



# TEXAS HOUSING INSIGHT

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## About this Report

Real Estate Center economists continuously monitor many facets of the global, national, and Texas economies. *Texas Housing Insight* is a summary of important economic indicators that help discern trends in the Texas housing markets. All monthly measurements are calculated using seasonally adjusted data, and percentage changes are calculated month-over-month, unless stated otherwise.

This monthly publication provides data and insights on the Texas housing markets. We hope you find them useful. Your feedback is always appreciated. Send comments and suggestions to [info@recenter.tamu.edu](mailto:info@recenter.tamu.edu).

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Data current as of October 31, 2017

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## September 2017 Summary

Hurricane Harvey jolted housing markets on the Gulf Coast in August, followed by a large rebound this month. The Texas Department of Public Safety (TxDPS) estimates over 270,000 damaged homes in the five Gulf Coast metropolitan statistical areas (MSA), approximately 71,000 of which are currently uninhabitable. These damages place further pressure on the housing supply while simultaneously increasing demand as 71,000 households search for residences. Given that Houston alone accounts for nearly a quarter of the Texas housing sales each month, the impacts of Hurricane Harvey will likely reverberate through the state-level data.

The Texas housing market stabilized after the hurricane shock last month, but the overall trend is slowing. In Houston, housing sales delayed from late August to September pushed the Texas total up 2.6 percent. However, sales in the remaining major metros fell negative year to date (YTD). Housing inventories remained constricted for homes under \$300,000, driving the median price for resale homes to record highs throughout the Texas Urban Triangle. Rapid price appreciation continued to diminish Texas housing affordability, particularly in Austin and Dallas.

### Gulf Coast Homes Damaged by Harvey (Homes)

	Affected	Minor	Major	Destroyed	Total
Houston MSA	64,405	58,675	35,678	2,859	161,617
Corpus Christi MSA	11,605	8,683	7,395	1,743	29,426
Victoria MSA	1,337	1,614	932	112	3,995
Beaumont-Port Arthur MSA	36,801	15,961	16,817	5,655	75,234
Brownsville-Harlingen MSA	343	-	-	-	343
Total	114,491	84,933	60,822	10,369	270,615

Note: Estimates current as of October 30, 2017.  
Source: Texas Department of Public Safety

### Supply\*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, decelerated due to falling residential construction values. The Texas **Residential Construction Leading Index (RCLI)** slowed for the sixth consecutive month as weighted building permits and housing starts staggered, signaling a future downturn in the residential construction business cycle.

In response to market imbalances, homebuilders and developers increased activity at the earliest stage of the residential construction cycle. The number of **vacant developed lots (VDLs)** in Dallas-Fort Worth (DFW) jumped 8.5 percent year over year (YOY), a noteworthy increase given the area's exceptionally low housing inventory. Austin and San Antonio observed more modest YOY increases

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\* All monthly measurements are calculated using seasonally adjusted data, and percentage changes are calculated month over month, unless stated otherwise.

at 2.7 and 3.3 percent, respectively. Houston supply conditions struggled as seasonally adjusted VDLs fell 6.1 percent quarter over quarter (QOQ)—the first decline in three years.

Third quarter increases in VDLs generated a 5.4 percent monthly increase in Texas **single-family housing construction permits (unweighted)**, supported by a complete recovery in Houston. Houston issued over 3,000 monthly permits, reclaiming its position as the national leader. Despite slowing this month, the DFW metropolitan statistical area (MSA) ranked second nationally in permits issued, maintaining double digit YOY growth. Austin ranked sixth nationally with 1,366 permits issued, surpassing Charlotte, NC, and Orlando, FL. San Antonio permits rose for the fifth consecutive month, up 37.8 percent YOY. However, Dallas remained the only major metro where *per capita* permits recovered fully from the Great Recession. To resolve current supply constraints, the housing stock must continue to expand, not only in absolute terms but relative to demand (i.e., the local population).

Stagnant **single-family private construction values**, which closely track permits, corroborated suppliers' current shortfall in satisfying housing demand. Construction values fell 2.2 percent in Texas on a three-month moving average (3MMA) amid declines across the Texas Urban Triangle. Dallas and San Antonio posted 2.0 percent decreases (3MMA) while Austin values fell 1.2 percent. Rebuilding efforts in Houston pushed single-family construction values up 8.2 percent month over month (MOM), reversing a three-month downward trend. The recovery process is expected to last several months and should continue to stimulate the construction industry.

Total Texas **housing starts** slid 9.0 percent from a combination of single and multifamily housing declines. Multifamily construction continued to adjust to the oversupply in the major metros, while transitory factors weighed down single-family homebuilding. Hurricane Harvey decelerated single-family starts in Houston to less than 1 percent but should normalize by the end of the year. San Antonio posted the largest quarterly decline at 12.5 percent but maintained positive growth YOY. On the other hand, Dallas returned to positive growth with 8,100 starts, the most since 2007.

Stagnant growth in multiple supply factors held the Texas **months of inventory (MOI)** steady at 3.8 months; around six months is considered a balanced housing market. The MOI remained particularly constrained for homes priced under \$200,000, sinking to 3.0 months for the first time in more than a year. Inventories for homes priced between \$200,000-\$300,000 fell back to 3.2 months after marginal gains in August. These bottom price cohorts accounted for over 70 percent of homes sold through a Multiple Listing Service (MLS) and illustrate the supply challenges facing affordable housing.

Tight inventories were prevalent in the existing home market, where homes are generally less expensive than newly constructed equivalents. The Texas **MOI for existing homes** fell to 3.4 months as Houston adjusted to damages to over 160,000 homes. Resale inventories dropped 5.5 percent in Houston, pulling the MOI down to the statewide level. Fort Worth, Dallas, and Austin maintained exceptionally low inventories at 1.9, 2.1, and 2.2 months, respectively. San Antonio was the anomaly as the MOI inched upward, surpassing 3.2 months for the first time since August 2016.

After reaching a six-year high in August, the Texas **new home MOI** fell back slightly below 5.4 months. Similar to the resale market, Houston posted the largest percentage decrease, settling just above the state level. The MOI fell below five months in Austin and ticked down to 4.6 and 4.2 months in Dallas and Fort Worth, respectively. The new home MOI trended upward in San Antonio toward five months, rising 11.6 percent on the year. Overall, this year's new home inventory expansion decelerated, heightening supply pressures in the resale market.

## Demand

Texas seasonally adjusted housing sales increased 2.6 percent led by delayed Houston sales being pushed into September due to Hurricane Harvey. Houston sales surged 31.8 percent, recovering completely from the previous month's decline and accounting for a quarter of the statewide September increase. The post-storm boost offset 4.5 and 3.6 percent contractions in Austin and Dallas, respectively. Sales fell 1.1 percent in San Antonio and were flat in Fort Worth. Aside from Houston, every major metro observed YTD sales contractions as inventories for homes under \$300,000 remained depleted.

Led by the Houston recovery, statewide sales increased in every price cohort. Sales expanded 3.6 percent on homes between \$200,000-\$300,000, accounting for a third of the aggregate monthly increase. The largest price cohort, consisting of sales on homes under \$200,000, increased marginally at 1.2 percent. Sales growth in the top price cohort (homes priced above \$500,000) also inched forward but accounted for less than a percent of the aggregate monthly increase.

Texas housing demand remained robust as the average days on market (DOM) settled at 58 days. Homes priced between \$200,000-\$300,000 sold rapidly, averaging 52 days on the market, while homes under \$200,000 averaged just over two months. Demand was softer for the top price cohort, where homes sold on average after 89 days.

The **existing home days on market** balanced at its two-year average of 52 days. Demand for resale homes in the Texas Urban Triangle persisted below the state level, but Austin and San Antonio continued to close the gap. The Austin and San Antonio DOM reached YTD highs at 45 and 51 days, respectively. Surprisingly, the Houston DOM increased for the second straight month to 48 days, despite significant damages to the housing stock. In contrast, demand intensified in Dallas and Fort Worth, pulling the DOM down to 33 and 34 days, respectively.

Demand for new homes softened as Texans searched for lower-price options, driving the **new home DOM** above three months. Dallas led the increase, rising 10.3 percent YTD to 89 days. Austin maintained the highest DOM at 102 days, followed by Houston at 94. New home demand also relaxed in Fort Worth and San Antonio, where the DOM reached 77 and 88 days, respectively.

A combination of geopolitical uncertainty and mixed economic data heightened intra-month interest rate volatility. To start the month, the **ten-year U.S. Treasury bond yield** hit a 2017 low amid growing concerns of the economic impact of Hurricane Harvey and Irma, as well as rising tensions with North Korea. Robust economic data and the increased likelihood of tighter monetary

policy elevated the average yield up to 2.2 percent, just one basis point below last month's reading. The **Federal Home Loan Mortgage Corporation 30-year fixed-rate** trended downward, falling to a year-low 3.81 percent.

Despite historically low interest rates, the Texas **homeownership** rate fell below 61.6 percent in the third quarter amid demographic trends favoring the rental market and the restricted supply for entry level homes. The Austin homeownership rate dropped to 53 percent, the lowest since 2000. In Dallas, homeownership fell further below the state level to 60.3 percent, while increasing in Houston to 60.9 percent. The San Antonio rate increased for the second straight month, surpassing the state level at 63.2 percent.

## Prices

Texas price pressures increased as the median home price rose 4.2 percent YTD. The price increase primarily occurred in the resale market, where the median surpassed \$215,000 for the first time in series history. The median price for existing homes reached all-time highs in all the major metros amid shortages for homes under \$300,000. This year alone, the median price for resale homes increased 7.3 percent in Dallas (\$271,795) and 6.4 percent in Fort Worth (\$213,117). A 5.1 percent YTD increase in Austin elevated the median price above \$297,900. San Antonio observed the lowest median price of the major metros at \$203,381, up 4.1 percent this year. In Houston, the median price spiked 4.6 percent MOM to a record \$225,011 as displaced residents scrambled to buy undamaged homes.

The statewide **median price for new homes** (\$287,420) sold through a MLS ticked up less than a percent. This marginal growth, compared to rising resale prices, pulled the premium for new homes down to 33.1 percent, the lowest in series history (since 2011). New home price pressures have relaxed throughout the year in the major metros, reflecting builders' move toward lower-priced new homes. Dallas maintained the highest median price at \$351,197, settling at almost the exact value as September 2016. The median price in Fort Worth (\$314,281) and San Antonio (\$264,948) increased by over \$22,800 and \$14,800 from last month after stagnating in the first half of the year. In contrast, the median price for new homes in Austin fell by \$7,800, down 5.3 percent on the year. Surprisingly, the Houston median new home price decreased \$3,400 despite tightened supply and expanding demand.

The statewide **median price per square foot (ppsf)** fell three quarters of a percent to \$121.55. Rising land costs and strict regulations caused homebuilders to reduce the square footage of new homes. The average lot size for new homes sold in September was 2,333 sf, 7.8 percent smaller than the peak of 2,530 sf in 2014. The statewide median ppsf for existing homes rose to \$107.36 as lot sizes shrunk, and overall prices increased. Austin led the state in ppsf for both new and existing homes at \$136.70 and \$147.37 ppsf, respectively. However, the median ppsf for new homes in Dallas (\$131.64) continued to converge towards Austin, rising 4.5 percent this year.

Despite pronounced imbalances in the resale market, the Texas **sale-to-list price ratio** for new homes fell towards 0.95 while the ratio for new homes remained above 0.96. New home ratios

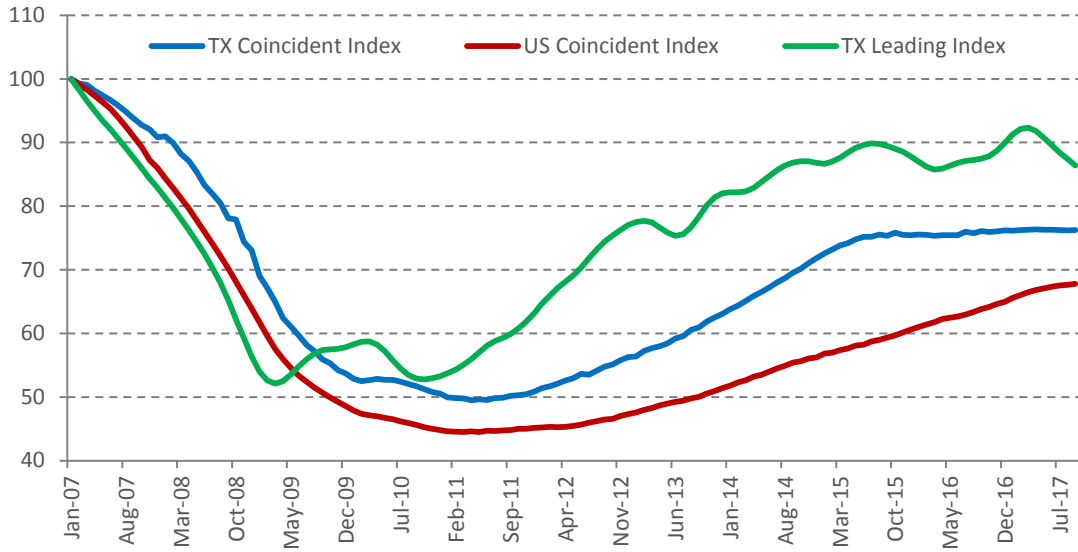


remained higher than their resale equivalents in Fort Worth and San Antonio but continued to converge. In general, sale-to-list price ratios across the state indicated a sellers' market for both new and existing homes.

Texas housing affordability remained favorable compared to other states but continued its steady decline begun in 2013. Rapid price appreciation, fueled by shortages of homes priced under \$300,000, continued to present challenges to Texas homebuyers. Recent upticks in Texas wages offset price increases in the third quarter, settling the **Real Estate Center Affordability Index** at 1.57. The quarterly reading indicated that a family earning the median income could afford a home over 1.5 times the median sale price. Fort Worth and Houston boasted the highest affordability conditions at 1.77 and 1.71, respectively, but experienced quarterly declines. Austin and Dallas affordability also declined, falling further below the state level at 1.48 and 1.44, respectively. Modest home price appreciation and steady wage growth in San Antonio pushed the index up to its highest reading of the year at 1.60. However, as long as supply constraints for lower-priced homes persist, Texas' housing affordability will be challenged.

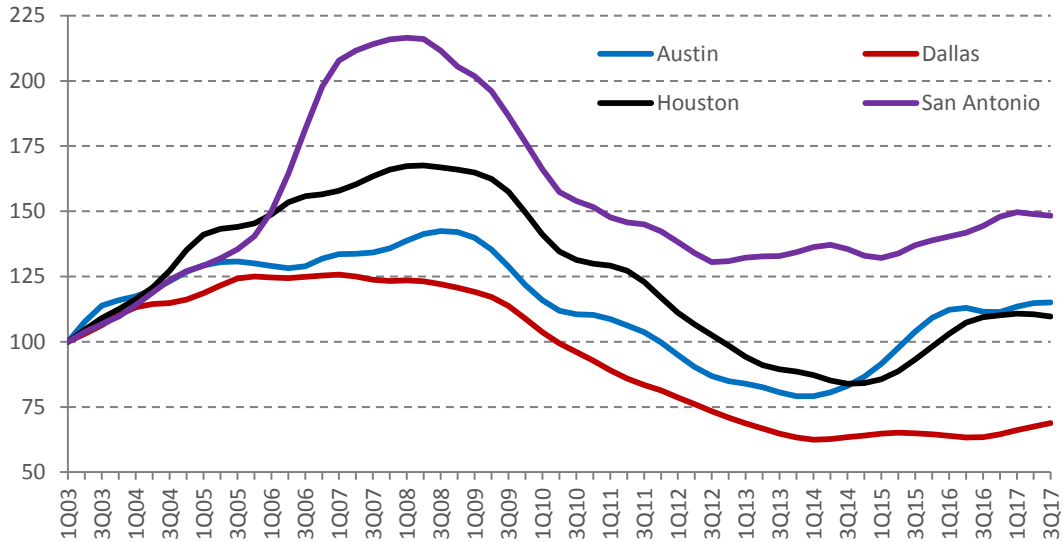
**Supply**

**Residential Construction Coincident and Leading Indicator**  
(Index Jan 2007 = 100)



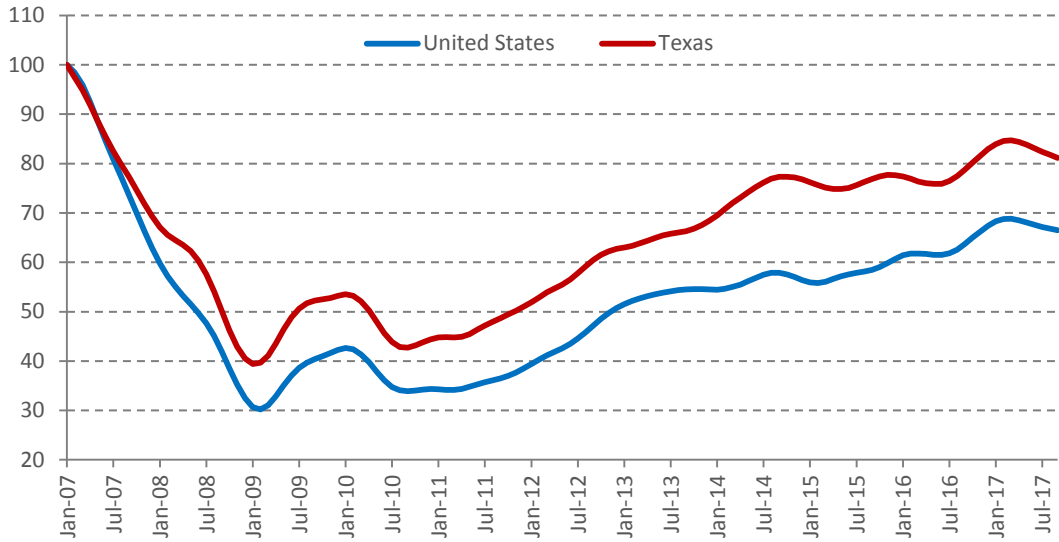
Note: Seasonally adjusted and detrended.  
Sources: Real Estate Center at Texas A&M University and Federal Reserve Bank of Dallas

**Vacant Developed Lots**  
(Index Q1 2003 = 100)



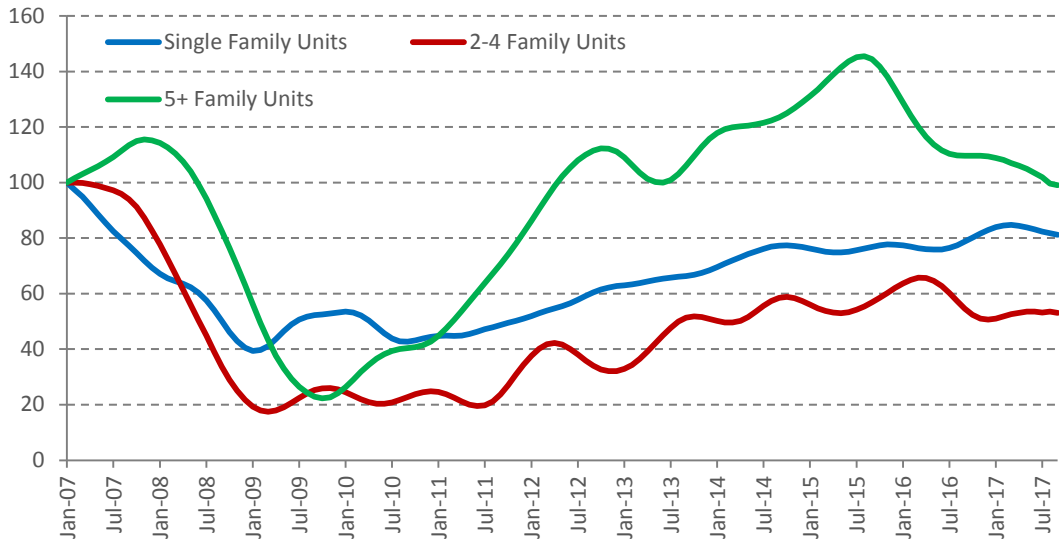
Note: Seasonally adjusted and detrended.  
Source: Metrostudy

**Single-Family Housing Construction Permits**  
(Index Jan 2007 = 100)



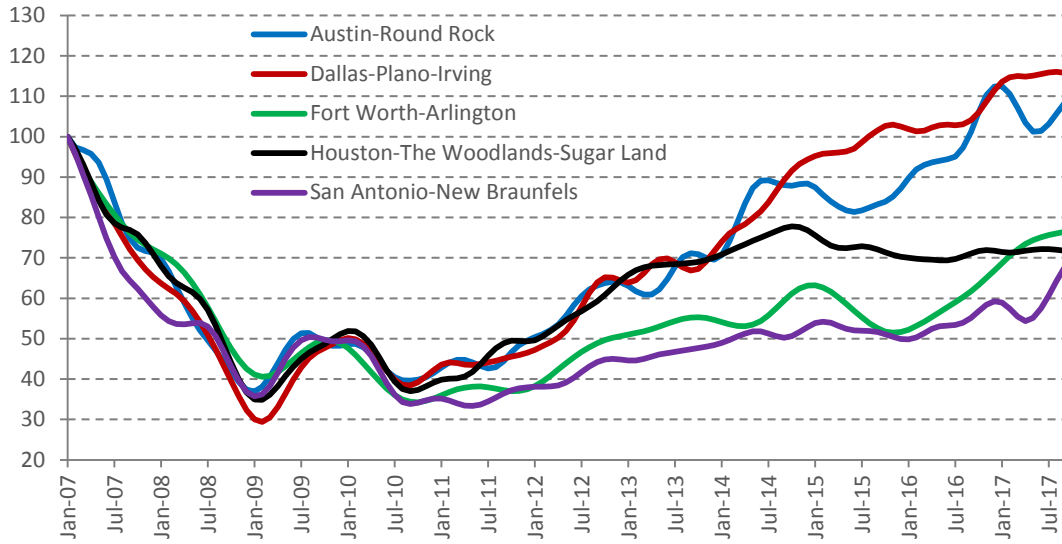
Note: Seasonally adjusted and detrended.  
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

**Texas Housing Construction Permits**  
(Index Jan 2007 = 100)



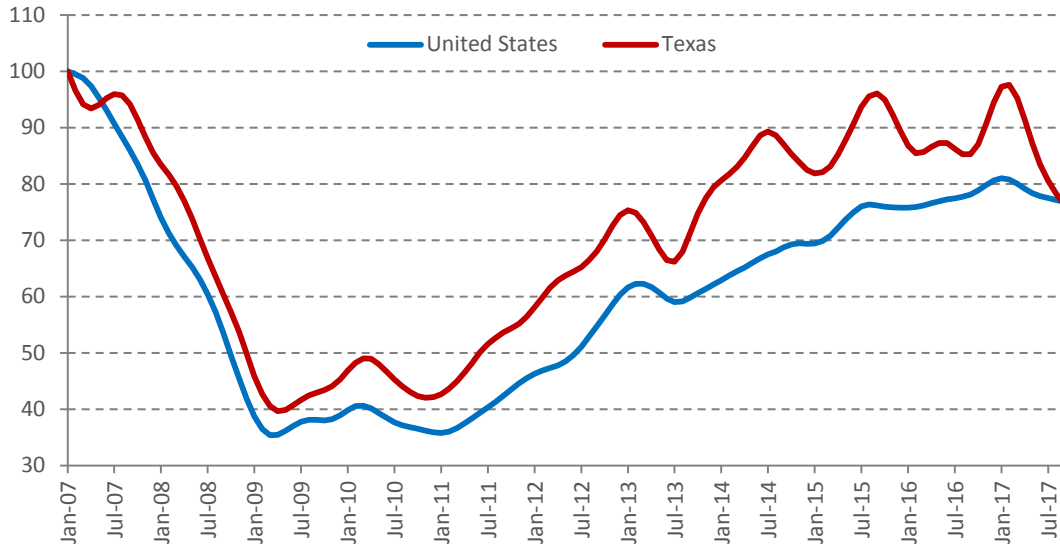
Note: Seasonally adjusted and detrended.  
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

**Major Metros Single-Family Housing Construction Permits**  
(Index Jan 2007 = 100)



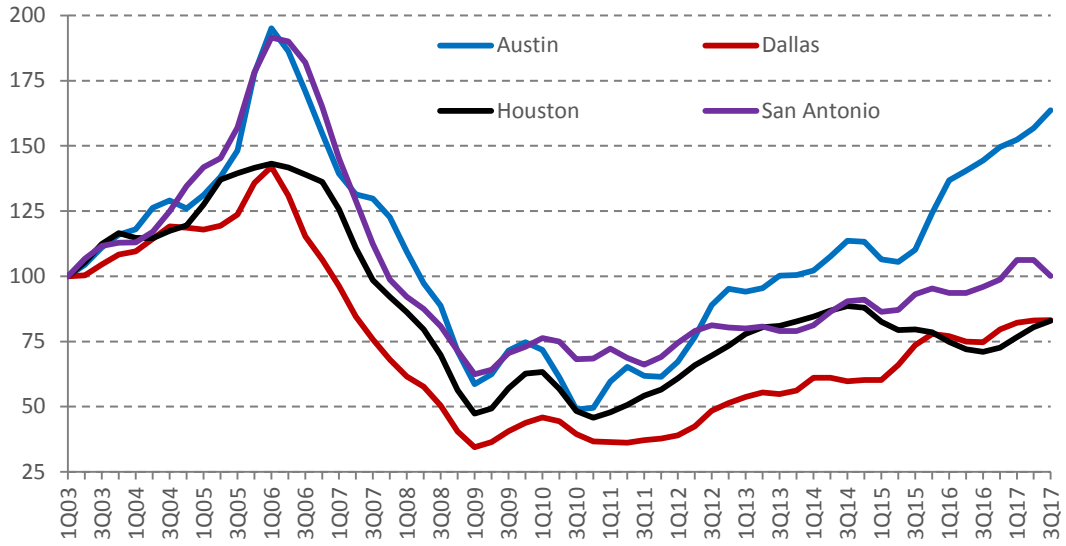
Note: Seasonally adjusted and detrended. Fort Worth is missing data for Somervell County.  
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

**Housing Starts**  
(Index Jan 2007 = 100)



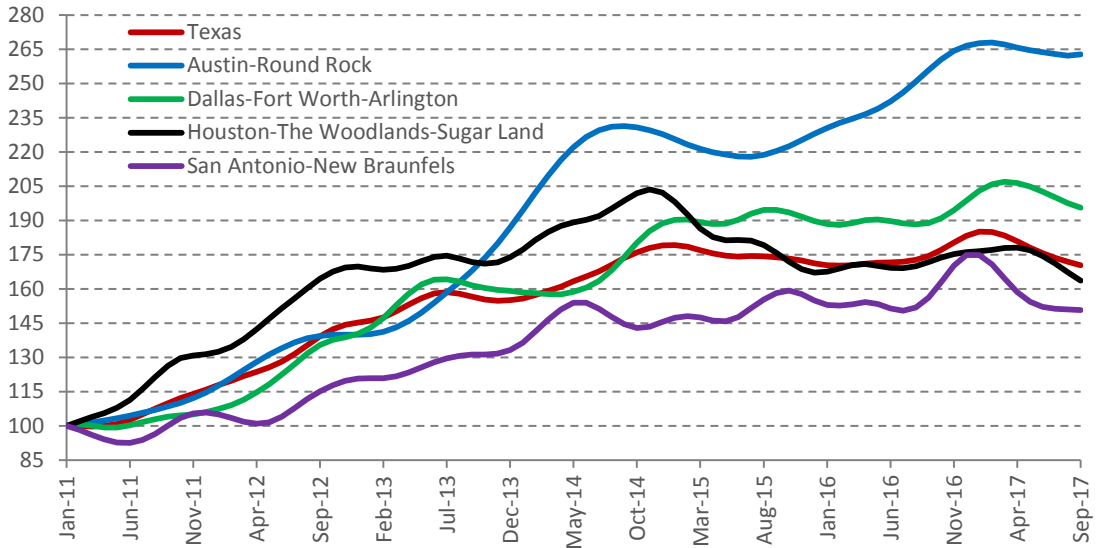
Note: Seasonally adjusted and detrended.  
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

**Major Metros Housing Starts**  
(Index Q1 2003 = 100)



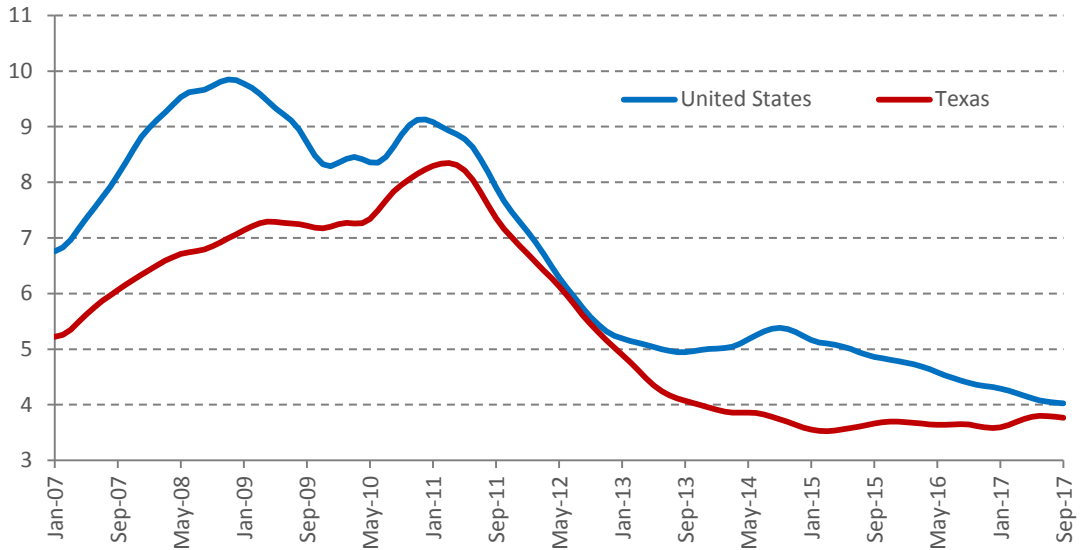
Note: Seasonally adjusted and detrended.  
Source: Metrostudy

**Total New Private Single-Family Construction Value**  
(Index Jan 2011 = 100)



Note: Inflation adjusted. Seasonally adjusted and detrended.  
Source: Dodge Analytics

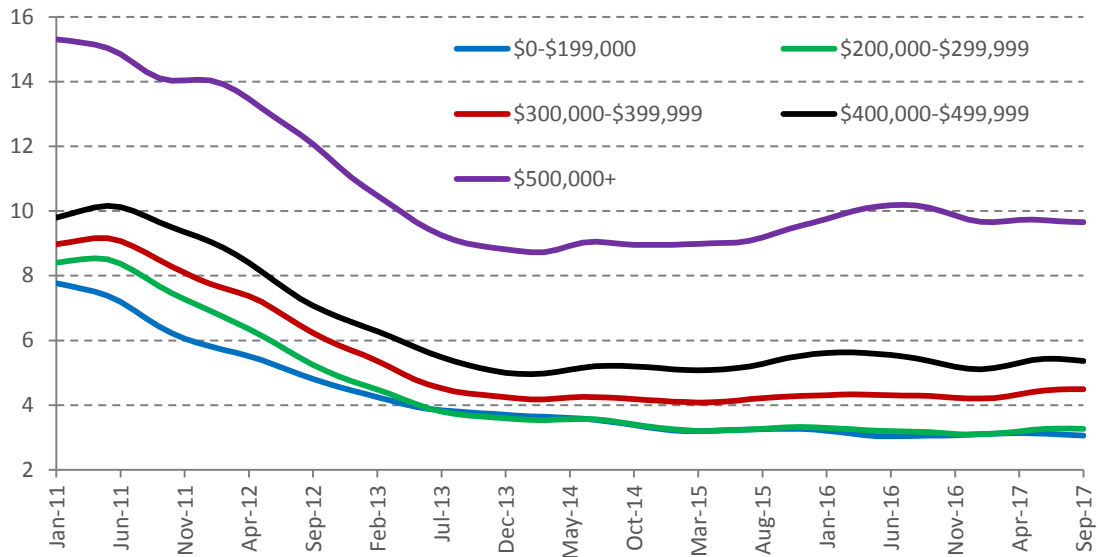
### Total Months of Inventory (Months)



Note: Seasonally adjusted and detrended. Months of inventory for the United States is estimated using weights for all existing homes and new single-family homes; new nonsingle-family homes are not included. Texas includes all existing and new homes. For more information, see [Months of Inventory](#).

Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University

### Texas Months of Inventory by Price Cohort (Months)

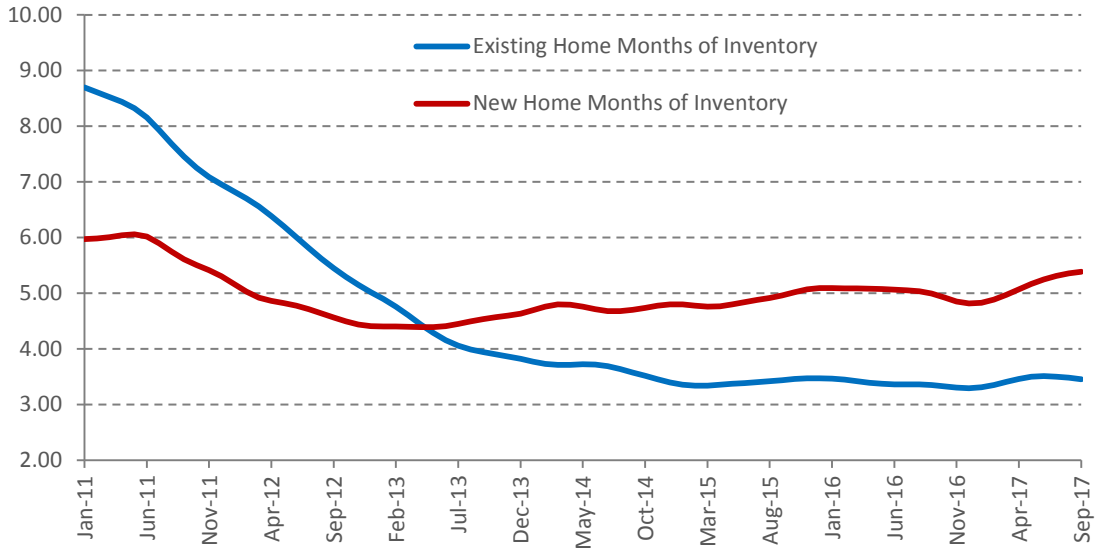


Note: Seasonally adjusted and detrended.

Sources: Real Estate Center at Texas A&M University

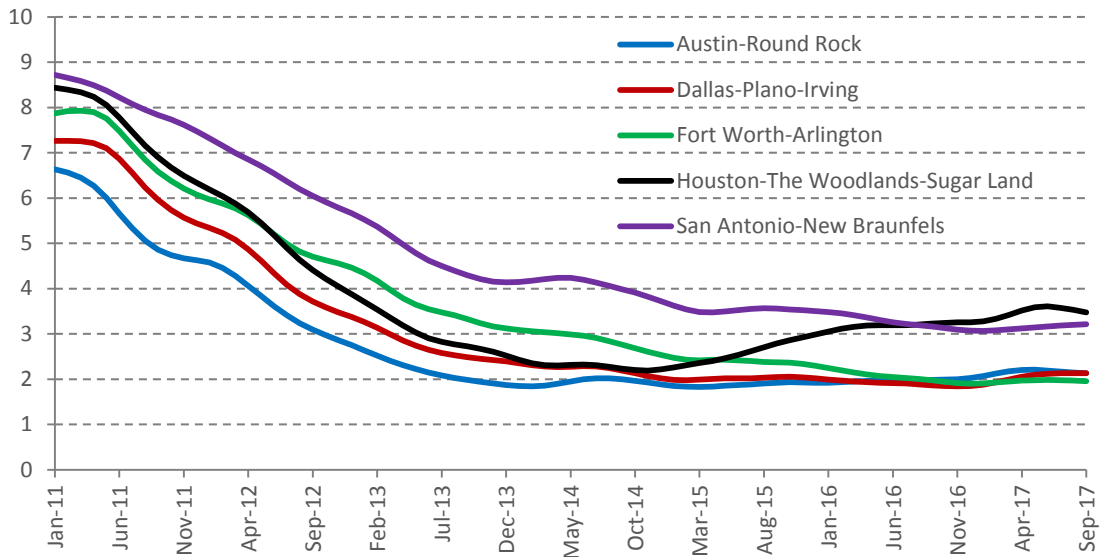


### Texas Existing and New Home Months of Inventory (Months)



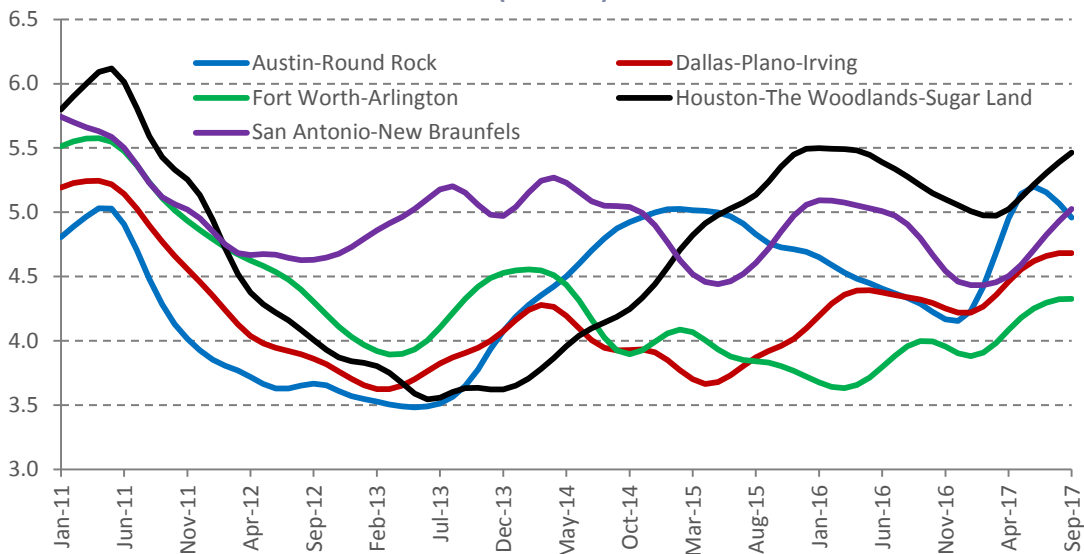
Note: Seasonally adjusted and detrended.  
Source: Real Estate Center at Texas A&M University

### Major Metros Existing Home Months of Inventory (Months)



Note: Seasonally adjusted and detrended.  
Source: Real Estate Center at Texas A&M University

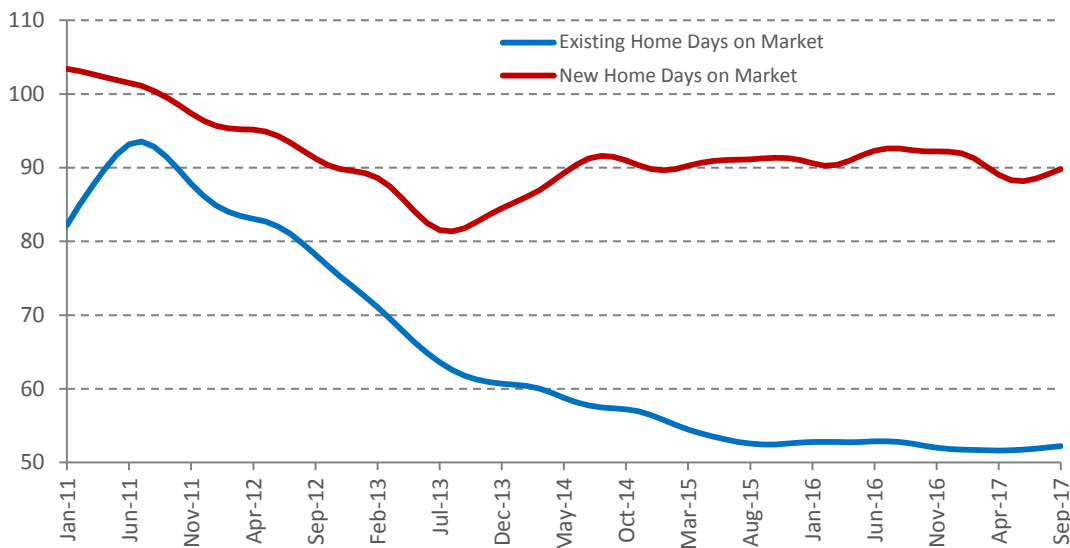
### Major Metros New Home Months of Inventory (Months)



Note: Seasonally adjusted and detrended.  
Source: Real Estate Center at Texas A&M University

### Demand

#### Texas Homes Days on Market (Days)

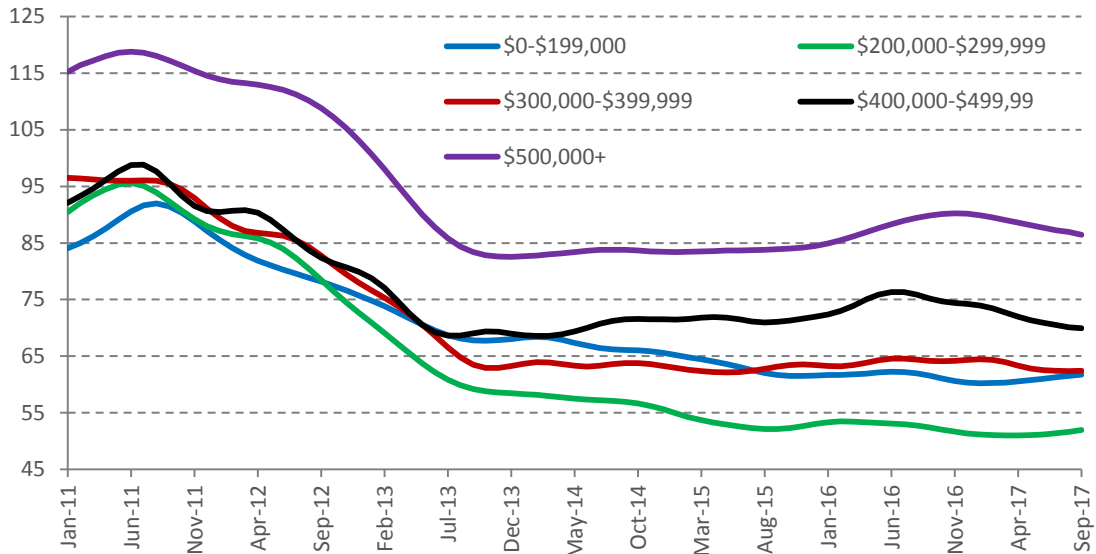


Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University



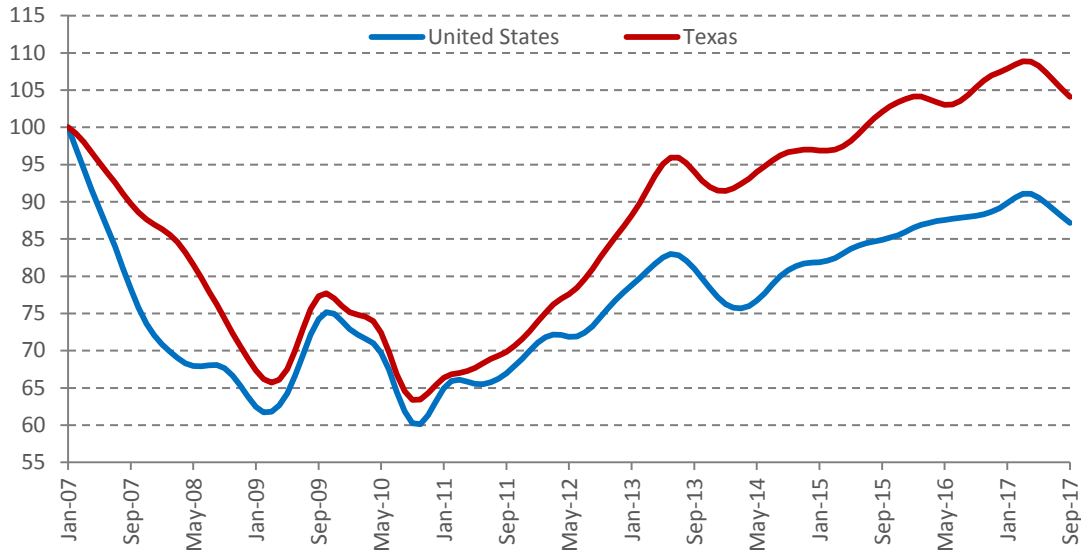


### Texas Home Days on Market by Price Cohort (Days)



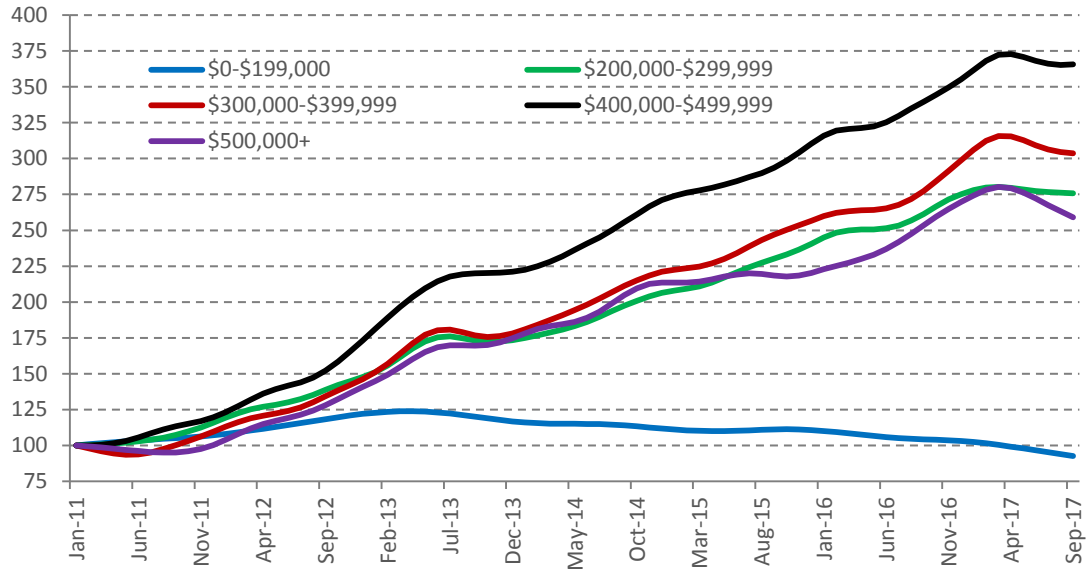
Note: Seasonally adjusted sales reported by MLS and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University.

### Housing Sales (Index Jan 2007 = 100)



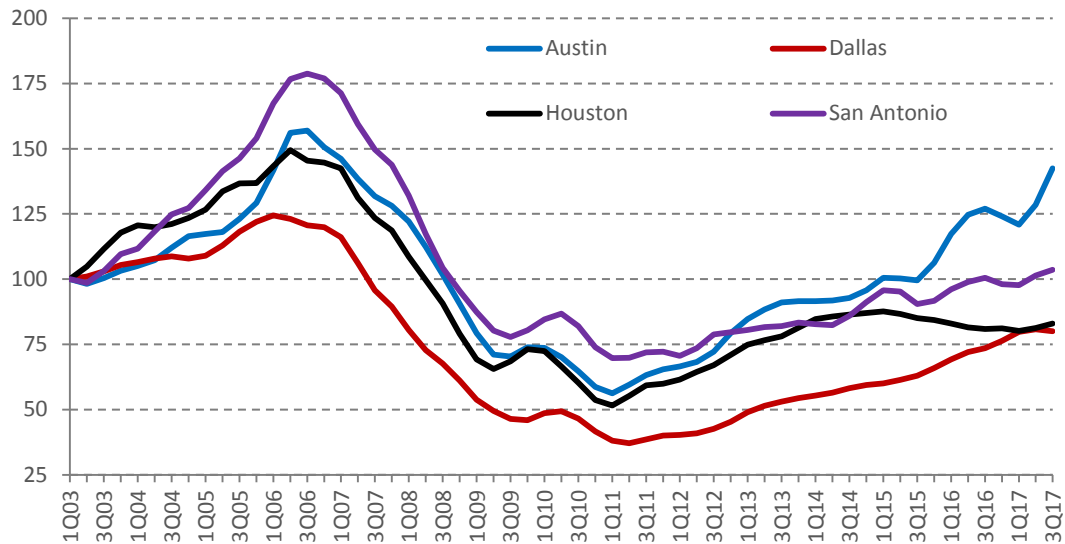
Note: Seasonally adjusted and detrended. Sales for the United States include all existing homes and new single-family homes; new non-single-family homes are not included. Texas includes all existing and new homes.  
For more information see [Housing Sales](#).  
Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University

### Texas Housing Sales by Price Cohort (Index Jan 2011 = 100)



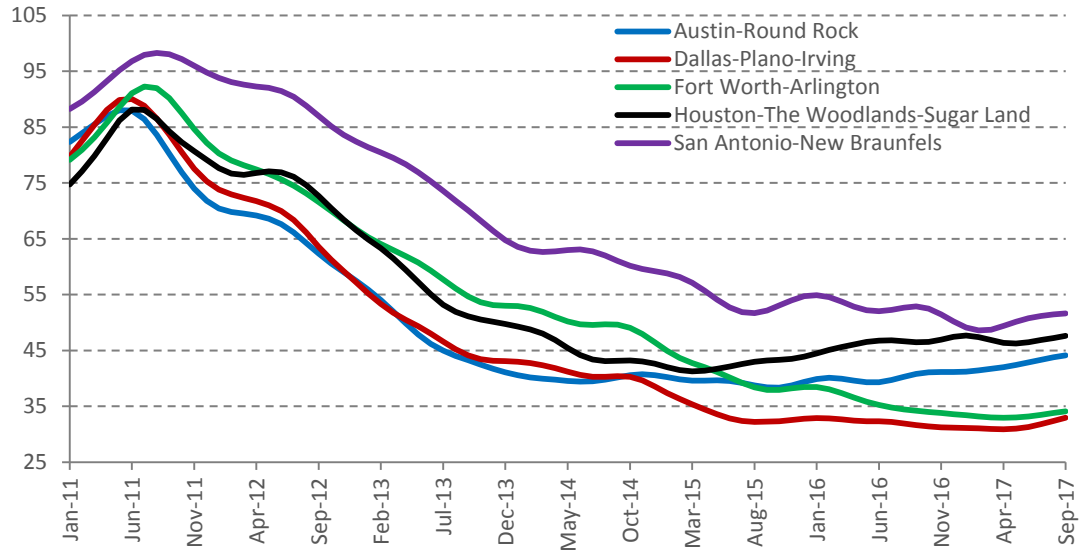
Note: Seasonally adjusted sales reported by MLS and detrended.  
Source: Real Estate Center at Texas A&M University

### Major Metros Housing Sales (Index 1Q2003 = 100)



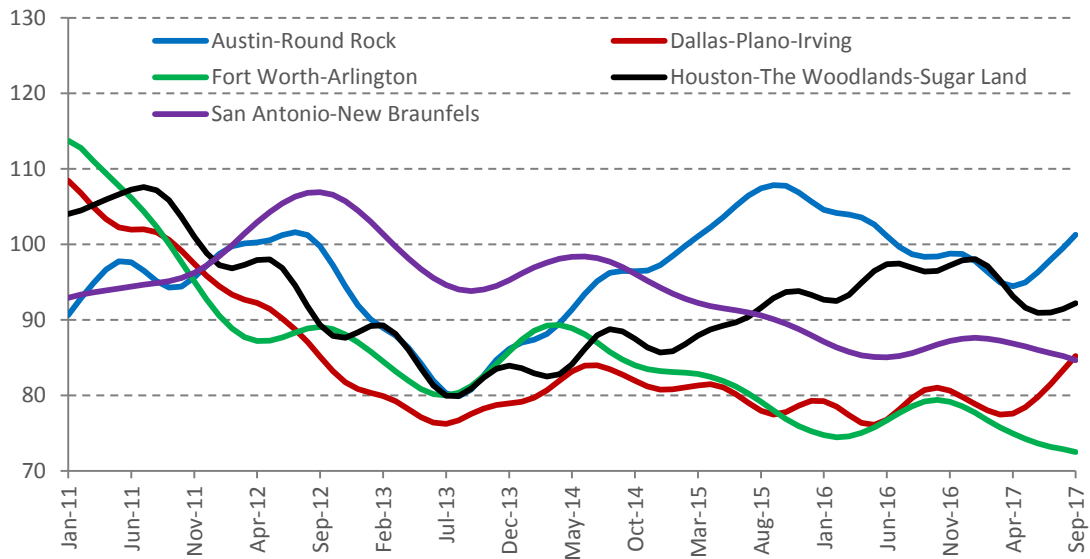
Note: Seasonally adjusted and detrended.  
Source: Metrostudy

### Major Metros Existing Homes Days on Market (Days)



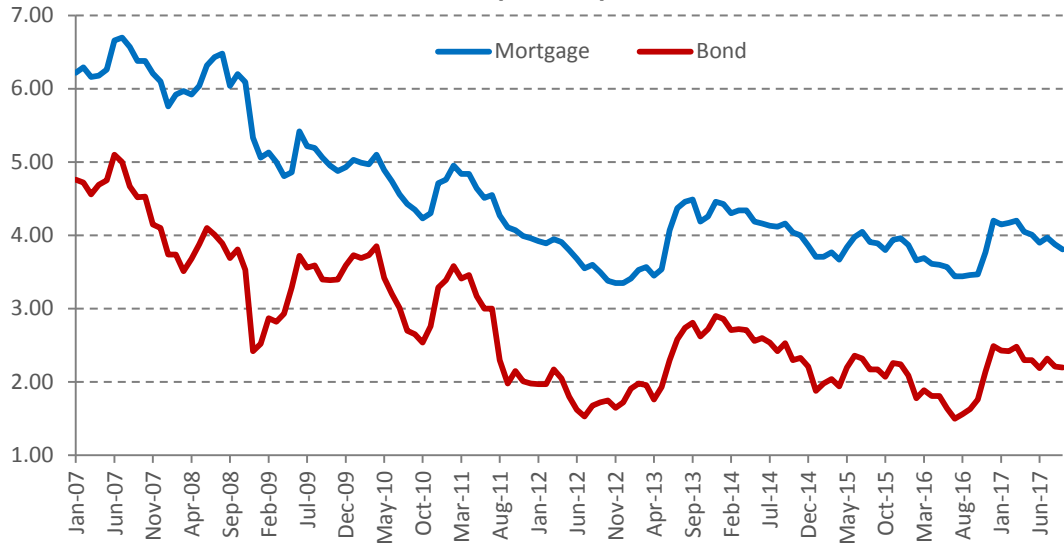
Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Major Metros New Homes Days on Market (Days)



Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University

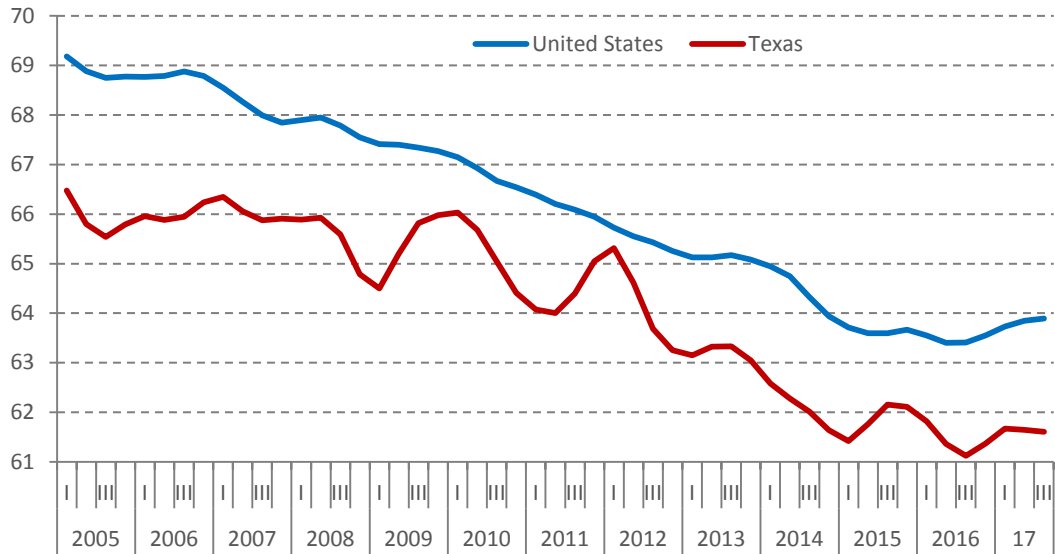
### 30-Year Mortgage Rate and 10-Year Bond Yield (Percent)



Note: Seasonally adjusted.

Sources: Federal Home Loan Mortgage Corporation and Federal Reserve Board

### Home Ownership Rate (%)

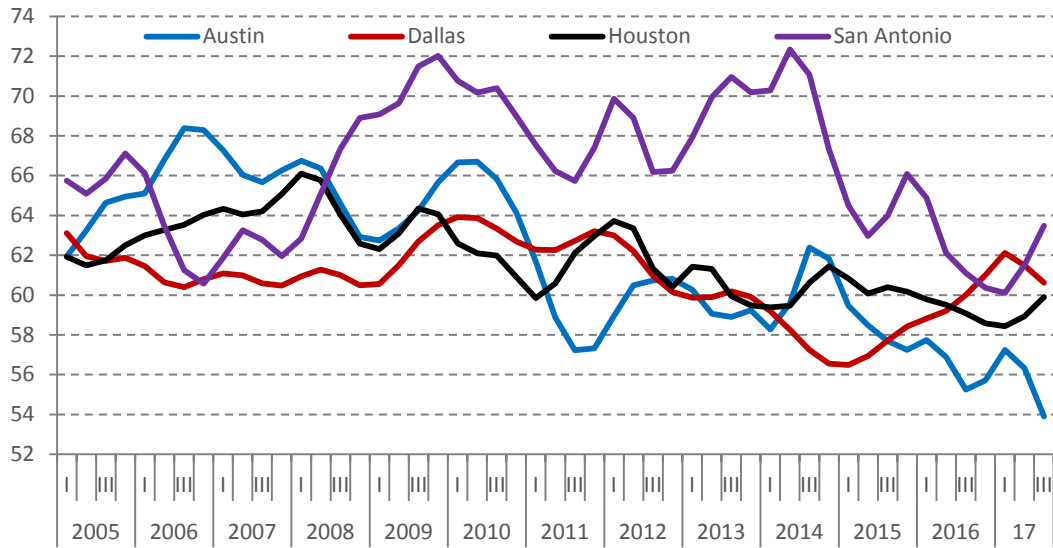


Note: Seasonally adjusted and detrended.

Source: United States Census Bureau



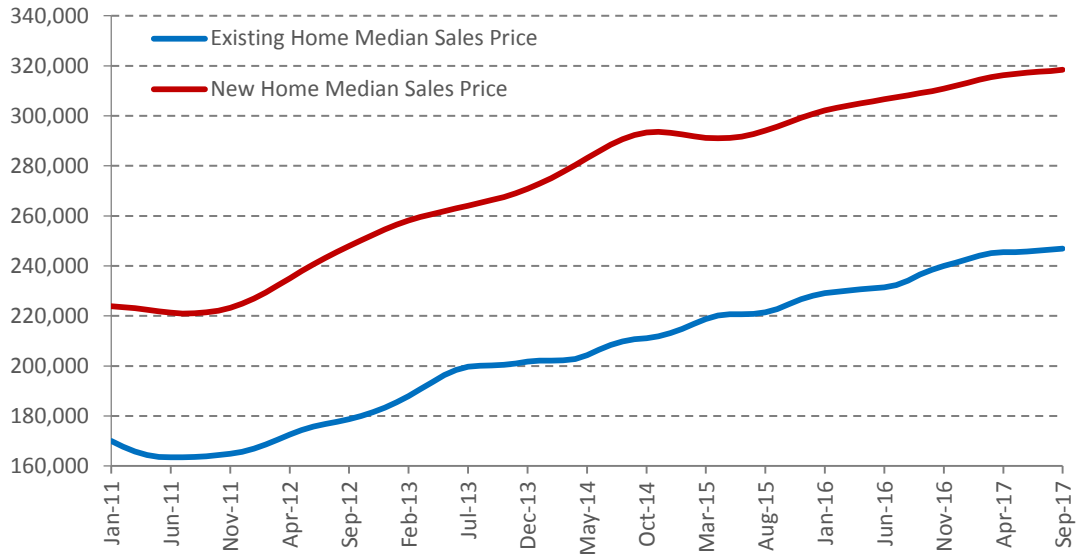
### Major Metros Home Ownership Rate (%)



Note: Seasonally adjusted and detrended.  
Source: United States Census Bureau

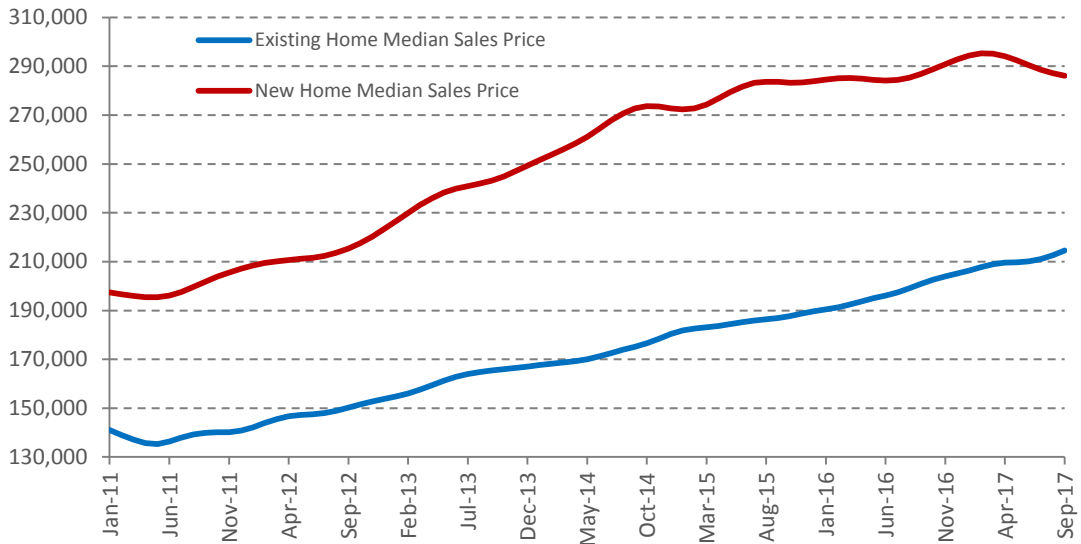
### Prices

#### United States Existing and New Home Median Sales Price (\$)



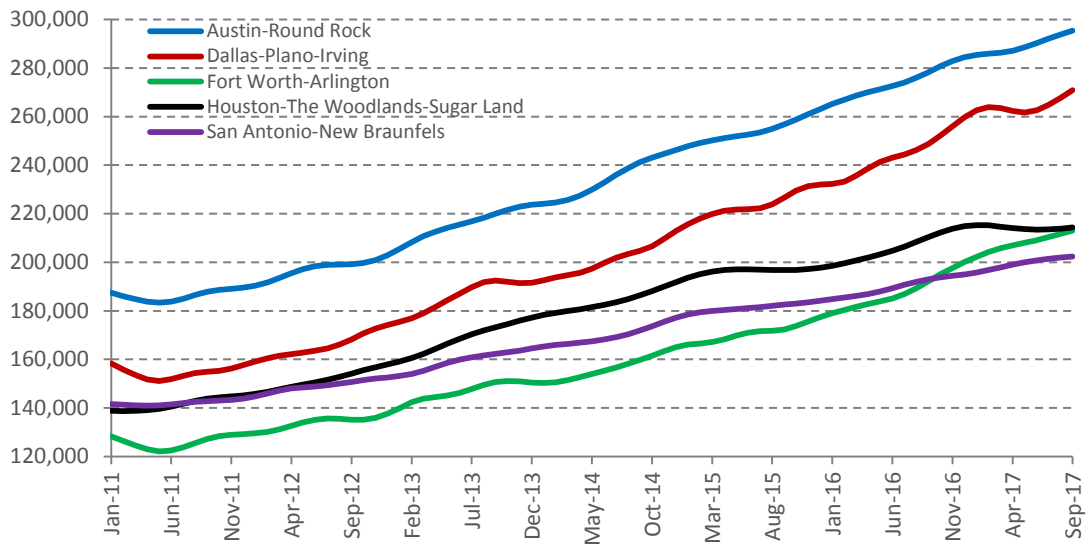
Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Federal Reserve Bank of St. Louis

### Texas Existing and New Home Median Sales Price (\$)



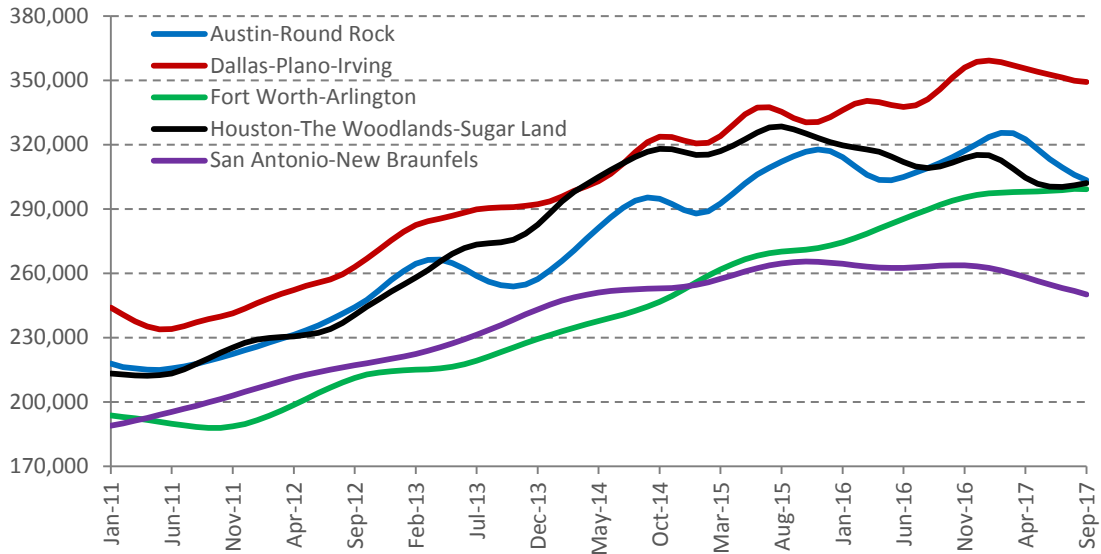
Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Major Metros Existing Home Median Sales Price (\$)



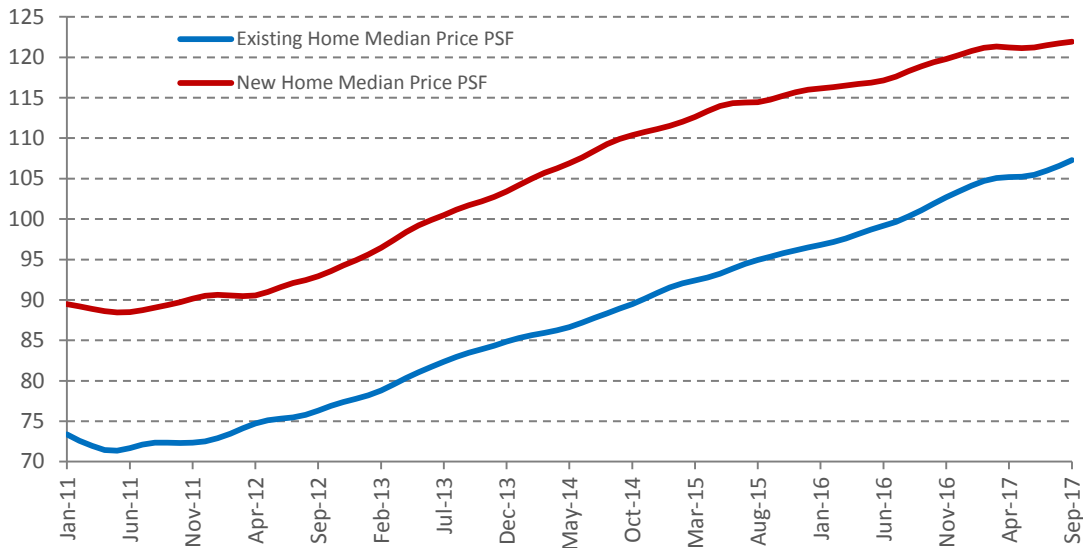
Note: Seasonally adjusted and detrended. For single-family homes.  
Sources: Real Estate Center at Texas A&M University

### Major Metros New Home Median Sales Price (\$)



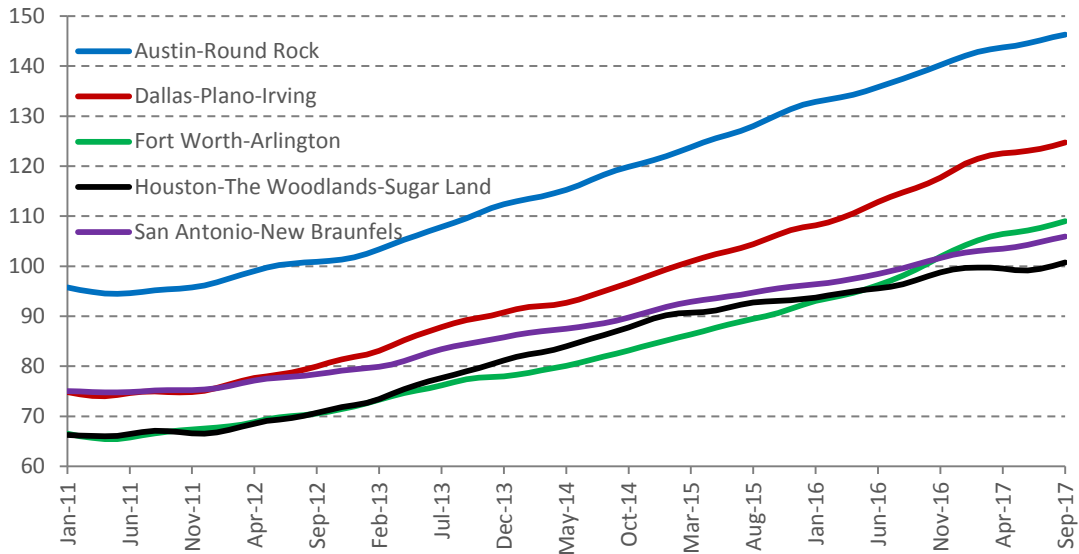
Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Texas Home Median Price Per Square Foot (\$)



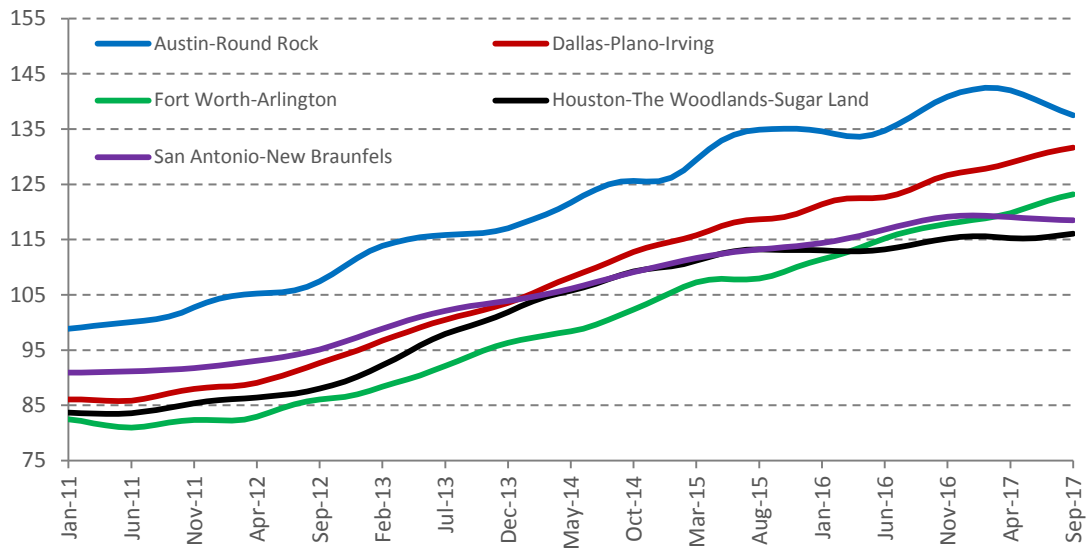
Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Major Metros Existing Home Median Price Per Square Foot (\$)



Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Major Metros New Home Median Price Per Square Foot (\$)

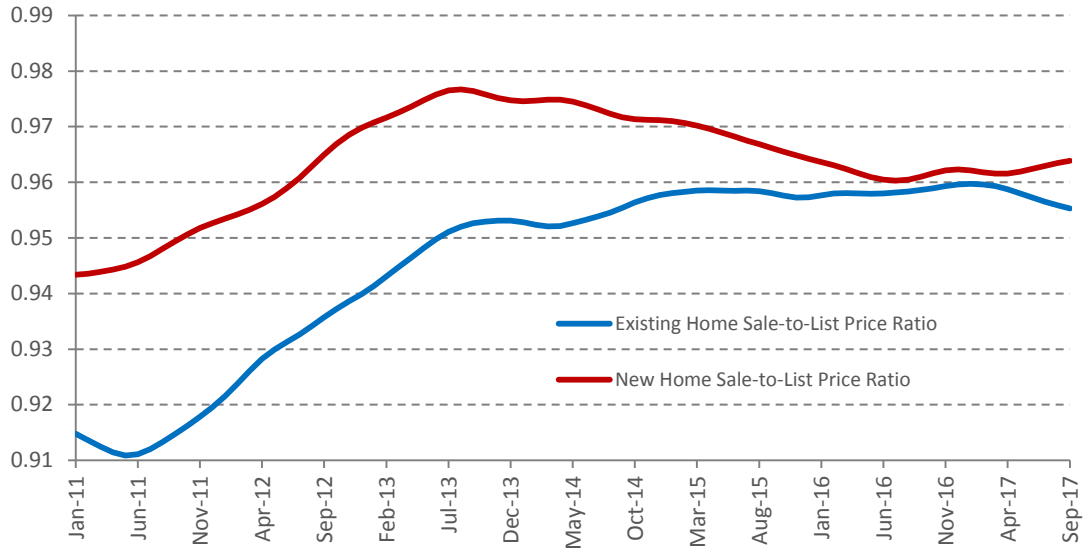


Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University



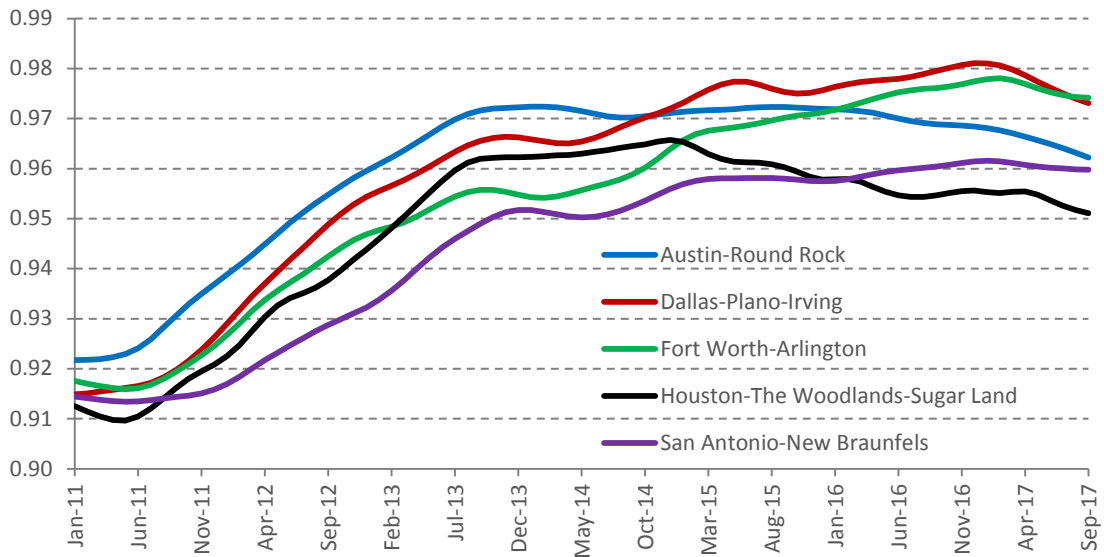


### Texas Home Sale Price to List Price Ratio (%)



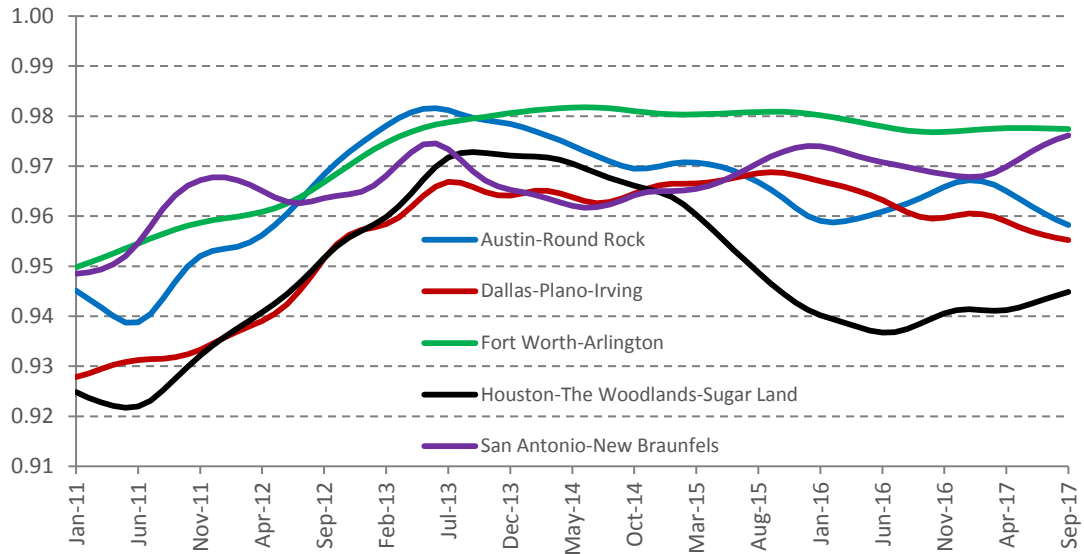
Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Major Metros Existing Home Sale Price to List Price Ratio (%)



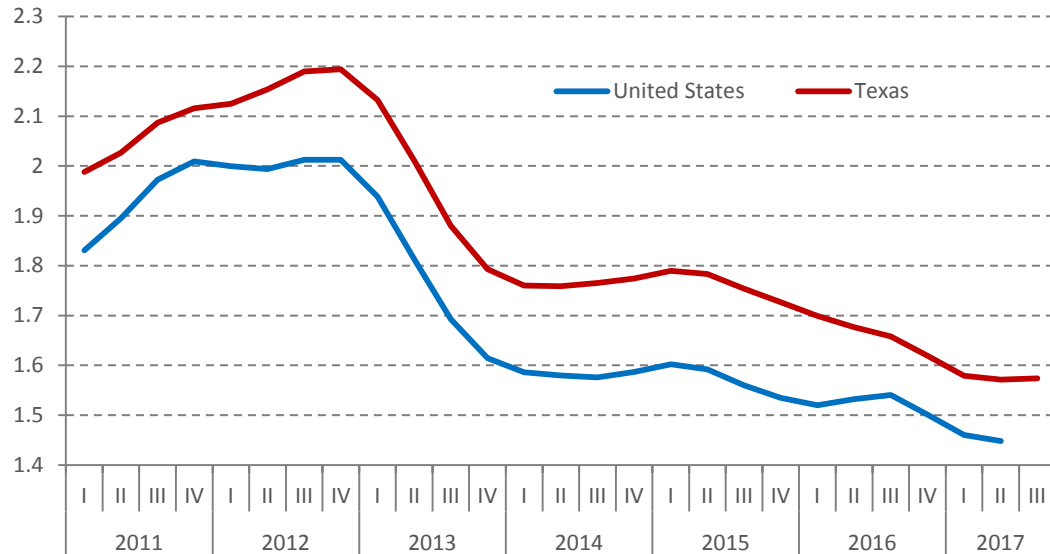
Note: Seasonally adjusted and detrended. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Major Metros New Home Sale Price to List Price Ratio (%)



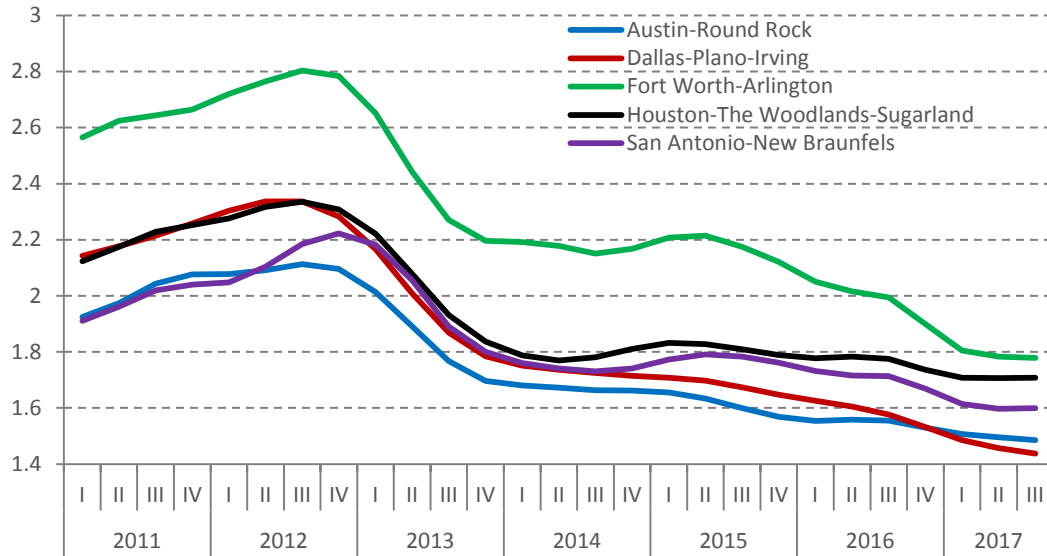
Note: Seasonally adjusted and detrended. For single-family homes.  
 Source: Real Estate Center at Texas A&M University

### Real Estate Center Housing Affordability Index (Ratio)



Note: Seasonally adjusted and detrended. The Texas Housing Affordability Index (HAI) reflects the relationship between the current median family income in a locale and the computed amount required to purchase a median priced home.  
 Source: Real Estate Center at Texas A&M University

### Real Estate Center Major Metros Housing Affordability Index (Ratio)



Note: Seasonally adjusted and detrended. The Texas Housing Affordability Index (HAI) reflects the relationship between the current median family income in a locale and the computed amount required to purchase a median priced home.  
Source: Real Estate Center at Texas A&M University



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