



Killeen-Temple-Fort Hood, Texas

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



Summary

Housing Market Area



The Killeen-Temple-Fort Hood, Texas Housing Market Area (HMA) is centrally located in the state, approximately 60 miles north of Austin, and consists of Bell, Coryell, and Lampasas Counties. The principal cities of Killeen and Temple are located in Bell County. The Fort Hood Army post is located adjacent to Killeen and occupies 340 square miles of both Bell and Coryell Counties.

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Economy

Job growth in the Killeen-Temple-Fort Hood HMA has slowed significantly during the past 12 months to a 0.4-percent rate, compared with a 3.6-percent rate for the 12 months ending November 2008. During the next 3 years, employment growth is expected to increase by 1 percent annually, partially due to gains in the education and health services sector, which grew by more than 4 percent during the past 12 months. Additional 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 somewhat soft, with an estimated current overall vacancy rate of 3.1 percent. During the forecast period, employment and population gains are expected to support demand for 3,925 new market-rate sales housing units and an additional 300 mobile homes. The 510 homes currently under construction will satisfy a portion of that demand (see Table 1). In addition, a portion of the 13,400 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, with an estimated overall vacancy rate of nearly 17 percent, which is unchanged from a year earlier. Overall rental vacancies have remained high, and average apartment rents have decreased because of the high turnover of military-connected households. During the forecast period, no demand is expected for additional new market-rate rental units in the HMA (see Table 1).

Table 1. Housing Demand in the Killeen-Temple-Fort Hood HMA, 3-Year Forecast, December 1, 2009 to December 1, 2012

	Killeen-Temple-Fort Hood HMA	
	Sales Units	Rental Units
Total Demand	4,225	0
Under Construction	510	60

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Total sales demand includes an estimated demand for 300 mobile homes. Units under construction as of December 1, 2009. A portion of the estimated 13,400 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Employment in the Killeen-Temple-Fort Hood HMA slowed during the past 12 months, posting the area's lowest growth rate since 2003. During the 12 months ending November 2009, total nonfarm employment increased by 500 jobs, or 0.4 percent, to 127,000 jobs. In comparison, annual gains from 2005 through 2008 averaged 3,250 jobs, or 2.6 percent.

The government sector, which accounts for nearly 30 percent of all nonfarm jobs in the HMA, added the most jobs of any sector during the 12 months ending November 2009. Government employment increased by 1,600 jobs, or 4.7 percent, mainly due to hiring by local governments. Fort Hood, which is one of the largest Army installations in the nation for training and deploying soldiers, is the leading single-site employer in Texas. According to the Greater Killeen Chamber of Commerce, the base employs more than 57,300 soldiers and 5,580 civilian employees and has an annual economic impact of

more than \$7 billion on the HMA. During the past year, Fort Hood lost nearly 6,500 military personnel to Fort Carson in Colorado Springs, Colorado, partly a result of the 2005 Department of Defense Base Closure and Realignment (BRAC) actions. The First Army Division West, however, is adding a mission to train 25,000 Army National Guard and reservists each year. Trainees will be at Fort Hood for a few months of training but are not expected to be permanent residents. During the 12 months ending November 2009, military contracts helped minimize the loss of construction sector jobs, which were down 5 percent, or 300 positions. Construction of the new \$1 billion Carl R. Darnall Army Medical Center is expected to start in September 2010 and be completed in 2013. It is uncertain how many civilian jobs will be created when the facility is completed.

During the 12 months ending November 2009, the highest rate of job growth occurred in the education and health services sector, which added 1,000 jobs, an increase of 5.7 percent (see Table 2). Much of the growth in the sector is attributed to completion of the new Sue Mayborn Women's Center and expansions at Scott & White Memorial and Metroplex Adventist Hospitals. Currently, Scott & White Healthcare and Metroplex Health System are partnering on a \$6.5-million medical office building, which is scheduled to open in the fall of 2010. It is uncertain how many new jobs are expected from the joint effort. The two leading private sector employers in the HMA are the Scott & White Memorial Hospital and Clinics and the McLane Company, Inc., and McLane Southwest, with

Table 2. 12-Month Average Employment in the Killeen-Temple-Fort Hood HMA, by Sector

	12 Months Ending November 2008	12 Months Ending November 2009	Percent Change
Total Nonfarm Employment	126,500	127,000	0.4
Goods Producing	14,500	13,600	-6.2
Mining, Logging, & Construction	6,000	5,700	-5.0
Manufacturing	8,600	7,900	-8.1
Service Providing	112,000	113,400	1.3
Wholesale & Retail Trade	19,300	19,000	-1.6
Transportation & Utilities	4,500	4,300	-4.4
Information	2,600	2,500	-3.8
Financial Activities	6,000	6,000	0.0
Professional & Business Services	10,900	10,400	-4.6
Education & Health Services	17,600	18,600	5.7
Leisure & Hospitality	12,100	12,100	0.0
Other Services	4,900	5,000	2.0
Government	34,000	35,600	4.7

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

Source: U.S. Bureau of Labor Statistics

6,850 and 2,400 employees, respectively (see Table 3). Figure 1 shows current employment in the HMA by sector.

The manufacturing sector decreased by 700 jobs, or more than 8 percent, during the 12 months ending November 2009. Wilsonart International, which fabricates surfacing materials, laid off more than 100 workers in Temple, one-half of which took a

voluntary retirement package. Job loss also occurred at Texas Hydraulics and Izzydesign, a chair manufacturing company, with declines of 160 and 90 positions, respectively. Declines in the professional and business services sector were significant as well, with job losses totaling 500 positions, or 4.6 percent, during the 12 months ending November 2009. The loss of jobs was primarily among administrative and business services workers and temporary employees.

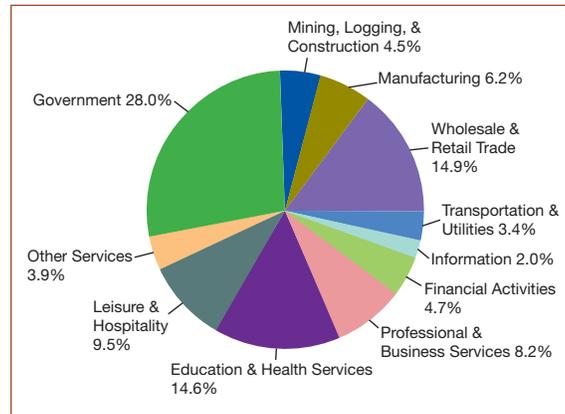
Table 3. Major Employers in the Killeen-Temple-Fort Hood HMA

Name of Employer	Employment Sector	Number of Employees
Ill Corps & Fort Hood	Government	57,300
Scott & White Memorial Hospital & Clinics	Education & Health Services	6,850
Civilian Personnel at Fort Hood	Government	5,575
McLane Company, Inc. and McLane Southwest	Wholesale & Retail Trade	2,400
Central Texas Veterans Health Care System	Education & Health Services	2,275
Central Texas College	Education & Health Services	1,500
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	1,400
Wilsonart International	Manufacturing	1,200
Pactiv Corporation	Manufacturing	1,075
Sprint	Information	1,000

Source: Greater Killeen Chamber of Commerce and Fort Hood Fact Book, September 2008. Temple Economic Development Corp. 2009–2010

The slower employment growth that occurred during the past 12 months, coupled with corporate downsizing, contributed to an increase in the unemployment rate, which averaged 6.5 percent for the 12 months ending November 2009. During the past 5 years, the unemployment rate has averaged 5.4 percent. Figure 2 illustrates trends in the labor force, resident employment, and unemployment rate in the HMA from 1990 to 2008.

Figure 1. Current Employment in the Killeen-Temple-Fort Hood HMA, by Sector

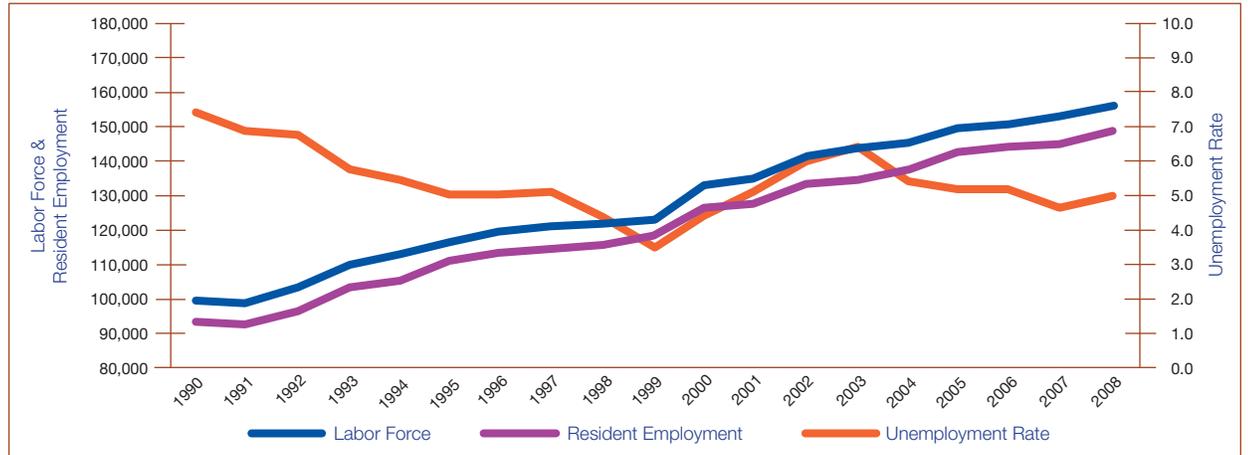


Note: Based on 12-month averages through November 2009.

Source: U.S. Bureau of Labor Statistics

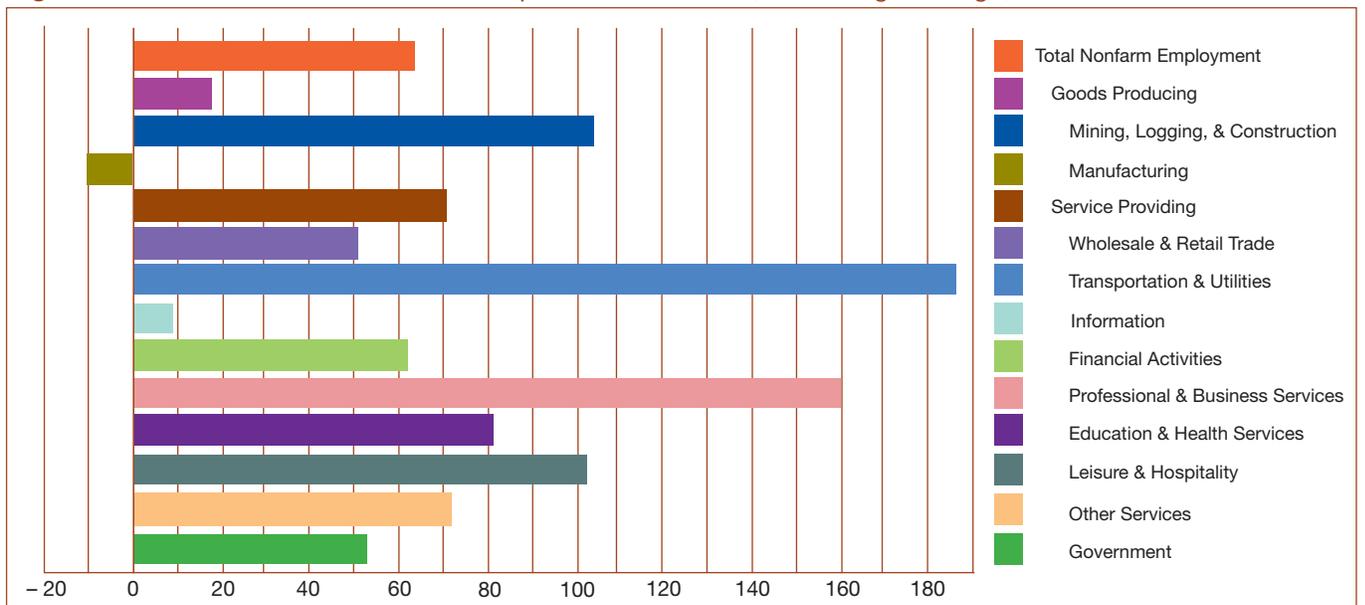
Employment is expected to grow by 0.5 percent during the next 12 months, with the education and health services sector expected to lead the job growth. By the end of the 3-year forecast period, employment is expected to grow by 2 percent a year. The other services sector and government sector, primarily at the local level, will likely account for the bulk of the remaining forecasted job growth in the HMA. Figure 3 illustrates sector growth in the HMA from 1990 to the current date.

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Killeen-Temple-Fort Hood HMA, 1990 to 2008



Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Killeen-Temple-Fort Hood HMA, Percentage Change, 1990 to Current



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

Source: U.S. Bureau of Labor Statistics

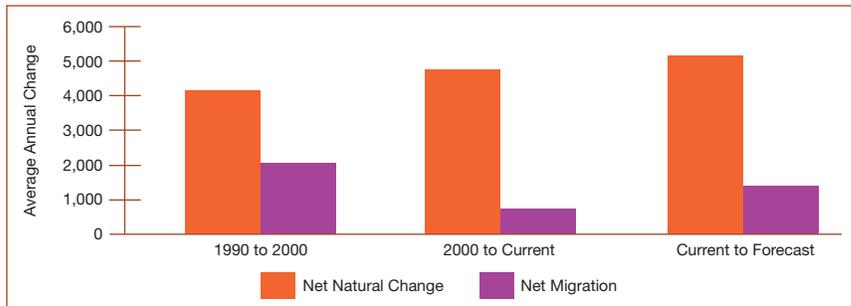
Population and Households

According to the U.S. Census Bureau, from July 2007 to July 2008 (the most recent data available), the city of Killeen had the ninth fastest population growth rate of any city in the nation, at 3.8 percent. The city currently has a population of

more than 100,000. As of December 1, 2009, the population of the Killeen-Temple-Fort Hood HMA is estimated at 383,800, reflecting an increase of 1.8 percent compared with the population a year earlier. In comparison, population growth since 2000 averaged 1.6 percent

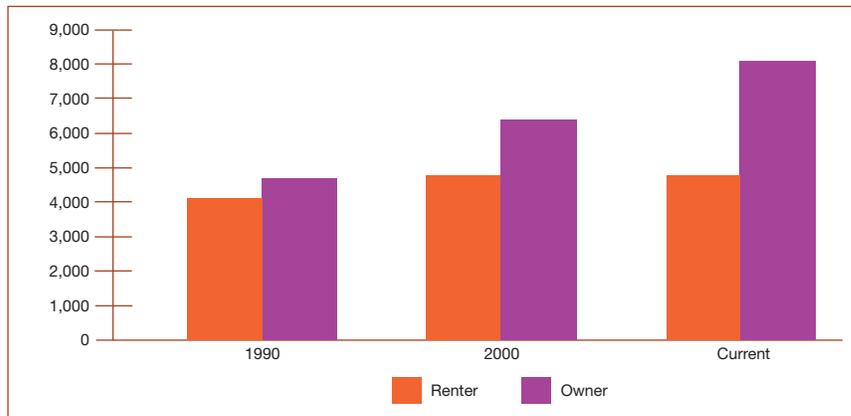
a year but accelerated to 2.3 percent annually from 2005 through 2007 due to expansions at Fort Hood. The lower rate of population growth is attributed to the reassignment of military personnel from Fort Hood to Fort Carson during the past year.

Figure 4. Components of Population Change in the Killeen-Temple-Fort Hood HMA, 1990 to Forecast



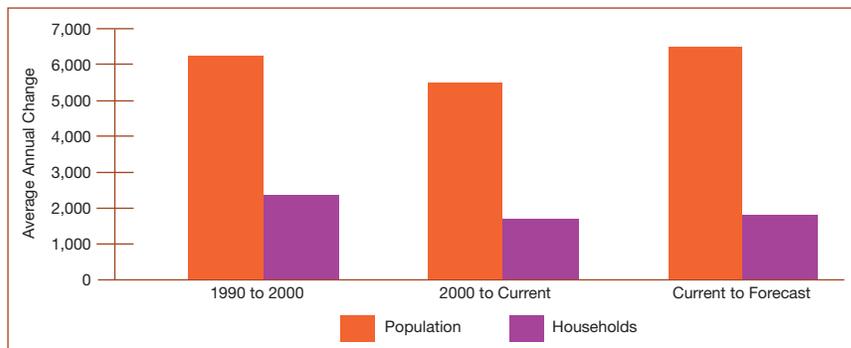
Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Killeen-Temple-Fort Hood HMA, 1990 to Forecast



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

Figure 6. Population and Household Growth in the Killeen-Temple-Fort Hood HMA, 1990 to Current



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

During the 1990s, the population of the HMA increased by an average of 6,200 a year, or 2.1 percent. Net in-migration during that decade accounted for slightly more than 30 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 accounted for only about 15 percent of the population growth, an average of 750 people a year, due to the transfer of nearly 6,500 personnel from Fort Hood. Net in-migration is expected to average 1,300 people a year throughout the 3-year forecast period. The population of the HMA is forecast to grow by 1.6 percent a year during the next 3 years and total approximately 403,000 by December 1, 2012. See Figure 4 for the components of population change in the HMA from 1990 to the forecast date.

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 1,725, or 1.4 percent, a year compared with an increase of 2,300, or 2.3 percent, a year during the 1990s. Currently, the HMA has 128,600 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 1,825, or 1.4 percent, annually and total approximately 134,100 by December 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 Killeen-Temple-Fort Hood HMA is somewhat soft due to decreased demand resulting from the loss of military households and a slower economy, combined with an increasing supply of new homes for sale. According to the Real Estate Center at Texas A&M University, during the 12 months ending November 2009, sales of existing homes in Killeen and Fort Hood totaled 2,575 units, a decrease of 5 percent compared with the number sold during the previous 12 months. Between 2006 and 2008, the number of existing home sales averaged 3,450 annually. In Temple-Belton, sales totaled 1,750 units, which is unchanged when compared with sales recorded during the previous 12-month period. Temple-Belton averaged 1,875 units sold annually between 2006 and 2008.

Despite the home sales decline in Killeen and Fort Hood, the average new and existing home sales price remained flat, at \$126,400, for the 12 months ending November 2009. The average sales price in Temple-Belton also remained essentially flat, at \$140,000. During the 12 months ending November 2009, the available inventory of new and existing homes in the Killeen-Fort Hood market averaged more than 8 months of supply, which is an increase from the 7-month supply for the 12 months ending November 2008. Likewise, the available inventory in Temple-Belton averaged more than a 7-month supply, an increase from the 6-month supply for the period ending November 2008. According to Lender Processing Services, Inc., Mortgage Performance Data, as of December 2009, 4.3 percent of loans in Bell County were classified as 90 or more days delinquent, in

foreclosure, or in REO (Real Estate Owned), up 0.8 percentage points from December 2008.

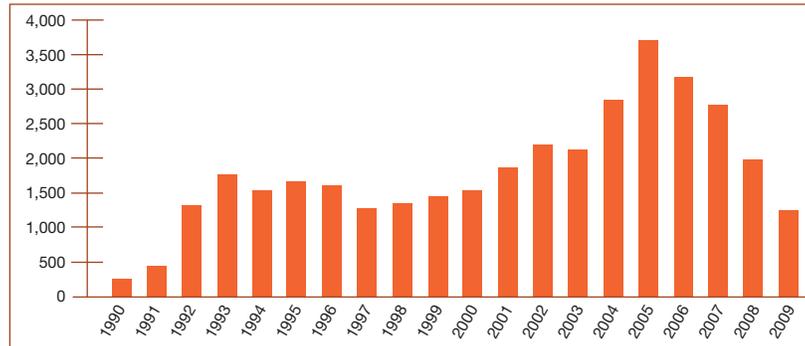
New home construction, as measured by the number of single-family building permits issued, has increased despite the reduced demand and slowdown in employment growth. During the 12 months ending November 2009, the number of single-family permits issued was up 6 percent to 1,675 homes compared with the 1,575 permits issued during the 12-month period ending November 2008, based on preliminary data. Since 2008, single-family home construction activity has remained well below the decade-high average of 3,125 permits issued annually from 2004 through 2007. New home construction is concentrated between Killeen and Temple in Harker Heights and also north of Killeen in Coryell County in the city of Copperas Cove. According to data from the 2008 American Community Survey (ACS), the median home value in Coryell County was \$101,400. In contrast, the median home value in Bell County, which includes Killeen and Temple, was \$119,100. Prices for newly constructed starter homes in the HMA typically range from \$125,000 to \$175,000, with the lower price generally available only in the outlying counties. New single-family homes are offered as low as \$90,000 in the unincorporated areas of Coryell and Lampasas Counties. Figure 7 shows the number of single-family building permits issued in the HMA from 1990 to the current date.

During the 3-year forecast period, demand is estimated for 3,925 new market-rate homes in the HMA, 80 percent of which are expected to be in Bell County. A portion of this

Housing Market Trends

Sales Market *Continued*

Figure 7. Single-Family Building Permits Issued in the Killeen-Temple-Fort Hood HMA, 1990 to 2009



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

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Killeen-Temple-Fort Hood HMA, December 1, 2009 to December 1, 2012

Price Range (\$)		Units of Demand	Percent of Total
From	To		
90,000	99,999	470	12.0
100,000	124,999	669	17.0
125,000	149,999	790	20.1
150,000	174,999	627	16.0
175,000	199,999	510	13.0
200,000	249,999	388	9.9
250,000	299,999	275	7.0
300,000	and higher	196	5.0

Note: A portion of the 13,400 other vacant units in the HMA will likely satisfy some of the forecast sales demand.

Source: Estimates by analyst

Rental Market

The rental housing market in the HMA is soft and has been for several years due to the high turnover of military-connected households and a steady supply of new multifamily rental units. Approximately 40 percent of the rental market in the HMA is estimated to be occupied by members of the armed forces. Significant deployment overseas, coupled with the 2005 BRAC relocation of troops to Colorado, has contributed to the large number of vacant units in the HMA. The current overall rental vacancy rate is estimated at 17 percent—unchanged from a year earlier but more than double the 8.2-percent rate recorded in 2000 (see Figure 8). Rental market conditions are softest for single-family homes and projects with fewer

demand will be met by the 510 homes currently under construction (see Table 1). In addition, a portion of the 13,400 other vacant units in the HMA may come back on the market and satisfy some of the forecast demand. Table 4 illustrates estimated demand for new market-rate sales housing in the HMA by price range. Demand is expected to average 1,200 homes during 2010 and is expected to increase to 1,400 homes during the last year of the forecast period. In addition, demand is estimated for 300 mobile homes during the next 3 years. Mobile homes currently make up an estimated 7 percent of the total housing inventory in the HMA.

than five units, which account for nearly 80 percent of the rental inventory and approximately 80 percent of the 22,450 vacant units, according to the 2008 ACS data. Also according to the ACS, nearly one-half of the renter-occupied units were either single-family or mobile homes, with units in two- to four-unit structures accounting for another 30 percent. Units typically considered apartments, those in structures with five or more units, accounted for only 23 percent of the total renter-occupied units.

Conditions in the apartment market are better than in the overall rental market. According to a September 2009 Department of Housing and

Housing Market Trends
Rental Market *Continued*

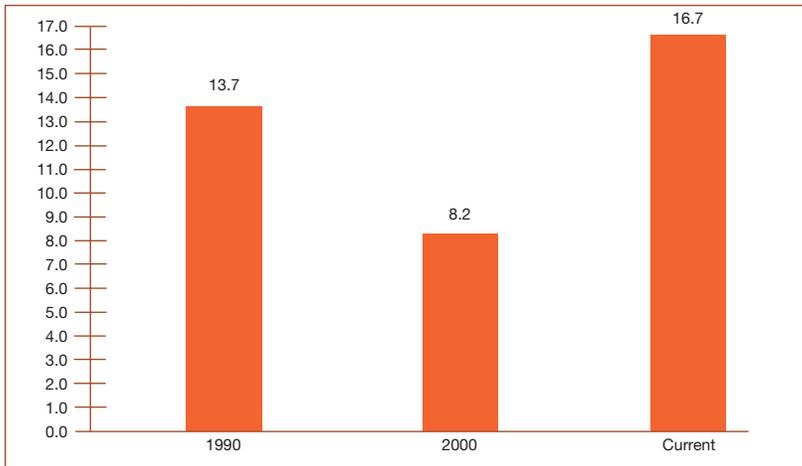
Urban Development survey, the apartment market in Killeen was somewhat soft, with an 8-percent vacancy rate. Apartment rents in Killeen averaged \$630 for a one-bedroom unit and \$770 for a two-bedroom unit. The Temple apartment market was balanced, with a vacancy rate of 6.5 percent, and average rents were \$680, \$800, and \$1,000 for one-, two-, and three-bedroom units, respectively. According to AXIOMETRICS INC., effective market-rate rents in the HMA for the fourth quarter of 2009 averaged \$600, declining more than 3 percent from the rents for the fourth quarter of 2008.

Multifamily construction, as measured by the number of multifamily units permitted, decreased 85 percent to 90 units during the 12 months ending November 2009 compared with 620 units permitted during the 12 months ending November 2008, based on preliminary data. During the past 2 years, the pace of multifamily construction has declined well below the annual average of 910 units permitted between 2004 and 2007, when employment was increasing more rapidly. Currently, 60 multifamily units are under construction. Figure 9 illustrates the number of multifamily units permitted in the HMA from 1990 to the current date.

Two rental complexes in the city of Copperas Cove, located in Coryell County, have been approved for construction. Constitution Court Apartments, with 106 units, is estimated to cost \$13 million upon completion. Constitution Court Apartments will set aside units for lower income individuals and cap rents at a level that is affordable to tenants earning no more than 80 percent of the area median family income. A 200-unit luxury apartment community, Wells Ranch Apartments, is expected to have development costs totaling \$10 million. The construction timeline for both projects is unclear because of delays expected in order to meet infrastructure requirements.

During the next 3 years, no demand is forecast for additional new market-rate rental units in the HMA. The units under construction and the supply of excess vacant units are expected to exceed demand for rental housing units for the forecast period. The addition of new rental units to the housing stock will only prolong the current soft market conditions.

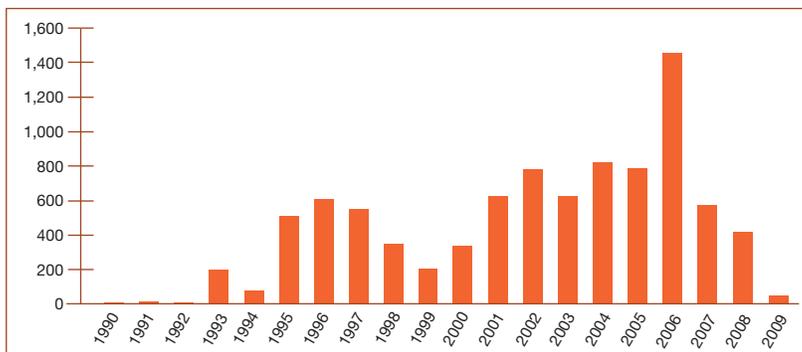
Figure 8. Rental Vacancy Rates in the Killeen-Temple-Fort Hood HMA, 1990 to Current



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

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

Figure 9. Multifamily Building Permits Issued in the Killeen-Temple-Fort Hood HMA, 1990 to Current



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

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

Data Profile

Table DP-1. Killeen-Temple-Fort Hood HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	93,215	127,800	150,600	3.2	1.9
Unemployment Rate (%)	7.4	4.4	6.5		
Nonfarm Employment	77,900	109,800	127,000	3.5	1.6
Total Population	268,820	330,714	383,800	2.1	1.6
Total Households	88,985	112,011	128,600	2.3	1.4
Owner Households	47,365	63,421	80,400	3.0	2.5
Percent Owner (%)	53.2	56.6	62.5		
Renter Households	41,620	48,590	48,200	1.6	- 0.1
Percent Renter (%)	46.8	43.4	37.5		
Total Housing Units	101,120	122,159	154,250	1.9	2.4
Owner Vacancy Rate (%)	3.1	2.2	3.1		
Rental Vacancy Rate (%)	13.7	8.2	16.7		
Median Family Income	\$26,429	\$40,882	\$54,000	4.5	3.1

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through November 2009. Median family incomes are for 1989, 1999, and 2008.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 12/1/2009—Analyst's estimates

Forecast period: 12/1/2009–12/1/2012—
Analyst's estimates

Demand: The demand estimates in this 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_Killeen-Temple-FortHoodTX_10.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
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