

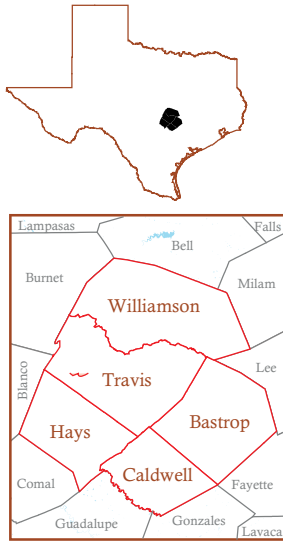


# Austin-Round Rock, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2006



## Housing Market Area



The Austin-Round Rock, Texas Housing Market Area (HMA) comprises five central Texas counties and includes two housing submarkets: Greater Austin and Hays County. Greater Austin comprises Travis, Williamson, Bastrop, and Caldwell Counties. The state capital and the University of Texas (UT) are located in the city of Austin. Communities in the Hays County submarket are Buda, Dripping Springs, Kyle, and San Marcos. Texas State University (TSU) is located in San Marcos.

## Market Details

- Economic Conditions ..... 2
- Population and Households ..... 4
- Housing Market Trends ..... 5
- Data Profiles ..... 11

## Summary

### Economy

A significant economic recovery, which began in 2004, is under way in the HMA. As of June 2006, the 12-month average resident employment was a record high of 784,300. New employment opportunities in the manufacturing, information, and education and health services sectors are expected to sustain the economic recovery. Resident employment growth is expected to increase 3.5 percent a year during the 3-year forecast period, slightly more than the annual growth levels since 2000. As of July 1, 2009, total resident employment is forecast to be 870,000.

### Sales Market

The revitalized economy has contributed to a tight sales market and an increase in new home construction. During the past year, an estimated 29,000 existing homes were sold in the HMA, up from 24,550

homes sold a year ago. During the same period, the median home sales price increased 6.6 percent to \$177,000. The desirability of the HMA as a place to live and job growth in the HMA are expected to sustain the demand for sales housing. Sales demand is forecast to be 47,700 homes for the next 3 years. Table 1 shows sales demand for the HMA and both submarkets.

### Rental Market

The rental market is improving from the weak conditions of the early 2000s but remains soft. Rental occupancies and apartment rents have increased because of improved job growth and fewer apartment units entering the market. During the forecast period, balanced market conditions are expected to return and demand will support the production of 14,950 units of rental housing. Rental demand in the HMA and submarkets is also shown in Table 1.

**Table 1.** Housing Demand in the Austin-Round Rock HMA, 3-Year Forecast, July 1, 2006 to July 1, 2009

	Austin-Round Rock HMA		Greater Austin Submarket		Hays County Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	47,700	14,950	41,100	13,370	6,600	1,580
Under Construction	7,220	4,900	6,400	4,500	820	400

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Under construction as of July 1, 2006.

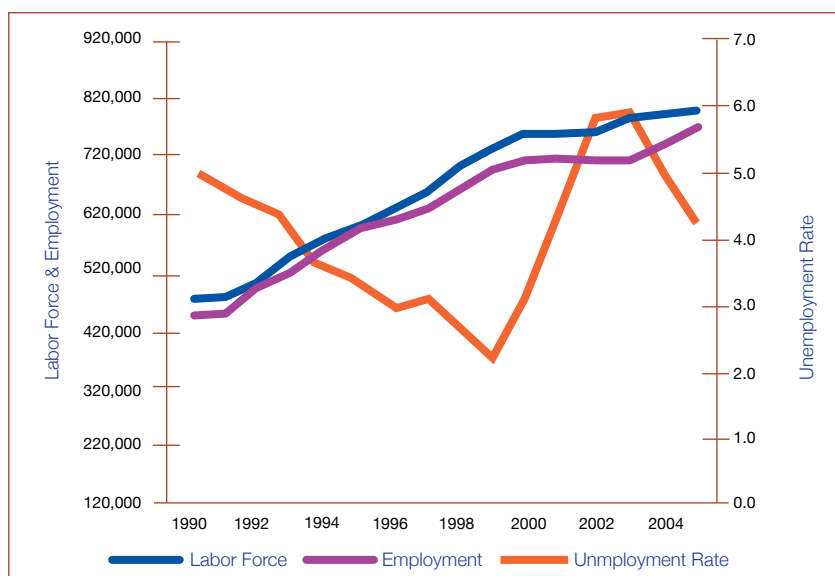
Source: Estimates by analyst

# Economic Conditions

The economy of the Austin-Round Rock HMA grew at a consistently strong rate during the 1990s. As shown in Figure 1, labor force and resident employment each increased at an average of approximately 23,000 people a year during the decade. Total

nonfarm employment also increased steadily during the 1990s, averaging approximately 24,500 jobs a year. The unemployment rate declined from 4.9 percent in 1990 to 3.1 percent in 2000, which was the lowest rate at the time for any major market in Texas.

**Figure 1.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Austin-Round Rock HMA, 1990 to 2005



Source: U.S. Bureau of Labor Statistics

**Table 2.** 12-Month Average Employment in the Austin-Round Rock HMA, by Sector

Sector	12 Months Ending June 2005	12 Months Ending June 2006	Percent Change
Total Nonfarm Employment	680,000	705,400	3.7
Goods Producing	96,400	98,600	2.3
Natural Resources, Mining, & Construction	38,800	41,500	7.0
Manufacturing	57,500	57,100	-0.7
Service Providing	583,600	606,800	4.0
Trade	107,000	111,700	4.4
Transportation & Utilities	11,400	11,600	1.8
Information	21,000	21,900	4.3
Financial Activities	40,400	41,400	2.5
Professional & Business Services	91,700	96,000	4.7
Education & Health Services	70,000	72,800	4.0
Leisure & Hospitality	68,400	71,200	4.1
Other Services	26,100	27,400	5.0
Government	147,500	152,700	3.5

Note: Based on 12-month averages through June 2005 and June 2006.

Source: U.S. Bureau of Labor Statistics

The national recession of 2001 strongly affected the HMA, especially in the high-technology industries. In 2001, companies such as Advanced Micro Devices, Inc., Dell, Applied Materials, Inc., Solectron Corporation, and Motorola each recorded layoffs of 1,000 or more workers. By 2002, the annual average unemployment rate had increased to 5.8 percent. In 2003, slowdowns in the high-technology sector and the subsequent effect on the construction, manufacturing, and professional and business services sectors contributed to a record high unemployment rate of 5.9 percent.

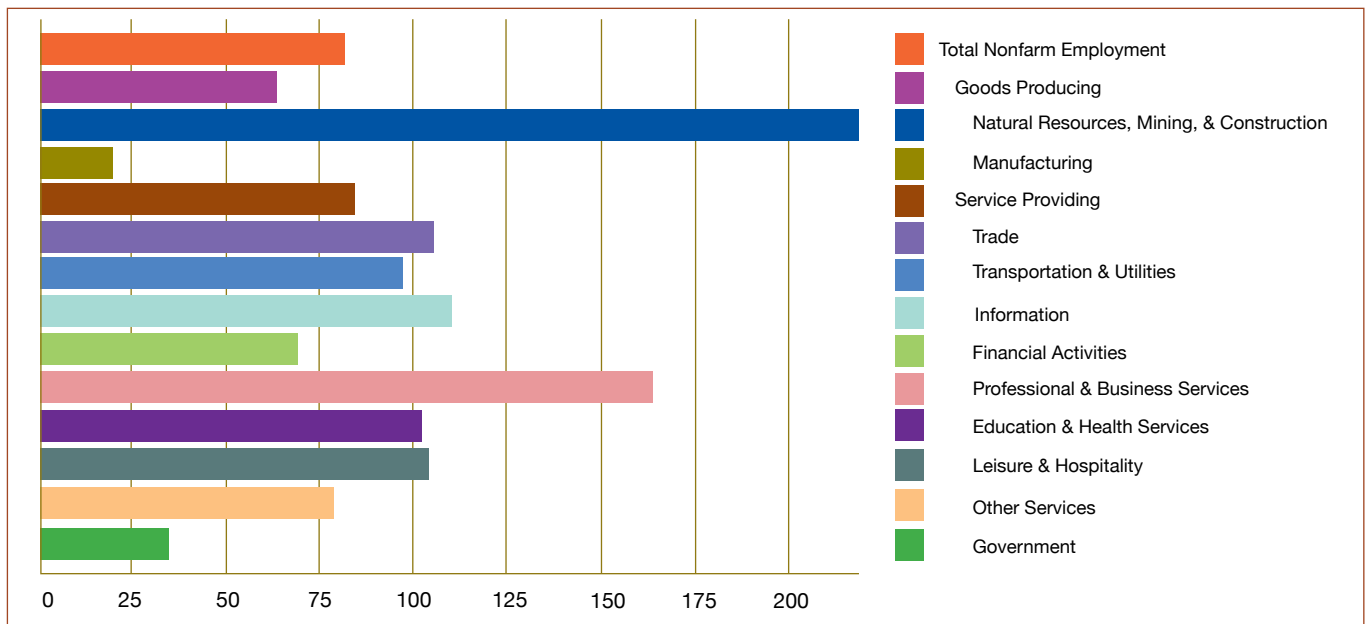
The effects of the economic recession subsided in early 2004, and a significant recovery in the HMA continues (see Table 2). The revitalized economy has led to an increase in resident employment and nonfarm employment and a drop in the unemployment rate. Industry sectors that posted the largest employment increases during the past year were natural resources, mining, and construction; professional and business services; and other services. Manufacturing was the only sector that posted a decline. Employment trends since 1990 are identified in Figures 1 and 2, current employment by sector is shown in Figure 3, and major employers are listed in Table 3.

The Greater Austin Chamber of Commerce has announced that more than 130 businesses plan to relocate, expand, or build new facilities in the HMA during the next several years. The businesses are expected to add more than 8,200 new jobs. Among the largest of the businesses, Texas Access Alliance, an administrator of social services programs, announced plans in 2005 to open a new facility in Austin and employ 1,200 people. Three large high-technology expansions,

which will create more than 1,700 total jobs, were announced by Advanced Micro Devices, Freescale Semiconductor, Inc., and SAMSUNG.

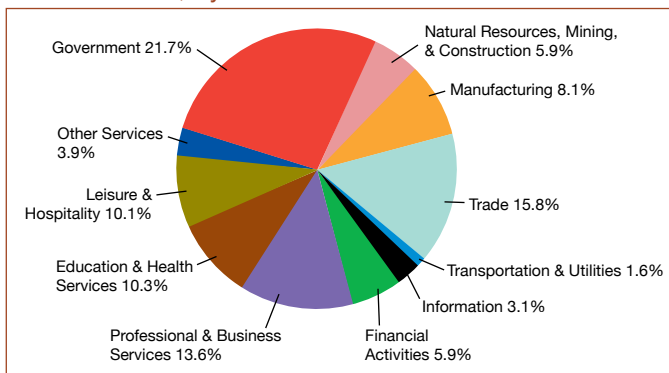
The seven colleges and universities in the HMA will continue to be a stabilizing force in the economy, especially UT and TSU. UT ranks as one of the largest public universities in the nation with a student enrollment of about 50,000. TSU's 2005 fall enrollment totaled 27,130, a slight increase

**Figure 2. Sector Growth in the Austin-Round Rock HMA, Percentage Change, 1990 to Current**



Note: Current is based on 12-month average through June 2006.  
Source: U.S. Bureau of Labor Statistics

**Figure 3. Current Employment in the Austin-Round Rock HMA, by Sector**



Note: Current is based on 12-month average through June 2006.  
Source: U.S. Bureau of Labor Statistics

**Table 3. Major Employers in the Austin-Round Rock HMA, by Submarket**

Name of Employer	Type	Number of Employees
<b>Greater Austin Submarket</b>		
Dell, Inc.	Manufacturing	24,600
University of Texas	State Government	16,300
Seton Healthcare Network	Health Care	7,400
IBM Corporation	Manufacturing	6,200
<b>Hays County Submarket</b>		
Texas State University	State Government	6,410
Prime Outlets San Marcos	Retail	2,000
Tanger Outlet Center	Retail	1,540
San Marcos CISD	Local Government	1,080

Note: CISD = Consolidated Independent School District.  
Sources: Greater Austin—Economy.com; Hays County—City of San Marcos 2006 Annual Report

over the 2004 fall enrollment. A recent economic impact study completed by the University of Texas at San Antonio indicated that in fiscal year 2004, UT had an overall economic effect on the economy of the HMA in excess of \$2.5 billion. TSU, with an annual budget of more than \$271 million, has a significant effect on the Hays County submarket's economy.

New jobs in the healthcare, information, leisure and hospitality, and manufacturing sectors will lead the way in job growth during the next 36 months. Resident employment is expected to increase at a rate of 3.5 percent a year and reach 870,000 jobs by January 1, 2009.

## Population and Households

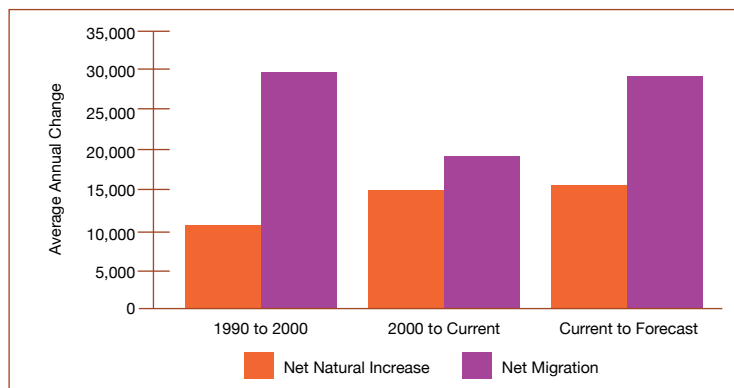
The slowdown of the economy in the HMA beginning in 2001 resulted in an easing of population growth. The Greater Austin submarket was significantly affected by the economic downturn. As net in-migration slowed (see Figure 4), the population growth rate dropped to 2.7 percent a year between 2000 and 2003 compared with the 4-percent annual growth rate during the 1990s. In contrast, during the 2000–03 period, the availability of affordable housing in Hays County contributed to a population growth rate of 4.6 percent a year.

Despite increased employment growth since 2004, the population

in the HMA has not grown substantially and lags behind the 2000–03 period. Most of the employees affected by the high-technology layoffs opted to stay in the HMA instead of relocating. These workers are now filling new high-technology jobs as they become available. From January 1, 2004, to the current period, the population of the Greater Austin and Hays County submarkets increased by 2.0 and 2.8 percent a year, respectively.

Since 2000, household growth has been influenced by a decline of the average household size. In the Greater Austin submarket, the decline can be attributed to the increasing number of single- and two-person households residing at planned retirement communities in Williamson County and in condominiums and apartments in the downtown area of Austin. In the Hays County submarket, many homebuyers are young families seeking more affordable homes. For detailed information regarding population and household change for the HMA and its submarkets, refer to the Data Profile Tables DP-1, DP-2, and DP-3, at the end of this report.

**Figure 4. Components of Population Change in the Austin-Round Rock HMA, 1990 to Forecast**



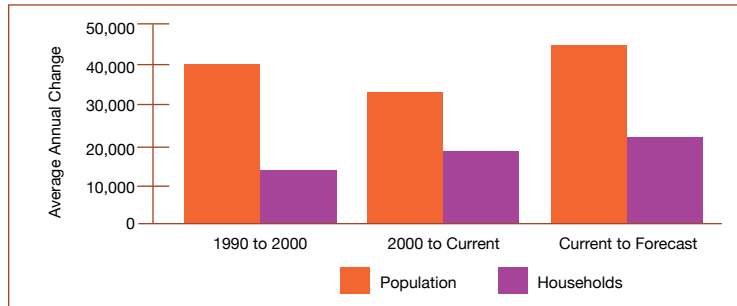
Sources: 1990 and 2000—U.S. Census Bureau; current and forecast—estimates by analyst

The seven colleges and universities in the HMA enroll an estimated 114,000 students. Approximately 16,000 of the students reside in on-campus housing and represent about 40 percent of the nonhousehold population. The nonhouse-

hold population is currently estimated at 37,000 and is not expected to change significantly during the forecast period.

During the forecast period, net in-migration is expected to increase as the economy continues to grow and net natural increase is expected to remain static in the HMA (see Figures 4 and 5). In Greater Austin, the population and number of households are expected to increase to 1,450,400 and 593,100, respectively. Affordable housing and a relatively easy commute along Interstate 35 (I-35) to employment centers in Austin and south to San Antonio will maintain strong growth in Hays County. By the forecast date, the population and number of households are expected to reach 143,100 and 54,900, respectively.

**Figure 5. Population and Household Growth in the Austin-Round Rock HMA, 1990 to Forecast**



Sources: 1990 and 2000—U.S. Census Bureau; current and forecast—estimates by analyst

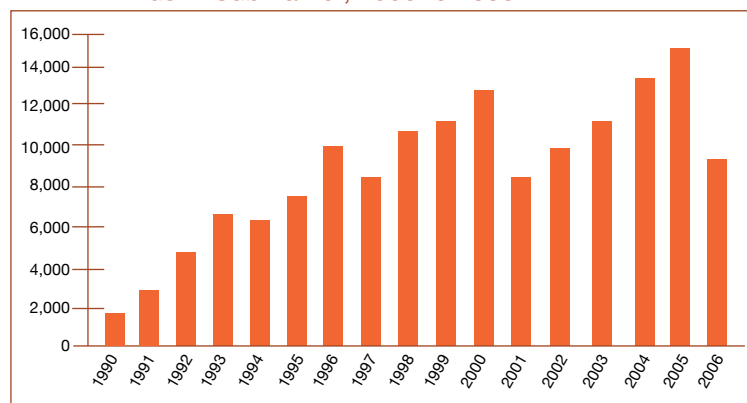
## Housing Market Trends

### Sales Market—Greater Austin Submarket

In 2000, the home sales market in the Greater Austin submarket was tight. As the economy began to decline in 2001, the market softened and single-family construction,

as measured by permit activity, decreased dramatically as can be seen in Figure 6. As the economy started to rebound, the sales market tightened and single-family home construction surged. For the 12-month period ending June 2006, nearly 17,000 single-family homes were permitted, up 27 percent from a year earlier. Most of the homes were in eastern Travis and Williamson Counties along the Texas Highway 130 corridor. The sales price of new homes has been affected by higher development and labor costs. As of June 2006, the estimated construction cost is about \$100 a square foot for starter homes, and a developed lot costs approximately \$25,000. Custom homes can

**Figure 6. Single-Family Building Permits Issued in the Greater Austin Submarket, 1990 to 2006**



Notes: Includes only single-family units. Includes data through June 2006.  
Source: U.S. Census Bureau, Building Permits Survey

## Housing Market Trends

Sales Market—Greater Austin Submarket *Continued*

run higher than \$200 a square foot, and a developed lot can exceed \$50,000. Currently, an estimated 6,000 single-family homes are under construction.

Condominium development in downtown Austin has dramatically increased during the past 2 years. Prices for the 3,000 condominium units completed since 2004 range from the high \$100,000s to more than \$2 million for a luxury highrise condominium. For the first 6 months of 2006, the median sales price of a condominium in downtown Austin was approximately \$235,000. An estimated 1,400 condominium units are under construction and another 2,600 units are expected to start during the next 2 to 3 years.

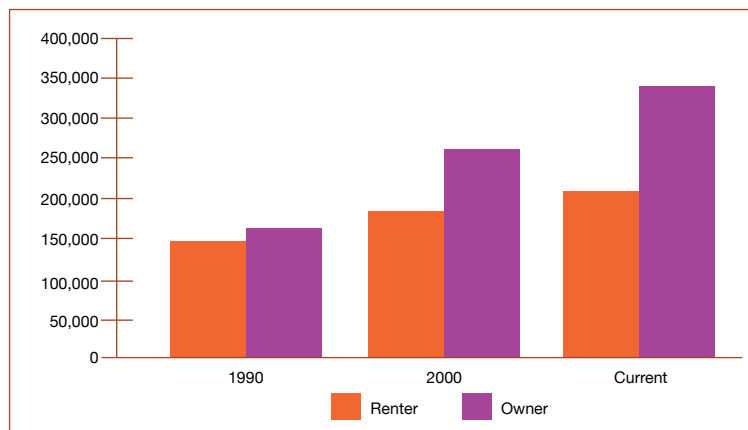
The improved economy has led to a substantial increase in existing home sales in the HMA. For the 12-month period ending June 2006, the Austin Board of REALTORS® reported approximately 29,000 existing home sales (including townhouse/condominiums) in the Austin Multiple Listing Service (MLS) area, up 18 percent compared with the previous year. The median sales price for single-family homes in June 2006 increased 8 percent to \$182,000 and

townhouses/condominiums increased by 5 percent to \$147,450 compared with June 2005. As of June 2006, an estimated 9,300 units were listed for sale in the MLS area, down approximately 2 percent compared with the previous year and down 6 percent since January 2004. The current home sales market is tight and the current vacancy rate of 1.2 percent is approximately the same as it was in 2000. The current estimate of the number of households by tenure can be seen in Figure 7.

The median sales prices for a single-family home vary widely throughout Greater Austin. In June 2006, the median sales price for a single-family home ranged from a low of \$81,750 in northeastern Williamson County to a high of \$640,000 in the Westlake Hills area of Travis County. Residential listings in Greater Austin are down 3 percent to 8,050 units from June 2005.

Forecast demand for new sales units is stronger than at any time since 2000. Based on anticipated household growth and on current and expected market conditions, demand for 41,100 new sales units will exist during the forecast period. Estimated demand by price range is shown in Table 4.

**Figure 7.** Number of Households by Tenure in the Greater Austin Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Greater Austin Submarket, July 1, 2006 to July 1, 2009

Price Range (\$)		Units of Demand	Percentage of Total
From	To		
150,000	200,999	6,170	15.0
201,000	250,999	8,220	20.0
251,000	300,999	10,260	25.0
301,000	350,999	6,170	15.0
351,000	400,999	6,170	15.0
401,000	and higher	4,110	10.0

Source: Estimates by analyst













