

HUD PD&R Housing Market Profiles

Austin-Round Rock, Texas

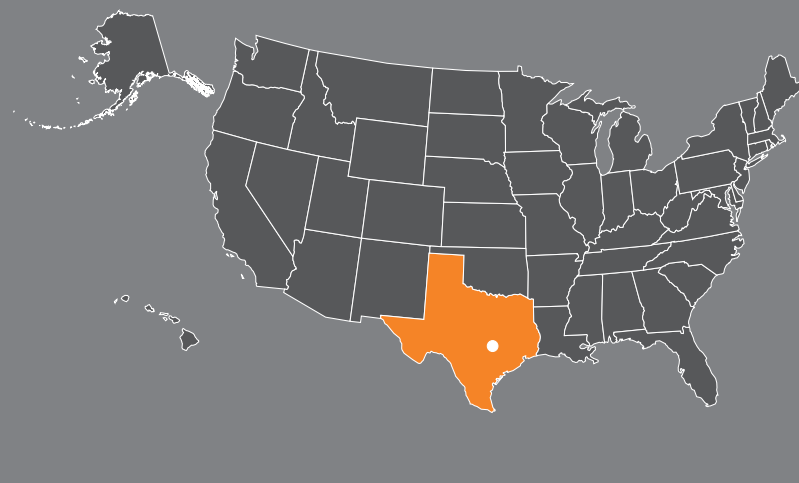


Quick Facts About Austin-Round Rock

Austin, Texas

By Cameron N. Ehrlich | As of June 1, 2022

- Current sales market conditions: tight
- Current apartment market conditions: slightly tight
- The Austin-Round Rock metropolitan area, or “Silicon Hills,” with over 5,500 startups and technology companies, has established itself as a technology epicenter in the state.



Overview

The Austin-Round Rock Metropolitan Statistical Area (hereafter, the Austin metropolitan area) in central Texas is defined as Bastrop, Caldwell, Hays, Travis, and Williamson Counties. The city of Austin, located in Travis County, is the capital of Texas and is the home of the flagship campus of the University of Texas (UT). The Austin metropolitan area was the eighth fastest growing metropolitan area in the nation in numeric growth and the second fastest in percentage growth from 2010 to 2020 (U.S. Census Bureau decennial census). During the same period, Travis County, the most populous county in the metropolitan area, was the 37th fastest growing county in the nation, with a population over 100,000 residents in percentage terms, whereas Hays and Williamson Counties were the first and fourth fastest growing counties.

- The population of the Austin metropolitan area as of June 1, 2022, is currently estimated at nearly 2.4 million, representing an average increase of 57,350, or 2.8 percent, annually since 2010. The strongest rate of growth occurred earlier in the decade when population growth averaged 3.0 percent, or 55,550 people, annually from 2010 to 2016,

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but slowed to an average increase of 2.7 percent, or 59,300 people, annually from 2016 to current.

- Since 2010, net in-migration has averaged 41,900 people per year and accounted for more than 73 percent of total population growth. The most significant net contributors to the population growth of the Austin metropolitan area were from other areas in Texas, but the number from the states of California and New York have increased during the past 5 years, largely due to corporate relocations and a comparatively low cost of living (Austin Chamber of Commerce).

- As of April 1, 2020, the population of Travis County totaled more than 1.02 million people, accounting for nearly 57 percent of the total population of the metropolitan area (U.S. Census Bureau decennial census).
- The population of Hays County, located in the southern portion of the Austin metropolitan area and adjacent to the San Antonio metropolitan area, increased by 8,400, or 4.4 percent, annually since 2010 to 241,100 as of April 2020, making it the fastest growing county in the nation with a population greater than 100,000.

Economic Conditions

Economic conditions have remained strong in the Austin metropolitan area as strong job gains continue with corporate relocations and expansions, particularly in the technology industry. In May 2021, the Austin metropolitan area became the first Texas metropolitan area to regain all of the jobs lost at the onset of the COVID-19 pandemic (Federal Reserve Bank of Dallas). Nearly every nonfarm payroll sector, apart from the government sector, expanded in the Austin metropolitan area during the 3 months ending May 2022.

During the 3 months ending May 2022—

- Nonfarm payrolls totaled more than 1.13 million, reflecting an increase of 86,900 or 7.6 percent, from the 3 months ending May 2021. Nonfarm payrolls increased by 82,900,

or 7.8 percent, from the 3 months ending May 2020 to the 3 months ending May 2021.

- Job growth was led by the professional and business services sector, which increased by 27,300, or 12 percent, to 254,100. Expansions in this sector during the past year include 2,000 new jobs at Amazon.com, Inc. for online digital product development and 600 new jobs at Arrive Logistics, a developer of shipping management software.
- In percentage terms, the leisure and hospitality sector had the biggest gain, increasing 17.2 percent, or by 19,700, to 134,400 jobs. The leisure and hospitality sector was adversely affected by the restrictions imposed as a result of the COVID-19 pandemic, but as of the 3 months ending

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During the 3 months ending May 2022, 10 of the 11 payroll sectors added jobs in the Austin metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	May 2021 (Thousands)	May 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,140.8	1,227.7	86.9	7.6
Goods-Producing Sectors	136.3	141.4	5.1	3.7
Mining, Logging, & Construction	72.5	72.8	0.3	0.4
Manufacturing	63.8	68.6	4.8	7.5
Service-Providing Sectors	1,004.5	1,086.3	81.8	8.1
Wholesale & Retail Trade	157.5	168.9	11.4	7.2
Transportation & Utilities	27.9	30.7	2.8	10.0
Information	43.3	48.8	5.5	12.7
Financial Activities	70.8	75.2	4.4	6.2
Professional & Business Services	226.8	254.1	27.3	12.0
Education & Health Services	131.7	141.3	9.6	7.3
Leisure & Hospitality	114.7	134.4	19.7	17.2
Other Services	43.8	45.2	1.4	3.2
Government	188.0	187.6	-0.4	-0.2
Unemployment Rate	4.4%	2.6%		

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

Source: U.S. Bureau of Labor Statistics



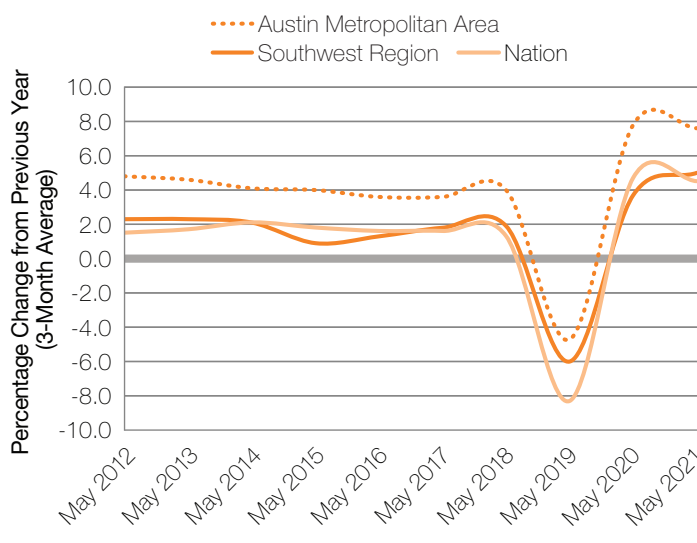
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May 2022, this sector has fully recovered and exceeds the February 2020 level of 134,300 jobs (monthly basis, not seasonally adjusted).

- The unemployment rate declined significantly to an average of 2.6 percent, down from 4.4 percent during the 3 months ending May 2021.

The city of Austin is the state capital of Texas, and as such, the state of Texas is the largest employer and provides a

The current rate of nonfarm payroll growth is faster in the Austin metropolitan area than in the region and the nation.



Source: U.S. Bureau of Labor Statistics

strong employment base to the larger metropolitan area. Texas State University and the University of Texas (UT) are also in the metropolitan area, which have an enrollment of 38,800 and 52,000 students, 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 sector became the second largest payroll sector in 2017 after the professional and business services sector. In 2010, the government sector accounted for 22.1 percent of all nonfarm payroll jobs in the metropolitan area; as of May 2022, that percentage that has declined to 15.3 percent. As of May 2022, the professional and business services sector accounted for 20.7 percent of all nonfarm payrolls in the metropolitan area, up from 14.9 percent in 2010. Many of the largest technology companies in the world, including Google, Apple Inc., Oracle Corporation, Amazon.com, Inc., Meta Platforms, Inc. (formerly Facebook), and Tesla, Inc., have primary or secondary offices located in the Austin area, which have contributed gains to the sector.

Largest Employers in the Austin Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Texas	Government	63,950
University of Texas at Austin	Government	23,925
H-E-B, LP	Wholesale & Retail Trade	18,035

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

Source: Austin Chamber of Commerce, May 2022

Sales Market Conditions

The home sales market is tight, with an estimated vacancy rate of 1.0 percent, down from 2.3 percent in 2010 when conditions were slightly soft. Although the home sales market is currently tight and has been since 2011, the available inventory for sale in the Austin metropolitan area has increased from a record-low 0.4-month supply during January 2021 (Austin Board of REALTORS®). During May 2022, there was a 1.2-month supply of home sales inventory on the market, up from 0.7 month a year earlier; active listings increased more than 146 percent to approximately 4,175 listings during May 2022 compared with May 2021. During May 2022, the average number of days a home remained on the market was 15, down from 16 days during May 2021. During 2021, an estimated 41 and 37 percent of residential purchases in Travis County and Williamson County, respectively, were attributed to institutional

buyers (National Association of REALTORS®). Nationwide, institutional buyers represented approximately 13 percent of the residential sales market during 2021.

During the 12 months ending May 2022—

- New home sales totaled 19,000, a decrease of 3,275, or nearly 15 percent, from the previous 12 months, and the average sales price increased by \$78,975, or more than 20 percent, to \$466,600 (Zonda, with adjustments by the analyst).
- Existing home sales totaled 52,300, a decline of 2,650, or nearly 5 percent, from the previous 12 months, and the average sales price increased by \$63,750, or 13 percent, to \$544,000.

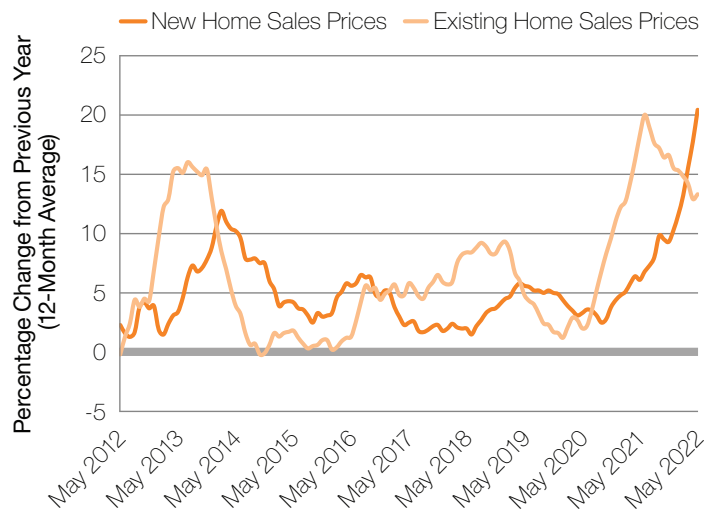
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- Real estate owned (REO) sales accounted for less than 1 percent of existing home sales, practically unchanged from a year earlier and down from a peak of 14 percent in 2011.

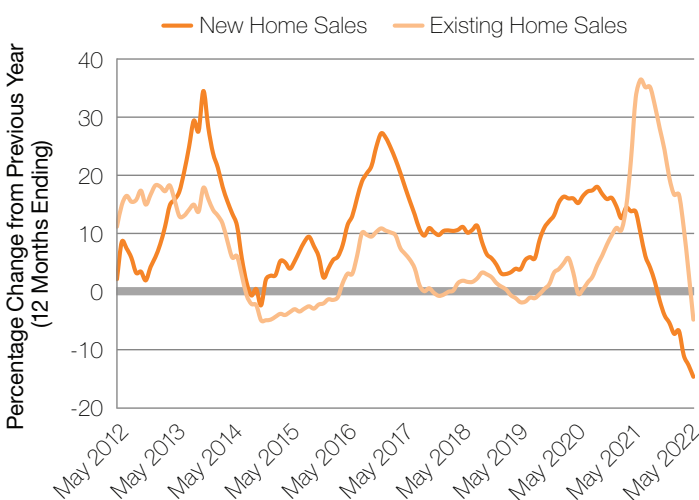
Single-family homebuilding activity, as measured by the number of single-family homes permitted, reached an all-time high during 2021 with more than 25,150 single-family homes permitted—an increase of 2,000 homes, or 9 percent, from the previous all-time high in 2020. Strong population growth and

New and existing home sales prices in the Austin metropolitan area have increased rapidly since 2020.



Note: Prices include single-family homes, townhomes, and condominiums.
Source: Zonda

After accelerating sharply during the COVID-19 pandemic, the number of new and existing home sales have declined in the Austin metropolitan area during the past year.



Note: Sales include single-family homes, townhomes, and condominiums.
Source: Zonda

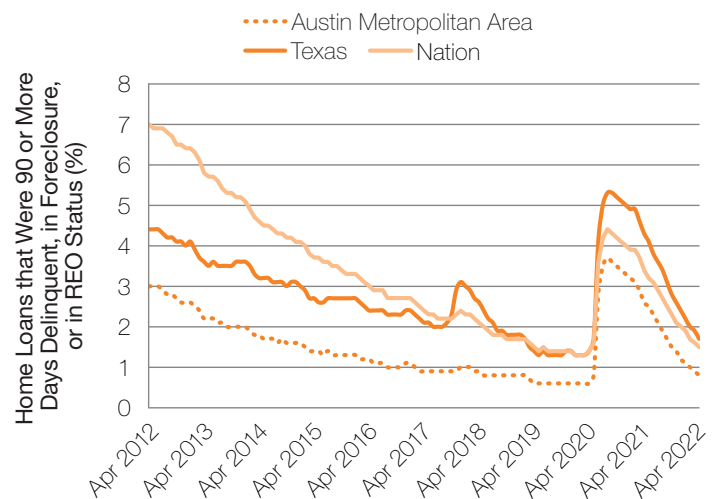
income growth in the Austin metropolitan area has contributed to increased demand for sales housing.

During the 12 months ending April 2022 —

- Single-family homebuilding activity in the Austin metropolitan area totaled 24,950, a decline of 510, or 2 percent, from the previous 12 months.

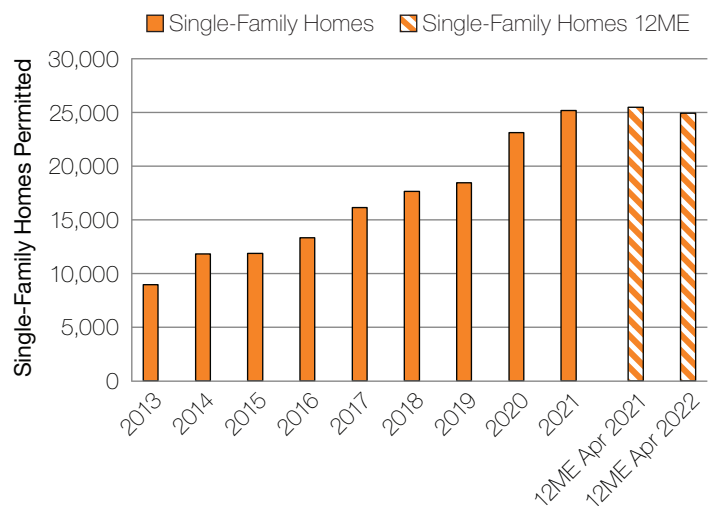
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The percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Austin metropolitan area has been below the state and national rate since at least 2012.



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

Single-family permitting in the Austin metropolitan area reached a peak in 2021, the highest level recorded in more than 40 years.



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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- Travis County accounted for nearly 36 percent of all single-family homes permitted in the Austin metropolitan area with 9,000 homes, representing a decrease of 1,550, or nearly 15 percent, from the previous 12 months. During 2020, a record-high level of production of single-family homes were permitted in Travis County, totaling 10,350 homes, surpassing the previous high of 9,575 homes during 2006.
- Williamson County accounted for 39 percent of all single-family homes permitted in the Austin metropolitan area with 9,525 homes, an increase of 2,125, or nearly 29 percent, from the previous 12 months, the highest number of homes

permitted during a 12-month period in Williamson County in over 20 years, surpassing the previous high of 7,275 during 2020.

- A new 1,400-acre master-planned community, Mirador, is expected to begin construction in the fall of 2022 in the southeast portion of the city of Austin, close to the new Tesla factory. The \$500 million community anticipates sales beginning in 2023 and will include 2,500 single-family homes and more than 1,500 apartments, townhomes, duplexes, and quadplexes on 75 acres, which will include commercial space and 600 acres of greenbelt.

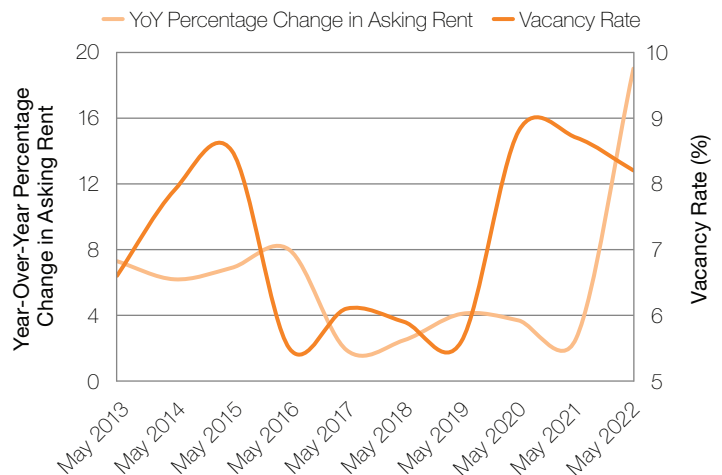
Apartment Market Conditions

The apartment rental market in the Austin metropolitan area is currently slightly tight because of very strong job and population growth, which has kept demand for rental units elevated. Rental household formation increased because of the COVID-19 pandemic, and during 2021, an estimated 23,900 rental units were absorbed in the Austin metropolitan area (CoStar Group). That rate has since declined, and during the 12 months ending May 2022, 13,600 rental units were absorbed, down 5,450, or nearly 29 percent, from the previous 12 months, when 19,050 rental units were absorbed.

During May 2022—

- The average asking rent for an apartment in the Austin metropolitan area was \$1,690, an increase of \$270, or 19 percent, from a year earlier (ALN Apartment Data, Inc.).
- The apartment vacancy rate in the Austin metropolitan area was 8.2 percent, down from 8.7 percent during May 2021; 19,225 units remain in initial lease-up.
- The apartment vacancy rate in the Austin metropolitan area was 5.2 percent for stabilized units, down from 5.5 percent the previous year, but up from the low of 4.6 percent during January 2022.
- Of the five counties in the Austin metropolitan area, Hays County had the highest vacancy rate, at 8.8 percent, down from 12.1 percent from 1 year earlier. The average asking rent in Hays County was \$1,554, an increase of \$161, or nearly 12 percent, from the previous year.
- Travis County had the highest average asking rent at \$1,730, which was up by \$283, or nearly 20 percent, from a year earlier. The vacancy rate in Travis County was 7.8 percent, down from 9.0 percent the previous year.
- The market for student apartments in the Austin metropolitan area is balanced, with a 6.3 percent vacancy rate, down from 7.4 percent a year earlier. The average rent for a student

Apartment rent growth in the Austin metropolitan area during May 2022 was the largest year-over-year increase since at least 2013.



YoY = year-over-year.

Source: ALN Apartment Data, Inc.

apartment is \$2,040, an increase of \$131, or 6.9 percent, from a year earlier (ALN Apartment Data, Inc.).

Multifamily building activity has been increasing consistently in the Austin metropolitan area since 2017, and employment and population growth have kept demand for new units high. The Austin metropolitan area ranks second in the nation for the number of apartment units under construction and is the least populous of the top 10 metropolitan areas ranked (RealPage Market Analytics). As of the first quarter of 2022, there were an estimated 33,300 apartment units under construction; this level is anticipated to increase the existing apartment inventory by more than 12 percent, the highest inventory increase expected among the top 10 construction markets in the nation. The level of rental construction underway in the Austin metropolitan area as of June 2022 is estimated at 38,400 units (ALN Apartment

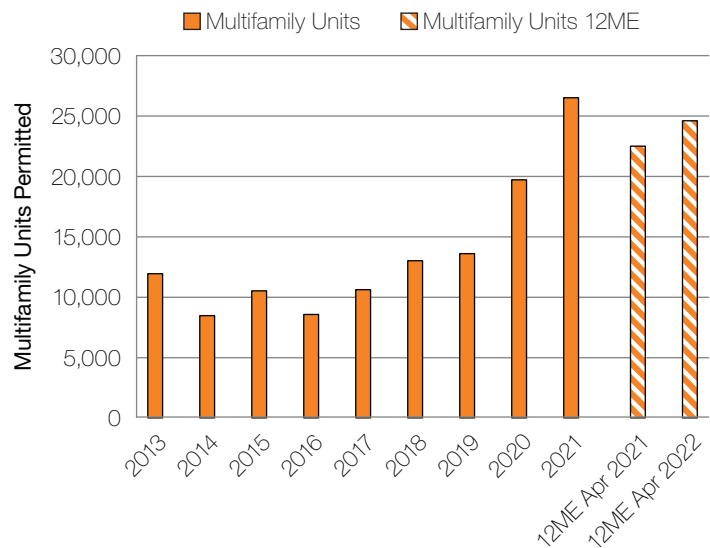
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Data, Inc.). Multifamily construction in the Austin metropolitan area occurs mostly in Travis County, but the percentage of multifamily units permitted outside of Travis County is increasing. Since 2017, nearly 51 percent of all multifamily units permitted in the Austin metropolitan area occurred in Travis County, down from nearly 74 percent from 2010 through 2016.

- Building activity, as measured by the number of multifamily units permitted, totaled 24,575 units during the 12 months ending April 2022, an increase of 2,075 units, or 9 percent, from the previous 12 months. By comparison, an average of 11,450 multifamily units were permitted in the Austin metropolitan area from 2016 through 2019.
- Labor shortages and supply chain issues have greatly increased construction times in the Austin metropolitan area since 2020, but as many as 20,450 units are expected to enter the market by the end of 2022.
- To accommodate households in more dense urban living environments, an increasing number of smaller apartment units are being developed. Since 2016, one-bedroom or studio units have accounted for nearly 61 percent of all new apartment units in the Austin metropolitan area, compared with 53 percent from 2010 through 2016 (ALN Apartment Data, Inc.).
- In addition to the smaller unit sizes, the percentage of high- or mid-rise (four stories or taller) structures has increased recently. Since 2016, high- or mid-rise units have accounted for 47 percent of all new apartment units in the Austin metropolitan area, compared with 35 percent from 2010 through 2016.

Multifamily permitting activity in the Austin metropolitan area peaked in 2021, contributing to the largest multifamily construction pipeline in its history.



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

- The Avenir, a recently completed high-rise apartment building in the city of Austin, is a 15-story tower with 387 apartment units. Rents range from \$1,900 for a studio apartment to \$5,113 for a two-bedroom unit, with the penthouse units renting for \$7,850 a month.

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Institutional Buyers	The National Association of REALTORS® defines these buyers based on property deed records and identified as companies, corporations, or limited liability companies (LLCs). Institutional buyers can take several business forms such as, but not limited to, shared equity ventures, rent-to-own programs, traditional REO/short-sale buyers, or instant buyers (iBuyers).
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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