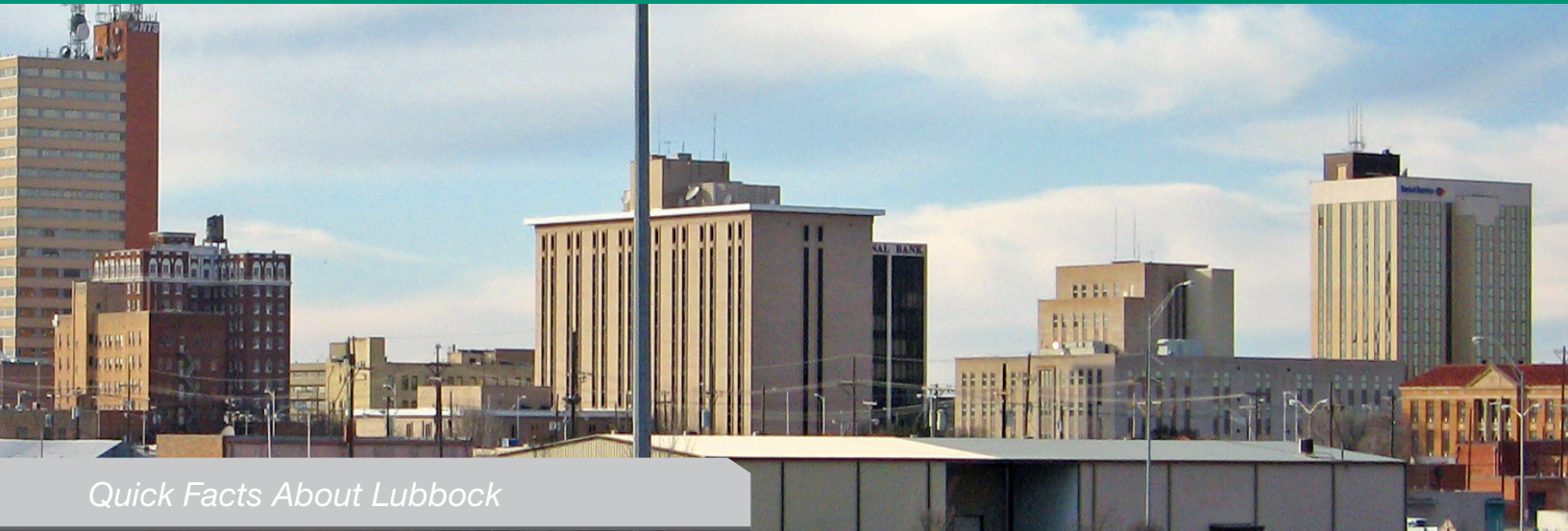


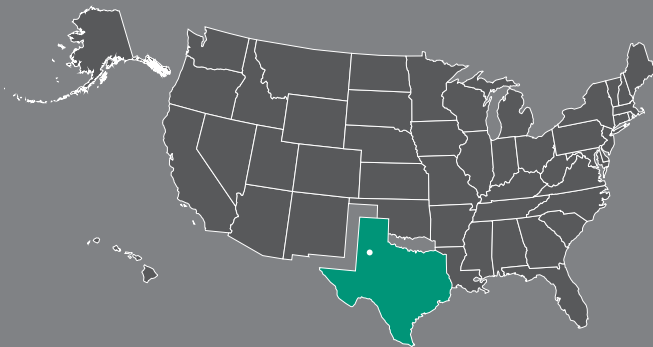
# HUD PD&R Housing Market Profiles

## Lubbock, Texas



### Quick Facts About Lubbock

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: slightly tight.**
- **Covenant Health System of Lubbock plans to complete a \$450 million renovation project by 2022 that will replace aging facilities and upgrade technology at five different locations throughout the metropolitan area. The project will also consolidate the adult inpatient services of two of the city of Lubbock's Covenant campuses, making one a standalone children's hospital.**



By EMAD Staff | As of January 1, 2016

### Overview

The Lubbock metropolitan area, on the plains of northwest Texas, consists of Crosby, Lubbock, and Lynn Counties. The city of Lubbock, known as the Hub City, is a regional center for education and healthcare institutions. The metropolitan area is home to Texas Tech University (TTU).

- As of January 1, 2016, the population of the Lubbock metropolitan area is estimated at 309,700, which represents an average increase of 3,275, or 1.1 percent, annually since April 1, 2010.
- From April 2000 to July 2005, the metropolitan area population increased an average of 1.0 percent annually, with net in-migration accounting for 24 percent of the population growth. By comparison, the population increased by an average of 4,050, or 1.5 percent, annually from July 2005 to April 2010, with net in-migration accounting for 43 percent of the growth due to increased enrollment and employment at TTU.
- Since 2010, net in-migration to the metropolitan area has averaged 1,525 people annually, accounting for an estimated 47 percent of the population growth as TTU has continued to grow.



During the fourth quarter of 2015, payrolls in all but two sectors increased in the Lubbock area.

	3 Months Ending		Year-Over-Year Change	
	December 2014 (thousands)	December 2015 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	138.7	141.7	3.0	2.2
Goods-producing sectors	11.3	11.5	0.2	1.8
Mining, logging, and construction	6.4	6.5	0.1	1.6
Manufacturing	4.9	5.0	0.1	2.0
Service-providing sectors	127.4	130.2	2.8	2.2
Wholesale and retail trade	25.1	25.7	0.6	2.4
Transportation and utilities	5.2	5.5	0.3	5.8
Information	3.8	3.7	-0.1	-2.6
Financial activities	7.7	7.7	0.0	0.0
Professional and business services	11.2	11.8	0.6	5.4
Education and health services	22.1	22.7	0.6	2.7
Leisure and hospitality	17.5	17.9	0.4	2.3
Other services	5.6	5.7	0.1	1.8
Government	29.3	29.5	0.2	0.7
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	3.3	3.3		

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

## Economic Conditions

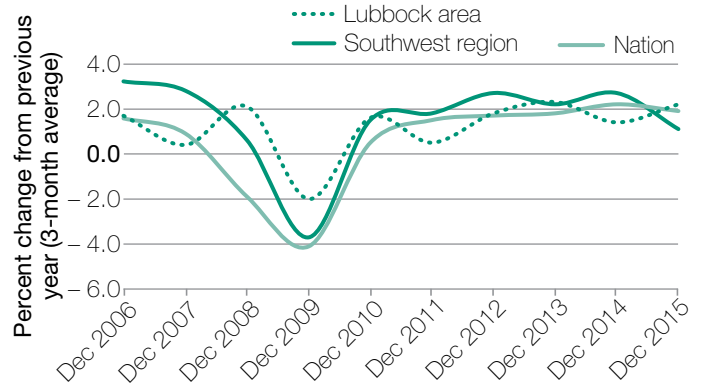
Economic conditions in the Lubbock metropolitan area continued the recent trend of growth during the fourth quarter of 2015, a trend that began in the fourth quarter of 2010. Nonfarm payrolls have increased an average of 2.2 percent annually since 2010. The unemployment rate in the metropolitan area was 3.3 percent, unchanged from a year earlier and the lowest rate recorded since 2000.

During the fourth quarter of 2015—

- Total nonfarm payrolls increased by 3,000 jobs, or 2.2 percent, and 6 out of 11 payroll sectors increased by at least 200 jobs from the fourth quarter of 2014.
- The sectors that added the most jobs were the wholesale and retail trade, education and health services, and professional and business services sectors, each increasing by 600 jobs, or 2.4, 2.7, and 5.4 percent, respectively.
- Growth in the wholesale and retail trade sector was partially due to hiring at The Decor Group, National Pump Company, and several retailers at the grand opening of the West End Shopping Center, which includes Cabela’s, Costco, and Marshalls, among others.
- Employment growth in the education and health services sector was primarily the result of expansions at a number of medical

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During the fourth quarter of 2015, nonfarm payrolls increased more in the Lubbock area than in the Southwest region and the nation.



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

## Largest employers in the Lubbock area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Texas Tech University	Government	6,050
Covenant Health System	Education and health services	5,500
University Medical Center	Education and health services	3,800

Note: Excludes local school districts.  
Source: Lubbock Economic Development Alliance



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facilities, including Covenant Health System. In addition, Grace Health System built a new 350,000-square-foot medical center, and University Medical Center completed a \$32 million expansion, adding 93,000 square feet of space.

- The information sector lost 100 jobs, a 2.6-percent decline. Although the information sector lost jobs, AT&T announced it would add 200 technical assistance jobs at its North Lubbock facility during 2016.

TTU is the largest employer in the metropolitan area, with 6,050 employees. The university has a student enrollment of 35,200 and

an annual economic impact of about \$1.9 billion on the metropolitan area (2014 TTU economic impact study). TTU has three major construction projects currently under way. The \$30 million renovation of the Maddox Engineering Research Center will be complete in August 2016, and the New System Office Building, a \$27.5 million, three-story, 80,000-square-foot building, will be complete by March 2017. In addition, the new honors residence hall, a \$29.9 million, 305-bed facility will be complete in August 2017 to house undergraduate students. Off campus, American Campus Communities Inc. is constructing an \$81.6 million, 1,204-bed development near TTU with an expected completion date in the fall of 2017.

## Sales Market Conditions

The sales housing market in the Lubbock metropolitan area is currently balanced, with an estimated sales vacancy rate of 1.5 percent, a decrease from 1.9 percent in 2010. Strong employment and population growth since 2010 in the metropolitan area have contributed to increased sales demand. The number of new and existing home sales and the average home sales price increased during 2015, and the inventory of homes for sale declined.

- During 2015, the number of new and existing home sales totaled 3,975, up by 225 homes, or 6 percent, from the 3,750 homes sold during 2014 (Real Estate Center at Texas A&M University).
- The average sales price of new and existing homes in the metropolitan area increased by \$5,075, or 3 percent, during 2015, to \$168,300.
- The inventory of unsold homes declined from a 3.5-month supply in 2014 to a 3.3-month supply in 2015 and is well below the 7.9-month supply during June 2011, when the sales market was slightly soft.

The average home sales price in the Lubbock area began increasing in the fourth quarter of 2012 and has reached \$168,300, an all-time high.



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

- During December 2015, 2.3 percent of mortgage loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 2.6 percent in December 2014 and from the peak of 3.7 percent during January 2010 (Black Knight Financial Services, Inc.). The housing crisis did not impact the metropolitan area as hard as it did the state of Texas or the nation as a whole; the rates of seriously delinquent loans and REO properties in Texas and the United States in December 2015 were 3.0 and 4.1 percent and peaked during January 2010 at 5.8 and 9.2 percent, respectively.

Single-family home construction activity, as measured by the number of single-family homes permitted, was relatively unchanged in the Lubbock metropolitan area from 2014 to 2015 but remained higher than the average of 790 homes permitted annually from 2009 through 2012.

- During 2015, the number of single-family homes permitted was relatively unchanged at 980 (preliminary data) compared with the number permitted during 2014.

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The number of home sales in the Lubbock area has increased since the second quarter of 2015.



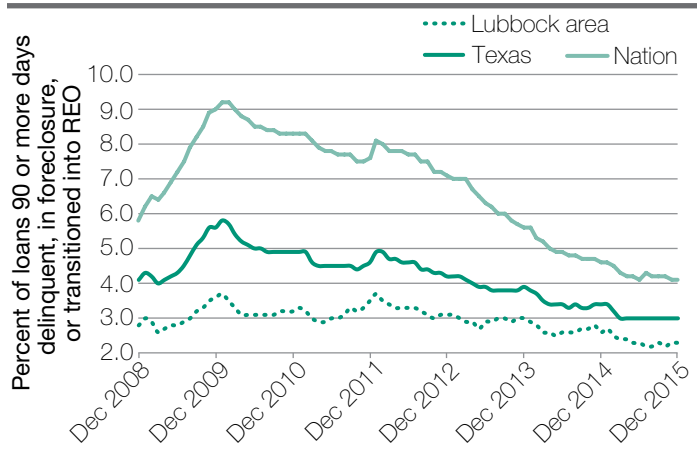
Note: Includes single-family homes, townhomes, and condominiums.  
Source: Real Estate Center at Texas A&M University



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- Single-family homebuilding activity averaged 1,050 homes permitted annually during the peak building years of 2006 through 2008 before declining to an average of 790 homes permitted annually from 2009 through 2012.

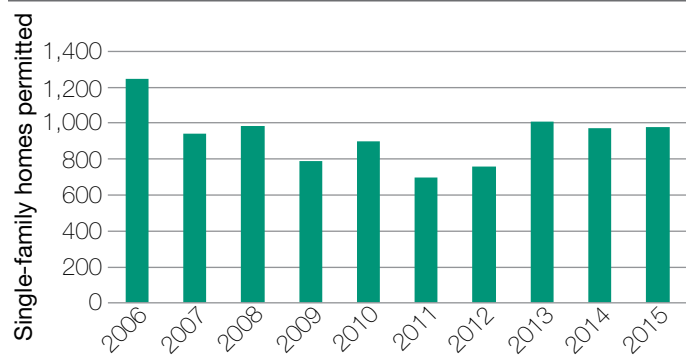
The housing crisis did not affect the Lubbock area as severely as the rest of the nation, and the percentage of seriously delinquent loans and REO properties has been consistently below the national average.



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

- One large master-planned community currently under construction in the Lubbock metropolitan area is the 800-home Kelsey Park. New homes in this subdivision will range in size from 1,800 to 2,000 square feet, with prices ranging from \$250,000 to \$320,000. Construction is expected to be complete by 2020.
- Sales prices for new, three-bedroom, single-family homes in the metropolitan area start at approximately \$120,000, with the lowest prices found in the outlying areas of Lubbock County.

The number of single-family homes permitted in the Lubbock area averaged 990 from 2013 through 2015 but remained well below the peak recorded in 2006.



Note: Includes preliminary data from January 2015 through December 2015.  
Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

Apartment market conditions in the Lubbock metropolitan area are slightly tight. Strong employment growth and increasing in-migration to the metropolitan area since 2012 have contributed to a significant decline in the apartment vacancy rate.

During the fourth quarter of 2015—

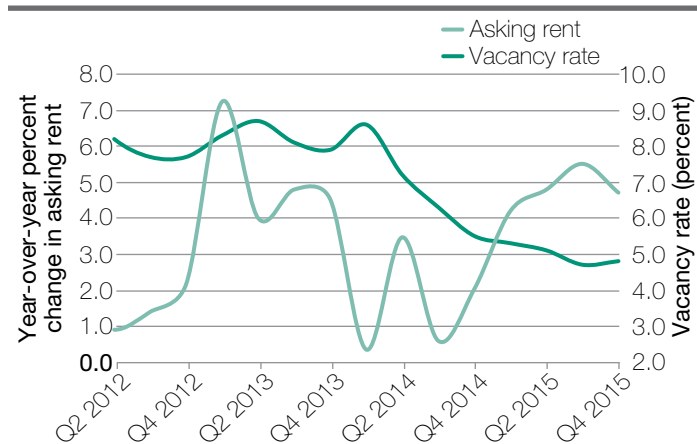
- The apartment vacancy rate was 4.8 percent, down from 5.5 percent during the fourth quarter of 2014 (ALN Apartment Data, Inc.).
- The average effective rent for an apartment in the metropolitan area was \$888, an increase of \$40, or 4.7 percent, from a year earlier.
- In the city of Lubbock, the average rent was approximately 5 percent higher and the apartment vacancy rate was 0.1 percentage point lower than in the metropolitan area as a whole.
- Among units built since 2010 in the metropolitan area, the average rents are \$812, \$1,152, and \$947 for one-, two-, and three-bedroom units, respectively. Three-bedroom apartment units are limited around TTU, and apartment construction since 2006, which has been predominately around the university, has included a very limited number of three-bedroom units. As a result, the

age and location of the three-bedroom inventory are less attractive to renters, making the average rent for a three-bedroom unit approximately 20 percent less than that of a two-bedroom unit.

- TTU students occupy about 16 percent of the apartment market in the metropolitan area.

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The apartment market has tightened in the Lubbock area since the second quarter of 2014.



Source: ALN Apartment Data, Inc.

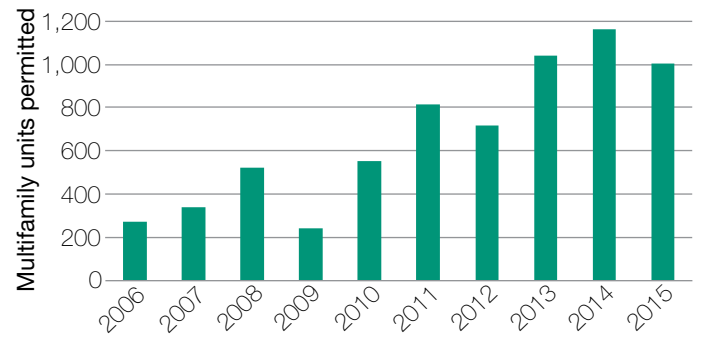


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Developers have responded to improving economic conditions, increasing enrollment at TTU, and increased demand for rental housing by increasing multifamily construction, as measured by the number of multifamily units permitted, since 2011.

- Approximately 1,000 multifamily units were permitted during 2015 (preliminary data), a 13-percent decrease compared with the 1,150 units permitted during 2014 but well above the average number of units permitted from 2008 through 2010.
- Multifamily construction activity averaged 440 units permitted annually from 2008 through 2010, and then it increased to about 860 units permitted annually from 2011 through 2013.
- Since 2006, more than 60 percent of all apartment units permitted in the metropolitan area have been within a 2-mile radius of TTU.
- 18ninteen, a student complex with 217 two- and four-bedroom units that rent by the room, is currently under construction. The complex is expected to be complete in the fall of 2016, with rents ranging from \$639 to \$749.

The number of multifamily units permitted in the Lubbock area from 2013 through 2015 totaled 3,200, the most in any 3-year period since 2006.



Note: Includes preliminary data from January 2015 through December 2015.  
Source: U.S. Census Bureau, Building Permits Survey