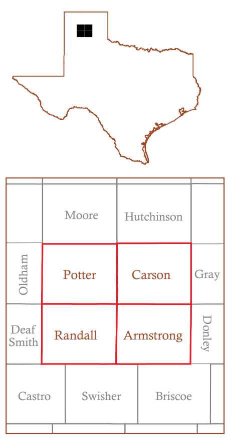
COMPREHENSIVE HOUSING MARKET ANALYSIS

Amarillo, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of March 1, 2007

Housing Market Area



The Amarillo, Texas Housing Market Area (HMA), located in the center of the Texas Panhandle, comprises Armstrong, Carson, Randall, and Potter Counties. The HMA is a regional center for trade, health services, and higher education for more than 500,000 people. It is home to the Texas Tech University Health Sciences Center (TTUHSC) and West Texas A&M University (WTAMU).

Market Details

Summary

Economy

Nonfarm employment in the Amarillo HMA for the 12 months ending February 2007 averaged 110,550 jobs, up 2,550 jobs, or 2.3 percent, compared with the previous 12-month period. Most job growth occurred in the manufacturing, education and health services, and leisure and hospitality sectors. Nonfarm employment is projected to increase by an average annual rate of 1.3 percent during the next 3 years.

Sales Market

The Amarillo home sales market is currently balanced. The average sales price for single-family homes was approximately $131,400 during the 12 months ending February 2007, according to the Real Estate Center at Texas A&M University. Since 2000, the average sales price has increased annually by 5 percent. Table 1 shows an expected total demand of 2,900 sales units during the forecast period.

Rental Market

The HMA rental market is slightly soft with a 9-percent vacancy rate with minimal concessions being offered. Average rents have increased 3 percent during the past year to $455 for a one-bedroom unit, $600 for a two-bedroom unit, and $730 for a three-bedroom unit. Table 1 illustrates a forecast rental demand of 325 units.Much of this demand will be satisfied by the 270 units currently under construction.

Table 1. Housing Demand in the Amarillo HMA, 3-Year Forecast, March 1, 2007 to March 1, 2010

	Amarillo HMA	
	Sales Units	Rental Units
Total Demand	2,900	325
Under Construction	160	270

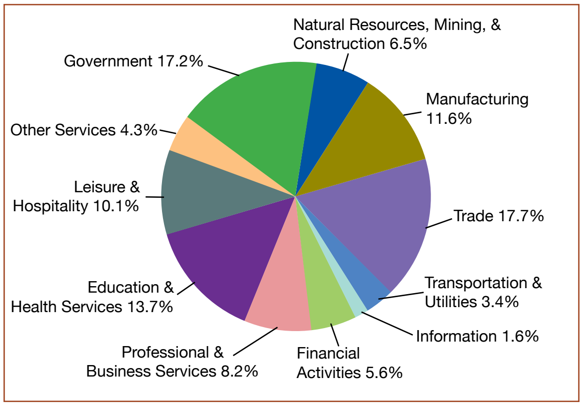
Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of March 1, 2007.

Source: Estimates by analyst

Economic Conditions

The Amarillo HMA derives significant economic benefit from its location in the center of the 26-county Texas Panhandle region. Amarillo is a hub for major north-south and east-west transportation; it is a crossroads for Interstate 40 between Oklahoma City, Oklahoma, and Albuquerque, New Mexico, and Dallas-to-Denver traffic. The HMA serves as a business, trade, and healthcare center for a geographic area that includes parts of Oklahoma, New Mexico, Kansas, and Texas. Nearly 18 percent of total nonfarm jobs are in the trade sector, as shown in Figure 1. Table 2 shows the top employers, including Tyson Foods, BWXT Pantex, and Baptist St. Anthony Health System, each with more than 2,500 employees.

Figure 1. Current Employment in the Amarillo HMA, by Sector



Note: Based on 12-month averages through February 2007.
Source: U.S. Bureau of Labor Statistics

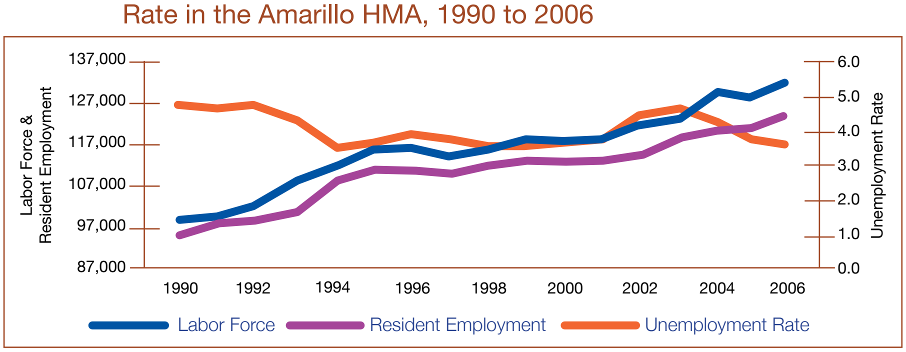
Table 2. Major Employers in the Amarillo HMA

Name of Employer	Employment Sector	Number of Employees
Tyson Foods	Manufacturing	3,650
BWXT Pantex	Manufacturing	3,200
Baptist St. Anthony Health System	Health Services	2,700
Wal-Mart Supercenters	Retail Trade	1,825
Northwest Texas Healthcare System	Health Services	1,800
United Supermarkets	Retail Trade	1,700
Amarillo College	Education	1,310
Xcel Energy	Utilities	1,020
Affiliated Foods	Retail Trade	990
Bell Helicopter	Manufacturing	925

Source: Amarillo Economic Development Corporation

The Amarillo HMA is the leading provider of medical services in the Texas Panhandle and is growing as a regional healthcare research and educational center. The TTUHSC at Amarillo provides education for medical students in four different specialties in the Schools of Medicine, Pharmacy, and Allied Health, which offers courses in physical and occupational therapy. Another major contributor to the local economy is WTAMU, which employs more than 900 faculty and staff. According to an economic impact study by WTAMU in 2003, the university has an estimated annual economic impact on the HMA of $132 million.

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Amarillo HMA, 1990 to 2006



Source: U.S. Bureau of Labor Statistics

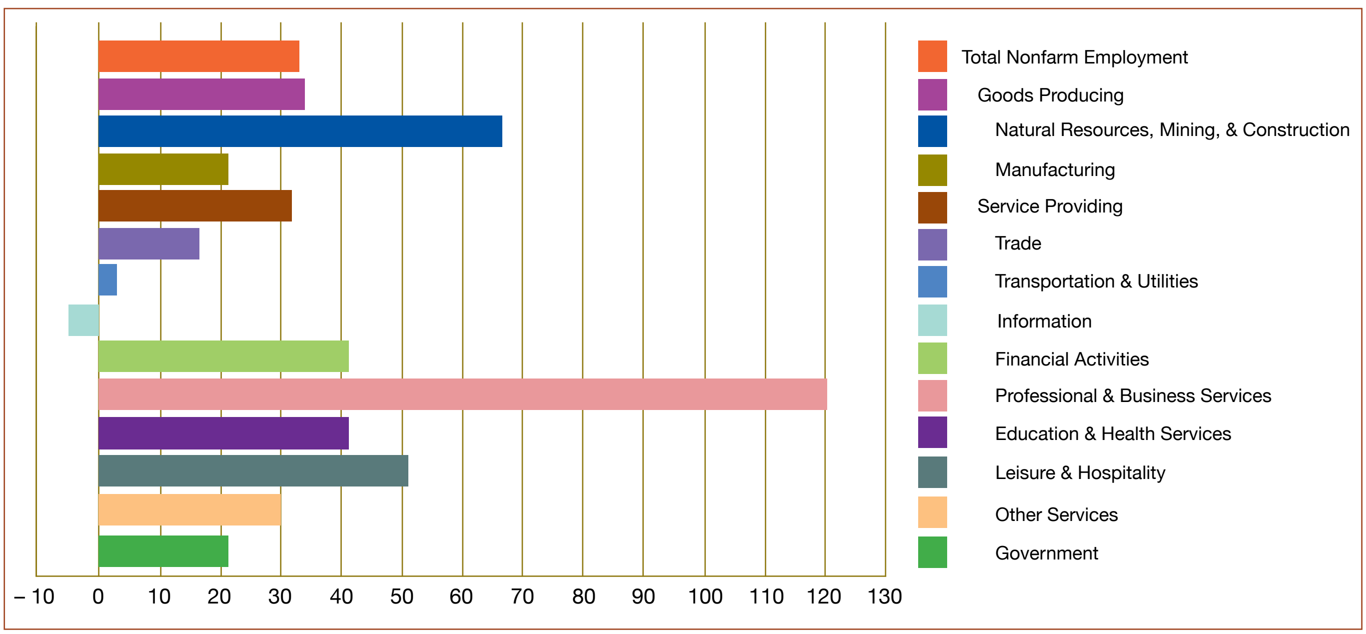
The Amarillo HMA economy grew at a steady rate during the 1990s. Labor force and resident employment increased by an average annual rate of 1,620 and 1,690, respectively. Figure 2 shows that the unemployment rate declined from 4.9 percent in 1990 to 3.8 percent in 2000. Since 2000, the labor force and resident employment have increased by an average of 1,850 and 1,790 each year, respectively; the unemployment rate has remained relatively unchanged in the same time period.

During the 1990s, employment in most sectors increased. During the decade, nonfarm employment in the Amarillo HMA increased by 1,860 jobs annually, an average annual rate of 2.2 percent. Since 2000, nonfarm employment has grown by 1,100 jobs, or 1.1 percent annually. The professional and business services sector had the largest increase, adding 425 jobs, or 7 percent, annually, with most of the growth occurring from 2003 through 2006. Figure 3 shows the percentage growth in each sector from 1990 through the current 12 months.

Since 2000, the manufacturing sector has averaged an increase of approximately 190 jobs annually. Manufacturing jobs include oil and gas production, precious metals refining, and aircraft production. Bell Helicopter, which employs more than 900 workers, expects to add approximately 300 jobs in the next 3 years.

During the 12 months ending February 2007, nonfarm employment in the Amarillo HMA increased by 2,500 jobs, or 2.3 percent, to 110,500. Approximately 57 percent of job growth was in goods-producing sectors. Table 3 shows that growth rates were highest in the natural resources, mining, and construction sector, which added 600 jobs, or a 9.1 percent increase, in the 12 months ending February 2007 compared with the previous 12-month period. The manufacturing sector grew by 700 jobs, or 5.8 percent, during the same period, primarily resulting from expansion at Bell Helicopter and Tyson Foods. During the past 12 months, employment in the financial activities

Figure 3. Sector Growth in the Amarillo HMA, Percent Change, 1990 to Current



Note: Current is based on 12-month averages through February 2007.
Source: U.S. Bureau of Labor Statistics

Table 3. 12-Month Average Employment in the Amarillo HMA, by Sector

Employment Sector	12 Months Ending February 2006	12 Months Ending February 2007	Percent Change
Total Nonfarm Employment	108,000	110,500	2.3
Goods Producing	18,700	20,000	7.0
Natural Resources, Mining, & Construction	6,600	7,200	9.1
Manufacturing	12,100	12,800	5.8
Service Providing	89,300	90,350	1.2
Trade	19,300	19,550	1.3
Transportation & Utilities	3,600	3,700	2.8
Information	1,800	1,800	0.0
Financial Activities	5,900	6,200	5.1
Professional & Business Services	9,200	9,000	– 2.2
Education & Health Services	14,800	15,100	2.0
Leisure & Hospitality	10,900	11,200	2.8
Other Services	4,900	4,800	– 2.0
Government	18,900	19,000	0.5

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through February 2007.

Source: U.S. Bureau of Labor Statistics

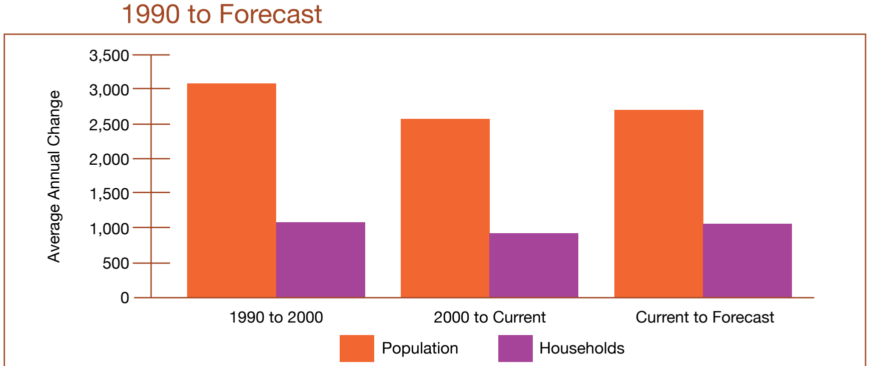
sector increased by 300 jobs, or 5.1 percent, the highest rate of growth among the service-providing sectors. Nonfarm employment during the next 3 years is projected to increase by an average of 1.3 percent annually.

Population and Households

As of March 1, 2007, the Amarillo HMA population is estimated at 243,900, which represents an average annual increase of 2,500, or 1.1 percent, since 2000, as shown in Figure 4. The 2000 Census reported a population of 226,522 for the HMA compared with 196,111 in 1990, an annual increase of 3,040, or 1.6 percent, during the decade. Since 2000, net natural increase (resident births minus resident deaths) in the area has averaged 1,500 people annually, accounting for 60 percent of population gain. As of March 1, 2010, the population of the Amarillo HMA is forecast to be 252,000, an average annual increase of 2,700, or 1.1 percent, during the next 3 years. Figure 5 shows the trends for components of population change in the HMA from 1990 to the forecast. During the forecast period, net in-migration and net natural increase are expected to increase by 1,150 and 1,550, respectively, annually.

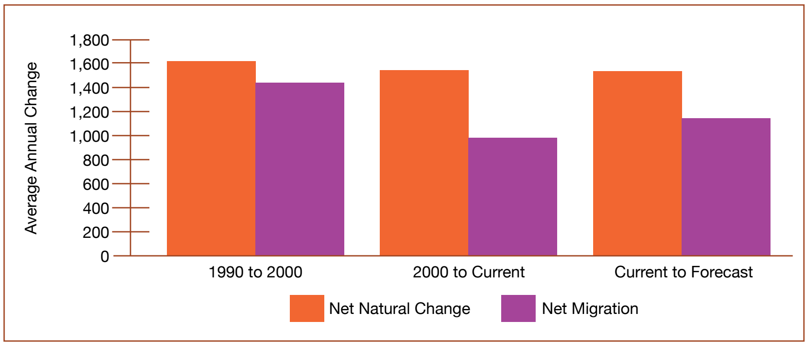
Currently the HMA has an estimated 91,850 households, of which 62,250 are owner and 29,600 are renter.

Figure 4. Population and Household Growth in the Amarillo HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Amarillo HMA, 1990 to Forecast

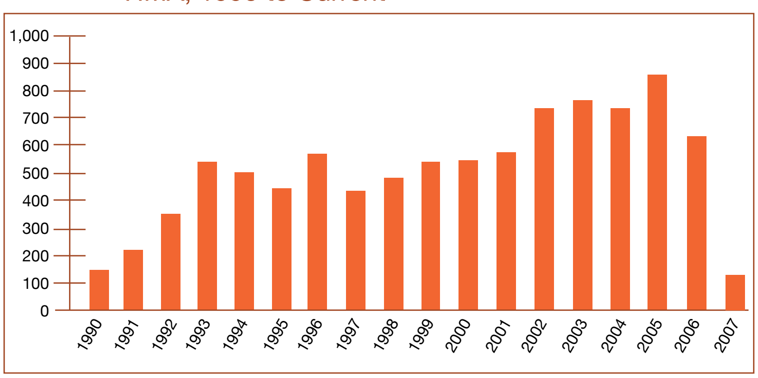


Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

During the forecast period, the number of households is expected to increase annually by 950, a 1.1 percent increase, to a total of 94,900. The nonhousehold population, currently estimated at 9,000, is not expecetd to change significantly during the forecast period. WTAMU enrolls an estimated 7,400 students, or 3 percent of the HMA population. Approximately 1,500 students reside in on-campus housing, which represents about 17 percent of the nonhousehold population. Additional HMA data appear in Table DP-1 at the end of the report.

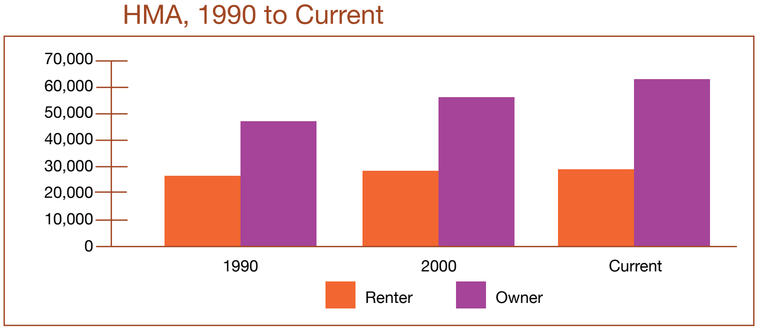
Housing Market Trends

Figure 6. Single-Family Building Permits Issued in the Amarillo HMA, 1990 to Current



Notes: Includes only single-family units. Includes data through February 2007.
Source: U.S. Census Bureau, Building Permits Survey

Figure 7. Number of Households by Tenure in the Amarillo HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Sales Market

The sales market in the HMA is currently balanced with a vacancy rate of 1.5 percent. Affordable home prices and low interest rates have prompted an increase in single-family building activity, as measured by the number of homes permitted, in Amarillo during the past 6 years. From 2000 to 2006, single-family building permits averaged approximately 700 homes annually, compared with 510 homes annually from 1993 to 1999. Figure 6 shows that the number of single-family building permits issued peaked in 2005 at 860. Figure 7 shows that, as of the current date, 68 percent of households are homeowners.

In the 12 months ending February 2007, 3,500 homes were sold in the HMA, an increase of more than 14 percent from the previous 12 months. In the past 12 months, approximately 50 percent of existing homes sold were in the $119,000-to-$130,000 price range. The average home sales price increased by 2 percent, from $128,700 for the 12 months ending February 2006 to $131,400 for the 12 months ending February 2007.

Since 2000, because of strong demand and the higher cost of construction materials, the average price of a new single-family home has increased annually by 5 percent. New homes with 1,200 square feet and a one-car garage are available from $80,000.

During the forecast period, an estimated total of 2,900 new sales units will be in demand for the Amarillo HMA. Table 4 shows that 50 percent of estimated demand for new market-rate sales will be in the $100,000-to-$200,000 price range. New home development is in the south, southwest, and northwest because of land availability and proximity to medical facilities and shopping centers.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Amarillo HMA, March 1, 2007 to March 1, 2010

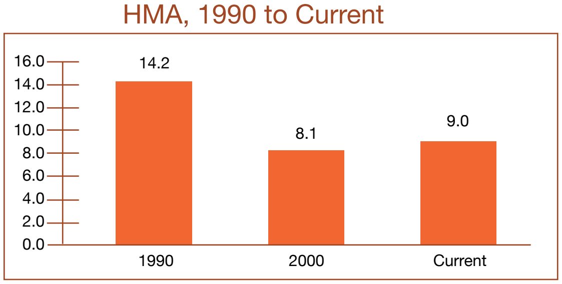
Price Range ($)		Units of Demand	Percent of Total
From	To		
80,000	99,999	290	10.0
100,000	149,999	870	30.0
150,000	199,999	580	20.0
200,000	249,999	260	9.0
250,000	299,999	260	9.0
300,000	349,999	260	9.0
350,000	399,999	230	7.9
400,000	and higher	150	5.2

Source: Estimates by analyst

Rental Market

The rental market is slightly soft; the HMA has a current overall vacancy rate estimated at 9 percent, as illustrated in Figure 8. Minimal concessions include $99 move-in specials, 5- to 10-percent student rent reductions, and 2 to 3 weeks of free rent. Average rents have increased 3 percent during the past year to $455 for one-bedroom units, $600 for two-bedroom units, and $730 for three-bedroom units.

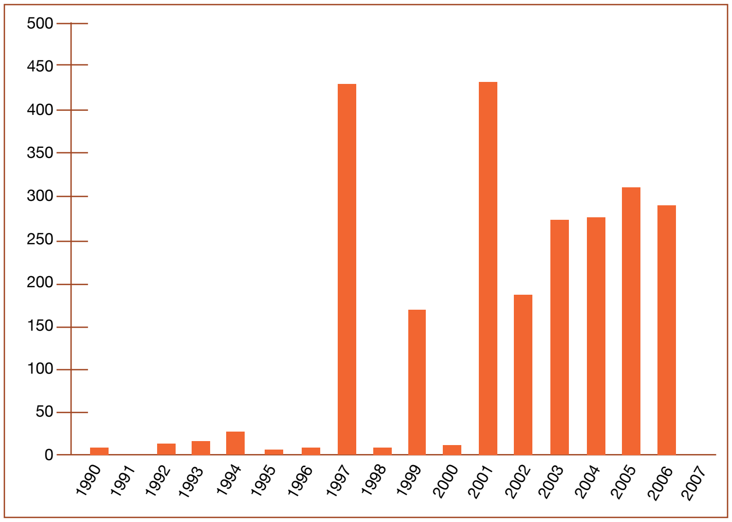
Figure 8. Rental Vacancy Rates in the Amarillo HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Apartment production was limited during the 1990s, as demonstrated in Figure 9 by the level of multifamily building permits issued. The limitation was in response to an overproduction of apartments in the 1980s, which increased vacancies through most of the 1990s. Since 2001, approximately 1,745 rental units have been constructed—almost triple what was produced in the previous decade. Multifamily building activity totaled 264 units for the 12 months ending February 2007, 8 percent less than during the previous 12-month period. New rental development has been concentrated in the southwest and northwest edges of the Amarillo HMA, close to the Harrington Regional Medical Center and the newer shopping areas.

Figure 9. Multifamily Building Permits Issued in the Amarillo HMA, 1990 to Current



Notes: Includes all multifamily units in structures with two or more units. Includes data through February 2007.

Source: U.S. Census Bureau, Building Permits Survey

Since 2000, enrollment at WTAMU has increased by nearly 2,000, or 35 percent. Of the 7,400 students attending WTAMU, 20 percent live in university housing, and the rest either live at home with their parents or rent apartments.

Rental demand is estimated at 325 units in the HMA during the forecast period. Table 5 provides a breakdown of demand by range of rents and number of bedrooms. Approximately 270 rental units are currently under construction in the HMA.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Amarillo HMA, March 1, 2007 to March 1, 2010

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
700	130	800	140	950	55
750	110	850	120	1,000	45
800	100	900	110	1,050	40
850	95	950	100	1,100	35
900	85	1,000	90	1,150	25
950	70	1,050	70	1,200	25
1,000	60	1,100	60	1,250	20
1,100	50	1,200	50	1,350	15
1,200	40	1,300	35	1,450	15
1,300 and higher	30	1,400 and higher	25	1,550 and higher	10

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP–1. Amarillo HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%) 1990 to 2000	Average Annual Change (%) 2000 to Current
Total Resident Employment	96,512	113,453	127,580	1.6	1.7
Unemployment Rate (%)	4.9	3.4	3.7		
Nonfarm Employment	83,100	101,700	110,500	2.0	1.2
Total Population	196,111	226,522	243,900	1.5	1.1
Total Households	75,067	85,272	91,850	1.3	1.1
Owner Households	48,702	56,173	62,250	1.4	1.5
Percent Owner (%)	64.9	65.9	67.8		
Renter Households	26,365	29,099	29,600	1.0	0.2
Percent Renter (%)	35.1	34.1	32.2		
Total Housing Units	84,506	91,594	99,265	0.8	1.2
Owner Vacancy Rate (%)	3.3	1.7	2.0		
Rental Vacancy Rate (%)	14.2	8.1	9.0		
Median Family Income	$36,700	$43,634	$49,400	1.7	1.8

Note: Median family incomes are for 1989, 1999, and 2006.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 3/1/2007—Analyst's estimates

Forecast period: 3/1/2007–3/1/2010—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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_AmarilloTX.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (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 wishes to express 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.