

Waco's Wild Rise

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For several years now, Texas' four major Metropolitan Statistical Areas (MSAs) have posted some of the most impressive price and sales growth numbers in the nation, making it harder for most of the state's other MSAs to grab the spotlight. That doesn't apply to Waco, though, which has captured not only Texas' attention, but the nation's as well.

Waco's housing market began taking off around the start of the decade. Since then, sales volume has climbed steadily without any major bumps or boosts.

Visible market pressure appeared in 2012 with falling for-sale housing inventories (Figure 1). There was a major drop in active listings from 2012 to 2016 for reasons that are unclear. That decline came right before the rise in buyer demand, which started around 2013. During that time, homes began to sell faster, as evidenced by shorter marketing periods, and they were selling at closer to the original list price.

Overall housing prices, including price per square foot (Figure 1), started to rise by late 2013, and they haven't shown any recent signs of slowing down.

The Takeaway

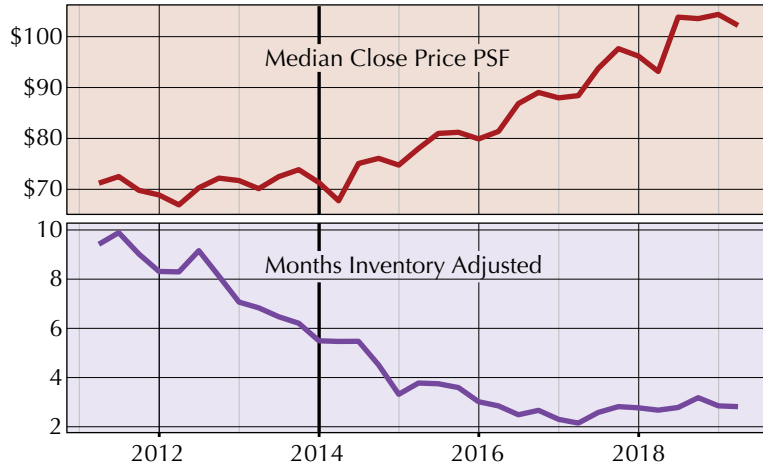
Since 2010, demand for Waco housing has risen, boosting home prices and shortening time homes spend on the market. Some argue the market owes its resurgence to the popular home-renovation show "Fixer Upper." More likely, Waco is simply benefiting from the economic growth that is sweeping across the state.

Same Places, New Faces

Interest in Waco as a place to live is visible based on household estimates from the U.S. Census Bureau. Household growth had a couple of big bumps in both 2014 and 2017 (Figure 2).

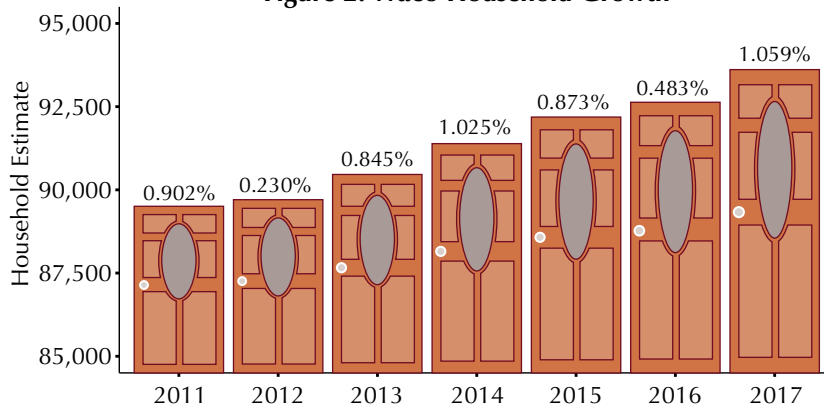
The recent growth in households appears to have shifted the overall age mix (Figure 3). Sixty-somethings made the largest gains in population proportion. Interestingly, the 40–49-year-old population declined both by population proportion and in total. This could explain why

Figure 1. Waco Median Price PSF, Monthly Inventory



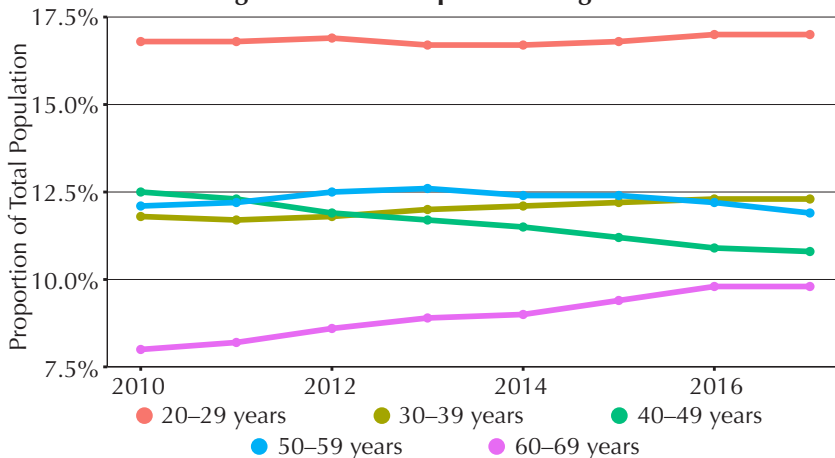
Source: Real Estate Center at Texas A&M University

Figure 2. Waco Household Growth



Source: U.S. Census Bureau, American Community Survey Five-Year Estimates

Figure 3. Waco Proportion of Age Cohorts



Source: U.S. Census Bureau, American Community Survey Five-Year Estimates

the share of thirty-somethings, which includes older millennials, has grown.

Twenty-somethings still make up the largest age group in Waco by far. This is most likely due to the presence of Baylor University, which is one of the largest private universities in Texas as well as in the region. Census Bureau estimates show the 20–29-year-old population has grown only slightly since 2011. However, this age group is more likely to be renters than homeowners, and the breakdown of single-family versus apartment or dorm renters is not as clear.

Change in household composition has increased age bifurcation in the workforce composition. For example, the drop in the 40–49-year-old population has resulted in fewer people this age in the workforce, both in total and as a proportion of the employed. At the same time, there was a large increase of sixty-somethings in the workforce, moving them from an insignificant to a major player in the labor market.

Potential changes in working-age residents could certainly explain some of the housing and business trends occurring in the area. For starters, older millennial and retiree-aged households have different housing needs and resources to pursue those needs largely due to differing stages of life.

Oldie but a Goodie

According to a sample of Multiple Listing Service (MLS) sales data, Waco has a large stock of homes built in the 1950s as well as homes built since 2000. Given differences in size and quality, one can reasonably assume homes from each era would attract different buyer types.

At the beginning of the decade, homes from the 2000s and 2010s appeared to be the most desirable to buyers based on sales volume and how close sellers got to their original listing price.

Homes built in the 1950s in aggregate typically sold in the same amount of time

Waco Home Sales by Age of Home

Decade Built	Sales Volume		Sales Proportion		Median Price		Median Days on Market		Median Close/List Price Ratio	
	2012	2018	2012	2018	2012	2018	2012	2018	2012	2018
1950s	285	398	14.9%	13.7%	\$75,700	\$122,000	93	33	91%	96%
1960s	170	253	8.9%	8.7%	\$104,450	\$152,900	91	24	91%	96%
1970s	206	275	10.8%	9.5%	\$122,500	\$182,000	91	31	94%	96%
1980s	262	344	13.7%	11.8%	\$117,700	\$175,000	94	33	94%	97%
1990s	229	251	12%	8.6%	\$150,000	\$222,250	90	34	95%	96%
2000s	485	536	25.3%	18.4%	\$165,000	\$230,550	96	36	95%	97%
2010s	40	483	2.1%	16.6%	\$188,550	\$223,500	110	44	97%	98%

Source: Real Estate Center at Texas A&M University

as those in the rest of the market but often with more negotiated off the original list price. Move forward in time, and the market for these homes changes entirely.

Homes built in the ‘50s, most of which are inside Loop 340, have typically made up a large proportion of total MLS sales. In 2012, when demand for these homes seemed softest, these homes made up about 15 percent of total sales (see table), behind only homes from the 2000s at almost 26 percent.

Last year almost 14 percent of homes sold were from the ‘50s (see table) while slightly over 18 percent were from the 2000s and 16 percent the 2010s. As demand intensified, a wider variety of homes gradually caught the eye of buyers, and sales activity improved.

Even though newer homes are, on the whole, still selling well, homes from the 1950s are, as of 2018, among the fastest selling, and with fewer potential price discounts.

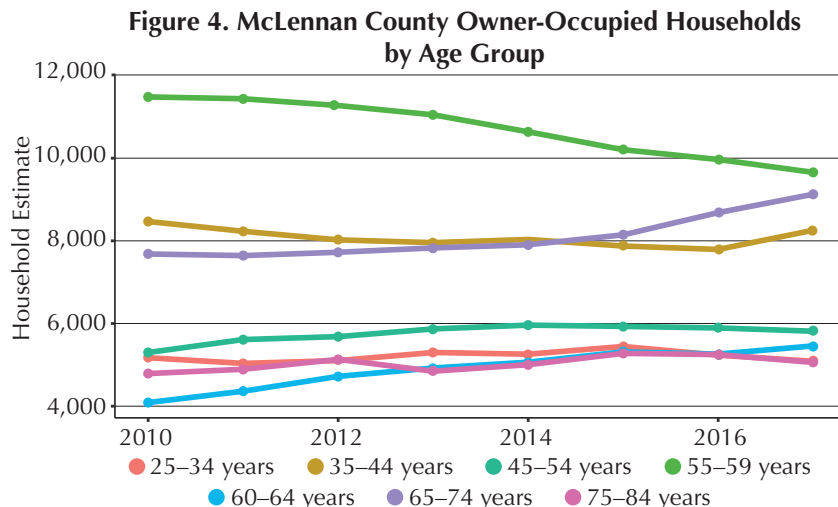
What is the potential profile of these buyers? Given the change in area demographics, it’s reasonable to assume that older millennials and retirees have made a big impact on market growth.

In terms of homeownership rates, millennials did not gain much ground over the past few years. Retirees, on the other hand, did. Retirement-aged homeownership grew the most (Figure 4) and might explain much of the boosts in home sales at both ends of the market price range. Less expensive homes inside the loop could be an option for downsizing to more affordable payments. Alternatively, those seeking newer and pricier dream homes could be fueling expanding interest to the southwest of town.

Finally, there could also be increased investor activity seeking to gain passive income. As owner-occupied housing activity has gained momentum, so has renter-occupied housing activity, according to U.S. Census Bureau estimates. Most of this growth appears to be from millennials age 25 to 34.

The Elephant (or Bear) in the Room

Why are people drawn to Waco? One reason that often comes up lately is the locally based home-renovation cable TV show “Fixer Upper,” which aired from 2014 to 2017. The show has been credited by many with



Source: U.S. Census Bureau, American Community Survey Five-Year Estimates

significantly impacting local housing and tourism and boosting Waco's overall pop-culture relevance. Do these claims carry weight or is it more hype?

The Real Estate Center surveyed Waco residents to gauge their opinion on the show's impact on the city and on other housing-related topics. One-hundred-seventy respondents on Facebook provided a glimpse into local opinion.

Overwhelmingly, respondents said the show had made a big positive impact on the local economy. When asked about the show's impact on the housing market, however, opinions were almost split. Much of the negative sentiment regarding the housing market had to do with higher prices, rising property taxes, and the threat of gentrification.

There's no doubt that Chip and Joanna Gaines have helped put Waco back on the map, but Waco has also been swept into a much broader economic growth trend happening in Texas. Many of the fears regarding home

prices and affordability are shared throughout the state. The difference for Waco may be that its residents associate celebrity faces with those fears. It may be more accurate to think of the Gaineses as catalysts to an already beginning economic cycle.

Waco's economy was heading in a positive direction before 2014. After peaking in 2011, the city's unemployment rate began falling and, in 2015, leveled off at a historical low. Some of this turnaround was recovery from recession levels.

Overall employment began to grow rapidly as early as 2012. Some industries, such as manufacturing, trade, and transportation, began growing before 2014 while others, such as education and health services, began afterward. In general, job growth has been spread through numerous sectors with no clear standouts.

Baylor University has also grown in size with big enrollment bumps in 2015 and 2016. Although it's tempting to

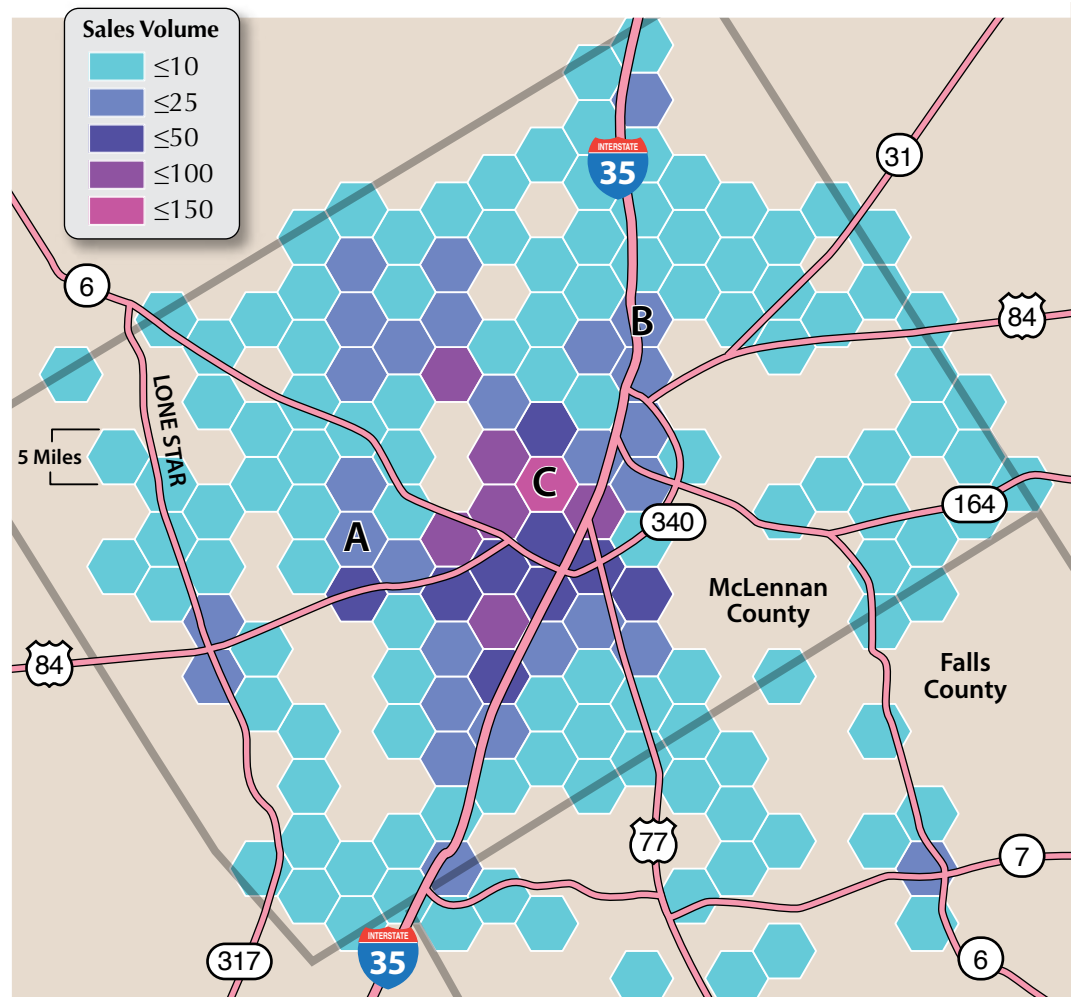
Waco Home Sales, 2018

A
Highest Median Sales Price
 Sales: 27
 Median price: \$470,000
 Median year built: 2001
 Median sf: 3,405
 Median days on market: 46

B
Shortest Marketing Period
 Sales: 25
 Median price: \$115,900
 Median year built: 1967
 Median sf: 1,326
 Median days on market: 5

C
Highest Sales Volume
 Sales: 300
 Median price: \$100,000
 Median year built: 1947
 Median sf: 1,396
 Median days on market: 32

Sources: Esri, HERE, Garmin,
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 GSI user community, and Real
 Estate Center at Texas A&M
 University



attribute any gains after 2014 to “Fixer Upper,” Baylor had several things going on that may have contributed to enrollment growth. In 2015, the new McLane Stadium opened along the Brazos River, and several of Baylor’s major sport teams had winning seasons, possibly boosting the school’s recruiting appeal.

Waco’s housing market “miracle” may be due in part to a TV show, but the area has much more to offer than

that. Some of the magic also comes from the Texas economy, as many of the housing trends are not unique to the area but are occurring statewide. ➡

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