



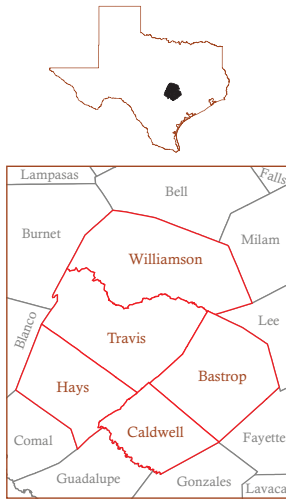
Austin-Round Rock, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2009



Summary

Housing Market Area



The Austin-Round Rock, Texas Housing Market Area (HMA) comprises five counties in central Texas. The principal city of Austin, the state capital, is located in Travis County approximately 200 miles south of Dallas-Fort Worth. The HMA is home to three Fortune 500 companies and the University of Texas (UT), the sixth largest university in the country by enrollment.

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Economy

The economy of the Austin-Round Rock HMA has slowed dramatically during the past year. Although the rate of job growth, at 1.2 percent, is the lowest since 2004, job gains of more than 2 percent each were recorded in four employment sectors: professional and business services, education and health services, other services, and government. During the 3-year forecast period, growth in the professional and business services and the education and health services sectors is expected to contribute to a 1.4-percent annual increase in the number of jobs in the HMA. Employment data for the HMA appear in Table DP-1 at the end of this report.

Sales Market

The sales housing market in the HMA is balanced but softening, with a current overall vacancy rate of 1.7 percent. According to the Real Estate Center at Texas A&M University, for the 12 months ending June 2009, the average sales price of new and existing homes in the HMA was \$240,100, a decrease of nearly 3 percent compared with the average price of \$246,700 for the 12 months ending June 2008. During the forecast period, employment and population gains are expected

to support demand for 35,800 new market-rate sales housing units; the 2,000 sales housing units currently under construction will satisfy a small portion of that demand (see Table 1).

Rental Market

The rental housing market in the HMA is currently soft, with an estimated overall vacancy rate of 12 percent, up from 8 percent a year ago. Rental occupancy and average apartment rents have decreased due to diminishing job growth and a large number of apartments entering the market. During the forecast period, the 5,200 rental units currently under construction will more than satisfy the estimated demand for 3,350 market-rate rental housing units (see Table 1).

Table 1. Housing Demand in the Austin-Round Rock HMA, 3-Year Forecast, July 1, 2009 to July 1, 2012

	Austin-Round Rock HMA	
	Sales Units	Rental Units
Total Demand	35,800	3,350
Under Construction	2,000	5,200

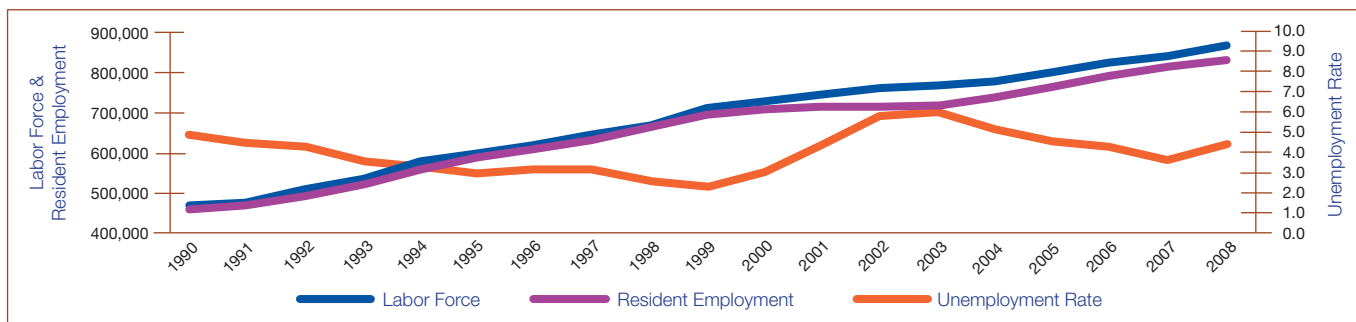
Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2009. Source: Estimates by analyst

Economic Conditions

The economy of the Austin-Round Rock HMA has slowed dramatically during the past 12 months, when the area recorded its lowest growth rate in nearly 5 years. During the 12 months ending June 2009, total nonfarm employment increased by 9,000 jobs, or 1.2 percent, to 778,700 jobs. In comparison, annual gains from 2005 through 2008 averaged 28,400 jobs, or an increase of 3.9 percent. Although the economy of the HMA has slowed, Austin-Round Rock remains the only major market in Texas to record a year-over-year increase in employment during the

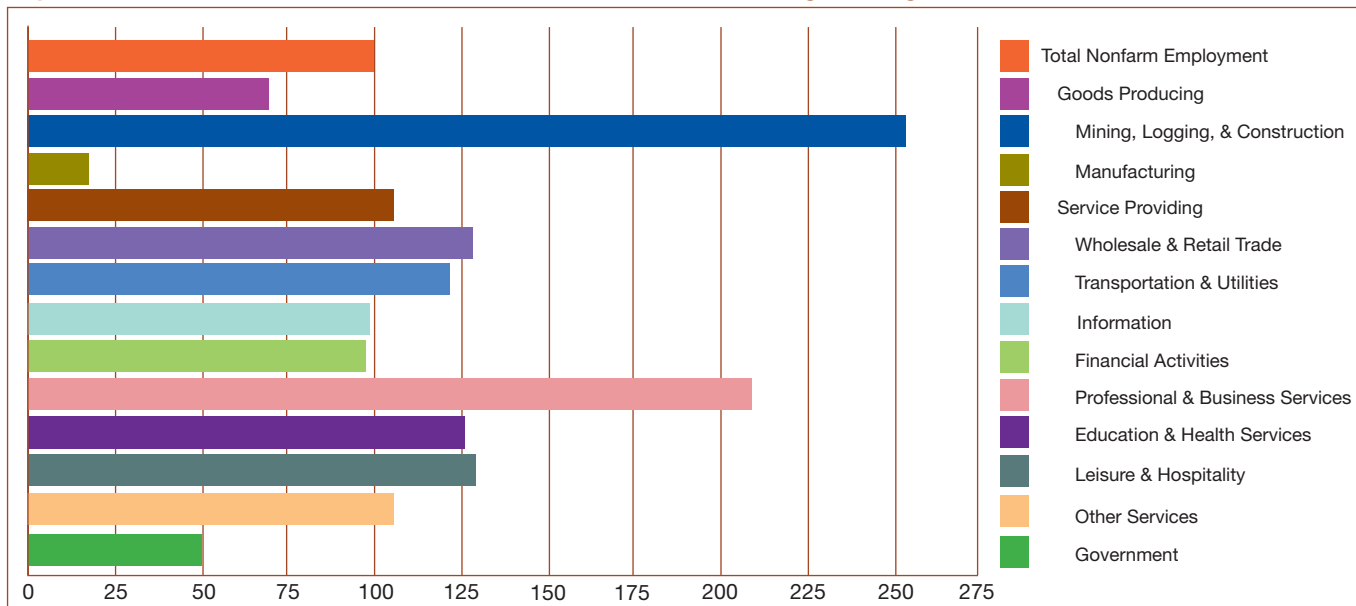
past 4 consecutive months. The slower employment growth that occurred during the past 12 months, coupled with large corporate downsizing, contributed to an increase in the unemployment rate, which averaged 5.5 percent for the 12 months ending June 2009. Before 2009 and since July 2004, the unemployment rate has remained at or below 5.1 percent. During the past 5 years, the unemployment rate has averaged 4.4 percent. Figure 1 illustrates trends in the labor force, resident employment, and unemployment rate in the HMA from 1990 through 2008. Figure 2 illustrates

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Austin-Round Rock HMA, 1990 to 2008



Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Austin-Round Rock HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through June 2009.

Source: U.S. Bureau of Labor Statistics

sector growth in the HMA from 1990 to the current date. The two leading private-sector employers in the metropolitan area are Dell Inc. and H-E-B food stores, with 9,000 and 6,750 employees, respectively (see Table 2).

During the 12 months ending June 2009, hiring was strong in the professional and business services sector, which added 3,500 jobs, an increase of 3.2 percent. Much of the growth in this sector is attributed to job creation in high technology, in particular the entertainment software and digital media industries. According to a 2006 study conducted by TXP, the expand-

ing gaming and digital media industry accounts for just 1,100 jobs but has a \$200 million annual economic impact on the HMA. Job gains were significant in the education and health services sector as well, which increased by 2,500 jobs, or 3.2 percent, during the past 12 months compared with the number of jobs reported during the previous 12-month period (see Table 3). Hiring primarily occurred in the medical services, research, and other healthcare-related industries. Seton Healthcare Network is the third-leading private-sector employer in the area, with 6,700 employees, and has expanded rapidly throughout the HMA during the past 24 months. Opened in February 2009, Seton Medical Center Williamson, a 181-bed, \$175 million facility located in Round Rock, is expected to have an initial economic impact of \$190 million annually on the HMA. Seton Medical Center Hays, a 112-bed medical facility located in Kyle, is scheduled to open in October 2009. When it is completed, the new \$143 million facility will be the largest medical center in Hays County.

Large job increases in the HMA were also recorded in the other services sector. During the 12 months ending June 2009, the sector added 2,900 jobs, an increase of 10.1 percent. Much of the increase in this sector is due to the hiring of automotive service technicians and maintenance and repair workers. As economic conditions have weakened, repairing has become a more economical solution than replacing. During the 12 months ending June 2009, the number of jobs in the manufacturing sector decreased by 3,400, or 5.8 percent, led by a slowdown in the microchip industry. Dell Inc. closed its North Austin plant

Table 2. Major Employers in the Austin-Round Rock HMA

Name of Employer	Employment Sector	Number of Employees
Dell Inc.	Manufacturing	9,000
H-E-B food stores	Trade	6,750
Seton Healthcare Network	Education & Health Services	6,700
IBM	Manufacturing	6,239
Freescale Semiconductor, Inc.	Manufacturing	5,000
Apple Inc.	Manufacturing	3,000
University Medical Center Brackenridge	Education & Health Services	2,887
Advanced Micro Devices, Inc.	Manufacturing	2,300
National Instruments Corporation	Trade	2,282
Applied Materials, Inc.	Education & Health Services	2,250

Sources: Austin Chamber of Commerce; Round Rock Chamber of Commerce

Table 3. 12-Month Average Employment in the Austin-Round Rock HMA, by Sector

	12 Months Ending June 2008	12 Months Ending June 2009	Percent Change
Total Nonfarm Employment	769,700	778,700	1.2
Goods Producing	108,400	102,100	- 5.8
Mining, Logging, & Construction	49,300	46,300	- 6.1
Manufacturing	59,100	55,700	- 5.8
Service Providing	661,300	676,600	2.3
Wholesale & Retail Trade	124,700	124,800	0.1
Transportation & Utilities	13,500	13,300	- 1.5
Information	21,300	20,600	- 3.3
Financial Activities	44,900	45,100	0.4
Professional & Business Services	109,200	112,700	3.2
Education & Health Services	79,100	81,600	3.2
Leisure & Hospitality	79,900	80,500	0.8
Other Services	28,800	31,700	10.1
Government	159,900	166,400	4.1

Notes: Based on 12-month averages through June 2008 and June 2009. Numbers may not add to totals because of rounding.

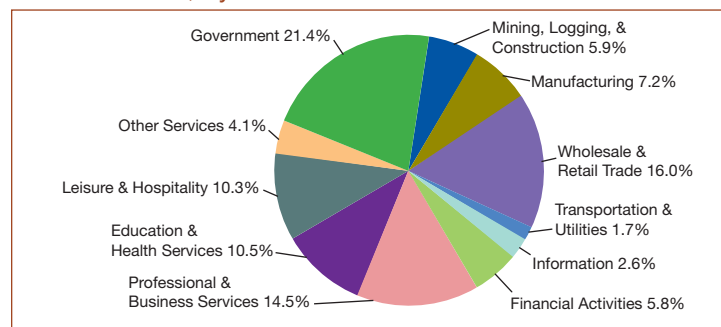
Source: U.S. Bureau of Labor Statistics

in 2008, cutting 900 jobs. Freescale Semiconductor, Inc., cut 230 jobs in March 2009 and has laid off 460 employees since November 2008. Job losses have also occurred in the homebuilding industry, in which recent cutbacks have resulted in a loss of 3,000 construction jobs.

The government sector accounts for more than 20 percent of all nonfarm jobs in the HMA (see Figure 3). Multiple universities in the HMA continue to be a stabilizing force in

the economy, especially public institutions such as UT and Texas State University (TSU). UT, with a student enrollment of approximately 50,000, has an overall economic impact of more than \$3 billion annually, according to a recent economic impact study completed by the university. TSU, located south of Austin in San Marcos in Hays County, had a 2008 fall enrollment of approximately 28,000 students. According to the TSU website, the university has an annual economic impact of nearly \$550 million.

Figure 3. Current Employment in the Austin-Round Rock HMA, by Sector



Note: Based on 12-month averages through June 2009.

Source: U.S. Bureau of Labor Statistics

New jobs in the education and health services sector, professional and business services sector, and government sector are expected to lead job growth during the forecast period. The retail trade subsector, other services sector, and leisure and hospitality sector will likely account for the bulk of the remaining job growth in the HMA. The rate of job growth is estimated to be 1 percent during the next 12 months, accelerating to 1.5 percent by the end of the forecast period.

Population and Households

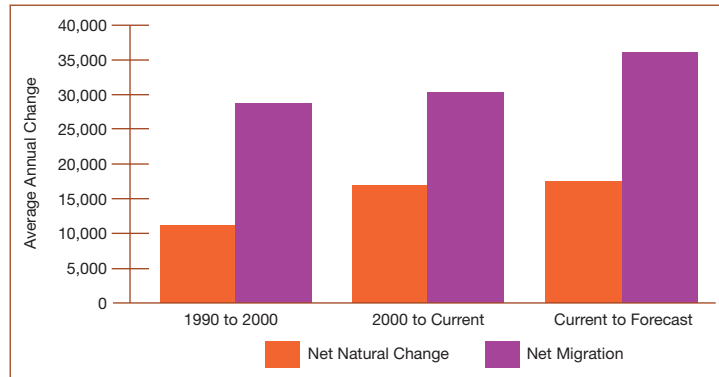
According to the Census Bureau, from July 2007 to July 2008 (the most recent data available), the city of Austin was the ninth fastest growing city in the nation in terms of numerical population growth, adding 18,461 people during the 12-month period. During the same period, the city of Round Rock had the second highest growth rate, at 8.2 percent, of any city in the nation with a population of more than 100,000. As of July 1, 2009, the population of the Austin-

Round Rock HMA is estimated at slightly more than 1,692,000, reflecting an increase of 2.4 percent compared with the population during the previous 12 months. In comparison, population growth averaged 4.1 percent annually from 2005 through 2007. The significantly slower population growth is attributed to high housing prices in the HMA compared with other metropolitan areas in the state coupled with a flattening economy.

The population of the HMA increased by an average of 40,350, or 4 percent, a year from 1990 to 2000. During the 1990s, net in-migration accounted for more than 70 percent of the population gain; the remainder of

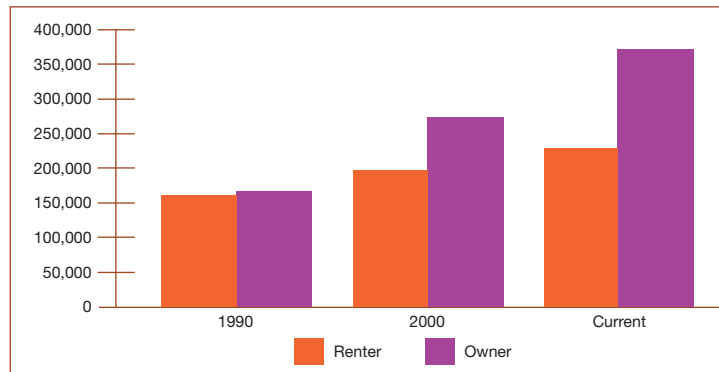
the growth came from net natural change (resident births minus resident deaths). Since 2000, net in-migration has remained relatively stable, at an average of 30,900 people annually, and has accounted for 65 percent of the annual population growth of 47,850, largely as a result of the economic growth in the HMA. Net in-migration is expected to increase at a rate of 35,200 people a year throughout the 3-year forecast period, a continuation of the gradual increase that began in 2000. The population of the HMA is forecast to grow by 3.0 percent a year during the next 3 years and total approximately 1,850,000 by June 1, 2012. See Figure 4 for the components of population change in the HMA from 1990 to the forecast date.

Figure 4. Components of Population Change in the Austin-Round Rock HMA, 1990 to Forecast



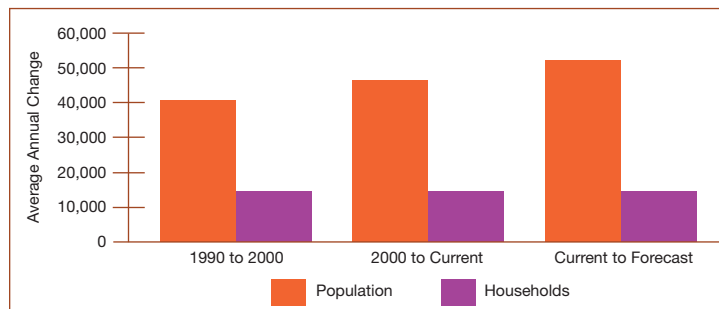
Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Austin-Round Rock HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Austin-Round Rock HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Largely due to the decline in population growth, the rate of household growth in the HMA has also been slower since 2000 than during the previous decade. Since 2000, the number of households has increased by 14,250, or 2.7 percent, a year compared with an increase of 14,600, or 3.8 percent, during the 1990s. Currently, the HMA has 603,700 households. Figure 5 illustrates the number of households by tenure in the HMA for 1990, 2000, and the current date.

During the forecast period, the number of households is expected to increase by 14,200, or 2.3 percent, annually and total approximately 646,300 by June 1, 2012. Figure 6 shows population and household growth in the HMA from 1990 to the forecast date.

Housing Market Trends

Sales Market

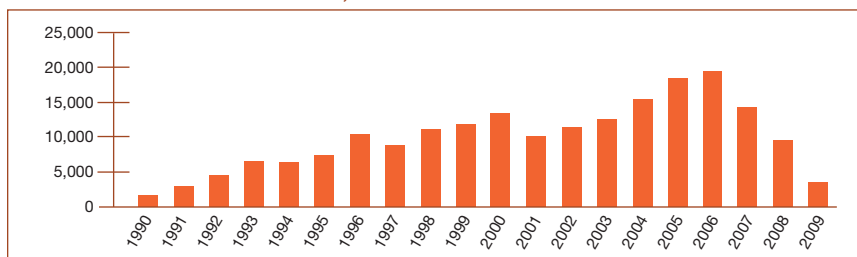
The sales housing market in the Austin-Round Rock HMA is balanced, although it is softening as a result of decreased demand resulting from tighter credit standards and a slower economy. According to the Real Estate Center at Texas A&M University, during the 12 months ending June 2009, 19,750 existing homes were sold, a decrease of 22 percent compared with the number sold during the previous 12 months. Between 2006 and 2008, the number of existing home sales averaged 26,900 annually. For the 12 months ending June 2009, the average sales price decreased to \$240,100, down nearly 3 percent compared with the average price for the previous 12 months. During the 12 months ending June 2009, the HMA averaged more than 6 months' worth of available inventory on the market, an increase of more than 30 percent compared with the inventory during the 12 months ending June 2008 and up nearly 80 percent compared with the inventory during the 12 months ending June 2007.

New home construction activity, as measured by the number of single-family building permits issued, has slowed in response to declining demand. During the 12 months ending June 2009, the number of single-family homes permitted was down nearly 34 percent to 6,275

compared with the 9,475 homes permitted during the 12-month period ending June 2008. Since 2008, single-family construction activity has been well below the decade-high average of nearly 17,150 homes permitted annually from 2005 through 2007. Currently, new home construction is concentrated in areas east of Austin throughout Bastrop County and also south of Austin in Hays County in the cities of Buda, Kyle, and San Marcos. Figure 7 shows the number of single-family building permits issued in the HMA from 1990 to 2009. According to data from the 2007 American Community Survey, median home prices in Bastrop and Hays Counties were \$111,000 and \$174,600, respectively. In contrast, the median home price in Travis County, which includes the city of Austin, was \$195,000. Prices for newly constructed starter homes in the HMA typically range from \$125,000 to \$175,000, with the lower prices generally available only in the outlying counties.

Condominiums and townhomes currently represent about 6 percent of all existing home sales in the HMA, unchanged from a year ago. Although slowing, condominium development is currently ongoing in downtown Austin. The reduced level of downtown construction activity, which fell from 540 units built during 2008 to 190 units built through June 2009, reflects builders' response to declining sales and increased inventory of unsold units. Although condominium development has slowed, approximately 460 downtown condominium units are in the planning stages. Nearly 300 of the planned units are in one development—21c Austin, which is also expected to include a museum and hotel. Completion of

Figure 7. Single-Family Building Permits Issued in the Austin-Round Rock HMA, 1990 to 2009



Notes: Includes only single-family units. Includes data through June 2009.

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

Housing Market Trends

Sales Market *Continued*

the proposed development is expected in 2011, but prices had not been set as of the current date. According to the Austin Board of REALTORS®, prices for new and existing condominiums

and townhomes in the area averaged \$258,800 in 2008, a 14-percent decrease compared with average prices recorded in 2007.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Austin-Round Rock HMA, July 1, 2009 to July 1, 2012

Price Range (\$)		Units of Demand	Percent of Total
From	To		
90,000	99,999	3,575	10.0
100,000	124,999	5,000	14.0
125,000	149,999	5,725	16.0
150,000	174,999	4,300	12.0
175,000	199,999	3,575	10.0
200,000	224,999	3,225	9.0
225,000	249,999	2,875	8.0
250,000	299,999	2,150	6.0
300,000	349,999	1,800	5.0
350,000	399,999	1,425	4.0
400,000	499,999	1,075	3.0
500,000	599,999	720	2.0
600,000	and higher	355	1.0

Source: Estimates by analyst

During the 3-year forecast period, demand is estimated for 35,800 new market-rate sales units in the HMA. A portion of this demand will be met by the 2,000 homes currently under construction (see Table 1). Table 4 illustrates estimated demand for new market-rate sales housing in the HMA by price range. Demand is expected to be stronger during the later part of the forecast period. In addition, demand is estimated for 2,700 mobile homes during the next 3 years. Mobile homes currently make up an estimated 7 percent of the total housing inventory in the HMA.

Rental Market

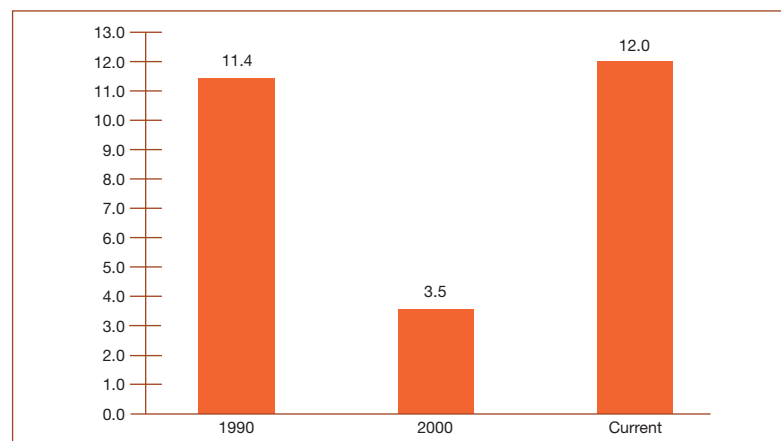
The rental housing market in the HMA has softened dramatically during the past year. The current rental vacancy rate is estimated at 12 percent, up from 8 percent a year ago and more than triple the 3.8-percent rate recorded in 2000 (see Figure 8).

According to ALN Systems, Inc.,

as of June 2009, effective market-rate rents in the area average \$710 for a one-bedroom unit, \$920 for a two-bedroom unit, and \$1,100 for a three-bedroom unit. According to Austin Investor Interests, LLC, average apartment rents have decreased approximately 6 percent from rents recorded during the second quarter of 2008. According to the same source, nearly 80 percent of area apartments are offering some kind of concession, ranging from a \$99 move-in special to several months of free rent. Apartments account for nearly 80 percent of all rental units in the HMA. The remainder of the rental stock consists primarily of single-family homes and mobile homes.

Multifamily construction, as measured by the number of units permitted, totaled 3,200 units permitted during the 12 months ending June 2009, a

Figure 8. Rental Vacancy Rates in the Austin-Round Rock HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

Rental Market *Continued*

63-percent decrease compared with the 8,500 units permitted during the 12-month period ending June 2008. According to the McGraw-Hill Construction Pipeline database, during the past 12 months, approximately 13 percent of all multifamily permits have been for condominiums, down from 20 percent during the previous 12 months. Currently, 5,200 multifamily units are under construction; 500 of those units are condominiums. Figure 9 illustrates the number of multifamily building permits issued in the HMA from 1990 to 2009.

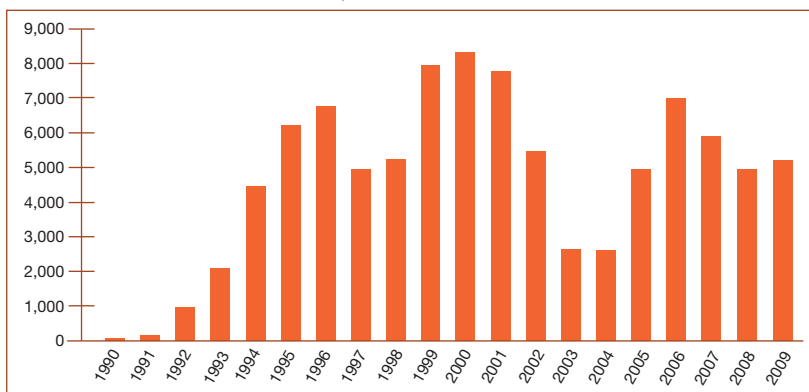
Significant multifamily rental housing development has been occurring in the city of Kyle, located in Hays County. During the past year, approximately 650 apartments have been built in Kyle, representing 75 percent of the multifamily units permitted in the county and 20 percent of the units permitted in the HMA. In the city of Austin, apartments have been developed for both the high and low ends of the market. Ashton, a 259-unit luxury apartment building in downtown Austin, was completed in July 2009. The new development offers amenities such as a wine cellar and

private movie theater; rents average approximately \$1,600 a month. Skyline Terrace Apartments, a new community for low-income adults facing homelessness, opened in 2008. The converted former hotel provides permanent housing for 100 adults living alone and who have incomes of less than \$25,000 a year.

Approximately 10 percent, or 2,500, of the multifamily units built since 2005 have been financed through low-income housing tax credits, according to data from the Texas Department of Housing and Community Affairs. According to ALN Systems, Inc., 10,850 income-restricted units are available in the HMA; these units are leased to tenants with incomes at or below 80 percent of the Area Median Income. Effective rents for income-restricted units average \$580 for a one-bedroom unit, \$700 for a two-bedroom unit, and \$790 for a three-bedroom unit.

Students at UT and TSU occupy a large portion of the local rental stock. Estimates indicate that more than 60,000 students combined at both universities live in housing in the private rental market. UT currently offers 6,750 on-campus dormitory units, although it is estimated that more than 85 percent of UT students, or 43,000 students, live off campus. TSU offers 5,575 on-campus dormitory units as well as four off-campus apartment communities. Off-campus apartments at TSU have rents that range from \$410 to \$670 a month per student. Apartments located near the university, but not owned by the university, typically command much higher rents due to their location compared with units farther out in Travis and Hays Counties.

Figure 9. Multifamily Building Permits Issued in the Austin-Round Rock HMA, 1990 to 2009



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2009.

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

Housing Market Trends

Rental Market *Continued*

During the forecast period, the estimated demand for 3,350 market-rate rental housing units in the HMA will be met by the 5,200 rental units currently under construction (see

Table 1). Table 5 shows estimated demand for new market-rate rental housing in the HMA categorized by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Austin-Round Rock HMA, July 1, 2009 to July 1, 2012

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
750	1,175	970	1,675	1,175	500
800	1,025	1,020	1,400	1,225	460
850	940	1,070	1,275	1,275	420
900	850	1,120	1,150	1,325	360
950	740	1,170	990	1,375	300
1,000	630	1,220	840	1,425	260
1,050	520	1,270	700	1,475	230
1,150	420	1,370	570	1,575	170
1,250	340	1,470	370	1,675	120
1,350	270	1,570	250	1,775	90
1,450	210	1,670	170	1,875	70
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Austin-Round Rock HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	452,691	699,153	830,900	4.4	2.1
Unemployment Rate (%)	5.0	2.5	5.5		
Nonfarm Employment	389,000	644,600	778,700	5.2	2.2
Total Population	846,227	1,249,763	1,692,000	4.0	3.3
Total Households	325,995	471,855	603,700	3.8	2.7
Owner Households	166,995	274,712	372,400	5.1	3.3
Percent Owner (%)	51.2	58.2	61.7		
Renter Households	159,000	197,143	231,300	2.2	1.7
Percent Renter (%)	48.8	41.8	38.3		
Total Housing Units	370,310	496,004	671,200	3.0	3.3
Owner Vacancy Rate (%)	4.3	1.2	1.7		
Rental Vacancy Rate (%)	11.4	3.8	12.0		
Median Family Income	\$39,400	\$55,400	\$73,300	3.5	2.8

Notes: Median family incomes are for 1989, 1999, and 2009. Employment data represent annual averages for 1990, 2000, and the 12 months through June 2009.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2009—Analyst's estimates

Forecast period: 7/1/2009–7/1/2012—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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_AustinRoundRockTX_09.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.