



Victoria, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2011



Housing Market Area



The Victoria Housing Market Area (HMA) is coterminous with the Victoria Metropolitan Statistical Area (MSA), which includes Calhoun, Goliad, and Victoria Counties. Located along the Texas Gulf Coast, Victoria is referred to as “the crossroads” because of its proximity to Austin, Corpus Christi, Houston, and San Antonio. The region is home to the Port of Port Lavaca and the Port of Victoria, which handle about 12 million tons of cargo a year.

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Summary

Economy

During the 12 months ending June 2011, average nonfarm payrolls in the Victoria HMA increased by 750 jobs, or 1.6 percent, to 49,450 jobs (see Table DP-1 at the end of this report). During the 12-month period ending June 2011, the only sectors reporting increased employment were the education and health services sector and the mining, logging, and construction sector. During the 3-year forecast period, nonfarm payrolls are estimated to increase by an average of 0.9 percent annually in the HMA, with most of the growth expected in the same two sectors.

Sales Market

The sales housing market in the HMA is currently soft, with an estimated sales vacancy rate of 1.9 percent. Demand is expected for 440 new homes during the forecast period. The 10 homes currently under construction will satisfy a portion of that demand (see Table 1). In addition, a portion of the 5,300 other vacant units in the HMA may come back on the market and satisfy some of the demand.

Rental Market

The rental housing market in the HMA is currently soft but improving. As of July 1, 2011, the overall rental vacancy rate was estimated at 8.3 percent. The average rent in the HMA was \$540. During the next 3 years, demand is expected for 190 new rental units (see Table 1). Currently, 120 rental units are under construction.

Table 1. Housing Demand in the Victoria HMA, 3-Year Forecast, July 1, 2011 to July 1, 2014

	Victoria HMA	
	Sales Units	Rental Units
Total Demand	510	190
Under Construction	10	120

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2011. Total demand includes demand for an estimated 70 mobile homes. A portion of the estimated 5,300 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Despite two periods of significant job losses during the 2000s, the economy of the Victoria HMA recorded a net employment gain during the past decade. From March 2001 to March 2004, nonfarm payrolls decreased by an average of 1,100 jobs, or 2.3 percent, annually. Nonfarm payrolls increased by 950 jobs, or 2 percent, annually from March 2004 to December 2008. The decade then finished with a loss of 1,600 nonfarm payroll jobs, or 2.8 percent, during 2009. The economy began to recover in 2010 and, during the 12 months ending June 2011, nonfarm payrolls increased by 750 jobs,

or 1.6 percent, from the previous 12 months, to an average of 49,450 jobs. The recent job growth can be attributed to gains in the mining, logging, and construction sector and the education and health services sector, which added 575 and 275 jobs, respectively, gains of 9.6 and 3.8 percent (see Table 2). Nonfarm payrolls in the government sector were down by 1.1 percent during the 12 months ending June 2011. This sector accounts for 18 percent of all jobs and is the largest sector in the HMA (see Figure 1). Of the 9,100 government jobs in the HMA, 3,050, or 33 percent, are with the local school districts in the three counties. Figure 2 shows the percentage change in sector growth in the HMA since 2000 with the education and health services sector showing the largest percentage increase of 35 percent. The unemployment rate in the HMA averaged 7.4 percent for the 12 months ending June 2011, down from 7.7 percent recorded during the previous 12 months. Figure 3 shows trends in the labor force, resident employment, and unemployment rate since 2000.

Increased exploration in the Eagle Ford Shale oil and gas fields, which cover an area much larger than the HMA, contributed to an increase in resident employment in the HMA. In 2008, the first well was drilled 160 miles west of the HMA in Lasalle County, Texas, and production moved closer to the Victoria HMA during the past year. Although no actual wells currently exist in the HMA, most of the wells are in adjoining counties and Victoria is the closest population center to the eastern area of the fields. As of 2010, 72 oil-producing leases and 158 natural gas producing leases were contracted in the fields. Most of the leases under

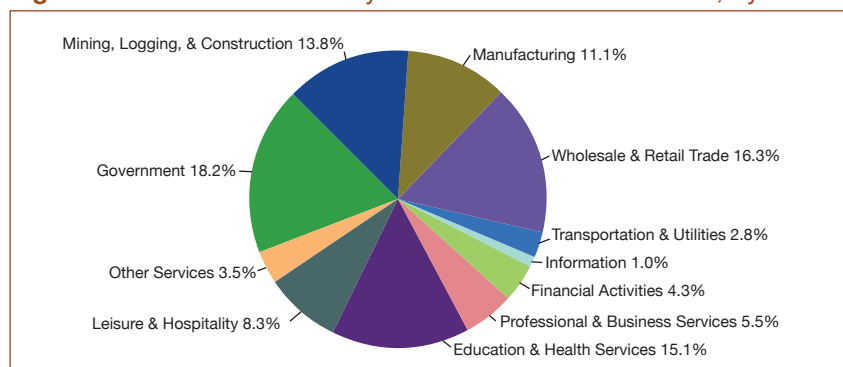
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Victoria HMA, by Sector

	12 Months Ending June 2010	12 Months Ending June 2011	Percent Change
Total Nonfarm Payroll Jobs	48,700	49,450	1.6
Goods Producing	11,750	12,300	4.8
Mining, Logging, & Construction	6,225	6,825	9.6
Manufacturing	5,525	5,500	-0.6
Service Providing	36,950	37,150	0.5
Wholesale & Retail Trade	8,000	8,075	0.9
Transportation & Utilities	1,400	1,400	0.0
Information	500	500	0.0
Financial Activities	2,100	2,100	0.4
Professional & Business Services	2,700	2,725	0.9
Education & Health Services	7,175	7,450	3.8
Leisure & Hospitality	4,125	4,125	0.0
Other Services	1,725	1,750	1.0
Government	9,200	9,000	-2.2

Notes: Based on 12-month averages through June 2010 and June 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

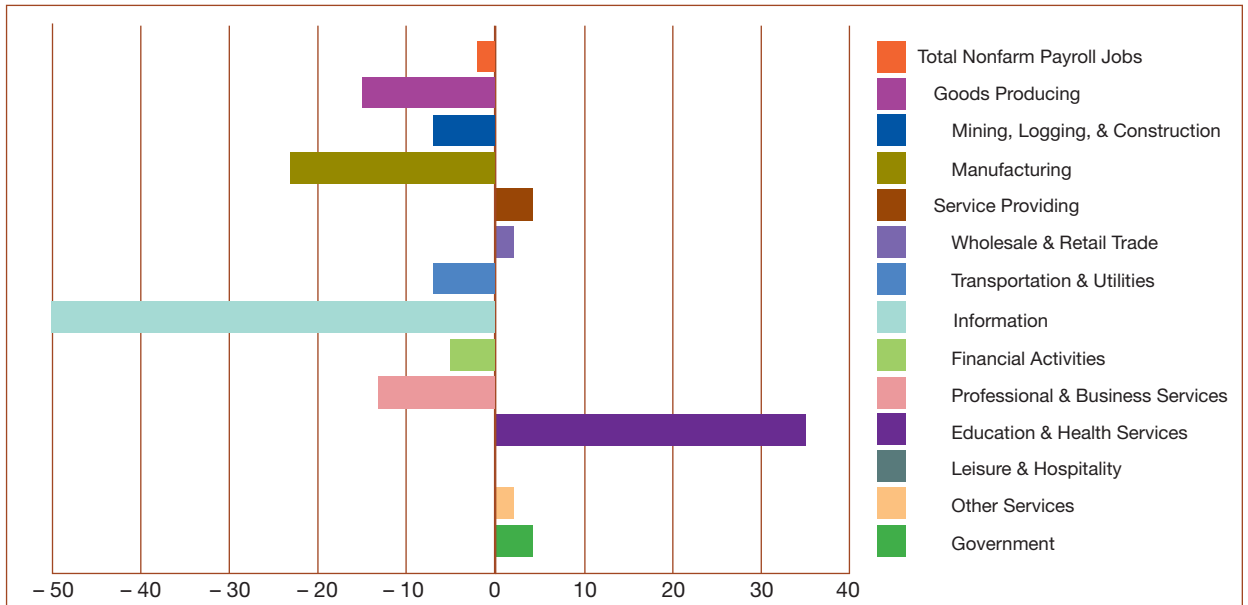
Figure 1. Current Nonfarm Payroll Jobs in the Victoria HMA, by Sector



Note: Based on 12-month averages through June 2011.

Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Victoria HMA, Percentage Change, 2000 to Current



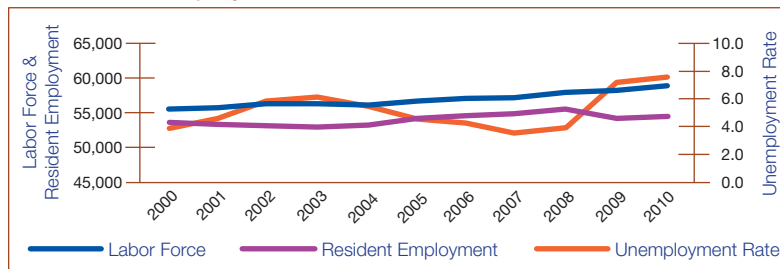
Note: Current is based on 12-month averages through June 2011.

Source: U.S. Bureau of Labor Statistics

production close to the Victoria HMA are for natural gas. In 2010, the fields produced more than 3 million barrels of oil and 79 billion cubic feet of natural gas. The first year for major

production out of these fields was 2010 and, for the first 2 months of 2011, production was exceeding the pace of 2010.

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Victoria HMA, 2000 to 2010



Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Victoria HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Formosa Plastics Corporation, U.S.A.	Manufacturing	1,500
Interplast Group, LTD.	Manufacturing	1,300
DeTar Healthcare System	Education & Health Services	1,000
Citizens Medical Center	Education & Health Services	1,000
H-E-B	Wholesale & Retail Trade	650
Alcoa	Manufacturing	600
The Dow Chemical Company	Manufacturing	600
INVISTA	Manufacturing	600
First Victoria Inc.	Financial Activities	500

Note: Excludes local school districts.

Source: Victoria Economic Development Corporation

The largest private employers in the metropolitan area are Formosa Plastics Corporation, U.S.A.; Interplast Group, LTD.; and DeTar Healthcare System, which employ approximately 1,500, 1,300, and 1,000 workers, respectively (see Table 3). Formosa Plastics and Interplast Group are part of the petrochemical industry, which significantly affects the local economy. The Dow Chemical Company and Alcoa also have a large presence in the HMA, with facilities that take advantage of the region's ports. The Port of Victoria and the Port of Port Lavaca directly support 2,896 and 5,300 jobs, respectively, according to a 2008 study from the Center for Transportation Research at the University of Texas at Austin. Ancillary job impact, because of the ports, was estimated at 17,600 jobs.

The outlook for employment growth in the HMA during the forecast period is strong, with Caterpillar locating their hydraulic excavator manufacturing plant in Victoria. Construction began in April 2011 with completion of the first phase anticipated in early 2012. Upon total completion in 2014, Caterpillar is expected to employ 500 permanent workers. Caterpillar is making a \$200 million investment in this new plant. In addition to the estimated 400 construction jobs currently associated with the plant, job growth is also anticipated from Caterpillar

suppliers that will locate near the plant during the next 3 years. Employment in the HMA is expected to continue to increase during the next 12 months. During the 3-year forecast period, employment is expected to increase by 1.1 percent a year, with the manufacturing and the mining, logging, and construction sectors expected to lead job growth. The education and health services and the government sectors will likely account for the bulk of the remaining forecast job growth in the HMA.

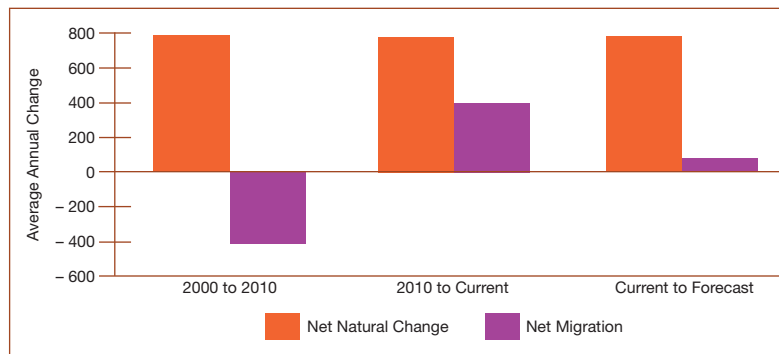
Population and Households

As of July 1, 2011, the population of the Victoria HMA is estimated at 116,900. Approximately 53 percent of the HMA population resides in the city of Victoria. Since 2008, population growth has increased 0.8 percent annually compared with less than 0.6 percent annually from 2005 through 2007. From 2005 through 2007, net out-migration averaged 150 people a year, but, since 2008, this trend has reversed and in-migration has averaged 180 people a year. See Figure 4 for components of population

change since 2000. Net in-migration is expected to average 110 people annually during the 3-year forecast period, up significantly from the average loss of 416 people a year during the 2000s. The development of Eagle Ford Shale and the transition of the University of Houston-Victoria (UH-V) to a 4-year university are driving much of the recent in-migration. The university's enrollment has increased by 950 students, or 28 percent, since 2009 and is expected to double to nearly 8,000 students by 2019. As the economy improves in the Victoria HMA during the next 3 years, the population is expected to increase by an average of 830 people, or 0.7 percent, annually.

Currently, 43,450 households are in the HMA. Household growth from 2000 to 2010 averaged 270 households, or 0.6 percent, a year. Since 2010, growth has increased, with new households averaging 500, or 1.2 percent, a year. This increase in the growth rate of households is driven by the

Figure 4. Components of Population Change in the Victoria HMA, 2000 to Forecast

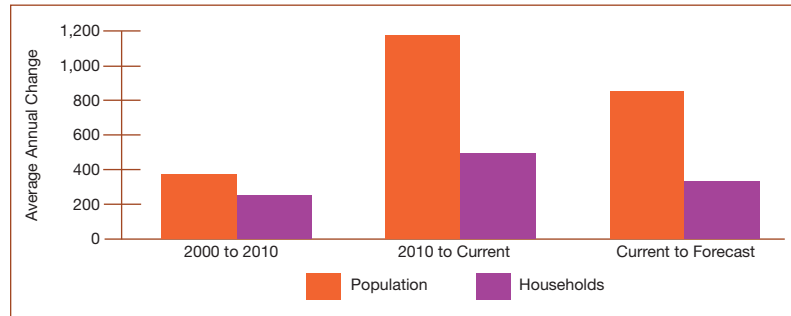


Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

expansion of UH-V, Caterpillar, and work in the Eagle Ford Shale. During the next 3 years, household growth is expected to return to an average of 0.8 percent annually, or 330 households, of which 33 percent are expected to be renters. Because of tighter mortgage underwriting standards, fewer people are buying

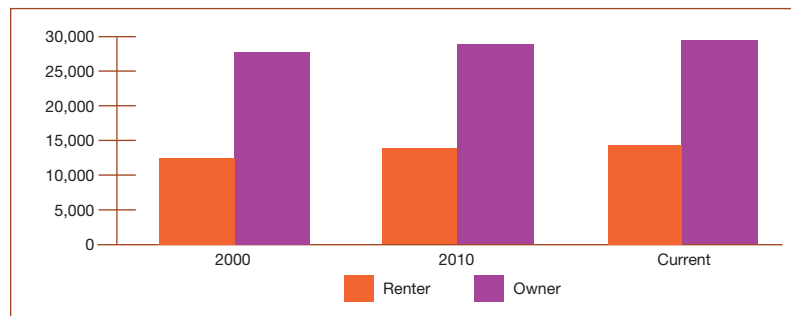
homes. Households are more inclined to rent, a situation that has dropped the homeownership rate in the HMA during the past several years from 69.2 in 2000 to 67.4 currently. Figures 5 and 6 show population and household growth and the number of households by tenure, respectively, in the HMA since 2000.

Figure 5. Population and Household Growth in the Victoria HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Victoria HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market

As a result of the slow economy and tight mortgage lending standards, the sales housing market in the Victoria HMA is currently soft. The overall sales vacancy rate is estimated to be 1.9 percent, up from the 1.8-percent rate reported in the 2010 Census

but down from the 2.3-percent rate reported in the 2009 American Community Survey.

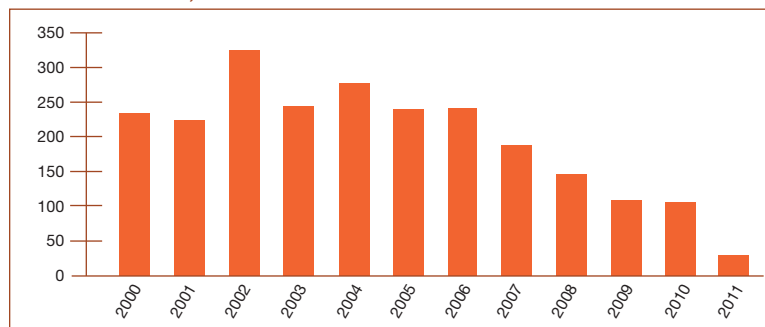
According to data from the Real Estate Center at Texas A&M University, the number of new and existing home sales was down during the

Housing Market Trends

Sales Market *Continued*

12 months ending June 2011, to 730 homes, compared with 780 homes sold during the previous 12 months; the decrease is somewhat misleading because the previous 12 months were boosted by the effects of the first-time homebuyer tax credit, which led to 96 home sales in May 2010, which was the highest number of home sales in a month since the 97 homes sold in June 2008. During the past 12 months, the average home sales price increased about 9 percent, from \$134,000 to \$146,000, an all-time high for the HMA; this price increase is unusual compared with the significant price decline in other areas of the country.

Figure 7. Single-Family Building Permits Issued in the Victoria HMA, 2000 to 2011



Notes: Includes only single-family units. Includes data through June 2011.

Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Victoria HMA, July 1, 2011 to July 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
85,000	99,999	55	13.0
100,000	119,999	85	19.0
120,000	139,999	100	23.0
140,000	159,999	85	19.0
160,000	179,999	65	15.0
180,000	249,999	25	6.0
250,000	299,999	15	3.0
300,000	and higher	10	2.0

Notes: Excludes mobile homes. Some of the estimated demand will be satisfied by the 10 homes currently under construction. In addition, a portion of the estimated 5,300 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

New home construction, as measured by the number of single-family building permits issued, totaled 50 homes during the 12 months ending May 2011, which is relatively unchanged compared with the number of permits issued during the previous 12 months, based on preliminary data. Since 2006, new home construction has declined every year and averaged about 170 homes permitted annually from 2006 through 2009. See Figure 7 for annual building permits issued since 2000. About 80 percent of new home construction in the metropolitan area in the past few years has occurred on the north side of Victoria in the vicinity of U.S. Highway 77; the typical new home price has averaged about \$170,000. Currently, 7 months of inventory are on the market, which is essentially unchanged from a year ago.

Sales market conditions during the next 3 years are expected to improve due to increased job growth as a result of ongoing expansions with the Eagle Ford Shale and Caterpillar. During the 3-year forecast period, demand is estimated for 440 new market-rate homes and an additional 70 mobile homes. Demand for homes is expected to be stronger in the second and third years of the forecast period. Table 4 shows the estimated demand for market-rate homes by price range. The 10 homes currently under construction will meet a portion of that demand. In addition, a portion of the 5,300 other vacant units may come back on the market and satisfy some of the forecast demand.

Rental Market

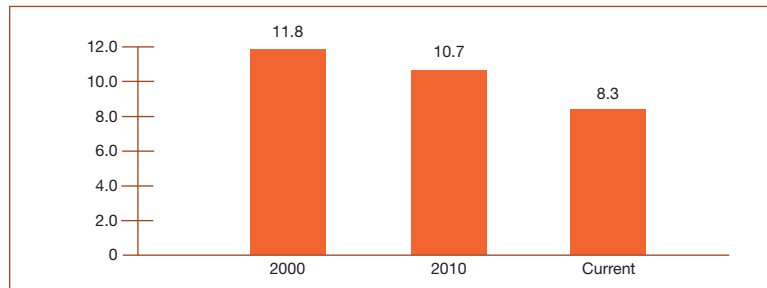
The rental housing market in the Victoria HMA is soft, but conditions are improving. The current rental vacancy rate is estimated at 8.3 percent compared with 10.7 percent reported in the 2010 Census, shown in Figure 8. Local apartment managers report a sharp increase in apartment rentals in the Victoria HMA since August of 2010. The recent drop in the vacancy rate is due to increased employment and in-migration associated with the Eagle Ford Shale development and an increase in student enrollment at UH-V. Since the spring of 2009, enrollment at the university has increased by 950 students, but the university has added capacity to house only

180 additional students in dormitory rooms. It is estimated that students at UH-V currently account for about 15 percent of the apartment market rentals in Victoria. The influx of workers for construction and mining activities has also led to increased absorption of rental units during the past 2 years.

Average rents for market-rate apartments in the HMA are \$540 for a one-bedroom unit, \$650 for a two-bedroom unit, and \$740 for a three-bedroom unit. No new apartments have been built since 2004. Many of the more recently constructed market-rate apartments have a waiting list. Figure 9 shows that, during the entire decade of the 2000s, multifamily construction, as measured by the number of units permitted, totaled nearly 300 units. Of these units, 280 were low-income housing tax credit developments that were built in 2004. The last market-rate apartments were built in 1998. The lack of new multifamily construction has led to increased renter occupancy in single-family homes during the past several years. Approximately 1,600 new renter households have come to the HMA since the 2000 Census, although only 400 renter units were constructed during the same time period.

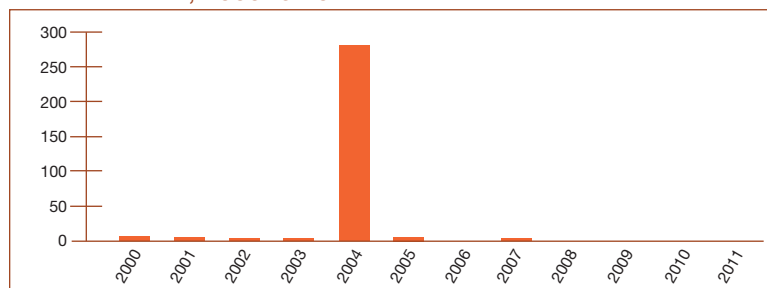
Currently, only one multifamily rental project is under construction in the HMA. Point Royale Apartments, a 120-unit development, plans to offer one-, two-, and three-bedroom units with rents at about \$700, \$870, and \$988, respectively. This project is expected to begin renting up in the summer of 2012.

Figure 8. Rental Vacancy Rates in the Victoria HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Victoria HMA, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2011.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Rental Market *Continued*

During the 3-year forecast period, demand is estimated for 190 rental units in the HMA, although 120 units would be satisfied by the construction of the Point Royale Apartments.

Table 5 shows estimated demand for new market-rate rental housing in the Victoria HMA categorized by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Victoria HMA, July 1, 2011 to July 1, 2014

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
700 or more	60	870 to 1,069	90	1,000 or more	20
		1,070 or more	20		
Total	60	Total	110	Total	20

Notes: Some of the estimated demand will be satisfied by the 120 units currently under construction. Numbers may not add to totals because of rounding.

Source: Estimates by analyst

Data Profile

Table DP-1. Victoria HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	53,516	54,480	54,750	0.2	1.0
Unemployment Rate	3.9%	7.6%	7.4%		
Nonfarm Payroll Jobs	50,200	49,000	49,450	-0.2	1.8
Total Population	111,663	115,384	116,900	0.3	1.0
Total Households	40,157	42,821	43,450	0.6	1.2
Owner Households	27,797	28,964	29,300	0.4	0.9
Percent Owner	69.2%	67.6%	67.4%		
Renter Households	12,360	13,857	14,150	1.1	1.7
Percent Renter	30.8%	32.4%	32.6%		
Total Housing Units	46,609	50,537	50,600	0.8	0.1
Owner Vacancy Rate	1.8%	1.8%	1.9%		
Rental Vacancy Rate	11.8%	10.7%	8.3%		
Median Family Income	\$44,900	\$55,600	\$55,900	2.2	0.3

Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through June 2011. Median family incomes are for 1999, 2009, and 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 7/1/2011—Analyst's estimates

Forecast period: 7/1/2011–7/1/2014—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_VictoriaTX_11.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.