



REAL ESTATE CENTER
TEXAS A & M UNIVERSITY



TEXAS HOUSING INSIGHT

JAMES P. GAINES
CHIEF ECONOMIST

WESLEY MILLER
RESEARCH ASSOCIATE

LUIS B. TORRES
RESEARCH ECONOMIST

PAIGE WOODSON
RESEARCH INTERN

2 1 2 0

JANUARY 2019 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.

Dr. James Gaines, Dr. Luis Torres, Wesley Miller, and Paige Woodson

Data current as of March 11, 2019

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January 2019 Summary

Texas housing sales kicked off the year with a 1.2 percent increase but remained on a flat trajectory. At the regional level, North Texas continued to adjust after several years of explosive growth, while the Central Texas expansion continued. Supply-side activity inched forward amid temperate weather and falling material costs. A break in mortgage rate increases provided some breathing room for prospective purchasers, but housing affordability remained a challenge across the state. Overall, the healthy labor market, population growth, and the economic expansion supported housing demand.

Supply*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, inched downward as construction wages balanced after a year of strong growth. The future outlook, however, remained stable as indicated by upticks in the Texas **Residential Construction Leading Index**. A steady stream of single-family housing starts and a pause in interest increases could lift activity out of its current slowdown.

Fourth 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 in 1Q2018. Loans for one-to-four-unit projects inched back but hovered around a cycle-high.

Due to the recent government shutdown, single-family housing construction permit data for January have not been released. December data, however, revealed a sharp drop in activity at year-end. Houston remained the national leader in monthly permits issued, but Dallas-Fort Worth (DFW) fell to third behind Phoenix. The decline occurred primarily in Fort Worth, which calmed to more sustainable levels after booming for most of 2018. Permit issuance also slowed in Central Texas, falling 14.7 and 19 percent in Austin and San Antonio, respectively. Despite the late dip, statewide permit issuance posted its strongest annual growth since 2014 at 8 percent.

Total Texas housing starts bumped up 4.2 percent in December due to healthy single-family construction activity. At the national level (where January data are currently available), total housing starts rebounded 18.1 percent to start the year amid temperate weather and falling input costs. The price of softwood lumber fell 10 percent year over year (YOY), providing relief to builders faced with skilled-labor shortages and rising land values. Texas' single-family **private construction values** followed starts upward after sliding late last year.

Steady construction activity and slower sales provided some breathing room for the supply of active listings, but the Texas **months of inventory (MOI)** remained below 3.9 months. Around six months of inventory is considered a balanced housing market. The volume of newly listed homes

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

accelerated across the state, rising 5.2 percent as household confidence in the economy remained favorable. According to Texas Realtors, a quarter of home sellers entered the market last year for employment opportunities/convenience, a testament to the healthy labor market. The large number of homes hitting the market and the slower sale pace bolstered inventory levels.

The surge of new listings pushed all of the major metros to annual highs in MOI. In Dallas and Fort Worth, where the sales slowdown was most apparent, the MOI ticked above 3.4 and 2.6 months, respectively. Despite steady sales in Central Texas, Austin and San Antonio's MOI reached 2.9 and 3.6 months, respectively. Houston's MOI surpassed four months for the first time since 2012.

Demand

The Texas housing market kicked off the year with a 1.2 percent increase in **total sales** after stalling in the second half of 2018. The existing-home market led the uptick with a rebound in transactions on homes priced less than \$200,000. Overall, this bottom price cohort accounted for just 41 percent of total sales through a Multiple Listing Service (MLS), down from 72 percent in 2011. The \$200,000-\$400,000 cohort constitutes approximately half of MLS sales and balanced out over the past year.

Sales activity was mixed at the metropolitan level. Austin transactions increased 4.3 percent with strong gains for homes priced more than \$300,000. In San Antonio, robust sales on homes priced below this threshold led to 6.5 percent growth. Sales fell for the third consecutive month in North Texas, dropping 2.4 and 2.6 percent, respectively, in Dallas and Fort Worth. Houston also posted its third straight decline with monthly sales falling 3 percent after a banner year in 2018.

Recently released 4Q2018 data revealed **Texas homeownership rates** closely tracked sales patterns. The statewide rate held below 63 percent after significant gains between 2Q2017 and 2Q2018. In DFW and Houston, homeownership fell to 61.0 and 61.4 percent, respectively. Austin maintained the lowest rate at 59.2 percent but reached its highest level since 2014. The economic boom in Central Texas spilled into San Antonio, pushing homeownership above 65.6 percent.

Texas housing demand remained robust with the **average days on market** (DOM) hovering slightly above its four-year trend at 61 days. Softer sales pushed the metric up six of the last seven months, but the changes have been marginal. Austin and San Antonio mirrored statewide movements with homes averaging two months on the market. The Houston DOM trended slightly lower below 57 days. Despite substantial increases over the past year, homes continued to sell at a rapid clip in North Texas, averaging just 50 and 43 days on the market, respectively, in Dallas and Fort Worth.

The Federal Reserve took a less-aggressive approach toward interest-rate increases as the household tax stimulus dissipated. The **ten-year U.S. Treasury bond yield** fell to an annual low of 2.7 percent, while the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** dipped below 4.5 percent. Texans capitalized on lower rates, pushing mortgage applications for home purchases up 12.3 percent. Refinance mortgage applications, which are more sensitive to interest rate fluctuations, increased 16.7 percent but remained negative YOY.

Prices

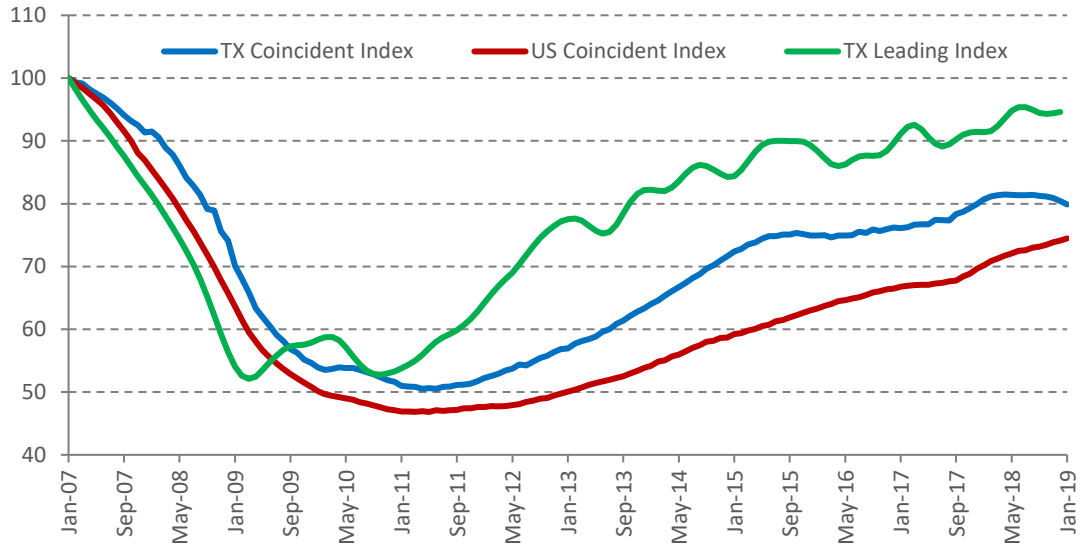
The sales slowdown and corresponding inventory increases moderated home-price gains after substantial post-recession appreciation. The **Texas median home price** hovered around \$234,500 for the second straight month, just 1.9 percent above year-ago levels. All of the major metros maintained positive YOY growth but at a decreased rate. The median price was highest in Austin at \$306,200, followed by Dallas at \$285,000. The Houston and Fort Worth medians settled at \$237,700 and \$231,900, respectively. San Antonio's median home price remained the lowest at \$225,700.

The **Texas Repeat Sales Indices** corroborated decreased pressure in North Texas with YOY prices rising at half the pace relative to 2017. Price appreciation picked up 4.7 and 6.3 percent YOY, respectively, in Austin and San Antonio, and increased 3.9 percent in Houston. Home-price appreciation continued to outpace wages and weighed on housing affordability. Although Texas' affordability remained favorable compared with other states, the gap is narrowing. This presents a significant challenge to Texas' demographic advantages that have supported its economic prosperity over the past decade.



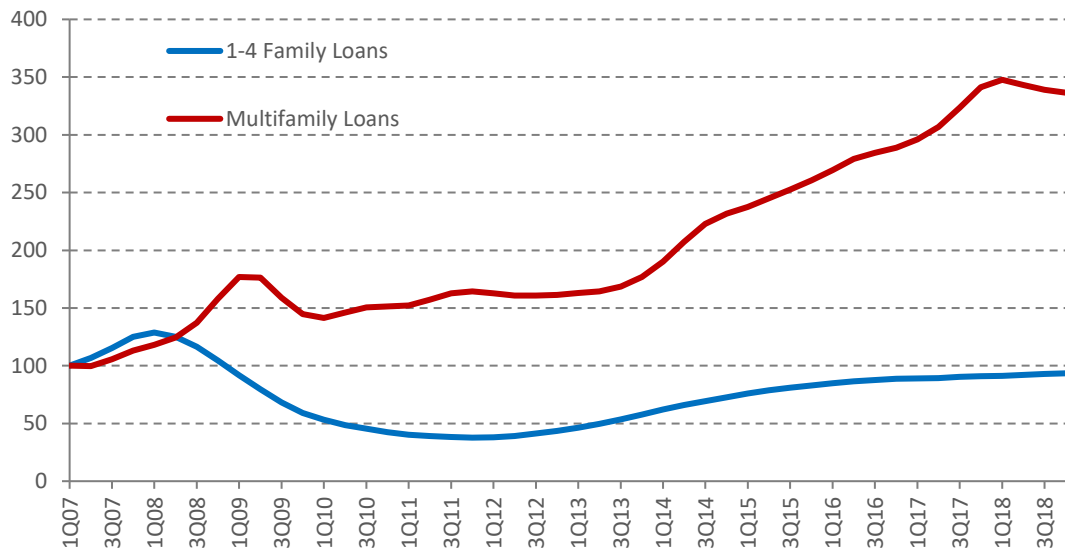
Supply

Residential Construction Coincident Indicator
(Index Jan 2007 = 100)



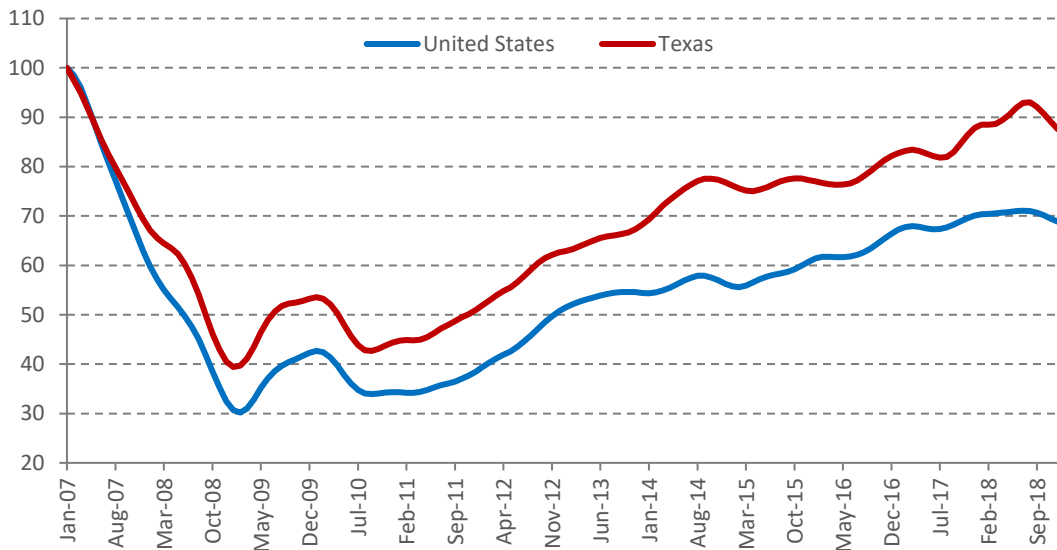
Note: Trend-Cycle Component. January data for the Texas Leading Index are unavailable due to the government shutdown.
Sources: Real Estate Center at Texas A&M University and Federal Reserve Bank of Dallas

Net Residential Loans
(Index 1Q07 = 100)



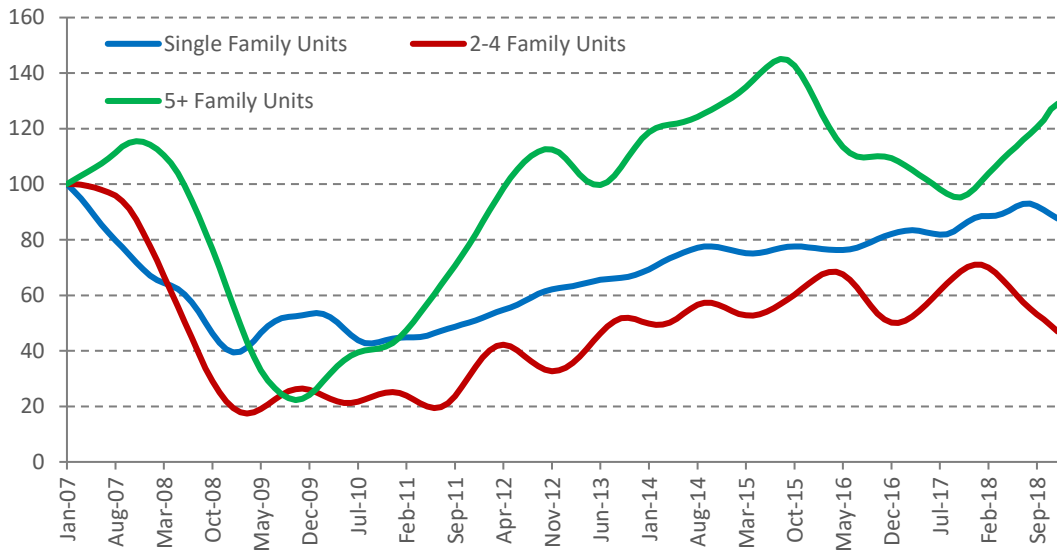
Note: Trend-Cycle Component.
Source: Federal Deposit Insurance Corporation

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



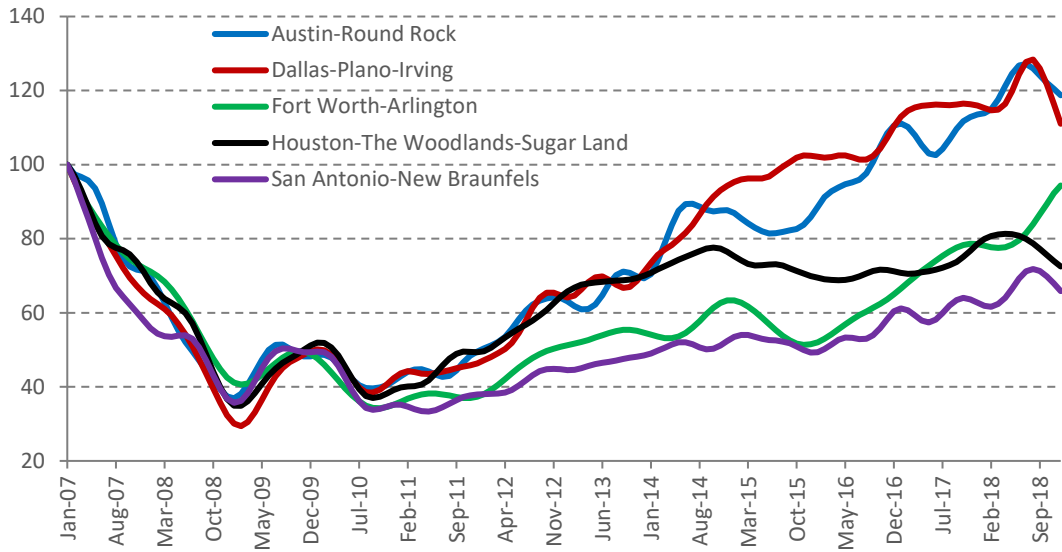
Note: Trend-Cycle Component. January data are unavailable due to the government shutdown.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Texas Housing Construction Permits (Index Jan 2007 = 100)



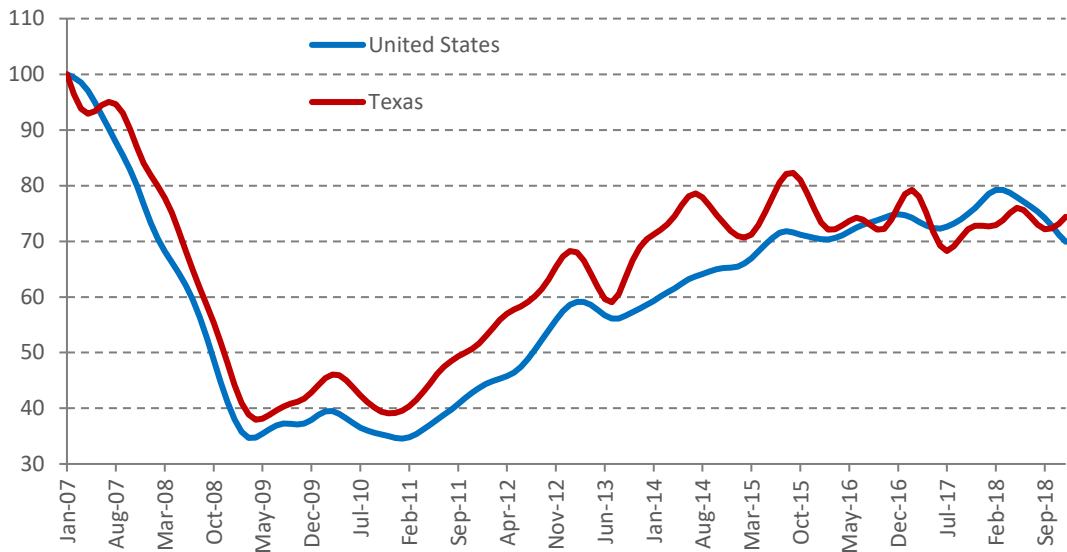
Note: Trend-Cycle Component. January data are unavailable due to the government shutdown.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



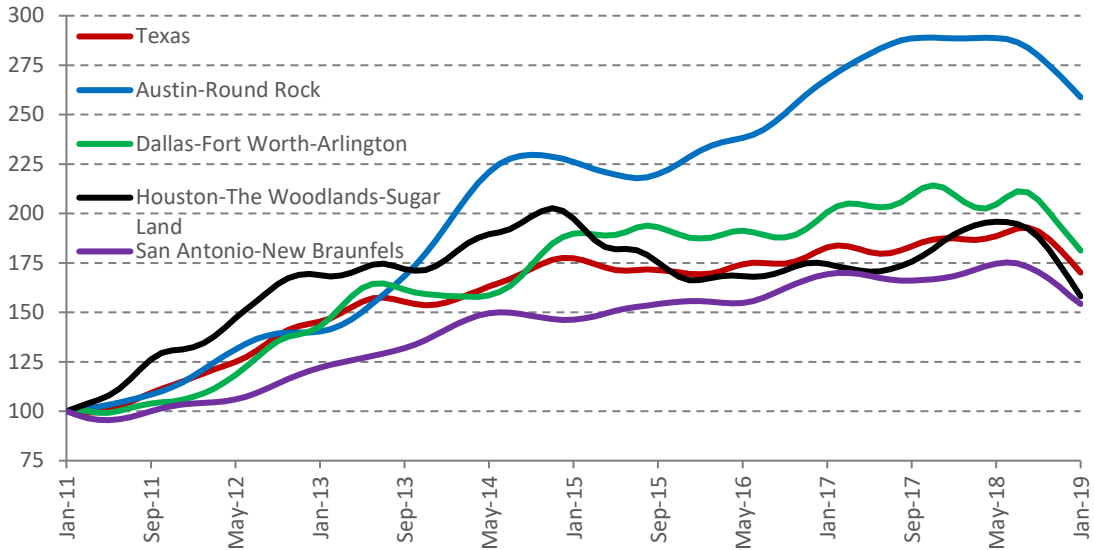
Note: Trend-Cycle Component. Fort Worth is missing data for Somervell County. January data are unavailable due to the government shutdown.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



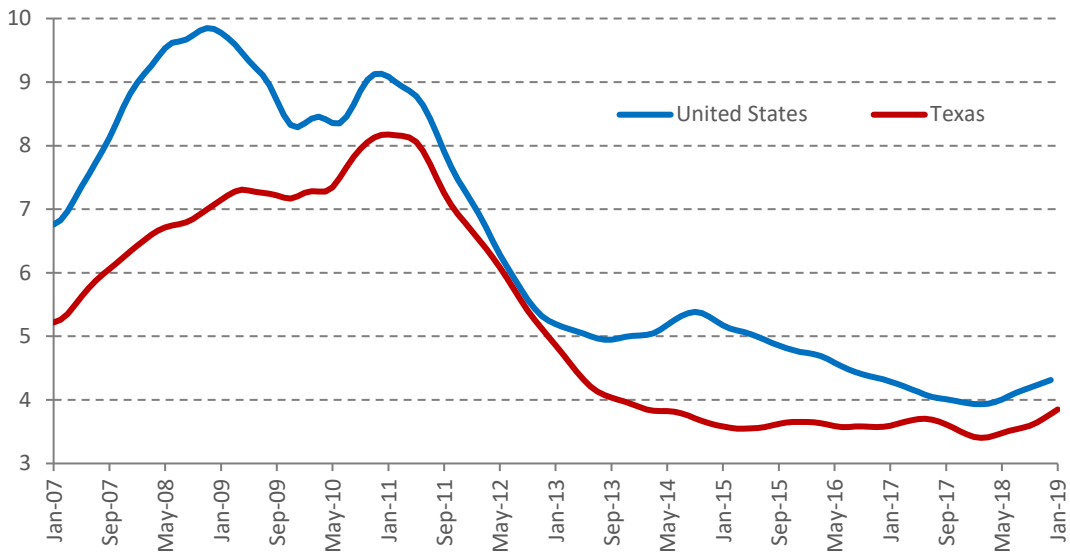
Note: Trend-Cycle Component. January data are unavailable due to the government shutdown.
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

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)



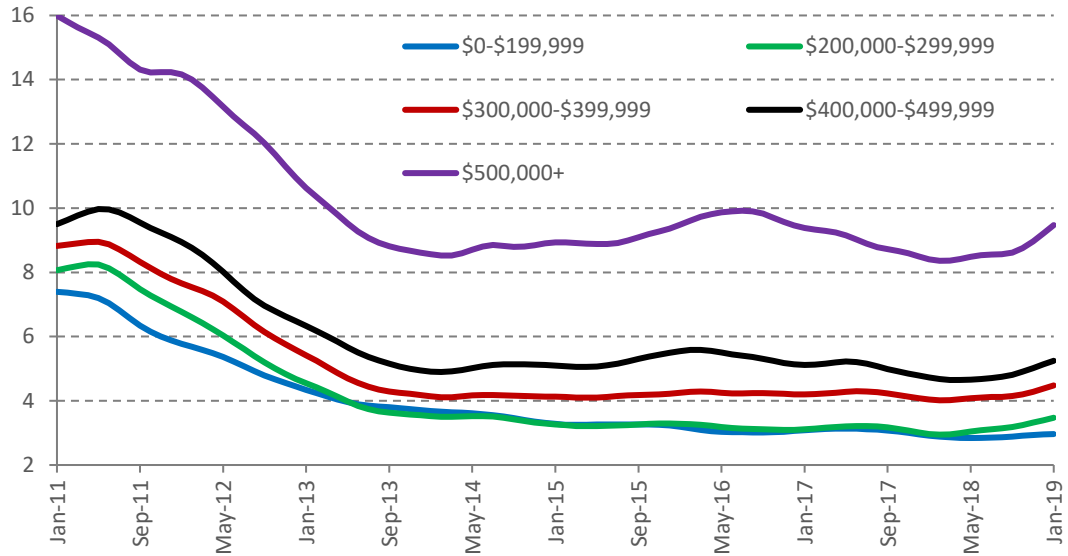
Note: Trend-Cycle Component. Months of inventory for the United States is estimated using weights for all existing homes and new single-family homes; new nonsingle-family homes are not included. Texas includes all existing and new homes. January data for the U.S. Months of Inventory are unavailable due 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

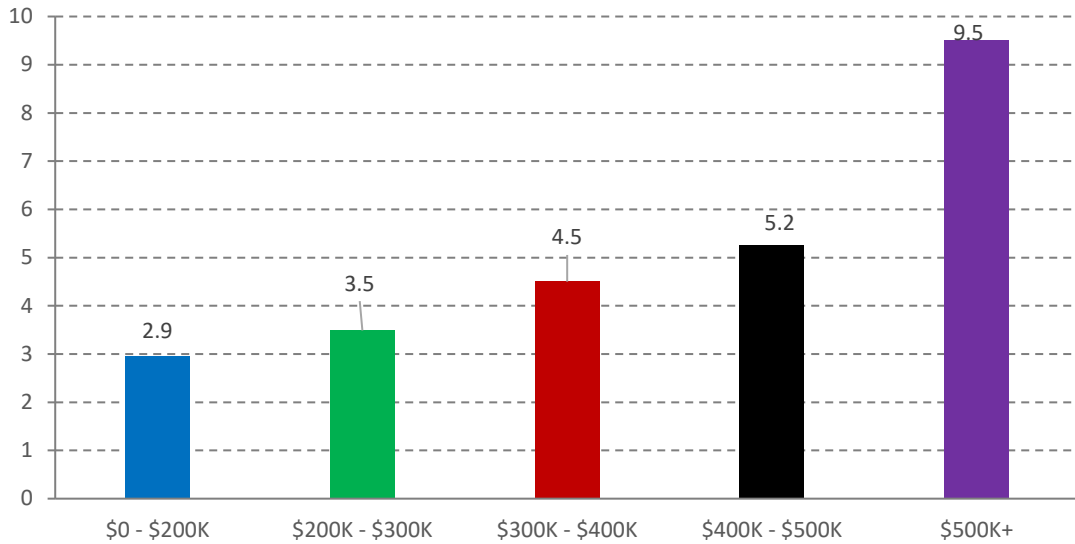


Texas Months of Inventory by Price Cohort (Months)



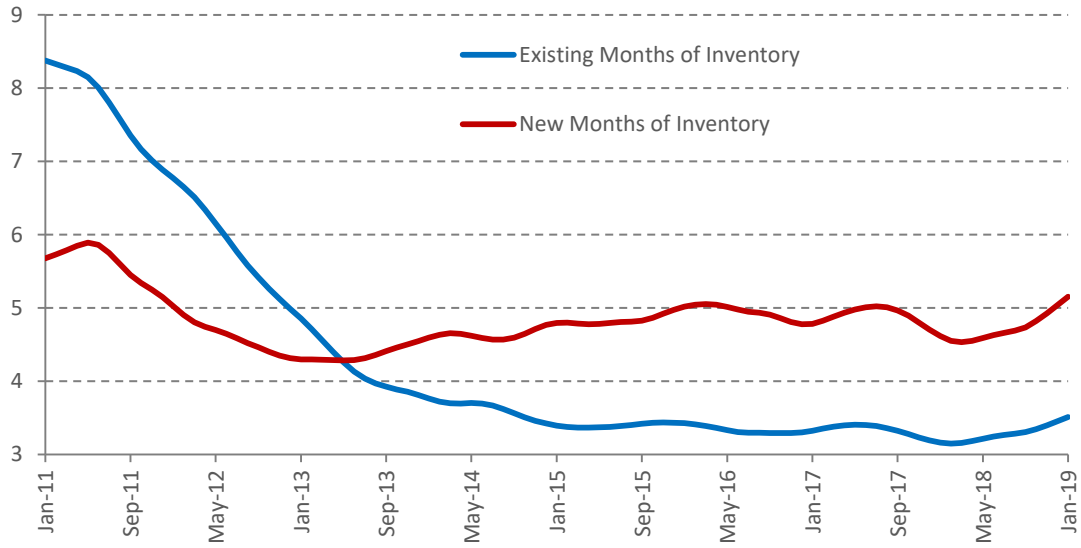
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Texas Current Months of Inventory by Price Cohort (January 2019)



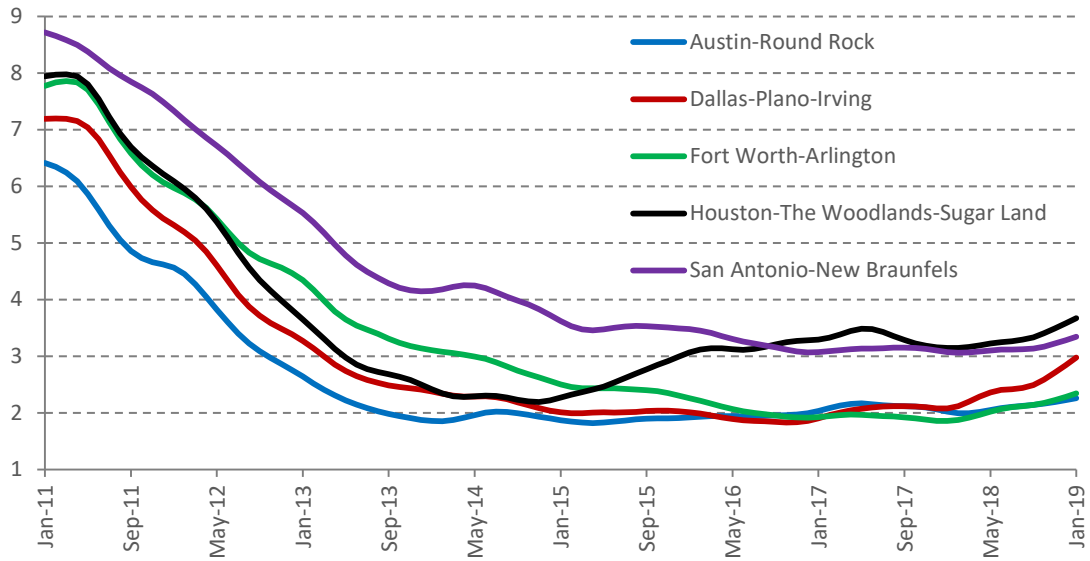
Note: Seasonally adjusted.
Source: Real Estate Center at Texas A&M University

Texas Existing and New Home Months of Inventory (Months)



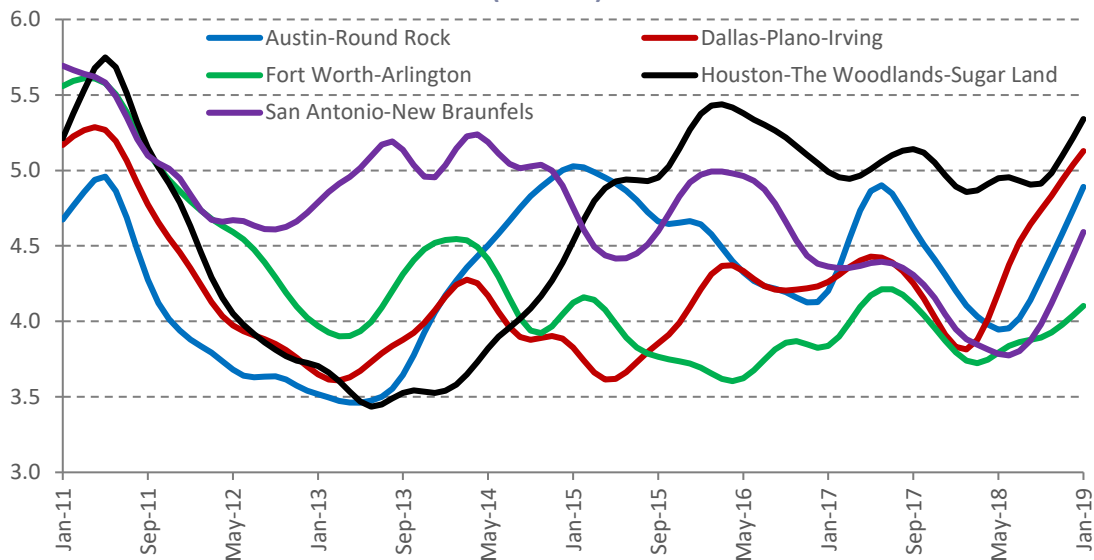
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Months of Inventory (Months)



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

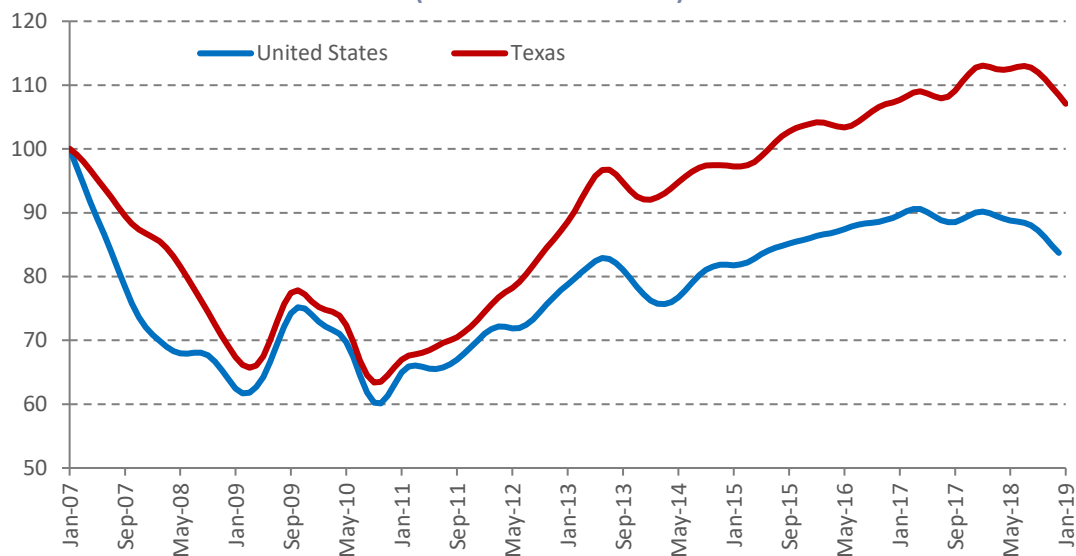
Major Metros New Home Months of Inventory (Months)



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

Demand

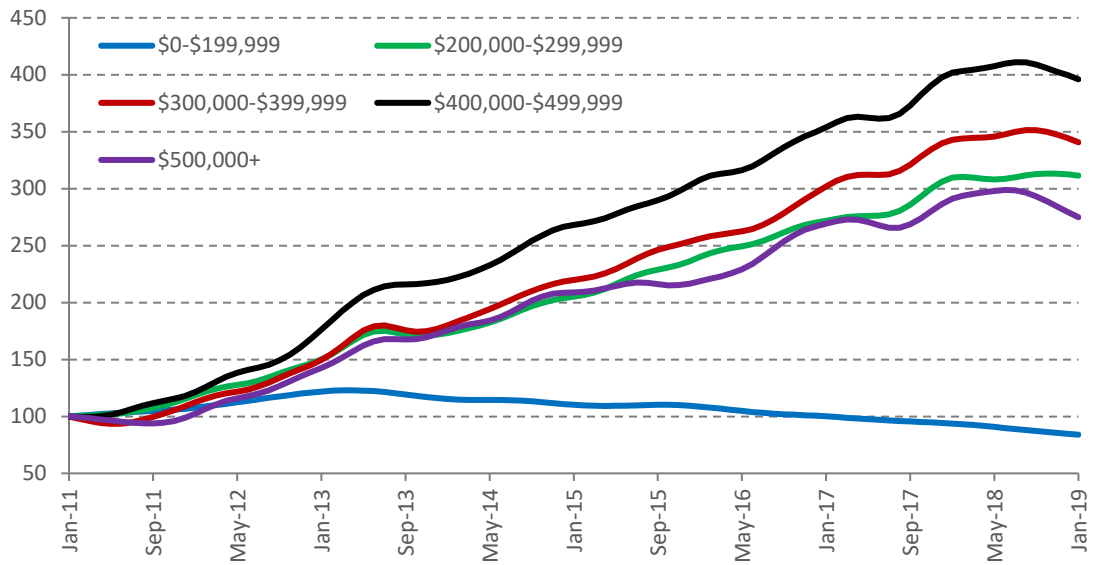
Total Housing Sales (Index Jan 2007 = 100)



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](#). January 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

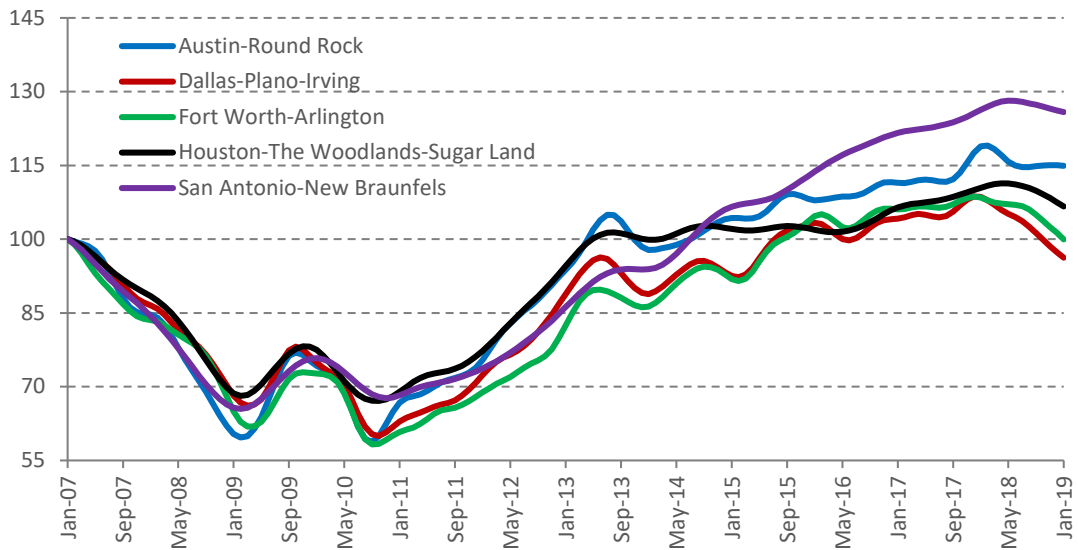


Texas Total Housing Sales by Price Cohort
(Index Jan 2011 = 100)



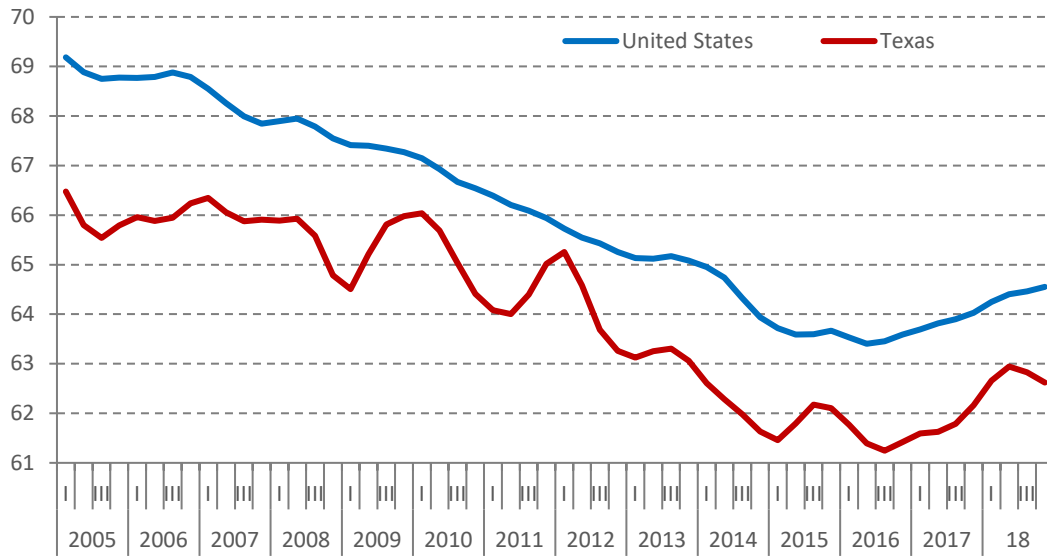
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

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



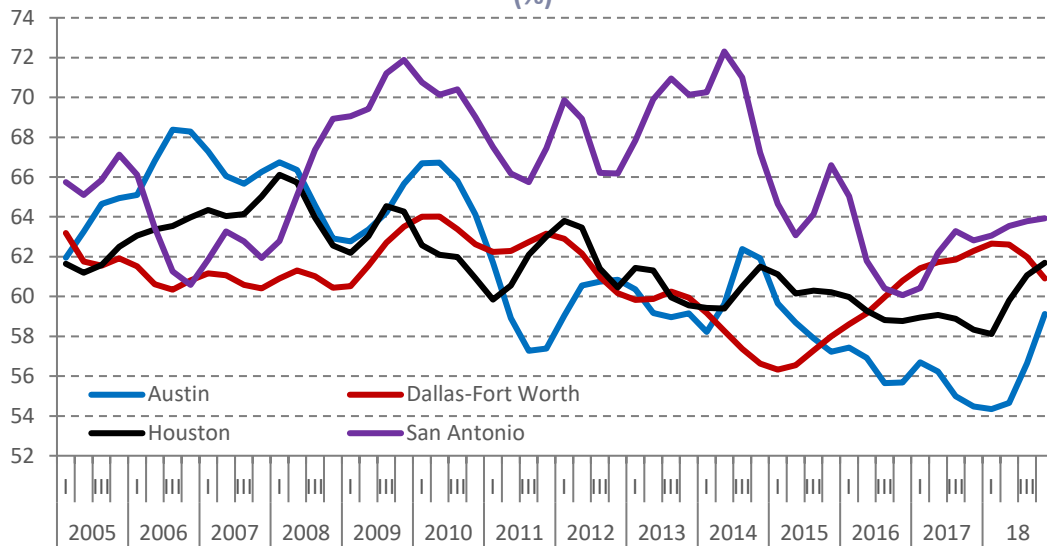
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Home Ownership Rate (%)



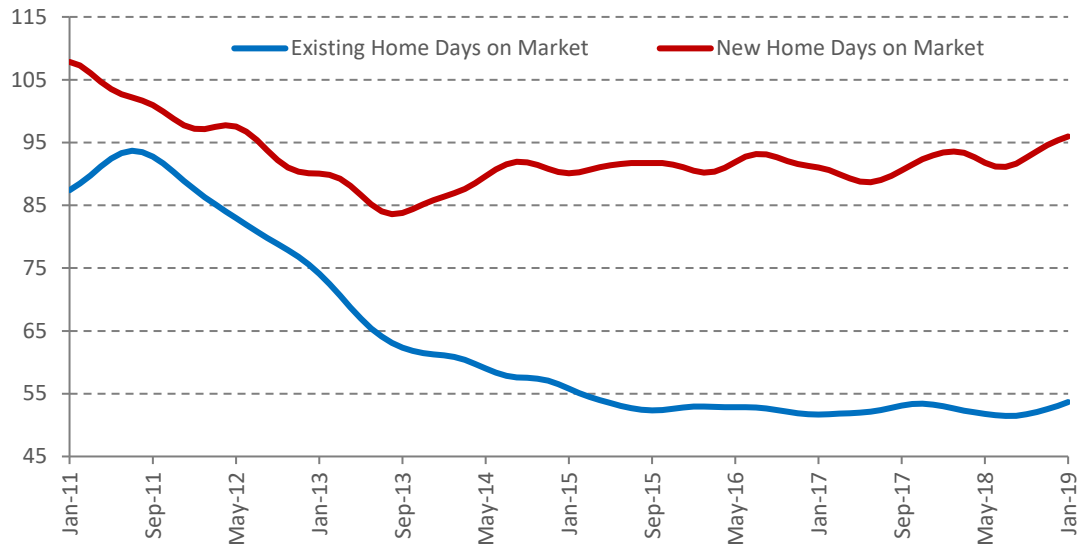
Note: Trend-Cycle Component.
Source: United States Census Bureau

Major Metros Home Ownership Rate (%)



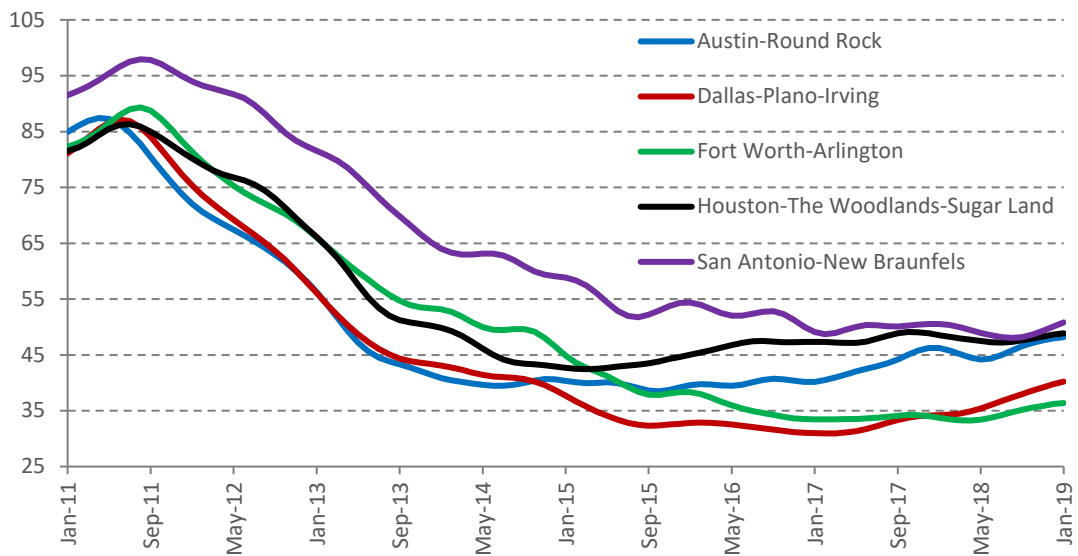
Note: Trend-Cycle Component.
Source: United States Census Bureau

Texas Homes Days on Market (Days)



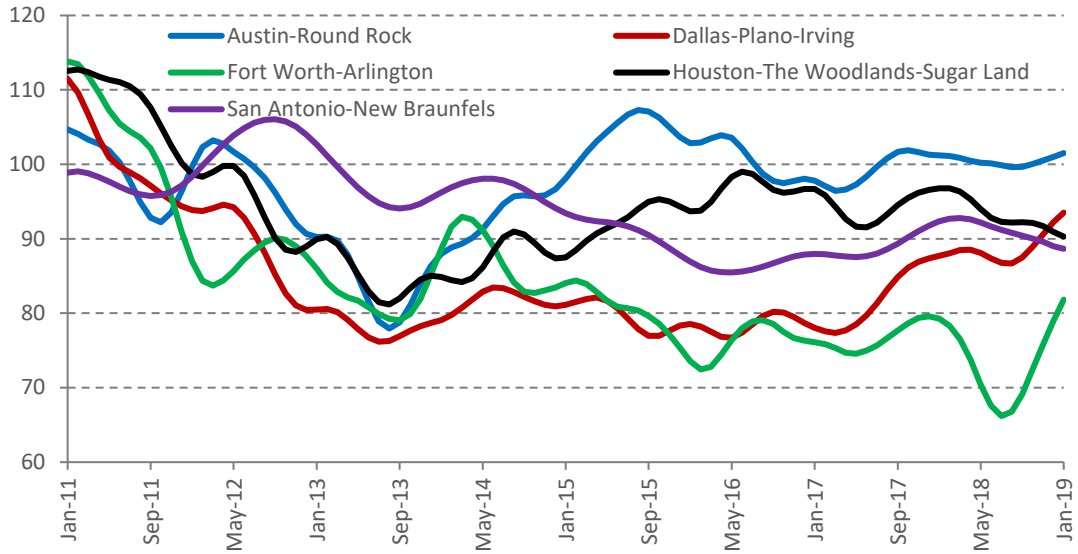
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



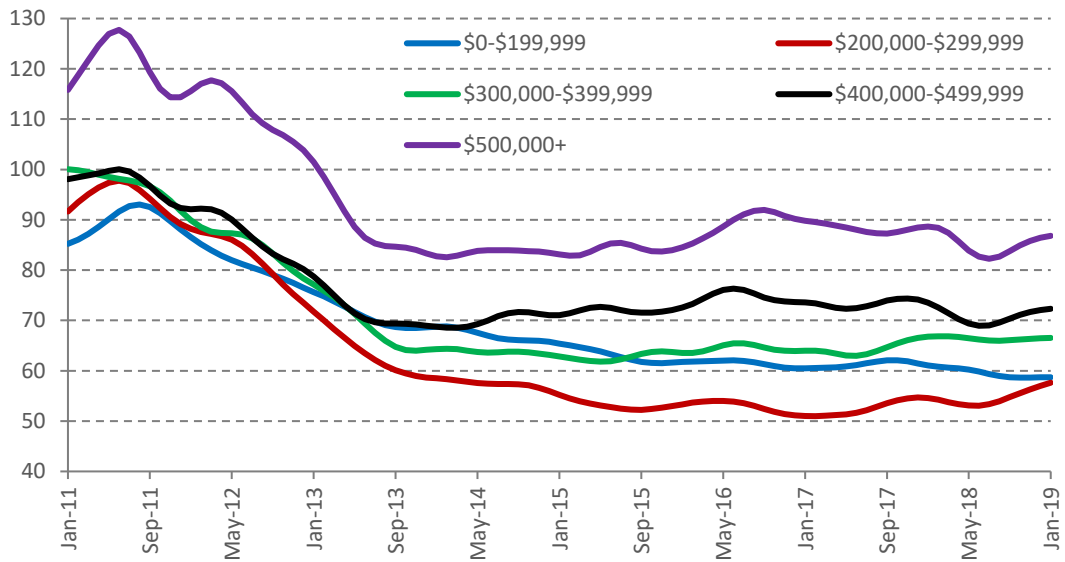
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)



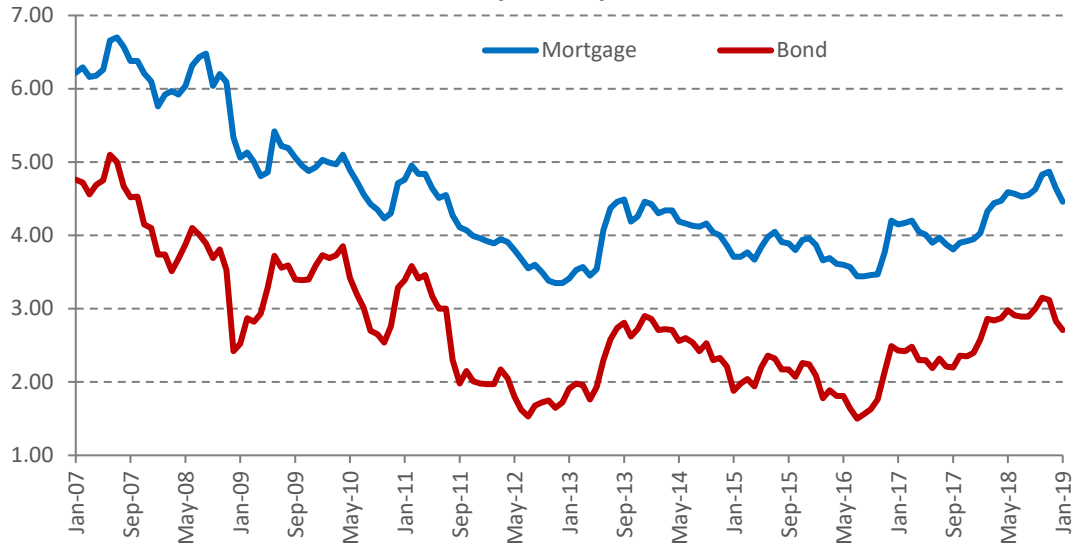
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Days on Market by Price Cohort (Days)



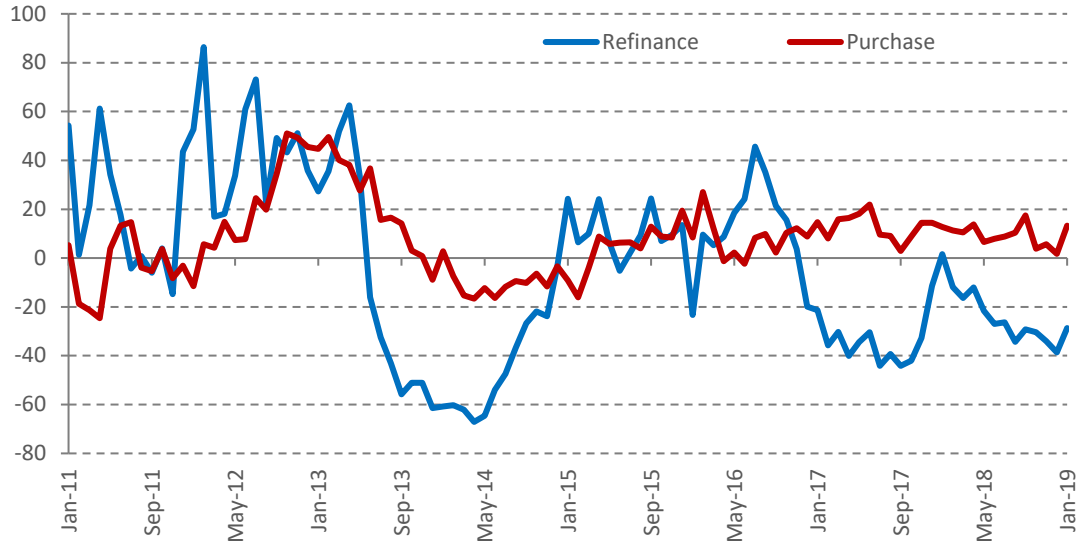
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



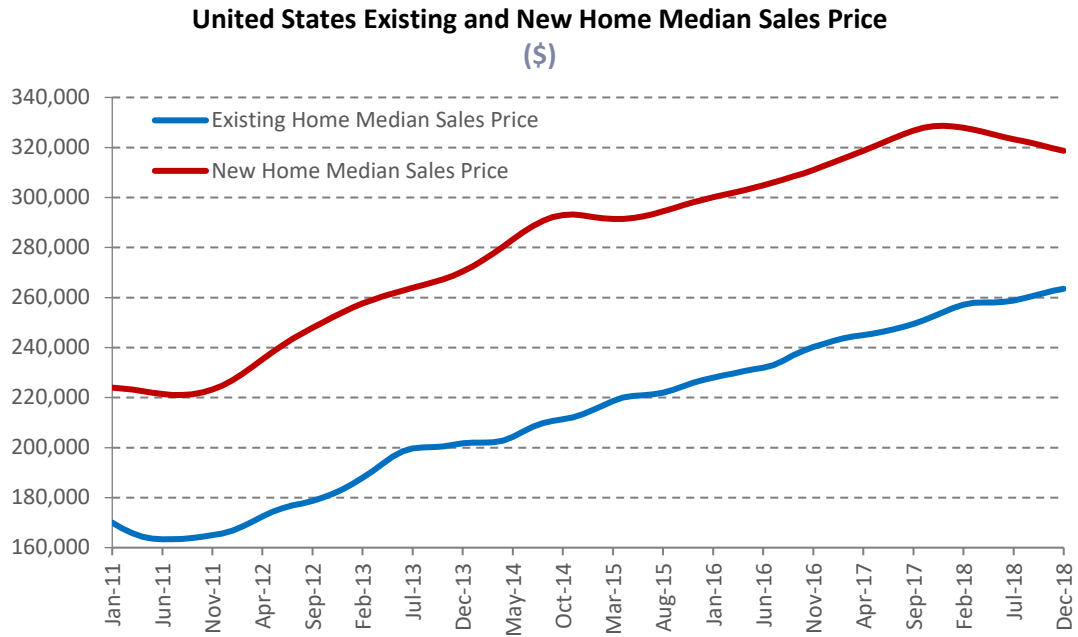
Note: Seasonally adjusted.
Sources: Federal Home Loan Mortgage Corporation and Federal Reserve Board

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

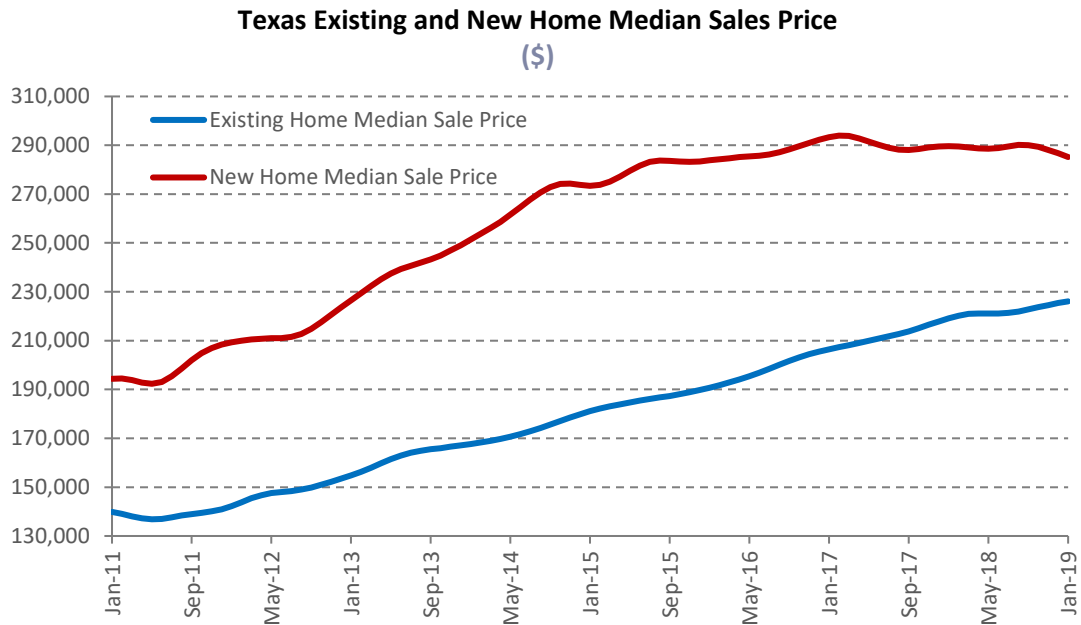


Source: Mortgage Bankers Association

Prices

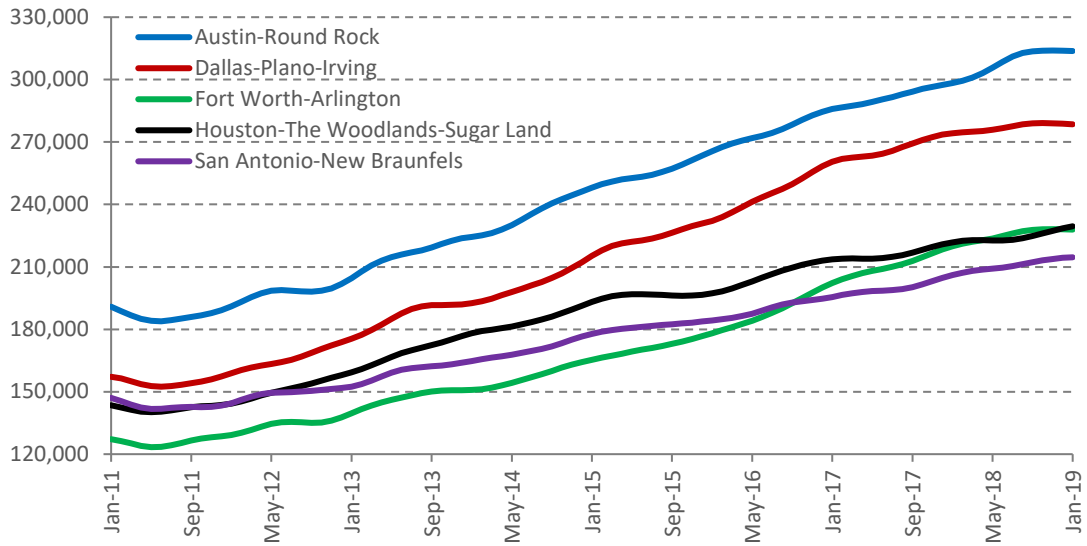


Note: Trend-Cycle Component. For single-family homes. January data are unavailable due to the government shutdown.
Source: Federal Reserve Bank of St. Louis



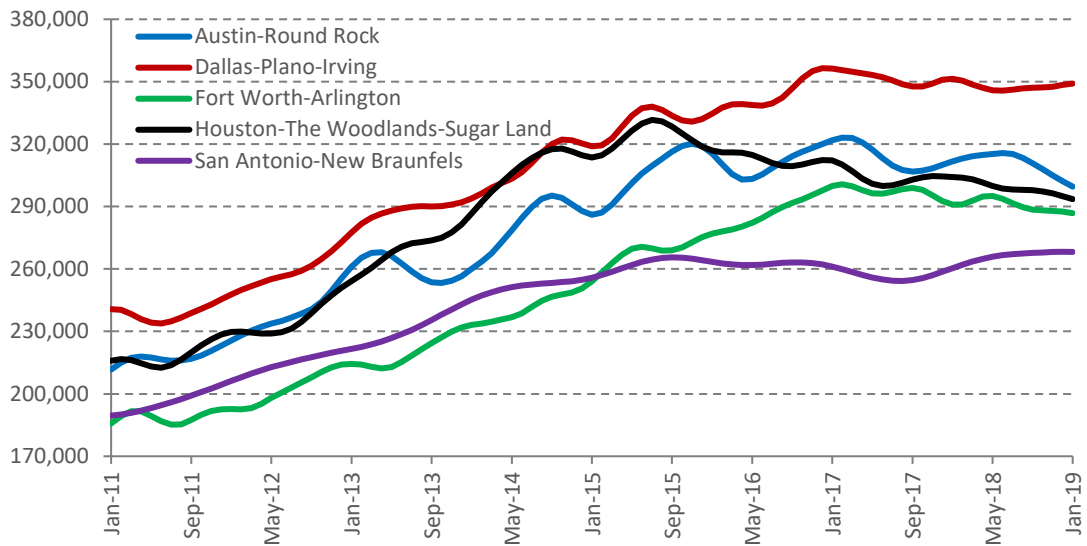
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



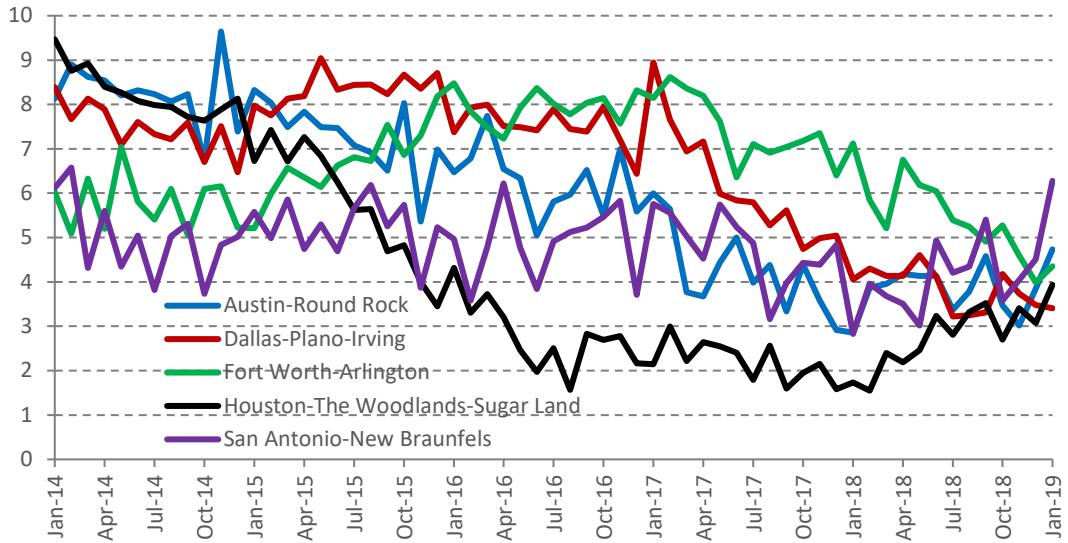
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



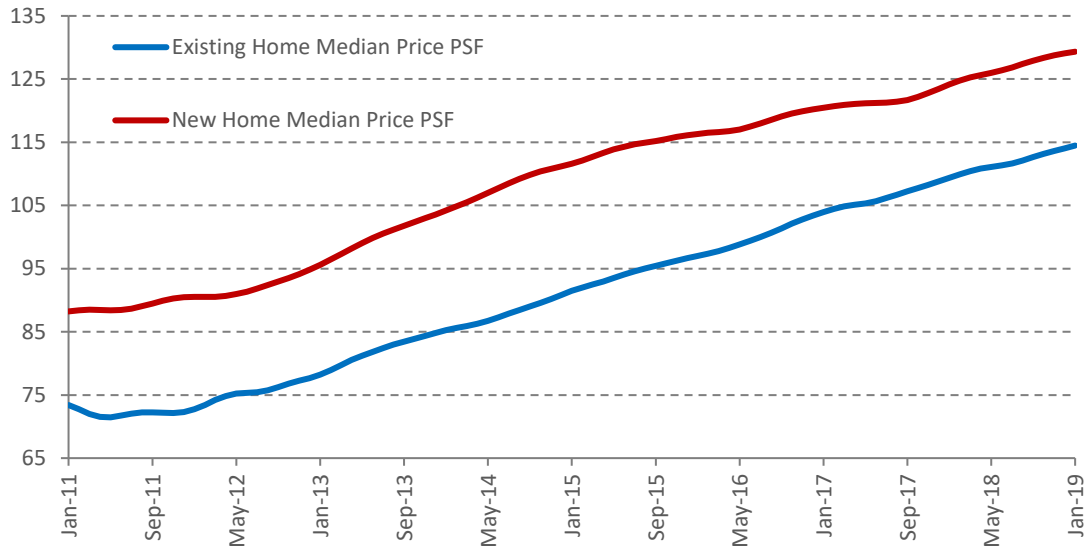
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



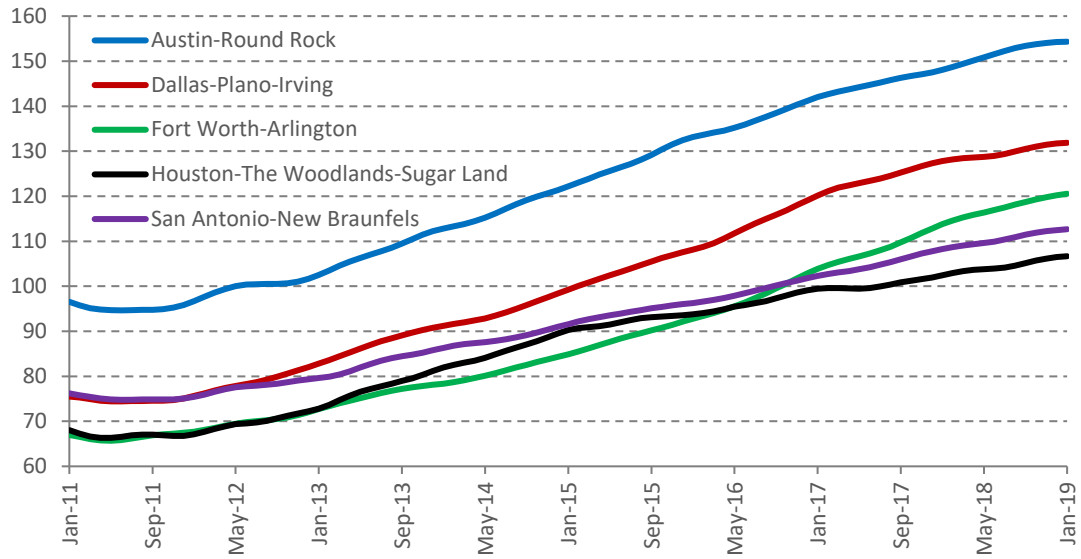
Note: The Repeat Sales Housing Price Index tracks real home price appreciation for residential single-family homes.
Source: Real Estate Center at Texas A&M University

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



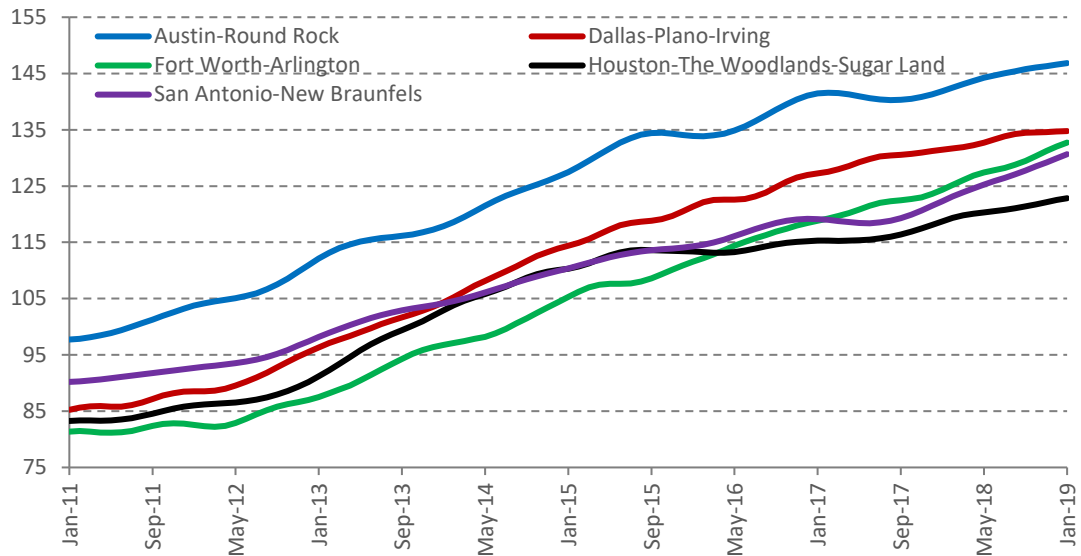
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



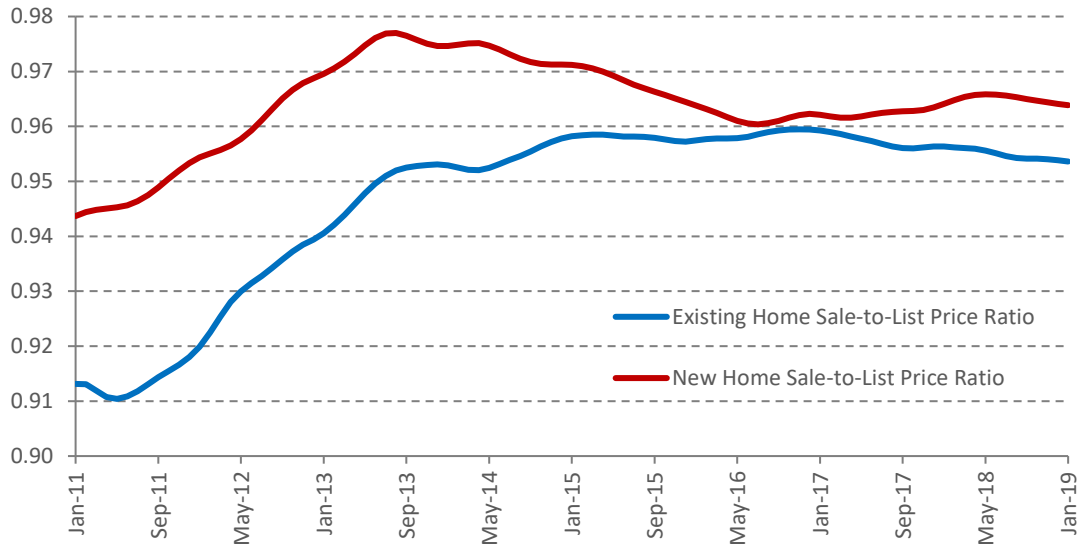
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



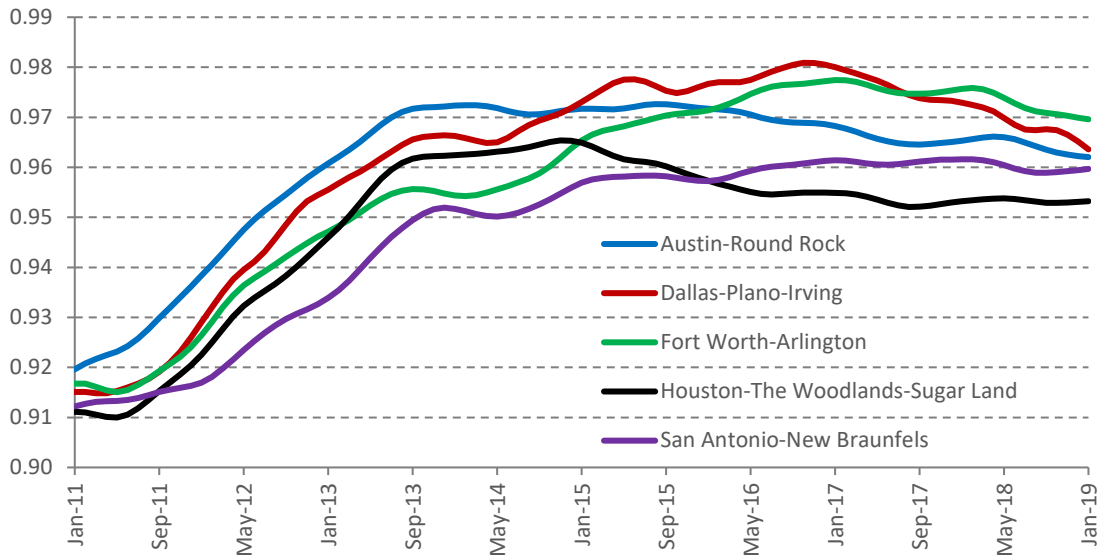
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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

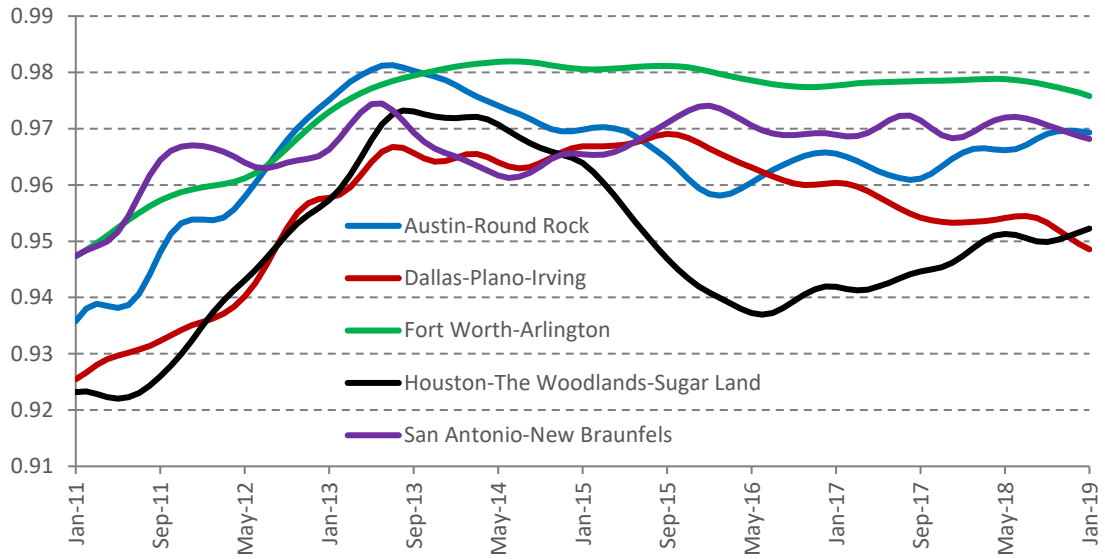
Major Metros Existing Home Sale Price to List Price (Ratio)



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





MAYS BUSINESS SCHOOL

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

<http://recenter.tamu.edu>
979-845-2031

DIRECTOR

GARY W. MALER

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