



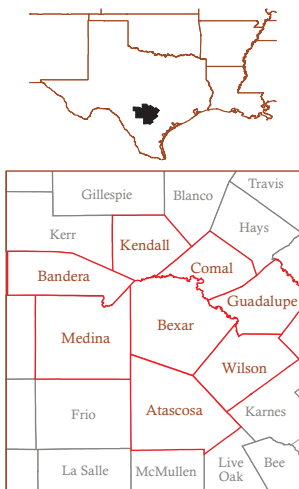
San Antonio, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2008



Summary

Housing Market Area



The San Antonio, Texas Housing Market Area (HMA) encompasses eight counties in south-central Texas. The principal city of San Antonio, the second largest in the state, is located in Bexar County and attracts an average of 26 million tourists each year, more than any other destination in Texas.

Market Details

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Economy

Economic conditions in the San Antonio HMA were strong during the past 12 months, led by job gains of more than 2 percent each in the natural resources, mining, and construction sector; the leisure and hospitality sector; and the education and health services sector. Continued expansion at several military bases resulting from actions related to the 2005 Base Realignment and Closure (BRAC) Act and strong hiring in the construction sector are expected to attract people to the area during the 3-year forecast period. Employment data for the HMA appear in Table DP-1 at the end of this report.

Sales Market

The sales housing market is softening, with a current overall vacancy rate of 1.8 percent. According to the Real Estate Center at Texas A&M University, for the 12 months ending September 2008, the average sales price of new and existing homes in the HMA was \$181,000 compared with \$178,900 for the 12 months ending September 2007, an increase of 1.1 percent despite a 17-percent decrease in sales. During

the forecast period, employment gains are expected to support demand for 33,100 new sales housing units (see Table 1).

Rental Market

The rental housing market is currently soft, with an estimated overall vacancy rate of 10 percent. Approximately one-fourth, or 6,200, of the multifamily units built since 2004 have been financed through low-income housing tax credits. During the forecast period, demand for 2,700 rental housing units will be met by the 5,700 rental units currently under construction (see Table 1).

Table 1. Housing Demand in the San Antonio HMA, 3-Year Forecast, October 1, 2008 to October 1, 2011

	San Antonio HMA	
	Sales Units	Rental Units
Total Demand	33,100	2,700
Under Construction	1,900	5,700

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2008.

Source: Estimates by analyst

Economic Conditions

The economy of the San Antonio HMA remains strong, with nonfarm employment increasing by 39,100 jobs during the past 2 years. During the 12 months ending September 2008, total nonfarm employment increased by 18,600 jobs to 846,200, a 2.2-percent gain. In comparison, annual gains from 2004 through 2007 averaged 2.6 percent. The two leading private-sector employers in the metropolitan area are H-E-B food stores and United Services Automobile Association, with 23,000 and 13,500 employees, respectively (see Table 2). The large employment gains that occurred during the past 12 months have helped maintain a modest unemployment rate of 4.3 percent. Unemployment

has remained at or below 5 percent since July 2006. Figure 1 illustrates trends in the labor force, resident employment, and unemployment rate in the HMA from 1990 to 2007. Figure 2 illustrates sector growth in the HMA from 1990 to the current date.

During the 12 months ending September 2008, hiring was strong in the education and health services sector, which added 4,600 jobs, an increase of 4.1 percent. Much of the growth in this sector is attributed to job creation in medical services, research, and various other healthcare-related industries. According to the Greater San Antonio Chamber of Commerce, healthcare-related industries account for one in seven jobs in San Antonio as the impact of the healthcare and bioscience industries on the local economy increased by \$1 billion in 2007 to \$16.3 billion annually. Job gains were strong in the leisure and hospitality sector as well, with an increase of 2,800 jobs, or 2.9 percent, during the past 12 months compared with the number of jobs reported during the previous 12-month period, as seen in Table 3. Hiring primarily occurred in the core tourism industries

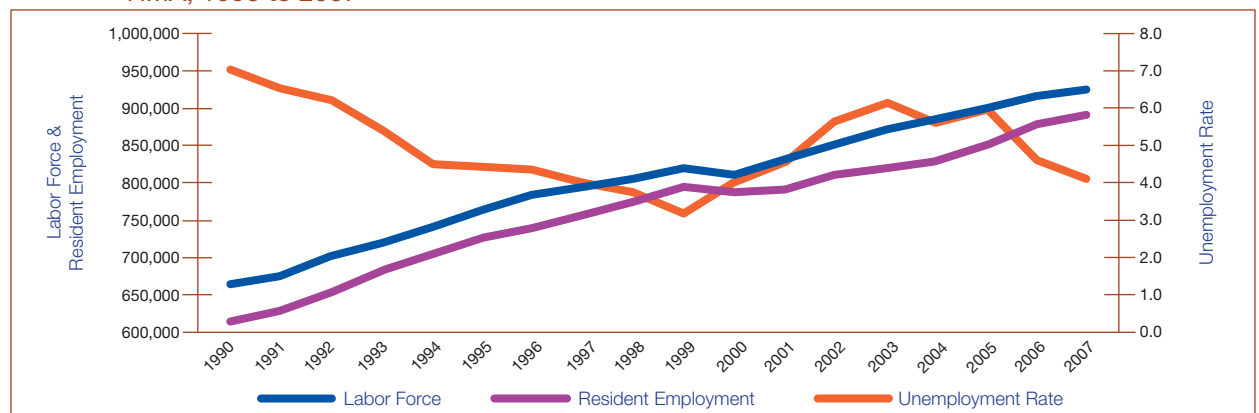
Table 2. Major Employers in the San Antonio HMA

Name of Employer	Employment Sector	Number of Employees
Lackland Air Force Base	Government	40,540
Fort Sam Houston	Government	25,018
H-E-B food stores*	Retail Trade	23,000
Randolph Air Force Base	Government	15,492
United Services Automobile Association*	Professional & Business Services	13,500
City of San Antonio	Government	9,813
AT&T*	Professional & Business Services	6,000
Southwest Research Institute*	Professional & Business Services	2,674
Valero Energy Corporation*	Natural Resources, Mining, & Construction	2,074
Kinetic Concepts, Inc.*	Education & Health Services	2,047

Note: *2008 figure.

Source: San Antonio Economic Development Foundation, January 2007

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the San Antonio HMA, 1990 to 2007

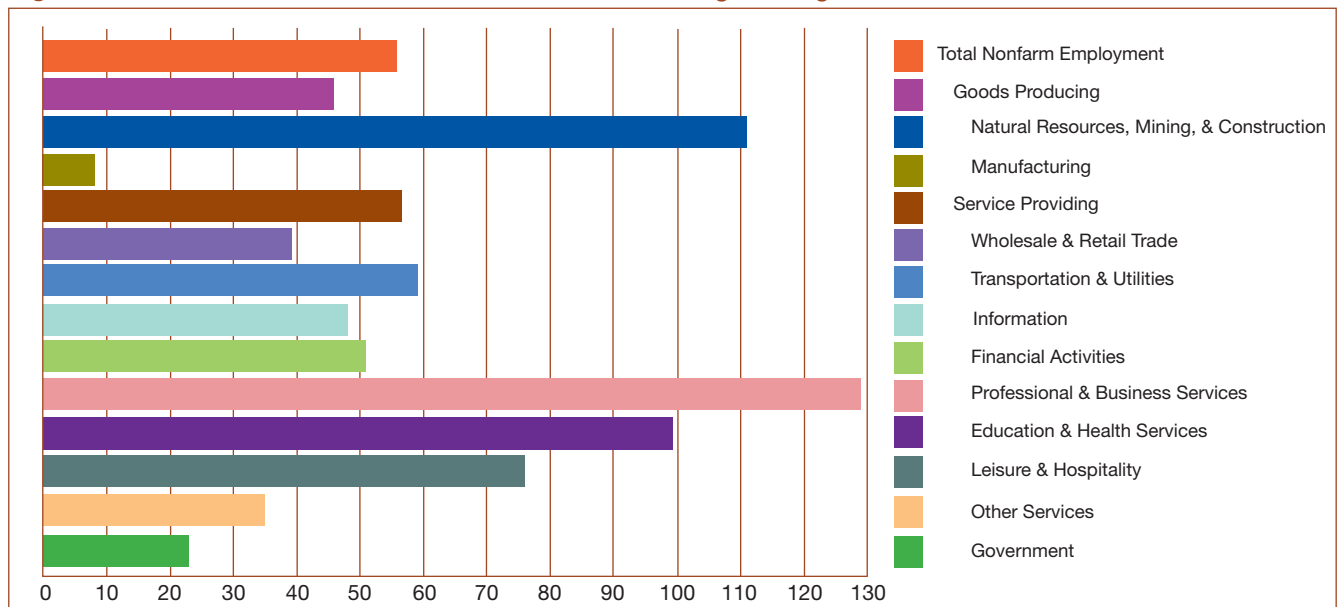


Source: U.S. Bureau of Labor Statistics

such as restaurants, attractions, and hotels/motels. According to a report released by the Greater San Antonio Chamber of Commerce, for 2006, more than 26 million visitors a year come to see sites such as the San Antonio River Walk and the historic Alamo, resulting in an annual economic impact on the metropolitan area of \$10.5 billion.

The number of jobs in the manufacturing sector decreased by only 800 during the 12 months ending September 2008, led by a slowdown in the automotive industry. Toyota Motor Sales, U.S.A., Inc., which opened an \$850 million facility in November 2006, laid off all 200 temporary workers in June and announced that it would shut down its Tundra truck

Figure 2. Sector Growth in the San Antonio HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through September 2008.

Source: U.S. Bureau of Labor Statistics

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

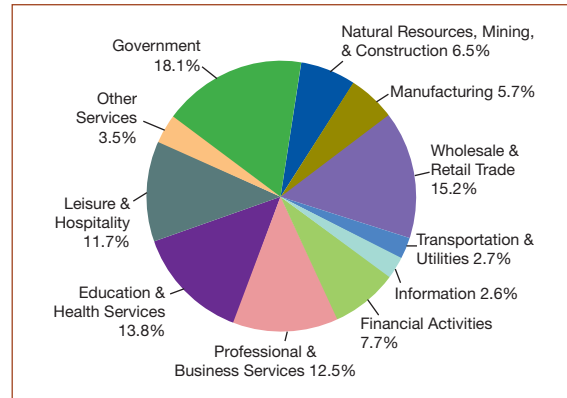
	12 Months Ending September 2007	12 Months Ending September 2008	Percent Change
Total Nonfarm Employment	827,600	846,200	2.2
Goods Producing	101,500	103,800	2.3
Natural Resources, Mining, & Construction	52,200	55,300	5.9
Manufacturing	49,300	48,500	-1.6
Service Providing	726,200	742,400	2.2
Wholesale & Retail Trade	126,200	128,400	1.7
Transportation & Utilities	22,700	22,800	0.4
Information	21,700	21,600	-0.5
Financial Activities	64,900	65,300	0.6
Professional & Business Services	104,300	105,400	1.1
Education & Health Services	112,500	117,100	4.1
Leisure & Hospitality	96,400	99,200	2.9
Other Services	28,500	29,800	4.6
Government	149,000	152,800	2.6

Notes: Based on 12-month averages through September 2007 and September 2008. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

line for 3 months beginning in August 2008 to allow for a reduction in inventory. Figure 3 illustrates current employment in the HMA by sector.

The government sector accounts for nearly 20 percent of all nonfarm jobs in the metropolitan area. According to a 2006 joint study conducted by the Military Transformation Task Force and the U.S. Office of Military Affairs, the overall economic impact of U.S. Department of Defense (DoD) activities in the HMA is estimated at \$13.3 billion. San Antonio is home to Lackland Air Force Base (AFB), Fort Sam Houston, and Randolph AFB. Lackland has the largest training wing in the U.S. Air Force and is the leading employer in

Figure 3. Current Employment in the San Antonio HMA, by Sector

Note: Based on 12-month averages through September 2008.

Source: U.S. Bureau of Labor Statistics

the area, with 40,540 military and civilian employees. (Employment data on the distribution of military and civilian employees are unavailable.) Fort Sam Houston, with 25,000 military and civilian employees, is home to the U.S. Army Medical Command, which includes Brooke Army Medical Center. Randolph AFB, with approximately 15,500 military and civilian employees, is the headquarters for the Air Education and Training Command and the Air Force Military Personnel Center.

During the next 3 years, San Antonio is expected to gain 11,500 military personnel, partly a result of the 2005 BRAC actions. During the 12 months ending September 2008, military contracts contributed to the creation of 2,700 construction sector jobs, a 5.6-percent gain. Construction is currently under way on a \$12.8 million communications building at Lackland AFB, with a scheduled completion date of January 2009. At Fort Sam Houston, a new \$33.4 million health-care clinic will be constructed, with an expected completion date of January 2010. A \$556 million contract has been awarded to continue renovations and expansion at Brooke Army Medical Center.

Job creation in the education and health services sector is expected to account for nearly one-half of the 2.2-percent annual forecast growth in nonfarm employment. The trade, construction, professional and business services, and government sectors will likely account for the bulk of the remaining job growth in the HMA.

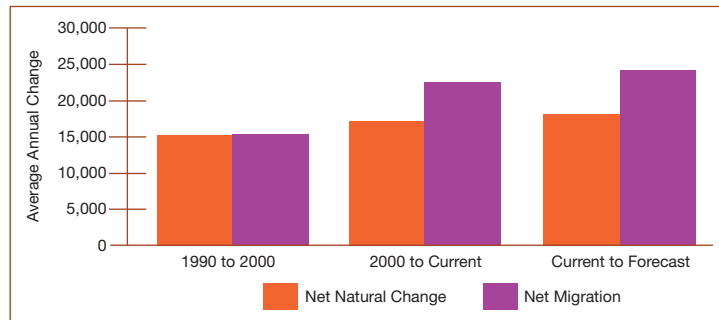
Population and Households

Population growth in the San Antonio HMA from 1990 to 2000 increased by an average of 30,400, or 2 percent, a year. During the 1990s, population gains were equally divided between net natural change (resident births minus resident deaths) and net in-migration. Since 2000, net in-migration has accelerated to account for 60 percent of the annual population growth, largely as a result of the 2005 BRAC actions. According

to the Census Bureau, from July 2006 to July 2007 (the most recent data available), the city of San Antonio was the third fastest growing city in the nation in terms of numerical population growth, adding 32,680 people during the 12-month period. According to the 2007 American Community Survey, approximately 65 percent of the population in the HMA resides within the city of San Antonio.

As of October 1, 2008, the population of the HMA is estimated at slightly more than 2 million, reflecting an increase of 2.2 percent annually since

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



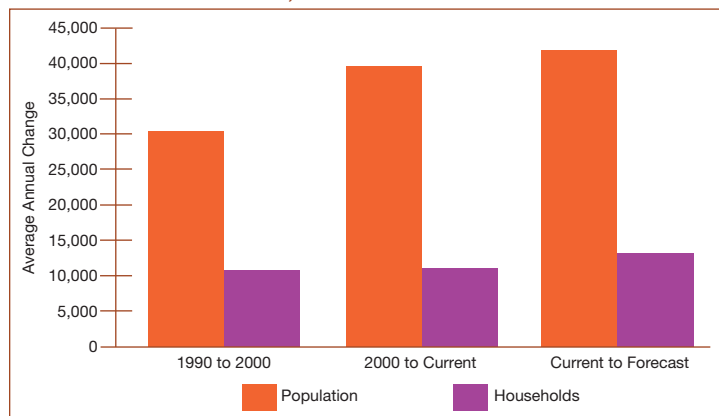
Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the San Antonio HMA, 1990 to Current



Sources: 1990 and 2000–1990 Census and 2000 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the San Antonio HMA, 1990 to Forecast



Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

2000. Net in-migration is expected to continue at a rate of 24,000 people a year throughout the 3-year forecast period, a continuation of the gradual increase that began in 2000. Aside from migration induced by the BRAC actions, steady job growth and relatively affordable housing costs, compared with employment and housing in similarly sized cities, will attract new residents. In comparison, the average home sales price in the San Antonio area for the 12 months ending September 2008 was nearly 30 percent below the average price in the Austin area, which is located adjacent to the north. The population of the HMA is forecast to be approximately 2,177,000 by October 1, 2011. See Figure 4 for the components of population change in the HMA from 1990 to the forecast date.

The average increase in the number of households in the HMA has been slower since 2000 than the rate of increase recorded during the previous decade. Slower household growth, coupled with a consistent increase in population, is primarily a result of larger families moving to the area. Since 2000, the number of households has increased by 11,200, or 1.7 percent, a year. Currently, 696,600 households are in the HMA. Figure 5 illustrates the number of households by tenure in the HMA for 1990, 2000, and the current date.

During the forecast period, the number of households is expected to increase annually by 13,550, or 1.9 percent, and total approximately 737,300 by October 1, 2011. Figure 6 shows population and household growth in the HMA from 1990 to the forecast date.

Housing Market Trends

Sales Market

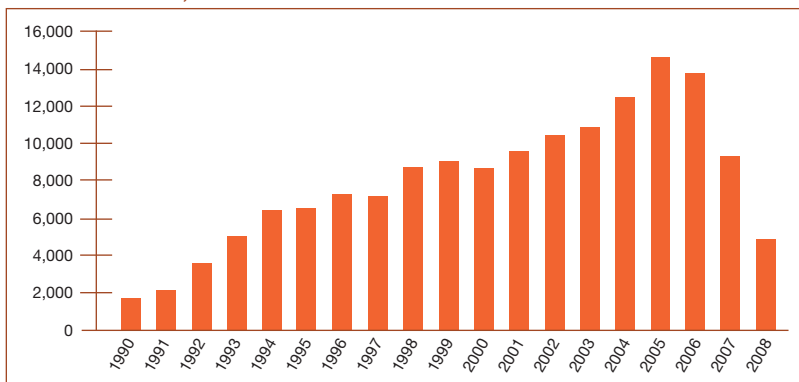
The market for existing single-family homes in the San Antonio HMA is soft as a result of decreased demand and tightened credit standards. According to the Real Estate Center at Texas A&M University, during the 12 months ending September 2008, sales of existing homes totaled 20,600 units, a decrease of 17 percent compared with the number sold during the previous 12 months. The volume of sales for existing homes is at its lowest level since the 12 months ending December 2004. Between 2005 and 2007, home sales averaged 24,700 annually. Despite decreased sales volume for the 12 months ending September 2008, the average sales price increased to \$181,000, up more than 1 percent compared with the average price for the previous 12 months.

New home construction, as measured by the number of single-family building permits issued, has slowed in response to declining demand. During the 12 months ending September 2008, the number of single-family permits issued was down nearly 40 percent to

6,525 compared with 10,800 issued during the 12-month period ending September 2007. Since 2007, single-family construction activity has been well below the average of nearly 13,700 permits issued annually from 2004 through 2006. Lost Creek Ranch, a new development in northwest San Antonio, opened in June 2008 and is offering 650 homes at prices between \$147,000 and \$188,000. Prices for newly constructed homes in the HMA typically range from \$120,000 to \$150,000. Figure 7 shows the number of single-family building permits issued in the HMA from 1990 to the current date.

Condominiums and townhomes currently represent about 5 percent of all existing home sales in the HMA, unchanged from a year ago. Although slowing, condominium development is currently ongoing in the northwest portion and the downtown area of the city of San Antonio. The reduced level of construction activity from 450 units for the 12 months ending September 2007 to 210 units for the 12 months ending September 2008 reflects builders' response to declining sales and the increased inventory of unsold units. According to the San Antonio Board of REALTORS®, a total of 880 condominium and townhome units were sold during 2007 (the most recent data available), a 14-percent decrease from the 1,025 units sold in 2006. Condominium and townhome prices in the area averaged \$123,300 in 2007, a 17-percent increase compared with the average price recorded in 2006.

Figure 7. Single-Family Building Permits Issued in the San Antonio HMA, 1990 to 2008



Notes: Includes only single-family units. Includes data through September 2008.

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

Housing Market Trends

Sales Market *Continued*

During the 3-year forecast period, demand for new single-family homes in the HMA is estimated to total 33,100. This figure does not include the demand for 600 additional mobile home units. Mobile homes make up an estimated

7 percent of the total housing inventory in the HMA. Table 4 categorizes estimated demand for new market-rate sales housing in the HMA by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the San Antonio HMA, October 1, 2008 to October 1, 2011

Price Range (\$)		Units of Demand	Percent of Total
From	To		
90,000	99,999	3,300	10.0
100,000	124,999	4,650	14.0
125,000	149,999	5,300	16.0
150,000	174,999	3,975	12.0
175,000	199,999	3,300	10.0
200,000	224,999	2,975	9.0
225,000	249,999	2,650	8.0
250,000	299,999	1,975	6.0
300,000	349,999	1,650	5.0
350,000	399,999	1,325	4.0
400,000	499,999	1,000	3.0
500,000	599,999	650	2.0
600,000	and higher	350	1.1

Source: Estimates by analyst

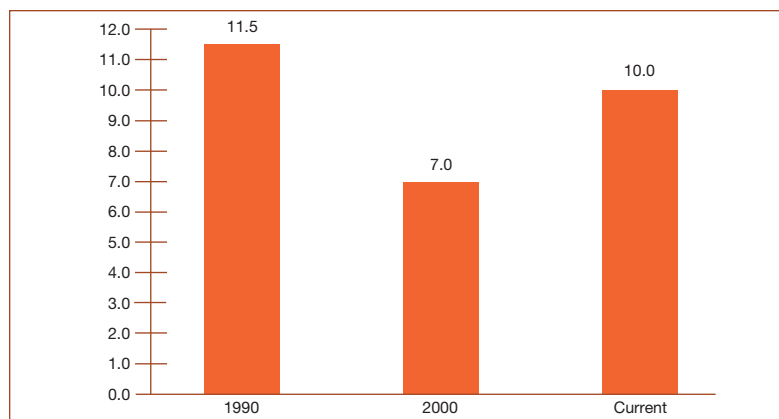
Rental Market

The rental housing market in the HMA is currently soft, unchanged from a year ago. The current rental vacancy rate is estimated at 10 percent, approximately 3 percentage points higher than the rate recorded in 2000

(see Figure 8). According to ALN Systems, Inc., as of September 2008, effective market-rate rents in the area averaged \$588 for a one-bedroom unit, \$764 for a two-bedroom unit, and \$953 for a three-bedroom unit. Apartments account for approximately 75 percent of all rental units in the HMA. The remainder of the rental stock consists primarily of single-family homes and mobile homes.

Multifamily construction, as measured by the number of multifamily units permitted, increased to 4,500 units during the 12 months ending September 2008 compared with 3,950 units permitted during the 12-month period ending September 2007, an increase of 14 percent. According to the McGraw Hill Construction Pipeline database, during the past 12 months,

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



Sources: 1990 and 2000–1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

Rental Market *Continued*

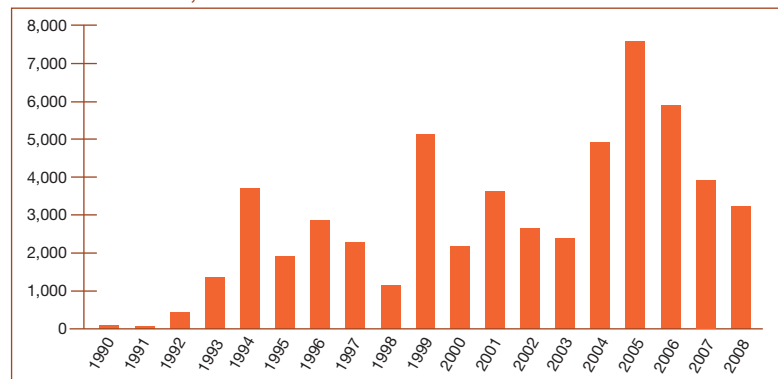
approximately 8 percent of all multifamily permits have been for condominiums, down from 12 percent for the previous 12 months. Currently, 5,700 multifamily units are under construction. Figure 9 illustrates the number of multifamily building permits issued in the HMA from 1990 to the current date.

Approximately one-fourth, or 6,200, of the multifamily units built since 2004 have been financed through low-income housing tax credits, according to data from the Texas Department of Housing and Community Affairs.

According to ALN Systems, Inc., 16,450 income-restricted units are available in the HMA; these units are leased to tenants with incomes at or below 80 percent of the Area Median Income. Asking effective rents for income-restricted units completed since 2000 average \$556 for a one-bedroom unit, \$668 for a two-bedroom unit, and \$755 for a three-bedroom unit.

According to the DoD housing website, approximately 65 percent of service members live in the private housing market. Nearly 10 percent of the rental market in the HMA is estimated to be occupied by members of the armed forces. Demand for 2,700 new rental units is forecast during the next 3 years, supported in part by an estimated 2,500 additional renters stemming from the expansion at the military bases. The 5,700 apartments currently under construction will satisfy this demand. The production of additional market-rate units should be postponed until after the forecast period. Table 5 shows the estimated demand for new market-rate rental housing in the HMA categorized by rent level and number of bedrooms.

Figure 9. Multifamily Building Permits Issued in the San Antonio HMA, 1990 to 2008



Notes: Includes all multifamily units in structures with two or more units. Includes data through September 2008.

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

Table 5. Estimated Demand for New Market-Rate Rental Housing in the San Antonio HMA, October 1, 2008 to October 1, 2011

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
650	950	840	1,350	1,060	400
700	830	890	1,125	1,110	370
750	770	940	1,025	1,160	330
800	690	990	920	1,210	280
850	610	1,040	800	1,260	240
900	510	1,090	680	1,310	210
950	430	1,140	570	1,360	180
1,050	340	1,240	460	1,460	130
1,150	270	1,340	300	1,560	100
1,250	220	1,440	200	1,660	70
1,350	170	1,540	140	1,760	60
and higher		and higher		and higher	

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. San Antonio HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	620,868	785,220	898,100	2.4	1.7
Unemployment Rate (%)	7.0	4.0	4.3		
Nonfarm Employment	543,300	732,200	846,200	3.0	1.9
Total Population	1,407,745	1,711,703	2,051,000	2.0	2.2
Total Households	487,073	601,265	696,600	2.1	1.7
Owner Households	295,092	387,770	464,400	2.8	2.1
Percent Owner (%)	60.6	64.5	66.7		
Renter Households	191,981	213,495	232,200	1.1	1.0
Percent Renter (%)	39.4	35.5	33.3		
Total Housing Units	548,023	648,593	774,900	1.7	2.1
Owner Vacancy Rate (%)	3.3	1.5	1.8		
Rental Vacancy Rate (%)	11.5	7.0	10.0		
Median Family Income	\$29,952	\$44,729	\$54,700	4.1	2.3

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through September 2008. Median family income data are for 1989, 1999, and 2008.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 10/1/2008—Analyst's estimates

Forecast period: 10/1/2008–10/1/2011—
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_SanAntonioTX_09.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.