

Housing Market Profile



Southwest • HUD Region VI

Austin-Round Rock-San Marcos, Texas

The Austin-Round Rock-San Marcos metropolitan area consists of Bastrop, Caldwell, Hays, Travis, and Williamson Counties in central Texas, approximately 80 miles northeast of San Antonio. The principal city of Austin, the state capital and a national center for the technology industry, contains approximately 46 percent of the area population. As of October 1, 2012, the population of the metropolitan area is estimated at 1.83 million, reflecting an annual increase of 15,900, or 2.4 percent, since April 1, 2010.

The economy of the metropolitan area has recorded strong growth since the fourth quarter of 2010. During the 12 months ending August 2012, nonfarm payrolls in the metropolitan area increased by 21,400 jobs, or 2.7 percent, to total 806,800 jobs, which exceeds the prerecession total of 775,800 jobs recorded in 2008. The greatest gains in nonfarm payrolls occurred in the professional and business services and the leisure and hospitality sectors, which grew by 5,800 and 5,200 jobs, or 5.1 and 5.9 percent, respectively. The government sector, the largest sector in the metropolitan area, was the only sector to lose jobs, declining by 700 jobs, or 0.4 percent, to total 168,100 jobs. The losses were concentrated in the state government subsector because of continued revenue constraints. General Motors Company is opening an Information Technology Innovation Center in the city of Austin that is expected to create 500 jobs in the professional and business services sector when complete in 2013. Apple Inc. plans to establish the Americas Operations Center in the city of Austin, a \$300 million investment that is expected to create 3,600 jobs during the next 10 years and will contribute to growth in the professional and business services and the information sectors. The State of Texas is the largest employer in the metropolitan area, with 70,850 employees, of which the University of Texas at Austin employs 25,300. The largest private employers in the metropolitan area are Dell Inc. and Seton Family of Hospitals, with 14,000 and 11,600 employees, respectively. During the 12 months ending August 2012, the unemployment rate decreased from 6.9 to 6.2 percent. By comparison, from 2000 through 2008, the unemployment rate averaged 4.6 percent.

The sales housing market in the Austin-Round Rock-San Marcos metropolitan area is balanced and tightened during

the past 12 months, after soft market conditions prevailed from 2007 through 2011. According to data from the Real Estate Center at Texas A&M University, during the 12 months ending August 2012, new and existing home sales increased 18 percent, to 24,250 homes. The sales level exceeds the average of 21,000 homes sold annually from 2008 through 2010 but remains below the average of 28,400 homes sold annually from 2005 through 2007. During the 12 months ending August 2012, the average sales price increased 3 percent, to \$259,000. During the same period, the available inventory of new and existing homes averaged a 4-month supply, the lowest recorded inventory since 2008, compared with the average 7-month supply recorded a year ago. According to LPS Applied Analytics, as of August 2012, 3.1 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 3.2 percent in August 2011.

Single-family homebuilding activity in the metropolitan area increased during the past year in response to increased home sales. Based on preliminary data, during the 12 months ending August 2012, single-family building permits were issued for 7,525 homes, up 28 percent from the 5,875 homes permitted during the previous 12 months. The current level of permitting activity is above the average of 6,875 homes permitted annually from 2008 through 2010 but remains well below the average of 15,700 homes permitted annually from 2005 through 2007. Prices for new, three-bedroom, single-family homes start at approximately \$120,000, although the lowest prices are found primarily in the outlying areas. New developments include Teravista, in the city of Round Rock, with prices starting at \$170,000 for a 3-bedroom single-family home. Approximately 1,800 homes have been completed since 2002 at Teravista and an additional 1,200 homes are expected to be built by the time the development is complete in 2016.

Rental housing market conditions in the Austin-Round Rock-San Marcos metropolitan area are slightly tight. Conditions have tightened significantly during the past 2 years because of strong job and population gains coupled with low levels of apartment completions from 2011 through the first half of 2012. The rental vacancy rate in the metropolitan area is estimated at 5.0 percent, down from 8.6 percent in April 2010. According to ALN Systems, Inc., the apartment vacancy rate as of September 2012 was 5.6 percent, relatively unchanged from 5.8 percent during September 2011 but down from 6.9 percent



in September 2010. Effective apartment rents during September 2012 averaged \$820, \$1,050, and \$1,325 for one-, two-, and three-or-more-bedroom units, respectively. The average effective rent for all apartment units increased 5 percent, to \$950, compared with the rents recorded a year ago. Reflecting balanced market conditions, concessions are minimal in most submarkets. Of the properties surveyed by ALN Systems, Inc., only 20 percent are currently offering concessions, and the gap between average asking rents and effective rents is only \$6. According to MPF Research, during the third quarter of 2012, all submarkets were balanced or tight, with every submarket recording vacancy rates below 7.0 percent and annual rent increases above 2.8 percent. The Downtown Austin submarket was the tightest, with a vacancy rate of 2.7 percent, and the San Marcos submarket was the softest, with a vacancy rate of 6.7 percent.

Based on preliminary data, approximately 8,325 multi-family units were permitted in the metropolitan area during the 12 months ending August 2012, more than double the 3,275 units permitted a year ago. The current level of permitting activity exceeds the average of 7,375 units permitted annually from 2005 through 2007. According to MPF Research, 1,450 apartment units were completed during the third quarter of 2012, more than 4 times the 280 units completed a year earlier. An additional 8,100 apartment units are currently under construction, including 2 projects located in the city of Austin that are expected to be complete by 2013: the 334-unit 95Twenty and the 566-unit phase 3 and 4 of Parkside at Domain. Recently completed developments in Austin include the 272-unit Ranch House Apartments, with rents starting at \$950 for a one-bedroom unit, and the 244-unit Camden Amber Oaks II, with rents starting at \$810 for a one-bedroom unit.