

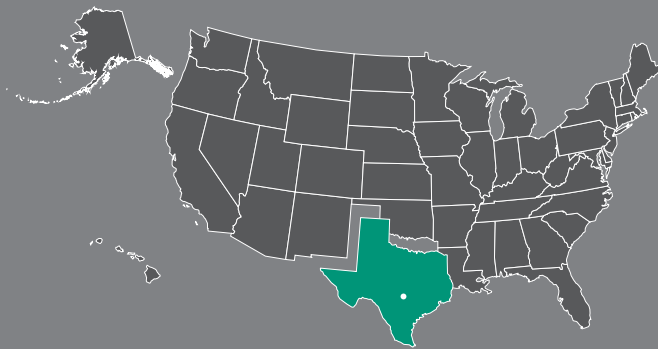
HUD PD&R Housing Market Profiles

Austin-Round Rock, Texas



Quick Facts About Austin-Round Rock

- **Current sales market conditions: tight.**
- **Current rental market conditions: slightly tight.**
- **The metropolitan area was the third fastest growing metropolitan area in the United States from 2010 to 2014 (U.S. Census Bureau).**

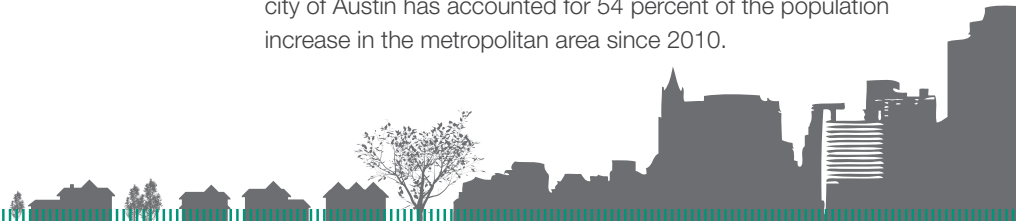


By Fernando L. Ramirez | As of January 1, 2016

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 (UTA). The metropolitan area is also a high-technology hub and includes employers such as Dell, Inc., which is the third largest employer in the metropolitan area, with 13,000 employees. Amazon, Inc., is currently building an 855,000-square-foot fulfillment center in the city of San Marcos, which is expected to create 350 jobs in the transportation and utilities sector by the time the facility opens in 2017, and an additional 650 jobs are expected when the facility reaches full capacity at an unspecified future date.

- As of January 1, 2016, the estimated population of the metropolitan area is 2.02 million, an average annual increase of 52,450, or 2.9 percent, since 2010. By comparison, from 2008 to 2010, the population increased by an average of 47,100, or 2.9 percent, annually.
- Net in-migration has accounted for nearly 68 percent of population growth since 2010, a period when the economy has expanded, compared with 59 percent of the population growth from 2008 to 2010, a period of slow economic growth.
- Approximately 47 percent of the population in the metropolitan area resides in the city of Austin, and population growth in the city of Austin has accounted for 54 percent of the population increase in the metropolitan area since 2010.



Job growth occurred in every employment sector except manufacturing in the Austin area during the past 12 months.

	3 Months Ending		Year-Over-Year Change	
	December 2014 (thousands)	December 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	927.1	962.1	35.0	3.8
Goods-producing sectors	108.7	110.4	1.7	1.6
Mining, logging, and construction	51.1	53.7	2.6	5.1
Manufacturing	57.6	56.7	-0.9	-1.6
Service-providing sectors	818.3	851.7	33.4	4.1
Wholesale and retail trade	145.9	150.1	4.2	2.9
Transportation and utilities	16.1	16.4	0.3	1.9
Information	25.7	26.3	0.6	2.3
Financial activities	52.6	54.3	1.7	3.2
Professional and business services	151.2	164.2	13.0	8.6
Education and health services	108.7	111.6	2.9	2.7
Leisure and hospitality	106.6	114.6	8.0	7.5
Other services	39.9	41.1	1.2	3.0
Government	171.7	173.1	1.4	0.8
	(percent)	(percent)		
Unemployment rate	3.6	3.2		

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

Economic Conditions

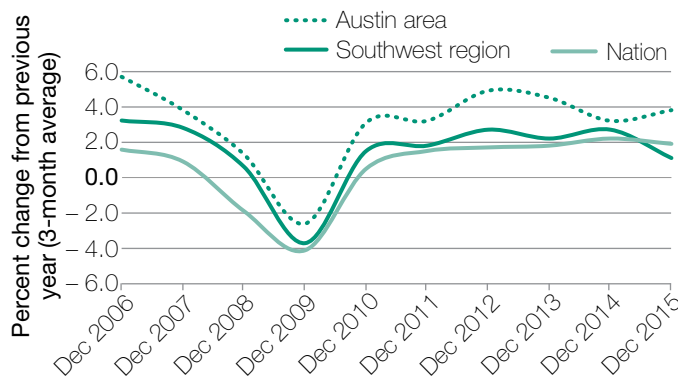
Nonfarm payroll jobs in the Austin metropolitan area have increased to record-high levels after losing 17,000 jobs, or 2.2 percent, in 2009 as a result of the economic downturn.

During the 3 months ending December 2015—

- Nonfarm payrolls increased by 35,000 jobs, or 3.8 percent, from the same 3-month period a year earlier to an average of 962,100 jobs after increasing by an average of 29,100 jobs, or 3.5 percent, annually from 2010 through 2014.
- The professional and business services and the leisure and hospitality sectors led job growth, increasing by 13,000 and 8,000 jobs, or 8.6 and 7.5 percent, respectively, from the same 3-month period a year earlier.
- The manufacturing sector was the only sector to lose jobs from the same 3-month period a year earlier, declining by 900 jobs, or 1.6 percent. In March 2015, Hamilton Scientific LLC, a laboratory equipment manufacturer, closed its facility in Round Rock, which caused the loss of 67 jobs and contributed to the contraction of the manufacturing sector in 2015.
- The unemployment rate decreased to an average of 3.2 percent from 3.6 percent during the same 3-month period a year earlier because increases in employment outpaced labor force growth.

continued on page 3

Since 2011, nonfarm payroll growth in the Austin area has been among the strongest in the nation.



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

Largest employers in the Austin area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Texas	Government	34,500
University of Texas at Austin	Government	24,200
Dell, Inc.	Manufacturing	13,000

Notes: Excludes local school districts. State of Texas employment figures exclude the University of Texas at Austin.
Source: Austin Chamber of Commerce



continued from page 2

The State of Texas and UTA, the two largest employers in the metropolitan area, account for more than one-third of the jobs in the government sector. UTA, with approximately 24,200 employees and 50,950 students, has an annual economic impact on the state of Texas estimated at \$8.8 billion, or 133,000 job-equivalents (Economic Modeling Specialists International). Since 2010, the professional

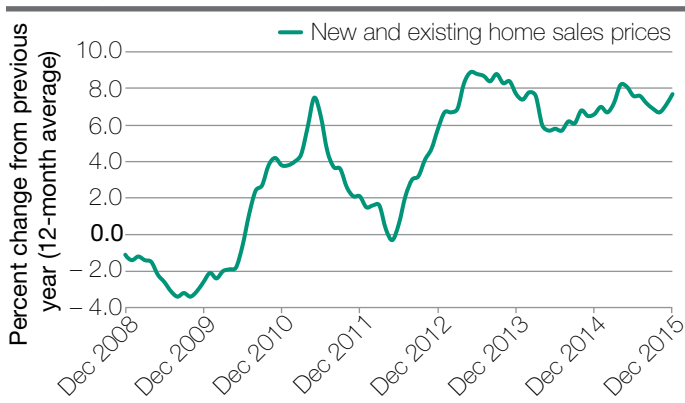
and business services sector has been the fastest-growing sector, increasing by an average of 7,775 jobs, or 6.0 percent, annually. Apple Inc. is currently hiring as part of its phased Austin Americas Operations Center expansion in the city of Austin. The \$300 million expansion is expected to contribute 3,600 jobs to the professional and business services sector by the time it is complete in 2021.

Sales Market Conditions

The sales housing market in the Austin metropolitan area is currently tight because of strong employment and population growth since 2010. Home sales prices are the highest on record and are the highest of any metropolitan area in Texas.

- During 2015, sales of new and existing homes increased by 1,175, or 4 percent, to 32,450, and the average sales price increased by \$23,400, or 8 percent, to \$327,700 (Real Estate Center at Texas A&M University).
- Condominiums and townhomes have accounted for roughly 10 percent of all home sales in the past 2 years. In 2015, the median sales price for condominiums and townhomes was \$227,700, up by \$12,700, or 6 percent, from \$215,000 in 2014 (Austin Board of Realtors®).
- In December 2015, 2.2 months of inventory were on the market, down slightly from 2.9 months in December 2014 (Real Estate Center at Texas A&M University).
- In December 2015, 1.5 percent of mortgage loans in the HMA were 90 or more days delinquent, were in foreclosure, or had transitioned into real estate owned status, down from 1.9 percent in December 2014 (Black Knight Financial Services, Inc.).

New and existing home sales prices in the Austin area have generally increased 6 percent or more annually since 2013.

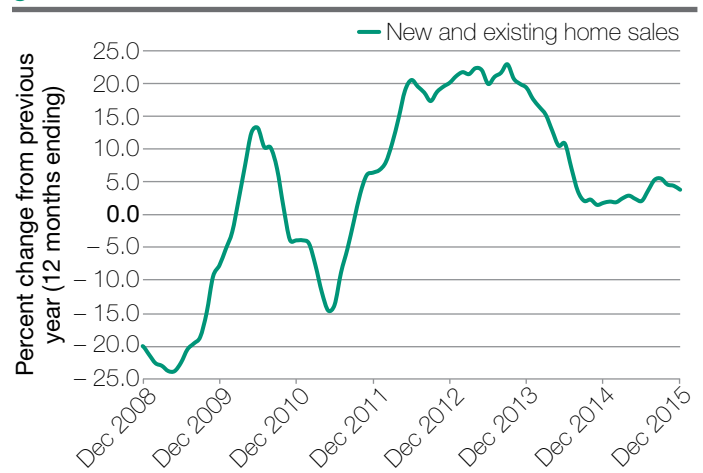


Note: Includes single-family homes, townhomes, and condominiums. Source: Real Estate Center at Texas A&M University

New home construction has recovered from the low of 6,375 homes permitted annually from 2009 through 2011 but remains well below the average of 14,100 homes permitted annually from 2002 through 2007, when the sales market was historically strong because of job gains during the period.

- Single-family construction activity, as measured by the number of homes permitted, totaled 11,550 during 2015, a decrease of 300 homes, or 3 percent, from 2014 (preliminary data).
- In late 2015, construction began on Whisper Valley, a mixed-use development near the city of Manor that is expected to include 7,500 energy-efficient homes priced between \$150,000 and \$275,000; construction is in the early stages, and a final completion date has not been announced. The energy-efficient homes are intended to help the city of Austin meet the “net zero” target for carbon emissions by 2050.
- Development has begun on The Independent, a 58-story, \$300 million, 370-unit residential highrise that is expected to be the tallest building in downtown Austin by the time it is complete in 2018; prices have not yet been announced.

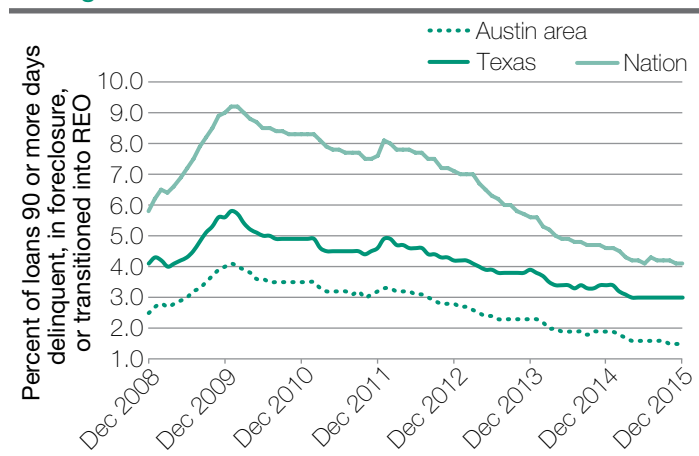
After double-digit percentage increases in home sales during 2012 and 2013, the rate of home sales growth slowed in 2014 and 2015 in the Austin area.



Note: Includes single-family homes, townhomes, and condominiums. Source: Real Estate Center at Texas A&M University

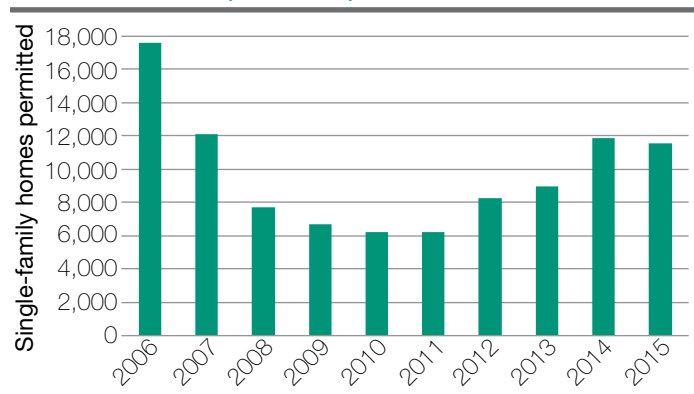


The housing crisis did not affect the Austin area as severely as the rest of the nation, and the percentage of seriously delinquent loans and REO properties has been consistently below the national and Texas averages.



REO = real estate owned.
Source: Black Knight Financial Services, Inc.

The permitting of new single-family homes in the Austin area began to increase in 2012 but has remained below previous peak levels.



Note: Includes preliminary data from January 2015 through December 2015.
Sources: U.S. Census Bureau, Building Permits Survey; analyst estimates

Rental Market Conditions

Rental housing market conditions in the Austin metropolitan area are slightly tight because of sustained employment and population growth since 2010. As of January 1, 2016, the overall rental vacancy is estimated at 5.1 percent, which is less than the 8.6-percent rate recorded in April 2010.

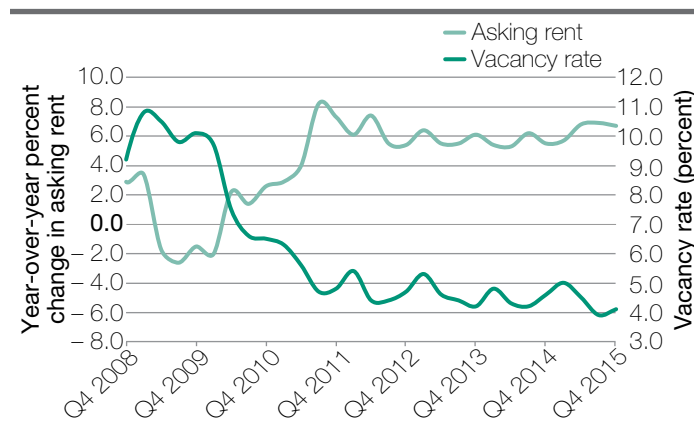
- As of the fourth quarter of 2015, the apartment vacancy rate was 4.1 percent, down from 4.6 percent in the fourth quarter of 2014 and down significantly from 9.7 percent in the first quarter of 2010 (MPF Research).
- The average asking rent for an apartment in the fourth quarter of 2015 was \$1,151, an increase of \$72, or 6.7 percent, from the fourth quarter of 2014. Year-over-year rent growth in the metropolitan area has exceeded 4.0 percent since the second quarter of 2011.
- Apartment vacancy rates in the 16 MPF Research-defined market areas within the Austin metropolitan area ranged from 5.6 percent in the Pflugerville/Wells Branch area to 2.9 percent in the Downtown/University area during the fourth quarter of 2015. Average rents ranged from \$955 in the North Central Austin area to \$2,092 in the Downtown/University area.
- In November 2015, the most recent available data, the average rent for a three-bedroom single-family home in the metropolitan area was \$1,460, up by \$87, or 6.3 percent, from \$1,373 in November 2014 and up from \$1,302 in November 2013 (CoreLogic, Inc.).

Multifamily construction activity, as measured by the number of units permitted, decreased during 2015 because of construction delays caused by labor shortages.

- During 2015, approximately 10,550 multifamily units were permitted, a decrease of 4,025 units, or 28 percent, compared with the number permitted in 2014 (preliminary data).
- Multifamily permitting averaged 2,950 annually from 2009 through 2010, and then increased to an average of 10,900 from 2011 through 2015 because of strong job and population growth during the period.

continued on page 5

Rents have increased more than 6 percent annually and vacancy rates have remained below 6 percent since 2011 in the Austin area.



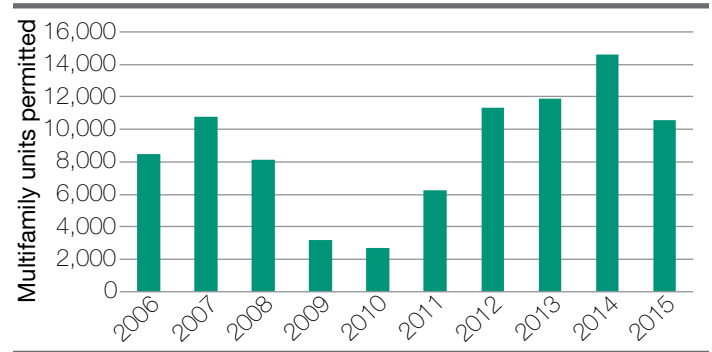
Source: MPF Research



continued from page 4

- A total of 12,726 apartment units are under construction in the metropolitan area (MPF Research). Although new construction starts are distributed throughout the metropolitan area, the greatest concentrations are in the Far South Austin, Southwest Austin, and East Austin market areas, with an estimated 14, 11, and 11 percent of all units under construction, respectively.
- Developments currently under construction in the city of Austin include the 512-unit Still Waters at Southpark Meadows, which is expected to be complete by mid-2017; the rents have not been announced.
- In San Marcos, the 71-unit Ella Lofts, a development targeting the student market, is currently under construction near Texas State University and is expected to be complete by late 2016, with rents starting at \$999 for a one-bedroom unit.

The number of multifamily units permitted in the Austin area began to recover in 2011 and has remained at a relatively high level.



Note: Includes preliminary data from January 2015 through December 2015. Sources: U.S. Census Bureau, Building Permits Survey; analyst estimates

