



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 April 30, 2018

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March 2018 Summary

Supply-side obstacles continued to challenge the Texas housing market as homebuilders, faced with rising input and labor costs, were unable to keep pace with the state's economic and population growth. Waning housing affordability pushed homebuyers into the resale market where prices are generally cheaper than newly constructed equivalents. Rising demand for previously owned homes exacerbated the market's severe shortage, particularly for homes priced under \$300,000. Builders in Austin, Dallas, and Fort Worth have responded positively by increasing the rate of lot development, permit issuance, and housing starts. The challenge remains not only for developers to sustain this acceleration 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 and wage growth offset weakened construction values. A slowdown in weighted building permits and housing starts flattened the Texas **Residential Construction Leading Index (RCLI)**, signaling supply-side challenges as the year progresses.

Texas supply factors struggled at the earliest stage of the construction cycle. Through the first quarter, the number of new **vacant developed lots** (VDL), according to Metrostudy data, fell 8.5 percent year over year (YOY). Single-family housing development continued to suffer in Houston as new VDLs dropped 39.8 percent below the cycle high in 3Q15. In San Antonio, new VDLs extended a year-long slide, falling 16.9 percent YOY. Austin lot development cooled after an explosive 4Q17 but remained the only metro where VDL creation surpassed pre-recessionary levels. On a positive note, new VDLs surged 16.1 percent in Dallas-Fort Worth (DFW) as builders raced to satisfy increased demand.

The number of statewide **single-family housing construction permits (unweighted)** flattened in the first quarter. Despite the slowdown, Texas led the U.S. in permits issued and accounted for 16.8 percent of the national total. Houston remained the national metropolitan leader, issuing 3,927 nonseasonally adjusted permits this month and amassing 15.5 percent YOY growth. DFW ranked second in the nation with 2,755 monthly permits as the Fort Worth boom continued. Austin held sixth place with 1,412 monthly permits. Furthermore, the trend stabilized in San Antonio (765) after a five-month slide.

Total Texas **housing starts** were stable but failed to match last year's impressive first-quarter growth. In the single-family market, housing starts trended upward throughout the Texas Urban Triangle. DFW and Houston posted 4.6 and 4.0 percent YOY growth, respectively, while San Antonio starts rose 3.2 percent. In Austin, single-family starts soared 16.8 percent YOY, reaching the highest

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

levels since 2006. While single-family construction trended upward in the major metros, additional housing is necessary to accommodate the state's population growth.

Single-family private construction values followed housing start activity, flattening in the first quarter but dropping 6.1 percent YOY. The trend deflated across the state. On a quarterly basis, single-family construction values declined 4.7 percent in Austin and 0.7 in San Antonio. DFW values fared slightly better with 2.3 percent growth quarter over quarter (QOQ) but fell 14.1 percent YOY. Houston was the only major MSA to post positive YOY growth at 9.8 percent.

The Texas **months of inventory** (MOI) ticked above 3.4 months after breaking record lows in February. Around six months of inventory is considered a balanced housing market. Both new- and existing-home MOI marginal relief, ending the month with 3.1 and 4.5 MOI, respectively. The increase, however, occurred for homes priced above \$300,000 where supply is more stable. For lower-priced homes, the MOI sank further to 2.7 months. This ultra-constrained price range accounted for 69 percent of homes sold through Multiple Listing Services (MLS), affecting more than the stereotypically strained demographics (e.g. first-time homebuyers and millennials).

The major metros also exhibited a slight uptick in housing inventory after steady declines over the past six months. The MOI reached 2.4 months in Austin and Dallas, respectively, and inched above 2.0 months in Fort Worth. The MOI hovered at 3.3 months in San Antonio, while climbing closer to 3.6 months in Houston. Dwindling new-home demand in Houston contributed to the inventory increase.

Demand

First-quarter housing sales fell 2.2 percent as activity tapered to lower levels in North Texas and Houston. A break in demand pulled quarterly sales down 2.0 and 3.1 percent in Dallas and Fort Worth, respectively, and down 1.5 percent in Houston. In contrast, new-home demand held total sales steady in Austin and San Antonio at 1.1 and 1.8 percent QOQ growth, respectively. Austin sold a record-high 4,111 new homes in the first quarter, surpassing 34 percent YOY growth. San Antonio sold a respectable 2,608 new homes, marking 16.7 percent YOY growth.

Total housing demand remained strong as activity shifted from the new-home to the resale market. The **average days on market** (DOM) hovered around 59 days in Texas, extending a three-year trend. Demand converged in most of the major metros towards the state average. North Texas remained the exception, where homes averaged just 43 and 40 DOM in Dallas and Fort Worth, respectively. Statewide, homes priced between \$200,000 and \$300,000 sold rapidly, averaging 53 days on the market, while homes priced below \$200,000 averaged 60 days.

Texas' rising **homeownership rate** evinced the state's economic recovery and growth since the oil downturn. In the first quarter, Texas homeownership bumped up to 62.6 percent after bottoming out at 61 percent in 3Q16. This marked the fourth consecutive quarterly increase and suggests a solid upward trend. Decreased housing affordability, however, weighed on homeownership in the major metros. Dallas and San Antonio dropped below the state level at 62.3 and 61.2 percent,

respectively. Austin and Houston remained significantly lower with homeownership rates around 55 and 58 percent.

Mortgage rates diverged from U.S. government bonds, placing additional pressure on housing affordability. The **Federal Home Loan Mortgage Corporation 30-year fixed-rate** jumped 11 basis points to 4.4 percent, the highest since 2013. In contrast, rising trade tensions outweighed investors' optimism on the national economy, holding the **ten-year U.S. Treasury bond yield** at 2.84 percent.

Prices

Texas' housing affordability remained favorable compared to other states but hovered around a decade low. Rapid price appreciation, fueled by shortages of homes priced under \$300,000, challenged Texas homebuyers. Stagnant wages struggled to keep pace with home values, holding the **Texas Housing Affordability Index** at 1.5. The index indicated that a family earning the median income in Texas could afford a home 50 percent more than the median sale price. For much of the past decade, Texans enjoyed the capability of affording homes priced twice that of the median. Affordability issues persisted in Austin and Dallas, with indices around 1.5 and 1.4, respectively. The Houston index extended a year-long trend at 1.7, while San Antonio ticked up to 1.6. Fort Worth boasted the highest affordability conditions at just above 1.7, despite observing some of the largest home price appreciation.

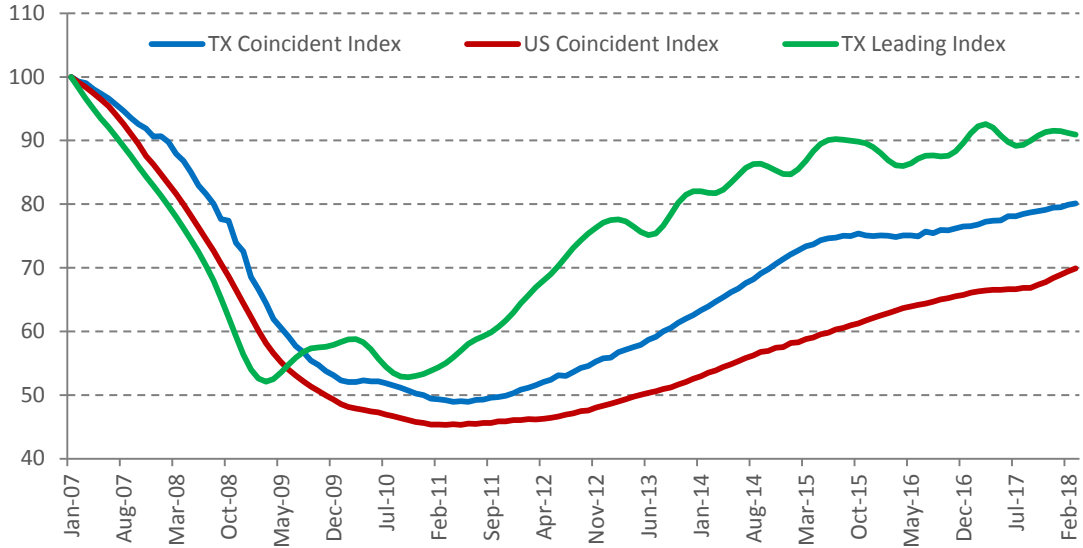
The Texas **median home price** balanced around \$231,600 amid mixed movements in the new- and existing-home markets. The median price for resale homes reached a record-high \$223,675—a \$15,000 increase since March of last year. Softer demand simmered the price for new homes, holding the median around \$293,000.

Price pressures picked up in North Texas after a moderate start to the year. The median price rose 1.7 percent YTD in both Dallas and Fort Worth to \$286,200 and \$230,200, respectively. Austin maintained the highest median home price at \$298,100 but had a 2.1 percent decrease YTD. Suppressed new-home values in Houston, a trend that pre-dates last year's hurricane, offset steady appreciation for resale homes and held the aggregate median price around \$230,000. San Antonio offered the lowest median price at \$220,700 but maintained a clear upward trend.

The statewide **median price per square foot (ppsf)** rose for the tenth consecutive month, surpassing \$115. The combination of regional economic growth and scarce land lifted the Austin and Dallas ppsf above \$154 and \$132, respectively. Fort Worth posted the largest percentage increase in median ppsf at 10.5 percent YOY, reaching a record high \$117.48. In San Antonio, the median ppsf rose 5.9 percent YOY to \$112.37 and could soon surpass the statewide level. Houston maintained the lowest ppsf at \$107.41 and the smallest annual growth at 3.3 percent, thereby widening its price gap from the other major metros.

Supply

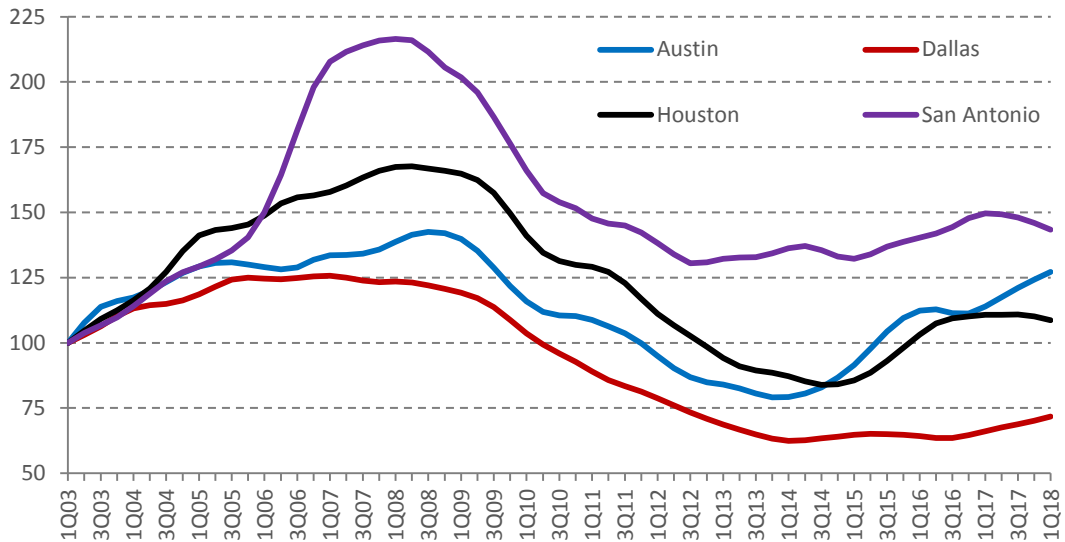
Residential Construction Coincident and Leading Indicator
(Index Jan 2007 = 100)



Note: Trend-Cycle Component.

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

Vacant Developed Lots
(Index Q1 2003 = 100)

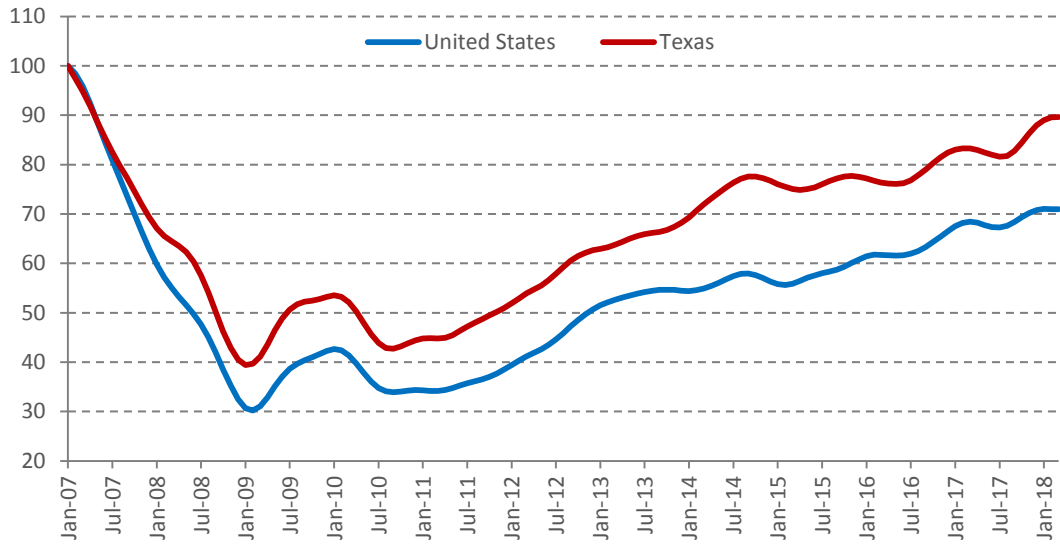


Note: Trend-Cycle Component.

Source: Metrostudy



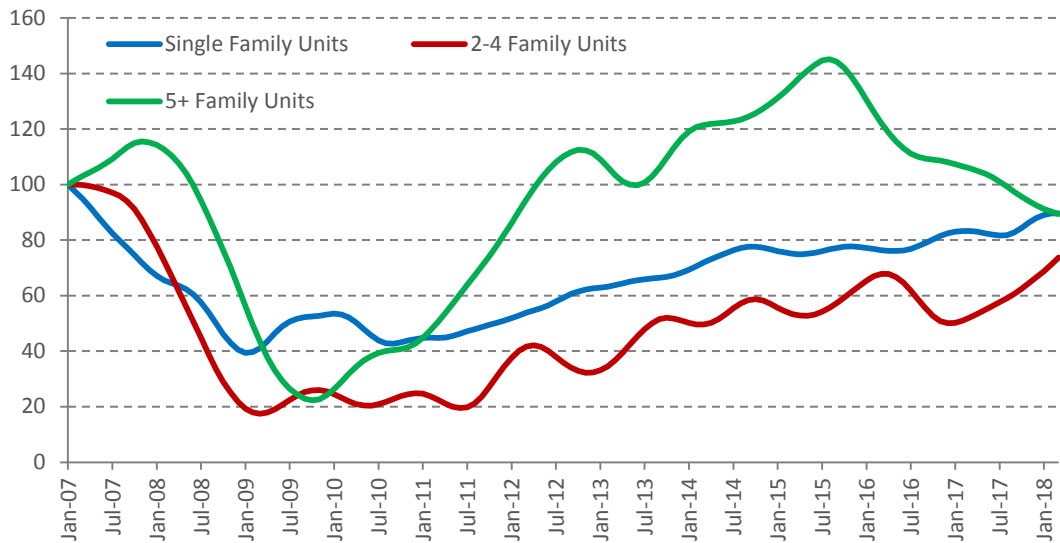
Single-Family Housing Construction Permits (Index Jan 2007 = 100)



Note: Trend-Cycle Component.

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

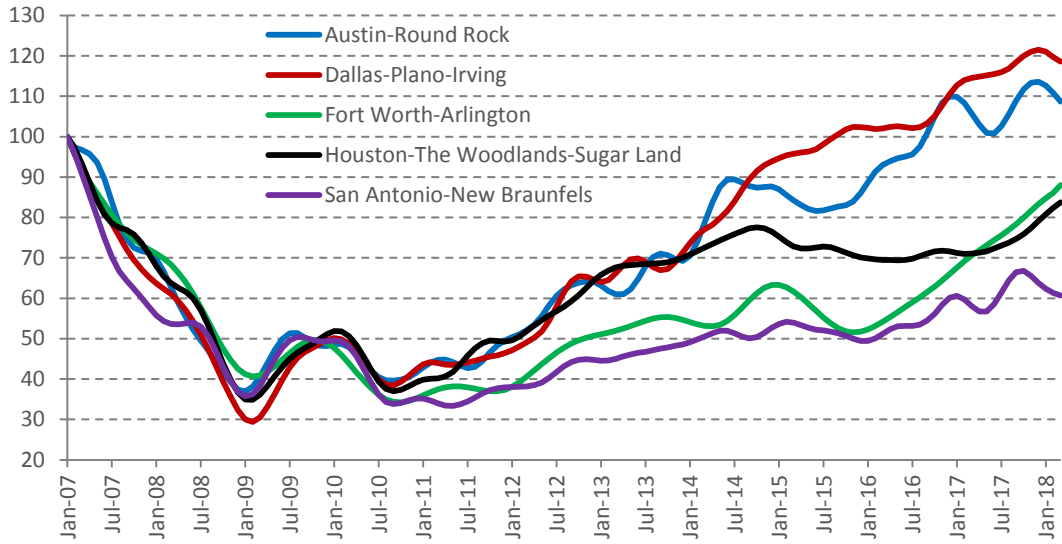
Texas Housing Construction Permits (Index Jan 2007 = 100)



Note: Trend-Cycle Component.

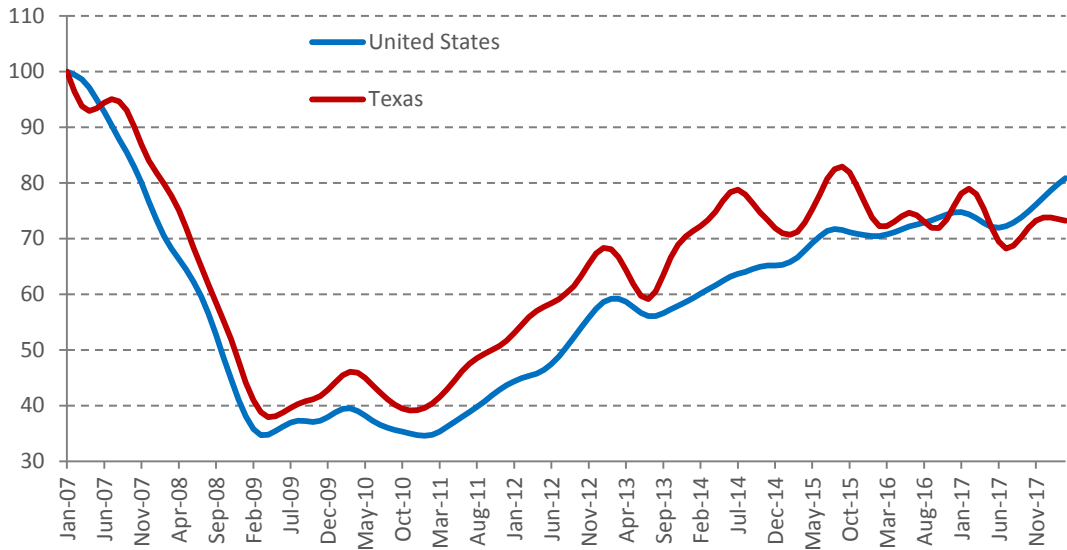
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



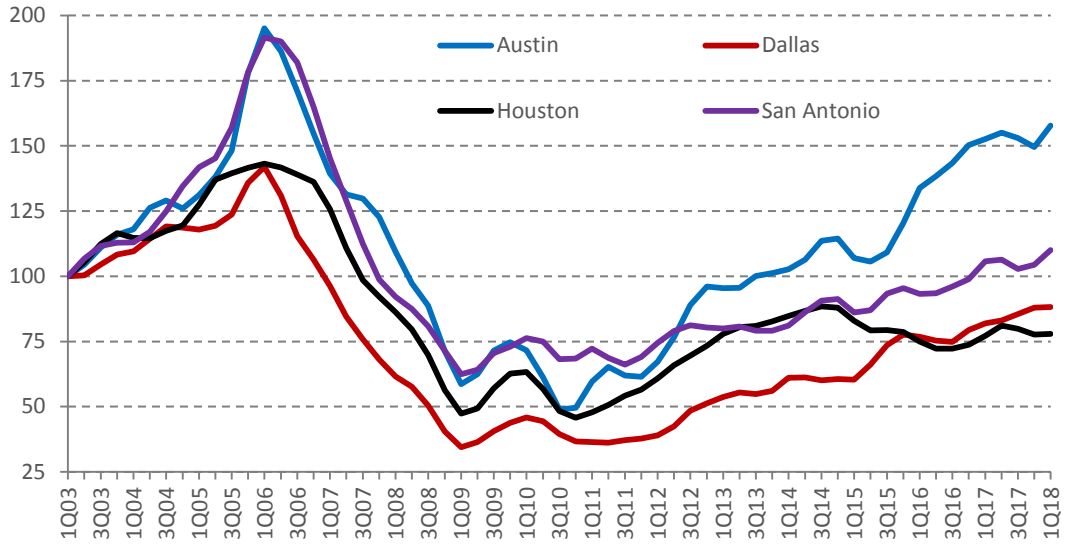
Note: Trend-Cycle Component. Fort Worth is missing data for Somervell County.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Housing Starts Per Capita
(Index Jan 2007 = 100)



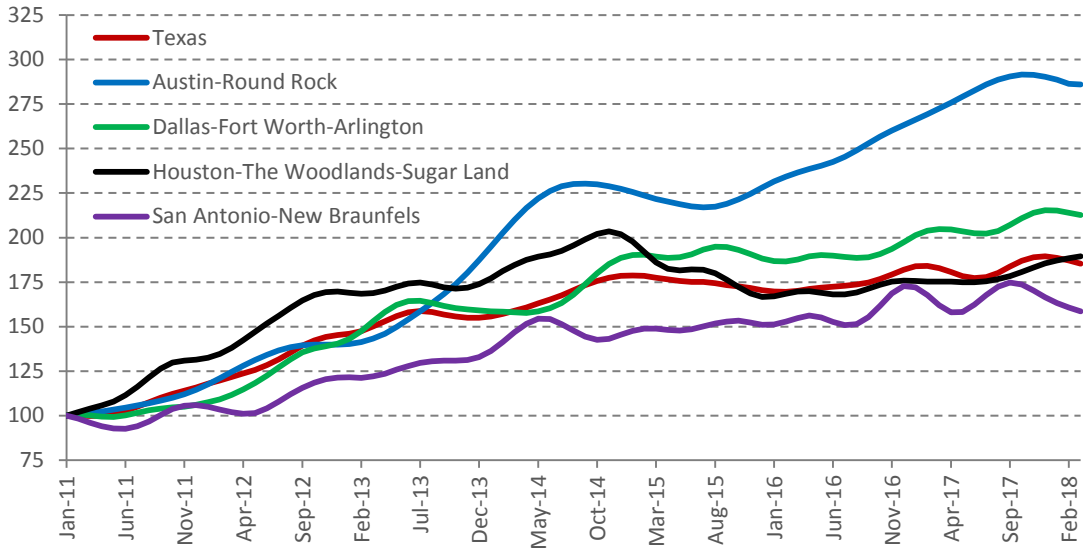
Note: Trend-Cycle Component.
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

Major Metros Housing Starts (Index Q1 2003 = 100)



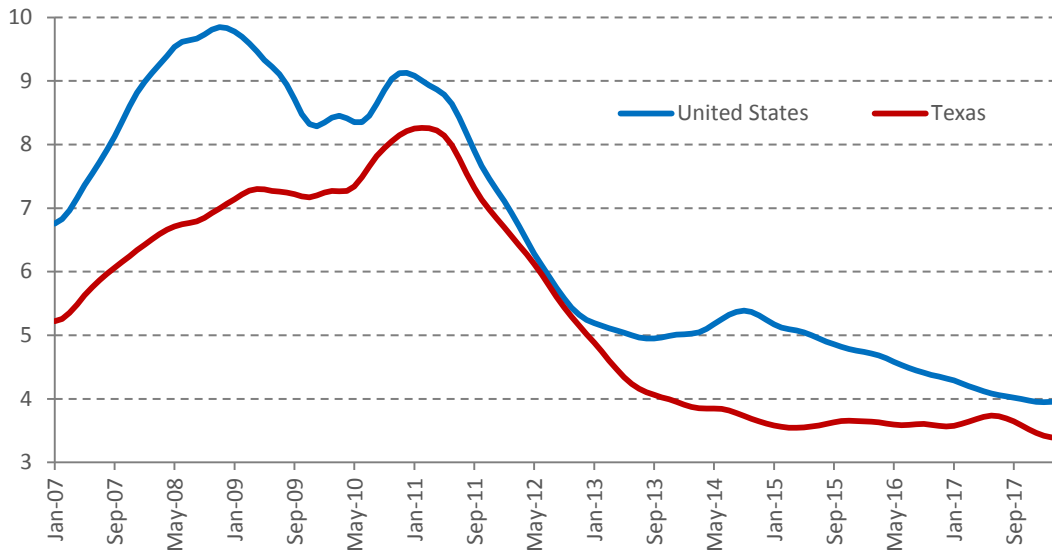
Note: Trend-Cycle Component.
Source: Metrostudy

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



Note: Inflation adjusted. Trend-Cycle Component.
Source: Dodge Analytics

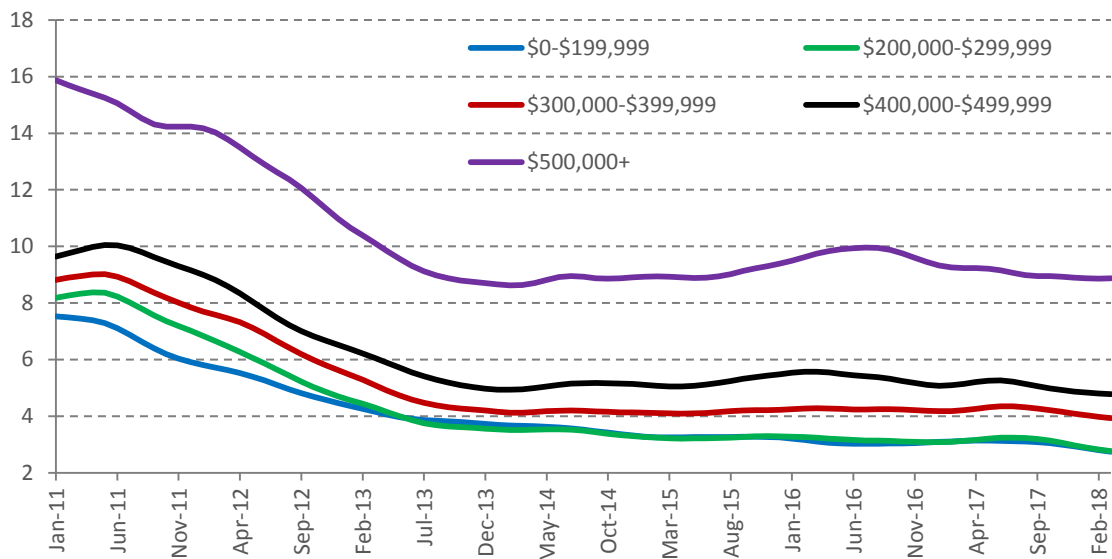
Total Months of Inventory (Months)



Note: Trend-Cycle Component. 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: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

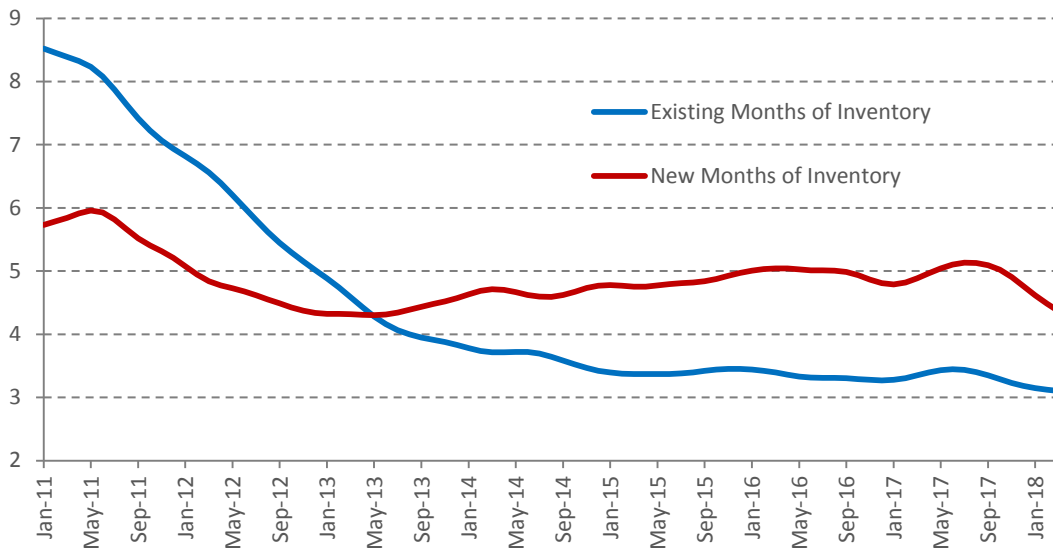


Texas Current Months of Inventory by Price Cohort
(March 2018)



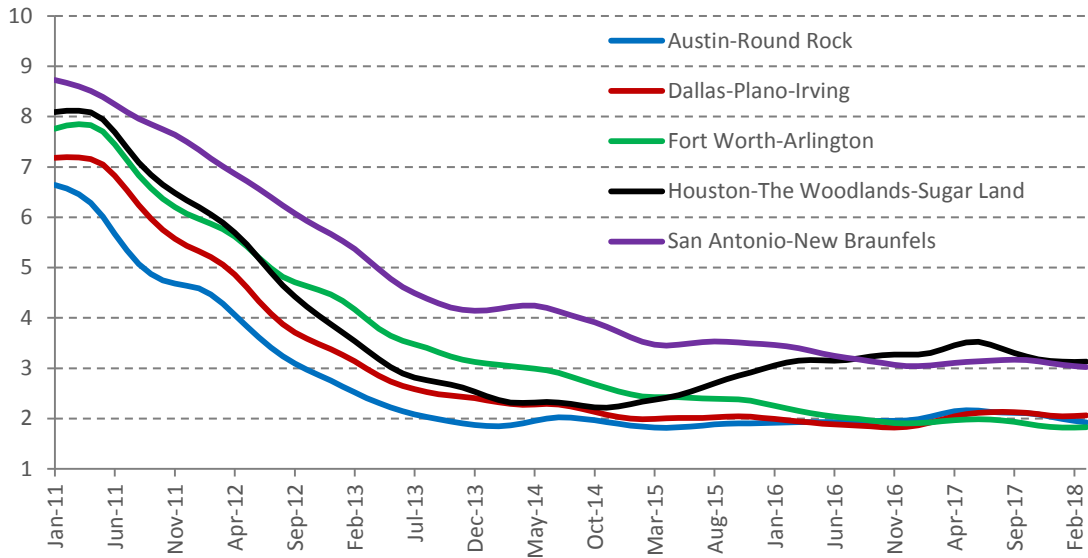
Note: Seasonally adjusted.
Source: Real Estate Center at Texas A&M University

Texas Existing and New Home Months of Inventory
(Months)



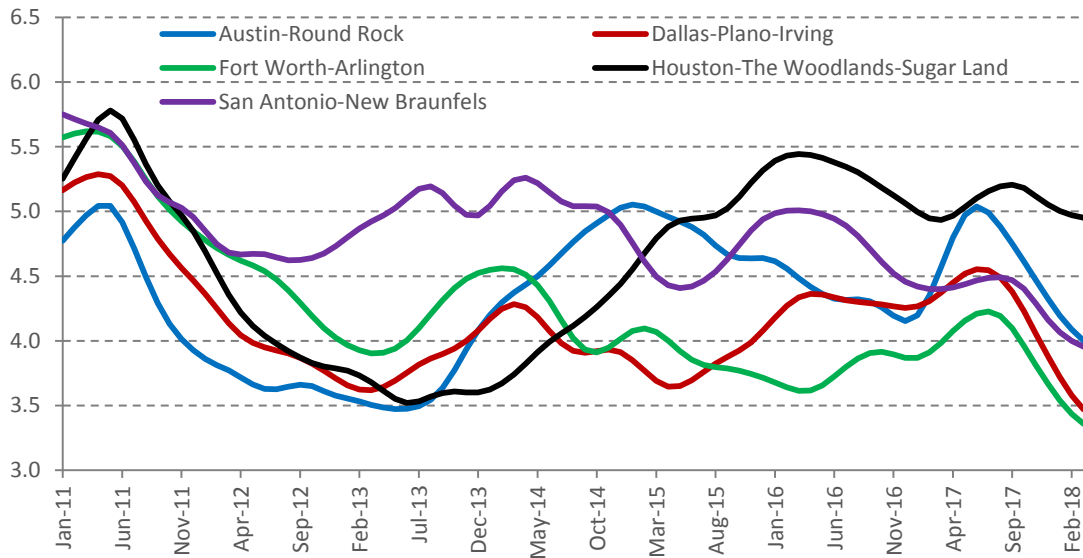
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Months of Inventory (Months)



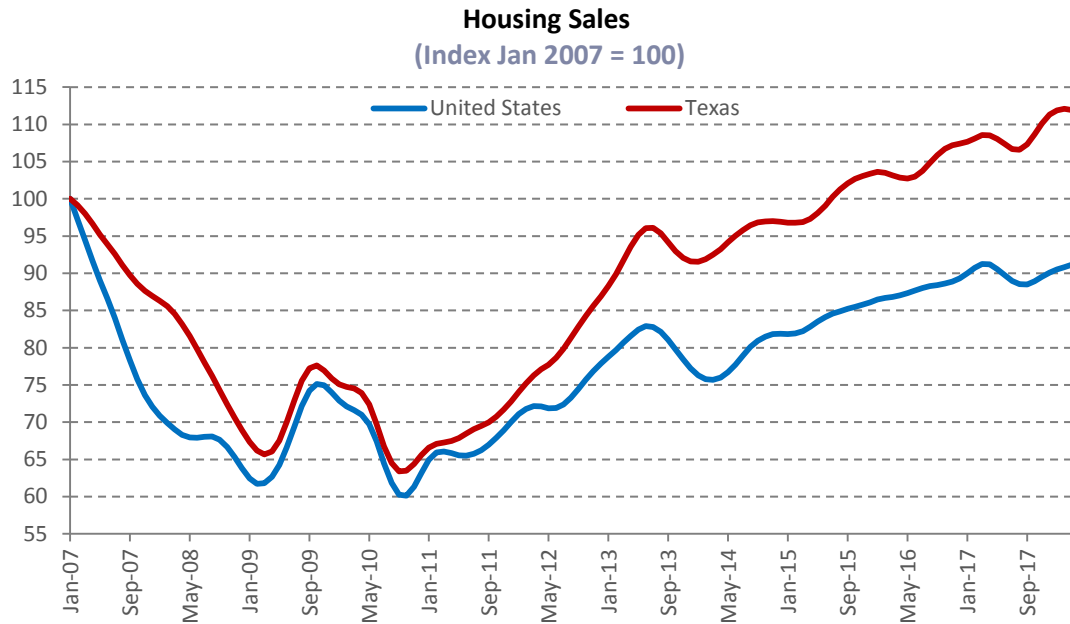
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Months of Inventory (Months)



Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Demand



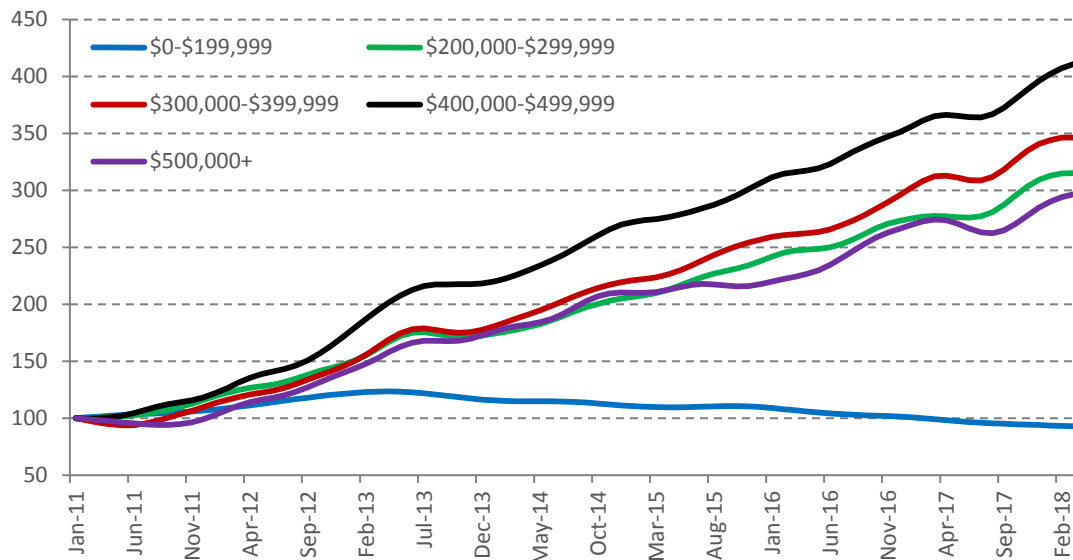
Note: Trend-Cycle Component. Sales for the United States include all existing homes and new single-family homes; new non-single-family homes are not included. Texas includes all existing and new homes.

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)

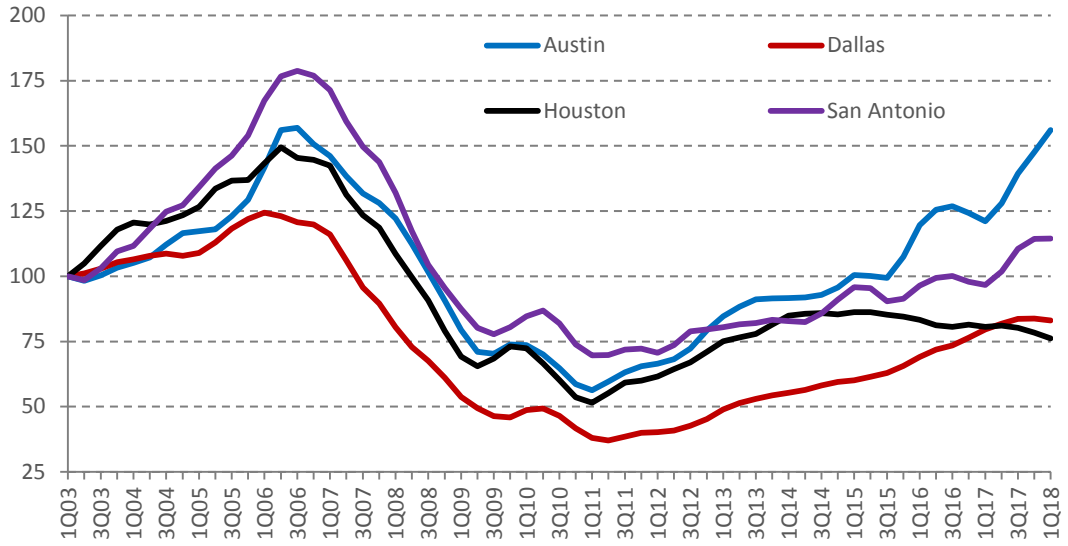


Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

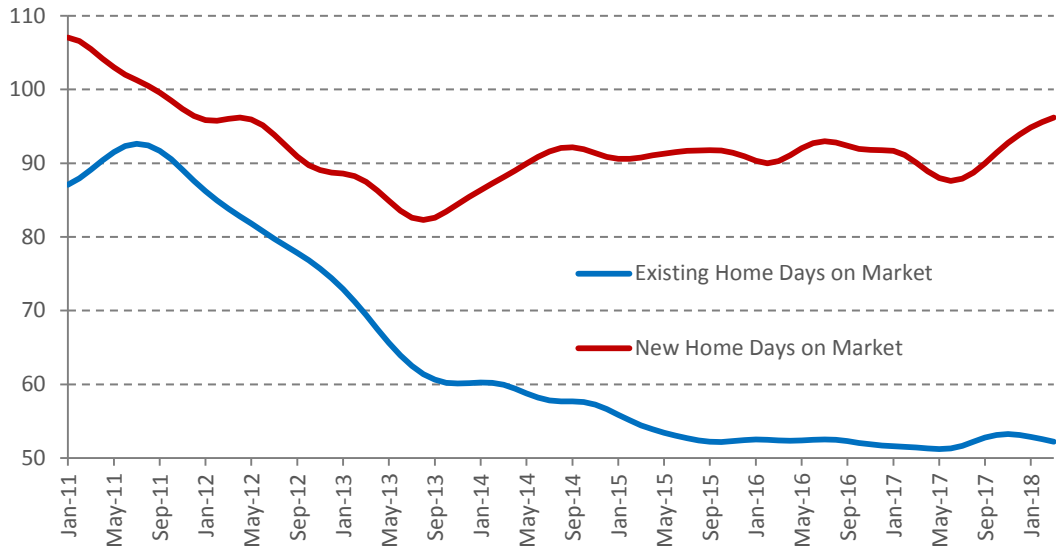


Major Metros Housing Sales (Index 1Q2003 = 100)



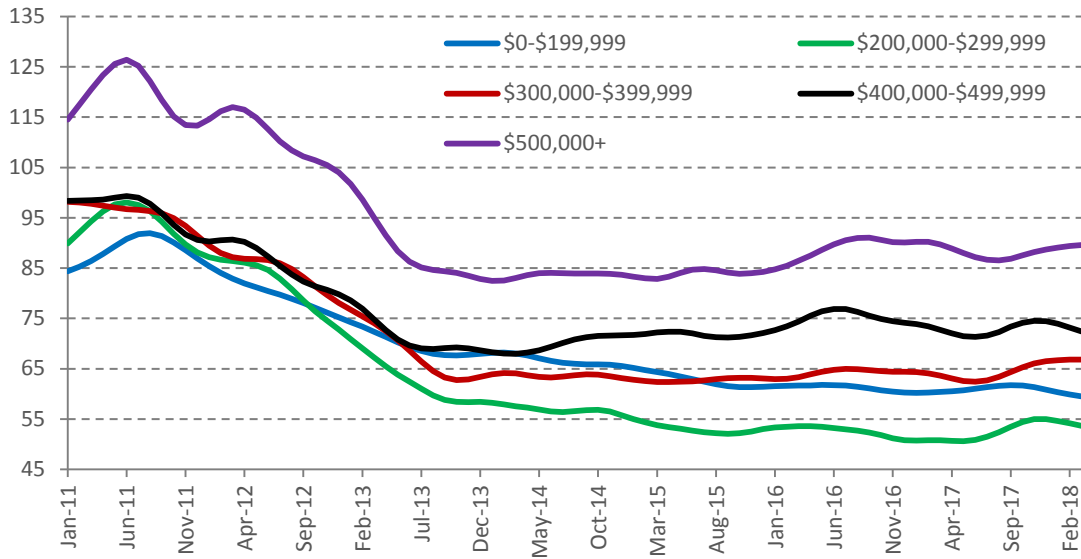
Note: Trend-Cycle Component.
Source: Metrostudy

Texas Homes Days on Market (Days)



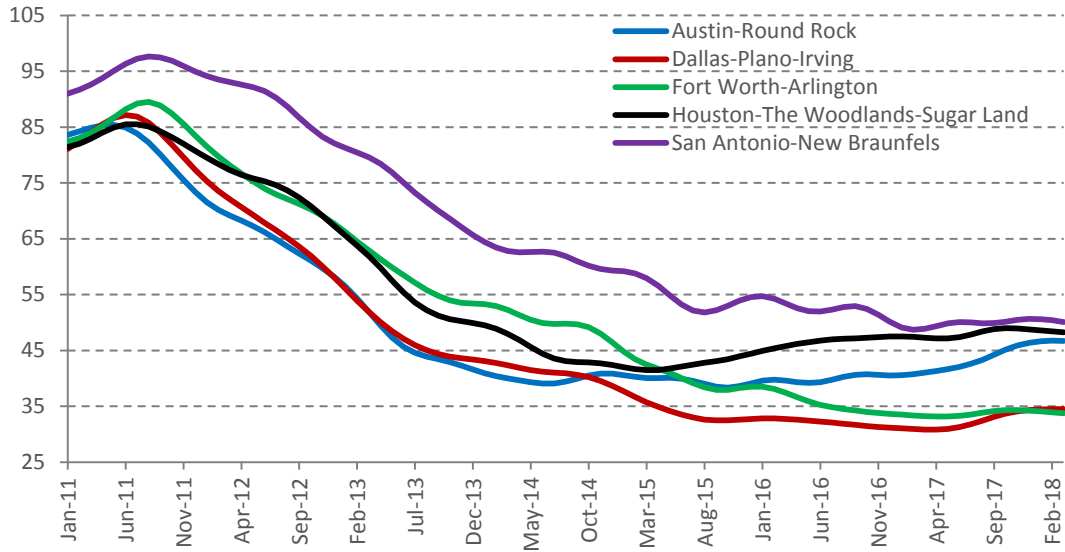
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Days on Market by Price Cohort (Days)



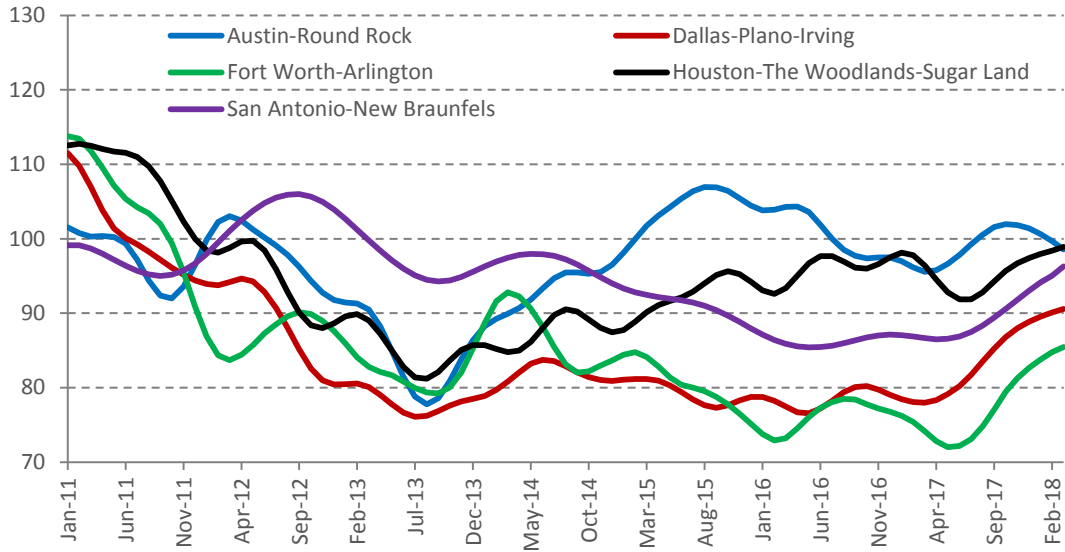
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



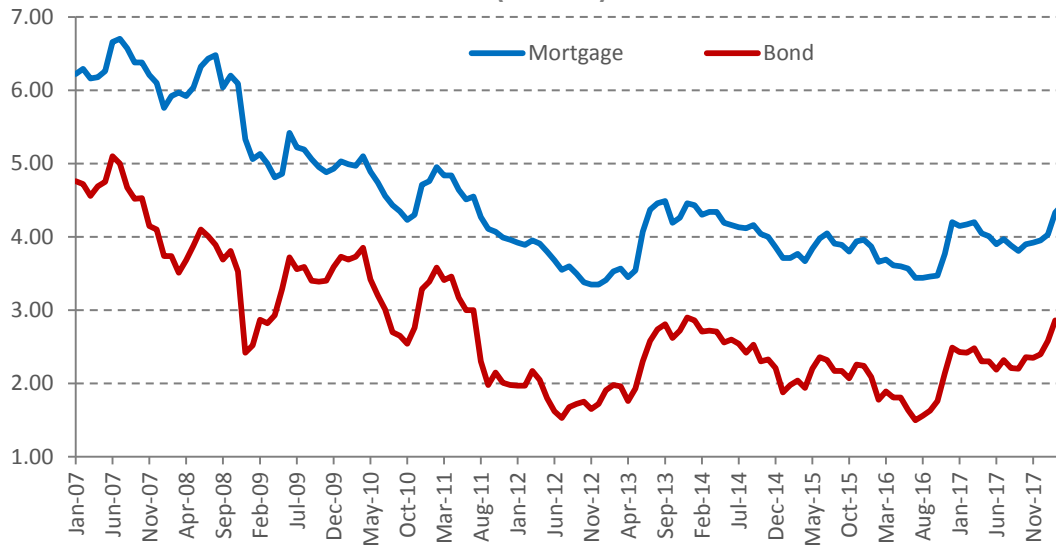
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)



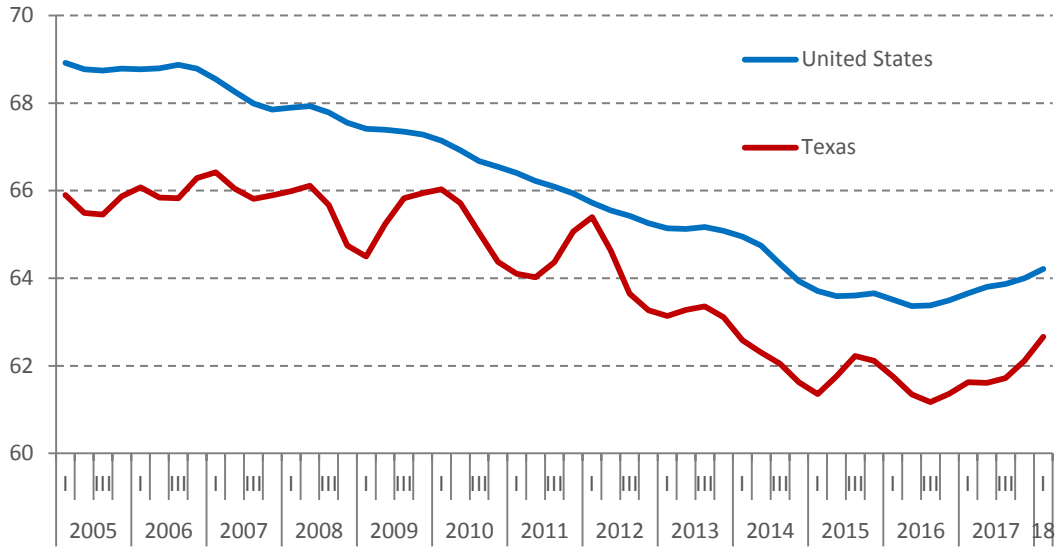
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



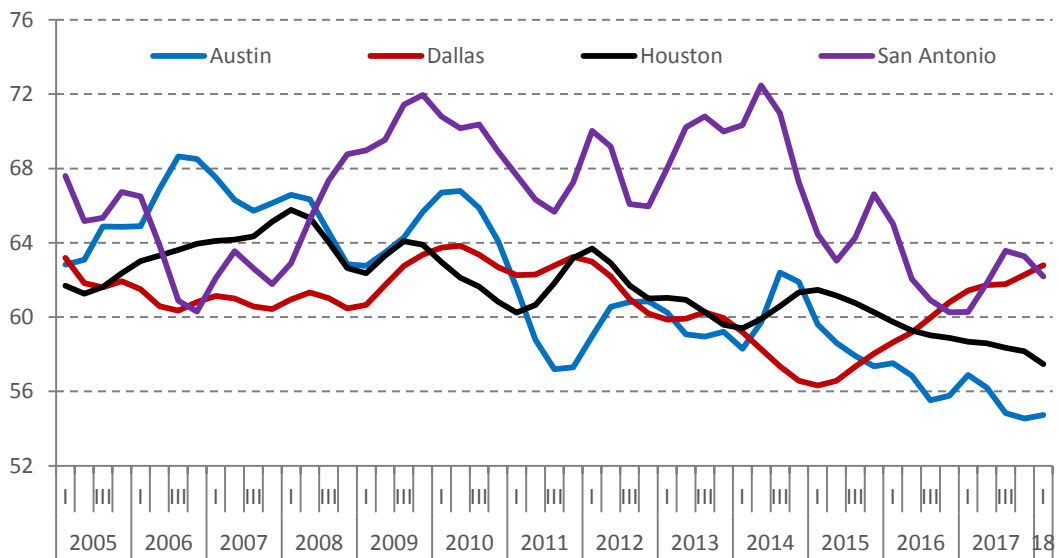
Note: Seasonally adjusted.
Source: Federal Home Loan Mortgage Corporation and Federal Reserve Board

Home Ownership Rate (%)



Note: Trend-Cycle Component.
Source: U.S. Census Bureau

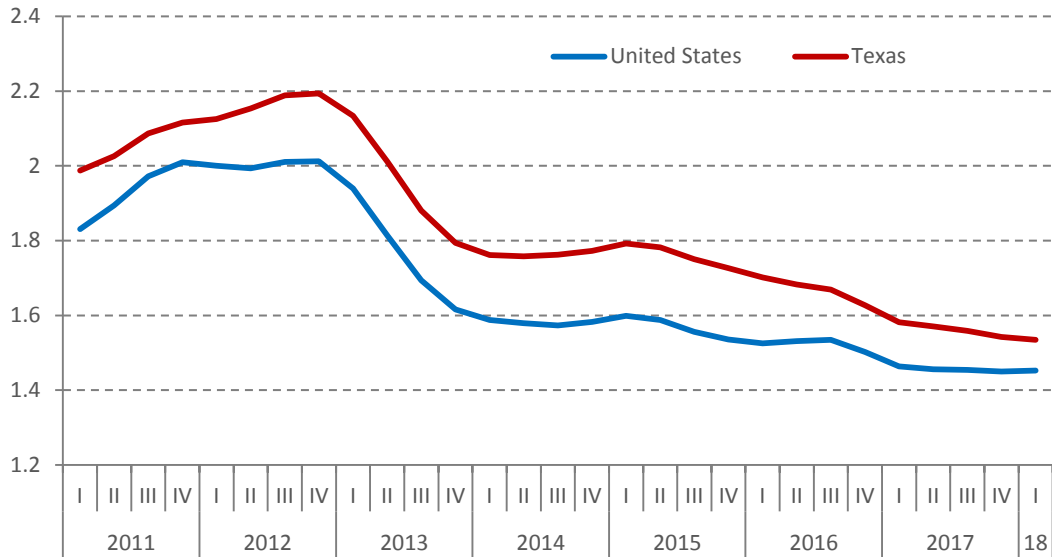
Major Metros Home Ownership Rate (%)



Note: Trend-Cycle Component.
Source: U.S. Census Bureau

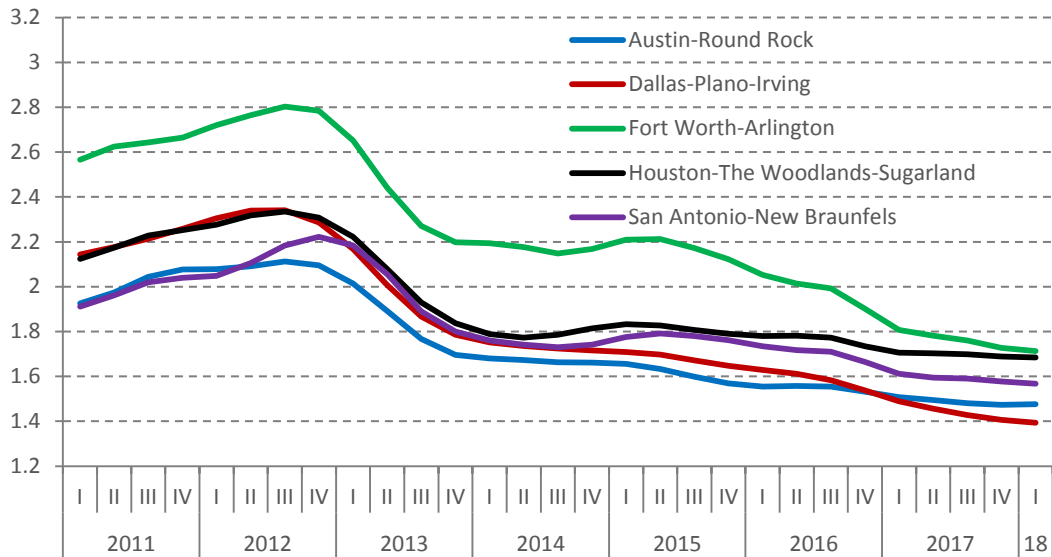
Prices

**Real Estate Center Housing Affordability Index
(Index)**



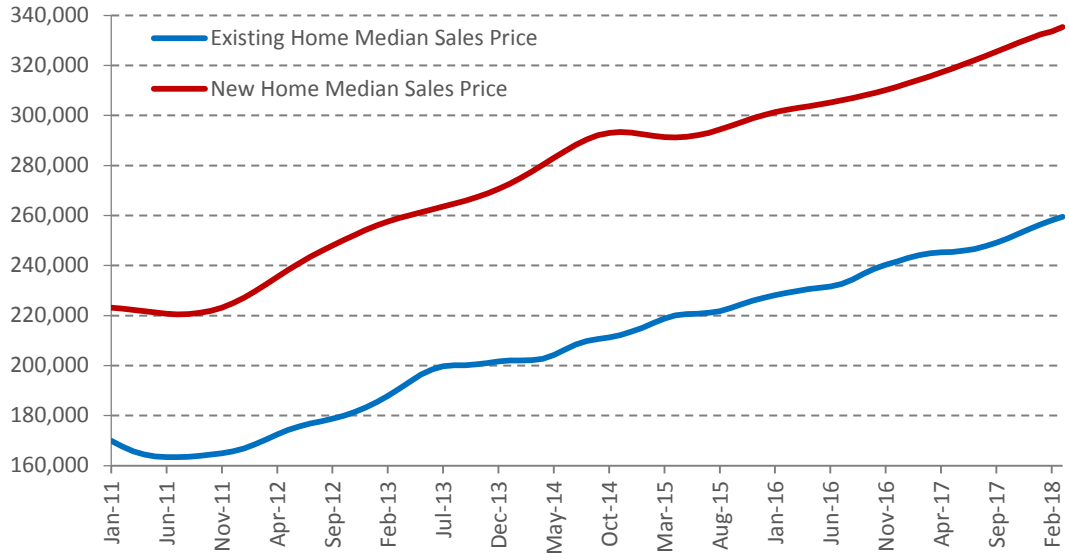
Note: Trend-Cycle Component. The Texas Housing Affordability Index (HAI) reflects the relationship between the current median family income in a locale and the computed amount required to purchase a median priced home.
Source: Real Estate Center at Texas A&M University

**Real Estate Center Major Metros Housing Affordability Index
(Index)**



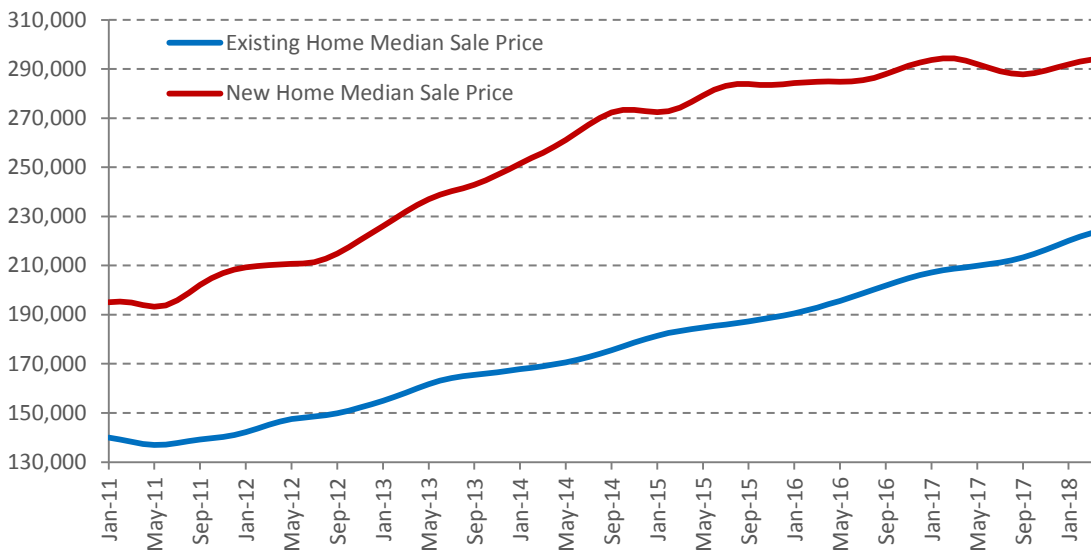
Note: Trend-Cycle Component. The Texas Housing Affordability Index (HAI) reflects the relationship between the current median family income in a locale and the computed amount required to purchase a median priced home.
Source: Real Estate Center at Texas A&M University

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



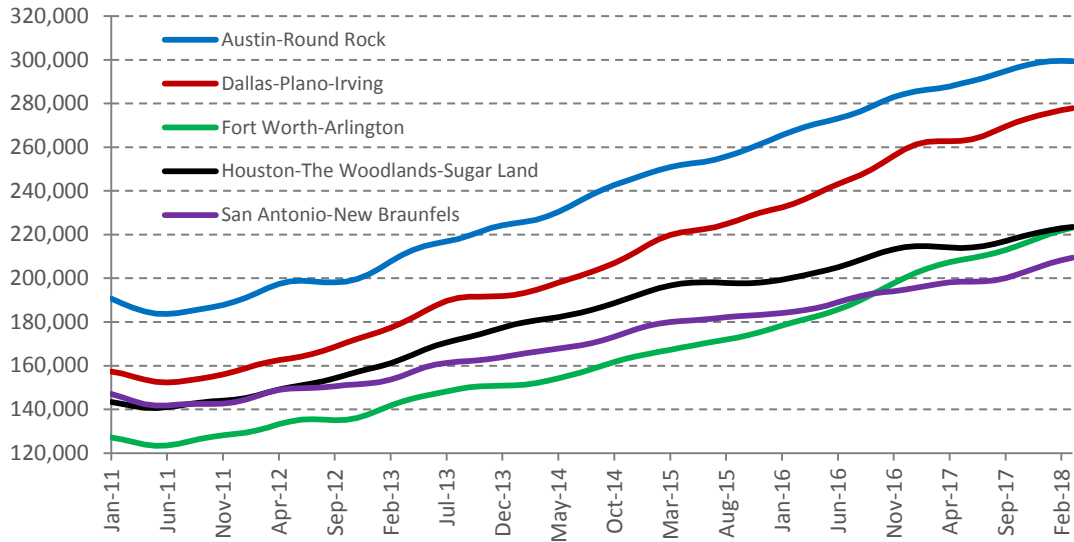
Note: Trend-Cycle Component. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



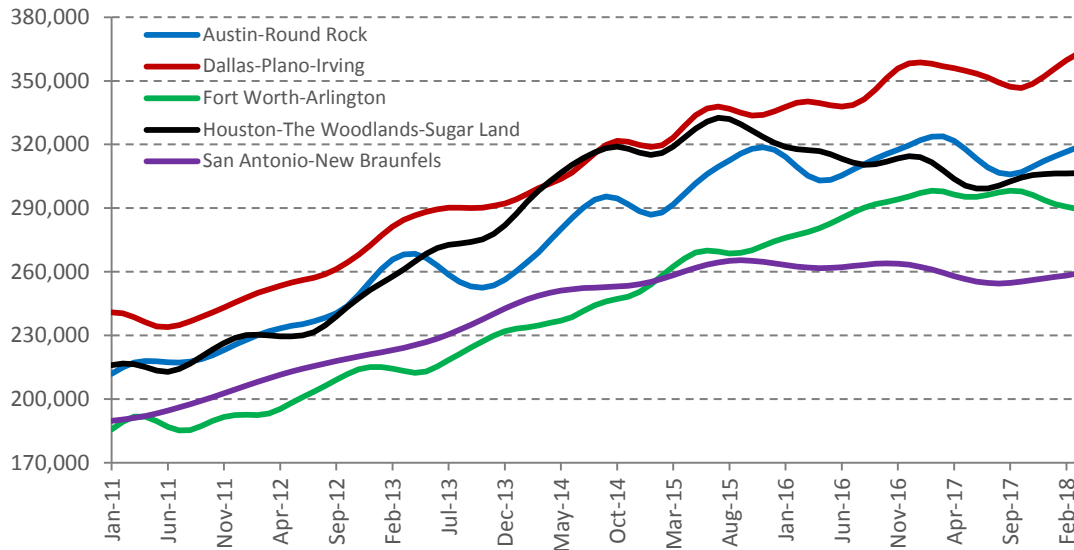
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



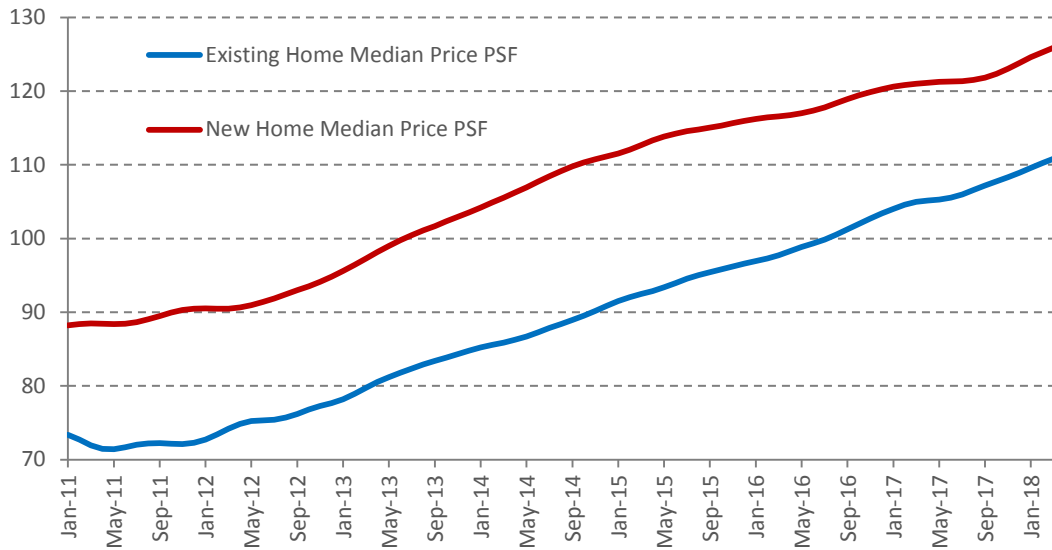
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



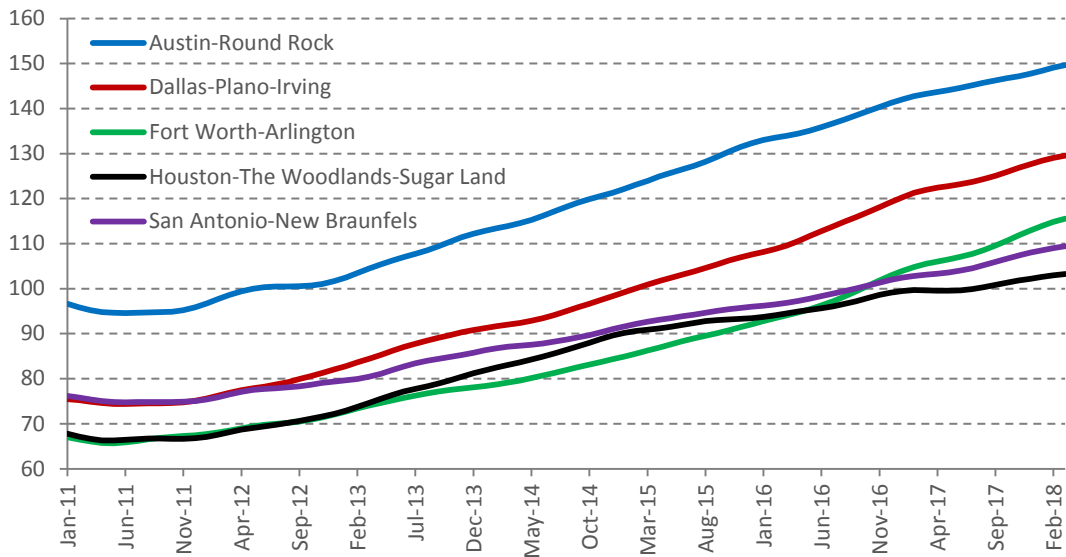
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

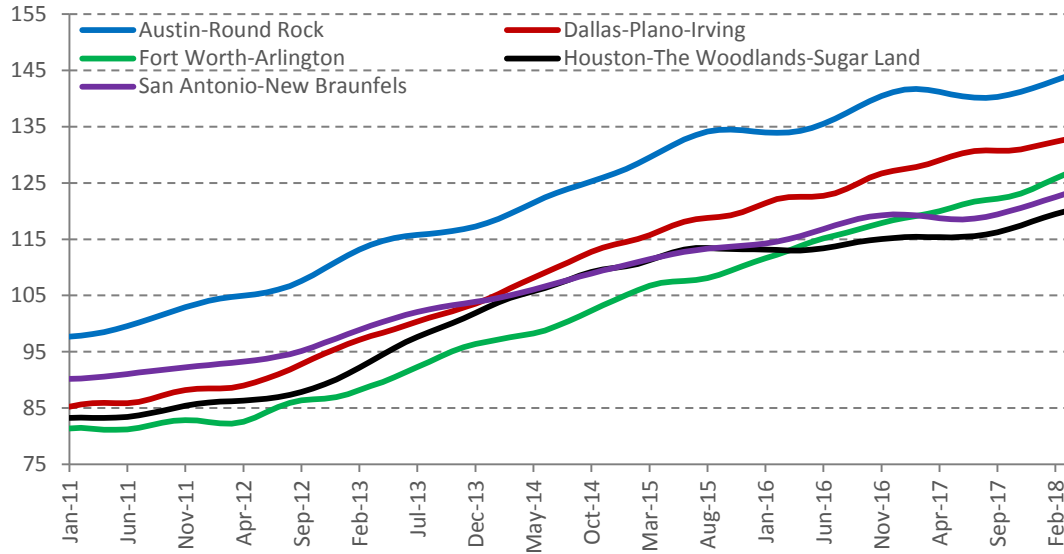
Major Metros Existing Home Median Price Per Square Foot (\$)



Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

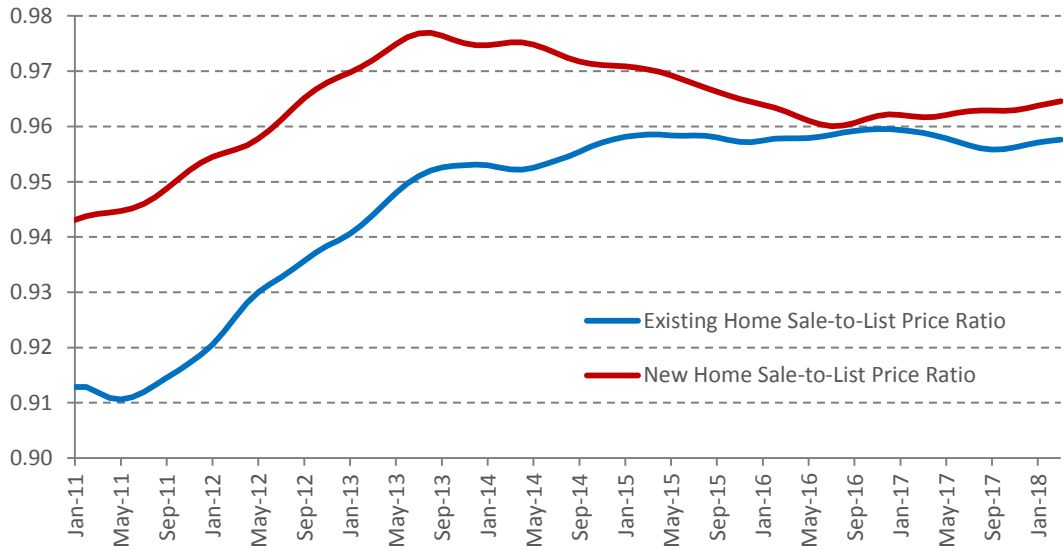


Major Metros New Home Median Price Per Square Foot (\$)



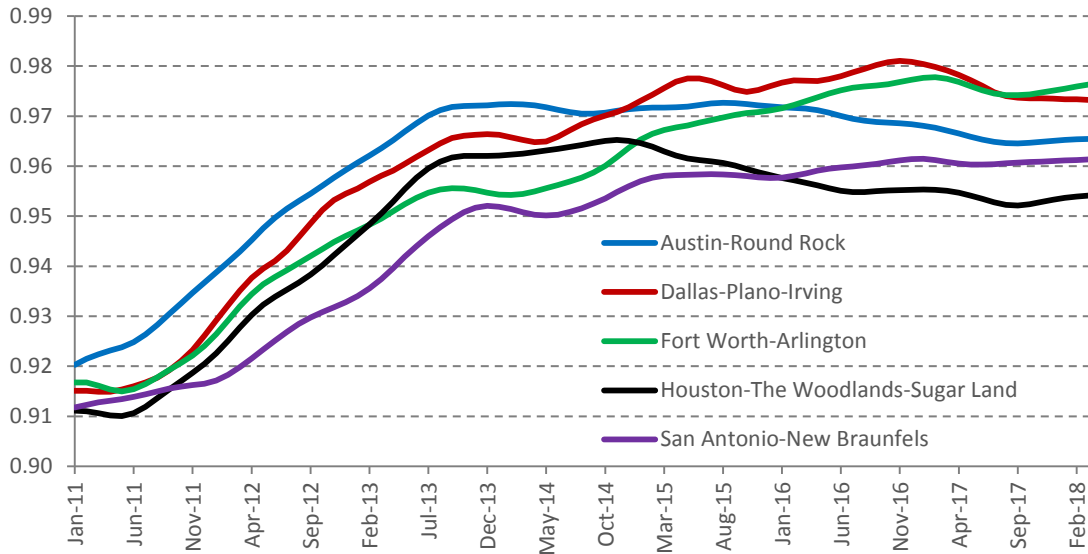
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price Ratio (%)



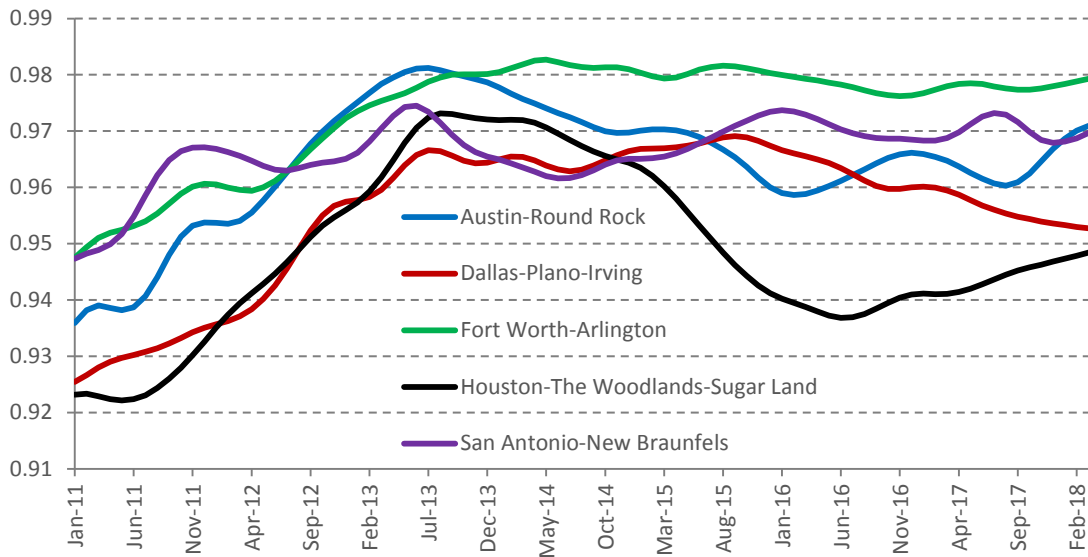
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University



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