



# TEXAS HOUSING INSIGHT

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REPORTING NOVEMBER 2018 DATA

**TECHNICAL REPORT**

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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 January 09, 2019

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## Note

Due to the ongoing Federal government shutdown, the release of multiple data series has been delayed, and they are not included in this report. The following analysis represents an overview of the Texas housing market based on the available data.

## November 2018 Summary

Texas housing sales ticked down 1.1 percent in November and remained on a flat trajectory. The shortage of homes priced below \$300,000 and rising interest rates continued to weigh on overall activity. Listing inventories inched forward but still remained tight relative to demand. Housing demand showed signs of normalizing, 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 2008 as construction employment and wages continued to elevate. Momentum, however, could moderate as indicated by recent declines in the Texas **Residential Construction Leading Index (RCLI)**. Rising interest rates and sluggish residential construction activity over the past few months weighed on the housing market, but robust economic growth upheld a strong foundation.

Third quarter private bank loan data indicated a slowdown in residential construction investment, led by a decline in large multifamily loan values (buildings consisting of five or more units). Funds poured into this sector starting in 2013 but peaked earlier this year. Loans for one-to-four unit projects inched forward to a cycle-high but remained below 2007 levels. Despite the steady increase in loan volumes for small-unit structures, single-family **private construction values** flattened through most of the state (although October numbers were revised upward).

Sluggish sales provided some breathing room for the supply of active listings, but the Texas **months of inventory** (MOI) remained below four months. Around six months of inventory is considered a balanced housing market. A spike of new listings in the beginning of 2018 also supported inventory increases. Listing inventories of single-family homes priced at more than \$400,000 exhibited the largest uptick this year, reaching 6.6 MOI after bottoming below 5.8 MOI in February. In the \$200,000-\$300,000 range, the MOI reached a four-year high of 3.3 months. The market for homes priced less than \$200,000 remained exceptionally constrained below three MOI.

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

The MOI reached YTD highs in all the major metros but remained well below equilibrium levels. A steady stream of new MLS listings lifted the MOI up to 3.9 and 3.5 months in Houston and San Antonio, respectively. More homes hitting the market combined with a sales slowdown pushed the Austin and Dallas MOI up to 2.8 and 3.2 months, respectively. Fort Worth also noted an increase to 2.5 MOI, but new listings paused as sellers opted to wait out the market correction in North Texas.

## Demand

**Total housing sales** ticked down 1.1 percent after double-digit growth in October, remaining on a flat trajectory. Most of the decline occurred for homes priced above \$400,000. Single-family homes priced between \$200,000 and \$300,000 accounted for 32 percent of closed listings through an MLS, remaining the most active price cohort with a record-high 8,746 monthly sales. The bottom cohort (consisting of homes priced below \$200,000) accounted for 37 percent of MLS sales, down from 69 percent in 2011. Nearly half of these transactions occurred outside the major metros.

Year-over-year sales decreased in all of the major metros following the October rebound. Dallas' correction continued, with sales down 12.8 percent relative to November 2017. Fort Worth's decline was more modest at 4.3 percent YOY. The North Texas slowdown marks an adjustment after multiple years of explosive growth, where home-price appreciation significantly outpaced earnings. A steady decline in the list-to-sale-price ratio over the past two years corroborates the transition away from hyper activity. This metric, however, stabilized above 0.96 in recent months, corroborating the solid foundation of the DFW housing market. The ratio also balanced in Austin and Houston despite a 0.2 and 2.8 percent decline YOY. San Antonio was the exception, where sales increased 5.2 percent YOY to a record-high 2,920.

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 60 days in Austin while averaging 57 and 58 days in Houston and San Antonio, respectively. The rate of sales growth continued to calm in North Texas, providing homebuyers some much-needed breathing room. The Dallas DOM elevated to 48 days, nearly two weeks longer than the record-low in September 2015. Fort Worth maintained the lowest DOM at 42 days but trended upward to more sustainable levels.

Interest rates held near a seven-year high due to the strong national economy, but the flattening yield curve drew investors' attention. The two- and ten-year **U.S. Treasury bond yields** settled at 2.86 and 3.12 percent, respectively—hovering around their lowest spread since the Great Recession. The **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** rose for the fourth consecutive month to 4.87 percent, weighing on the housing affordability conditions. Higher interest rates disproportionately affected Texas refinance mortgage applications, which slid 38.5 percent since January. Purchase applications, which are less sensitive to mortgage rate fluctuations, rebounded with 5.7 percent YOY growth.

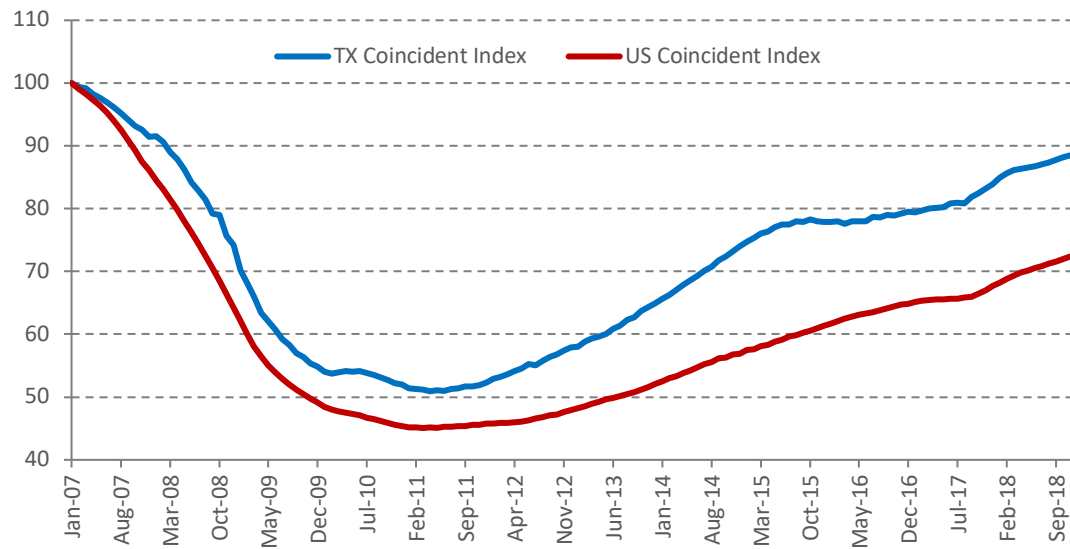
## Prices

Lagging sales and 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 3.6 and 4.5 percent YOY growth, respectively. Annual price growth decelerated to 3 percent in Austin but picked up 4 percent in San Antonio. Healthy housing activity in Houston pushed the index above 3.4 percent for the second time in two years.

Despite the moderation, the **Texas median home price** hit a record high at \$235,727. The Dallas median increased to \$288,468, and San Antonio surpassed \$227,750. On the other hand, Fort Worth's and Houston's medians ticked down to \$233,258 and \$237,144, respectively, while the Austin median dropped \$9,000 to \$304,700. Consumer preferences shifted toward smaller homes to combat affordability constraints, pushing the **median price per square foot** up across the major metros relative to last year. Until wage growth catches up to home-price appreciation, the market will shift toward higher-density housing in the form of reduced lot and home sizes or toward multifamily units.

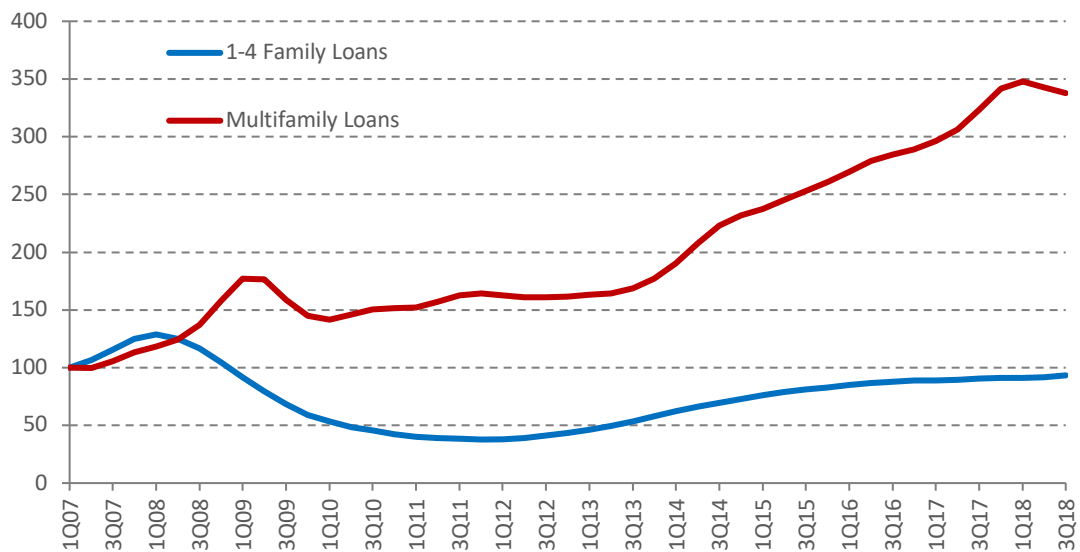
## Supply

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



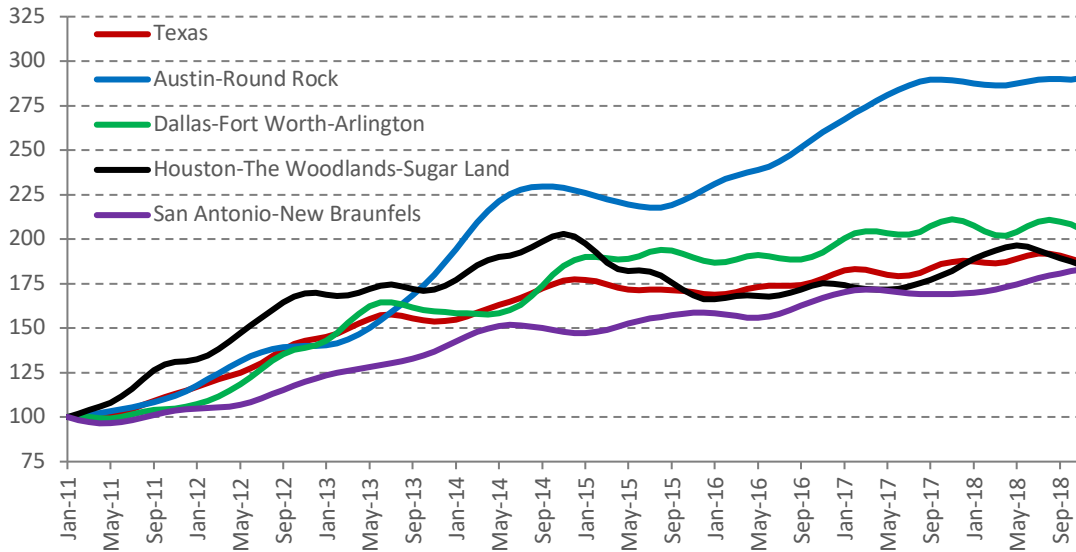
Note: Trend-Cycle Component. November data for the Texas Leading Index are unavailable due to the government shutdown.  
Sources: Real Estate Center at Texas A&M University and Federal Reserve Bank of Dallas

**Net Residential Loans**  
(Index 1Q07 = 100)



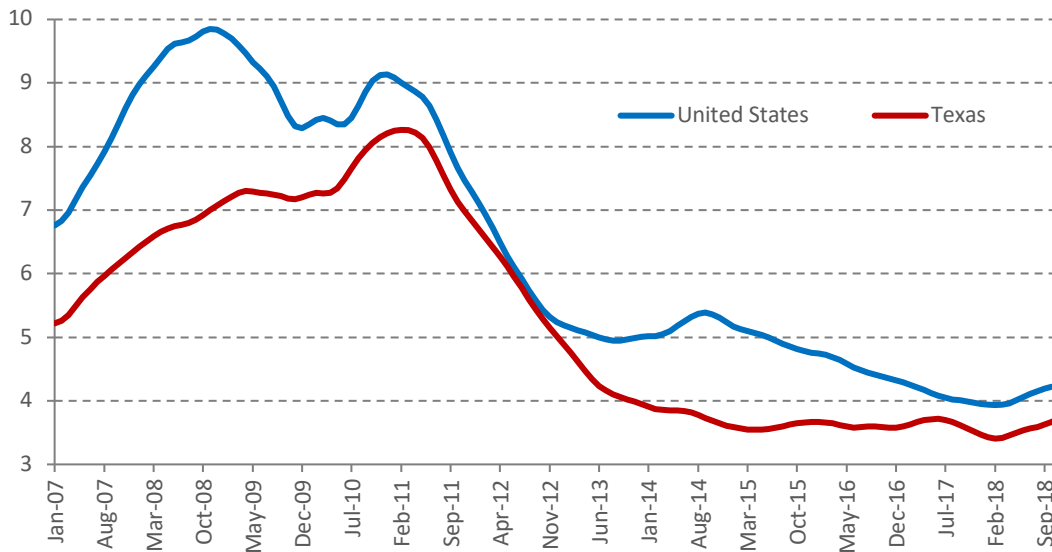
Note: Trend-Cycle Component.  
Source: Federal Deposit Insurance Corporation

### 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. November data for the U.S. Months of Inventory are unavailable due to the government shutdown.

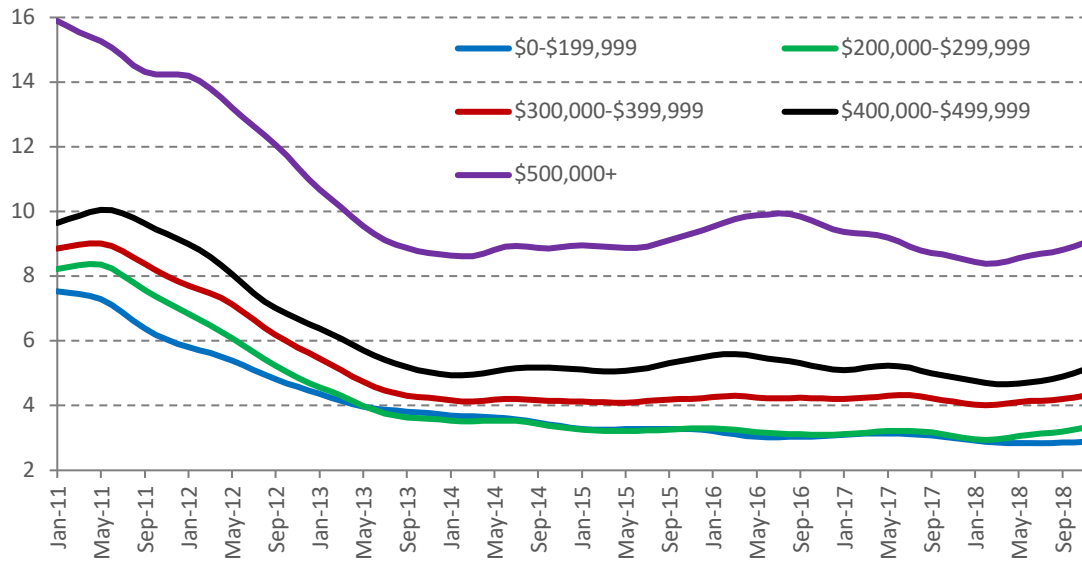
For more information, see [Months of Inventory](#).

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



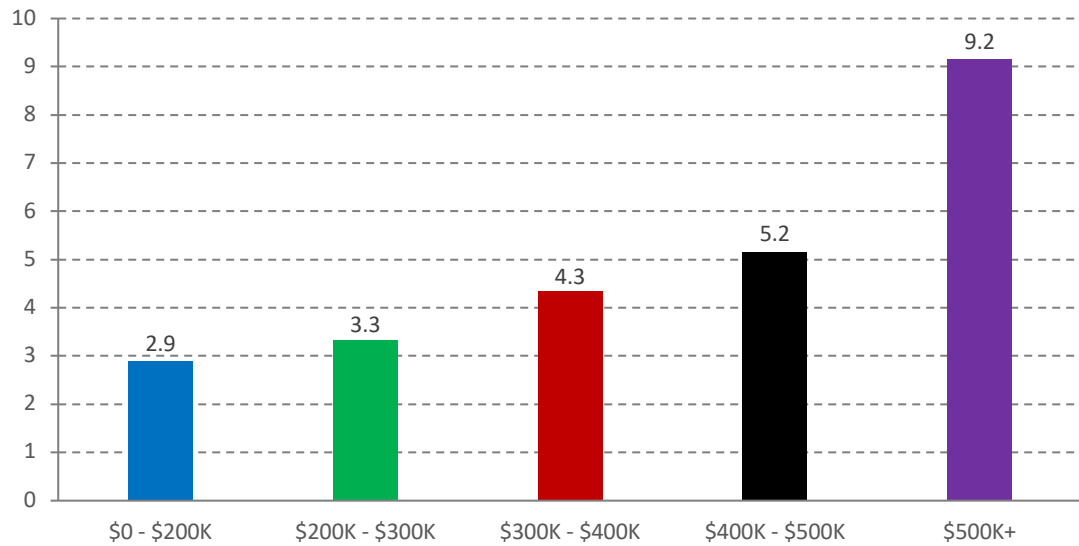


**Texas Months of Inventory by Price Cohort**  
(Months)



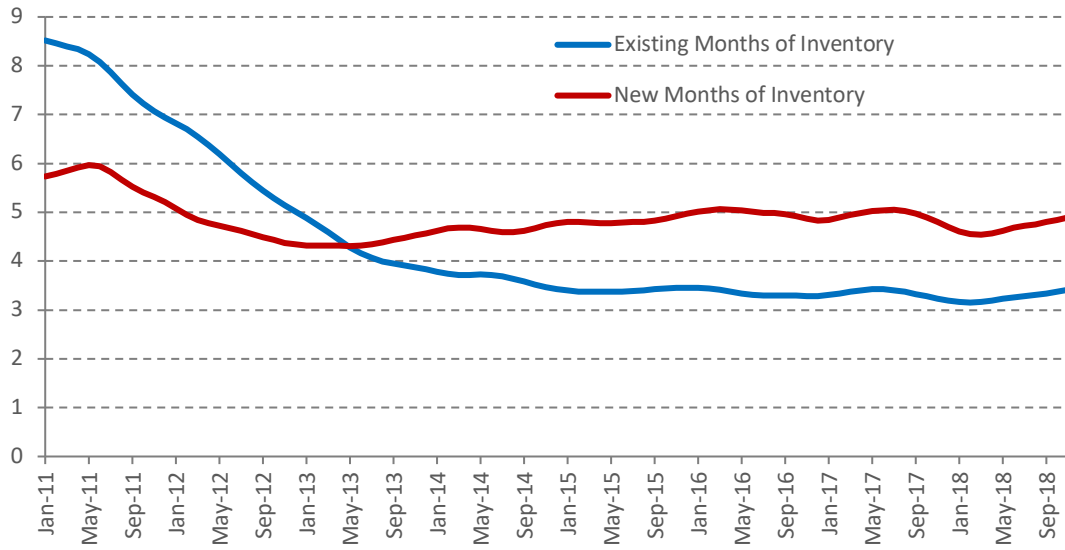
Note: Trend-Cycle Component.  
Source: Real Estate Center at Texas A&M University

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



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

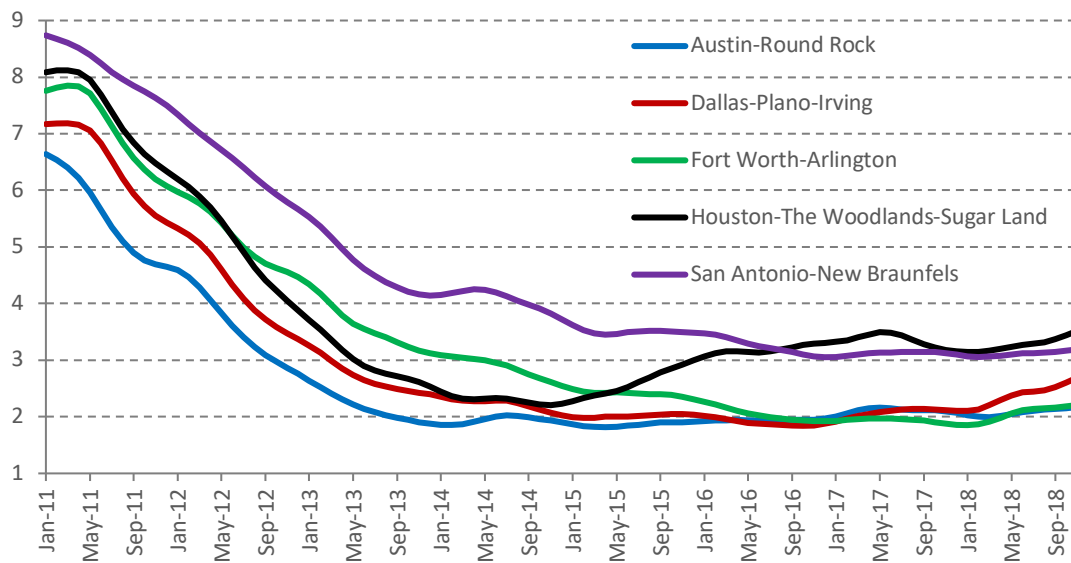
### Texas Existing and New Home Months of Inventory (Months)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

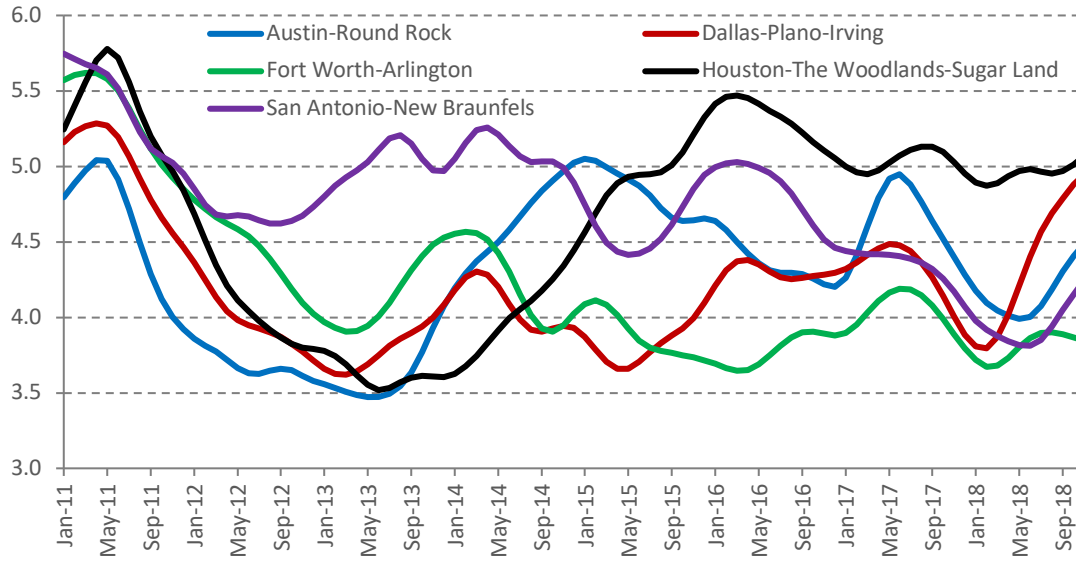
### Major Metros Existing Home Months of Inventory (Months)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

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

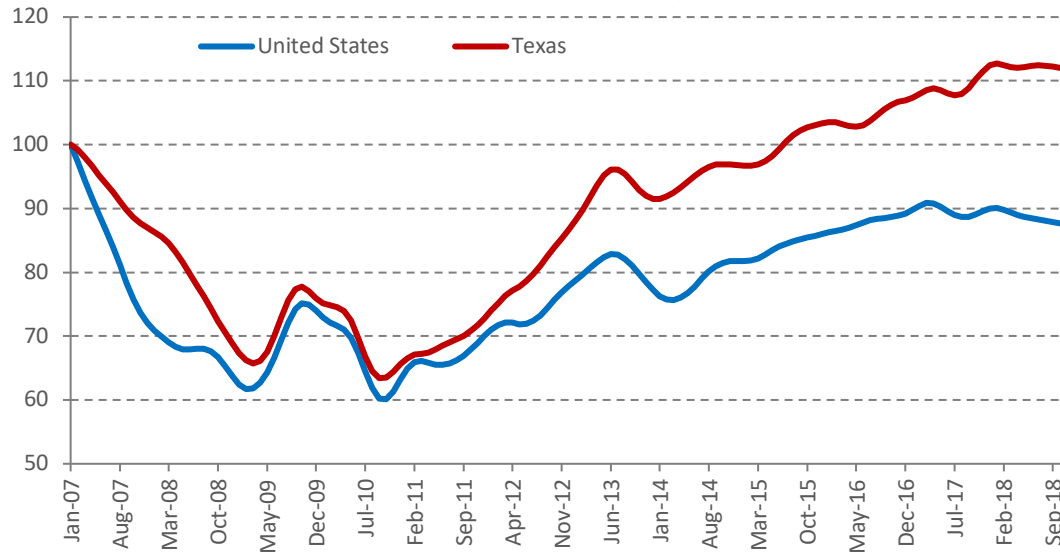


Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

### Demand

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



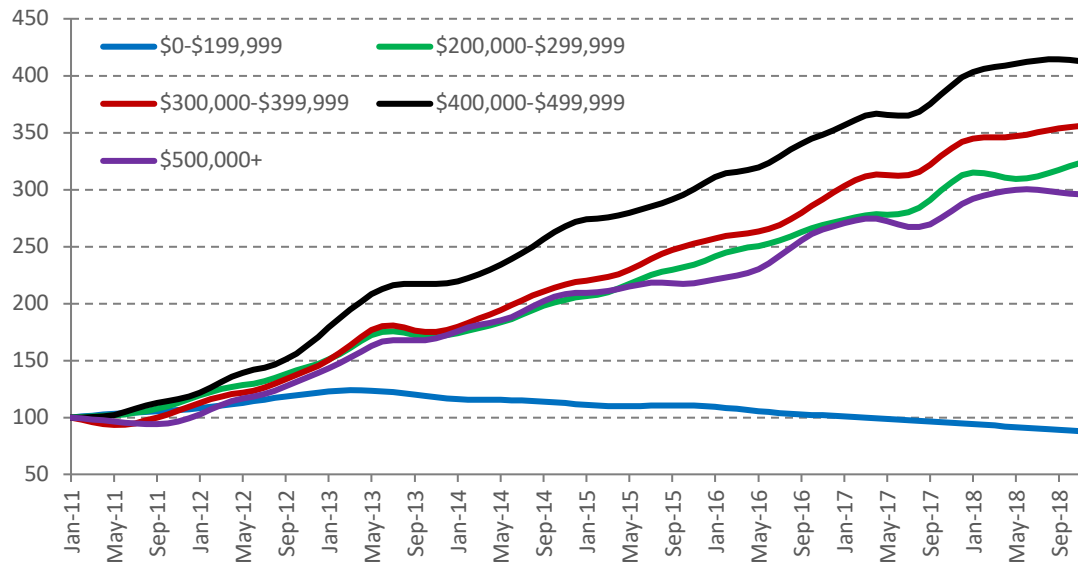
Note: Trend-Cycle Component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

For more information see [Housing Sales](#). November data for U.S. Sales are unavailable due to the government shutdown.

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



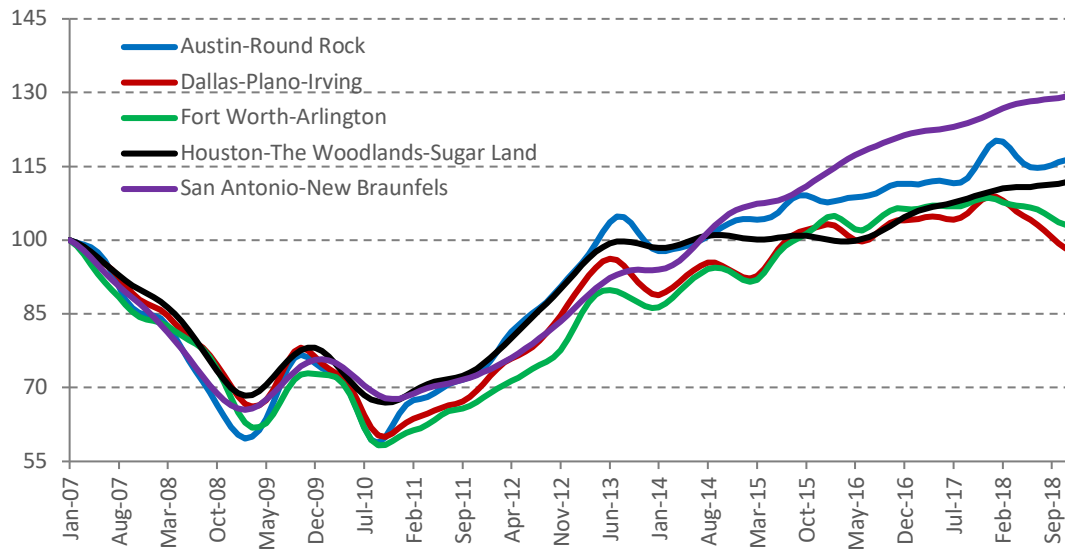
### Texas Total Housing Sales by Price Cohort (Index Jan 2011 = 100)



Note: Trend-Cycle Component.

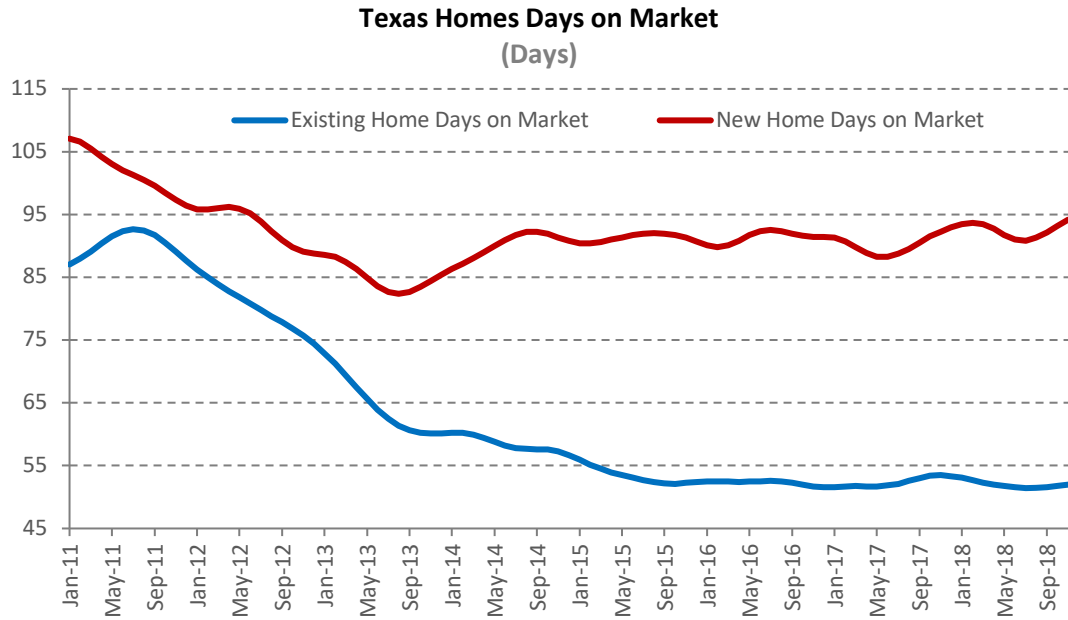
Source: Real Estate Center at Texas A&M University.

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

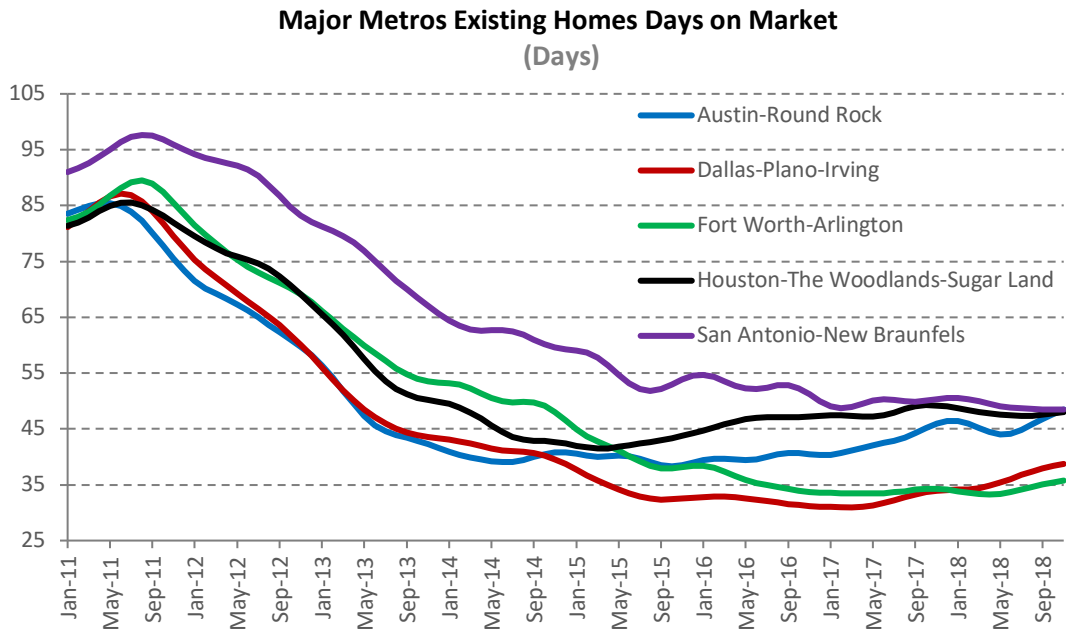


Note: Trend-Cycle Component.

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

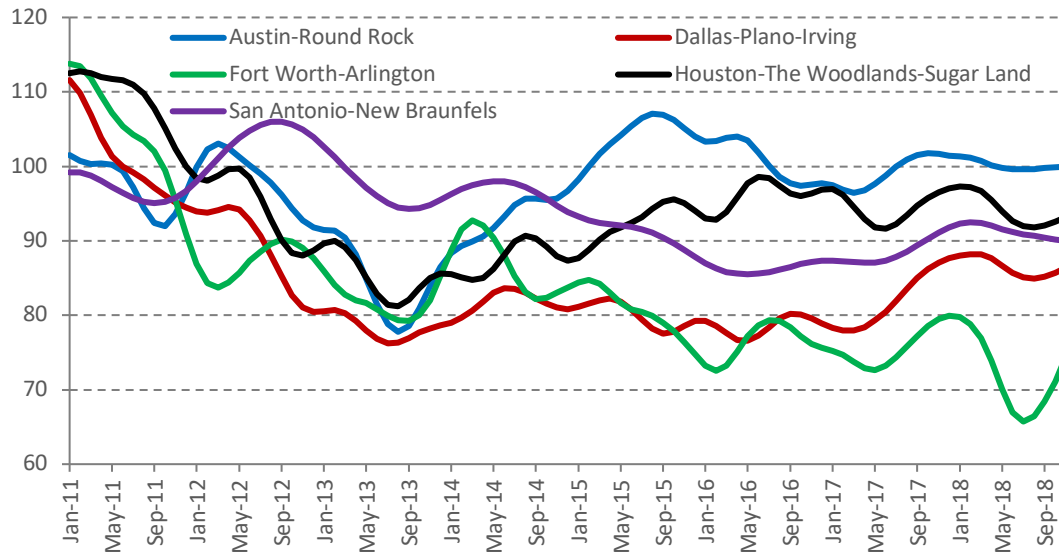


Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University



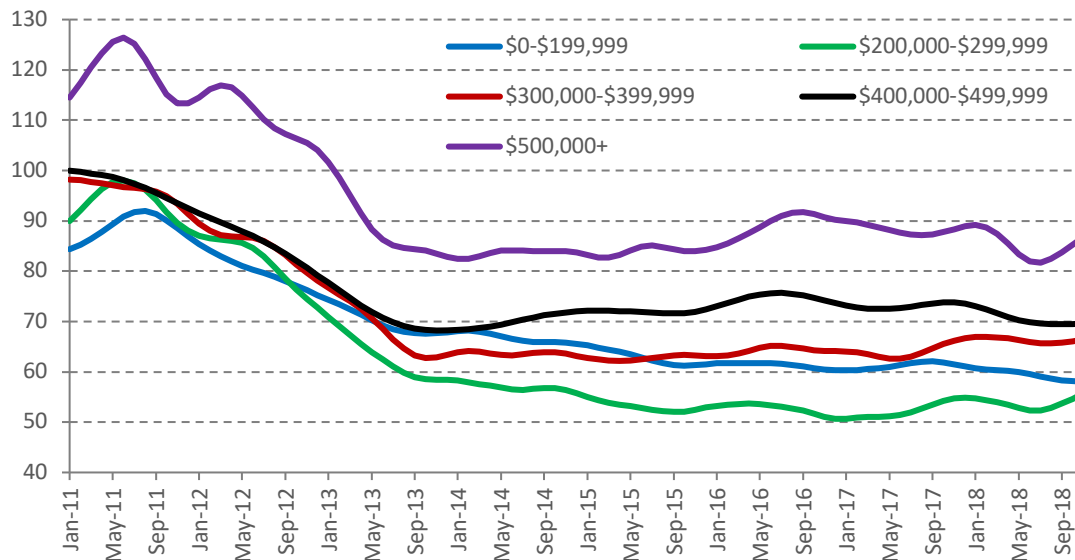
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### 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

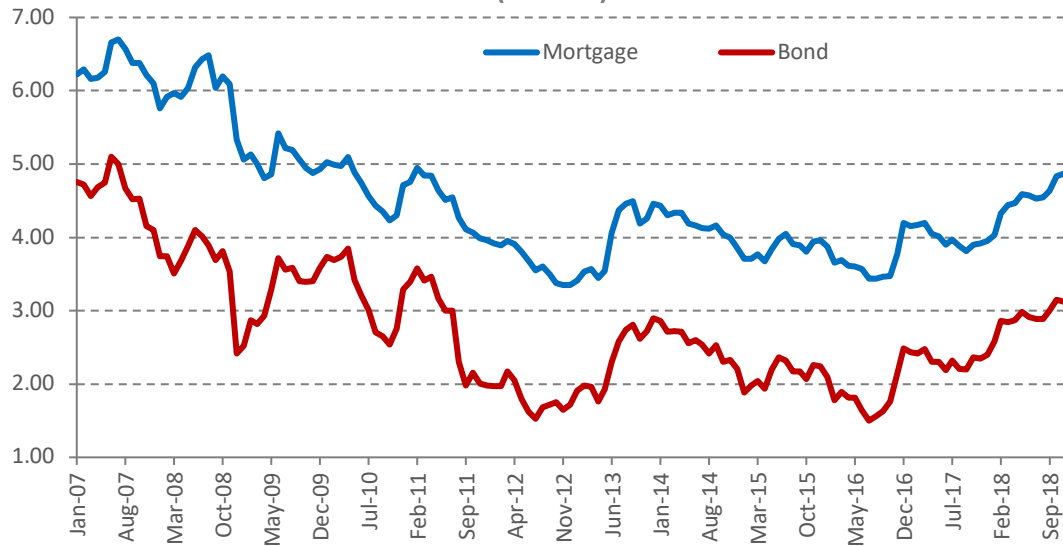
### Texas Home Days on Market by Price Cohort (Days)



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



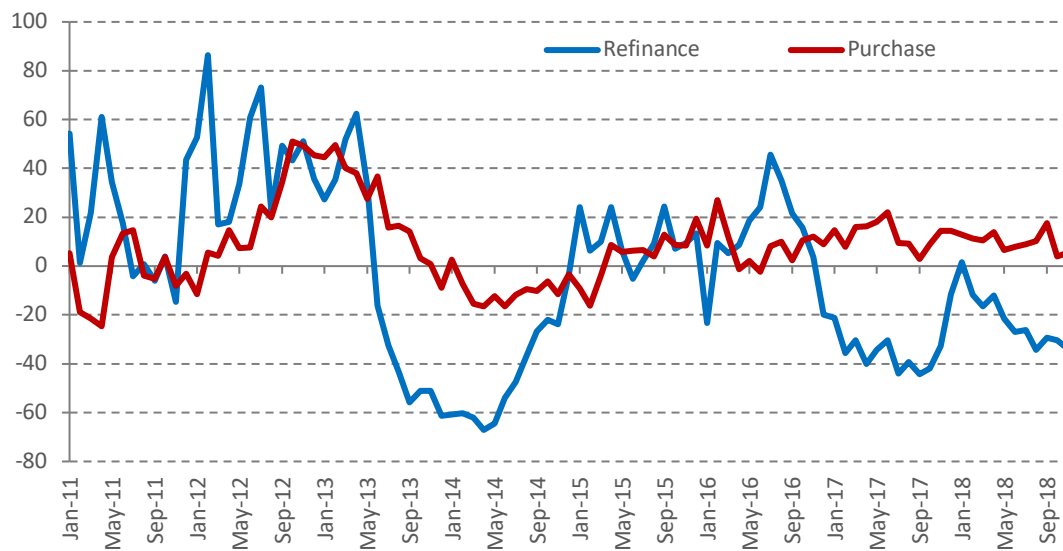
### 30-Year Mortgage Rate and 10-Year Treasury Yield (Percent)



Note: Seasonally adjusted.

Sources: Federal Home Loan Mortgage Corporation and Federal Reserve Board

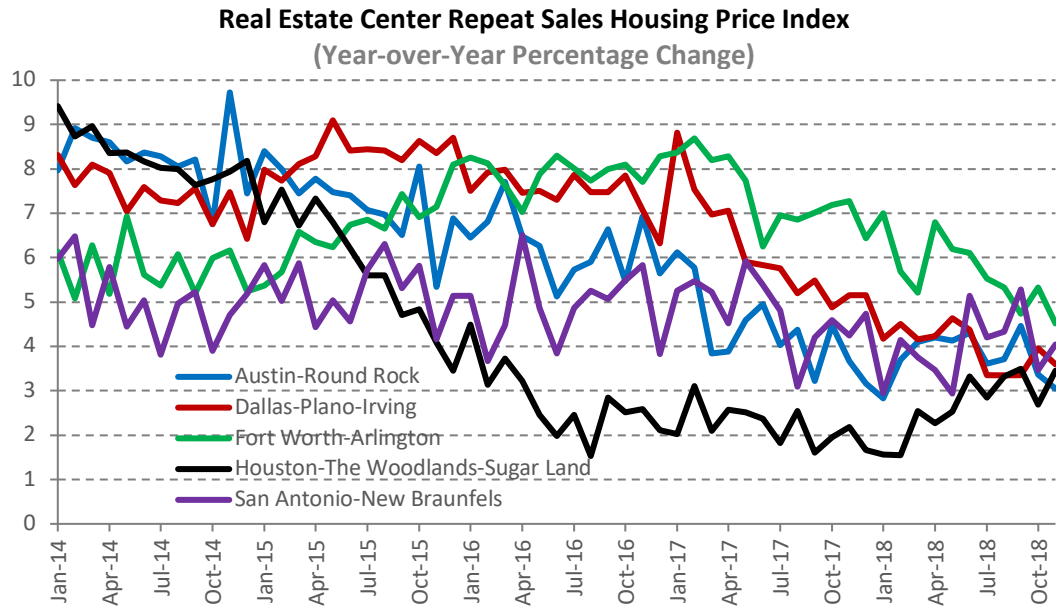
### Texas Mortgage Applications (Year-over-Year Percentage Change)



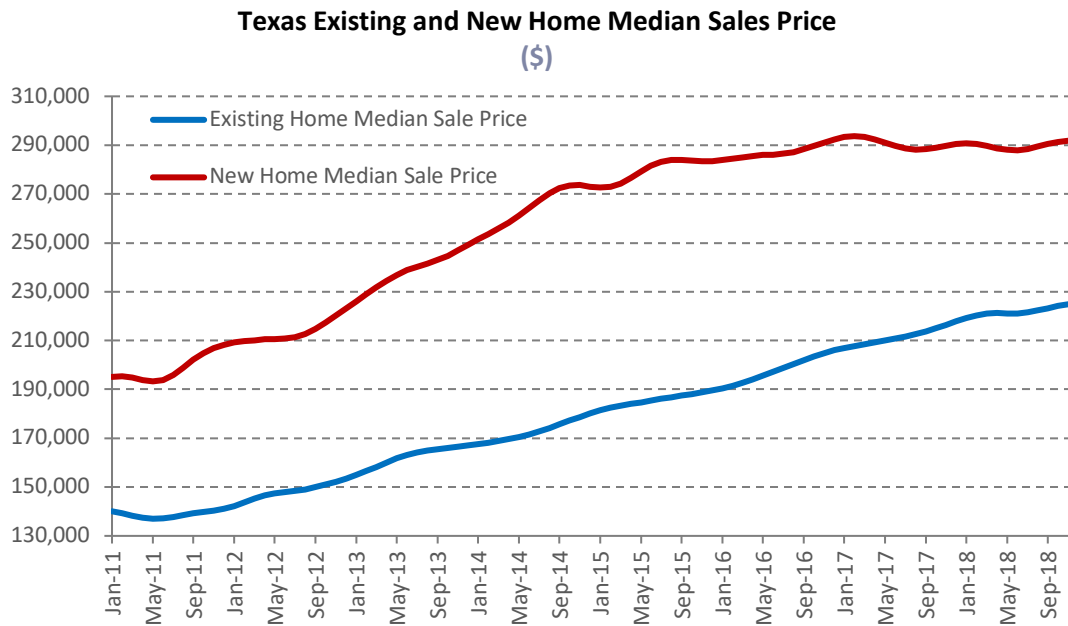
Source: Mortgage Bankers Association



## Prices



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

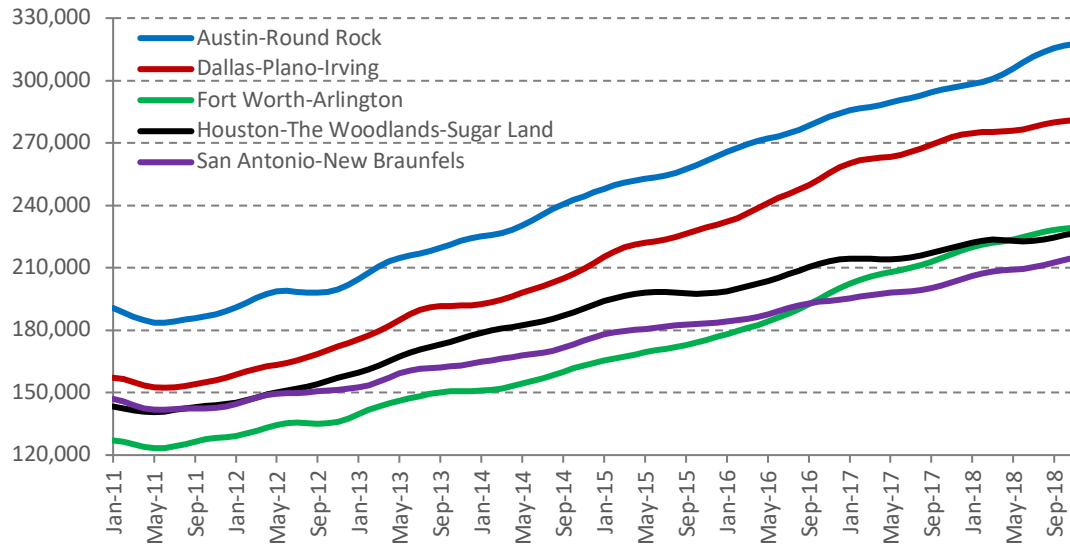


Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University



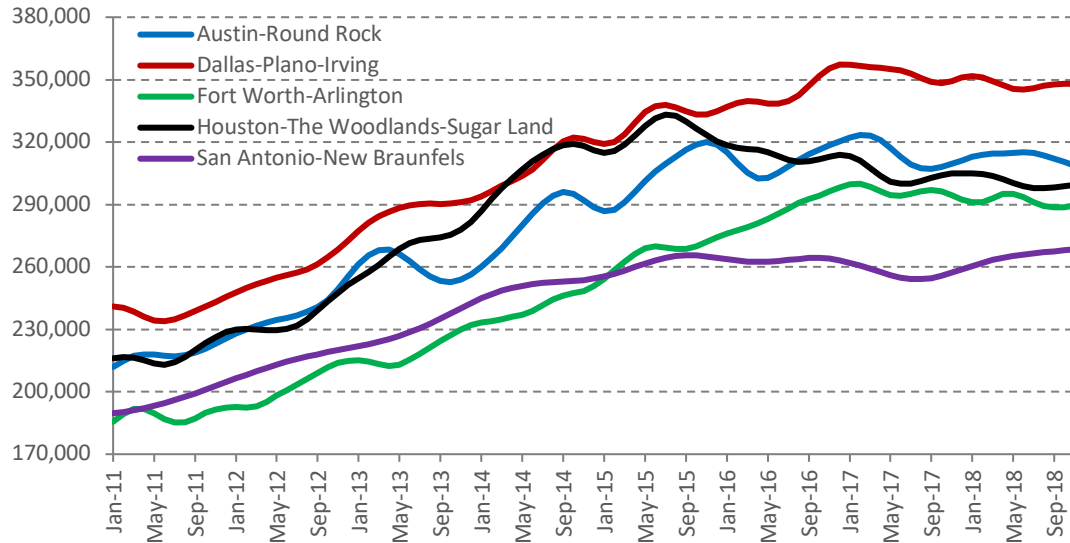


### Major Metros Existing Home Median Sales Price (\$)



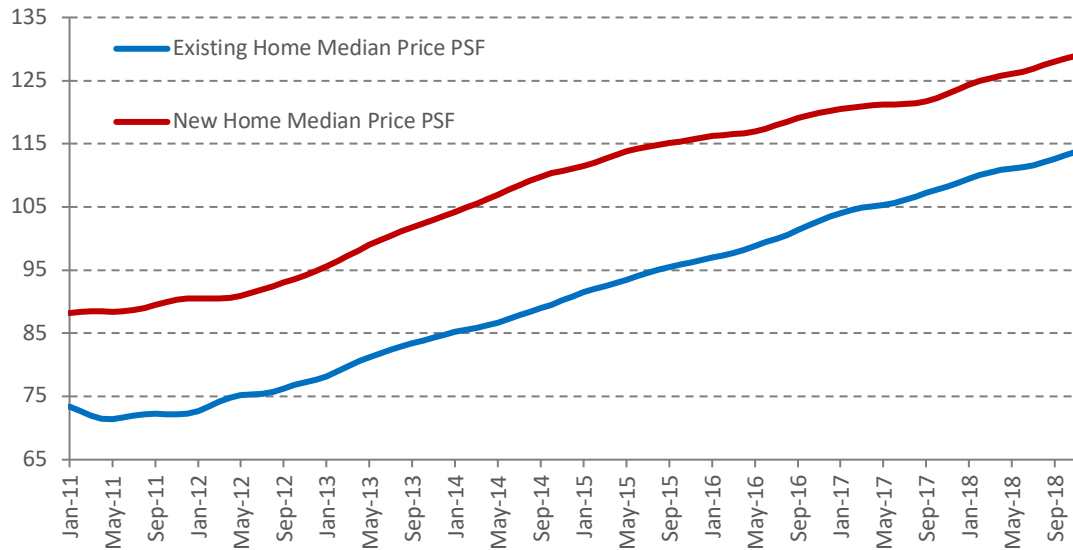
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



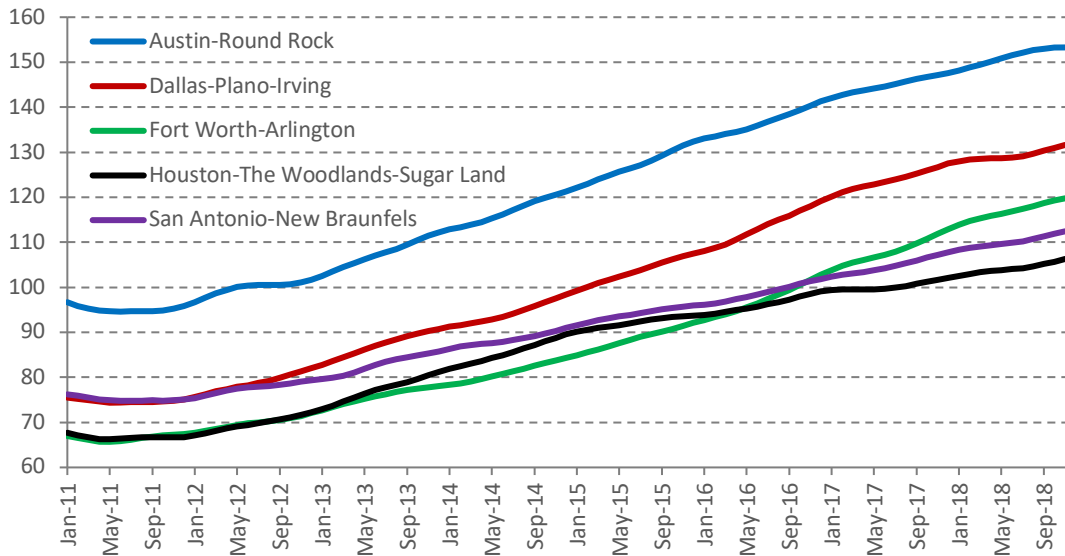
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



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

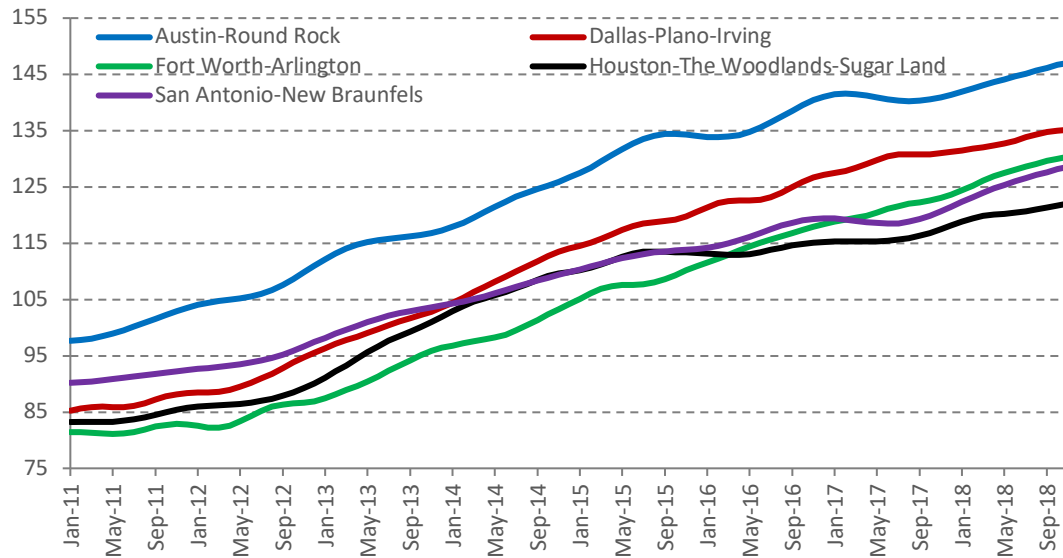
### Major Metros Existing Home Median Price Per Square Foot (\$)



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

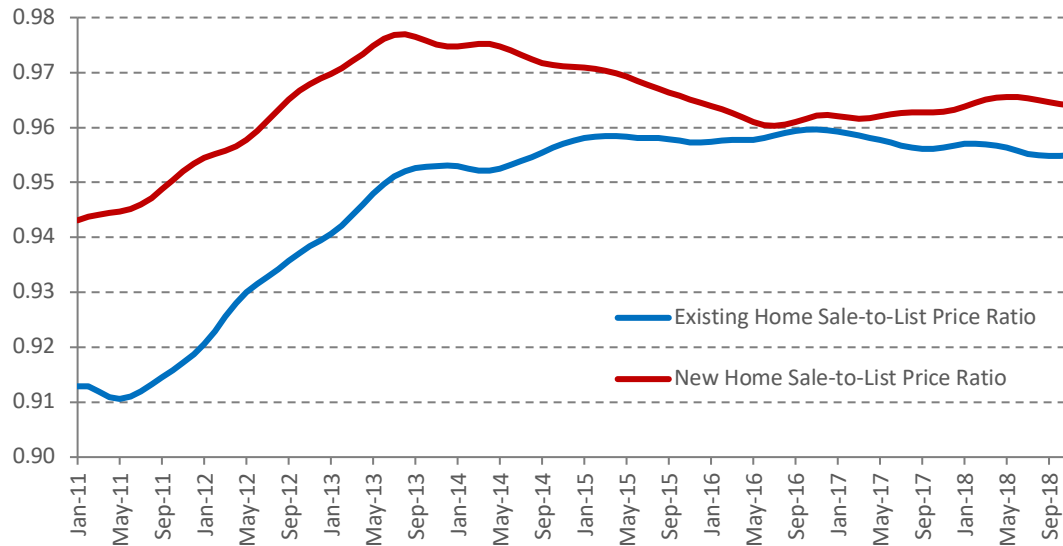


### Major Metros New Home Median Price Per Square Foot (\$)



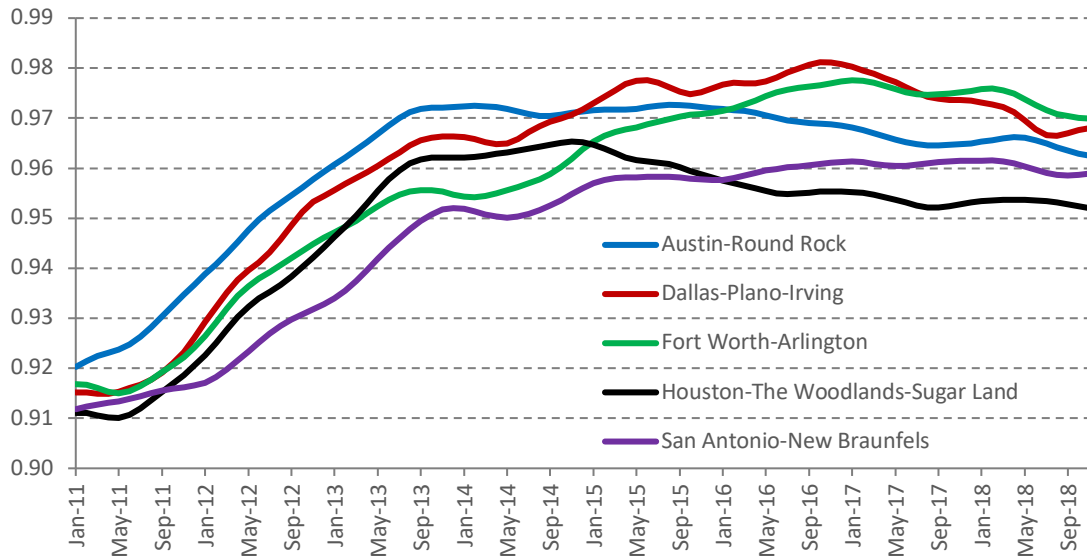
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



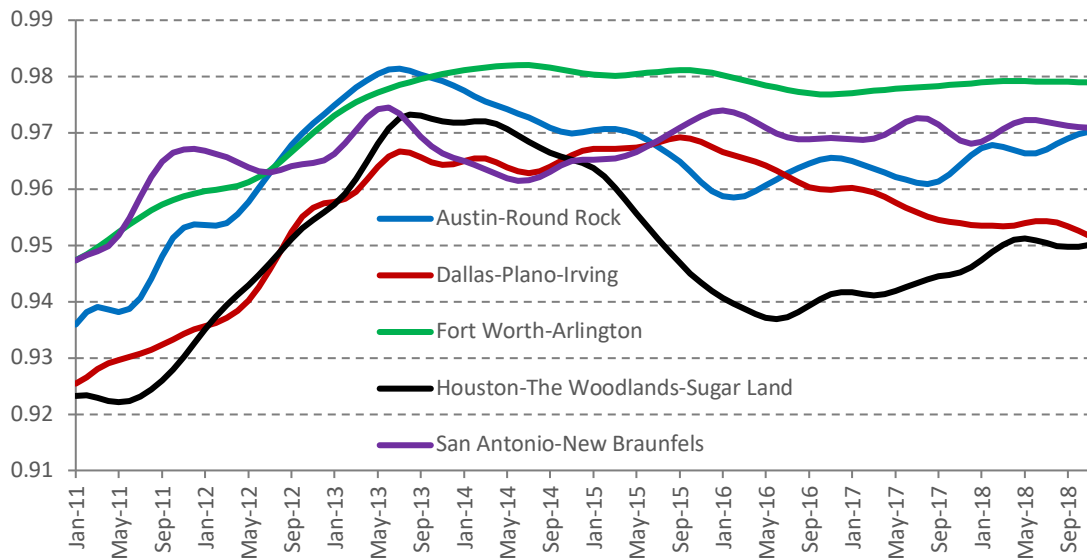
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### 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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