COMPREHENSIVE HOUSING MARKET ANALYSIS
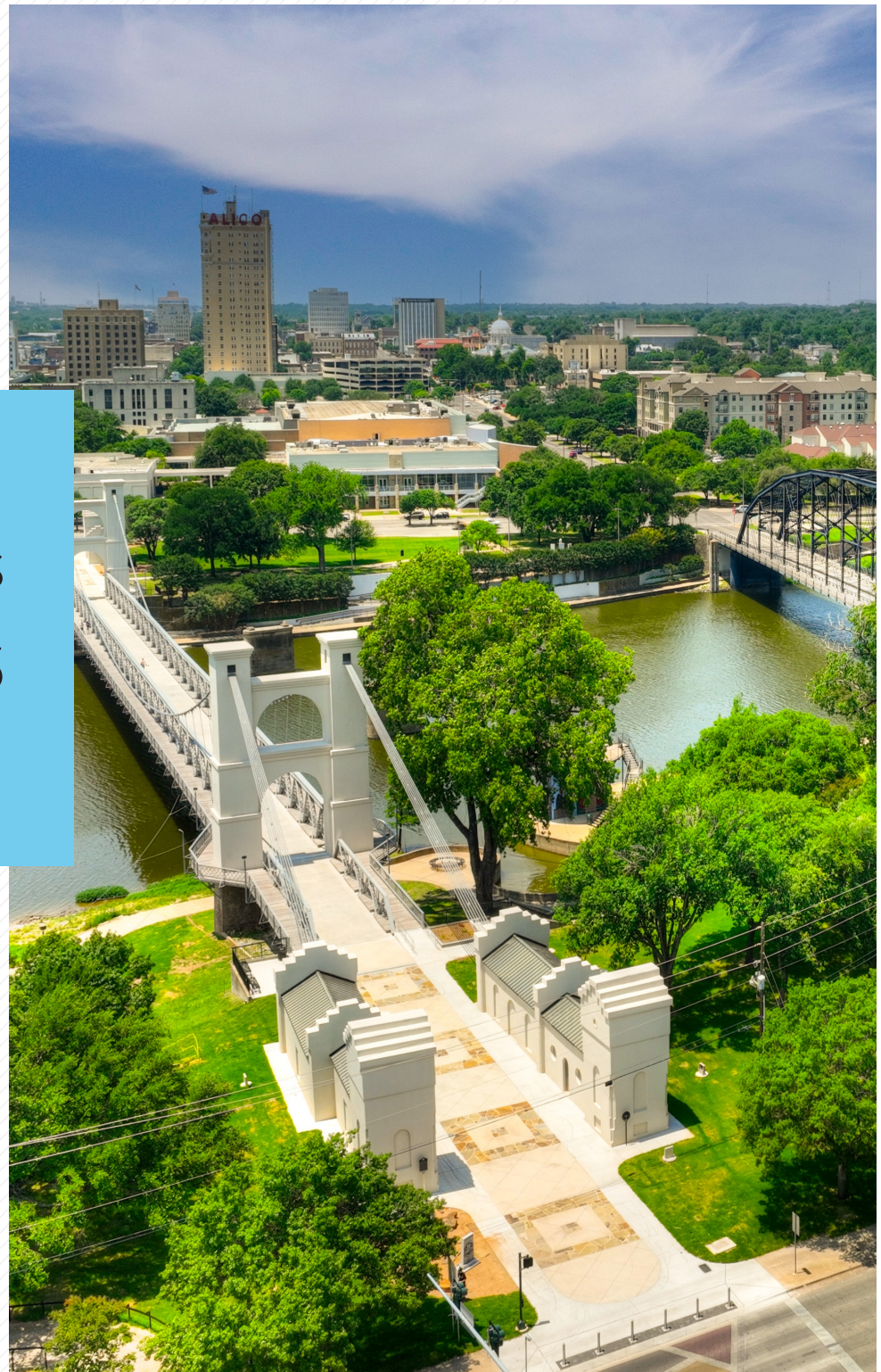
Waco, Texas

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

As of April 1, 2024

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Executive Summary

Housing Market Area Description

The Waco Housing Market Area (HMA) is coterminous with the Waco, TX Metropolitan Statistical Area, which consists of Falls and McLennan Counties. The HMA is in central Texas along the Brazos River and Interstate 35, approximately halfway between the cities of Dallas/Fort Worth and Austin. Waco is home to Baylor University, the oldest, continually operating university in the state and the largest employer in the HMA.

The current population of the HMA is estimated at 288,100.
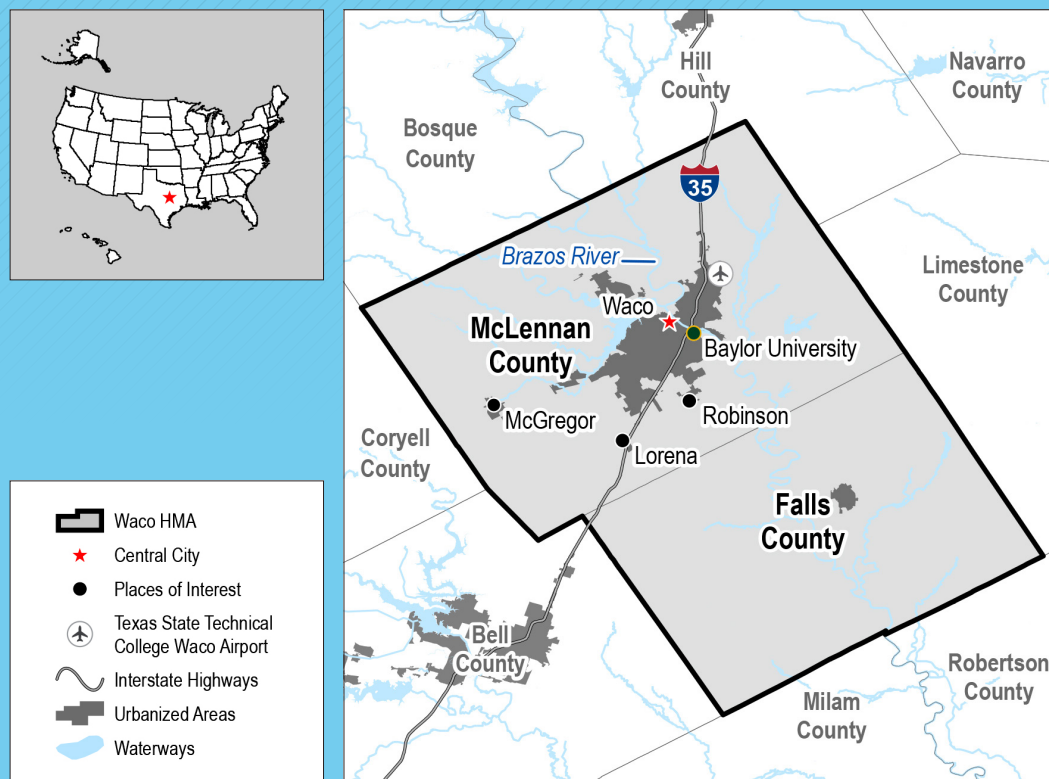
Tools and Resources

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

Strong: Economic conditions remain strong in the Waco HMA following the recovery of total nonfarm payroll jobs lost during the 2020 national recession. During the 12 months ending March 2024, nonfarm payrolls increased in 9 of the 11 job sectors.

Nonfarm payrolls averaged 136,000 jobs, up by 3,700, or 2.8 percent, during the 12 months ending March 2024 compared with the previous 12 months. The government and the education and health services sectors—the two largest sectors in the HMA, accounting for a combined 49 percent of the job gains during the past year—led job growth. Job growth is expected to continue during the 3-year forecast period and average 2.0 percent annually.

Sales Market

Balanced: During the 12 months ending March 2024, new home sales prices decreased 1 percent, and existing home prices increased 1 percent (CoreLogic, Inc., with adjustments by the analyst).

The home sales vacancy rate in the HMA is estimated at 1.8 percent, unchanged from April 2020. The inventory of single-family homes for sale rose to a 4.2-month supply in March 2024, up from a 3.0-month supply a year earlier (Texas Real Estate Research Center, Texas A&M University). New and existing home sales declined 16 percent during the 12 months ending March 2024, and the average price increased 1 percent to $280,100 (CoreLogic, Inc., with adjustments by the analyst). During the forecast period, demand is estimated for 2,500 additional sales units. The 210 units under construction are expected to meet a portion of demand during the first year of the forecast period.

Rental Market

Slightly Soft: The current overall rental market has an estimated vacancy rate of 9.2 percent, essentially unchanged from April 2020.

Rental housing market conditions in the HMA are currently slightly soft. Apartment conditions are also slightly soft, with an apartment vacancy rate of 7.4 percent as of the first quarter of 2024, up from 5.7 percent a year earlier (CoStar Group). The apartment rent averaged $1,170 as of the first quarter of 2024, down less than 1 percent from a year ago. During the forecast period, demand is estimated for 1,675 new rental units. The 1,250 units under construction and 260 units in final planning are expected to satisfy all of the demand for the first 2 years and a portion of the demand during the third year of the forecast period.

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3-Year Housing Demand Forecast		
	Sales Units	Rental Units
Waco HMA Total Demand	2,500	1,675
Under Construction	210	1,250

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2024. The forecast period is April 1, 2024, to April 1, 2027.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Education and Health Services

The education and health services sector accounted for 19 percent of nonfarm payroll jobs in the Waco HMA during the 12 months ending March 2024.

Primary Local Economic Factors

The economy of the HMA is diverse, with six nonfarm payroll sectors each accounting for at least 10 percent of total nonfarm payroll jobs (Figure 1). The largest employer in the HMA is Baylor University, with 3,750 employees and more than 20,800 enrolled students as of the fall of 2023. The university had a total economic impact of more than $2 billion on the local economy in 2023 and hosted more than 204,300 visitors at the Armstrong Browning Library & Museum and the Mayborn Museum Complex, which includes the Governor Bill and Vara Daniel Historic Village (Baylor University). The university also gives out many grants to local area community organizations, with approximately $118,500 in grants awarded during 2023. The university is an R1 research school, a classification it earned in 2021, and is in the NCAA Division 1 conference, winning the men's basketball championship in 2021. Baylor University spent $48,800,000 on research and filed 82 patents, with 44 issued, during the 2021 academic year (Baylor University *2022-23 Social and Economic Impact Report*). The second and third largest employers in the HMA are Baylor Scott & White Health and Ascension, with 2,700 and 2,375 employees, respectively (Table 1). All three of the top employers are in the education and health services sector, the largest sector in the HMA since 2010, accounting for approximately 19 percent of all nonfarm payrolls.

The government and the wholesale and retail trade sectors are the second and third largest sectors in the HMA. Three of the top 10 employers are in the government sector—the City of Waco, the U.S. Department of Veterans Affairs, and McLennan County, with 1,600, 1,275, and 1,100 employees, respectively. The HMA is also home to McLennan Community College, the Texas State Technical College (TSTC), and the associated TSTC Waco Airport, which contributes to

Figure 1. Share of Nonfarm Payroll Jobs in the Waco HMA, by Sector
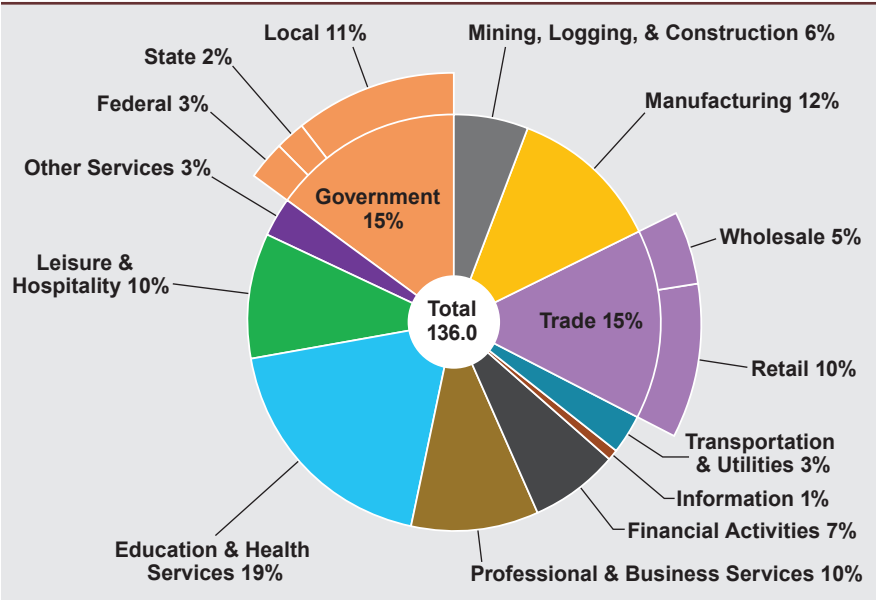
Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through March 2024.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Waco HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Baylor University	Education & Health Services	3,750
Baylor Scott & White Health	Education & Health Services	2,700
Ascension	Education & Health Services	2,375
H-E-B Grocery Company, LP	Wholesale & Retail Trade	2,000
City of Waco	Government	1,600
U.S. Department of Veterans Affairs	Government	1,275
L3Harris Technologies, Inc.	Manufacturing	1,175
Walmart Inc.	Wholesale & Retail Trade	1,175
McLennan County	Government	1,100
Wayne-Sanderson Farms	Manufacturing	1,025

Note: Excludes local school districts.
Source: Waco Chamber of Commerce

the size of the government sector and helps provide the HMA with a skilled workforce. Two of the top 10 employers in the HMA are in the wholesale and retail trade sector: H-E-B Grocery Company, LP, with 2,000 employees, and Walmart Inc., with 1,175. The city of Waco is also home to Magnolia Market at the Silos, the home décor shop owned by Chip and Joanna Gaines, stars of the HGTV show "Fixer Upper." During 2022, the estimated economic impact of Magnolia Market was $500 million per year (KXXV.com, "Good Morning America Shines National Spotlight on Waco"). Magnolia Market is a major tourist destination, attracting numerous visitors each year, with approximately 825,300 visitors during 2023.

Current Conditions—Nonfarm Payrolls

Economic conditions in the HMA are currently strong after recovering from the COVID-19 pandemic-related economic downturn. Job growth in the HMA has been strong since 2022 but has moderated recently. During the 12 months ending March 2024, nonfarm payrolls increased by 3,700 jobs, or 2.8 percent, to 136,000 jobs (Table 2). By comparison, payrolls increased

by 4,700 jobs, or 3.7 percent, during the previous 12 months. During the most recent 12 months, job gains occurred in 9 of the 11 nonfarm payroll sectors in the HMA, with the greatest gains occurring in the government and the education and health services sectors. The government sector increased by 900 jobs, or 4.5 percent, compared with the 12 months ending March 2023, when payrolls increased by 200 jobs, or 0.2 percent. Recent expansions to veteran healthcare benefits under the Promise to Address Comprehensive Toxics Act have contributed to gains in the government sector. The education and health services sector also increased by 900 jobs, or 3.6 percent, during the 12 months ending March 2024 compared with an increase of 1,100 jobs, or 4.5 percent, during the previous 12 months.

Current Conditions—Unemployment

Since 2010, the unemployment rate in the HMA generally has been lower compared with the national rate (Figure 2). The unemployment rate in the HMA declined during each of the past 3 years after a large increase stemming

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

	12 Months Ending March 2023	12 Months Ending March 2024	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**132.3**	**136.0**	**3.7**	**2.8**
Goods-Producing Sectors	24.3	24.9	0.6	2.5
Mining, Logging, & Construction	8.4	8.8	0.4	4.8
Manufacturing	15.9	16.1	0.2	1.3
Service-Providing Sectors	108.0	111.1	3.1	2.9
Wholesale & Retail Trade	20.2	20.3	0.1	0.5
Transportation & Utilities	4.0	3.8	-0.2	-5.0
Information	1.0	1.0	0.0	0.0
Financial Activities	8.4	9.0	0.6	7.1
Professional & Business Services	13.0	13.3	0.3	2.3
Education & Health Services	24.8	25.7	0.9	3.6
Leisure & Hospitality	13.0	13.6	0.6	4.6
Other Services	3.7	3.9	0.2	5.4
Government	19.8	20.7	0.9	4.5

Notes: Based on 12-month averages through March 2023 and March 2024. Numbers may not add to totals due to rounding. Data are in thousands.
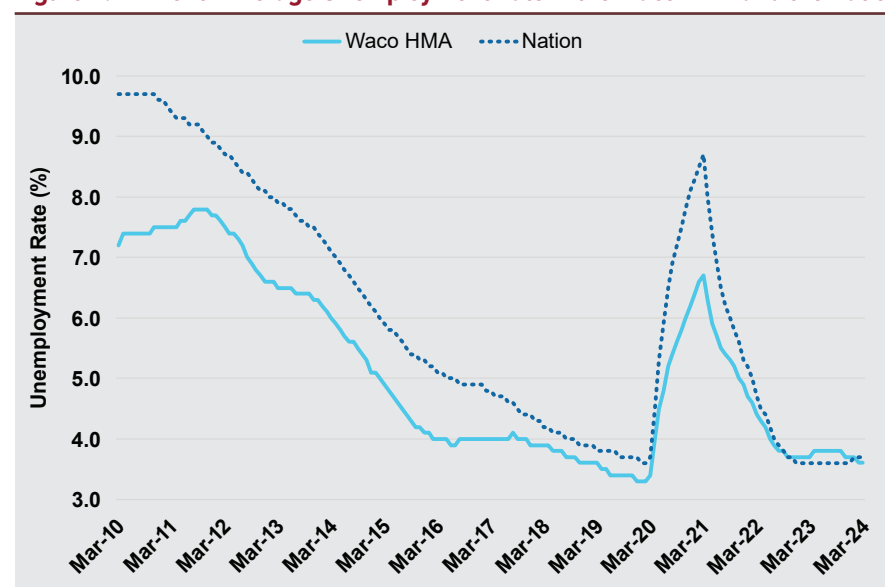Source: U.S. Bureau of Labor Statistics

Figure 2. 12-Month Average Unemployment Rate in the Waco HMA and the Nation

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

from the COVID-19-related global recession. The unemployment rate for the HMA peaked at an average of 6.7 percent during the 12 months ending March 2021 but decreased rapidly as the economy recovered, reaching a low of 3.7 percent by the end of 2022. During the same period, the national unemployment rate peaked at 8.7 percent and reached a low

of 3.6 percent by the end of 2022. During the 12 months ending March 2024, the unemployment rate in the HMA averaged 3.6 percent, down slightly from 3.7 percent during the previous 12 months and less than the average unemployment rate of 3.7 percent for the nation.

# Economic Periods of Significance

2011 Through 2013

Economic conditions were weak in the HMA following the Great Recession, and economic recovery lagged behind the nation. During 2011, total nonfarm payrolls decreased by an average of 100 jobs, or 0.1 percent, annually. By comparison, the national economy had begun to recover jobs lost from the Great Recession, increasing by 1.2 percent during 2011. Beginning in 2012, economic conditions in the HMA began to recover (Figure 3). During 2012 and 2013, the economy strengthened, increasing by an average of 1,000 jobs, or 0.9 percent, annually and had fully recovered all jobs lost from the Great Recession by the end of 2013. The professional and business services sector led gains during the 2 years, increasing by an average of 500 jobs, or 4.9 percent, annually. The opening of C3/CustomerContractChannels was a large contributor to job gains in this sector, adding nearly 500 jobs from 2012 to 2013. The manufacturing sector also increased by an average of 500 jobs, or 3.1 percent, annually. The wholesale and retail trade sector increased by an average of 400 jobs, or 2.3 percent, annually. The opening of ALDI and H-E-B Grocery Company, LP stores contributed to job gains in the sector.

2014 Through 2017

Beginning in 2014, the economy in the HMA began to expand. From 2014 through 2017, nonfarm payrolls grew at the quickest pace of any period between 2010 and 2020, increasing by an average of 2,600 jobs, or 2.2 percent, annually. The education and health services sector—which increased by an average of 600 jobs, or 2.8 percent, annually—led job

Figure 3. 12-Month Average Nonfarm Payrolls in the Waco HMA
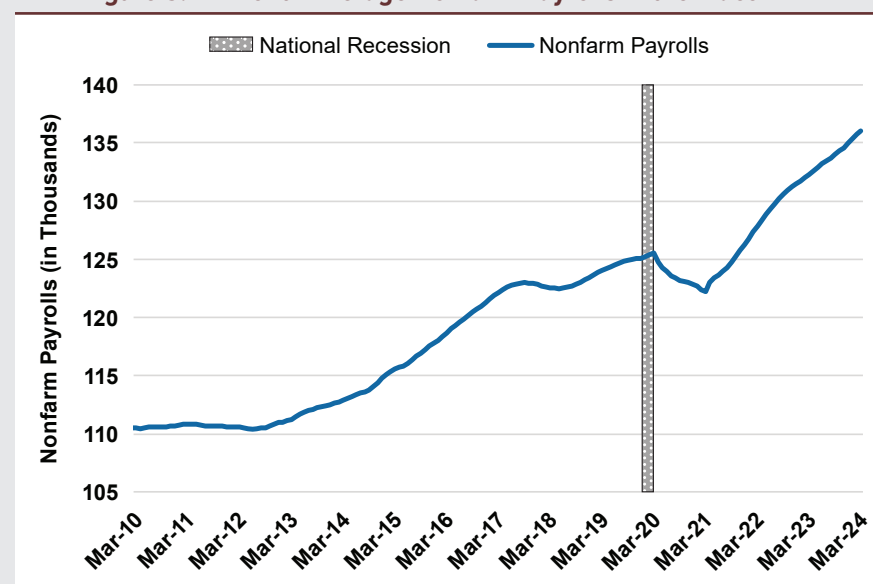
Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

growth. The growth of the population aged 65 and older helped support the gains in this sector. Job growth was also strong in the professional and business services sector, increasing by an average of 400 jobs, or 4.0 percent, annually. The wholesale and retail trade sector also increased by an average of 400 jobs, or 2.1 percent, annually. The opening of Magnolia Market at the Silos in 2015 supported gains in this sector.

2018 Through 2019

Economic growth slowed beginning in 2018, with nonfarm payrolls increasing by an average of 1,100 jobs, or 0.9 percent, annually during 2018 and 2019. An average loss of 300 jobs, or 1.8 percent, annually in the manufacturing sector contributed to the slowdown. The closure of a Caterpillar Inc. facility that employed 200 people was a large part of the decrease in manufacturing. Job growth in the service-providing sectors generally continued. The education and health services sector led job growth, increasing by an average of 400 jobs, or 1.5 percent, annually. The wholesale and retail trade sector increased by an average of 300 jobs, or 1.7 percent, annually. The opening of an Orscheln Farm & Home store and the continued expansion of Magnolia Market contributed to gains in the HMA.

2020

The interventions taken in mid-March 2020 to slow the spread of COVID-19 weakened the HMA economy. During March and April 2020, jobs in the HMA declined by a total of 10,500, or 8.3 percent, coinciding with the national recession (monthly data, not seasonally adjusted). By comparison, the national economy lost 13.1 percent of jobs during the same period. The HMA began to recover jobs in May 2020, but average nonfarm payrolls in 2020 were below the previous level a year earlier by 2,200 jobs, or 1.8 percent, with declines in 9 of the 11 nonfarm payroll sectors. Similarly, the national economy began to recover jobs in May 2020. However, average nonfarm payrolls in 2020 were 5.8 percent less than the previous year. The most severe losses in the HMA during 2020 were in the leisure and hospitality sector, which decreased by 1,500 jobs, or 11.7 percent, accounting for more than 68 percent of the total nonfarm payroll losses. Social distancing orders and reduced capacity mandates for food service establishments contributed to the strong loss of jobs in the leisure and hospitality sector.

2021 Through 2022

By the third quarter of 2021, the HMA economy had fully recovered and exceeded total nonfarm payrolls lost during the COVID-19 economic downturn. During 2021 and 2022, nonfarm payrolls increased by an average of 4,300 jobs, or 3.4 percent, annually. All 11 nonfarm payroll sectors increased, with the wholesale and retail trade sector leading growth, increasing by an average of 1,100 jobs, or 6.0 percent, annually and accounting for approximately 26 percent of the nonfarm payroll increase. The opening of an Amazon.com, Inc. fulfillment center contributed to gains in this sector, adding 700 jobs. The leisure and hospitality sector also had strong gains, increasing by an average of 800 jobs, or 6.8 percent, annually, supported by several restaurants opening in the HMA. The education and health services sector also increased by an average of 800 jobs, or 3.2 percent, annually, supported by expansions at Baylor Scott & White Health and Ascension.

Forecast

During the next 3 years, nonfarm payroll jobs are anticipated to grow an average of 2.0 percent annually. Growth is anticipated to be strongest during the second year of the 3-year forecast period because of multiple projects underway that are projected to open in 2026—a Walmart milk processing facility expected to create 400 jobs in the city of Robinson and a new Graphic Packaging International site expected to create 200 jobs in the city of Waco.

Population and Households

Current Population: 288,100

Population growth has generally accelerated since the mid-2010s, with increased net in-migration outpacing net natural increase.

Population Trends

The population of the Waco HMA is currently estimated at 288,100, reflecting an average increase of 2,650, or 0.9 percent, annually since 2020 (Table 3). Since 2020, net in-migration has accounted for approximately 73 percent of the population growth, much higher than any other period since 2010 as net natural increase slowed significantly because of the COVID-19 pandemic. Net natural increase since 2020 has averaged 700 people annually, and net in-migration has averaged 1,950 people annually. By comparison, the population increased from 2010 to 2020 by an average of 2,475, or 0.9 percent, annually. Net natural increase averaged 1,375 people annually, nearly double the annual gain since 2020, and net in-migration averaged 1,100 people annually. During the early 2010s, the HMA had much slower net in-migration, with an average of 450 people annually from 2010 to 2013, because the economy was slow to recover from the Great Recession (Figure 4). The population increased by an average of 1,875, or 0.7 percent,

Table 3. Waco HMA Population and Household Quick Facts

		2020	Current	Forecast
Population Quick Facts	**Population**	277,547	288,100	296,900
	Average Annual Change	2,475	2,650	2,950
	Percentage Change	0.9	0.9	1.0
		2020	Current	Forecast
Household Quick Facts	**Households**	102,485	106,500	109,900
	Average Annual Change	930	1,000	1,125
	Percentage Change	1.0	1.0	1.1

Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is the current date (April 1, 2024) to April 1, 2027.
Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst

Figure 4. Components of Population Change in the Waco HMA, 2010 Through the Forecast Period
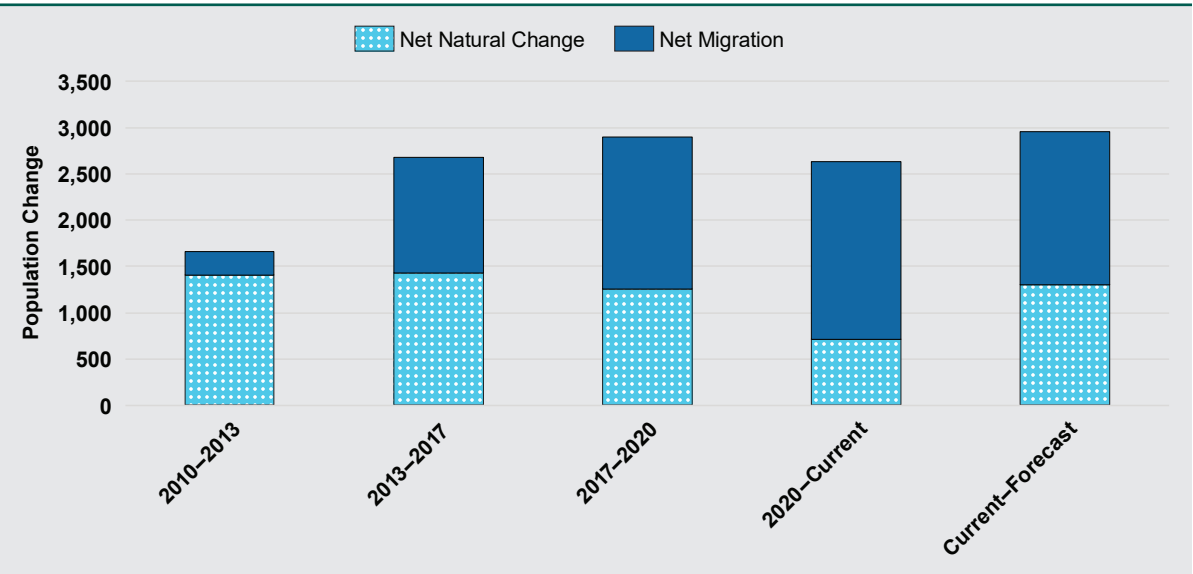
Notes: Data displayed are average annual totals. The forecast period is from the current date (April 1, 2024) to April 1, 2027.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

annually from 2010 to 2013, with net in-migration averaging 450 people, representing only 24 percent of total population growth. Net natural increase averaged 1,425 people annually during the same period. However, as the economy began improving in the mid-2010s, net in-migration accelerated. From 2013 to 2017, population growth increased to an average of 2,675 people, or 1.0 percent, annually. Net

in-migration averaged 1,225 people annually, more than double the average during the previous period, and represented approximately 46 percent of total population growth. Net natural increase averaged 1,450 people annually from 2013 to 2017, slightly faster than the previous period. From 2017 to 2020, population growth accelerated again, with the population increasing by an average of 2,900, or 1.1 percent, annually. Net in-migration averaged 1,650 people a year, accounting for approximately 57 percent of the population growth, whereas net natural increase slowed, averaging 1,250 people annually.

Household Trends

Household growth in the HMA generally has reflected population growth trends since 2010. The number of households in the HMA is currently estimated at 106,500, representing an average annual increase of 1,000 households, or 1.0 percent, since 2020, a pace similar to population growth during the same period. By comparison, the number of households increased by an average of 1.0 percent annually during the 2010s, also a similar pace compared with population growth during the period.

Households by Tenure

The current homeownership rate in the HMA is an estimated 59.2 percent, equal to the rate during 2020 but down from 60.9 percent in 2010 (Figure 5). From 2010 to 2020, owner household growth accounted for approximately 43 percent of

Figure 5. Households by Tenure and Homeownership Rate in the Waco HMA
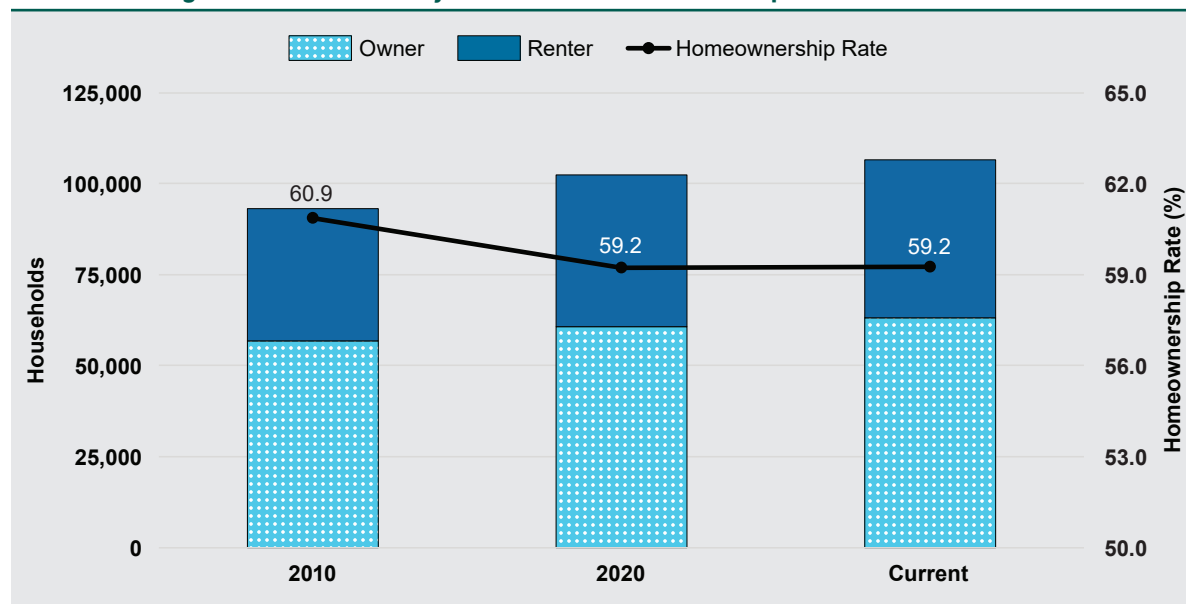
Note: The current date is April 1, 2024.
Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst

total household growth. Renter households accounted for a larger share of households than in 2010 but equal to the share in 2020. Currently, renter households account for 40.8 percent of all households in the HMA, up from 39.1 percent during 2010. Weak economic conditions and relatively slow population growth following the Great Recession contributed to notably slow owner household formations during the early 2010s. The share of household growth from owner households subsequently surged as sales demand increased in response to historically low mortgage interest rates through 2021. Homeownership has since moderated in the HMA, but owner households have accounted for approximately 60 percent of total household growth since 2020.

Student Households

Total student enrollment at Baylor University during the fall of 2023 was more than 20,800 students, an increase of nearly 1 percent from the previous year. By comparison, total enrollment increased substantially during the fall semesters of 2020 and 2021, increasing by 7 percent each year. Among the students enrolled at Baylor University during the fall of 2023, an estimated 71 percent lived off campus

(College Confidential). Because such a high percentage of students live off campus, student households account for an estimated 10 percent of all renter households in the HMA.

Forecast

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 2,950, or 1.0 percent, annually. Net in-migration is expected to continue throughout the forecast period but to moderate compared with the rate from 2020 through the current date. However, net natural increase is expected to accelerate modestly. The number of households in the HMA is expected to increase by an average of 1,125, or 1.1 percent, annually during the forecast period—a slightly faster pace than the rate of population growth.

Home Sales Market

Market Conditions: Balanced

> New and existing home sales in the Waco HMA fell during the 12 months ending March 2024, and home sales price growth moderated.

Current Conditions

The home sales market in the HMA is currently balanced. The current sales vacancy rate is estimated at 1.8 percent, unchanged from April 2020 (Table 4). Sales housing market conditions were tight in 2021 when demand for homes rose, and the inventory of homes for sale fell. Rising mortgage interest rates since March 2022 have decreased homebuying affordability, leading to a decline in home sales and an increase in for-sale inventory during the past 2 years. The supply of for-sale homes in March 2024 was 4.2 months, up from 3.0 months a year ago (Texas Real Estate Research Center, Texas A&M University). This supply is in stark contrast to March 2021, when the supply of for-sale homes was only 0.7 months. New and existing home sales in the HMA declined by 925, or 16 percent, to approximately 4,975 sales during the

Table 4. Home Sales Quick Facts in the Waco HMA

|		Waco HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.8%	NA
	Months of Inventory	4.2	2.9
	Total Home Sales	4,975	5,010,000
	1-Year Change	-16%	-18%
	Total Home Sales Price	$280,100	$409,500
	1-Year Change	1%	3%
	Mortgage Delinquency Rate	1.0%	1.0%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2024; and months of inventory and mortgage delinquency data are as of March 2024. The current date is April 1, 2024.
Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency rate—Texas Real Estate Research Center at Texas A&M University and CoreLogic, Inc.; home sales and prices—CoreLogic, Inc.

12 months ending March 2024 compared with a year ago, when home sales decreased 19 percent to 5,900 homes sold (CoreLogic, Inc.). The average home sales price in the HMA continued to increase during the past year despite falling sales activity, although the rate of price growth moderated significantly. During the 12 months ending March 2024, the average home price increased by approximately $3,150, or 1 percent, to $280,100. By comparison, the average home sales price increased by $22,400, or 9 percent, to $276,900 during the 12 months ending March 2023.

Home Sales

Home sales, including new and existing homes, slowed following the Great Recession but steadily increased as the economy recovered and net in-migration accelerated (Figure 6). From 2011 through 2013, the number of home sales remained relatively unchanged as net in-migration slowed and changed to net out-migration during 2012. From 2014 through 2016, home sales increased by

#### Figure 6. 12-Month Sales Totals by Type in the Waco HMA
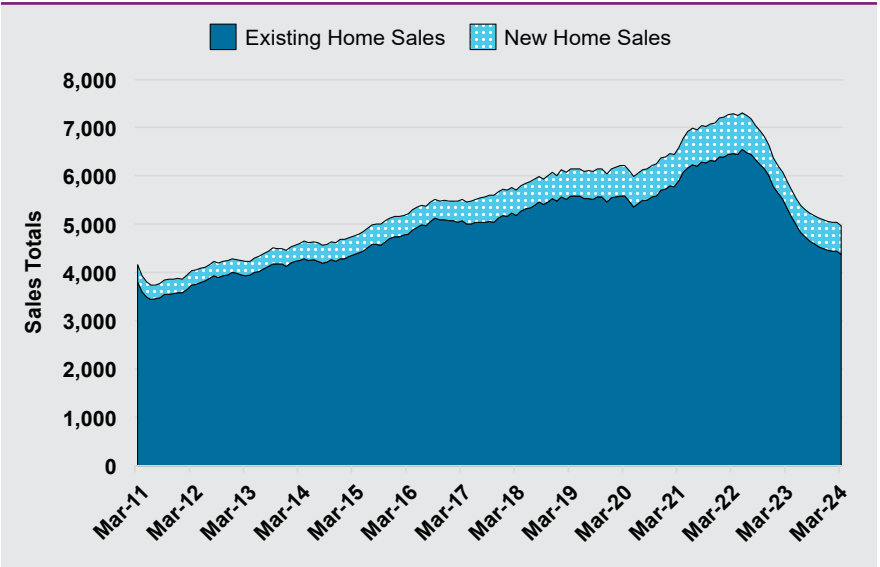
Source: CoreLogic, Inc., with adjustments by the analyst

an average of 350 homes, or 7 percent, annually because net in-migration resumed and accelerated throughout the period (CoreLogic, Inc.). Existing home sales accounted for more than 91 percent of total home sales, increasing by an average of 320 homes, or 7 percent, annually. Home sales slowed from 2017 through 2019, increasing by an average of 240 homes, or 4 percent, annually. During 2020 and 2021, as mortgage interest rates continued to decline rapidly and telework became prevalent, home sales more than doubled, increasing by an average of 500 homes, or 8 percent, annually. Existing home sales increased by an average of 420 homes, or 7 percent, annually and accounted for 84 percent of all home sales. However, as mortgage interest rates began to increase and home sales prices continued to increase, home sales in the HMA declined. During 2022 and 2023, home sales decreased by an average of 1,075 homes, or 16 percent, annually, returning to levels similar to 2014 and 2015. Existing home sales accounted for 89 percent of the decrease in home sales during 2022 and 2023 and fell by an average of 960 homes, or 16 percent, annually.

Home Sales Prices

The average home sales price fell during the Great Recession, and price growth remained relatively flat during 2010. From 2011 through 2013, home prices began to increase, rising by an average of $6,150, or 4 percent, annually (Figure 7; CoreLogic, Inc.). New home prices increased by an average of $8,750, or 5 percent,

Figure 7. 12-Month Average Sales Price by Type of Sale in the Waco HMA
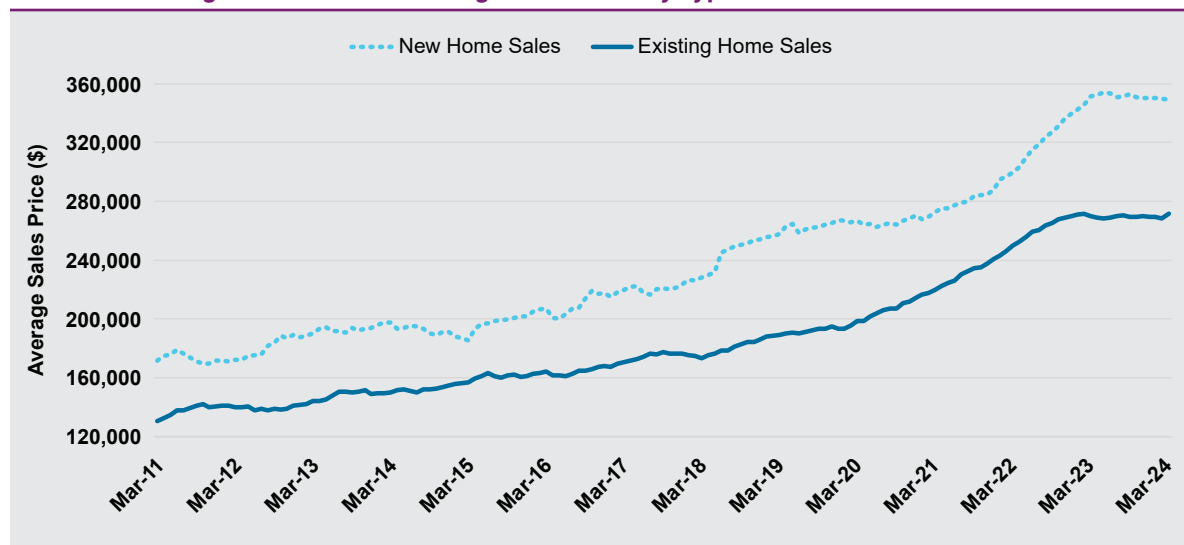
Source: CoreLogic, Inc., with adjustments by the analyst

compared with existing home prices, which increased by an average of $5,925, or 4 percent. As net in-migration accelerated, home prices increased modestly. From 2014 through 2016, home prices increased by an average of $6,250, or 4 percent, annually. New home sales price growth moderated slightly, to an average of $8,000, or 4 percent, annually. Existing home sales prices increased by an average of $6,250, or 4 percent, annually. As population growth remained strong, price growth also remained strong, particularly among new home sales. From 2017 through 2019, home sales prices increased by an average of $9,200, or 5 percent, annually, with new home sales prices increasing much faster than the previous period, up by an average of $16,550, or 7 percent, partly due to stronger net in-migration. With lower mortgage interest rates following 2019, home sales increased, and home price growth accelerated to an average of $23,350, or 11 percent, annually during 2020 and 2021. New home price growth continued but began to moderate, averaging $10,300, or 4 percent, annually. From 2020 to 2021, virtually all new home sales were outside the city of Waco, with the greatest concentration in the city of Lorena, where home prices were 7 percent less than the HMA average, accounting for approximately 26 percent of all new homes sold (Zonda). However, existing home sales price growth accelerated considerably, averaging $23,750, or 12 percent, annually. Despite increasing mortgage interest rates, home sales prices continued

to rise and increased during 2022 and 2023 by an average of $16,550, or 7 percent, annually. During this time, new home sales continued to be concentrated in Lorena, and new home prices grew significantly, increasing by an average of $31,150, or 10 percent, annually as the amount of available, developable land decreased. Existing home price growth slowed significantly, however, averaging $14,300, or 6 percent, annually.

Sales Construction

The construction of new homes for sale in the HMA, as measured by the number of single-family homes, townhomes, and condominiums permitted (building permits), was relatively low in the early 2010s, partly due to slower population growth and falling home prices (Figure 8). From 2010 through 2012, single-family permitting averaged 460 homes annually. As population growth increased because of higher net in-migration, single-family permitting increased to 620 homes annually from 2013 through 2016. Net in-migration increased substantially beginning in 2016, contributing to increased demand, and in response, permitting increased again to the highest levels since 2010, averaging 860 homes permitted annually from 2017 through 2021. The highest single year of permitting in the HMA since 2010 occurred in 2021, totaling 980 homes permitted, because demand was high from increased net in-migration and the lowest mortgage interest rates since 2013 (Freddie Mac). However, as mortgage interest rates have risen, demand has decreased, and in response, permitting has fallen. During 2022,

Figure 8. Annual Sales Permitting Activity in the Waco HMA
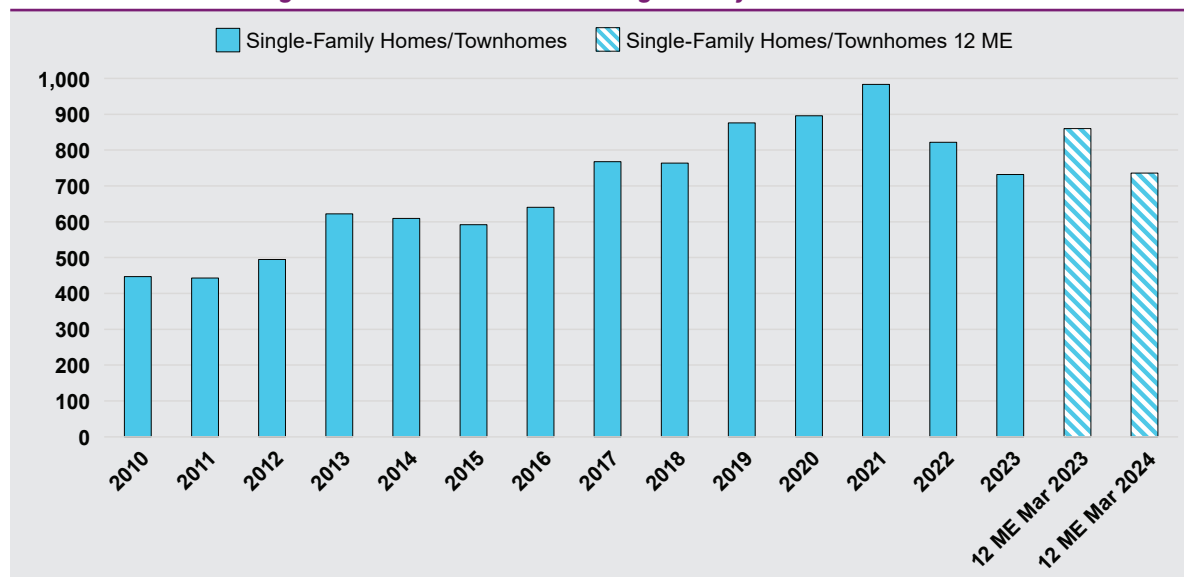
12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

permitting decreased to 820 homes. During the 12 months ending March 2024, sales construction activity decreased by 120, or 14 percent, to 740 homes permitted compared with the previous 12 months, when 860 homes were permitted (preliminary data, with adjustments by the analyst).

Sales Construction by Geography

Most of the new home construction within the HMA has been concentrated in the cities surrounding the city of Waco. Notable developments include Sunwest Village in the city of McGregor and Callan Village in the city of Lorena. Sunwest Village consists of four-bedroom homes ranging from 2,143 to 3,423 square feet. Prices in its phase 10 development, which will consist of 31 homes, range from $404,990 to $564,990. Phase 11 of the development will consist of 38 three- and four-bedroom homes from 1,860 to 2,783 square feet, with prices ranging from $349,990 to $474,990. Callan Village is in its second phase of development, which consists of four-bedroom homes from 2,363 to 3,124 square feet, with prices ranging from $499,990 to $588,990. The development is expected to have 160 homes at buildout, with approximately 70 homes currently built.

Forecast

During the 3-year forecast period, demand for an additional 2,500 for-sale homes is expected (Table 5). The 210 homes under construction are expected to meet a portion of demand during the first year of the forecast period. Demand is expected to be highest during the second year of the forecast period, when population growth is expected to strengthen in response to notable economic growth.

Table 5. Demand for New Sales Units in the Waco HMA During the Forecast Period

Sales Units	
Demand	2,500 Units
Under Construction	210 Units

Note: The forecast period is April 1, 2024, to April 1, 2027.
Source: Estimates by the analyst

Rental Market

Market Conditions: Slightly Soft

> As of the first quarter of 2022, the apartment market vacancy rate fell to its lowest level since at least 2001 before increasing nearly 3.0 percentage points during the following 2 years.

Current Conditions and Recent Trends

Rental housing market conditions in the Waco HMA are slightly soft, with a current estimated overall rental vacancy rate of 9.2 percent, essentially unchanged from 9.1 percent during 2020 (Table 6). From 2019 through 2022, renter households increased by a total of 3 percent, with notably strong gains in one- and two-person households contributing to sustained renter household formation (American Community Survey [ACS] 1-year data). One- and two-person renter households increased 12 and 10 percent, respectively. A plurality of renter households in the HMA live in multifamily structures with

five or more units. In 2022, 44 percent of all renter households in the HMA lived in multifamily structures with five or more units, up from 36 percent in 2010 (ACS 1-year data). By comparison, approximately 37 percent of rental households in the HMA lived in single-family homes in 2022, down from 43 percent in 2010.

Apartment Market Conditions

Apartment market conditions in the HMA are also slightly soft, with a stabilized vacancy rate of 7.4 percent as of the first quarter of 2024, up from 5.7 percent a year ago (CoStar Group). The apartment market vacancy rate remained above 6.0 percent from the first quarter of 2010 until the first quarter of 2020 but fell sharply during the early stages of the pandemic (Figure 9). From the first quarters of 2010 to 2014, the apartment vacancy rate was relatively stable, ranging from 7.0 to 7.3 percent, before falling to 6.4 percent as of the first quarter of 2016 as net in-migration accelerated considerably. From the first quarter of 2016, the apartment market softened, and the vacancy rate

Table 6. Rental and Apartment Market Quick Facts in the Waco HMA

		2020 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	9.1	9.2
		2010 (%)	**2022 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	43	37
	Multifamily (2–4 Units)	16	15
	Multifamily (5+ Units)	36	44
	Other (Including Mobile Homes)	5	4

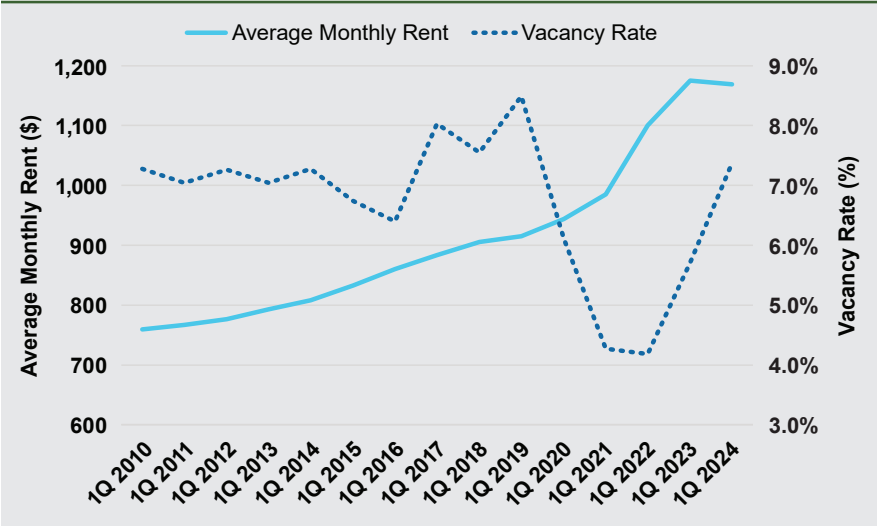|		1Q 2024	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	7.4	1.6
	Average Rent	$1,170	-1%
	Studio	$953	-6%
	One-Bedroom	$1,040	-1%
	Two-Bedroom	$1,234	0%
	Three-Bedroom	$1,444	1%

1Q = first quarter. YoY= year-over-year.
Notes: The current date is April 1, 2024. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2021 and 2022 American Community Survey 1-year data; apartment data—CoStar Group

Figure 9. Apartment Rents and Vacancy Rates in the Waco HMA

1Q = first quarter.
Note: Apartment vacancy rates are for stabilized apartment units.
Source: CoStar Group

increased to 8.5 percent as of the first quarter of 2019. The apartment market vacancy rate began to decline rapidly after the first quarter of 2019 because many new rental households formed, partly due to a strong increase in student enrollment at Baylor University contributing to elevated net in-migration. The apartment vacancy rate declined each year to 4.2 percent as of the first quarter of 2022. However, as relatively high levels of new apartments have entered the market, the apartment vacancy rate has trended sharply upward during the past 2 years.

Rent Growth

The average rent in the HMA has generally trended upward since the early 2010s, with a notable acceleration in rent growth after the onset of the pandemic as the apartment vacancy rate rapidly decreased. However, from the first quarters of 2023 to 2024, the average rent decreased for the first time since 2010. The average rent as of the first quarter of 2024 was $1,170, down $5, or less than 1 percent, from a year ago (CoStar Group). By comparison, the average rent rose 3 percent annually from 2010 to 2023 (first quarter rent rates). From the first quarters of 2010 to 2019, average apartment rents increased an average of $17, or 2 percent, annually to $915. However, from the first quarters of 2019 to 2023, rent growth accelerated as the apartment vacancy rate fell drastically, and the average apartment rent increased by an average of $65, or 6 percent, annually to $1,175. Strong growth in student enrollment at Baylor University contributed to the strong gains. From 2019 through 2021, enrollment increased at the

greatest rate since 2010. During the fall of 2019, enrollment increased 5 percent. During the fall semesters of 2020 and 2021, enrollment increased 7 percent each year.

Student Apartments

The apartment market vacancy rate within a 2-mile radius of Baylor University generally has remained higher than the city of Waco as a whole. As of the first quarter of 2024, the stabilized vacancy rate in this segment was 8.5 percent, up from 7.9 percent a year earlier (CoStar Group). As of the first quarter of 2024, vacancy rates for one-, two-, and three-bedroom apartments in this segment were 7.8, 8.6, and 8.9 percent, respectively. Despite having higher vacancy rates, asking rents remain higher. As of the first quarter of 2024, the average asking rent within a 2-mile radius of Baylor University was $1,215, a decrease of $25, or 2 percent, from a year ago. As of the first quarter of 2024, asking rents for one-, two-, and three-bedroom apartments in this segment were $1,180, $1,241, and $1,282, respectively.

Rental Construction

Rental construction, as measured by the number of units permitted for renter occupancy, has trended upward since 2022, although rising apartment vacancy rates contributed to a notable decline during the first quarter of 2024. Only 15 rental units were permitted during the first quarter of 2024, a large decrease from the 280 units permitted during the first quarter of 2023. Coinciding with relatively slow population and economic growth, rental permitting averaged only 150 units annually from 2010 through 2013 (Figure 10).

Figure 10. Annual Rental Permitting Activity in the Waco HMA
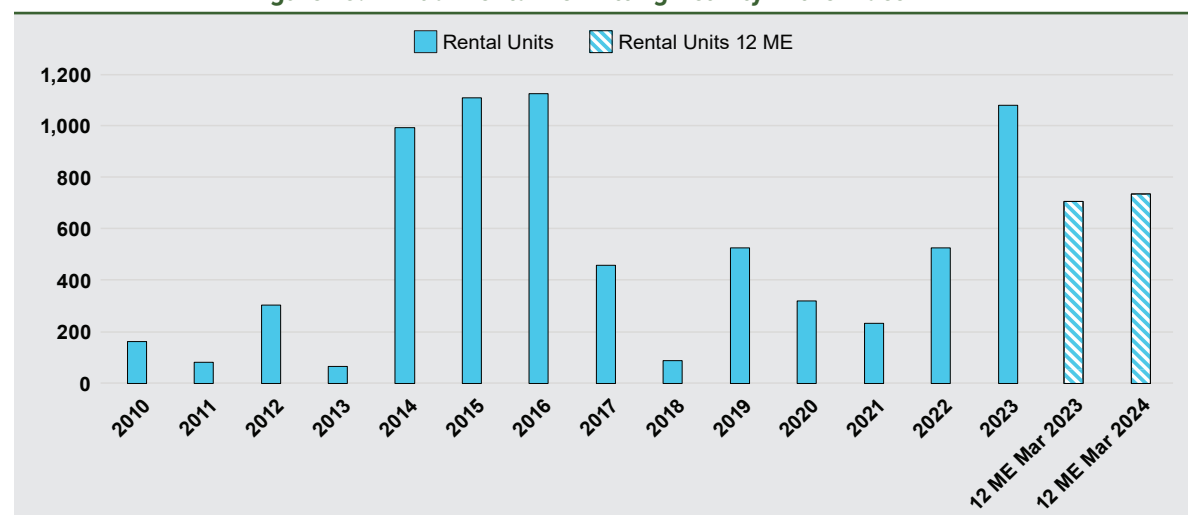
12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

From 2014 through 2016, permitting increased substantially because net in-migration accelerated, averaging 1,075 units annually, representing the highest sustained permitting in the HMA since 2010. However, despite growing net in-migration, rental permitting fell because of sustained elevated levels in the previous period, which contributed to the apartment vacancy rate increasing, and permitting averaged 360 units annually from 2017 through 2022. During the 12 months ending March 2024, 740 units were permitted, up from 710 units the previous 12 months because of a surge in permitting during mid- and late 2023 in response to the lowest apartment vacancy rates since 2000. Currently, 1,250 rental units are under construction, with an additional 260 units planned (Table 7).

Recent Rental Construction by Geography

Recent rental construction has been concentrated in the city of Waco, accounting for at least 56 percent of all new apartment units completed in the HMA since 2022. Notable developments under construction include Riverfront Lofts, Virtu on Bagby Ave, 2201 Creekview, and Newera Apartments, all within the city of Waco and expected to open during the summer of 2024. Riverfront Lofts is a 266-unit, market-rate apartment property, with rents starting at $1,661 and $2,298 for one- and two-bedroom

Table 7. Demand for New Rental Units in the Waco HMA During the Forecast Period

Rental Units	
Demand	1,675 Units
Under Construction	1,250 Units

Note: The forecast period is April 1, 2024, to April 1, 2027.
Source: Estimates by the analyst

apartments, respectively. Virtu on Bagby is a 266-unit apartment complex with asking rents of $1,250, $1,595, and $1,795 for one-, two-, and three-bedroom apartments, respectively. 2201 Creekview is a 300-unit apartment complex with asking rents of $1,455, $1,810, and $2,145 for one-, two-, and three-bedroom apartments, respectively. Finally, Newera Apartments is a 266-unit apartment complex with asking rents of $1,250, $1,595, and $1,795 for one-, two-, and three-bedroom apartments, respectively.

Forecast

Demand is estimated for 1,675 rental units during the 3-year forecast period. The 1,250 units under construction and the 260 units in final planning are expected to satisfy all the demand during the first 2 years and a portion of the demand in the third year of the forecast period.

Terminology Definitions and Notes

A.   Definitions

Apartment Vacancy Rate/ Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including only those that are stabilized.
Building Permits	Building permits do not necessarily reflect all residential building activity. 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 single-family and multifamily 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.
Existing Home Sales	Includes resales, short sales, and real estate owned sales.
Forecast Period	4/1/2025–4/1/2027—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than 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.
Stabilized	A property is stabilized once a 90-percent or higher occupancy rate is reached, or at least 18 months pass since the property was changed from under construction to existing on the CoStar Group website.

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 2020 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2020 Census.

C.   Additional Notes

1.	This analysis has been prepared for the assistance and guidance of 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.
2.	The factual 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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