

HUD PD&R Housing Market Profiles

San Antonio-New Braunfels, Texas



Quick Facts About San Antonio-New Braunfels

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **The tourism industry accounts for nearly one of eight jobs in the San Antonio metropolitan area and has been the second greatest source of job growth since 2000. Visitors to the metropolitan area spent \$7.94 billion in 2017, up 7 percent from 2016 (The Economic Impact on Travel of Texas 1994–2017, Dean Runyan Associates).**



By T. Michael Miller | As of October 1, 2018

Overview

The San Antonio metropolitan area encompasses eight counties in south-central Texas. The principal city of San Antonio is in Bexar County, which includes nearly 80 percent of the population in the metropolitan area. The city of San Antonio was the seventh most populous city in the nation and had the largest nationwide population increase among cities, up by 24,200 people, or 1.6 percent, from 2016 to 2017 (U.S. Census population estimates as of July 1). New Braunfels, the second largest city in the metropolitan area, was the second fastest growing city in the nation, up 8.0 percent, or 5,825 people, from 2016 to 2017.

- As of October 1, 2018, the estimated population of the San Antonio-New Braunfels metropolitan area is 2.53 million, reflecting an average annual increase of 46,950, 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 Great Recession, which led to strong population growth during the period despite weaker economic conditions.

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- Net in-migration has averaged 29,500 people annually and has accounted for 64 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.

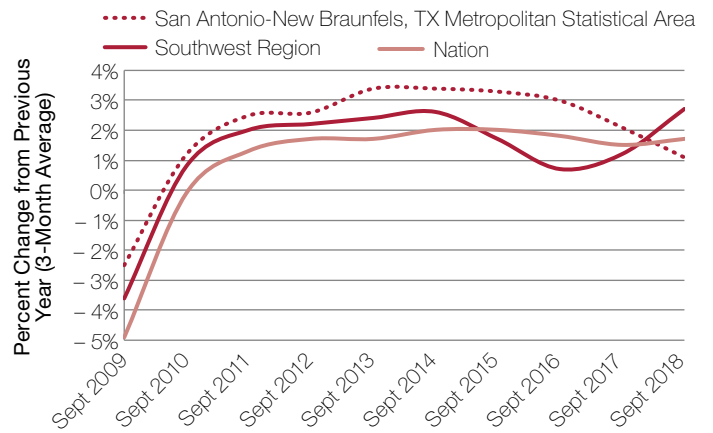
Economic Conditions

The economy of the San Antonio-New Braunfels metropolitan area has expanded for more than 7 years. Since 2011, nonfarm payroll jobs have increased by an average of 25,500 jobs, or 2.7 percent, annually. The government sector is the largest employment sector in the metropolitan area, with 168,900 jobs, and accounts for 16 percent of all nonfarm payroll jobs. Joint Base San Antonio is the largest employer in the sector, with 39,900 civilian employees and a total workforce of 80,000. The education and health services sector is the second largest employment sector, with 165,800 jobs, and has been one of the fastest growing employment sectors in the metropolitan area since 2000, adding an average 4,100 jobs, or 3.4 percent, annually. Methodist Healthcare System and Baptist Health System are the fourth and sixth largest employers in the metropolitan area, with 9,625 and 6,375 employees, respectively.

During the 3 months ending September 2018—

- Nonfarm payrolls increased by 11,400 jobs, or 1.1 percent, to an average of 1.05 million jobs, from the 3 months ending September 2017. More than 90 percent of all growth occurred in the education and health services and the mining, logging, and construction sectors.
- The education and health services sector led job growth, expanding by 5,200 jobs, or 3.2 percent, to 165,800.

Nonfarm payroll growth in the San Antonio area has been strong since 2011 but has slowed during the past year.



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

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The education and health services and the mining, logging, and construction sectors accounted for nearly all payroll growth in the San Antonio area during the 3 months ending September 2018.

	3 Months Ending		Year-Over-Year Change	
	September 2017 (Thousands)	September 2018 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,040.5	1,051.9	11.4	1.1%
Goods-Producing Sectors	108.9	114.0	5.1	4.7%
Mining, Logging, & Construction	59.9	65.0	5.1	8.5%
Manufacturing	49.1	49.0	- 0.1	- 0.2%
Service-Providing Sectors	931.5	937.9	6.4	0.7%
Wholesale & Retail Trade	150.5	150.4	- 0.1	- 0.1%
Transportation & Utilities	31.5	32.8	1.3	4.1%
Information	20.5	20.4	- 0.1	- 0.5%
Financial Activities	89.5	88.8	- 0.7	- 0.8%
Professional & Business Services	135.7	133.9	- 1.8	- 1.3%
Education & Health Services	160.6	165.8	5.2	3.2%
Leisure & Hospitality	137.5	137.6	0.1	0.1%
Other Services	38.4	39.3	0.9	2.3%
Government	167.3	168.9	1.6	1.0%
	(Percent)	(Percent)		
Unemployment Rate	3.6%	3.4%		

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



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Largest Employers in the San Antonio Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base San Antonio	Government	80,000
HEB Grocery Company, LP	Wholesale & Retail Trade	20,000
United Services Automobile Association	Financial Activities	18,300

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 40,100 uniformed military personnel, who are not included in nonfarm payroll survey data.

Source: San Antonio Economic Development Foundation

- The mining, logging, and construction sector added 5,100 jobs, or 8.5 percent, to average 65,000 jobs from a year earlier, partly from increased oil and gas extraction activity in and near the metropolitan area.
- The leisure and hospitality sector added 100 jobs, an increase of 0.1 percent, and during the 12 months ending September 2018 added 3,700 jobs, or 2.8 percent, due in part to the more

than 700 events associated with the 300th anniversary of the city of San Antonio in 2018.

- The professional and business services and the financial activities sectors were two of five sectors to decline, down by 1,800 and 700 jobs, or 1.3 and 0.8 percent, respectively.

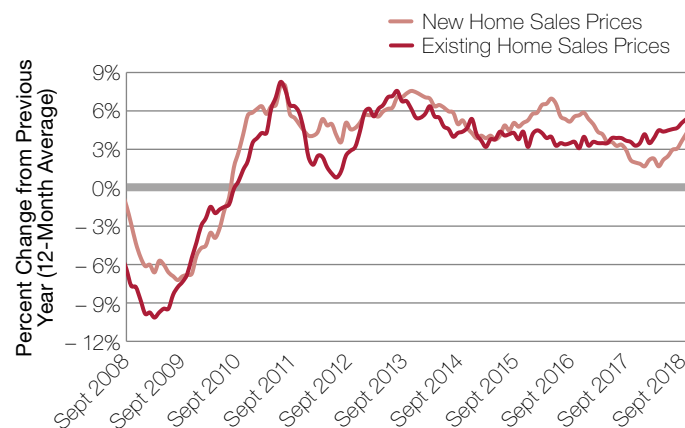
Due in part to job gains associated with extraction activity in the Eagle Ford Shale, a geological formation rich in hydrocarbons to the south of the city of San Antonio, the mining, logging, and construction sector was the second fastest growing sector in the metropolitan area during the 3 months ending September 2018. Although most of the extraction activity is done outside the metropolitan area, support operations, such as trucking, often are based in the metropolitan area. The University of Texas at San Antonio (UTSA) estimated the economic impact of the Eagle Ford Shale activity in Bexar County in 2016 at approximately \$3.99 billion and calculated that it accounted for 23,550 jobs in the county (UTSA Center for Community and Business Research, September 2016).

Sales Market Conditions

Sales housing market conditions in the San Antonio metropolitan area are currently balanced, with job growth and strong net immigration contributing to increased demand, which is causing an increase in both home sales prices and single-family home construction. During the 12 months ending September 2018, the average sales price of a new home increased 4 percent from a year ago to \$292,200, an average increase of \$11,600, or 5 percent, annually since 2010 (CoreLogic, Inc., with adjustments by the analyst). Approximately 10,350 new single-family homes,

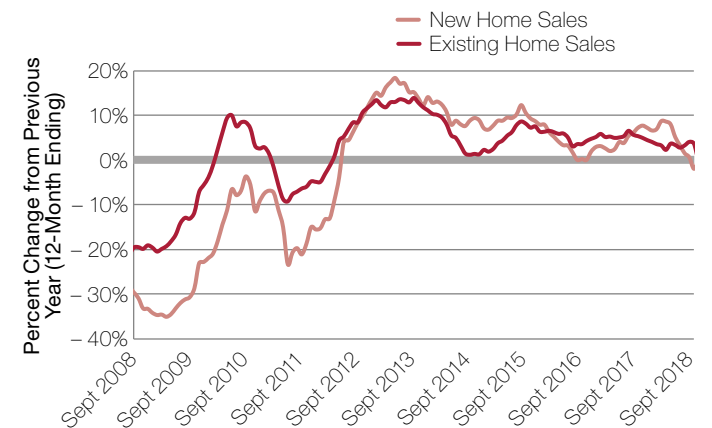
townhomes, and condominiums sold during the 12 months ending September 2018, down 2 percent from the 10,550 homes sold during the previous 12-month period but up from an average of 9,650 homes sold annually from 2013 through 2016. The decline in sales was partly an adjustment from the recent peak in new home sales a year earlier, when new home sales increased 7 percent as buyers purchased homes in anticipation of an increase in interest rates. By comparison, new home sales averaged 16,800 a year during a 3-year peak from 2004 through 2007 but only 7,550 a

In the San Antonio area, new and existing home sales price growth has strengthened during the past 6 months, after new home sales prices slowed during the previous 12 months.



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

New home sales in the San Antonio area decreased during the past month, after increasing each year since 2012.

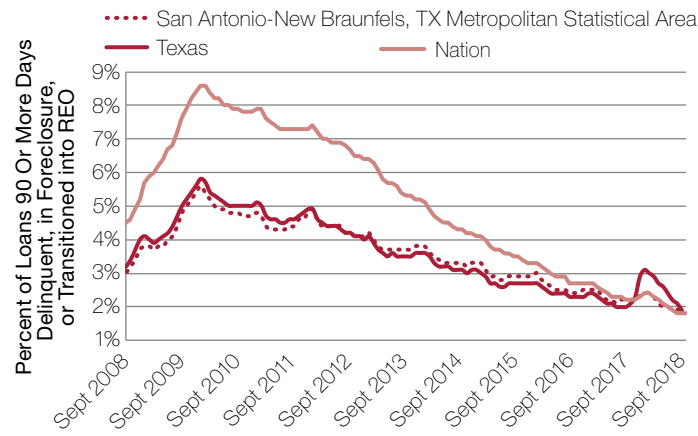


Note: Includes single-family, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst



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The percentage of seriously delinquent loans and REO properties in the San Antonio area was the same as that of Texas but slightly higher than that of the nation during the past year.



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

year from 2009 through 2012, when the sales market was weak. An estimated 3.5 months of for-sale inventory was available in the San Antonio metropolitan area as of September 2018, down slightly from 3.6 months during September 2017 (Real Estate Center at Texas A&M University).

- Existing home sales increased to 46,650 during the 12 months ending September 2018, up 4 percent from the 44,950 existing homes sold during the 12 months ending September 2017 and up an average 7 percent annually since 2012.
- The average sales price of an existing home was \$233,100 during the 12 months ending September 2018, a 5-percent increase from \$221,200 during the previous 12 months and up an average 4 percent annually since 2010.
- 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 \$37,700 less than the price of regular resales. Distressed home sales (REO and short sales) accounted for 4 percent of total existing sales during the 12 months ending September 2018, down

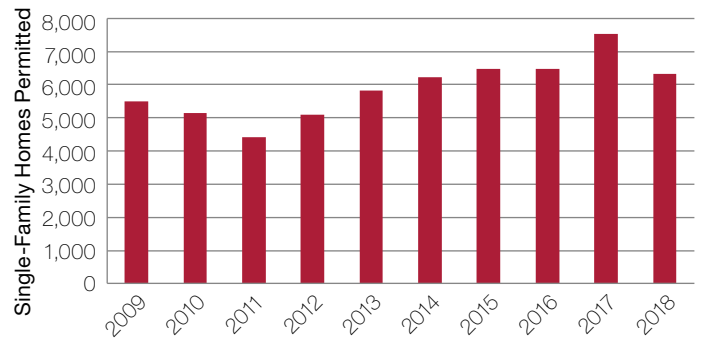
Apartment Market Conditions

Apartment housing market conditions in the San Antonio metropolitan area currently are balanced, as the supply slightly exceeded the demand for apartments during the past year, with 6,225 units added and 6,075 new units absorbed.

During the third quarter of 2018—

- Apartment vacancy rates in the 10 Reis, Inc.-defined market areas within the San Antonio metropolitan area ranged from

Single-family permitting in the San Antonio area has increased nearly each year since 2012.



Note: Includes preliminary data from January 2018 through September 2018.
Source: U.S. Census Bureau, Building Permits Survey

from 6 percent during the previous 12-month period and from 21 percent during 2010.

- The percentage of home loans in the San Antonio metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into REO status declined from 2.2 percent in September 2017 to 1.9 percent in September 2018 (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 stronger sales market conditions.

- The number of single-family homes permitted grew to 7,950 during the 12 months ending September 2018, up 8 percent from the 7,375 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 and peaking at 7,525 homes in 2017.
- Notable single-family developments under construction are in West San Antonio and include Meyer Ranch, with approximately 1,600 single-family homes and 113 condominiums at buildout. The community will begin construction of model homes in early 2019, with home sales prices starting at \$200,000 for a three-bedroom home.

3.3 percent in the Northwest market area to 7.5 percent in the Central San Antonio market area.

- The apartment vacancy rate increased in 6 of the 10 market areas relative to a year ago. The largest apartment vacancy rate increase occurred in the Southwest market area, where the apartment vacancy rate was up 1.5 percentage points from

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a year ago. Approximately 60 percent of the total apartment additions were completed in market areas that recorded vacancy increases during the past year.

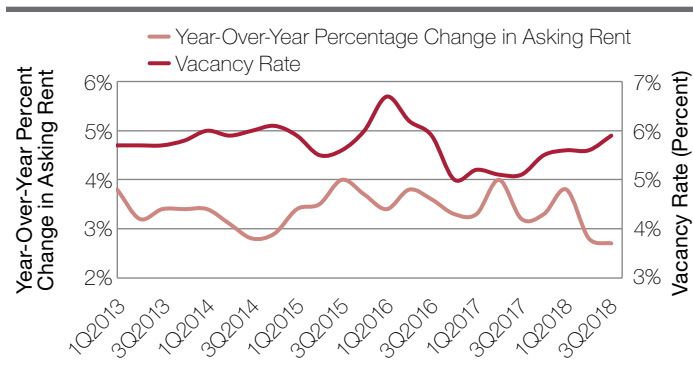
- The largest vacancy decline, 3.3 percentage points, occurred in the South market area, which had an average asking apartment rent 4 percent below the average in the metropolitan area at \$843, virtually unchanged from the third quarter of 2017. The South market area had an apartment vacancy rate of 6.0 percent, down from 9.3 percent a year ago, partially because developers slowed production of apartments to allow absorption of the large number of units added during the previous year.
- Asking apartment rents increased from the third quarter of 2017 in all market areas except the Far West and the Far Northeast market areas, where rents declined 5.0 and 0.3 percent, respectively. Asking apartment rent increases ranged from less than 1 percent in the Far Northwest market area to 5 percent in the Far North Central market area.

Multifamily construction activity, as measured by the number of units permitted, has decreased significantly during the past year but remains above the lows recorded from 2007 through 2010, a period when the San Antonio-New Braunfels metropolitan area had lower levels of population growth and net in-migration. During the 12 months ending September 2018, 5,050 multifamily units were permitted in the metropolitan area, a 33-percent decline from the same period a year ago. The average 9,150 units permitted

annually during 2014 and 2015 is the highest figure on record for any 2-year period for the metropolitan area and is 37 percent above the previous high that averaged 6,675 units permitted during 2005 and 2006.

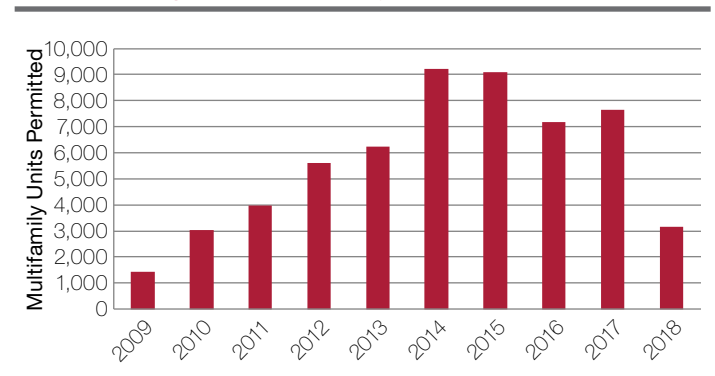
- An average of 5,925 multifamily units were permitted each year during 2012 and 2013, compared with an average of only 2,825 multifamily units permitted each year from 2009 through 2011, and an average of 4,775 units permitted each year from 2000 through 2008.
- An estimated 6,225 units were added to the apartment inventory in the metropolitan area from the third quarter of 2017 to the third quarter of 2018. That figure represents a 4-percent increase in the existing inventory during the period, continuing a 3- to 4-percent annual gain since 2013.
- Recent multifamily construction was concentrated in the Far North Central and Northwest market areas, which accounted for approximately 42 percent of all multifamily construction activity during the past year.
- An estimated 6,550 apartment units are currently under construction in the metropolitan area, concentrated in the South and Far West market areas, with 19 and 17 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 increased from recent lows.



Source: Reis, Inc.

The number of multifamily units permitted during 2016 and 2017 in the San Antonio area decreased from higher levels during 2014 and 2015 but remained higher than other years since 2010.



Note: Includes preliminary data from January 2018 through September 2018. Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

