sector by the end of 2012. US Farathane Corporation, an auto parts manufacturer, plans to open a manufacturing plant in the city of Austin by the end of 2012, which is expected to create 220 jobs in the manufacturing sector within the next 3 years. TSUSM is currently building an expansion to Bobcat Stadium, a \$32 million investment that is expected to contribute jobs to the leisure and hospitality sector by the time it is complete in August 2012.

**Figure 3. Sector Growth in the Austin HMA,\* Percentage Change, 2000 to Current**



\* Austin-Round Rock-San Marcos HMA.

Notes: Current is based on 12-month averages through June 2012.

Source: U.S. Bureau of Labor Statistics

# Population and Households

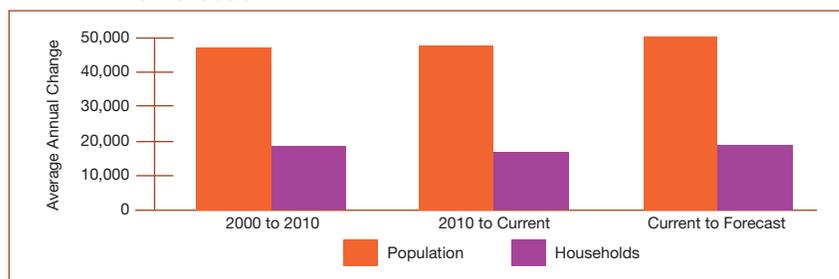
As of July 1, 2012, the population of the Austin HMA was estimated at 1.82 million reflecting an average annual increase of 47,450, or 2.7 percent, from approximately 1.72 million on April 1, 2010. By comparison, from 2000 through 2010, the population increased by an average annual rate of 46,650, or 3.2 percent. Population growth fluctuated during the previous decade and was strongly correlated with labor market conditions. From 2004 to 2008, in response to job gains, the population grew by an average of 55,950, or 3.8 percent, annually. Since 2008, population growth has slowed to an average annual rate of 47,300 people, or 2.8 percent, because of job losses during 2009 and early 2010. According to the Census Bureau, as of April 1, 2010,

the city of Austin had a population of 790,390, accounting for approximately 46 percent of the HMA's population. From April 2010 through July 2011, the HMA was the second fastest growing metropolitan area in the United States, according to the Census Bureau. During the forecast period, the population is expected to increase by 49,650, or 2.7 percent, annually, to total 1.97 million by July 1, 2015 (Figure 4).

Net in-migration has been the primary component of population growth in the HMA since 2000 (Figure 5). From 2000 through 2010, net in-migration accounted for 63 percent of population growth, averaging 29,300 people annually. During the same period, net natural increase (resident births minus resident deaths) averaged 17,350 people annually. Since 2010, net in-migration has averaged 29,150 people annually, and net natural increase has averaged 18,100 people annually. During the forecast period, net in-migration to the HMA is expected to average 31,300 people a year.

The Austin submarket has accounted for 87 percent of the population growth in the HMA since 2000. From 2000 through 2010, the population in the submarket increased by an average of 40,100, or 3.1 percent, annually. Since 2010, the population growth rate has slowed because of weak labor market conditions, increasing by 42,150 people, or 2.7 percent, annually; the population is currently estimated at 1.62 million. Net in-migration accounted for 61 percent of the population growth since 2010, or 25,600 people a year; the remainder of the growth was because of net natural change. Net in-migration is expected to increase during the 3-year forecast period to an

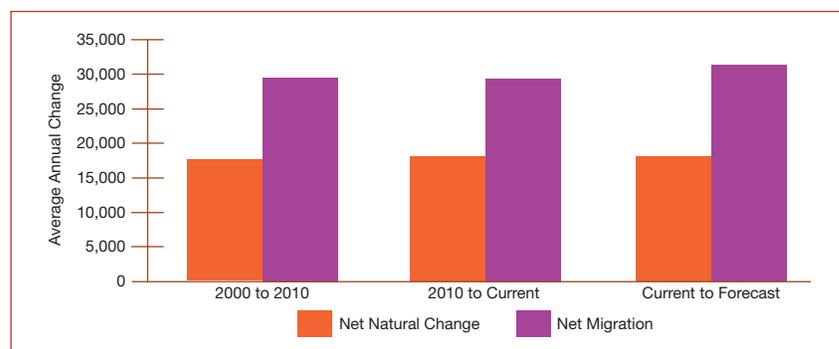
**Figure 4. Population and Household Growth in the Austin HMA,\* 2000 to Forecast**



\* Austin-Round Rock-San Marcos HMA.

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

**Figure 5. Components of Population Change in the Austin HMA,\* 2000 to Forecast**



\* Austin-Round Rock-San Marcos HMA.

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

average of 27,500 people a year. The population during the next 3 years is expected to increase by an average of 44,350, or 2.7 percent, annually in the Austin submarket because of improving economic conditions.

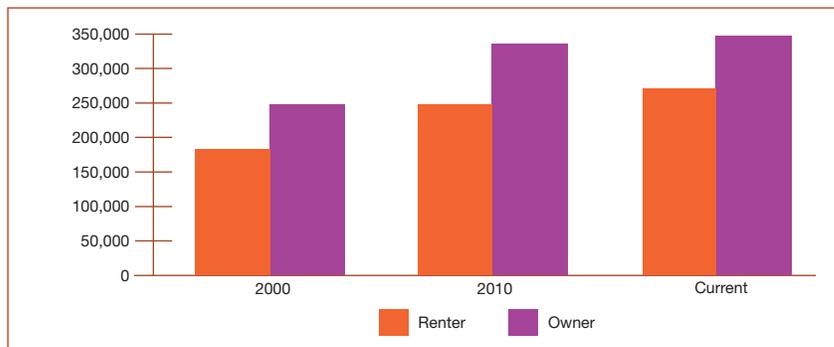
The San Marcos submarket has accounted for 13 percent of the population growth in the HMA since 2000. From 2000 through 2010, the population in the submarket increased by an average of 6,550, or 4.2 percent, annually. Strong growth during the 2000s occurred because of lower home prices and lower rents than those found in the Austin submarket, and because of increased enrollment at TSUSM. From 2000 through 2011, student enrollment at TSUSM increased from 22,400 to

34,100, an average annual increase of 1,050 students, or 3.9 percent. Since 2010, the annual population growth rate has slowed, increasing by 5,075 people, or 2.6 percent, because of weaker job growth and slower enrollment gains at TSUSM. The population is currently estimated at 206,600. Net in-migration accounted for 70 percent of the growth, or 3,550 people a year; the remainder of the growth was because of net natural change. Net in-migration is expected to increase during the 3-year forecast period to an average of 3,800 people a year. During the next 3 years, the population is expected to increase by an average of 5,300, or 2.5 percent, annually in the San Marcos submarket because of improving economic conditions.

The number of households in the HMA has increased at a slower rate since 2010 than during the previous decade. Since 2010, the number of households has increased by 15,950, or 2.4 percent, annually compared with an average annual increase of 17,850, or 3.3 percent, during the past decade. The number of households in the HMA is currently estimated at 686,300. Figures 6 and 7 illustrate the number of households by tenure in each of the submarkets for 2000, 2010, and the current date.

During the 3-year forecast period, the number of households is expected to increase by 18,150, or 2.6 percent, annually, to total approximately 740,700 households by July 1, 2015. Nearly 90 percent of the household growth is expected to occur in the Austin submarket. Tables DP-1 through DP-3, at the end of this report, provide additional demographic data for the HMA and submarkets.

**Figure 6.** Number of Households by Tenure in the Austin Submarket, 2000 to Current



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

**Figure 7.** Number of Households by Tenure in the San Marcos Submarket, 2000 to Current



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

# Housing Market Trends

## Sales Market—Austin Submarket

The sales housing market in the Austin submarket is balanced because of strong job gains and population growth during the past year. The home sales vacancy rate is currently estimated at 1.8 percent, down from 2.3 percent in April 2010. According to the Real Estate Center at Texas A&M University, during the 12 months ending June 2012, the number of new and existing single-family homes sold in the submarket increased 21 percent, to 23,200, compared with the number sold during the previous 12-month period. The current level of sales exceeds the average of 21,000 homes sold annually from 2008 through 2010, but it remains below the average of 28,400 homes sold annually from 2005 through 2007. Despite the recent increase in home sales volume, the homeownership rate in the submarket is currently estimated at 56.4 percent, down from 57.6 percent in April 2010.

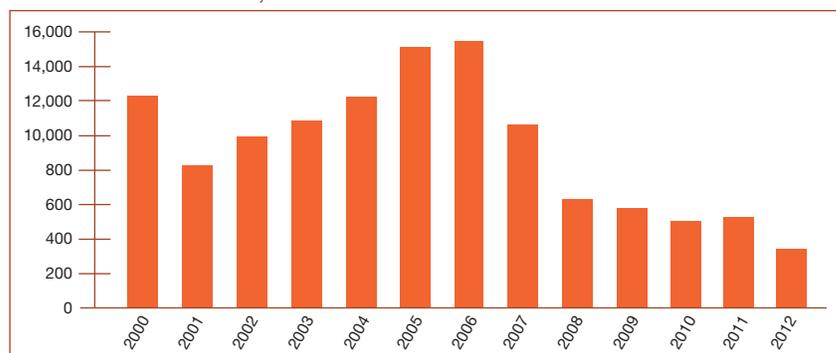
During the 12 months ending June 2012, the average sales price for new and existing homes in the submarket increased less than 1 percent, to \$255,900, compared with prices during the previous 12 months, according to the Real Estate Center at Texas

A&M University. The current price level is above the average of \$242,600 that prevailed from 2008 through 2010, is the highest on record, and is also the highest of any metropolitan area in Texas. During the 12 months ending June 2012, the available inventory of new and existing homes in the submarket averaged a 5-month supply compared with the average 7-month supply recorded during the previous 12-month period; the current supply level is the lowest recorded since 2008. According to LPS Applied Analytics, in June 2012, 3.0 percent of mortgage loans were 90 or more days delinquent, were in foreclosure, or had transitioned into REO (Real Estate Owned), almost unchanged from 3.1 percent in June 2011.

According to Hanley Wood, LLC, during the 12 months ending June 2012, the average sales price for new and existing condominiums and townhomes decreased 6 percent, to an average of \$223,600. During the same period, the number of condominiums and townhomes sold increased 13 percent, to 4,575. New and existing condominiums in the Downtown Austin submarket are estimated to start at approximately \$190,000 for a 580-square-foot unit, and the median sales price is estimated to be approximately \$350,000.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased in the Austin submarket during the 12 months ending June 2012 in response to increased sales (Figure 8). Based on preliminary data, the number of single-family homes permitted increased 18 percent, to 5,850 homes,

**Figure 8.** Single-Family Building Permits Issued in the Austin Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through June 2012.

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

## Housing Market Trends

Sales Market—Austin Submarket *Continued*

compared with the 4,950 homes permitted during the previous 12-month period. The current level of permitting activity is slightly above the average of 5,675 homes permitted annually from 2008 through 2010, but it remains well below the average of 13,750 homes permitted annually from 2005 through 2007. Sales prices for new three-bedroom, single-family homes in the submarket start at about \$120,000, although the lowest prices are found primarily in the outlying areas. New developments include Teravista, in Round Rock, with prices starting at \$170,000; approximately 1,800 homes have been completed since 2002, and an additional 1,200 homes are

expected by the time construction is complete in 2016. Falcon Pointe, in Pflugerville, offers prices starting at \$170,000; approximately 1,000 homes have been completed since 2002, and an additional 600 are expected by the time construction is complete in 2016. Condominiums under development include the 119-unit The Denizen, in the city of Austin, with prices starting in the upper \$100,000s, which is expected to be complete by 2013.

During the next 3 years, demand is expected for 32,700 new homes in the submarket, including approximately 100 mobile homes (Table 1). The 1,900 homes currently under construction will meet a portion of this demand. Demand is expected to increase during the forecast period from 9,750 homes in the first year to approximately 11,500 homes annually during the final 2 years. One-half of the demand is expected to be for homes priced between \$150,000 and \$250,000 (Table 4). A portion of the estimated 17,000 other vacant units likely will reenter the sales housing market and satisfy some of the forecast demand.

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Austin Submarket, July 1, 2012 to July 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
120,000	149,999	4,900	15.0
150,000	199,999	9,775	30.0
200,000	249,999	6,525	20.0
250,000	299,999	4,250	13.0
300,000	399,999	3,575	11.0
400,000	499,999	1,950	6.0
500,000	and higher	1,625	5.0

*Notes: The 1,900 homes currently under construction and a portion of the estimated 17,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The estimated demand figures do not include mobile homes.*

*Source: Estimates by analyst*

## Rental Market—Austin Submarket

Rental housing market conditions in the Austin submarket are slightly tight because of job and population growth coupled with low levels of apartment completions from 2011 through the current date. The current overall rental vacancy rate is estimated at 5.0 percent, which is less than 8.8 percent in April 2010 (Figure 9). The apartment market is also balanced. According to ALN Systems, Inc., the apartment vacancy rate is currently

5.6 percent, down slightly from 5.7 percent a year ago. Effective apartment rents currently average \$810, \$1,050, and \$1,325 for one-, two-, and three-or-more-bedroom units, respectively. The average effective rent for all apartment units increased 8 percent, to \$940, compared with the rents recorded a year ago. Rent increases were broad based, with increases recorded throughout the submarket, in every apartment class group, and

## Housing Market Trends

Rental Market—Austin Submarket *Continued*

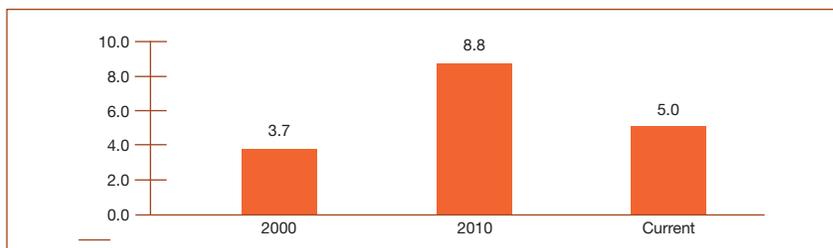
in every product age group. Reflecting tightening market conditions, the average monthly concession per unit is currently approximately \$5, down from approximately \$80 a year ago. An estimated 25 percent of the current rental inventory consists of single-family homes, almost unchanged since 2000. By comparison, apartments currently comprise an estimated 59 percent of the rental inventory, almost unchanged since 2000. Rents for condominium units in downtown Austin start at approximately \$1,200, with a median rent estimated at approximately \$2,200.

Multifamily construction activity, as measured by the number of units permitted, has returned in the Austin submarket to the levels recorded from 2005 through 2007. Based on preliminary data, during the 12 months ending June 2012, approximately 6,100 multifamily units were permitted, a 170-percent increase from

the 2,250 units permitted during the previous 12 months. The current level of activity is slightly below the average of 6,875 units permitted annually from 2005 through 2007, when the HMA experienced strong economic growth before the recession that began in 2008 (Figure 10). By contrast, multifamily permitting averaged 2,075 units annually from 2008 through 2010, during the recent recession. According to Austin Investor Interests, LLC, during the second quarter of 2012, the number of new construction starts in the HMA increased 290 percent compared with the number of starts recorded during previous year. According to the same source, the number of new units submitted for permitting in the HMA during the past 12 months totaled 15,000 units. Although new construction starts are spread throughout the HMA, the greatest concentrations occurred in the Central Austin, South Austin, and Far-North Austin apartment market areas. Developments currently under construction in the city of Austin include the 334-unit 95Twenty and phases III and IV of the 566-unit Parkside at Domain, both expected to be complete by 2013. Recently completed developments include the 296-unit Colonial Grand at Double Creek, in the city of Austin, with rents starting at \$980 for a one-bedroom unit; and the 289-unit Promesa, also in the city of Austin, with rents starting at \$920 for a one-bedroom unit.

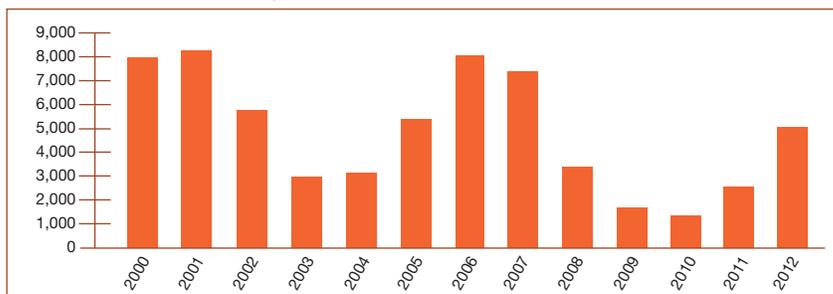
During the 3-year forecast period, demand is estimated for 18,600 new rental units in the submarket. The 7,100 units currently under construction will meet a portion of this demand (Table 1). Demand is expected to increase during the forecast period from 5,900 units in the first year

**Figure 9.** Rental Vacancy Rates in the Austin Submarket, 2000 to Current



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

**Figure 10.** Multifamily Building Permits Issued in the Austin Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through June 2012.

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

## Housing Market Trends

Rental Market—Austin Submarket *Continued*

to approximately 6,350 units annually during the final 2 years. Units currently under construction will meet demand in the first year and additional units

will not be needed until the second year of the forecast period. Table 5 shows forecast demand by number of bedrooms and rent level.

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Austin Submarket, July 1, 2012 to July 1, 2015

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
800 to 999	55	680 to 879	4,725	850 to 1,049	2,400	1,025 to 1,224	110
1,000 to 1,199	55	880 to 1,079	3,025	1,050 to 1,249	2,250	1,225 to 1,424	380
1,200 to 1,399	20	1,080 to 1,279	600	1,250 to 1,449	940	1,425 to 1,624	220
1,400 or more	55	1,280 to 1,479	700	1,450 to 1,649	440	1,625 to 1,824	160
		1,480 to 1,679	200	1,650 to 1,849	440	1,825 to 2,024	20
		1,680 or more	800	1,850 or more	800	2,025 or more	220
<b>Total</b>	<b>190</b>	<b>Total</b>	<b>10,050</b>	<b>Total</b>	<b>7,250</b>	<b>Total</b>	<b>1,125</b>

Notes: Numbers may not add to totals because of rounding. The 7,100 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

## Sales Market—San Marcos Submarket

The sales housing market in the San Marcos submarket is balanced but softening, because of slightly slower population growth since 2011 compared with the growth rate from 2000 through 2011. The home sales vacancy rate is currently estimated at 2.1 percent, up from 1.9 percent in April 2010. According to the Real Estate Center at Texas A&M University, during the 12 months ending June 2012, the number of new and existing single-family homes sold in the submarket decreased 10 percent, to 220 homes, compared with the number sold during the previous 12-month period. The current sales level is below the average of 250 homes sold annually from 2008 through 2010, and it remains below the average of 390 homes sold annually from 2005 through 2007. The low home sales volume is reflected in a decline in the homeownership rate in the submarket. The homeownership rate is currently estimated at 63.9 percent, down from 66.2 percent on April 1, 2010.

Despite the decline in the number of homes sold, the average sales price for new and existing homes in the submarket increased 11 percent, to \$172,200, during the 12 months ending June 2012 compared with prices during the previous 12 months, according to the Real Estate Center at Texas A&M University. According to Hanley Wood, LLC, the number of REO sales declined 16 percent during the same period and the percentage of home sales that are new homes increased from 23 to 25 percent; both factors contributed to the increase in the average sales price. The current price level is above the average of \$157,500 that prevailed from 2008 through 2010. During the 12 months ending June 2012, the available inventory of new and existing homes in the submarket averaged an 8-month supply compared with the average 10-month supply recorded during the previous 12-month period. According to LPS Applied Analytics, in June 2012, 4.0 percent of mortgage loans

## Housing Market Trends

Sales Market—San Marcos Submarket *Continued*

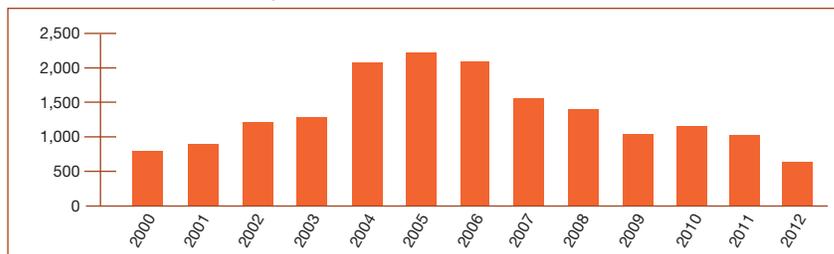
were 90 or more days delinquent, were in foreclosure, or had transitioned into REO, almost unchanged from 3.9 percent in June 2011.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased in the San Marcos submarket during the 12 months ending June 2012 (Figure 11). Based on preliminary data, the number of single-family homes permitted increased 13 percent, to 1,075 homes, compared with the 960 homes permitted during the previous 12-month period. The current level of activity remains below

the average of 1,200 homes permitted annually from 2008 through 2010 and well below the average of 1,950 permitted annually from 2005 through 2007. Sales prices for new three-bedroom single-family homes in the submarket start at about \$110,000. New developments include Blanco Vista, on the outskirts of the city of San Marcos, where more than 200 homes are complete of the anticipated 2,000 total homes, with prices starting at \$140,000. Garlic Creek, in Buda, is another new development, with prices starting at \$160,000; approximately 300 homes are complete and an additional 500 homes are expected by the time construction is complete. The final completion dates are currently uncertain for both developments.

During the next 3 years, demand is expected for 3,820 new homes in the submarket (Table 1). The 340 homes currently under construction will meet a portion of this demand. Demand is expected to increase during the forecast period from 1,000 homes in the first year to approximately 1,425 homes annually during the final 2 years. More than one-half of the demand is expected to be for homes priced between \$150,000 and \$250,000 (Table 6). A portion of the estimated 3,200 other vacant units will likely reenter the sales housing market and satisfy some of the forecast demand.

**Figure 11.** Single-Family Building Permits Issued in the San Marcos Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through June 2012.

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

**Table 6.** Estimated Demand for New Market-Rate Sales Housing in the San Marcos Submarket, July 1, 2012 to July 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
110,000	149,999	770	20.0
150,000	199,999	1,725	45.0
200,000	249,999	770	20.0
250,000	299,999	310	8.0
300,000	and higher	270	7.0

Notes: The 340 homes currently under construction and a portion of the estimated 3,200 other vacant units in the submarket will likely satisfy some of the forecast demand. The estimated demand figures do not include mobile homes.

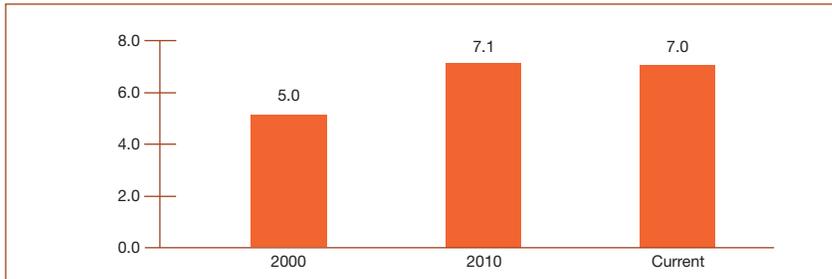
Source: Estimates by analyst

## Rental Market—San Marcos Submarket

Rental housing market conditions in the San Marcos submarket are balanced. The current overall rental vacancy rate is estimated at 7.0 percent, which is almost unchanged from 7.1 percent in April 2010 (Figure 12). The apartment market is also balanced. According to ALN Systems, Inc., the apartment vacancy rate is currently 7.4 percent, up from 6.6 percent a year ago. Effective apartment rents currently average \$750, \$940, and \$1,500 for one-, two-, and three-or-more-bedroom units, respectively. The average effective rent for all apartment units increased 4 percent, to \$1,000, compared with the rents recorded a year ago. Reflecting balanced market conditions, the average monthly concession per unit is currently approximately \$10, unchanged from a year ago. An estimated

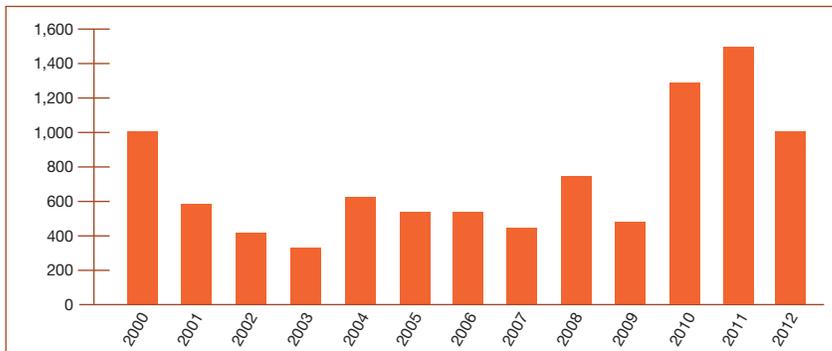
23 percent of the current rental inventory consists of single-family homes, down from 30 percent in 2000. By comparison, apartments currently comprise an estimated 42 percent of the rental inventory, up from 38 percent in 2000, because of more than 6,500 apartment unit completions since 2000. The rental market in the San Marcos submarket is heavily influenced by the 34,100 students at Texas State University at San Marcos, of whom 80 percent reside off campus. The increase in student enrollment since 2000 has stimulated apartment construction in the submarket. An estimated 23 percent of the apartments in the submarket are private-market student housing apartments. According to ALN Systems, Inc., nine private-market student housing apartment projects, totaling 1,875 units, have been completed since 2000.

**Figure 12.** Rental Vacancy Rates in the San Marcos Submarket, 2000 to Current



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

**Figure 13.** Multifamily Building Permits Issued in the San Marcos Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through June 2012.

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

Multifamily construction activity, as measured by the number of units permitted, has been at high levels since 2010 compared with those levels recorded from 2000 through 2009 (Figure 13). Based on preliminary data, during the 12 months ending June 2012, approximately 1,700 multifamily units were permitted in the San Marcos submarket, a 90-percent increase from the 900 permits recorded during the previous 12 months. The current level of activity is well above the average of 830 permits issued annually from 2008 through 2010 and also above the average annual level of 560 permits recorded from 2000 through 2009. Developments currently under construction include the 200-unit Aspen Heights Texas State phase II, the 187-unit Retreat at San Marcos, and the

## Housing Market Trends

Rental Market—San Marcos Submarket *Continued*

257-unit Vistas San Marcos, all of which are student housing developments. Recently completed developments include the 286-unit Purgatory Creek, also in the city of San Marcos, with rents starting at \$840 for a one-bedroom unit.

During the 3-year forecast period, demand is estimated for 1,850 new rental units in the submarket.

The 1,300 units currently under

construction will meet a portion of this demand (Table 1). Demand is expected to increase during the forecast period from 520 units in the first year to approximately 660 units annually during the final 2 years. Units under construction and excess vacant units will meet demand for the next 2 years and additional units will not be needed until the third year of the forecast period. Table 7 shows forecast demand by number of bedrooms and rent level.

**Table 7.** Estimated Demand for New Market-Rate Rental Housing in the San Marcos Submarket, July 1, 2012 to July 1, 2015

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
720 or more	35	700 to 899	420	800 to 999	210	900 to 1,099	100
		900 or more	150	1,000 to 1,199	420	1,100 to 1,299	50
				1,200 to 1,399	35	1,300 to 1,499	25
				1,400 or more	50	1,500 to 1,699	55
						1,700 to 1,899	55
						1,900 or more	220
<b>Total</b>	<b>35</b>	<b>Total</b>	<b>570</b>	<b>Total</b>	<b>720</b>	<b>Total</b>	<b>520</b>

Notes: Numbers may not add to totals because of rounding. The 1,300 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

## Data Profiles

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	714,297	855,905	888,400	1.8	2.5
Unemployment Rate	3.0%	7.1%	6.4%		
Nonfarm Payroll Jobs	672,700	769,500	802,700	1.4	2.9
Total Population	1,249,763	1,716,289	1,823,000	3.2	2.7
Total Households	471,855	650,459	686,300	3.3	2.4
Owner Households	274,712	380,448	392,300	3.3	1.4
Percent Owner	58.2%	58.5%	57.2%		
Renter Households	197,143	270,011	294,000	3.2	3.9
Percent Renter	41.8%	41.5%	42.8%		
Total Housing Units	496,004	706,505	729,900	3.6	1.5
Owner Vacancy Rate	1.2%	2.3%	1.8%		
Rental Vacancy Rate	3.8%	8.6%	5.2%		
Median Family Income	\$55,400	\$73,300	\$73,800	2.8	0.7

\* Austin-Round Rock-San Marcos HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2012. Median family incomes are for 1999, 2009, and 2010.

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

**Table DP-2. Austin Submarket Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	1,119,980	1,521,116	1,616,000	3.1	2.7
Total Households	427,629	582,913	614,600	3.1	2.4
Owner Households	245,513	335,715	346,500	3.2	1.4
Percent Owner	57.4%	57.6%	56.4%		
Rental Households	182,116	247,198	268,100	3.1	3.7
Percent Renter	42.6%	42.4%	43.6%		
Total Housing Units	448,460	633,329	652,100	3.5	1.3
Owner Vacancy Rate	1.2%	2.3%	1.8%		
Rental Vacancy Rate	3.7%	8.8%	5.0%		

*Note: Numbers may not add to totals because of rounding.*

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

**Table DP-3. San Marcos Submarket Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	129,783	195,173	206,600	4.2	2.6
Total Households	44,226	67,546	71,650	4.3	2.7
Owner Households	29,199	44,733	45,800	4.4	1.1
Percent Owner	66.0%	66.2%	63.9%		
Rental Households	15,027	22,813	25,850	4.3	5.7
Percent Renter	34.0%	33.8%	36.1%		
Total Housing Units	47,544	73,176	77,800	4.4	2.8
Owner Vacancy Rate	1.4%	1.9%	2.1%		
Rental Vacancy Rate	5.0%	7.1%	7.0%		

*Note: Numbers may not add to totals because of rounding.*

*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: 7/1/2012—Analyst's estimates  
Forecast period: 7/1/2012–7/1/2015—Analyst's estimates

**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 [www.huduser.org/publications/pdf/CMARtables\\_Austin-RoundRock-SanMarcosTX\\_13.pdf](http://www.huduser.org/publications/pdf/CMARtables_Austin-RoundRock-SanMarcosTX_13.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/publications/econdev/mkt\\_analysis.html](http://www.huduser.org/publications/econdev/mkt_analysis.html).