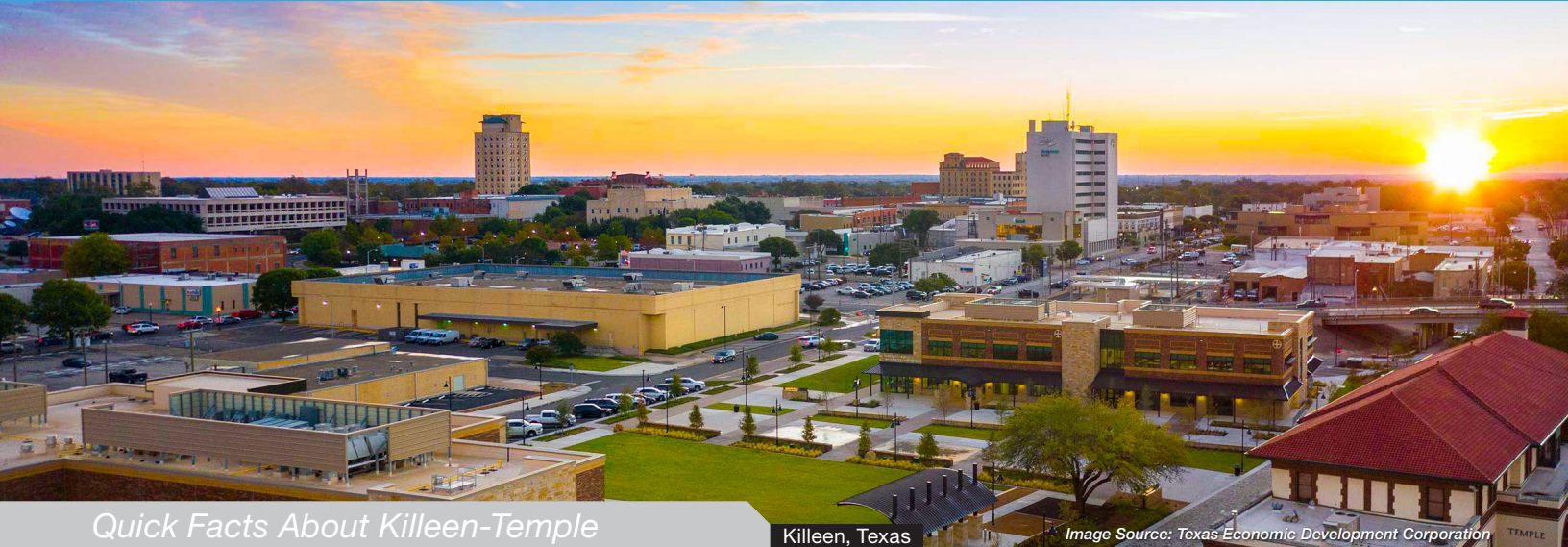


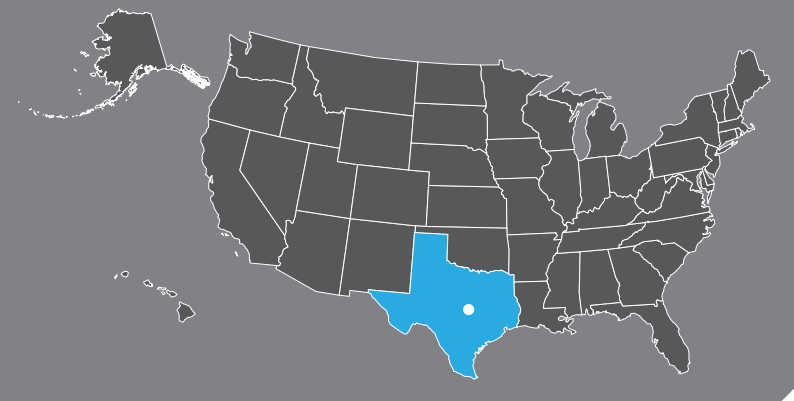
HUD PD&R Housing Market Profiles

Killeen-Temple, Texas



Quick Facts About Killeen-Temple

- Current sales market conditions: tight
- Current rental market conditions: slightly tight
- The largest employer in the metropolitan area is Fort Hood Army Base (hereafter, Fort Hood), the largest active-duty armored post in the U.S. military. The base occupies 340-square miles in Bell and Coryell Counties. It employs more than 36,600 soldiers, 4,900 civilian employees, 1,375 Army and Air Force Exchange Service and Commissary employees, and approximately 5,025 contractors and other employees (Heart of Texas Defense Alliance, December 2021).



Killeen, Texas

Image Source: Texas Economic Development Corporation

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

Overview

The Killeen-Temple metropolitan area is in central Texas, approximately 60 miles north and 50 miles south of Austin and Waco, respectively, and includes the counties of Bell, Coryell, and Lampasas. The largest county, Bell County, includes the most populous cities of Killeen with 153,100 residents and Temple with 82,050 residents (U.S. Census Bureau 2020 decennial census). The city of Killeen is adjacent to Fort Hood.

- As of January 1, 2022, the population of the metropolitan area is estimated at 493,100, representing an average increase of 7,475 people, or 1.7 percent, annually since 2010. Net in-migration has accounted for 64 percent of population growth in the metropolitan area since 2010.
- Significant net out-migration occurred from 2012 to 2016, averaging 1,075 people a year, due partly to force reductions at Fort Hood (U.S. Census Bureau population estimates as of July 1). Since 2016, this has shifted to net in-migration, averaging 4,750 a year, partly due to stronger economic growth and more affordable housing options compared with nearby metropolitan areas.

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PD&R

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- Fort Hood is the largest employer in the Killeen-Temple metropolitan area, with an estimated workforce of approximately 41,600 (Heart of Texas Defense Alliance)

and had an economic impact on the state of more than \$29.8 billion in 2019 (Texas Comptroller of Public Accounts).

Economic Conditions

Economic conditions in the Killeen-Temple metropolitan area have fully recovered and continue to strengthen from significant job losses following interventions taken in March 2020 to slow the spread of COVID-19. Before the pandemic, nonfarm payrolls in the metropolitan area expanded, averaging 1.7 percent annually from 2014 through 2019. Since the downturn in 2020, economic conditions have improved rapidly, in part, because of the stabilizing effect of Fort Hood and the large government sector. Due to the presence of Fort Hood, the Killeen-Temple metropolitan area economy depends heavily on the government sector—the largest sector in the area, with 38,400 jobs during the 3 months ending December 2021, or one-fourth of all nonfarm payrolls.

During the fourth quarter of 2021 —

- Nonfarm payrolls totaled 148,100, up by 5,300 jobs, or 3.7 percent, from a year ago compared with a year-over-year loss of 4,100 jobs, or 2.8 percent, during the fourth quarter of 2020.
- The leisure and hospitality sector added the most jobs and grew at a faster rate than any other sector, increasing

2,200 jobs, or 15.1 percent, to 16,800 jobs compared with the previous year. Widespread layoffs stemming from countermeasures implemented to slow the spread of COVID-19 contributed to a decline in this sector of 1,400 jobs, or 8.7 percent during the fourth quarter of 2020; all of the jobs lost have been fully recovered.

- The mining, logging, and construction sector was up by 500 jobs, or 7.5 percent, accounting for the second largest percentage increase, whereas the professional and business services sector, up by 600 jobs, or 4.8 percent, accounted for the second largest numerical increase in nonfarm payrolls. The greater demand in residential and commercial construction contributed to the increase, benefiting the construction subsector.
- The unemployment rate averaged 4.7 percent, down from 6.2 percent a year earlier. By comparison, the unemployment rate for the nation averaged 3.9 percent, down from 6.5 percent a year earlier.

The education and health services sector is the second largest payroll sector averaging 24,100 jobs during the fourth quarter of

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Nearly every payroll sector added jobs year over year in the Killeen-Temple metropolitan area during the 3 months ending December 2021, compared with all but two sectors contracting during the same period a year ago.

	3 Months Ending		Year-Over-Year Change	
	December 2020 (Thousands)	December 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	142.8	148.1	5.3	3.7
Goods-Producing Sectors	14.1	14.9	0.8	5.7
Mining, Logging, & Construction	6.7	7.2	0.5	7.5
Manufacturing	7.4	7.7	0.3	4.1
Service-Providing Sectors	128.7	133.2	4.5	3.5
Wholesale & Retail Trade	22.9	23.4	0.5	2.2
Transportation & Utilities	5.1	5.4	0.3	5.9
Information	1.0	1.0	0.0	0.0
Financial Activities	6.0	6.3	0.3	5.0
Professional & Business Services	12.5	13.1	0.6	4.8
Education & Health Services	23.6	24.1	0.5	2.1
Leisure & Hospitality	14.6	16.8	2.2	15.1
Other Services	4.4	4.6	0.2	4.5
Government	38.4	38.4	0.0	0.0
Unemployment Rate	6.2%	4.7%		

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

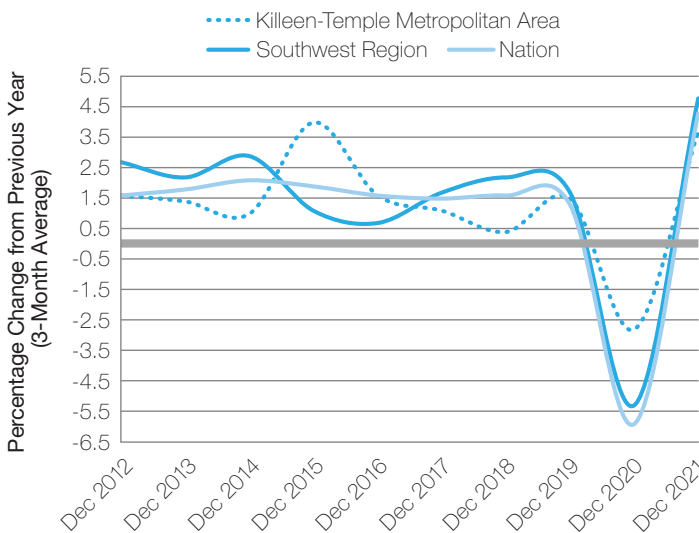
Source: U.S. Bureau of Labor Statistics



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2021. Baylor Scott & White Health is the largest private employer in the metropolitan area with 7,750 employees and is partnering with Baylor College of Medicine to open a Temple campus in 2023. The wholesale and retail trade sector is also an important

During the 3 months ending December 2020, the rate of job loss was less severe in the Killeen-Temple metropolitan area than in the Southwest region and the nation.



Source: U.S. Bureau of Labor Statistics

part of the local economy and is the third largest sector, with 23,400 jobs during the fourth quarter of 2021. The wholesale and retail trade sector and the transportation and utilities sector benefit from the metropolitan area's proximity to Interstate 35 (I-35). In addition, Interstate 14 (I-14) was expanded from Killeen and Fort Hood to I-35 in the city of Belton in 2017, and this new transportation artery has had a positive impact on the local economy. The Infrastructure Investment and Jobs Act of 2021 has designated future extensions of I-14, including expansions extending west to the Midland-Odessa, Texas, area and east to Augusta, Georgia. This extension will improve freight movement while linking military bases and creating access to strategic seaports.

Largest Employers in the Killeen-Temple Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort Hood Army Base	Government	41,600
Baylor Scott & White Health	Education & Health Services	7,750
Teleperformance	Professional & Business Services	1,800

Notes: Excludes local school districts. Data includes soldiers and military defense personnel.

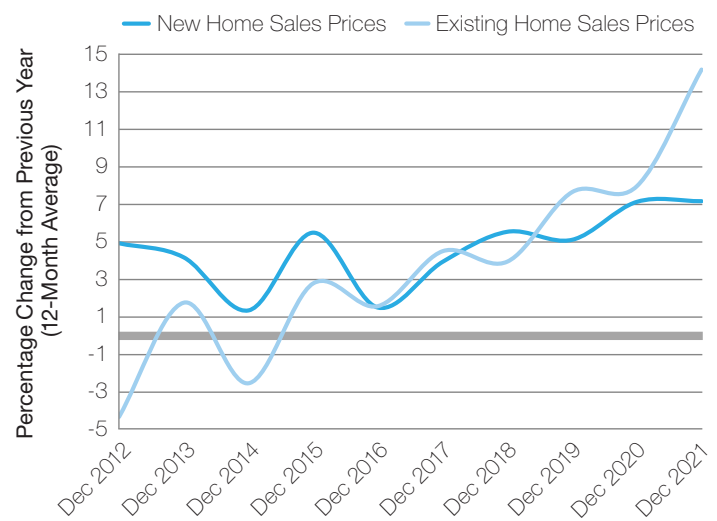
Sources: Temple Economic Development Corporation; Killeen Economic Development; Heart of Texas Defense Alliance

Sales Market Conditions

Sales housing market conditions are currently tight in the Killeen-Temple metropolitan area. The estimated vacancy rate is 1.3 percent, down from 2.4 percent as of April 1, 2010, when conditions were soft. The home sales market has tightened further from a year ago, partly because of a decline in single-family home construction and a shortage of homes on the market coupled with a surge in home buying in the metropolitan area. As of December 2021, residential property listings totaled 410 homes, down 13 percent from a year earlier and down 67 percent compared with December 2019 (Texas Real Estate Research Center at Texas A&M University).

As of December 2021, 3.0 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or in real estate owned (REO) status, down from 5.4 percent a year earlier and below the previous peak of 4.8 percent in January 2012 (CoreLogic, Inc.). During the COVID-19 pandemic, the economic shock made it more difficult for some homeowners to stay current on their mortgage payments, so many used forbearances made available by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Despite the increase to a

During 2021, existing home sales prices increased at a much faster pace than new home sales prices in the Killeen-Temple metropolitan area.



Note: Home prices include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

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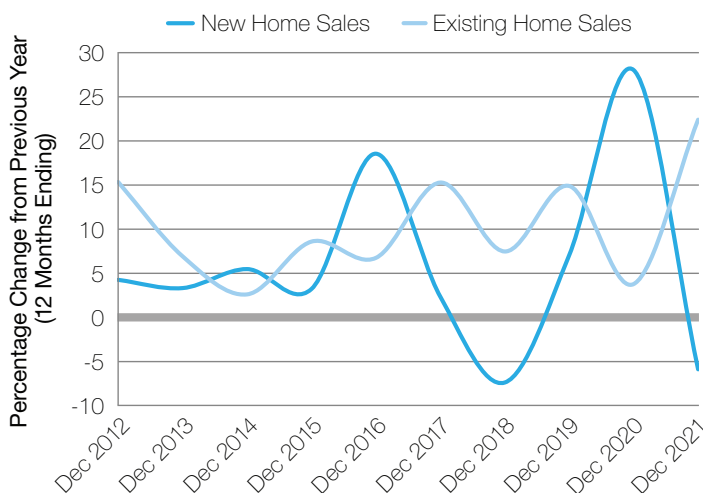
new peak of 5.5 percent as of November 2020, the number of home loans in actual foreclosure and in REO status was down 85 and 96 percent, respectively, from the prior peak levels in 2012.

During the 12 months ending December 2021—

- Approximately 16,250 new and existing homes were sold in the metropolitan area, representing an increase of 2,350 homes, or nearly 17 percent, compared with 2020. Home sales increased an average of 6 percent annually from 2012 through 2016, but since 2016, home sales have increased an average of 10 percent annually; the current level of home sales is 30 percent above the previous peak of 12,500 homes sold during 2005.
- New home sales decreased 6 percent to 2,575 homes, and the average price for a new home increased 7 percent to \$276,000. During 2021, new home prices increased at the fastest pace in more than a decade.
- Existing home sales, including regular resales and REO sales, increased nearly 22 percent to 13,650, and the average price for existing homes increased 14 percent to \$224,200.
- REO sales were a small share of the market, accounting for less than 1 percent of sales, down from the peak level of nearly 15 percent during 2016.

As measured by the number of single-family homes permitted, single-family home construction activity has increased since 2016. Prior to 2016, a reduction in military personnel, combined with a significant number of foreclosures as a percentage of the market, resulted in builder caution and lower levels of single-family

During 2021, existing home sales increased at a much faster pace than new home sales in the Killeen-Temple metropolitan area, primarily due to the low inventory of new homes available for sale.



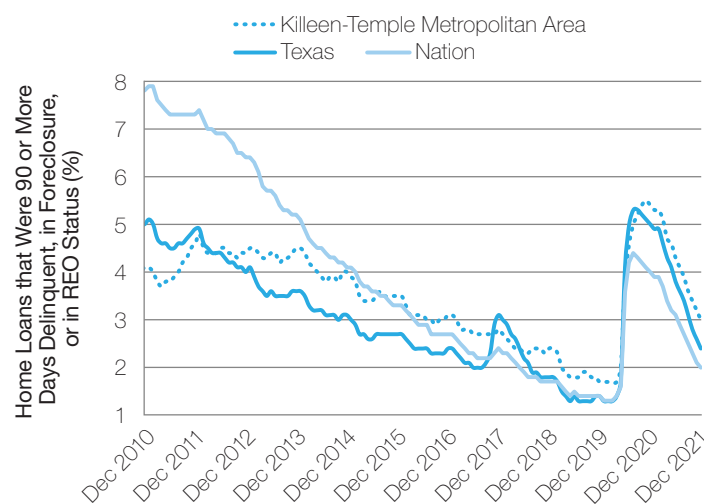
Note: Home sales include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

construction. Homebuilding activity declined in 2021 compared with 2020, however, even as sales market conditions remained tight, partly due to labor shortages and supply chain issues exacerbating commodity scarcity.

- During 2021, approximately 2,450 single-family homes were permitted in the Killeen-Temple metropolitan area, representing

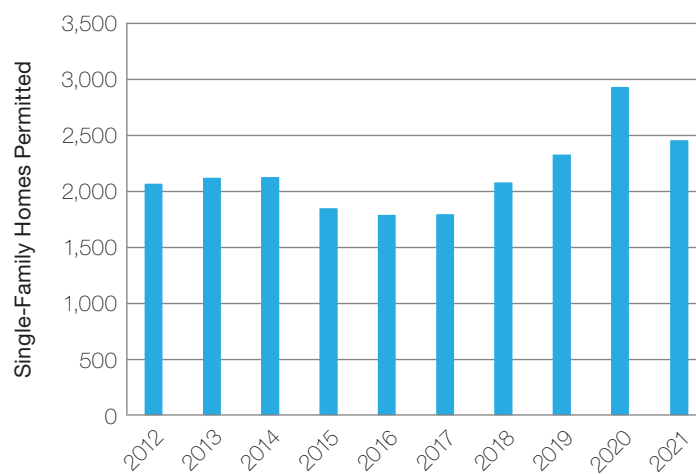
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The rate of seriously delinquent mortgages and REO properties in the Killeen-Temple metropolitan area increased significantly from June 2020 through November 2020 but has been steadily declining.



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

Single-family homebuilding activity in the Killeen-Temple metropolitan area increased each year from 2016 through 2020.



Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 12 months of data—preliminary data and estimates by the analyst

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a decline of 475 homes, or 16 percent, compared with 2020 (includes preliminary data). Home construction rose by an average of 9 percent annually from 2016 through 2019 and then rose an additional 26 percent, to 2,925 homes, in 2020.

- In the city of Temple, the share of homes permitted has increased in recent years due in part to job growth at expanding manufacturing and distribution operations and a growing number of medical providers. The city of Temple

accounted for 43 percent of the number of single-family homes permitted from 2019 through 2021, up from 35 percent from 2016 through 2018.

- Currently under development is the Oak Ridge residential community in the city of Temple. Three- and four-bedroom homes, ranging in size from 1,300 to 2,500 square feet, are available at a starting average price in the \$220,000s.

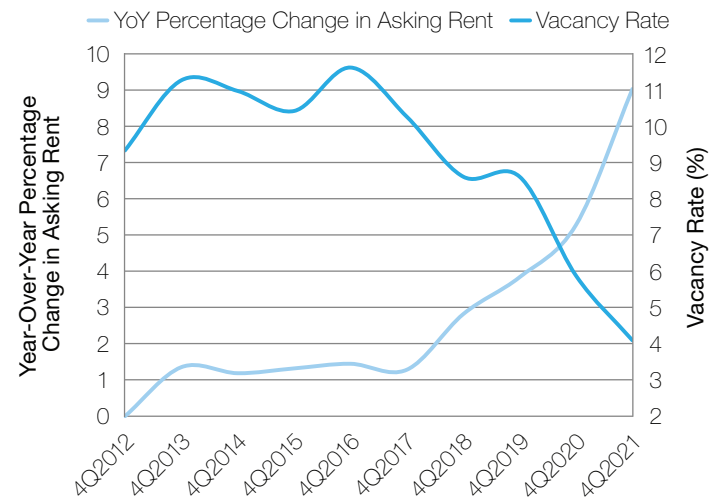
Rental Market Conditions

Rental market conditions in the Killeen-Temple metropolitan area are currently slightly tight—which is a change from 2010 when the rental market was soft. In 2019, approximately 42 percent of renter households in the metropolitan area lived in single-family attached or detached homes, whereas 31 percent lived in multifamily structures with five or more units, typically apartments; in 2010, the comparable figures were 45 and 22 percent, respectively (American Community Survey 1-year data). Due to a declining troop presence at Fort Hood, slow renter household growth kept the rental vacancy rate high during the mid-2010s when a large portion of available rental units was in the Fort Hood area. Vacancy rates have since fallen after reaching a peak in 2016, in large part due to a decrease in deployments.

During the fourth quarter of 2021—

- The estimated vacancy rate for all rental units (including single-family homes, mobile homes, and apartments) was 6.4 percent as of January 1, 2022—a decrease from 10.1 percent in 2010, when conditions were soft.
- The apartment market is tight, with a 4.1-percent vacancy rate during the fourth quarter of 2021—down from 5.9 percent a year earlier but substantially below the recent high of 11.6 percent during the fourth quarter of 2016 (CoStar Group, Inc.). The apartment vacancy rate is the lowest fourth quarter rate since 2000.
- The average apartment rent was \$869 during the fourth quarter of 2021, up by \$72, or 9 percent, from the same period a year earlier; rents increased 5 percent from the fourth quarter of 2019 to the fourth quarter of 2020. By comparison, the average rent in the Killeen-Temple metropolitan area increased an average of less than 2 percent during the fourth quarter of each year from 2012 to 2019.
- The average single-family vacancy rate for professionally managed rentals is 2.8 percent as of December 2021, up from 2.7 percent 1 year prior (CoreLogic, Inc.). Median single-family rents range from \$1,172 for a one-bedroom

The apartment vacancy rate is at the lowest level in more than a decade in the Killeen-Temple metropolitan area; rent growth began to increase in 2018 and has accelerated to the fastest rate in more than a decade.



4Q = fourth quarter. YoY = year-over-year.
Source: CoStar Group, Inc.

unit to \$1,711 for a four-bedroom unit, a near 11 percent year-over-year increase.

As measured by the number of units permitted, multifamily construction activity increased significantly during the 12 months ending December 2021, to approximately 1,700 units, up from the 710 units permitted during the previous year as builders responded to increased rental housing demand (includes preliminary data).

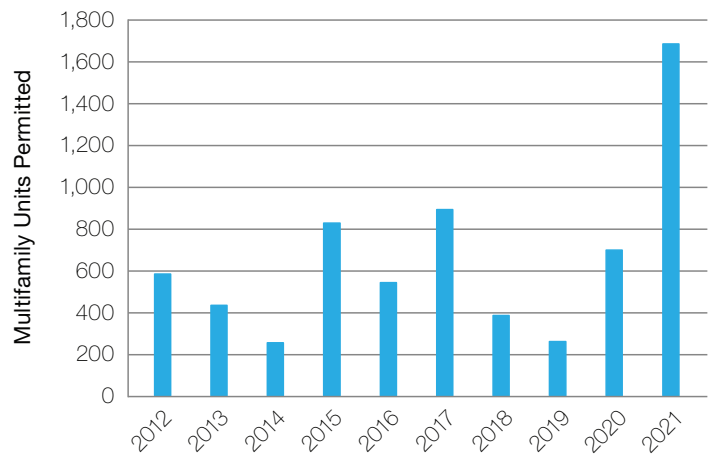
- Prior to the recent peak during 2021, multifamily permitting averaged 520 units a year from 2016 through 2019. Multifamily construction did not keep pace with the overall demand in the Killeen-Temple metropolitan area prior to 2020, partly due to a surge of stronger net in-migration since 2016.

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- Approximately 1,300 multifamily units are currently under construction in the metropolitan area, most of which are in the cities of Killeen and Temple and are a mix of two- and five-plus unit structures.
- Currently underway in the city of Killeen is Robinson 42, a mixed-income apartment complex. The Robinson 42 development will include 368 units, with 50 percent of its units limited to 80 percent of the area's median income. Expected completion is for early 2024, with initial leasing beginning in 2023.
- The 216-unit Killeen Apartments is currently under construction in Killeen near the border of the city of Harker Heights. The Killeen Apartments are expected to be completed by mid-2023 and will occupy a 31-acre plot along Acorn Creek Trail with 15 acres designated for green space and trail connectivity.

Multifamily building activity peaked in the Killeen-Temple metropolitan area during 2021.



Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 12 months of data—preliminary data and estimates by the analyst