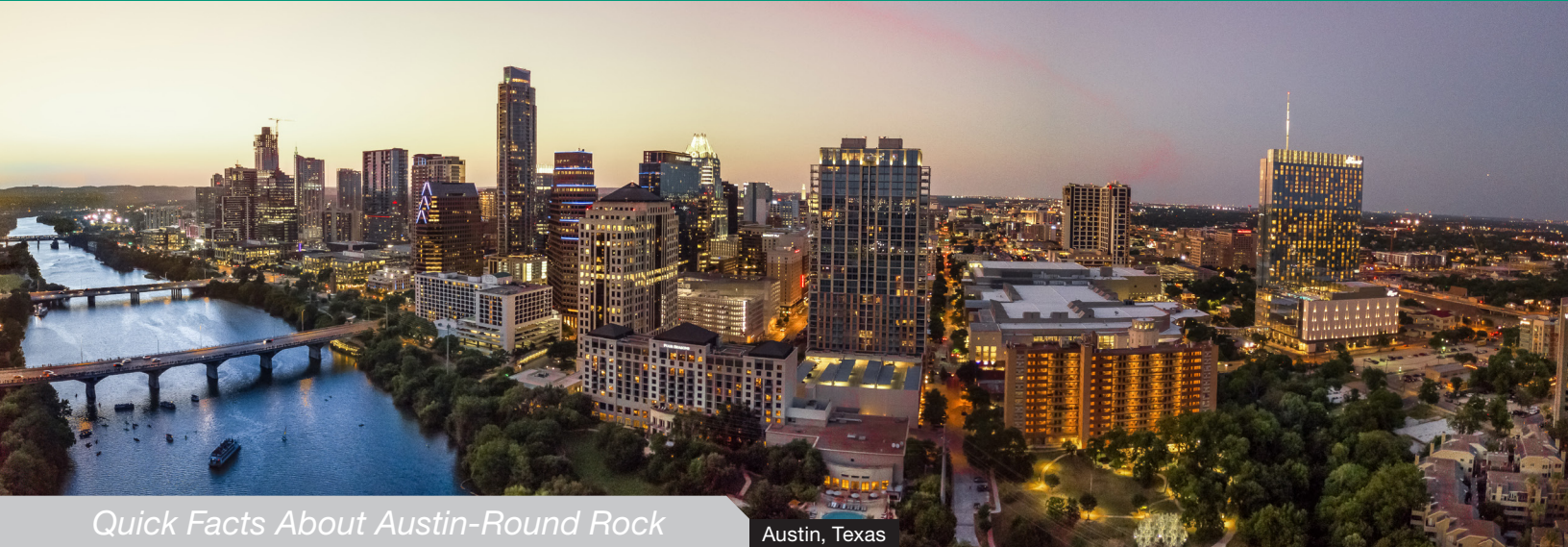


HUD PD&R Housing Market Profiles

Austin-Round Rock, Texas

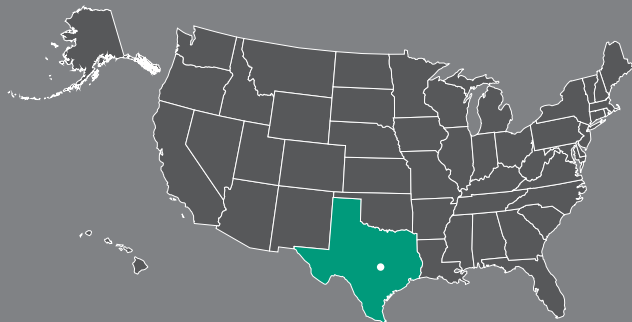


Quick Facts About Austin-Round Rock

Austin, Texas

By Tim McDonald | As of April 1, 2020

- **Current sales market conditions: tight**
- **Current rental market conditions: slightly tight**
- **The Austin metropolitan area is located on the Balcones Escarpment between the Texas Blackland Prairie to the east and the Texas Hill Country to the west.**



Overview

The Austin-Round Rock, TX Metropolitan Statistical Area (hereafter, the Austin metropolitan area) in central Texas consists of Bastrop, Caldwell, Hays, Travis, and Williamson Counties. The city of Austin is the capital of Texas and is the home of the flagship campus of the University of Texas (UT). The Austin metropolitan area has been the eighth fastest growing metropolitan area in the nation in numeric growth and the third fastest in percentage growth from 2010 to 2019. Travis County, the most populous county in the metropolitan area, has been the 10th fastest growing county in the nation based on numeric change, while Hays and Williamson Counties have been the second and ninth fastest growing counties in percentage terms.

- The population of the Austin metropolitan area as of April 1, 2020 is currently estimated at nearly 2.27 million, an average increase of 55,000, or 2.8 percent, annually since 2010. The strongest growth occurred earlier in the decade as population growth averaged 55,300 people, or 3.0 percent, annually from 2010 to 2016, but slowed to an average increase of 54,550, or 2.6 percent, annually from 2016 to current.

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PD&R

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- Since 2010, net in-migration has averaged 38,950 people per year and accounted for more than 70 percent of total population growth. Approximately 82 percent of total in-migration to the Austin metropolitan area has been domestic net in-migration, with the remainder being international net in-migration; of the international in-migration, nearly 81 percent was to Travis County.

Economy

Economic conditions have remained strong in the Austin metropolitan area since 2013, but job growth has started to slow. From 2013 through 2015, nonfarm payrolls expanded by an average of 39,650, or 4.5 percent, annually, but slowed to an average of 38,000, or 3.7 percent, a year from 2016 to the current date. Every nonfarm payroll sector in the Austin metropolitan area expanded during the first quarter of 2020.

During the 3 months ending March 2020—

- Nonfarm payrolls totaled more than 1.13 million, an increase of 34,800, or 3.2 percent, from the 3 months ending March 2019. Nonfarm payrolls increased by 43,200, or 4.1 percent, from the 3 months ending March 2018 to the 3 months ending March 2019.
- Job growth was led by the professional and business services sector, which increased by 6,500, or 3.3 percent, to 200,600. Expansions in this sector during the past year include 1,400 new jobs at Amazon.com, Inc. for digital product development and 500 new jobs at Arrive Logistics, a developer of shipping management software.

- The Austin metropolitan area, with two major universities, has a highly educated workforce that attracts many companies to the area. According to the 2010 American Community Survey (ACS), 39.4 percent of the population age 25 or older had a bachelor's degree or higher, and by 2018 that was up to 46.6 percent—significantly higher than the national average of 32.6 percent in 2018.

- In percentage terms, the mining, logging, and construction sector had the biggest gain, increasing 8.3 percent, or by 5,500 jobs. Major ongoing construction projects include the Block 71 high-rise, which when completed in 2021 will be the largest office building in the city of Austin, with 709,000 square feet of office space.
- The transportation and utilities sector had the second largest percentage gain in jobs, increasing 7.4 percent, or by 1,700 to 24,700 jobs. Growth in this sector was driven by Amazon.com, Inc. and Republic National Distributing Company adding 300 jobs each at their respective new distributions centers.

The city of Austin is the state capital of Texas, and as such, the state of Texas is the largest employer and provides a strong employment base to the city and the larger metropolitan area. Also in the metropolitan area are UT and Texas State University, which have an enrollment of 51,800 and 38,200, respectively. The government sector has traditionally been the largest employment sector in the Austin metropolitan area, but with the economy diversifying during the past decade, the government

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The professional and business services sector is the largest payroll sector in the Austin metropolitan area, with nearly 18 percent of all nonfarm payroll jobs.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,097.0	1,131.8	34.8	3.2
Goods-Producing Sectors	128.1	135.2	7.1	5.5
Mining, Logging, & Construction	66.1	71.6	5.5	8.3
Manufacturing	62.0	63.6	1.6	2.6
Service-Providing Sectors	968.9	996.6	27.7	2.9
Wholesale & Retail Trade	158.9	163.4	4.5	2.8
Transportation & Utilities	23.0	24.7	1.7	7.4
Information	37.1	39.0	1.9	5.1
Financial Activities	64.3	68.1	3.8	5.9
Professional & Business Services	194.1	200.6	6.5	3.3
Education & Health Services	127.2	130.5	3.3	2.6
Leisure & Hospitality	131.7	134.6	2.9	2.2
Other Services	46.2	49.0	2.8	6.1
Government	186.3	186.7	0.4	0.2
Unemployment Rate	2.9%	3.0%		

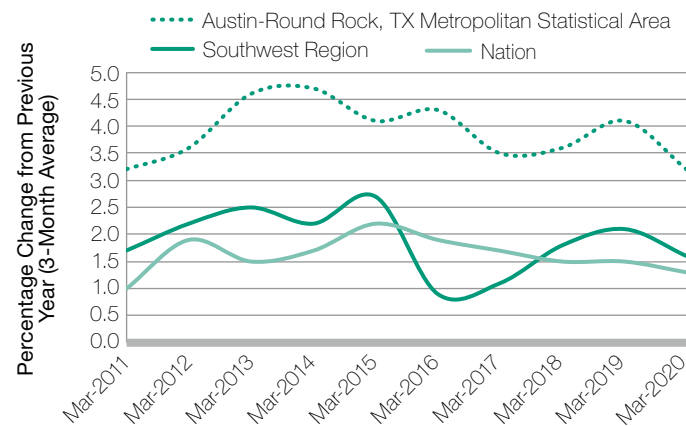
Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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Nonfarm payroll growth in the Austin metropolitan area has far outpaced both the regional and national averages.



sector became the second largest payroll sector in 2018 after the professional and business services sector. In 2000, the government sector accounted for 20.4 percent of all nonfarm payroll jobs in the metropolitan area—a percentage that has declined to 16.5 percent as of the current date. Since 2010, the government sector has increased by an average of 1,600, or 0.9 percent, annually, while the professional and business services sector has increased by an average of 8,700 jobs, or 5.9 percent, annually.

Largest Employers in the Austin Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Texas	Government	62,800
University of Texas	Government	23,925
H-E-B, LP	Retail	13,600

Notes: Excludes local school districts. University of Texas employment numbers are not included in the state of Texas totals.

Source: Austin Chamber of Commerce

Sales Market Conditions

The home sales market is tight, with a vacancy rate of slightly less than 1.0 percent, which is down from 2.3 percent in 2010 when conditions were slightly soft. The slightly soft conditions in 2010 were gone by 2012, as economic and population growth contributed to the absorption of previously vacant units. During March 2020, there was a 1.6 month supply of home sales inventory on the market, down from 2.3 months a year earlier and 6.5 months in April 2010. There have been 3 months, or less, of supply on the market since 2013 when the tight conditions began (Austin Board of Realtors®). During March 2020, the average number of

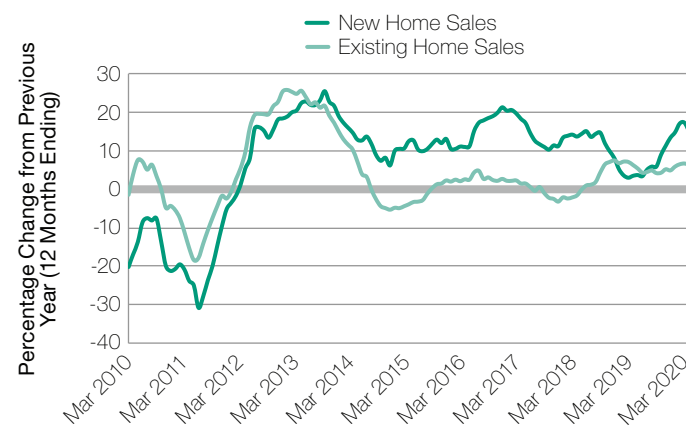
days a home remained on the market was 54, down from 65 days a year earlier.

During the 12 months ending March 2020—

- New home sales totaled 18,500, an increase of 2,400, or more than 15 percent from the previous 12 months, while the average sales price increased by \$25,000, or 7 percent, to \$377,700 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- Existing home sales totaled 43,500, an increase of 2,600, or more than 6 percent, from the previous 12 months, while the

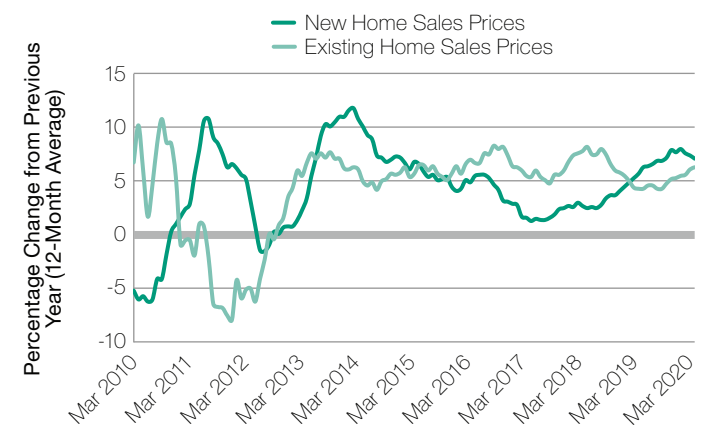
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Tight sales market conditions have existed since 2014, with a lack of inventory acting as a constraint on existing home sales.



Note: Data includes single-family homes, townhomes, and condominiums.
Sources: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The average sales price for both new and existing homes has been steadily increasing since 2013.



Note: Sales prices include single-family homes, townhomes, and condominiums.
Sources: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

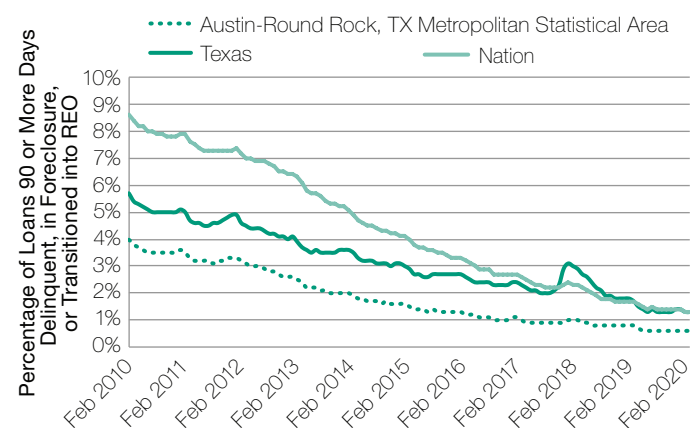
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average sales price increased by \$23,400, or 6 percent, to \$397,600.

- The average sales price of an existing home is higher than a new home because a higher percentage of existing home sales take place in the city of Austin than new home sales. New home sales in the city of Austin account for 27 percent of all new home sales in the Austin metropolitan area, whereas 48 percent of all existing home sales are in the city of Austin with an average sales price of \$496,600.
- As of February 2020, the proportion of home loans in the Austin metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status decreased to 0.6 percent from 0.8 percent a year earlier (CoreLogic, Inc.).

Single-family homebuilding activity, as measured by the number of single-family homes permitted, reached an all-time high in 2019, with 18,400 single-family homes permitted—based on preliminary

The percentage of home loans 90+ days delinquent, in foreclosure, or recently transitioned to REO status in the Austin metropolitan area has been lower than the national and state average since before 2010.



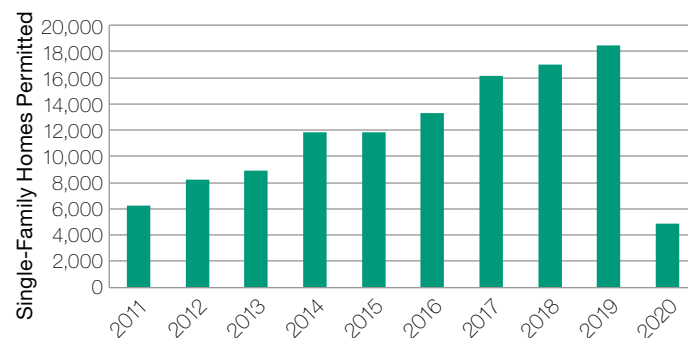
REO = real estate owned.
Source: CoreLogic, Inc.

data—which was an increase of 1,400 homes, or more than 8 percent from the previous all-time high in 2018. Strong population growth along with income growth in the Austin metropolitan area has contributed to increased demand for sales housing.

During the 12 months ending March 2020—

- Single-family homebuilding activity totaled 19,000, an increase of 1,850, or nearly 11 percent from the previous 12 months.
- Travis County accounted for nearly 52 percent of all single-family homes permitted in the metropolitan area with 9,825, an increase of 875, or nearly 10 percent from the previous 12 months. This is an all-time record high level of production for Travis County, surpassing the previous high of 9,575 during 2006.
- Hays County was the only county in the metropolitan area that had a decline in single-family building as production totaled 3,050 homes permitted, a decline of 50, or less than 2 percent. This is still the second highest 12-month period of production in Hays County, and prior to 2015, only the year 2005 had production surpass 2,000 homes permitted.

Single-family home construction has been increasing every year since 2011 as rapid employment and population growth have contributed to significant increases in demand for housing.



Note: Includes preliminary data from January 2020 through March 2020.
Sources: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

The apartment market in the Austin metropolitan area is currently slightly tight. Apartment market conditions have ranged from tight to slightly tight since 2012, as the Austin metropolitan area has had very strong job and population growth, which has kept demand for apartment units elevated. The last time the apartment market was balanced was in 2010, when the apartment vacancy rate was 7.0 percent. The current average rent for an apartment is \$1,305, up \$60, or 4.8 percent, from a year earlier (Reis, Inc.).

- The apartment vacancy rate in the Austin metropolitan area was 5.7 percent during the first quarter of 2020, down from 5.8 percent during the first quarter of 2019.
- Of the 14 Reis, Inc.-defined market areas in the Austin metropolitan area, 8 had vacancy rate increases, 5 had vacancy rate declines, and 1 remained unchanged from a year earlier. The Ranch Road 620 N/FM 2222 submarket in western Travis

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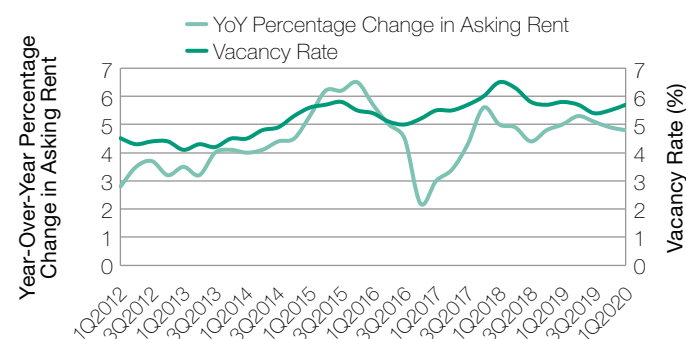
County had the highest vacancy rate at 7.0 percent, up from 6.1 percent a year earlier.

- The Central Austin submarket had the highest average rent at \$1,683, which was down by \$9, or less than 1.0 percent, from a year earlier. This was the only submarket with an average rent decline.
- The market for student apartments is currently balanced, with a 7.3 percent vacancy rate, up from 6.3 percent a year earlier. The average rent for a student apartment is currently \$2,029, an increase of \$103, or 5.3 percent from a year earlier (ALN Apartment Data, Inc.).

Multifamily building activity has remained elevated in the Austin metropolitan area since 2010 as employment and population growth have kept demand for new units high. According to a 2019 article published by *RENTCafé*, the Austin area ranks eighth in the nation for the number of new apartment deliveries since 2010 and is the least populous of the top 10 metropolitan areas ranked for deliveries. The vast majority of all multifamily construction occurs in Travis County, but the percentage of multifamily units permitted outside of Travis County is increasing. Since 2012, nearly 69 percent of all multifamily units permitted in the Austin metropolitan area occurred in Travis County, down from nearly 81 percent of permits from 2000 through 2011.

- Building activity, as measured by the number of multifamily units permitted, totaled 18,650 units during the 12 months ending March 2020, which is up by 1,200 units, or 7 percent, from the previous 12 months.

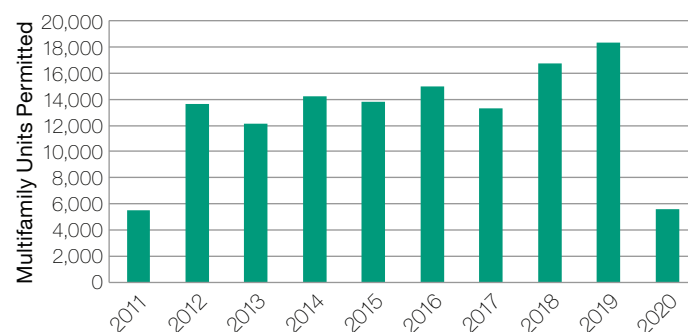
The decline in the rate of rent growth during 2016 was the result of fewer new apartments entering the market in Travis County, along with a surge of deliveries in the lower priced Hays and Williamson Counties, which limited the average rent increase.



1Q = first quarter. 3Q = third quarter. YoY = year-over-year.
Source: Reis, Inc.

- To accommodate households in more dense urban living, an increasing number of smaller apartment units are being developed. Since 2010, one-bedroom or studio units have accounted for 62 percent of all new apartment units in the Austin metropolitan area, compared with 52 percent before 2010 (ALN Apartment Data, Inc.).
- In addition to the smaller unit size, the percentage of units built in high- or mid-rise (four stories or taller) structures has increased recently. Since 2010, 49 percent of all new units have been in buildings four stories or taller compared to slightly less than 8 percent before 2010.
- In the city of Austin, since 2007 there have been 29 new high-rise apartment buildings built totaling 6,700 units. Prior to 2007, there were two high-rise apartment buildings in the city of Austin, and both of those were built for student housing in the 1970s. There are currently eight additional high-rise apartment buildings under construction in the city of Austin, totaling 2,725 units.
- A recently completed high-rise apartment building in the city of Austin is the Gables Republic Square, a 24-story tower that is a mixed-use development, with the lower level being a hotel with 159 rooms and the upper floors being 221 apartment units. Rents range from \$1,910 a month for a studio apartment to \$5,636 per month for a three-bedroom unit, with the penthouse units renting for \$15,300 a month.

Multifamily permitting has averaged 14,875 units annually since 2012, nearly 98 percent higher than the average of 7,525 multifamily permits issued annually from 2000 through 2011.



Note: Includes preliminary data from January 2020 through March 2020.
Sources: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst