



REAL ESTATE CENTER
TEXAS A & M UNIVERSITY



TEXAS HOUSING INSIGHT

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APRIL 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

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APRIL 2019 SUMMARY

Texas housing sales reached record highs as lower mortgage rates and the healthy labor market spurred demand across the price spectrum. Increased activity is quickly eating away the marginal inventory expansion that occurred last year. Housing starts continued to fall short, but momentum is building in the residential supply pipeline as loan values and permit issuance increased. Pricing pressures picked up but held well below peak growth levels. Waning affordability and the shortage of homes priced below \$300,000 remained the biggest challenges facing the housing market. Texas' robust economy and population growth, however, support a favorable outlook.

Supply*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, inched downward as construction values trended downward. The **Residential Construction Leading Index**, however, ticked up for the fourth consecutive month amid falling interest rates and increases in construction permits. The extended economic expansion in Texas and across the nation bodes well for the housing market.

First-quarter private bank loan data indicated a rebound in residential construction investment after a sluggish 2018. Loan values for one-to-four-unit properties jumped 4.4 percent quarter over quarter (QOQ), and multifamily loans increased 1.7 percent after three consecutive quarterly declines. **Single-family construction permits** followed loan values upward, rising 9.1 percent year to date (YTD). Houston and Dallas-Fort Worth (DFW) remained the national leaders, issuing 3,346 and 3,068 monthly permits, respectively. Austin ranked fifth nationally with 1,790 permits, posting its fifth consecutive monthly increase. In San Antonio, permits stabilized around 705 after significant first-quarter volatility.

Total Texas housing starts flattened around a four-year trend despite increased population and a growing economy. Starts in the single-family sector trended upward, particularly with development in Central Texas. In contrast, **single-family private construction values** fell across the state. While luxury-home construction has stalled over the past year, the new-home price distribution does not explain the persistent decline in construction values. That said, Texas' single-family construction value-per-start ratio hovered around its lowest level since the Great Recession.

Flat housing starts held **Texas' months of inventory (MOI)** below four months. Last year's stretch of slow and steady inventory growth has stalled amid rebounding demand. A total MOI around six months is considered a balanced housing market. The MOI for homes priced below \$300,000 retracted after marginal relief in 2018. The supply of active listings dropped below 2.9 months for

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

homes priced less than \$200,000 and approached 3.2 months in the \$200,000-\$300,000 range. A slowdown in the rate of Multiple Listing Service (MLS) listings hitting the market weighed on inventories at the lower end of the market.

The MOI reversed downward in all of the major metros. Austin's MOI dropped to a YTD low below 2.5 months. Fort Worth followed closely behind at 2.6 MOI. Houston and San Antonio posted their first MOI decline of the year, dropping to 4.0 and 3.6 months, respectively. Dallas was the exception, where inventories inched above 3.4 months, nearly a month higher than in April 2018.

Demand

Texas surpassed a record-high 30,000 total housing sales in April as lower mortgage rates provided some relief to waning affordability. Sales increased across the price spectrum, but a third of the growth occurred in the \$200,000-\$300,000 price cohort. The luxury market, consisting of homes priced more than \$500,000, accounted for a quarter of the growth with more than 2,800 single-family units sold.

Housing sales reached record highs and double-digit YTD growth in all of the major metros. The existing-home market, which accounts for nearly two-thirds of sales activity, generated the positive momentum. Dallas and Austin led the way with 10.3 and 9.0 percent total sales growth, respectively. Houston sales jumped 7.1 percent, while Fort Worth and San Antonio posted monthly growth above 3 percent.

Robust demand pulled Texas' **average days on market (DOM)** down to 60 days, but market movements were mixed across the major metros. The Austin DOM sank below 55 days, while Dallas' metric trended up to that level for the first time since 2013. Houston's DOM dipped below 59 days, and San Antonio hovered around the statewide average. In Fort Worth the DOM plateaued in December and has since hovered around 43 days.

Continued concerns of global economic growth and trade uncertainty pulled interest rates down for the sixth consecutive month. The **ten-year U.S. Treasury bond yield** fell to an annual low of 2.5 percent, while the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** dropped below 4.2 percent. Texans capitalized on lower rates, pushing mortgage applications for home purchases up 17.8 percent YTD. These data corroborate the uptick in sales activity across the state, particularly in affordability constrained markets. Refinance mortgage applications, which are more sensitive to interest rate fluctuations, increased 38.2 percent over the same period.

Prices

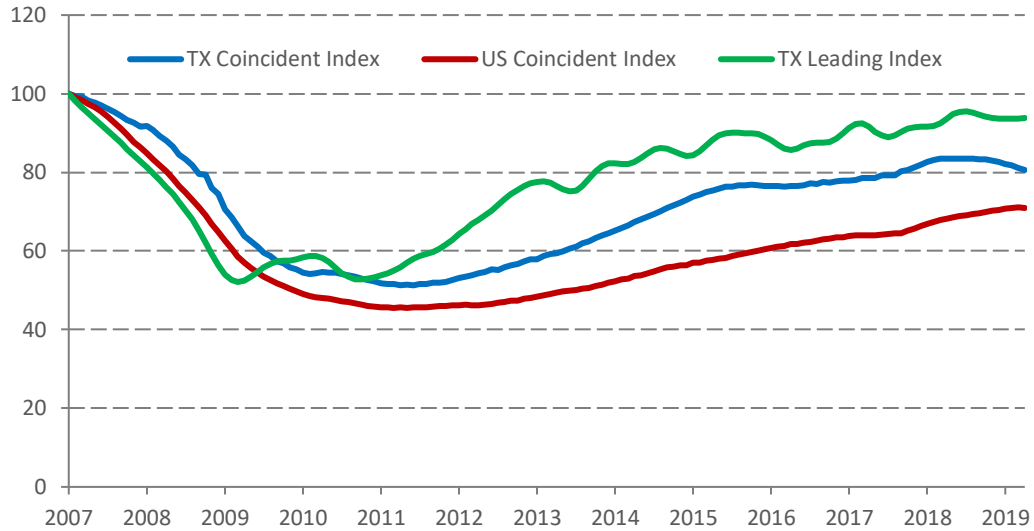
The recent spurt of demand pushed prices upward after a relatively calm start to the year. The **Texas median home price** increased \$2,000 to \$238,000, surpassing 4.1 percent YOY growth for the first time since October. While still increasing, home prices are no longer soaring at double-digit levels YOY as in 2017. Austin and Dallas maintained the highest median price at \$303,800 and \$288,800, respectively, but remained on a flat trajectory. The Houston (\$241,250) and Fort Worth

(\$237,100) median maintained steady YOY growth at 2.2 and 3.0 percent, respectively, while San Antonio (\$227,300) posted 4.3 percent YOY growth.

The **Texas Repeat Sales Index** suggested stronger home price appreciation in Central Texas with Austin and San Antonio posting 4.6 and 5.2 percent YOY growth, respectively. The Houston and Fort Worth index increased 2.9 and 3.7 percent, respectively. On the other hand, YOY growth decelerated to 2.1 percent in Dallas, the lowest level since 2012.

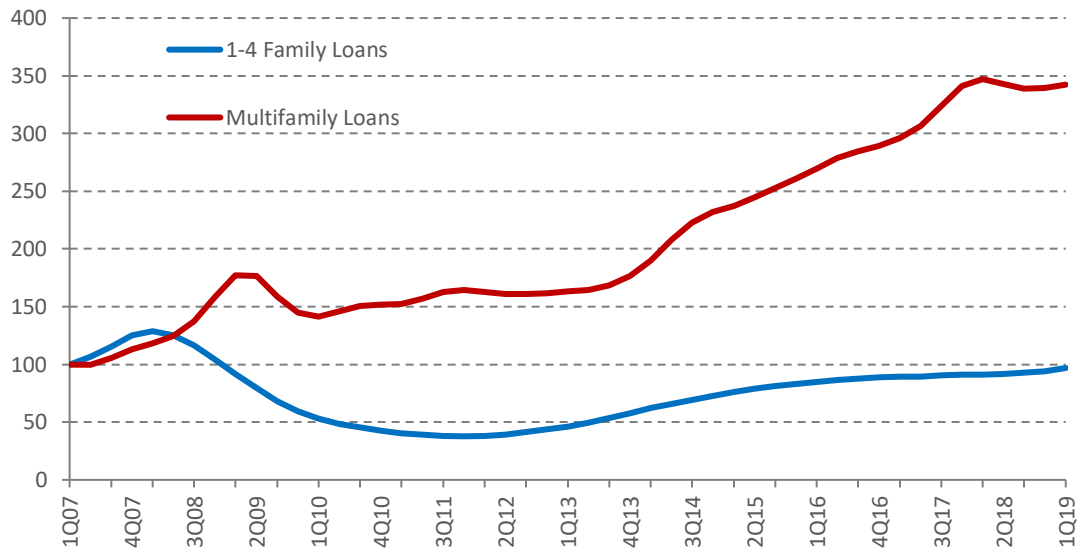


Residential Construction Coincident Indicator
(Index Jan 2007 = 100)



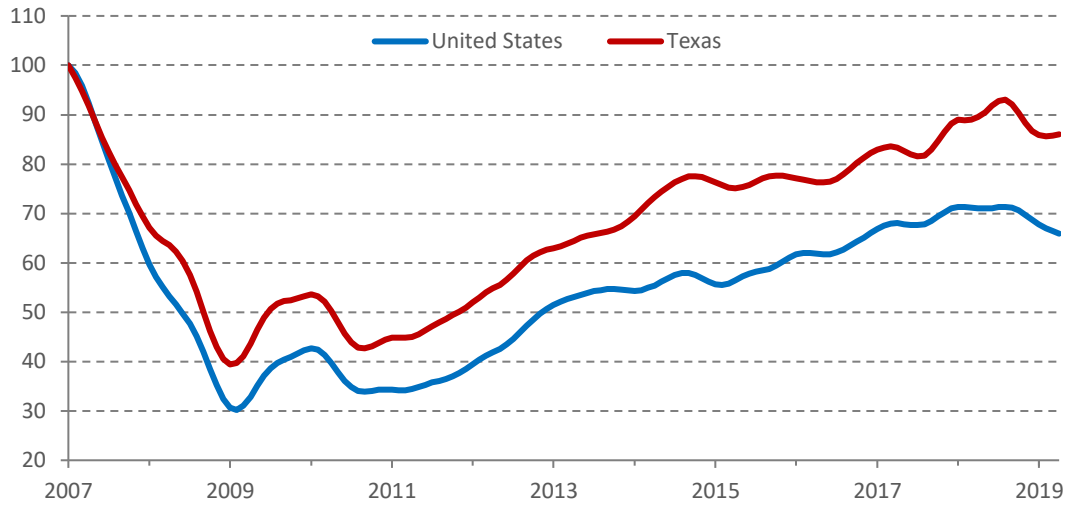
Note: Trend-Cycle Component.
Sources: Real Estate Center at Texas A&M University and Federal Reserve Bank of Dallas

Net Residential Loans
(Index 1Q07 = 100)



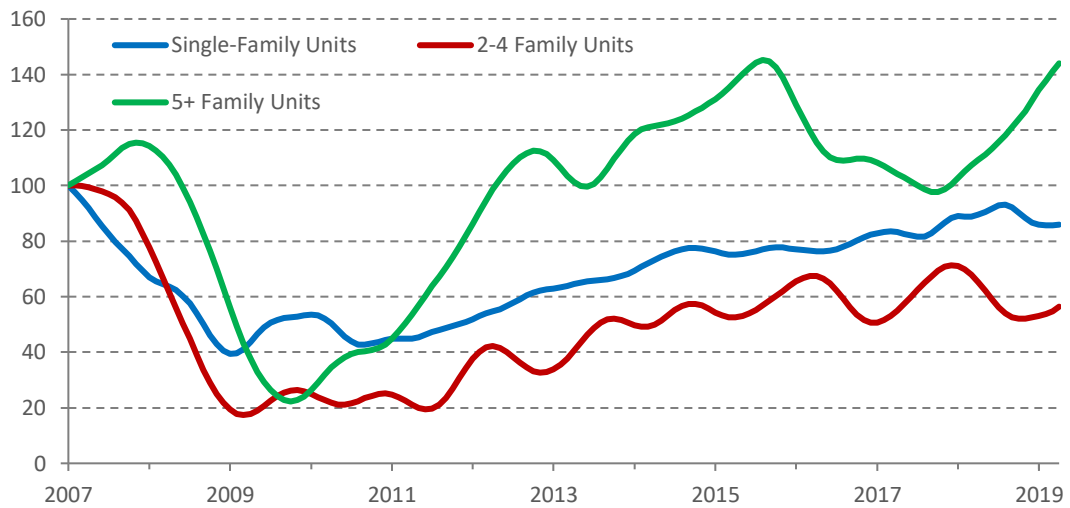
Note: Trend-Cycle Component.
Source: Federal Deposit Insurance Corporation

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



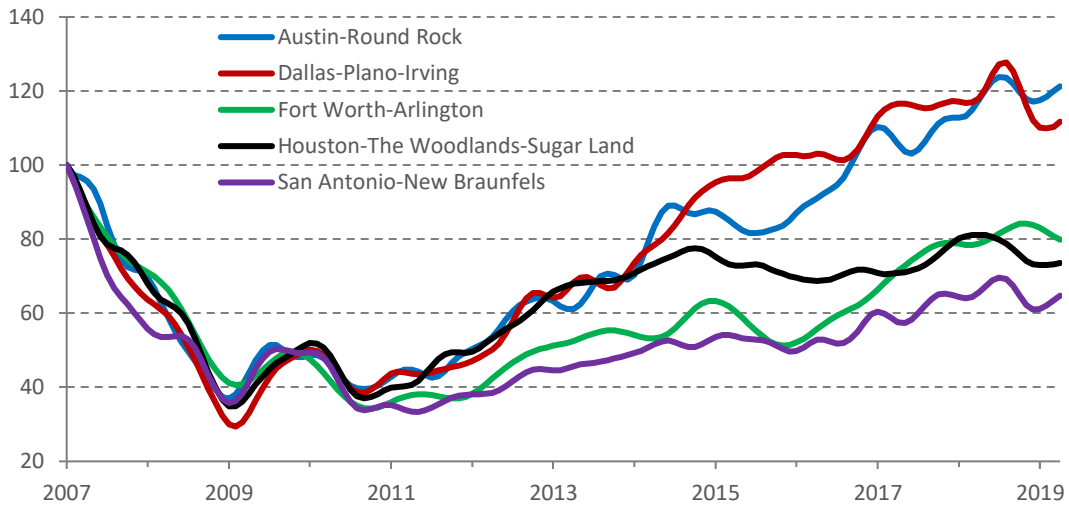
Note: Trend-Cycle Component.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Texas Housing Construction Permits (Index Jan 2007 = 100)



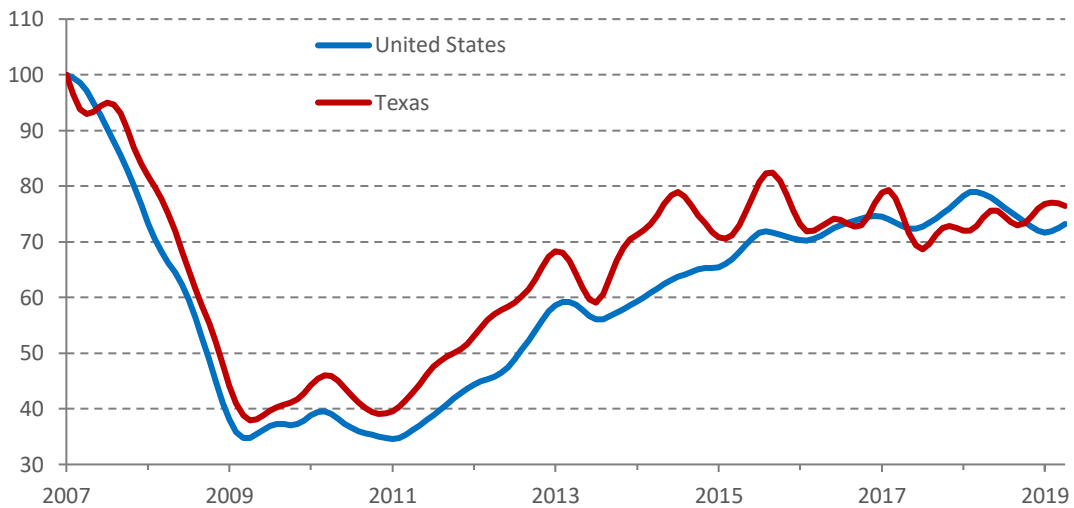
Note: Trend-Cycle Component.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



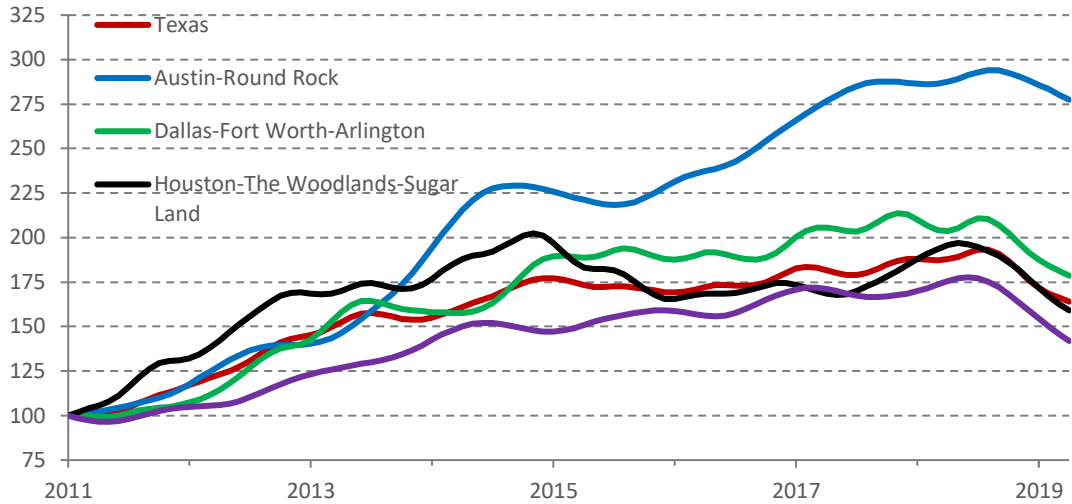
Note: Trend-Cycle Component. Fort Worth is missing data for Somervell County.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



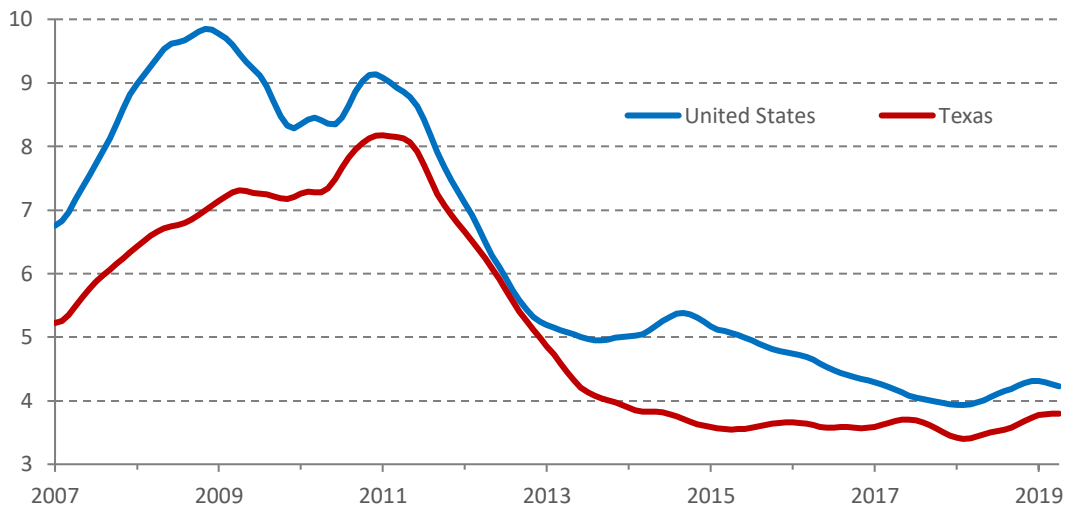
Note: Trend-Cycle Component.
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

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



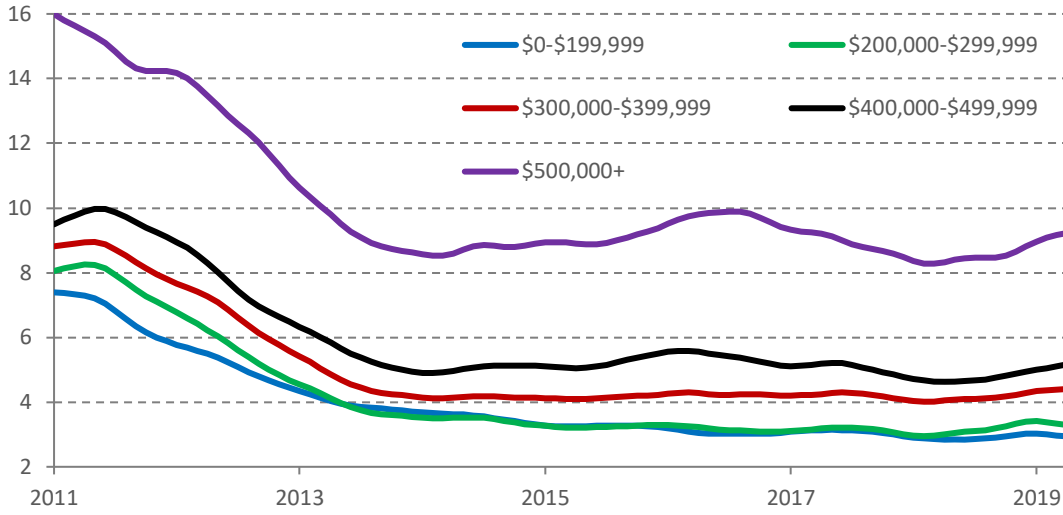
Note: Inflation adjusted. Trend-Cycle Component.
Source: Dodge Analytics

Total Months of Inventory (Months)



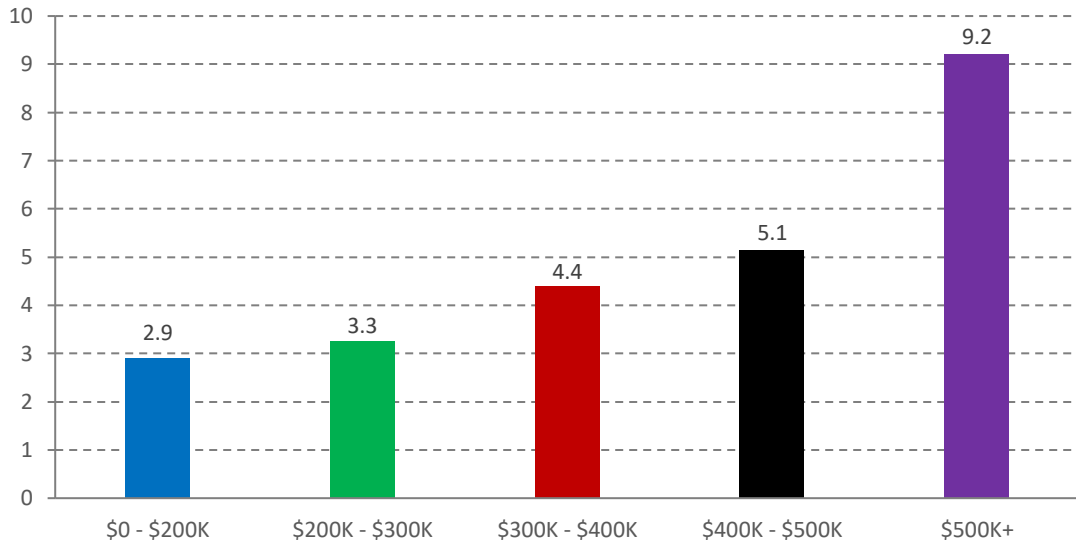
Note: Trend-Cycle Component. Months of inventory for the United States is estimated using weights for all existing homes and new single-family homes; new nonsingle-family homes are not included. Texas includes all existing and new homes. For more information, see [Months of Inventory](#).
Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University

Texas Months of Inventory by Price Cohort (Months)



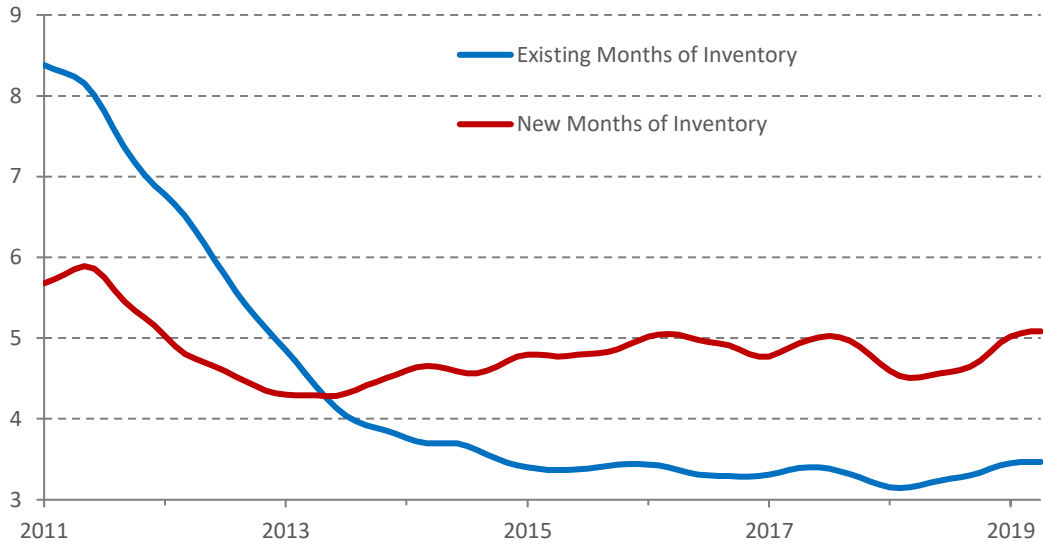
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

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



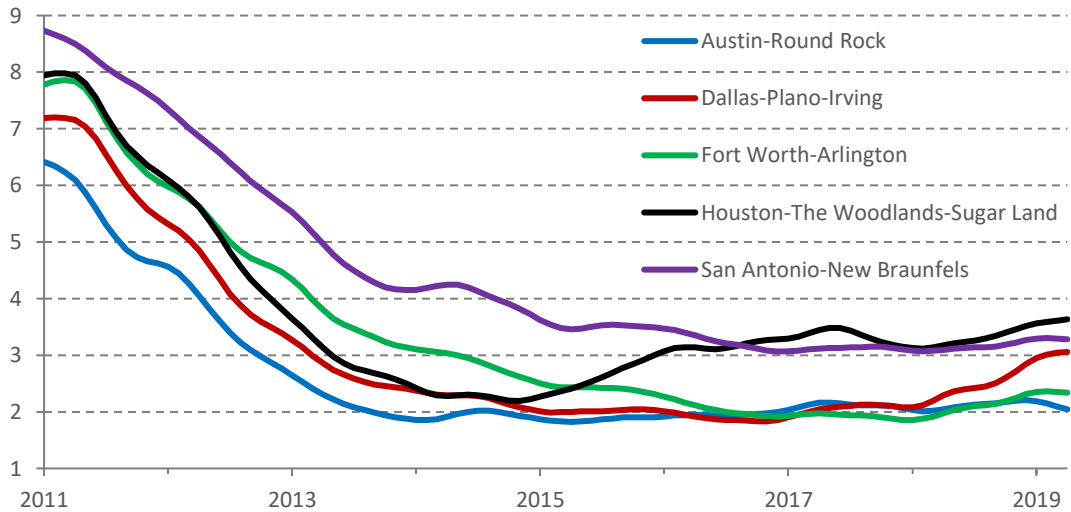
Note: Seasonally adjusted.
Source: Real Estate Center at Texas A&M University

Texas Existing and New Home Months of Inventory (Months)



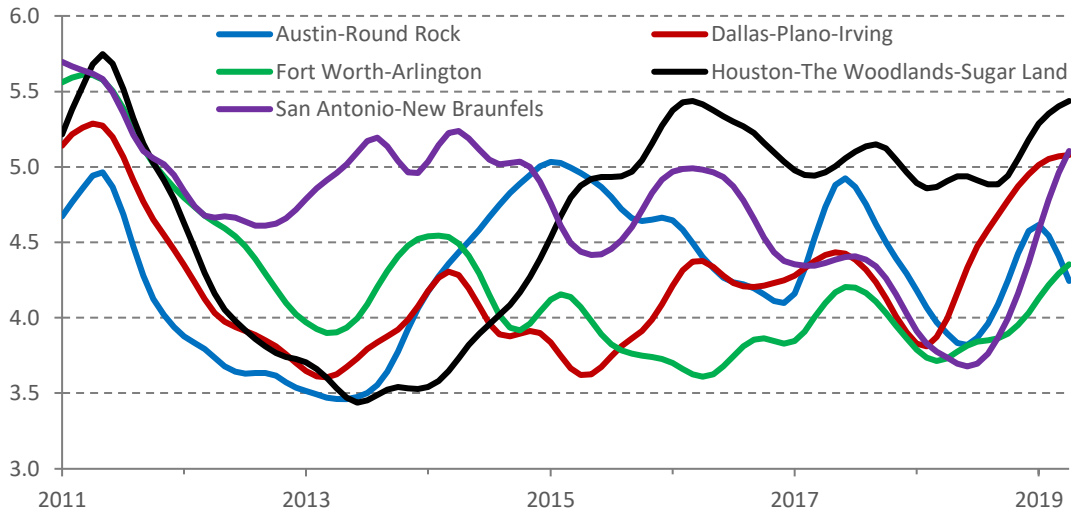
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

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)

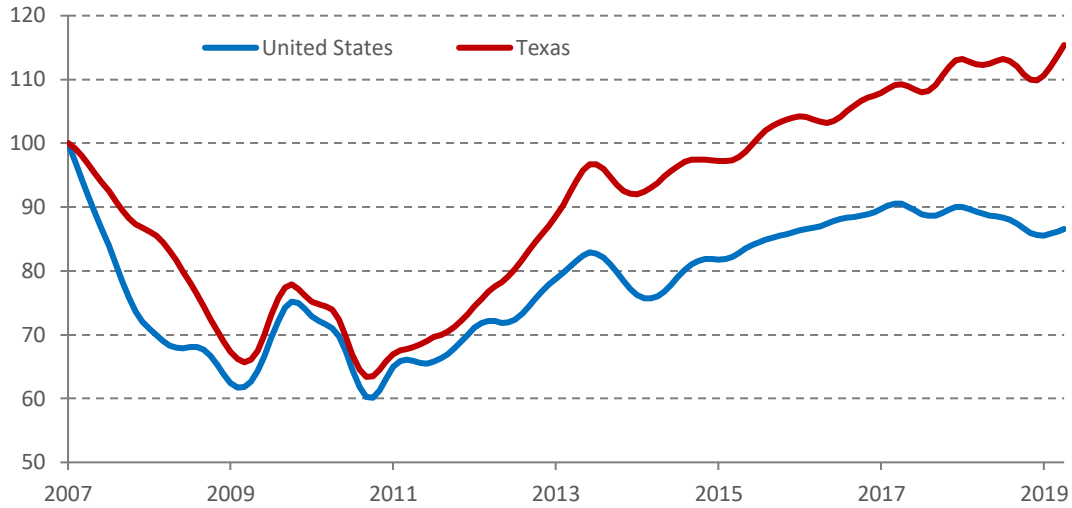


Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University



DEMAND

Total Housing Sales
(Index Jan 2007 = 100)

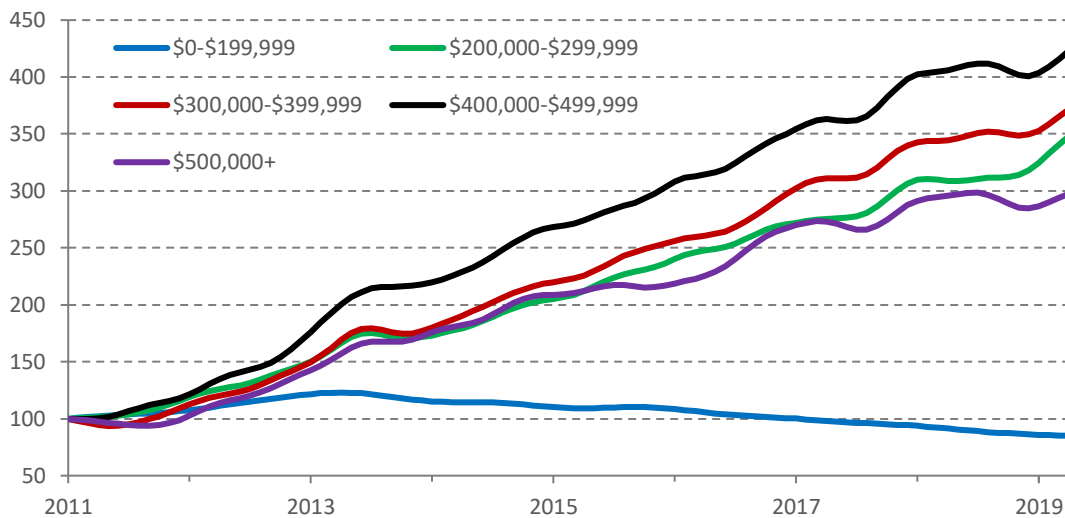


Note: Trend-Cycle Component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

For more information see [Housing Sales](#).

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)

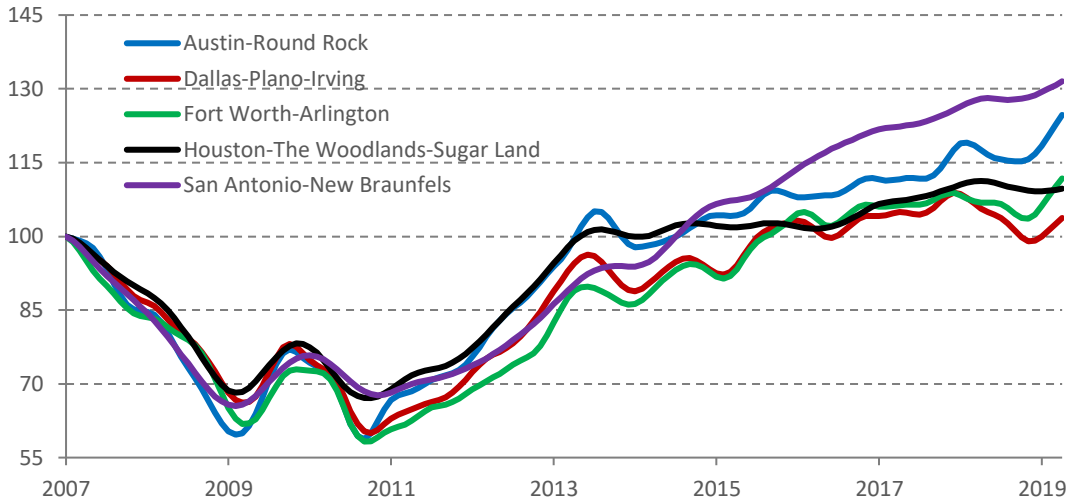


Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

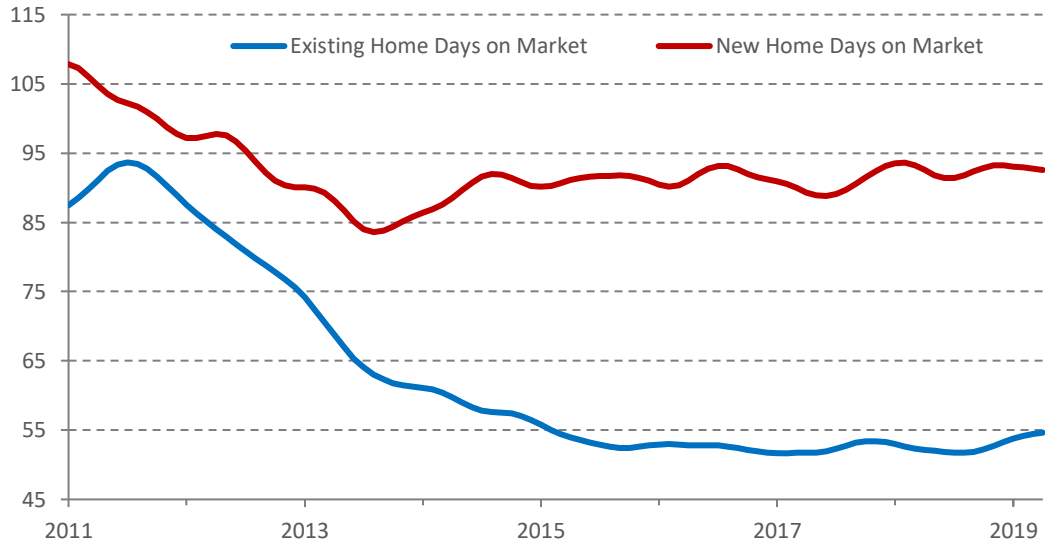


Major Metros Total Housing Sales (Index Jan 2007 = 100)



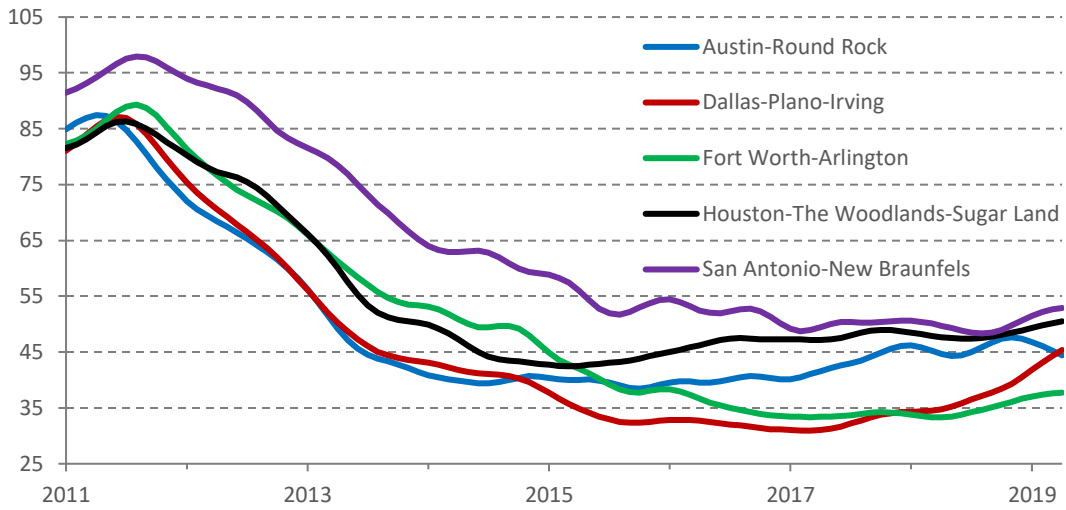
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Texas Homes Days on Market (Days)



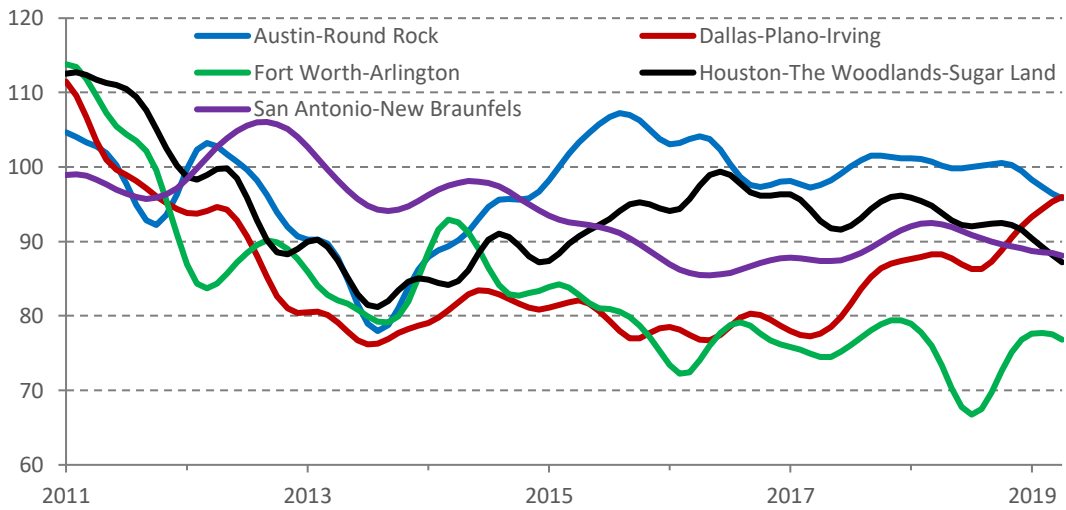
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



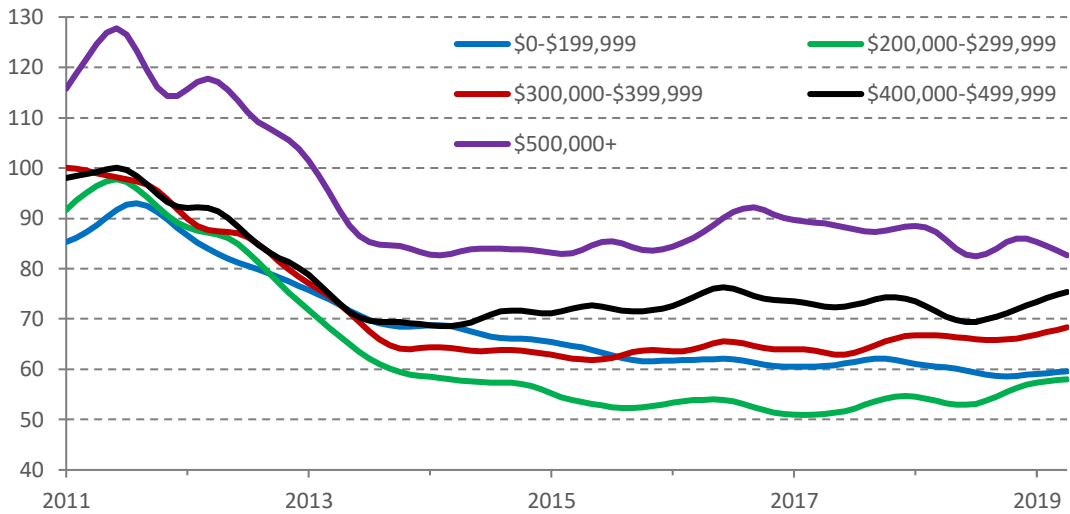
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)



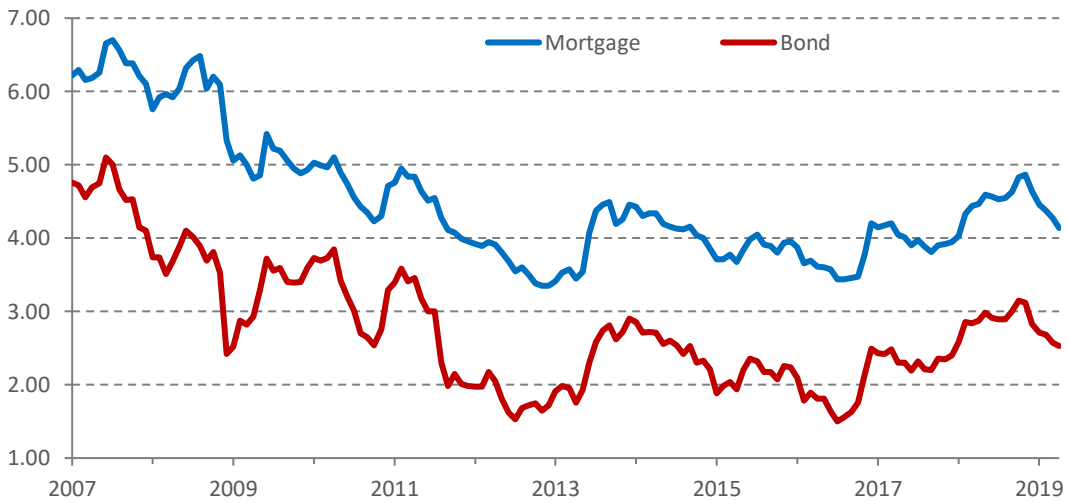
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Days on Market by Price Cohort (Days)



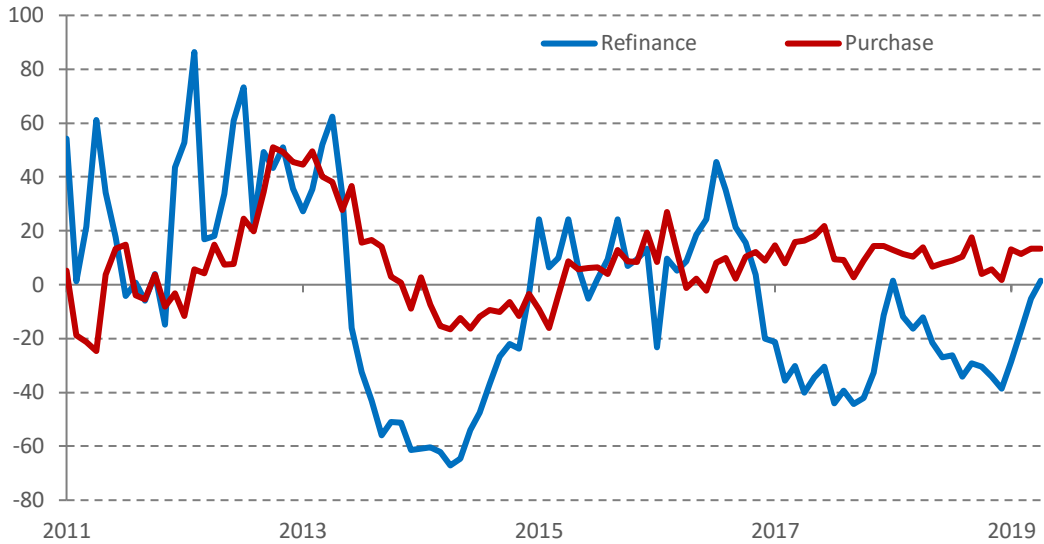
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



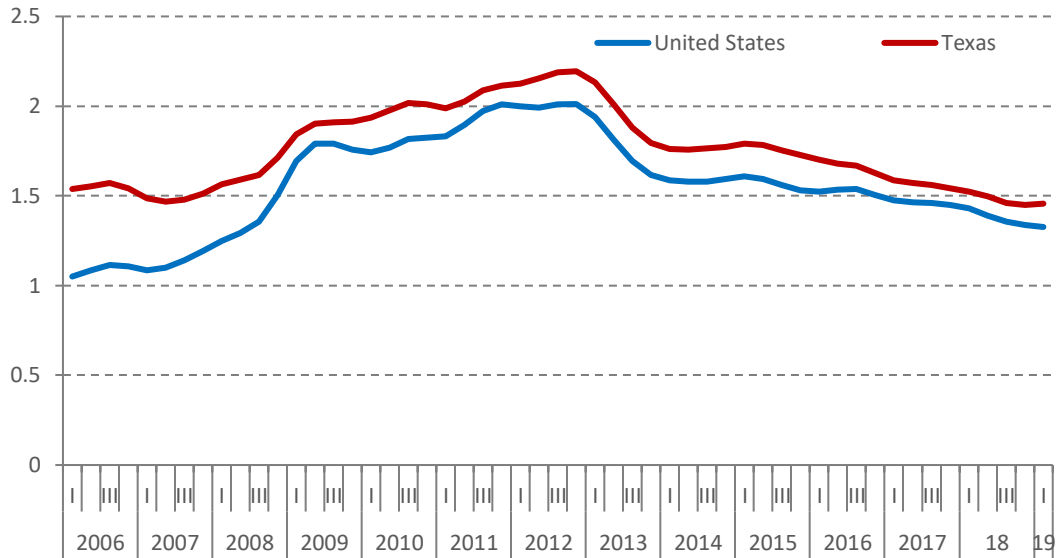
Note: Seasonally adjusted.
Sources: Federal Home Loan Mortgage Corporation and Federal Reserve Board

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



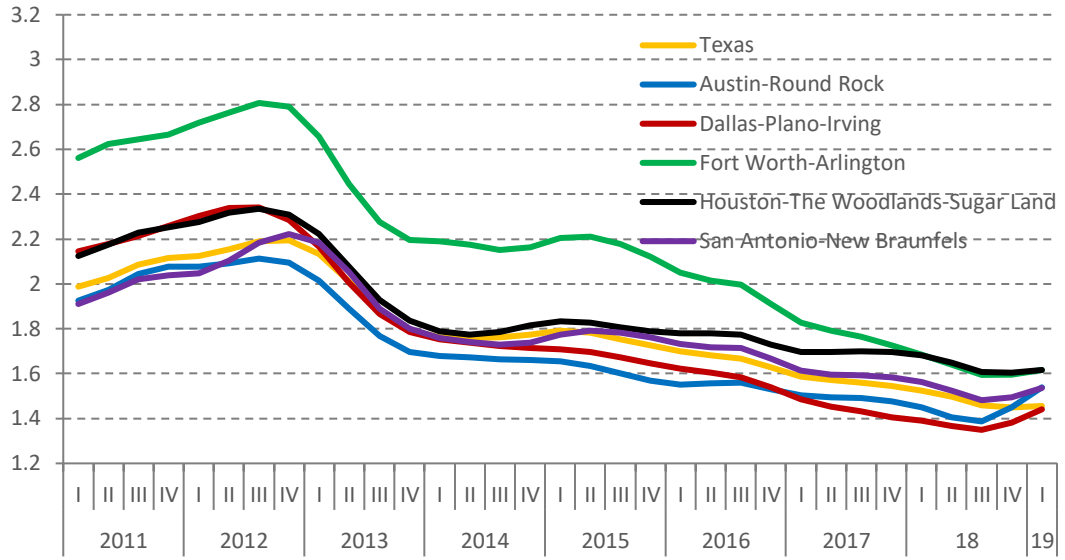
Source: Mortgage Bankers Association

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

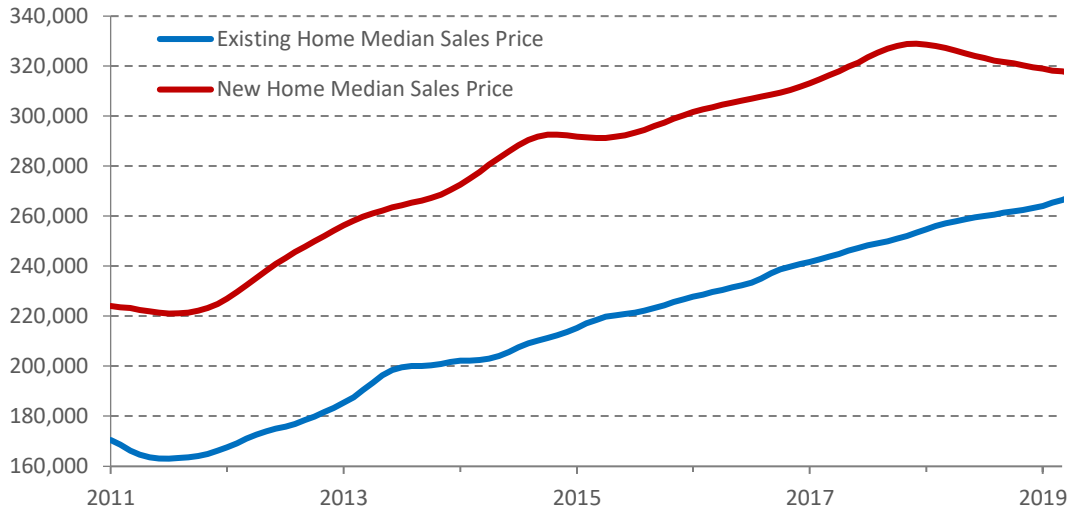
Real Estate Center Major Metros Housing Affordability Index (Index)



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

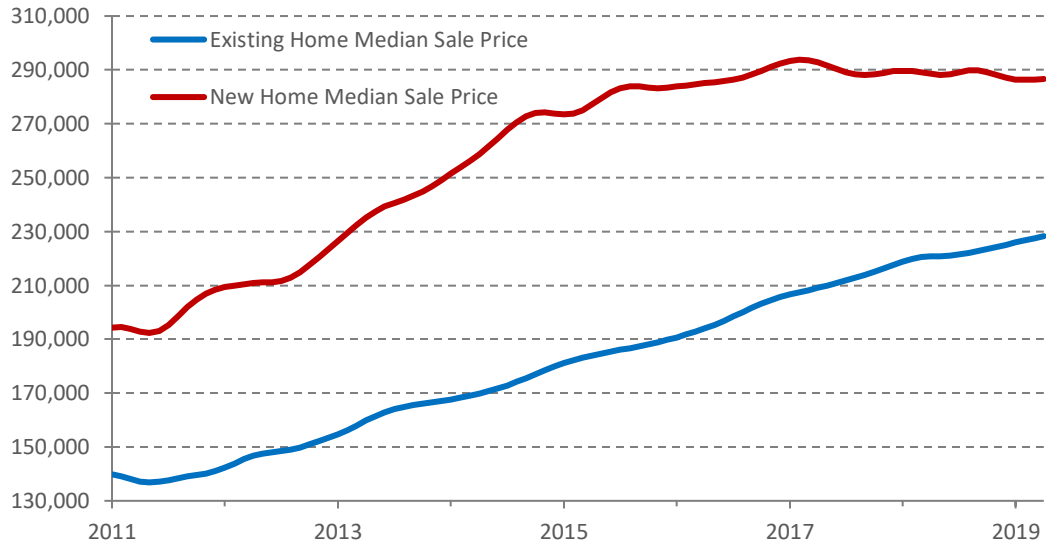


United States Existing and New Home Median Sales Price (\$)



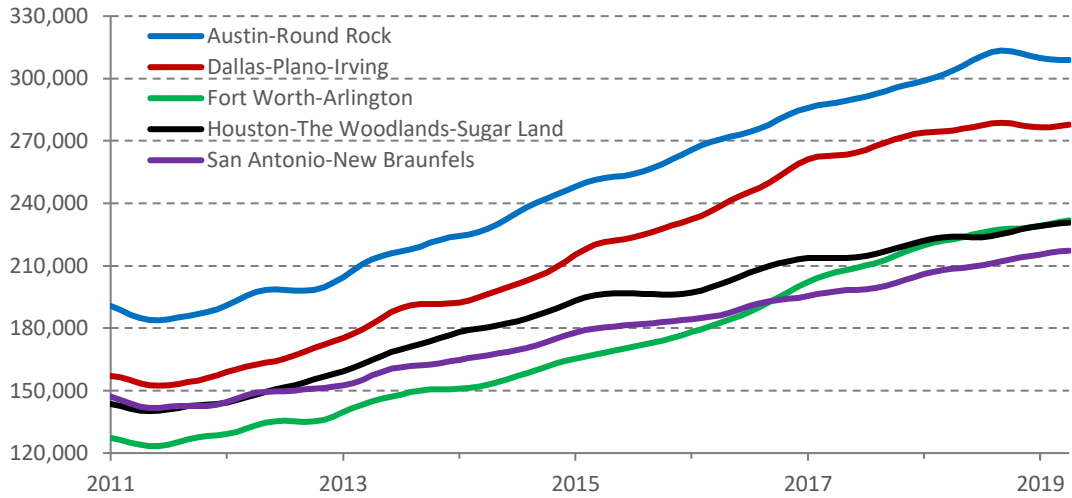
Note: Trend-Cycle Component. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



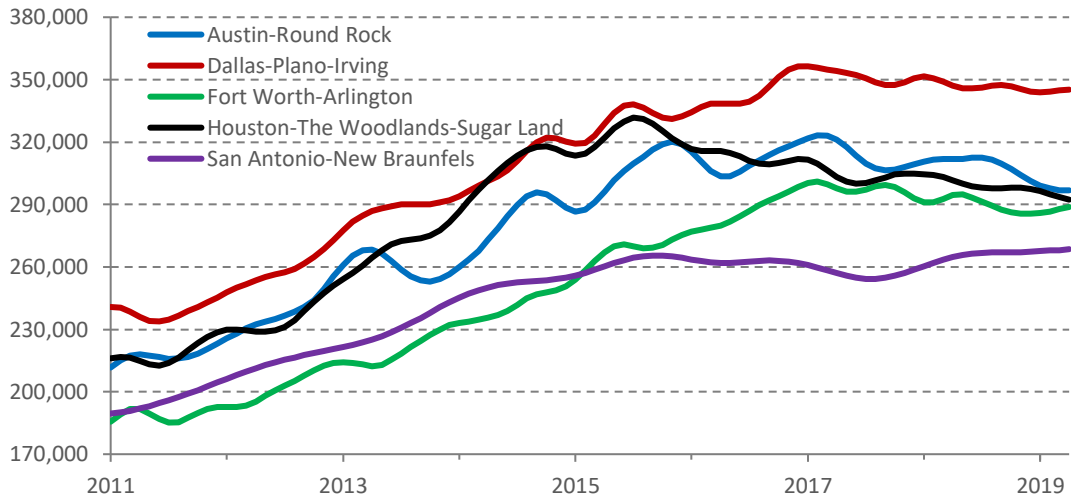
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



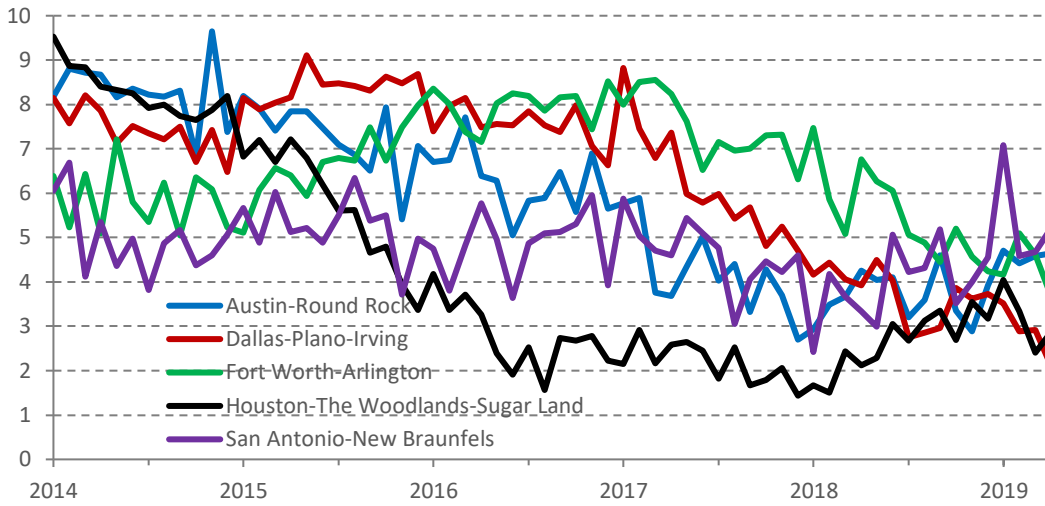
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



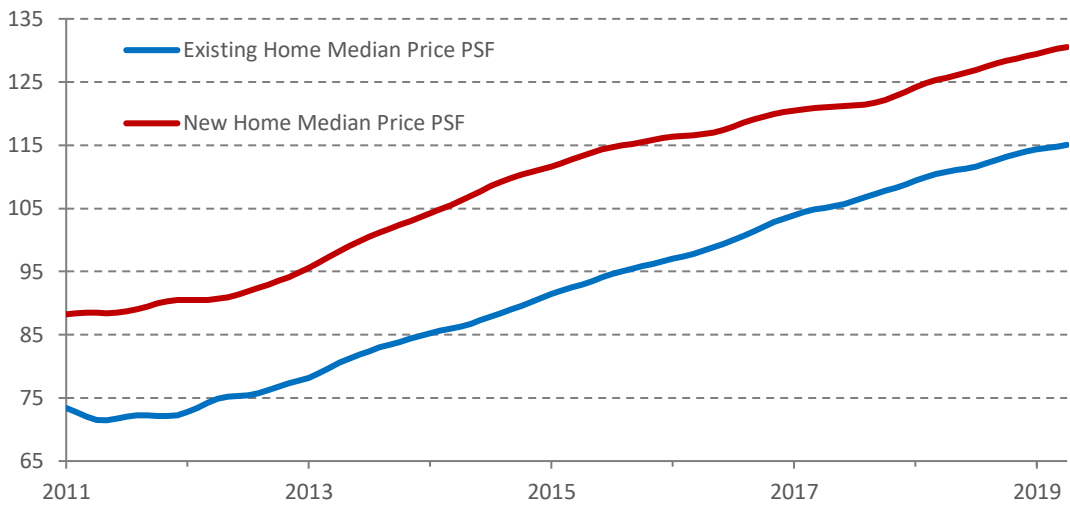
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



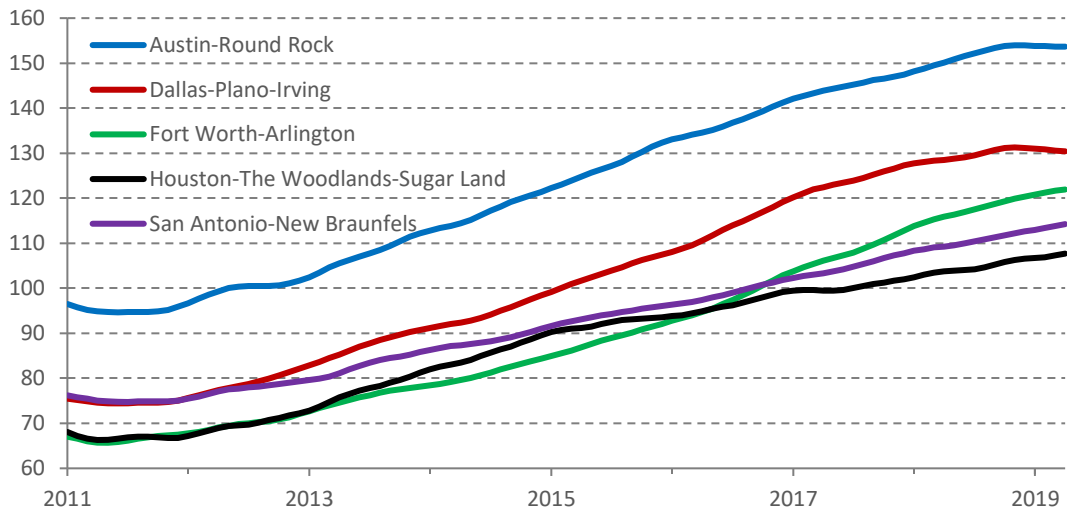
Note: The Repeat Sales Housing Price Index tracks real home price appreciation for residential single-family homes.
Source: Real Estate Center at Texas A&M University

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



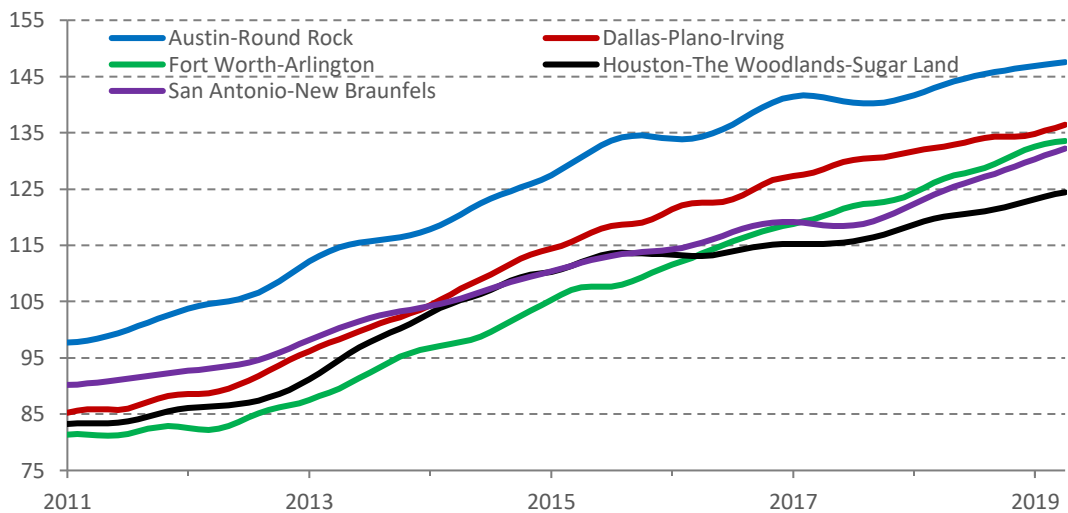
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



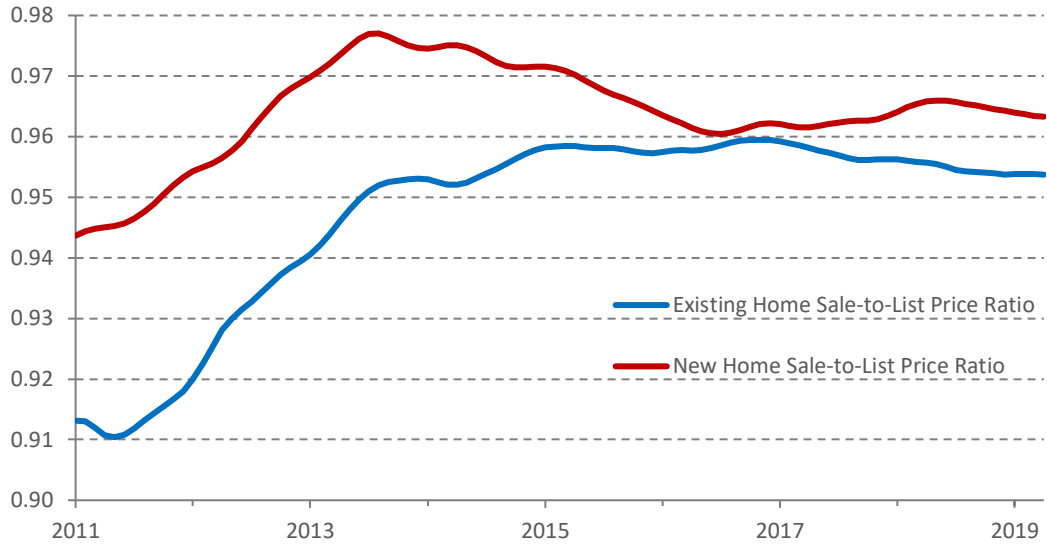
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



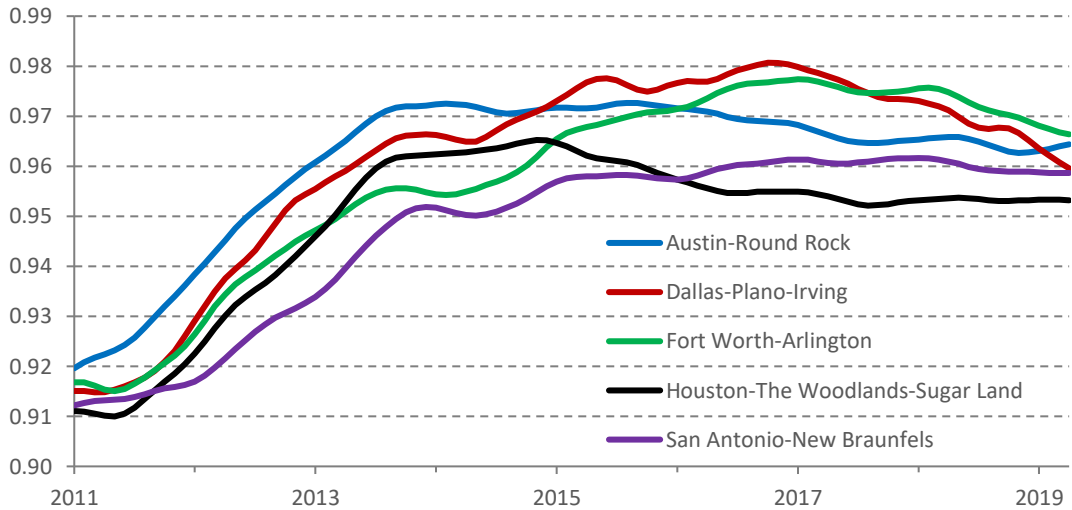
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price (Ratio)



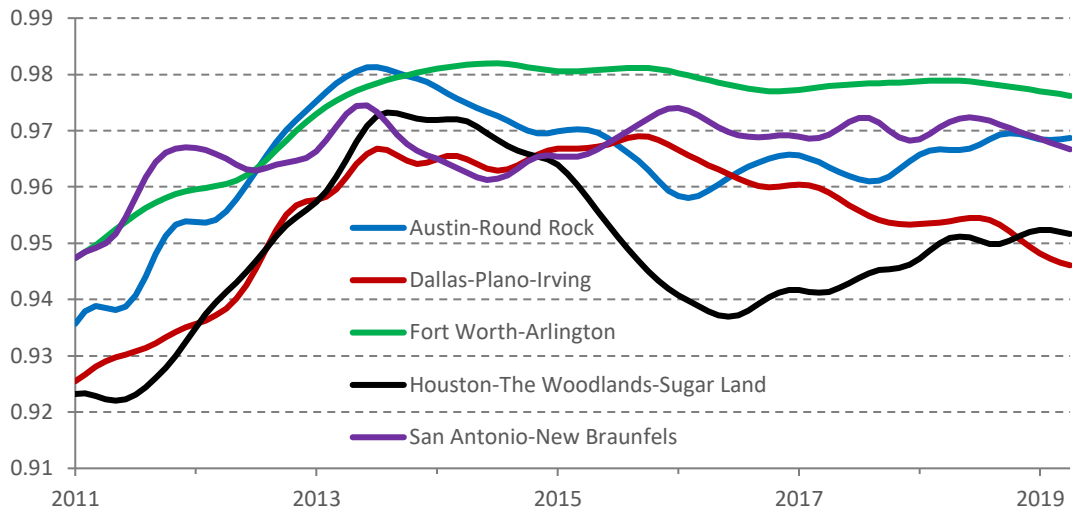
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



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