



# TEXAS HOUSING INSIGHT

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OCTOBER 2019 DATA
<b>TECHNICAL REPORT</b>

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# ABOUT THIS REPORT

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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](mailto:info@recenter.tamu.edu).

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Data current as of November 26, 2019

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# OCTOBER 2019 SUMMARY

NET RESIDENTIAL LOANS  
▲ 2.4% QOQ

MONTHS INVENTORY  
= 3.6

DAYS ON MARKET  
▼ 58

HOUSING SALES  
▲ 2.8% MOM

Texas housing sales recovered from a September slowdown, increasing 2.8 percent in October amid stable employment and low mortgage interest rates. Home builders attempted to meet robust demand for homes priced less than \$300,000, however, strong sales chipped away at inventory levels.

Single-family sales are projected to end the year strong and accelerate through 2020, assuming mortgage rates remain relatively low. Anticipated increases in supply-side activity, as indicated by increased permit issuance and vacant lot development, should keep price-appreciation at more manageable levels than during the recovery period following the mid-decade oil bust.

Single-Family Forecast	2018 (%)	2019 (%)	2020 (%)	1991-2018 (%)
<b>Texas</b>				
Housing permits	4.6	1.9	10.3	5.4
Sales	2.3	4.2	6.4	4.6
Price per square foot	4.4	4.3	5.2	4.7
<b>Austin</b>				
Housing permits	9.3	9.2	10.4	11.3
Sales	3.0	8.2	9.2	6.1
Price per square foot	4.1	4.5	7.9	6.3
<b>DFW</b>				
Housing permits	3.4	-1.7	8.7	4.7
Sales	-1.4	3.7	4.0	5.0
Price per square foot	5.3	3.2	5.4	4.6
<b>Houston</b>				
Housing permits	2.5	-1.8	8.6	5.8
Sales	3.5	3.4	4.0	3.9
Price per square foot	3.2	3.1	4.8	5.3
<b>San Antonio</b>				
Housing permits	7.5	6.6	10.9	7.9
Sales	3.0	6.4	6.6	6.8
Price per square foot	5.1	5.1	5.0	4.6

Note: Annual numbers represent the 12-month total for single-family sales and housing permits and the average for the price per square foot of the seasonally adjusted data. Price per square foot is nominally estimated from the previous year's average.

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

## Supply\*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, ticked up with industry-wage improvements. The **Residential Construction Leading Index** rose to its highest level since the Great Recession amid upward-trending building permits, suggesting higher levels of construction in the coming months.

Private bank loan data corroborated accelerating construction activity. Residential construction investment reached a cycle-high in the third quarter as multifamily loan values increased 5.2 percent quarter over quarter (QOQ) for a record-breaking \$8.4 billion. One-to-four unit investment, however, fell back slightly amid tighter lending standards and downward trending single-family permit values.

The number of **single-family construction permits** issued during the month hovered near a cycle high in October but YTD remained slightly below levels in the first ten months of 2018. Texas led the nation with 11,342 nonseasonally adjusted permits, accounting for 16 percent of the U.S. total but ranked seventh in per capita issuance. On the metropolitan level, Houston topped the list with 3,798 permits followed by DFW with 3,112. Austin issued 1,512 permits, while San Antonio climbed to twelfth in the national rankings with 984. Texas' monthly multifamily permits increased to a year-and-a-half high, consistent with climbing loan values.

**Total Texas housing starts** revealed a less optimistic outlook on new residential construction, falling 4.1 percent. The trend, however, remained positive amid continued strength in the single-family sector. **Single-family private construction values** fell 5.9 percent, but the decline may be due to decreased upward pressure on the average value per housing start. In Austin, construction values fell to a year-to-date (YTD) low, while the trend flattened in San Antonio. North Texas and Houston values stepped back on the month but continued to trend upwards.

A steady influx of new listings in the second half of the year kept **Texas' months of inventory (MOI)** steady at 3.6 months despite strong sales activity. 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, fell below 2.8 months. Inventory for luxury homes (those priced more than \$500,000), however, rose above 8.3 months. These divergent trends exemplify the shortage of affordable housing and the current mismatch between demand and supply.

Inventory fluctuations across the major metros varied. The MOI in Austin and Dallas posted year-to-date (YTD) lows of 2.2 and 3.1 months, respectively, while Fort Worth's MOI balanced at 2.5 months. On the other hand, San Antonio's supply of active listings for homes priced less than \$300,000 recovered from summer depletions, pushing the MOI to 3.6 months. Houston's metric moved up to 3.9 months, although the increase was attributed to inventory expansions for homes priced greater than \$500,000, where only a tenth of sales take place.

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

## Demand

**Total housing sales** rebounded 2.8 percent in October to a record-breaking level after adjusting for seasonality. Accelerated activity in the \$200,000-\$300,000 price range accounted for nearly half of the total growth. Transactions for home priced above \$400,000 increased for the fourth straight month, reaching the highest share of total sales in series history at 18 percent.

Sales volumes increased across all the major metros, led by San Antonio with 5.3 percent growth. Austin and Dallas sales rose 3.7 and 2.4 percent, respectively, while Houston reached a record-breaking 7,753 transactions amid 2.9 percent growth. Fort Worth registered a 3.9 percent increase in sales; YTD levels, however, were merely 1 percent greater than sales during the first ten months of 2018. Market adjustments to last year's home price appreciation and slower employment growth may explain the stunted growth.

Robust demand pulled Texas' **average days on market (DOM)** down to 58 days. Movement in the Texas Urban Triangle, however, was mixed. Austin's DOM shed the most days from a year ago, falling from 62 to 54 days. The Dallas DOM increased six days from last October to 54 days but showed signs of flattening. Fort Worth's DOM ticked up to 45 days, maintaining an upward trend after falling to record lows in 2017. Meanwhile, the metric in Houston and San Antonio stabilized at yearlong averages of 58 and 59 days, respectively.

Speculations of a U.S.-China trade truce and continued strength in the national economic data slowed the downward slide in interest rates. After four straight months where the yield curve was inverted, long-term rates rose above those for short-term instruments, signaling increased confidence. Although talks of recession are still widespread, current economic fundamentals at the state and national level are healthy and stable. The **ten-year U.S. Treasury bond yield** inched above 1.7 percent, while the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** ticked up to 3.7 percent after ten consecutive monthly decreases. Mortgage applications for home purchases stumbled on the month but registered 21.7 percent YTD growth. Refinance mortgage application activity accelerated as rates remained relatively low, more than doubling since year end.

## Prices

The **Texas median home price** increased for the fifth consecutive month, reaching \$245,900 for an annual growth rate of 5.2 percent. Although home-price appreciation accelerated, growth was below the double-digit year-over-year (YOY) levels reached as recently as 2017. Austin's median price climbed \$6,500 to \$331,000, while Fort Worth's metric increased by \$4,400 to \$252,300. In Dallas and San Antonio, the median price rose to \$297,400 and \$237,400, respectively. Houston was the exception, falling slightly to \$246,300.

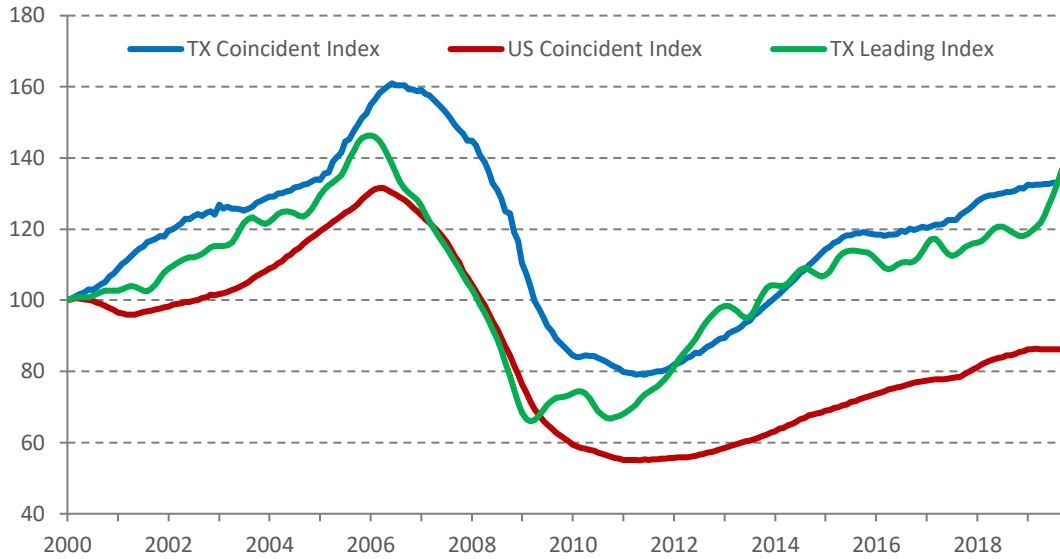
The **Texas Repeat Sales Home Price Index** rose 3.6 percent YOY but moderated compared to last year's growth. The statewide deceleration is largely due to reduced appreciation in Texas' two largest markets. The index in Dallas and Houston increased just 2.2 and 3.0 percent YOY, respectively. Fort Worth's index increased 3.9 percent but slowed compared to an average growth rate of 5.5 percent in 2018. On the

other hand, Central Texas' metric accelerated to 4.6 and 4.0 percent in Austin and San Antonio, respectively. Rising home prices without substantial wage growth decreases overall housing affordability, which remains the primary challenge to the Texas home market.





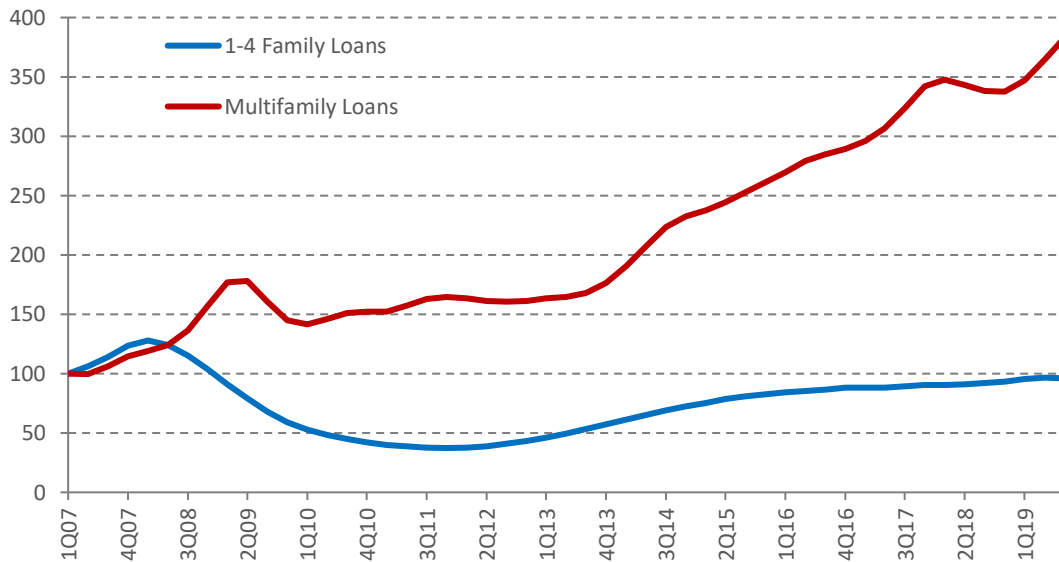
### Texas Residential Construction Index (Index Jan 2000 = 100)



Note: Trend-Cycle Component.

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

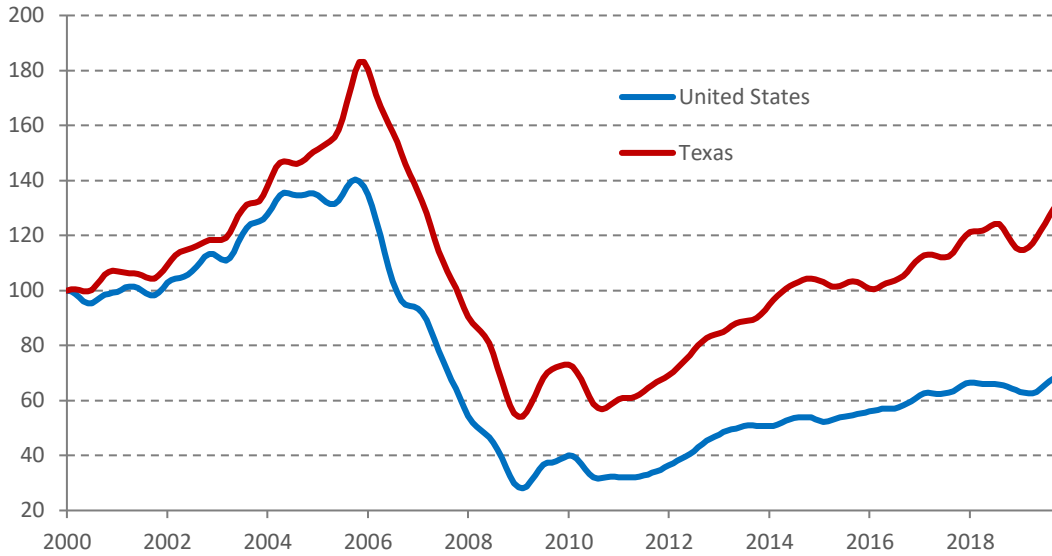
### Net Residential Loans (Index 1Q07 = 100)



Note: Trend-Cycle Component.

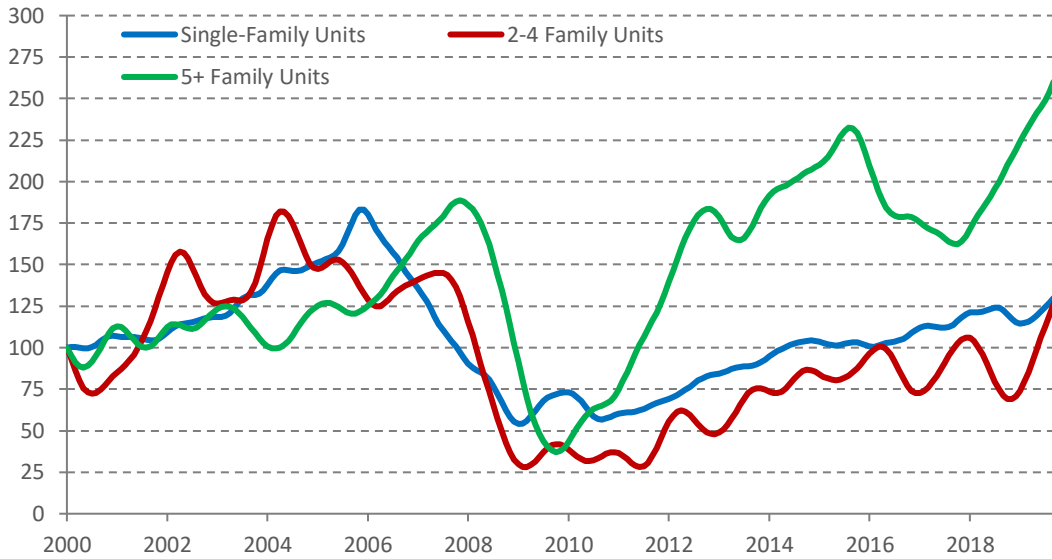
Source: Federal Deposit Insurance Corporation

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



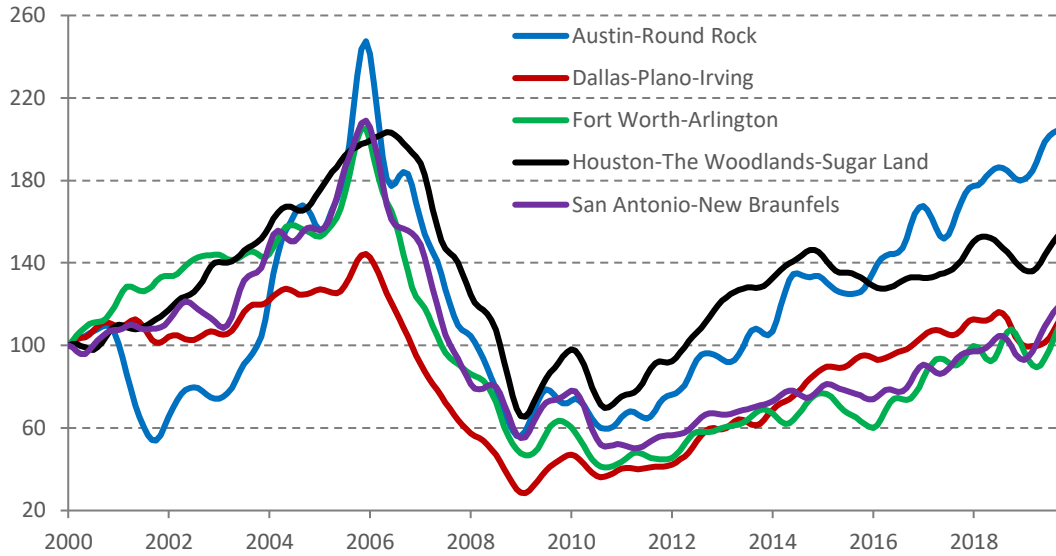
Note: Trend-Cycle Component.  
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

### Texas Housing Construction Permits (Index Jan 2000 = 100)



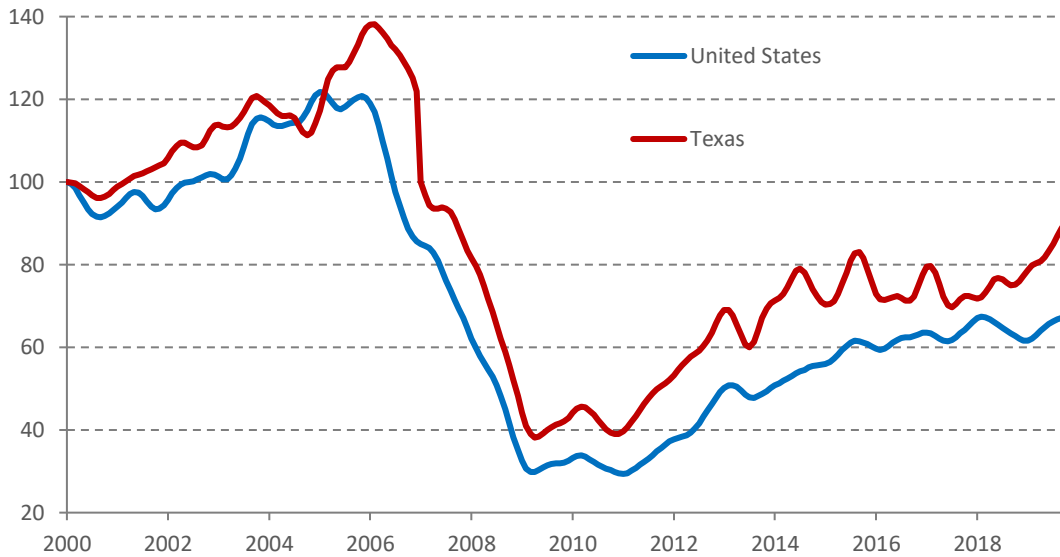
Note: Trend-Cycle Component.  
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



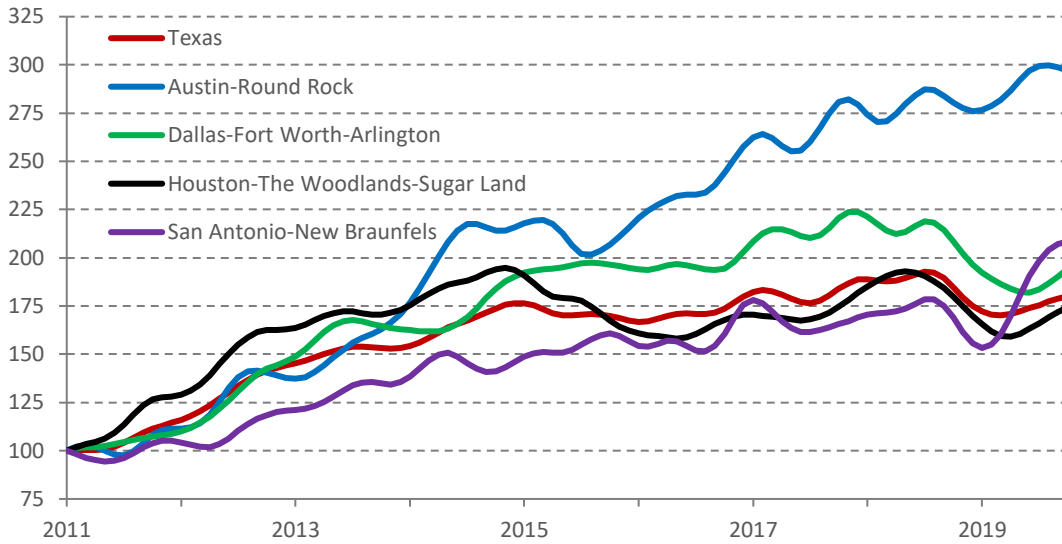
Note: Trend-Cycle Component. Fort Worth is missing data for Somervell County.  
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



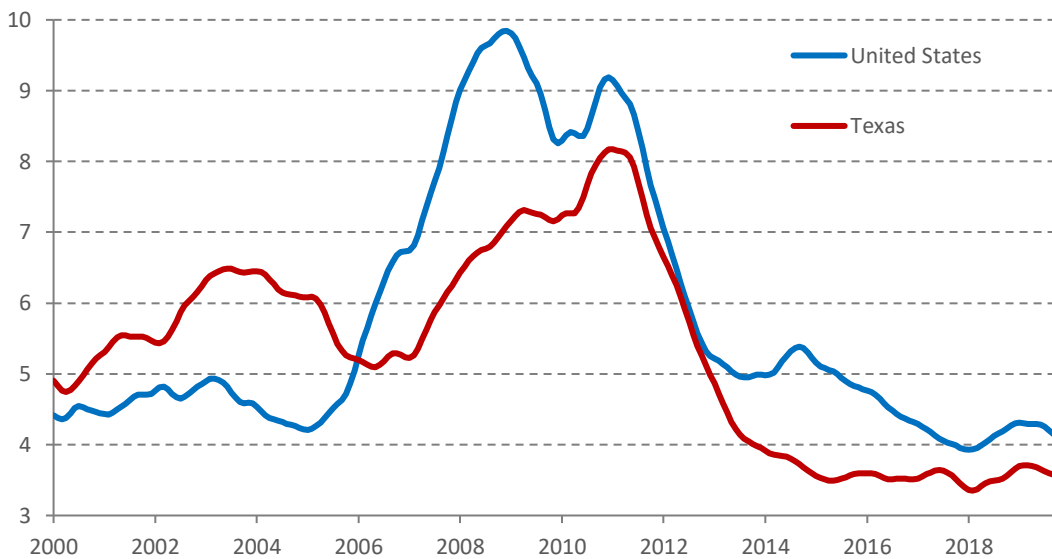
Note: Trend-Cycle Component.  
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

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



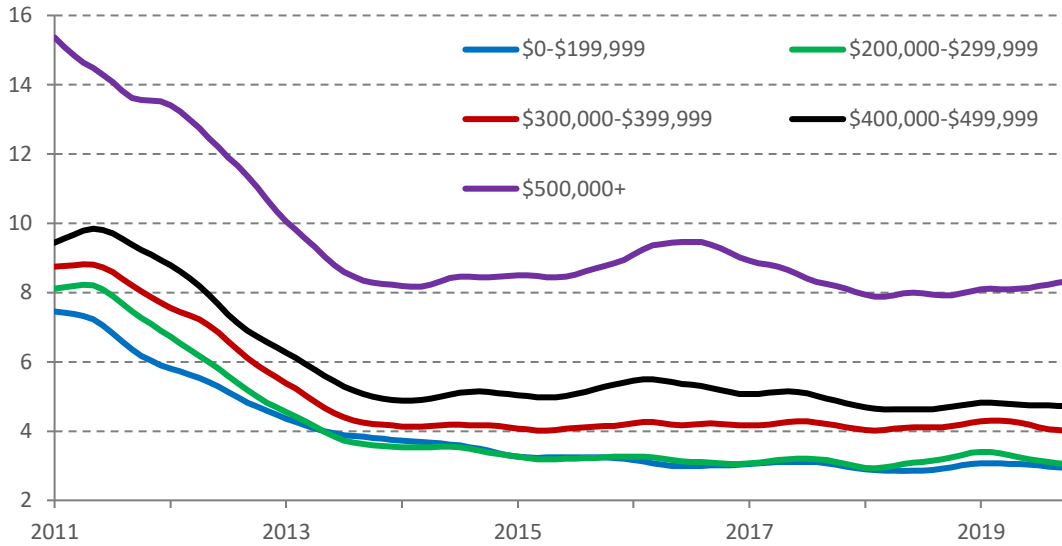
Note: Inflation adjusted. Trend-Cycle Component.  
Source: Dodge Data & Analytics

### Total Months of Inventory (Months)



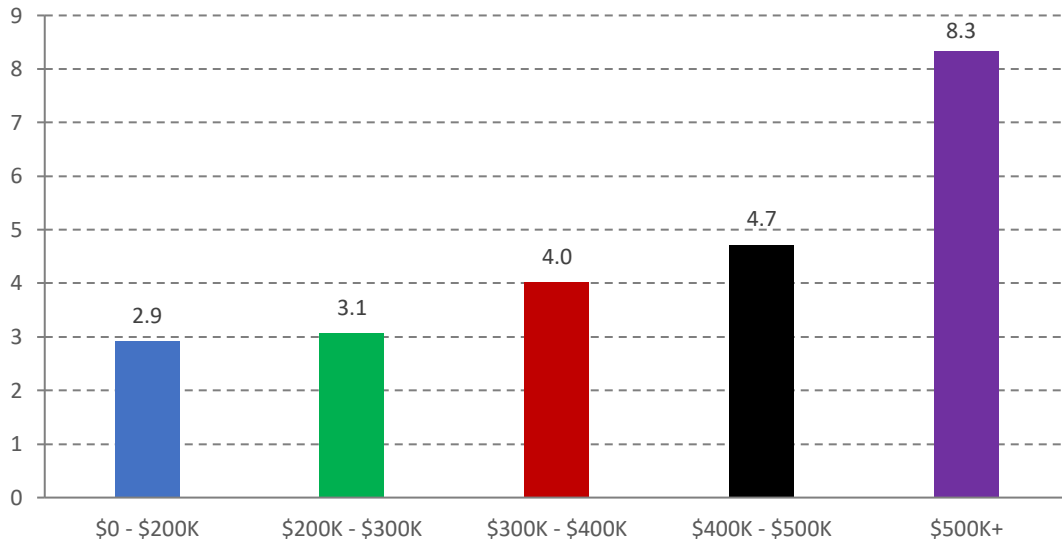
Note: Trend-Cycle Component. Months of inventory for the United States is estimated using weights for all existing homes and new single-family homes; new nonsingle-family homes are not included. Texas includes all existing and new homes. For more information, see [Months of Inventory](#). Sources: U.S.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

### Texas Months of Inventory by Price Cohort (Months)



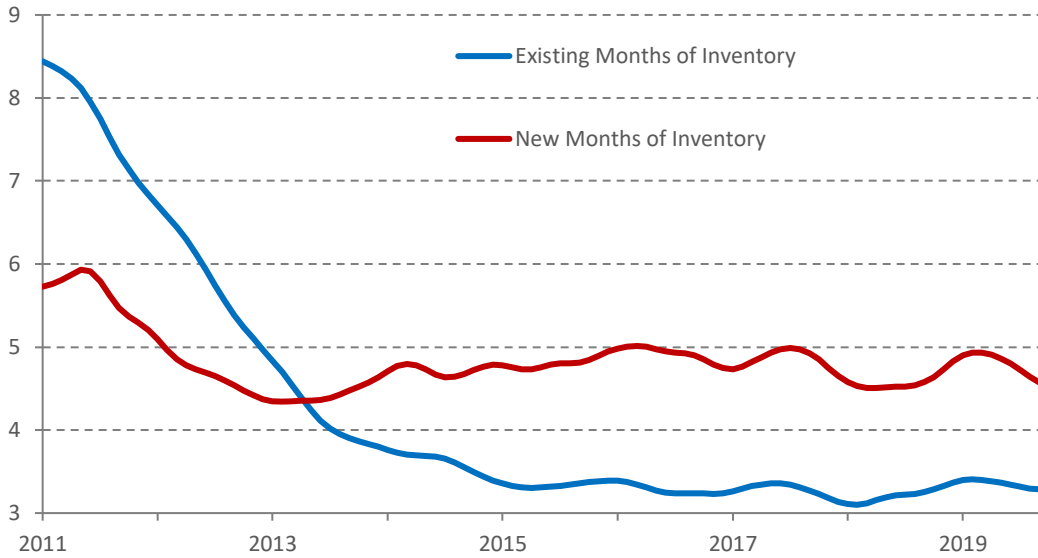
Note: Trend-Cycle Component.  
Source: Real Estate Center at Texas A&M University

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



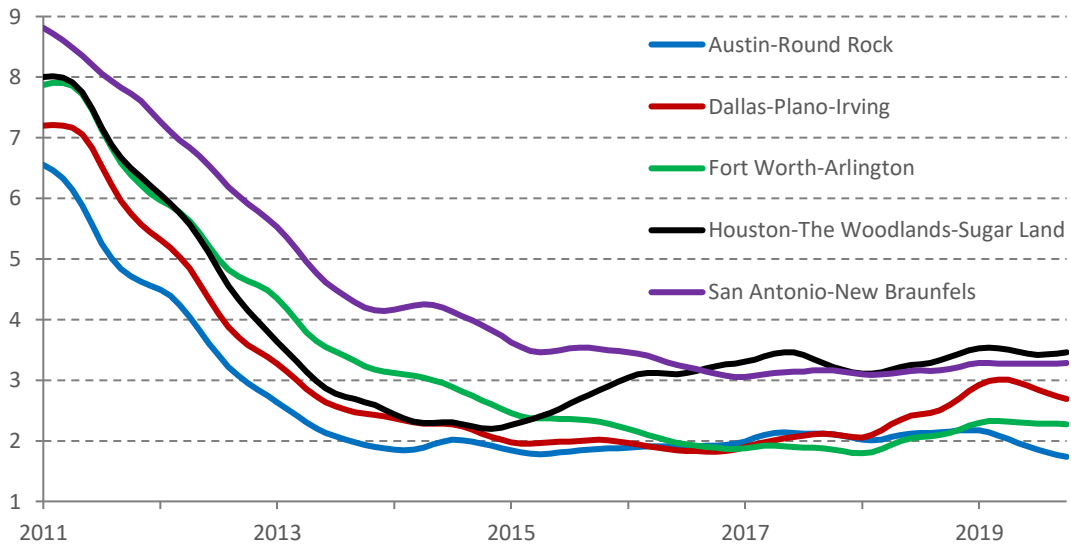
Note: Seasonally adjusted.  
Source: Real Estate Center at Texas A&M University

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



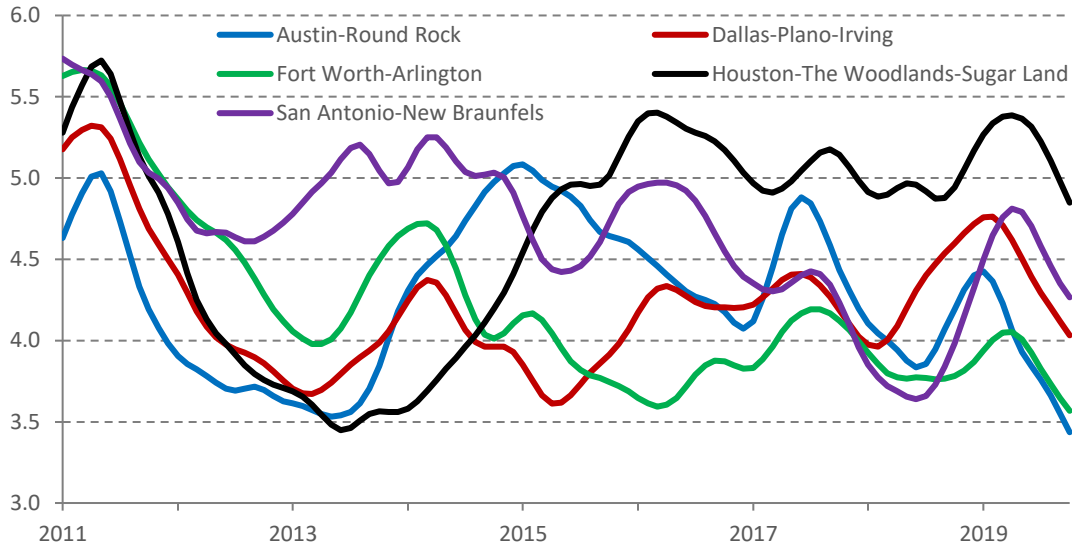
Note: Trend-Cycle Component.  
Source: Real Estate Center at Texas A&M University

### 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)

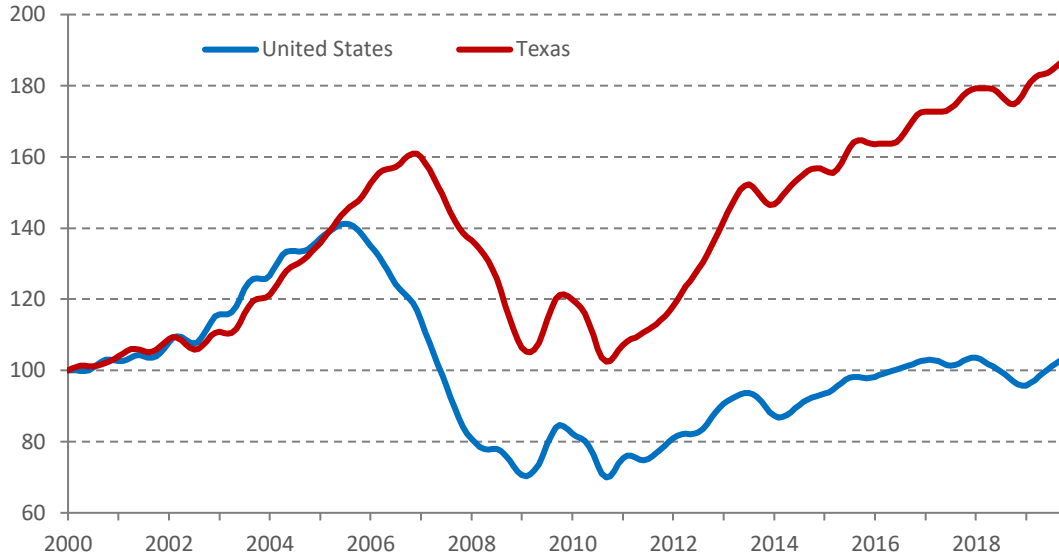


Note: Trend-Cycle Component.  
Source: Real Estate Center at Texas A&M University



# DEMAND

**Total Housing Sales**  
(Index Jan 2000 = 100)

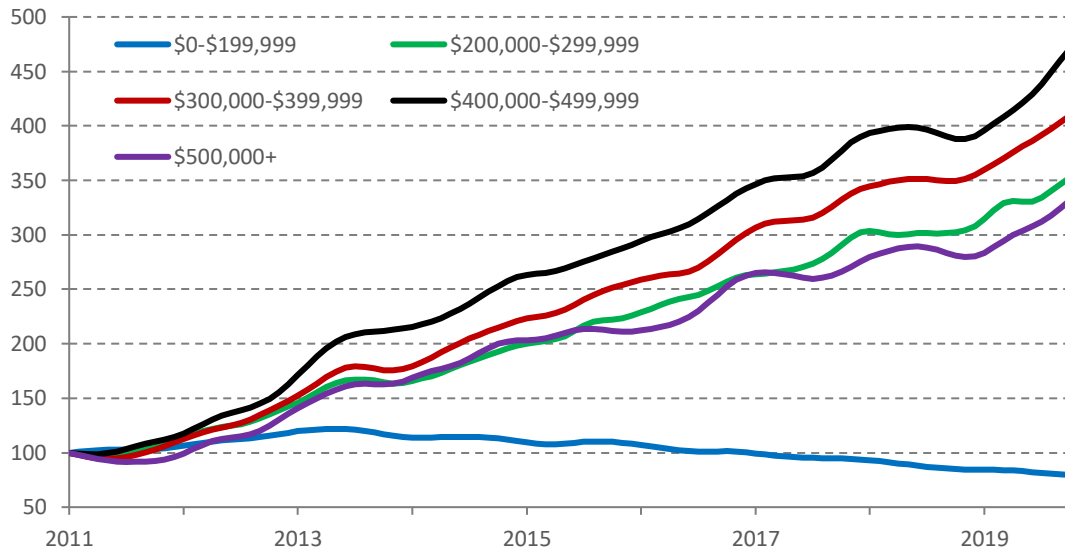


Note: Trend-Cycle Component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

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)

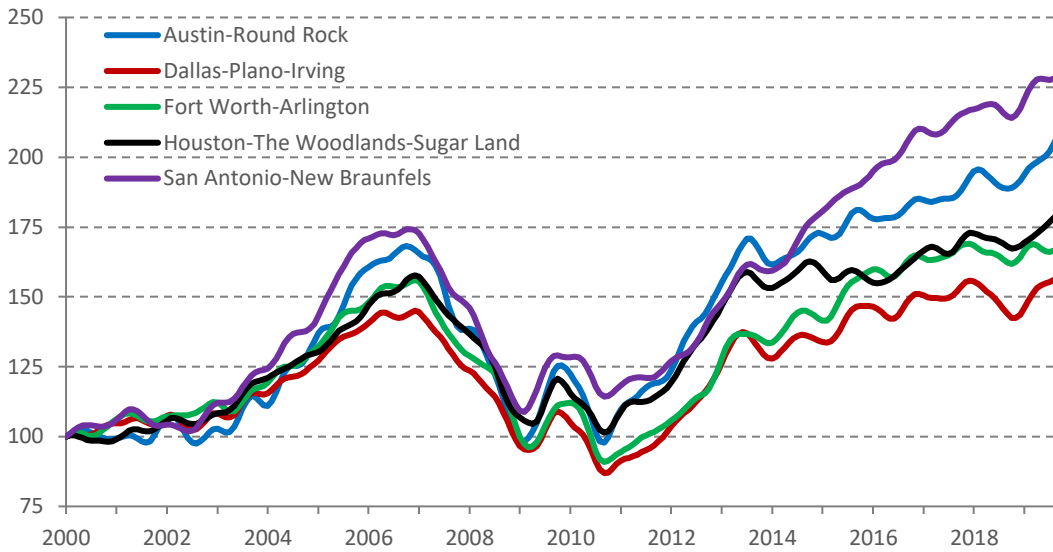


Note: Trend-Cycle Component.

Source: Real Estate Center at Texas A&M University

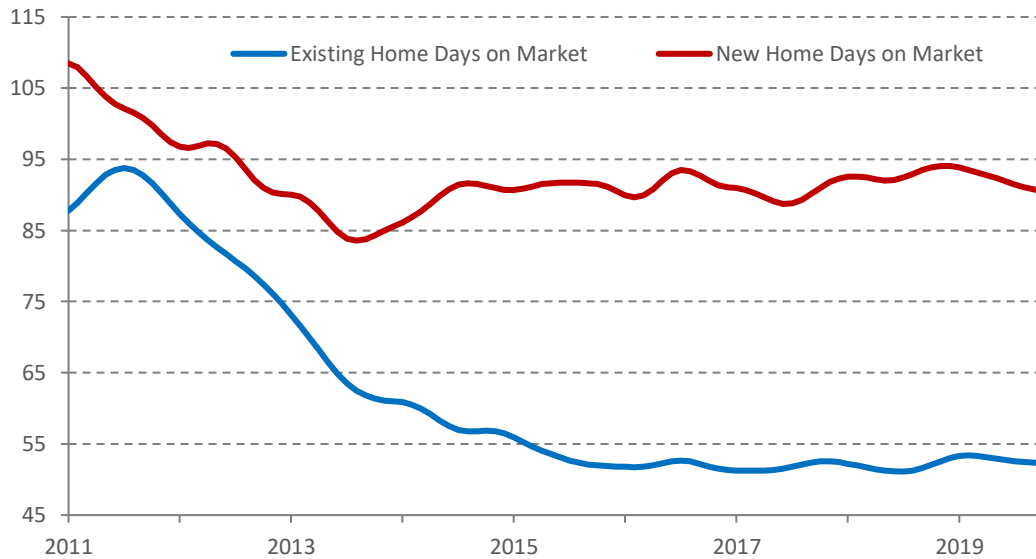


### Major Metros Total Housing Sales (Index Jan 2000 = 100)



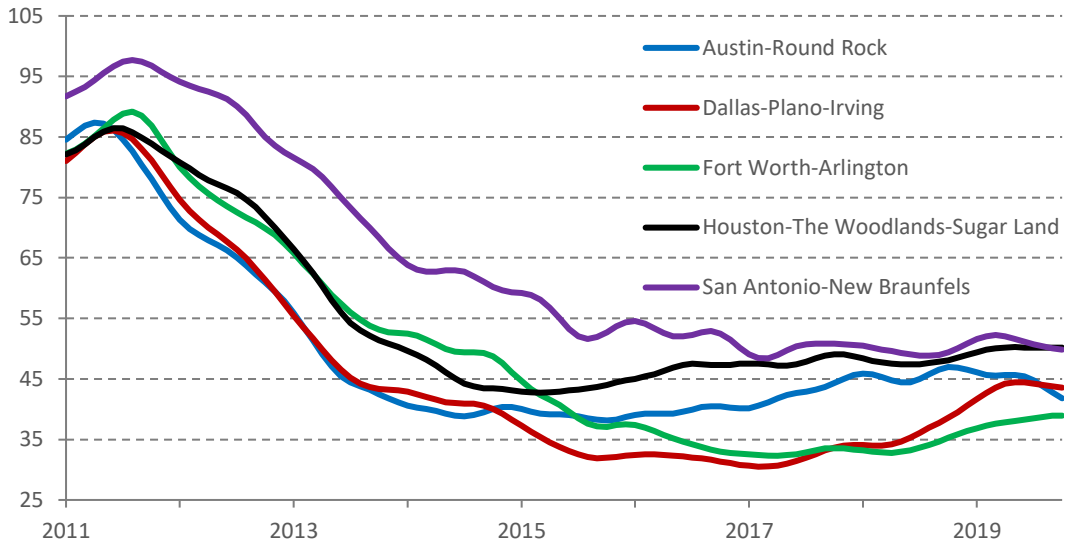
Note: Trend-Cycle Component.  
Source: Real Estate Center at Texas A&M University

### Texas Homes Days on Market (Days)



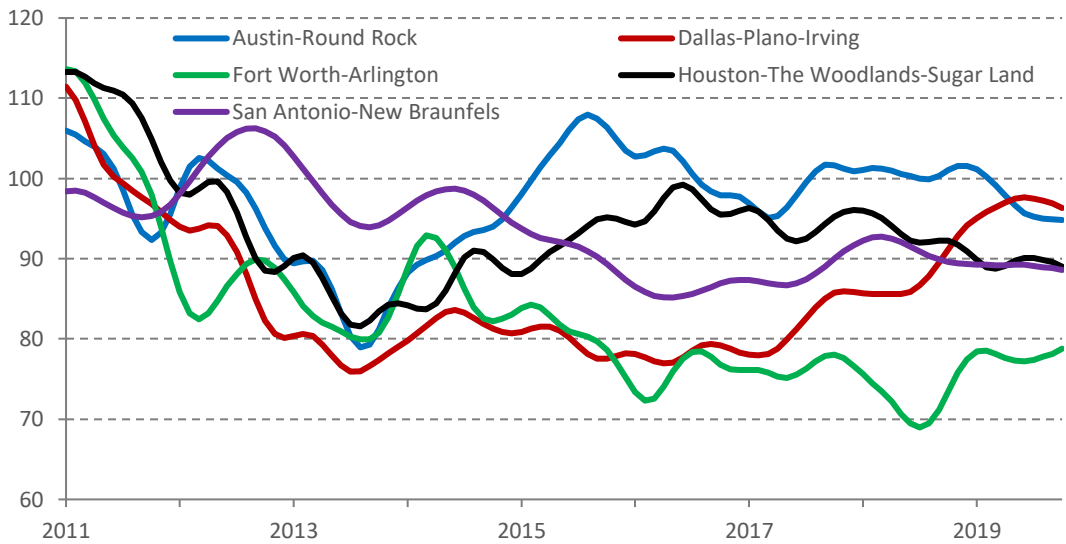
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



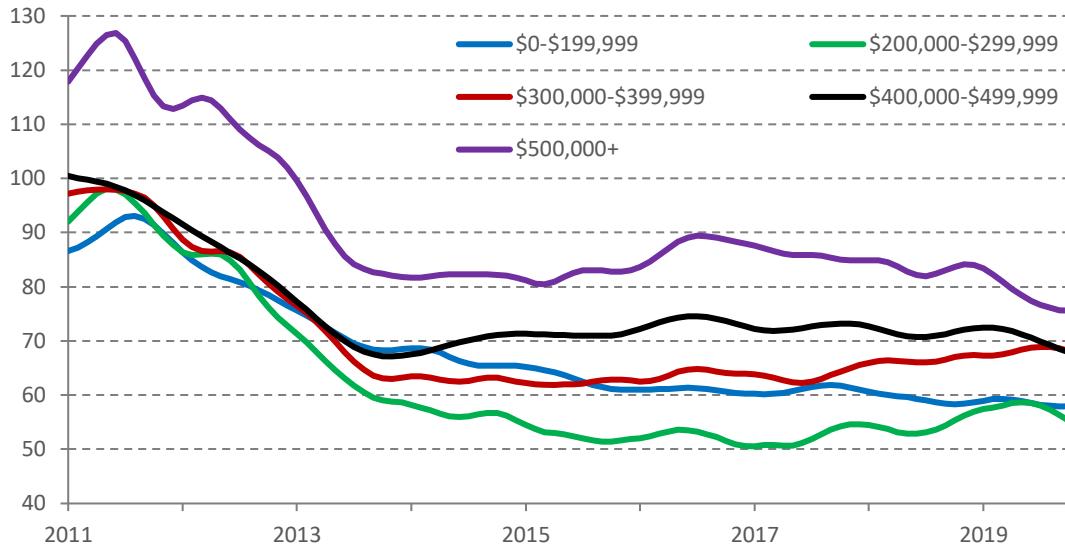
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



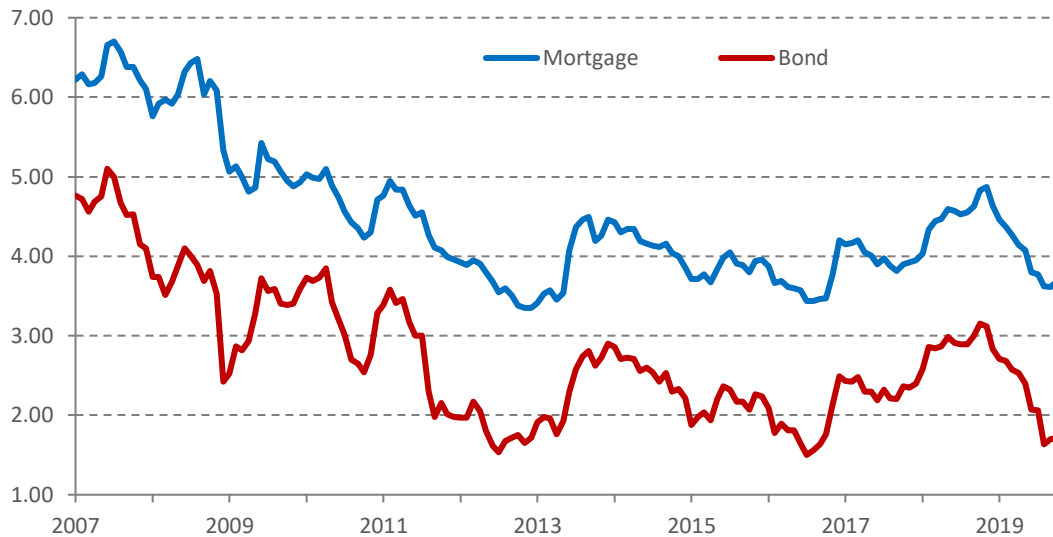
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Texas Home Days on Market by Price Cohort (Days)



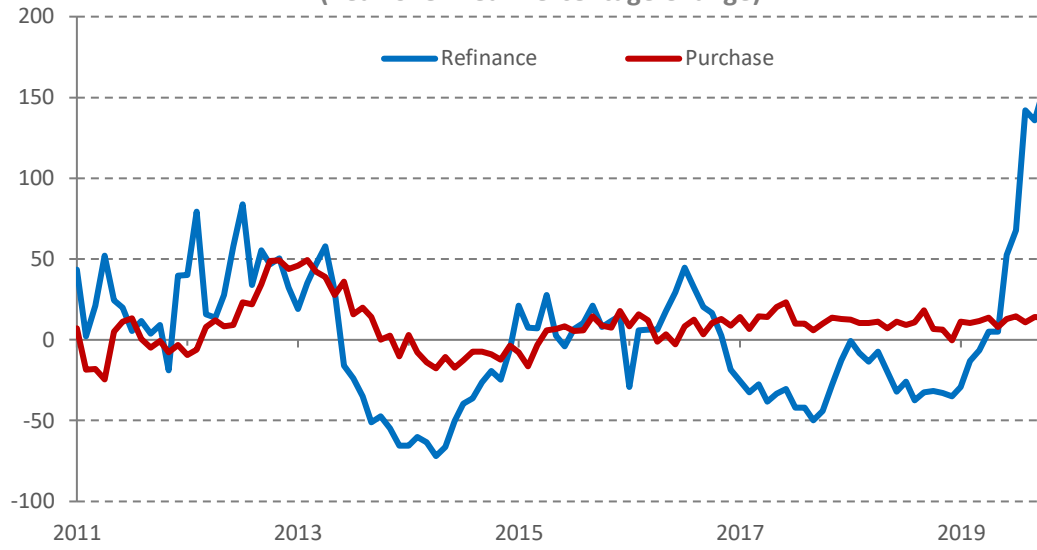
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



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

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

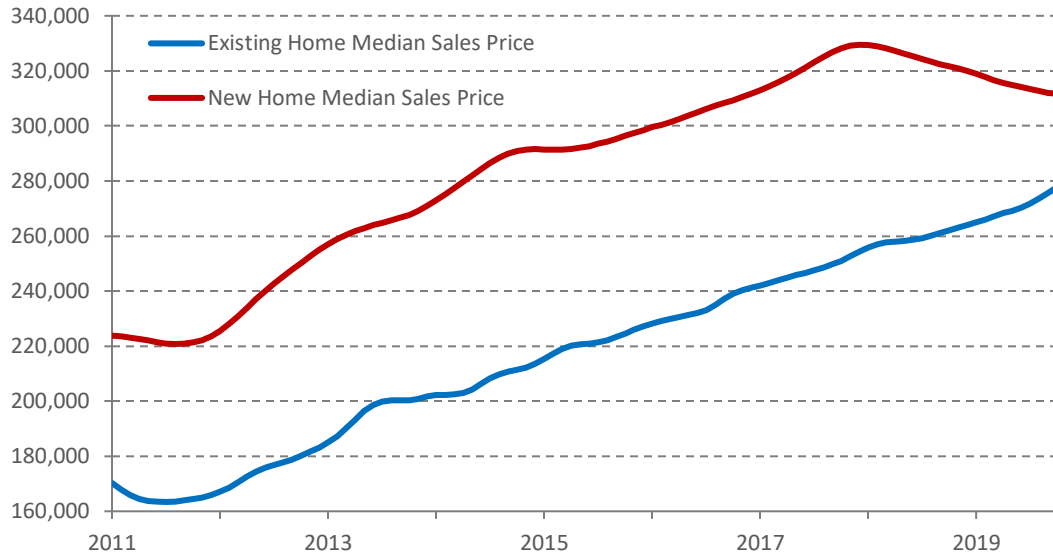


Note: Seasonally adjusted.

Source: Mortgage Bankers Association

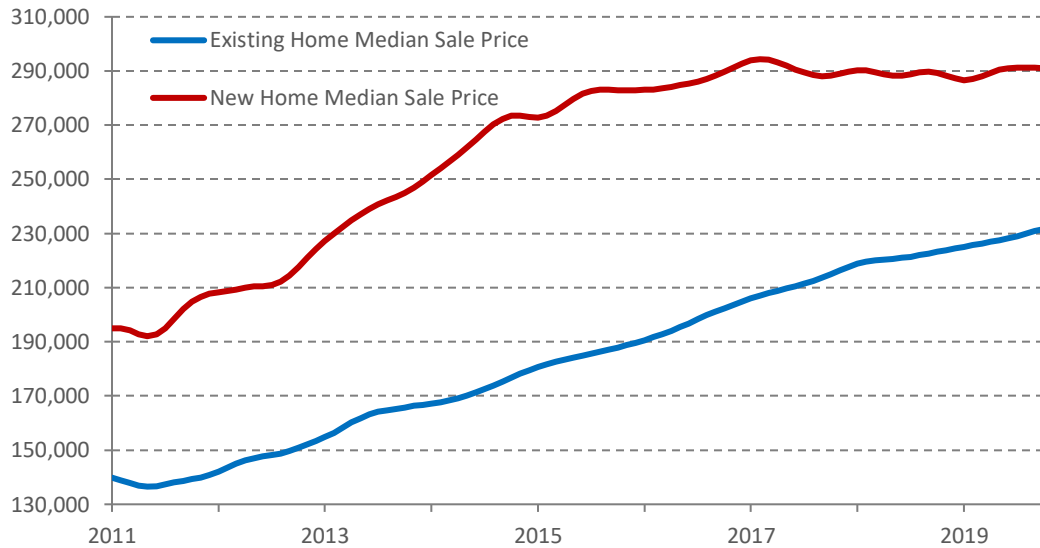


**United States Existing and New Home Median Sales Price**  
(\$)



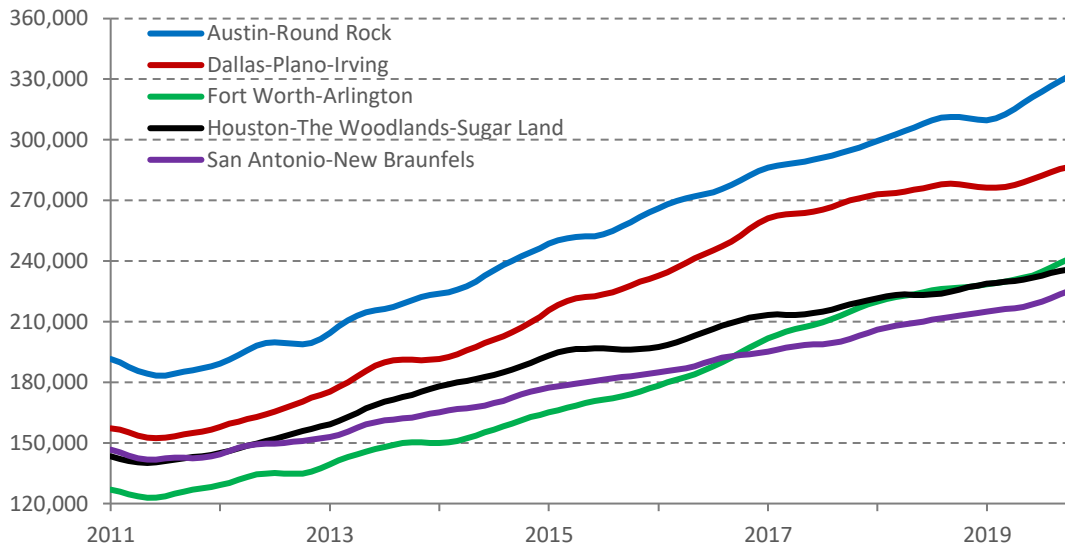
Note: Trend-Cycle Component. For single-family homes.  
Source: Federal Reserve Bank of St. Louis

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



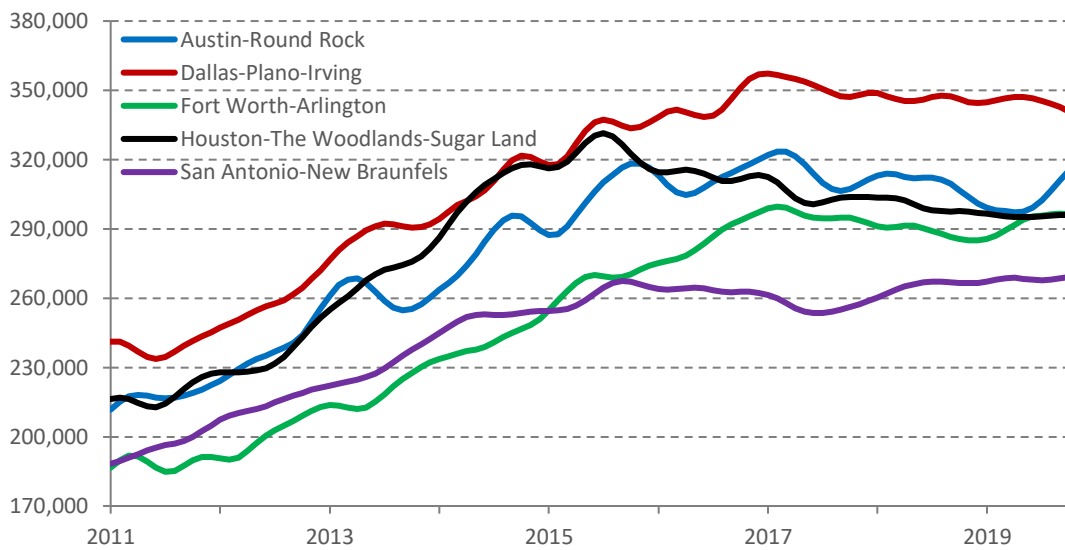
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



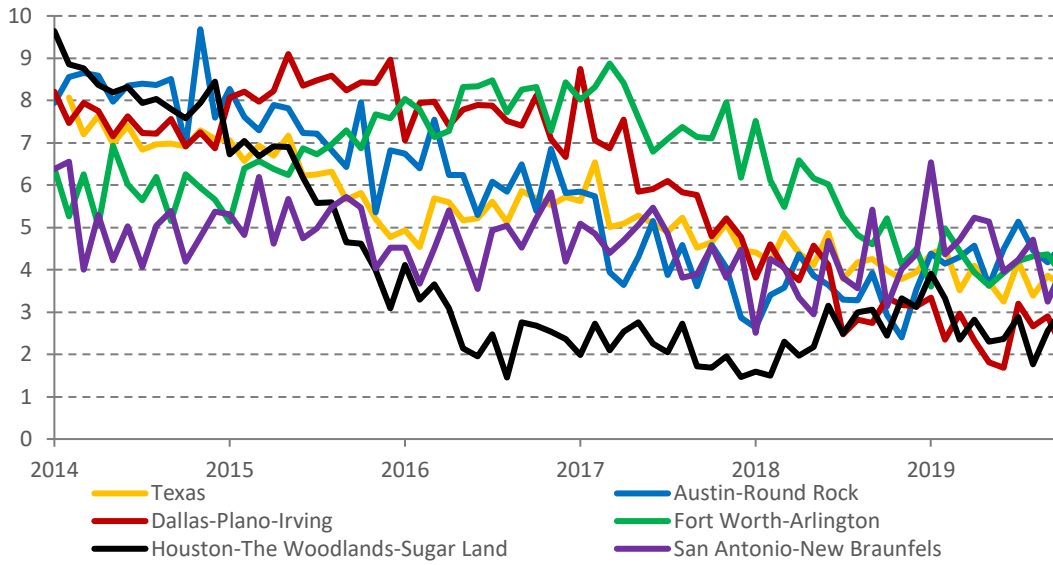
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

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



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

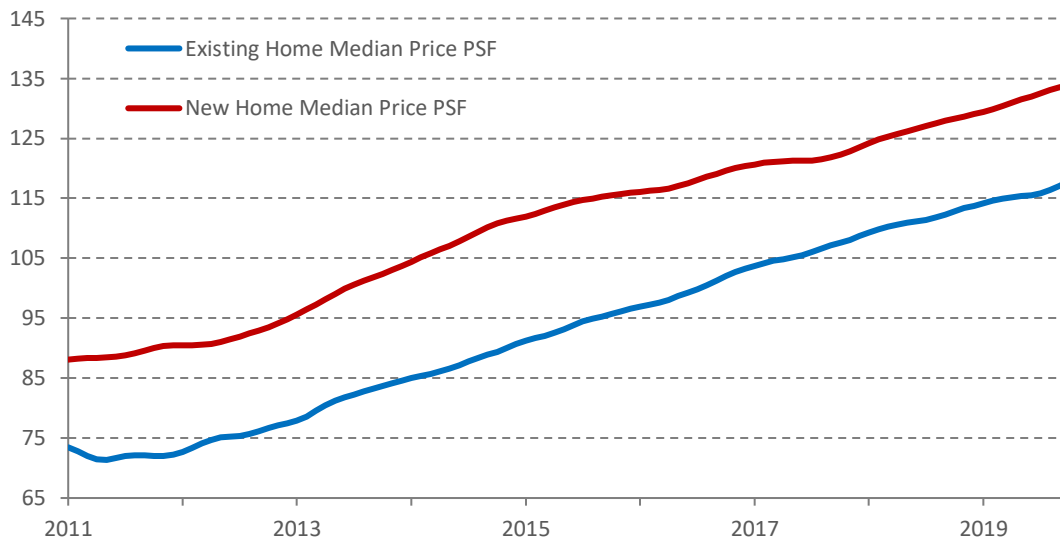
### Repeat Sales Home Price Index (Year-over-Year Percentage Change)



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

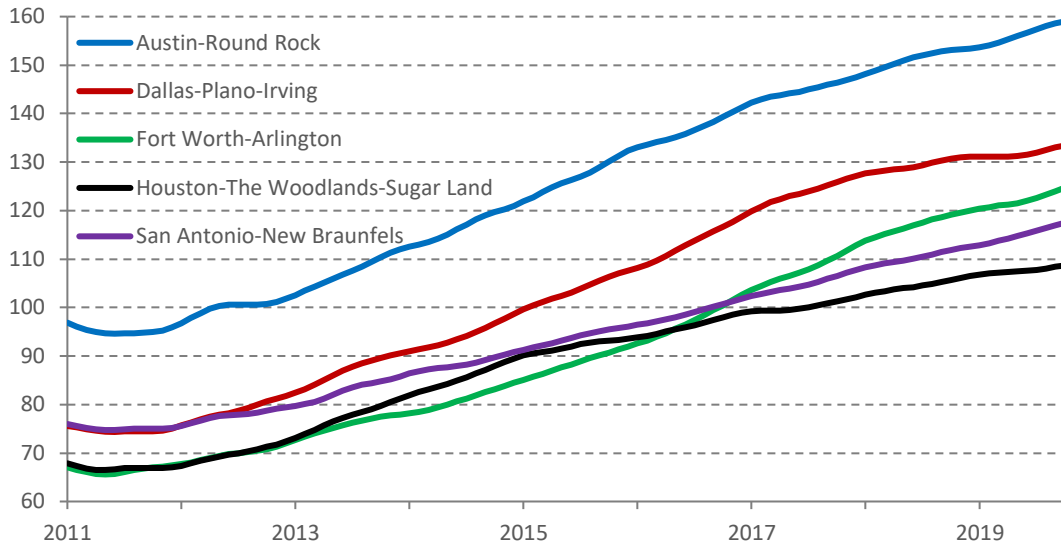
### Texas Home Median Price Per Square Foot (\$)



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

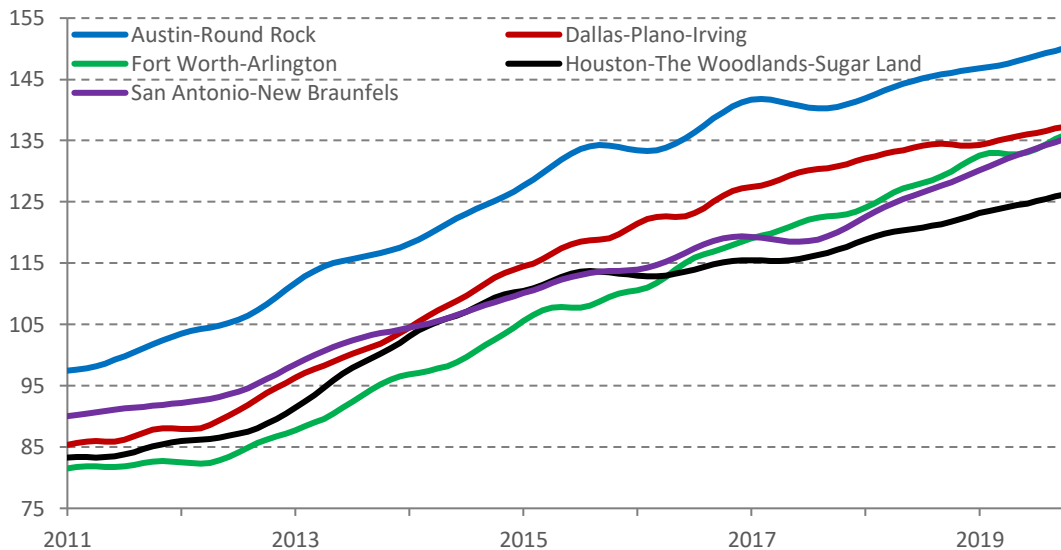
Source: Real Estate Center at Texas A&M University

### 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

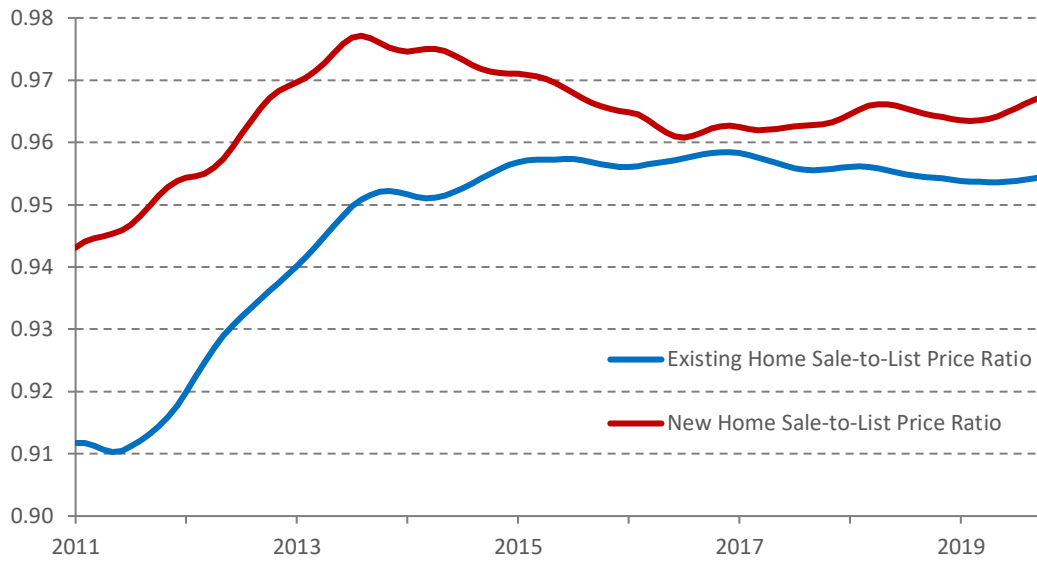
### Major Metros New Home Median Price Per Square Foot (\$)



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

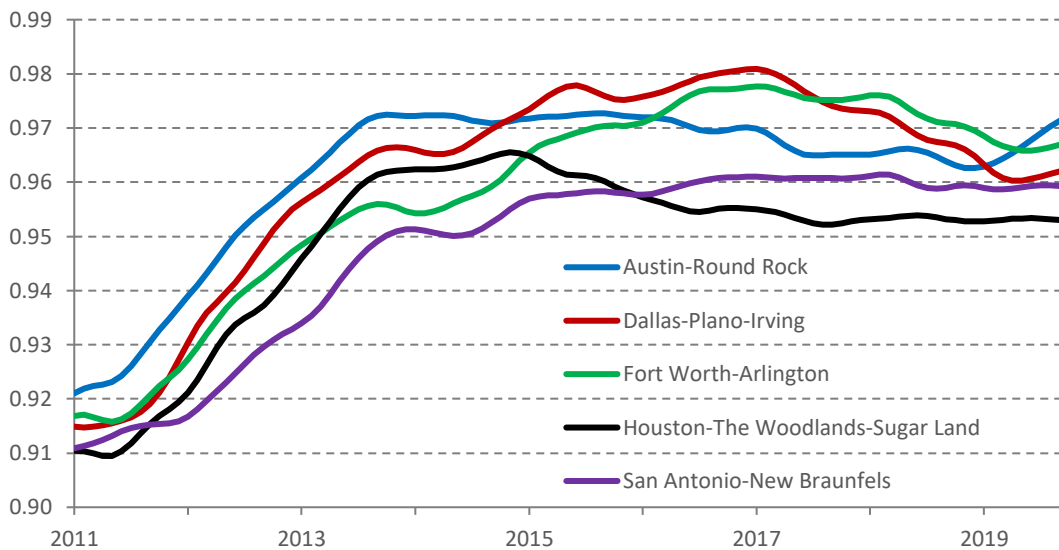


### Texas Home Sale Price to List Price (Ratio)



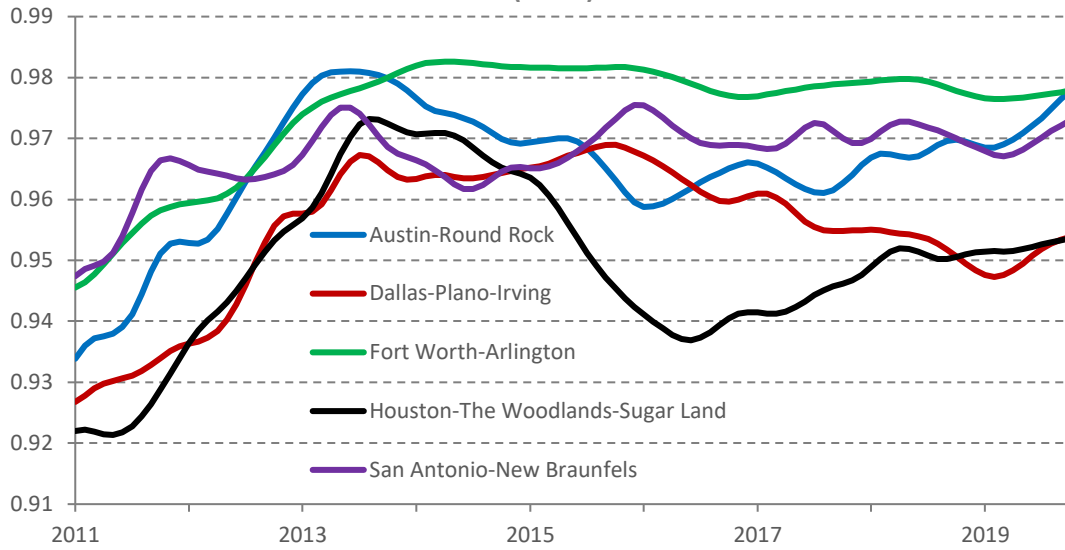
Note: Trend-Cycle Component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### 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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