

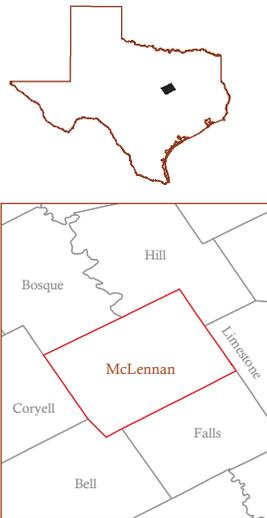


Waco, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of September 1, 2010



Housing Market Area



The Waco, Texas Housing Market Area (HMA) is coterminous with McLennan County and is located approximately half the distance between Dallas/Fort Worth and Austin. The Waco Chamber of Commerce recently initiated the Downtown Development Plan to increase the amount of occupied housing, retail, restaurant, and office development by 50 percent within a 7-mile radius of downtown, which includes the Baylor® University campus. Baylor University, with more than 2,300 employees, has an annual impact of more than \$1 billion on the local economy.

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Summary

Economy

During the 12 months ending August 2010, nonfarm payroll jobs in the Waco HMA increased by an average of 200 jobs, or 0.2 percent, to 107,000 jobs. Following a 6-year period of steady growth, nonfarm payrolls declined in 2009 by 1,300 jobs. During the 12-month period ending August 2010, the only sectors reporting an increase in employment were government, education and health services, and leisure and hospitality. During the 3-year forecast period, nonfarm payrolls are estimated to increase by an average of 0.7 percent annually in the HMA with most of the growth expected in the education and health services and the leisure and hospitality sectors.

Sales Market

The home sales market in the Waco HMA is currently somewhat soft, with an estimated sales vacancy rate of 1.9 percent. During the 12 months ending August 2010, new and existing single-family home sales levels were relatively unchanged from the previous year and the average home sales price was up nearly 3 percent to \$132,000. Demand is expected for 2,150 new homes during the forecast period, as

shown in Table 1. A portion of the estimated 4,800 other vacant units in the HMA will likely satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is currently balanced, mainly because of a recent reduction in new construction. As of September 1, 2010, the overall rental vacancy rate was estimated at 6.5 percent. The average rent in the HMA was \$750, relatively unchanged from the 12 months ending August 2009, according to Reis, Inc. During the next 3 years, demand is expected for 1,150 new rental units, as shown in Table 1.

Table 1. Housing Demand in the Waco HMA, 3-Year Forecast, September 1, 2010 to September 1, 2013

	Waco HMA	
	Sales Units	Rental Units
Total Demand	2,150	1,150
Under Construction	160	240

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of September 1, 2010. A portion of the estimated 4,800 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Despite two periods of significant job losses, the economy of the Waco HMA recorded a net employment gain for the past decade. The decade began with employment decreasing by an average of 300 jobs, or 0.3 percent, annually from 2000 to 2003. Nonfarm payrolls then increased by 675 jobs, or 0.6 percent, annually from 2004 to 2008. The decade then finished with a loss of 1,300 nonfarm payroll jobs, or 1.2 percent, during 2009; however, the economy began to recover and, during the 12 months ending August 2010, nonfarm payrolls

increased by 200 jobs, or 0.2 percent, to an average of 107,000 jobs (see Table 2). The job increase can be attributed to gains in the government, education and health services, and leisure and hospitality sectors, which added 1,100, 500, and 200 jobs, or gains of 6, 2.6, and 2.1 percent, respectively. Losses during the 12 months ending August 2010 occurred in the mining, logging, and construction sector, manufacturing sector, and trade sector, with each sector recording a decline of at least 400 jobs, or 6.3, 2.7, and 2.7 percent, respectively. During the 12 months ending August 2010, the unemployment rate averaged 7.2 percent, up from the 6-percent rate from the previous 12 months. The increase in unemployment was due primarily to the increase in labor force outpacing the increase in employment (see Figure 1).

The education and health services sector, which is the largest employment sector in the HMA, includes the three leading private employers, accounting for nearly 19 percent of all nonfarm payroll jobs, as shown in Figure 2. Providence Health Center, the leading private employer, employs 2,450 workers (see Table 3) and added an average of 100 workers annually during the past

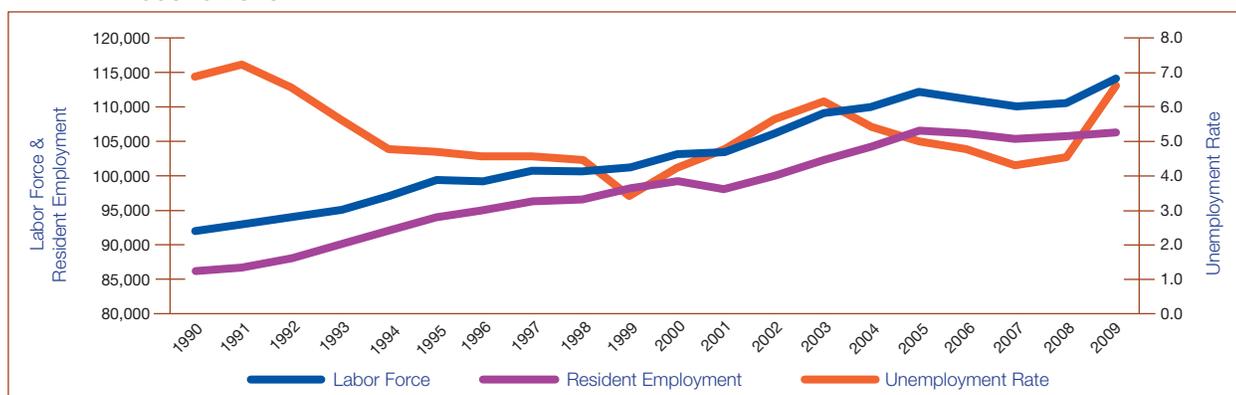
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Waco HMA, by Sector

	12 Months Ending August 2009	12 Months Ending August 2010	Percent Change
Total Nonfarm Employment	106,800	107,000	0.2
Goods Producing	21,100	20,200	-4.3
Mining, Logging, & Construction	6,300	5,900	-6.3
Manufacturing	14,700	14,300	-2.7
Service Providing	85,700	86,800	1.3
Wholesale & Retail Trade	14,900	14,500	-2.7
Transportation & Utilities	3,000	2,900	-3.3
Information	1,600	1,400	-12.5
Financial Activities	6,400	6,400	0.0
Professional & Business Services	8,600	8,500	-1.2
Education & Health Services	19,500	20,000	2.6
Leisure & Hospitality	9,700	9,900	2.1
Other Services	3,800	3,800	0.0
Government	18,300	19,400	6.0

Notes: Based on 12-month averages through August 2009 and August 2010. 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 Waco HMA, 1990 to 2010



Source: U.S. Bureau of Labor Statistics

3 years. The second leading employer is Baylor University, a private Baptist university that employs 2,350 faculty and staff. Recording its largest enrollment to date, with 14,900 students, the university had an economic impact on the local economy of approximately \$1.3 billion during 2009, according to a study by the Baylor Center for Business and Economic Research. Hillcrest Baptist Medical Center, which employs 1,725 workers, is the third leading employer and recently completed a new \$185 million medical center in south Waco on Interstate 35.

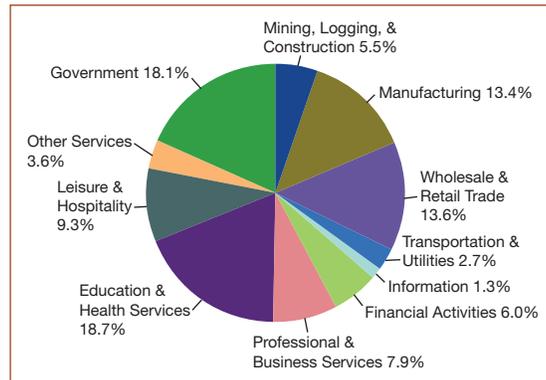
The leisure and hospitality sector has added an average of 130 workers,

or 1.3 percent, annually since 2000. Four hotels completed in the past 12 months added a combined total of 200 workers to the local economy. Hotel Indigo, part of The Downtown Development Plan, is currently under construction and is expected to employ more than 50 workers once completed in early 2011. The hotel will be located near the Hilton Hotel and the Waco Convention Center, each of which recently received renovations of \$20 million and \$17 million, respectively.

Since 2000, the manufacturing sector has lost an average of 420 payroll jobs, or 2.5 percent, annually; Figure 3 shows the total decline in this sector at 19 percent since 1990. The Economic Development Team of The Greater Waco Chamber of Commerce has focused on attracting new manufacturing companies to the area to recover some of these losses. Associated Hygienic Products, a diaper manufacturer, which opened in 2009, recently expanded its \$41 million facility. The expansion cost \$10 million and increased their employment from about 150 to more than 200 workers. Caterpillar Inc. constructed its fourth facility in the HMA in 2009; the \$33.5 million facility will provide 60 new jobs.

During the 3-year forecast period, nonfarm payroll jobs in the HMA are expected to increase by an average of 700 jobs, or 0.7 percent, annually. Growth is expected to be led by the education and health services and the leisure and hospitality sectors. Job growth will likely be slow during the next 12 months, but the rate is expected to increase to 1.1 percent a year by 2013.

Figure 2. Current Nonfarm Payroll Jobs in the Waco HMA, by Sector



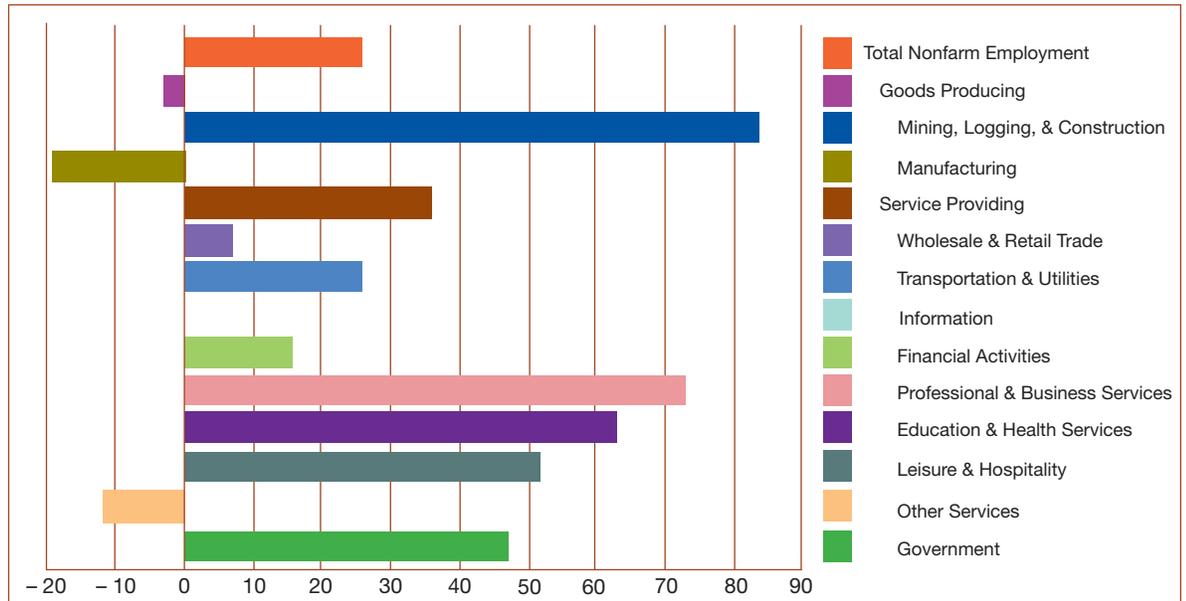
Note: Based on 12-month averages through August 2010.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Waco HMA

Name of Employer	Employment Sector	Number of Employees
Providence Health Center	Education & Health Services	2,450
Baylor® University	Education & Health Services	2,350
Hillcrest Baptist Medical Center	Education & Health Services	1,725
L-3 Integrated Systems Group	Manufacturing	1,625
H-E-B	Wholesale & Retail Trade	1,350
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	1,300
Sanderson Farms, Incorporated	Manufacturing	1,175
Examination Management Services, Inc.	Professional & Business Services	750
Cargil, Incorporated	Manufacturing	725
Texas State Technical College	Education & Health Services	700

Source: The Greater Waco Chamber of Commerce

Figure 3. Sector Growth in the Waco HMA, Percentage Change, 1990 to Current

Note: Current is based on 12-month averages through August 2010.

Source: U.S. Bureau of Labor Statistics

Population and Households

Because of a net increase in employment since 2000, the population in the Waco HMA has grown steadily throughout the past decade (see Table DP-1 at the end of this report). As of September 1, 2010, the population of the HMA is estimated at 236,200; this figure reflects an average annual population increase of 2,175, or 1.0 percent (see Figure 4) since April 1, 2000. Net in-migration accounted for approximately 35 percent of the growth since 2000 (see Figure 5). The city of Waco, the county seat, is the most populous city in the HMA, with about 55 percent of the residents in the HMA. Hewitt, the second largest city in the HMA, is home to about 6 percent of the residents.

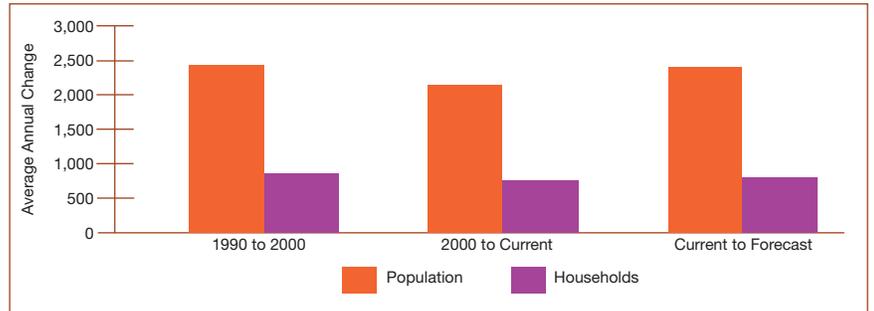
Population growth was strongest from 2006 through July 1, 2009, with an average annual growth of 2,600, or 1.1 percent, partly because of the higher employment growth in the HMA during those years. Net in-migration from 2006 through 2008 accounted for an estimated 45 percent of the population increase, as people moved to the area in search of jobs. From 2009 to current, population growth slowed to an average annual increase of 2,000, or 0.8 percent, due to the declining economy. As the economy improves during the next 3 years, the population is expected to increase to an average of 2,400, or 1.0 percent, annually.

Since 2000, the number of households in the HMA has increased by an average of 770, or 0.9 percent,

annually to total 86,900 households. Figure 6 shows the number of households by tenure. During the forecast period, the number of households in

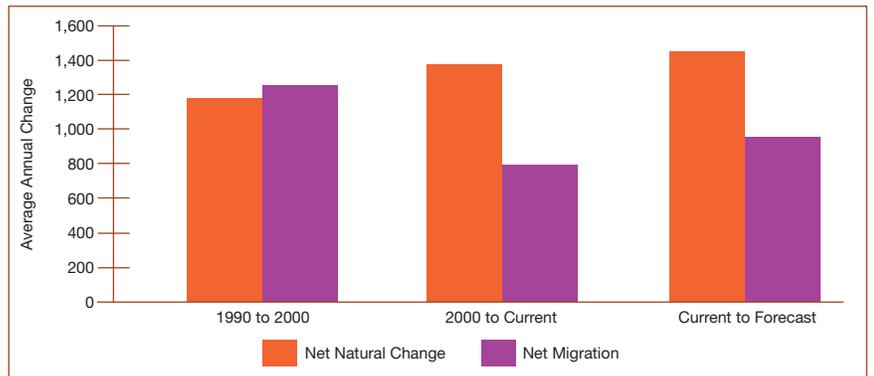
the HMA is expected to increase by an average of 800 households, or 0.9 percent, annually, as shown in Figure 4.

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



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

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



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

Figure 6. Number of Households by Tenure in the Waco HMA, 1990 to Current



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

Housing Market Trends

Sales Market

In part because of overbuilding from 2006 through 2008, the home sales market in the Waco HMA is currently somewhat soft, with an estimated vacancy rate of 1.9 percent, compared with 2.5 percent in 2008. According to data from the Real Estate Center at Texas A&M University, during the 12 months ending August 2010, approximately 2,050 new and existing single-family homes were sold, which is relatively unchanged compared with the number of homes sold during the previous 12 months. During the 12-month period ending August 2010, the average sales price of a single-family home increased 3 percent to \$132,000 because of the increased number of sales of higher priced homes. As the average sales price increased, the inventory of existing unsold homes increased to a 9-month supply, from an 8.3-month supply. According to LPS Applied Analytics, as of August 2010, approximately 3.8 percent of total home loans were 90 or more days delinquent, in foreclosure, or Real Estate Owned (REO), unchanged from a year earlier.

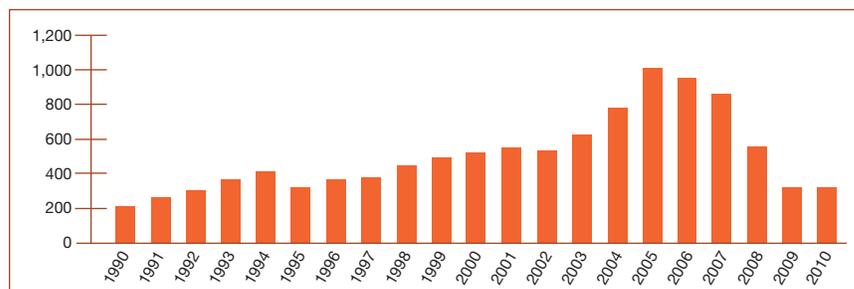
In response to an expanding inventory of unsold homes, developers reduced single-family home construction from

2005 through 2009, as measured by the number of building permits issued (see Figure 7). Since the peak of 1,025 single-family homes permitted in 2005, the level of building has declined every year through 2009. During the 12 months ending August 2010, new home construction increased to 360 homes permitted from the 260 homes permitted during the previous 12 months, based on preliminary data.

Since 2006, approximately 300 homes have been built in the Sendero Springs development, located in south Waco, with plans to build an additional 350 at a rate of 90 homes a year; phase IV is expected to open in late 2010. The new homes will range in size from 1,300 to 2,400 square feet, with prices ranging from \$120,000 to \$180,000. The developer of The Lost Oaks in Bosqueville, located in the northern part of the HMA, expects the construction of about 25 new homes a year and has approval to build a total of 400 homes. The homes, which will range in size from 1,100 to 2,200 square feet, will range in price from \$90,000 to \$180,000.

Based on projected population and household growth figures, during the next 3 years, demand is expected for 2,150 new home sales units. The 160 units currently under construction will meet part of that demand. Demand is expected to be strongest for units priced between \$100,000 and \$149,999 (see Table 4). It is likely that a portion of the estimated 4,800 other vacant units will enter the sales housing market and satisfy some of the forecast demand.

Figure 7. Single-Family Building Permits Issued in the Waco HMA, 1990 to 2010



Notes: Includes only single-family units. Includes data through August 2010.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Waco HMA, September 1, 2010 to September 1, 2013

Price Range (\$)		Units of Demand	Percent of Total
From	To		
80,000	99,999	320	14.9
100,000	149,999	860	40.0
150,000	199,999	650	30.2
200,000	249,999	220	10.2
250,000	299,999	60	2.8
300,000	and higher	40	1.9

Source: Estimates by analyst

Rental Market

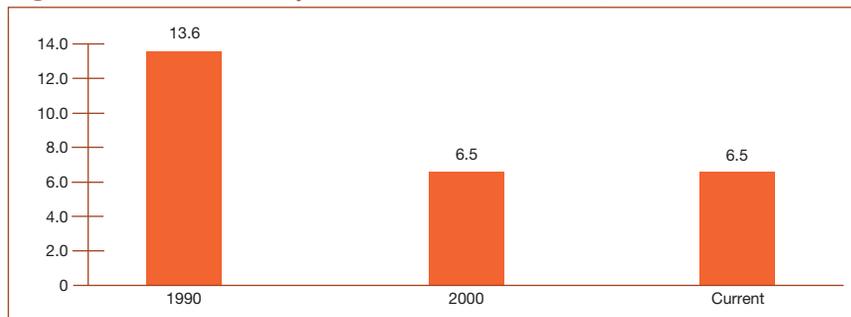
The rental housing market in the Waco HMA is currently balanced, mainly because of the recent reduction in new apartment construction. As of September 1, 2010, the overall rental vacancy rate was estimated at 6.5 percent, down from 8.5 percent as of the 2008 American Community Survey (see Figure 8). From 2006 to 2009, multifamily construction

activity, as measured by the number of multifamily units permitted, averaged about 200 units a year, down significantly from the average of 350 units permitted annually from 2000 to 2005 (see Figure 9). Based on preliminary data, during the 12-month period ending August 2010, multifamily building permit activity increased to 330 permits compared with the previous 12 months of about 240 units permitted. As of the current date, approximately 240 multifamily units are under construction and an additional 110 units are in the planning stage.

As of September 1, 2010, the average rents were \$600 for a one-bedroom unit, \$750 for a two-bedroom unit, and \$850 for a three-bedroom unit, which is relatively unchanged from the average rents during the previous 12-month period, according to Reis, Inc. Apartments account for about 40 percent of all rental units in the HMA.

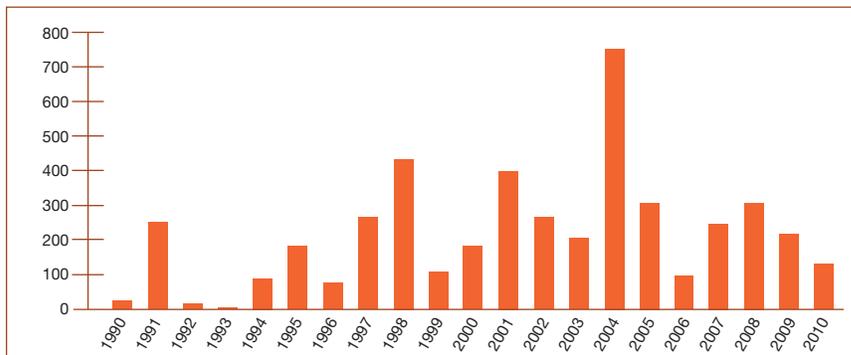
Recently completed apartment complexes include The Retreat at Central Texas Marketplace, which was completed in December 2009 and consists of 216 apartments, with an average asking rent of \$1,050 for two-bedroom units. As part of the Downtown Development Plan, Old Waco High School was converted to

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



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

Figure 9. Multifamily Building Permits Issued in the Waco HMA, 1990 to 2010



Notes: Includes all multifamily units in structures with two or more units. Includes data through August 2010.

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

Housing Market Trends

Rental Market *Continued*

Old Waco High Loft Apartments in December 2009 and consists of 104 low-income housing tax credit apartments, with an average asking rent of \$550 for two-bedroom units.

Students at Baylor University occupy a large portion of the local rental stock. The university enrolls approximately 14,900 students, of which about 9,100 live off campus. Apart-

ments that are located around, but not owned by, the university typically command much higher rents because of the location and accommodations made for students, to include furnished apartments, lease terms consistent with school semesters, and rents based on a per student rate.

Demand is estimated for 1,150 new rental units during the 3-year forecast period; however, new units should not come on line until the second year of the forecast period to allow the units currently under construction and in the planning stage to be completed. Table 5 shows the estimated demand for new market-rate rental housing in the HMA categorized by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Waco HMA, September 1, 2010 to September 1, 2013

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
925 to 1,124	220	1,025 to 1,224	330	1,225 to 1,424	200
1,125 to 1,324	70	1,225 to 1,424	180	1,425 to 1,624	140
Total	290	Total	510	Total	340

Source: Estimates by analyst

Data Profile

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

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	86,033	99,324	108,900	1.4	1.0
Unemployment Rate (%)	6.9	4.2	7.2		
Nonfarm Employment	84,800	104,100	107,000	2.1	0.3
Total Population	189,123	213,517	236,200	1.2	1.0
Total Households	70,208	78,859	86,900	1.2	0.9
Owner Households	41,352	47,497	50,450	1.4	0.6
Percent Owner (%)	58.9	60.2	58.1		
Renter Households	28,856	31,362	36,450	0.8	1.5
Percent Renter (%)	41.1	39.8	41.9		
Total Housing Units	78,857	84,795	95,250	0.7	1.1
Owner Vacancy Rate (%)	2.6	1.6	1.9		
Rental Vacancy Rate (%)	13.6	6.5	6.5		
Median Family Income (\$)	29,900	43,800	48,200	3.9	1.1

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through August 2010. Median family incomes are for 1989, 1999, and 2008.

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: 9/1/2010—Analyst’s estimates

Forecast period: 9/1/2010–9/1/2013—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 http://www.huduser.org/publications/pdf/CMARtables_WacoTX_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
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