

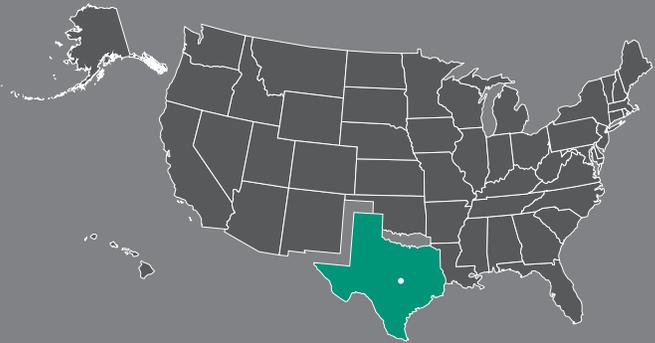
HUD PD&R Housing Market Profiles

Killeen-Temple, Texas



Quick Facts About Killeen-Temple

- **Current sales market conditions: balanced.**
- **Current rental market conditions: soft.**
- **Fort Hood Army Base (hereafter, Fort Hood), which is in the metropolitan area, is the largest active-duty armored post in the U.S. military. The base occupies 217,000 acres in Bell and Coryell Counties and had an economic impact of \$35.4 billion on Texas in 2015 (Texas Comptroller of Public Accounts).**



By Tomasz Kukawski | As of March 1, 2017

Overview

The Killeen-Temple metropolitan area is in central Texas, approximately 60 miles north of Austin, and includes Bell, Coryell, and Lampasas Counties. The city of Killeen, in Bell County, is the largest city in the metropolitan area and is adjacent to Fort Hood, which includes more than 38,550 soldiers, nearly 5,500 civilian employees, and approximately 12,000 military defense contractors. Fort Hood can accommodate more than 15,500 personnel in barracks and 5,850 in privately managed on-base housing units, which include single-family homes and multifamily structures.

- As of March 1, 2016, the estimated population of the Killeen-Temple metropolitan area is 439,600, representing an average increase of 4,950, or 1.2 percent, annually since 2010.
- From 2000 to 2010, net in-migration to the metropolitan area averaged 2,700 people annually, as the military personnel at Fort Hood increased by an average of 4 percent annually (Defense Manpower Data Center), but since 2010, net in-migration has fallen to an average of 40 people a year, due to lack of further personnel expansion at the military base (U.S. Census Bureau decennial census counts and population estimate by the analyst).
- Bell County is the largest county in the metropolitan area with nearly 340,400 people, accounting for 78 percent of total population in the metropolitan area. The city of Killeen has a population of 142,800 (U.S. Census Bureau population estimate as of July 1, 2016 and estimate by the analyst).



Six sectors in the Killeen-Temple area grew more than 2 percent during the 3 months ending February 2017.

	3 Months Ending		Year-Over-Year Change	
	February 2016 (thousands)	February 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	142.2	146.4	4.2	3.0
Goods-producing sectors	16.3	17.7	1.4	8.6
Mining, logging, and construction	9.0	10.2	1.2	13.3
Manufacturing	7.3	7.5	0.2	2.7
Service-providing sectors	125.9	128.7	2.8	2.2
Wholesale and retail trade	22.6	23.5	0.9	4.0
Transportation and utilities	4.6	4.6	0.0	0.0
Information	1.5	1.1	-0.4	-26.7
Financial activities	7.2	6.9	-0.3	-4.2
Professional and business services	9.9	10.2	0.3	3.0
Education and health services	22.7	24.0	1.3	5.7
Leisure and hospitality	14.1	14.3	0.2	1.4
Other services	5.1	5.3	0.2	3.9
Government	38.1	38.6	0.5	1.3
	(percent)	(percent)		
Unemployment rate	4.3	4.6		

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

Economic Conditions

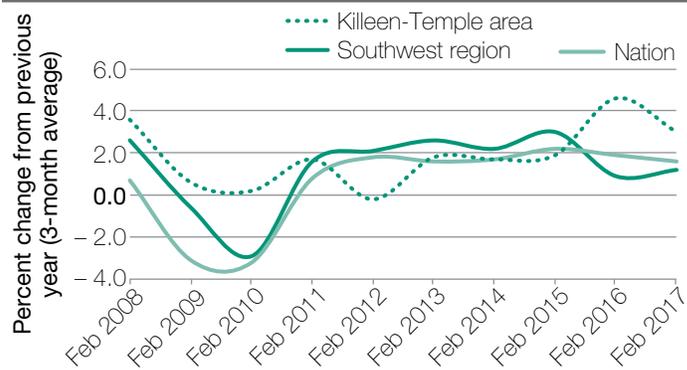
Economic conditions in the Killeen-Temple metropolitan area continue to expand. Since 2010, nonfarm payroll jobs have increased by an average of 2,700 jobs, or 1.9 percent annually. The government sector is the largest employment sector in the metropolitan area with 38,600 jobs, accounting for 26 percent of all nonfarm payroll jobs. Fort Hood is the largest public employer in the sector, with nearly 5,500 civilian employees and a total workforce of 44,050. The education and health services sector is the second largest employment sector with 24,000 jobs and has been one of the fastest growing employment sectors in the metropolitan area since 2000. Baylor Scott & White Health is the largest private employer in the metropolitan area with 8,300 employees.

During the 3 months ending February 2017—

- Nonfarm payrolls in the Killeen-Temple metropolitan area grew by 4,200, or 3.0 percent, to 146,400 compared with nonfarm payrolls during the 3 months ending February 2016.
- Employment growth was led by the mining, logging, and construction sector, which increased by 1,200 jobs, or 13.3 percent, largely because of hiring in the construction subsector, fueled by a rise in multifamily construction since 2015 and recent road widening projects along U.S. Highway 190 and Interstate 35.

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Nonfarm payroll growth in the Killeen-Temple area has been faster than in the Southwest region since mid-2015 because the area was largely unaffected by the downturn in the energy industry.



Source: U.S. Bureau of Labor Statistics

Largest employers in the Killeen-Temple area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort Hood Army Base	Government	44,050
Baylor Scott & White Health	Education and health services	8,300
Teleperformance	Professional and business services	1,700

Notes: Excludes local school districts. Data include military personnel.
Sources: Greater Killeen Chamber of Commerce; Temple Economic Development Corporation

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- The education and health services and the wholesale and retail trade services sectors also recorded strong job gains of 1,300 and 900, or 5.7 and 4.0 percent, respectively.
- The unemployment rate in the metropolitan area rose to 4.6 percent from 4.3 percent during the same period a year ago, largely because the labor force increased at a faster rate than resident employment.

Sales Market Conditions

The Killeen-Temple metropolitan area sales housing market is currently balanced. The sales vacancy rate is estimated at 1.7 percent, down from 2.4 percent in April 2010. Economic expansion since 2010, improved access to credit, and low interest rates on mortgage loans contributed to higher demand for single-family homes. During February 2017, the number of homes listed for sale represented 3.6 months of inventory in the metropolitan area, down from 4.7 months of supply a year earlier (Real Estate Center at Texas A&M University). The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 3.1 percent in January 2017, down from 3.5 percent a year ago (CoreLogic, Inc.). The current rate is higher than the 2.7-percent rate for Texas and 2.6 percent for the nation, however.

During the 12 months ending February 2017—

- The number of new and existing home sales totaled 8,775, an 8-percent increase from the same 12-month period a year ago, and 29 percent higher than the average of 6,825 homes sold annually from 2010 through 2014.

In the Killeen-Temple area, new home sales price growth slowed during the 12 months ending February 2017, while existing home sales prices remained nearly unchanged.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

The wholesale and retail trade sector is an important part of the local economy due in part to the metropolitan area location along Interstate 35, which runs through Texas and extends from Mexico to Canada. In 2016, furniture maker Southwest Contract, Performance Foodservice, and HEB Grocery Company, LP announced plans to invest \$2.5, \$10, and \$6 million, respectively in new warehouse facilities. Performance Foodservice plans to create 100 additional jobs by 2021 and HEB Grocery Company, LP is expected to hire 100 more employees at its Temple facility by 2018.

- New home sales accounted for 22 percent of all sales and totaled 1,950, representing an increase of 275 sales, or 16 percent, from the previous 12 months. The average new home sales price rose by \$2,425, or 1 percent, to \$209,700.
- Existing home sales rose by 400 homes, or 6 percent, to 6,825 homes from the 12 months ending February 2016. The average existing home sales price remained virtually unchanged at \$162,500.
- The expanding economy and stronger housing market contributed to a drop in REO sales in the metropolitan area to 1,000 home sales, representing a decline of 150 sales, or 12 percent, from the previous 12 months. Currently, REO sales account for 15 percent of existing sales in metropolitan area, down slightly from an average of 17 percent from 2009 through 2014.

Single-family home construction activity, as measured by the number of single-family homes permitted, has decreased modestly since the most recent peak in 2014. Planned cuts in military personnel of 3,350, which were announced in 2015, have resulted in builder caution and lower levels of single-family construction.

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In the Killeen-Temple area, new home sales have increased rapidly since 2016, while the growth rate in existing home sales has remained relatively stable since late 2015.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company



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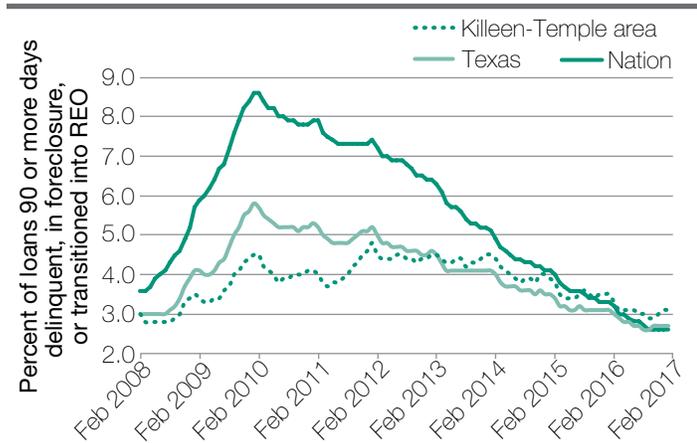
- The number of single-family homes permitted totaled 1,825 during the 12 months ending February 2017, a decline of 50 homes, or 3 percent, from a year earlier (preliminary data).
- Since the reassignment of nearly 6,500 military personnel from Fort Hood to Fort Carson Army Base in 2008, building activity in the metropolitan area fell compared with the early to mid-2000s when an average of 2,650 homes were permitted annually. From

2009 through 2014, construction activity remained relatively stable and averaged approximately 2,025 homes permitted annually.

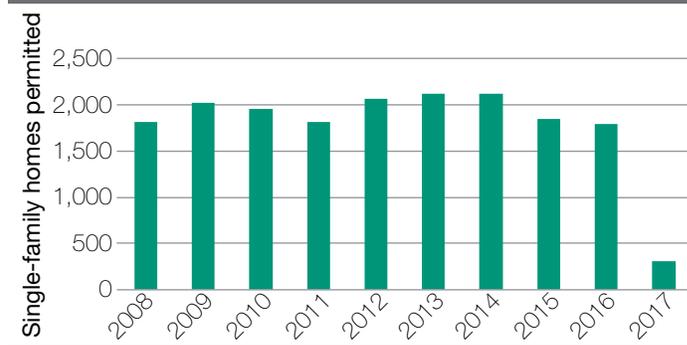
- Bell County accounted for 89 percent of all single-family homes permitted in the metropolitan area during the 12 months ending February 2017, a proportion nearly unchanged from the previous 12 months and slightly below the average of 91 percent from 2000 through 2014.

Since late 2015, the rate of seriously delinquent loans and REO properties in the Killen-Temple area has been higher than in Texas and the nation.

The number of single-family homes permitted in the Killeen-Temple area remained stable, as the stable government sector insulates the area from cyclical changes in economic conditions.



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



Note: Includes preliminary data from January 2016 through February 2017.
Source: U.S. Census Bureau, Building Permits Survey

Rental Market Conditions

Rental housing market conditions in the Killeen-Temple metropolitan area are soft, largely because of a weaker demand for single-family homes for rent and other units with fewer than five apartments in the structure. The overall rental vacancy rate is estimated at 10.8 percent, up from 10.1 percent in April 2010. Single-family homes for rent are popular among Fort Hood personnel and account for nearly one-half of all rental units in the metropolitan area. A large portion of vacant single-family homes and small rental units are in the Fort Hood area. Any significant decline in the rental vacancy rate is unlikely if the number of military-connected households in the metropolitan area continues to decline.

The apartment market, which accounts for only 26 percent of all rental units in the metropolitan area, is balanced with a vacancy rate of 5.4 percent during the fourth quarter of 2016, down from 6.0 percent during the fourth quarter of 2016 (Reis, Inc.). The apartment vacancy rate has steadily declined since the fourth quarter of 2010 when the vacancy rate was 8.8 percent.

- The average monthly apartment rent was \$706 during the fourth quarter of 2016, up by \$7, or 1 percent, from the same period a year earlier.
- In February 2017, the average rent for a three-bedroom, single-family home in the metropolitan area was \$1,047, down by \$41, or 4 percent, from \$1,088 in February 2016 (CoreLogic, Inc.).

Multifamily construction activity in the metropolitan area, as measured by the number of units permitted, is largely concentrated in the cities of Belton and Temple in Bell County, specifically near Scott & White Medical Center, which, following the merger of Scott & White Healthcare with Baylor Health Care System in 2013, became a training facility for medical residents and fellows in training at the Texas A&M Health Science Center College of Medicine.

- During the 12 months ending February 2017, approximately 350 multifamily units were permitted (preliminary data with adjustments by the analyst), compared with 910 units during the same period a year earlier.

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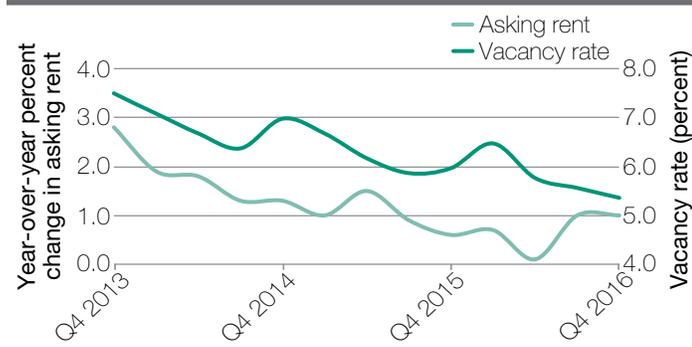
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- From 2009 through 2014, an average of 420 multifamily units were permitted annually, a slower pace of construction than the average of 980 units that were permitted annually from 2000 through 2008, when the number military-related households in the metropolitan area increased by nearly 40 percent.
- Since 2010, 86 percent of all apartments constructed in the metropolitan area have been in Bell County.
- In the city of Belton, the 200-unit Colonial Crossing Apartments is under construction with expected completion during the spring of 2017. Rents for one- and two-bedroom units start at \$890 and \$1,055, respectively.

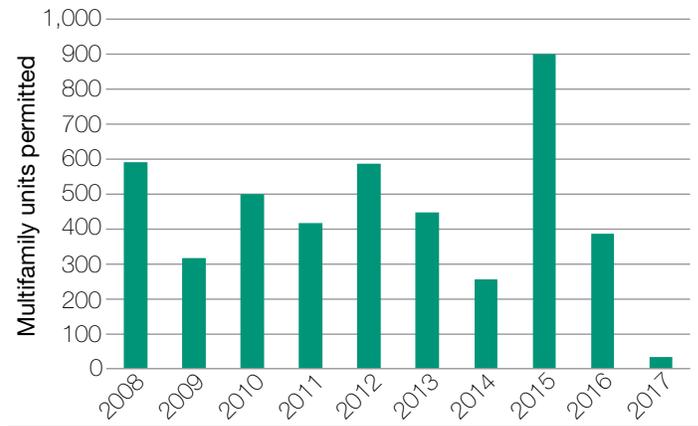
- In the city of Temple, the 207-unit Villas on the Hill is currently in leaseup. Rents for the one-, two-, and three-bedroom units start at \$845, \$1,297, and \$1,540, respectively. In addition, the 208-unit Cypressbrook Temple Apartments is currently under construction with expected completion by the fall of 2017. Starting rents have not yet been disclosed.

Vacancy rates have declined in the Killeen-Temple area since the previous peak late in 2013, and rent growth has resumed since mid-2016, as newly constructed apartment units have been absorbed.

Following a surge in permitting during 2015, multifamily permitting in the Killeen-Temple area returned to the levels observed from 2009 to 2014.



Q4 = fourth quarter.
Source: Reis, Inc.



Note: Includes preliminary data from January 2016 through February 2017.
Source: U.S. Census Bureau, Building Permits Survey

