



REAL ESTATE CENTER
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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.

Dr. James Gaines, Dr. Luis Torres, Wesley Miller, and Bailey Cuadra

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January 2018 Summary

The Texas housing market started the year with inventory obstacles but shows signs of improvement. The shortage of homes priced under \$300,000 restrained sales to only 1 percent growth and heightened affordability challenges. Demand showed little signs of abating as the state and national economies strengthened. However, rising residential loan values, building permits, and housing starts indicate a positive supply-side response. The challenge remains not only for developers to expand the housing stock but to do so at the lower end of the market.

Supply*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, inched forward as industry employment expanded. Growth in weighted building permits and housing starts accelerated the Texas **Residential Construction Leading Index (RCLI)** to its highest level since 2007, signaling improvements in residential construction activity to start the year.

Recently released loan data for 4Q17 indicated increased residential construction investment. In Texas, total real estate loan values reached an all-time high \$166.7 billion. Loans secured by one-to-four family residential properties rose 7.5 percent quarter over quarter, the largest growth in eight years. A similar surge occurred in the apartment market where loans jumped 8 percent, despite the overall surplus.

Texas **single-family housing construction permits (unweighted)** started the year on a high note, rising 5.7 percent. Texas led the U.S. in permits issued and accounted for more than 17 percent of the national total. Houston remained the national metropolitan leader, issuing 3,199 nonseasonally adjusted monthly permits, followed by Dallas-Fort Worth (DFW) at 3,180. In particular, the building boom advanced in Fort Worth, where single-family permits jumped 60.3 percent year over year (YOY). This magnitude would typically be discounted as a singular event, but a 70.9 percent YOY increase two months ago hints at a legitimate surge. In addition to the national leaders, Texas permit growth was widespread as Austin (1,202) and San Antonio (633) ranked 8th and 19th, respectively, nationally. Additional growth is warranted as statewide permits per capita remained more than 27 percent below 2007 levels.

Total Texas **housing starts** maintained upward momentum, increasing 9.8 percent. Most of the gains occurred for three- and four-unit family buildings. These multifamily units often offer a lower-cost alternative with a single-family atmosphere, providing a source of relief to growing affordability constraints. In contrast, the Texas apartment market remained saturated, particularly in the major metros.

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

Texas **single-family private construction values** were unchanged but should elevate amid upward trending supply factors. Austin and DFW realized a 7.9 and 7.2 percent contraction, respectively, extending an eight-month period of stagnation. San Antonio showed signs of improvement, posting 3.7 percent growth after a dismal fourth quarter. In Houston, recovery efforts boosted single-family construction values 25.9 percent since the hurricane landed last August.

The Texas **months of inventory (MOI)** opened the year at an all-time low of 3.4 months, down 4 percent YOY. Around six months of inventory is considered a balanced housing market. Supply conditions worsened in the market for homes priced less than \$300,000 as the MOI sunk below 2.9 months. This price range accounts for more than 70 percent of homes sold through an MLS. Minimal inventory in the bulk of the housing market illustrates Texas' diminishing affordability advantage.

The search for affordable housing stressed the existing home market, where homes are generally less expensive than newly constructed equivalents. The Texas **existing home MOI** held below 3.2 months as the number of active listings remained suppressed. Steady demand whittled the resale MOI below two months in Austin, Dallas, and Fort Worth with little signs of relief. The San Antonio MOI approached record lows at 3.1 months as sales exhausted active listings. In Houston, resale inventories failed to return to pre-Harvey levels, holding the MOI at 3.2 months.

The **new home months of inventory** slid for the fifth straight month, falling below 4.6 months for the first time since 2014. Inventories were particularly constrained in North Texas. The MOI held at 3.7 months in Dallas, while sinking to a record low 3.3 months in Fort Worth. Increased housing activity in Austin's new home market pulled the MOI down to 4.3 months, offsetting last year's supply expansion. On the other hand, Houston's new home sales slowdown balanced the MOI at five months.

Demand

Seasonally adjusted housing sales ticked up 1 percent at the state level as a bomb-cyclone storm slowed activity early in the month. Shortages of homes priced under \$200,000 (which account for 39 percent of sales through an MLS) hindered growth. Home sales in Austin and Dallas fell 1.3 and 0.5 percent, respectively, as both ends of the market (below \$200,000 and above \$500,000) retracted. Solid growth at the lower end of the market boosted Houston and San Antonio sales, 3.0 and 3.1 percent, respectively, while Fort Worth posted 0.9 percent growth.

Texas housing demand remained robust as the average days on market (DOM) settled at just two months. Homes priced between \$200,000 and \$300,000 sold rapidly, averaging 54 days on the market, while homes priced below \$200,000 averaged 59 days. Demand was softer in the top price cohort (homes priced above \$500,000), where homes averaged three months on the market.

The **existing home days on market** remained historically low at 52 days. Rising home prices pulled many prospective buyers into the resale market. In Dallas and Fort Worth, the resale DOM settled at 35 and 34 days, respectively, amid soaring home values. Demand also intensified in Austin where

the DOM dropped below 47 days. Demand eased slightly in Houston and San Antonio, lifting the DOM to 49 and 52 days, respectively.

Texans' search for lower-priced options restrained growth in the new home market, pushing the **new home DOM** to a five-year high of 98 days. Fort Worth and Houston reached annual highs at 86 and 101 days, respectively, while the DOM surpassed 101 days in San Antonio. New home demand was hardly stronger in Austin where the DOM hovered around the statewide level. Despite Dallas' affordability challenges, demand for new homes remained strong, averaging 83 days on the market.

Robust U.S. and global economic growth heightened inflation expectations and elevated interest rates. In their January meeting, the Federal Reserve Board hinted at three federal funds rate hikes this year as the national economy hovered around full employment. The **ten-year U.S. Treasury bond yield** rose 18 basis points to 2.58 percent, its largest monthly gain in over a year. The **Federal Home Loan Mortgage Corporation 30-year fixed-rate** jumped above 4 percent, maintaining upward momentum. While rates remained low by historical standards, even slight increases could hinder mortgage financing, particularly for first-time homebuyers.

Prices

The Texas median home price increased \$3,500 this month after appreciating more than \$13,000 in 2017. The median price rose 1.7 percent in both the existing and new home markets. Rising land, labor, and input costs forced developers to build more expensive homes, thereby lifting the median price for new homes sold through an MLS to a record level \$295,600.

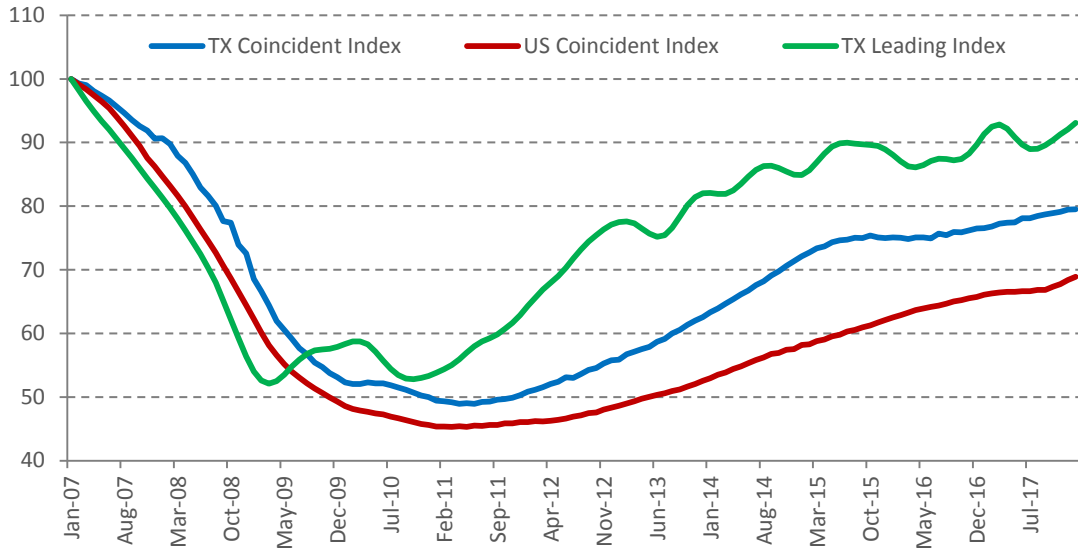
At the metro level, the aggregate median price (new and existing homes) trended upward and was highest in Austin at \$304,045. The median converged in Fort Worth and San Antonio, settling at \$226,460 and \$222,526, respectively, while the Dallas median rose 1.3 percent to \$285,160. Houston (at \$232,632) posted the largest monthly rate of growth at 2.2 percent after modest appreciation in 2017.

Statewide, the **median price per square foot (ppsf)** reached a record level \$114.41 as home sizes remained relatively unchanged. The premium for new rather than resale homes was \$17.76 ppsf. Regionally, the median ppsf appreciated substantially in Dallas (\$131.66) and Fort Worth (\$115.56) as the median ppsf jumped 6.9 and 9.4 percent YOY, respectively. In Austin and San Antonio, the median ppsf settled at \$148.97 and \$112.11, respectively, while larger home sizes in Houston restrained the median ppsf below \$106.20.

The Texas **sale-to-list price ratio** hovered around 0.96 in both the new and resale home market. The ratio held above 0.95 in all major metros, except for Houston's new home market which continued to recover from the 2014 oil downturn. In general, elevated sale-to-list price ratios across the state indicated a continuing sellers' market across the housing spectrum.

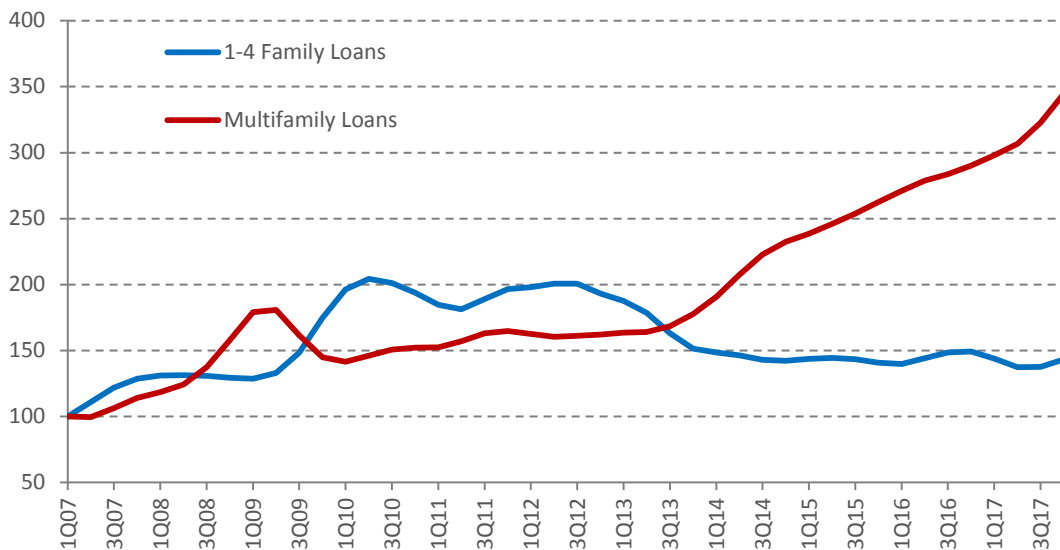
Supply

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



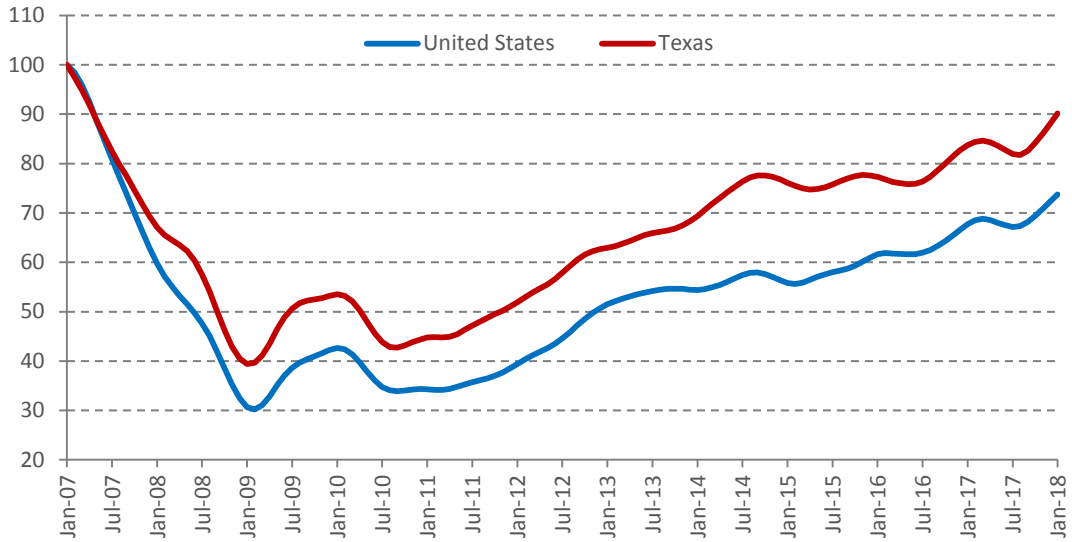
Note: Seasonally adjusted and detrended.
Sources: Real Estate Center at Texas A&M University and Federal Reserve Bank of Dallas

Net Residential Loans
(Index 1Q07 = 100)



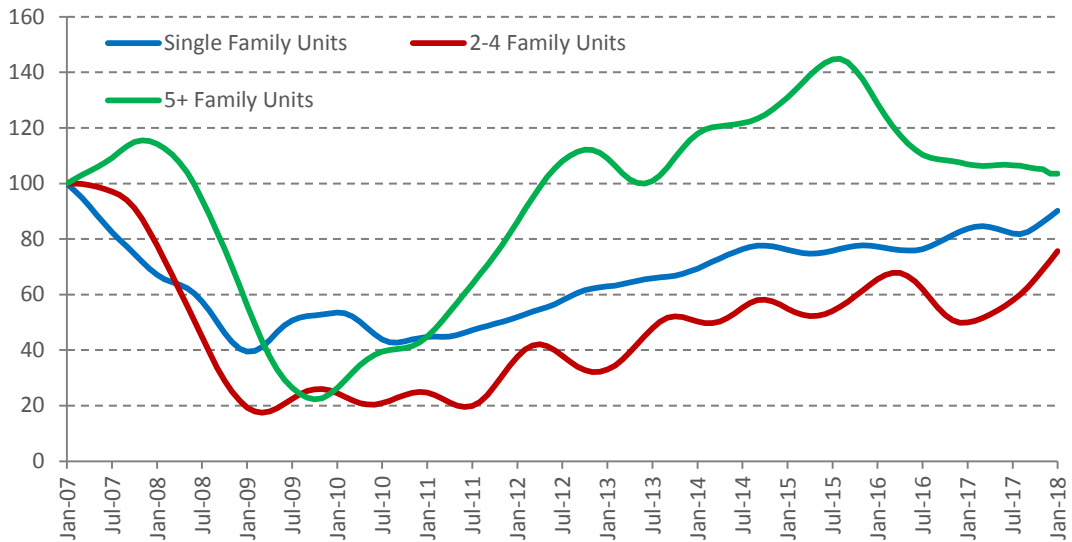
Note: Seasonally adjusted and detrended.
Source: Federal Deposit Insurance Corporation

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



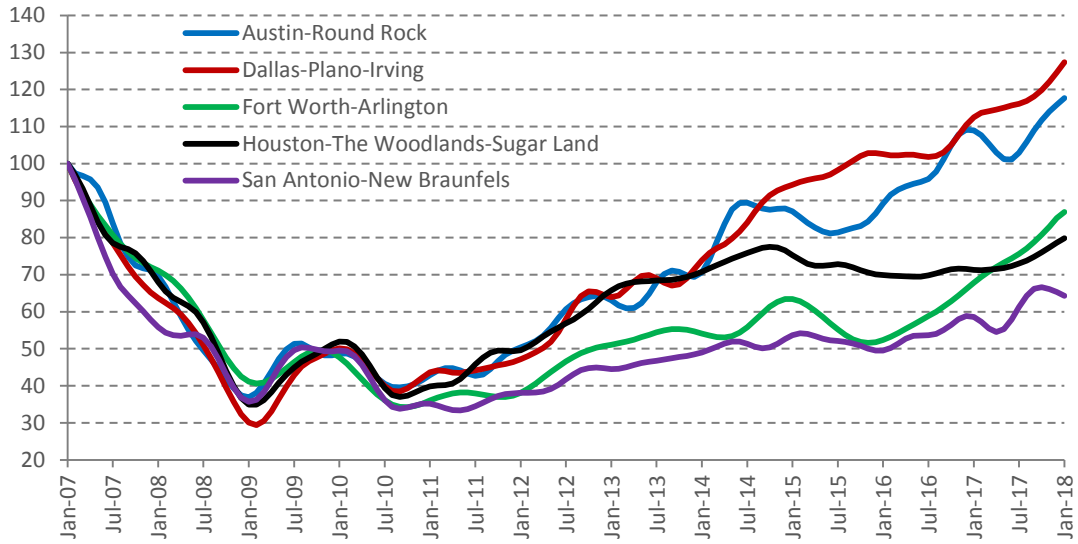
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Texas Housing Construction Permits (Index Jan 2007 = 100)



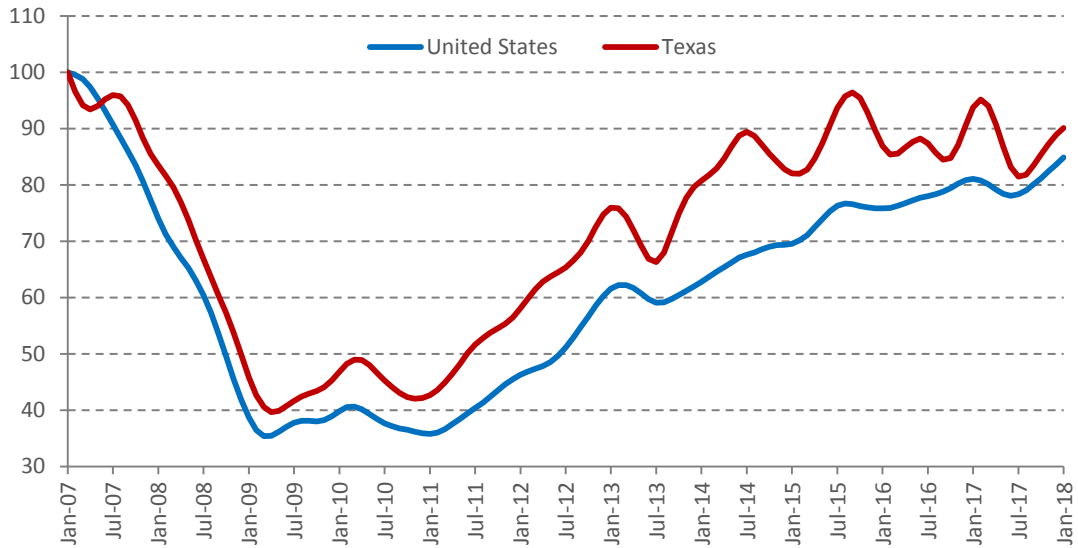
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



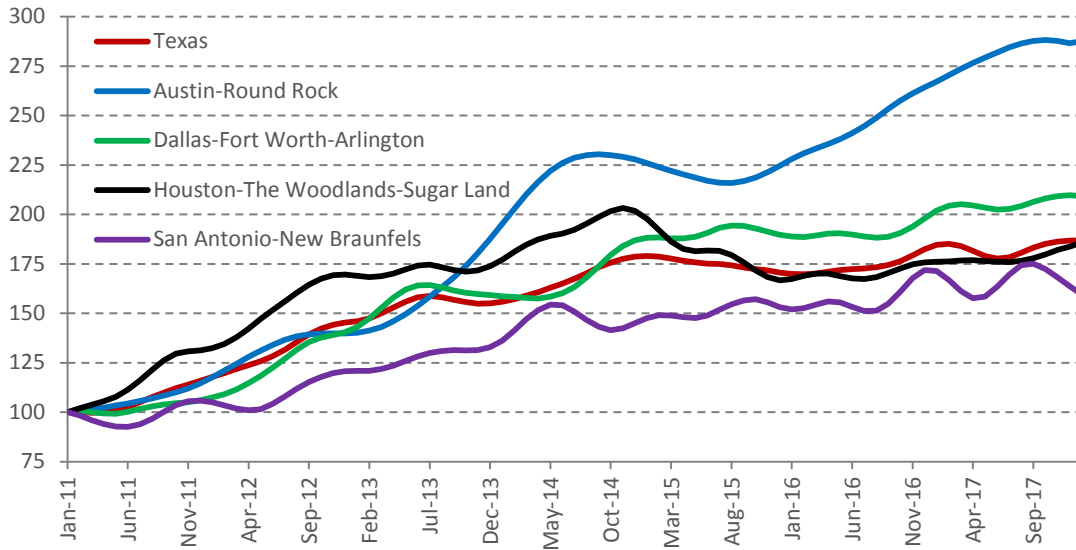
Note: Seasonally adjusted and detrended. Fort Worth is missing data for Somervell County.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Housing Starts
(Index Jan 2007 = 100)



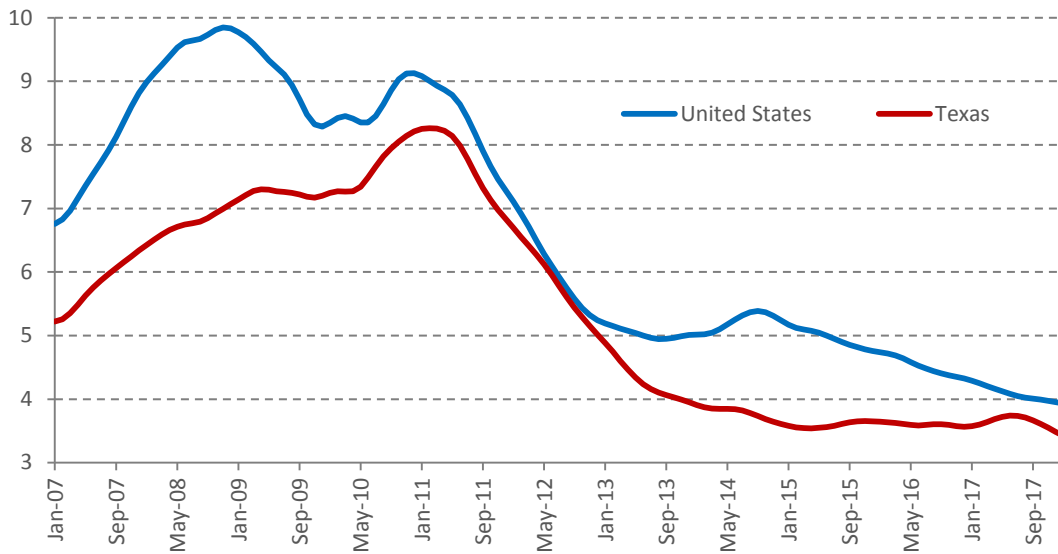
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

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



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

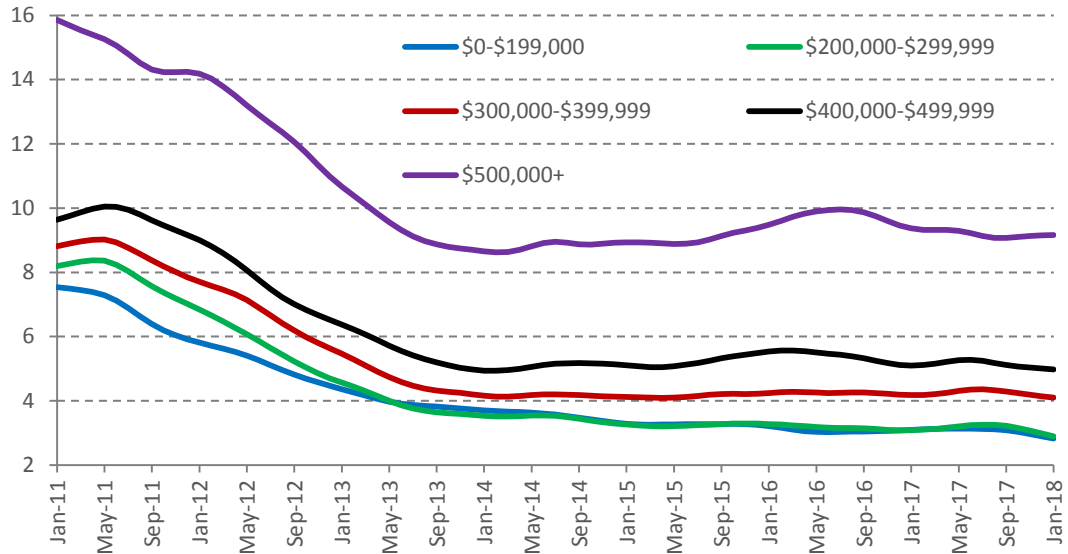
Total Months of Inventory (Months)



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)



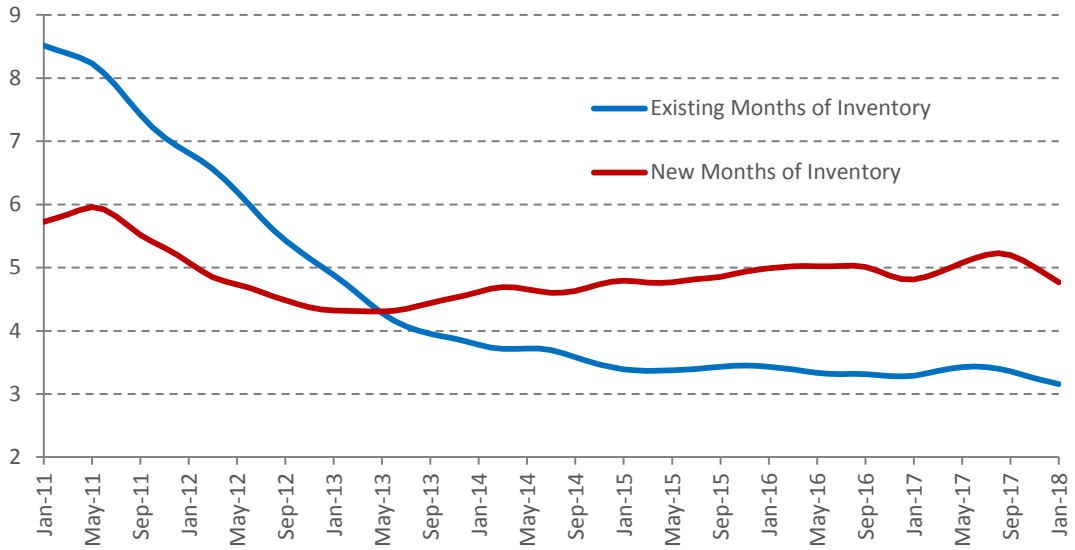
Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University

Texas Current Months of Inventory by Price Cohort (Jan 2018)



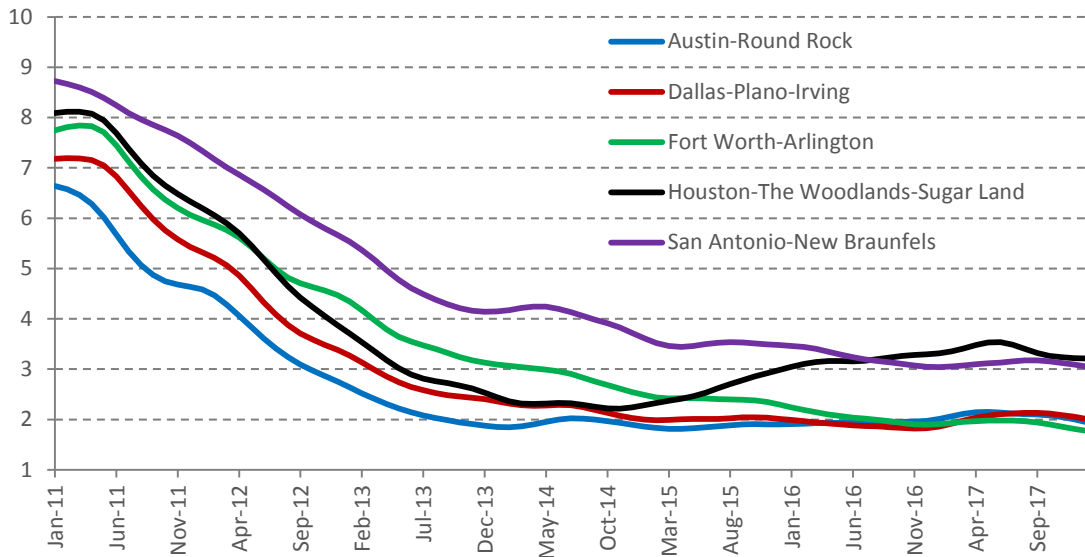
Note: Seasonally adjusted.
Source: Real Estate Center at Texas A&M University

Texas Existing and New Home Months of Inventory (Months)



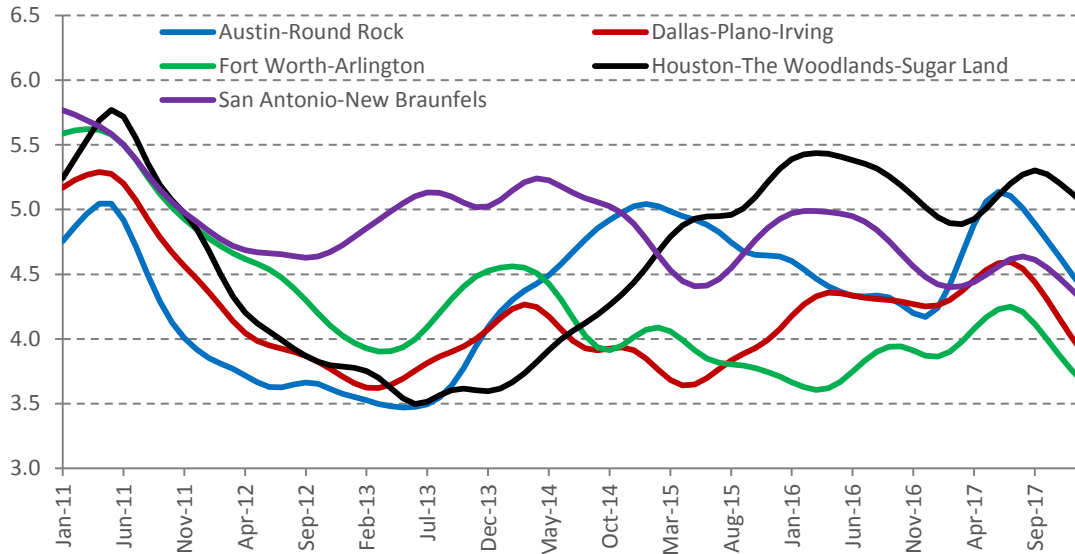
Note: Seasonally adjusted and detrended.
 Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Months of Inventory (Months)



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

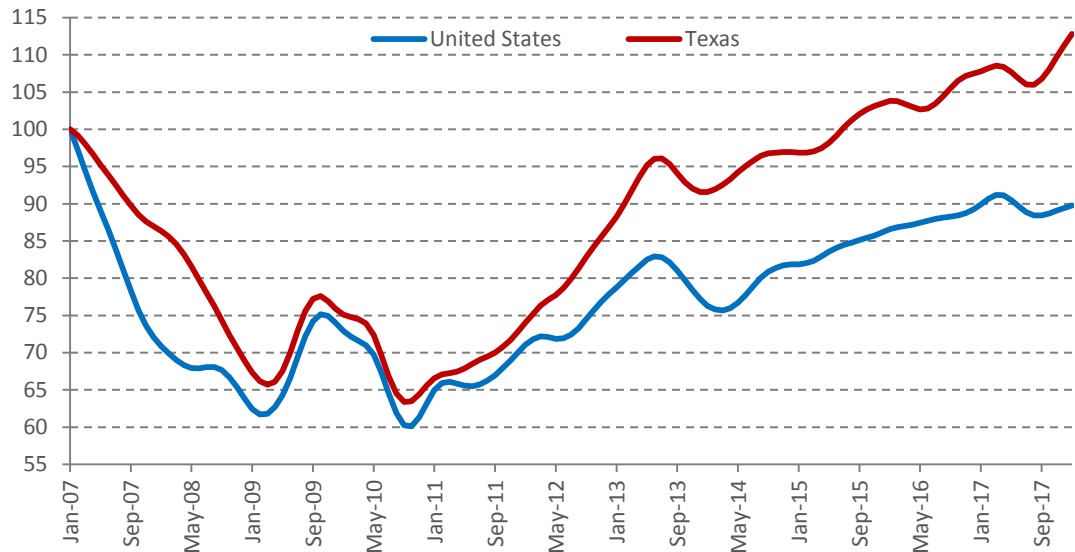
Major Metros New Home Months of Inventory (Months)



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

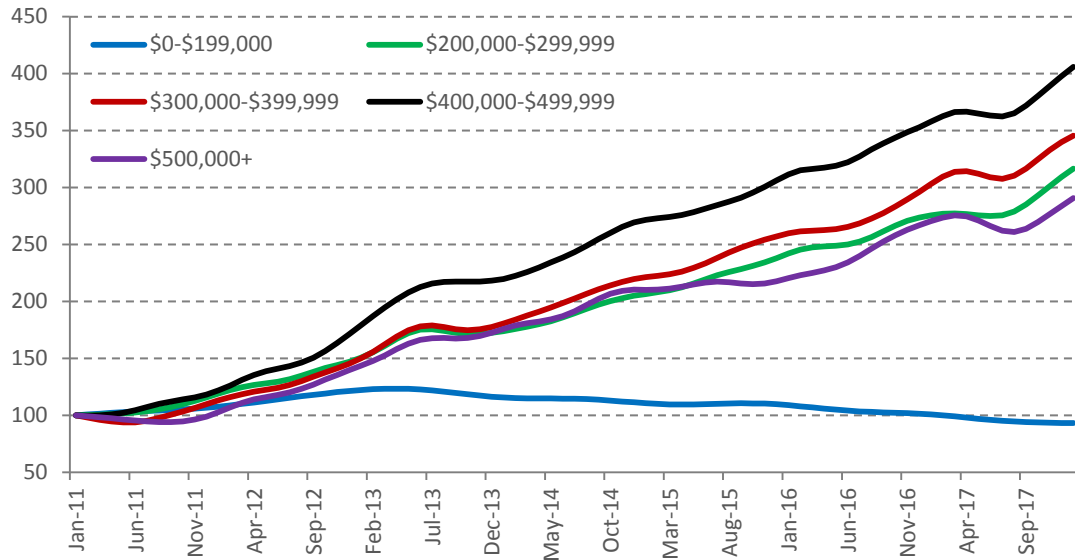
Demand

Housing Sales (Index Jan 2007 = 100)



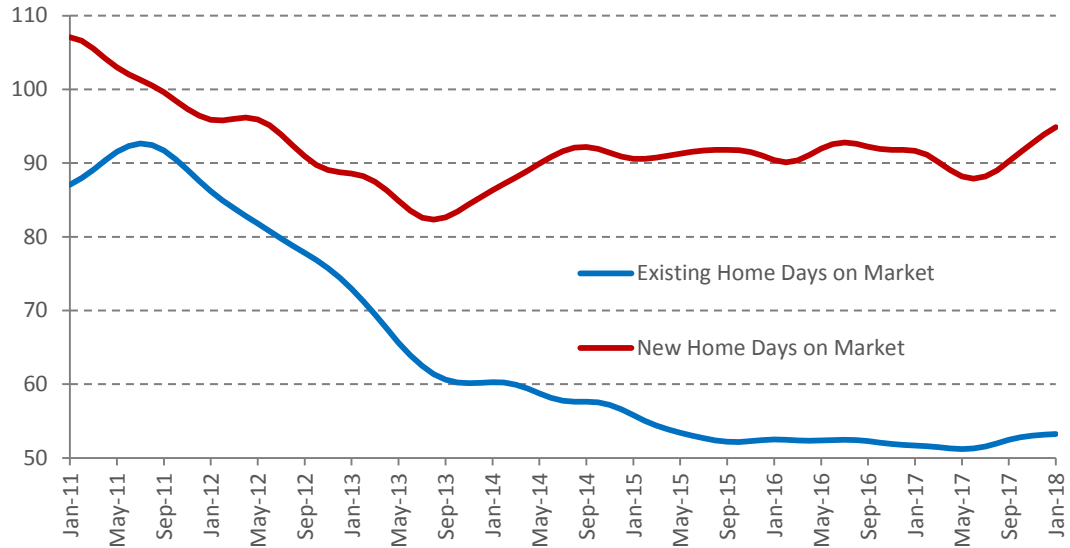
Note: Seasonally adjusted and detrended. Sales for the United States include all existing homes and new single-family homes; new non-single-family homes are not included. Texas includes all existing and new homes.
For more information see [Housing Sales](#).
Sources: U.S. Census Bureau, National Association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

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



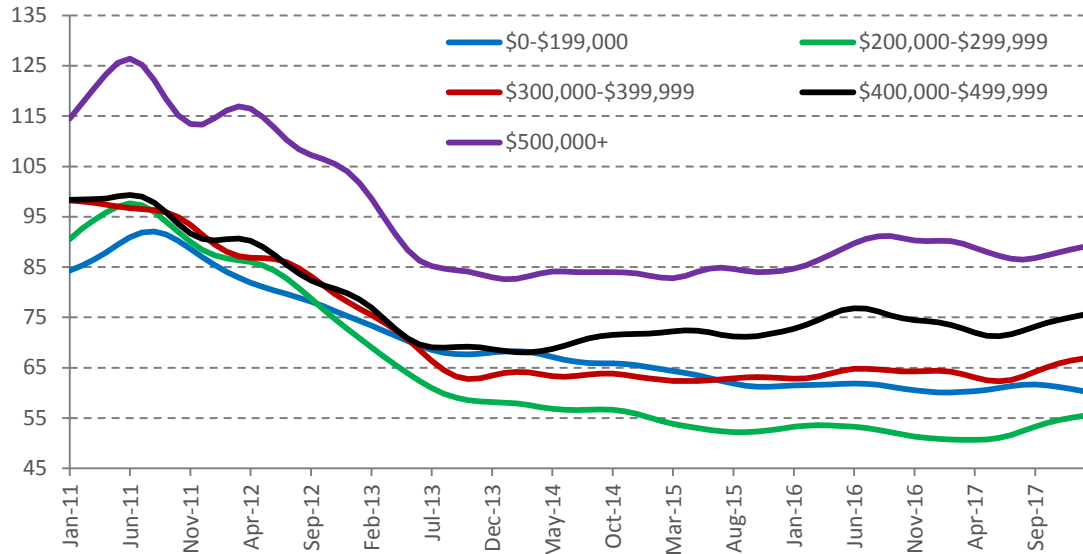
Note: Seasonally adjusted sales reported by MLS and detrended.
Source: Real Estate Center at Texas A&M University

Texas Homes Days on Market (Days)



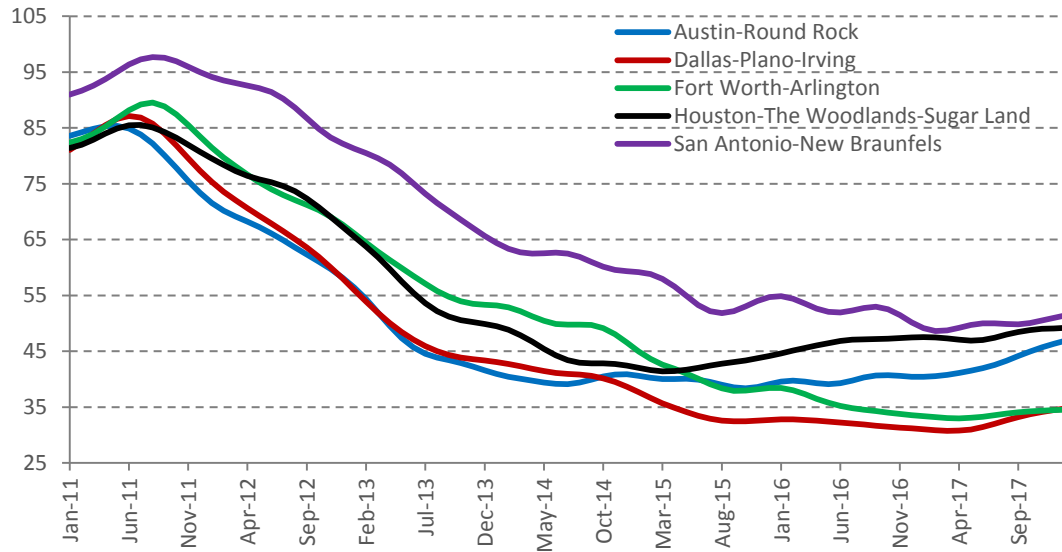
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Days on Market by Price Cohort (Days)



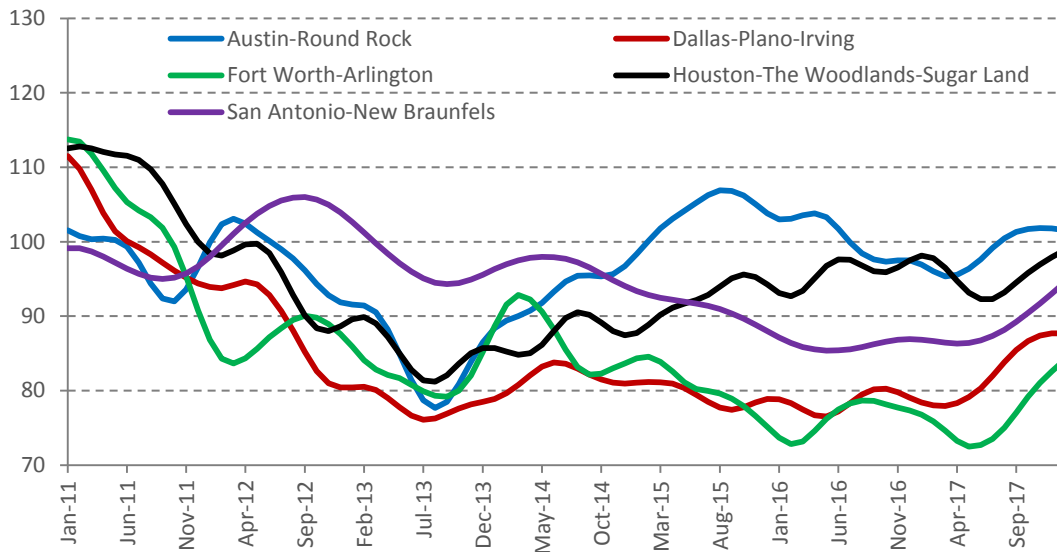
Note: Seasonally adjusted sales reported by MLS and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



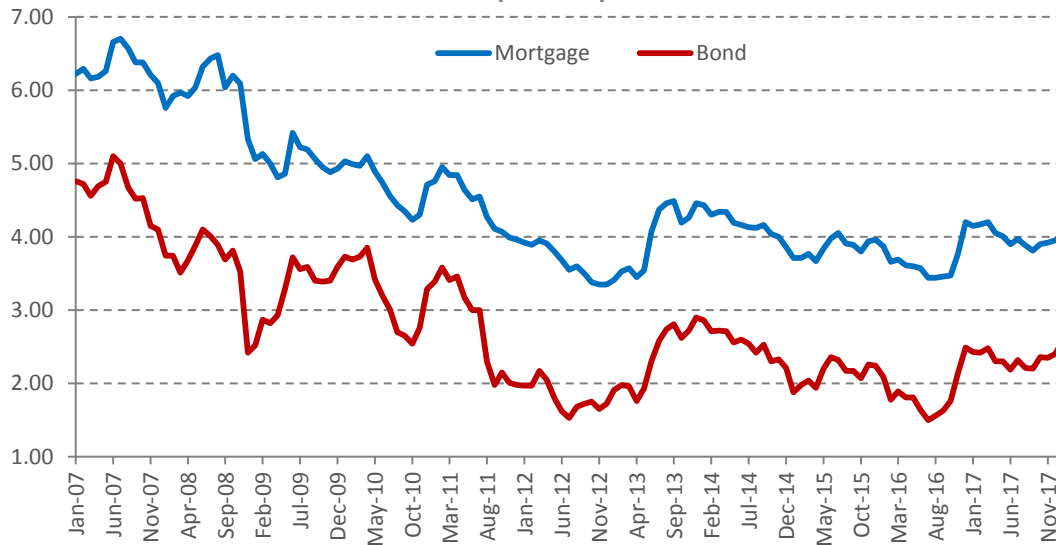
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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

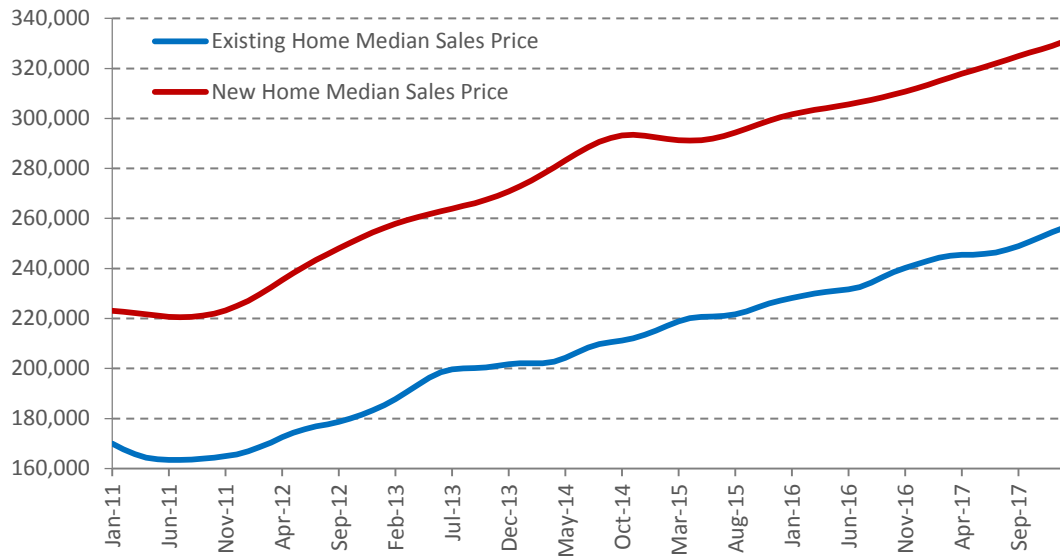
30-Year Mortgage Rate and 10-Year Treasury Yield (Percent)



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

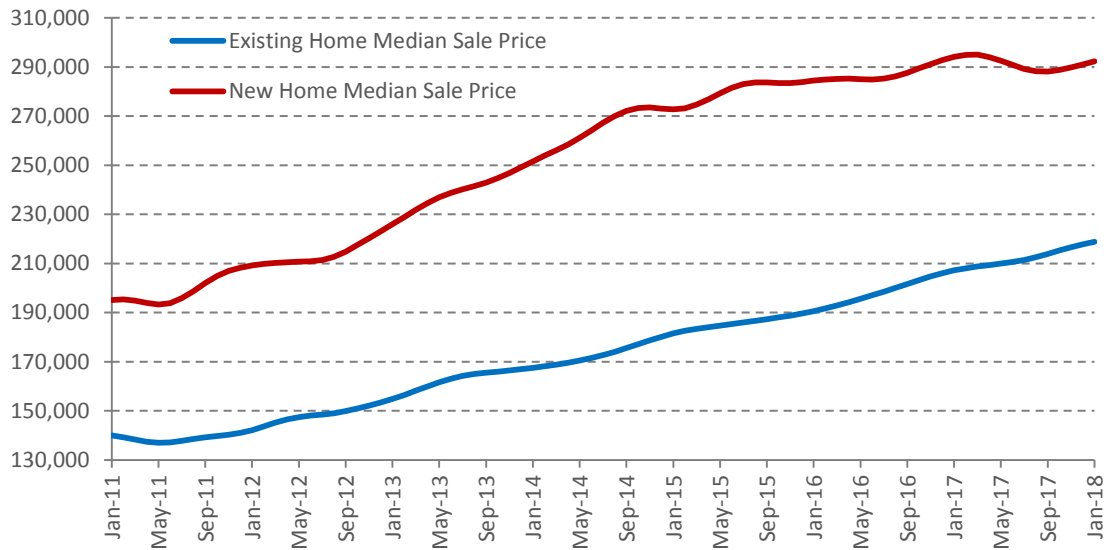
Prices

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



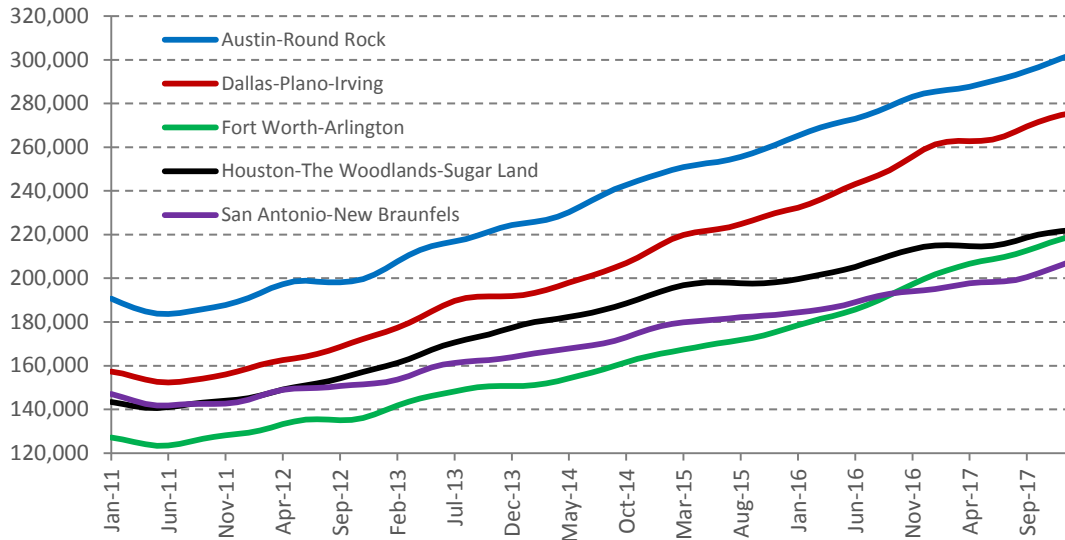
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



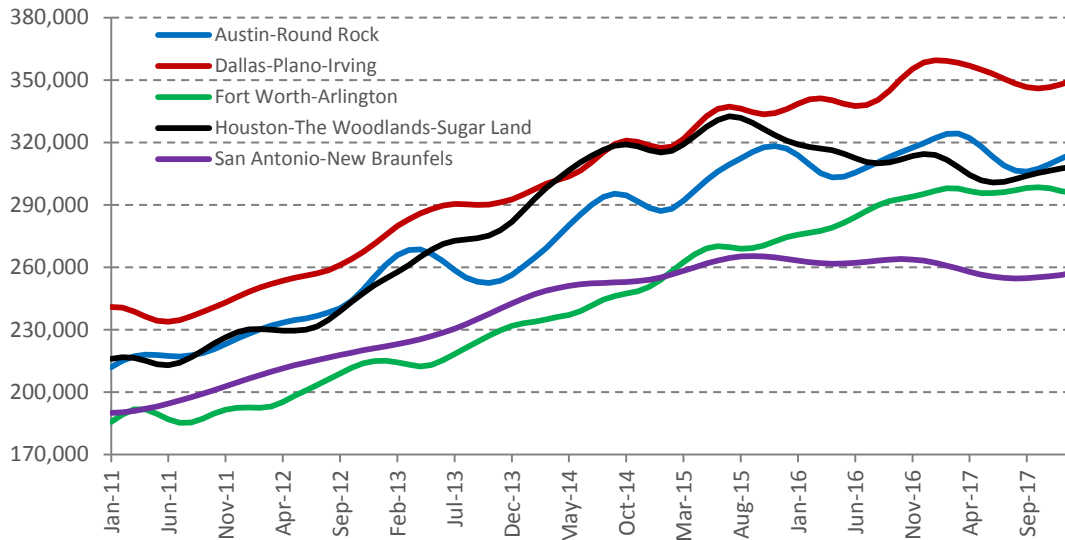
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



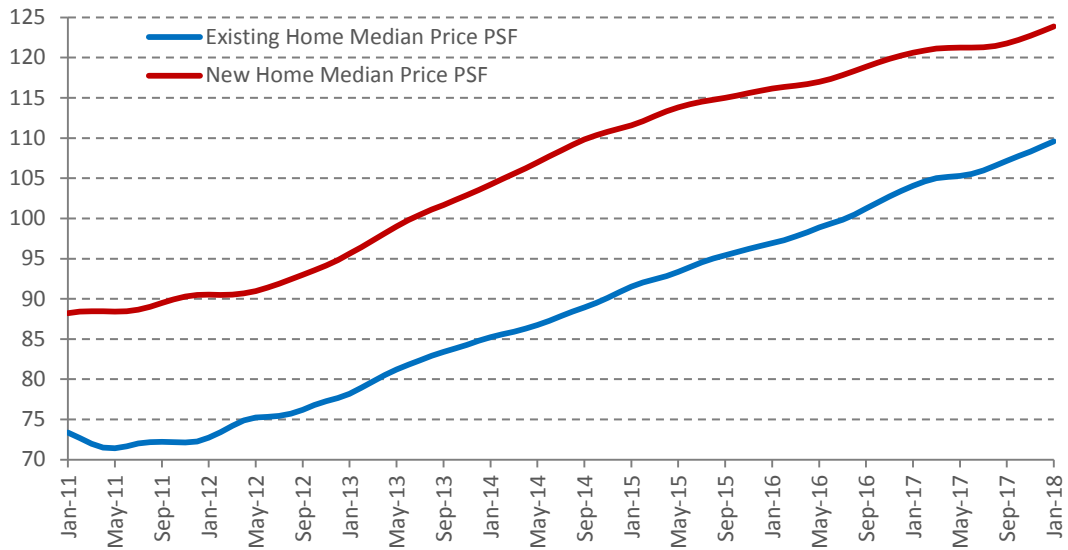
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



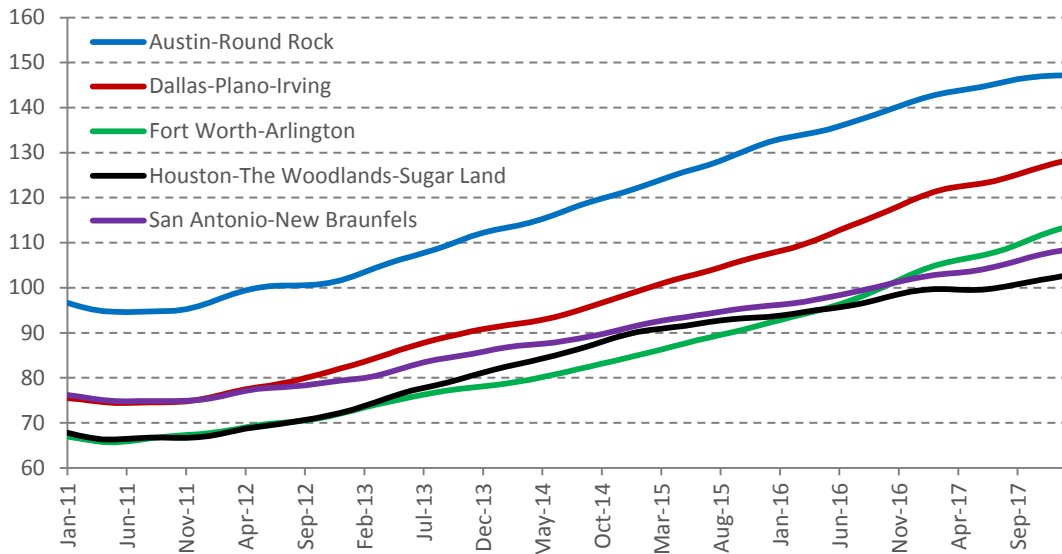
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



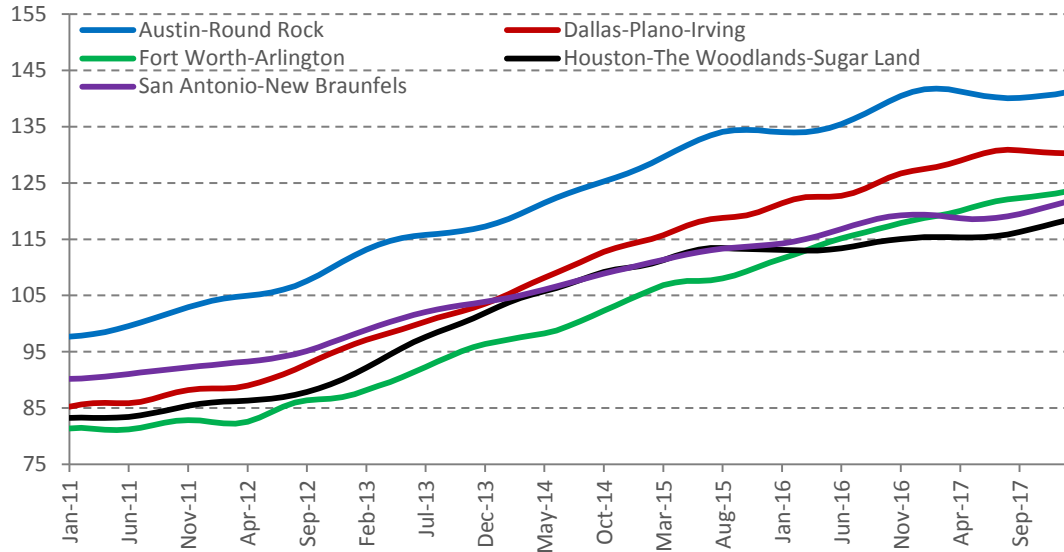
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



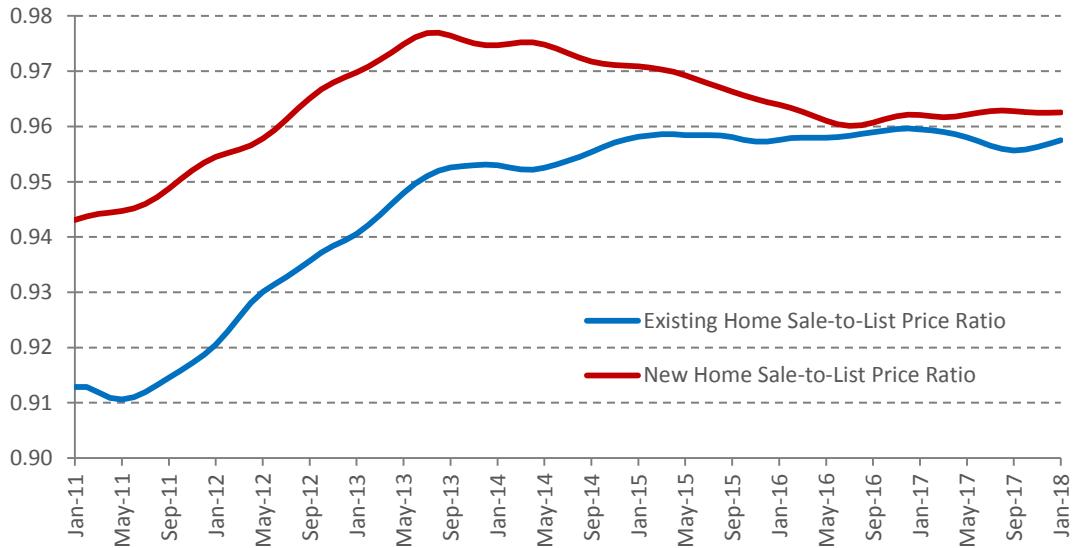
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



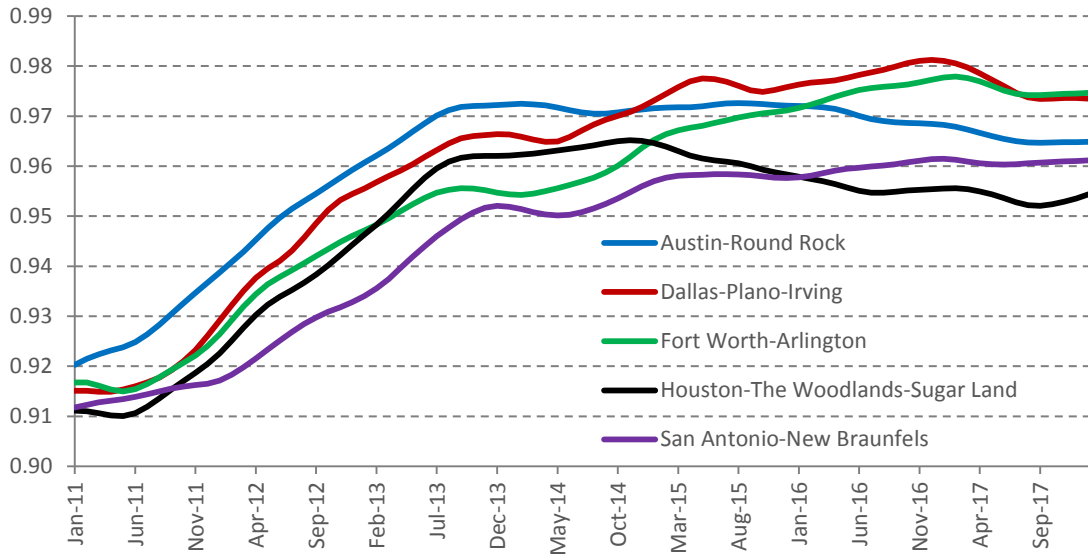
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price Ratio (%)



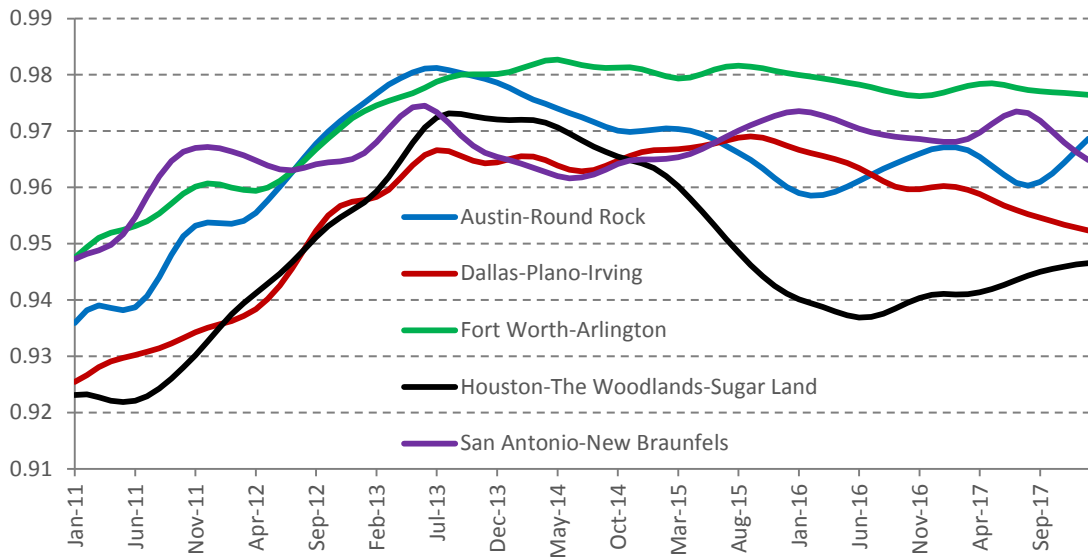
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

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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