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TEXAS HOUSING INSIGHT

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SEPTEMBER 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 October 28, 2019

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SEPTEMBER 2019 SUMMARY

VACANT DEVELOPED LOTS

▲ 6.3%

TEXAS HOMEOWNERSHIP RATE

▲ 63.0%

NEW HOME SALES

▲ 24,900

TEXAS REPEAT SALES INDEX

▲ 3.8%

Seasonally adjusted Texas housing sales decreased 2 percent in September from August after hovering around record levels the previous two months. Low mortgage rates and steady employment growth, however, supported ongoing housing demand, as exemplified by increased mortgage applications and a rise in the state's homeownership rate. The average home continued to sell after just two months on the market. On the supply side, increased single-family permits, housing starts, and lot development indicate positive momentum for future construction. Presently, however, available inventories remain constrained, putting upward pressure on home prices, which have persistently outpaced wages. Affordability remains a primary challenge to the Texas home market, but the extended national and state economic expansion supports a favorable outlook.

Supply*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, ticked up with industry labor market improvements. The **Residential Construction Leading Index** rose to its highest level since the Great Recession amid falling interest rates and upward-trending building permits and housing starts. This suggests higher levels of construction in the coming months.

Supply-side activity accelerated at the earliest stage of the construction cycle with a 29.7 percent quarterly increase in the number of **new vacant developed lots** (VDLs) in the four major Metropolitan Statistical Areas. DFW's VDLs accounted for much of the surge, rebounding after a year-long decline. The correction occurred primarily in the \$200,000-\$500,000 range. Improvements in North Texas and San Antonio boosted their VDLs to post-recession record levels. Lot development in San Antonio and Houston picked up for homes selling for less than \$300,000; activity targeted for higher-priced homes in Houston, however, pulled back. New VDLs reached an all-time high in Austin following three straight quarterly increases.

As VDLs surged upward, **single-family construction permits** hovered at a post-recession record high, increasing 9.9 percent quarter over quarter (QOQ). Permit activity through September, however, remained 2 percent below levels in the first nine months of 2018. Texas' 10,193 monthly permits (nonseasonally adjusted) accounted for 17 percent of the national total. The Lone Star

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



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State led the nation in total permits but ranked sixth in per capita issuance. On the metropolitan level, Houston topped the list with 3,371 permits, followed by DFW with 3,058. Central Texas extended a steep upward trend, issuing 1,440 and 737 permits in Austin and San Antonio, respectively.

Total Texas housing starts rose 6.3 percent QOQ as momentum shifted from the multifamily to single-family sector based on Metrostudy data. Approximately 24,000 single-family homes broke ground in the Texas Urban Triangle, rebounding to solid first-quarter levels. Half of the increase occurred in the constrained \$200,000-\$400,000 price range. Trending similar to VDLs, Austin single-family starts maintained a solid pace upward, while Houston held steady at its year-long average. San Antonio activity showed moderate improvement. DFW was the exception, with starts decreasing slightly following a year-long period of downward VDL and permit adjustments. Corroborating improved residential construction, **single-family private construction values** increased 3 percent during the third quarter. The trend, however, remained flat except in San Antonio.

Despite increased housing starts, **Texas' months of inventory (MOI)** held steady 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 two-thirds of sales, balanced below 2.8 months. Inventory for luxury homes (those priced more than \$500,000), however, increased for the fifth consecutive month to 8.4 months. These divergent trends exemplify the shortage of affordable housing and the current mismatch between demand and supply.

Inventory in the major metros were even more constrained than the statewide average. The MOI fell to year to date (YTD) lows of 2.3 and 3.1 months in Austin and Dallas, respectively. Fort Worth's and San Antonio's metrics eased slightly after a three-month slide in both locales but hovered at 2.5 and 3.5 months, respectively. The exception was Houston, where the MOI remained at 3.9 months.

Demand

Total housing sales fell 2 percent in September but maintained an upward trajectory amid lower mortgage rates and solid job market conditions. Meanwhile, existing-home sales, which make up 80 percent of total sales, decreased 2.6 percent. Nonseasonally adjusted total sales increased 8.6 percent from September 2018; after accounting for the number of business days, however, sales increased only 4.5 percent over the same period.

According to Metrostudy data, third quarter new home sales approached 25,000 in the Texas Urban Triangle for the first time since 2007, corroborating the overall strength of the state's housing market. An increase in new-home transactions priced \$300,000-\$400,000 comprised over half of the quarterly improvement. Austin sold a record level 4,783 new homes during the third quarter, surpassing 20 percent year-over-year (YOY) growth. San Antonio maintained sales pace of 15 percent YOY, accounting for 3,200 new-home transactions. Dallas and Houston constituted more than two-thirds of the new home purchases, selling 9,015 and 7,712, respectively.

Texas' **average days on market (DOM)** held steady at 60 days. The metrics in Dallas and Houston, where over 40 percent of statewide sales take place, remained unchanged at 56 and 59 days, respectively. Fort Worth's DOM paused after reaching a four-year high in August of 45 days. On the other hand, Central Texas reached YTD lows of 52 and 56 days in Austin and San Antonio, respectively.

In an environment of extended economic expansion and steady job growth, Texas' **homeownership rate** increased to 63 percent in 3Q2019. The national rate held firmly higher at 64.8 percent. Homeownership is persistently lower in the major metros but trended upwards. DFW ranked first among the metropolitan areas with 62.1 percent of occupied housing units being owner-occupied. Austin and Houston each posted 61.6 percent homeownership. San Antonio's homeownership rate was 60.4 percent amid a decrease in apartment vacancy rates. The contrasting trends may indicate a recent inclination of households to rent rather than buy.

Better than expected U.S. economic data and a slightly optimistic outlook on U.S.-China trade talks slowed the downward slide in interest rates. Although long-term rates remained lower than those for short-term instruments, current economic fundamentals at the state and national level are healthy and stable. Short-term interest rates could fall further following the Federal Reserve's third rate cut of the year in October. The **ten-year U.S. Treasury bond yield** inched up to 1.7 percent after falling to a three-year low of 1.6 percent in August. The **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** flattened at 3.6 percent. Texans capitalized on lower rates, pushing mortgage applications for home purchases up 28.3 percent YTD. Refinance mortgage applications, which are more sensitive to interest rate fluctuations, have more than doubled since year end.

Prices

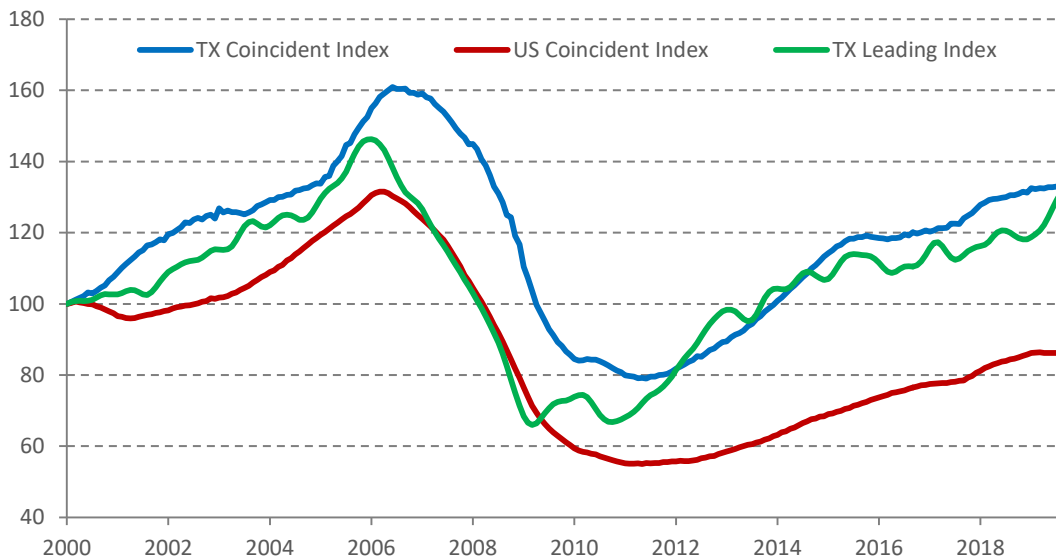
The **Texas median home price** increased for the fourth consecutive month, reaching \$243,800 for an annual growth rate of 5.1 percent. Although home-price appreciation accelerated, growth was below the double-digit levels YOY reached as recently as 2017. Austin led the metros in terms of median home price at \$327,300. North Texas followed with a median price of \$297,000 and \$247,300 in Dallas and Fort Worth, respectively. Houston's metric balanced at \$246,800. The San Antonio median price increased to \$236,000 but remained the lowest among the major MSAs.

The **Texas Repeat Sales Home Price Index** increased 3.8 percent YOY, decelerating from 3Q2018's annual growth rate of 4.1 percent. The index's growth, however, continued to outpace wage improvement, exacerbating affordability struggles. Similar to home-price appreciation, Austin's index posted the greatest YOY increase of 4.6 percent. Fort Worth's and San Antonio's metrics decelerated from year-ago levels, registering 4.2 and 4.1 percent growth, respectively. The Dallas index increased 2.9 percent YOY while Houston's rose 2.4 percent.



SUPPLY

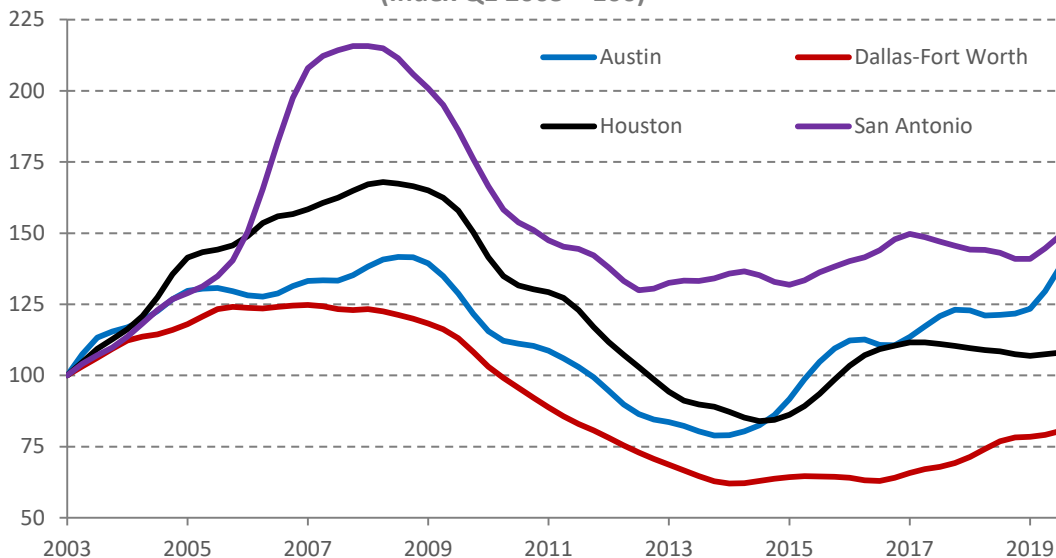
Texas Residential Construction Index
(Index Jan 2000 = 100)



Note: Trend-Cycle Component.

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

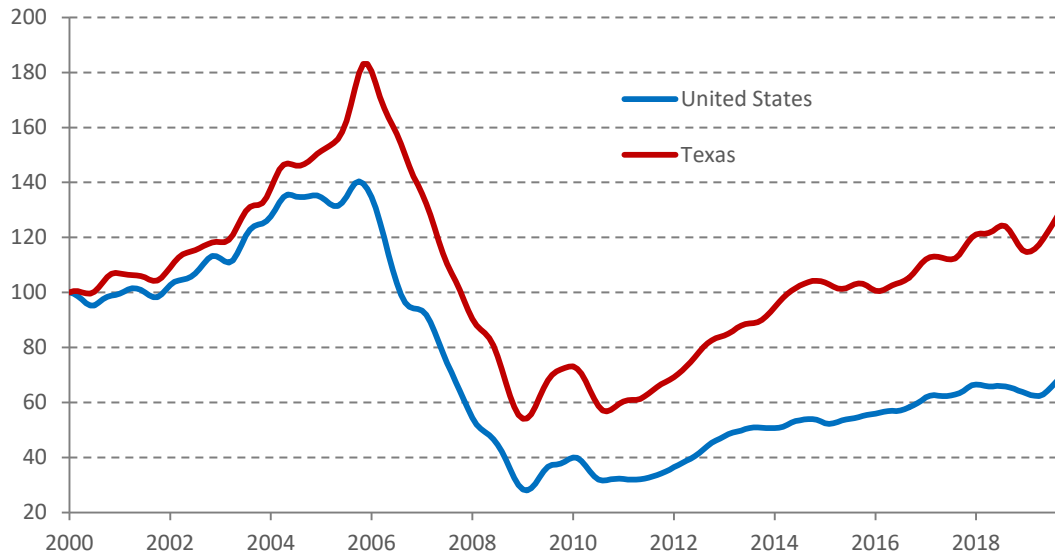
Vacant Developed Lots
(Index Q1 2003 = 100)



Note: Trend-Cycle Component.

Source: Metrostudy

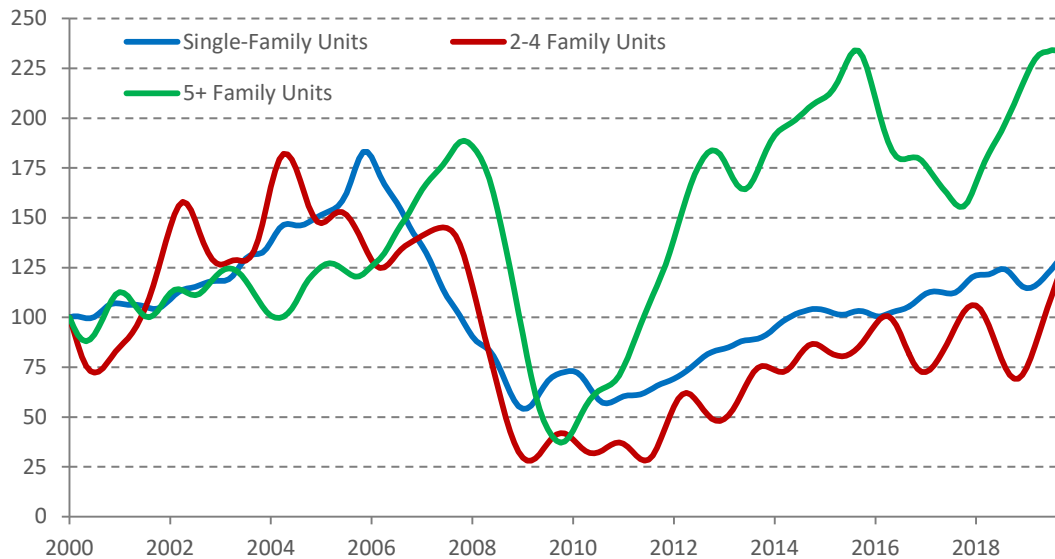
Single-Family Housing Construction Permits (Index Jan 2000 = 100)



Note: Trend-Cycle Component.

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

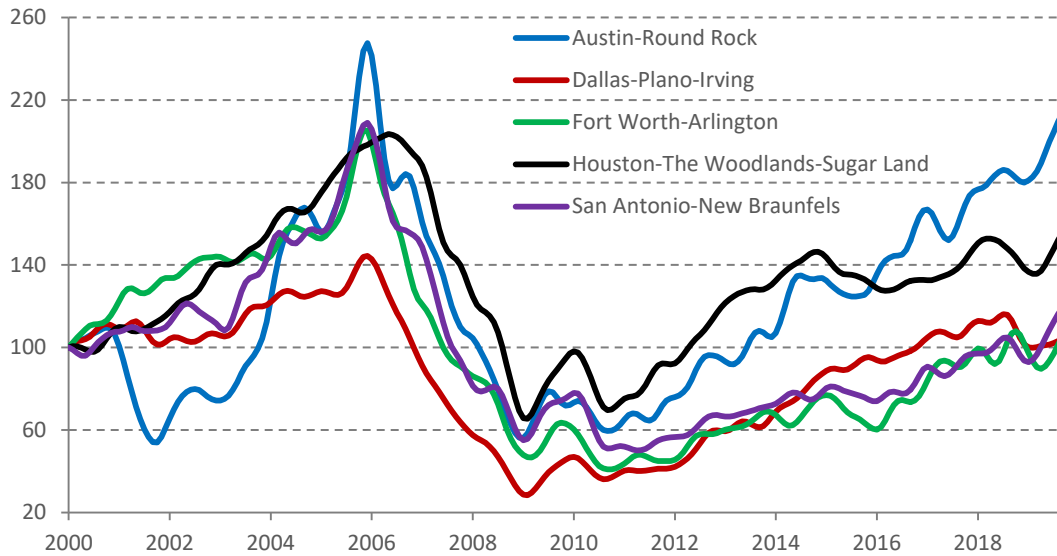
Texas Housing Construction Permits (Index Jan 2000 = 100)



Note: Trend-Cycle Component.

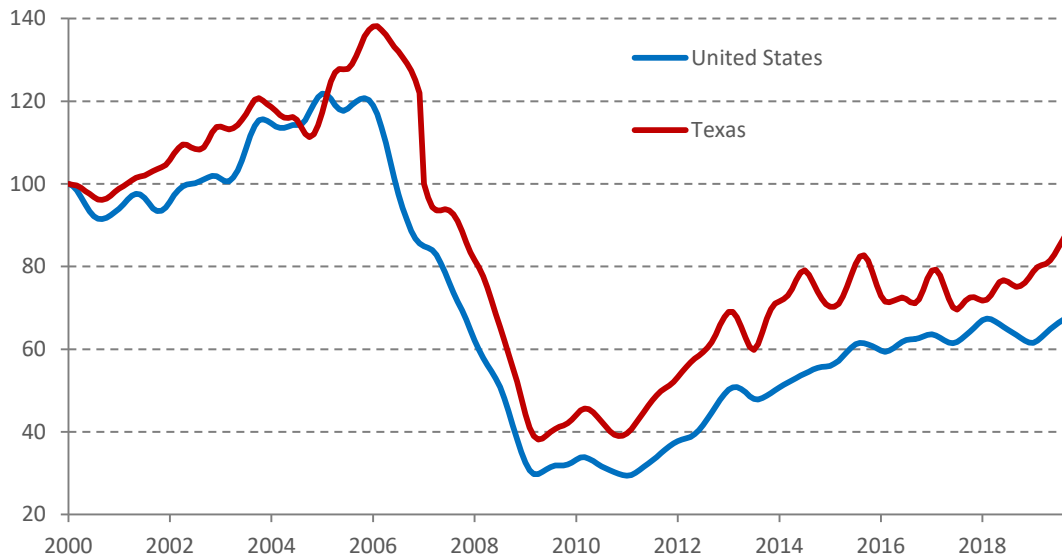
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Major Metros Single-Family Housing Construction Permits (Index Jan 2000 = 100)



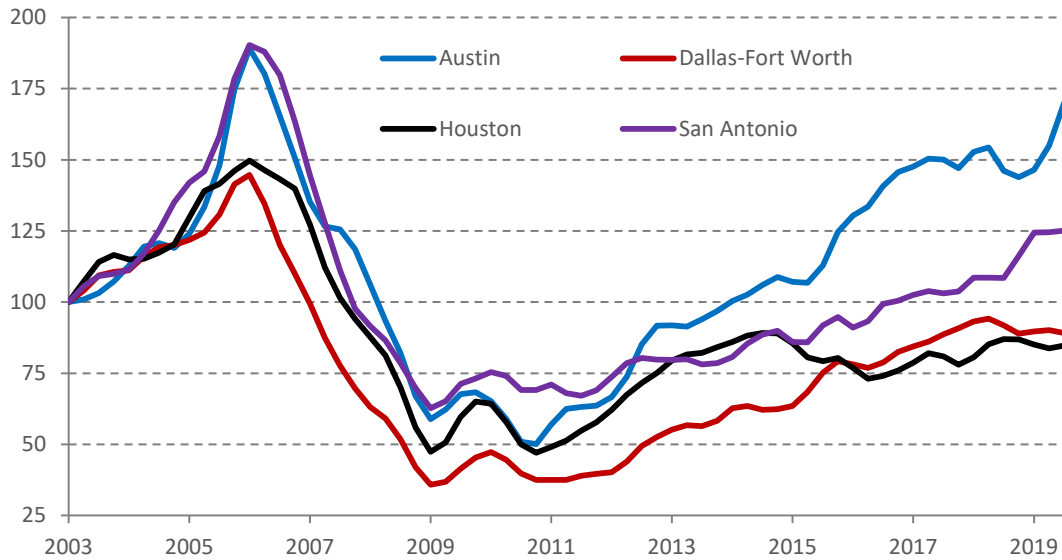
Note: Trend-Cycle Component. Fort Worth is missing data for Somervell County.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Total Housing Starts Per Capita (Index Jan 2000 = 100)



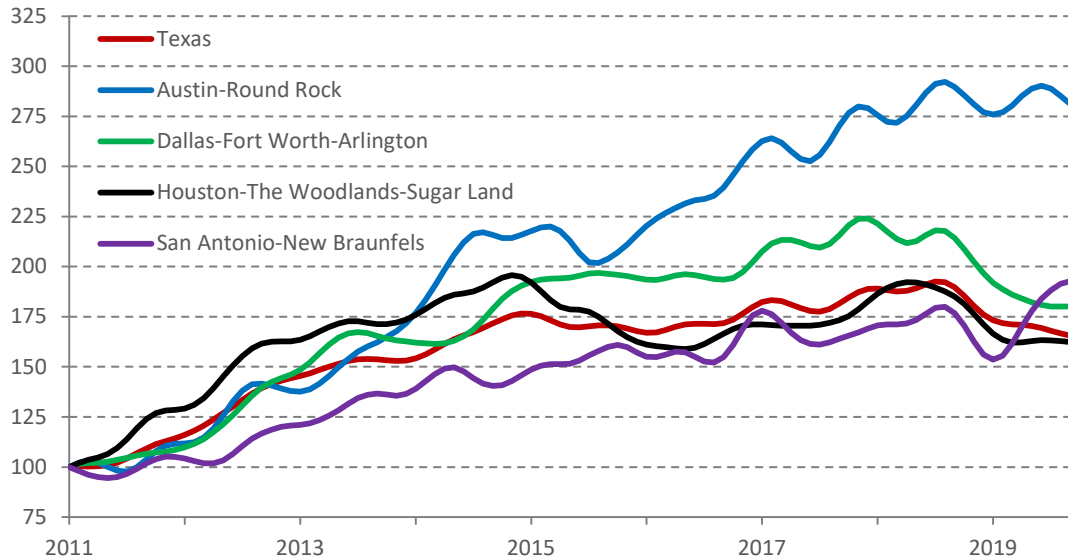
Note: Trend-Cycle Component.
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

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

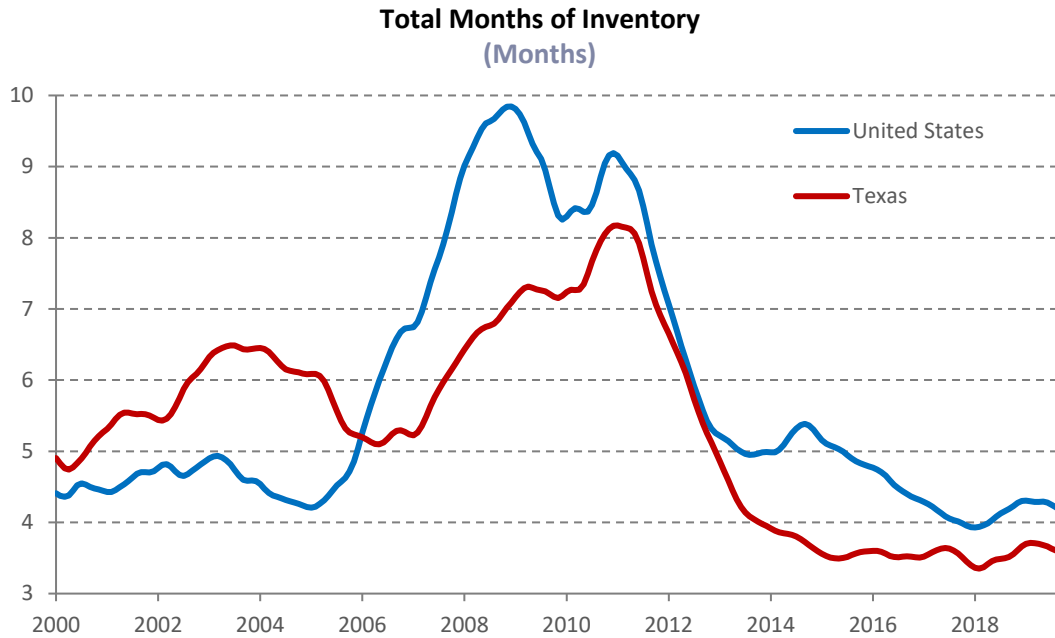


Note: Trend-Cycle Component.
Source: Metrostudy

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

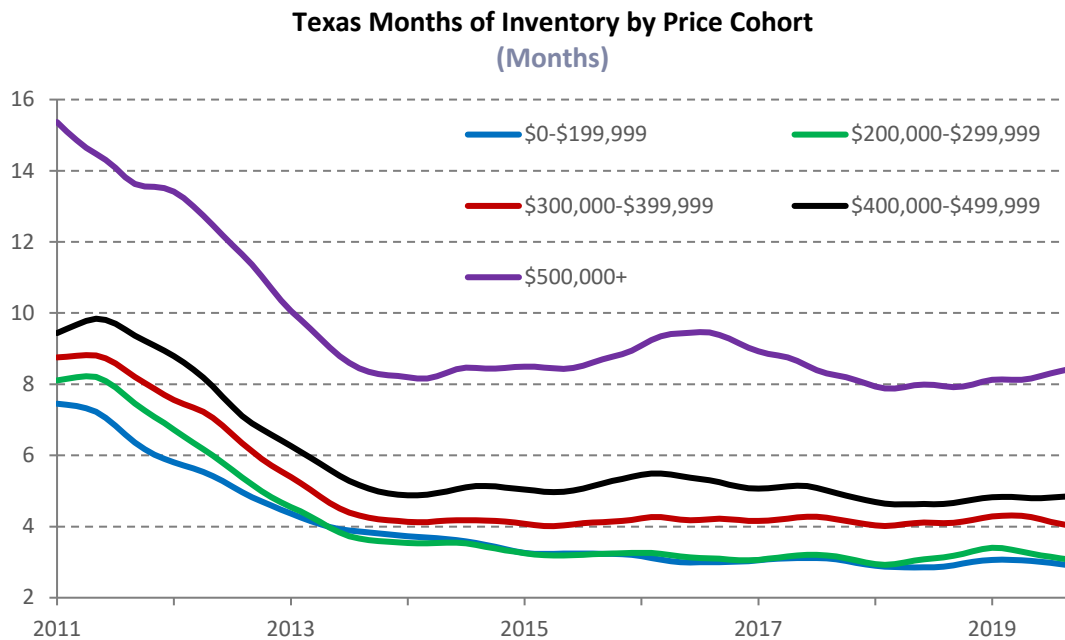


Note: Inflation adjusted. Trend-Cycle Component.
Source: Dodge Analytics



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](#).

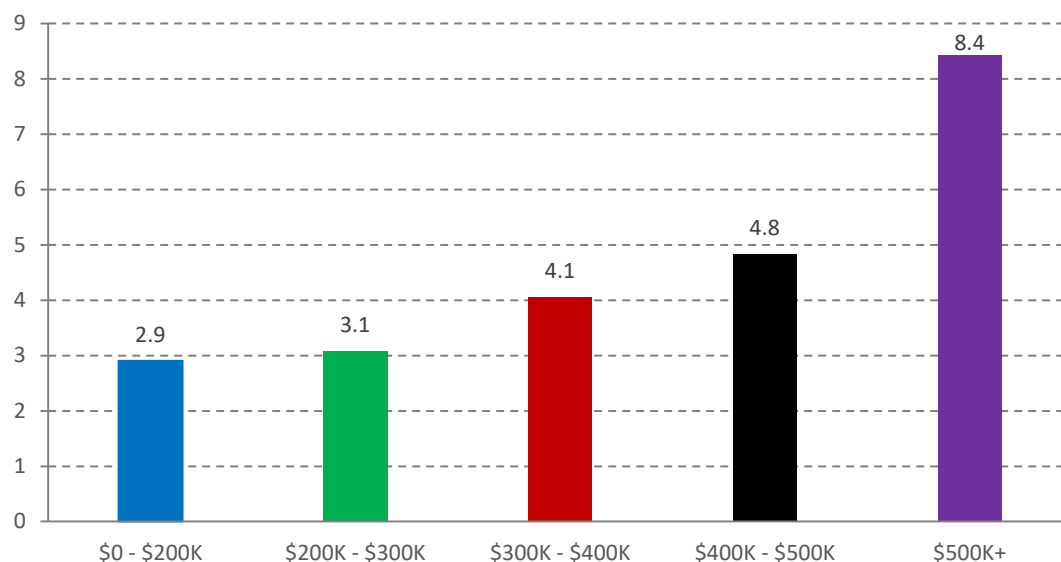
Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

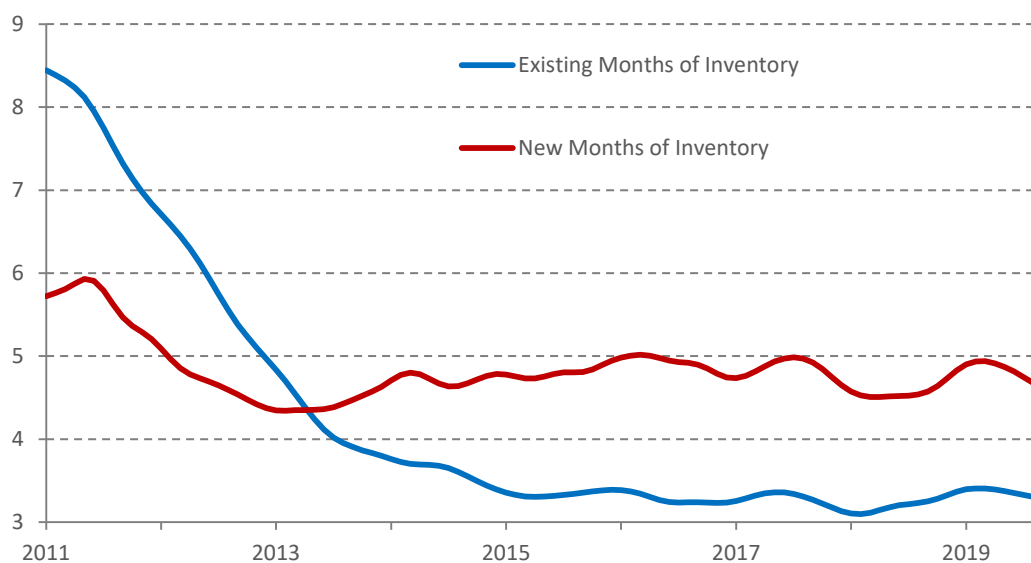
Texas Current Months of Inventory by Price Cohort (September 2019)



Note: Seasonally adjusted.

Source: Real Estate Center at Texas A&M University

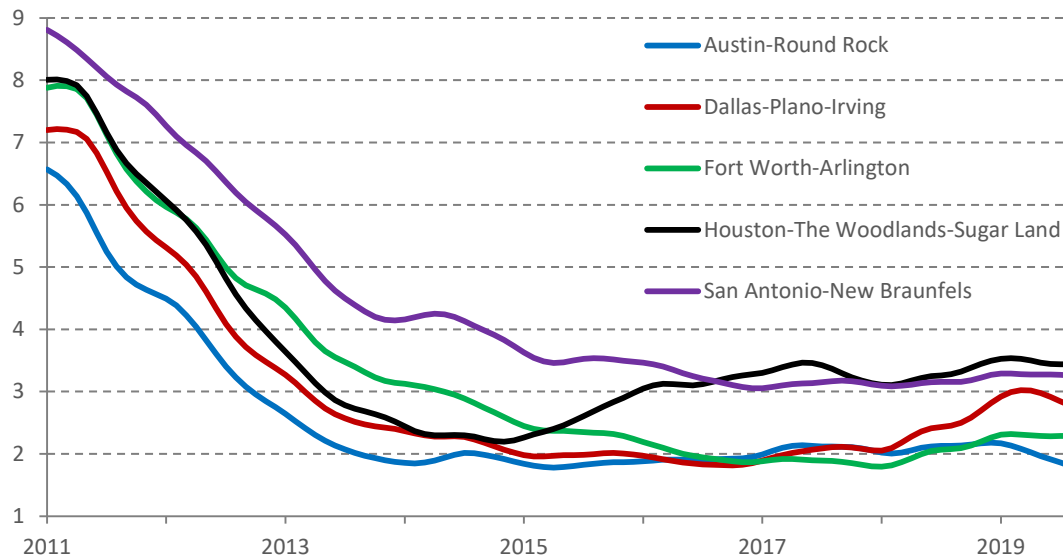
Texas Existing and New Home Months of Inventory (Months)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

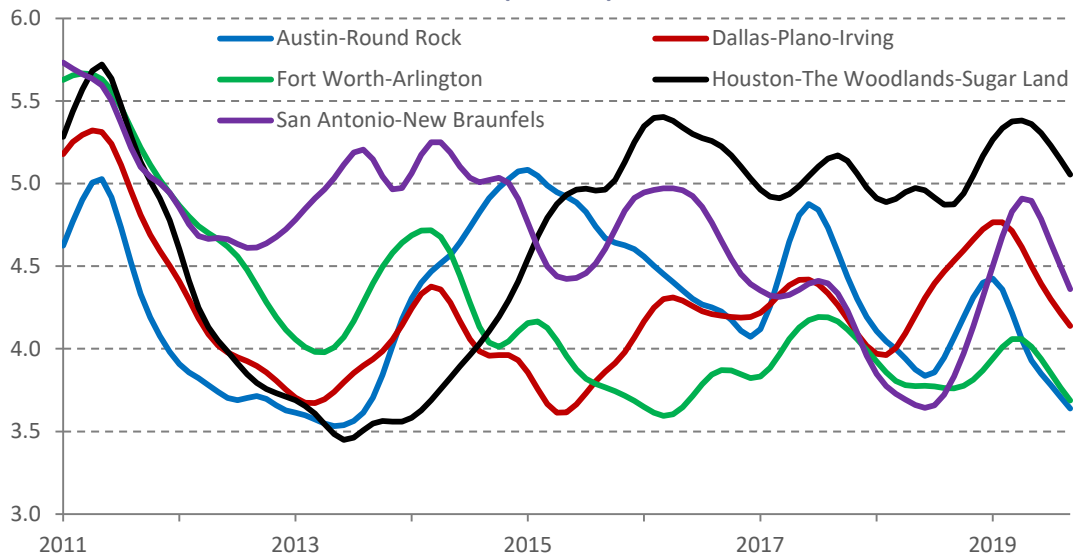
Major Metros Existing Home Months of Inventory (Months)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

Major Metros New Home Months of Inventory (Months)



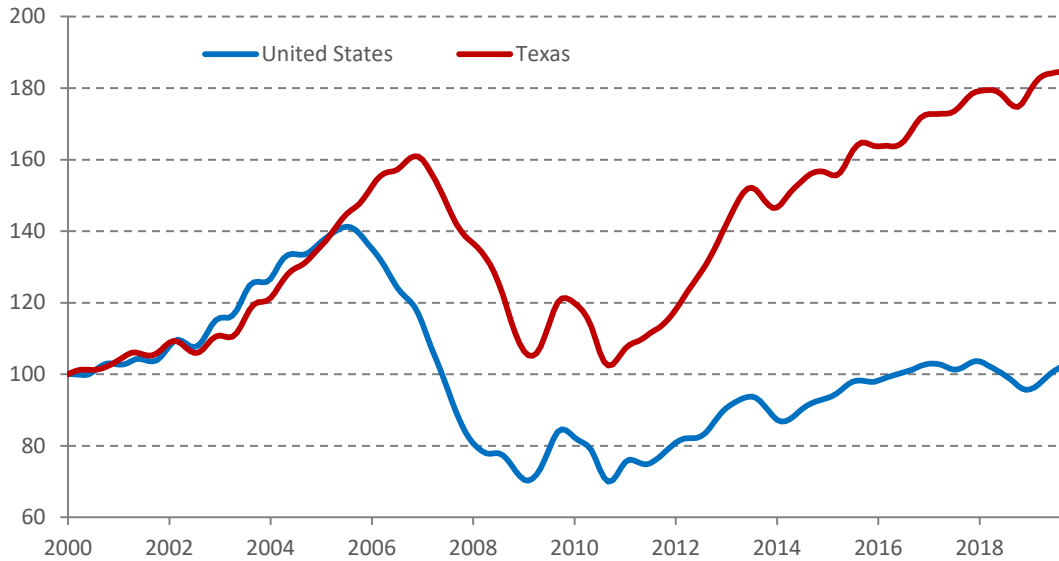
Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University



DEMAND

Total Housing Sales
(Index Jan 2000 = 100)

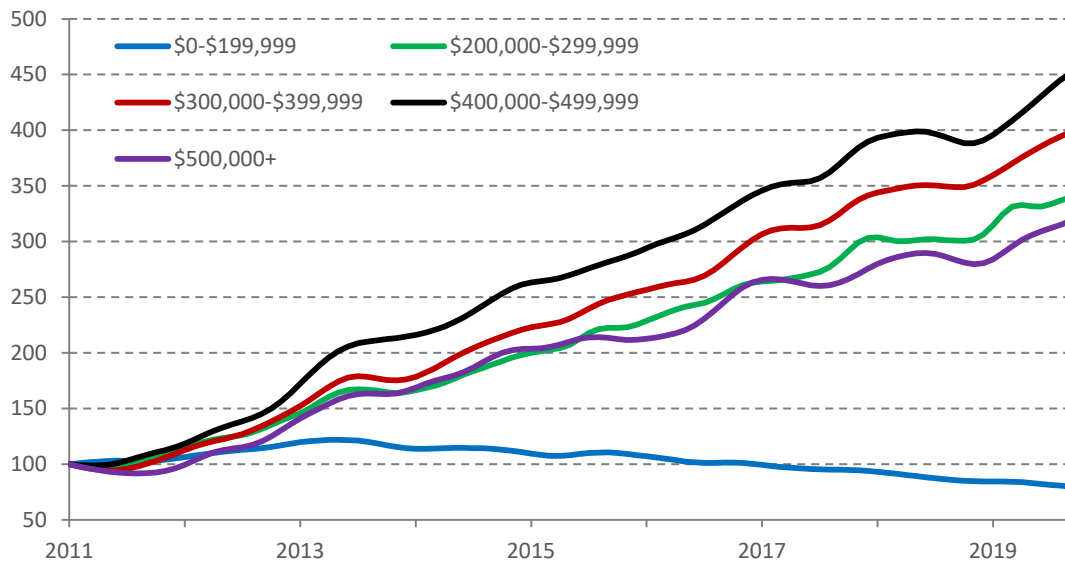


Note: Trend-Cycle Component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

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

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

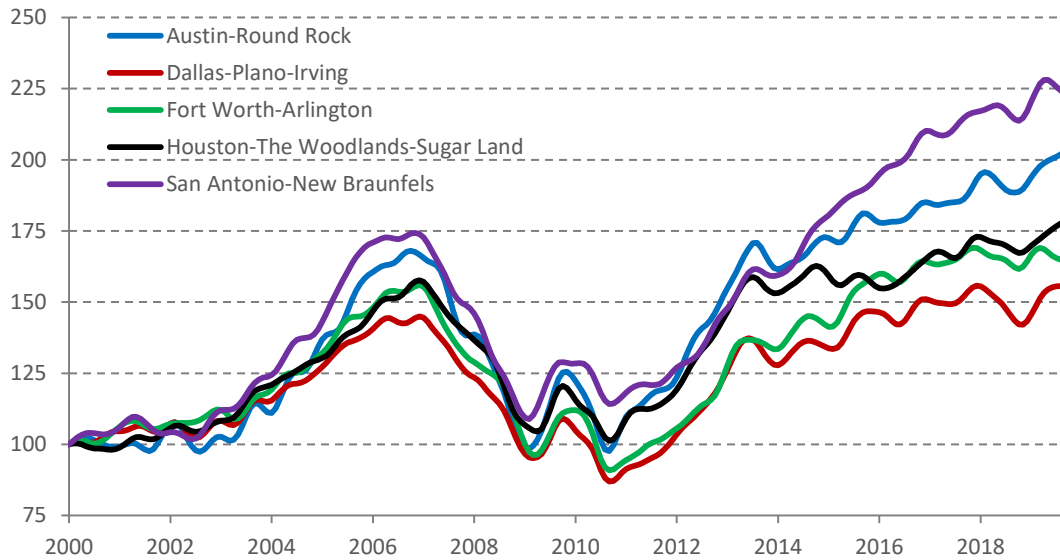
Texas Total Housing Sales by Price Cohort
(Index Jan 2011 = 100)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

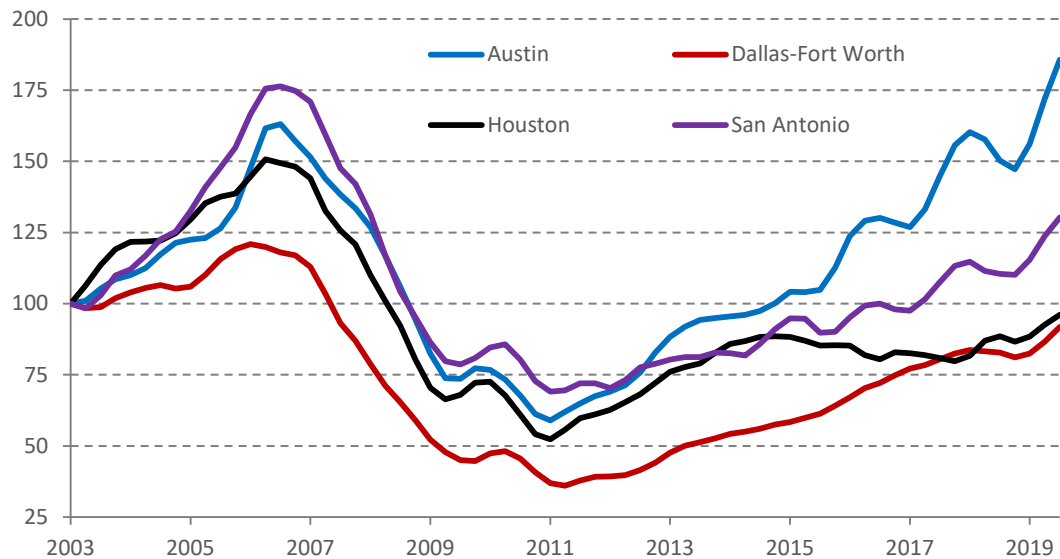
Major Metros Total Housing Sales (Index Jan 2000 = 100)



Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

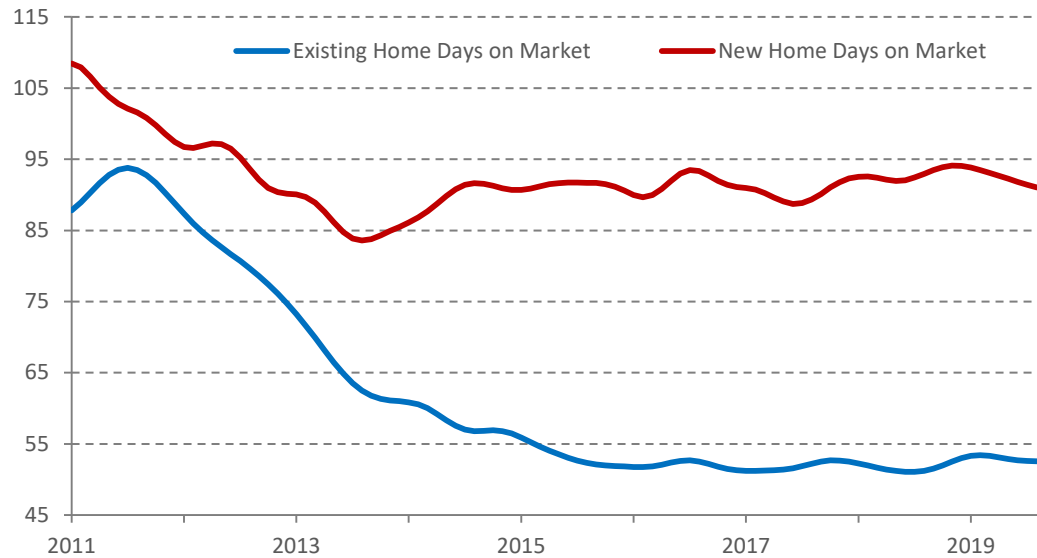
Major Metros New-Home Sales (Index 1Q2003 = 100)



Note: Trend-Cycle Component.

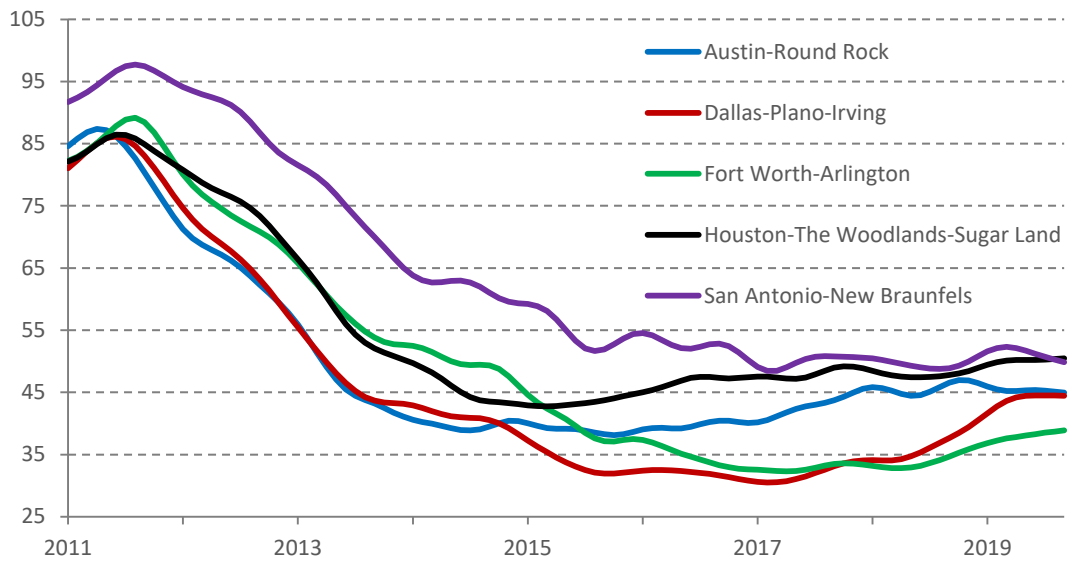
Source: Metrostudy

Texas Homes Days on Market (Days)



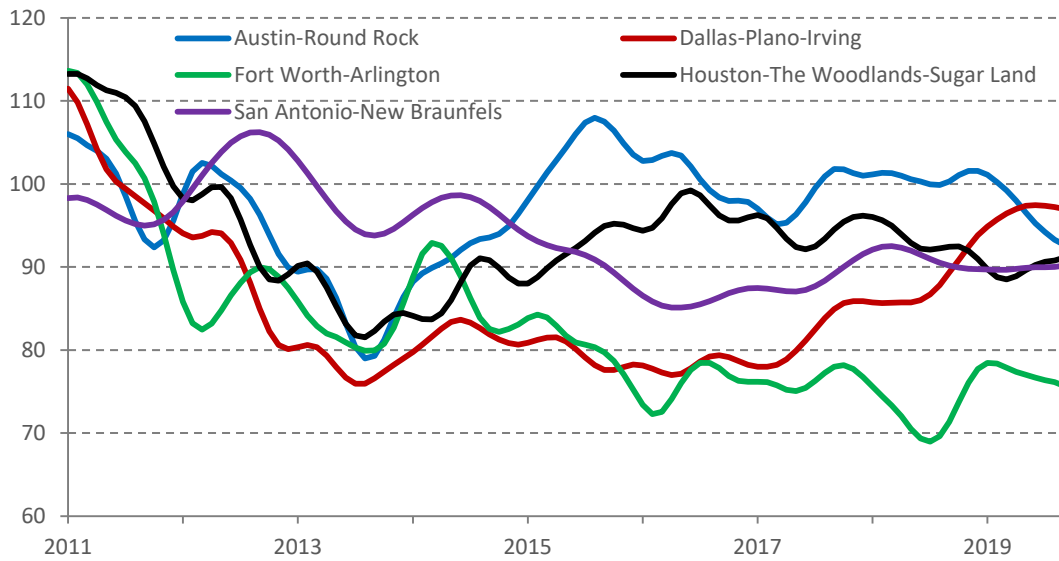
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



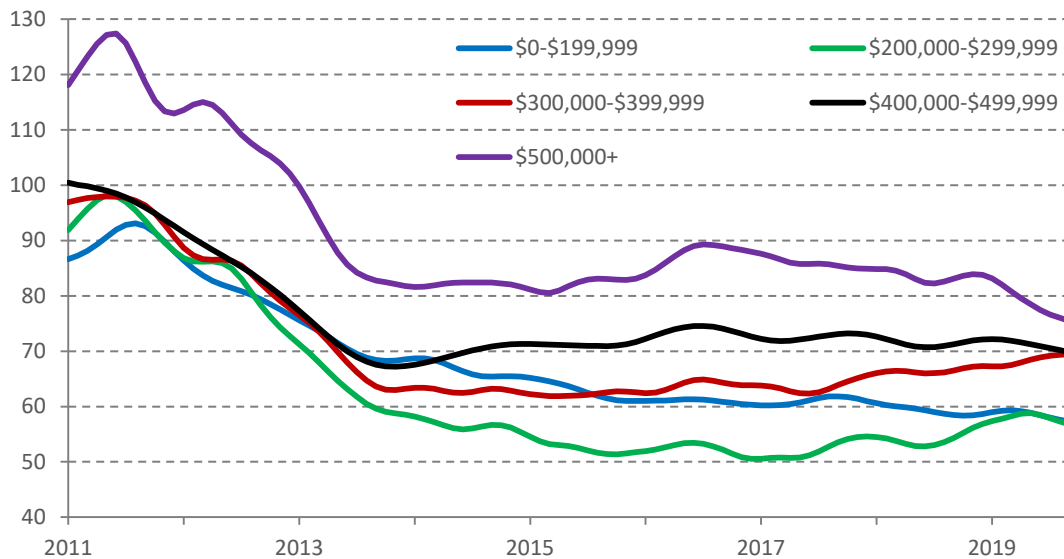
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)

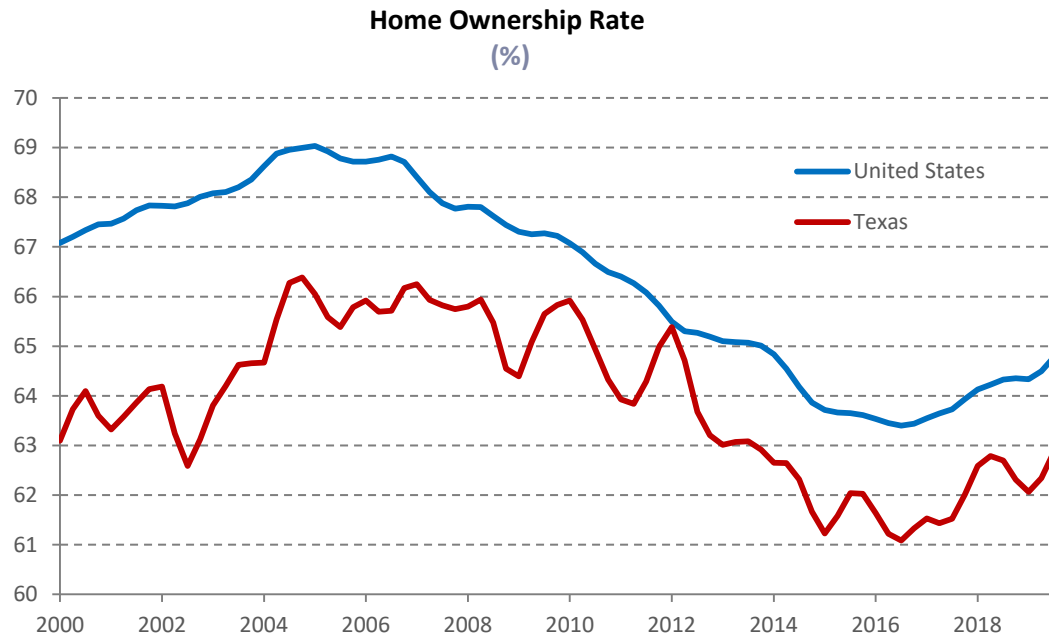


Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

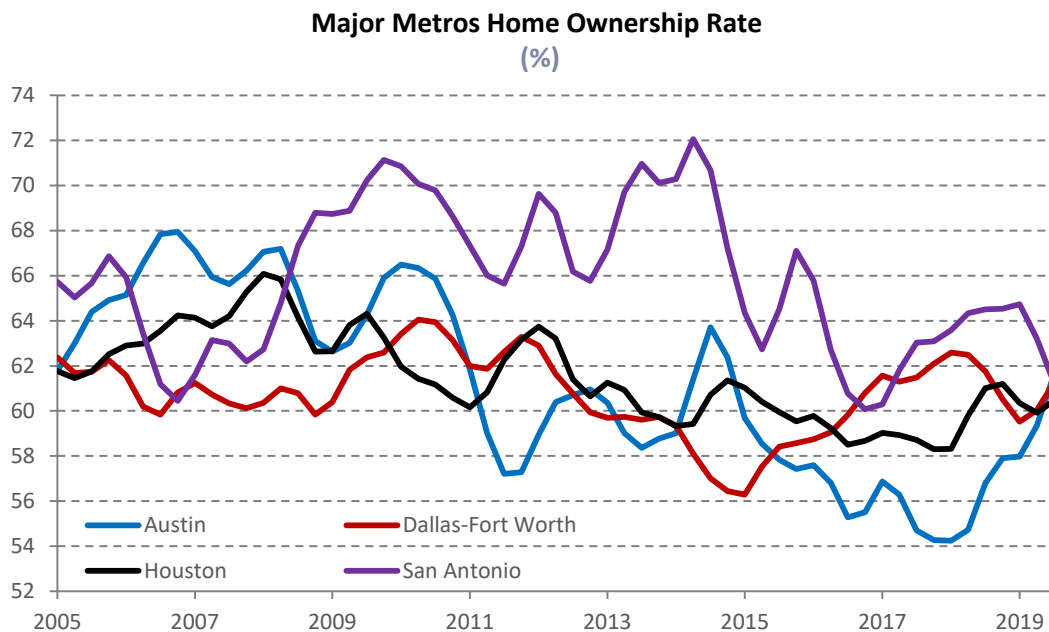
Texas Home Days on Market by Price Cohort (Days)



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

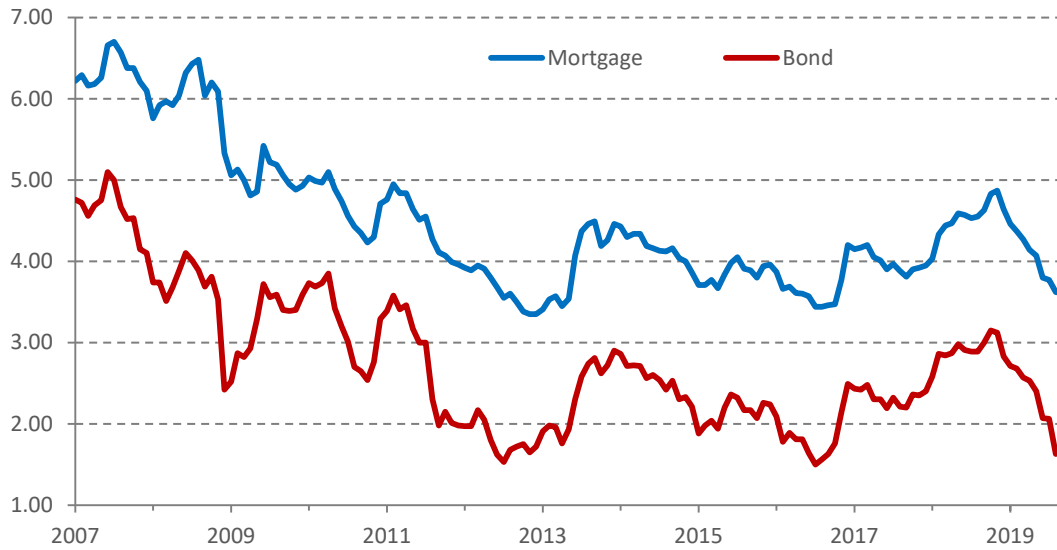


Note: Trend-Cycle Component.
Source: United States Census Bureau



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

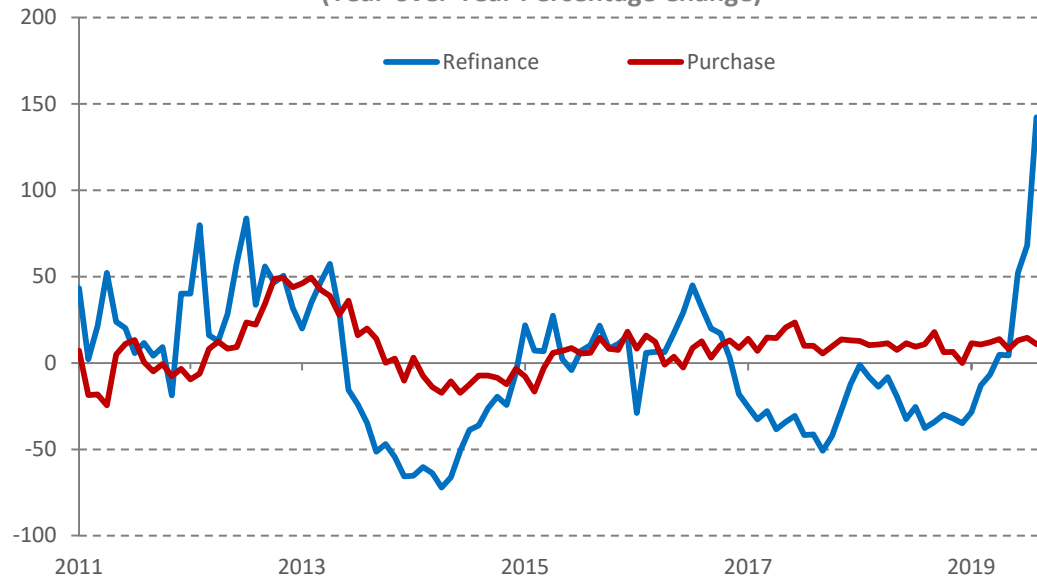
30-Year Mortgage Rate and 10-Year Treasury Yield (Percent)



Note: Seasonally adjusted.

Source: Federal Home Loan Mortgage Corporation and Federal Reserve Board

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



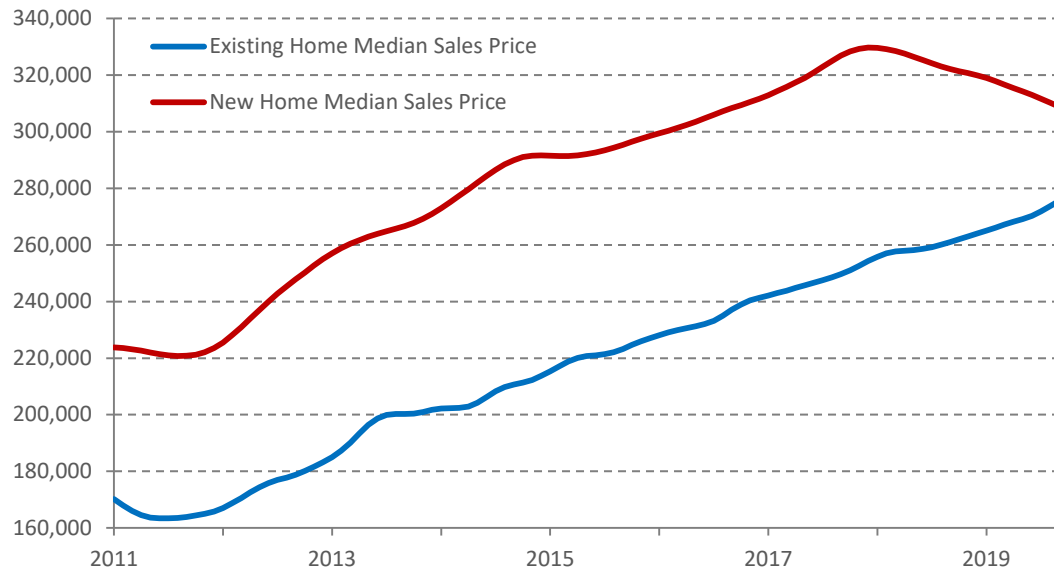
Note: Seasonally adjusted.

Source: Mortgage Bankers Association



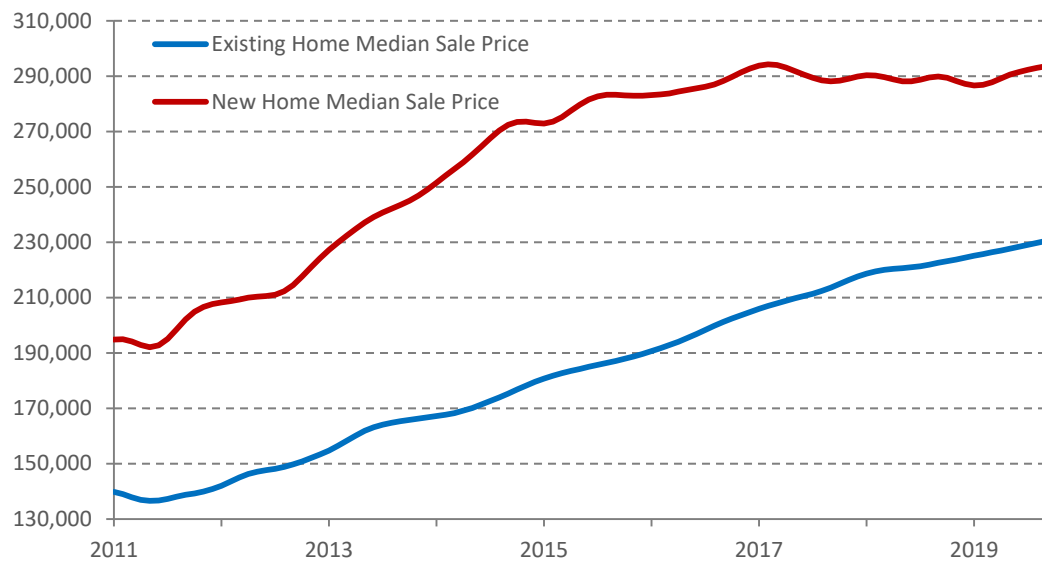
PRICES

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



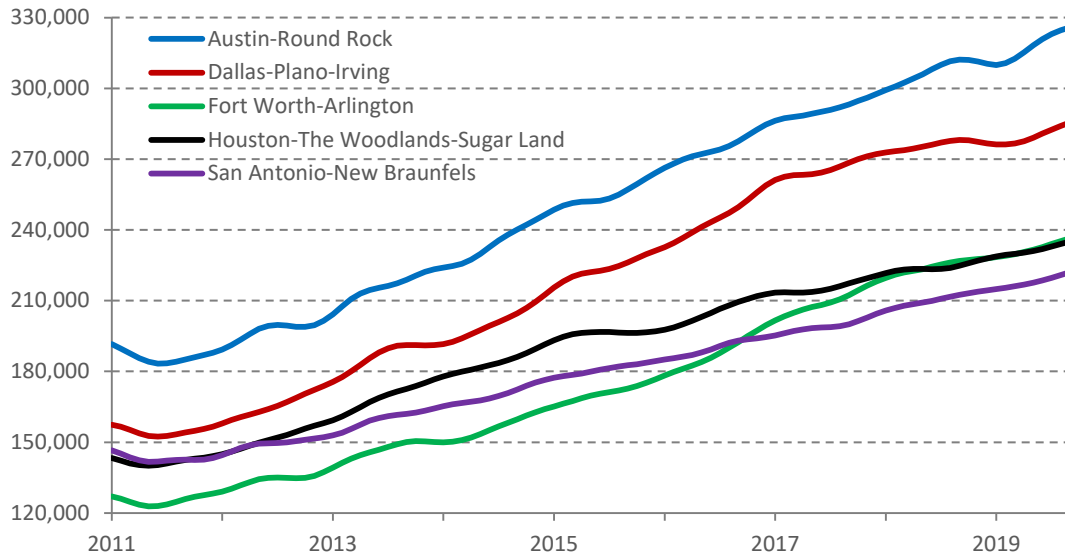
Note: Trend-Cycle Component. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



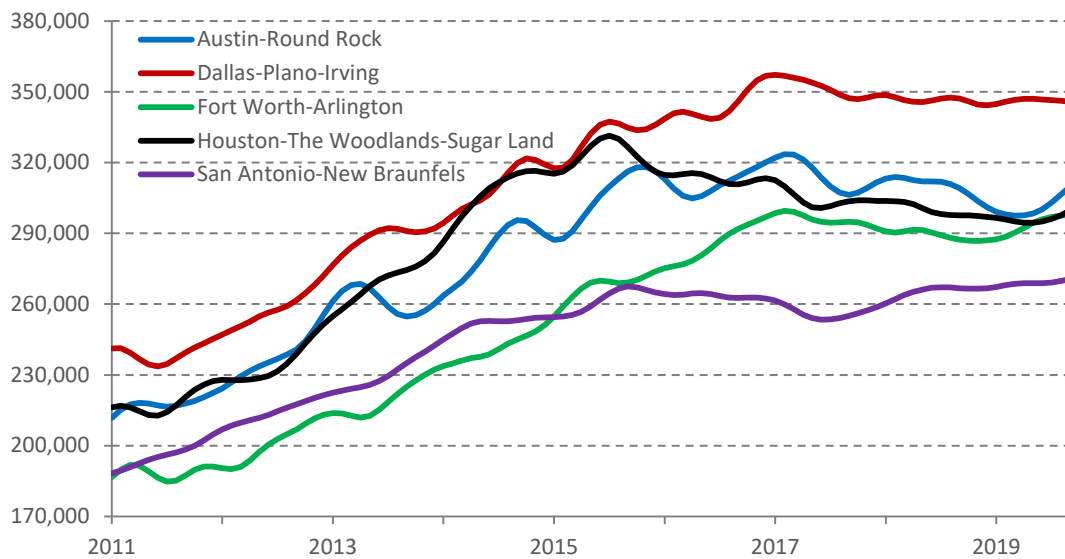
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



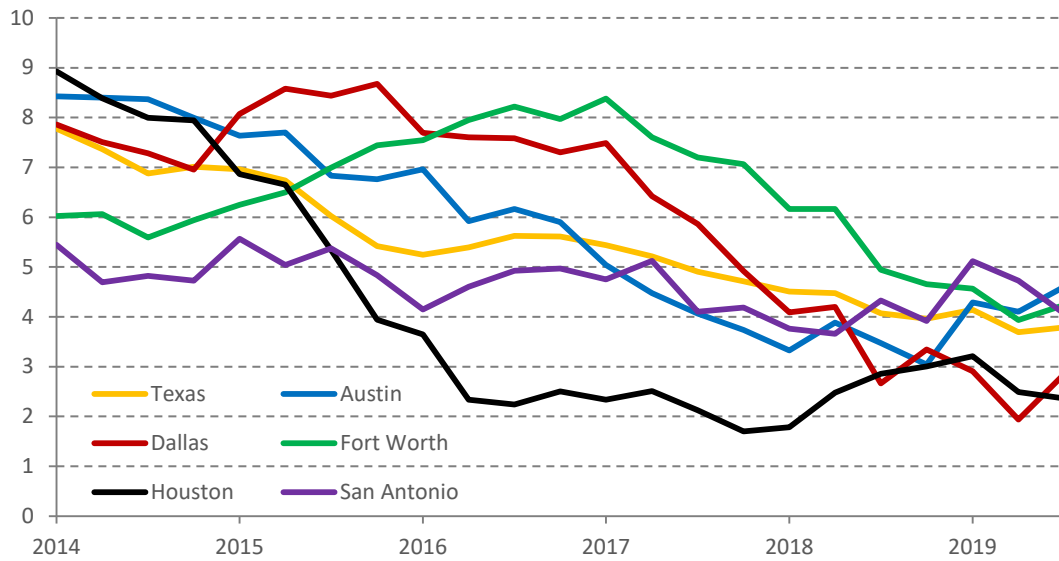
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



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

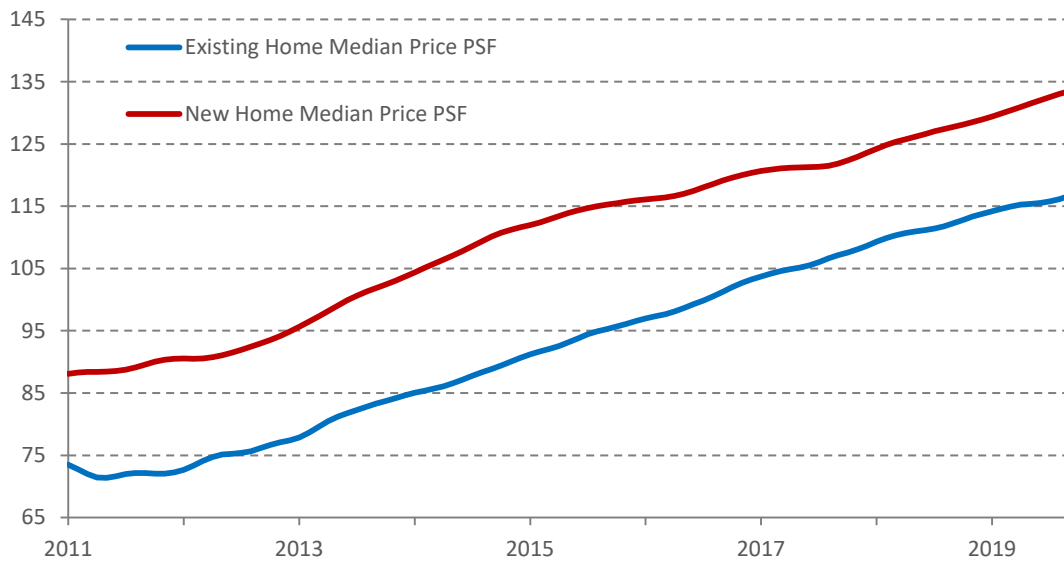
Repeat Sales Home Price Index (Year-over-Year Percentage Change)



Note: Seasonally adjusted. The Repeat Sales Home Price Index tracks real home price appreciation for residential single-family homes.

Source: Real Estate Center at Texas A&M University

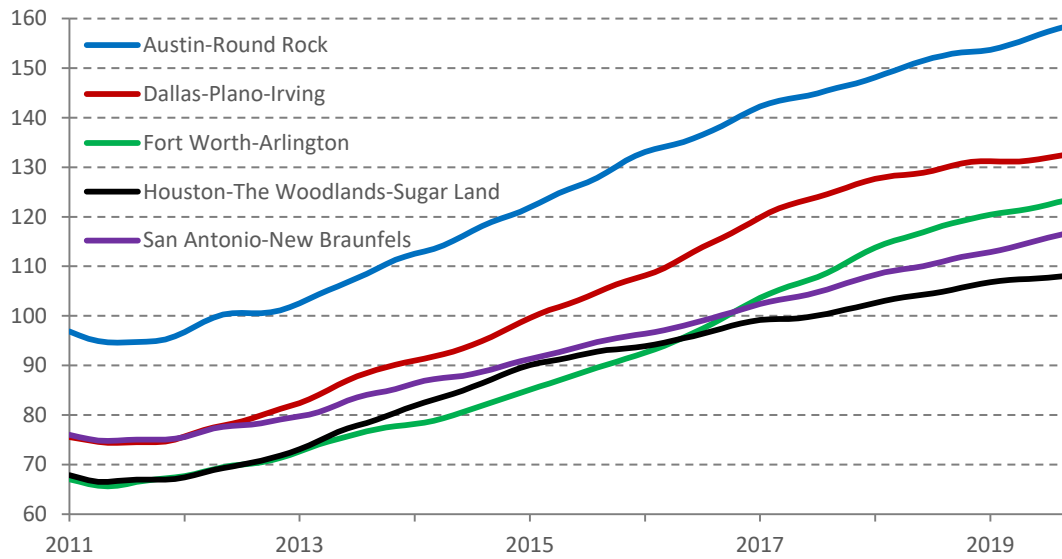
Texas Home Median Price Per Square Foot (\$)



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

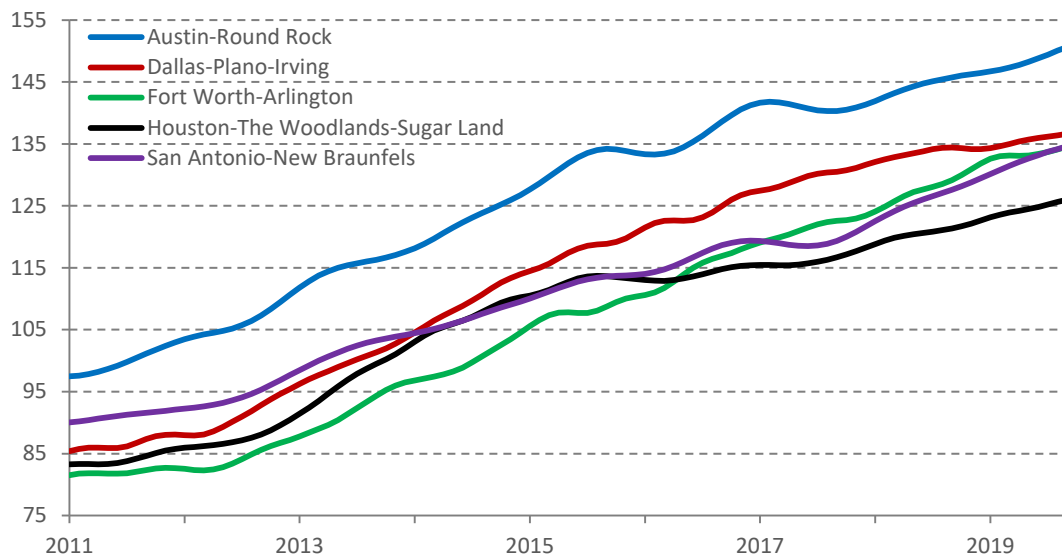
Source: Real Estate Center at Texas A&M University

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



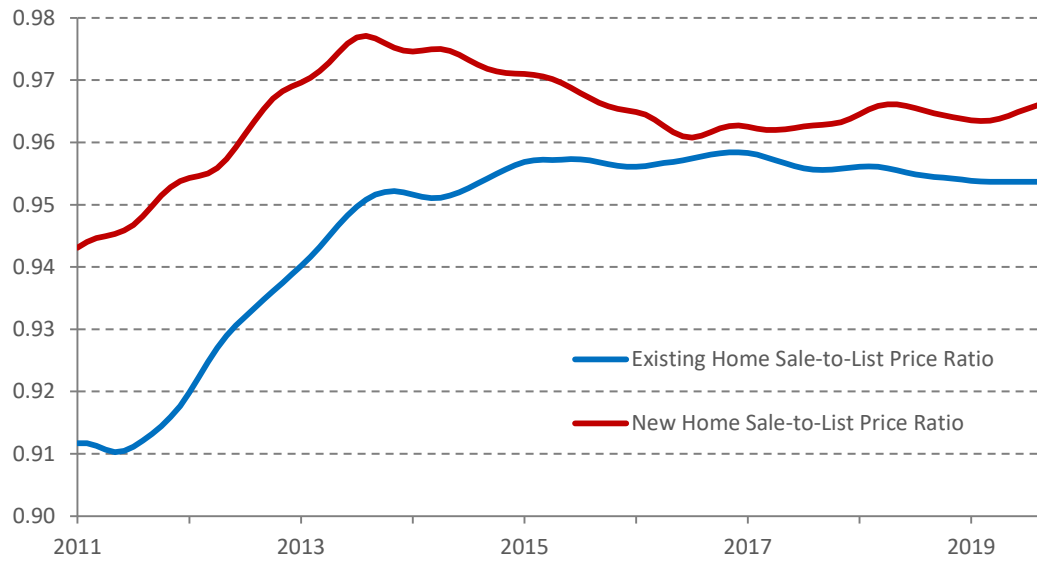
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



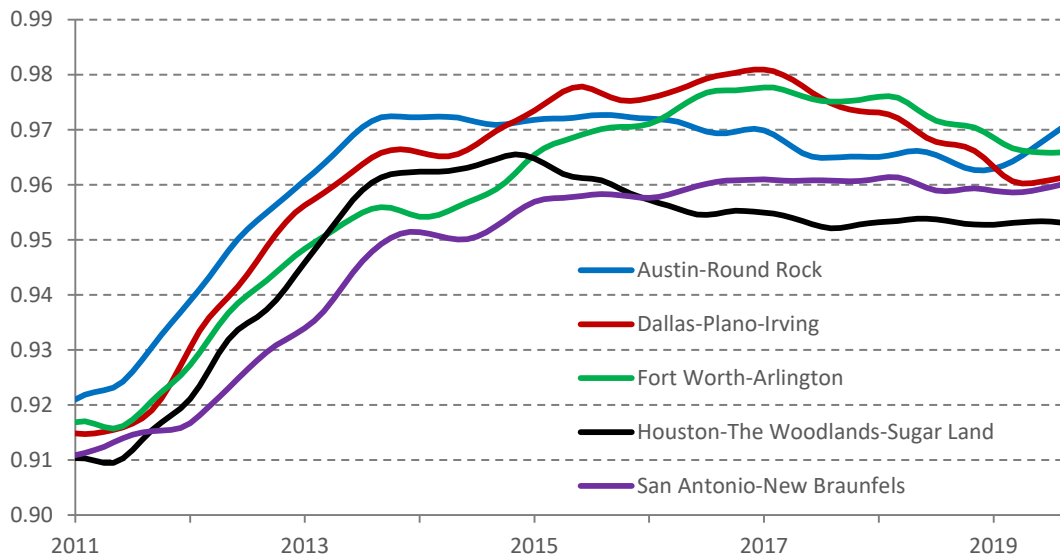
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price (Ratio)



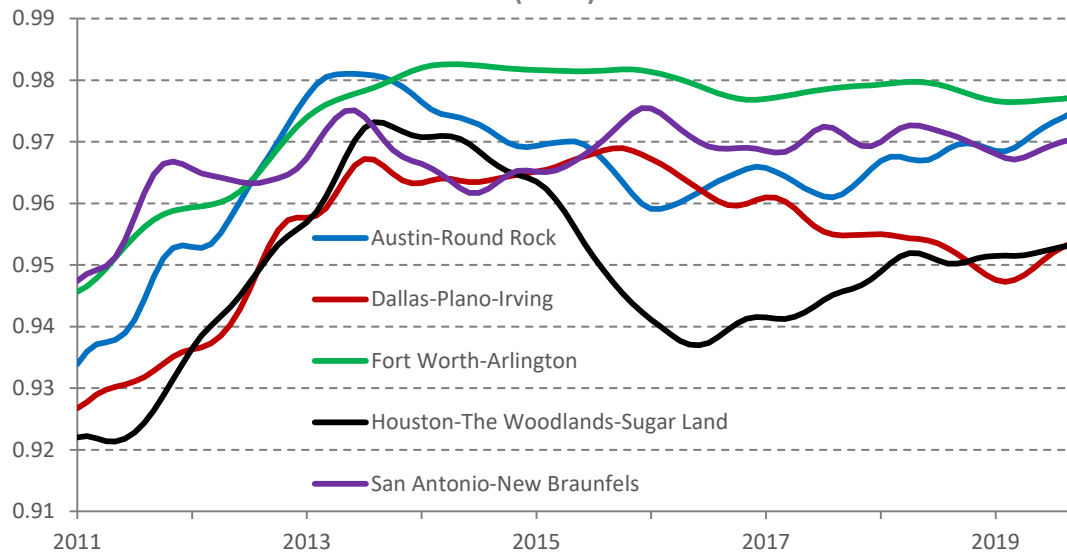
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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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