



REAL ESTATE CENTER
TEXAS A & M UNIVERSITY



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.

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Data current as of December 29, 2017

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November 2017 Summary

The Texas housing market advanced as sales rose 6.6 percent, overcoming supply constraints especially for homes priced under \$300,000. If maintained, strong growth in single-family permits and housing starts could improve supply conditions starting in mid-2018. Housing demand remained robust, particularly for existing homes, as buyers search for affordable housing. Intense demand and restricted supply pushed the resale median price to a record high. Rising sale-to-list price ratios for existing homes corroborated the shift toward the resale market.

Supply*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, held steady as falling residential construction values offset industry employment growth. Increased weighted building permits and housing starts accelerated the Texas **Residential Construction Leading Index (RCLI)** to its highest level since April, signaling improvements in residential construction activity through year-end.

Texas **single-family housing construction permits (unweighted)** spiked 17.2 percent, reaching pre-recessionary levels after stagnating through most of the year. Permits nearly doubled in Fort Worth and increased 24.9 and 13.9 percent in Austin and Dallas, respectively. Houston permits recovered for the third straight month after the Hurricane Harvey shock, approaching 2007 levels and remaining the national leader in monthly permits issued. Permit growth in San Antonio stabilized after surging 36.2 percent between April and September.

Despite rising permits, **single-family private construction values** stagnated on a three-month moving average (3MMA), continuing a three-year flat trend. A seven-month slide in Dallas offset solid growth in Houston. Single-family construction values fell 6.2 and 5.4 percent (3MMA) in Austin and San Antonio, respectively, following three months of increases.

Total Texas **housing starts** rebounded for the second consecutive month, increasing 11 percent year-over-year (YOY). Multifamily construction accelerated after months of decline due to oversupply, while persistent demand elevated single-family homebuilding. Builders struggled to satisfy demand amid rising costs and skilled-labor shortages.

Growth in supply factors has not kept pace with housing demand, thereby magnifying market imbalances. The Texas **months of inventory (MOI)** hovered at 3.6 months amid a combination of weak growth in active listings and robust demand; around six months is considered a balanced housing market. The MOI remained particularly constrained for homes priced under \$200,000 and between \$200,000-\$300,000, falling to 2.9 and 3.1 months, respectively. These lower price cohorts

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

accounted for more than 70 percent of homes sold through a Multiple Listing Service (MLS). Their minimal inventories 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** declined for the fifth straight month, settling at 3.3 months. Austin, Dallas, and Fort Worth maintained exceptionally low inventories at 2.2, 2.1, and 1.9 months, respectively. In Houston and San Antonio, resale inventories stabilized around 3.3 and 3.1 months, respectively.

New home inventories also declined, falling below five months for the first time since March. The supply of new listings was lowest in North Texas, dropping to 4.2 and 4.0 months in Dallas and Fort Worth, respectively. The Austin MOI dropped to 4.5 months, a 12.5 percent decline from its peak in May. New home inventories held slightly higher in Houston and San Antonio at 5.2 and 4.6 months, respectively, but continued on a three-month slide. Despite the downward trend across the state, all of the major metros maintained positive YTD growth, led by Austin and Fort Worth at 10.6 and 9.2 percent, respectively. Overall, this year's new home inventory expansion decelerated, heightening supply pressures in the resale market.

Demand

Texas seasonally adjusted housing sales rose 6.6 percent, reflecting growth in every major metro. Houston's hurricane rebound continued as sales increased for the third consecutive month, posting 6.1 percent YOY growth. Austin and Dallas recorded the largest acceleration at 8.5 and 8.2 percent, respectively, despite supply constraints. Sales growth moderated in Fort Worth and San Antonio but maintained an upward trend.

Rapid price appreciation and supply constraints continued to shift the distribution of sales away from the lowest price cohort (homes priced under \$200,000) where sales accounted for 39 percent of homes sold through an MLS—down from 71 percent in 2011. The trend continued this month as sales in the bottom price cohort rose 4.2 percent, almost half the rate of the remaining cohorts. The largest sales increase occurred on homes between \$200,000-\$300,000 at 9.2 percent, pushing YOY growth up 15.8 percent.

Texas housing demand remained robust as the average days on market (DOM) settled just under two months. Homes priced between \$200,000-\$300,000 sold rapidly, averaging 54 days on the market, while homes under \$200,000 averaged just over 61 days. Demand was softer in the top price cohort (homes priced above \$500,000), where homes sold on average after 86 days but remained 7 percent lower YTD.

The **existing home days on market** remained historically low at 53 days. Rising home prices pulled many prospective buyers into the resale market. In Dallas and Fort Worth, the resale DOM settled at 34 and 33 days, respectively, amid soaring home values. Demand also intensified in Austin and San Antonio with the DOM dropping to 45 and 50 days, respectively. The Houston resale DOM remained below the state level at 51 days but has expanded every month since August.

New home demand softened as Texans searched for lower-priced options, pushing the **new home DOM** to 93 days. Austin maintained the highest DOM at 105 days, followed by San Antonio and Houston at 96 and 95 days, respectively. The Dallas DOM held steady at 86 days, 10.9 percent above its November 2017 level. Fort Worth maintained the strongest demand for new homes with an average DOM of 80 days.

Interest rates were stable as optimism regarding tax reform balanced investors' concerns regarding the quantity of long-term debt the Treasury Department plans to sell as the Federal Reserve begins scaling back its balance sheet. The **ten-year U.S. Treasury bond yield** fell one basis point to 2.35 percent, while the **Federal Home Loan Mortgage Corporation 30-year fixed-rate** hovered around 3.9 percent. Yields remained low by historical standards, contributing to a nationwide surge in mortgage applications for new home purchases.

Prices

Texas home prices appreciated for the fifth consecutive month as the median rose 5 percent YTD to \$227,318. Prices accelerated in the resale market after stabilizing last month, reaching a record high \$218,190. The median price for existing homes surged across state, hitting record levels in every major metro. Austin led the state with a median price of \$298,617. However, the Dallas median continued to converge amid a five-month climb above \$275,700. The Fort Worth median remained lower at \$217,622 but increased 8.6 percent YTD. The median price in Houston (\$223,340) and San Antonio (\$207,882) also trended upward, increasing 5.0 and 6.5 percent YTD, respectively.

The statewide **median price for new homes** sold through a MLS dipped below \$286,000. New home price pressures have relaxed throughout the year, reflecting a combination of builders' move toward lower-priced developments and consumer preferences shifting to the resale market. Dallas maintained the highest median price at \$352,798, while the median price was lowest in San Antonio at \$259,941. Additionally, the median new home price in Austin, Fort Worth, and Houston converged around \$300,000.

Statewide, **median price per square foot (ppsf)** for new homes flattened at \$121.77, just above its 2017 average. Rising land costs and strict regulations caused homebuilders to reduce the square footage of new homes. The average lot size for new homes sold was 2,365 sf, 6.3 percent smaller than its peak of 2,524 sf in 2014. The statewide median ppsf for existing homes surpassed \$108 for the first time in series history as lot sizes shrunk and overall home values appreciated.

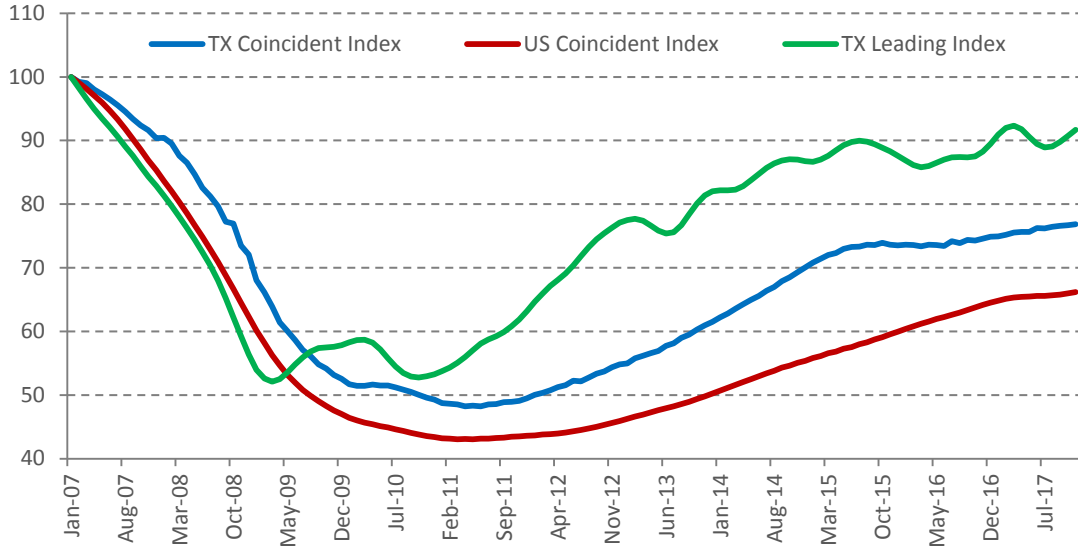
Austin led the state in median ppsf for both new and existing homes at \$138.20 and \$146.54 ppsf, respectively, and was the only major metro to pay a premium for existing home square footage. In Dallas, the ppsf for both new and existing homes rose 0.7 percent to \$131.29 and \$127.19, respectively. The spread between new and existing ppsf was wider in the remaining metros but continued to converge. The median new home ppsf settled at \$122.39 and \$120.79 in Fort Worth and San Antonio, respectively, while the resale ppsf rose to \$111.37 and \$108.81. The median ppsf

was lowest in Houston, despite reaching record highs of \$116.26 and \$101.98 for new and resale homes, respectively.

The Texas **sale-to-list price ratio** settled at 0.96 in both the new and resale home market. Existing home ratios exceeded their resale equivalents in every metro but San Antonio, further illustrating the demand shift toward the resale market. Houston posted the lowest ratios for both new and existing homes at 0.95 but remained historically high. In general, elevated sale-to-list price ratios across the state indicated a sellers' market across the housing spectrum.

Supply

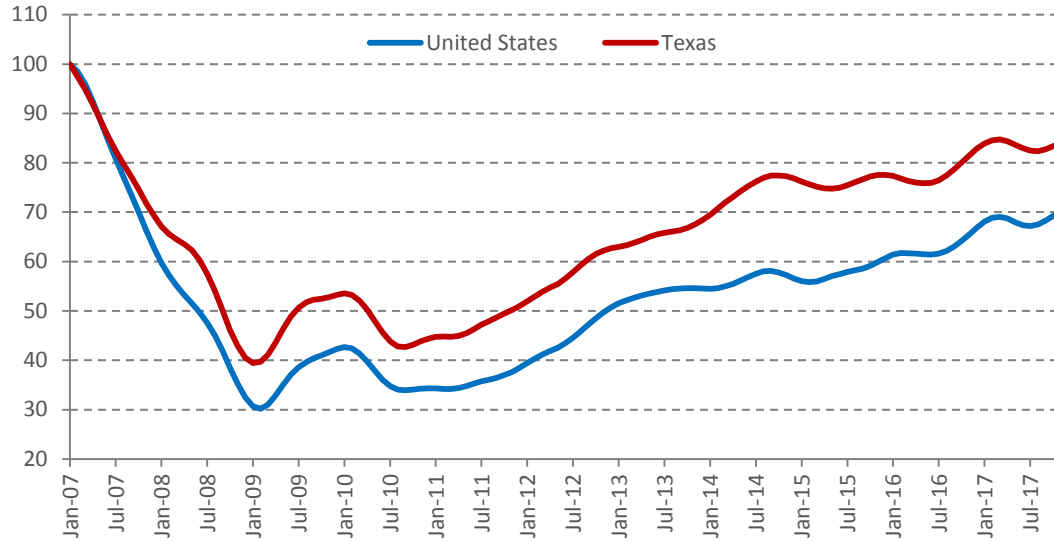
Residential Construction Coincident and Leading Indicator
(Index Jan 2007 = 100)



Note: Seasonally adjusted and detrended.

Sources: Real Estate Center at Texas A&M University and Federal Reserve Bank of Dallas

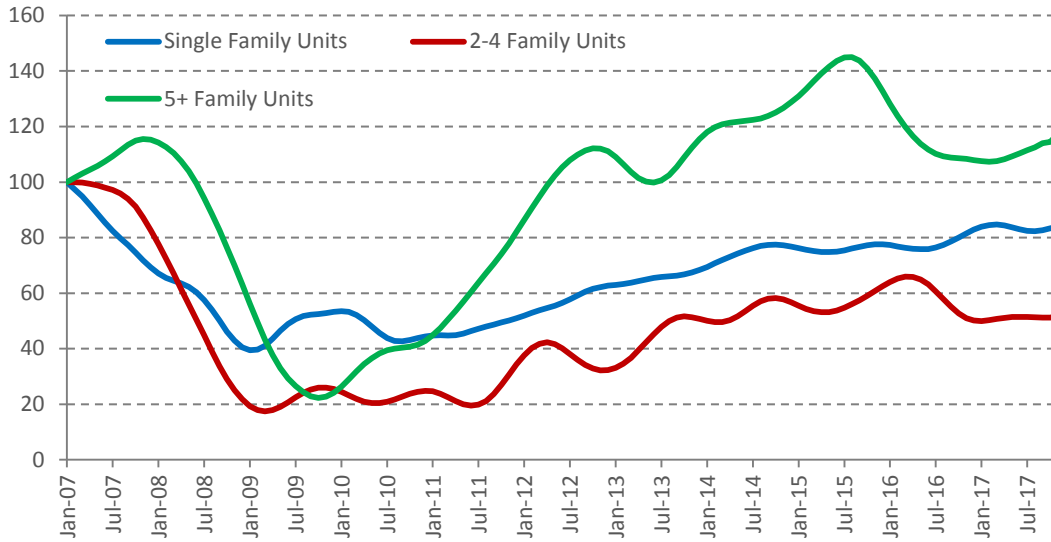
Single-Family Housing Construction Permits
(Index Jan 2007 = 100)



Note: Seasonally adjusted and detrended.

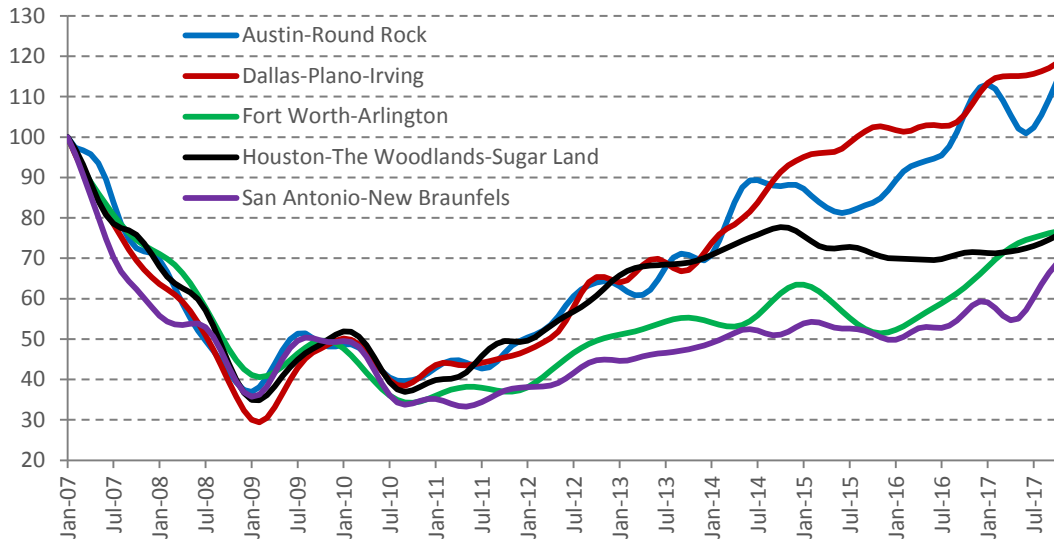
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Texas Housing Construction Permits
(Index Jan 2007 = 100)



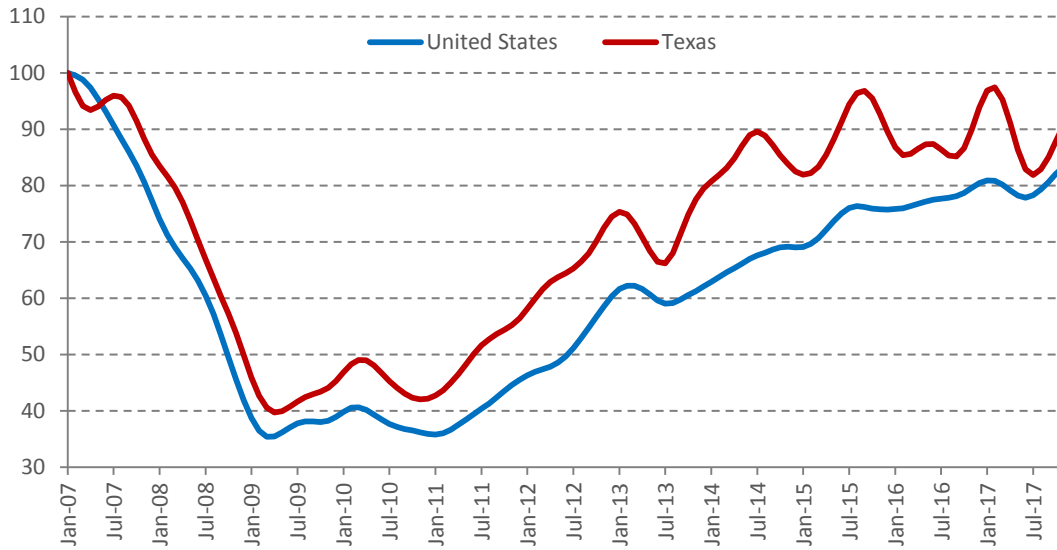
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



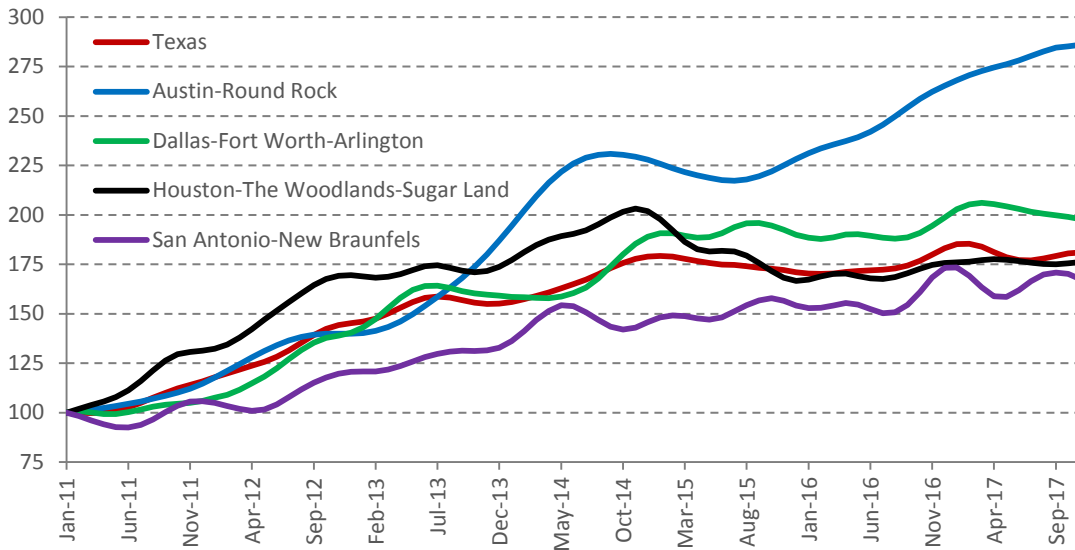
Note: Seasonally adjusted and detrended. Fort Worth is missing data for Somervell County.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Housing Starts (Index Jan 2007 = 100)



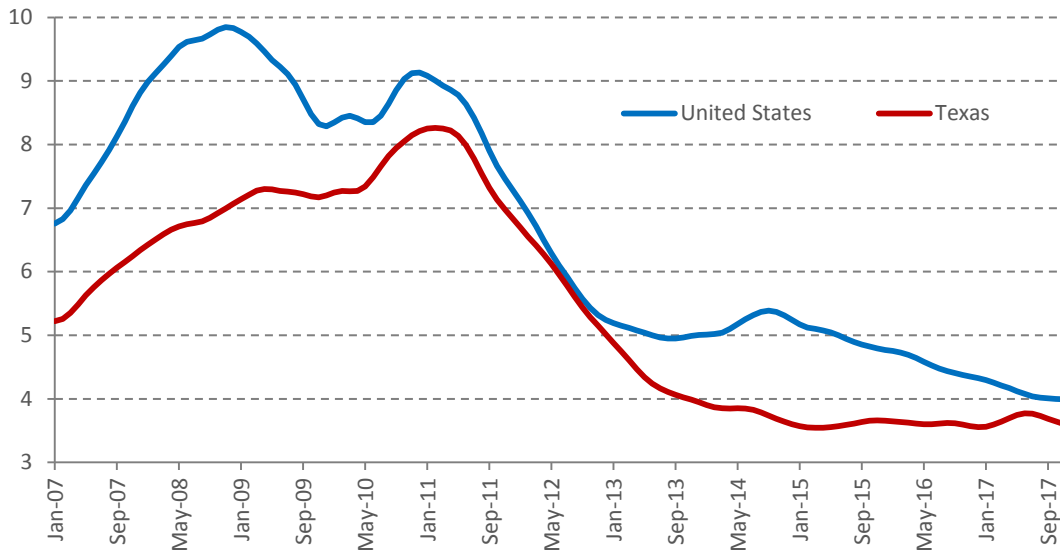
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

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



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

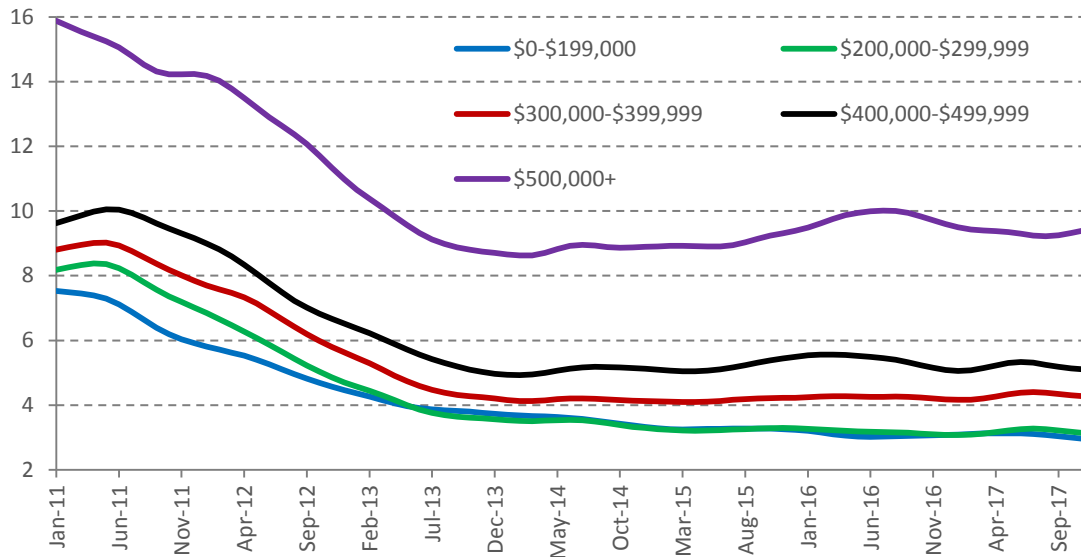
Total Months of Inventory (Months)



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

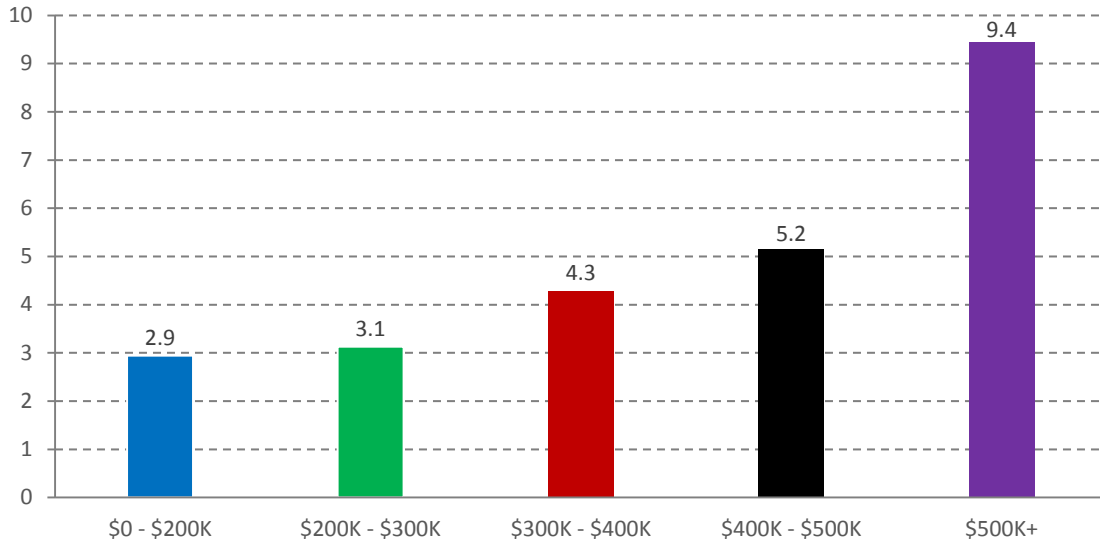
Texas Months of Inventory by Price Cohort (Months)



Note: Seasonally adjusted and detrended.

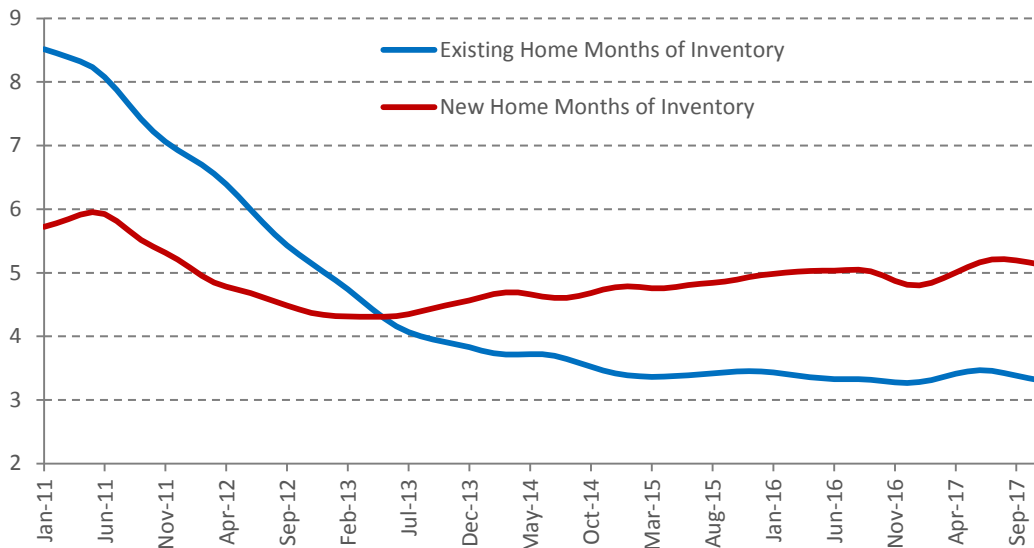
Source: Real Estate Center at Texas A&M University

Texas Months of Inventory by Price Cohort (Nov 2017)



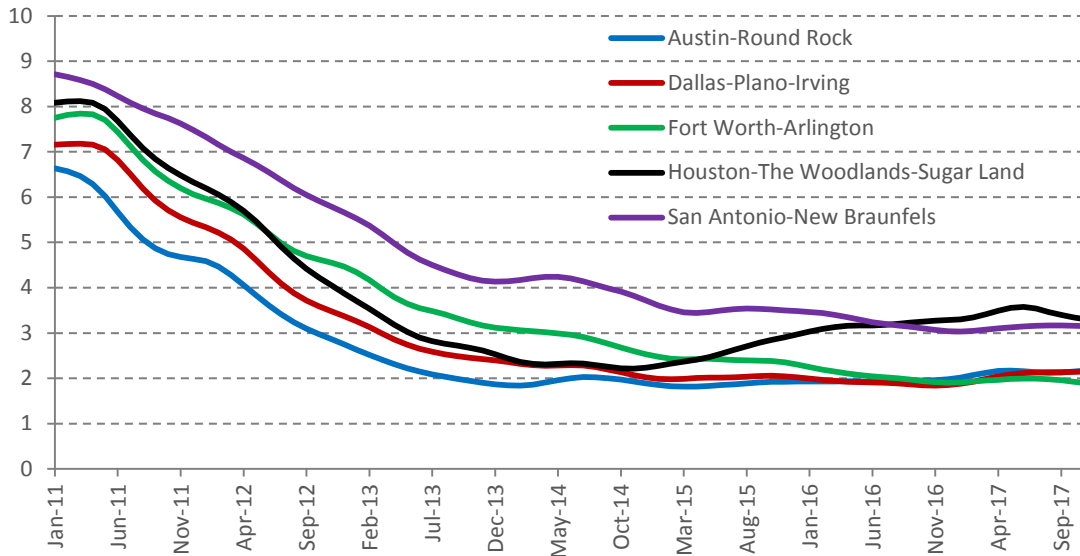
Note: Seasonally adjusted.
Source: Real Estate Center at Texas A&M University

Texas Existing and New Home Months of Inventory (Months)



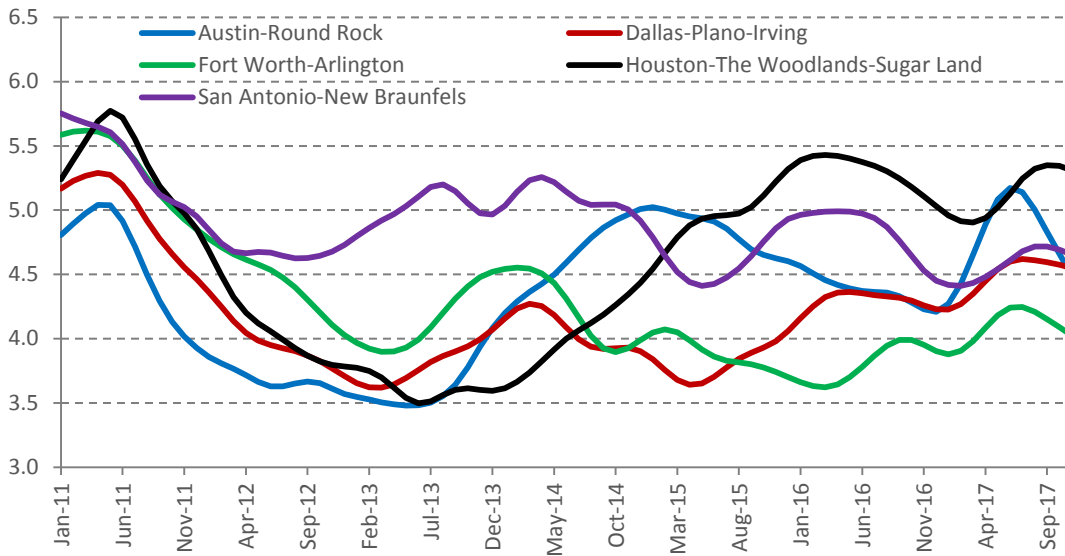
Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Months of Inventory (Months)



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

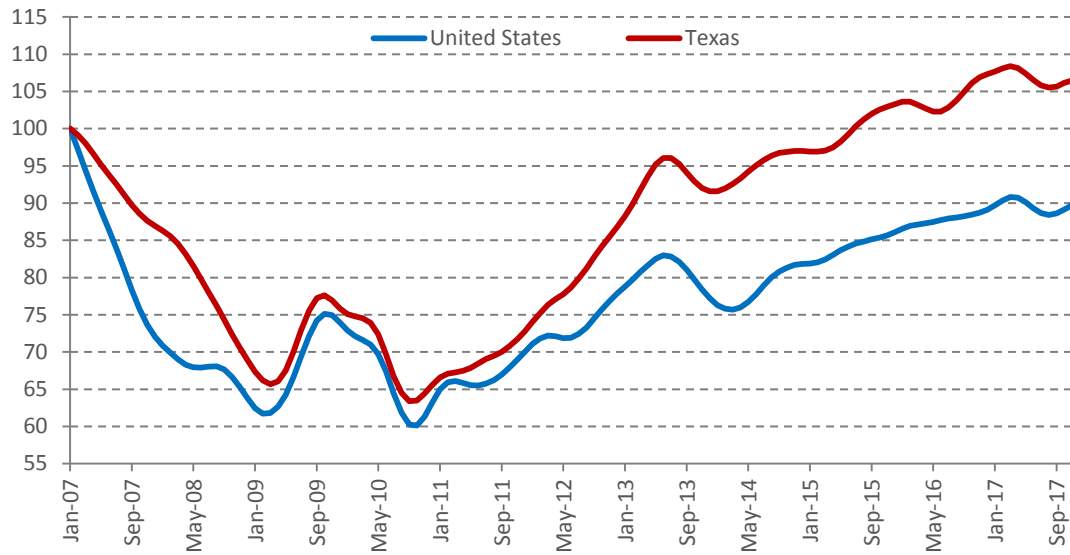
Major Metros New Home Months of Inventory (Months)



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

Demand

Housing Sales
(Index Jan 2007 = 100)

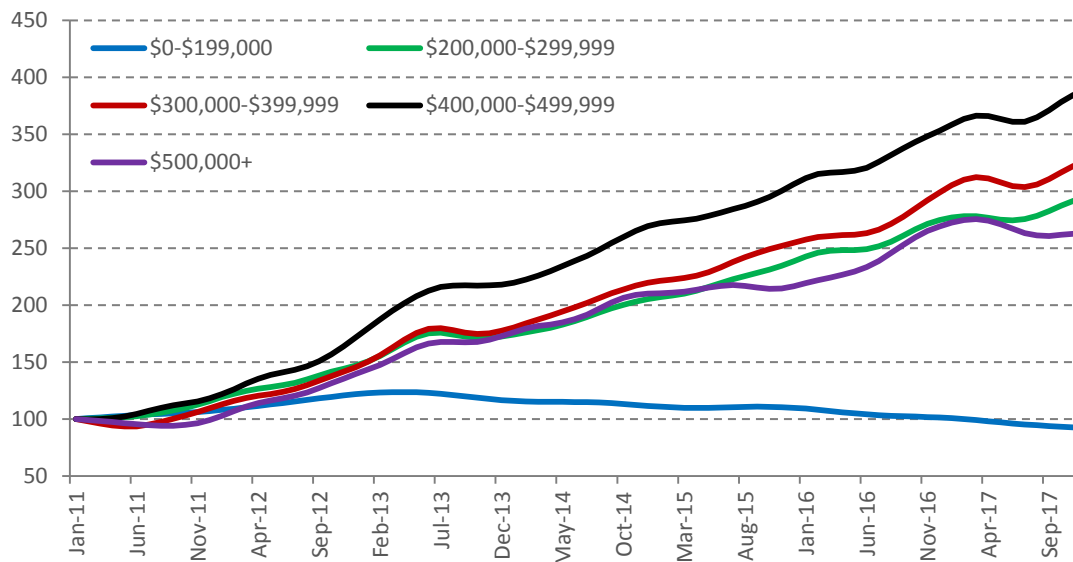


Note: Seasonally adjusted and detrended. Sales for the United States include all existing homes and new single-family homes; new non-single-family homes are not included. Texas includes all existing and new homes.

For more information see [Housing Sales](#).

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

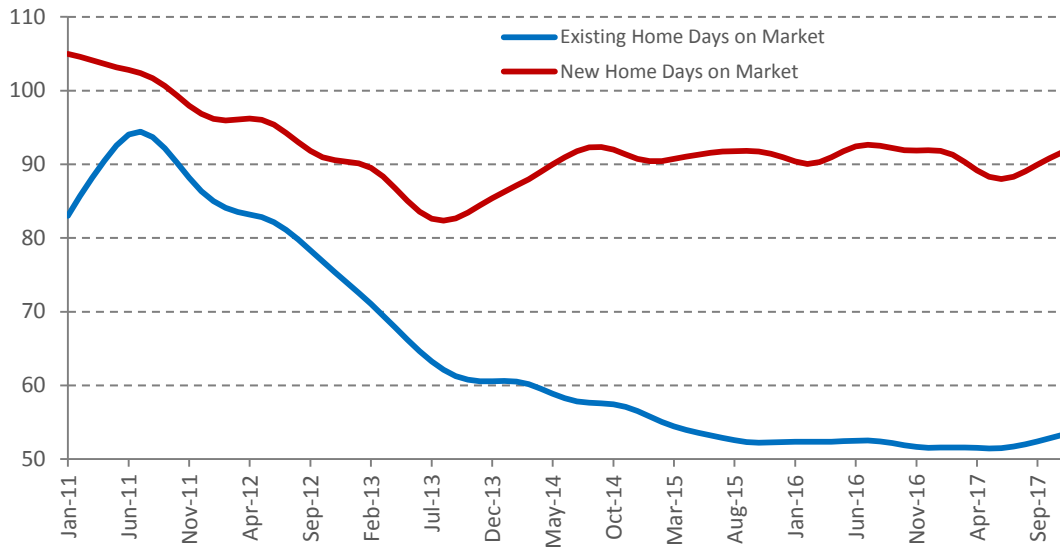
Texas Housing Sales by Price Cohort
(Index Jan 2011 = 100)



Note: Seasonally adjusted sales reported by MLS and detrended.

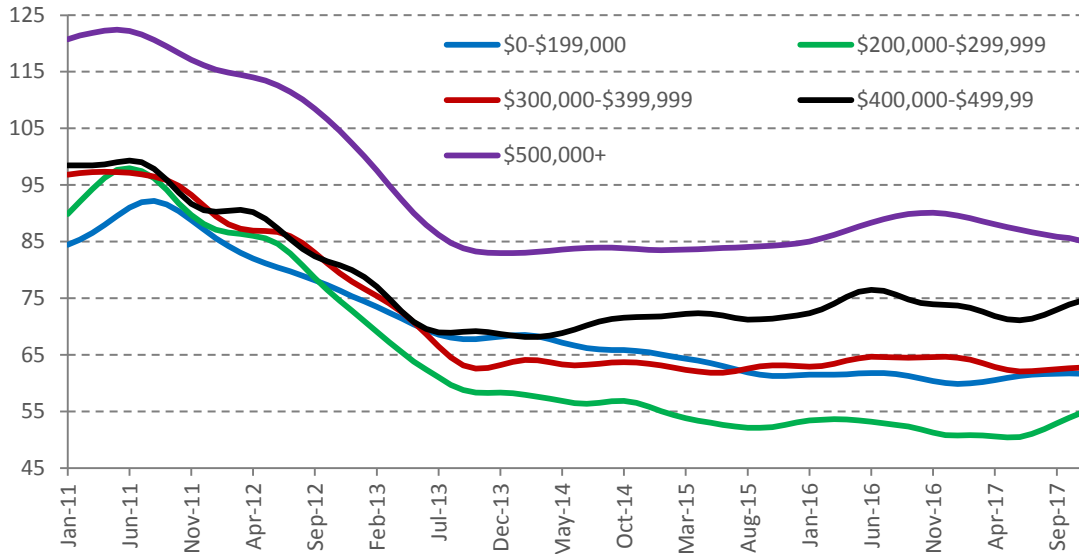
Source: Real Estate Center at Texas A&M University.

Texas Homes Days on Market (Days)



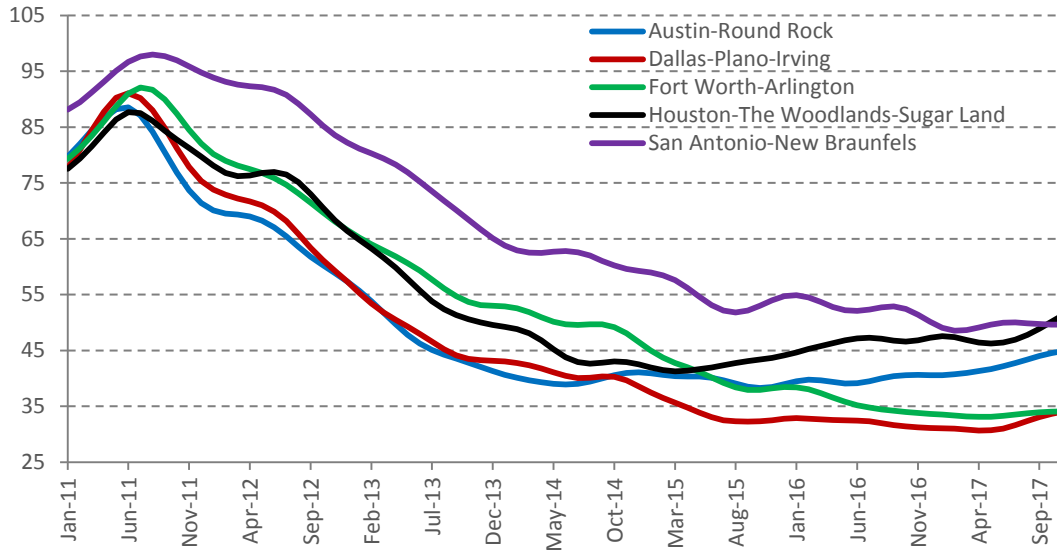
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Days on Market by Price Cohort (Days)



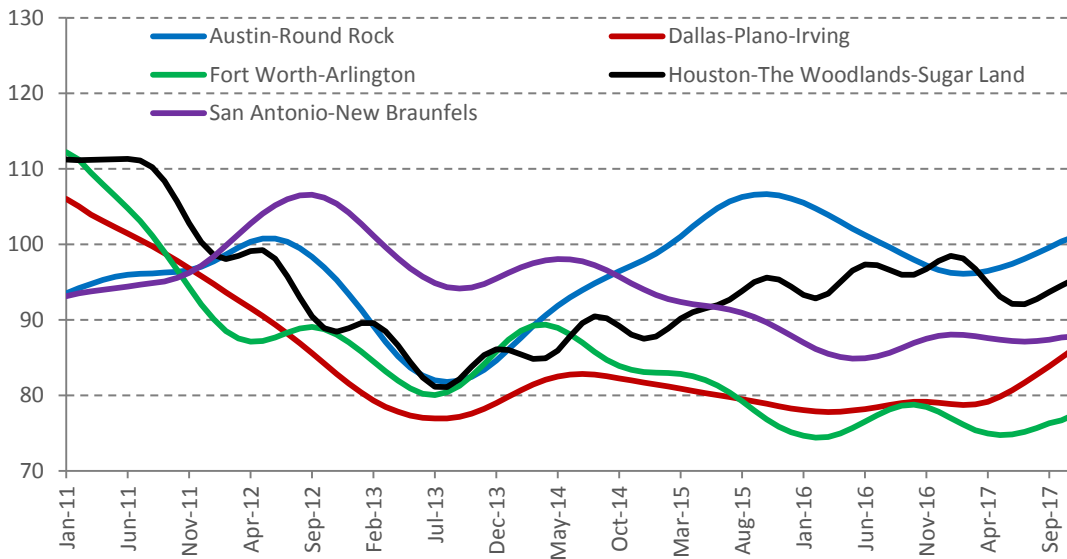
Note: Seasonally adjusted sales reported by MLS and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University.

Major Metros Existing Homes Days on Market (Days)



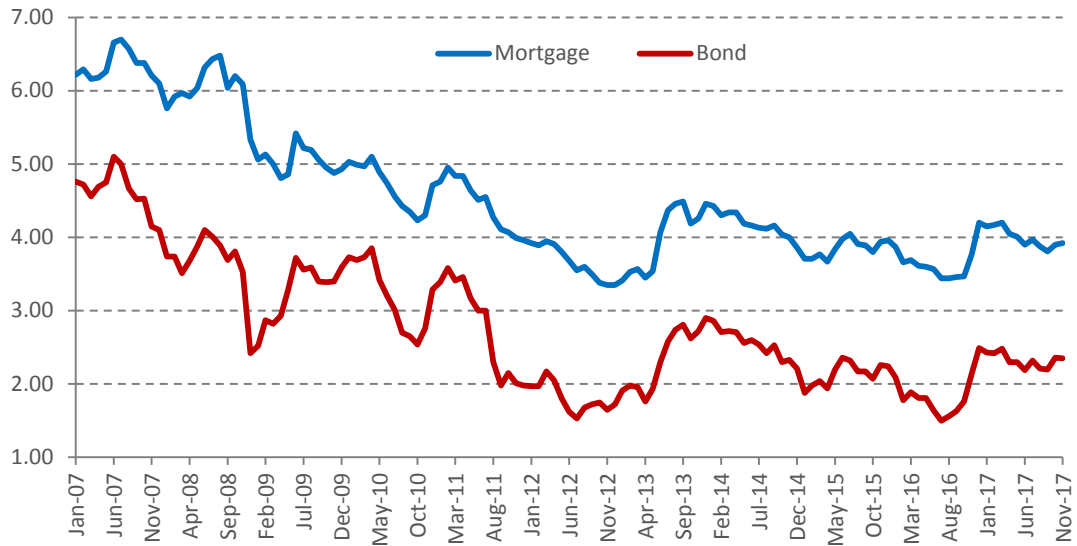
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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

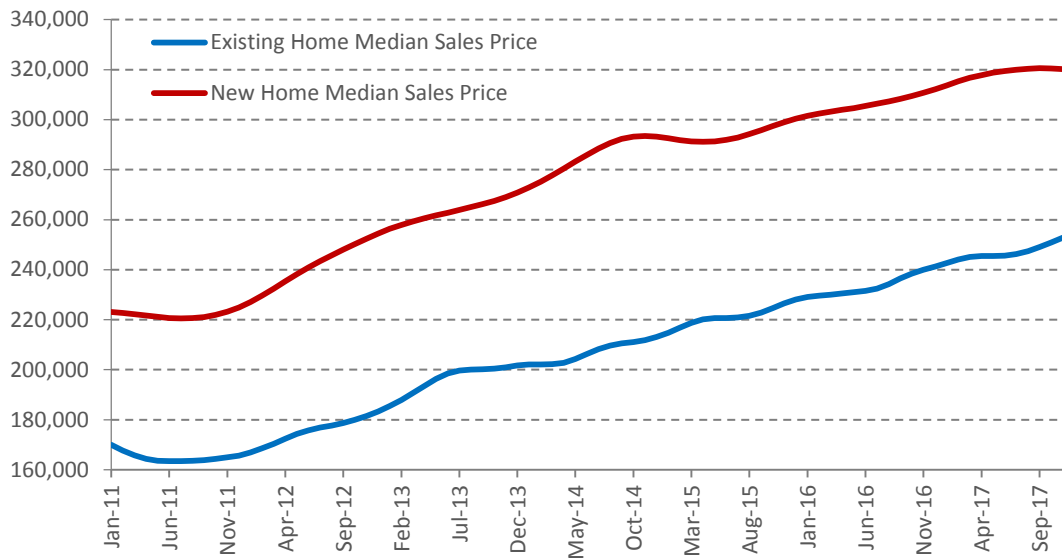
30-Year Mortgage Rate and 10-Year Treasury Yield (Percent)



Note: Seasonally adjusted.
Sources: Federal Home Loan Mortgage Corporation and Federal Reserve Board

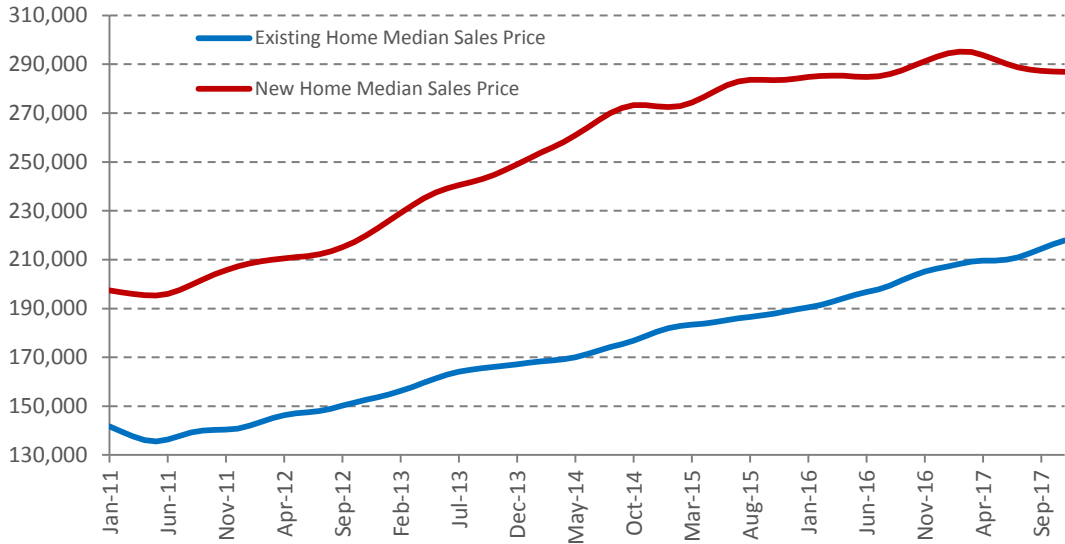
Prices

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



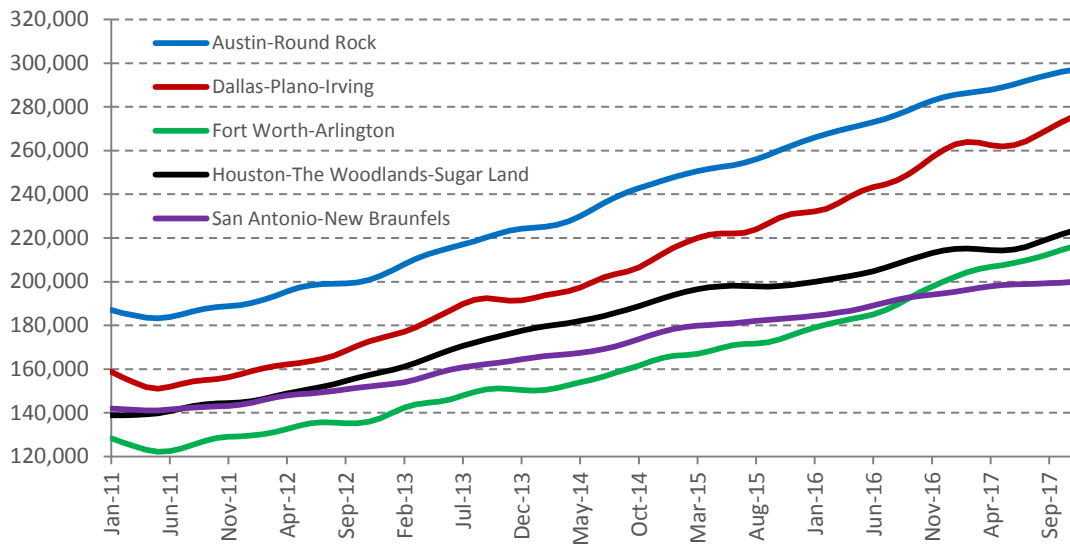
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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

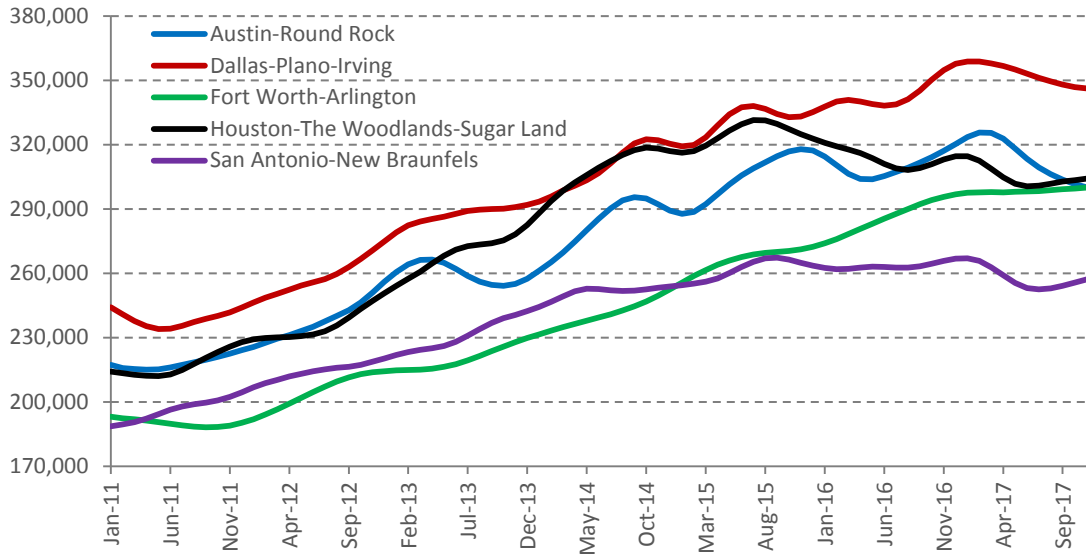
Major Metros Existing Home Median Sales Price (\$)



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

Major Metros New Home Median Sales Price

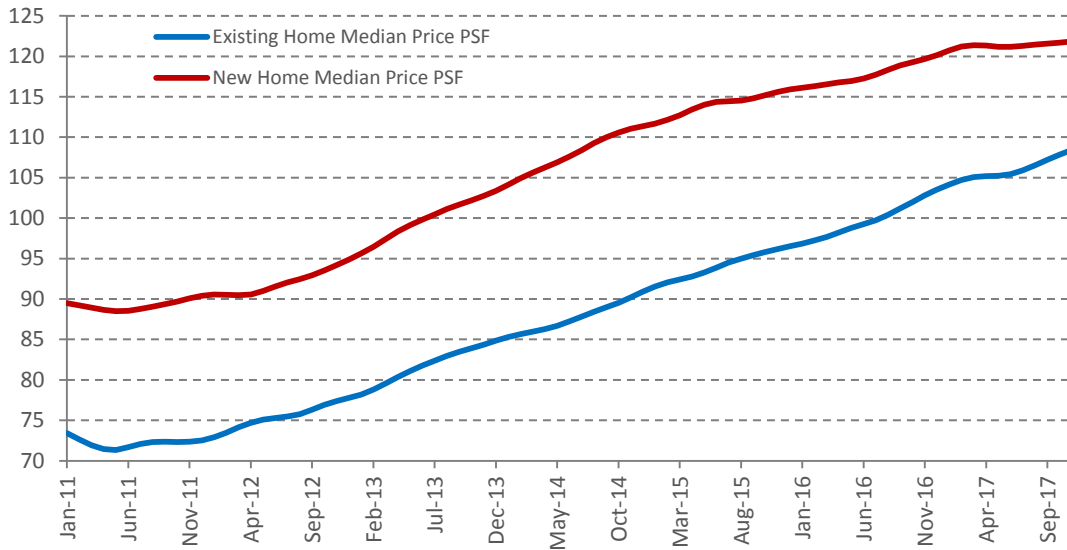
(\$)



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

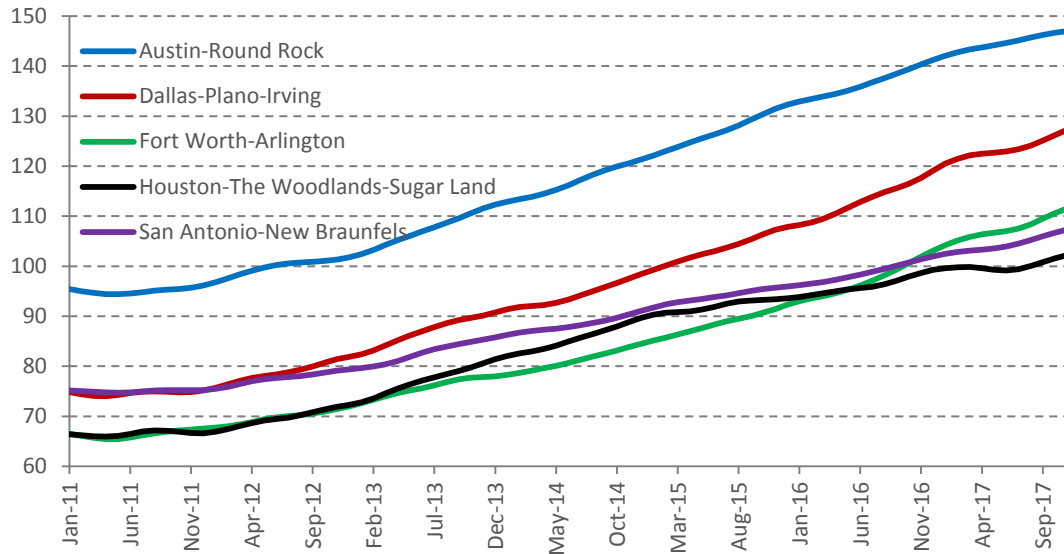
Texas Home Median Price Per Square Foot

(\$)



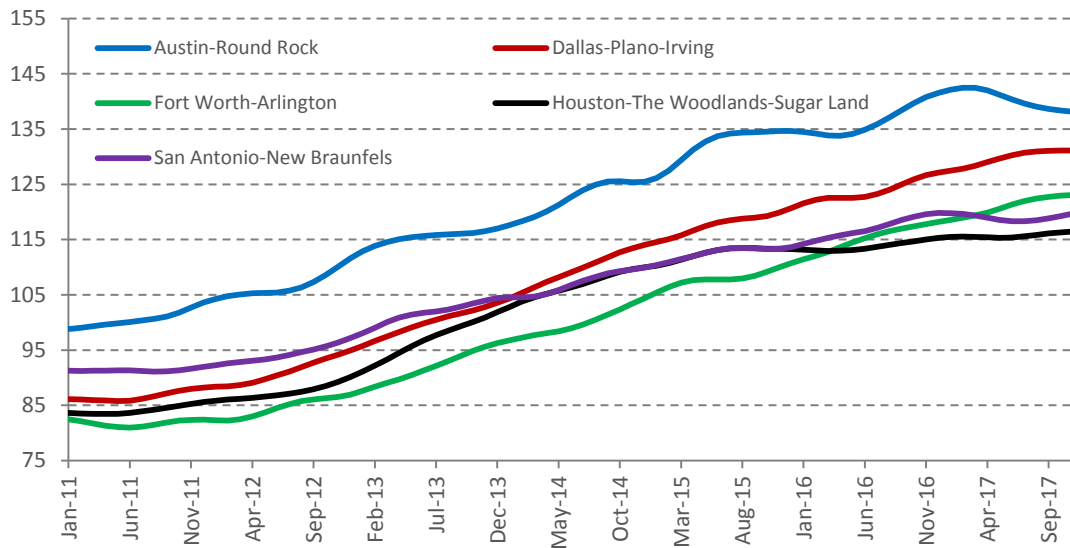
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



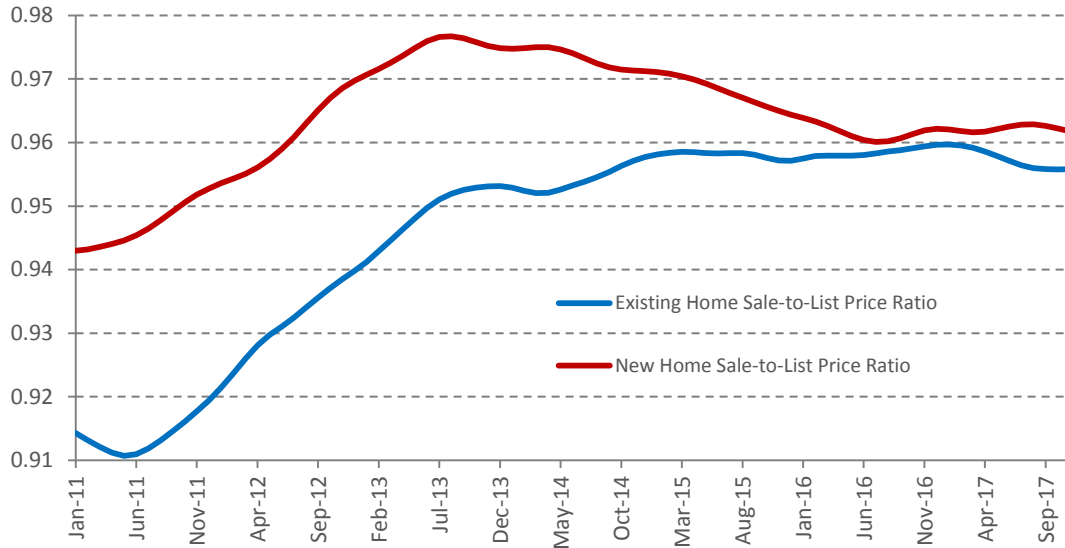
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

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



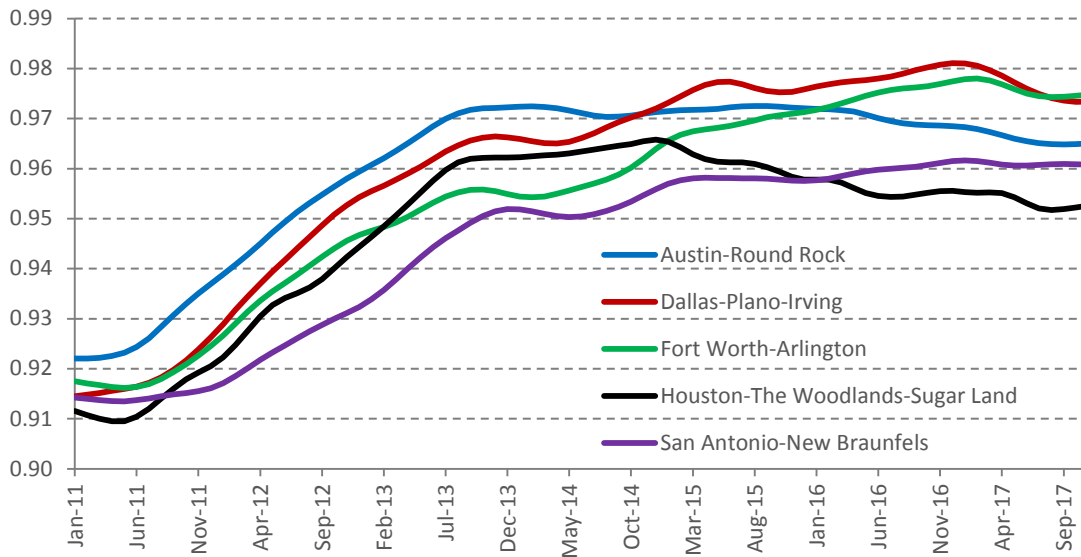
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price Ratio (%)



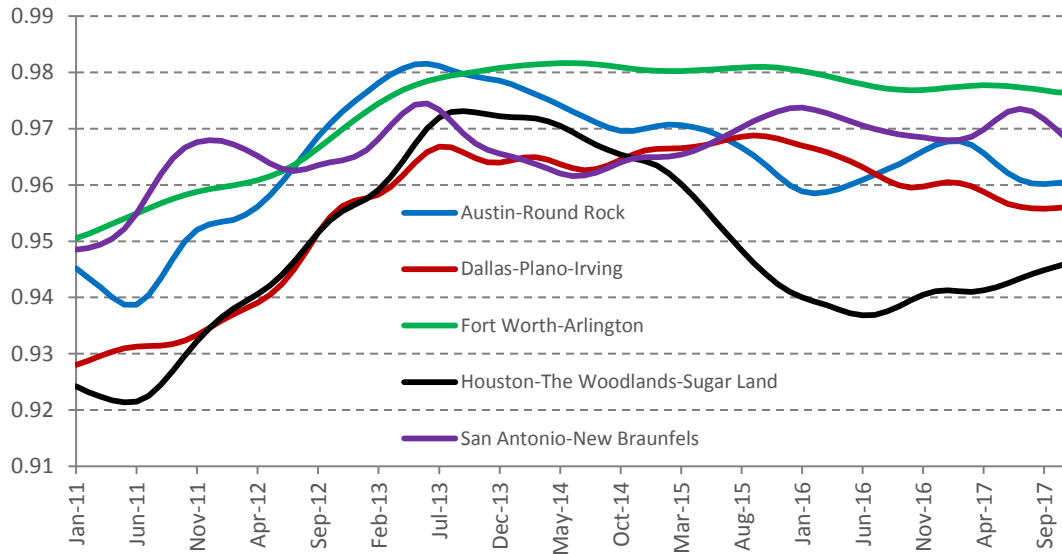
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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





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