



TEXAS A&M UNIVERSITY

Real Estate Center



TEXAS HOUSING INSIGHT

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AUGUST 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 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 Silva

Data current as of September 25, 2019

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AUGUST 2019 SUMMARY

MONTHS OF INVENTORY
▼ 3.6 Months

DAYS ON MARKET
▼ 59 Days

30-YEAR MORTGAGE RATE
▼ 3.6%

TEXAS HOME PRICE INDEX
▼ 3.3%

Texas housing sales increased 1 percent in August, reaching a record-breaking 30,421 homes sold through a Multiple Listing Service (MLS). Falling interest rates continued to support mortgage applications for home purchases and refinances. Texas homes averaged 59 days on the market, corroborating healthy demand. On the supply side, inventories remained constrained, especially in the entry-level market. Accelerated single-family permit issuance indicates a favorable outlook on inventories; single-family construction values, housing starts, and loan values, however, stagnated. Meanwhile, multifamily loan values and starts increased as builders moved to offer more affordable options. Housing affordability continues to challenge the Texas home market, but the extended national and state economic expansion bodes well for housing demand.

Supply*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, flattened as industry employment growth slowed and construction values stalled. The **Residential Construction Leading Index**, however, rose to its highest level since the Great Recession amid falling interest rates and upward-trending building permits. This suggests higher levels of construction in the coming months.

Second-quarter private bank loan data revealed an improvement in the multifamily sector amid a rise in apartment-building construction. Loan values for multifamily properties increased 5.9 percent quarter over quarter (QOQ) after falling the last three quarters of 2018. One-to-four unit investment, however, cooled after jumping 4.3 percent QOQ in 1Q19.

Single-family construction permits increased for the second straight month, registering 6.3 percent year-over-year (YOY) growth. Permit activity through August, however, remained 3 percent below levels in the first eight months of 2018. Texas' 11,545 monthly permits (nonseasonally adjusted) accounted for 17 percent of the U.S. total. The Lone Star State led the nation in total permits but ranked seventh in per capita issuance behind Arizona and Florida. On the metropolitan level, Houston topped the list for the tenth consecutive month with 3,674 permits in August. DFW issued 3,328 permits, increasing after permit activity fell in the first half of the year. Central Texas

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



extended a seven-month upward trend, issuing 1,820 and 891 permits in Austin and San Antonio, respectively.

Total Texas housing starts increased 9.3 percent year to date (YTD) as the multifamily sector corrected upward after a slow start to summer. Consistent with dampened loan values, single-family starts remained stagnant while **single-family private construction values** perpetuated a yearlong trend of decline. San Antonio was the bright spot where data revisions revealed an upward trend. Construction values may rise in the upcoming months if permit issuance continues to accelerate.

Two straight upticks in sales paired with dwindling supply pulled **Texas' months of inventory (MOI)** to the lowest level this year at 3.6 months. A total MOI around six months is considered a balanced housing market. The MOI for homes priced less than \$300,000, which comprised nearly two-thirds of sales, ticked below 2.8 months. Inventory for luxury homes (those priced more than \$500,000), however, reached an MOI of 8.7 months. These divergent trends exemplify the shortage of affordable housing and the current mismatch between demand and supply.

The MOI decreased across the major metros. Austin inventories extended a steep decline, sliding to 2.3 months after reaching a six-year high of 2.8 months in January. Dallas' metric fell below 3.2 months as the influx of new listings pulled back in the mid-price range (\$200,000-\$400,000). After improvement in the first half of the year, San Antonio's MOI fell back down to year-end levels at 3.5 months. Fort Worth inventories showed signs of tapering its downward trend as homes priced \$200,000-\$300,000 sold at a slower pace than in 2018, but supply of active listings remained low at 2.5 months. Only Houston posted an MOI above the statewide average at 3.9 months.

Demand

Total housing sales ticked up 1 percent in August after data revisions and business-day adjustments brought July's increase of 17 percent down to 3 percent. Despite the correction, sales extended a steady trend upwards, albeit at a slower pace than during the first three months of the year. Transactions for homes priced \$200,000-\$300,000 accounted for most of the uptick, increasing 5.5 percent after tepid second-quarter growth.

Growth in Fort Worth and San Antonio's \$200,000-\$300,000 market supported the statewide trend. Fort Worth's total sales increased 2.9 percent after a five-month stagnation in the aforementioned price cohort. San Antonio exceeded 3,000 monthly sales for the first time in series history. Houston activity hovered at a record 7,800 sales reached in July. Austin and Dallas sales registered six percent below December 2017 all-time highs but increased 8.0 and 8.4 percent YOY, respectively.

Robust demand held Texas' **average days on market (DOM)** at 59 days. The DOM in Houston and San Antonio stabilized at 59 and 60 days, respectively. Austin's DOM hovered at 57 days, two days less than the metric's yearlong average. The DOM in North Texas continued to adjust after reaching

unsustainable levels in 2016-2017, registering 56 and 45 days in Dallas and Fort Worth, respectively.

Continued concerns about global economic growth and trade uncertainty pulled interest rates down for the tenth consecutive month. Long-term rates remained lower than those for short-term instruments, inverting the yield curve and sustaining talks of a recession. Economic fundamentals at the state and national level, however, are healthy and stable. Interest rates could fall further following the Federal Reserve's second rate cut of the year in September. The **ten-year U.S. Treasury bond yield** fell 40 basis points to a three-year low of 1.6 percent, while the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** inched down to 3.6 percent. Texans capitalized on lower rates, pushing mortgage applications for home purchases up 21.6 percent YTD. Refinance mortgage applications, which are more sensitive to interest rate fluctuations, have more than doubled since year end.

Prices

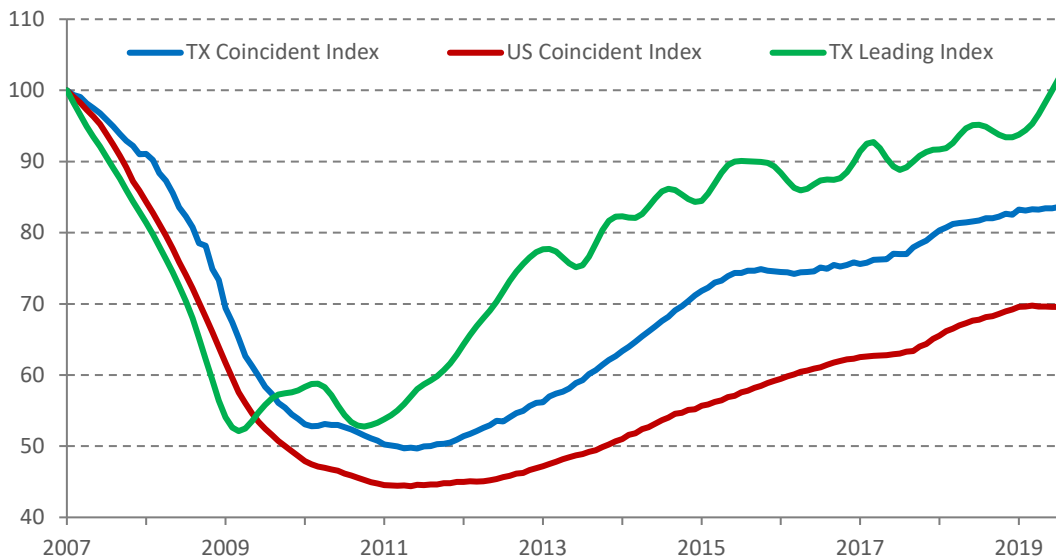
The **Texas median home price** increased for the third consecutive month, surpassing \$241,400 for an annual growth rate of 4.3 percent. Austin led the state with a record-breaking median price of \$315,500, followed by Dallas at \$293,600. After a brief reprieve in July, the metric increased to \$244,600 and \$243,800 in Houston and Fort Worth, respectively. San Antonio lagged the other metros, sinking \$1,300 to \$230,300.

The **Texas Repeat Sales Home Price Index** increased 3.3 percent YOY, moderating in comparison to year-ago levels. Appreciation, however, continued to outpace wage growth, exacerbating affordability struggles. On the metropolitan level, Houston and North Texas largely contributed to the slowing trend as the indices extended a steady decline. Houston's metric decelerated to 1.8 percent YOY while Dallas and Fort Worth posted 2.6 and 4.0 percent growth, respectively. In Central Texas, the indices increased 4.3 and 4.5 percent YOY in Austin and San Antonio, respectively.



SUPPLY

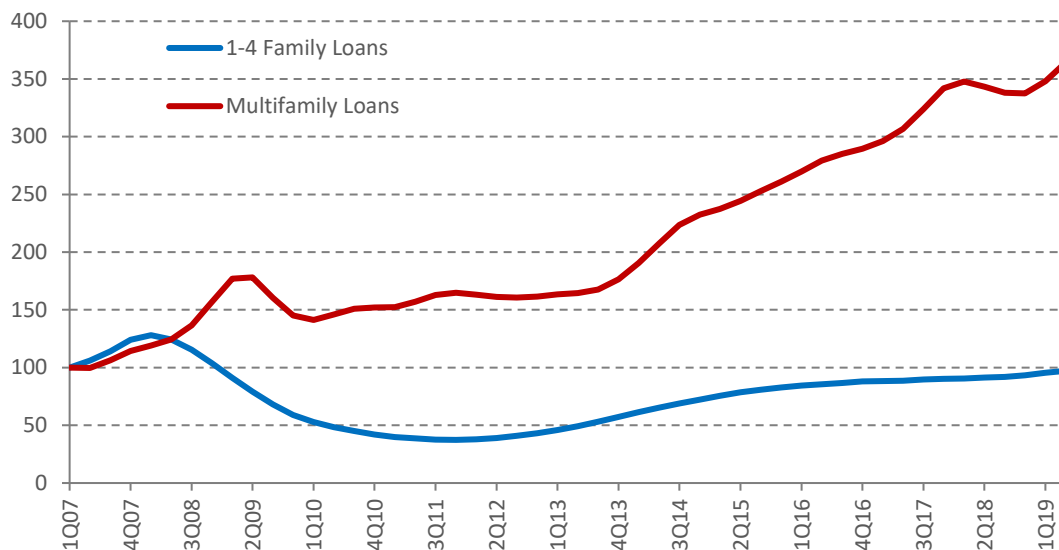
Texas Residential Construction Index
(Index Jan 2007 = 100)



Note: Trend-Cycle Component.

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

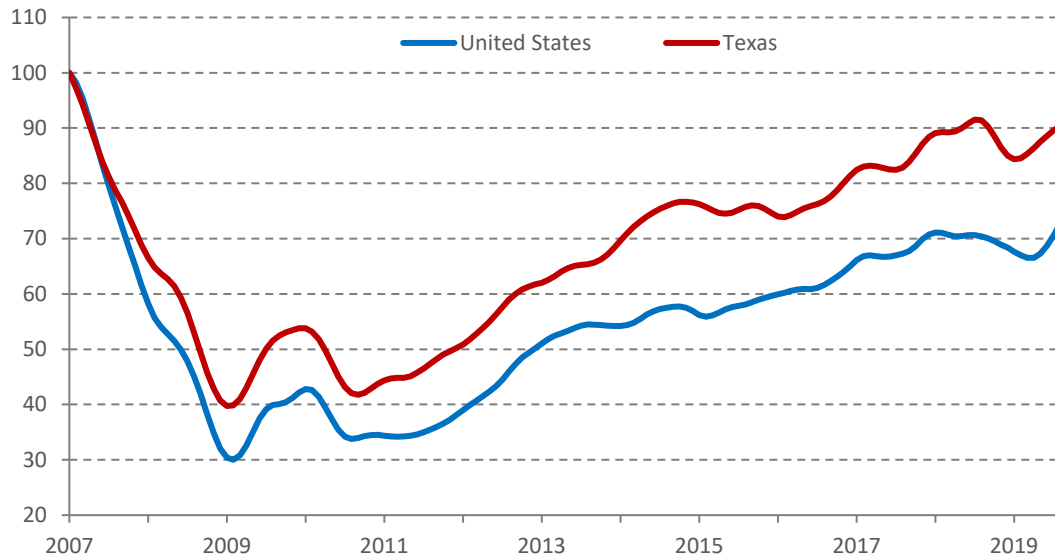
Net Residential Loans
(Index 1Q07 = 100)



Note: Trend-Cycle Component.

Source: Federal Deposit Insurance Corporation

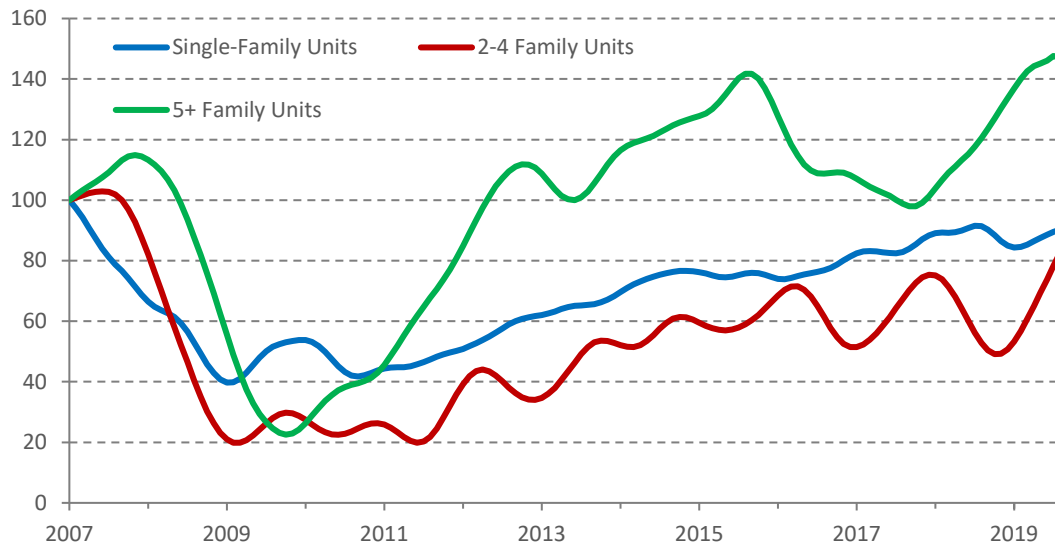
Single-Family Housing Construction Permits (Index Jan 2007 = 100)



Note: Trend-Cycle Component.

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

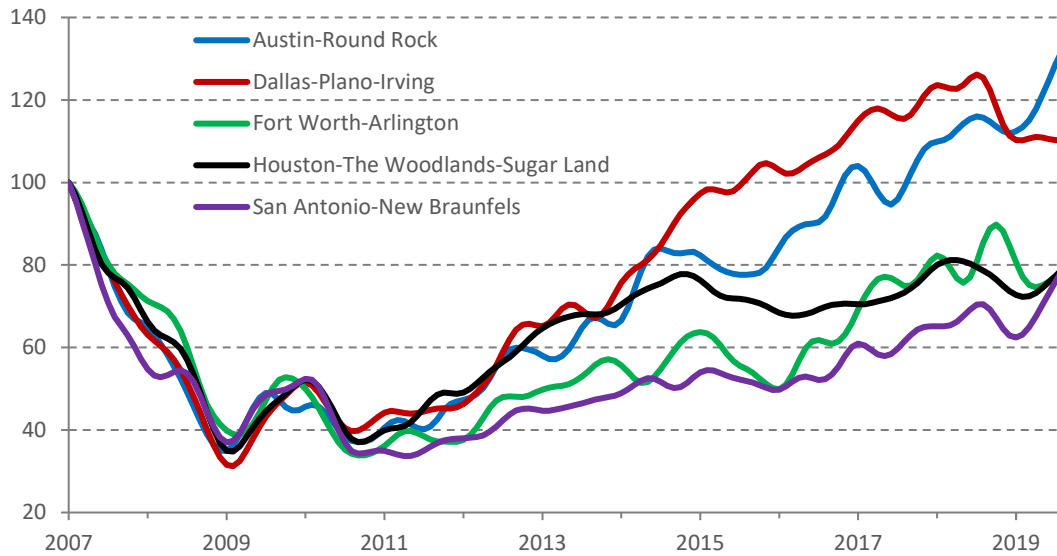
Texas Housing Construction Permits (Index Jan 2007 = 100)



Note: Trend-Cycle Component.

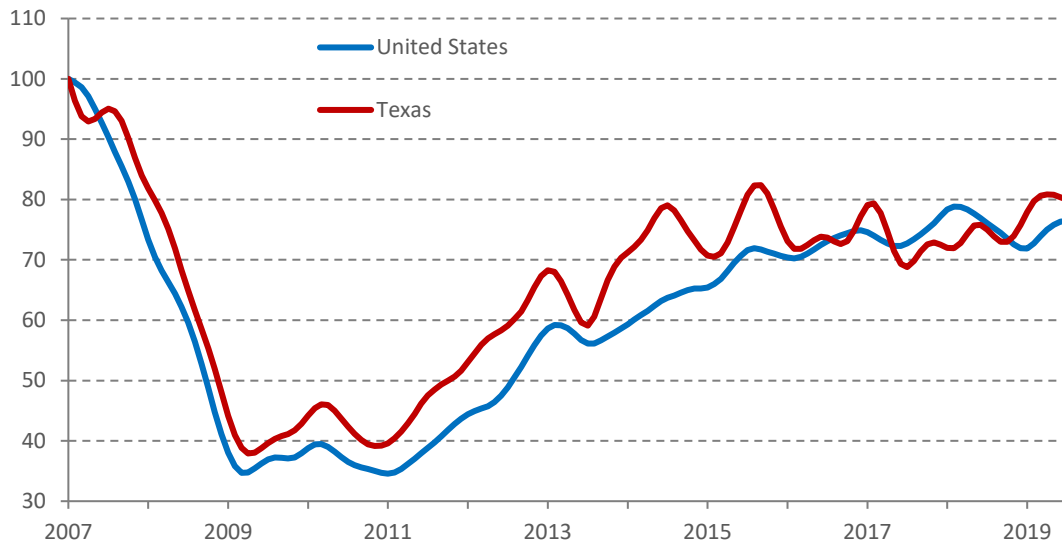
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



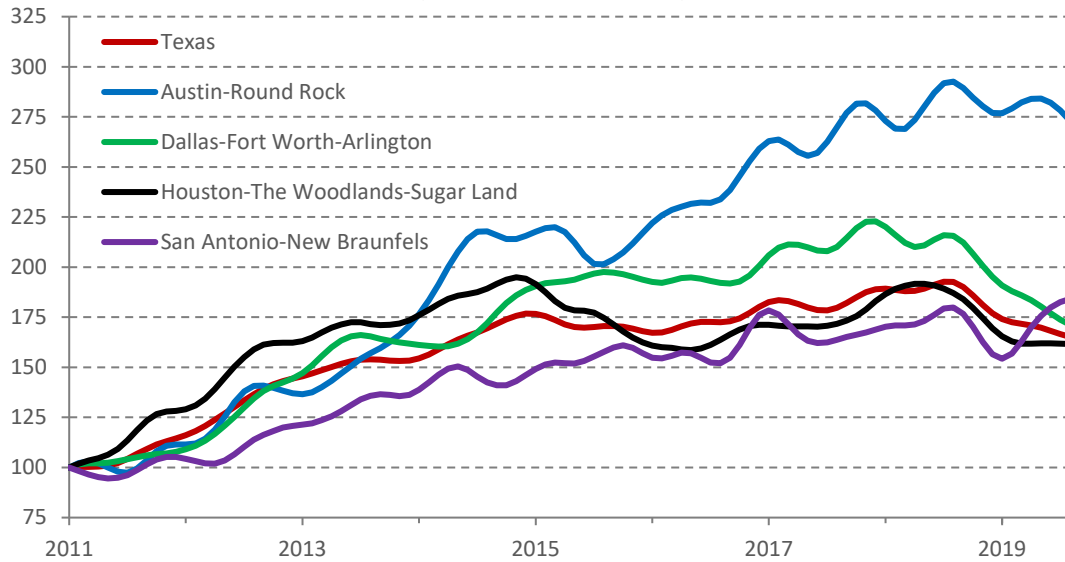
Note: Trend-Cycle Component. Fort Worth is missing data for Somervell County.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



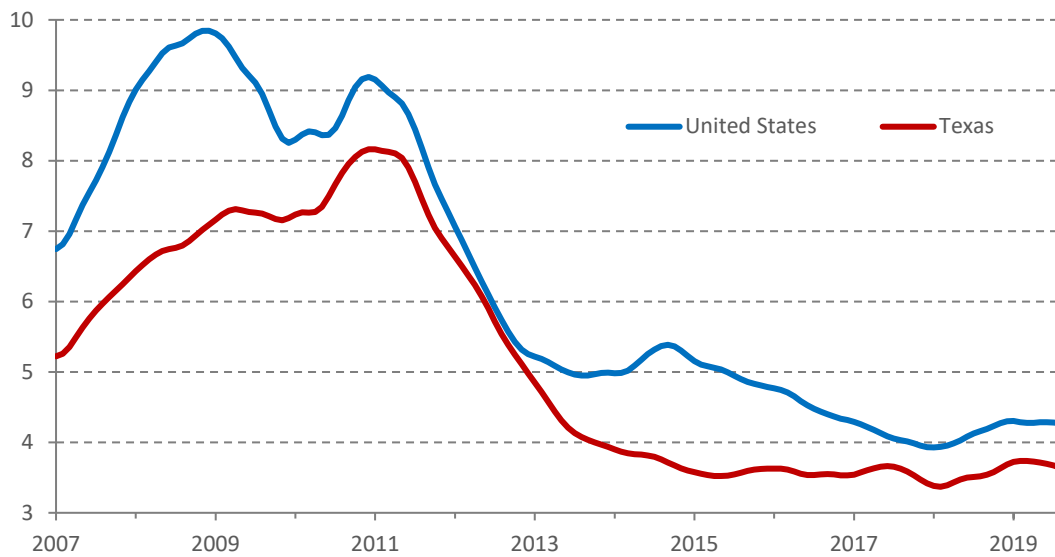
Note: Trend-Cycle Component.
Source: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

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



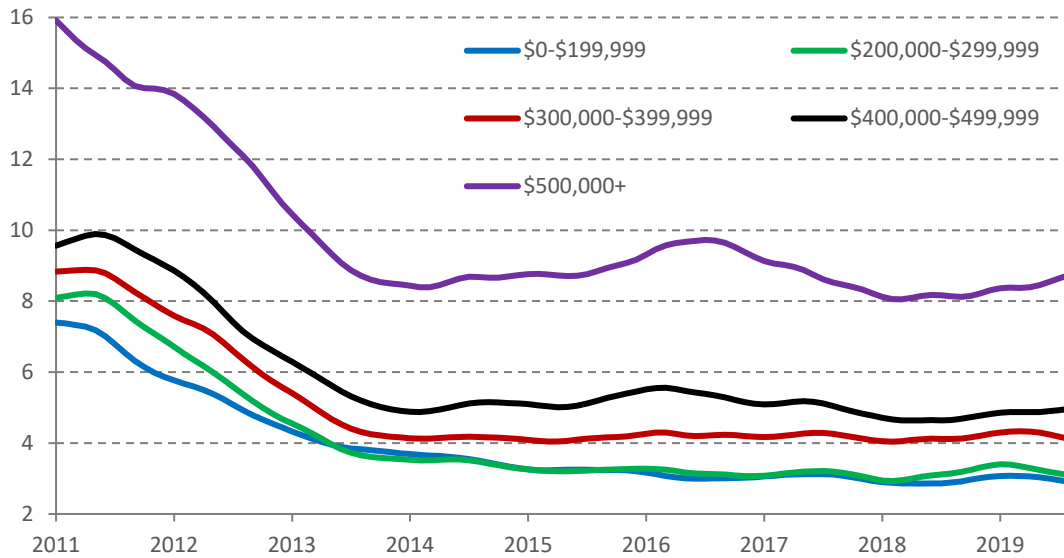
Note: Inflation adjusted. Trend-Cycle Component.
Source: Dodge Analytics

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

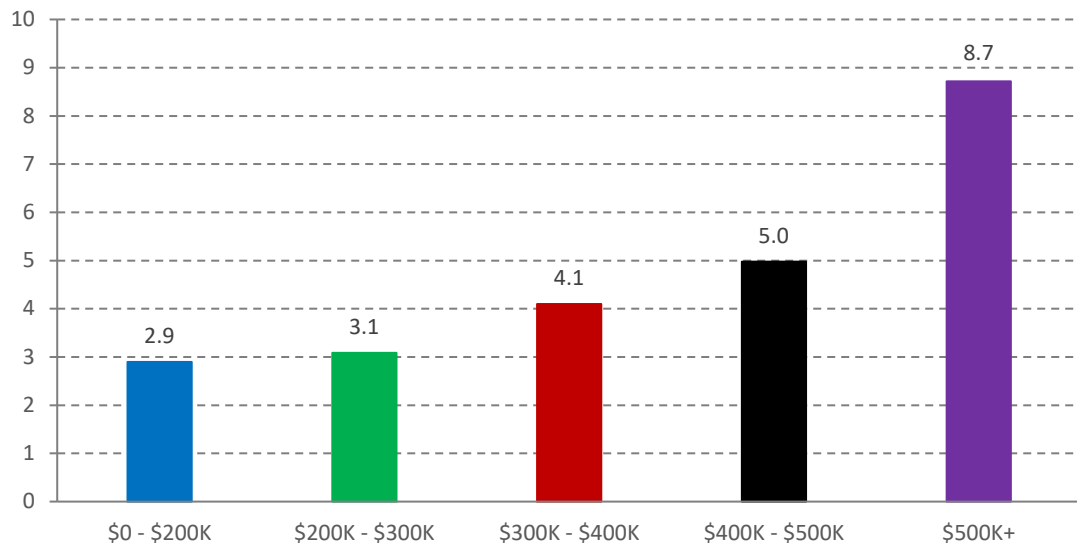
Texas Months of Inventory by Price Cohort
(Months)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

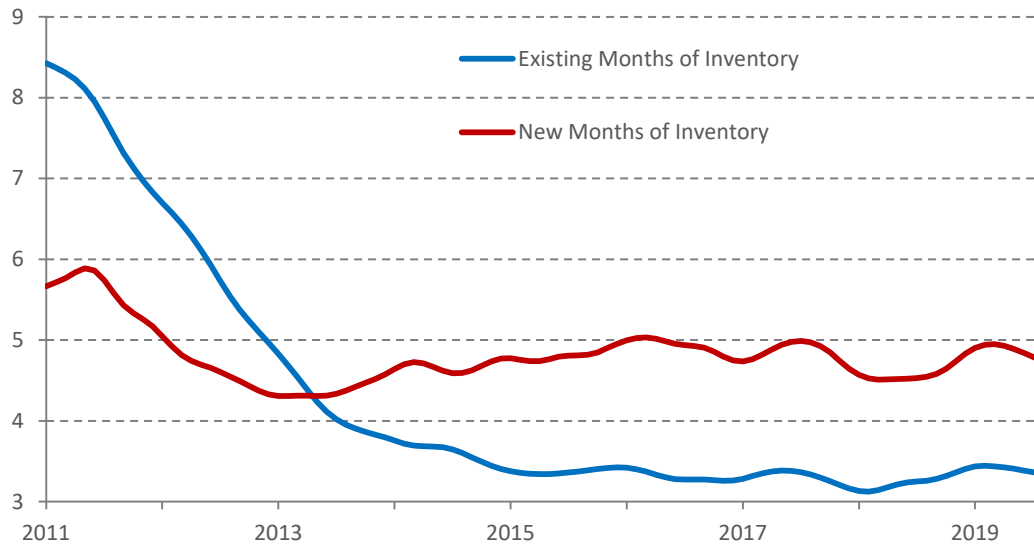
Texas Current Months of Inventory by Price Cohort
(August 2019)



Note: Seasonally adjusted.

Source: Real Estate Center at Texas A&M University

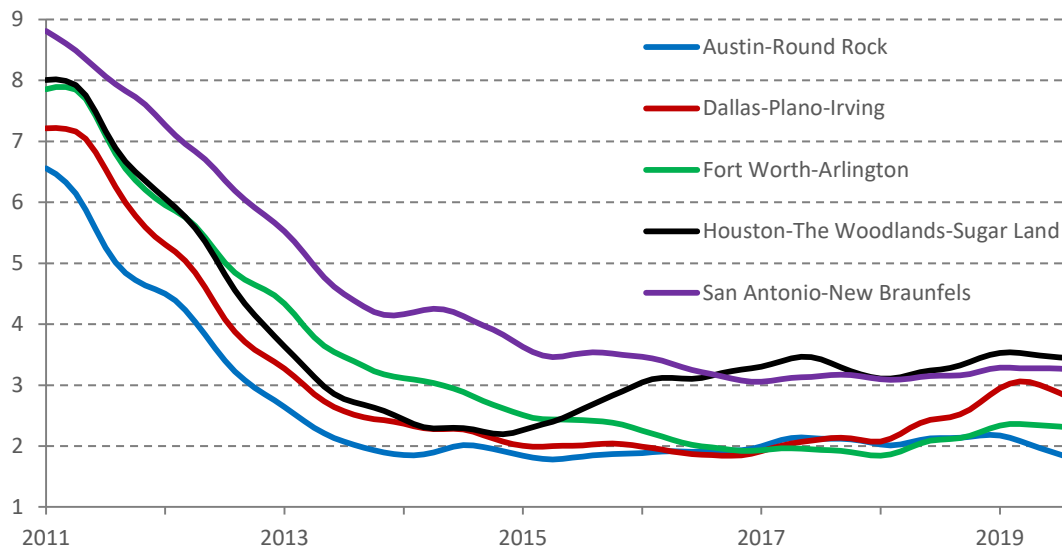
Texas Existing and New Home Months of Inventory (Months)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

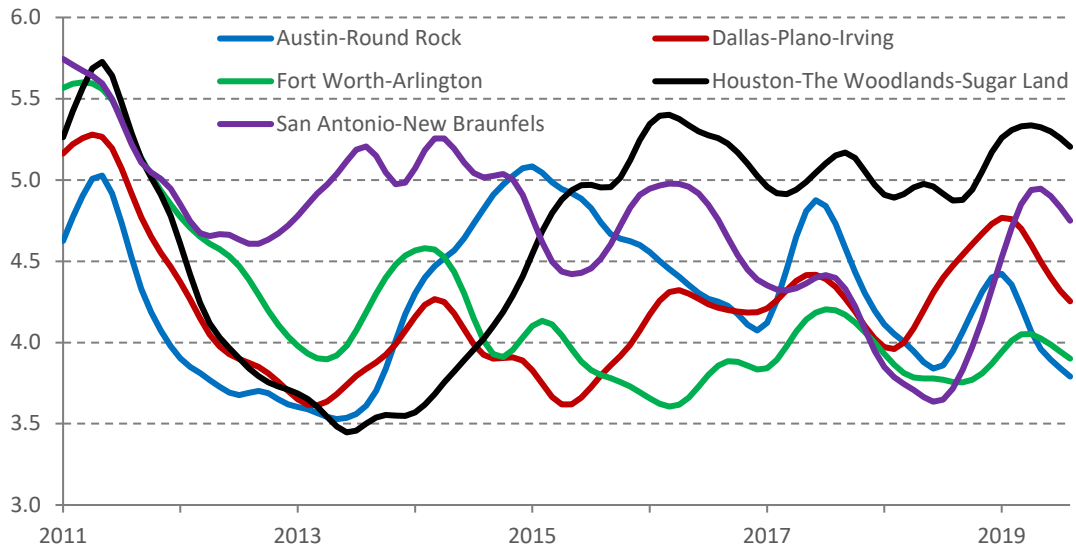
Major Metros Existing Home Months of Inventory (Months)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

Major Metros New Home Months of Inventory (Months)



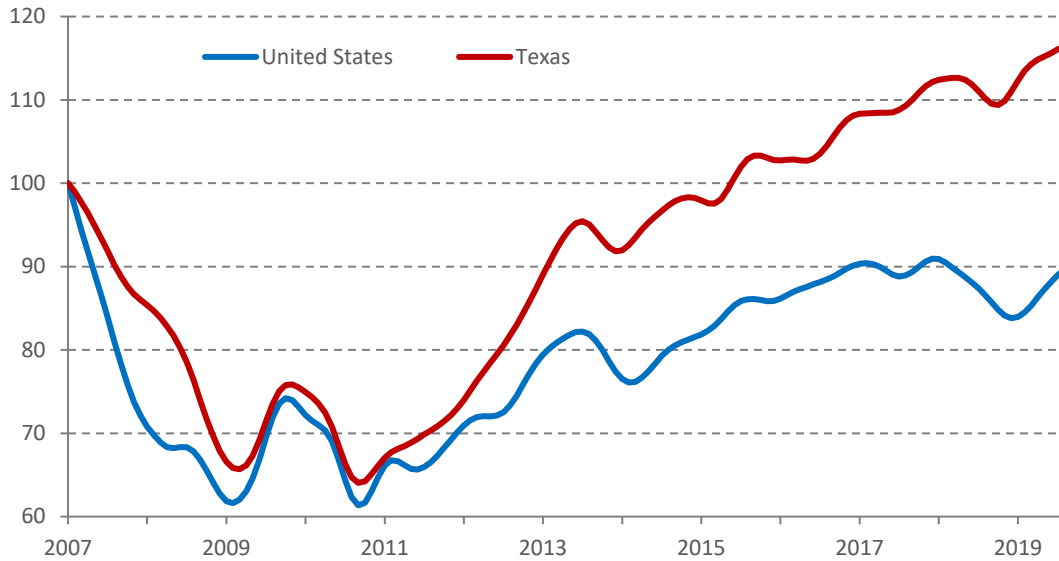
Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University



DEMAND

Total Housing Sales
(Index Jan 2007 = 100)

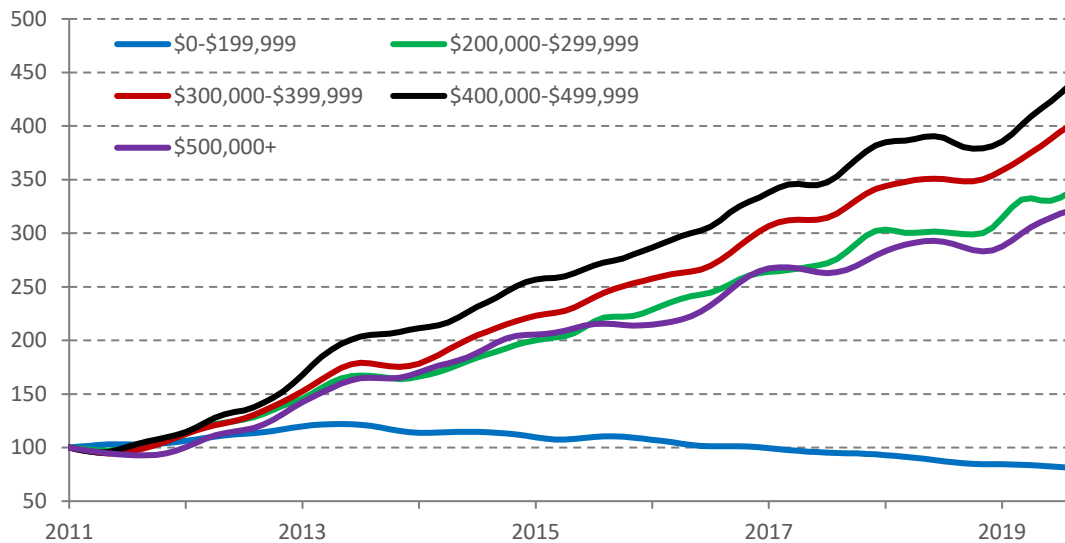


Note: Trend-Cycle Component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

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

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

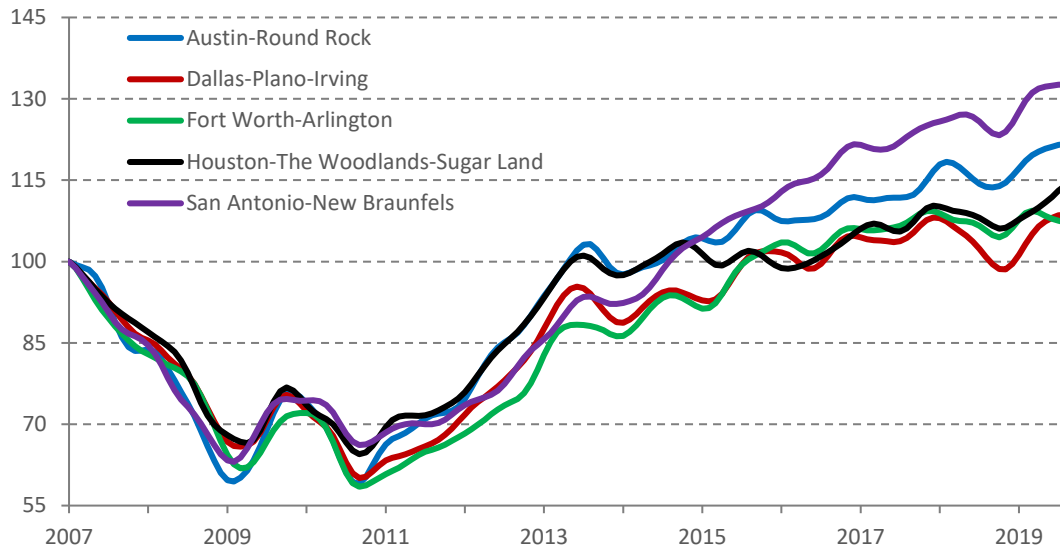
Texas Total Housing Sales by Price Cohort
(Index Jan 2011 = 100)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

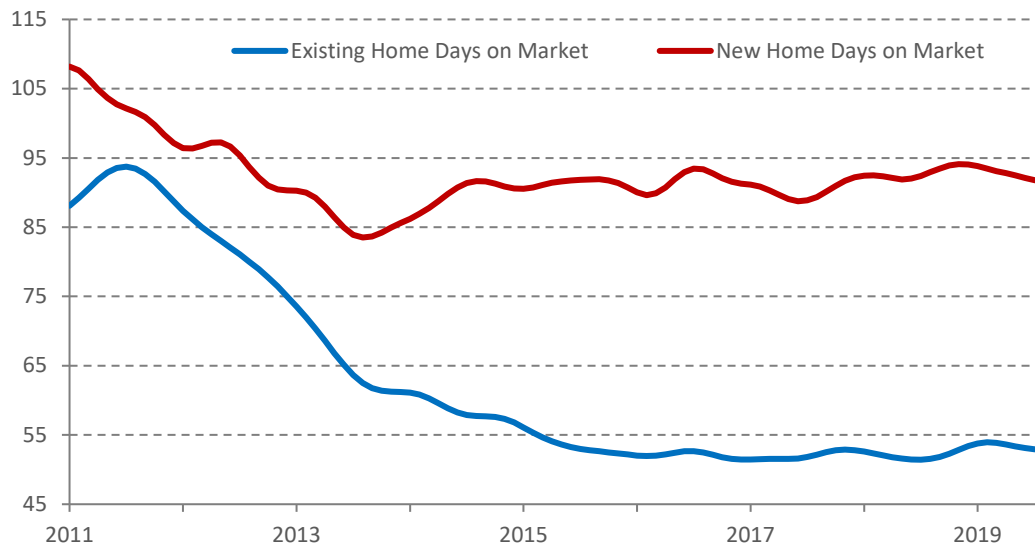
Major Metros Total Housing Sales (Index Jan 2007 = 100)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

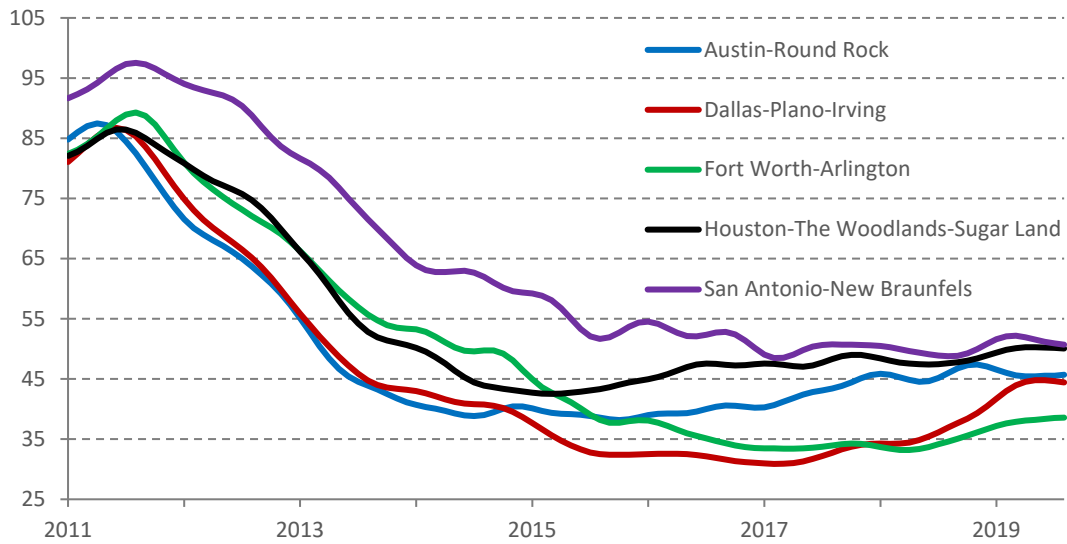
Texas Homes Days on Market (Days)



Note: Trend-Cycle Component. For single-family homes.

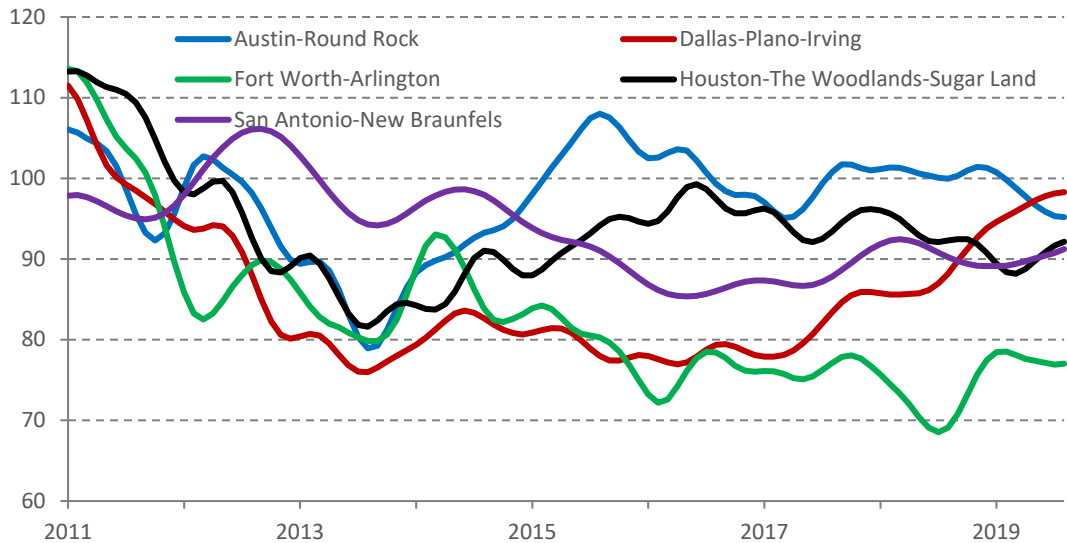
Source: Real Estate Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



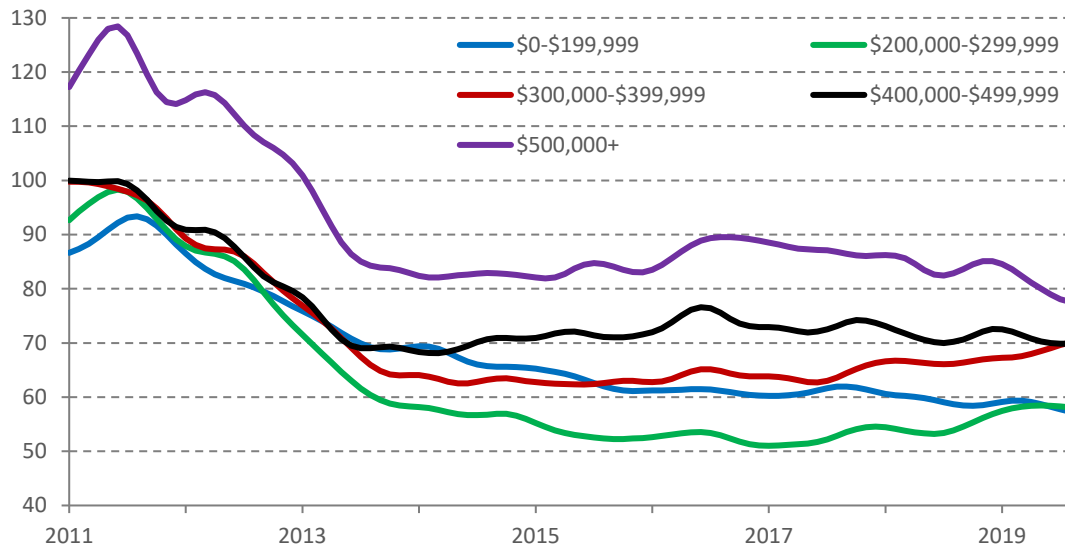
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)



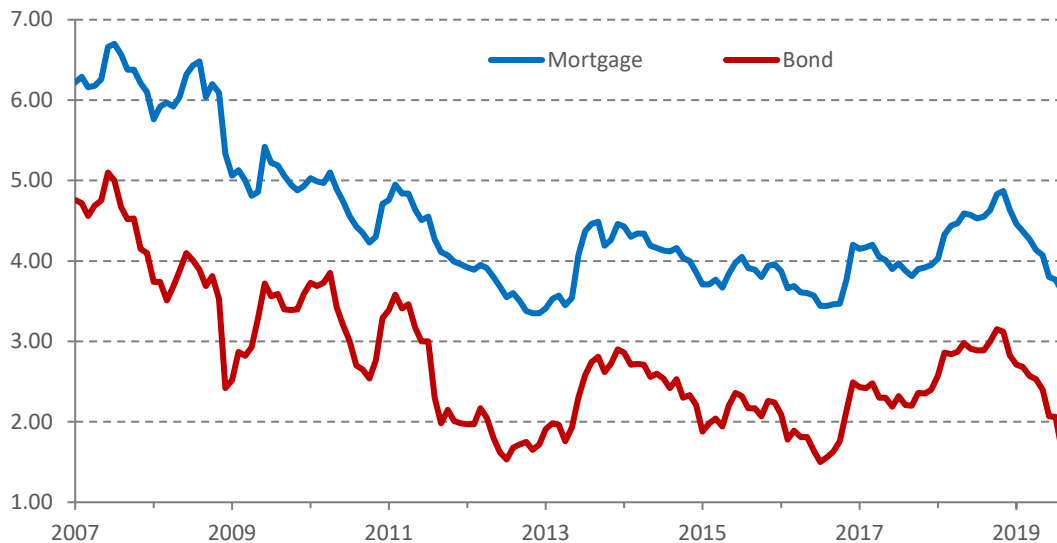
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Days on Market by Price Cohort (Days)



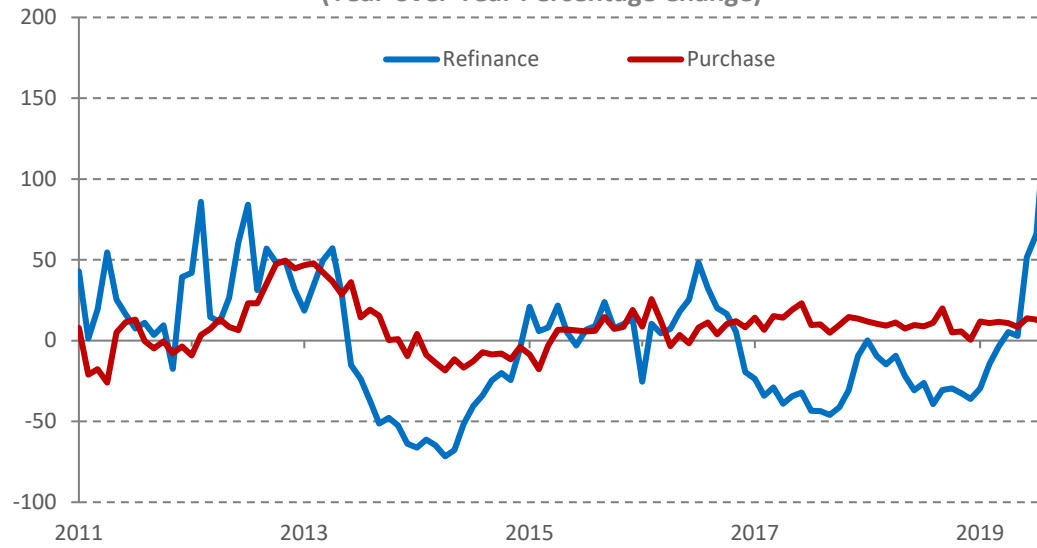
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



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

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



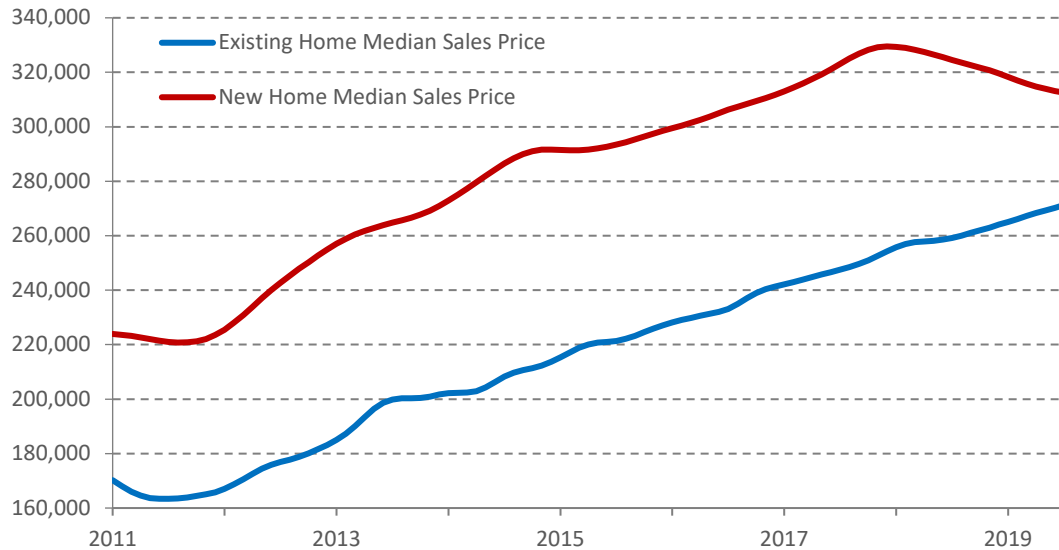
Note: Seasonally adjusted.

Source: Mortgage Bankers Association



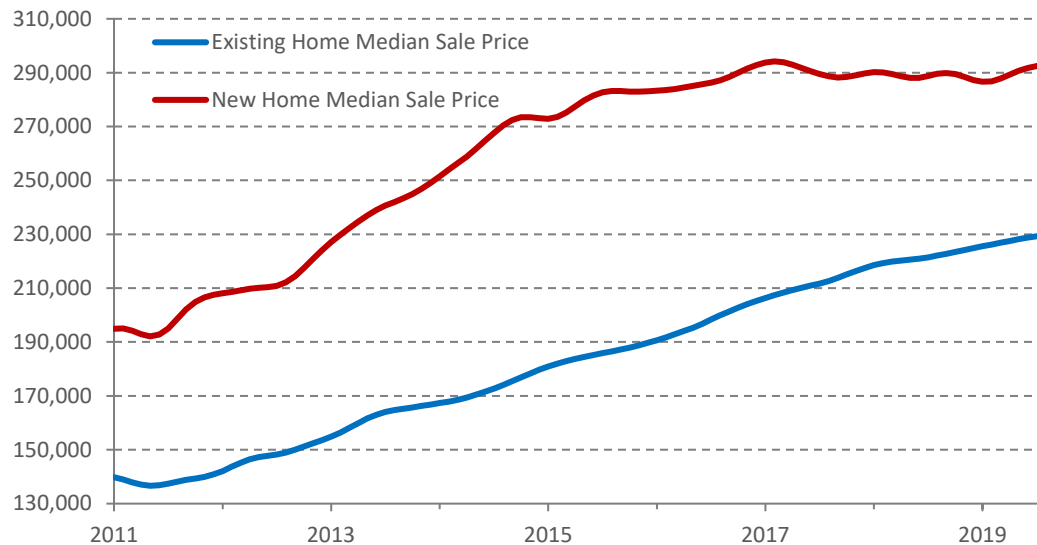
PRICES

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



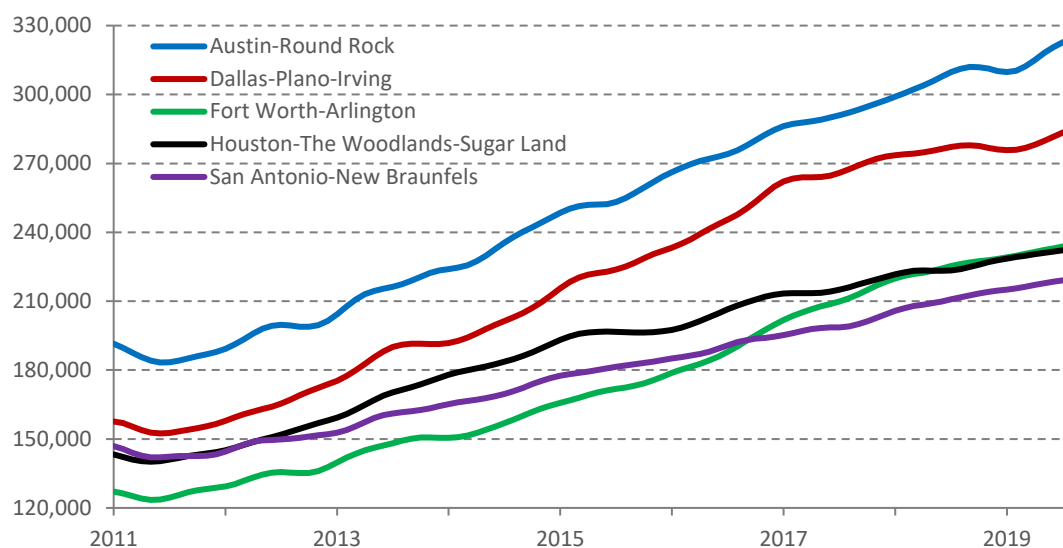
Note: Trend-Cycle Component. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



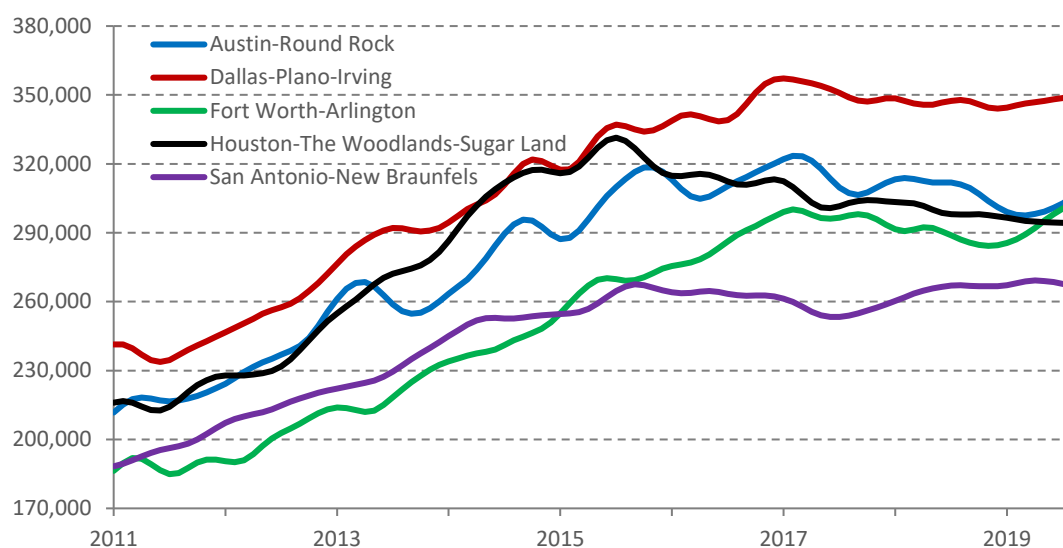
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



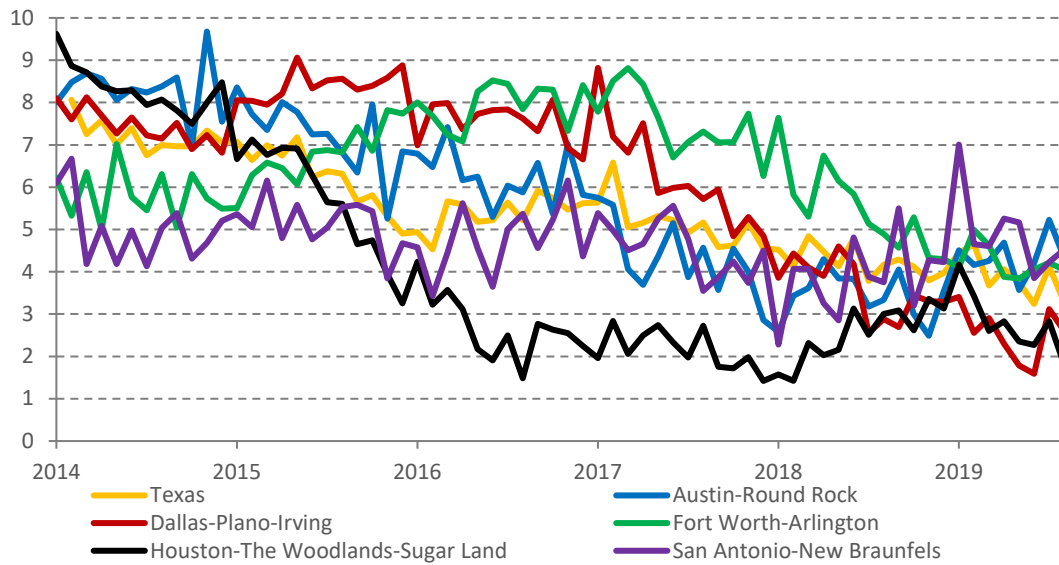
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



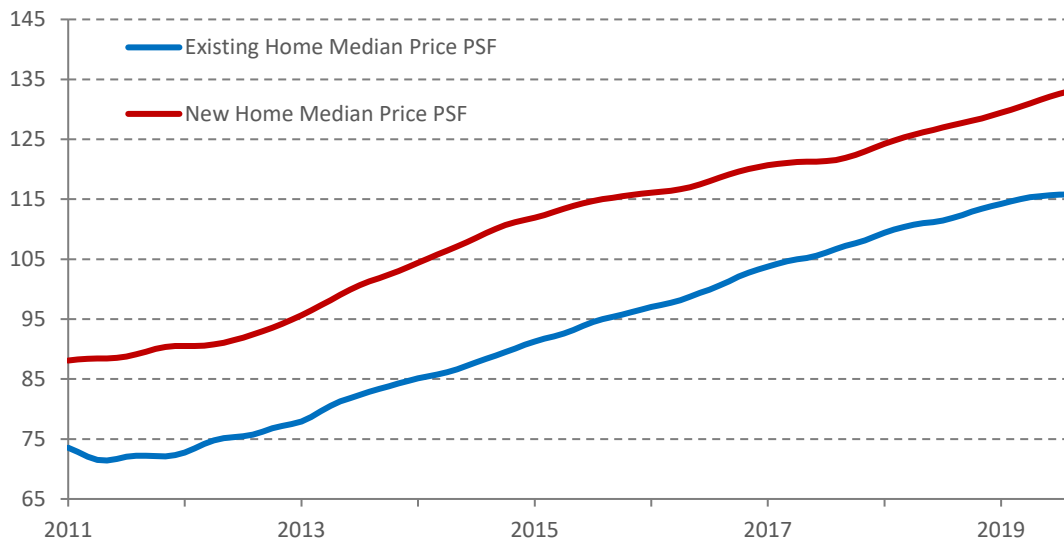
Note: Trend-Cycle Component. For single-family homes.
Sources: Real Estate Center at Texas A&M University

Repeat Sales Home Price Index (Year-over-Year Percentage Change)



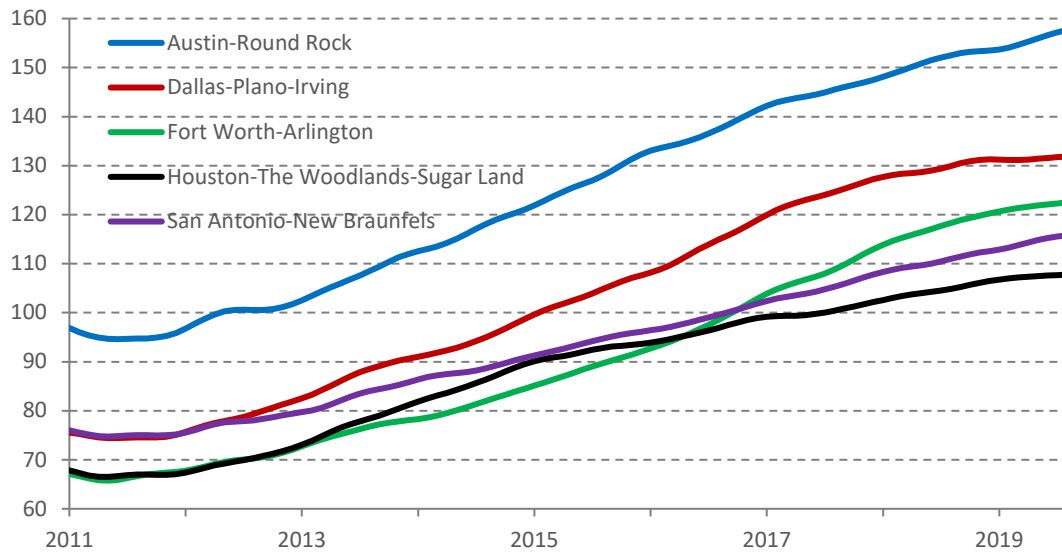
Note: Seasonally adjusted. The Repeat Sales Home Price Index tracks real home price appreciation for residential single-family homes. The Texas Repeat Sales Home Price Index starts at February 2013.
Source: Real Estate Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



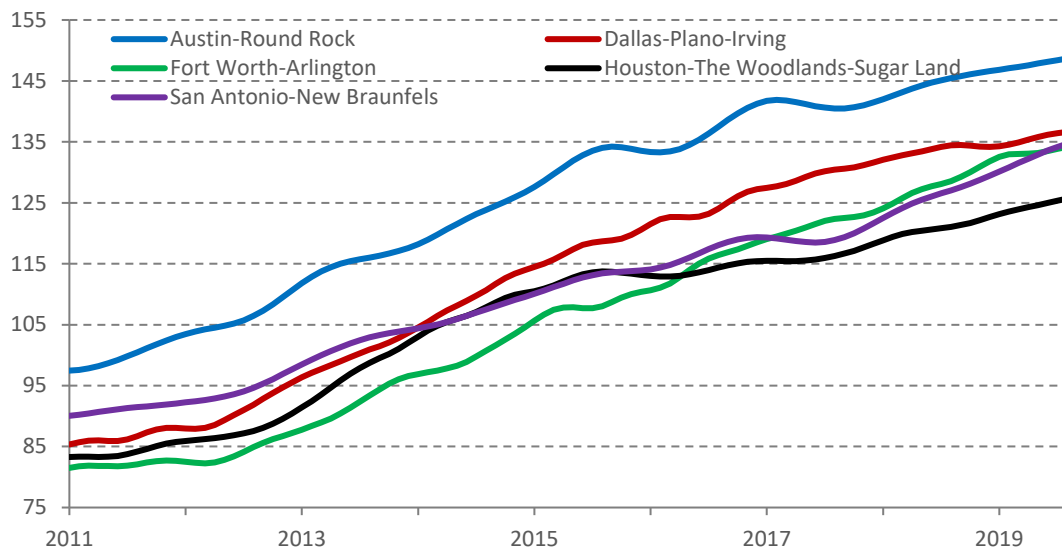
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



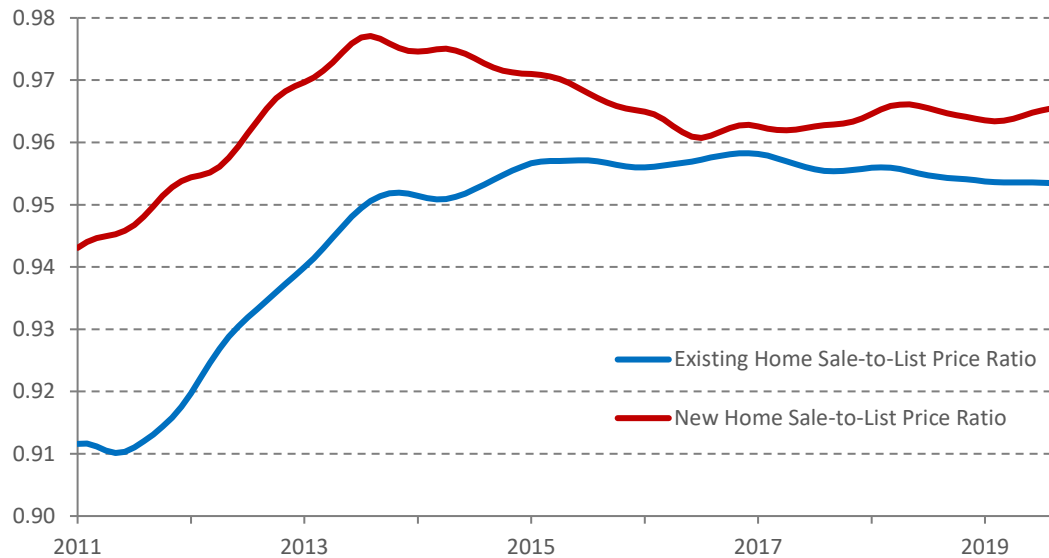
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



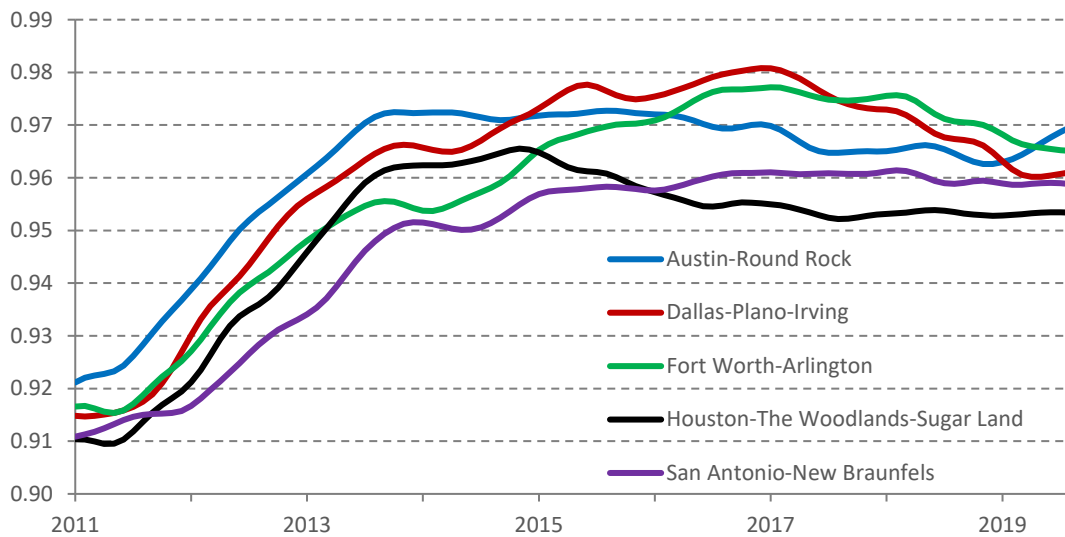
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price (Ratio)



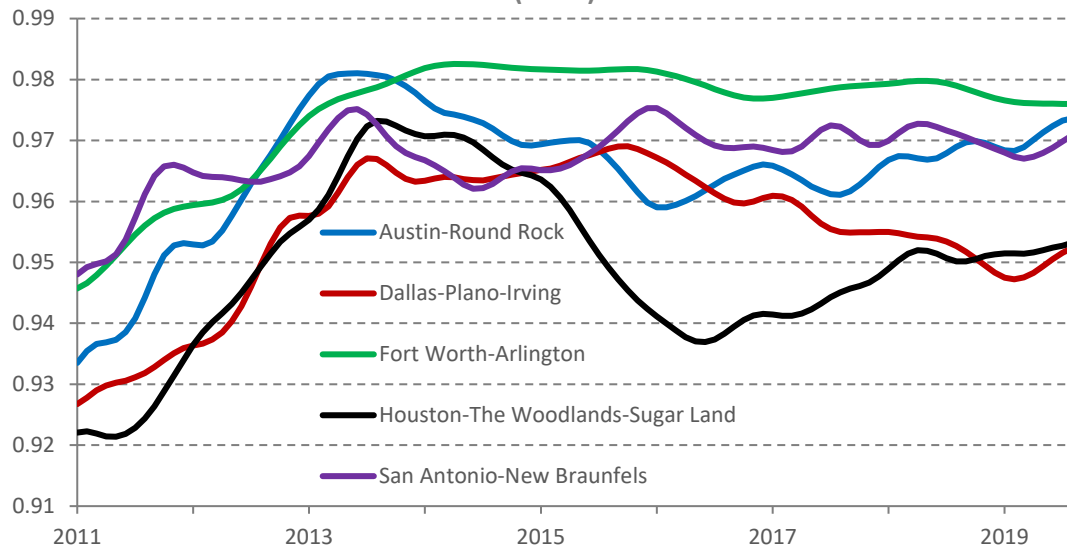
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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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