



TEXAS A&M UNIVERSITY

Real Estate Center



# TEXAS HOUSING INSIGHT

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**2 1 2 0**

JUNE 2019 DATA

**TECHNICAL REPORT**

<b>About This Report .....</b>	<b>3</b>
<b>June 2019 Summary .....</b>	<b>4</b>
Texas Residential Construction Index.....	7
Vacant Developed Lots .....	7
Single-Family Housing Construction Permits.....	8
Texas Housing Construction Permits .....	8
Major Metros Single-Family Housing Construction Permits.....	9
Total Housing Starts Per Capita .....	9
Major Metros Single-Family Starts .....	10
Total New Private Single-Family Construction Value .....	10
Total Months of Inventory .....	11
Texas Months of Inventory by Price Cohort .....	11
Texas Current Months of Inventory by Price Cohort.....	12
Texas Existing and New Home Months of Inventory.....	12
Major Metros Existing Home Months of Inventory.....	13
Major Metros New Home Months of Inventory.....	13
<b>Demand .....</b>	<b>14</b>
Total Housing Sales .....	14
Texas Total Housing Sales by Price Cohort .....	14
Major Metros Total Housing Sales.....	15
Major Metros New-Home Sales.....	15
Texas Homes Days on Market.....	16
Major Metros Existing Homes Days on Market.....	16
Major Metros New Homes Days on Market.....	17
Home Ownership Rate.....	17
Major Metros Home Ownership Rate .....	18
Texas Home Days on Market by Price Cohort .....	18
30-Year Mortgage Rate and 10-Year Treasury Yield.....	19
Texas Mortgage Applications.....	19
<b>Prices.....</b>	<b>20</b>
United States Existing and New Home Median Sales Price .....	20

Texas Existing and New Home Median Sales Price.....	20
Major Metros Existing Home Median Sales Price.....	21
Major Metros New Home Median Sales Price.....	21
Real Estate Center Repeat Sales Housing Price Index .....	22
Texas Home Median Price Per Square Foot.....	22
Major Metros Existing Home Median Price Per Square Foot .....	23
Major Metros New Home Median Price Per Square Foot .....	23
Texas Home Sale Price to List Price .....	24
Major Metros Existing Home Sale Price to List Price.....	24
Major Metros New Home Sale Price to List Price.....	25



# 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).

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

Data current as of August 01, 2019

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## JUNE 2019 SUMMARY

NEW VACANT DEVELOPED LOTS

▲ 6.3%

MONTHS OF INVENTORY

▼ 3.8 Months

DAYS ON MARKET

▼ 58 Days

30-YEAR MORTGAGE RATE

▼ 3.8%

TEXAS REPEAT SALES INDEX

▲ 3.3%

Texas housing sales dropped 10 percent after hovering around record levels in April and May. The trend, however, remained positive with lower mortgage rates and robust demand. Falling mortgage rates and rising income levels stimulated mortgage applications for home purchases as well as the homeownership rate. The average home continued to sell in less than two months on the market. On the supply side, single-family housing permits and starts wavered on the month, but a surge in vacant lot development indicates positive momentum for future construction. Home prices continued to rise but at a more moderate pace, providing some relief to affordability constraints. The shortage of homes priced below \$300,000 remained the biggest challenge 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 due to sluggish residential construction values and wages in the industry. The **Residential Construction Leading Index** flattened as a decline in building permits offset lower interest rates. The extended economic expansion, however, continues to bode well for the housing market.

Supply-side activity remained stable at the earliest stage of the construction cycle with a 6.3 percent quarterly increase in the number of **new vacant developed lots** (VDLs). Austin's VDLs rebounded after a slow start to the year, primarily for those targeting homes selling for less than \$300,000. Development maintained an upward trend in San Antonio, but activity cooled for lots targeted for homes priced more than the metro's median (\$229,750). New VDLs picked up for the second straight quarter in Houston but failed to recover all of the losses from the second half of 2018. Dallas-Fort Worth (DFW) continued a yearlong decline of lot development in response to last year's market adjustment.

**Single-family construction permits** receded 13 percent in June after five consecutive monthly increases. The overall trend remained positive, but permits are currently on track to fall short of last year's total. Texas' 9,767 monthly permits (nonseasonally adjusted) accounted for 15 percent of the U.S. total, extending a 13-year stretch as the national leader. Houston and DFW topped the

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



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list at the metropolitan level with 3,030 and 2,822 permits, respectively, but flattened after a marginal recovery from last year's correction. In Central Texas, permits staggered in June but maintained a steady upward trend. Austin issued 1,598 single-family permits, while San Antonio issued 660.

**Total Texas housing starts** increased 5.2 percent quarter over quarter due to continued strength in multifamily residential investment. Approximately 22,600 single-family homes broke ground in the Texas Urban Triangle, slightly down from a solid first quarter. Most of the quarterly decline occurred in the ultra-constrained \$200,000-\$400,000 price range. In Austin and Dallas, single-family starts held a flat trend, but Houston showed signs of weakness. Starts fell back in San Antonio but maintained 7 percent year-over-year growth.

Revised first quarter data revealed that **single-family private construction values** bottomed out after a sharp decline in the second half of 2018. Austin and Houston displayed similar stabilization, while DFW construction values continued to slide in line with VDLs. Accelerating supply activity in San Antonio pushed single-family construction values up toward a cycle high.

Housing starts had little effect on **Texas' months of inventory (MOI)**, which held firmly at 3.8 months. A total MOI around six months is considered a balanced housing market. Last year's stretch of slow and steady inventory growth stalled amid rebounding demand and fewer new Multiple Listing Service (MLS) listings. Different segments of the market displayed wide variation in inventory levels. The MOI for homes priced less than \$300,000 hovered below three months, while the MOI surpassed 9.1 months for luxury homes (those priced more than \$500,000). These divergent trends exemplify the shortage of affordable housing and the current mismatch between demand and supply.

The MOI ticked down across the major metros with signs of downward pressure after marginal gains last year. Dallas and Fort Worth reached year-to-date (YTD) lows at 3.3 and 2.6 months, respectively, while Austin's MOI fell to 2.4 months. In San Antonio, the MOI hovered around a three-year high in May, while Houston's MOI ticked down closer to four months.

## **Demand**

**Total housing sales** through an MLS dropped 10.1 percent in June but remained on an upward trajectory amid lower mortgage rates, rising wages, and more moderate home price appreciation. Per MetroStudy data, second quarter new home sales surpassed 24,000 in the Texas Urban Triangle for the first time since 2007, corroborating the overall strength of the state's housing market. New home sales increased across the price spectrum with particular strength in the \$200,000-\$300,000 price range.

Austin sold a record level 4,628 new homes during the second quarter, surpassing 13 percent year-over-year (YOY) growth. San Antonio was the growth leader at 15.6 percent YOY, selling more than 3,200 new homes. Dallas and Houston accounted for two-thirds of the new-home transactions with 8,623 and 7,611, respectively.

Texas' **average days on market (DOM)** hovered around its four-year trend of 58 days. San Antonio continued to track the statewide level, while the DOM in Austin and Houston both fell to 56 days. Dallas' DOM flattened for the first time this year at 54 days, more than a week longer than in June 2018. Fort Worth remained the exception with the DOM at 43 days and showed signs of trending lower.

Slightly softer affordability pressure generated an uptick in Texas' homeownership rate, increasing to 62 percent after three consecutive quarterly declines. The national rate held firmly higher at 64.2 percent. Homeownership is persistently lower in the major metros. Houston ranked the lowest in Texas at 58.8 percent followed by DFW at 59.4 percent. In contrast, Austin's homeownership rate climbed above 59 percent after bottoming out at 54.1 percent in 2017. San Antonio's rate surpassed the state level at 63.8 percent and has been relatively stable over the past two years.

Continued concerns about global economic growth and trade uncertainty pulled interest rates down for the eighth consecutive month. Economic fundamentals at the state and national level, however, remain healthy and stable. Interest rates could fall further after the Federal Reserve's rate cut. The **ten-year U.S. Treasury bond yield** fell to a two-and-a-half-year low of 2.1 percent, while the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** dropped to 3.8 percent. Texans capitalized on lower rates, pushing mortgage applications for home purchases up 15.6 percent YTD. Refinance mortgage applications, which are more sensitive to interest rate fluctuations, have nearly doubled over the past six months.

## Prices

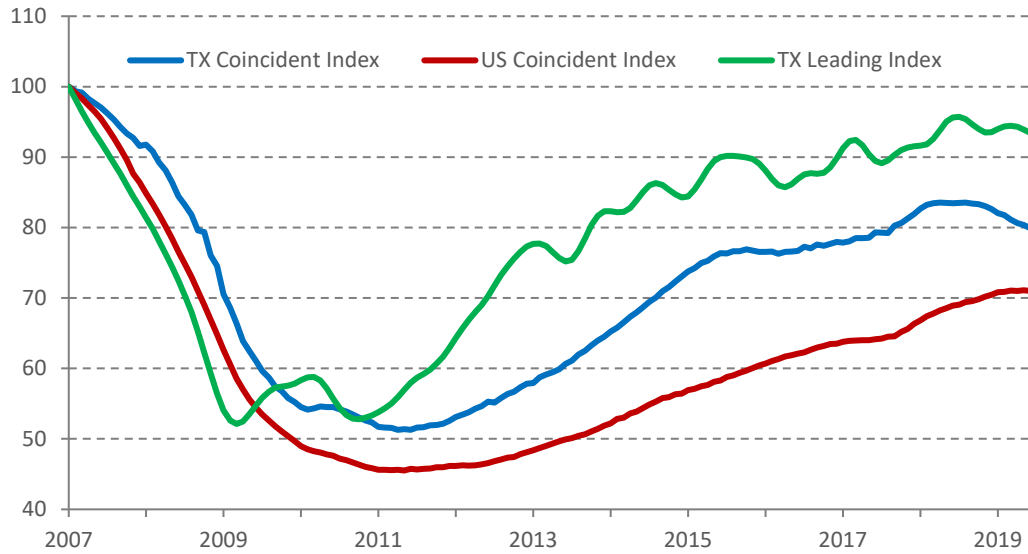
The **Texas median home price** reached a record high \$239,000, growing at an annual rate of 3.9 percent. While still increasing, home prices are no longer soaring at double-digit growth levels. Texas' median price for new and existing homes trailed the respective national median by \$21,700 and \$41,400.

The **Texas Repeat Sales Index** slowed to 3.3 percent YOY growth during the second quarter, the slowest rate in more than five years. The Central Texas boom maintained more than 4 percent growth in Austin and San Antonio, pushing the median price above \$313,000 and \$229,700, respectively. Fort Worth's median price reached a record high \$242,700 amid 3.8 percent growth in the repeat sales index. The Houston index decelerated to 2.4 percent growth as the median price hovered around \$240,000 for most of this year. Home price moderation was most apparent in Dallas where the index slowed to just 1.9 percent and the median price inched upward to \$289,600.



# SUPPLY

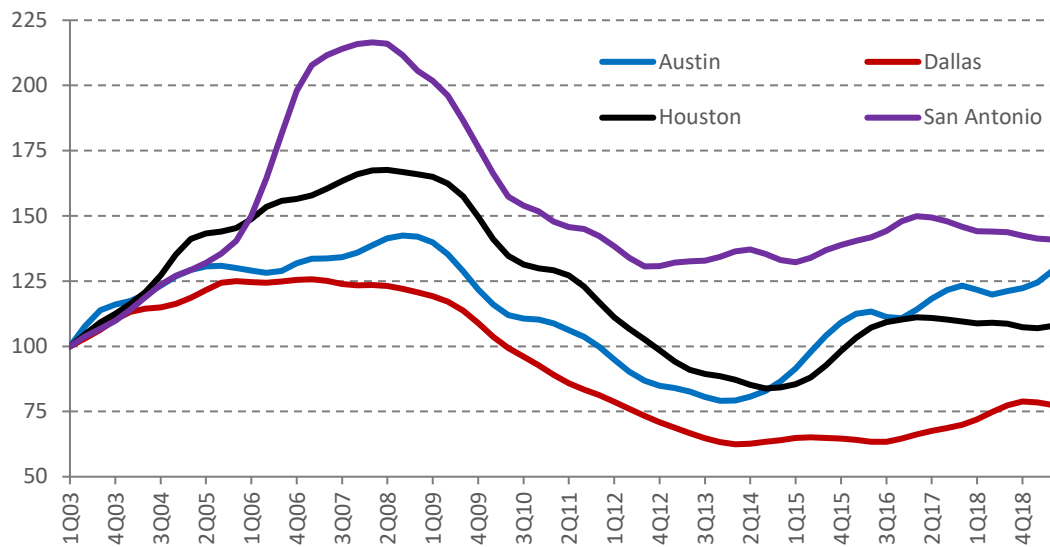
**Texas Residential Construction Index**  
(Index Jan 2007 = 100)



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)

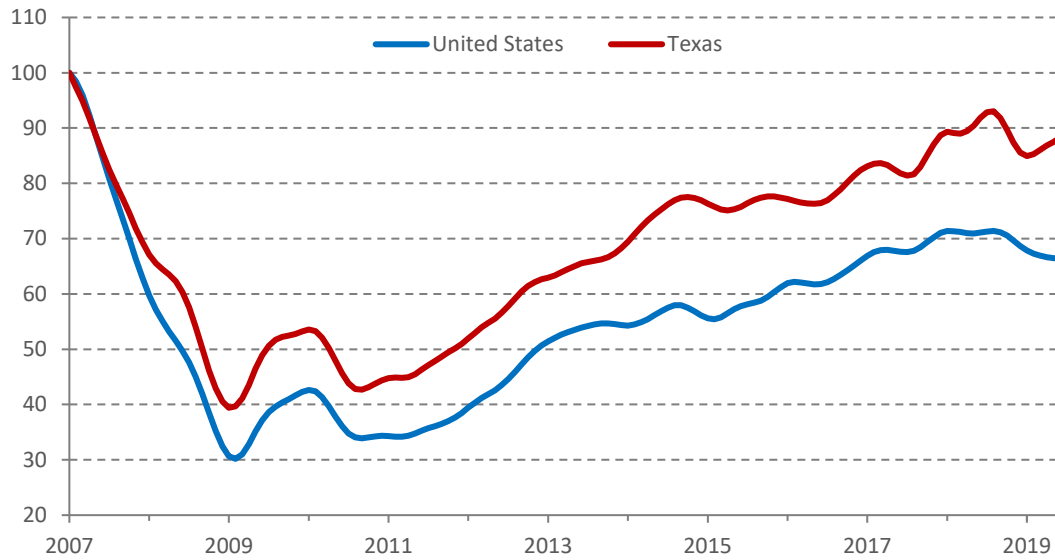


Note: Trend-Cycle Component.

Source: Metrostudy



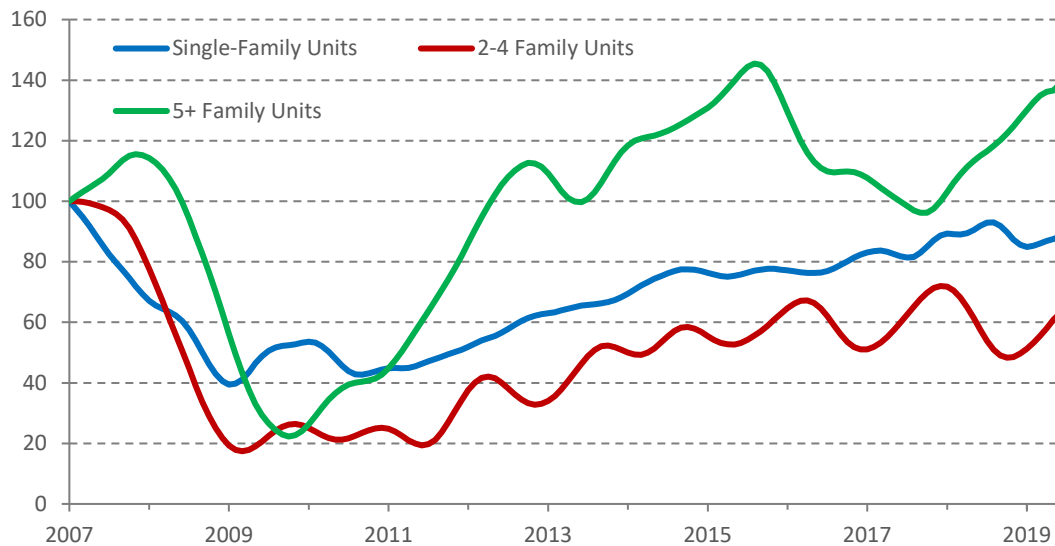
### Single-Family Housing Construction Permits (Index Jan 2007 = 100)



Note: Trend-Cycle Component.

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

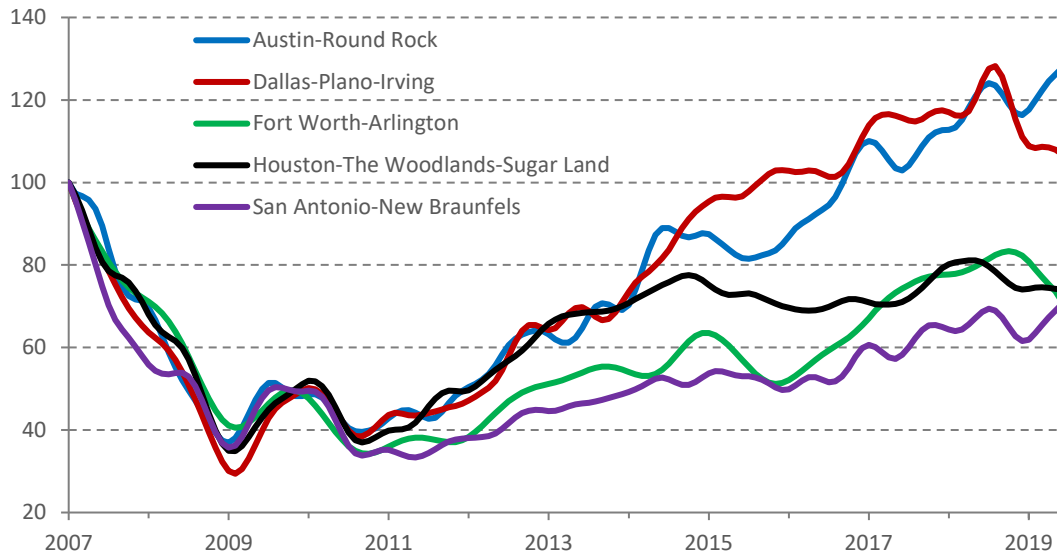
### Texas Housing Construction Permits (Index Jan 2007 = 100)



Note: Trend-Cycle Component.

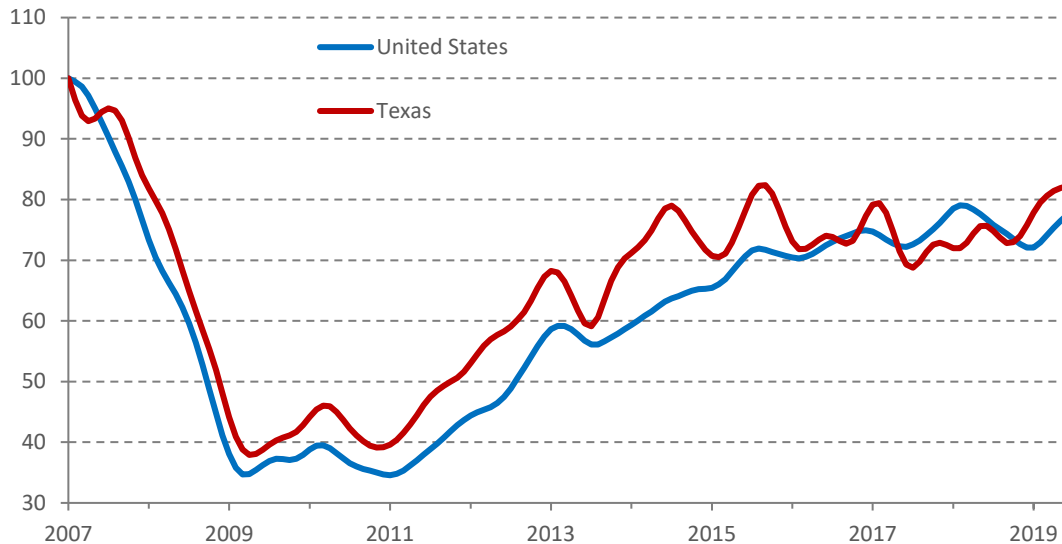
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



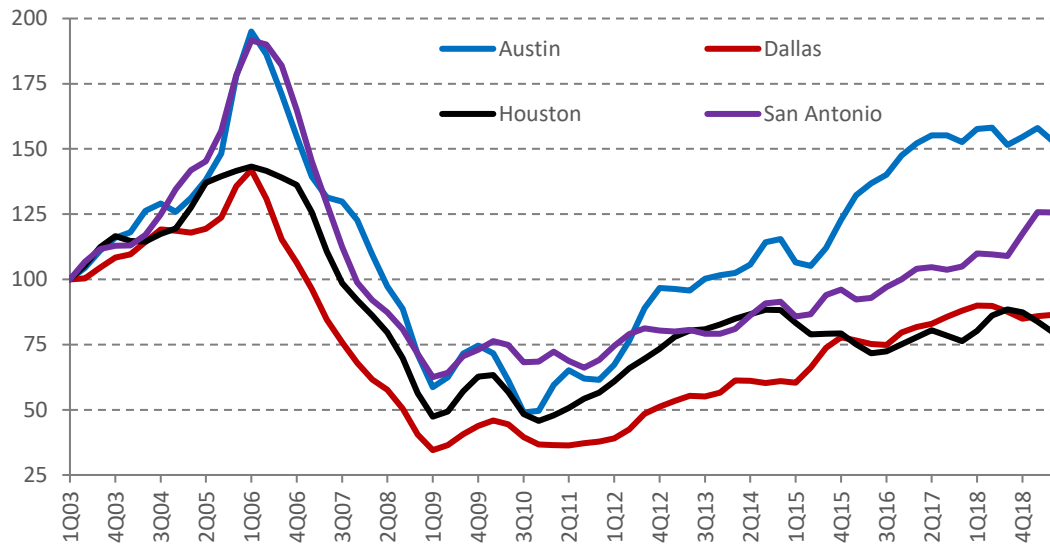
Note: Trend-Cycle Component. Fort Worth is missing data for Somervell County.  
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



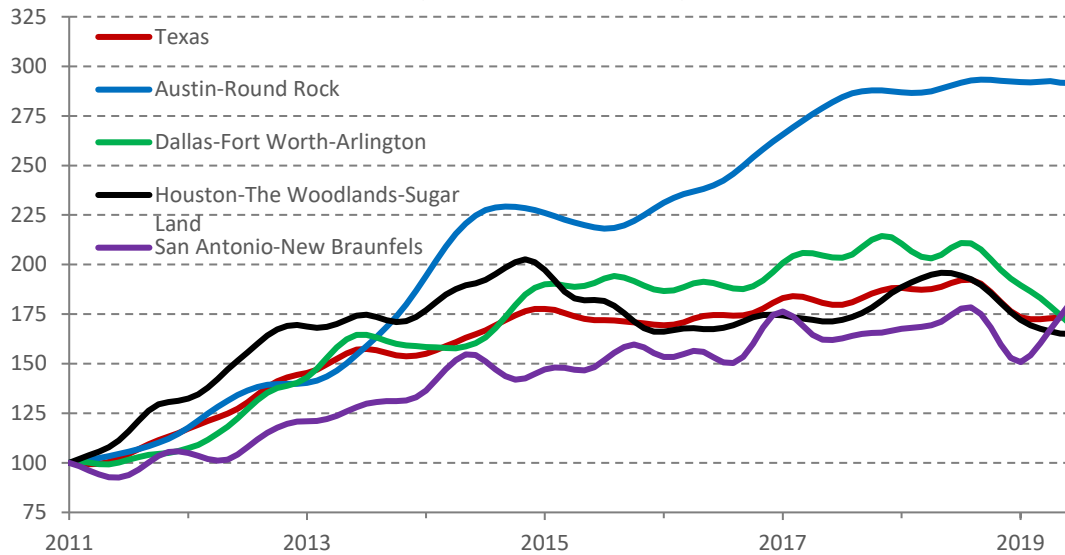
Note: Trend-Cycle Component.  
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

### Major Metros Single-Family Starts (Index Q1 2003 = 100)

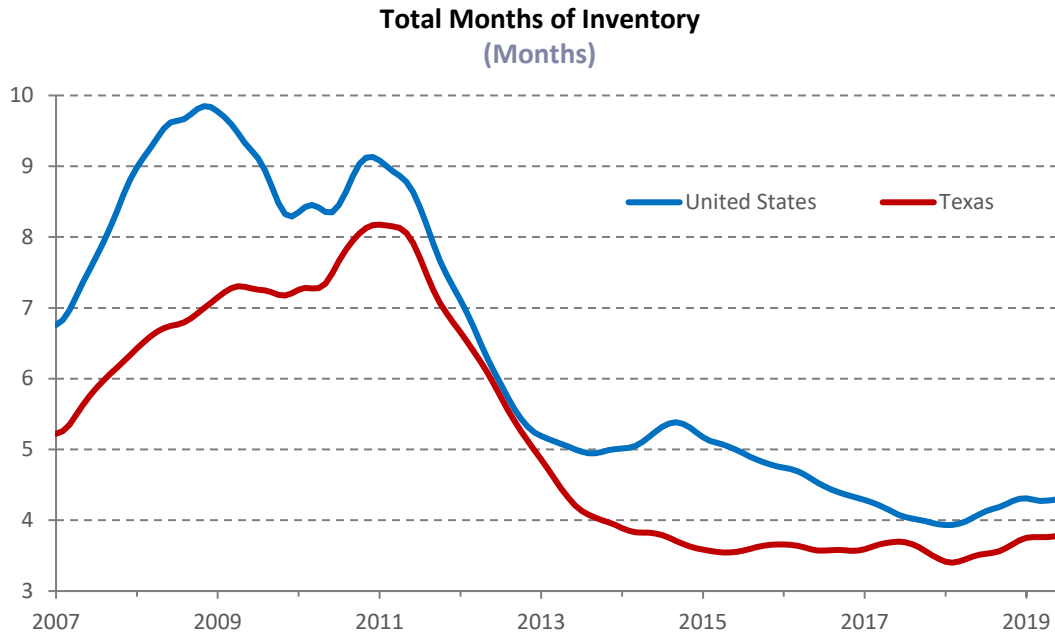


Note: Trend-Cycle Component.  
Source: Metrostudy

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

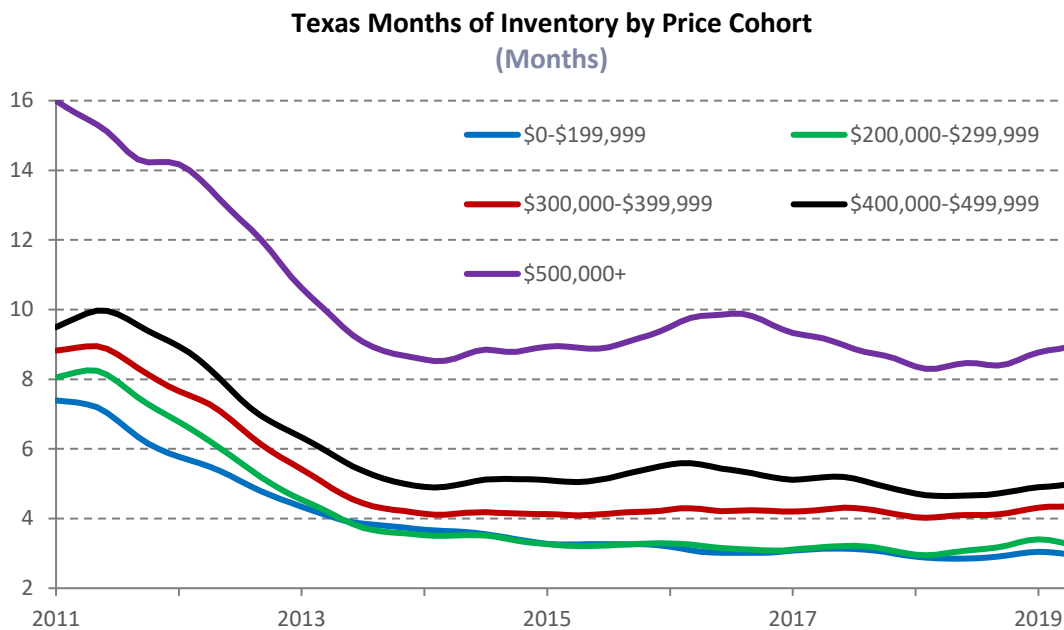


Note: Inflation adjusted. Trend-Cycle Component.  
Source: Dodge Analytics



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](#).

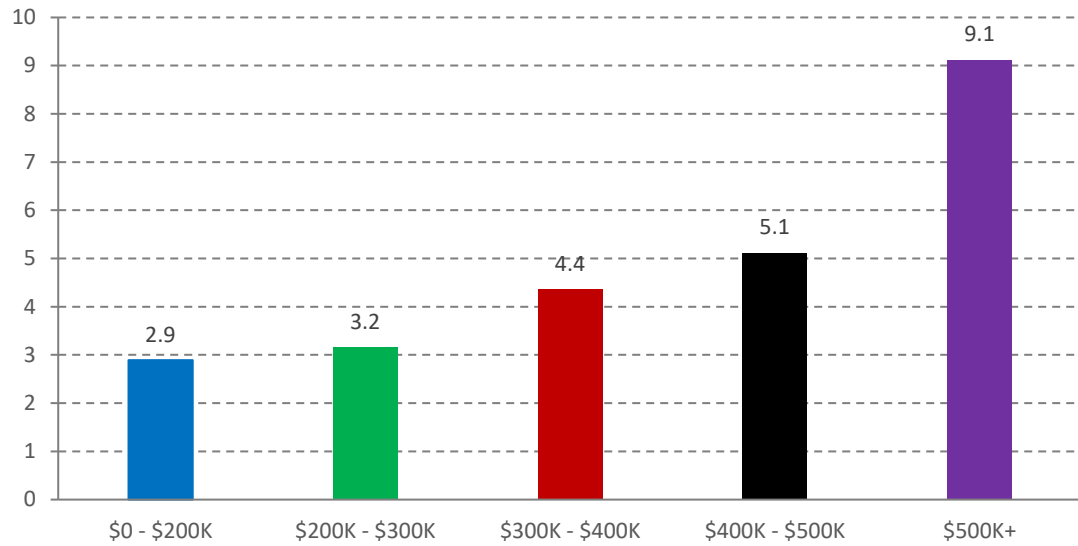
Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

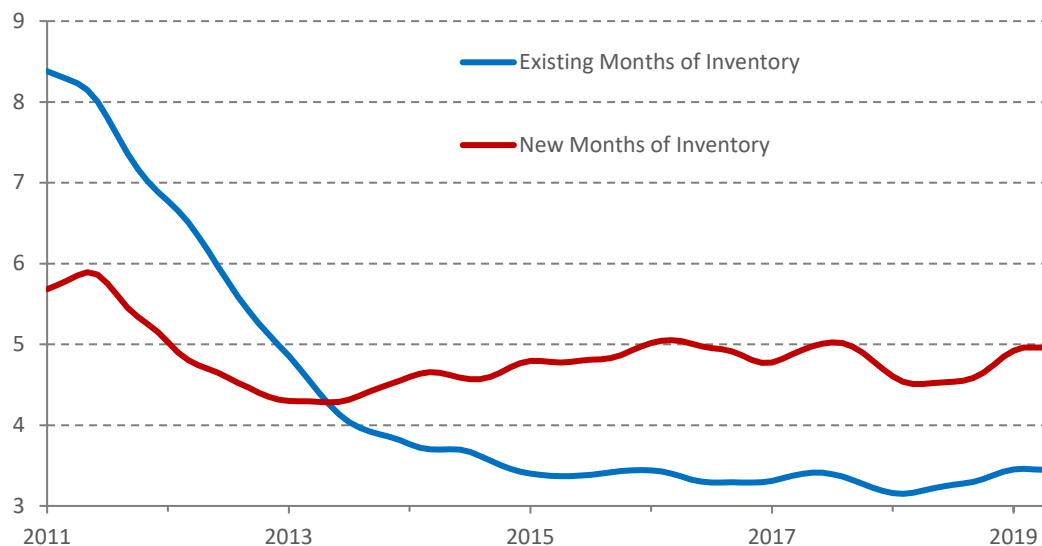
### Texas Current Months of Inventory by Price Cohort (May 2019)



Note: Seasonally adjusted.

Source: Real Estate Center at Texas A&M University

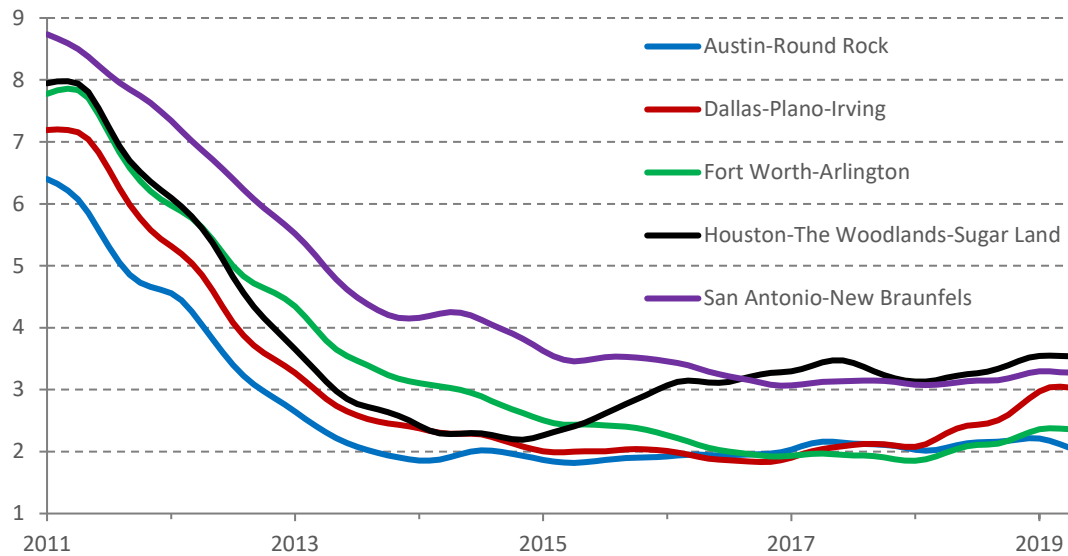
### Texas Existing and New Home Months of Inventory (Months)



Note: Trend-Cycle Component.

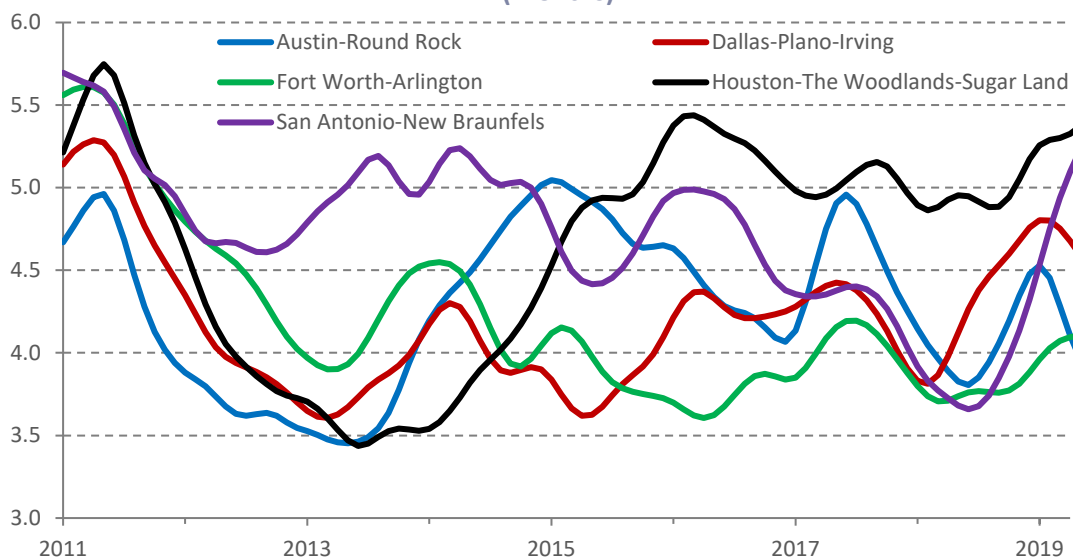
Source: Real Estate Center at Texas A&M University

### 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)

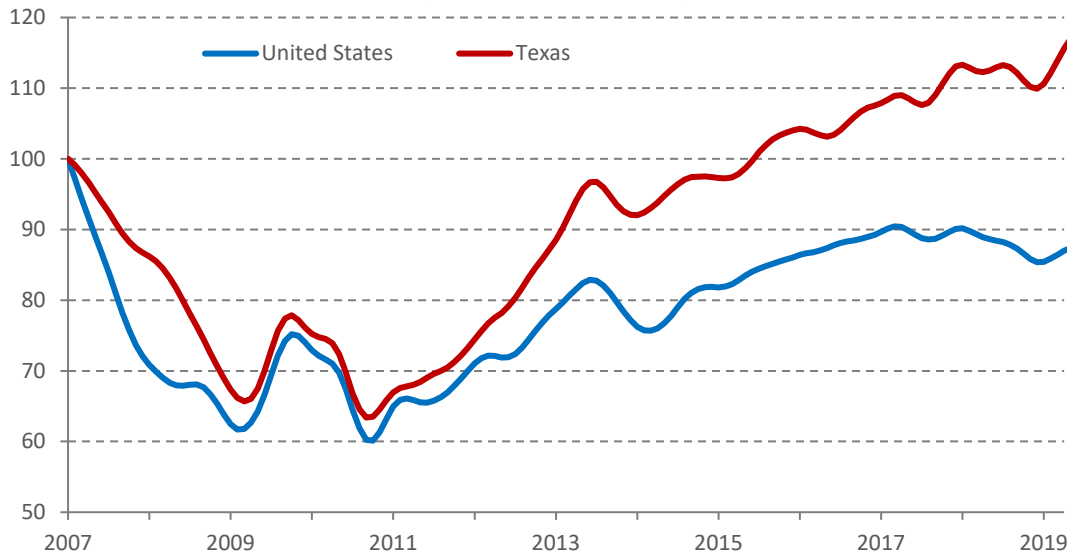


Note: Trend-Cycle Component.  
Source: Real Estate Center at Texas A&M University



# DEMAND

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

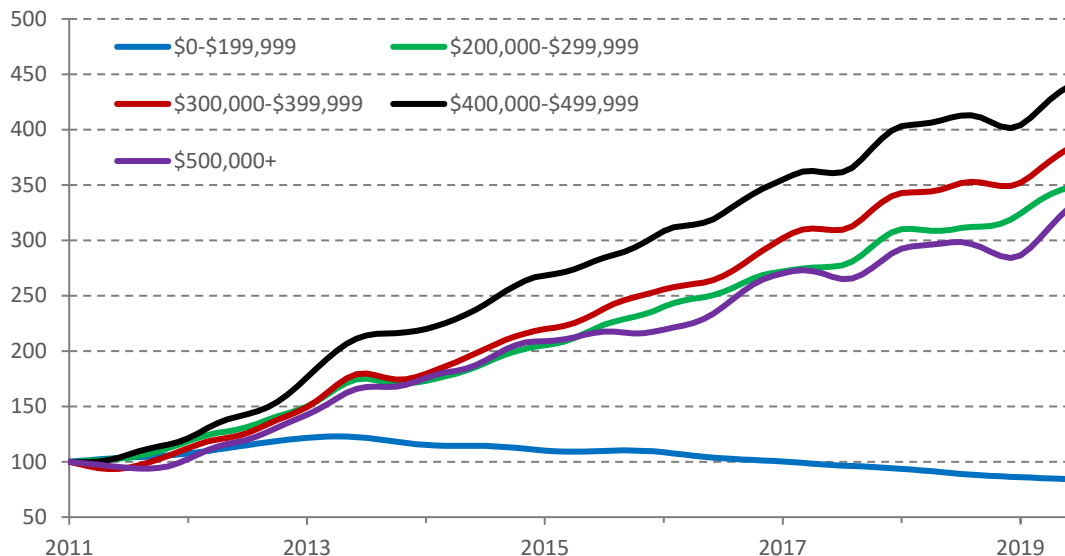


Note: Trend-Cycle Component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

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

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

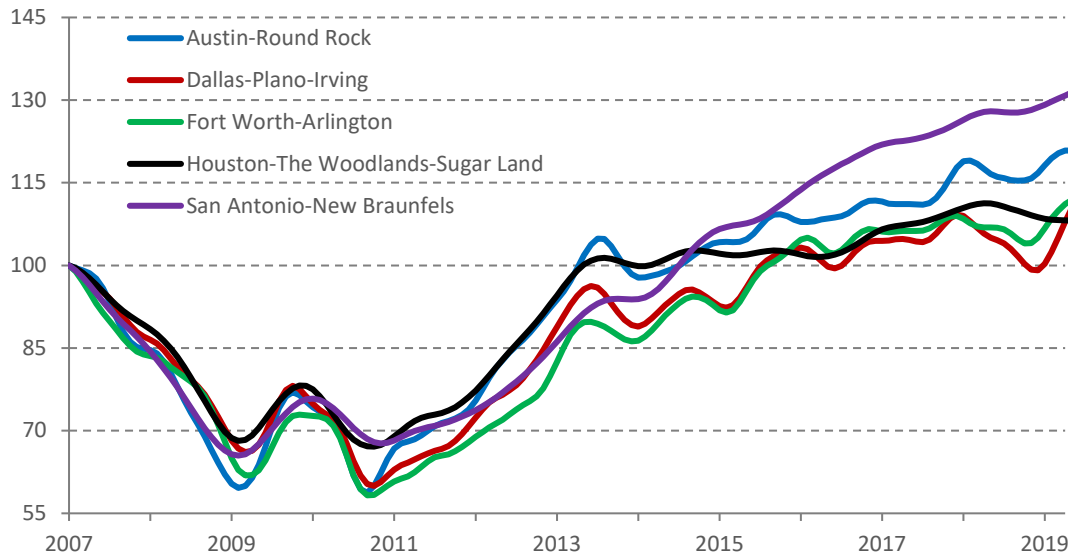
**Texas Total Housing Sales by Price Cohort**  
(Index Jan 2011 = 100)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

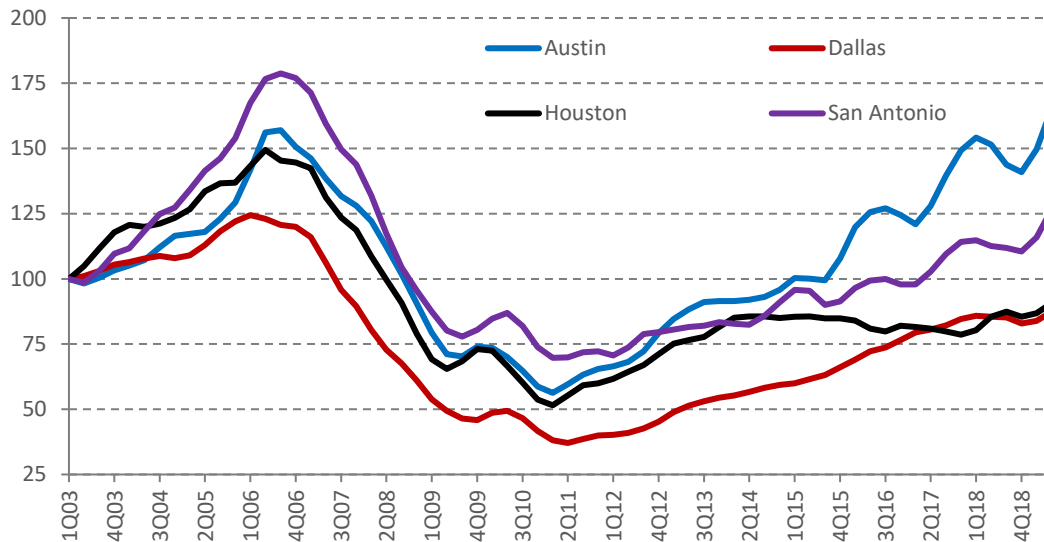
### Major Metros Total Housing Sales (Index Jan 2007 = 100)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

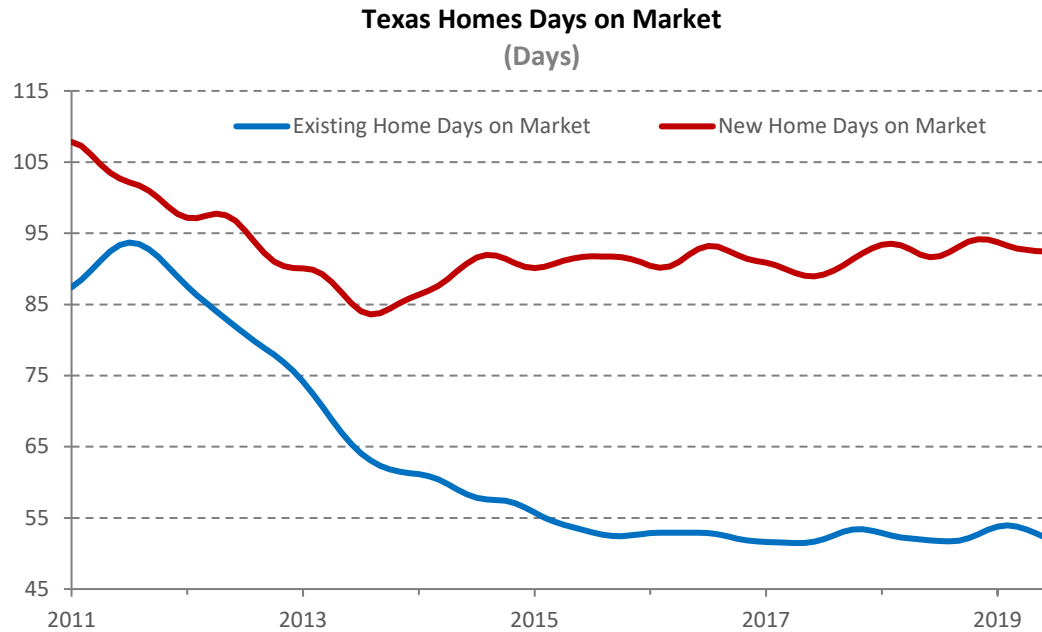
### Major Metros New-Home Sales (Index 1Q2003 = 100)



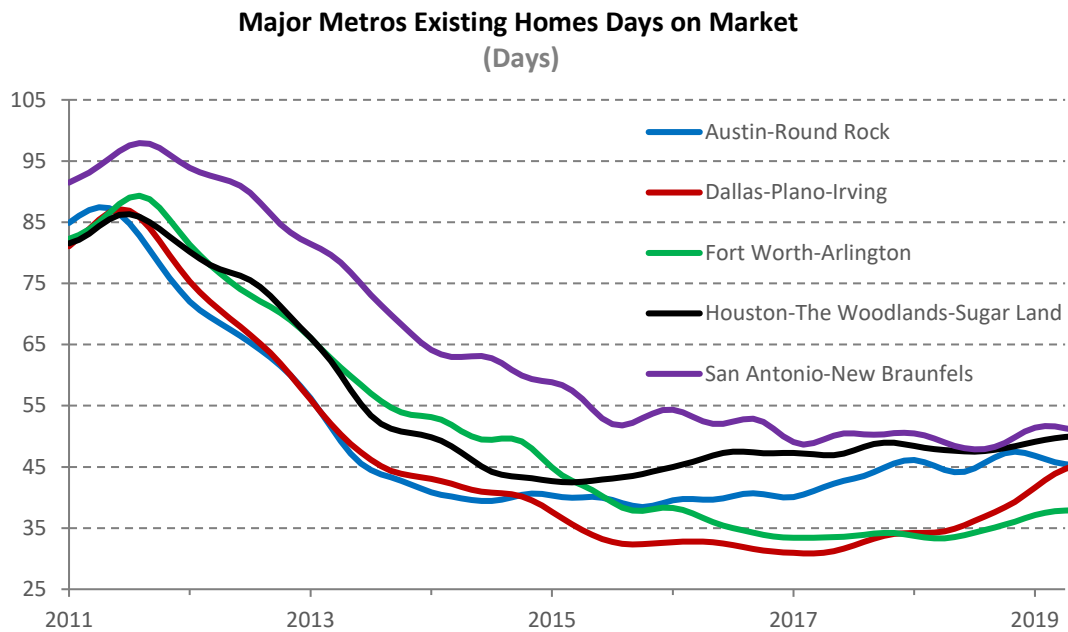
Note: Trend-Cycle Component.

Source: Metrostudy



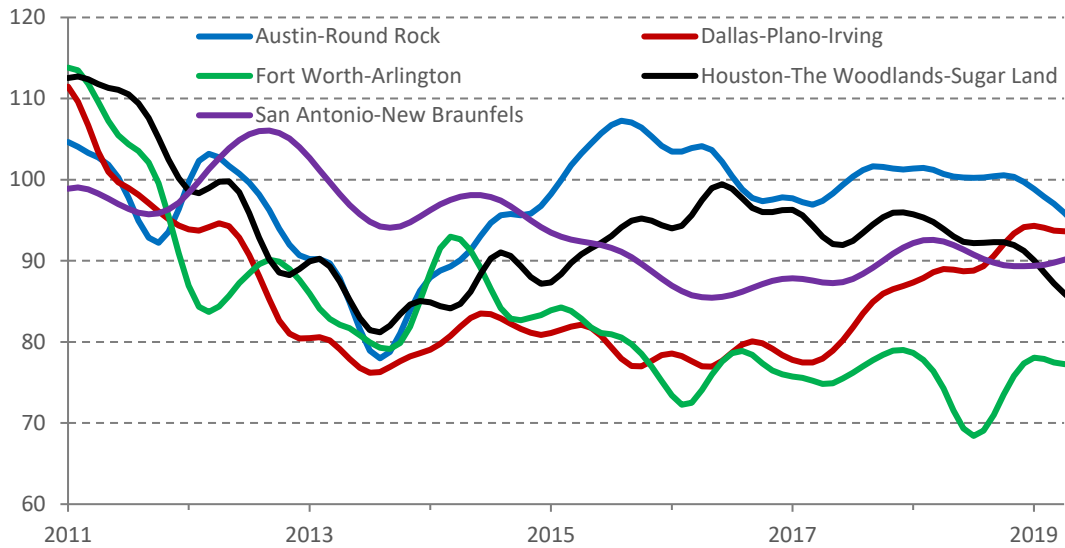


Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University



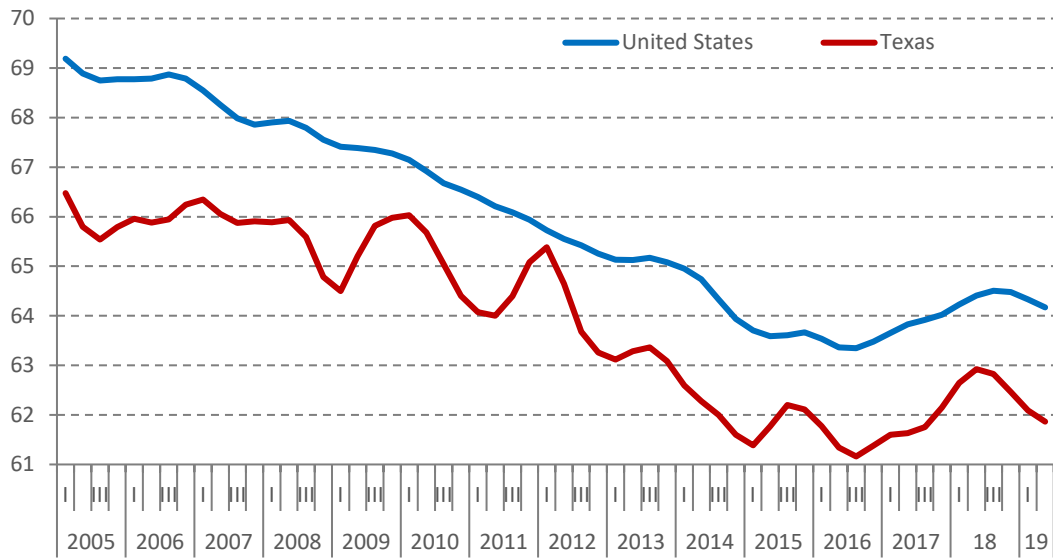
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



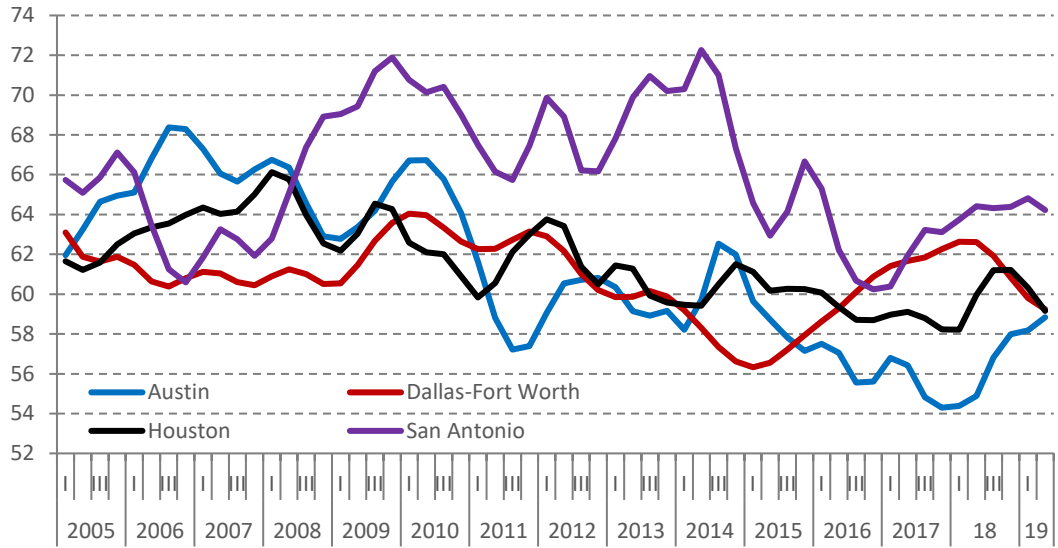
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Home Ownership Rate (%)



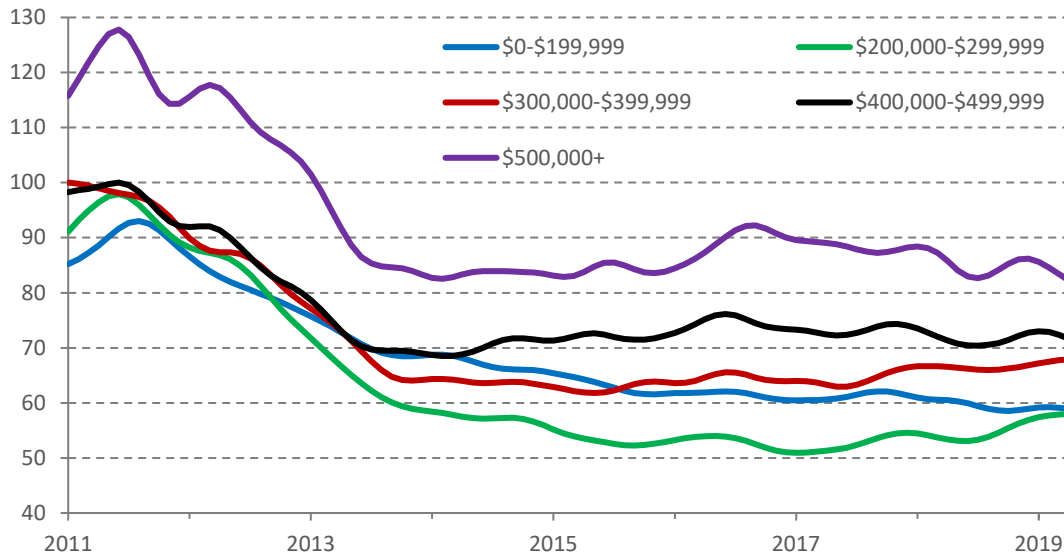
Note: Trend-Cycle Component.  
Source: United States Census Bureau

### Major Metros Home Ownership Rate (%)



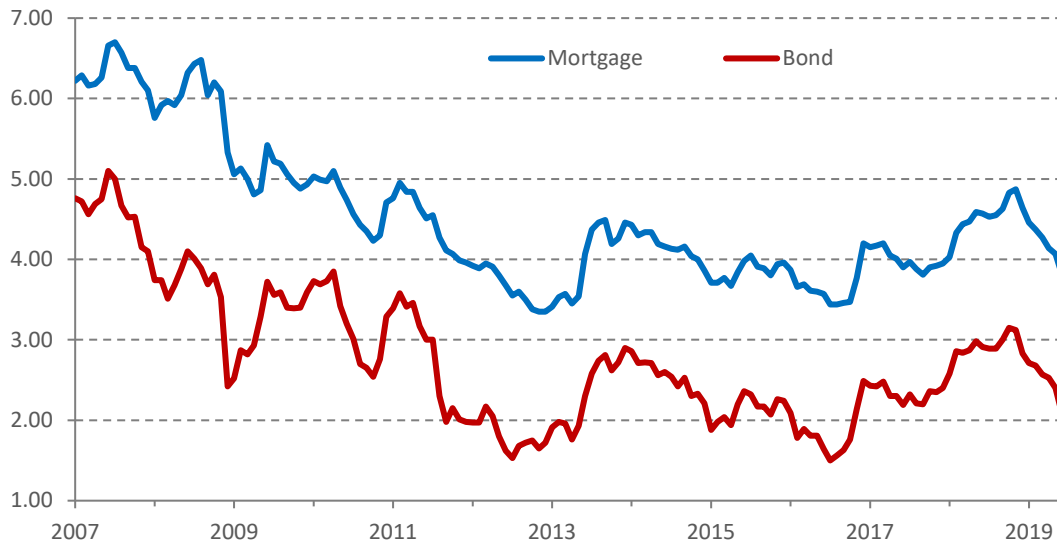
Note: Trend-Cycle Component.  
Source: United States Census Bureau

### Texas 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

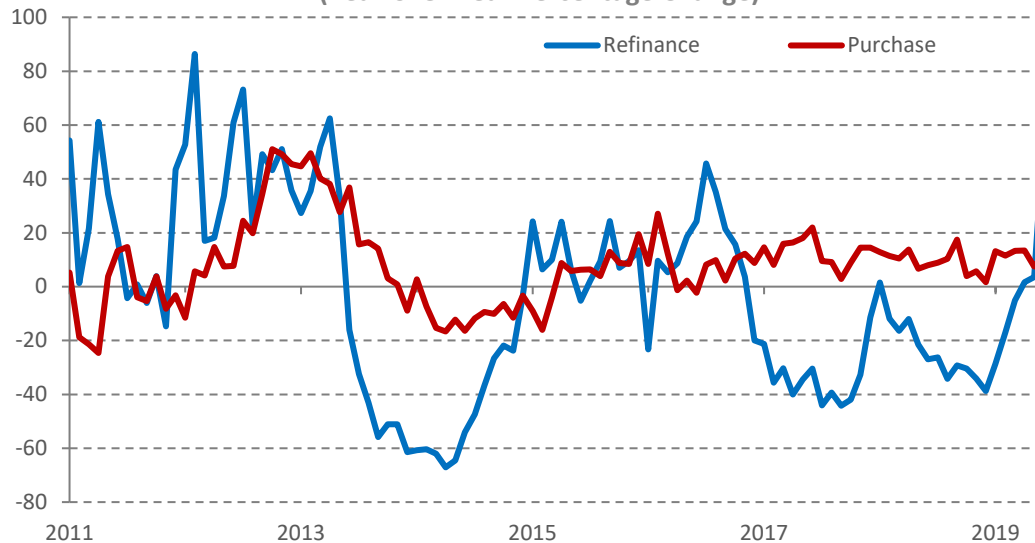
### 30-Year Mortgage Rate and 10-Year Treasury Yield (Percent)



Note: Seasonally adjusted.

Sources: Federal Home Loan Mortgage Corporation and Federal Reserve Board

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

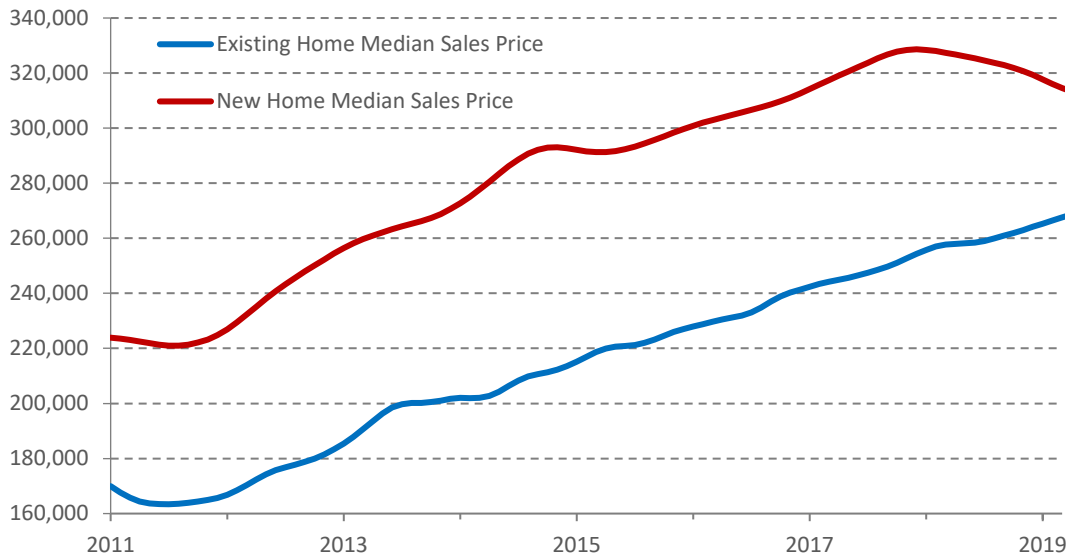


Source: Mortgage Bankers Association



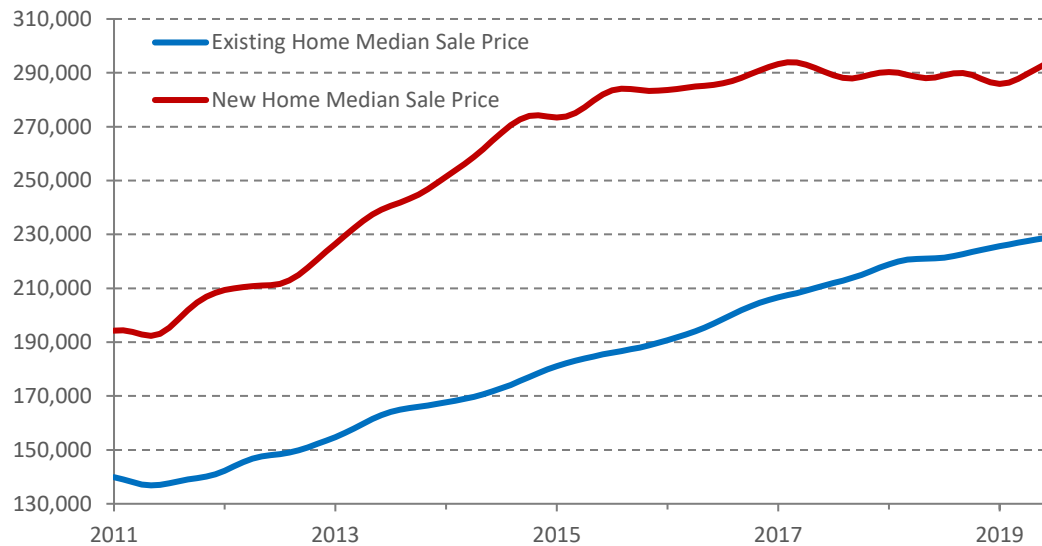
# PRICES

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



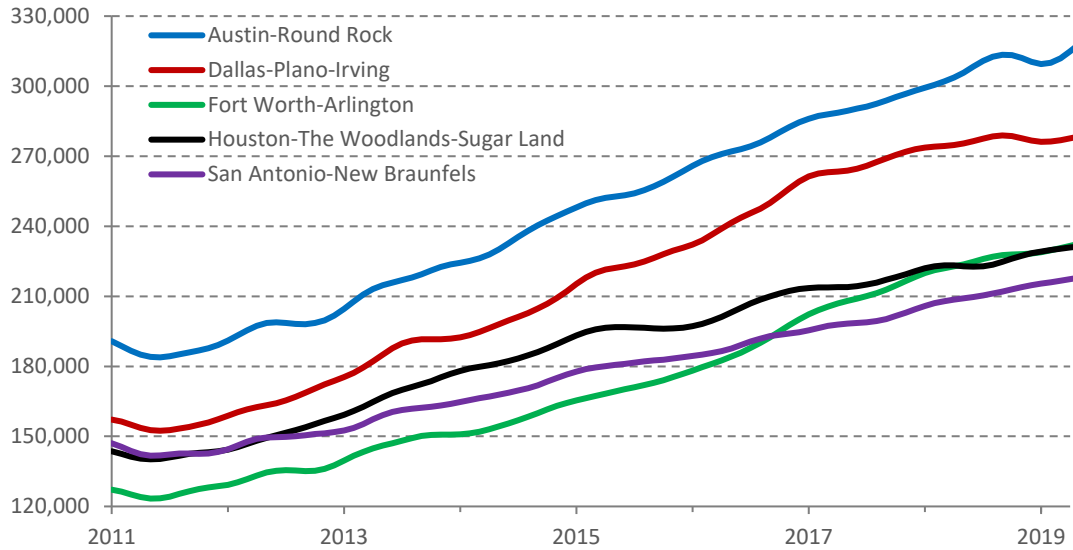
Note: Trend-Cycle Component. For single-family homes.  
Source: Federal Reserve Bank of St. Louis

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



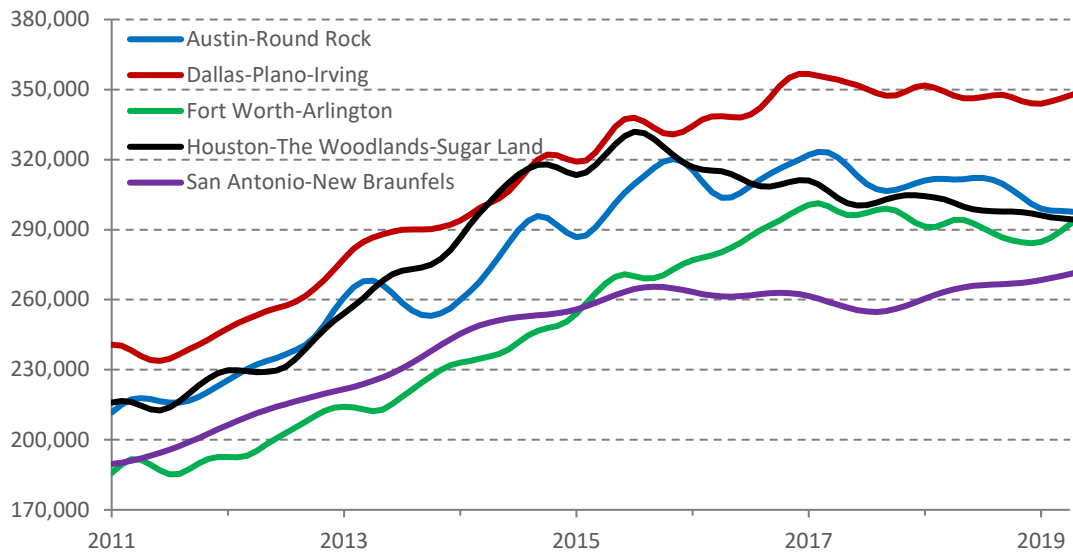
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



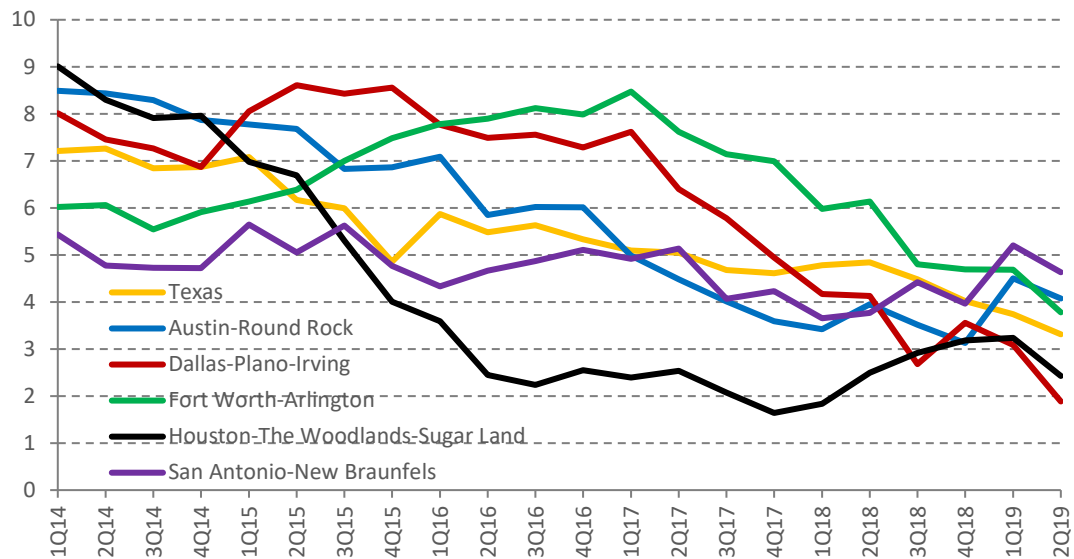
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



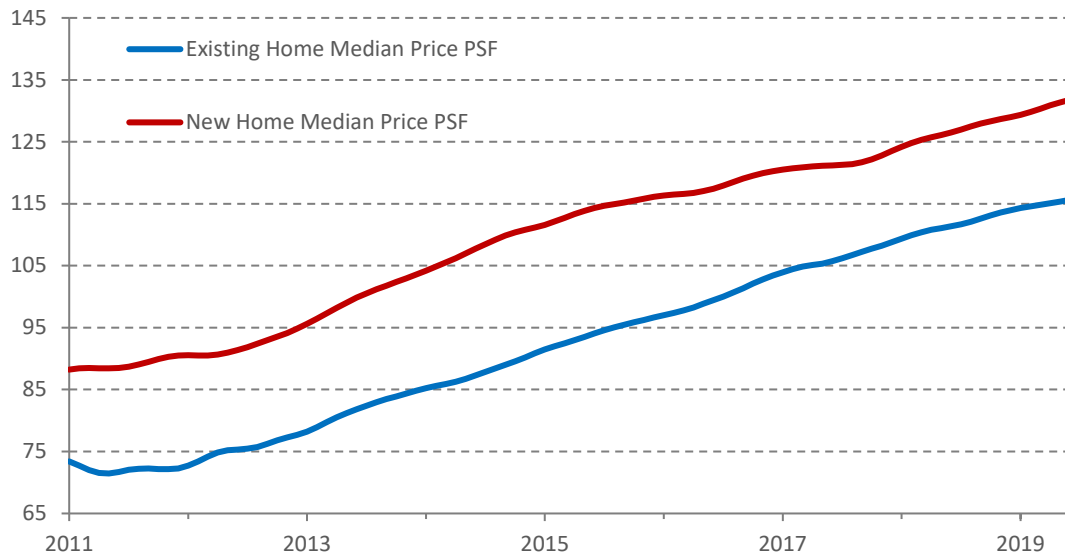
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



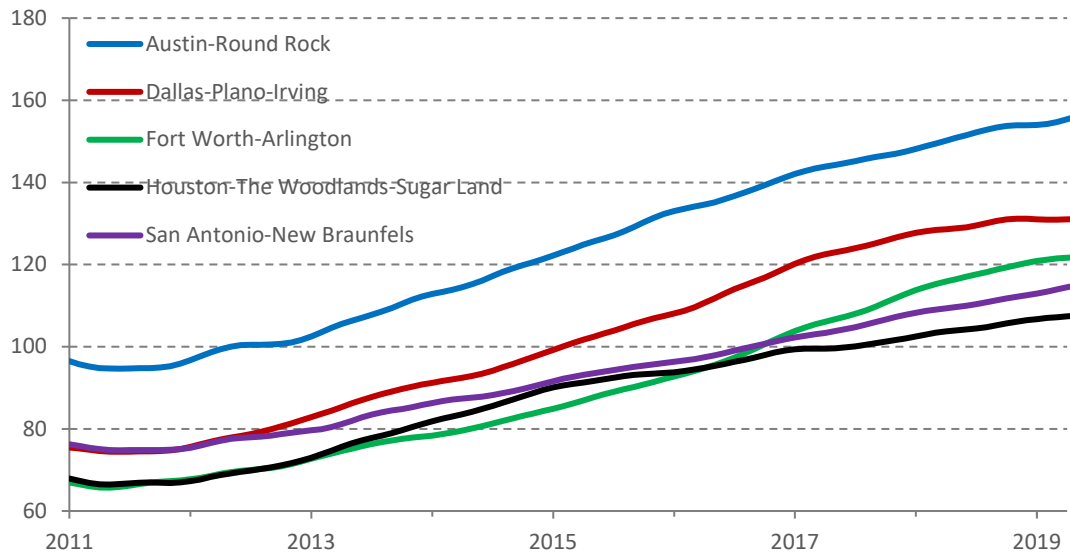
Note: The Repeat Sales Housing Price Index tracks real home price appreciation for residential single-family homes.  
Source: Real Estate Center at Texas A&M University

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



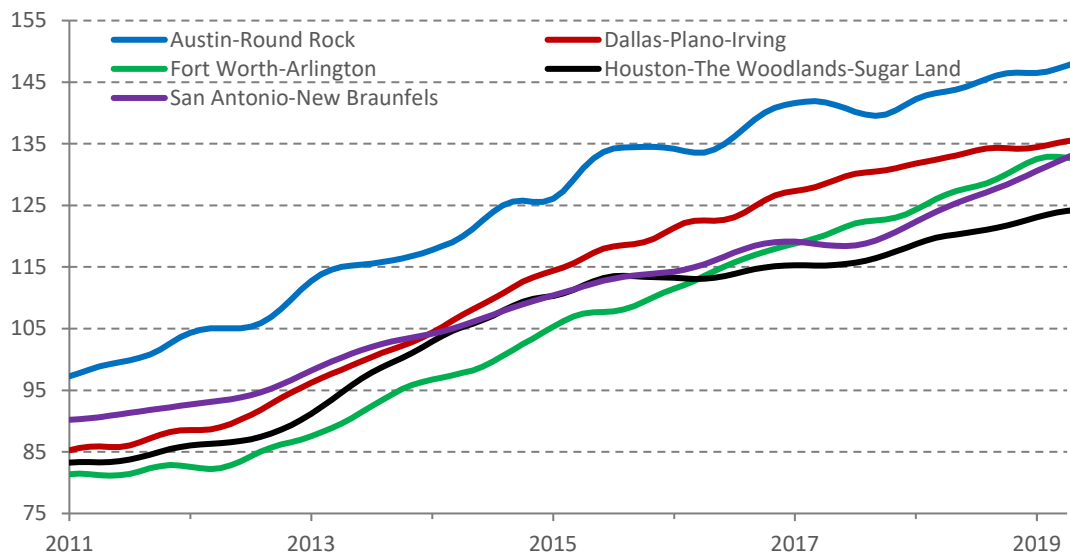
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### 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

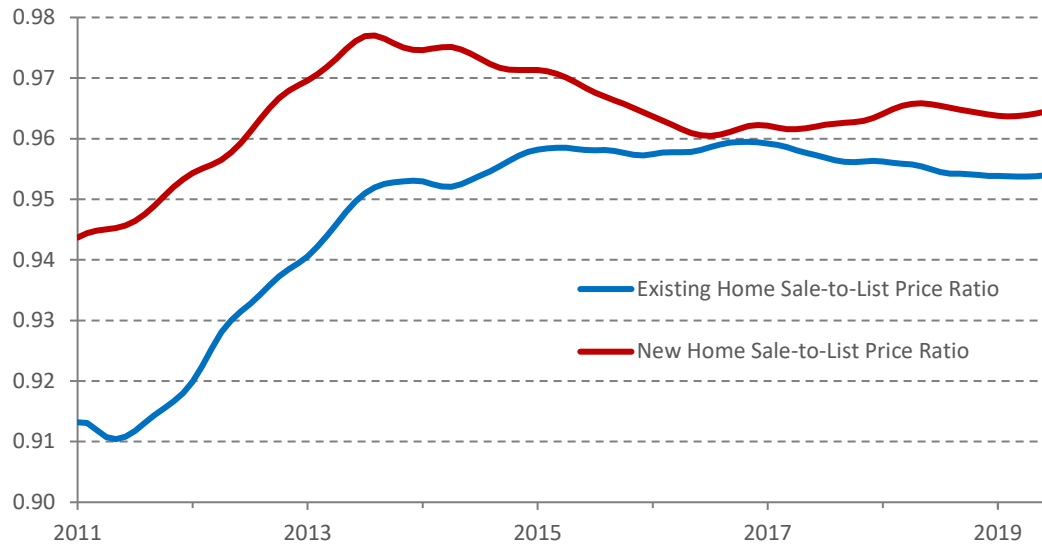
### Major Metros New Home Median Price Per Square Foot (\$)



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

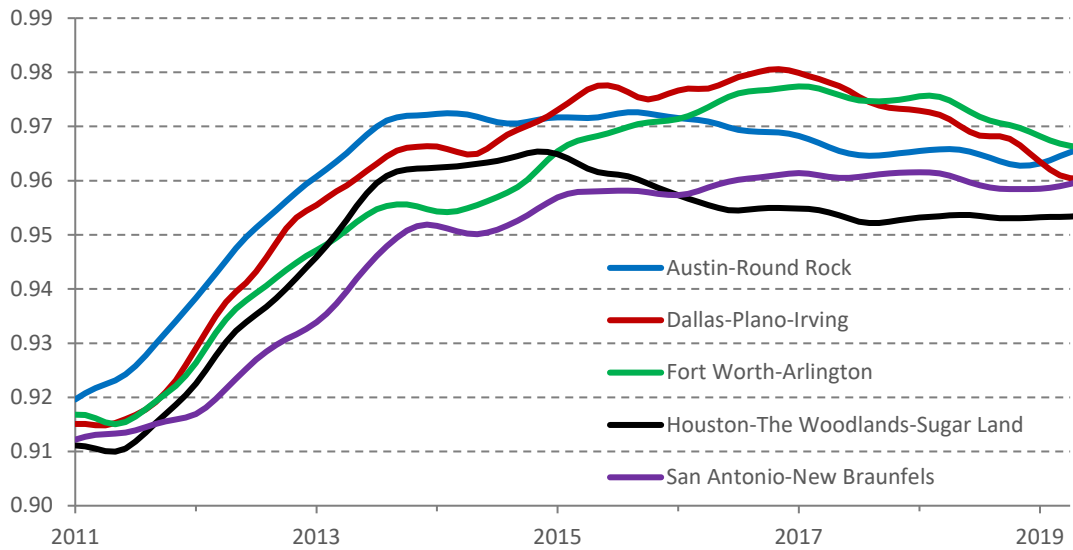


### Texas Home Sale Price to List Price (Ratio)



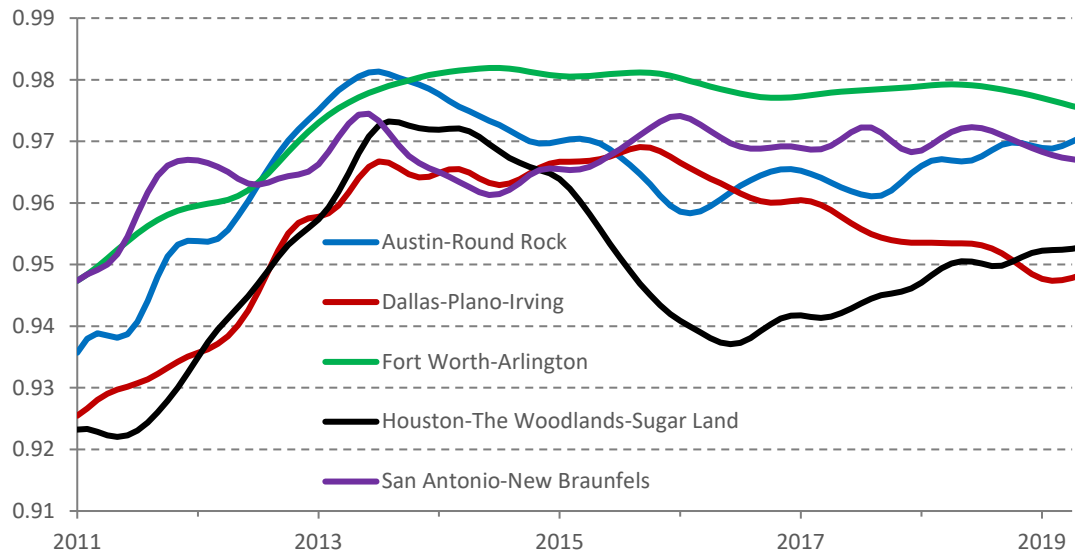
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### 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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## Real Estate Center

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