



**REAL ESTATE CENTER**  
TEXAS A & M UNIVERSITY



# TEXAS HOUSING INSIGHT

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REPORTING OCTOBER 2018 DATA

**TECHNICAL REPORT**

<b>October 2018 Summary</b> .....	4
Residential Construction Coincident and Leading Indicator.....	7
Single-Family Housing Construction Permits.....	7
Texas Housing Construction Permits .....	8
Major Metros Single-Family Housing Construction Permits.....	8
Total Housing Starts Per Capita .....	9
Total New Private Single-Family Construction Value .....	9
Total Months of Inventory.....	10
Texas Months of Inventory by Price Cohort .....	10
Texas Current Months of Inventory by Price Cohort.....	11
Texas Existing and New Home Months of Inventory.....	11
Major Metros Existing Home Months of Inventory.....	12
Major Metros New Home Months of Inventory.....	12
<b>Demand</b> .....	13
Total Housing Sales .....	13
Texas Total Housing Sales by Price Cohort .....	13
Major Metros Total Housing Sales.....	14
Texas Homes Days on Market.....	14
Major Metros Existing Homes Days on Market.....	15
Major Metros New Homes Days on Market.....	15
Texas Home Days on Market by Price Cohort .....	16
30-Year Mortgage Rate and 10-Year Treasury Yield.....	16
Texas Mortgage Applications.....	17
<b>Prices</b> .....	17
Real Estate Center Repeat Sales Housing Price Index .....	17
United States Existing and New Home Median Sales Price .....	18
Texas Existing and New Home Median Sales Price.....	18
Major Metros Existing Home Median Sales Price.....	19
Major Metros New Home Median Sales Price.....	19
Texas Home Median Price Per Square Foot.....	20
Major Metros Existing Home Median Price Per Square Foot.....	20
Major Metros New Home Median Price Per Square Foot.....	21



Texas Home Sale Price to List Price ..... 21  
Major Metros Existing Home Sale Price to List Price..... 22  
Major Metros New Home Sale Price to List Price..... 22

## 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 November 28, 2018

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## October 2018 Summary

Texas housing sales rebounded 11.8 percent in October but remained on a flat trajectory. The shortage of homes priced below \$300,000 and rising interest rates continued to weigh on overall activity. Inventories inched forward but at an insufficient rate relative to demand, and housing starts fell for the fifth time in six months. Despite stability in lot development and single-family building permits, new construction appears incapable of relieving the prolonged shortage of lower-priced homes. Housing demand showed signs of normalization, particularly in North Texas, after a multiyear period of unsustainable growth. Steady population and job growth, however, suggest healthy demand for the duration of the current economic expansion. The recent pause in sales activity calmed home-price appreciation, but rising interest rates hindered affordability across the state.

### Supply\*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, reached its highest level since 2007 as construction employment and wages continued to elevate. This momentum, however, may moderate in the fourth quarter as the Texas **Residential Construction Leading Index (RCLI)** declined for the second straight month. Rising interest rates, a dip in housing starts, and fewer multifamily permits weighed on the residential construction outlook, but robust economic growth upheld a strong foundation.

**Single-family housing construction permits** hovered near a cycle-high as builders scrambled to meet demand. Texas remained the leader in permits issued with 9,418 (nonseasonally adjusted), accounting for 15 percent of the national total. Dallas overtook Houston's top ranking with more than 3,000 permits issued, led by growth in Collin and Tarrant Counties. Houston permits fell below 3,000 for the first time this year as the summer building season came to a close. Austin fell to seventh in the national rankings with 1,275, while San Antonio issued 707 permits, a YTD-high after seasonal adjustment.

Despite increased lot development and building permits, total **housing starts** fell for the fifth time in six months, erasing most of the first-quarter gains. Growth in earlier stages of the construction-cycle should pressure starts upward, but the current pace is insufficiently matching population growth and deepening housing affordability problems. Single-family **private construction values** declined across the Texas Urban Triangle and exhibited an overall flat trend. In the multifamily sector, starts recovered most of last quarter's losses despite flattening rent growth.

A recent sales slowdown provided some breathing room for the supply of active listings, but the Texas **months of inventory (MOI)** remained suppressed below four months. Around six months of inventory is considered a balanced housing market. A spike of new listings to start the year also provided upward pressure, but the impact is dissipating. Listing inventories of single-family homes

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

priced more than \$400,000 exhibited the largest uptick this year, reaching 6.4 MOI after bottoming out below 5.9 MOI in February. In the \$200,000-\$300,000 range, the MOI reached an annual high of more than 3.2 months. The market for homes priced less than \$200,000 remained the exception, where the MOI held at 2.8 months with constant pressure downward.

The MOI reached YTD highs in all the major metros except Fort Worth but remained well below equilibrium levels. A steady stream of new MLS listings lifted the MOI up to 3.8 and 3.4 months in Houston and San Antonio, respectively. On the other hand, Austin and Dallas MOI reached 2.7 and 3.0 months, respectively, amid a recent sales dip. The Fort Worth MOI fell below 2.4 months after six straight monthly increases.

## Demand

**Total housing sales** rebounded 11.8 percent but remained on a flat trajectory. Rising interest rates, declining affordability, and supply shortages continued to hinder activity on homes priced less than \$300,000, which accounts for nearly 70 percent of sales through an MLS. Despite the housing market's moderation, closed listings above the bottom price cohort (\$200,000) hovered around record highs.

Sales in North Texas rebounded in October but remained negative YOY as the market adjusted after multiple years of explosive growth. Decreased housing affordability weakened demand at the lower end of the market. In Austin and San Antonio, YOY growth inched into positive territory after slipping in September. Houston surpassed 7,500 monthly sales for the first time this year, led by gains in the \$200,000-\$300,000 range.

Robust economic growth and the healthy labor market held Texas' **average days on market** (DOM) below two months as homes continued to sell at a rapid clip. The DOM trended similarly at 59 days in Austin, while averaging 57 and 56 days in Houston and San Antonio, respectively. Dallas demand methodically softened over the past year, particularly in the lower end of the market, pushing the DOM closer toward 50 days. Fort Worth demand showed slight signs of easing but maintained a DOM at 40 days.

Statewide, the demand for homes priced under \$200,000 remained robust as the DOM balanced at a record-low 57 days. This cohort accounted for the largest proportion of sales through an MLS at 38 percent but was remarkably lower than its 72 percent share in 2011. Demand was strongest in the \$200,000-\$300,000 range (54 DOM), which encompasses more activity in the major metros. Demand for homes priced above \$500,000, however, inched above 86 days after sinking below 80 days in June.

Interest rates jumped to a seven-year high amid a booming national economy and rising inflation-expectations. The **ten-year U.S. Treasury bond yield** reached 3.15 percent for the first time since 2011, while the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** elevated to more than 4.8 percent. Higher interest rates disproportionately affected Texas refinance mortgage

applications, which slid 38 percent since January. Rising rates also pulled down mortgage applications for new-home purchases, but YOY growth remained positive.

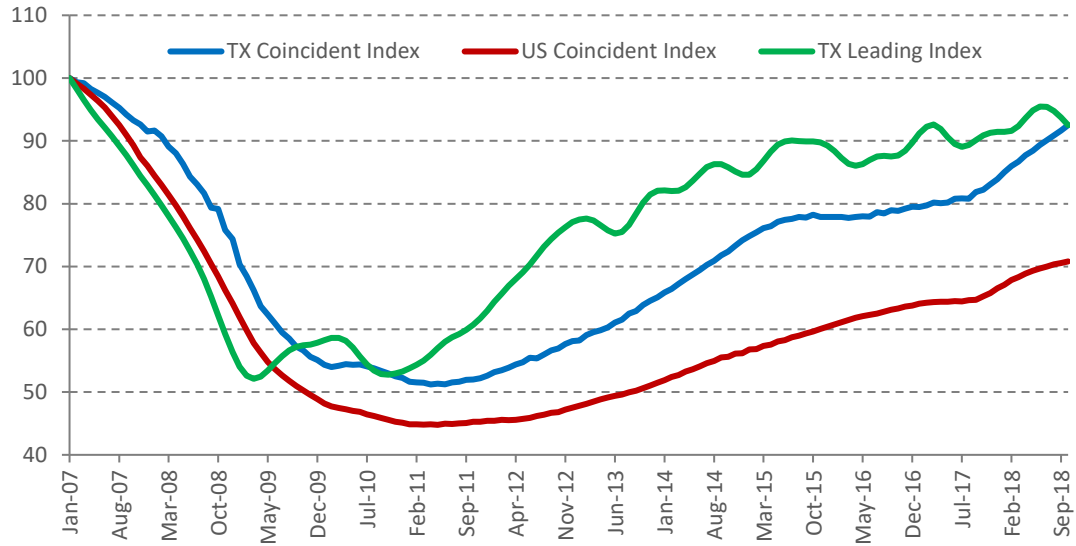
### **Prices**

Upticks in inventory moderated home-price gains after substantial post-recession appreciation. The **Repeat Sales Indices** for the major metros continued to converge following the North Texas boom and Houston's slowdown after the 2014 oil bust. In Dallas and Fort Worth, the repeat sales indices stabilized at 4.0 and 5.2 percent YOY growth, respectively. Annual price growth decelerated in Austin and San Antonio to 3.3 and 3.2 percent, respectively, while dipping below 2.6 percent in Houston.

Despite the moderation, the **Texas median home price** increased to \$235,200. Every major metro except Dallas broke record levels, led by Austin at \$314,900. The San Antonio median price jumped \$5,300 from September to October to a total of \$227,400, while Houston's median reached \$237,400. The Dallas median price dipped below \$281,600 after breaking record levels in September. In Fort Worth, the median home price inched closer to \$236,700 amid major supply shortages. The **median price per square foot** elevated across the metros as consumer preferences shifted toward smaller homes to combat declining affordability.

## Supply

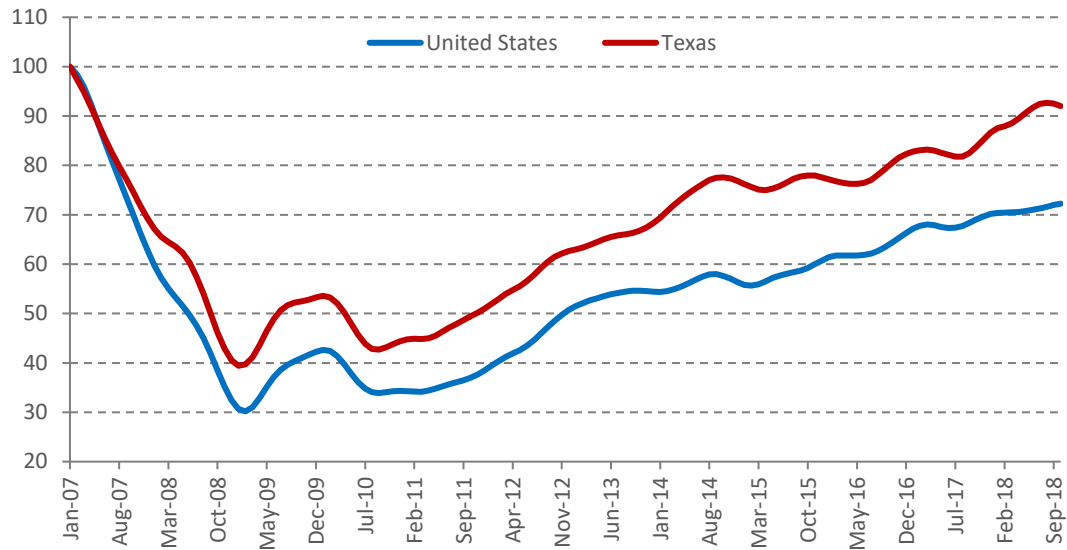
**Residential Construction Coincident and Leading Indicator**  
(Index Jan 2007 = 100)



Note: Trend-Cycle Component.

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

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



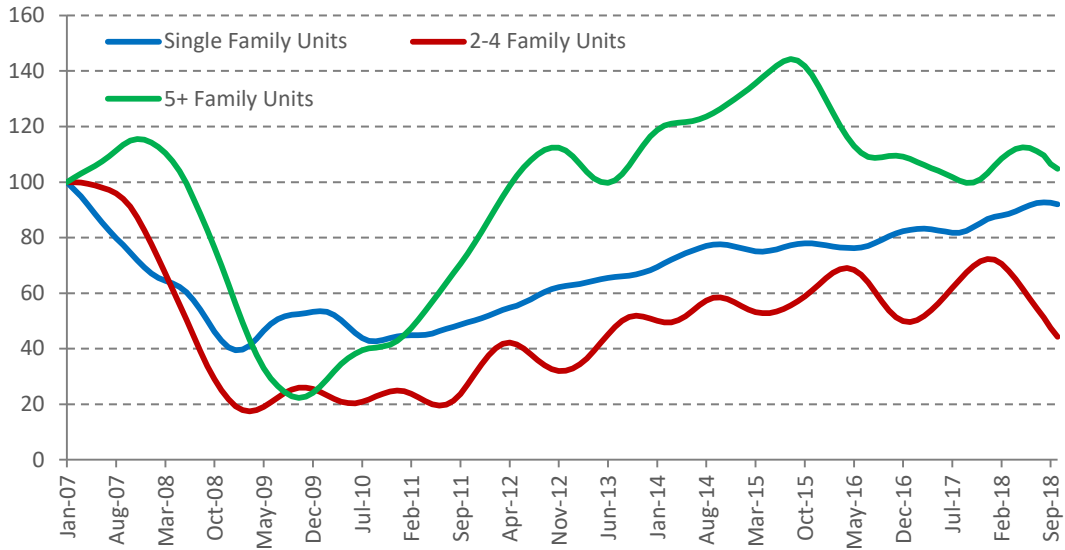
Note: Trend-Cycle Component.

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





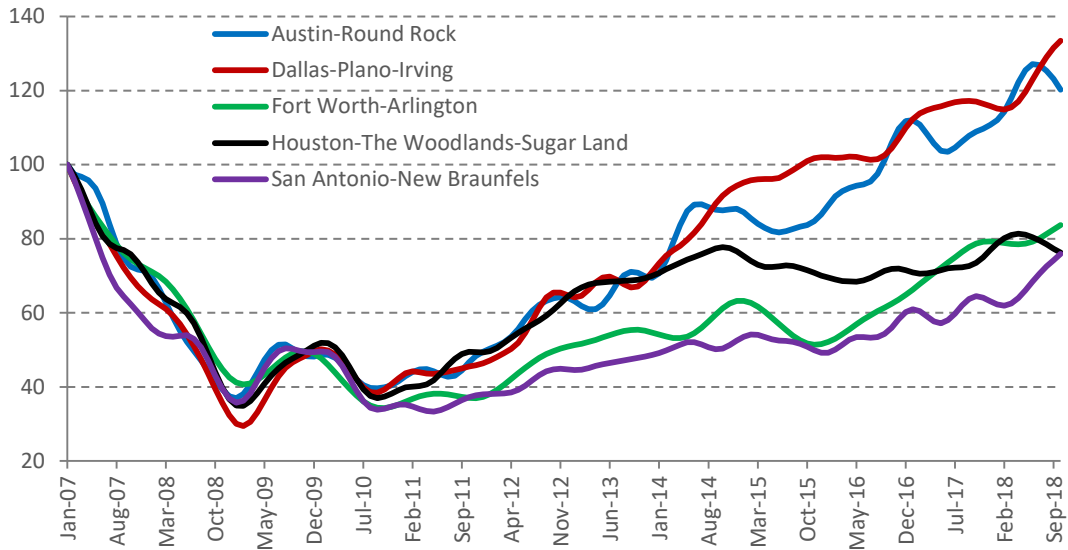
**Texas Housing Construction Permits**  
(Index Jan 2007 = 100)



Note: Trend-Cycle Component.

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

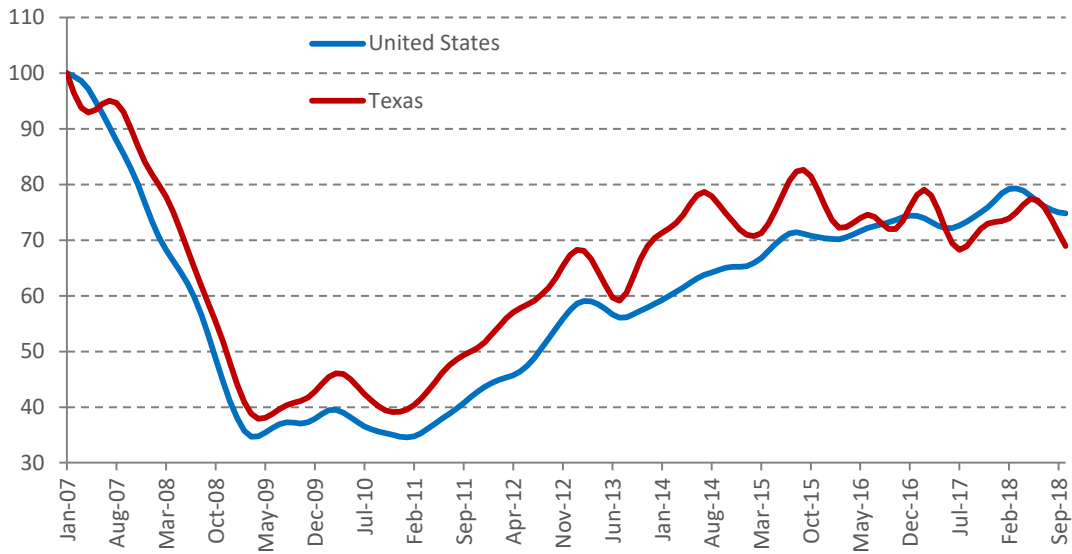
**Major Metros Single-Family Housing Construction Permits**  
(Index Jan 2007 = 100)



Note: Trend-Cycle Component. Fort Worth is missing data for Somervell County.

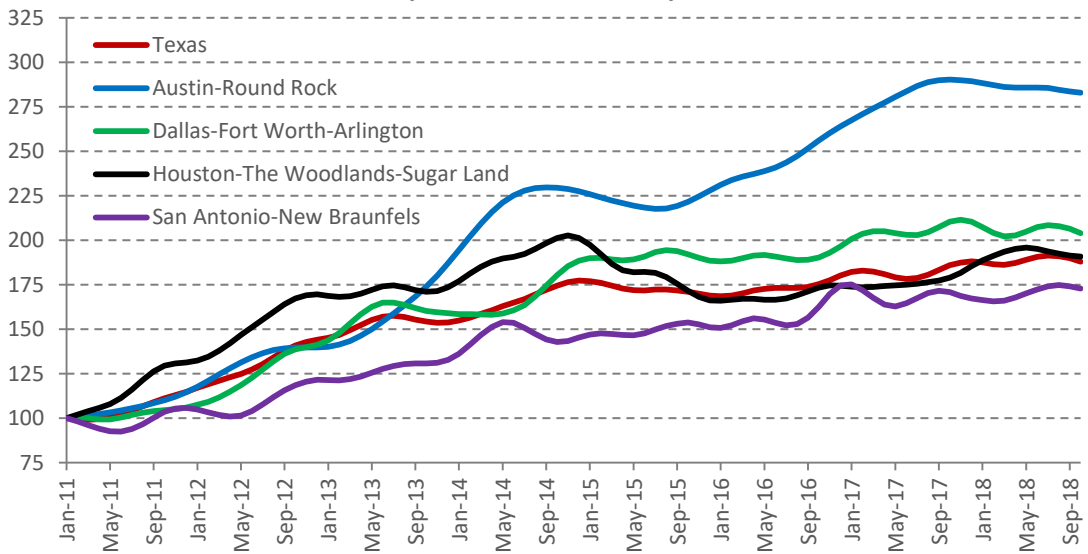
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

**Total Housing Starts Per Capita**  
(Index Jan 2007 = 100)



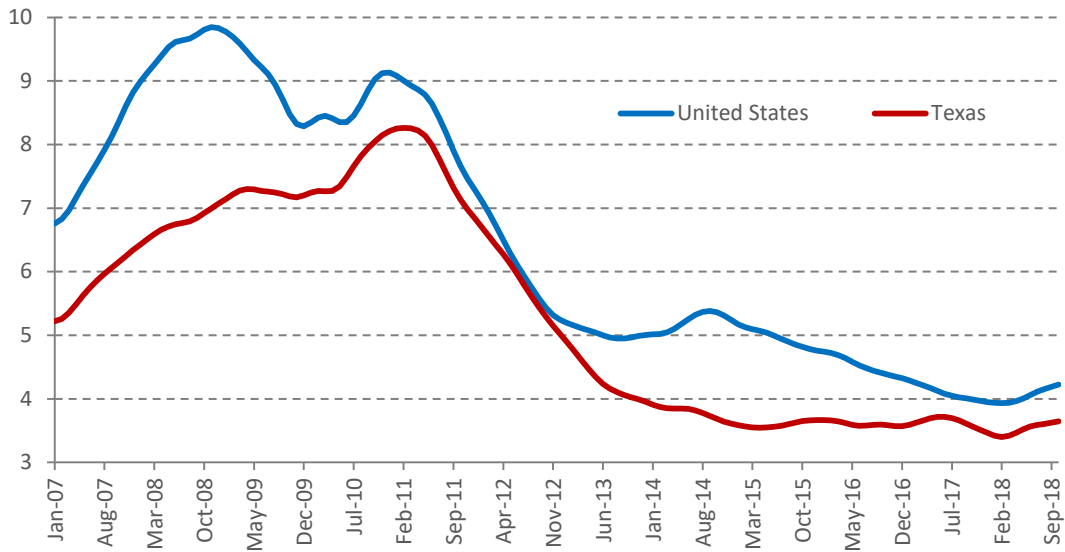
Note: Trend-Cycle Component.  
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

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



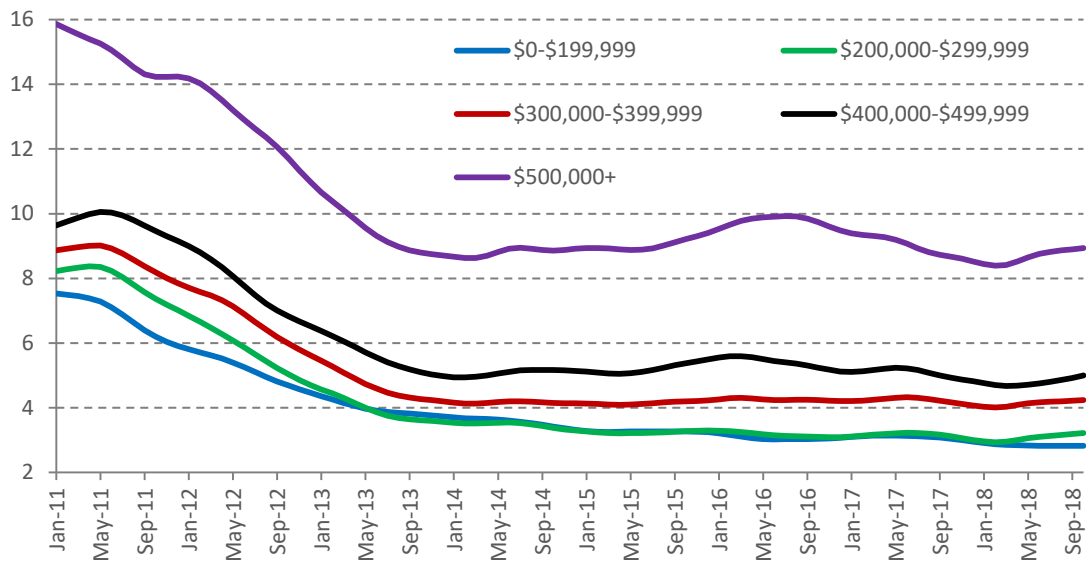
Note: Inflation adjusted. Trend-Cycle Component.  
Source: Dodge Analytics

### 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)



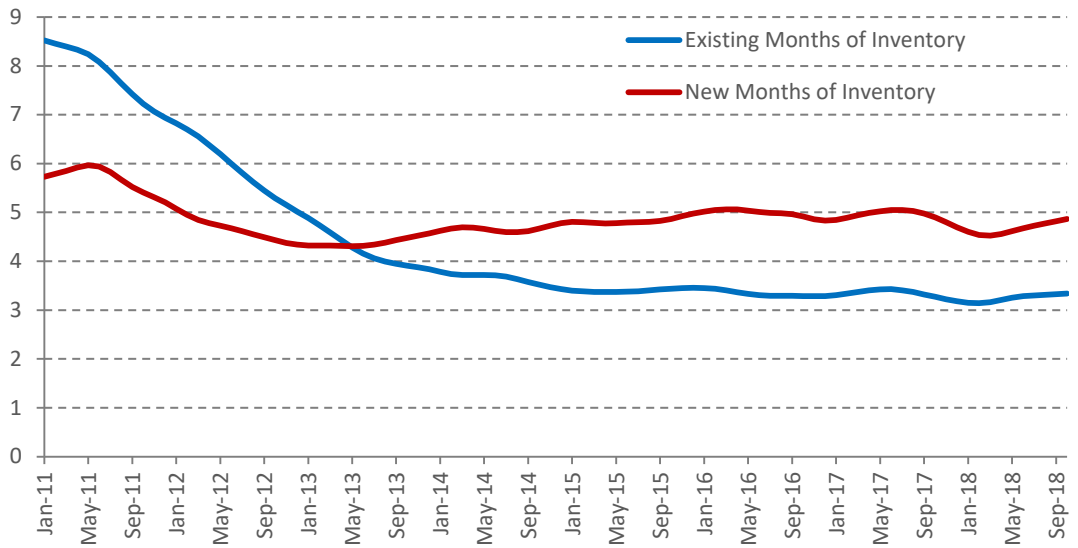
Note: Trend-Cycle Component.  
Source: Real Estate Center at Texas A&M University

**Texas Current Months of Inventory by Price Cohort  
(October 2018)**



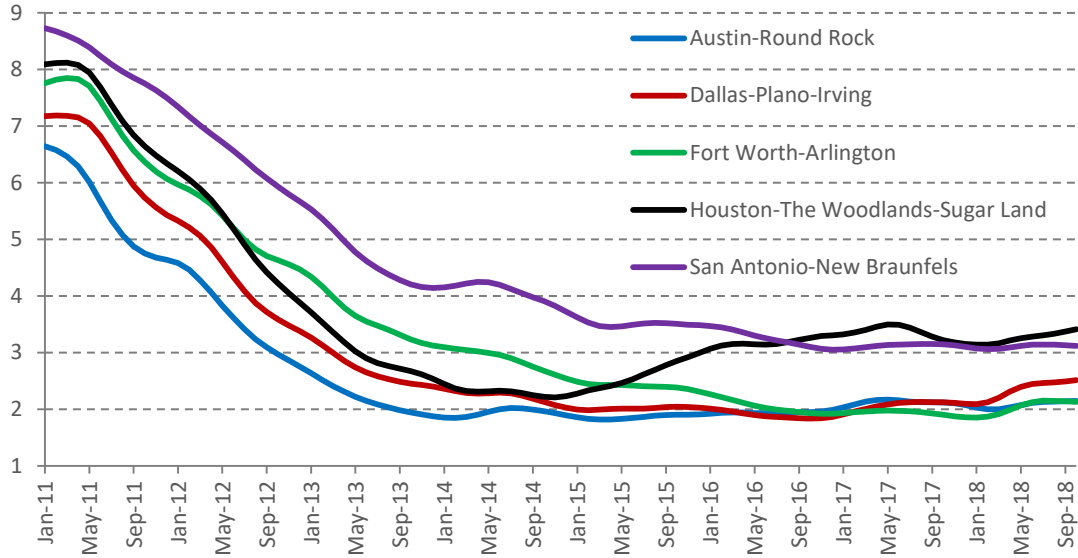
Note: Seasonally adjusted.  
Source: Real Estate Center at Texas A&M University

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



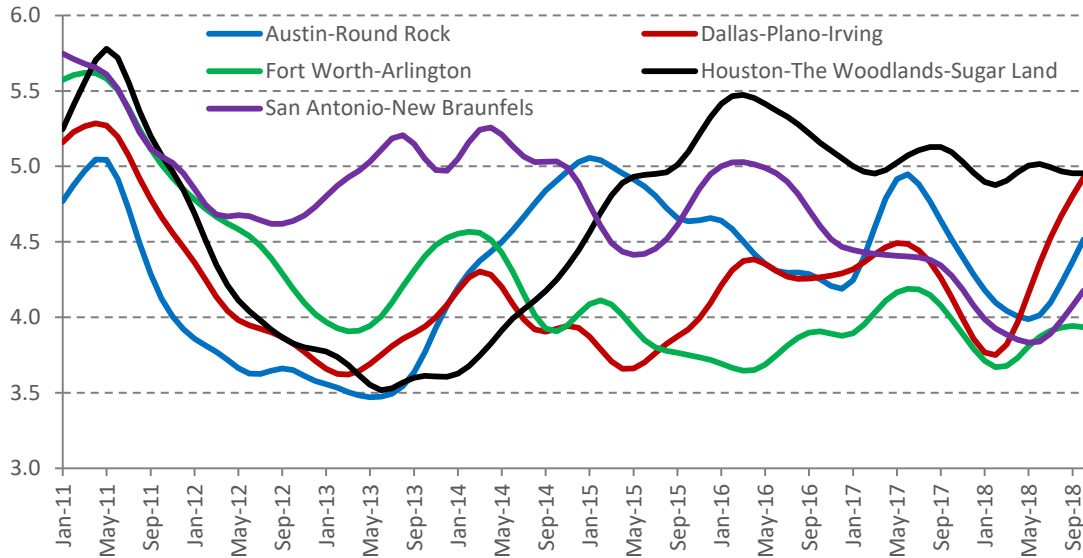
Note: Trend-Cycle Component.  
Source: Real Estate Center at Texas A&M University

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



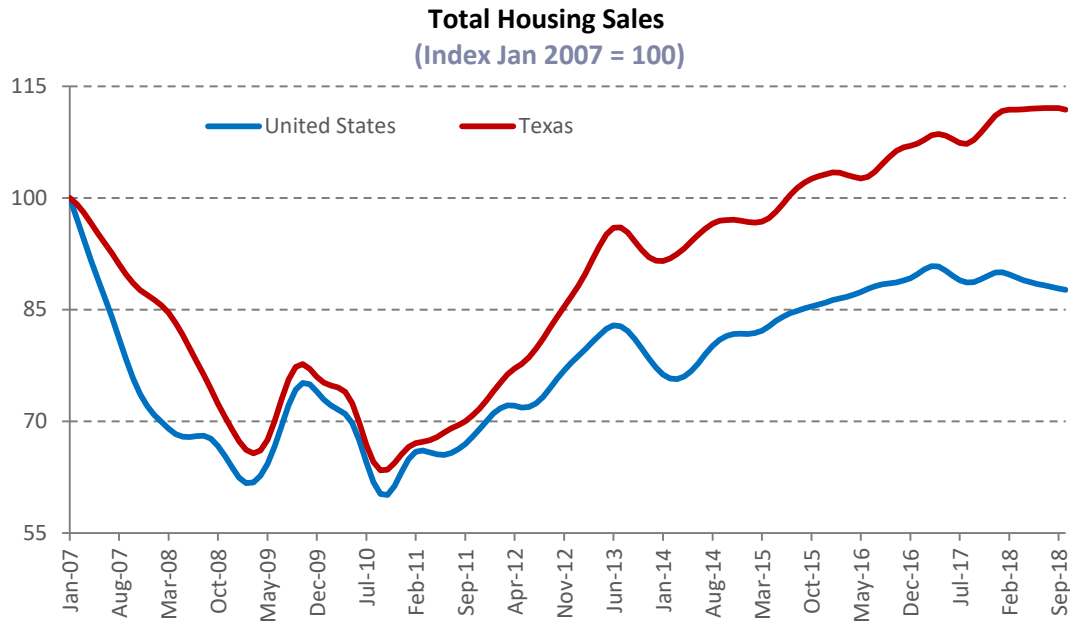
Note: Trend-Cycle Component.  
Source: Real Estate Center at Texas A&M University

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



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

## Demand

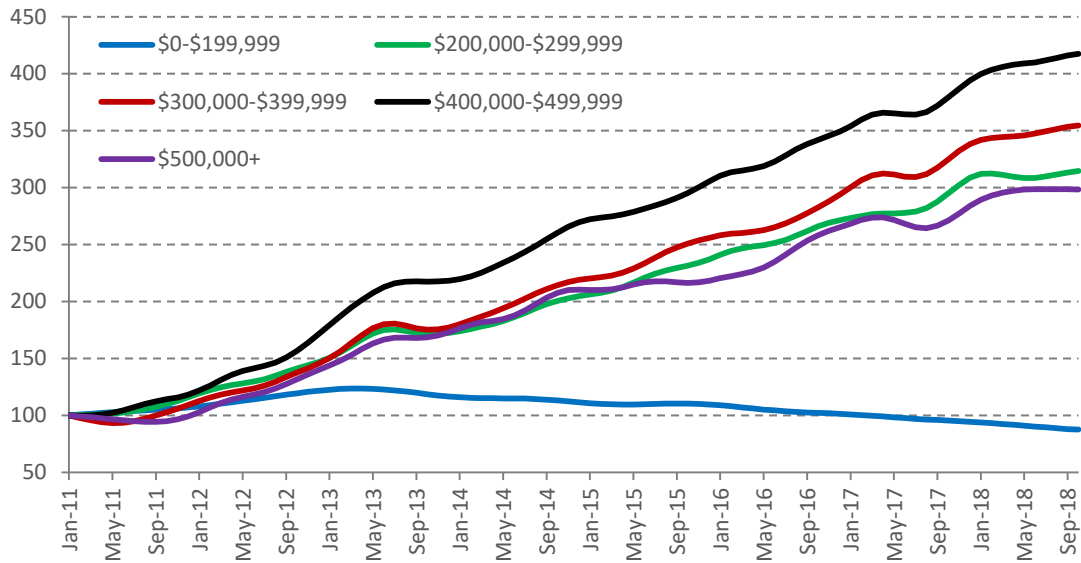


Note: Trend-Cycle Component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

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

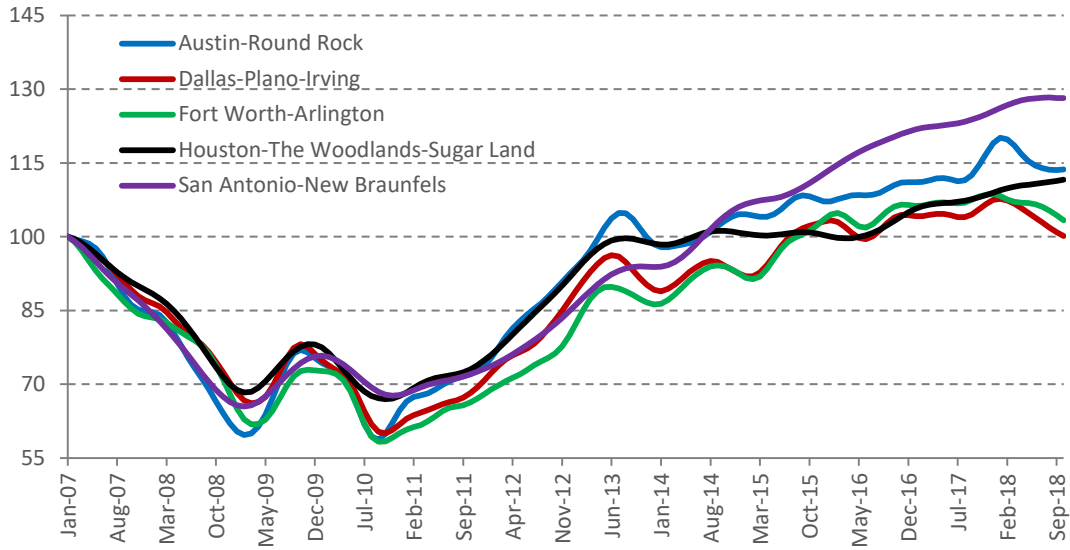


Note: Trend-Cycle Component.

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

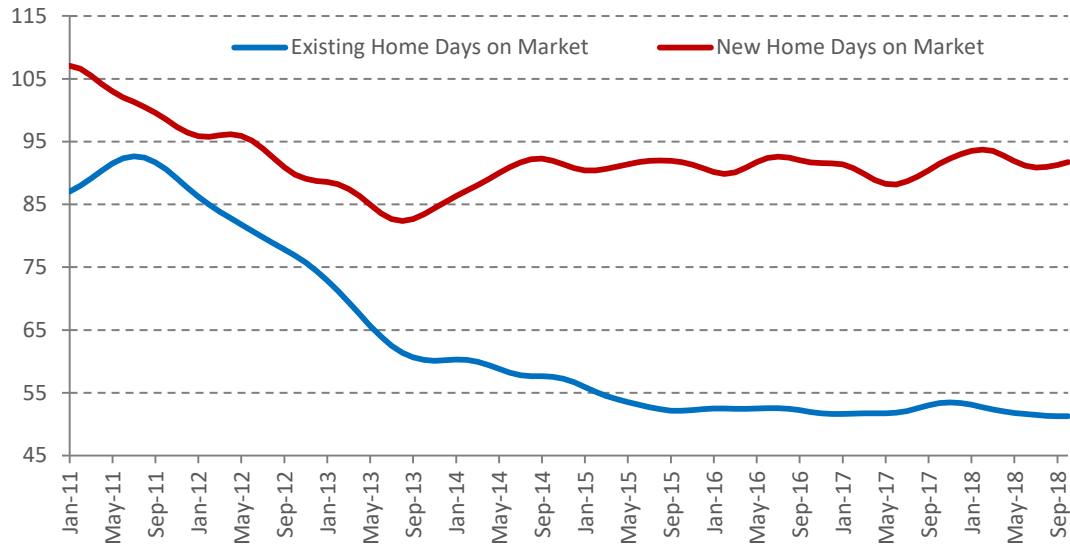


### Major Metros Total Housing Sales (Index Jan 2007 = 100)



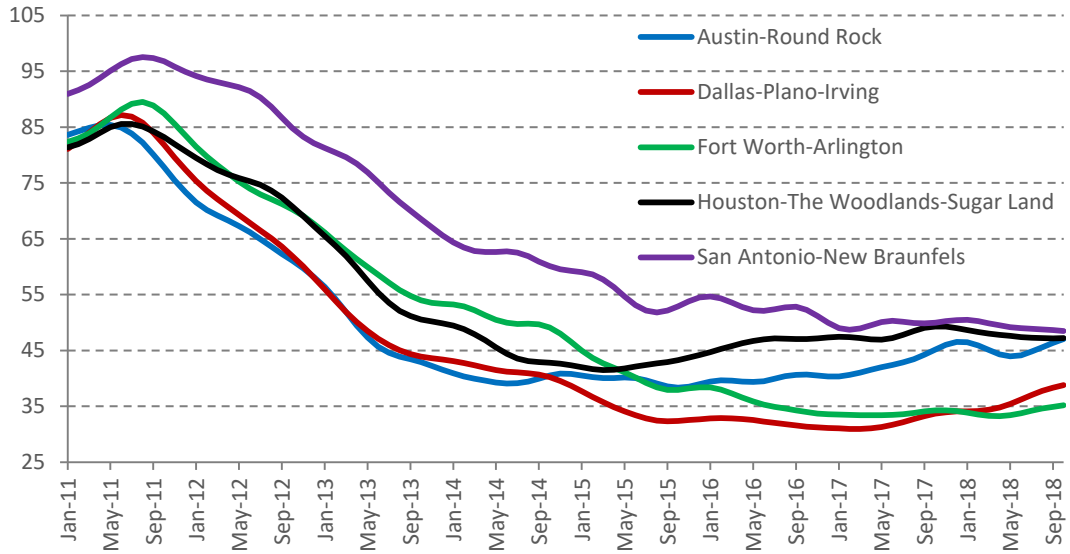
Note: Trend-Cycle Component.  
Source: Real Estate Center at Texas A&M University.

### Texas Homes Days on Market (Days)



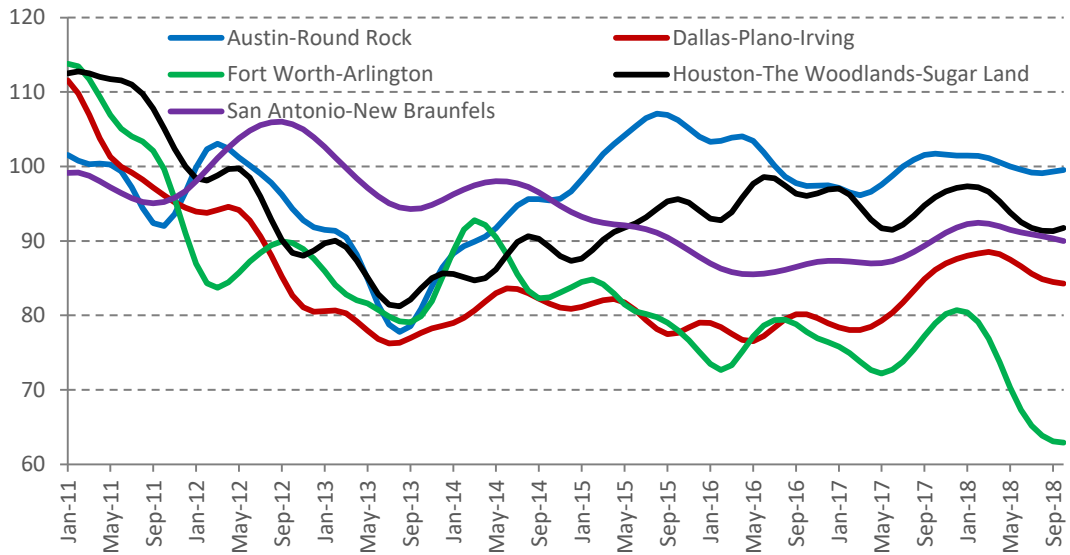
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### 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

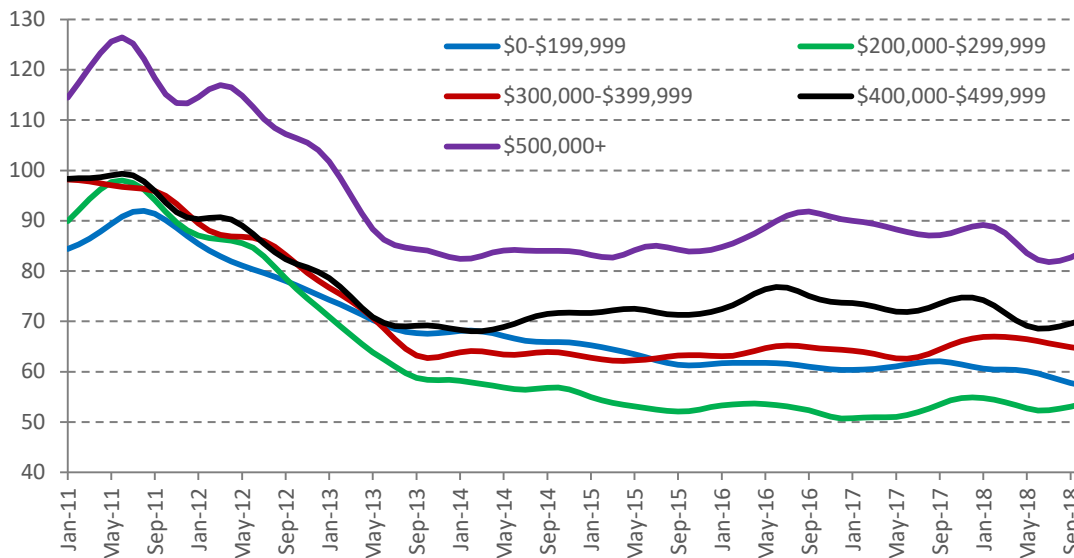
### Major Metros New Homes Days on Market (Days)



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

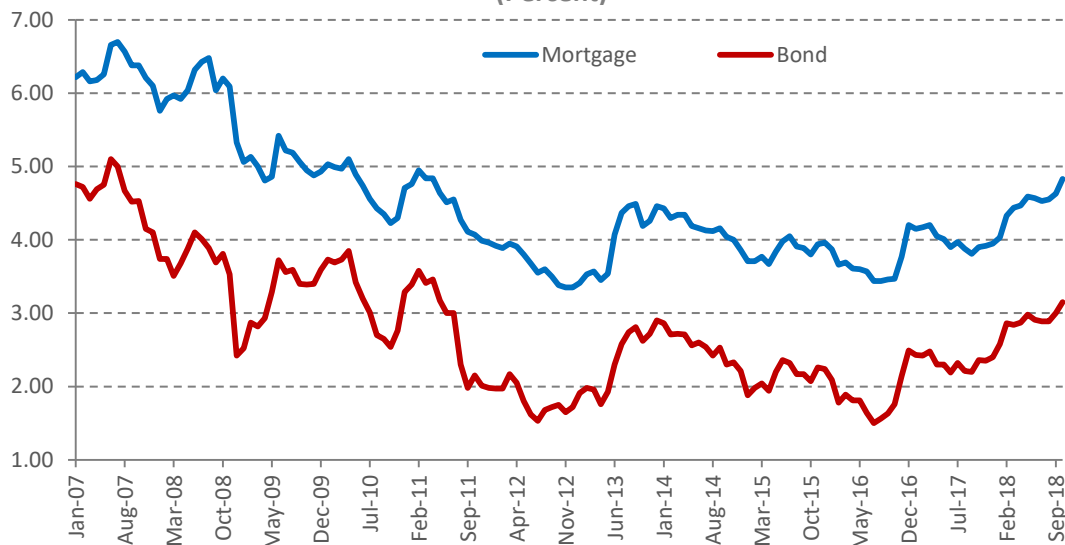


### Texas Home Days on Market by Price Cohort (Days)



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

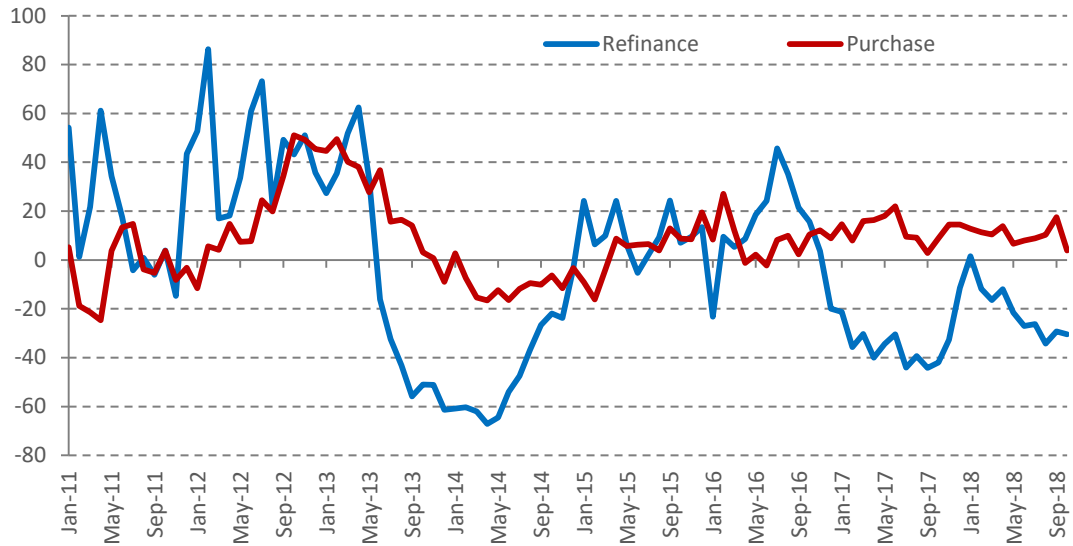
### 30-Year Mortgage Rate and 10-Year Treasury Yield (Percent)



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



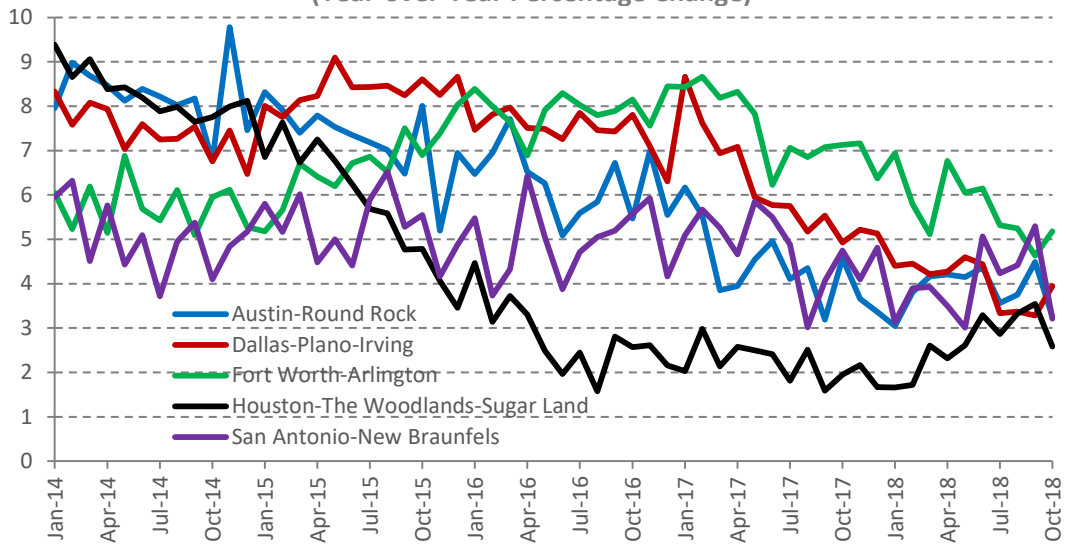
### Texas Mortgage Applications (Year-over-Year Percentage Change)



Source: Mortgage Bankers Association

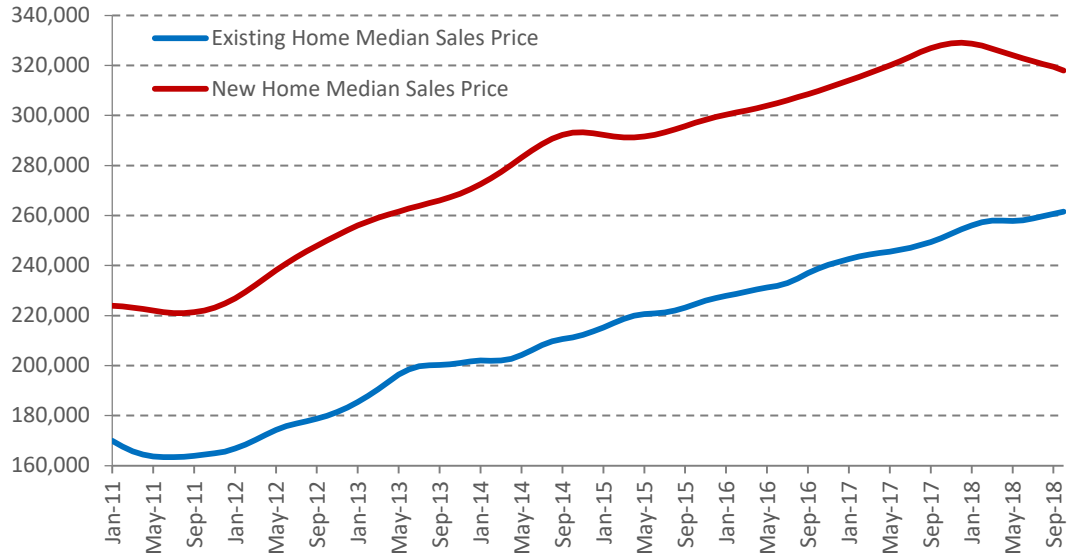
### Prices

#### Real Estate Center Repeat Sales Housing Price Index (Year-over-Year Percentage Change)



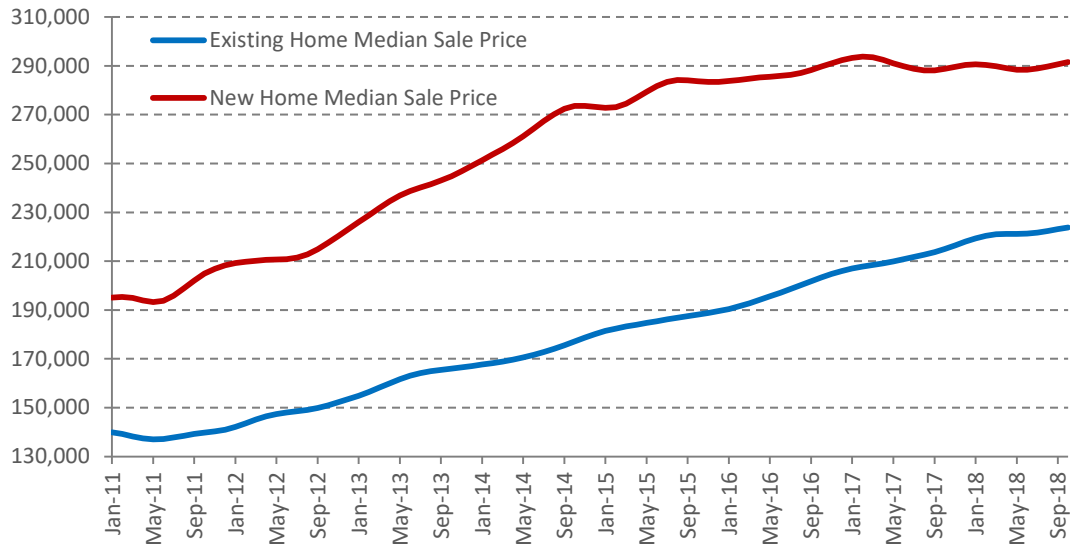
Note: The Repeat Sales Housing Price Index tracks real home price appreciation for residential single-family homes.  
Source: Real Estate Center at Texas A&M University

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



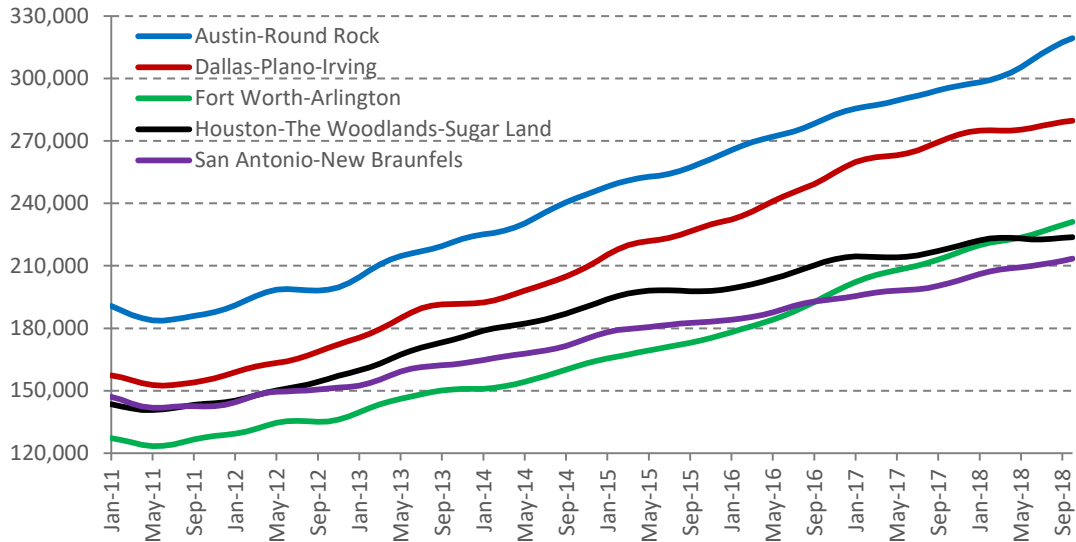
Note: Trend-Cycle Component. For single-family homes.  
Source: Federal Reserve Bank of St. Louis

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



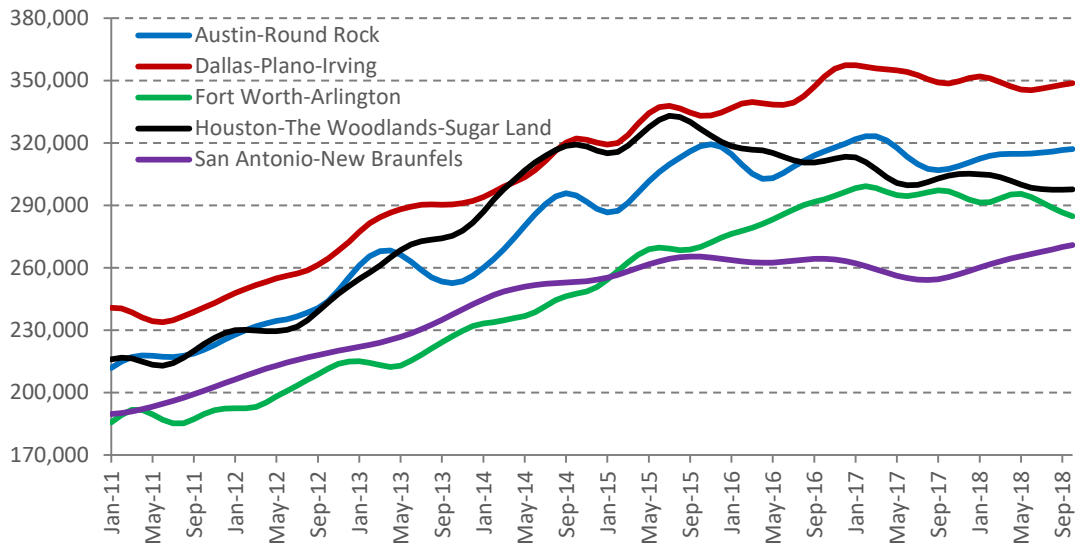
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



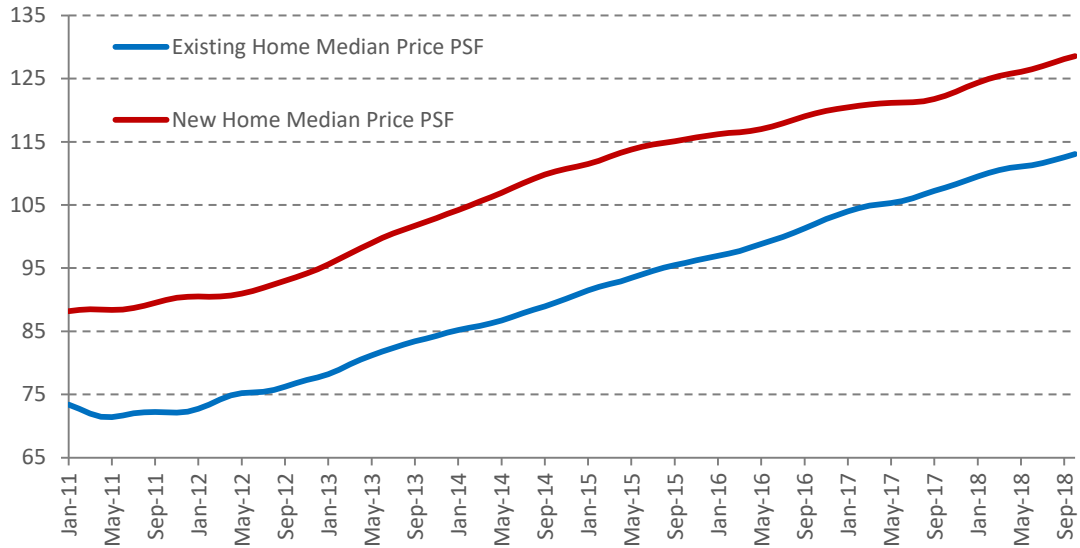
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



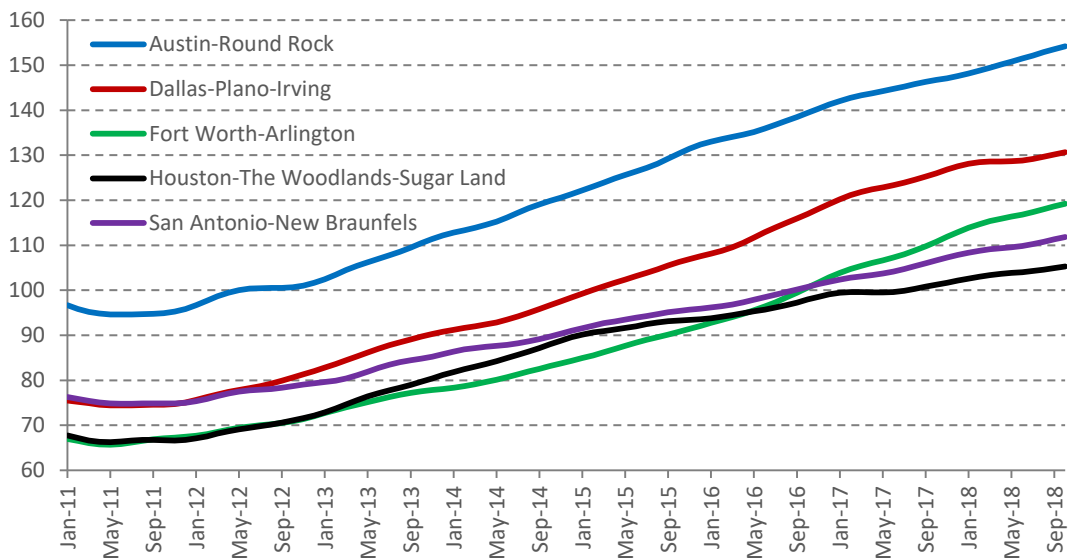
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



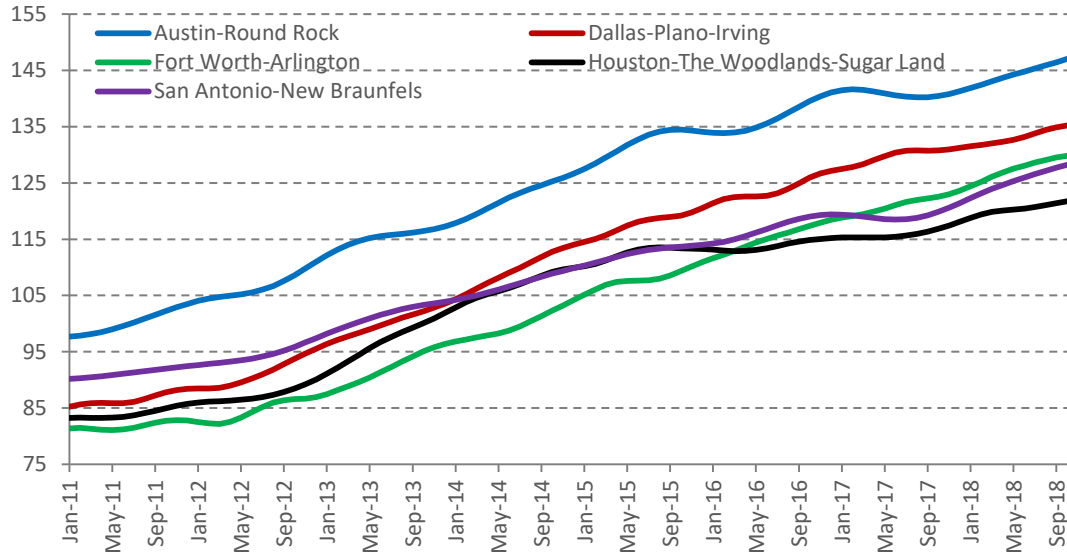
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



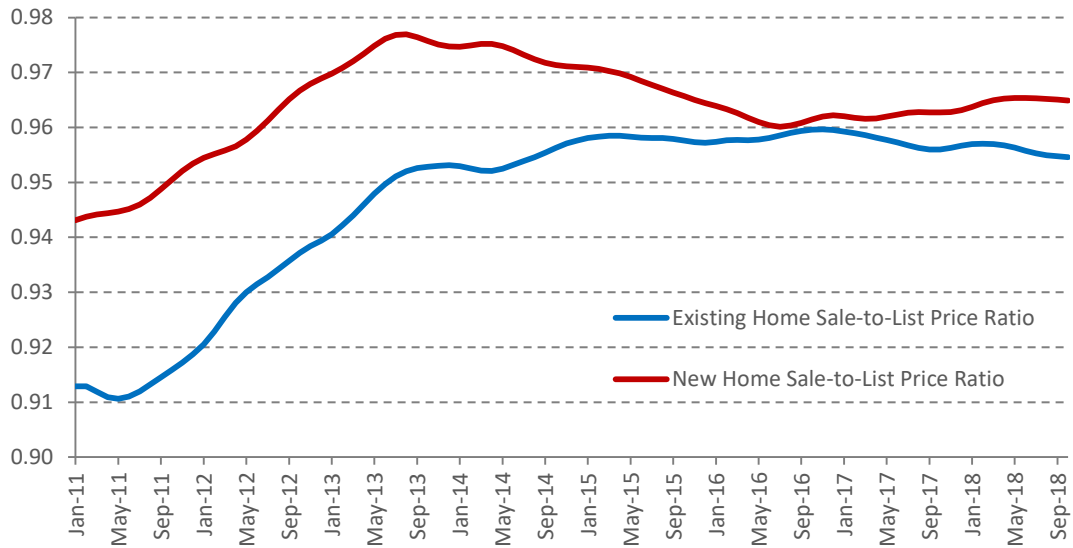
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



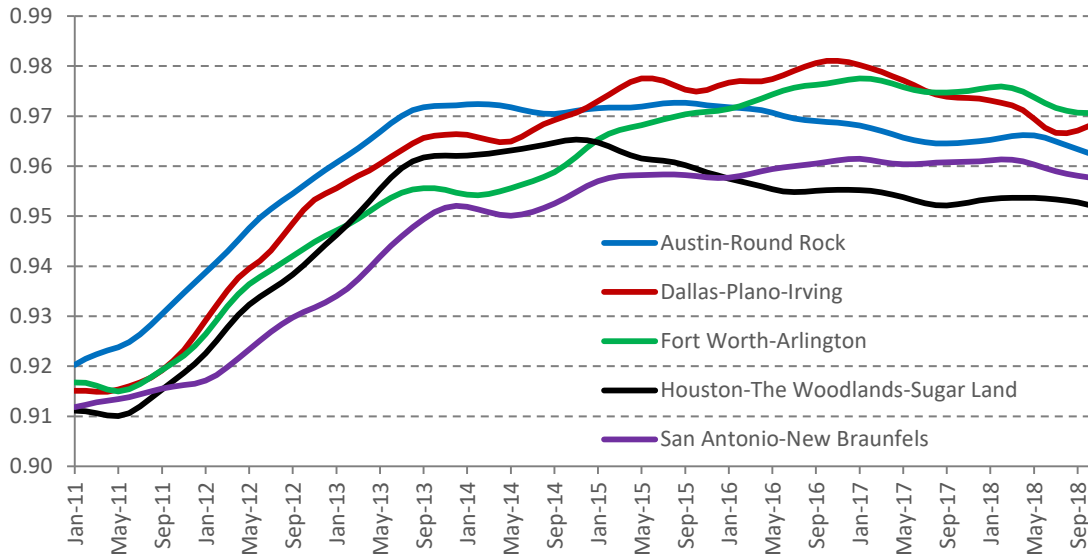
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



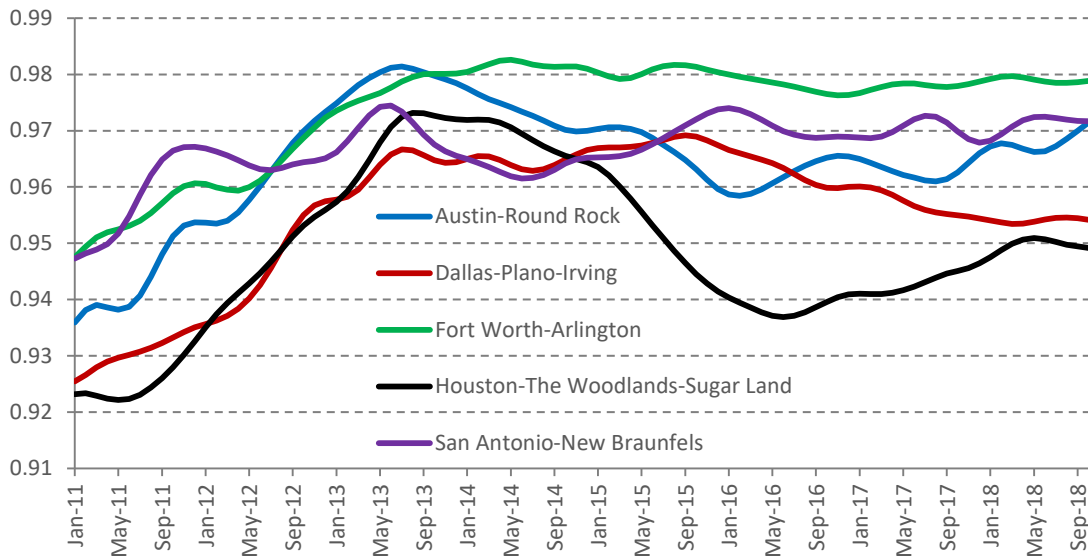
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### 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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