The COVID-19 pandemic has resulted in unprecedented large and rapid changes in many data series, and similarly unprecedented large policy responses, making analysis of, and longer run predictions for, the economy and housing markets exceptionally difficult and uncertain. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Austin-Round Rock, Texas

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

As of January 1, 2021

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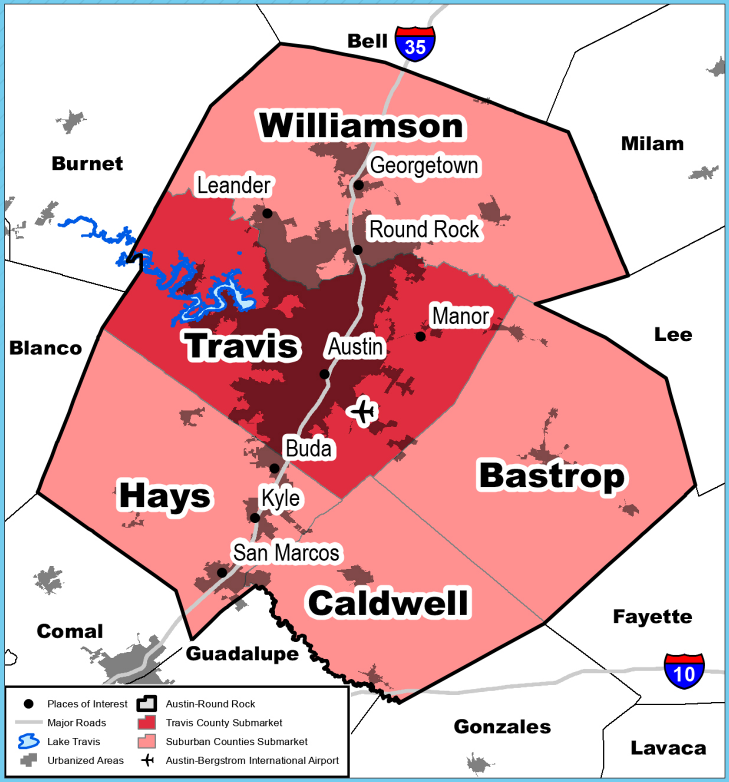

Executive Summary

Housing Market Area Description

The Austin-Round Rock housing market area (hereafter, Austin HMA) is coterminous with the Austin-Round Rock, TX Metropolitan Statistical Area (MSA). The HMA includes five counties in central Texas and, for the purposes of this analysis, is broken into two submarkets: the Travis County submarket, which includes Travis County, and the Suburban Counties submarket, which includes Bastrop, Caldwell, Hays, and Williamson Counties. The city of Austin, the state capital, is the southernmost state capital in the 48 contiguous states and is known as the "Live Music Capital of the World" due to its abundance of music venues.

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

Comparatively Strong: While nonfarm payrolls declined 2.1 percent in the HMA during 2020, this was significantly less than the national decline of 5.8 percent. Also, 5 out of the 11 employment sectors in the HMA added jobs during 2020, compared with just 1 sector nationally, after COVID-19 countermeasures were implemented. According to the Austin Chamber of Commerce, 2020 was a record-setting year for a number of new jobs announced from business relocations and expansions.

During 2020, nonfarm payrolls in the Austin HMA declined by 23,000 jobs, or 2.1 percent, to more than 1.1 million jobs. The leisure and hospitality sector has been hardest hit, declining by 27,000 jobs, or 19.9 percent, because many live music venues have stopped performances, and other social distancing measures have impacted this sector. The Austin HMA, known as "Silicon Hills," with a young, well-educated workforce, is quickly becoming a technology hub for the nation, with firms such as Apple Inc., Amazon.com, Inc., and Tesla, Inc. all announcing major expansions recently. During the next 3 years, nonfarm payrolls are expected to increase by an average of 3.7 percent annually.

Sales Market

Tight: Sales construction activity reached an all-time peak in 2020 with 22,400 sales units permitted, up by 3,100, or 16 percent, from 2019 as the market responded to increasing demand for owner units.

Despite increased sales construction activity since 2018, the sales market remains tight because low interest rates supported increased homeownership. During December 2020, there was a 0.6-month inventory of homes on the market, down from 1.7 months in December 2019 (Austin Board of Realtors®). Home sales during 2020 totaled 67,900, an increase of 6,450, or more than 10 percent, from 2019 (Zonda). The average home sales price was $359,900, an increase of $10,500, or nearly 3 percent, from 1 year earlier. During the 3-year forecast period, demand is estimated for 56,700 new owner units. The 7,375 units currently under construction will satisfy a small portion of that demand.

Rental Market

Balanced: Rental permitting also reached an all-time peak in 2020, with 21,200 rental units permitted—an increase of 5,200, or 33 percent, from 2019, even as renter households shifted to homeownership due to low interest rates and increased owner production.

The current overall rental vacancy rate is estimated at 7.3 percent, down from 8.6 percent in 2010, when market conditions were slightly soft. The rental market has returned to balanced conditions from tighter conditions that existed from 2014 through 2018 due to increased production of rental units. Simultaneously, owner unit production increased, and interest rates dropped, enabling more renter households to shift to homeownership. The apartment vacancy rate in the HMA has been increasing during the past several years because of increased building activity. During 2020, the apartment vacancy rate increased to 8.0 percent, up from 6.4 percent a year earlier (ALN Apartment Data, Inc.). There are currently 31,200 rental units under construction and an additional 18,000 still in initial lease up in the HMA. The absorption of apartment units has been steadily declining the past 3 years, with an average of 690 units absorbed monthly in 2020, down from 870 per month during 2019 and 1,150 per month during 2018. During the forecast period, demand is estimated for 33,250 rental units. The 31,200 units currently under construction in the HMA will satisfy a large portion of that demand.

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3-Year Housing Demand Forecast

	Sales Units			Rental Units		
	Austin HMA Total	Travis County Submarket	Suburban Counties Submarket	Austin HMA Total	Travis County Submarket	Suburban Counties Submarket
Total Demand	56,700	27,850	28,850	33,250	20,800	12,450
Under Construction	7,375	3,600	3,775	31,200	26,050	5,150

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2021. The forecast period is January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Professional and Business Services

Excluding the job losses in the leisure and hospitality sector, nonfarm payrolls would have increased by 4,000 jobs or 0.4 percent during 2020.

Primary Local Economic Factors

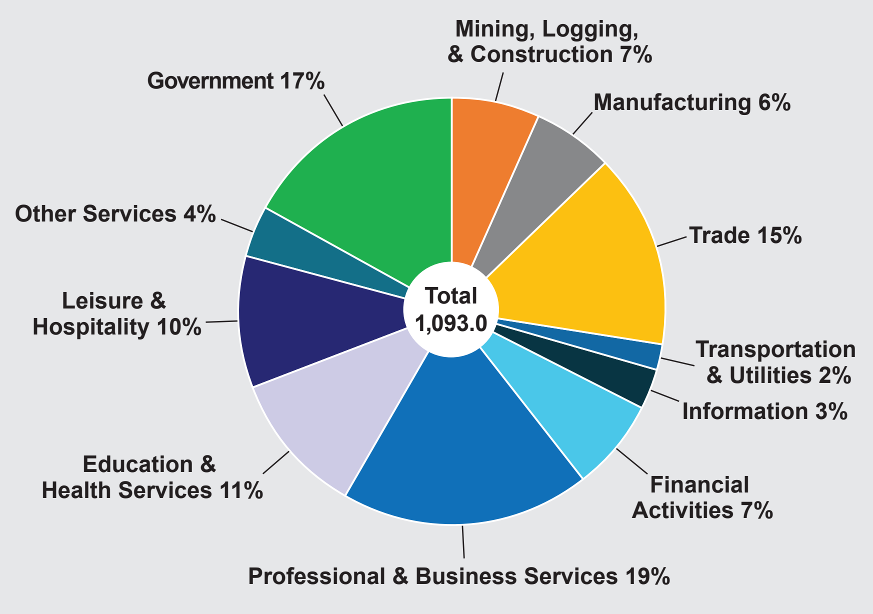
The Austin HMA has historically had a large proportion of jobs in both government and education, but since the founding of Dell Technologies in 1984, it has also become a center for technology and business. The HMA is the location of the Texas state capital and home to the University of Texas (UT) and Texas State University (TXST), which are the second and fifth largest universities in the state and are located in the cities of Austin and San Marcos, respectively. Estimated enrollment at TXST in the fall of 2020 was 38,700 students, with over 3,750 faculty and staff. UT at Austin had over 50,500 students in 2020 and over 24,000 faculty and staff. Prior studies completed by the universities in 2014–2015 estimated an economic impact of over $3 billion locally. The HMA is also home to an Internal Revenue Service (IRS) processing facility. Three of the five largest employers in the HMA, UT, the City of Austin, and the federal government, all with more than 13,000 employees, are in the government sector (Table 1). While historically dominated by government employment, the HMA is increasingly becoming an innovation hub for technology companies. Many headquarters or regional offices of Fortune 500 companies are located in and around the city of Austin, including the nearby suburb of Round Rock, where the headquarters of Dell Technologies is located. The local economy in the HMA has benefited from the relocation and expansions of various corporations, combined with many start-ups, due to the location, traditionally lower cost of living, and access to a highly educated workforce. Due to these factors, the professional and business services sector surpassed the government sector in 2018 as the largest employment sector in the HMA (Figure 1).

Table 1. Major Employers in the Austin HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
H-E-B Grocery Company, LP	Wholesale & Retail Trade	18,035
University of Texas at Austin	Government	16,800
Dell Technologies Inc.	Professional & Business Services	14,030
City of Austin	Government	13,531
Federal Government	Government	13,199
Ascension Seton	Education & Health Services	11,227
St. David's HealthCare	Education & Health Services	10,665
Samsung Austin Semiconductor	Manufacturing	8,935
Walmart Inc.	Wholesale & Retail Trade	7,500
Apple Inc.	Manufacturing	7,000

Note: Excludes local school districts.
Sources: Austin Chamber of Commerce; *Austin Biz Journal*

Figure 1. Share of Nonfarm Payroll Jobs in the Austin HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through December 2020.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Nonfarm Payrolls

Nonfarm payrolls in the Austin HMA totaled nearly 1.1 million during 2020, a decline of 23,000, or 2.1 percent, from 2019 (Table 2). With the state and local governments taking measures to combat the spread of COVID-19 in March 2020, nonfarm payrolls declined in the Austin HMA for the first time since the Great Recession in 2009 (Figure 2).

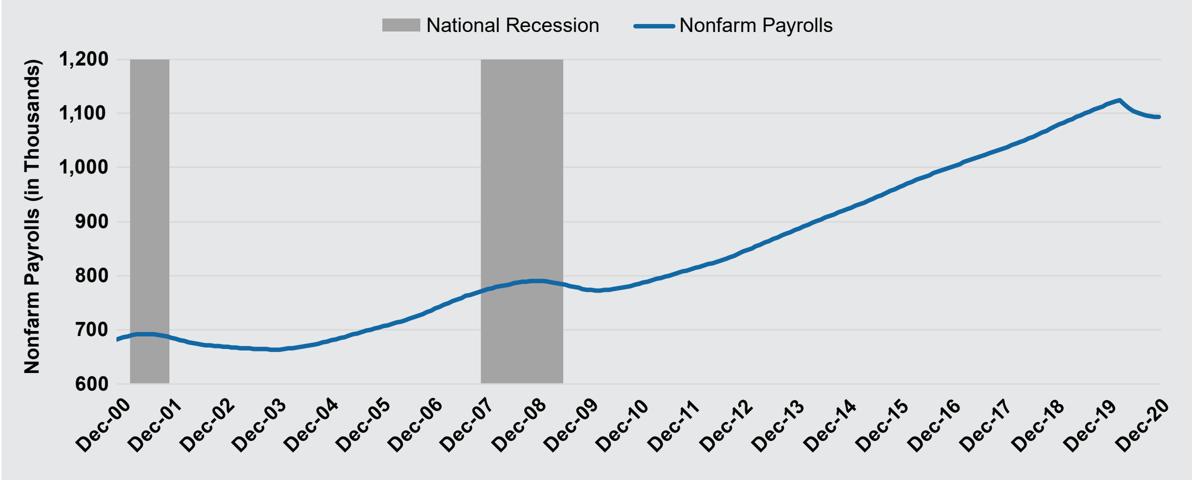
With many bars and restaurants closed or operating at a limited capacity, many conventions and other large events were canceled, limiting travel to the HMA. The leisure and hospitality sector decreased notably as a result, and jobs in the sector declined by 27,000, or 19.9 percent, from 2019 to 108,600 jobs. With the initial waves of measures enacted to fight COVID-19, jobs in the leisure and hospitality sector declined from 138,000 in February 2020 to 70,000 jobs in April 2020. The city of Austin hosts major festivals each year, including the South by Southwest (SXSW) and Austin City Limits (ACL) Music Festival events that were canceled during 2020. In 2019, SXSW alone contributed an estimated $355.9 million to the economy of the HMA (Greyhill Advisors study, SXSW). The education and health services sector had the second largest loss of jobs during 2020, declining by 7,000 jobs, or 5.4 percent, when many students went to virtual learning, and many elective surgeries and other visits to medical professionals were canceled or delayed due to social-distancing measures.

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

	12 Months Ending December 2019	12 Months Ending December 2020	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,116.0**	**1,093.0**	**-23.0**	**-2.1**
Goods-Producing Sectors	131.5	136.9	5.4	4.1
Mining, Logging, & Construction	69.0	71.8	2.8	4.1
Manufacturing	62.5	65.1	2.6	4.2
Service-Providing Sectors	984.6	956.1	-28.5	-2.9
Wholesale & Retail Trade	161.1	160.7	-0.4	-0.2
Transportation & Utilities	23.6	24.8	1.2	5.1
Information	38.4	35.4	-3.0	-7.8
Financial Activities	66.2	73.7	7.5	11.3
Professional & Business Services	198.7	204.7	6.0	3.0
Education & Health Services	128.9	121.9	-7.0	-5.4
Leisure & Hospitality	135.6	108.6	-27.0	-19.9
Other Services	47.5	45.6	-1.9	-4.0
Government	184.6	180.6	-4.0	-2.2

Notes: Based on 12-month averages through December 2019 and December 2020. 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 Nonfarm Payrolls in the Austin HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

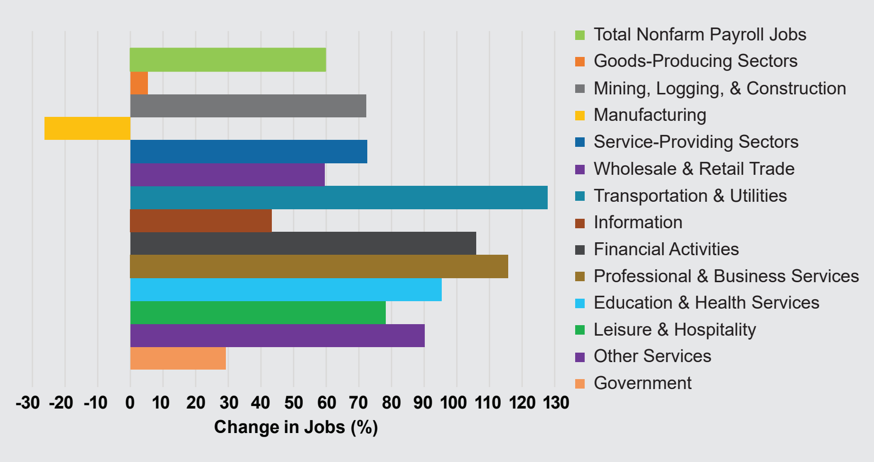
Despite overall job losses, 5 of the 11 nonfarm payroll sectors added jobs during the past year. Job growth was led by the financial activities sector, which added 7,500 jobs, or an increase of 11.3 percent, to 73,700 jobs. Expansions in this sector included Realtor.com and PIMCO adding 600 and 200 jobs, respectively, during the past year. The professional and business services sector added the second greatest number of jobs during 2020, increasing by 6,000 jobs, or 3.0 percent. While the professional and business services sector has added more jobs than any other sector since 2000, in percentage terms, the transportation and utilities sector has been the fastest growing sector in the HMA since 2000 (Figure 3). More recently, from 2016 to current, the transportation and utilities sector has increased by an average of 1,700 jobs, or 8.7 percent, annually, due largely to the rapid expansion and additions of Amazon.com, Inc. fulfillment centers locally, and the past year was no different. During 2020, more people stayed at home, increasing their use of Amazon.com, Inc. services; the transportation and utilities sector increased by 1,200 jobs, or 5.1 percent, from a year earlier.

Although economic conditions weakened considerably during the past year, with jobs declining by 128,600 from February to April 2020, more than 94 percent of the jobs lost were recovered by the end of December 2020 (on a monthly basis, not seasonally adjusted). Excluding the leisure and hospitality sector job losses, nonfarm payrolls increased by 21,000, or 2.1 percent. The financial activities and the professional and business services sectors, both with a concentration of high-paying jobs, had rapid job gains during this period, increasing 12,000 and 13,000 jobs, or 17.6 and 6.4 percent, respectively.

Trends in Unemployment

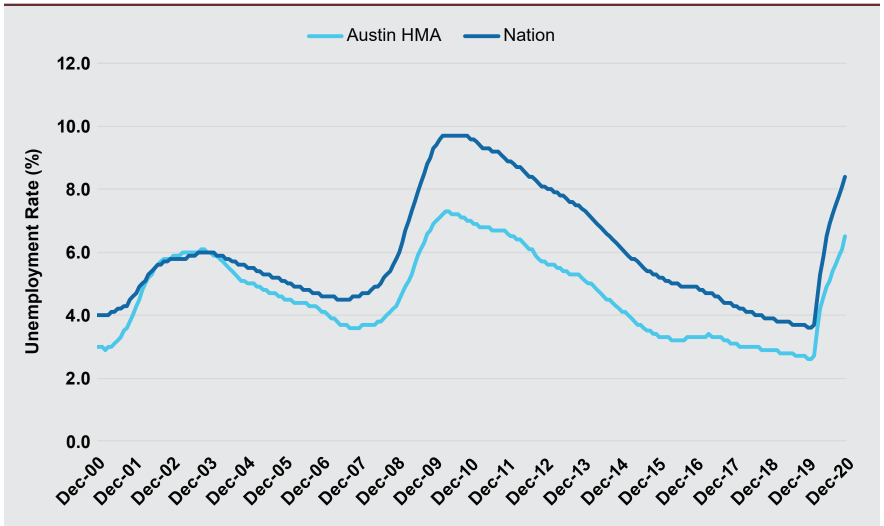
The average unemployment rate in the Austin HMA was 6.1 percent during 2020, up from a nearly two-decade low of 2.7 percent during 2019. Despite that increase, the current unemployment rate in the HMA remained below the peak of 7.3 percent during the 12 months ending April 2010. Following that peak, the unemployment rate steadily declined for the next 9 years. Overall, the average unemployment rate in the HMA has been lower than the national average since 2003 (Figure 4).

Figure 3. Sector Growth in the Austin HMA, 2001 to Current



Note: The current date is January 1, 2021.
Source: U.S. Bureau of Labor Statistics

Figure 4. 12-Month Average Unemployment Rate in the Austin HMA and the Nation



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

Economic Periods of Significance

2000 Through 2003

Following an increase in nonfarm payrolls in 2001 by 1,300 jobs, or 0.2 percent, to 684,000, nonfarm payrolls declined during 2002 and 2003 by an average of 10,700 jobs, or 1.6 percent annually to 663,900 in 2003. The downturn in the economy was mainly due to contractions in the manufacturing and high-tech industries. The national recession and the dot-com bust contributed to job losses in the manufacturing and high-tech industries both in the HMA and nationally. During 2002 and 2003, the manufacturing sector decreased by 9,000 jobs, or 11.8 percent, annually to 62,800, accounting for 84 percent of jobs lost in the HMA. Layoffs were especially high at firms that manufactured components for the telecommunication industry, including Tellabs, Inc., which closed a facility in the city of Round Rock in 2002, laying off all 435 employees.

2004 Through 2008

Nonfarm payroll growth in the HMA accelerated from 2004 through 2008, increasing by an average of 25,400 jobs, or 3.6 percent, to a peak of 791,100. Continued labor demand from high-tech employers in Austin fueled the expansion and a relative rebound of the trade sector from the previous downturn. From 2004 through 2008, the professional and business services sector led job growth, which increased by an average of 5,400 jobs, or 5.5 percent. Job gains were significant in the wholesale and retail trade sector, which increased by an average of 4,800 jobs, or 4.5 percent, annually.

2009

During 2009, the number of nonfarm jobs in the HMA declined by 16,800, or 2.1 percent, to 774,300, reflecting the effects of the Great Recession and the national housing crises. By comparison, nonfarm payrolls in the nation declined 4.3 percent. All but three sectors sustained declines in nonfarm payrolls in the Austin HMA. Job losses were greatest in the manufacturing sector, which declined by 9,200 jobs, or 14.6 percent, to 53,700, accounting for 55 percent of overall job declines. Nationally, by comparison, job losses in the manufacturing sector accounted for 26 percent of the jobs lost during the same period. The mining, logging, and construction sector in the HMA lost 6,600 jobs, or 13.8 percent, in response to a slowdown in multifamily construction due to declining economic conditions and reduced single-family construction. Another 5,200 and 4,100 jobs, or a decline of 4.3 or 3.6 percent, were in the wholesale and retail trade and the professional and business services sectors, respectively.

2010 Through 2011

During 2010 and 2011, nonfarm payrolls increased by an average of 18,800 jobs, or 2.4 percent, to 811,900 jobs in 2011. By 2011, the HMA economy had fully recovered and surpassed 2008 payroll levels, with the professional and business services sector leading gains with an average increase of 5,500 jobs, or 4.8 percent, during 2010 and 2011. In 2010, Facebook, Inc. announced the opening of a new online sales and operation center in the city of Austin, adding 200 new jobs. In addition, eBay Inc. expanded its business operations center in the city of Austin in 2011, adding 1,000 jobs to date.

2012 Through 2019

Nonfarm payrolls in the HMA expanded by an average of 3,800 jobs, or 4.1 percent, annually from 2012 through 2019 to more than 1.12 million jobs, which was faster than the growth recorded during the previous decade. During 2012 through 2019, job gains were greatest in the professional and business services sector, which gained an average of 9,600 jobs, or 6.3 percent, whereas the information sector had the fastest growth rate, averaging 7.8 percent, or 2,200 jobs, annually. Some of the employers that expanded in the HMA during this period include Apple Inc. and General Motors Company. In 2012, Apple Inc. established its Americas Operations Center, responsible for running the business operations of the company for the entire Western Hemisphere. Additional gains resulted from the General Motors Company purchasing a 302,604-square-foot building in 2015 to expand its Information Technology Innovation Center in North Austin, which added 500 jobs to the sector.

Employment Forecast

During the 3-year forecast period, nonfarm payrolls in the HMA are expected to increase an average of 3.7 percent annually. Job growth is expected to be strongest in the leisure and hospitality sector, where job recovery is anticipated with the continued easing of countermeasures implemented during the COVID-19 pandemic. In addition, several expansions are expected to contribute to job growth during the next 3 years. In 2022, Tesla, Inc. is expected to complete a factory in southeast Travis County, adding 5,000 workers. Also, in 2022, Oracle Corporation will be relocating its corporate headquarters from the San Francisco Bay area to a campus in the city of Austin, bringing approximately 2,000 jobs. Apple Inc. is currently constructing a $1 billion campus in the city of Austin, which will add 5,000 employees upon its completion in 2022, with room to expand up to 15,000 in the future.

Population and Households

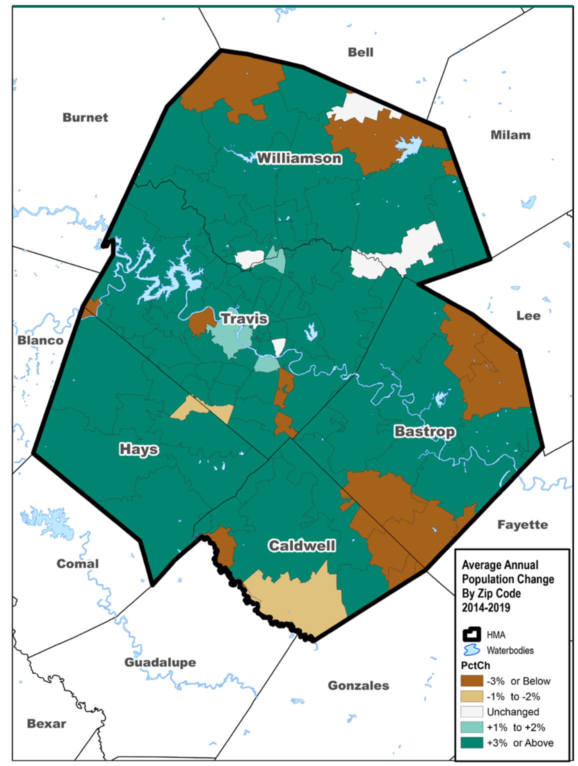
Current Population: 2.31 million

Among MSAs with a population greater than 500,000 in the nation, Austin has been the fastest growing since 2010, increasing an average of 2.8 percent annually.

Population Trends

As of January 1, 2021, the population of the HMA is estimated at approximately 2.31 million (Table 3), reflecting an average annual increase of 55,500, or 2.8 percent, annually since 2010, with net in-migration averaging 39,500 people a year and accounting for more than 71 percent of all population growth in the HMA. By comparison, during the period from 2000 through 2010, population growth averaged 46,650 people, or 3.2 percent, annually, with net in-migration of 29,500 people a year that accounted for more than 63 percent of all population growth. As the economy expanded during the build up to the Great Recession, the population increased by an average of 3.8 percent, or 55,950, each year from 2004 to 2008, and net in-migration averaged 38,100 people a year. In response to the weak labor market, population growth slowed to an average of 46,800, or 2.8 percent, each year from 2008 to 2010, and net in-migration fell to an average of 28,350 annually, or 61 percent of the growth. From 2011 to 2016, as economic and housing market conditions improved, the population growth rate increased to an average of 3.0 percent, or 56,300, annually; net in-migration increased more than 40 percent, averaging 39,600 people annually accounting for 70 percent of growth. Population growth from 2017 through the current date has averaged 56,350, or 2.6 percent, annually, with net in-migration averaging 41,650, accounting for 74 percent of growth. Map 3 shows estimated population growth from 2014 through 2019 by zip code. Population growth has been widespread within the HMA, with the vast majority of zip codes having more than 3.0 percent growth. People mainly relocate to the HMA from the other major Texas MSAs, with the largest number coming from the Houston-The Woodlands-Sugar

Map 3. Average Annual Population Change by ZIP Code



Source: 2014–2019 American Community Survey, 5-year data

Table 3. Austin HMA Population and Household Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	1,716,289	2,313,000	2,501,000
	Average Annual Change	46,650	55,500	62,900
	Percentage Change	3.2	2.8	2.6

Household Quick Facts		2010	Current	Forecast
	Households	650,459	881,000	954,500
	Average Annual Change	17,850	21,450	24,500
	Percentage Change	3.3	2.9	2.7

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (January 1, 2021) to January 1, 2024.

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

Land, TX MSA (Table 4). Large universities in the Austin HMA contribute to the net in-migration from these parts of Texas.

Demographic Trends

Austin has become a destination for young professionals because of many cultural amenities and job opportunities. The median age in the Austin HMA is 35.2 years of age, well below the national average of 38.5 years of age (Table 5). In addition, 33.2 percent of the population in the Austin HMA is between 25 to 44 years of age, compared with 26.6 percent nationally (Figure 5). Approximately 46.2 percent of all people in the Austin HMA are age 25 or older and hold a bachelor's degree or higher, compared with nearly 30.8 percent for Texas and 33.1 percent nationally (2019 American Community Survey [ACS] 1-year data). This higher-than-average skilled labor force, in turn, attracts many employers. The educational level of residents of the HMA has risen sharply over the last decade. In 2010, approximately 39.7 percent of residents age 25 or older had a bachelor's degree or higher. In addition to those already possessing college degrees, the HMA has a significant presence of students. During 2019, nearly 5 percent of the HMA population was enrolled in a university.

Travis County Submarket

As of January 1, 2021, Travis County, the fifth largest county in Texas and the largest county in the HMA, had an estimated population of

Table 4. Metro-to-Metro Migration Flows in the Austin HMA: 2014–2018

Into the HMA	
Houston-The Woodlands-Sugar Land, TX Metro Area	13,931
Dallas-Fort Worth-Arlington, TX Metro Area	11,902
San Antonio-New Braunfels, TX Metro Area	10,161
New York-Newark-Jersey City, NY-NJ-PA Metro Area	3,870
Los Angeles-Long Beach-Anaheim, CA Metro Area	3,378
Out of the HMA	
Houston-The Woodlands-Sugar Land, TX Metro Area	9,483
Dallas-Fort Worth-Arlington, TX Metro Area	9,227
San Antonio-New Braunfels, TX Metro Area	8,427
Killeen-Temple, TX Metro Area	4,300
College Station-Bryan, TX Metro Area	2,474

Sources: U.S. Census Metro-to-Metro Migration Flows; 2014–2018 American Community Survey, 5-year data

Table 5. Selected Population and Household Demographics in the Austin HMA and the Nation

	Austin HMA	Nation
Population Age 18 and Under	22.7%	22.2%
Population Age 65 and Over	11.2%	16.5%
Median Age	35.2	38.5
Bachelor's Degree Holders Over Age 25	29.6%	20.3%
Graduate or Professional Degree Holders Over Age 25	16.6%	12.8%
Households With At Least One Child Under Age 18 in Poverty	12.8%	16.8%
No Healthcare Coverage	13.6%	9.2%
Hispanic	32.6%	18.3%
Non-Hispanic	67.4%	81.7%
Median Household Income	$80,954	$65,712
Households With One or More Children Under Age 18	31.9%	29.9%

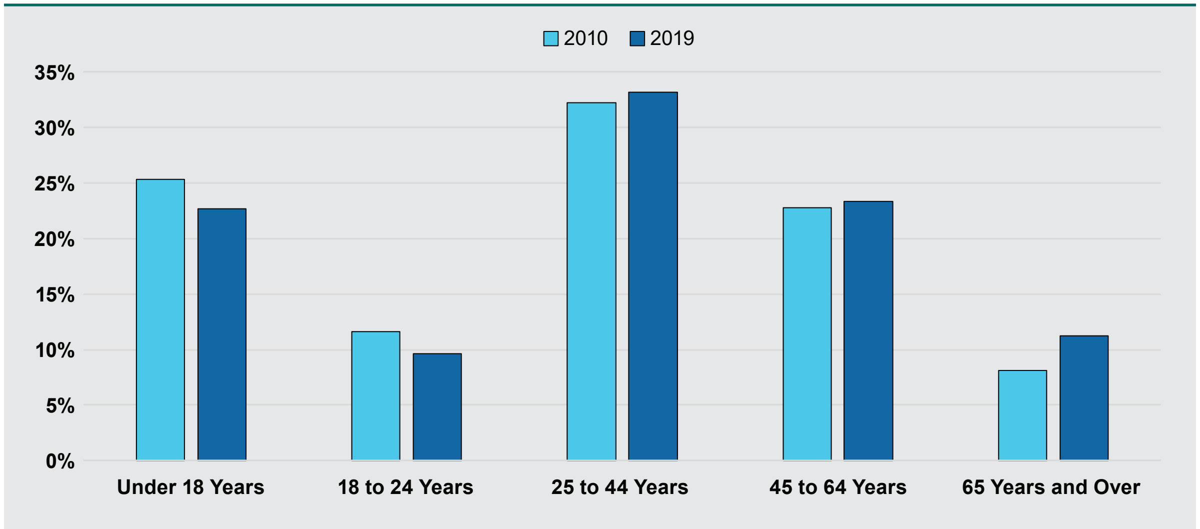
Source: 2019 American Community Survey

1.31 million people, accounting for nearly 57 percent of the entire HMA population (Figure 6). From 2010 to current, population growth averaged 26,500 people, or 2.3 percent, annually, which accounted for nearly 48 percent of the population growth in the HMA. By comparison, from 2000 through 2010, population growth in the Travis County submarket averaged 21,200 people, or 2.3 percent, per year, slightly more than 45 percent of all population growth. From 2000 through 2010, in-migration to the Travis County submarket averaged 10,050 people per year, but since 2010, in-migration has surged and averaged 16,300 people per year.

Suburban Counties Submarket

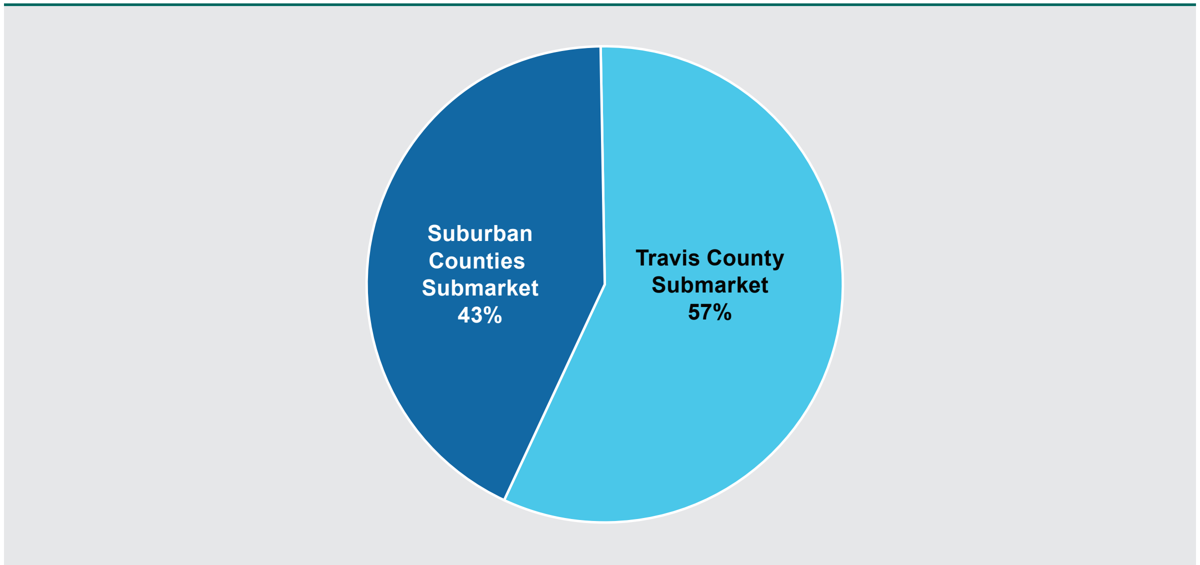
During the past two decades, the fastest population growth in the HMA has been in the Suburban Counties submarket. The population is estimated at 1 million as of January 1, 2021, with an average annual increase of 29,000, or 3.5 percent, since 2010. Net in-migration has averaged 23,250 people a year in the submarket since 2010 and has accounted for 80 percent of total population growth. By comparison, population growth averaged 25,450 people, or 4.7 percent, annually from 2000 to 2010; during this time, net in-migration averaged 19,450 people a year and accounted for 76 percent of total population growth. Relatively affordable housing compared with nearby Travis County has supported high levels of net in-migration to the submarket. Population growth was particularly rapid during the lead up to the Great Recession,

Figure 5. Population by Age Range in the Austin HMA



Source: U.S. Census Bureau

Figure 6. Current Population in the Austin HMA, by Submarket



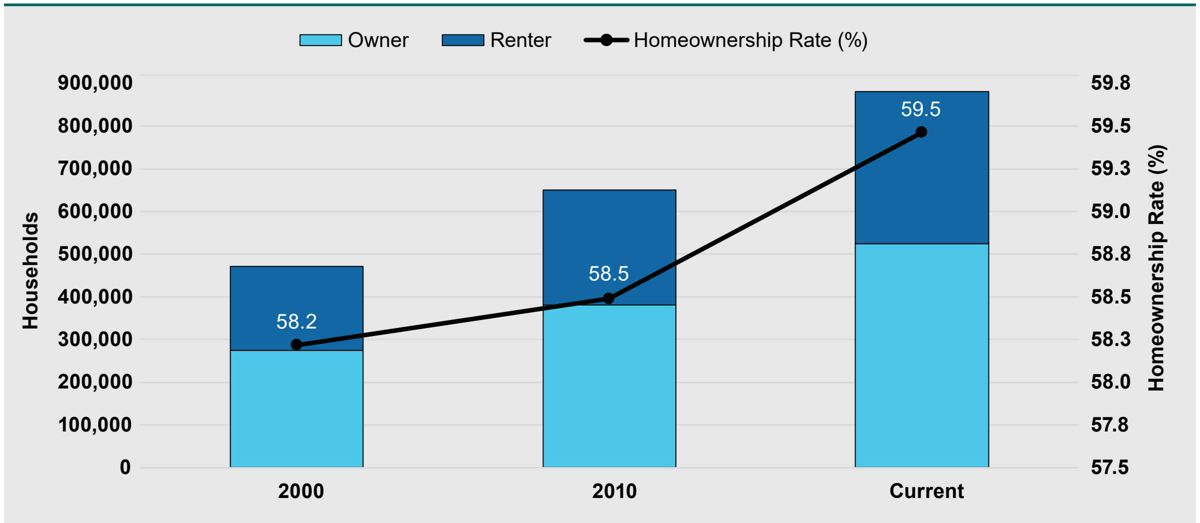
Source: Estimates by the analyst

averaging 31,400, or 5.2 percent, annually from 2006 to 2008, when net in-migration increased to 24,700, or nearly 79 percent of growth due to strong job gains during the period. By comparison, from 2000 to 2005, population growth averaged 23,350 annually, or 4.8 percent, when net in-migration averaged 17,850, or 76 percent of growth. From 2008 to 2012, growth slowed further, averaging 21,150 annually, or 3.1 percent. Net in-migration accounted for 70 percent of the growth, averaging 14,900 annually. In-migration increased to 25,650 from 2013 to 2016, as population growth averaged 31,600, or 4.0 percent, when the submarket recovered jobs rapidly after the height of the recession. The most recent population growth from 2017 to current has slowed slightly, to an average of 3.6 percent, or 33,100, annually, with in-migration averaging 27,450, or nearly 83 percent of all population growth. Both Hays and Williamson Counties ranked among the top ten fastest growing counties in the nation from 2010 through 2019, ranking second and ninth, respectively (U.S. Census Bureau). The most populous county in the submarket in 2019 was Williamson County, with 590,600 residents, accounting for 62 percent of the population of the Suburban Counties submarket (2019 ACS 1-year data).

Household Trends

Household growth has generally mirrored population growth in the Austin HMA since 2000. The number of households in the HMA is currently estimated at 881,000, an average annual increase of 21,450, or 2.9 percent, from 650,500 households in 2010. By comparison, household growth in the HMA averaged 3.3 percent annually from 2000 to 2010. The homeownership rate in the HMA has been steadily increasing since 2000 and is currently 59.5 percent (Figure 7). While the homeownership rate is increasing, the homeownership rate for the age cohort 25 to 34 years has been declining and is well below the national homeownership rate for this age cohort (Table 6). Conversely, the homeownership rate for the age cohort 35 to 44 years is above the national average. There are currently an estimated 520,400 households in the Travis County submarket, representing an average annual increase of 2.4 percent since

Figure 7. Households by Tenure and Homeownership Rate in the Austin HMA



Note: The current date is January 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Table 6. Homeownership Rates by Age of Householder in the Austin HMA and the Nation

	Austin HMA			Nation		
	2000	2010	2019	2000	2010	2019
Householder Age 25 to 34 Years	39.6	36.3	28.2	45.6	42.0	38.5
Householder Age 35 to 44 Years	66.1	62.5	64.1	66.2	62.3	58.3
Total Households	51.4	57.4	57.6	66.2	65.1	64.1

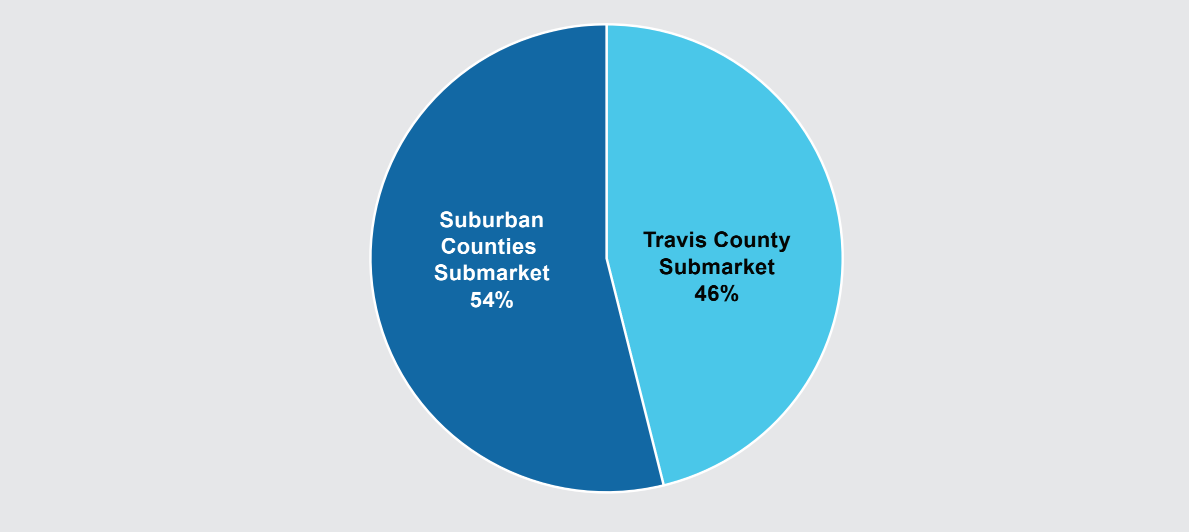
Source: 2000 and 2010 Decennial Census, 2019 American Community Survey, 1-year estimates

2010. Since 2010, renter households increased by an average of 4,525, or 2.1 percent, annually, accounting for nearly 42 percent of all new household formations. The number of households in the Suburban Counties submarket is currently estimated at 360,600, representing an average annual increase of 10,650 or 3.6 percent, since 2010, compared with an increase of 9,500, or 5.0 percent, annually from 2000 through 2010.

Forecast

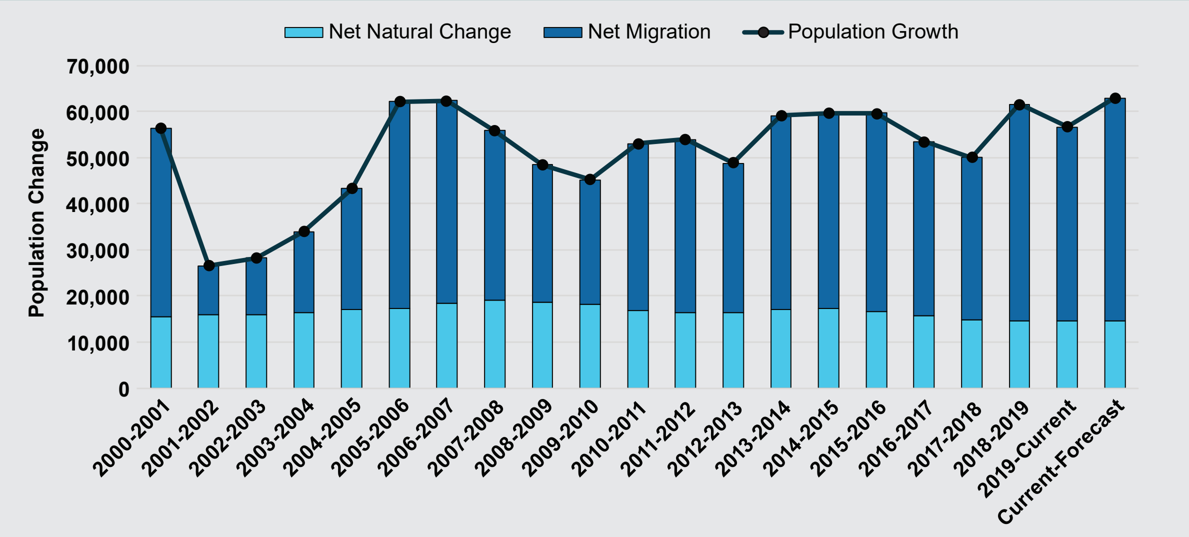
During the next 3 years, population growth in the HMA is expected to average 62,900, or 2.6 percent, annually. Population growth is expected to increase during each of the next 3 years, with net in-migration accelerating as economic conditions in the HMA improve. The fastest population growth is expected in the Suburban Counties submarket, followed by the Travis County submarket, with respective rates averaging 3.3 and 2.1 percent a year. Figure 8 shows the share of population growth by submarket. Household growth in the HMA is expected to average 2.7 percent annually, with rates of 3.4 and 2.2 percent a year in the Suburban Counties and Travis County submarkets, respectively. Figure 9 shows the components of population change in the Austin HMA from 2000 through the forecast.

Figure 8. Share of Forecast Population Growth by Submarket in the Austin HMA



Source: Estimates by the analyst

Figure 9. Components of Population Change in the Austin HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (January 1, 2021) to January 1, 2024.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst.

Housing Market Overview

The Austin HMA has been one of the fastest growing MSAs in the nation for the last 10 years. As a result, home prices and rents have risen rapidly due to high levels of demand. With the increasing home prices, the production of new housing began to increase. The rental market was the first to start having rapid price increases due to low construction activity during the Great Recession from 2008 through 2011, with an average of 4,000 units permitted a year, causing the rental market to tighten. Rental construction activity spiked during 2012, exceeding 11,350 rental units permitted, and continued from 2012 through 2017 with an average of 11,850 units permitted, annually. This increased level of rental construction was accompanied by a small but steady increase in the vacancy rate during the same period. Owner production in the HMA was a little slower to ramp up and in 2014 surpassed 10,000 units permitted in a year. Production continued to increase throughout the decade, with owner production reaching 16,050 units permitted in 2017 and rental production exceeding 15,000 for the first time in 2018. Homebuilders and multifamily developers continued to increase production through the end of the decade. In 2020, both the rental and owner market permitted more than 20,000 units each. Since 2018, population growth has averaged 58,850 people per year, with housing production averaging 36,800 units per year for an average increase of 1.6 people for every new housing unit built. By comparison from 2012 through 2017, housing production averaged 23,700 units, with population growth that averaged 56,200 people for an average increase of 2.4 people for every new housing unit permitted. The recent production level has led to increasing vacancy rates in the rental market because there are not enough new renter households for the level of housing production currently in progress. Given the current level of rental production compared with the current level of new renter household formation, it is likely that a soft market in the Austin HMA could prevail, particularly for rental units in the Travis County submarket, where the bulk of the rental production is occurring.

Since 2018, population growth has averaged 24,950, annually, in the Travis County submarket, while the number of total housing units permitted has averaged 22,500 each year, which is 1.11 people per housing unit built. By comparison, from 2012 through 2017, population growth in Travis County averaged 26,150 people per year. There was an average of 14,350 housing units built per year during this time, equaling about 1.82 people per housing unit built. While demand for housing remains strong due to population growth in the HMA, a large amount of previous rental production has yet to be absorbed. If the production levels of the past two years were to continue, the rental market would soften further, particularly in a low interest rate environment. During the next 3 years, an additional 11,800 new households are expected in Travis County annually. Even if new renter household formation is above the historical trends and accounts for 60 percent of all new household formation, that is less than 7,100 new renter households per year or less than 21,300 new renter households during the next 3 years—well below the 26,050 rental units currently under construction. The surplus units in the Travis County submarket will not provide a substitute for forecast demand in the suburban submarket as detailed in the sections that follow.

Home Sales Market Austin HMA

Market Conditions: Tight

Despite the overall economic contraction, strong net in-migration and low interest rates supported increased home sales during 2020.

Current Conditions

The home sales market in the Austin HMA is currently tight, with an estimated owner vacancy rate of 0.9 percent, significantly down from the 2.3-percent rate during April 2010 (Table 7). There was a 0.6-month supply of available homes for sale during December 2020, down from a 1.1-month supply during December 2019 (Austin Board of Realtors). Homes were on the market for an average of 36 days in December 2020, down from 51 days a year earlier. The home sales market has been among the tightest in the nation in 2020. It is expected to be among the most active housing markets in 2021, according to the Zillow Q4 (fourth quarter) 2020 home price expectations survey.

Home Sales

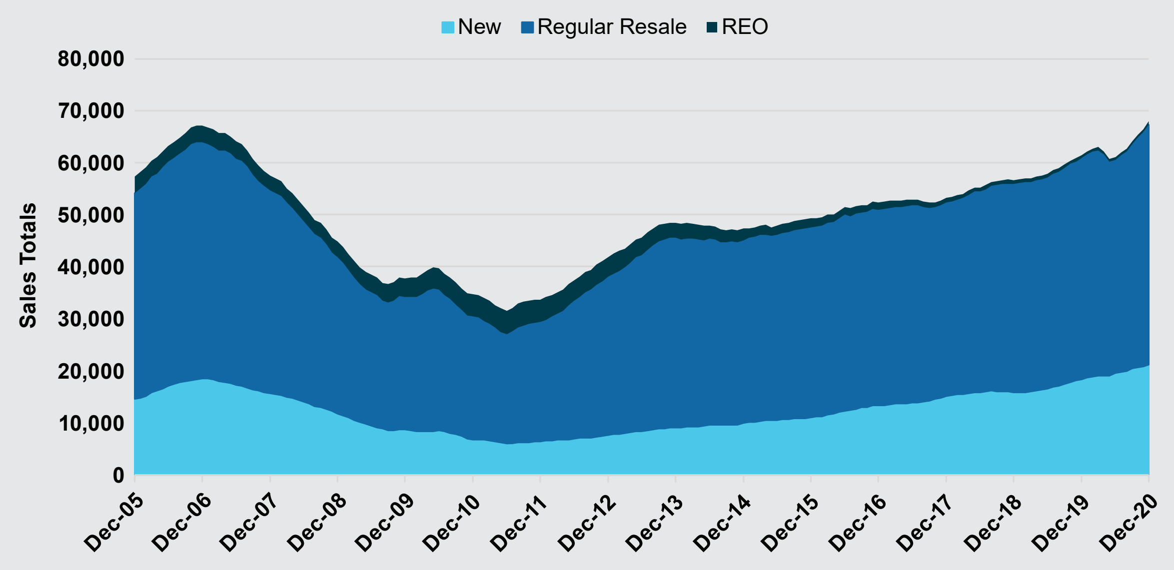
Despite the economic contraction, home sales and prices increased during 2020 due to already low levels of housing inventory combined with very high demand from growth in population. During 2020, 67,900 homes sold in the HMA, up by 6,450 sales, or more than 11 percent from 2019 when home sales increased by 4,750, or more than 8 percent (Zonda). Figure 10 shows home sales by type in the Austin HMA.

Table 7. Home Sales Quick Facts in the Austin HMA

		Austin HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	0.9%	NA
	Months of Inventory	0.6	3.5
	Total Home Sales	67,900	5,696,600
	1-Year Change	11%	9%
	New Price	$357,200	$409,400
	1-Year Change	0%	-1%
	Regular Resale Price	$361,700	$345,800
	1-Year Change	3%	10%
	Mortgage Delinquency Rate	3.3%	4.0%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2020; and months of inventory and mortgage delinquency data are as of December 2020. The current date is January 1, 2021.
Sources: CoreLogic, Inc.; Zonda; Austin Board of Realtors; Texas Real Estate Research Center at Texas A&M University

Figure 10. 12-Month Sales Totals by Type in the Austin HMA



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

REO Sales and Delinquent Mortgages

During 2020, the number of REO sales averaged 550, or 0.8 percent of all home sales, down 50, or more than 8 percent, from the average during 2019. In December 2020, 3.3 percent of home loans in the Austin HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status; that percentage is up from 0.6 percent a year earlier but below the 4.0-percent peak rate in January 2010 (CoreLogic, Inc.). This increase is due strictly to home loans that are 90 or more days delinquent. With forbearance programs in place, foreclosures have decreased during the past year.

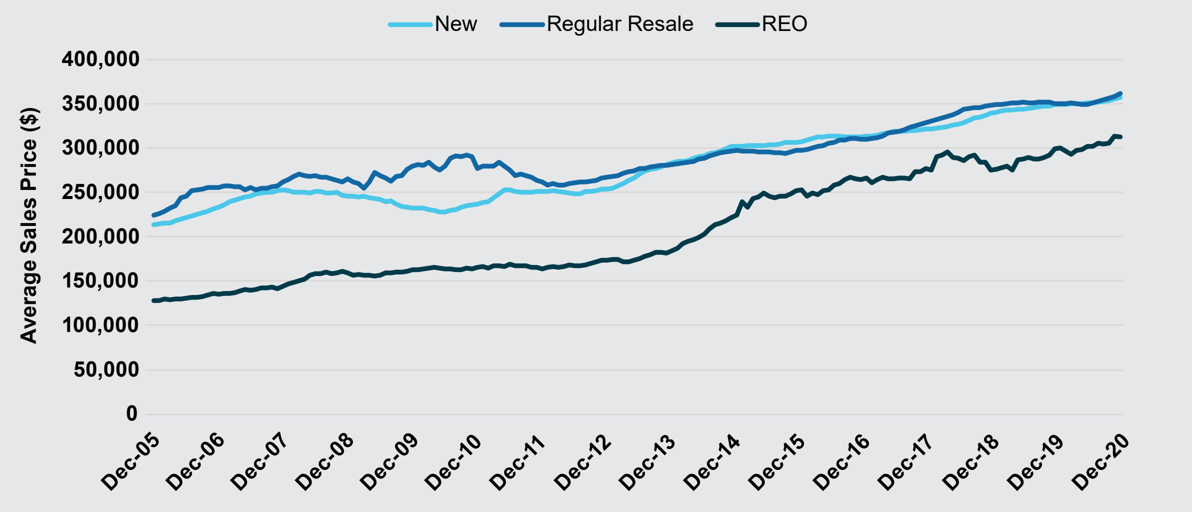
Home Sales Prices

During 2020, the average home sales price in the HMA was $359,900, up 3.0 percent from $349,400 during 2019 (Figure 11). Approximately 18 percent of all new homes sold in the HMA during the most recent 12 months were priced from $200,000 to $299,000 (Figure 12), and demand for this price range remains high.

Sales Construction Activity

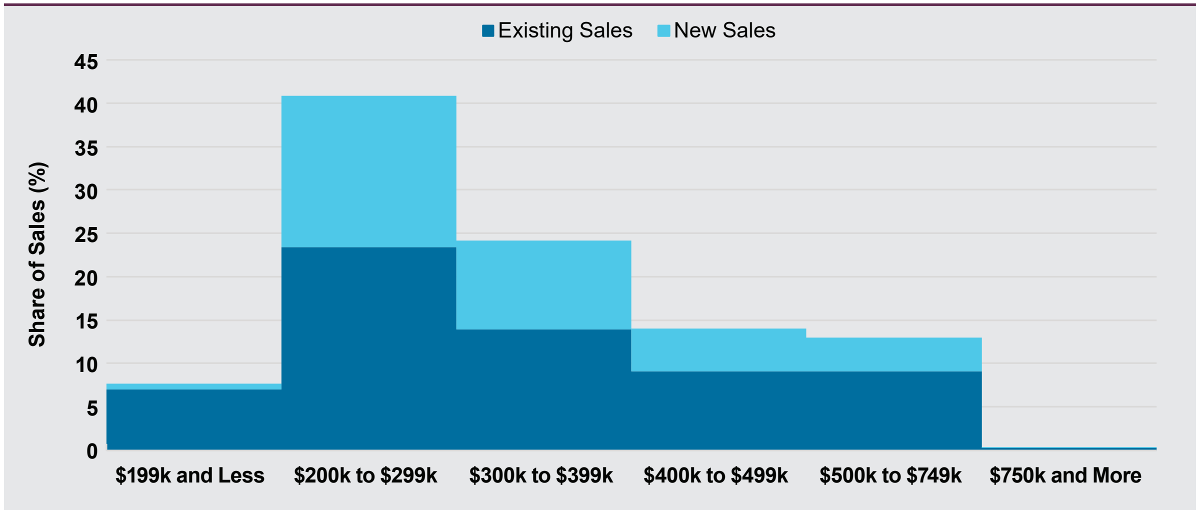
During 2020, approximately 22,400 sales units were permitted in the Austin HMA, 16 percent more than the 19,350 sales units permitted during 2019 (preliminary data, with estimates by the analyst; Figure 13). This is the first time that the permitting of housing units for sale has exceeded 20,000 in a year.

Figure 11. 12-Month Average Sales Price by Type of Sale in the Austin HMA



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

Figure 12. Share of Overall Sales by Price Range During the 12 Months Ending December 2020 in the Austin HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Forecast

During the 3-year forecast period, demand is expected for an estimated 56,700 new homes in the HMA (Table 8). Demand for new homes in the HMA is expected to increase each year of the forecast period as economic conditions in the HMA recover from the impact of COVID-19. The 7,375 new homes currently under construction will meet part of the forecast demand in the HMA during the first year.

Sales Market— Travis County Submarket

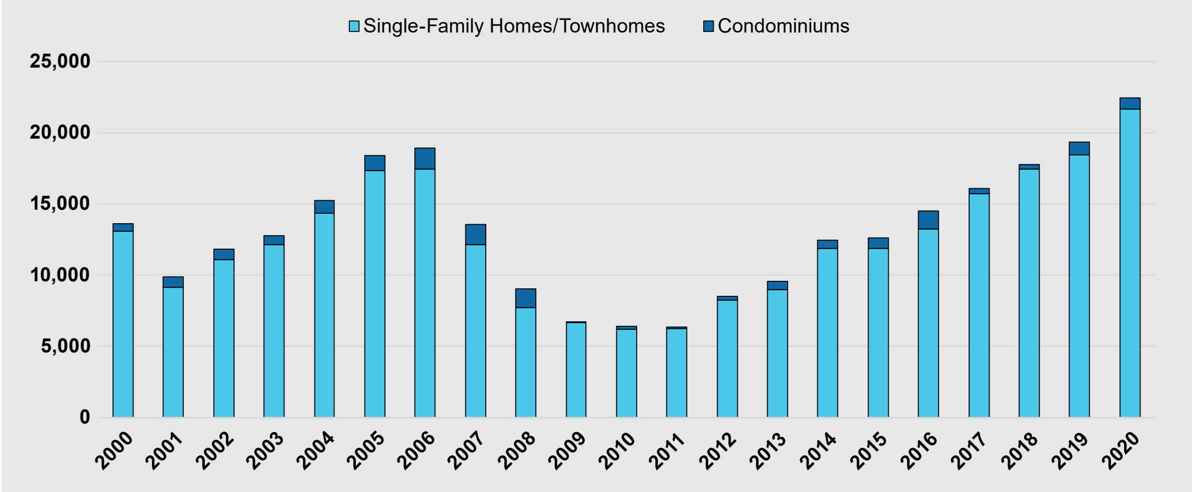
Market Conditions: Very Tight

Total home sales in Travis County during 2020 totaled 34,200, an increase of 1,900 sales, or nearly 6 percent, from 2019.

Current Conditions

The home sales market in the Travis County submarket is currently very tight, with an estimated vacancy rate of 0.9 percent, down from 2.5 percent in 2010 (Table 9). Declining interest rates and increased development of single-family homes in eastern Travis County—where new homes are offered at lower prices—have attracted many new homebuyers in the Travis County submarket. According to data from the Austin Board of Realtors, during December 2020, there was a 0.6-month supply of homes on the market, down from 1.4 months 1 year

Figure 13. Average Annual Sales Permitting Activity in the Austin HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through December 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

Table 8. Demand for New Sales Units in the Austin HMA During the Forecast Period

	Sales Units
Demand	56,700 Units
Under Construction	7,375 Units

Note: The forecast period is from January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst

Table 9. Home Sales Quick Facts in the Travis County Submarket

		Travis County Submarket	Austin HMA
Home Sales Quick Facts	Vacancy Rate	0.9%	0.9%
	Months of Inventory	0.6	0.6
	Total Home Sales	34,200	67,900
	1-Year Change	6%	11%
	New Price	$375,500	$357,200
	1-Year Change	3%	2%
	Regular Resale Price	$398,100	$361,700
	1-Year Change	1%	3%
	Mortgage Delinquency Rate	3.2%	3.3%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2020; and months of inventory and mortgage delinquency data are as of December 2020. The current date is January 1, 2021.
Sources: CoreLogic, Inc.; Zonda; Austin Board of Realtors; Texas Real Estate Research Center at Texas A&M University

earlier. Also, during December 2020, the average number of days a home was on the market was 36 days, down by 20 days from one year earlier. The number of active listings averaged 1,050, a decline of 54 percent from one year earlier. The average number of active listings (homes currently listed for sale) declined, even as the number of new listings in December 2020 increased by 29 percent, to 1,225, due to low inventory and how quickly homes are selling in this market.

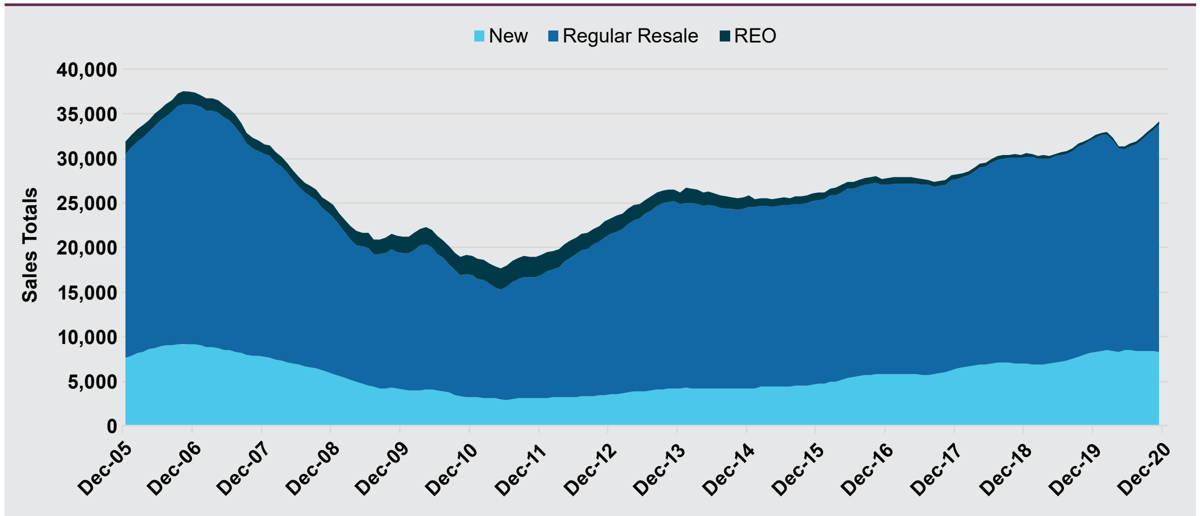
New Home Sales

New home sales (which include single-family homes, townhomes, and condominiums) have increased recently, along with the recent rise in the development of single-family homes. During 2020, new home sales totaled 8,350, an increase of 190, or more than 2 percent, from 2019 (Zonda; Figure 14). New home sales are below the peak level of 9,100 sales during 2006. Following that peak, new home sales steadily declined during the next 5 years by an average of 1,200, or 19 percent, annually, to reach a low of 3,100 homes sold annually. With the local economy rapidly improving and the impacts from the housing crisis lessening, new home sales began to increase during 2012 and increased steadily for the next 6 years by an average of 560, or 12 percent, annually to reach 6,975 new home sales in 2018. Figure 15 shows home sales by price range.

Existing Home Sales

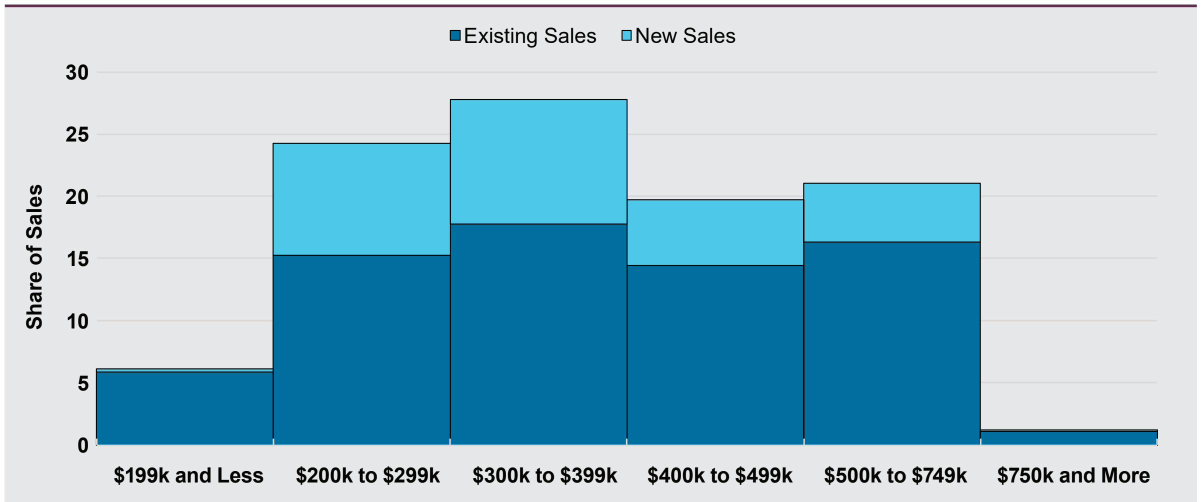
The regular resale of existing homes has reached near-record levels of sales during the past 2 years.

Figure 14. 12-Month Sales Totals by Type in the Travis County Submarket



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

Figure 15. Share of Overall Sales by Price Range During the 12 Months Ending December 2020 in the Travis County Submarket



Source: Zonda

During 2020, regular resales totaled 25,550, an increase of 1,725, or slightly more than 7 percent, from 2019 (Zonda). Similar to new home sales, regular resales also declined for the 5 years following the peak in 2006, when sales reached a high of 27,000 homes sold. By 2011, regular resales totaled just 13,600 homes sold, an average decline of 2,675 homes, or 13 percent, annually from 2006. With the economy improving following the Great Recession, existing home sales began to improve by 2012, and regular resales increased by an average of 1,350, or 8 percent, annually through 2018, reaching 23,100 homes sold.

REO Sales and Delinquent Mortgages

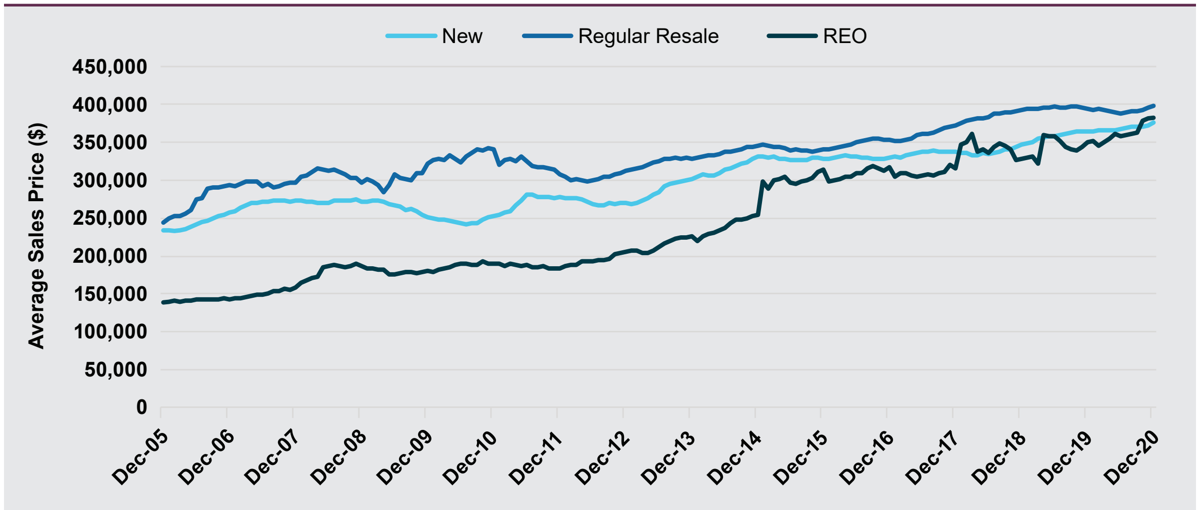
The impact of the foreclosure crisis was less significant in the Travis County submarket than for the nation. The rate of seriously delinquent mortgages (those 90 or more days delinquent or in foreclosure) and REO properties peaked at 3.5 percent in January 2010, lower than the 8.6-percent peak for the nation (CoreLogic, Inc.). The rate declined rapidly in the submarket during much of the 2010s but increased during the past year because of the economic impact of COVID-19. As of December 2020, the rate of seriously delinquent mortgages and REO properties in the submarket was 3.2 percent, up from 0.5 percent during December 2019. This increase is due strictly to home loans that are 90 or more days delinquent. With the forbearance program in place, foreclosures have decreased during the past year.

REO sales in the current tight market have declined significantly and are at record low levels. During 2020, REO sales totaled 275 in Travis County, down by 10 sales, or 4 percent, from a year earlier (Zonda). Since 2015, REO sales have been well below levels from before the housing crisis. During 2007, there were 1,175 REO sales in Travis County before reaching a peak in 2011 with 2,200 REO sales. Since 2011, REO sales have dropped significantly. During 2015, REO sales dropped below 1,000 with just 810 REO sales, and by 2017 that number dropped below 500 with 490 REO sales. With strong demand these last several years, and low inventory, most homes are sold before becoming REO properties. The price of an REO property has also converged with the average sales price of new and existing home sales. In 2007 the average sales price of an REO property was $158,100, which was nearly 47 percent lower than the average sales price of $297,100 for an existing home. During 2020, the average price of an REO property was $382,600, which was less than 4 percent below the average sales price of $398,100 for an existing home and $7,100 higher than the average sales price for a new home.

New Home Sales Prices

The average sales price of a new home in the Travis County submarket was $375,500 during 2020, up $11,000, or 3 percent, from 1 year earlier (Figure 16). The average sales price of a new home has increased significantly from 2005 when the average sales price was $234,100. New home prices increased during

Figure 16. 12-Month Average Sales Price by Type of Sale in the Travis County Submarket



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

the next 2 years by an average of $19,450, or 8 percent, annually, and reached $273,100 during 2007. From 2008 through 2009, when the housing crisis impacted the local market, the average sales price of a new home declined by an average of $11,100, or 4 percent, annually, to $250,900 by 2009. During 2010, the average sales price of a new home began to increase again, and by 2011 it was up to $277,200, an average increase of 5 percent annually. During 2012, the average sales price of a new home declined slightly due to increased development of new homes at slightly lower price points in eastern Travis County. During 2012, the average sales price of a new home was $269,200, a decline of $7,925, or nearly 3 percent, from a year earlier. The next 2 years, 2013 and 2014, had some of the largest annual increases in new home prices. By 2014 the average sales price of a new home was up to $330,800, an average increase of $30,800, or 11 percent, annually. During 2015, there was a slight drop of 1 percent in the average sales price resulting from types and locations of new homes sold during the year. In 2016, new home prices began to steadily increase and were up to $364,500 by 2019, an average increase of $9,125, or 3 percent, annually.

Existing Prices

The average sales price of a regular resale home in Travis County was $398,100 during 2020, an increase of slightly more than 1 percent above the average price during 2019. The average sales price of a regular resale home is slightly higher than the average sales price of a new home due to a higher percentage of regular resale homes in Travis County being located on the more scenic western portion of the county and within the Austin city limits. The higher price for regular resale homes has been a consistent pattern in the Travis County Submarket for many years. During 2005, the average sales price of a regular resale home was $244,500, which was more than $10,000 higher than the average sales price of a new home in that year. During the next 5 years, the average sales price of a regular resale home increased by an average of $19,150, or 7 percent, annually, to $340,100 during 2010. During 2011, the average sales price of a regular resale home dropped by $32,100, or more than 9 percent, to $308,000. During 2012, the average sales price increased once again and rose to $344,900 by 2014, an average increase of $12,300, or 4 percent, annually. Prices dipped again by approximately 1 percent in 2015 to $340,900. Prices began to rise once more in 2016, and by 2019, the average sales price was up to $393,200, an average increase of $13,100 or 4 percent, annually.

Sales Construction Activity

During 2020, sales building activity, as measured by the number of single-family homes, townhomes, and condominium units (hereafter, owner units) permitted, totaled 11,100, an increase of 700, or nearly 7 percent, from 2019 (preliminary data, with adjustments by the analyst). The 11,100 owner units permitted is an all-time peak level, surpassing the 10,950 owner units permitted in 2006 before the housing crisis. Before the previous peak level of building activity in 2006, construction of owner units increased every year from 2001 through 2006 by an average of 500, or 6 percent, annually. During 2007, production began to slow, and by 2010, permitting of owner housing units totaled 3,325, an average decline of 1,900, or 26 percent, annually. During 2011, as the local economy began to recover and in-migration to the county began to increase, so did the production of owner units. By 2015, there were 6,375 owner units permitted, an average increase of 610 units, or 14 percent, annually. During 2016, owner production had the largest 1-year increase since 2004; there were 8,350 owner units permitted, an increase of 1,975, or 31 percent from 2015. During 2016, production continued to increase, and by 2019, permitting of owner units totaled 10,400, an average increase of 680, or 8 percent, annually. Figure 17 shows the number of sales permits issued annually in the Travis County submarket.

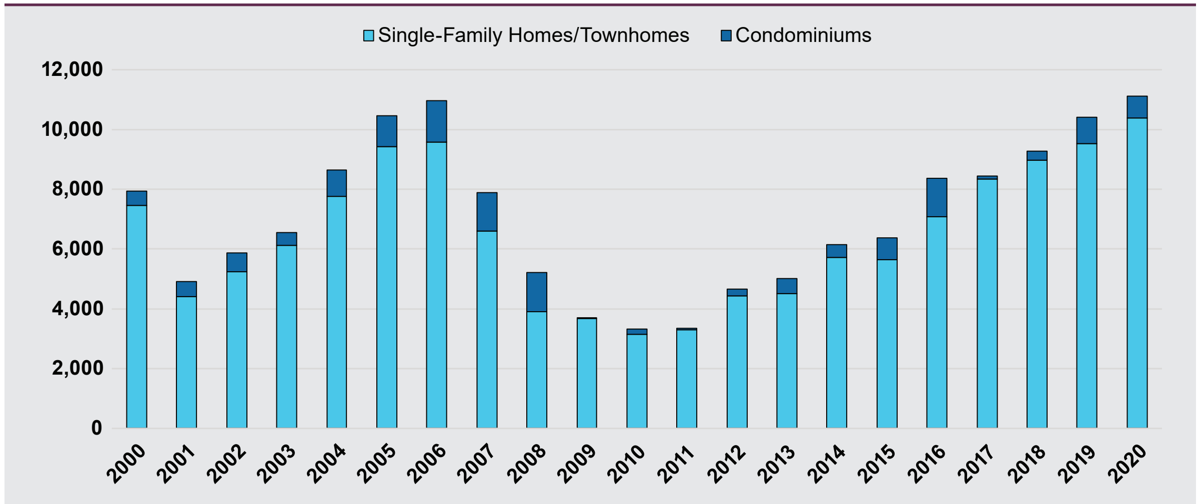
Some recent developments include Breakwater, a single-family home development that will have 20 homes upon completion. A total of 13 homes have already been completed, with three-to-seven-bedroom luxury homes with prices starting at more than $1 million. This development is to the west of the city of Austin, near the Texas hill country. The Sorrento, in eastern Travis County, is a 116-home subdivision that began construction in 2019 and is completely sold out. Home prices range from $278,000 to $335,000 for two- and three-bedroom homes. Developments under construction in downtown Austin include the 33-story

Natiivo Tower, which will have 248 condominium units completed in 2021. The units will come fully furnished, with hotel licensing, and can be used for either full-time owner occupancy or short-term rental properties if the owner is not using the unit.

Demand

During the 3-year forecast period, demand is estimated for 27,850 owner units in the Travis County submarket (Table 10). The 3,600 owner units currently under construction in this submarket will satisfy a small portion of the demand in the first year of the forecast. Most of the large-scale subdivisions under construction and planning in the submarket will likely be built east of Highway 130 due to more available land in that area. The construction of new owner units west of Highway 130 is expected to consist mainly of infill. A significant number of single-family homes are demolished annually in the submarket to make way for larger, more modern homes or four-to-five-unit townhomes on what was previously a single-family lot. In a 2017 report by the City of Austin Office of the City Auditor, there were 800 demolition permits issued during the fiscal year 2016, of which 77 percent were for single-family homes. In 2017, there were just under 1 million square feet of residential units demolished in the city of Austin, but by 2019 there were more than 1.3 million square feet of residential units demolished.

Figure 17. Average Annual Sales Permitting Activity in the Travis County Submarket



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through December 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

Table 10. Demand for New Sales Units in the Travis County Submarket During the Forecast Period

Sales Units	
Demand	27,850 Units
Under Construction	3,600 Units

Note: The forecast period is from January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst

Sales Market—Suburban Counties Submarket

Market Conditions: Tight

Increased demand and a relatively low inventory of homes available for sale have contributed to tight sales market conditions, resulting in home sales prices rising more than 6 percent annually since 2012.

Current Conditions

The sales housing market in the Suburban Counties submarket is currently tight, with an estimated sales vacancy rate of 1.0 percent, down from 2.0 percent in 2010 (Table 11). Yearly increases in in-migration have contributed to an annual increase in home sales since 2012, despite the recent economic contraction during 2020. The inventory of available homes for sale declined to 0.5 months of supply in December 2020, down from 1.3-months in December 2019 (Real Estate Center at Texas A&M University, with adjustments by the analyst). Home prices are slightly lower in the submarket compared with the Travis County submarket, and a much higher percentage of homes sell for under $300,000 (Zonda; Figure 18).

New Home Sales

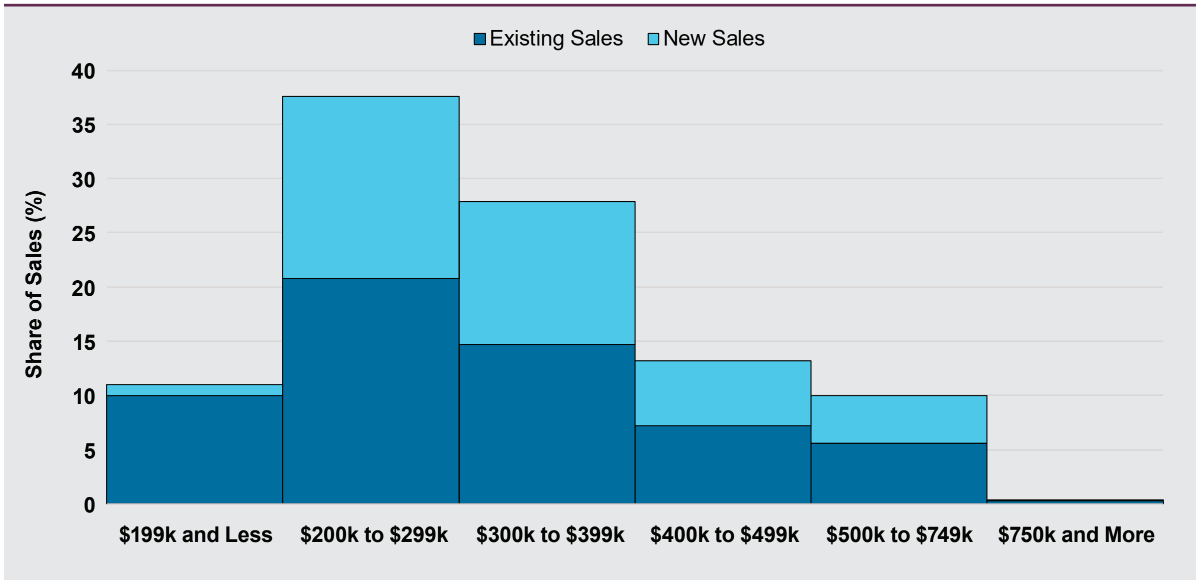
New home sales totaled 12,800 during 2020, an increase of 2,650 homes sold, or nearly 26 percent more than a year ago, compared with

Table 11. Home Sales Quick Facts in the Suburban Counties Submarket

		Suburban Counties Submarket	Austin HMA
Home Sales Quick Facts	Vacancy Rate	1.0%	0.9%
	Months of Inventory	0.5	0.6
	Total Home Sales	33,700	67,900
	1-Year Change	16%	11%
	New Price	$345,200	$357,200
	1-Year Change	3%	2%
	Regular Resale Price	$316,700	$361,700
	1-Year Change	7%	3%
	Mortgage Delinquency Rate	3.7%	3.3%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2020; and months of inventory and mortgage delinquency data are as of December 2020. The current date is January 1, 2021.
Sources: CoreLogic, Inc.; Zonda; Austin Board of Realtors; Texas Real Estate Research Center at Texas A&M University

Figure 18. Share of Sales by Price Range During the 12 Months Ending December 2020 in the Suburban Counties Submarket



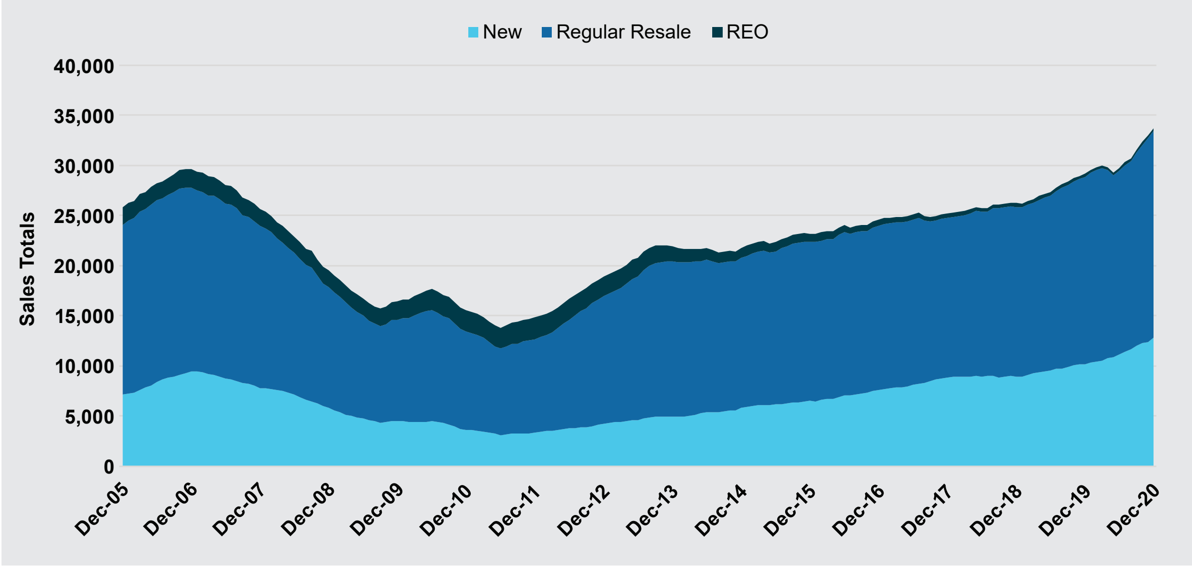
Source: Zonda

a year-over-year increase of 13 percent during 2019 (Figure 19). The share of new home sales increased in response to record net in-migration, particularly in Williamson and Hays Counties. Before these last 2 years of record growth, new home sales had peaked at 9,450 homes sold during 2006, through the housing boom, before declining to an average of 5,000 homes sold annually from 2007 through 2011. As the economy improved following the Great Recession, new home sales increased every year from 2012 through 2018, averaging 6,675 homes annually during the period.

Existing Home Sales

During 2020, regular resale home sales totaled 20,650, up 5 percent from the 19,700 regular resale homes sold in 2019. Homes sales peaked at 18,300 homes during 2006 but declined by an average of 1,800 homes, or 13 percent, annually from 2007 through 2011. Since 2012, regular resale home sales have generally been increasing following the economic contraction from the Great Recession. Accelerated net in-migration, overall job growth nearly every year, and relatively lower home prices compared with the Travis County submarket contributed to the overall improved sales market conditions in the submarket since 2011. From 2012 through 2018, regular resales increased an average of 1,100 homes, or 9 percent, annually to a total of 16,900 regular resales in 2018. Williamson and Hays Counties accounted for the largest share of the regular resale market and, in 2020, combined for 96 percent of all regular resales in the Suburban Counties submarket.

Figure 19. 12-Month Sales Totals by Type in the Suburban Counties Submarket



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

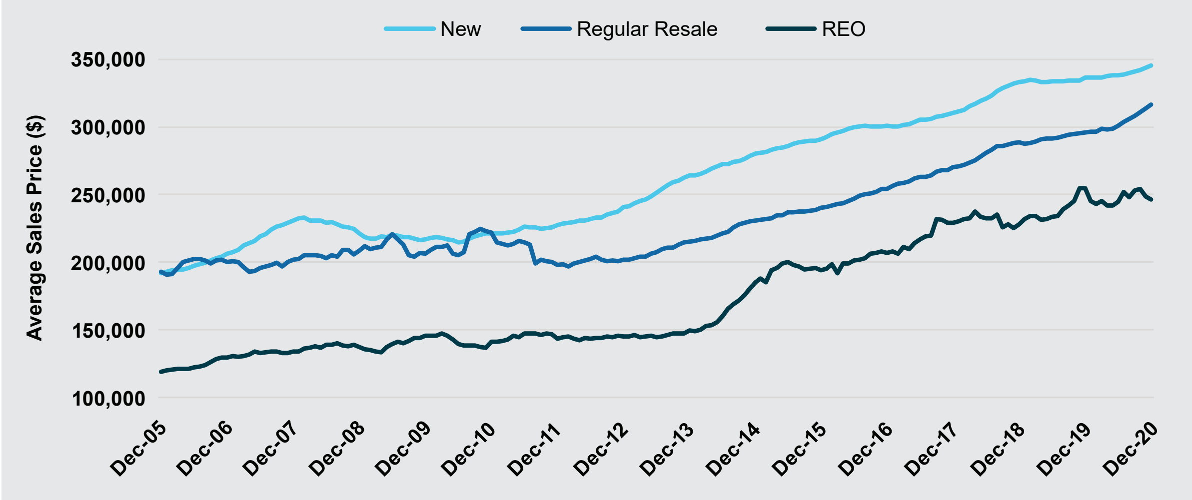
New Home Sales Price Trends

During 2020, new home sales prices in the submarket increased $8,825, or 3 percent from the previous year, to $345,200 (Figure 20). New home sales prices previously peaked in 2007 at $230,900 but then declined to $224,300 during 2011 due to the effects of the housing market downturn. By 2012, new home sales prices recovered and surpassed pre-recession levels. By the end of 2018, the average new home sales price was $333,200, an average increase of $15,150, or 6 percent, annually from 2012, with the largest price increases in 2013 and 2018 and nearly 11 and 7 percent increases, respectively, in new sales prices from the year prior. This larger growth was in response to increased job growth and in-migration during these years. Average new sales prices ranged from $301,100 in the more rural Bastrop County to $342,300 in Williamson County during 2020.

Existing Price Trends

During 2020, the average sales price of a regular resale home in the submarket was $316,700, an increase of $21,050, or 7 percent, compared to a 3-percent increase one year earlier. In the 2000s, regular resale home prices peaked in 2009 at $220,700 before declining $3,625, or 2 percent, annually from 2009 through 2011. During the downturn, the spread between regular resale and new home prices vanished as regular resale home prices averaged $207,200 in 2007, but by 2010, averaged $210,400. Since 2011, regular resale home sales prices have generally been increasing and have been 20 percent less than new home sales prices beginning in 2012. From 2012 through 2018, regular resale home sales prices have increased an average of $12,950, or 6 percent, annually to an average price of $280,800 in 2018. Increased sales housing demand in the Suburban Counties submarket is largely a result of the robust in-migration to the submarket due to continued strong job growth and an abundance of development, particularly in Hays and Williamson Counties near the I-35 corridor. The average sales price of a regular resale home in the entire submarket is nearly 20 percent lower than in the neighboring Travis County submarket, although on average, the homes sold are slightly larger in size because developable land is more abundant. Williamson County experienced the fastest price growth for regular resale homes in the submarket, averaging 6 percent, or $15,300, annually from 2012 through 2018 to $297,500. During 2019, prices in the county increased 2 percent, to $303,700, before increasing another 8 percent in 2020 to an average price of $328,400 in response to tightening sales market conditions.

Figure 20. 12-Month Average Sales Price by Type of Sale in the Suburban Counties Submarket



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

REO Sales and Delinquent Mortgages

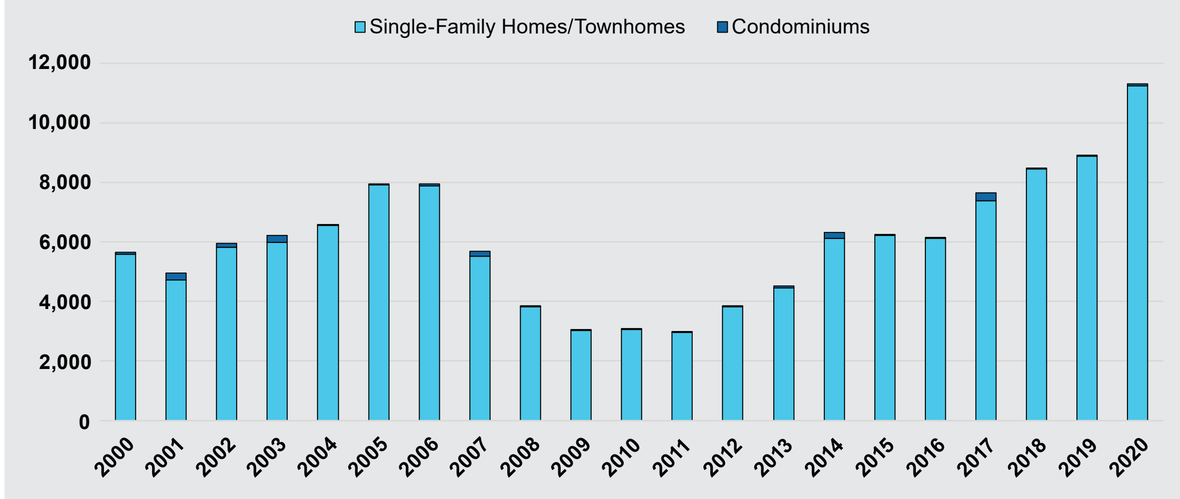
As of December 2020, 3.4 percent of mortgages in the Suburban Counties submarket were seriously delinquent or in REO status, up from 0.7 percent in December 2019 but below a December high of 4.4 percent in 2009 (CoreLogic, Inc.). The recent increase of mortgages that were seriously delinquent or in REO status in the submarket began in June 2020, when weakened economic conditions during the COVID-19 pandemic made it more difficult for many homeowners to stay current on their mortgage payments. The Suburban Counties submarket is below the delinquency rate recorded during the housing market fallout and subsequent recession, as well as below the rate for the nation. Nationally, the rate increased from 1.4 percent in December 2019 to 4.0 percent in December 2020, far below the 8.4-percent rate during the recession in December 2009. As a result of improving economic conditions in the submarket following the recession, seriously delinquent loans and properties that had transitioned to REO status have become a less significant part of the sales market than they were during the worst of the housing crisis from 2008 through 2012. The percentage of seriously delinquent mortgages and REO properties trended downward for much of the 2010s because of continued absorption of the REO inventory due to economic growth, increased net in-migration, and subsequent strong market conditions. The 2020 increase is due strictly to home loans that are 90 or more days delinquent. With the forbearance program in place, foreclosures have decreased during the past year.

During the Great Recession, REO sales in the Suburban Counties submarket peaked in 2010 with 2,125 REO sales (Zonda). Since 2010, REO sales have dropped significantly and, by 2019, the number of REO sales had fallen to 310. Due to the low inventory of available REOs, REO sales totaled just 280 in 2020. The average sales price of an REO home during 2020 was $246,300, 22 percent less than the average sales price of a regular resale home in the Suburban Counties submarket.

Sales Construction Activity

The Suburban Counties submarket still has significant amounts of developable land, particularly in Hays County in and around the city of San Marcos and in Williamson County in the cities of Georgetown and Round Rock. Home sales construction activity, as measured by the number of single-family homes, townhomes, and condominiums permitted, increased nearly 27 percent to 11,300 units during 2020, compared with a 5-percent increase a year earlier (preliminary data, with adjustments by the analyst; Figure 21).

Figure 21. Average Annual Sales Permitting Activity in the Suburban Counties Submarket



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through December 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

From 2001 through 2006, sales construction activity averaged 6,600 units permitted a year, as in-migration declined before the sales market softened. From 2007 through 2011, sales construction fell an average of 18 percent annually, to a low of 2,975 units in 2011. Sales construction activity from 2012 through 2016 averaged 5,425 units annually, increasing 16 percent, or by 640 units, annually before averaging 7,425 units a year from 2016 through 2018. The highest level of construction occurred from 2019 through 2020, averaging 10,125 units annually, when in-migration to the submarket further increased.

New Construction by Geography

Recent new home construction in the submarket has been highly concentrated in areas with convenient access to jobs in the cities of Austin, San Marcos, Georgetown, and Round Rock. Williamson County, which is north of Travis County and bisected by the I-35 corridor, has accounted for approximately 73 percent of all new home construction in the submarket since 2016. Notable recent developments in the county include Parmer Ranch, a 454-acre master-planned community in the city of Georgetown, which is expected to include more than 1,000 single-family homes, 100 acres of commercial development, 47 acres of parkland, and sites for schools when completed during the next 5 years. The first phase of Parmer Ranch is underway and consists of 155 single-family homes. Construction of those homes is expected to be completed in the summer of 2021, and home prices will start in the $250,000s for a three-bedroom home.

Forecast

During the next 3 years, demand is expected for 28,850 sales units in the submarket (Table 12). Demand is expected to increase slightly during each year of the 3-year forecast period in response to continued strong population and job growth. The 3,775 homes currently under construction will meet a portion of the demand. Homes in the lowest price ranges, below $299,000, are expected to account for the greatest portion of demand.

Table 12. Demand for New Sales Units in the Suburban Counties Submarket During the Forecast Period

	Sales Units
Demand	28,850 Units
Under Construction	3,775 Units

Note: The forecast period is from January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst

Rental Market
Austin HMA

The apartment vacancy rate increased sharply to 8.0 percent during 2020 from 6.4 percent during 2019 because increasing apartment completions coupled with a slowdown in the absorption of apartment units transitioned the apartment market from balanced to slightly soft conditions.

Current Conditions and Recent Trends

The overall rental market in the Austin HMA is balanced, with an estimated 7.3-percent vacancy rate, down from 8.6 percent in April 2010 when conditions were soft (Table 13). The vacancy rate declined partly because of a shift from homeownership to renting in the HMA overall that began during the housing crisis. In addition, the increase in renter households resulted from younger professionals and students who have an ongoing preference to live in urban centers or near schools, where a large proportion of the rental inventory in the HMA is located. Approximately 21 percent of renter households in the HMA lived in single-family detached homes as of 2019, down slightly from 22 percent in 2010 and down from the peak of 25 percent in 2016. The vacancy rate for single-family rental homes has remained below 2 percent since 2015 (CoreLogic, Inc.). As of 2019, 59.8 percent of rental households lived in buildings with 5 or more units, up from 56.0 percent in 2010.

Table 13. Rental and Apartment Market Quick Facts in the Austin HMA

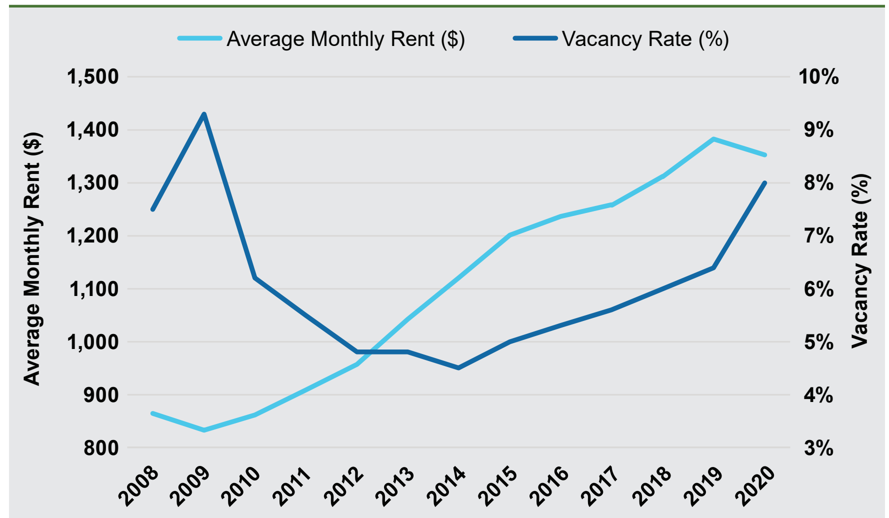
		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	8.6	7.3
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	24.6	24.8
	Multifamily (2–4 Units)	15.0	12.7
	Multifamily (5+ Units)	56.0	59.8
	Other (Including Mobile Homes)	4.3	2.8
		Current	YoY Change
	Apartment Vacancy Rate	8.0	160.0
	Average Rent	$1,352	-2.2
	Studio	$1,115	NA
	One-Bedroom	$1,200	NA
	Two-Bedroom	$1,490	NA
	Three-Bedroom	$1,732	NA

NA = data not available.
YoY= year-over-year.
Notes: The current date is January 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2019 American Community Survey, 1-year data; ALN Apartment Data, Inc.

Apartment Market Conditions

Unlike conditions in the rental market overall, the apartment market in the HMA is soft; the vacancy rate increased to 8.0 percent as of December 2020, up from 6.4 percent during 2019 (ALN, Inc.; Figure 22). The average apartment rent in the HMA was $1,352 during 2020, down 2 percent from a year ago because vacancy rates have increased. As vacancy rates reached

Figure 22. Apartment Rents and Vacancy Rates in the Austin HMA



Source: ALN Apartment Data, Inc.

8 percent for the first time since 2009, average rents also declined for the first time since 2009. By comparison, rent grew 5 percent from 2018 through 2019 while vacancy rates increased from 6.0 to 6.4 percent.

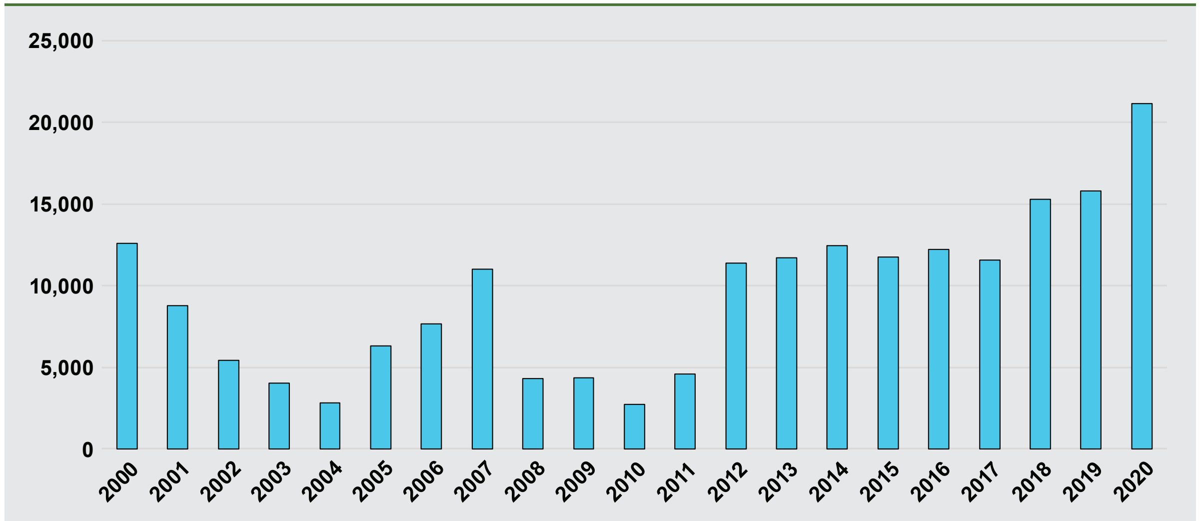
Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted in the Austin HMA, increased significantly during 2020 after being at already high levels each year since 2012 (Figure 23). During 2020, 21,200 rental units were permitted in the HMA, up 33 percent from 16,000 units during 2019 (preliminary data and estimates by the analyst).

Forecast

During the 3-year forecast period, demand is estimated for 33,250 new rental units in the HMA (Table 14). Demand is expected to be relatively steady during the forecast period, and the current pipeline of units under construction, totaling 31,200, will meet nearly all of the demand for the next 3 years. While rental construction in the HMA appears to meet almost all demand in the forecast period, the location of the units under construction is not well matched to demand in the 2 submarkets as detailed below.

Figure 23. Average Annual Rental Permitting Activity in the Austin HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through December 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

Table 14. Demand for New Rental Units in the Austin HMA During the Forecast Period

	Rental Units
Demand	33,250 Units
Under Construction	31,200 Units

Note: The forecast period is January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst

Rental Market—Travis County Submarket

With slowing absorption and rising vacancy rates, the submarket had a decline in apartment rents in 2020 for the first time since 2009.

Recent Market Conditions and Recent Trends

The overall rental market (including apartments, single-family homes, and mobile homes) in the Travis County submarket is currently balanced, with an estimated 7.4 percent vacancy rate, down from 8.7 percent in 2010 (Table 15). Approximately 21 percent of all renter households lived in single-family homes in the Travis County submarket in 2019, unchanged from 2010 but down significantly from the peak of 27 percent in 2016 (2010-2019 ACS, 1- year data). With rapidly rising home prices in the Travis County submarket during the past several years, many of the single-family rental properties have shifted back to the sales market. Increases in property taxes, coupled with slowing rates of rent growth locally, have given owners of single-family rental properties incentive to sell during the past several years. In the city of Austin, the average home sales price has increased by an average of 10 percent annually since 2016, allowing many of the investors who purchased single-family homes during the housing crisis from 2008 through 2010 to realize significant profits (Austin Board of Realtors). The removal of single-family rental units from the rental stock and conversion to owner units—or short-term rental units that would not be captured in the vacant available inventory—have kept the overall rental market from softening as fast as the apartment market, where significant new inventory is added monthly.

Table 15. Rental and Apartment Market Quick Facts in the Travis County Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	8.7	7.4
		2010 (%)	**2019 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	20.8	21.1
	Multifamily (2–4 Units)	15.4	12.9
	Multifamily (5+ Units)	61.3	64.3
	Other (Including Mobile Homes)	2.6	1.7
		Current	**YoY Change**
	Apartment Vacancy Rate	8.4	2.2
	Average Rent	$1,372	-2.8
	Studio	$1,138	NA
	One-Bedroom	$1,227	NA
	Two-Bedroom	$1,541	NA
	Three-Bedroom	$1,807	NA

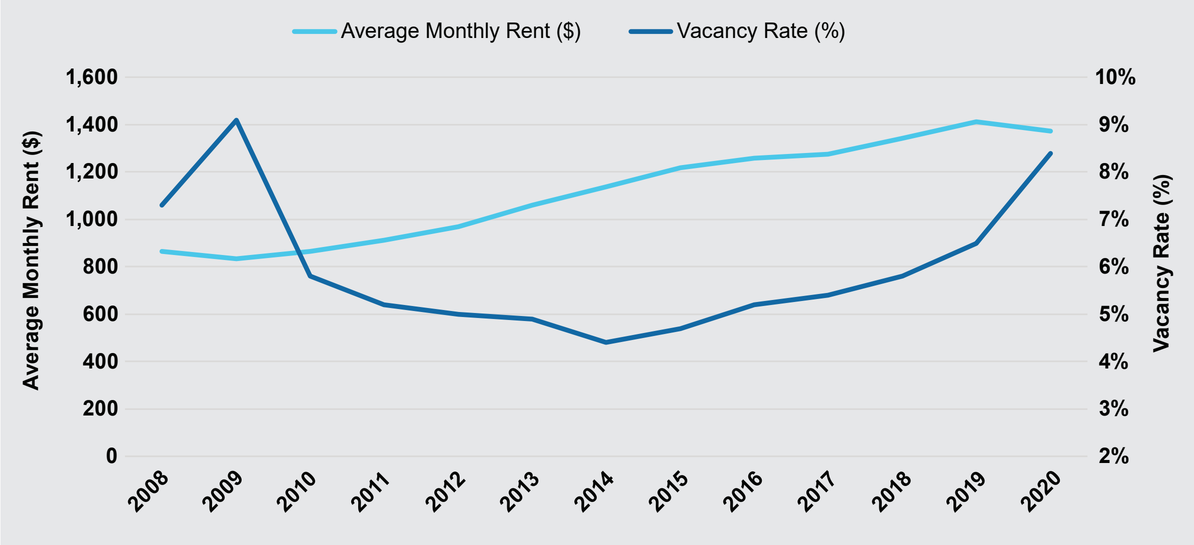
NA = data not available.
YoY= year-over-year.
Notes: The current date is January 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2019 American Community Survey, 1-year data; ALN Apartment Data, Inc.

Apartment Market Conditions

The apartment market in the Travis County submarket has become slightly soft during 2020. Increasing levels of single-family construction at lower price points and declining interest rates during the past 3 years have allowed many renter households to become owner households; at the same time, a large number of apartment units were completed, causing the apartment market to soften. During December 2020, the apartment market vacancy rate was 8.4 percent, up from 6.5 percent a year earlier (ALN, Inc., with adjustments by the analyst; Figure 24). As apartment completions increased, the absorption of apartment units has been slowing. During 2020, the absorption of apartment units totaled 4,000 units, down from 7,700 in 2019 and 9,925 in 2018. The apartment vacancy rate is currently above 7.0 percent for the first time since 2008 and 2009. In 2008, the apartment vacancy rate was 7.3 percent and increased to 9.1 percent during 2009 due to the economic downturn that year. As the economy recovered, attracting many new residents to the submarket, the apartment market quickly tightened and the vacancy rate was down to 5.8 percent by 2010. During the next several years, demand for apartments outpaced the completion of new apartment units. By 2014, the apartment vacancy rate had declined to a low of 4.4 percent. As apartment development rose in response to tight apartment market conditions, the apartment vacancy rate began to increase, but the market remained slightly tight, with a 5.8-percent vacancy rate by 2018.

The average rent for an apartment in the Travis County submarket is currently $1,372, down by $40, or nearly 3 percent, from a year ago as the softening market conditions have put downward pressure on rents. This was the first decline in the average rent in the Travis County submarket since 2009, when the average rent dropped by $31, or 4 percent, to $835 as the market responded to softening conditions caused by the Great Recession. From 2010 through 2015, when the apartment market was tightening due to high levels of demand, the average rent for an apartment increased by an average of $64, or 7 percent, annually. In 2016, as the vacancy rate started to slowly increase, the rate of rent growth in the Travis County submarket slowed slightly. From 2016 through 2019, the average rent for an apartment increased by an average of $48, or 4 percent, annually.

Figure 24. Apartment Rents and Vacancy Rates in the Travis County Submarket



Source: ALN Apartment Data, Inc.

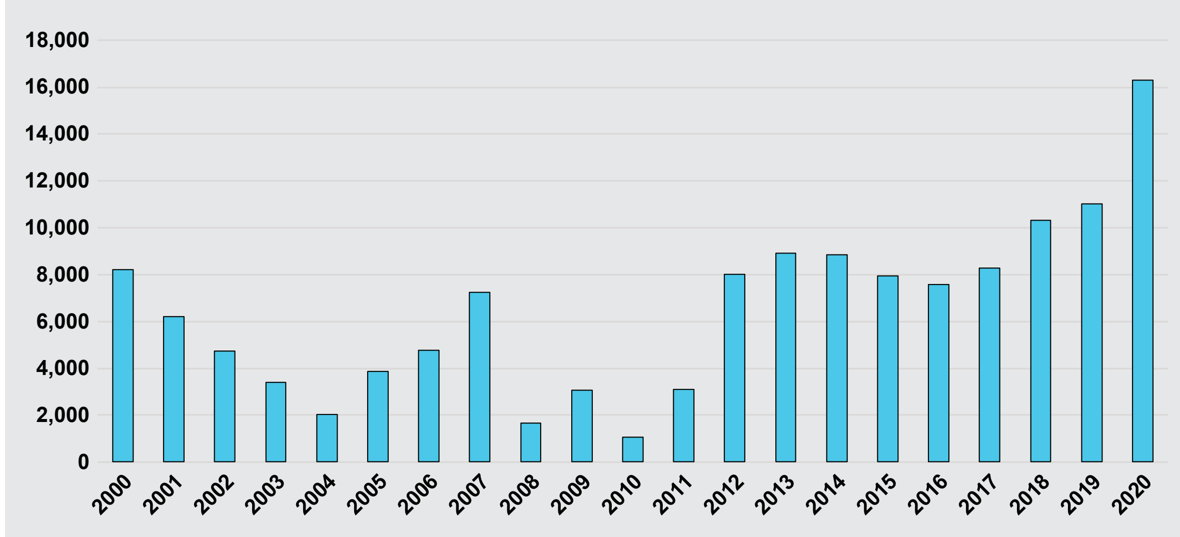
Student Apartments

UT is located in the Travis County submarket, where many apartments cater to students. UT has nearly 51,000 students, with approximately 7,300 students living on campus. Slightly more than an estimated 5 percent of all renter households in Travis County are student renters. In December 2020, the student apartment market as defined by ALN, Inc. was slightly soft, with a 9.2 percent vacancy rate, up from 7.9 percent 1 year earlier because increased remote learning in response to the COVID-19 pandemic limited the number of students returning to campus and needing apartments. The average rent for a student apartment in the submarket is currently $2,340, an increase of $36, or 2 percent, from 1 year earlier. The apartment units that cater to students tend to have more bedrooms per unit. Student apartments with three or more bedrooms account for more than 40 percent of all student-oriented apartments, compared with just 6 percent of traditional apartment units in the submarket overall. As a result, this contributes to the higher average rent per apartment for a student apartment unit.

Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, increased rapidly during 2020, with 16,300 rental units permitted, an increase of 5,300, or 48 percent, from 2019 (preliminary data with adjustments by the analyst). The number of rental units permitted during 2020 is the second highest number of units permitted in a year in the submarket, and only 200 units below the all-time peak of 16,500 in 1983. In 2000, rental production totaled 8,225 units, which at the time was the highest level of production since the 8,600 rental units permitted in 1985, before declining at the onset of an economic downturn in 2001 (Figure 25). From 2001 through 2004, rental construction declined by an average of 1,550 units a year. With local economic conditions improving and increased in-migration to the submarket in 2005, rental construction began to increase by 1,750 units a year from 2005 through 2007, reaching 7,225 units permitted. With the onset of the national housing crisis and the associated economic downturn, rental construction began to decline once more. From 2008 through 2011, an average of just 2,225 rental units were permitted annually. With strong net in-migration and declining apartment vacancy rates by 2012, rental construction increased significantly. From 2012 through 2017, rental production averaged 8,275 units annually. As apartment vacancy rates continued to be low, developers responded with further increases in production, averaging 10,650 units annually during 2018 and 2019. As these units began to enter the market, however, vacancy rates slowly increased, causing the market to shift from tight to balanced conditions by 2019.

Figure 25. Average Annual Rental Permitting Activity in the Travis County Submarket



Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through December 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

The type and composition of rental units being built have been changing with the most recent uptick in production that began in 2012. Since 2012, 64 percent of all apartment units built in the submarket have been one-bedroom units or smaller, compared with 55 percent of all units built before 2012. Since 2012, more than 60 percent of all apartment units have been built in mid- or high-rise buildings, compared to just 10 percent of units built before 2012. The building type has changed because the submarket has become more densely populated, with rising land costs and building up, allowing developers to get more units onto a smaller footprint in the submarket. Several high-rise developments are under construction and expected to be completed by the end of the year while construction continues in the downtown corridor.

Some recent developments include the Lark Austin, an 18-story building in the west campus area near UT. This property has 158 units that will cater to students at the university. There are 32 efficiency units, 23 one-bedroom units, 64 three-bedroom units, and 39 four-bedroom units. Rents range from $1,800 to

$4,900 per month. The Caliza, a 270-unit mid-rise building in far northwest Austin, opened in early 2020. This property has 50 studio units, 107 one-bedroom units, 89 two-bedroom units, and 24 three-bedroom units, with rents ranging from $999 to $1,899 per month.

Forecast

During the forecast period, demand is estimated for 20,800 rental units, which is a slight decline from the most recent periods due to increased owner production and low interest rates allowing existing renters to become homeowners (Table 16). The 26,050 rental units currently under construction will more than satisfy demand for the next 3 years. Any further production during the 3-year forecast period is likely to lead to a softening of the rental market.

Table 16. Demand for New Rental Units in the Travis County Submarket During the Forecast Period

Rental Units	
Demand	20,800 Units
Under Construction	26,050 Units

Note: The forecast period is January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst

Rental Market—Suburban Counties Submarket

Since 2012, rental unit construction in the submarket has been concentrated near existing population and job centers, with over 90 percent of units permitted in Williamson and Hays Counties.

Recent Market Conditions and Recent Trends

As of January 1, 2021, the overall rental market in the Suburban Counties submarket is balanced, with an estimated 7.2 percent vacancy rate, down from 8.4 percent in April 2010 (Table 17). Single-family homes accounted for nearly 34 percent of occupied rental units in the submarket in 2010 but declined to 33 percent of all occupied rental units in 2019 (ACS 1-year data).

Apartment Vacancy Rates

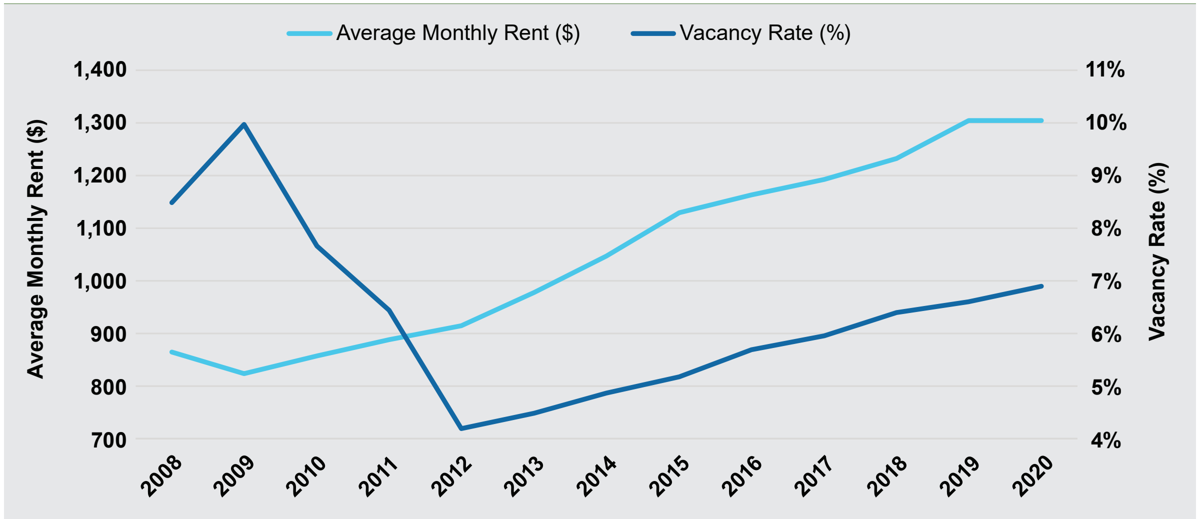
The apartment market in the submarket is currently balanced, with a 6.9 percent vacancy rate as of December 2020, up from 6.6 percent a year ago (ALN, Inc., with adjustments by the analyst; Figure 26). During 2020, the absorption of apartment units totaled 4,300 units, up from 2,775 in 2019 and 3,925 in 2018, as net in-migration remained strong. In the 2 years following the Great Recession, limited apartment construction allowed for the absorption of excess vacant units and improvement from soft market conditions as rental demand grew. The vacancy

Table 17. Rental and Apartment Market Quick Facts in the Suburban Counties Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	8.4	7.2
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	34.0	33.3
	Multifamily (2–4 Units)	14.2	12.2
	Multifamily (5+ Units)	43.1	49.3
	Other (Including Mobile Homes)	8.6	0.1
		Current	YoY Change
	Apartment Vacancy Rate	6.9	0.3
	Average Rent	$1,304	0.0
	Studio	$1,004	NA
	One-Bedroom	$1,087	NA
	Two-Bedroom	$1,335	NA
	Three-Bedroom	$1,611	NA

NA = data not available.
YoY= year-over-year.
Notes: The current date is January 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2019 American Community Survey, 1-year data; ALN Apartment Data, Inc.

Figure 26. Apartment Rents and Vacancy Rates in the Suburban Counties Submarket



Source: ALN Apartment Data, Inc.

rate plummeted from a high of 10.0 percent in 2009 to a low of 4.2 percent by 2012. Vacancy rates in the submarket have been increasing consistently since 2012 because rental construction has increased considerably in response to tight conditions after the recession. The largest increase in vacancies since 2012 occurred from 2015 through 2016, increasing from 5.2 to 5.7 percent, respectively, as rental construction increased. Apartment vacancy rates further increased from 5.7 percent in 2016 to 6.0 percent by 2017 and to 6.4 percent by 2018.

Apartment Market Rents

In December 2020, the average rent in the Suburban Counties submarket was estimated at $1,304, essentially unchanged from a year ago, while vacancy rates continued to increase. Rent growth in the submarket slowed during the past year but has generally been strong each year since the mid-2010s. Rent growth from 2010 through 2013 averaged $40, or 5 percent, annually. Rent growth was strongest from 2014 through 2015 and increased $82, or 8 percent, in response to particularly strong job growth and net in-migration. By 2016, the average rent was up 3 percent from 2015 to $1,164. The average apartment rent in the submarket increased an average of 4 percent, or $47, annually from 2016 through 2019. The slowdown in rent growth was in response to elevated multifamily construction and subsequent increasing vacancy rates.

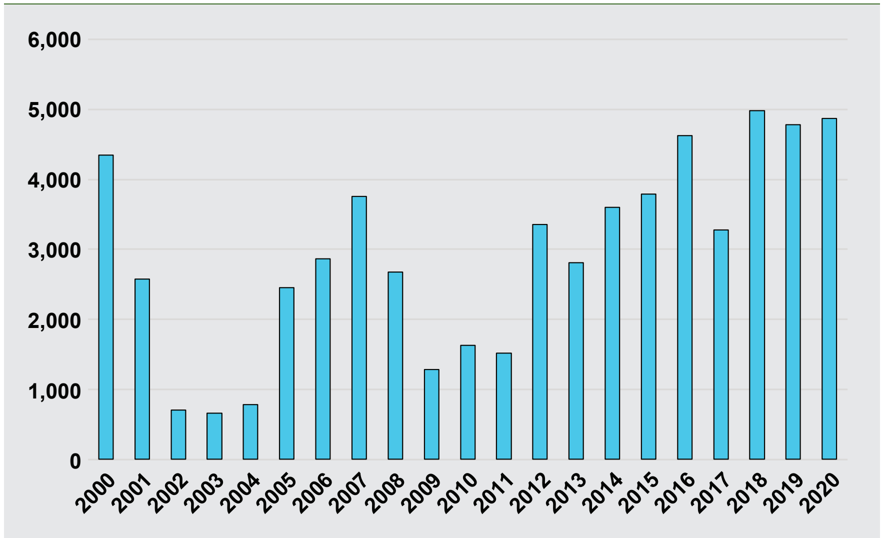
Student Apartments

Texas State University is in Hays County and is the fifth largest university in the state, with an enrollment of more than 37,800 students in 2020. In Hays County, approximately 24 percent of all renter households are student renters. Student households make up nearly 7 percent of all renter households in the Suburban Counties submarket. In December 2020, the student apartment market in Hays County was soft, with an 11.3-percent vacancy rate, up from 9.2 percent a year earlier due to remote schooling during the pandemic. Despite this, rents for student apartments increased by $25, or 2 percent, to an average of $1,360, the same percent increase as during 2019. More than 50 percent of newly constructed units or apartment complexes built after 2015 in Hays County were one-bedroom units, with rents averaging $1,770 in 2020. Approximately 41 percent of newly constructed units were two bedrooms or larger, and rents averaged $1,520. Student rents in the Suburban Counties submarket are lower and unit sizes are smaller—on average—than those in the Travis County submarket, primarily due to the availability of developable land around campuses in the submarket.

Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, accelerated in recent years, with approximately 4,875 rental units permitted in the submarket during 2020, up from 4,775 units, or 2 percent, during 2019 (preliminary data and estimates by the analyst; Figure 27). Recent rental construction has been particularly prevalent in and around I-35, with easy access to the economic core of Austin. Williamson County, just north of

Figure 27. Average Annual Rental Permitting Activity in the Suburban Counties Submarket



Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through December 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and analyst estimates; 2020—preliminary data and estimates by the analyst

Travis County, has accounted for more than 71 percent of the rental units completed in the submarket since the start of 2018. Permitting of rental units declined significantly following the housing market collapse and did not increase significantly until 2012, as the apartment rental market tightened. From 2001 through 2003, rental construction activity declined by 1,225 units annually from the previous peak of 4,350 units permitted in 2000 during the prior economic downturn. An average of 725 rental units were permitted during 2003 and 2004 before a sharp increase to an average annual level of 2,950 rental units during the following economic expansion from 2005 through 2008. An average of 3,775 units were permitted each year from 2012 through 2016, more than double the 1,475 units permitted each year from 2009 through 2011. As new apartment units were completed, vacancy rates increased, and construction activity slowed to 3,275 units permitted by 2017. By 2018, unemployment continued to fall, while job growth and in-migration remained strong, contributing to construction rising to 4,975 units permitted.

Recently completed properties include Parkside at Round Rock, a 430-unit property in Williamson County, which began lease-up in early 2020. Rents at the property currently range from $1,110 to $1,535 for studio and one-bedroom units, from $1,556 to $1,823 for two-bedroom units, and from $2,340 to $2,425 for three-bedroom units. Notable new apartment construction has also occurred in Hays County. Within Hays County, recent development has been concentrated near the cities of Kyle and San Marcos. Hawthorne at Blanco Riverwalk, a 252-unit development, was completed in San Marcos in 2020, with rents currently ranging from $1,125 to $1,240 for one-bedroom units, $1,400 to $1,535 for two-bedroom units, and $1,720 for three-bedroom units.

Forecast

During the forecast period, demand is expected for 12,450 rental units in the Suburban Counties submarket (Table 18). Demand is expected to increase steadily during each year of the forecast in response to continued population growth in the submarket. The 5,150 rental units under construction are expected to be completed either in the first or second year of the forecast period, meeting a portion of demand during both years. The excess production in the Travis County submarket will not provide a substitute for forecast demand in the suburban submarket due to job growth and different commuting patterns in this submarket.

Table 18. Demand for New Rental Units in the Suburban Counties Submarket During the Forecast Period

	Rental Units
Demand	12,450 Units
Under Construction	5,150 Units

Note: The forecast period is January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of 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.
Forecast Period	1/1/2021–1/1/2024—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Regular Resale	Existing sales excluding REO and including short sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

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

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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.
3.	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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