

COMPREHENSIVE HOUSING MARKET ANALYSIS

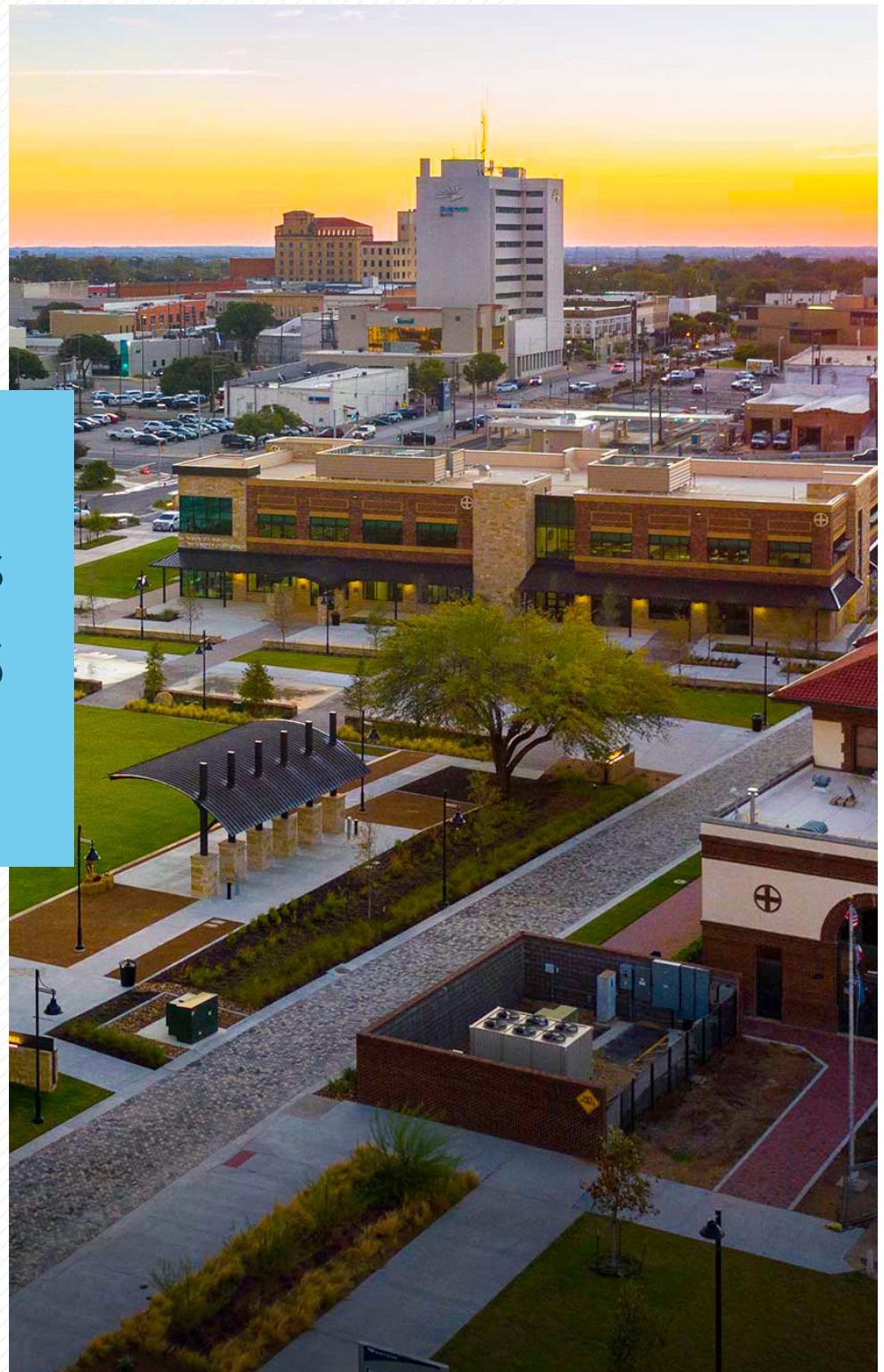
Killeen-Temple, Texas

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of January 1, 2022



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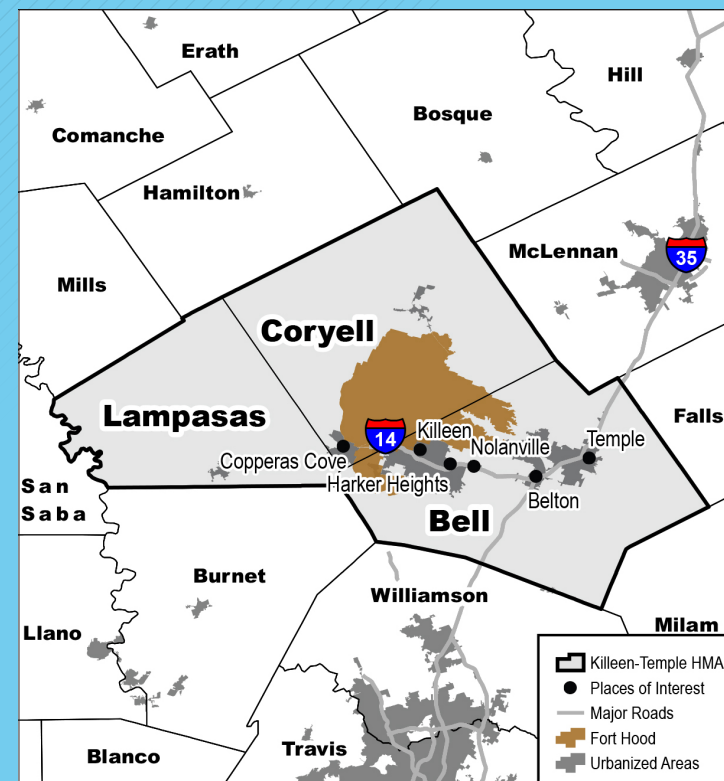


Executive Summary

Housing Market Area Description

The Killeen-Temple Housing Market Area (HMA) is coterminous with the Killeen-Temple, TX Metropolitan Statistical Area (MSA). The HMA is in central Texas, approximately 60 miles north and 50 miles south of Austin and Waco, respectively, and it includes Bell, Coryell, and Lampasas Counties. The cities of Killeen and Temple in Bell County are the largest cities in the HMA. Adjacent to the city of Killeen is the Fort Hood Army Base (hereafter, Fort Hood), the largest active-duty base of the U.S. Armed Forces, with the headquarters of III Corps. Fort Hood occupies more than 340 square miles in Bell and Coryell Counties.

The current population of the HMA is estimated at 493,100.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Strengthening: All nonfarm payroll jobs lost in the HMA during the recession of March and April 2020 recovered, and as of December 2021, the level of payrolls in the HMA was approximately 148,500 jobs, or 1.4 percent, above the February 2020 level, before the impact of COVID-19 (monthly data, not seasonally adjusted).

Economic conditions in the Killeen-Temple HMA continue to strengthen after the recession of early 2020. During the 3 months ending December 2021, nonfarm payrolls increased significantly, by 5,300 jobs, or 3.7 percent, compared with a loss of 4,100 jobs, or 2.8 percent, during the same period a year ago. Job growth is expected to continue to be strong during the first year of the forecast period, averaging 3.4 percent before moderating to an average of 2.0 percent annually during years 2 and 3 of the 3-year forecast period.

Sales Market



Tight: New and existing home sales increased 17 percent in the HMA, and the average home sales price rose 12 percent during 2021.

The sales housing market has an estimated 1.3-percent vacancy rate, down from a 2.4-percent rate in 2010. During 2021, existing home sales increased 22 percent, while the average existing home sales price was up 14 percent from a year earlier to \$224,200 (CoreLogic, Inc., with adjustments by the analyst). During the next 3 years, demand is expected for 9,050 new homes; the 1,000 homes under construction are expected to meet part of the demand during the first year of the forecast period.

Rental Market



Slightly Tight: Apartment rents increased more than 10 percent during 2021, the strongest annual increase in more than 20 years (CoStar Group).

The overall rental market in the HMA is slightly tight, with an estimated vacancy rate of 6.4 percent, down from 10.1 percent in April 2010, when conditions were soft. Apartment market conditions are also slightly tight. The apartment vacancy rate during 2021 was 4.5 percent, down from 6.5 percent a year earlier (CoStar Group). The average apartment rent increased 10 percent from a year earlier to \$906. Vacancy rates for professionally managed single-family rental homes during 2021 averaged 2.8 percent, and rent growth averaged more than 13 percent (CoreLogic, Inc.). During the 3-year forecast period, demand is estimated for 2,800 new rental units, and the 1,300 units under construction will satisfy a portion of that demand.

TABLE OF CONTENTS

Economic Conditions 4

Population and Households 9

Home Sales Market 13

Rental Market 17

Terminology Definitions and Notes 21

3-Year Housing Demand Forecast

Killeen-Temple HMA	Sales Units		Rental Units	
	Total Demand	9,050	2,800	
	Under Construction	1,000	1,300	

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Housing under construction is as of January 1, 2022. The forecast period is January 1, 2022, to January 1, 2025.

Source: Estimates by the analyst



Economic Conditions

Largest Sector: Government

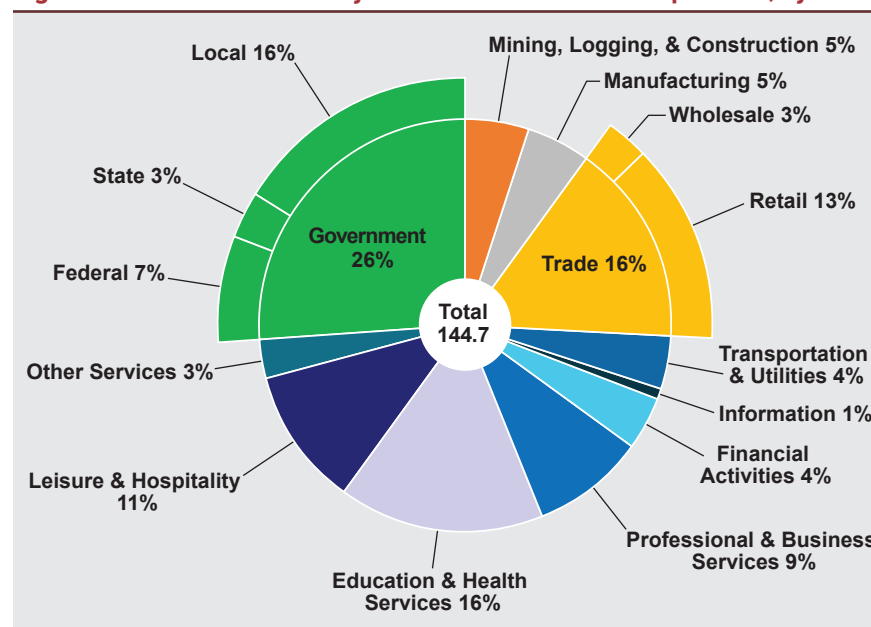
Fort Hood is the largest employer in the HMA. It employs 36,600 soldiers, 4,900 civilians, 1,375 U.S. Army and U.S. Air Force Exchange Service and Commissary personnel, and a combined 5,025 contractors and other personnel (Heart of Texas Defense Alliance).

Primary Local Economic Factors

During 2021, the Killeen-Temple HMA economy was significantly influenced by the government sector—the largest sector in the HMA with 37,900 jobs (excluding military personnel)—accounting for 26 percent of all nonfarm payrolls (Figure 1). Fort Hood is the only post in the United States able to station and train two armored divisions. An estimated 287,000 retirees, survivors, and their families have remained within traveling distance of Fort Hood, and the base is estimated to have an annual economic impact of \$29.8 billion on the state (Texas Comptroller of Public Accounts, 2019).

Activity at Fort Hood also had a strong impact on the construction subsector due to ongoing building and infrastructure projects. The education and health services sector is also an important employment sector in the HMA, largely due to the growing medical community in the city of Temple. It is the second largest sector, with 23,800 jobs, or 16 percent of all nonfarm payrolls in the HMA, and it includes 2 of the 10 largest employers in the HMA—Baylor Scott & White Health and Advent Health Partners, Inc.—with approximately 7,750 and 1,000 employees, respectively (Table 1). During 2021, this sector grew by 300 jobs or 1.3 percent. The wholesale and retail trade sector is the third largest sector in the HMA, with 22,700 jobs during 2021, accounting for approximately 16 percent of all nonfarm payrolls in the HMA. The retail trade subsector accounted for 18,100 jobs, or 80 percent of the wholesale and retail trade sector, during 2021. The wholesale and retail trade sector and the transportation and utilities sector benefit from the proximity of the HMA to Interstate 35 (I-35), which runs from Mexico to Canada, providing easy access for many transportation and supply-chain firms. In addition, Interstate 14 (I-14) was

Figure 1. Share of Nonfarm Payroll Jobs in the Killeen-Temple HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through December 2021. Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Killeen-Temple HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
III Armored Corps at Fort Hood	Government	41,600
Baylor Scott & White Health	Education & Health Services	7,750
Civilian Personnel Advisory Center at Fort Hood	Government	4,900
Teleperformance SE	Professional & Business Services	1,800
McLane Company, Inc.	Transportation & Utilities	1,725
Burlington Northern Santa Fe, LLC	Transportation & Utilities	1,500
Central Texas College	Government	1,475
City of Killeen	Government	1,175
Advent Health Partners, Inc.	Education & Health Services	1,000
Wilsonart LLC	Manufacturing	1,000

Note: Excludes local school districts. Data include soldiers and military defense personnel who are not included in the nonfarm data.

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

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.

Current Conditions— COVID-19 and Nonfarm Payrolls

During 2021, nonfarm payrolls in the HMA increased by 3,000 jobs, or 2.1 percent, to 144,700 (Table 2). By comparison, there was a loss of 3,400 jobs, or a 2.3-percent decline, during the previous year. Widespread layoffs stemming from temporary business closures to slow the spread of COVID-19 contributed to the decline. Payrolls decreased in 8 of 11 sectors during 2020. The professional and business services and the transportation and utilities sectors were the only sectors to add jobs, up by 600 and 100 jobs, or 5.1 and 2.1 percent, respectively. Job losses were greatest during 2020 in the leisure

**Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s)
in the Killeen-Temple HMA, by Sector**

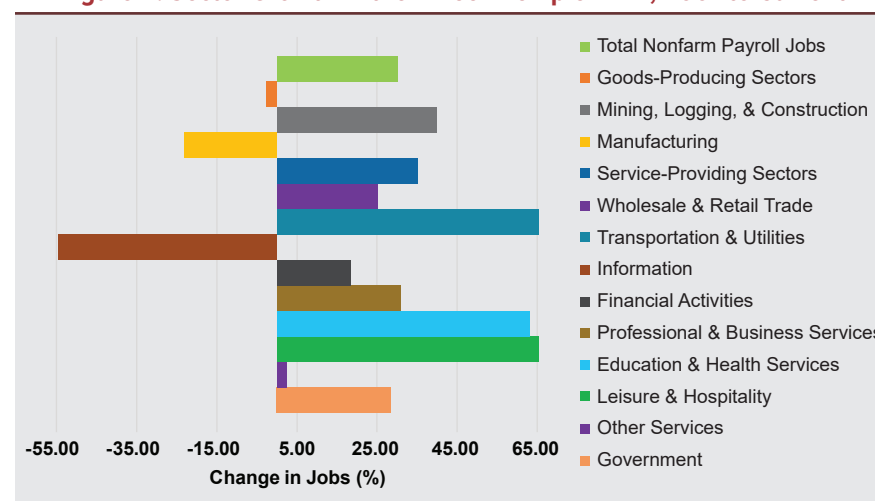
	12 Months Ending December 2020	12 Months Ending December 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	141.7	144.7	3.0	2.1
Goods-Producing Sectors	14.4	14.5	0.1	0.7
Mining, Logging, & Construction	6.9	7.0	0.1	1.4
Manufacturing	7.5	7.5	0.0	0.0
Service-Providing Sectors	127.3	130.2	2.9	2.3
Wholesale & Retail Trade	22.3	22.7	0.4	1.8
Transportation & Utilities	4.9	5.2	0.3	6.1
Information	1.1	1.0	-0.1	-9.1
Financial Activities	6.1	6.2	0.1	1.6
Professional & Business Services	12.3	12.8	0.5	4.1
Education & Health Services	23.5	23.8	0.3	1.3
Leisure & Hospitality	14.5	16.1	1.6	11.0
Other Services	4.6	4.5	-0.1	-2.2
Government	38.0	37.9	-0.1	-0.3

Notes: Based on 12-month averages through December 2020 and December 2021. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

and hospitality sector, decreasing by 1,600 jobs, or 9.9 percent, to 14,500, representing 47 percent of net job losses in the HMA, but the sector has fully recouped all losses and represents the fastest growing sector in the HMA since 2001 (Figure 2). The other services sector also suffered significant losses during 2020, as did the wholesale and retail trade sector, declining by 700 and 400 jobs, or 13.2 and 1.8 percent, respectively. After the downturn in 2020, economic conditions improved rapidly, with the wholesale and retail trade, the education and health services, the professional and business services, and the transportation and utilities sectors gaining a combined total of 1,500 jobs. The transportation and utilities sector, representing approximately 4 percent of all nonfarm payrolls in the HMA during 2021, was the second fastest growing sector during 2021, behind the leisure and hospitality sector, because demand from e-commerce increased during the pandemic, resulting in an overall increase in the transportation and warehousing industry.

Figure 2. Sector Growth in the Killeen-Temple HMA, 2001 to Current



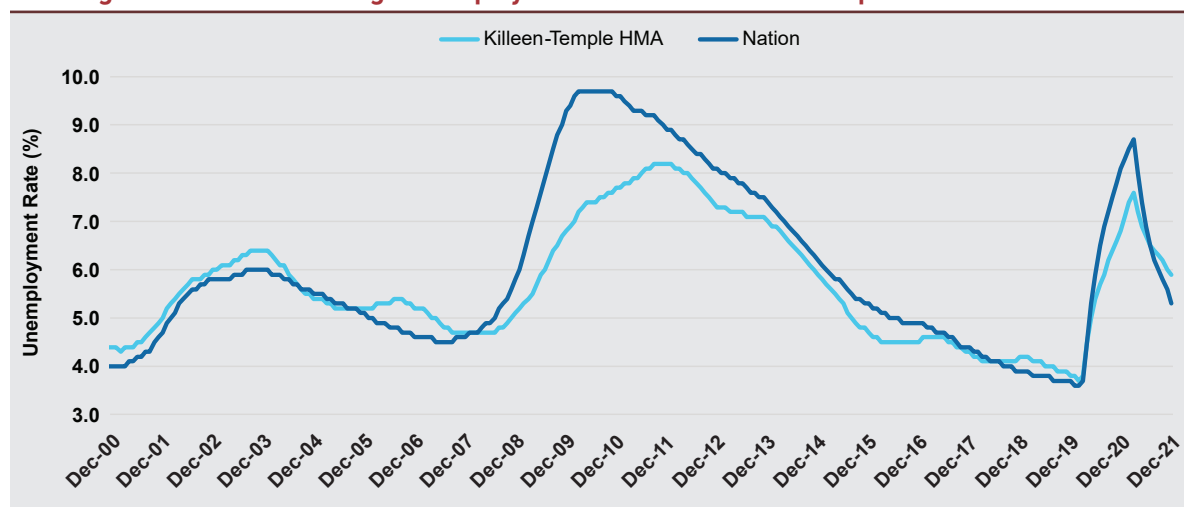
Note: The current date is January 1, 2022.

Source: U.S. Bureau of Labor Statistics

Unemployment

The average unemployment rate in the HMA was 5.9 percent during 2021, compared with 6.8 percent a year earlier (Figure 3). The increase during 2020 was because of widespread layoffs during the COVID-19 pandemic. The average unemployment rate peaked in the HMA in 2011 at 8.2 percent, reflecting the local impact of the Great Recession. During the remainder of the 2010s, the unemployment rate steadily declined to reach 3.8 percent in 2019.

Figure 3. 12-Month Average Unemployment Rate in the Killeen-Temple HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2001 Through 2003

During 2001 and 2002, the economy grew in the HMA, nonfarm payrolls increased by an average of 1,000, or 0.8 percent, largely due to the average annual gains in the government sector of 800 jobs, or 2.5 percent. The growth was largely due to an increase in military strength to aid the war on terrorism. In 2001, the U.S. Army awarded Lendlease Corporation Limited with its privatization project, Fort Hood Family Housing, to operate, maintain, renovate, and replace the existing inventory at the base and provide enough housing to adequately house soldiers with families. In large part to accommodate the

influx of the military and family members, residential and commercial construction in the HMA increased during 2001 and 2002, and the mining, logging and construction sector increased payrolls by an average of 300, or 4.9 percent, annually. During 2003, nonfarm payrolls in the Killeen-Temple HMA decreased by an average of 700, or 0.6 percent, annually, because of the local economic downturn that resulted from the dot-com recession. The manufacturing sector and the wholesale and retail trade sector had the most job losses in the HMA during 2003, decreasing an average of 600 jobs, or 6.8 and 3.4 percent, respectively. The education and health services sector and the government sector both increased during 2003 by an average of 300 jobs, or 2.0 and 1.0 percent, respectively.

2004 Through 2008

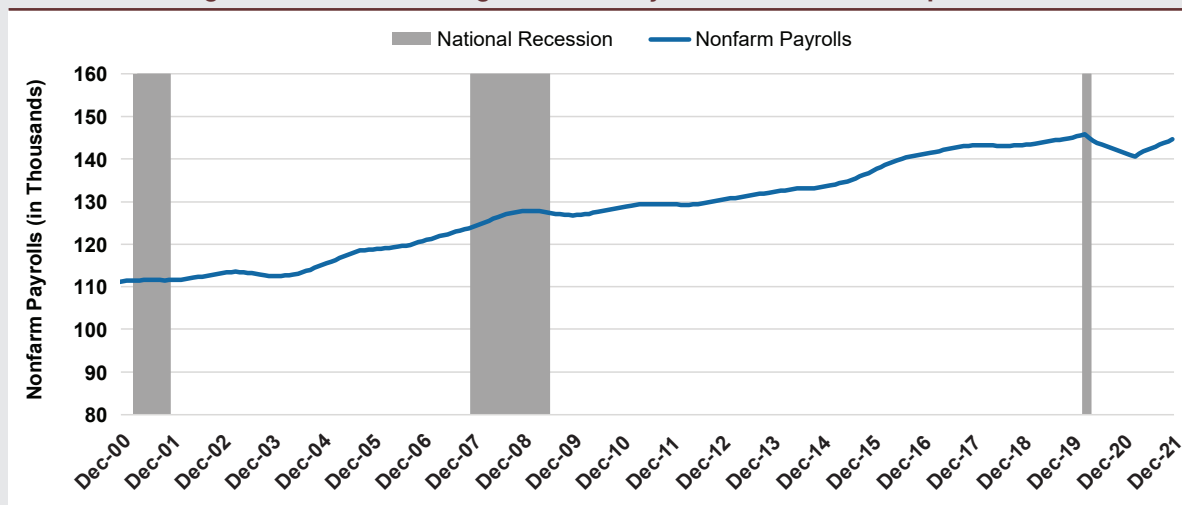
From 2004 through 2008, nonfarm payrolls grew by an average of 3,100 jobs, or 2.6 percent, annually, and every employment sector in the HMA added jobs (Figure 4). The government sector expanded the most, rising by an average of 700 jobs, or 2.2 percent, annually, largely due to the war effort in Iraq and Afghanistan and the subsequent troop increases. In addition, the retail trade subsector and the leisure and hospitality sector added more jobs as the population grew at a faster pace, partly because of increasing military personnel and evacuees relocating to the HMA due to Hurricanes Katrina and Rita. During the

period, the wholesale and retail trade and the leisure and hospitality sectors added an average of 500 jobs each annually, up 2.8 and 4.3 percent, respectively. Significant growth also occurred in the education and health services sector, increasing by an average of 400 jobs, or 2.2 percent. Temple College, in collaboration with Baylor Scott & White Health, opened the Health Sciences Center and Clinical Simulation Center in 2004 and the Texas Bioscience Institute (TBI) in the fall of 2006.

2009

The economy of the HMA contracted in 2009 due to the impacts of the national recession, and the unemployment rate rose to 6.8 percent, surpassing the previous peak of 6.4 percent during 2003. During 2009, nonfarm payroll jobs declined by 1,000 jobs, or 0.8 percent, to 126,800. By comparison, nonfarm payrolls in the nation declined by 4.3 percent. Due to the stabilizing effect of Fort Hood and the large government sector, the impact of the HMA downturn was less severe than in the nation. Job losses in the HMA did occur and were highest in the manufacturing sector and the retail trade subsector, falling by 900 and 700 jobs each, or 10.5 and 4.5 percent, respectively. Declines in the financial activities and the professional and business services sectors were also significant, with job losses of 600 each, or 9.7 and 5.7 percent, respectively. Partially

Figure 4. 12-Month Average Nonfarm Payrolls in the Killeen-Temple HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

offsetting net job losses in the HMA were gains in the government and the education and health services sectors, growing 4.6 percent each, or by 1,600 and 800 jobs, respectively.

2010 Through 2019

In 2010, economic growth resumed, and nonfarm payrolls in the HMA surpassed prerecession levels during 2010 to reach a new peak of 145,100 jobs in 2019, growing by 1,800, or 1.4 percent, annually from 128,800 jobs in 2010. The strongest growth occurred in the education and health services, the wholesale and retail trade, and the leisure and hospitality sectors, which increased by averages of 600, 400, and 400 jobs annually, or 2.7, 1.8, and 3.1 percent, respectively. Much of the growth in the education and health services sector was attributed to the completion of the new AdventHealth Central Texas Sue Mayborn Women's Center in 2009 and several medical expansions throughout the period. Baylor Scott & White McLane Children's Medical Center opened in 2011, becoming the only children's hospital between the cities of Dallas and Austin. The 947,000-square foot hospital, Carl R. Darnall Army Medical Center at Fort Hood, which provides care for active-duty military, their families, and retirees, replaced the old Darnall Army Medical Center in 2016. Renovations of barracks at Fort Hood have been ongoing since 2012, and there was nearly \$500 million in renovations to nearly 50 of Fort Hood's 99 barracks. Despite force

reductions, the economy in the HMA continued to expand. The trade and the transportation and utilities sectors benefitted from the proximity of the HMA to I-35 and various reconstruction projects. From 2016 through 2019, the 34,000 square foot multi-functional Santa Fe Plaza was constructed in the city

of Temple, part of a larger downtown \$40 million redevelopment project. In addition, I-14 was expanded from Killeen and Fort Hood to I-35 in the city of Belton in 2017, which had a positive impact on the local economy.

Forecast

During the 3-year forecast period, nonfarm payroll growth is expected to remain strong during the first year and increase to 3.4 percent before moderating to an average of 2.0 percent during the second and third years of the forecast period. The HMA is expected to benefit from continued major road construction, renovation, and infrastructure projects in the cities of Temple and Killeen and ongoing housing and infrastructure projects at

Fort Hood. The Infrastructure Investment and Jobs Act of 2021 designated future extensions of I-14, including expansions extending west to Midland-Odessa, Texas, and east to Augusta, Georgia, and will improve freight movement, while linking military bases and creating access to strategic seaports. In addition to several renovation projects, the manufacturing and transportation and utilities sectors are likely to continue expanding.



Population and Households

Current Population: 493,100

Population growth has increased in the HMA since 2016, with net in-migration accounting for a large portion of the population gain during the period.

Population Trends

The population of the Killeen-Temple HMA is estimated at 493,100, reflecting an average annual increase of 7,475, or 1.7 percent, since 2010 (Table 3). By comparison, population growth was moderate in the early 2000s, increasing by 3,750, or 1.1 percent, from 2000 to 2003, with net out-migration averaging 800 people and net natural change averaging 4,550 people annually (Census Bureau decennial census counts, and population estimates as of July 1; Figure 5). Relatively slower growth in nonfarm payrolls and relatively high unemployment during 2002 and 2003 contributed to slower population growth; involvement in Operation Enduring Freedom and Operation Iraqi Freedom resulted in a decline of the military presence at Ft. Hood. Population growth increased by an average of 9,875 people, or 2.7 percent, annually from 2003 to 2008, with net in-migration accounting for 53 percent of the total increase, averaging 5,250 people annually. During the same period, net natural change increased to an average of

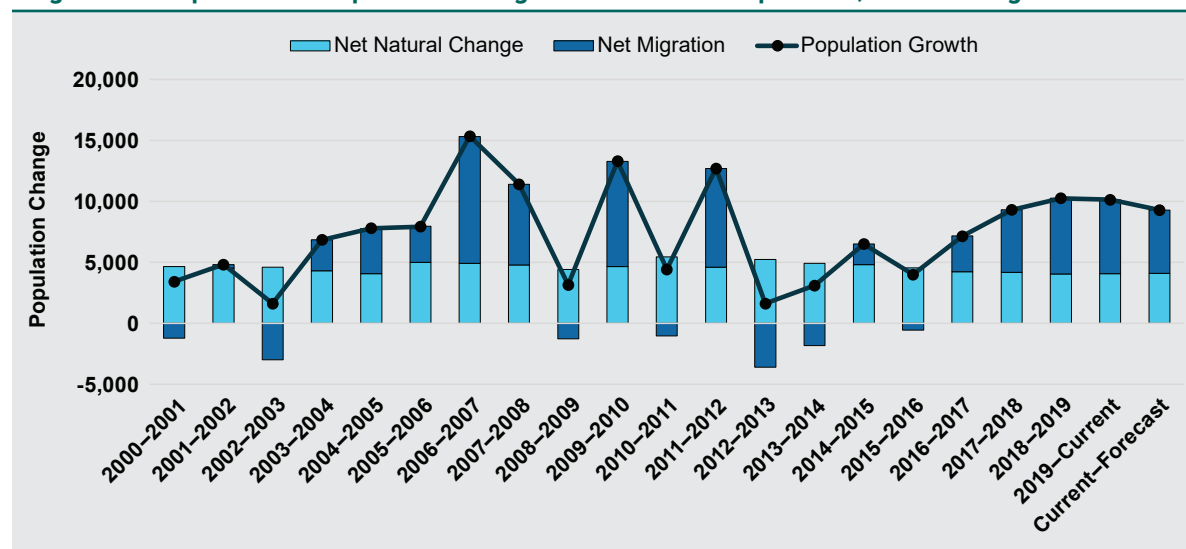
Table 3. Killeen-Temple HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast
	Population	405,300	493,100
	Average Annual Change	7,450	7,475
	Percentage Change	2.1	1.7
Household Quick Facts	2010	Current	Forecast
	Households	144,100	176,700
	Average Annual Change	3,200	2,775
	Percentage Change	2.6	1.8

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (January 1, 2022) to January 1, 2025.

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

Figure 5. Components of Population Change in the Killeen-Temple HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (January 1, 2022) to January 1, 2025. Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

4,625 people annually. Heightened net in-migration occurred during this period, partly because of forced relocations from the fallout of Hurricane Katrina in 2006 and relatively strong job growth during 2007 and 2008. Military strength grew at Fort Hood to aid the war effort, peaking at 53,800 in 2008, and had a positive impact on population growth in the HMA (Killeen Growth Study, 2019). Growth from 2008 to

2012 fluctuated nearly every year, with periods of net out-migration due to changes in military personnel in the HMA and periods of net in-migration due to wars ramping down in Afghanistan and Iraq. Despite these fluctuations, the population increased by an average of 8,400, or 2.1 percent, with net natural change increasing to an average of 4,775 people annually from 2008 to 2012. From 2012 to 2016, population growth in the HMA slowed to an average of 3,800 people, or 0.9 percent, annually because of net out-migration averaging 1,075 people annually. Slower growth during the period was partly due to reductions in military personnel at Fort Hood, and before 2014, during the energy boom, high-paying jobs were available in the natural gas and oil fields in other parts of Texas. During this period, Fort Hood transferred many soldiers between the base and other domestic military bases as additional cuts at Fort Hood were announced in 2015 (Table 4). Despite higher net out-migration, population growth was largely a result of higher net natural change, averaging approximately 4,875 people annually from 2012 through 2016. Since 2016, the population in the HMA has increased by an average of 9,450, or 2.0 percent, annually. During the period, net natural change declined and averaged approximately 4,125 people a year, whereas net in-migration accounted for an average of 5,325 people a year, or 56 percent of the

Table 4. Military Personnel and Dependents Residing on Military Bases in the Killeen-Temple HMA

Year	Military on Base	Military Deployed	Families on Post	Families off Post	Combined
2012	38,055	9,331	18,529	62,048	127,963
2013	38,751	4,404	18,063	55,353	116,571
2014	35,136	6,287	17,048	53,039	111,510
2015	35,665	4,272	14,732	45,210	99,879
2016	31,568	6,766	13,622	42,037	93,993
2017	30,478	5,219	13,090	36,551	85,338
2018	29,142	6,991	13,303	35,548	84,984
2019	31,732	4,823	13,684	35,070	85,309

Source: Heart of Texas Defense Alliance, Fiscal Year Averages

population growth. The HMA continues to draw people from surrounding MSAs as well as those separating from the military, largely due to the availability of affordable housing.

Age Cohort Trends

The national trend of an increasing number of people 65 years and older is also prevalent in the HMA. The fastest growing cohort in the HMA is people 65 years and older. Approximately 12 percent of the HMA population is 65 or older, compared with 17 percent nationally (2019 American Community Survey [ACS] 1-year estimates; Table 5). This age cohort increased since 2010, when

Table 5. Selected Population and Household Demographics

	Killeen-Temple HMA	Nation
Population Age 18 and Under	26%	22%
Population Age 65 and Over	12%	17%
Median Age	32.1	38.5
One Race	94.0%	96.6%
Two or More Races	6.0%	3.4%
Non-Hispanic	75.8%	81.6%
White Alone	48.0%	60.0%
Black Alone	19.8%	12.4%
American Indian and Alaska Native Alone	0.4%	0.7%
Asian Alone	2.7%	5.6%
Native Hawaiian and Other Pacific Islander Alone	0.7%	0.2%
Other Race Alone	0.0%	0.3%
Two or More Races	4.2%	2.5%
Hispanic	24.2%	18.4%
Median Household Income	\$54,370	\$65,712
Households With One or More Children Under Age 18	41%	33%

Source: 2019 American Community Survey, 1-year data

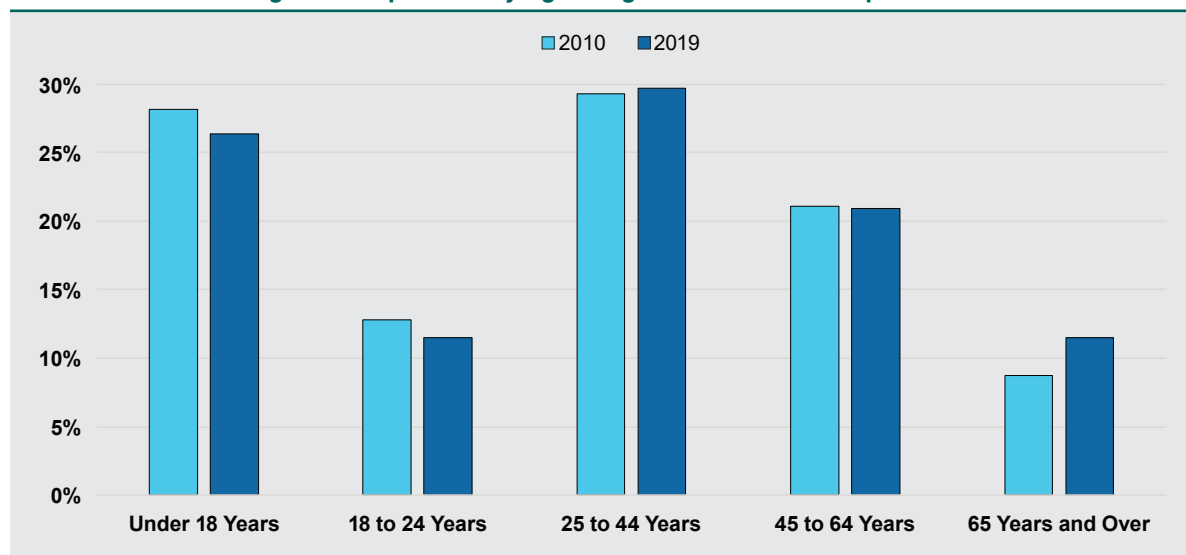


it represented nearly 9 percent of the population (Figure 6). Killeen still has one of the youngest populations within Central Texas, due in part to the presence of Fort Hood. The military population contributes to a lower median age in the HMA, 32.1 in 2019, compared with 38.5 nationally. In 2019, approximately 26 percent of the HMA population was 18 years and under, compared with approximately 22 percent nationally.

Military Households

There are approximately 36,600 active-duty military and 13,850 family members on base, and another 34,350 active-duty families living off base (Heart of Texas Defense Alliance, December 2021). Fort Hood active-duty military numbers ranged from 41,250 in 2000 to a peak of 53,800 in 2008 (Killeen Growth Study, 2019). Since then, this has declined to 36,600 in 2021. More than 57 percent of active-duty military members in the nation are estimated to be renters (The Impacts of US Military Service on Homeownership and Income, Urban Institute, 2020), and troop level fluctuations historically affected overall rental demand in the HMA. Current military personnel in the HMA have declined compared with peak numbers in the 2000s, but the large number of veterans who have remained in the HMA also provide a stable source of housing demand, particularly in the sales housing market. Many veterans choose to stay and work in the HMA.

Figure 6. Population by Age Range in the Killeen-Temple HMA



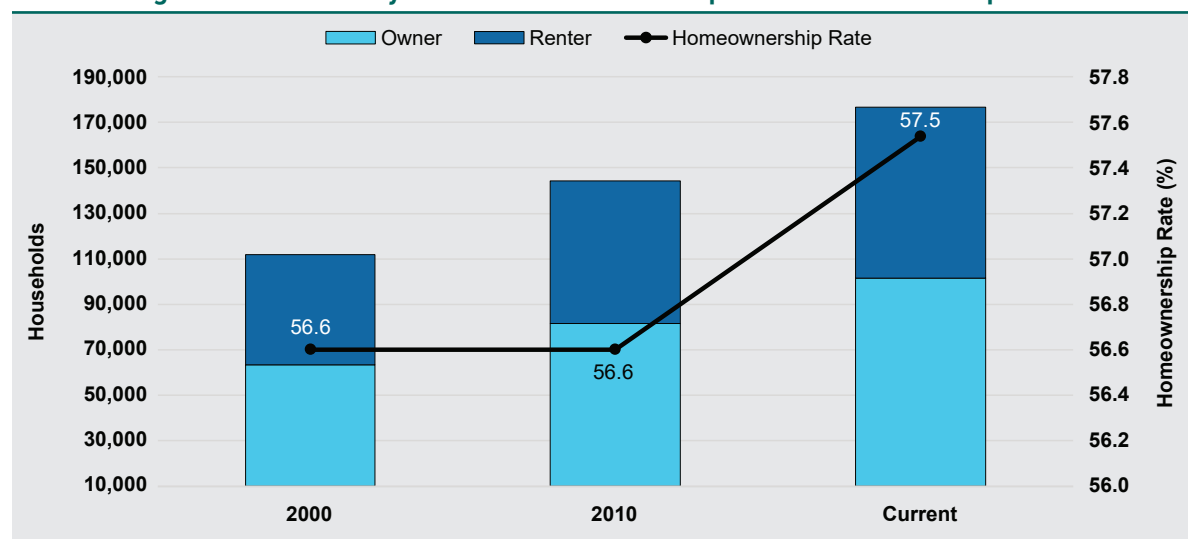
Source: 2019 American Community Survey, 1-year data

In 2019, an estimated 63,800 people, or 21.3 percent of residents aged 18 and older, were veterans residing in the HMA (2015–2019 ACS 5-year estimates). Surveys conducted by the Heart of Texas Defense Alliance (HOTDA) indicate that approximately one-third of the separating and retiring personnel from Fort Hood report a preference to stay within the HMA once leaving the military, and another one-third would stay if they found employment. Veterans typically have higher homeownership rates compared with the nation and the state, and in 2019, an estimated 74 percent of Texas veterans owned homes, compared with 64 and 62 percent for the civilian population in the nation and the state, respectively (National Veterans Select Housing Data estimate utilizing 2015–2019 ACS 5-year estimates; 2015–2019 ACS 5-year estimates for nation and state). During 2021, the nation had approximately 444,100 U.S. Department of Veterans Affairs (VA) purchase loans, an all-time high, up 3.7 percent from 428,400 new purchase loans during 2020. Texas led the nation during the fourth quarter of 2021, with approximately 13,300 VA purchase home loans, a decline of 1,600, or 10.7 percent from the fourth quarter of 2020 (Veterans Benefits Administration, Department of Veteran Affairs). During 2021, VA purchase home loans were up more than 15 percent in the HMA to 2,250 from 1,950 during 2020 (Veterans United).

Household Trends

Household growth in the HMA generally reflected population growth trends since 2010, a change from 2000 to 2010 when household growth was much faster than population growth. The number of households in the HMA is estimated at 176,700, representing an average annual increase of 2,775 households, or 1.8 percent, since April 2010—a pace slightly faster than the 1.7-percent population growth rate in the HMA during the same period. The number of households increased an average of 3,200, or 2.6 percent, annually during the 2000s, faster than the 2.1-percent population growth during the same period, because the population of children and young adults grew substantially between 1990 and 2000, creating higher demand for housing during the early 2000s. Since 2010, there has been an increase in the propensity to own, with owner households accounting for 57.5 percent of all households in the HMA, up from 56.6 percent during the 2000s (Figure 7). Continued owner household growth in the HMA is largely due to more affordable housing options than nearby MSAs and veterans choosing to remain in the HMA.

Figure 7. Households by Tenure and Homeownership Rate in the Killeen-Temple HMA



Note: The current date is January 1, 2022.

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

Forecast

During the next 3 years, the population and number of households in the HMA are expected to increase by average annual rates of 1.8 and 1.9 percent, or by 9,300 and 3,500, respectively. Population growth has historically been largely dependent on troop numbers at Fort Hood, but the growth dynamics have changed (Killeen Growth Study, 2019). The proportion of the population connected to Fort Hood in the HMA is expected to decline as the civilian population grows. Job growth, in addition to cheaper housing options compared with nearby MSAs, are expected to support continued net in-migration. The population and number of households are expected to reach an estimated 521,000 and 187,200, respectively, by January 1, 2025, because of expected economic and migration trends.

Home Sales Market

Market Conditions: Tight

The inventory of for-sale housing is very low and has remained below 3.0 months of supply since 2017 (Texas Real Estate Research Center at Texas A&M University).

Current Conditions

The sales housing market in the Killeen-Temple HMA is tight, with an estimated vacancy rate of 1.3 percent, down from 2.4 percent in April 2010, when the market was soft. During 2021, the number of new and existing home sales totaled 16,250, a 17-percent increase from the previous year and more than double the recent low of 7,475 home sales in 2011 (CoreLogic, Inc., with adjustments by the analyst; Table 6). The market remains tight; the average price for new and existing homes in the HMA rose 12 percent to \$232,300 during 2021. This price increase is slightly above the 11-percent increase for a home during 2020. Most home sales in the HMA occur in the cities of Temple and Killeen. According to the Temple-Belton Board of Realtors, in the city of Killeen, during December 2021, 41 percent of homes sold were priced between \$100,000 and \$199,000, whereas homes priced between \$200,000 and \$299,999 represented 43 percent. By comparison, in the city of Temple, approximately 16 percent of all sales were priced between \$100,000 and \$199,999, whereas homes between \$200,000

Table 6. Home Sales Quick Facts in the Killeen-Temple HMA

	Killeen-Temple HMA	Nation
Vacancy Rate	1.3%	NA
Months of Inventory	0.6	1.7
Total Home Sales	16,250	6,887,000
1-Year Change	17%	7%
New Home Sales Price	\$276,000	\$458,700
1-Year Change	7%	17%
Existing Home Sales Price	\$224,200	\$368,500
1-Year Change	14%	11%
Mortgage Delinquency Rate	3.0%	2.0%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2021; months of inventory and mortgage delinquency data are as of December 2021. The current date is January 1, 2022.

Sources: Vacancy rate—estimates by the analyst; months of inventory—National Association of REALTORS® for nation and Texas Real Estate Research Center at Texas A&M University for HMA; HMA home sales and prices—CoreLogic, Inc.; national home sales and prices—National Association of REALTORS® and Census Bureau/HUD

and \$299,999 represented 45 percent of all home sales in the city. Currently, there is a 0.6-month supply of homes for sale in the HMA as of December 2021, down from 0.7 months a year earlier (Texas Real Estate Research Center at Texas A&M University). Economic expansion, low interest rates on mortgage loans, and elevated net in-migration have contributed to higher demand for single-family homes in the HMA since 2017.

New Home Sales and Prices

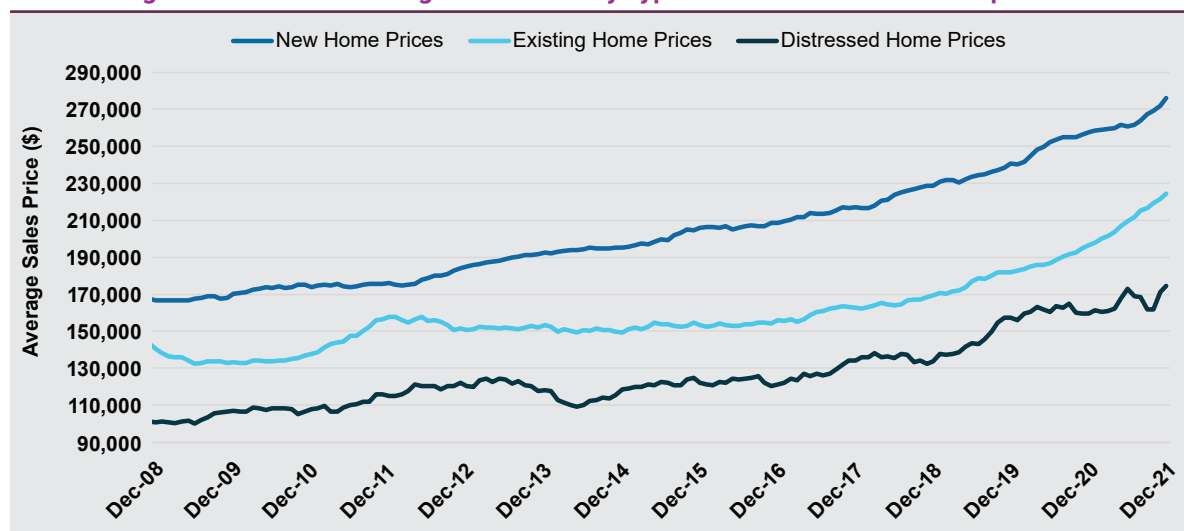
A surge in homebuying, partly due to low interest rates on mortgage loans, contributed to higher demand for new homes in the HMA during 2020. New home sales peaked in 2020 at 2,750 new homes sold, while the price of a new home increased 7 percent, to \$257,600, compared with the previous year (CoreLogic, Inc., with adjustments by the analyst). New home sales declined, however, by 6 percent to 2,575 in 2021 compared with 2020, even as sales market conditions remained tight, largely due to labor shortages and supply-chain issues, greatly increasing costs and construction times. The average new home sales price increased by 7 percent to \$276,000 during 2021 (Figure 8). Strong price growth of 6 percent occurred during 2008 when population growth was strong; the average sales price of a new home that year was \$166,600, and 2,225 new homes were sold. New home sales declined the following year, falling by an average of nearly 240 homes, or 12 percent, annually during the next three years to 1,525 new homes sold in 2011. From 2009 through 2011, the average price of a new home increased 2 percent annually to reach \$176,200 in 2011, reflecting the effects of the housing crisis. With an improving

economy, new home sales rose the following 4 years, by an average of 70 homes, or 4 percent, annually to 1,775 new homes sold in 2015. During that time, the average price of a new home increased an average of 4 percent annually to \$205,700 in 2015. New home sales increased 19 percent to 2,100 homes sold in 2016, whereas the average sales price increased just 1 percent as the military downsized and lower-priced real estate owned (REO) sales peaked in the HMA. From 2017 through 2019, an average of 2,100 new homes were sold annually, while the average annual sales price of a new home rose by 5 percent, reaching \$240,500 in 2019.

Existing Home Sales and Prices

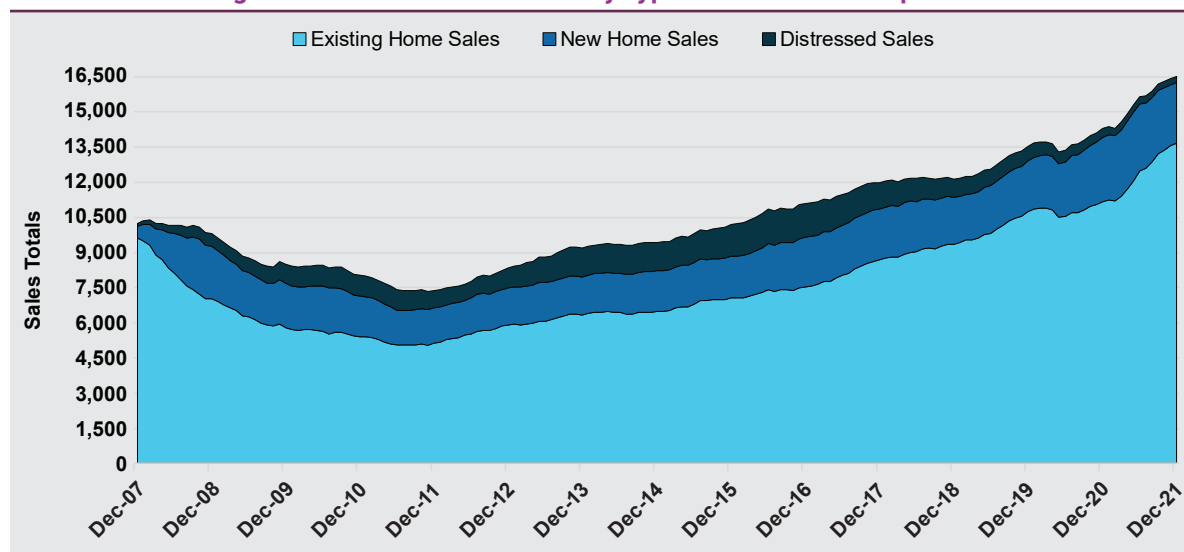
During 2021, the existing home sales market, including regular resales, short sales, and REO home sales, surpassed the previous peak of 11,600 homes sold in 2005, while the average sales price of an existing home increased at the fastest pace since 2011 (Figure 9). During 2021, sales of existing homes in the HMA totaled 13,650, up by 2,500 homes, or 22 percent, from the previous year, and the average sales price of an existing home increased by \$27,800, or 14 percent, to \$224,200. Before the economic downturn in the HMA from the Great Recession, existing home sales declined from a peak in 2005 by an average of 1,525, or 15 percent, annually from 2006 through 2008, due largely to fluctuations in deployments and transfers of the military population, and existing home sales reached a total of 7,050 homes during 2008—a

Figure 8. 12-Month Average Sales Price by Type of Sale in the Killeen-Temple HMA



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

Figure 9. 12-Month Sales Totals by Type in the Killeen-Temple HMA



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

period when the average price for an existing home was \$140,200. The housing crisis and subsequent economic downturn in the HMA during 2009 affected the existing home sales market. Existing home sales declined 17 percent to 5,800 homes, and the average price declined 5 percent to \$133,200. As the economy began to recover, sales prices increased 9 percent, to \$157,600, whereas home sales continued to decline, down by an average of 340 homes, or 6 percent, during 2010 and 2011 to 5,125 homes sold in 2011. From 2012 through 2016, existing sales increased by an average of 480, or 8 percent, annually to 7,550 in 2016, with distressed sales increasing by an average of 140 homes, or 14 percent, annually. During the period, the average sales price of an existing home fluctuated, declining to \$155,800 in 2016. Contributing to the decrease in existing home prices during the period was an average annual 14-percent increase in distressed sales, which sold for an average of 26 percent less than regular resales and 42 percent less than new sales. From 2017 through 2019, existing home sales in the HMA grew by an average of 13 percent annually to 10,750 sales in 2019, and existing sales prices during the period rose 5 percent annually to \$182,000 in 2019. During the same period, distressed sales continued to fall, an average of 240, or 24 percent a year.

REO Sales, Delinquent Mortgages and Distressed Sales

The percentage of seriously delinquent home loans—90 or more days delinquent, in foreclosure, or transitioned into real estate owned (REO) status—in the HMA peaked in November 2020 at 5.5 percent. As of December 2021, 3.0 percent of all mortgage loans in the HMA were seriously delinquent or had transitioned into REO status, down from 5.4 percent in December 2020 and from the previous peak of 4.8 percent in January 2012 (CoreLogic, Inc.). Many borrowers took advantage of mortgage loan payment forbearance during the COVID-19 pandemic. By comparison, the rate of seriously delinquent loans and REO properties for the nation was 2.0 percent in December 2021, down from 4.0 percent a year earlier and a rate of 7.4 percent in January 2012.

Due in part to the higher turnover of military households in the HMA, distressed sales historically accounted for a significant portion of existing

home sales in the HMA. As troop levels declined and military-connected households subsequently moved out of the HMA, distressed sales trended upward from 2008 through 2016 to a peak of 1,450 in 2016, accounting for more than 19 percent of existing home sales in the HMA. Since 2016, the expanding economy and the strengthening of the local housing market contributed to a drop in distressed sales the following 5 years, declining by an average of 240, or 30 percent, annually to 250 homes during 2021, down 33 percent from the previous year. During 2021, less than 2 percent of existing sales were distressed sales, down from approximately 3 percent during 2020.

Sales Construction

Homebuilding activity, as measured by the number of building permits issued for sales housing, declined in 2021 compared with 2020 even as sales market conditions remained tight, partly due to labor shortages and supply chain issues exacerbating commodity scarcity. The number of homes (single-family homes, townhomes, and condominiums) permitted totaled 2,500 during 2021, down by 475 homes, or 16 percent, from the previous year (including preliminary data). From 2001 through 2005, homebuilding activity rose as the population of the HMA grew with an increasing military presence, rising by an average of 400 homes permitted, or 19 percent, annually, to a high of 3,475 homes by 2005 (Figure 10). From 2006 through 2008, the number of homes permitted declined as the market softened, falling by an average of 540 homes, or 19 percent, annually, before averaging 1,975 homes permitted a year from 2009 through 2017. 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 sales of housing construction during the period. From 2018 through 2020, sales of construction increased by an average of 390, or 18 percent, annually to 2,975 in 2020 as lower interest rates heightened housing demand and builders responded by increasing development.

Home Sales Construction by Geography

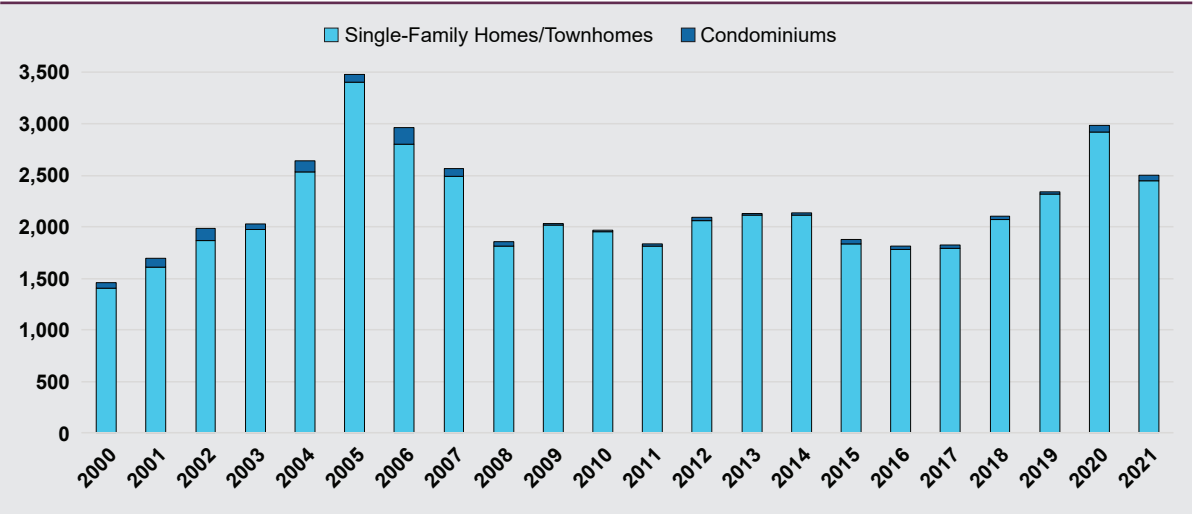
The HMA has a high concentration of housing priced at the lower end of the market, creating a draw from more expensive MSAs, including the Austin-Round Rock MSA and the Waco MSA, 60 and 50 miles to the south and north

of the HMA, respectively. More than 92 percent of residents work within the Killeen-Temple MSA. Of the 13,975 people who commute to work outside the Killeen-Temple MSA, 35 percent commute to the Austin-Round Rock MSA (Bastrop, Caldwell, Hays, Williamson and Travis Counties) and 28 percent commute to the Waco MSA (Falls and McLennan Counties; 2010–15 ACS). The average price for a new and existing home in the Austin-Round Rock MSA and the Waco MSA were \$415,800 and \$243,900, or 79 percent and 5 percent more, respectively, than the average price of new and existing homes in the Killeen HMA. The share of homes permitted increased in the city of Temple in recent years, due in part to job growth at expanding manufacturing and distribution operations along with a growing number of medical providers with easy access along the I-35 corridor. New home construction activity is largely concentrated in the cities of Killeen and Temple in the HMA, representing 28 and 44 percent, respectively, of all sales construction activity in the HMA since 2019, a significant change from 63 and 25 percent, respectively, during 2010 (includes preliminary data).

New Developments

In the city of Temple, single-family home construction is underway by Stylecraft builders at Lake Pointe Crossing, with approximately 20 homesites remaining available for construction of three-bedroom and four-bedroom homes, ranging in size from 1,400 to 2,600 square feet, with average prices starting at \$236,000.

Figure 10. Annual Sales Permitting Activity in the Killeen-Temple HMA



Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Lake Pointe Crossing will have approximately 80 homes when completed. Recently, more single-family development has been occurring in the cities of Nolanville, Harker Heights, and Belton. Construction is underway at the West Canyon Trails in the city of Belton, with single-family homes ranging from 1,246 to 2,755 square feet. Prices start from \$262,000, and a total of 170 homes are planned upon completion.

Forecast

During the 3-year forecast period, demand is expected for 9,050 new homes for sale (Table 7). The 1,000 homes under construction will satisfy a portion of the demand in the first year of the forecast. The average home sales price in the HMA remains approximately 25 percent below the median home sales price in the state of Texas. The recent trend of net in-migration is expected to continue, with demand expected to be highest for homes priced below \$300,000.

Table 7. Demand for New Sales Units in the Killeen-Temple HMA During the Forecast Period

Sales Units	
Demand	9,050 Units
Under Construction	1,000 Units

Note: The forecast period is from January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst



Rental Market

Market Conditions: Slightly Tight

The proximity of the HMA to more expensive MSAs to the north and south has contributed to the tightening of the overall rental and apartment markets since 2019.

Current Conditions and Recent Trends

The rental housing market in the Killeen-Temple HMA is slightly tight, with an overall estimated rental vacancy rate of 6.4 percent, down significantly from 10.1 percent in April 2010, when market conditions were soft (Table 8). More than 69 percent of renter households in the HMA reside in single-family homes, other housing types like mobile homes, townhomes, and two- to four-unit structures (2019 ACS 1-year estimates). The remainder of renter households resides in multifamily structures with five or more units that are typically apartments. Traditionally, rental activity is affected when troop counts at Fort Hood decline or increase; more than 57 percent of active-duty military members are estimated to be renters (The Impacts of US Military Service on Homeownership and Income, Urban Institute, 2020).

Single-Family Rentals

An estimated 42 percent of renter households in the HMA reside in single-family homes, down from 45 percent in 2010 (2010 and 2019 ACS

Table 8. Rental and Apartment Market Quick Facts in the Killeen-Temple HMA

Rental Market Quick Facts	2010 (%)	Current (%)
	Rental Vacancy Rate	10.1
		6.4
	2010 (%)	2019 (%)
	Occupied Rental Units by Structure	
	Single-Family Attached & Detached	45.0
	Multifamily (2–4 Units)	25.7
	Multifamily (5+ Units)	22.4
	Other (Including Mobile Homes)	6.9

Notes: The current date is January 1, 2022. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data

1-year estimates). The market for single-family rental homes is tight, unchanged from a year ago. Vacancy rates for professionally managed single-family rental homes during 2021 averaged 2.8 percent, up from 2.7 percent a year ago (CoreLogic, Inc.). By the number of bedrooms, vacancy rates during 2021 ranged from 1.5 percent for four-bedroom homes to 6.8 percent for one-bedroom homes. Vacancy rates increased slightly for most unit types from a year ago, except for three-bedroom homes, which declined by 0.2 percentage point. The average rent increased the most for two-bedroom homes, nearly 17 percent, whereas one-, three- and four-bedroom homes increased by 13, 12, and 11 percent, respectively, from the previous year.

Apartment Market Trends

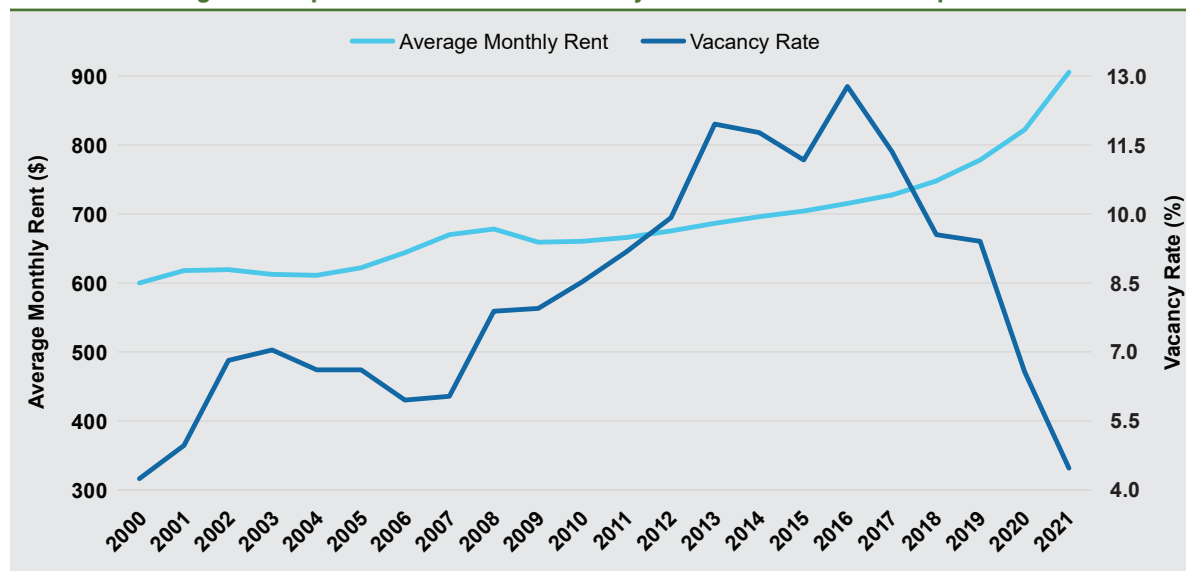
The apartment market of the HMA has historically been impacted by increases or decreases in troops at Fort Hood. From 2000 through 2004, there was significant deployment overseas from Fort Hood for Operation Enduring Freedom and Operation Iraqi Freedom. As such, apartment vacancies increased from 4.2 percent in 2000 to 6.5 percent in 2005 (CoStar Group; Figure 11). Meanwhile, rents barely budged, increasing less than 1 percent annually during that period. In 2005, it was announced that troops were to be returned to Fort Carson during the following 4 years, contributing further to the increase of vacant units in the HMA. The increase was interrupted briefly in 2006, as net in-migration swelled due to those entering the HMA who had been affected by Hurricane Katrina, and the average apartment vacancy rate declined to 5.9 percent in 2006. Vacancy rates rose thereafter, largely due to troop realignment, reaching 7.8 percent in 2009. Apartment rents increased less than 1 percent annually from 2006 through 2009. From 2010 through 2016, vacancies continued to increase, from 8.4 percent in 2010 to 12.6 percent in 2016. The apartment market further softened as the level of troops at the base continued to decline. Rents increased

an average of \$9, or 1 percent, annually from 2010 through 2016. Since 2016, military deployments decreased, and the presence of the military at Fort Hood increased to approximately 36,600 active-duty military as of December 2021. Apartment vacancies declined from 11.2 percent in 2017 to 4.5 percent in 2021, largely due to increased demand from ongoing barracks renovations at Fort Hood, which have caused some on base to utilize the private apartment market. Apartment vacancies were also impacted by heightened net-in migration from surrounding MSAs. This, coupled with a slowing of unit deliveries up until 2020, allowed the apartment market to further tighten. From 2017 through 2020, rent gains were the strongest in more than 20 years, increasing an average of 4 percent, or \$32, annually, and during 2021, rents further increased 10 percent to \$906. Vacancy rates are generally lowest in the CoStar Group-defined Belton and Temple submarkets, with vacancies estimated at 1.8 and 2.6 percent, respectively, during 2021. In the Killeen-Fort Hood submarket, vacancies were highest during 2021, at 6.2 percent. During 2021, rents ranged from \$849 in the Killeen-Fort Hood submarket to \$1,260 in the Belton submarket.

Military Housing

Generally, active-duty military members are renters, utilizing on-base and private rental options in the Killeen-Temple HMA. Active-duty service members are typically young and

Figure 11. Apartment Rents and Vacancy Rates in the Killeen-Temple HMA



Source: CoStar Group

single, and they often live in military housing, including the 99 barracks buildings on base, in addition to renting in nearby communities. Approximately 12,500, or 34 percent of Fort Hood's 36,600 soldiers, live in the barracks buildings on base, and many are doubled up due to renovations of the 99 Fort Hood barracks that have been ongoing since 2012. Currently, 11 barracks are in the process of renovations, leading to approximately 85-percent occupancy of the barracks at Fort Hood. Fort Hood Family Housing also provides approximately 5,625 single-family and two- to four-unit housing options for military personnel and their families. The remaining military personnel and family members reside off base in the surrounding private housing market. Lendlease Corporation Limited, a private community-development corporation, announced in 2021 that Fort Hood would receive \$420 million during the next 5 years for nearly 600 new junior enlisted homes as well as renovations for approximately 1,300 homes on base.

Rental Construction

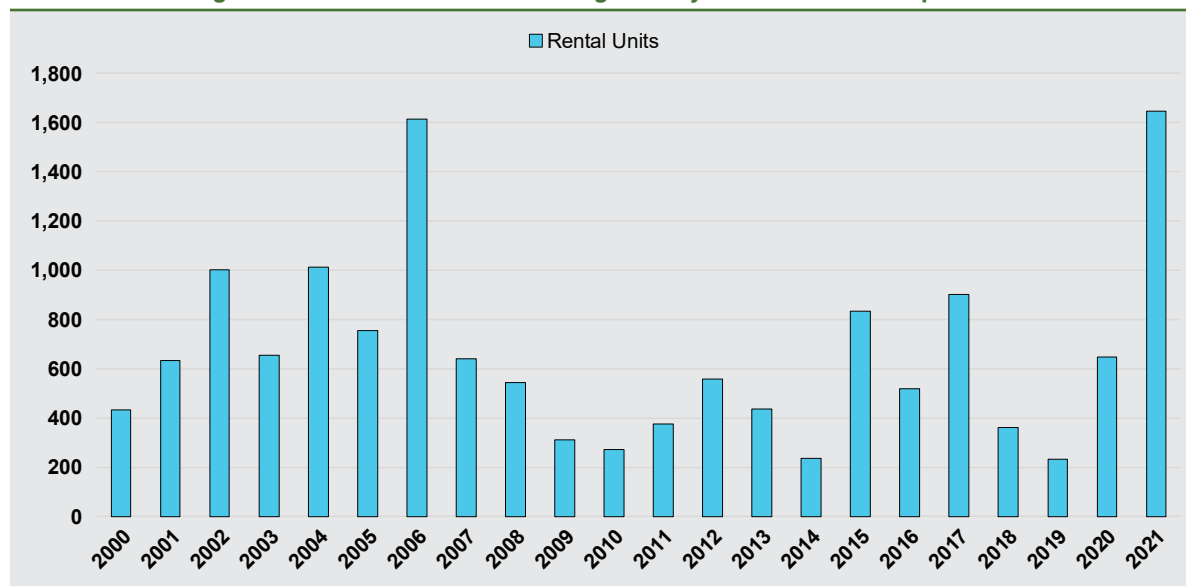
The largest number of rental units permitted in the HMA in more than 20 years are under construction. During 2021, multifamily construction, as measured by the number of rental units permitted, totaled 1,650, a more than two-fold increase from the 650 units permitted during the previous year. By comparison,

rental construction averaged 810 units annually from 2000 through 2008, peaking in 2006 at approximately 1,600 rental permits, because strong net in-migration supported heightened development of rental units in the HMA (Figure 12). In June 2006, Fort Hood Family Housing had successfully completed construction of approximately 970 new homes and renovations on more than 4,500 homes, lessening private rental demand from the military. As a result, developers decreased production as economic conditions in the HMA weakened and the number of rental units permitted declined to 310 units in 2009. Builders responded to slower renter household formation with levels of multifamily construction well below the previous peak. From 2010 through 2014, an average of only 380 units were permitted annually, with a low of 240 units permitted in 2014. An average of 750 rental units were permitted annually from 2015 through 2017. Rental unit production slowed again during 2018 and 2019 to an average of 300 units annually, allowing a continued absorption of excess vacancies in the rental market.

Rental Construction Activity by Geography

Recent multifamily construction of buildings, typically consisting of five or more units, is largely concentrated in the cities of Killeen and Temple, specifically near I-14 or near Baylor Scott & White Medical Center. A high concentration of renter-

Figure 12. Annual Rental Permitting Activity in the Killeen-Temple HMA



Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

occupied units is within the city of Killeen, accounting for 45 percent of total renters in the HMA, due to the proximity to Fort Hood (Killeen Growth Study, 2019). Multifamily development has strengthened in surrounding cities, in particular in the city of Temple, near medical, manufacturing, and distribution centers. During 2021, an estimated 49 percent of five or more unit structures permitted were in the city of Temple, whereas 51 percent were in Killeen.

Recent Developments

In the city of Killeen, a mixed-income apartment development, Robinson 42, is underway and will include 368 units, with 50 percent of units limited to residents with 80 percent of the area median income. Expected completion is for early 2024, with initial leasing beginning in 2023. In addition, the 216-unit Killeen Apartments, near the border of Killeen and the city of Harker Heights, is under construction. The development is expected to be completed by mid-2023 and will be located on a 31-acre plot along Acorn Creek Trail, with 15 acres designated for green space and trail connectivity.

Forecast

During the next 3 years, demand is estimated for 2,800 rental units in the HMA as strong net in-migration, rotating on-base housing renovations, and a large, relatively young population are expected to continue to support strong rental demand (Table 9). The 1,300 units under construction are expected to be complete during the next 3 years and will meet a portion of the demand, which is expected to increase throughout the forecast period as jobs continue to increase.

Table 9. Demand for New Rental Units in the Killeen-Temple HMA During the Forecast Period

Rental Units	
Demand	2,800 Units
Under Construction	1,300 Units

Note: The forecast period is January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of building permits.
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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Include resale sales, short sales, and REO sales.
Forecast Period	1/1/2022–1/1/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.

Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The 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.
2.	The framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.



D. Photo/Map Credits

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