



Tyler, Texas

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



Housing Market Area



The Tyler, Texas Housing Market Area (HMA) is defined as Smith County, Texas, and is located approximately 100 miles east of Dallas. The HMA provides regional healthcare and educational opportunities for people residing in eastern Texas. As the economy of the HMA continues to expand, housing demand in the area is expected to remain strong. A data profile for the HMA is provided in Table DP-1 at the end of this report.

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Summary

Economy

Economic conditions in the Tyler HMA have been strong, primarily due to rapid job growth in the education and health services sector. Employers within this sector provided more than 40 percent of the 1,900 nonfarm jobs added during the past 12 months. During the 3-year forecast period, nonfarm employment is expected to increase by 2 percent annually. Much of the increase will occur in the leisure and hospitality sector. Employment in the construction sector is expected to increase significantly during the forecast period due to the development of transportation thoroughfares to serve the increasing population. Employment opportunities and affordable housing will continue to attract people to the area.

Sales Market

The sales market continues to expand with most of the growth concentrated in the southern portion of the city of Tyler. According to the Real Estate Center at Texas A&M University, the average sales price for a single-family home in the HMA was \$149,200 for the 12 months ending March 2006 compared with

\$142,400 for the 12 months ending March 2005, an increase of nearly 5 percent. Despite rising interest rates, single-family home sales are expected to remain strong because of the relatively affordable home prices in the HMA (see Table 1).

Rental Market

The current rental vacancy rate is estimated to be 8.5 percent, virtually unchanged since 2000. Currently, renter households make up slightly less than 30 percent of all households. Forecast rental demand will be affected by the large student population, which often chooses to remain in the HMA after graduation due to a strong local job market.

Table 1. Housing Demand in the Tyler HMA, 3-Year Forecast, April 1, 2006 to April 1, 2009

	Tyler HMA	
	Sales Units	Rental Units
Total Demand	3,330	460
Under Construction	40	0

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

Source: Estimates by analyst

Economic Conditions

During the 1990s, the Tyler HMA exhibited strong growth throughout most nonfarm employment sectors. During that decade, the education and health services sector was the main source of employment. Employment at the local universities and Trinity Mother Frances Health System and East Texas Medical Center, two of the current leading employers (see Table 2), expanded while jobs in the manufacturing sector decreased. Beginning in 1996, the manufacturing sector recorded substantial declines

in employment because of technological improvements and corporate downsizing; these declines lasted through the economic slowdown that occurred in the HMA during the early 2000s. Growth by sector in the HMA from 1990 through the current period is illustrated in Figure 1.

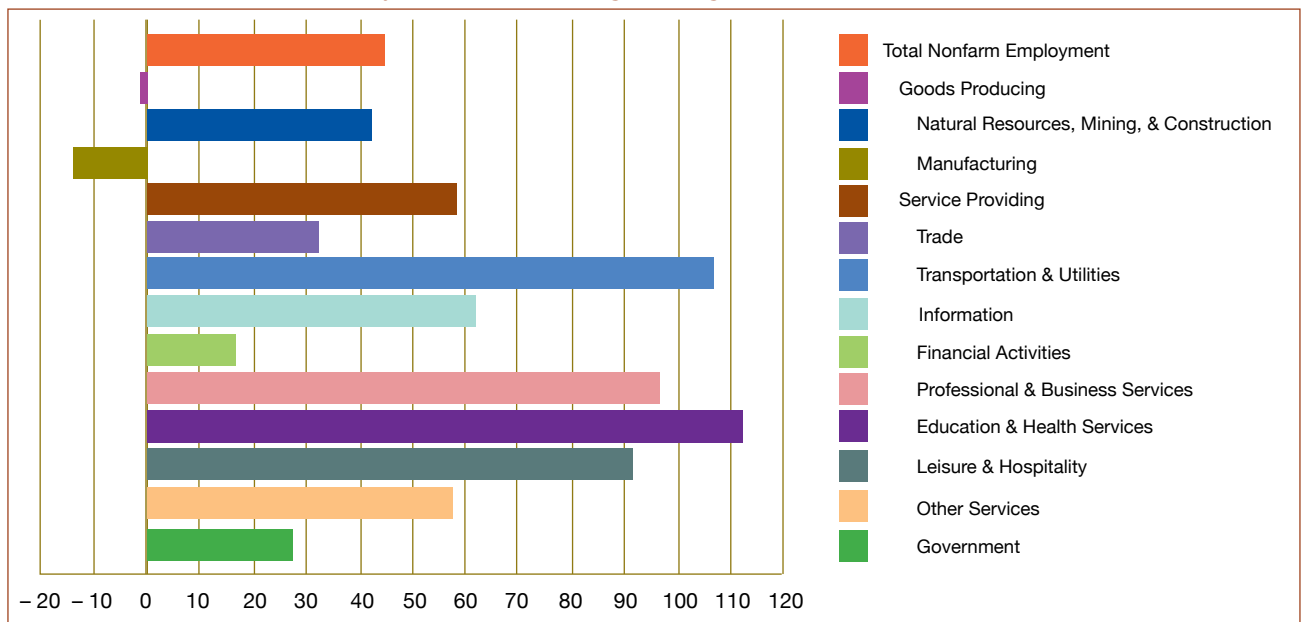
The HMA has had significant employment gains and relatively low unemployment rates during the past 6 years, as seen in Figure 2. The largest growth sector in the HMA since 2000 has been education and health services. This sector has continued to grow at a strong rate through the current date in large part due to job growth at area hospitals. Trinity Mother Frances Health System and East Texas Medical Center together employ more than 6,600 people and account for approximately 36 percent of the jobs in the sector. Both regional hospitals increased their staffs in response to the increasing retiree population.

Table 2. Major Employers in the Tyler HMA

Name of Employer	Employment Sector	Number of Employees
Trinity Mother Frances Health System	Health Services	3,545
East Texas Medical Center	Health Services	3,102
Tyler Independent School District	Government	2,750
Brookshire Grocery Company	Trade	2,231
Trane	Manufacturing	1,716
University of Texas Health Center at Tyler	Health Services	1,146

Source: Tyler Economic Development Council

Figure 1. Sector Growth in the Tyler HMA, Percentage Change, 1990 to Current



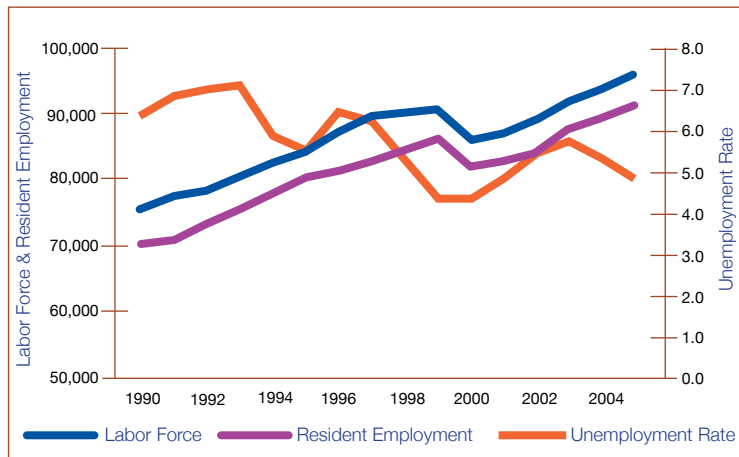
Note: Current is based on 12-month averages through March 2006.

Source: U.S. Bureau of Labor Statistics

Employment in the rest of the sector consists of a combination of jobs in small clinics, nursing facilities, and outpatient surgical centers. During the forecast period, jobs in education and health services are expected to continue to increase as a result of the increased number of retirees migrating to the area.

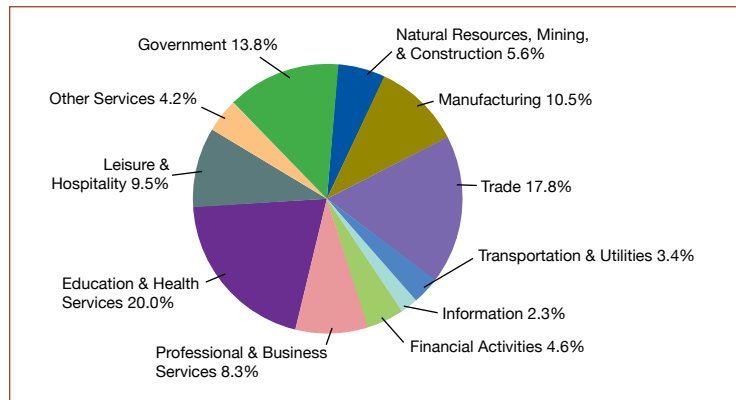
During the past 6 years, some of the most rapidly growing industries have been in the leisure and hospitality sector. Since 2000, average annual employment gains in this sector have exceeded 3.3 percent, primarily in restaurant chains and lodging. Much of the gain is in response to the in-migration of retired baby boomers who are attracted to the HMA by the abundance of recreation opportunities and healthcare facilities and the high quality of life. The city of Tyler earned a spot on *Forbes* magazine's 2002 top-10 list of U.S. cities for retirees. As the retiree population continues to increase, it is expected that employment opportunities within the leisure and hospitality sector will increase as well.

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Tyler HMA, 1990 to 2005



Source: U.S. Bureau of Labor Statistics

Figure 3. Current Employment in the Tyler HMA, by Sector



Note: Based on 12-month averages through March 2006.

Source: U.S. Bureau of Labor Statistics

Since 2003, construction jobs in the HMA have increased 4.8 percent annually due to increased demand for new commercial, residential, and mixed-use real estate. Increased demand has resulted from relocating suppliers that cater to the large-scale operations already located in the HMA. Many future developments are contingent on improvements in the transportation infrastructure. The addition and expansion of State Highway Loop 49 will contribute to the development of the Tyler HMA and increase construction sector jobs during the forecast period. The complete loop will minimize commuting time and provide easier access to interstate highways. Figure 3 illustrates the percentage of employment in each sector during the 12 months ending in March 2006. Table 3 illustrates employment by sector during the two most recent 12-month periods.

Table 3. 12-Month Average Employment in the Tyler HMA, by Sector

Employment Sector	12 Months Ending March 2005	12 Months Ending March 2006	Percent Change (%)
Total Nonfarm Employment	88,800	90,700	2.1
Goods Producing	14,600	14,600	0.0
Natural Resources, Mining, & Construction	4,900	5,100	4.1
Manufacturing	9,700	9,500	-2.1
Service Providing	74,300	76,200	2.6
Trade	16,000	16,200	1.3
Transportation & Utilities	3,200	3,100	-3.1
Information	2,000	2,100	5.0
Financial Activities	4,100	4,200	2.4
Professional & Business Services	7,000	7,500	7.1
Education & Health Services	17,400	18,200	4.6
Leisure & Hospitality	8,300	8,600	3.6
Other Services	3,800	3,800	0.0
Government	12,500	12,500	0.0

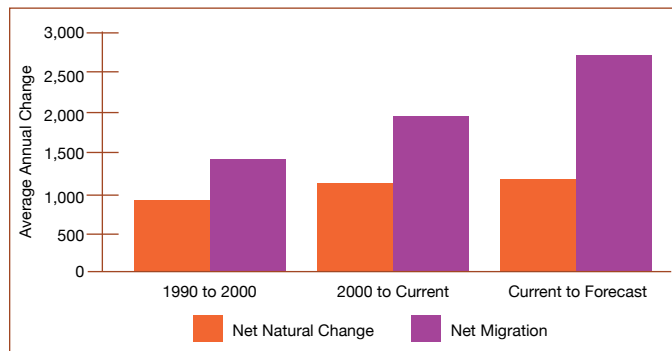
Note: Numbers may not add to total due to rounding. Based on 12-month averages through March 2005 and March 2006.

Source: U.S. Bureau of Labor Statistics

Population and Households

Since 2000, the population of the Tyler HMA has been growing at a faster rate than it did from 1990 to 2000, primarily as a result of increased net in-migration (see Figure 4). Retirees are largely

responsible for the 1.7-percent average annual population growth rate during the past 5 years compared with the 1.5-percent rate during the 1990s. The proportion of growth attributed to retirees is expected to increase during the forecast period.

Figure 4. Components of Population Change in the Tyler HMA, 1990 to Forecast

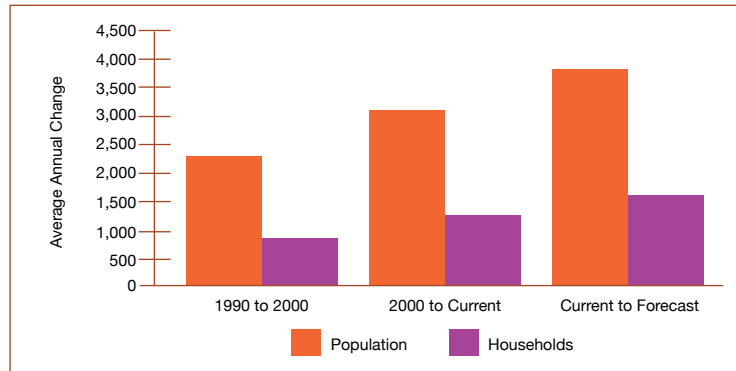
Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

As of April 1, 2006, the population of Smith County is estimated to be 193,200; slightly more than 50 percent of those residents live in the city of Tyler. During the forecast period, net in-migration is expected to add 2,700 people annually, approximately 70 percent of the total forecast population increase. By April 2009, the population of the HMA is forecast to exceed 204,700.

Population and Households *Continued*

The rate of household growth in the HMA increased more rapidly than population growth did during the 1990s. During the decade, the number of households expanded by approximately

Figure 5. Population and Household Growth in the Tyler HMA, 1990 to Forecast



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

1.5 percent annually. From 1990 to 2000, average household size decreased in large part due to two-person retiree families migrating to the area. The decline in average household size has continued through the current period and is expected to do so throughout the next 3 years.

During the forecast period, the number of households is expected to increase annually by 1,550, a 2.1-percent increase, as shown in Figure 5. The number of households in the HMA is expected to total approximately 77,750 by April 2009.

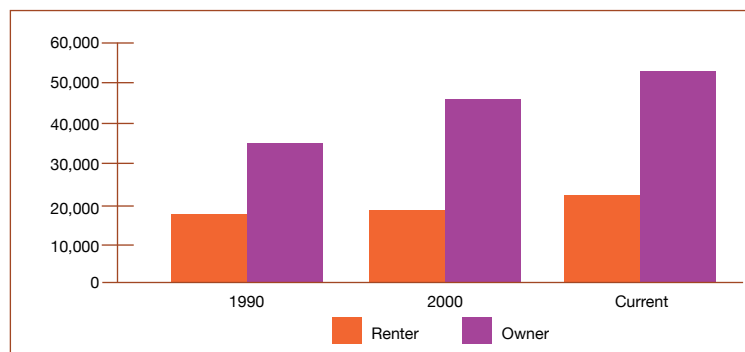
Housing Market Trends

Sales Market

Despite recent increases in interest rates, demand for new sales housing in the Tyler HMA has been strong and relatively stable during the past 24 months. Currently, homeowners represent 71 percent of all households in the area (see Figure 6);

however, they account for nearly 85 percent of the total household growth that has occurred since 2000. According to the Real Estate Center at Texas A&M University, the average sales price for a single-family home in the HMA was \$149,200 for the 12 months ending March 2006 compared with \$142,400 for the 12 months ending March 2005, an increase of nearly 5 percent.

Figure 6. Number of Households by Tenure in the Tyler HMA, 1990 to Current



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

The new home sales market continued to expand during the past 12 months with most growth concentrated in the southern portion of the city of Tyler. New homes constructed during the past year typically consist of three bedrooms, two baths, and a two-car garage. The typical asking

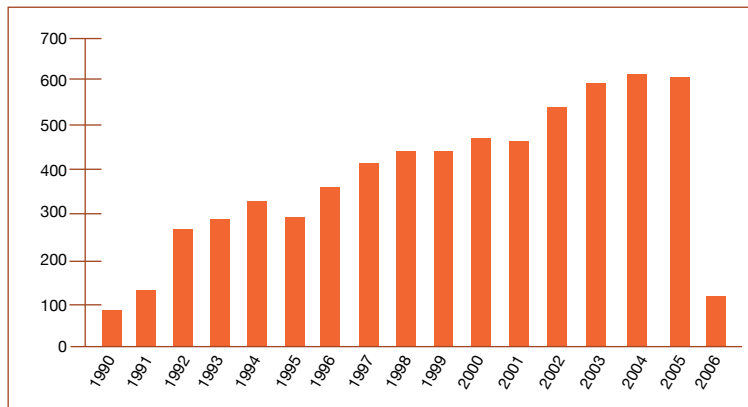
price was in the low \$100,000s. The prices of new homes are often lower than those of existing homes due to decreased lot sizes and the location. New subdivisions are primarily located in the southern portion of the HMA away from the central business district. Since 2000, the sales market has steadily improved, primarily because of retirees locating to the area. Although some retirees choose assisted living near the University of Texas at Tyler, most new residents select moderately priced homes near Lake Tyler and the many golf courses in the area.

Single-family building activity in the HMA during the 12 months ending March 2006, as measured by the number of building permits issued, totaled 472 units (for those jurisdictions reporting monthly), approximately 11 percent

higher than during the previous 12-month period. Figure 7 illustrates the number of single-family building permits issued from 1990 through March of 2006. Sales vacancy rates for owner-occupied units have decreased to record lows since 2000 due in large part to historically low interest rates recorded during the past 2 years. Many landlords with single-family units for rent are currently finding it more advantageous to sell.

Total forecast demand for housing in the HMA is estimated to be 1,100 single-family homes a year; estimated demand for sales housing is categorized by price range in Table 4. This estimate does not include the forecast demand for 190 additional mobile home units annually. Mobile homes make up approximately 13 percent of the total housing inventory in the HMA.

Figure 7. Single-Family Building Permits Issued in the Tyler HMA, 1990 to 2006



Notes: Includes only single-family units. Includes data through March 2006.

Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Tyler HMA, April 1, 2006 to April 1, 2009

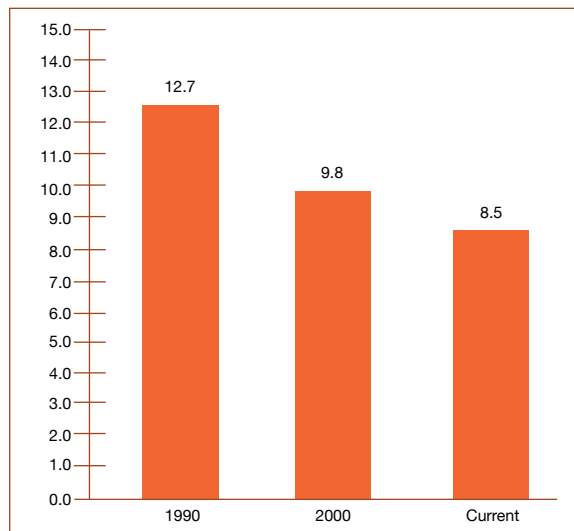
Price Range (\$)		Units of Demand	Percentage of Total
From	To		
100,000	124,999	400	12.0
125,000	149,999	430	12.9
150,000	174,999	480	14.4
175,000	199,999	600	18.0
200,000	249,999	530	15.9
250,000	299,999	430	12.9
300,000	349,999	230	6.9
350,000	399,999	120	3.6
400,000	449,999	60	1.8
450,000	and higher	50	1.5

Source: Estimates by analyst

Rental Market

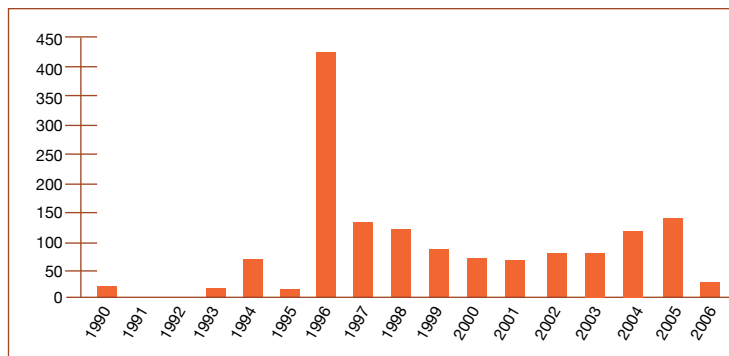
The current rental vacancy rate of the HMA is estimated to be 8.5 percent, as illustrated in Figure 8. Apartment managers are not offering as many concessions as they did during the previous 2 years due to recent increases in interest rates and the temporary surge in renters from the areas affected by the 2005 hurricanes.

Figure 8. Rental Vacancy Rates in the Tyler HMA, 1990 to Current



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

Figure 9. Multifamily Building Permits Issued in the Tyler HMA, 1990 to 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2006.

Source: U.S. Census Bureau, Building Permits Survey

Multifamily building permit activity (see Figure 9) totaled 108 units for the 12 months ending March 2006, unchanged compared with the previous 12-months. Since 2000, five of the six multifamily projects that have been completed have been low-income housing tax credit (LIHTC) projects; that is, approximately 76 percent of the 986 new units. Recently built projects in the HMA offer very affordable units with gross rents of \$550 to \$630 for one-bedroom units, \$700 to \$820 for two-bedroom units, and \$800 to \$1,050 for three-bedroom units.

Two new luxury apartment buildings for seniors have been constructed during the past 5 years. New units in these buildings offer retirement living similar to independent senior living but offer services such as laundry, transportation, and dining facilities. As the area continues to attract elderly people from all over the country, the demand by retirees for rental units is expected to increase during the forecast period.

Of the more than 15,000 students attending local universities in the HMA, only 2,000 live in university housing. The University of Texas at Tyler has two apartment complexes totaling 216 units. Most of the 13,000 students not residing on or near campus live at home. Recent graduates, however, are staying in the HMA, primarily in apartments, due to a strong local job market. Moderate wages for college graduates often keep young professionals in the rental market for more than 1 year.

An estimated 460 rental units will be in demand in the HMA during the forecast period. Table 5 provides a breakdown of the demand by range of rents and number of bedrooms. Currently, no large-scale multifamily projects are under construction in the HMA.

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Tyler HMA, April 1, 2006 to April 1, 2009

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
700	160	850	260	1,050	40
750	140	900	220	1,100	40
800	130	950	200	1,150	35
850	120	1,000	180	1,200	30
900	100	1,050	150	1,250	25
950	85	1,100	130	1,300	20
1,000	70	1,150	110	1,350	20
1,100	55	1,250	90	1,450	15
1,200 and higher	45	1,350 and higher	55	1,550 and higher	10

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Tyler HMA Data Profile, 1990 to Current

	1990	2000	Current	Annual Average Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	70,712	82,572	92,300	1.6	1.9
Unemployment Rate (%)	6.4	4.4	4.6		
Nonfarm Employment	62,700	83,900	90,700	3.0	1.3
Total Population	151,309	174,706	193,200	1.5	1.7
Total Households	56,800	65,692	73,100	1.5	1.8
Owner Households	37,785	45,785	51,900	1.9	2.1
Percent Owner (%)	66.5	69.7	71.0		
Renter Households	19,015	19,907	21,200	0.5	1.1
Percent Renter (%)	33.5	30.3	29.0		
Total Housing Units	64,369	71,701	78,960	1.1	1.6
Owner Vacancy Rate (%)	2.9	1.8	1.5		
Rental Vacancy Rate (%)	12.7	9.8	8.5		
Median Family Income	\$31,042	\$44,534	\$52,700	3.7	2.8

Note: Median family income data are for 1989, 1999, and 2006.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 4/1/2006—Analyst's estimates

Forecast period: 4/1/2006–4/1/2009—Analyst's estimates

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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARTables_TylerTX.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. 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 wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.