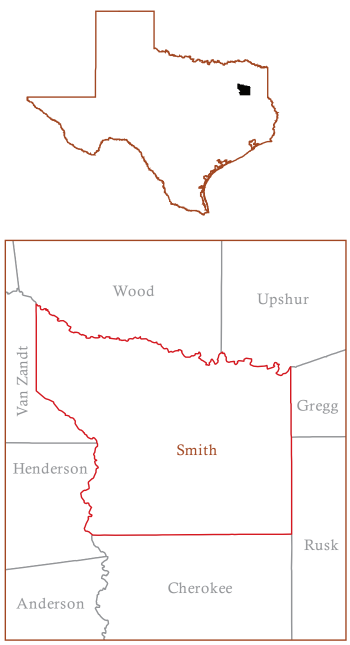
COMPREHENSIVE HOUSING MARKET ANALYSIS

Tyler, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2011

Housing Market Area



The Tyler Housing Market Area (HMA) is located in northeastern Texas, about 100 miles east-southeast of Dallas and consists of Smith County. The city of Tyler, known as the "Rose Capital of the Nation," is a regional center for education and healthcare institutions. It is the most populous city in the HMA, with approximately 46 percent of the area population.

Market Details

Summary

Economy

Nonfarm payrolls in the Tyler HMA declined during 2009 and 2010, although the labor market has shown signs of recovery in recent months. During the 12 months ending March 2011, nonfarm payrolls increased by 600 jobs, or 0.6 percent, to an average of 92,750 compared with a decline of 3.2 percent during the 12 months ending March 2010. During the next 3 years, nonfarm payrolls are expected to grow at a rate of 1.1 percent annually. Additional employment data for the HMA appear in Table DP-1 at the end of this report.

Sales Market

The sales housing market in the HMA is soft. During the forecast period, employment and population gains are expected to support demand for 2,900 new market-rate sales housing units and an additional 400 mobile homes. The 140 homes currently under construction will satisfy a portion of this demand (see Table 1). A portion of the 4,000 other vacant units in the HMA may come back on the market and satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is currently slightly soft after 3 years of very soft conditions. The overall vacancy rate is estimated at 8 percent, a decrease from the 10.6-percent rate a year earlier. During the 3-year forecast period, demand is expected for 980 new rental units (see Table 1). The approximately 320 units currently under construction or in the final planning stages will meet a portion of this demand.

Table 1. Housing Demand in the Tyler HMA, 3-Year Forecast, April 1, 2011 to April 1, 2014

	Tyler HMA	
	Sales Units	Rental Units
Total Demand	3,300	980
Under Construction	140	200

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Total sales demand includes an estimated demand for 400 mobile homes. Units under construction as of April 1, 2011. A portion of the estimated 4,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

The economy of the Tyler HMA is beginning to show signs of recovery, after experiencing declines in nonfarm payrolls in 2009 and 2010. During the 12 months ending March 2011, nonfarm payrolls increased by 600 jobs, or 0.6 percent, to 92,750 jobs (see Table 2). In comparison, nonfarm payrolls decreased by 3,100 jobs, or 3.2 percent, during the previous 12-month period. Before the downturn, from 2000 to 2008, annual gains averaged 1,400 jobs, or 1.6 percent. During the past 12 months, the unemployment rate averaged 7.8 percent, almost unchanged from the 7.7-percent rate recorded during the previous 12 months. Figure 1 shows trends in labor force, resident employment, and unemployment rates since 1990.

During the 12 months ending March 2011, about 75 percent of the gains in nonfarm payrolls occurred in the education and health services sector and professional and business services sector. The education and health services sector grew by 3.4 percent, or 700 jobs, to 21,100 jobs. Reflecting the strong growth in this sector, in January 2010, the East Texas Medical Center Regional Healthcare System (ETMC) added 72 patient rooms, a 1,000-car parking garage, and a new energy plant, an investment totaling $48 million. Trinity Mother Frances Hospitals and Clinics (TMFHC) is currently building the Louis and Peaches Owen Heart Hospital, an investment exceeding $18 million, which is expected to contribute to additional employment in the education and health services sector, although it is uncertain how many jobs will be added. The first phase of construction was completed in December 2010; completion of the second phase is expected by 2012. The education and health services sector is the largest sector in the HMA, with approximately 23 percent of employment, in part because of the 4,200 employees at ETMC and the 3,700 at TMFHC, which are the two largest employers in the HMA (see Table 3). The professional and business services sector increased by 250 jobs, or 2.8 percent, to 8,725 jobs. Gencore, LLC, is investing $12 million to construct a 34,600-square-foot facility that will include office space and a data center. The facility is expected to be complete by the fall of 2011, with minimal new job creation. Figure 2 illustrates sector

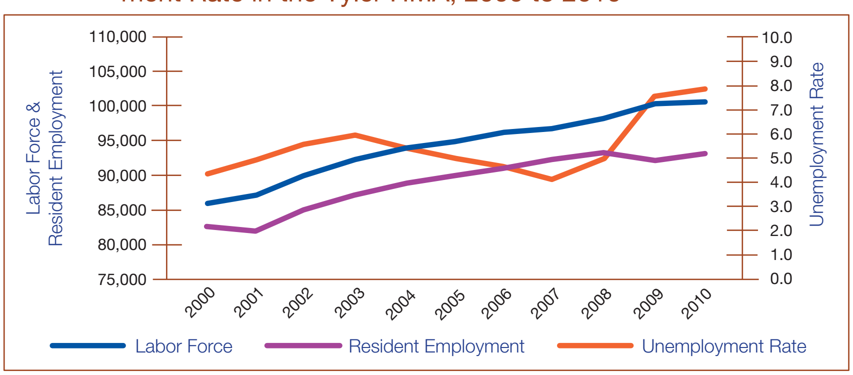
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Tyler HMA, by Sector

	12 Months Ending March 2010	12 Months Ending March 2011	Percent Change
Total Nonfarm Payroll Jobs	92,150	92,750	0.6
Goods Producing	12,250	12,200	– 0.4
Mining, Logging, & Construction	5,600	5,750	2.7
Manufacturing	6,650	6,450	– 3.0
Service Providing	79,900	80,550	0.8
Wholesale & Retail Trade	14,950	14,700	– 1.7
Transportation & Utilities	3,575	3,500	– 1.9
Information	2,100	2,050	– 2.4
Financial Activities	4,000	3,975	– 0.6
Professional & Business Services	8,475	8,725	2.8
Education & Health Services	20,400	21,100	3.4
Leisure & Hospitality	9,600	9,650	0.4
Other Services	3,900	3,900	0.2
Government	12,900	12,950	0.4

Notes: Based on 12-month averages through March 2010 and March 2011. 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 Tyler HMA, 2000 to 2010



Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Tyler HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
East Texas Medical Center Regional Healthcare System	Education & Health Services	4,200
Trinity Mother Frances Hospitals and Clinics	Education & Health Services	3,700
Brookshire Grocery Company	Wholesale & Retail Trade	2,200
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	1,700
Trane® Inc.	Manufacturing	1,500
Suddenlink Communications	Information	1,100
Chicago Bridge & Iron Company	Manufacturing	850
University of Texas Health Science Center at Tyler	Government	850
Target Corporation	Wholesale & Retail Trade	700
Carrier Corporation	Manufacturing	650

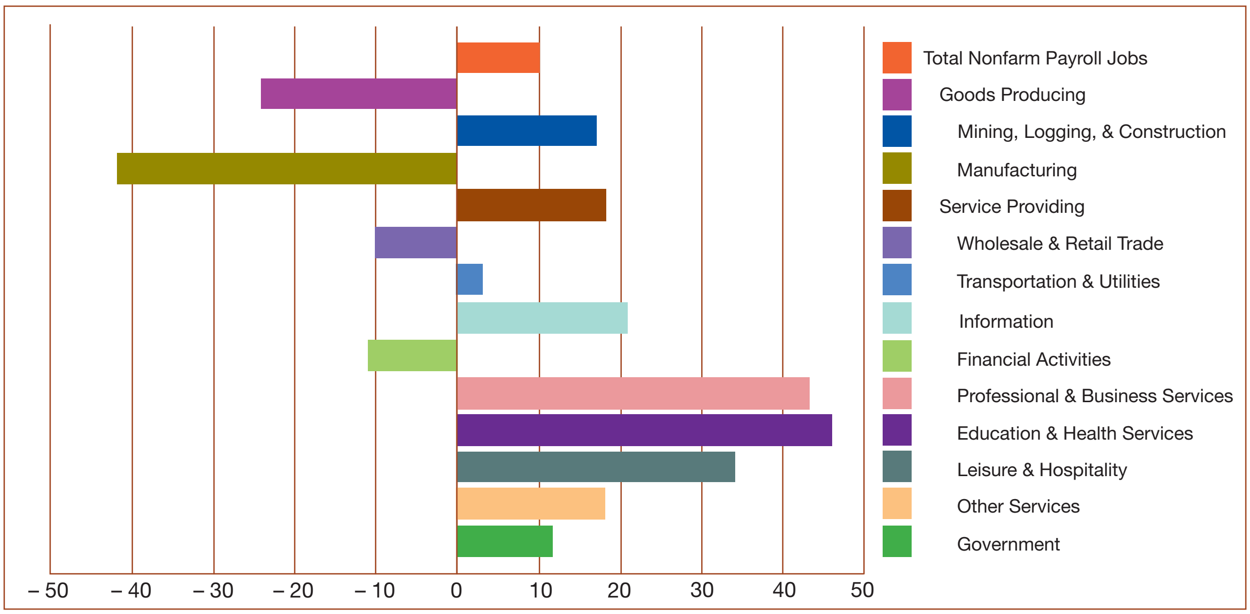
Sources: Tyler Economic Development Corporation; the City of Tyler; East Texas Medical Center

growth in the HMA from 2000 to the current date, and Figure 3 illustrates current nonfarm payroll jobs in the HMA by sector.

Several employment sectors recorded job losses during the 12 months ending March 2011. The wholesale and retail trade sector lost the largest number of jobs, declining by 250, or 1.7 percent, to 14,700 jobs. The manufacturing sector also lost a significant number of jobs, declining by 200 jobs, or 3.0 percent, to 6,450 jobs. The other sectors that lost jobs were transportation and utilities, information, and financial activities, which lost 75, 50, and 25 jobs, or 1.9, 2.4, and 0.6 percent, respectively.

Since 2000, manufacturing payrolls have declined by more than 40 percent. The number of manufacturing jobs peaked in the mid-1990s and has declined almost every year since 1995. From 2008 through 2009, more than 2,600 jobs were lost in the manufacturing sector. During 2008, the closure of The Goodyear® Tire & Rubber Company plant, which

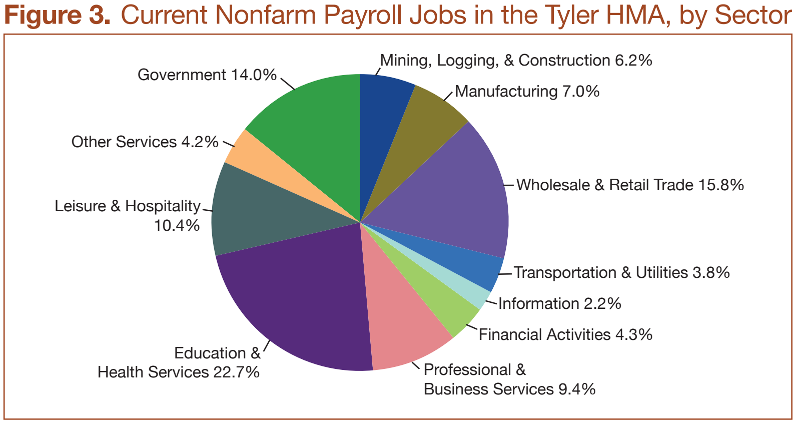
Figure 2. Sector Growth in the Tyler HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Tyler HMA, by Sector



Note: Based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics employed 900 workers, accounted for the largest number of job losses in the manufacturing sector during that period. Other significant layoffs in the manufacturing sector from 2008 through 2009 included 360 by Trane® Inc., an air conditioner manufacturer; 330 by the Tyler Pipe Company; and 280 by the Chicago Bridge & Iron Company. In contrast, the education and health services sector and the professional and business services sector have been the fastest growing sectors since 2000, increasing by roughly 46 and 43 percent, respectively.

During the 3-year forecast period, nonfarm payrolls are expected to increase by 1,000 jobs, or 1.1 percent, annually, partially because of gains in the education and health services sector. Trane® is expected to hire 300 employees at its Tyler assembly plant by the date of this report. Construction of the Tyler Armed Forces Reserve Center, valued at $24.5 million, is currently under way, with completion expected by June 2011; it is uncertain how many jobs will be created when the center is completed. The University of Texas Health Science Center at Tyler is currently building a $42 million, three-story academic center, although it is unclear when the center will be completed.

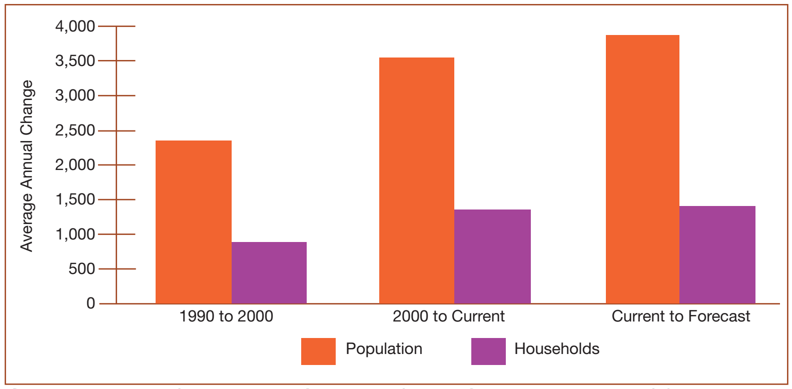
Population and Households

As of April 1, 2011, the population of the Tyler HMA is estimated at 213,500, reflecting an increase of 3,800, or 1.8 percent, from 209,700 on April 1, 2010. According to the U.S. Census Bureau, as of April 1, 2010, the city of Tyler had a population of 96,900, accounting for approximately 46 percent of the HMA's population.

Since April 1, 2000, the population has grown by an average of 3,525, or 1.8 percent, annually. During the 1990s, the population of the HMA increased by an average of 2,350, or 1.4 percent, a year. Net in-migration accounted for approximately 61 percent of the population gain during the 1990s; the remainder of the growth came from net natural change (resident births minus resident deaths). During the 2000s, net in-migration accounted for an estimated 65 percent of the population growth. In-migration during the 2000s was strongest from 2004 through 2007, when it averaged an estimated 2,875 annually because of strong job growth during the period. Since then, in-migration has slowed to an estimated average of 2,300 annually from 2007 through the current date, because of job losses during 2009 and 2010. The population of the HMA is forecast to grow by 1.8 percent a year during the next 3 years and to total approximately 225,000 by April 1, 2014. See Figure 4 for population and household growth in the HMA from 1990 to the forecast date.

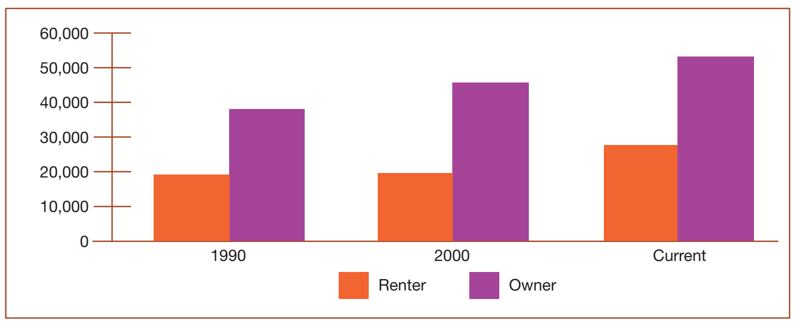
Since 2000, the number of households has increased by 1,275, or 1.8 percent, annually compared with an increase of 890, or 1.5 percent, a year during the 1990s. Currently, the HMA has an estimated 80,350 households. Figure 5 illustrates the number of households by tenure in the HMA for 1990, 2000, and the current date. During the forecast period, the number of households is expected to increase by 1,375, or 1.7 percent, annually to a total of approximately 84,500 by February 1, 2014. Figure 6 shows the components of population change in the HMA from 1990 to the forecast date.

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



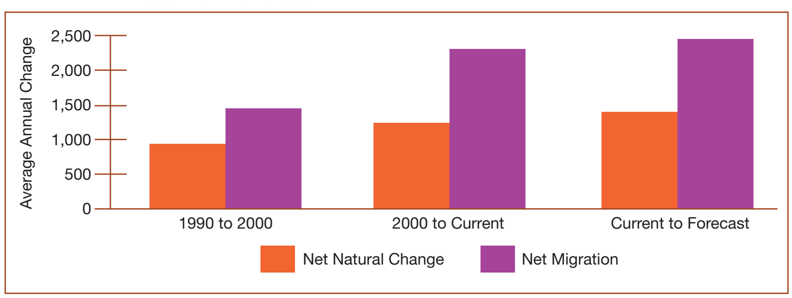
Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Tyler HMA, 1990 to Current



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

Figure 6. Components of Population Change in the Tyler HMA, 1990 to Forecast



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

Housing Market Trends

Sales Market

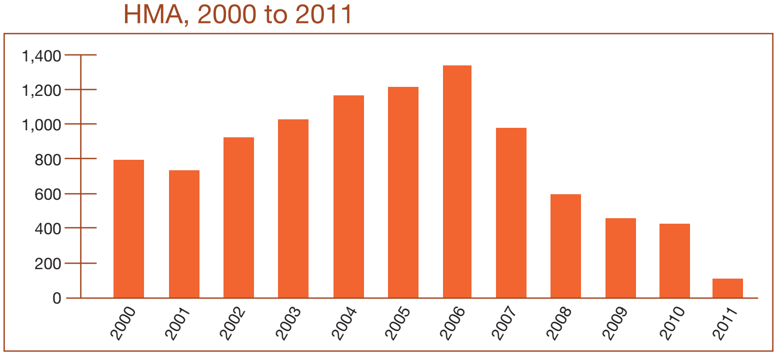
The sales housing market in the Tyler HMA is soft because of job losses during 2009 and 2010, the expiration of the first-time homebuyer tax credit in 2010, and tight mortgage lending standards. The home sales vacancy rate is currently estimated at 2.0 percent, compared with 1.8 percent on April 1, 2000. According to the Real Estate Center at Texas A&M University, during the 12 months ending March 2011, the number of single-family homes sold in the Tyler HMA decreased to 2,700, a 7-percent decline compared with the number of homes sold during the previous 12-month period. The current level of sales remains below the number of homes sold during the peak years of 2006 and 2007, when sales averaged 3,600 annually, and represents a return to sales levels approximating those that prevailed from 2003 through 2004, when sales averaged 2,550 annually. The low level of home sales has contributed to a decline in the homeownership rate in the HMA. According to the U.S. Census Bureau, the homeownership rate was 66.5 percent on April 1, 2010, down significantly from the 69.7-percent rate recorded on April 1, 2000.

The average sales price for new and existing homes in the HMA was $160,200 during the 12 months ending March 2011, according to the Real Estate Center at Texas A&M University; this price represents a 2-percent increase from the average price of $156,300 recorded during the previous 12-month period. During the 12 months ending March 2011, the available inventory of new and existing homes in the HMA averaged a 13-month supply, an increase from the average of a 12-month supply recorded during the previous 12-month period, and the highest inventory supply level recorded since 1992. According to LPS Applied Analytics, in March 2011, the percentage of mortgage loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) was 3.8 percent, down from the 4.4-percent rate recorded in March 2010.

Homebuilding activity remains at the lowest levels recorded since the early 1990s, because of weak economic conditions and tight mortgage lending standards (see Figure 7). Based on the latest local data available, an estimated 420 single-family homes were built during 2010, relatively unchanged from the estimated 430 homes built during 2009, and a 30-percent decline from the estimated 600 homes built during 2008. The most recent level of activity remains well below the estimated annual average of 1,250 homes built from 2004 through 2006. In comparison, from 2000 through 2003, an estimated average of 830 single-family homes were built annually. In contrast, during the 1990s, single-family home construction averaged an estimated 620 homes annually.

Prices for new three-bedroom, single-family homes in the HMA start at about $120,000. Ongoing

Figure 7. Single-Family Building Permits Issued in the Tyler HMA, 2000 to 2011



Notes: Includes only single-family units. Includes data through March 2011.
Source: U.S. Census Bureau, Building Permits Survey

developments include Oak Hollow, with about 200 homes slated for completion by 2013 and with prices starting at $250,000, and Guinn Farms, with a potential 150 homes to be completed by 2013 in the first of five phases and with prices starting at $140,000. The city's Tyler 21 Comprehensive Plan for long-term development has targeted the North Chase area of north Tyler for single-family, apartment, and retail development. Planned single-family developments in the North Chase area include La Bandera, with plans for 130 homes and prices expected to start at $250,000. Condominiums account for less than 1 percent of new home sales. Recent condominium developments include the Cascades Lake Towers, with 83 homes and prices starting at $170,000, and the Stretford, with 72 homes and prices starting at $380,000, both located in the Cascades golf community in west Tyler.

During the next 3 years, demand is expected for 2,900 new homes and an additional 400 mobile homes. The demand is expected to increase during the forecast period from 700 homes in the first year to an average of 1,100 homes annually during the last 2 years. A portion of this demand will be met by the 140 homes currently under construction (see Table 1). Slightly more than one-half of the demand is expected to be for units priced between $140,000 and $250,000 (see Table 4). It is likely that a portion of the estimated 4,000 other vacant units will enter the sales market and satisfy some of the forecast demand.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Tyler HMA, April 1, 2011 to April 1, 2014

Price Range ($)		Units of Demand	Percent of Total
From	To		
110,000	139,999	430	14.8
140,000	179,999	730	25.0
180,000	249,999	870	29.9
250,000	349,999	440	15.3
350,000	499,999	290	9.9
500,000	and higher	150	5.1

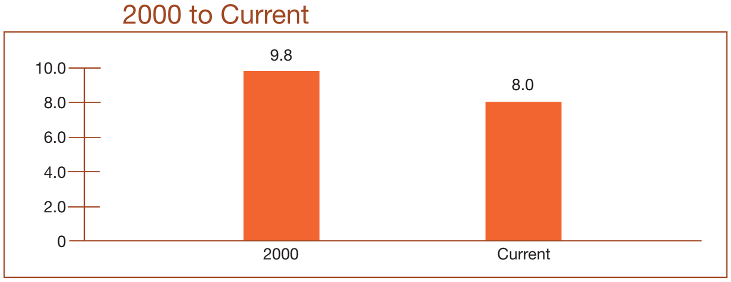
Notes: Excludes mobile homes. A portion of the estimated 4,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market

Rental housing conditions in the HMA are slightly soft, following 3 years of very soft market conditions. The current overall rental vacancy rate is estimated at 8.0 percent—slightly lower than the 10.6-percent rate recorded a year earlier and the 9.8-percent rate recorded in 2000 (see Figure 8). According to the Tyler Apartment Association, during the first quarter of 2011, the apartment vacancy rate was 7.0 percent, a substantial decrease from the 11.1-percent rate recorded during the first quarter of 2010. The sharp decrease in the vacancy rate is mainly because of large reductions in apartment completions since 2009 coupled with continued population growth and renter household growth. During the first quarter of 2011, apartment rents averaged $630 for a one-bedroom unit, $800 for a two-bedroom unit, and $930 for a three-bedroom unit. Average rents increased by 4 percent for one-bedroom units and by

Figure 8. Rental Vacancy Rates in the Tyler HMA, 2000 to Current



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

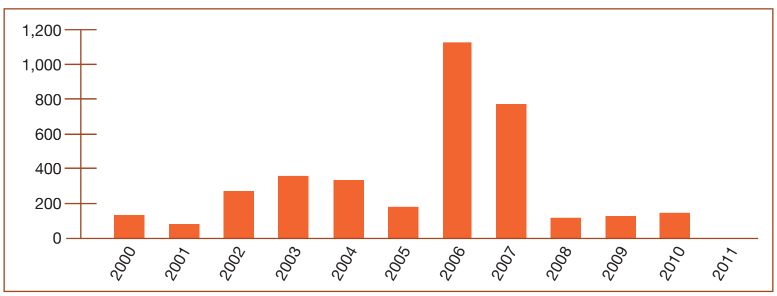
3 percent for two- and three-bedroom units when compared with rents during the first quarter of 2010.

Apartment construction, as measured by the number of apartment units permitted by the city of Tyler, which contains nearly all the apartments in the HMA, remained relatively stable during the past 24 months. During the 12 months ending March 2011, approximately 140 multifamily units were permitted compared with 120 units permitted during the previous 12 months. The current level of activity is higher than the average of 100 units permitted annually from 2008 through 2009 but well below the average of 930 units permitted annually during the peak years of 2006 and 2007 (see Figure 9). In comparison, apartment construction from 2002 through 2005 averaged 240 units annually.

The completion of more than 1,800 apartment units from 2007 through 2009 contributed to very soft apartment market conditions from late 2007 through early 2010. Apartment market conditions were softest during the second quarter of 2009, when the apartment vacancy rate peaked at 15 percent. The decrease in apartment completions since 2009 has been a principal cause of the recovery and subsequent tightening in the apartment market in the HMA. The first phase of Haverhill Place, with 48 units, was completed in 2010, and completion of the second phase, with 64 units, is expected by 2012. Lake View Apartment Homes, with 140 units, is currently under construction in the North Chase development, with completion expected by 2012. The Pinnacle at North Chase, with 120 units, is currently in the final planning stages and completion is expected by 2012.

During the 3-year forecast period, demand is estimated for 980 new rental units (see Table 1). The approximately 200 units currently under construction and 120 units currently in the final planning stages will meet a portion of this demand. To allow for the absorption of these units, additional units should not come on line until the second year of the forecast period. Table 5 shows demand by number of bedrooms and rent level.

Figure 9. Multifamily Building Permits Issued in the Tyler HMA, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2011.

Sources: City of Tyler; Smith County Appraisal District; U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Tyler HMA, April 1, 2011 to April 1, 2014

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
500 to 699	10	700 to 899	310	900 to 1,099	210	1,100 to 1,299	210
		900 to 1,099	55	1,100 to 1,299	45	1,300 to 1,499	30
		1,100 to 1,299	20	1,300 to 1,499	30	1,500 to 1,699	30
				1,500 to 1,699	15	1,700 to 1,899	15
						1,900 to 2,099	15
Total	10	Total	385	Total	300	Total	300

Source: Estimates by analyst

Data Profile

Table DP-1. Tyler HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%) 1990 to 2000	Average Annual Change (%) 2000 to Current
Total Resident Employment	70,712	82,429	93,700	1.5	1.3
Unemployment Rate	6.4%	4.4%	7.8%		
Nonfarm Payroll Jobs	63,300	84,500	92,750	2.9	0.9
Total Population	151,309	174,706	213,500	1.4	1.8
Total Households	56,800	65,692	80,350	1.5	1.8
Owner Households	37,785	45,785	53,100	1.9	1.4
Percent Owner	66.5%	69.7%	66.1%		
Renter Households	19,015	19,907	27,250	0.5	2.9
Percent Renter	33.5%	30.3%	33.9%		
Total Housing Units	64,369	71,701	87,800	1.1	1.9
Owner Vacancy Rate	2.9%	1.8%	2.0%		
Rental Vacancy Rate	12.7%	9.8%	8.0%		
Median Family Income	$35,200	$44,700	$56,200	2.4	2.1

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through March 2011. Median family incomes are for 1989, 1999, and 2010.

Sources: 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: 4/1/2011—Analyst's estimates

Forecast period: 4/1/2011–4/1/2014—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 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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_TylerTX_11.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 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.