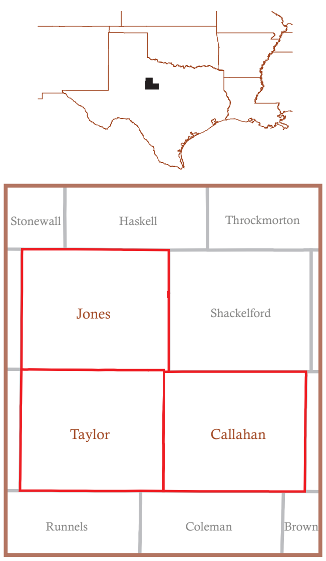
COMPREHENSIVE HOUSING MARKET ANALYSIS

Abilene, Texas

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

Housing Market Area



The Abilene, Texas Housing Market Area (HMA), which consists of Callahan, Jones, and Taylor Counties, is located in west-central Texas approximately 150 miles west of Fort Worth. The area has an estimated current population of 162,500 and is home to Dyess Air Force Base (AFB) and six institutions of higher learning with a combined enrollment of more than 12,000 students.

Market Details

Summary

Economy

During the 12 months ending June 2008, nonfarm employment in the Abilene HMA grew by 1.1 percent, or 700 jobs, slightly above the 0.8-percent growth rate recorded during the previous 12-month period. The leading employment sectors are education and health services and government, which together account for approximately 40 percent of all jobs in the HMA. During the forecast period, nonfarm employment is expected to increase by 0.8 percent, or 500 jobs, annually. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

Sales housing market conditions in the HMA are currently balanced and have been for more than 3 years. During the 12 months ending June 2008, sales of new and existing homes totaled 2,050 units, an increase of 2 percent compared with the number of units sold during the previous 12 months. During the same period, the average sales price of a single-family home was $121,200, an 8-percent increase compared with the average price recorded during the 12 months ending June 2007. During the 3-year forecast period, demand is expected for approximately 630 new homes, as shown in Table 1.

Rental Market

The rental housing market in the Abilene HMA is currently balanced. From 2000 to the current date, the rental vacancy rate declined from 10.6 to 7.5 percent. Steady enrollment increases at local universities created new renter households that contributed to the absorption of available vacant units. During the forecast period, demand is expected for approximately 480 new rental units, as shown in Table 1.

Table 1. Housing Demand in the Abilene HMA, 3-Year Forecast, July 1, 2008 to July 1, 2011

	Abilene HMA	
	Sales Units	Rental Units
Total Demand	630	480
Under Construction	60	480

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

Source: Estimates by analyst

Economic Conditions

Dyess AFB is the leading employer in the Abilene HMA, with approximately 5,370 military personnel and 780 civilian workers. In 2006, Dyess AFB had an estimated total economic impact of $444 million on the area, according to the base. Employment at the base has been largely unaffected by the most recent round of base closures and realignments and is expected to remain stable in the near future. Dyess AFB is home to the 7th Bomb Wing and the 317th Airlift Group.

After a period of stagnant growth in the early 2000s primarily caused by job losses in the manufacturing sector, nonfarm employment in the HMA has recovered. In the past 4 years, employers have created 4,200 jobs; this figure represents an average annual growth rate of 1.7 percent. The natural resources, mining, and construction sector, which added 1,400 jobs, accounted for approximately one-third of the gains. Rising fuel prices during the previous 4 years led to additional oil and gas exploration and production in the area.

Table 2. 12-Month Average Employment in the Abilene HMA, by Sector

	12 Months Ending June 2007	12 Months Ending June 2008	Percent Change
Total Nonfarm Employment	65,700	66,400	1.1
Goods Producing	8,200	8,400	2.4
Natural Resources, Mining, & Construction	4,900	5,100	4.1
Manufacturing	3,300	3,300	0.0
Service Providing	57,500	57,900	0.7
Wholesale & Retail Trade	10,700	10,900	1.9
Transportation & Utilities	1,600	1,700	6.3
Information	1,200	1,200	0.0
Financial Activities	3,700	3,800	2.7
Professional & Business Services	4,500	4,800	6.7
Education & Health Services	13,300	13,200	– 0.8
Leisure & Hospitality	7,400	6,800	– 8.1
Other Services	2,800	2,700	– 3.6
Government	12,900	12,800	– 0.8

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

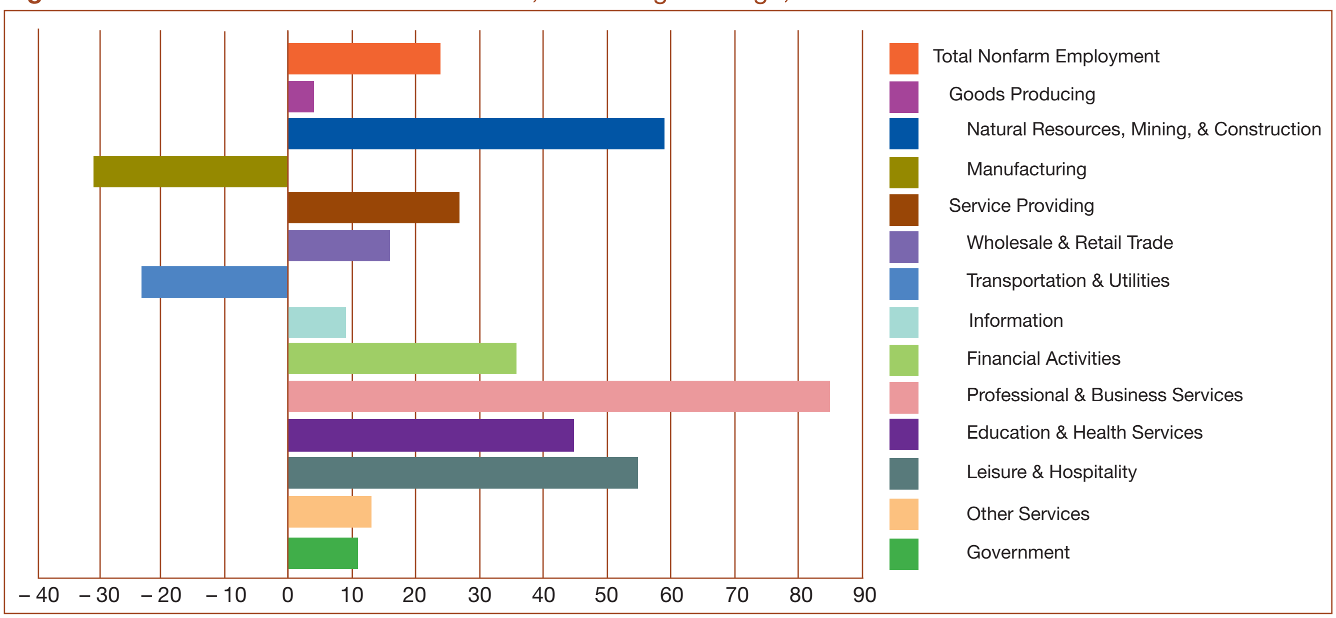
Source: U.S. Bureau of Labor Statistics

Nonfarm employment grew modestly during the 12 months ending June 2008, increasing by 700 jobs to 66,400; this figure reflects a 1.1-percent increase compared with the number of jobs during the previous 12-month period (see Table 2). The natural resources, mining, and construction sector grew by 4.3 percent, accounting for 200 of the new jobs. Growth in the construction sector has been supported by a number of residential and commercial construction projects in the HMA, including an $85 million construction project to replace aging housing units at Dyess AFB. The project includes demolishing 405 dwellings to make room for approximately 500 new single-family homes and duplexes. Of these units, 90 have already been constructed and an additional 326 are expected to be completed in the late summer of 2008. Other recent construction projects include a $26 million expansion of Abilene Regional Medical Center and a $3.1 million health sciences magnet high school at Hardin-Simmons University scheduled to open in 2008.

The professional and business services sector, which includes several firms that rely on national defense contracts, added 400 jobs, the most jobs added by any sector in the HMA during the 12 months ending June 2008. The two leading sectors, education and health services and government, remained relatively unchanged. Despite losing 100 jobs during the 12 months ending June 2008, the education and health services sector has added 45,000 jobs since 1990 (see Figure 1). Because of enrollment increases at area universities and expansions of local medical centers, this sector currently accounts for approximately 20 percent of the jobs in the area, as shown in Figure 2. The sector also contains four of the leading private-sector employers in the HMA, as shown in Table 3. The area has two large medical centers—Hendrick Health System, which employs 2,750 workers, and Abilene Regional Medical Center, which employs 740. The six colleges and universities in the HMA had a combined enrollment of more than 12,000 students and had 1,500 employees in the fall of 2006. According to a study conducted by the Abilene Education Council, the schools have an annual economic impact of more than $210 million on the local economy.

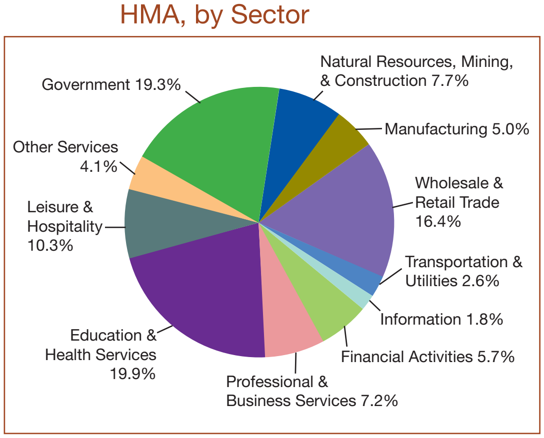
The overall long-term growth trend for the HMA economy has been positive, with new jobs being added and the unemployment rate declining, as shown in Figure 3. During the 3-year forecast period, nonfarm employment is forecast to increase by 0.8 percent

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



Note: Current is based on 12-month averages through June 2008.
Source: U.S. Bureau of Labor Statistics

Figure 2. Current Employment in the Abilene HMA, by Sector



Note: Based on 12-month averages through June 2008.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Abilene HMA

Name of Employer	Employment Sector	Number of Employees
Dyess Air Force Base	Military & Government	6,150
Hendrick Health System	Education & Health Services	2,750
Abilene State School	Government	1,225
City of Abilene	Government	1,200
Texas Department of Criminal Justice	Government	1,175
BlueCross BlueShield of Texas	Information	1,150
Abilene Christian University	Education & Health Services	850
Abilene Regional Medical Center	Education & Health Services	740
Sears Methodist Retirement Center, Inc.	Education & Health Services	580
County of Taylor	Government	540

Sources: Abilene Industrial Foundation; Dyess Air Force Base a year, similar to the overall annual rate of increase recorded since 2000. Growth during the forecast period is expected to slow slightly compared with the 1.7-percent growth rate recorded during the past 4 years, because job growth related to new home construction is likely to moderate and university enrollment and employment are expected to remain stable.

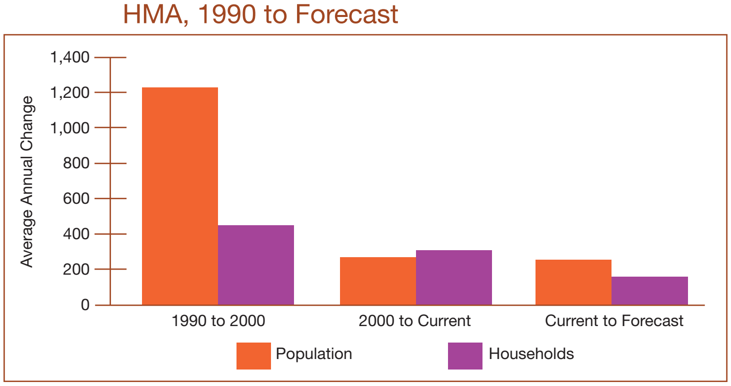
Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Abilene HMA, 1990 to 2007

Source: U.S. Bureau of Labor Statistics

Population and Households

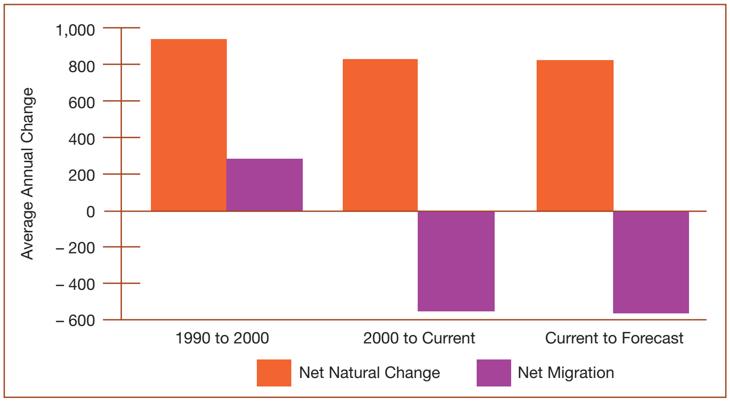
Steady economic growth in the 1990s led to an increase in the population of the Abilene HMA, because more people migrated to the area seeking employment. During the 1990s, the population of the HMA grew by an average annual rate of 0.8 percent, or 1,225, and reached 160,250 by 2000. Approximately 25 percent of the increase occurred as a result of net in-migration. Since 2000, population growth has declined to an average of 270 annually, or 0.2 percent, due to net out-migration (see Figures 4 and 5). The out-migration of young adults after completing their education has been partially offset by an increase in the population aged 62 and older. Residents of outlying areas have migrated to the HMA, drawn by the availability of retail stores and healthcare facilities. As of July 1, 2008, the population of the Abilene HMA is estimated to be 162,500. According to the Texas State Data Center and Office of the State Demographer, approximately 70 percent of the population of the HMA resides in the city of Abilene.

Figure 4. Population and Household Growth in the Abilene HMA, 1990 to Forecast



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

Figure 5. Components of Population Change in the Abilene HMA, 1990 to Forecast



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

During the forecast period, moderate employment growth is expected to cause net out-migration to remain at approximately 550 people a year, the same average out-migration level recorded from 2000 to the current date. As a result, the population is forecast to continue to increase by an average of 270, or 0.2 percent, annually, causing the HMA population to reach an estimated 163,300 by July 1, 2011.

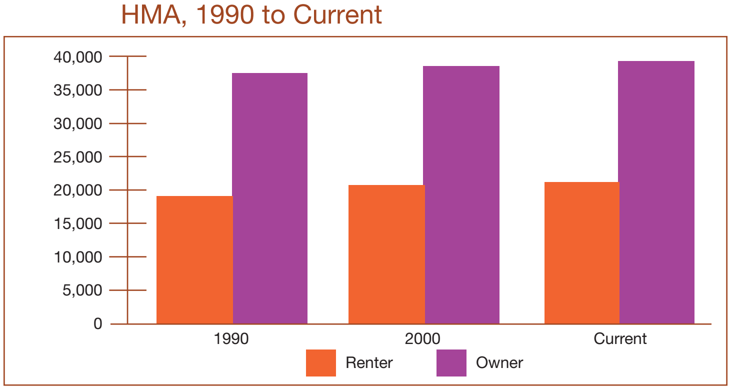
During the 1990s, the rate of household growth in the HMA mirrored the rate of population growth. During the decade, the number of households increased by approximately 440, or 0.8 percent, annually. Since 2000, the annual increase in the number households has slowed to 310, or 0.5 percent, corresponding to the slowing population growth in the HMA. During the forecast period, growth in the number of households is expected to decrease further to an annual average of 170, or 0.3 percent, as population growth continues to slow in the area.

Housing Market Trends

Sales Market

Although population growth in the Abilene HMA has been relatively limited since 2000, continued household growth due to demographic changes has contributed to a strong housing market. The sales housing market in the HMA is balanced due to continued sales demand influenced partly by job growth in the area. The sales vacancy rate is currently estimated at 1.7 percent, down from 2.4 percent recorded in 2000. Currently, homeowners represent an estimated 65 percent of all households in the area; this percentage has remained essentially unchanged since 2000 (see Figure 6).

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

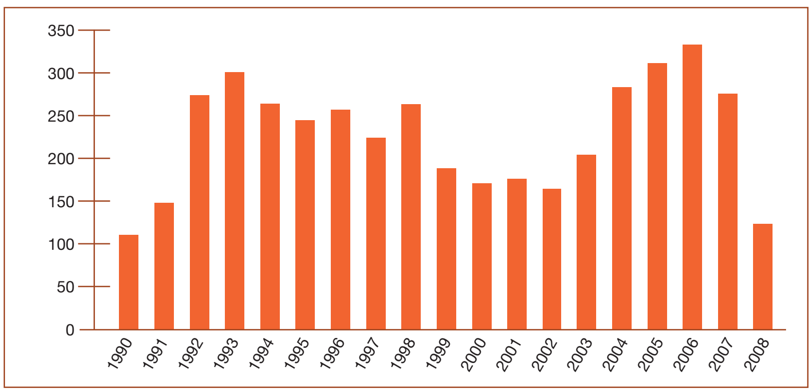


Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Single-family construction activity, as measured by the number of building permits issued, has recently started to decline from the high levels recorded from mid-2004 to mid-2007, which were prompted by an increased demand for new homes (see Figure 7).

During the 12 months ending June 2008, the number of single-family units permitted totaled 250, down 25 percent from the peak level of 340 permits issued during the 12 months ending March 2008 but still significantly higher than the average of 160 units permitted annually during the first 3 years of the decade. New subdivisions currently under construction include Indian Wells, a 50-acre tract in southeast Abilene that will include 187 homes priced between $130,000 and $160,000. Butterfield Meadows, a 455-unit subdivision in southwest Abilene, will consist of fully furnished patio homes, duplexes, and single-family residences as well as 15 acres designated for commercial development. Development of the Indian Wells subdivision is expected to take 3 to 4 years to complete and construction of the first phase of the Butterfield Meadows subdivision is expected to begin in July 2008. This phase will consist of 86 single-family homes and 21 duplexes; the first homes are expected to be ready for occupancy in March 2009.

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



Notes: Includes only single-family units. Includes data through June 2008.
Source: U.S. Census Bureau, Building Permits Survey

According to the Real Estate Center at Texas A&M University, during the 12 months ending June 2008, the average price of homes sold in the HMA was $121,200, approximately 35 percent below the state average of $192,800. According to the Abilene Multiple Listing Service, during the same 12-month period, sales of new and existing homes remained at a near-record level of 2,050 units, a 2-percent increase over the number sold during the previous 12 months, although home sales throughout Texas declined 6 percent. Annual home sales in the HMA have increased by nearly 50 percent compared with the total of 1,390 homes sold in 2000.

Demand for an estimated 630 new sales units in the Abilene HMA is expected during the forecast period. The demand is categorized by price range in Table 4. The greatest demand is expected to occur in the lower price ranges, with approximately 40 percent of the demand expected to occur in the $100,000-to-$199,999 range.

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

Price Range ($)		Units of Demand	Percent of Total
From	To		
100,000	149,999	130	20.6
150,000	199,999	130	20.6
200,000	299,999	110	17.5
300,000	399,999	120	19.0
400,000	499,999	50	7.9
500,000	and higher	90	14.3

Source: Estimates by analyst

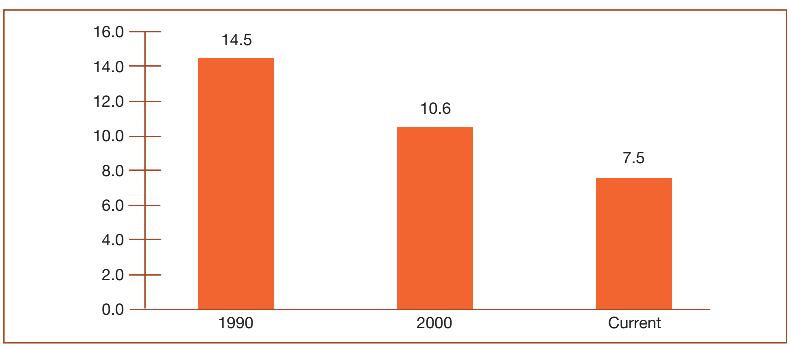
Rental Market

In 1990, the rental housing market in the HMA was very soft, with a rental vacancy rate of 14.5 percent (see Figure 8). During the 1990s, economic and population growth caused demand for rental housing to outpace the construction of rental units, and the vacancy rate fell to 10.6 percent by 2000. This trend has continued since 2000 as enrollment at local universities has steadily increased and troop levels at Dyess AFB have remained steady. Abilene Christian University, the largest university in the area, enrolled nearly 4,700 students in the fall of 2007 and has maintained record enrollment numbers in 5 of the last 7 years. Enrollment at all colleges and universities in the area is estimated at 12,000 students; approximately two-thirds of those students live in off-campus housing. In addition, of the 5,370 military personnel at Dyess AFB, approximately three-fourths reside off base in private-sector housing. The rental housing market in the HMA is currently balanced, with an estimated vacancy rate of 7.5 percent.

Multifamily construction activity, as measured by the number of multifamily units permitted, remained low throughout the 1990s, with an average of 60 units permitted annually (see Figure 9). Since 2000, the pace of new construction has increased substantially. Between 2000 and 2005, a total of 880 multifamily units, or an annual average of 150 units, were permitted in the area. Since 2006, an additional 890 units have been permitted, including a 60-unit market-rate complex and a 240-unit student apartment complex located between Abilene Christian University and Hardin-Simmons University. Before this recent activity occurred, virtually no new market-rate apartment complexes had been built for general occupancy in Abilene since the 1980s. Currently, 480 rental units are under construction in the HMA. These developments include The Reserve at Abilene on Cedar Run, a 256-unit apartment complex in southwest Abilene, and a 208-unit unnamed apartment complex in far northeast Abilene. These apartments are expected to be completed within the first year of the forecast period.

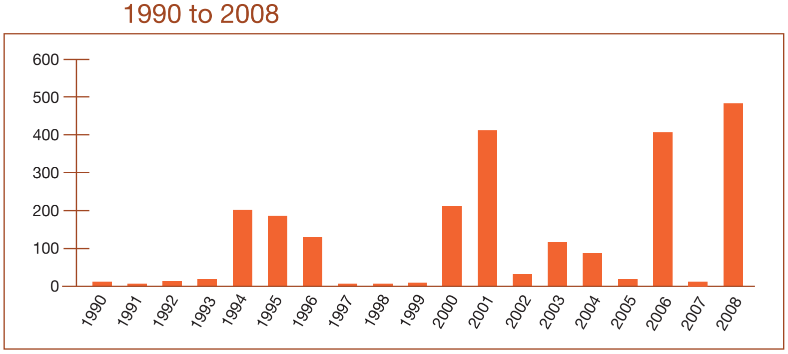
Demand is estimated for 480 new market-rate rental units for the Abilene HMA during the 3-year forecast period. Table 5 provides a breakdown of this demand by

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



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

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



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

Sources: U.S. Census Bureau, Building Permits Survey; city of Abilene permit and inspection data monthly gross rent and number of bedrooms. The demand is expected to be met by the rental units currently under construction. Any additional apartment construction completed during the forecast period could lead to a softening of the rental market; however, the construction of approximately 160 units could begin in the third year of the forecast period in anticipation of satisfying expected demand for rental housing in 2012.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Abilene HMA, July 1, 2008 to July 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
450	170	575	240	725	70
500	150	625	200	775	60
550	140	675	180	825	60
600	120	725	160	875	50
650	110	775	140	925	40
700	90	825	120	975	40
750	80	875	100	1,025	30
850	60	975	80	1,125	20
950	50	1,075	50	1,225	20
1,050 and higher	40	1,175 and higher	40	1,325 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. Abilene HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%) 1990 to 2000	Average Annual Change (%) 2000 to Current
Total Resident Employment	64,278	71,987	77,700	1.1	1.0
Unemployment Rate (%)	6.0	4.2	3.6		
Nonfarm Employment	53,600	61,900	66,200	1.5	0.9
Total Population	148,004	160,245	162,500	0.8	0.2
Total Households	54,046	58,475	61,000	0.8	0.5
Owner Households	35,449	38,050	39,500	0.7	0.5
Percent Owner (%)	65.6	65.1	64.8		
Renter Households	18,597	20,425	21,500	0.9	0.6
Percent Renter (%)	34.4	34.9	35.2		
Total Housing Units	63,130	65,217	67,420	0.3	0.4
Owner Vacancy Rate (%)	3.8	2.4	1.7		
Rental Vacancy Rate (%)	14.5	10.6	7.5		
Median Family Income	NA	NA	$50,900		

NA = Data are not available.

Notes: Median family income (MFI) data are for 2008. No comparable MFI data are available for 1990 and 2000 due to the definitional change of the metropolitan area in 2003. Employment data represent annual averages for 1990, 2000, and the 12 months through June 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: 7/1/2008—Analyst's estimates

Forecast period: 7/1/2008–7/1/2011—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_AbileneTX.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 expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

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