

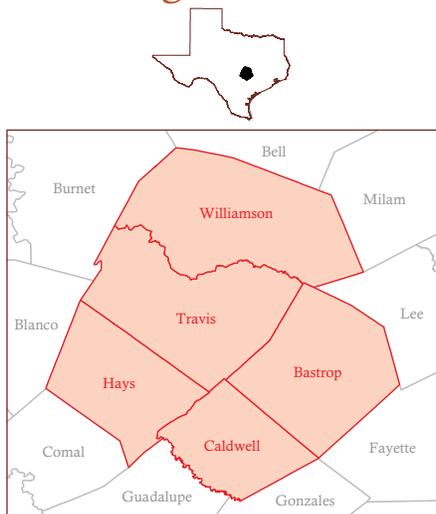


Austin-Round Rock, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2018



Housing Market Area



The Austin-Round Rock (hereafter, Austin) HMA is coterminous with the Austin-Round Rock, TX Metropolitan Statistical Area. The HMA consists of five counties in central Texas and, for the purposes of this analysis, is broken into two submarkets: the Travis County submarket, which consists of Travis County, and the Suburban submarket, which includes Bastrop, Caldwell, Hays, and Williamson Counties. The city of Austin, the state capital of Texas, is the southernmost state capital in the 48 contiguous states and is known as the live music capital of the world. In 2017 and 2018, *U.S. News & World Report* named the city of Austin the best place to live in the nation.

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Summary

Economy

Economic conditions in the Austin HMA have been strong since 2010. During the 12 months ending March 2018, nonfarm payrolls totaled more than 1.04 million, an increase of 33,100 jobs, or 3.3 percent, from the previous 12 months. Since the start of the most recent economic expansion during 2010, nonfarm payrolls have increased by an average of 32,450 jobs, or 3.7 percent, annually. The unemployment rate is currently 3.0 percent, down from 3.3 percent 1 year earlier and the lowest rate reported since 2000. Nonfarm payroll growth is expected to average 3 percent during the 3-year forecast period.

Sales Market

The sales housing market in the HMA is currently tight with a 0.8-percent vacancy rate, which is down from 2.3 percent in April 2010, because robust

population growth has helped the absorption of excess vacant units (Table DP-1). Currently, a 2.2-months' supply of inventory is for sale in the HMA, down from 2.4 months in March 2017. Demand is estimated for 51,700 new homes during the forecast period, with the 4,550 homes currently under construction meeting part of that demand during the first year (Table 1).

Rental Market

The rental housing market in the HMA is currently balanced with a 6.3-percent vacancy rate, down from 8.6 percent in 2010. The apartment market is also balanced with a 6.4-percent vacancy rate during March 2018, up from 5.6 percent 1 year earlier (Reis Inc.). During the forecast period, demand is estimated for 29,950 new rental units (Table 1). The 13,900 units currently under construction will satisfy a portion of that demand.

Table 1. Housing Demand in the Austin-Round Rock HMA During the Forecast Period

	Austin-Round Rock HMA		Travis County Submarket		Suburban Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	51,700	29,950	26,600	19,650	25,100	10,300
Under construction	4,550	13,900	2,700	10,800	1,850	3,100

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, 2018. Sales demand includes an estimated demand for 350 mobile homes. The forecast period is April 1, 2018, to April 1, 2021.

Source: Estimates by analyst

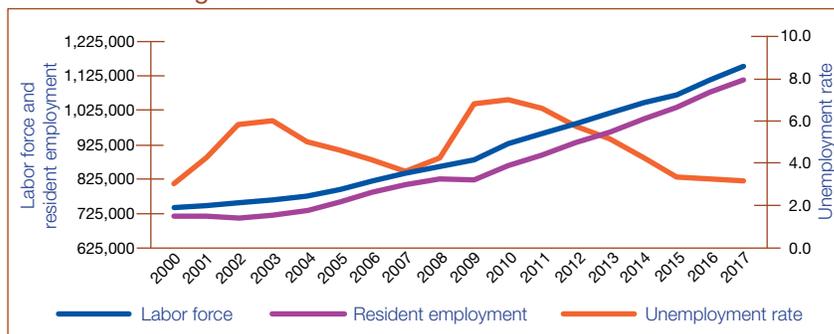
Economic Conditions

Economic conditions in the Austin HMA remain strong, as nonfarm payrolls have continuously expanded since 2010, but the rate of job growth is beginning to slow slightly. During the 12 months ending March 2018, nonfarm payrolls totaled more than 1.04 million, an increase of 33,100 jobs, or 3.3 percent, from the previous 12 months, when nonfarm payrolls expanded by 35,500 jobs, or 3.6 percent. From 2010 through 2015, nonfarm payrolls in the HMA increased by an average of 31,500 jobs, or 3.7 percent, annually. The unemployment rate in the HMA is currently 3.0 percent, down from 3.3 percent 1 year earlier, and is the

lowest unemployment rate since 2000, which was the last time the rate reached 3.0 percent. Figure 1 shows trends in labor force, resident employment, and the unemployment rate from 2000 through 2017.

Job growth during the 12 months ending March 2018 was widespread, with 10 out of the 11 employment sectors adding jobs (Table 2). The only sector to have job losses was the government sector, which declined by 200 jobs, or 0.1 percent, to 179,100 during the 12 months ending March 2018. Job losses were concentrated in the state government subsector, which declined by 3,000 jobs, or 4.0 percent, to 72,100. Approximately 24,000 state employees voluntarily left their jobs during 2017, or nearly 19 percent of the entire state-government workforce in Texas. With the city of Austin being the state capital, a significant number of people who left jobs in the state government resided in the HMA. In addition to the presence of the state capital, the HMA is home to several large public universities, and the government sector has traditionally been the largest employment sector in the HMA. As a result of recent job losses, government sector employment totals 179,000, which is 600 jobs less than the professional and business services sector, and is now the second largest employment sector, with 17.2 percent of all nonfarm payroll jobs in the HMA, down significantly from the nearly 22 percent of all nonfarm payroll jobs during 2000. The HMA is home to The University of Texas (UT) at Austin, which has the nation's eighth largest single-campus enrollment with more than 51,500 students. UT is also the largest employer in the HMA, with more than 14,300 employees (Table 3).

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Austin-Round Rock HMA, 2000 Through 2017



Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Austin-Round Rock HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	March 2017	March 2018		
Total nonfarm payroll jobs	1,008,900	1,042,000	33,100	3.3
Goods-producing sectors	115,400	120,000	4,600	4.0
Mining, logging, & construction	59,400	62,300	2,900	4.9
Manufacturing	56,000	57,600	1,600	2.9
Service-providing sectors	893,500	922,100	28,600	3.2
Wholesale & retail trade	154,400	158,500	4,100	2.7
Transportation & utilities	18,900	20,600	1,700	9.0
Information	29,100	30,400	1,300	4.5
Financial activities	57,500	60,400	2,900	5.0
Professional & business services	170,500	179,600	9,100	5.3
Education & health services	116,800	121,000	4,200	3.6
Leisure & hospitality	122,900	127,400	4,500	3.7
Other services	44,200	45,300	1,100	2.5
Government	179,200	179,000	-200	-0.1

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2017 and March 2018.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Austin-Round Rock HMA

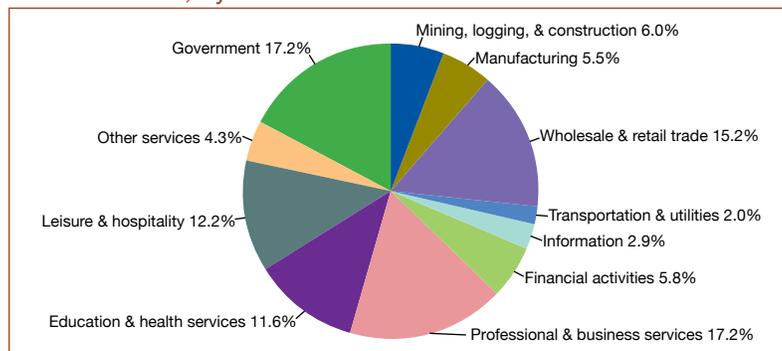
Name of Employer	Nonfarm Payroll Sector	Number of Employees
The University of Texas at Austin	Government	14,300
HEB Grocery Company, LP	Wholesale & retail trade	13,500
Dell Inc.	Professional & business services	12,000
Ascension Seton	Education & health services	10,300
Wal-Mart Stores, Inc.	Wholesale & retail trade	9,100
St. David's North Austin Medical Center	Education & health services	9,000
Apple Inc.	Professional & business services	6,000+
International Business Machines Corporation	Professional & business services	6,000+
Samsung Austin Semiconductor LLC	Manufacturing	6,000+
City of Austin	Government	6,000+

Note: Excludes local school districts.

Sources: Austin Biz Journal; Austin Chamber of Commerce

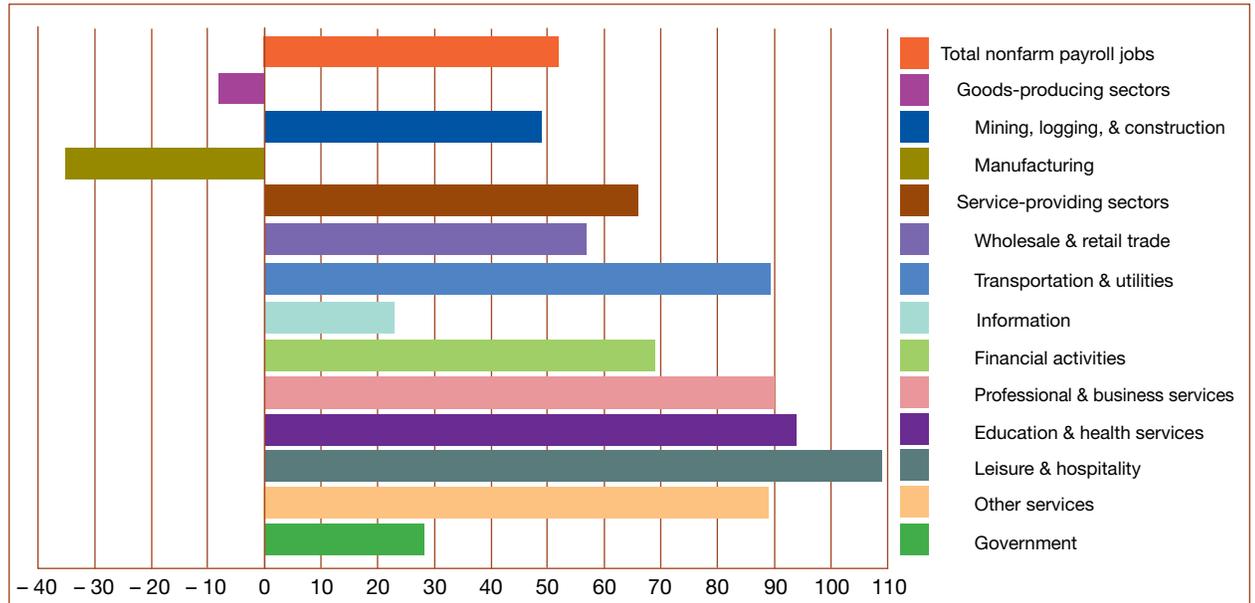
The largest employment sector in the HMA is the professional and business services sector, with 179,600 jobs and accounts for more than 17 percent of all nonfarm payroll jobs in the HMA (Figure 2). During the 12 months ending March 2018, this sector added the most jobs of any sector in the HMA, increasing by 9,100, or 5.3 percent. Since 2010, the professional and business services sector has been the fastest growing sector in the HMA, increasing by an average of 8,400 jobs, or 6.1 percent, annually. Some recent expansions in this sector include Facebook, Inc., which added 1,000 jobs to its online operations center in September 2017, and Merck & Company, Inc., which opened an information technology innovation center that added 600 jobs in July 2017.

The city of Austin is known as a place for live music and entertainment and annually hosts major festivals, including the South by Southwest® (SXSW®) and Austin City Limits (ACL) Music Festival events. In 2017, the SXSW festival attracted more than 165,000 people and had an economic impact of more than \$345 million on the HMA, while the ACL festival attracted 450,000 people during a 2-weekend period and had an economic impact of more than \$277 million on the HMA. These large festivals attract tourists to the region, and with the steadily increasing population of young professionals, the leisure and hospitality sector has grown significantly since 2000. During the 12 months ending March 2018, nonfarm payrolls in the leisure and hospitality sector totaled 127,400 jobs, an increase of 4,500 jobs, or 3.7 percent, from 1 year earlier. From 2000 to the current date, the leisure and hospitality sector has had the largest percentage gain of any employment sector in the HMA, increasing 4.4 percent annually and adding an average of 3,900 jobs a year (Figure 3). The leisure and hospitality sector along with the education and health services sector are the only two

Figure 2. Current Nonfarm Payroll Jobs in the Austin-Round Rock HMA, by Sector

Note: Based on 12-month averages through March 2018.

Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Austin-Round Rock HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through March 2018.

Source: U.S. Bureau of Labor Statistics

employment sectors in the HMA to have continuously added jobs since 2000.

The education and health services sector has increased each year since 2000, up by an average of 3,400 jobs, or 3.9 percent, annually. The current rate of job growth in this sector is slightly lower than the long-term trend, and during the 12 months ending March 2018, payrolls in the education and health services sector totaled 121,000 jobs, an increase of 4,200, or 3.6 percent, from a year ago. A rapidly rising population in the HMA since 2010 has created increased demand for healthcare services, and the sector has expanded by an average of 4,500 jobs, or 4.6 percent, annually. Recent expansions include the opening of the new Dell Seton Medical Center at The University of Texas in May 2017 and several new clinics that Texas Children's Hospital opened throughout the HMA.

The mining, logging, and construction sector has steadily added jobs in

the HMA for nearly a decade. During the 12 months ending March 2018, jobs in this sector totaled 62,300, an increase of 2,900, or 4.9 percent, from the previous 12 months. Since 2010, job growth in the mining, logging, and construction sector has averaged 2,600, or 5.1 percent, annually. In addition to increasing single-family home production and the large number of apartments being built in the HMA since 2012, other major construction projects include the \$50 million Texas Mutual Insurance Company headquarters and the \$112 million Charles Schwab & Co., Inc. regional hub complex in North Austin.

The HMA has had rapid job growth since 2000 overall but still had two periods of economic contraction from 2000 to 2009. In 2000, nonfarm payrolls totaled 684,000 jobs but declined during the next 3 years by an average of 6,700 jobs, or 1.0 percent, annually and, by 2003, were down to 663,900 jobs. This decline was the result of sharp losses in the manufacturing

sector, which decreased by an average of 8,500 jobs, or 10.7 percent, annually. Layoffs were especially strong at firms that manufacture components for the telecommunication industry, including Tellabs™, which closed a facility in the city of Round Rock, laying off all 435 employees. During 2001 through 2003, job losses in the information sector averaged 1,200 jobs, or 5.3 percent, annually, as the telecommunications bust hit the local economy hard. In 2004, the economy in the HMA began to recover and expanded for 5 years, and by 2008, nonfarm payrolls totaled 791,000 jobs, an average increase of 25,400 jobs, or 3.6 percent, annually. From 2004 through 2008, the professional and business services sector, which increased by an average of 5,400 jobs, or 5.5 percent, annually, led job growth. In 2009, the local economy contracted, as the national recession impacted the HMA. Nonfarm payrolls declined by 16,700 jobs, or 2.1 percent, during 2009, and the goods-producing sectors had the largest number of job losses. Jobs in the manufacturing sector declined by 9,200 jobs, or 14.6 percent, during 2009, while the mining,

logging, and construction sector lost 6,600 jobs, a drop of 13.8 percent, from a slowdown in residential construction. Following the downturn, the economy steadily expanded, with nonfarm payrolls increasing by an average of 32,400 jobs, or 3.7 percent, annually, which is more than double the 1.4-percent rate of nonfarm payroll job growth nationally during the same time period.

During the 3-year forecast period, job growth is expected to remain positive but at a slowing rate. Nonfarm payroll growth is expected to average 3.0 percent annually. The job search firm Indeed recently announced plans to add up to 3,000 more jobs in the HMA during the next several years. Also, Progressive Casualty Insurance Company is expanding, which will add 725 jobs at a call center in Austin, and Oracle Corporation will add 1,000 jobs at a hardware and software design center. Job growth in the education and health services sector is also likely to remain strong, as Baylor Scott & White Health is building a new hospital in the city of Pflugerville that is expected to open in mid-2018.

Population and Households

The population of the Austin HMA is currently estimated at slightly less than 2.16 million, an average increase of 55,350, or 2.9 percent, annually since 2010. Since 2010, net in-migration to the HMA has averaged 38,600 people annually and has accounted for nearly 70 percent of all population growth. From 2000 through 2010, the population of the

HMA increased by an average of 46,650, or 3.2 percent, annually. Net in-migration during these years averaged 29,350 people and accounted for nearly 63 percent of total population growth. Figure 4 shows the components of population change in the HMA from 2000 to the forecast date. Currently, the HMA has 819,500 households, an average increase of

21,150, or 2.9 percent, annually since 2010. Between 2000 and 2010, the number of households in the HMA increased by an average of 17,850, or 3.3 percent, annually. The population and number of households in the HMA are each expected to increase 2.8 percent annually during the 3-year forecast period. Figure 5 shows population and household growth in the HMA from 2000 to forecast date.

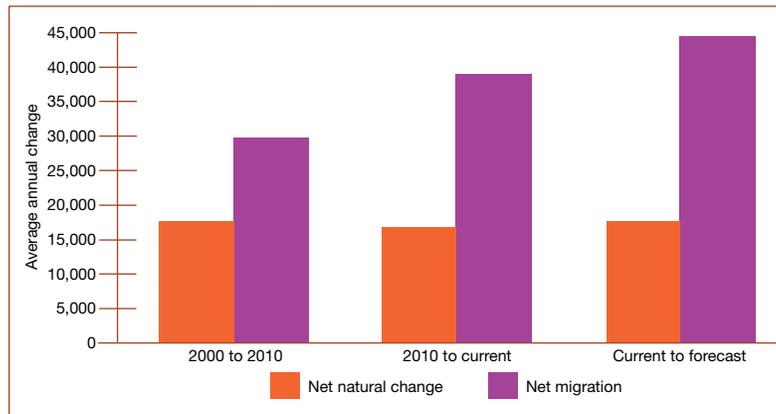
Austin has become a destination for young professionals to live because of its many cultural amenities. With nearly 43 percent of all people in the Austin HMA holding a bachelor's degree or higher, compared with nearly 29 percent for the state of Texas and

31 percent nationally, the HMA attracts many employers seeking a skilled labor force (2016 American Community Survey [ACS] 1-year data). In addition to those already with college degrees, the HMA has a significant presence of students currently seeking degrees. During 2016, nearly 8 percent of the HMA's population was enrolled in a university.

The population of the Travis County submarket is currently estimated at nearly 1.25 million, making it the 5th most populous county in Texas and 38th in the nation. Since 2010, the population of the submarket has increased by an average of 27,950, or 2.5 percent, annually, as strong employment growth and a vibrant cultural scene has made the city of Austin and surrounding Travis County a destination for young professionals from across the nation. Since 2010, net in-migration to the submarket has averaged 16,850 people annually and has accounted for more than 60 percent of all population growth. From 2000 through 2010, the population of the submarket increased by an average of 21,200, or 2.3 percent, annually. During these years, net in-migration to the submarket averaged 9,875 people and accounted for slightly less than 47 percent of all population growth. Currently, 493,400 households are in the Travis County submarket, an average increase of 11,100, or 2.5 percent, annually, which is a faster rate of growth than the previous decade, when the number of households increased by an average of 8,375, or 2.3 percent, annually.

The population of the Suburban submarket is currently estimated at 911,800, an average increase of 27,450, or 3.5 percent, annually since 2010. Net in-migration has averaged

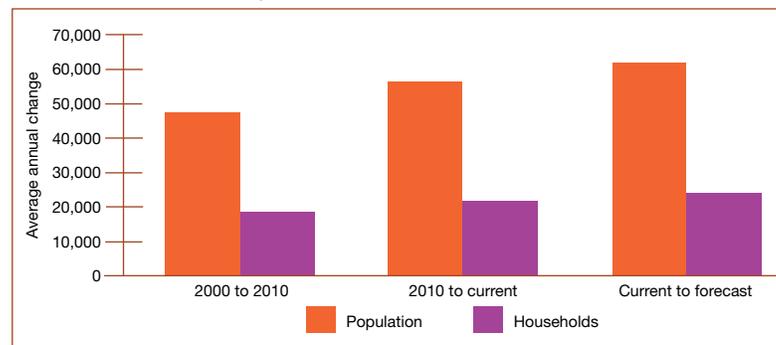
Figure 4. Components of Population Change in the Austin-Round Rock HMA, 2000 to Forecast



Notes: The current date is April 1, 2018. The forecast date is April 1, 2021.

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

Figure 5. Population and Household Growth in the Austin-Round Rock HMA, 2000 to Forecast



Notes: The current date is April 1, 2018. The forecast date is April 1, 2021.

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

Population and Households *Continued*

21,300 people annually since 2010 and has accounted for more than 73 percent of the population growth during that time. From 2000 through 2010, the population of the Suburban submarket increased by an average of 25,450, or 4.7 percent, annually. Net in-migration during these years averaged 19,500 people and accounted for a little more than 76 percent of all population growth during these years. From 2010 to 2017, Hays and Williamson Counties were the 2nd and 12th fastest growing counties in the nation, increasing by averages of 4.4 and 3.6 percent annually, respectively.

From 2016 to 2017, on a percentage basis, 3 of the 15 fastest growing cities in the nation were in the HMA, according to the most recent census population estimates. Pflugerville

was the third fastest growing city in the nation, increasing 6.5 percent, while Georgetown was 6th, and Cedar Park was 13th, increasing 5.4 and 4.2 percent respectively. The city of Austin had the 12th largest numeric increase during that time, adding more than 12,500 people.

During the forecast period, population and household growth is expected to slow slightly in each submarket. In the Travis County submarket, population and household growth is expected to average 2.4 and 2.5 percent annually, respectively. The Suburban submarket will continue the trend of a faster rate of growth than the Travis County submarket, and population and household growth are expected to average 3.2 and 3.3 percent annually, respectively.

Housing Market Trends

Sales Market—Travis County Submarket

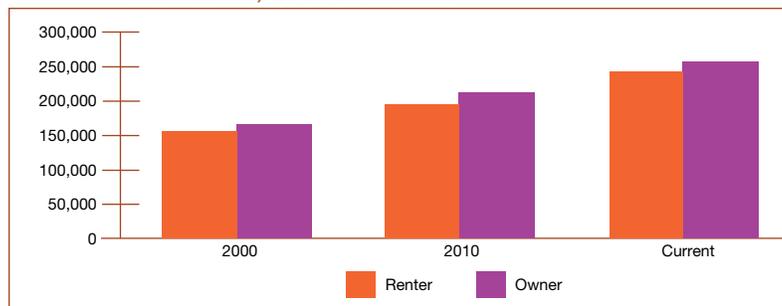
The sales housing market in Travis County submarket is currently tight with a vacancy rate of 0.7 percent, down from 2.5 percent in 2010, because rapid population growth has led to the absorption of previously vacant

units (Table DP-2). During March 2018, 2.2 months of supply of inventory was on the market, down from 2.4 months during March 2017. The homeownership rate in the submarket is currently estimated at 51.5 percent, down from 51.9 percent in 2010.

Figure 6 shows the number of households by tenure in the submarket from 2000 to the current date.

The regular resale of existing homes in the submarket totaled 21,300, essentially unchanged from the previous 12 months. Existing home sales peaked in the submarket during 2006, when sales totaled 26,900 (Metrostudy, A Hanley Wood Company). Following this peak during 2006, existing home

Figure 6. Number of Households by Tenure in the Travis County Submarket, 2000 to Current



Note: The current date is April 1, 2018.

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

Housing Market Trends

Sales Market—Travis County Submarket *Continued*

sales declined for the next 5 years and, by 2011, totaled only 13,600 sales, an average decline of 2,650, or nearly 13 percent, annually, as the national housing crisis impacted the Austin HMA. With stronger economic growth locally and a large influx of people moving to the submarket, the number of home sales recovered quickly and, by 2013, totaled 21,000 sales, an average increase of 3,700, or more than 24 percent, annually. Home sales have remained between 21,000 and 21,300 since 2013 because of a lack of inventory. Since the start of 2014, the amount of inventory for sale in the submarket has remained at 2.5 months or less, as the market has been very tight, which has limited the total number of sales and put upward pressure on prices.

During the 12 months ending March 2018, the average sales price of an existing home in the submarket was \$431,800, an increase of \$30,500, or nearly 8 percent from the previous 12 months. The average sales price of an existing home is more than 23 percent higher than the average sales price of a new home in the submarket. Existing homes have a higher average sales price than new homes, because a larger proportion of existing homes are in the city of Austin where demand is stronger. During the 12 months ending March 2018, approximately 80 percent of all existing home sales in the submarket were in the city of Austin compared with 56 percent of new home sales. Demand for housing in the city of Austin and in the western part of the submarket, which is the beginning of Texas hill country, is very high and supports the higher prices for existing homes relative to new homes predominantly located on the eastern side of the submarket. Since 2006, a higher percentage of new home sales

has occurred outside the city limits compared with the percentage of existing home sales, leading to the average sales price of an existing home being higher, but the spread in the price has recently increased significantly. During 2006, the average sales price of an existing home in the submarket was \$302,200, which was nearly 11 percent higher than the average sales price of a new home during 2006. The average sales price of an existing home in the submarket increased for the next 4 years by an average of \$9,475, or 3 percent, annually to an average sales price of \$340,100 during 2010, or nearly 35 percent higher than the average sales price of \$252,300 for a new home. The average sales price of an existing home declined during 2011 by \$32,000, or more than 9 percent, to \$308,000 due to increased sales of lower priced existing homes on the east side of Interstate 35 (I-35), as that neighborhood transformed into a desirable neighborhood for young professionals. During 2012, existing home sales and prices began to rise rapidly, as an expanding population and improving economic conditions led to increased demand. During 2016, existing home sales totaled 21,250, an average increase of 1,525, or more than 9 percent, annually, while the average sales price was \$402,000, an average increase of \$18,800, or nearly 6 percent, annually.

During the 12 months ending March 2018, new home sales in the submarket totaled 6,625, an increase of 820, or 14 percent, from the previous 12 months. New home sales have been steadily increasing since 2011 but have not yet reached the level of new home sales that occurred prior to the housing crisis. New home sales peaked in 2006 at 9,200 and declined steadily for the next 5 years by an average of

Housing Market Trends

Sales Market—Travis County Submarket *Continued*

1,225, or 20 percent, annually and were down to 3,100 sales during 2011. Beginning in 2012, new home sales began to recover and, by 2016, totaled 5,750, an average increase of 530, or 13 percent, annually. The average sales price of a new home during the 12 months ending March 2018 was \$349,800, an increase of \$400, or less than 1 percent from the previous 12 months. During 2006, the average sales price of a new home was \$272,600 and bottomed out in 2009 at \$250,900, or an average decline of \$7,250, or nearly 3 percent, annually. During 2010, new home prices began to slowly increase again and, by 2012, were up to \$269,200, an average increase of \$6,100, or more than 2 percent, annually. Beginning in 2013, increases in new home prices began to accelerate, and by 2016, the average sales price of a new home was \$345,700, an average increase of \$19,150, or nearly 7 percent, annually.

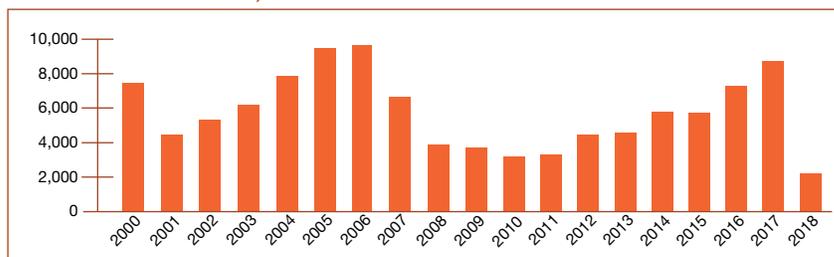
Building activity, as measured by the number of single-family homes permitted, totaled 8,475 during the 12 months ending March 2018, an increase of 625, or 8 percent from the previous 12 months, when 7,850 single-family homes were permitted. This level of single-family production is the highest in the submarket since 2006, because the rapidly expanding population of the submarket has increased demand for new housing. In 2000, 7,450

single-family homes were permitted in the submarket, but with the economic decline that started in 2001, production declined sharply to only 4,400 single-family homes permitted during 2001, a decline of nearly 41 percent. Production began to increase again during 2002, and by 2006, the number of single-family homes permitted totaled 9,575, an average increase of 1,025, or 17 percent, annually since 2001. During 2007, single-family home construction began to decline with the start of the national recession and the housing crisis. Homebuilding bottomed out in 2010, with only 3,150 single-family homes permitted, an average decline of 1,600, or 24 percent, annually from the peak level of production in 2006. During 2011, with the economy once again expanding, homebuilding began to pick up, and by 2014, single-family homebuilding was up to 5,725, an average increase of 650, or 16 percent, annually. During 2015, homebuilding declined slightly to 5,650 single-family homes permitted, but since 2015, single-family homebuilding has increased significantly in the submarket. Figure 7 shows the number of single-family homes permitted by year since 2000 in the submarket.

Ongoing developments in the submarket include Austin's Colony in Del Valle. The latest phase of 130 homes of this development broke ground in late 2017. Home prices start at \$189,000 for a three-bedroom, 1,350-square-foot home. The Enclave at Rough Hollow is a 78-home development that is nearing completion, with home prices starting at \$555,000 for a four-bedroom, 2,900-square-foot home.

During the 3-year forecast period, demand is estimated for 26,600 new sales units (Table 1). The 2,700 units currently under construction will

Figure 7. Single-Family Homes Permitted in the Travis County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2018.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market—Travis County Submarket *Continued*

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Travis County Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
159,999	199,999	530	2.0
200,000	249,999	2,375	9.0
250,000	299,999	5,300	20.0
300,000	349,999	7,400	28.0
350,000	399,999	5,825	22.0
400,000	499,999	3,450	13.0
500,000	749,999	1,325	5.0
750,000	and higher	260	1.0

Notes: The 2,700 homes currently under construction in the submarket will likely satisfy some of the forecast demand. Demand for 150 mobile homes during the forecast period is excluded from this table. The forecast period is April 1, 2018, to April 1, 2021.

Source: Estimates by analyst

satisfy a portion of the demand during the first year. Demand is expected to be greatest for homes in the \$300,000-to-\$349,999 price range (Table 4). Most of the new home construction in the submarket is likely to take place in the eastern parts of the county due to more abundant undeveloped land. A significant portion of new construction in the city of Austin is likely to be the result of tearing down existing homes and building new homes on the same lots.

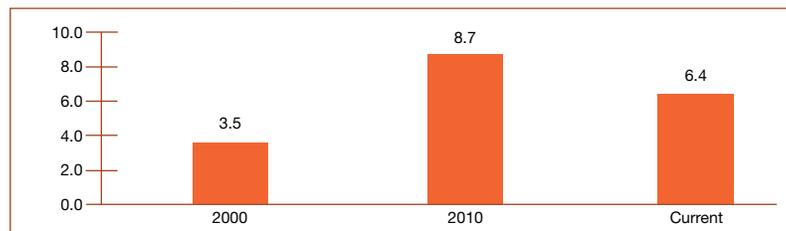
Rental Market—Travis County Submarket

The overall rental housing market in the Travis County submarket is currently balanced with a 6.4-percent vacancy rate, down from 8.7 percent in 2010 (Figure 8). Slightly more than 22 percent of all renter households live in single-family homes, up from 18 percent in 2010 (2010 and 2016 ACS 1-year data). The submarket is home to UT, and more than 82 percent of all students live off campus. It is estimated that students at UT make up approximately 7 percent of renter households in the submarket. As of March 2018, student apartments in this submarket currently have a 3.3-percent vacancy rate and an average rent of \$2,069 (ALN Apartment Data, Inc.). The rents at student apartments are nearly 72 percent, or more than

\$800, higher than the average rent in the submarket and are partly a function of the fact that 32 percent of all student apartments have three or more bedrooms compared with 6 percent for traditional apartments in the submarket.

The apartment market in the submarket is currently balanced with a 6.3-percent vacancy rate during March 2018, up from 5.9 percent 1 year earlier. The average rent for an apartment in the submarket is currently \$1,203, an increase of \$55, or nearly 5 percent from 1 year earlier (Reis, Inc.). Absorption of apartment units has averaged 430 units per month during the 12 months ending March 2018, down from 490 units a month during the previous 12 months (ALN Apartment Data, Inc.). During 2000, the apartment vacancy rate in the submarket was 2.5 percent, and the average rent was \$775. However, during the next 3 years, as the local economy slowed down and a large number of apartment units were built, the vacancy rate increased and the average rent declined (Reis, Inc.). By 2003, the apartment vacancy

Figure 8. Rental Vacancy Rates in the Travis County Submarket, 2000 to Current



Note: The current date is April 1, 2018.

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

Housing Market Trends

Rental Market—Travis County Submarket *Continued*

rate had increased to 11 percent, and the average rent had declined by \$4 to \$771. With improving economic conditions and a slowdown in multifamily production, many of the excess vacant units were absorbed, and by 2007, the apartment vacancy rate was down to 6.6 percent. The average rent for an apartment during 2007 was \$841, an average increase of \$18, or more than 2 percent, annually. With production again spiking in 2007 and the local economy beginning to slow down due to effects of the national recession, the vacancy rate began to increase again and, by 2009, was up to 9.5 percent. Although the vacancy rate increased significantly during these years, the average rents did not decline, and during 2009, the average rent for an apartment was \$884, an average increase of \$22, or nearly 3 percent, annually. With improving economic conditions in 2010 and increased in-migration to the submarket, the apartment market began to tighten, and the vacancy rate dropped to 4.4 percent during 2012. Rent growth during these years averaged \$26, or nearly 3 percent, annually, and by 2012, the average rent was up to \$956. As production began to increase, the vacancy rate began to increase slightly and, by 2016, was up to 5.6 percent. The average rent during 2016 was up to \$1,134, an average increase of \$45, or more than 4 percent, annually, as many new apartments in downtown Austin came online, which pushed up the average rent.

As the Travis County submarket has grown, development has become denser, especially in the city of Austin, to accommodate people desiring to live in the urban center. This trend has meant a change in the type of

apartments built in the county. Since 2010, more than 60 percent of all apartment units built in the submarket have been in midrise or highrise buildings (ALN Apartment Data, Inc.). This increase is up from the 25 percent of all units built in these structure types from 2000 through 2009 and significantly higher than the preceding decades, when only slightly more than 1 percent of all apartment units were built in midrise or highrise units. With this change, the number of smaller units being built in the submarket also increased. Since 2010, more than 64 percent of all apartment units built in the submarket have been either efficiencies or one-bedroom units, up from 54 percent of units built in 2009 or earlier.

Building activity, as measured by the number of multifamily units permitted, totaled 8,825, an increase of 2,400, or 37 percent, from the previous 12 months. Multifamily construction has been elevated since 2012, as rapid population growth has increased demand significantly. From 2012 through 2016, an average of 8,975 multifamily units has been permitted annually. This level of production is significantly higher than the average of 6,650 units permitted annually prior to the last recession from 2000 through 2007. With the economic downturn, production dropped significantly and averaged 2,925 units permitted annually from 2008 through 2011. Figure 9 shows the number of multifamily units permitted by year since 2000 in the submarket.

Some recently completed developments include The Millennium Rainey Street, a 326-unit building that was completed during the summer of 2016 in downtown Austin.

Housing Market Trends

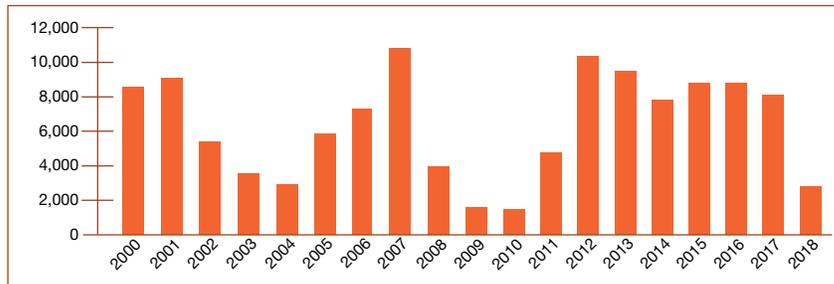
Rental Market—Travis County Submarket *Continued*

This building consists of studio, one-bedroom, and two-bedroom units, with rents ranging from \$838 to \$3,015. Crestview Commons, a 353-unit development, was completed

in early 2018 in north Austin. This property has one-, two-, and three-bedroom units, with rents ranging from \$1,190 to \$2,106 per month.

During the 3-year forecast period, demand is estimated for 19,650 new rental units, with demand declining slightly each year as the rate of population growth slows (Table 1). The 10,800 units currently under construction will satisfy a significant portion of that demand. Demand will be greatest for one-bedroom units that rent from \$1,750 to \$1,999 a month (Table 5).

Figure 9. Multifamily Units Permitted in the Travis County Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2018.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Travis County Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand
850 to 1,199	220	900 to 1,349	960	1,150 to 1,499	280	1,525 to 1,749	60
1,200 to 1,599	540	1,350 to 1,749	3,125	1,500 to 1,749	1,600	1,750 to 1,999	220
1,600 to 1,999	320	1,750 to 1,999	4,675	1,750 to 1,999	1,875	2,000 to 2,249	380
2,000 to 2,499	85	2,000 to 2,499	2,050	2,000 to 2,499	1,150	2,250 to 2,499	260
2,500 or more	10	2,500 to 2,999	960	2,500 to 2,999	390	2,500 to 2,999	50
		3,000 or more	240	3,000 or more	220	3,000 or more	20
Total	1,175	Total	12,000	Total	5,500	Total	980

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 10,800 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2018, to April 1, 2021.

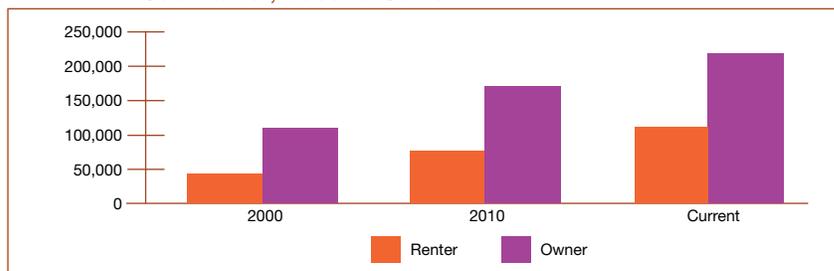
Source: Estimates by analyst

Sales Market—Suburban Submarket

The sales housing market in the Suburban submarket is currently tight with a 0.8-percent vacancy rate, which is down from 2.0 percent

in 2010 (Table DP-3). The home-ownership rate in the submarket is significantly higher than in the Travis County submarket and is currently estimated at 66.4 percent, down from 69.3 percent in 2010. Figure 10 shows the number of households by tenure in the submarket from 2000 to the current date. The submarket, along the I-35 corridor in Hays and Williamson Counties, is very urbanized but more rural in the outlying counties. More than 95 percent of all home sales in the Suburban submarket occur along the I-35 corridor in

Figure 10. Number of Households by Tenure in the Suburban Submarket, 2000 to Current



Note: The current date is April 1, 2018.

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

Hays and Williamson Counties and follow similar trends to the Travis County submarket, but with lower prices. Home prices in the outlying counties of Bastrop and Caldwell are significantly lower. During March 2018, the median sales price in Williamson County was \$275,000 but only \$160,000 in more rural Caldwell County (Real Estate Center at Texas A&M University).

Existing home sales in the submarket totaled 16,500 during the 12 months ending March 2018, a decline of 200 home sales, or more than 1 percent from the previous 12 months (Metrostudy, A Hanley Wood Company). Existing home sales peaked in the submarket during 2006, as the rate of population growth reached its high point in this submarket, when sales totaled 18,300. Following this peak during 2006, existing home sales declined for the next 5 years and, by 2011, totaled 9,300 sales, an average decline of 1,800, or nearly 13 percent, annually, as the national housing crisis impacted the Austin HMA. With stronger economic growth locally and a large influx of people moving to the Suburban submarket, the number of home sales recovered quickly and, during 2016, totaled 16,400 sales, an average increase of 1,425 or 12 percent, annually from 2011. During the 12 months ending March 2018, the average sales price of an existing home in the submarket was \$291,000, an increase of \$17,800, or nearly 7 percent, from the previous 12 months. The average sales price of an existing home in this submarket is nearly 33 percent lower than in the Travis County submarket, although on average, the homes sold are slightly larger in size. During the 12 months ending March 2018, slightly less than

24 percent of all existing home sales in the submarket were for a home 1,500 square feet or smaller compared with more than 35 percent in the Travis County submarket. During 2007, the average sales price of an existing home in the submarket was \$211,300, but with the onset of the housing crisis, prices declined by an average of \$3,400, or less than 2 percent, annually to bottom out at \$197,700 during 2011. With the economic recovery starting to take hold, the average sales price for an existing home began to increase once more, and during 2016, the average sales price was \$268,800, an average increase of \$14,200, or more than 6 percent, annually from 2012.

During the 12 months ending March 2018, new home sales in the submarket totaled 8,875, an increase of 950, or 12 percent, from the previous 12 months. New home sales have been steadily increasing since 2011 but have not yet reached the level of new home sales that occurred prior to the national housing crisis. New home sales peaked in 2006 at 9,450 and declined steadily for the next 5 years by an average of 1,225, or more than 19 percent, annually and were down to 3,375 sales during 2011. Beginning in 2012, new home sales began to recover and, by 2016, totaled 7,550, an average increase of 840 sales, or nearly 18 percent, annually. The average sales price of a new home during the 12 months ending March 2018 was \$318,300, an increase of \$12,500, or more than 4 percent, from the previous 12 months. During 2007, the average sales price of a new home was \$242,300 and bottomed out in 2009 at \$216,900, an average decline of \$12,700, or more than 5 percent, annually. During 2010, new home prices began to slowly increase again

and, by 2016, were up to \$305,900, an average increase of \$12,700, or 5 percent, annually.

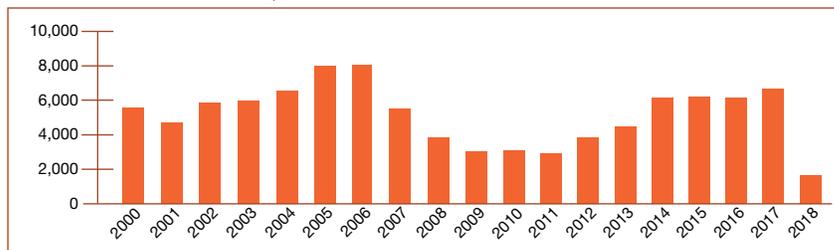
Homebuilding activity, as measured by the number of single-family homes permitted, totaled 6,400 during the 12 months ending March 2018, a decline of 300 homes, or more than 4 percent, from the previous 12 months. In 2000, 5,600 single-family homes were permitted in the submarket, but with the economic decline that started in 2001, production declined to 4,725 single-family homes permitted during 2001, a decline of nearly 16 percent. Production began to increase again during 2002, and by 2006, the number of single-family homes permitted totaled 8,050, an average increase of

660, or 11 percent, annually since 2001. During 2007, single-family home construction began to decline with the start of the national recession and the housing crisis. Homebuilding bottomed out in 2011 with only 2,950 single-family homes permitted, an average decline of 1,025, or 18 percent, annually from the peak level of production in 2006. During 2012, with the economy once again expanding, homebuilding began to pick up, and by 2015, single-family homebuilding was up to 6,200, an average increase of 820, or 21 percent, annually. Figure 11 shows the number of single-family homes permitted by year since 2000 in the submarket.

Recent developments include the Headwaters in Hays County. The first phase consisting of 220 homes is more than 33 percent complete. Home prices start at \$360,000 for a three-bedroom, 1,800-square-foot home. In early 2018, construction began in Williamson County at Rancho Sienna, a 55-home development. Home prices start at \$296,000 for a three-bedroom, 1,800-square-foot home.

During the 3-year forecast period, demand is estimated for 25,100 new sales units (Table 1). The 1,850 units currently under construction will satisfy a portion of the demand during the first year. Demand is expected to be greatest for sales units in the \$300,000-to-\$349,999 price range (Table 6). Most of the new home construction in the submarket is likely to take place in Hays and Williamson Counties.

Figure 11. Single-Family Homes Permitted in the Suburban Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2018.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Suburban Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
149,000	199,999	2,000	8.0
200,000	249,999	3,725	15.0
250,000	299,999	6,475	26.0
300,000	349,999	6,725	27.0
350,000	399,999	3,250	13.0
400,000	499,999	1,750	7.0
500,000	and higher	1,000	4.0

Notes: The homes currently under construction in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2018, to April 1, 2021.

Source: Estimates by analyst

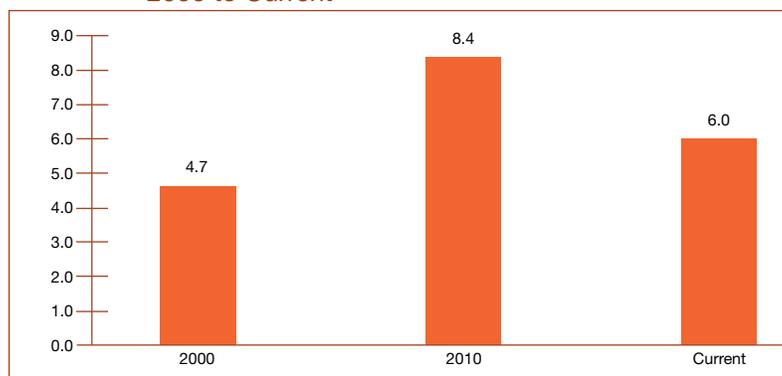
Rental Market—Suburban Submarket

The overall rental housing market in the Suburban submarket is currently balanced with a 6.0-percent vacancy rate, down from 8.4 percent in 2010 (Figure 12). Single-family homes currently account for 33.1 percent of all renter occupied units, up from 31.7 percent in 2010. The submarket is home to Texas State University, which has 38,500 students, of whom, only 7,000 live on campus. Students at Texas State University comprise more than an estimated 11 percent of renter households in this submarket. During March 2018, student apartments in this submarket have a 5.3-percent vacancy rate and an average rent of \$1,697 (ALN Apartment Data, Inc.) compared with an average rent of \$1,109 for market-rate apartments overall. The large number of three-or-more-bedroom units, approximately 47 percent, that are built to accommodate students who want to minimize individual costs and share living expenses contribute to a higher average rent for student apartments compared with market-rate units throughout the submarket.

The apartment market in the submarket is currently balanced with a 6.7-percent

vacancy rate during March 2018, up from 4.8 percent 1 year earlier, because a large number of units have entered the market. The average rent for an apartment in the submarket is currently \$1,109, an increase of \$52, or nearly 5 percent, from 1 year earlier (Reis, Inc.). Absorption of apartments has averaged 200 units a month during the 12 months ending March 2018, down from 250 units a month during the previous 12 months (ALN Apartment Data, Inc.). During 2000, the apartment vacancy rate in the submarket was 3.0 percent, and the average rent was \$759. However, during the next 3 years as the local economy slowed, the vacancy rate increased, and the average rent declined (Reis Inc.). By 2003, the apartment vacancy rate had increased to 14.1 percent, and the average rent had declined by \$3 to \$756. With improving economic conditions, many of the excess vacant units were absorbed, and by 2008, the apartment vacancy rate was down to 7.1 percent. The average rent for an apartment during 2008 was \$830, an average increase of \$15, or less than 2 percent, annually. With increased production during 2006 and 2007 and the local economy beginning to slowdown due to effects of the national recession, the vacancy rate began to increase again and, during 2009, increased to 12.6 percent, and the average rent declined by \$7 to \$823. With improving economic conditions in 2010 and increased in-migration to the submarket, the apartment market began to tighten, and the vacancy rate dropped to 4.2 percent during 2016. Rent growth during these years averaged \$32, or less than 4 percent, annually, and by 2016, the average rent was up to \$1,046.

Figure 12. Rental Vacancy Rates in the Suburban Submarket, 2000 to Current



Note: The current date is April 1, 2018.

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

Although the submarket is less urban than the Travis County submarket, midrise apartments are being developed in the Suburban submarket. Since 2010, slightly less than 20 percent of all apartment units were built in midrise buildings, up from the 5 percent of apartment units built between 1997 and 2009 (ALN Apartment Data, Inc.). Prior to 1997, all apartments built in the submarket were garden style. Although the average rent is lower in the submarket, the average apartment size in this submarket is slightly larger. An apartment unit in this submarket averages 980 square feet, which is 100 square feet, or 11 percent, larger than the average apartment in the Travis County submarket.

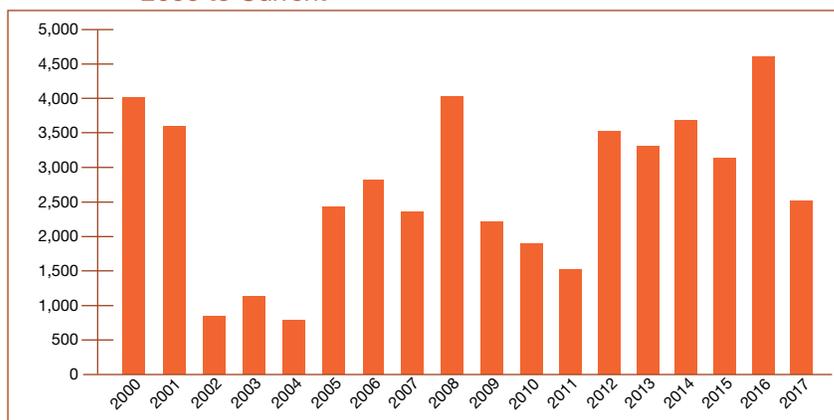
Building activity, as measured by the number of multifamily units permitted, totaled 2,375 units, a decline of 175 units, or 7 percent, from the previous 12 months, as increasing vacancy rates caused developers to pull back on

production. Multifamily construction has been elevated since 2012, as rapid population growth has increased demand significantly. From 2012 through 2016, an average of 3,650 multifamily units were permitted annually. This level of production is significantly higher than the average of 2,450 units permitted annually from 2000 through 2008. With the economic downturn, production dropped slightly but far less than the decline in the Travis County submarket, with an average of 1,900 units permitted annually from 2009 through 2011. Figure 13 shows the number of multifamily units permitted by year since 2000 in the submarket.

Recently completed developments include the 204-unit Oaks of Kyle in Hays County that opened in summer 2017. Oaks of Kyle consists of one-, two-, and three-bedroom units, with rents ranging from \$981 to \$1,620 per month. Bartz Ranch Apartments in Round Rock was completed in December 2017. Bartz Ranch consists of 296 units with one-, two-, and three-bedroom units that rent from \$1,088 to \$1,617 a month.

During the 3-year forecast period, demand is estimated for 10,300 new rental units, with demand declining slightly each year as the rate of population growth slows (Table 1). The 3,100 units currently under construction will satisfy a portion of the first year of demand. Demand will be greatest for one-bedroom units that rent from \$925 to \$1,124 a month (Table 7).

Figure 13. Multifamily Units Permitted in the Suburban Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2018.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market—Suburban Submarket *Continued*

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Suburban Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand
875 to 1,074	65	925 to 1,124	3,000	1,150 to 1,349	1,125	1,375 to 1,574	110
1,075 or more	35	1,125 to 1,324	2,075	1,350 to 1,549	1,725	1,575 to 1,774	160
		1,325 to 1,524	520	1,550 to 1,749	820	1,775 to 1,974	200
		1,525 or more	170	1,750 or more	230	1,975 or more	50
Total	100	Total	5,775	Total	3,925	Total	520

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 3,100 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2018, to April 1, 2021.

Source: Estimates by analyst

Data Profiles

Table DP-1. Austin-Round Rock HMA, Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	716,709	865,461	1,128,000	1.9	3.7
Unemployment rate	3.0%	7.0%	3.0%		
Nonfarm payroll jobs	684,000	785,600	1,042,000	1.4	4.0
Total population	1,249,763	1,716,289	2,159,000	3.2	2.9
Total households	471,855	650,459	819,500	3.3	2.9
Owner households	274,712	380,448	470,500	3.3	2.7
Percent owner	58.2%	58.5%	57.4%		
Renter households	197,143	270,011	349,000	3.2	3.3
Percent renter	41.8%	41.5%	42.6%		
Total housing units	496,004	706,505	866,800	3.6	2.6
Owner vacancy rate	1.2%	2.3%	0.8%		
Rental vacancy rate	3.8%	8.6%	6.3%		
Median Family Income	\$55,400	\$73,300	\$77,800	2.8	0.9

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2018. Median Family Incomes are for 1999, 2009, and 2016. The current date is April 1, 2018.

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

Table DP-2. Travis County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	812,280	1,024,266	1,248,000	2.3	2.5
Total households	320,766	404,467	493,400	2.3	2.5
Owner households	164,975	210,015	253,900	2.4	2.4
Percent owner	51.4%	51.9%	51.5%		
Renter households	155,791	194,452	239,500	2.2	2.6
Percent renter	48.6%	48.1%	48.5%		
Total housing units	335,881	441,240	523,800	2.8	2.2
Owner vacancy rate	1.1%	2.5%	0.7%		
Rental vacancy rate	3.5%	8.7%	6.4%		

Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2018.

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

Table DP-3. Suburban Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	437,483	692,023	911,800	4.7	3.5
Total households	151,089	245,992	326,200	5.0	3.6
Owner households	109,737	170,433	216,700	4.5	3.0
Percent owner	72.6%	69.3%	66.4%		
Renter households	41,352	75,559	109,500	6.2	4.7
Percent renter	27.4%	30.7%	33.6%		
Total housing units	160,123	265,265	343,000	5.2	3.3
Owner vacancy rate	1.3%	2.0%	0.8%		
Rental vacancy rate	4.7%	8.4%	6.0%		

Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2018.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 4/1/2018—Estimates by the analyst
 Forecast period: 4/1/2018–4/1/2021—Estimates
 by the analyst

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

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 single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Austin_RoundRockTX_18.pdf.

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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.

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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.