

Lubbock, Texas

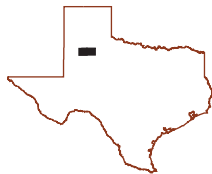


U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of November 1, 2010



Summary

Housing Market Area



Lamb	Hale	Floyd	Motley
Hockley	Lubbock	Crosby	Dickens
Terry	Lynn	Garza	Kent

The Lubbock Housing Market Area (HMA), located on the plains of northwestern Texas, consists of Lubbock and Crosby Counties. The city of Lubbock, known as the Hub City, is a regional center for education and healthcare institutions. It is the most populous city in the HMA, accounting for approximately 81 percent of the area population.

Market Details

Economic Conditions2
 Population and Households4
 Housing Market Trends6
 Data Profile9

Economy

After several years of strong growth in the mid-2000s, nonfarm payrolls in the Lubbock HMA began to decline in 2009. During the 12 months ending October 2010, nonfarm payrolls declined by 600 jobs, or 0.5 percent, to an average of 129,200, compared with a decline of 0.7 percent during the previous 12 months. During the next 3 years, nonfarm payrolls are expected to grow at a rate of 1 percent annually, partially because of gains in the education and health services sector. Additional employment data for the HMA appear in Table DP-1 at the end of this report.

Sales Market

The sales housing market in the HMA is moderately soft, although recent increases in sales activity indicate the market may be beginning to recover. During the forecast period, employment and population gains are expected to support demand for 3,275 new market-rate sales housing units and 50 mobile homes. The 240 homes currently under construction will satisfy a portion of this demand (see Table 1). A portion

of the 5,000 other vacant units in the HMA may come back on the market and satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is currently slightly soft, with an estimated overall vacancy rate of 8.2 percent, a decrease from the estimated 9.8-percent rate a year earlier. During the 3-year forecast period, demand is expected for 1,000 new rental units (see Table 1). A portion of this demand will be met by approximately 670 units currently under construction.

Table 1. Housing Demand in the Lubbock HMA, 3-Year Forecast, November 1, 2010 to November 1, 2013

	Lubbock HMA	
	Sales Units	Rental Units
Total Demand	3,325	1,000
Under Construction	240	670

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of November 1, 2010. A portion of the estimated 5,000 other vacant units in the HMA will likely satisfy some of the forecast demand. Total sales demand includes an estimated demand for 50 mobile homes.

Source: Estimates by analyst

Economic Conditions

The economy of the Lubbock HMA remains weak after recording the largest declines in nonfarm payrolls in 7 years. During the 12 months ending October 2010, nonfarm payrolls decreased by 600 jobs, or 0.5 percent, to 129,200 (see Table 2). In comparison, nonfarm payrolls decreased by 0.7 percent during the previous 12-month period. Before the downturn, from 2003 to 2008, annual gains averaged 1,600 jobs, or 1.3 percent, annually. The unemployment rate in the HMA rose from 5.1 to 6.0 percent during the 12 months ending October 2010. From 2003 through 2008, the unemployment rate in the HMA averaged 4.2

percent. Figure 1 shows trends in labor force, resident employment, and unemployment rates since 1990.

The largest net declines in payrolls occurred in the information, trade, and professional and business services sectors, which recorded losses of 400, 350, and 325 jobs, or 8.6, 1.6, and 3.3 percent, respectively. Partly offsetting these losses, the education and health services sector added 700 jobs, or 3.5 percent, and the leisure and hospitality sector added 250 jobs, or 1.5 percent. Figure 2 illustrates sector growth in the HMA from 1990 to the current date, and Figure 3 illustrates current nonfarm payroll jobs in the HMA by sector. Government is the largest sector, accounting for 23 percent of nonfarm payrolls, in large part because of the 9,700 employees at Texas Tech University (TTU), which has an estimated \$1.26 billion annual impact on the HMA's economy, according to a study commissioned by the university. TTU plans to increase enrollment to 40,000 by 2020, up from 31,650 currently, which suggests that the university will continue to have a major impact on the HMA's economy. In 2010, TTU completed a \$20 million expansion of Jones AT&T Stadium. The university is also planning a new 500-bed, \$45 million residence hall, which is expected to be completed by 2012, to help keep pace with the grow-

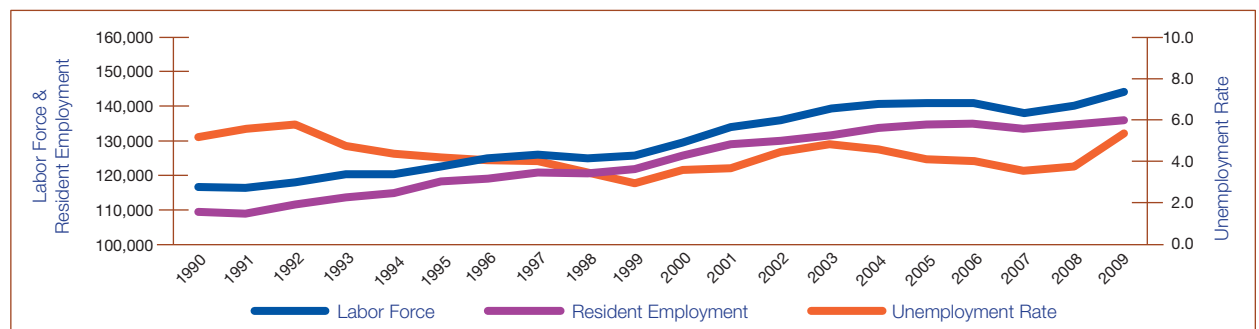
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Lubbock HMA, by Sector

	12 Months Ending October 2009	12 Months Ending October 2010	Percent Change
Total Nonfarm Payroll	129,800	129,200	- 0.5
Goods Producing	11,200	10,850	- 3.1
Mining, Logging, & Construction	6,225	6,025	- 3.2
Manufacturing	4,950	4,850	- 2.0
Service Providing	118,600	118,400	- 0.2
Wholesale & Retail Trade	22,000	21,650	- 1.6
Transportation & Utilities	3,525	3,500	- 0.7
Information	4,675	4,275	- 8.6
Financial Activities	7,125	7,025	- 1.4
Professional & Business Services	9,725	9,400	- 3.3
Education & Health Services	20,200	20,900	3.5
Leisure & Hospitality	16,200	16,450	1.5
Other Services	5,125	5,175	1.0
Government	30,000	30,000	0.0

Notes: Based on 12-month averages through October 2009 and October 2010. Numbers may not add to totals because of rounding.

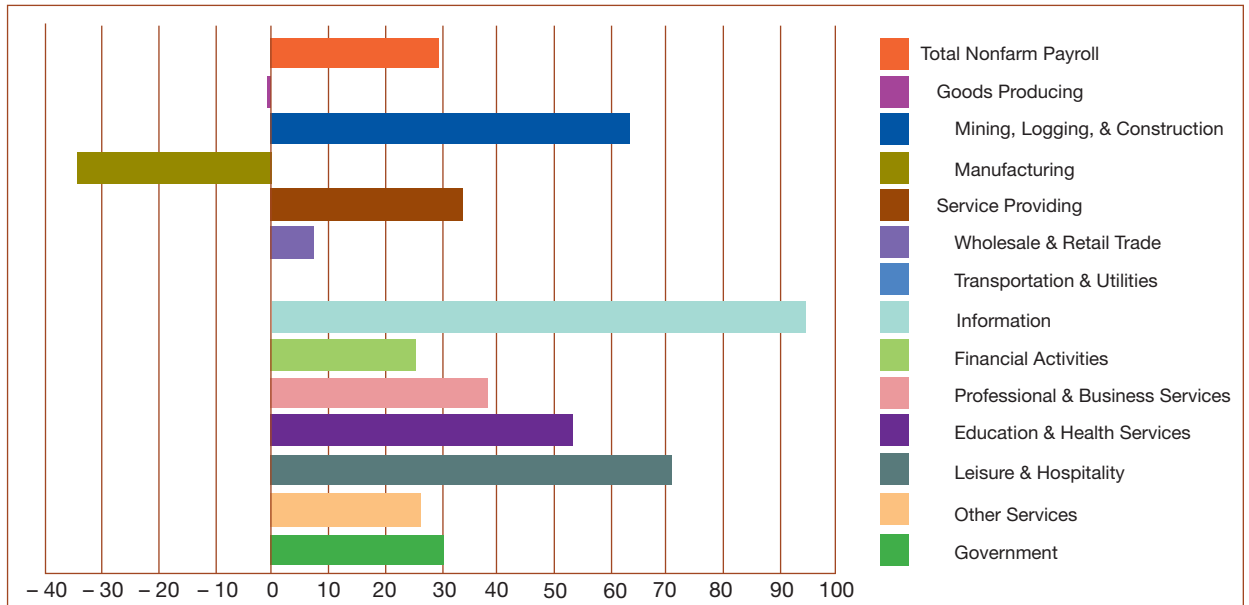
Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Lubbock HMA, 1990 to 2010



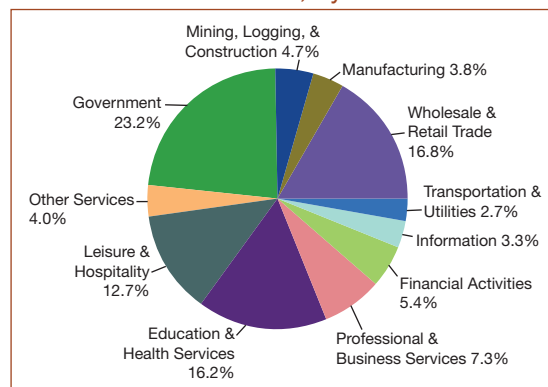
Source: U.S. Bureau of Labor Statistics

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



Note: Current is based on 12-month averages through October 2010.
Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Lubbock HMA, by Sector



Note: Based on 12-month averages through October 2010.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Lubbock HMA

Name of Employer	Employment Sector	Number of Employees
Texas Tech University	Government	9,700
Covenant Health System	Education & Health Services	4,900
University Medical Center	Government	2,800
United Supermarkets	Wholesale & Retail Trade	2,600
AT&T Communications	Information	2,400
Texas Tech University Health Sciences Center	Government	2,300
Convergys Corporation	Professional & Business Services	1,000

Sources: Lubbock Economic Development Alliance; City of Lubbock

ing student population. The education and health services sector accounts for 16 percent of the employment, in part because of the 4,900 employees at Covenant Health System. In 2009, Covenant Health System announced the opening of Covenant Women’s & Children’s, a \$50 million renovation and expansion, and it will relocate all women’s and children’s services to the new facility, which is located in its former Lakeside campus. In March 2010, Covenant Health System opened the Covenant Southwest Medical Park, a 40-acre, \$7.5 million facility that includes a primary care center and 235,000 square feet of medical, financial, and retail space. Table 3 lists the leading employers in the HMA.

Although employment in the information sector declined by 8.6 percent during the 12 months ending October 2010, the sector has experienced strong long-term growth, recording a 94-percent increase in employment since 1990. Flat Wireless, LLC, a cellular phone service company, is expected to hire 42 additional employees for a headquarters expansion,

which will contribute to employment in the information sector, although it is unclear when the expansion will be complete. The wholesale and retail trade sector is the second largest sector, accounting for 16.8 percent of nonfarm payrolls. Leonard's, a new grocery store targeting students in the Overton Park area, is expected to open in the summer of 2011 and is expected to create 45 jobs in the retail sector.

During the 3-year forecast period, nonfarm payrolls are expected to increase by 3,900 jobs, or an average of 1 percent, annually. An expansion by Convergys Corporation, a call

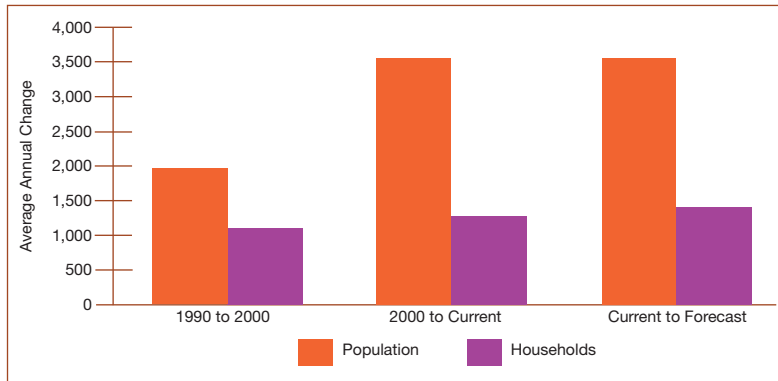
center business and the seventh leading employer in the HMA, is expected to add more than 450 jobs by 2012, which will contribute more than \$9 million in additional payrolls. TXU Energy Retail Company LLC, an electric utility company, will open a call center, which is expected to create 150 jobs by mid-2011. Cymbet™ Corporation, a clean technology company, and X-FAB Semiconductor Foundries, a semiconductor company, have announced a partnership to open a solid-state battery production facility that is expected to create 77 jobs and about \$3.2 million in payrolls; production is expected to begin in the second quarter of 2011.

Population and Households

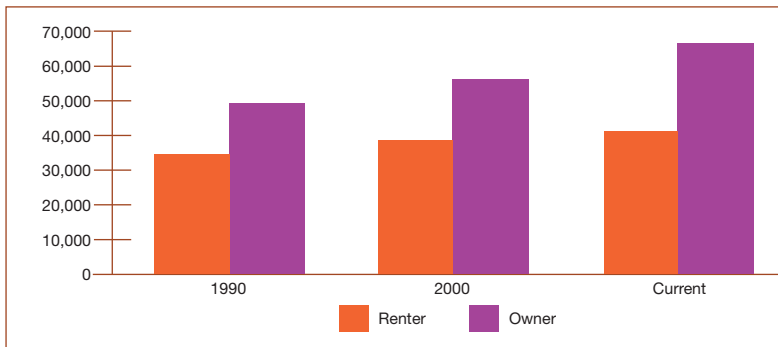
As of November 1, 2010, the population of the Lubbock HMA is estimated at 287,100, reflecting an average annual increase of 1.5 percent from the estimated population as of November 1, 2009. In comparison, population growth from 2000 through 2010 averaged 1.3 percent a year. According to the U.S. Census Bureau, the city of Lubbock had a population of 229,600 as of April 2010, the most recent data available, accounting for approximately 81 percent of the HMA's population.

During the 1990s, the population of the HMA increased by an average of 1,975 a year, or 0.8 percent, despite net out-migration averaging 150 annually. Population grew due to net natural change (resident births minus resident deaths) at an average annual rate of 2,125. Since 2000, net migration has turned positive, averaging an estimated 1,450 annually, or 40 percent of the

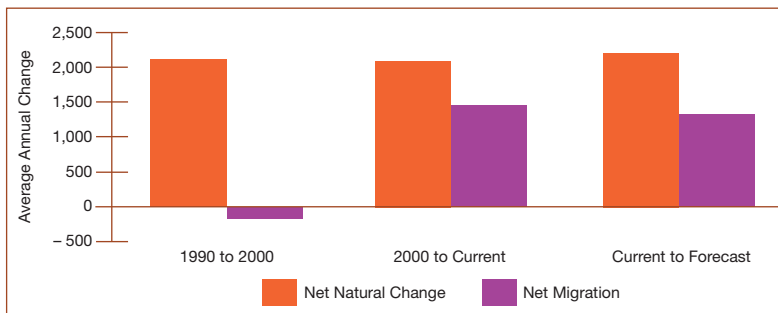
average population growth of 3,525 a year. From July 2008 to July 2009, the most recent data available, net in-migration totaled 2,925, the highest level recorded since 1990. Consecutive enrollment records at TTU have contributed to increased net in-migration to the HMA. During the fall of 2010, enrollment at TTU was approximately 31,650, up from 28,400 during the fall of 2008, an average annual increase of 1,625 students, or 5.6 percent, during the 2-year period. Jobseekers relocating to the HMA from the surrounding rural counties have also contributed to the recorded increase in net in-migration, because the labor market in the HMA, although weak, is nevertheless stronger than the labor markets in the surrounding rural counties. Net in-migration is expected to return to more historic levels and average 1,325 people a year throughout the 3-year forecast period. The population of the

Population and Households *Continued***Figure 4.** Population and Household Growth in the Lubbock 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 Lubbock HMA, 1990 to Current

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

Figure 6. Components of Population Change in the Lubbock HMA, 1990 to Forecast

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

HMA is forecast to grow by 1.2 percent a year during the next 3 years and total approximately 297,700 by November 1, 2013. See Figure 4 for population and household growth in the HMA from 1990 to the forecast date.

Since 2000, the number of households has increased by 1,275 annually, or 1.3 percent, compared with an increase of 1,100, or 1.2 percent, a year during the 1990s. Currently, the HMA has an estimated 108,600 households. 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 by 1,400, or 1.3 percent, annually and to total approximately 112,800 by November 1, 2013. Figure 6 shows the components of population change in the HMA from 1990 to the forecast date.

Housing Market Trends

Sales Market

The sales housing market is moderately soft because of job losses, although recent increases in sales activity indicate the market may be improving. According to the Real Estate Center at Texas A&M University, during the 12 months ending October 2010, the number of single-family homes sold in the Lubbock HMA increased to 2,875, a 1-percent increase compared with the number of homes sold during the previous 12-month period. The current level of sales remains below the 3,500 homes sold during the peak year of 2007 and represents a return to the sales levels that prevailed from 2002 through 2004, when sales averaged 2,925 annually.

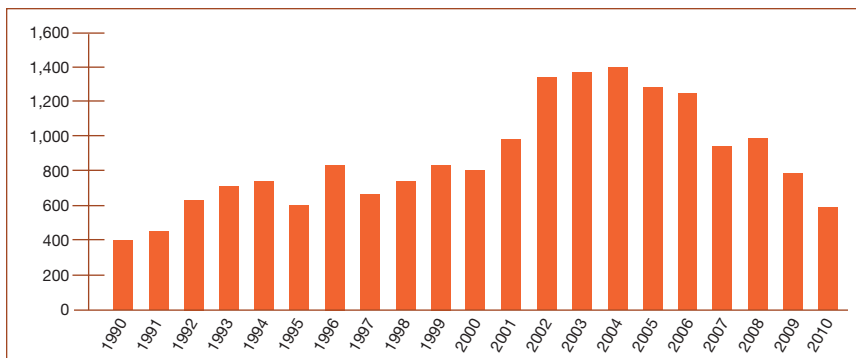
The average sales price for new and existing homes in the HMA was \$138,100 during the 12 months ending October 2010, according to the Real Estate Center at Texas A&M University; this price represents a 3.9-percent increase from the average of \$132,900 recorded during the previous 12-month period. During the 12 months ending October 2010, the available inventory of new and existing homes in the HMA averaged 6.1 months' supply, an increase from the average of 5.5 months' supply recorded during the previous 12-month period. According

to LPS Applied Analytics, in October 2010, the percentage of mortgage loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) was 3.2 percent, unchanged from the rate of 3.2 percent recorded in October 2009.

New home construction, as measured by the number of single-family building permits issued, declined during the 12 months ending October 2010 because of weak economic conditions and tight mortgage lending standards (see Figure 7). During this same period, the number of single-family permits issued declined to 680, a 2.9-percent decline from the 700 permits issued during the previous 12-month period, based on preliminary data. The current level of construction activity remains below the average of 1,325 single-family homes permitted annually from 2002 through 2006. Prices for newly constructed starter homes in the HMA typically range from \$90,000 to \$150,000, with the lower prices generally available only in the outlying areas. New developments include Monterey and North Pointe, both with more than 1,000 homes completed or planned and prices starting at \$90,000, and Bacon Crest, with 1,000 homes completed or planned and prices starting at \$160,000.

During the next 3 years, demand is expected for 3,325 new homes, including approximately 50 mobile homes. A portion of this demand will be met by the 240 homes currently under construction. Nearly one-half of the demand is expected to be for units priced between \$120,000 and \$190,000 (see Table 4). It is likely that a portion of the estimated 5,000 other vacant units will enter the sales market and satisfy some of the forecast demand.

Figure 7. Single-Family Building Permits Issued in the Lubbock HMA, 1990 to 2010



Notes: Includes only single-family units. Includes data through October 2010.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Lubbock HMA, November 1, 2010 to November 1, 2013

Price Range (\$)		Units of Demand	Percent of Total
From	To		
85,000	99,999	130	4.0
100,000	119,999	360	11.0
120,000	149,999	720	22.0
150,000	189,999	820	25.0
190,000	299,999	820	25.0
300,000	499,999	330	10.1
500,000	and higher	100	3.0

Notes: A portion of the estimated 5,000 other vacant units in the HMA will likely satisfy some of the forecast demand. Table does not include the demand for an estimated 50 mobile homes during the forecast period.

Source: Estimates by analyst

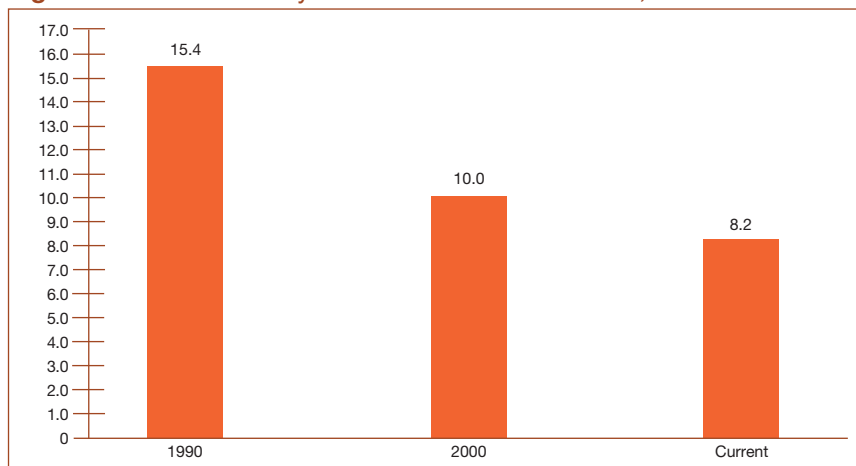
Rental Market

The rental housing market in the HMA is slightly soft. The current overall rental vacancy rate is estimated at 8.2 percent—slightly lower than the estimated 9.8-percent rate a year earlier and the 10-percent rate recorded in 2000 (see Figure 8). According to ALN Systems, during the 3 months ending October 2010, the apartment vacancy rate averaged 8.3 percent, a decrease from the 9.8-percent rate recorded during the same 3-month period a year earlier. Increased demand by TTU students, most of whom reside off campus, contributed to the decline in rental vacancy rates. During October 2010, effective apartment rents averaged \$560 for a one-bedroom

unit, \$690 for a two-bedroom unit, and \$1,050 for a three-bedroom unit; average effective apartment rents increased by 3 percent to \$740, compared with the rents recorded during the month of October 2009.

Since 2000, multifamily construction activity has fluctuated because of the redevelopment of the 325-acre North Overton neighborhood, located immediately east of TTU. From 1999 through 2002, about 900 single-family homes, nearly all rentals, were acquired by McDougal Companies, at a cost exceeding \$50 million. The homes were demolished from 2002 through 2005. Since then, development has consisted of a mixture of apartments, commercial developments, and a limited number of single-family homes and condominium townhomes. Rental construction has included approximately 1,500 apartments and townhomes, which cater largely to TTU students. The most recently completed rental community in the Overton Park area is the 291-unit Suites at Overton Park, completed in 2009, with monthly rents ranging from \$710 for an efficiency to \$2,075 for a three-bedroom loft.

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



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

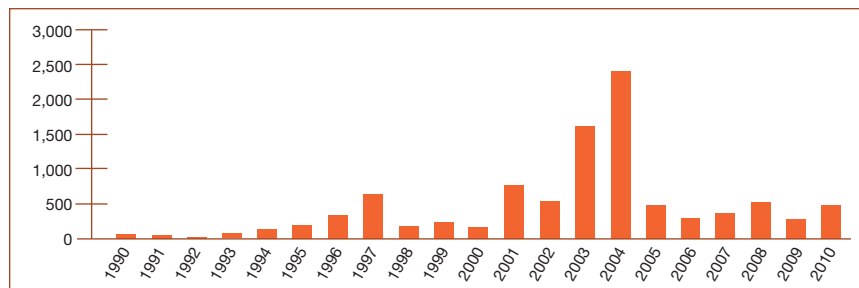
Multifamily construction, as measured by the number of multifamily units permitted, increased during the past 12 months. Based on preliminary data, during the 12 months ending October 2010, approximately 500 multifamily units were permitted, compared with 230 units permitted during the previous 12 months. The current level of construction activity is higher than the average of 370 units permitted annually from 2005 through 2009 but is well below the average of 2,000 units permitted annually during the peak years of

2003 and 2004, when the redevelopment of North Overton was under way. Figure 9 illustrates the number of multifamily units permitted in the HMA from 1990 to the current date.

Approximately 670 multifamily units are currently under construction. Two apartment communities are currently under construction—25 Twenty, with 249 units, is expected to be complete by August 2011; and Renaissance at NorthPark, with 210 units, is expected to be complete by the end of 2011.

During the 3-year forecast period, demand is estimated for 1,000 new rental units. A portion of this demand will be met by the approximately 670 units currently under construction. Table 5 shows demand by number of bedrooms and rent level. To allow for the absorption of excess vacant rental units and the 670 units under construction, additional units should not come on line until the third year of the forecast period.

Figure 9. Multifamily Building Permits Issued in the Lubbock HMA, 1990 to 2010



Notes: Includes all multifamily units in structures with two or more units. Includes data through October 2010.

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

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Lubbock HMA, November 1, 2010 to November 1, 2013

Zero Bedrooms		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	Monthly Gross Rent (\$)	Units of Demand
700 to 899	10	600 to 799	180	750 to 949	130	1,050 to 1,249	180
900 to 1,099	0	800 to 999	80	950 to 1,149	50	1,250 to 1,449	40
1,100 to 1,299	0	1,000 to 1,199	0	1,150 to 1,349	110	1,450 to 1,649	50
1,300 to 1,499	0	1,200 to 1,399	0	1,350 to 1,549	0	1,650 to 1,849	90
1,500 to 1,699	0	1,400 to 1,599	0	1,550 to 1,749	0	1,850 to 2,049	30
1,700 or more	0	1,600 or more	0	1,750 or more	0	2,050 or more	50
Total	10	Total	260	Total	290	Total	440

Source: Estimates by analyst

Data Profile

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

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	110,510	126,083	138,700	1.3	1.0
Unemployment Rate (%)	5.2	3.6	6.0		
Nonfarm Employment	99,900	121,900	129,200	2.0	0.6
Total Population	229,940	249,700	287,100	0.8	1.3
Total Households	84,050	95,028	108,600	1.2	1.3
Owner Households	49,222	56,517	66,800	1.4	1.6
Percent Owner (%)	58.6	59.5	61.5		
Renter Households	34,828	38,511	41,800	1.0	0.8
Percent Renter (%)	41.4	40.5	38.5		
Total Housing Units	95,082	103,797	118,525	0.9	1.3
Owner Vacancy Rate (%)	2.5	1.6	1.8		
Rental Vacancy Rate (%)	15.4	10.0	8.2		
Median Family Income (\$)	\$33,000	\$43,600	\$54,600	2.8	2.1

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through October 2010. Median family incomes are for 1989, 1999, and 2010.

Sources: 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: 11/1/2010—Analyst's estimates

Forecast period: 11/1/2010–11/1/2013—
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.

Other Vacant Units: In HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_LubbockTX_11.pdf.

Contact Information

Fernando Ramirez, Economist
Fort Worth HUD Regional Office
817-978-9415
fernando.l.ramirez@hud.gov

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.