



TEXAS HOUSING INSIGHT

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FEBRUARY 2020 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, Paige Silva, and Griffin Carter

Data current as of March 24, 2020

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FEBRUARY 2020 SUMMARY

MONTHS OF INVENTORY
▼ 3.2

HOUSING SALES
▲ 2.3% MOM

DAYS ON MARKET
▼ 58

TEXAS REPEAT SALES INDEX
▲ 3.2% YOY

Please note this review does not account for the impacts of the COVID-19 outbreak but reflects the market through February 2020.

Prior to the domestic coronavirus outbreak, Texas housing sales increased 2.3 percent in February during healthy economic conditions and low interest rates. Housing demand was robust, although inventories were constrained, especially for homes priced less than \$300,000. Strong supply-side activity, however, was poised to alleviate some shortages. Home-price appreciation accelerated, but the Repeat Sales Index suggested more moderate price growth. The coronavirus outbreak is the greatest threat to the Texas housing market via disruptions to building material supply-chains, the negative income shock, and wariness of visiting and showing homes for sale. These effects may show up in the March data but will likely have a significant impact during the second quarter of the year.

Supply*

Contemporaneous and anticipated construction levels reached post-recessionary highs in February. The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction levels, ticked up amid industry wage and employment improvements. Falling interest rates and increased building permits and housing starts supported growth in the **Residential Construction Leading Index**.

Single-family construction permits extended a yearlong upward trend, rising 1 percent. Texas led the nation with 11,211 nonseasonally adjusted permits, accounting for more than 17 percent of the U.S. total, but ranked sixth in per capita issuance. At the metropolitan level, Houston topped the list with 3,515 permits but actually declined 1.8 percent after adjusting for seasonality. Austin and Dallas comprised most of the state's increase, issuing 1,631 and 2,486 nonseasonally adjusted permits, respectively. San Antonio permits fell to 773, but the metric remained elevated in Fort Worth at 954. In the multifamily sector, permits decreased 5.6 percent after a modest start to the year.

Texas housing starts surged 21.5 percent to its greatest post-crisis level with improvements in both the single-family and multifamily sectors. On the other hand, **single-family private construction**

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

values dropped 4.7 percent after adjusting for inflation. As with permits, Houston was responsible for most of the contraction. Austin and DFW values flattened, while San Antonio only partially recovered from a 13 percent plunge in January.

Record sales and a dwindling supply of active listings pulled **Texas' months of inventory (MOI)** down to an all-time low of 3.2 months. A total MOI around six months is considered a balanced housing market. The MOI for homes priced less than \$300,000 fell to 2.5 months, while inventory for luxury homes (those priced more than \$500,000) also declined but remained elevated at 7.5 months. This disparity exemplifies the shortage of affordable housing, although efforts have been made to more closely match demand and supply.

Inventory in the major metros decreased across the board. Austin maintained the most constrained inventory with an MOI of 1.7 months, followed by Fort Worth at 2.3 months. The Dallas and San Antonio metrics slid to 2.7 and 3.0 months, respectively. After a brief expansion to start the year, Houston's inventory fell below 3.7 months as the metro's supply of active listings contracted for the first time in six months, largely due to reductions in the lower price ranges.

Demand

After stalling the previous month, **total housing sales** during February rose 2.3 percent in an environment of low interest rates and solid employment growth. Sales for homes priced more than \$400,000 accounted for much of the gain, whereas activity for homes priced less than \$400,000 decelerated.

In nearly all of the major metros, sales for homes in the luxury price bracket were the greatest contributor to overall closings. Central Texas sales increased 2.2 and 2.1 percent in Austin and San Antonio, respectively, while Dallas sales rose 3 percent. Although sales for higher-priced homes in Fort Worth climbed 10.3 percent, total sales flattened as activity in other price ranges took a step back. Houston was the exception. Homes priced between \$200,000-\$400,000 comprised two-thirds of the city's overall 4.8 percent improvement.

Texas' **average days on market (DOM)** ticked down to 58 days, indicating healthy demand. The metric stabilized at 56 days in Houston and at 53 and 43 days in Dallas and Fort Worth, respectively. Demand was especially robust in Austin, where the DOM declined to 49 days after shedding more than a week off its year-ago level. San Antonio's DOM ticked up slightly to 62 days but hovered around its seven-year average.

Growing concerns over the coronavirus outbreak and falling oil prices pulled interest rates down in February. The **ten-year U.S. Treasury bond yield** decreased to 1.5 percent, while the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** fell below 3.5 percent. Mortgage applications for home purchases slowed but maintained 2.7 percent year-to-date (YTD) growth. Refinance activity remained sluggish from month to month, although the number of applications received was astronomical relative to the same period last year.

Prices

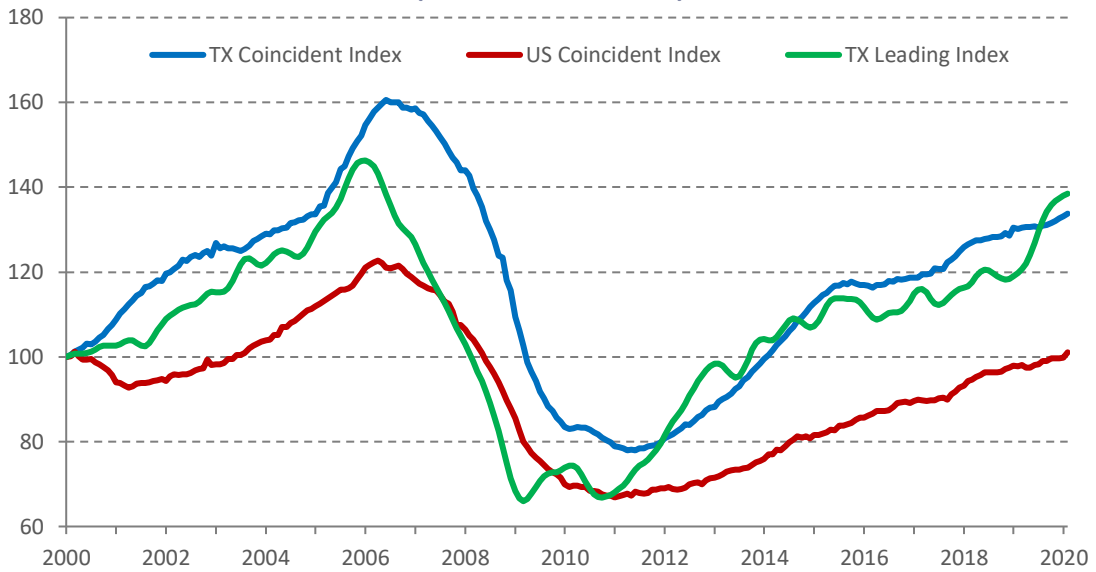
The **Texas median home price** accelerated 6.3 percent YOY to \$249,100 as demand strengthened and inventory shrank. Austin's median price reached double-digit YOY growth for the first time since 2015, skyrocketing nearly 13 percent to \$335,600. The metric in San Antonio (\$242,000) and Houston (\$252,100) rose 6.8 and 6.4 percent, respectively. On the other hand, home-price appreciation softened to around 5 percent growth in North Texas, resulting in a median price of \$297,500 in Dallas and \$249,100 in Fort Worth.

The **Texas Repeat Sales Home Price Index**, a better measure of changes in single-family home values, provides insight into how Texas home prices evolve. The index indicated more moderate annual home price appreciation of 3.2 percent. Except for in San Antonio, where the metric picked up its pace to rise 3.4 percent YOY, the metropolitan indices' growth rates slowed from the month prior. The Austin index registered just 4.6 percent growth compared with the metro's much greater home-price appreciation. Houston's index increased 2.8 percent, while the Dallas and Fort Worth indices rose 2.5 and 2.9 percent, respectively. Favorable housing affordability relative to other parts of the country supported the Lone Star State's economic growth in the years following the burst of the housing bubble a decade ago. Texas needs to maintain affordability for the housing market to remain a stalwart in the impending recession and subsequent recovery.

The data reported here indicate the strength of the Texas housing market prior to the domestic COVID-19 outbreak and plunge in oil prices. The events of the past month and the economic expectations for the second half of the year will overshadow recent optimistic conditions. The government stimulus bill signed late in March allowing forbearances on federally backed mortgage loans, moratoriums on evictions, and direct financial payments to Americans earning within an income threshold will aid current homeowners, but it is unlikely to spur additional home sales. Even though we expect the real estate sector will be less affected than many other industries, the Center's 2020 housing projections will in all probability be reached. The total impact of the impending recession on Texas' housing market is yet to be seen.



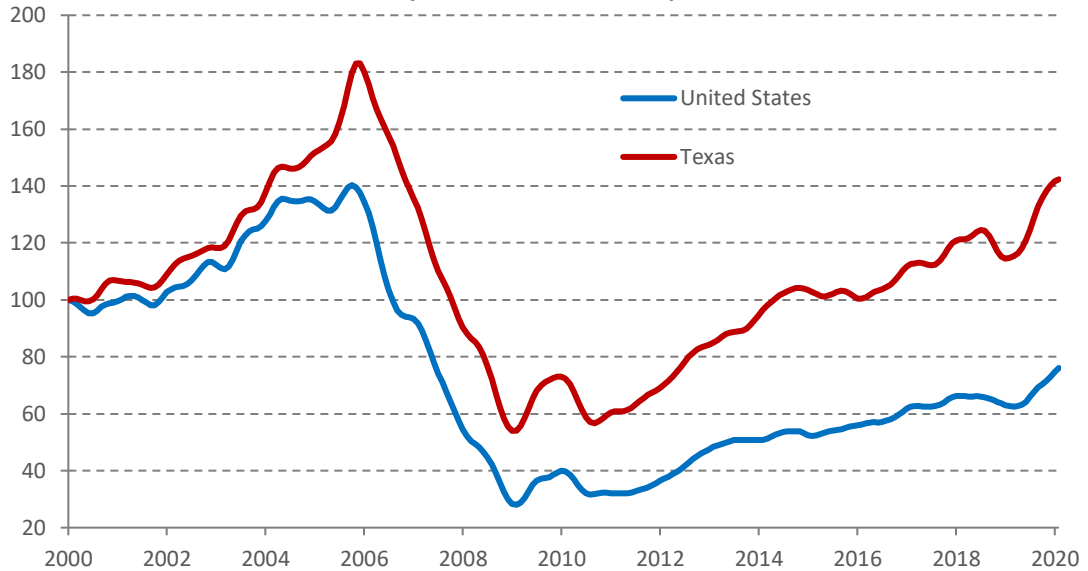
Texas Residential Construction Index
(Index Jan 2000 = 100)



Note: Trend-Cycle Component.

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

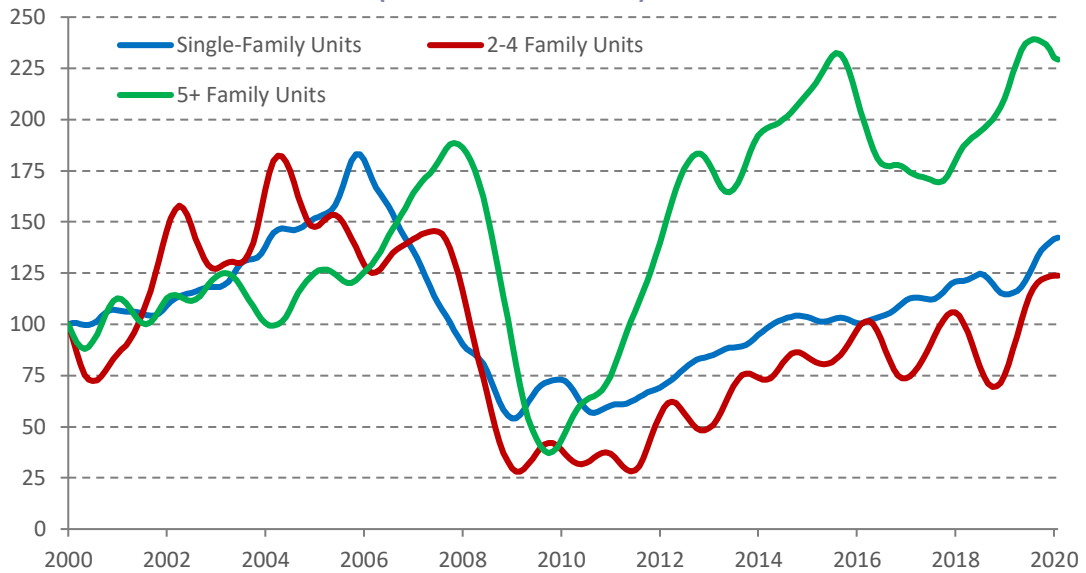
Single-Family Housing Construction Permits
(Index Jan 2000 = 100)



Note: Trend-Cycle Component.

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

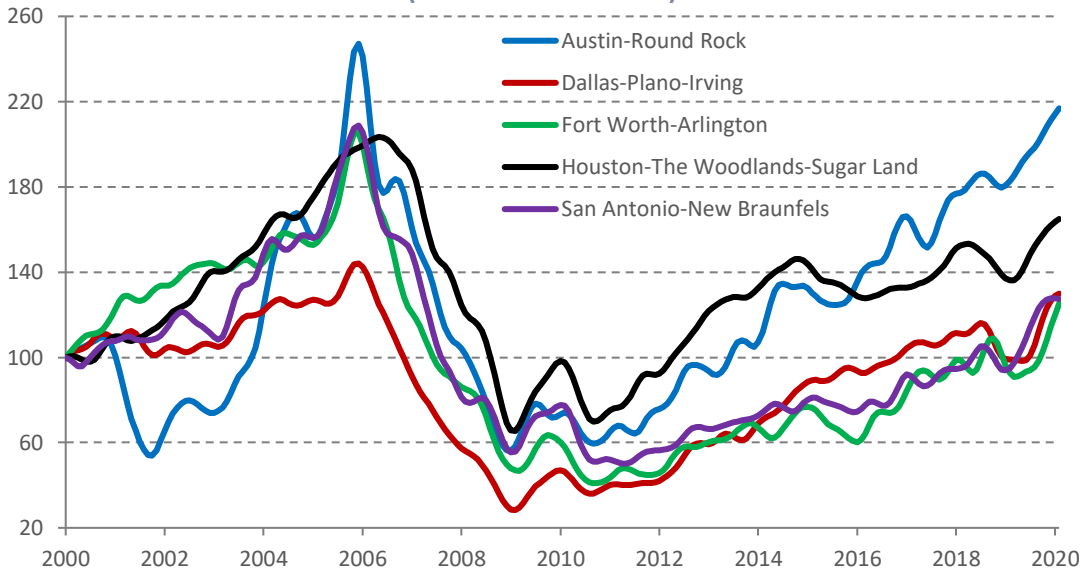
Texas Housing Construction Permits (Index Jan 2000 = 100)



Note: Trend-Cycle Component.

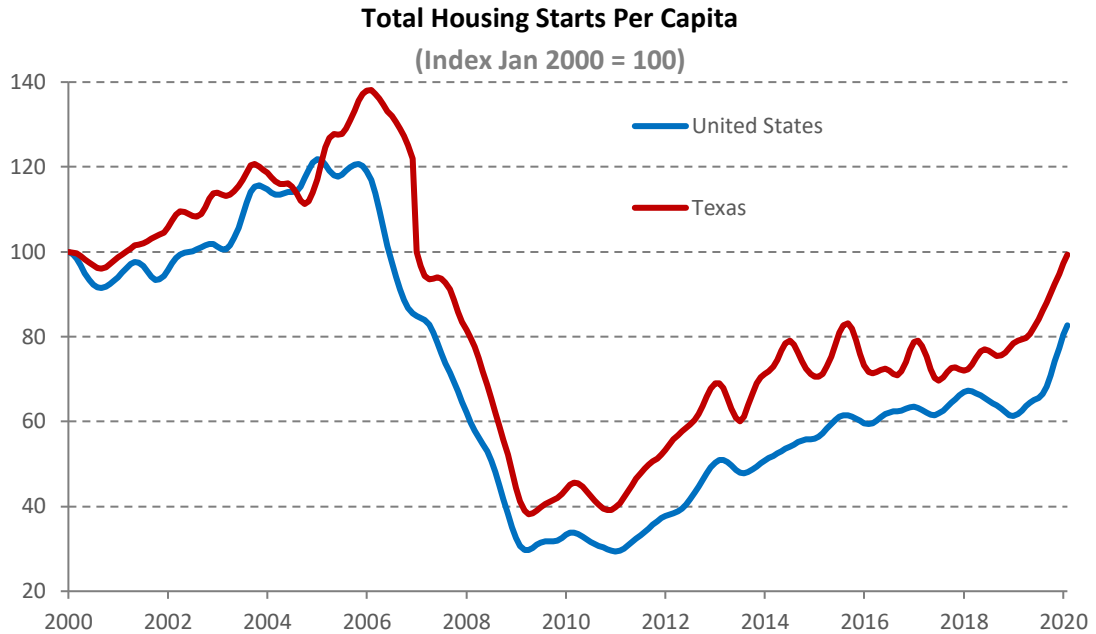
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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

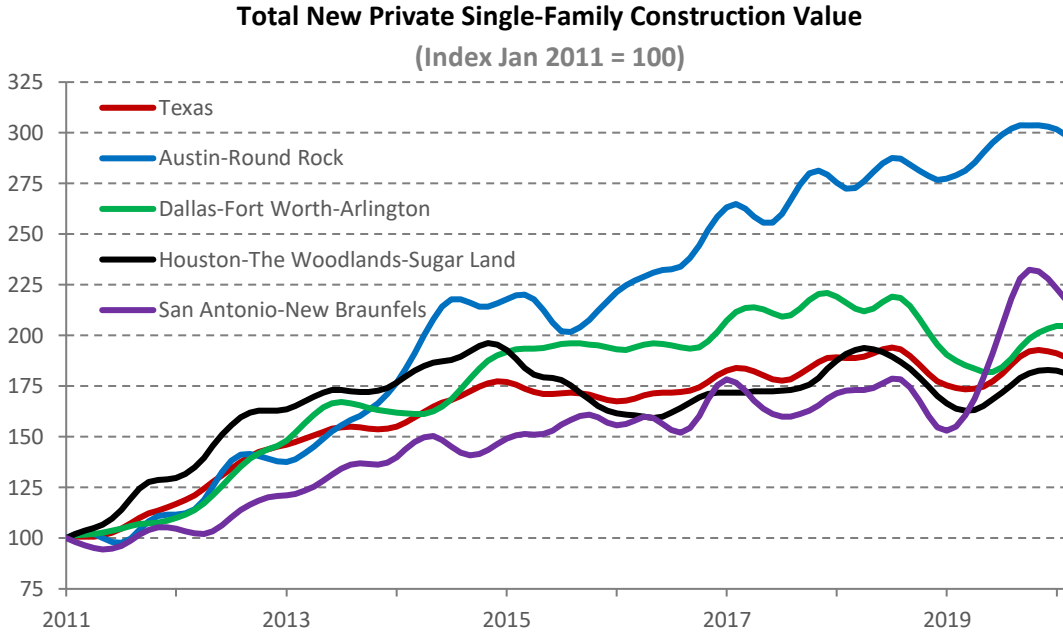


Note: Trend-Cycle Component. Fort Worth is missing data for Somervell County.

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

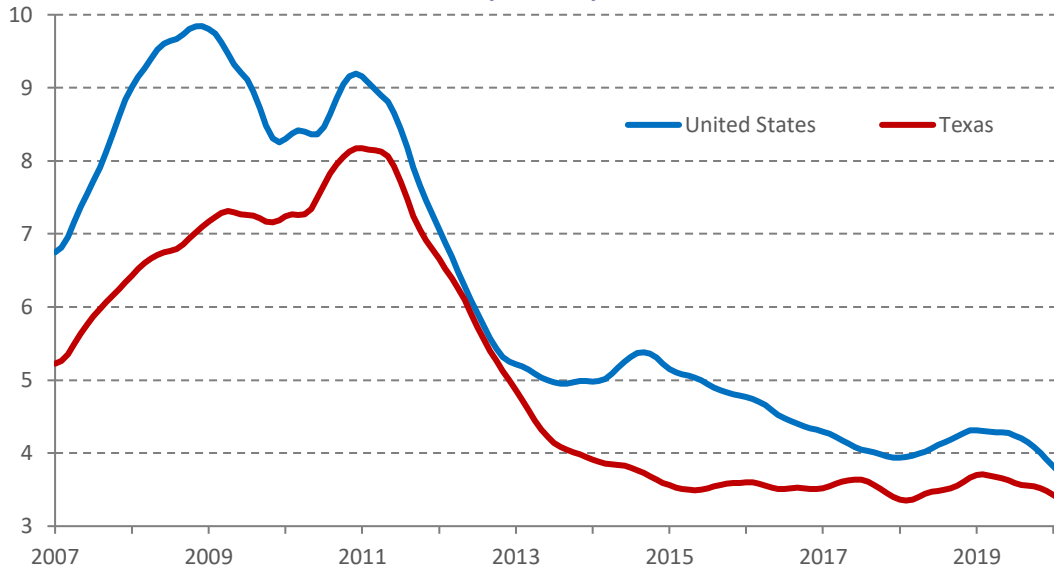


Note: Trend-Cycle Component.
Source: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ



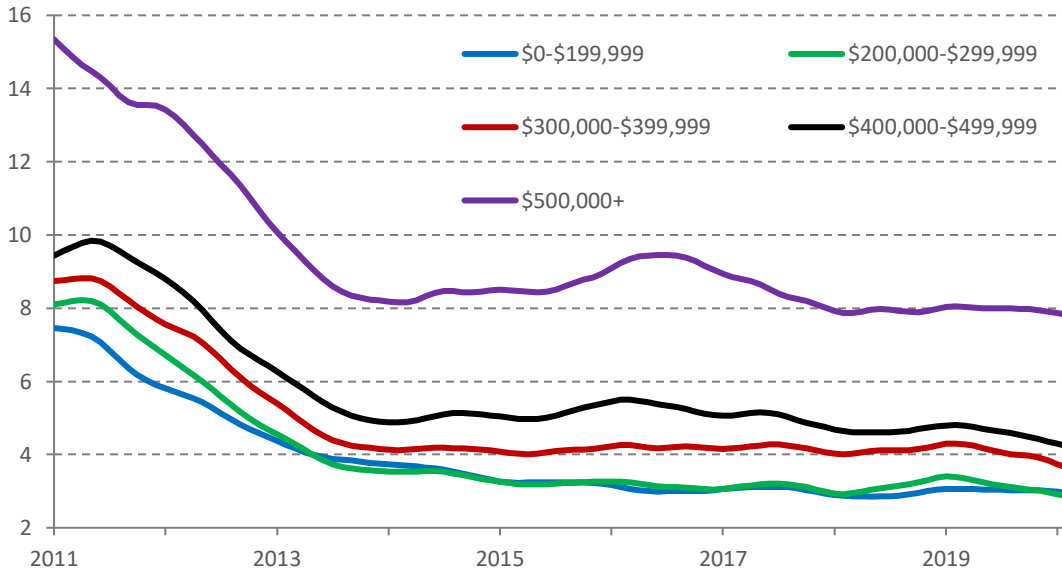
Note: Inflation adjusted. Trend-Cycle Component.
Source: Dodge Data & Analytics

Total Months of Inventory (Months)



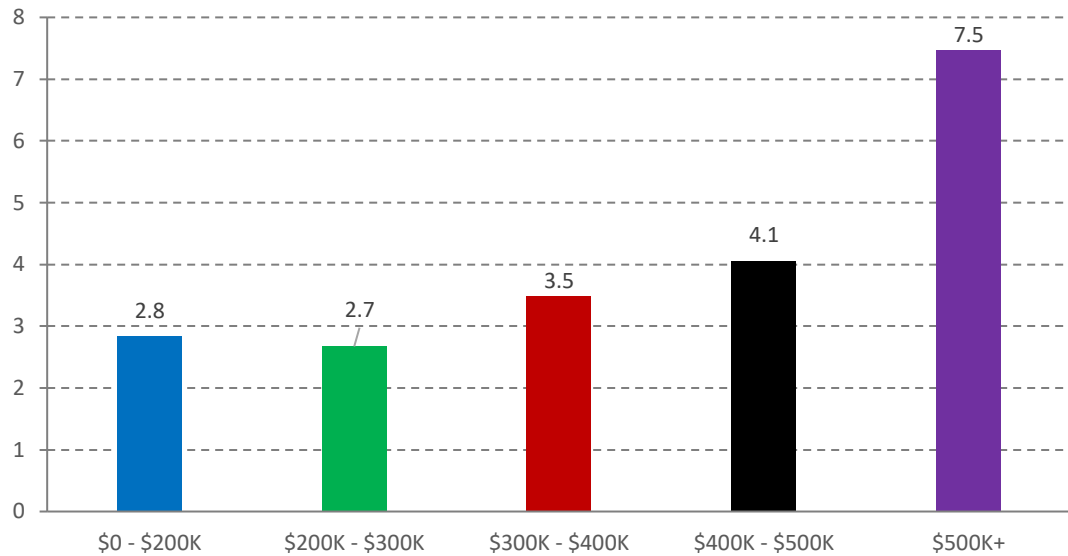
Note: Trend-Cycle Component. Months of inventory for the United States is estimated using weights for all existing homes and new single-family homes; new nonsingle-family homes are not included. Texas includes all existing and new homes. For more information, see [Months of Inventory](#).
Sources: U.S.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

Texas Months of Inventory by Price Cohort (Months)



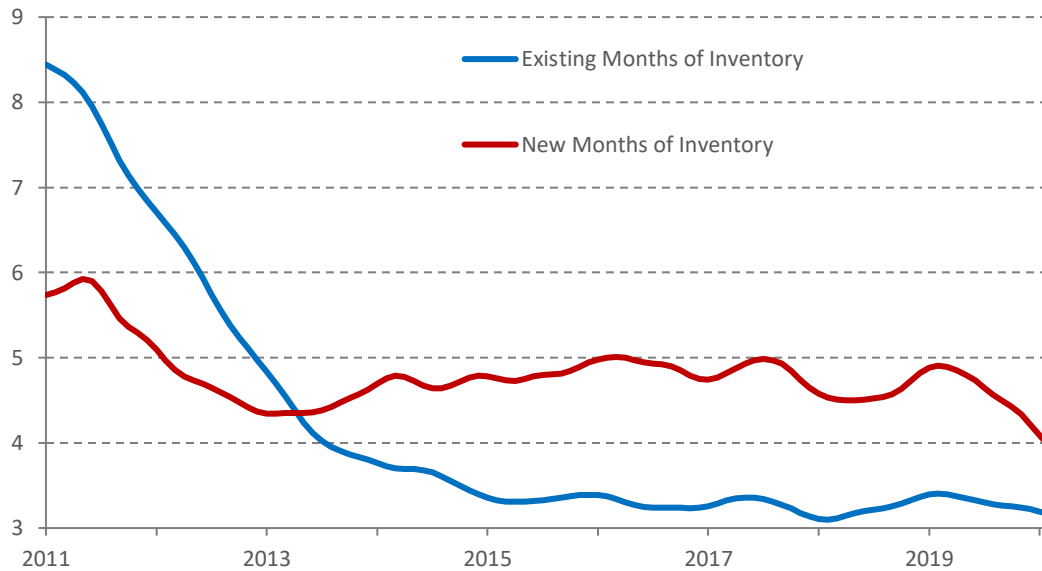
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

**Texas Current Months of Inventory by Price Cohort
(February 2020)**



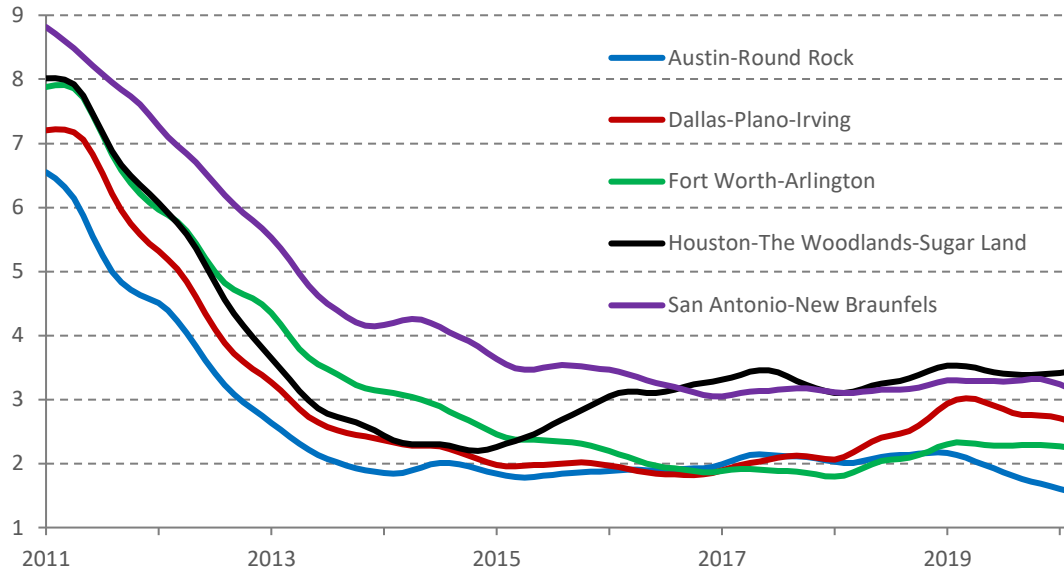
Note: Seasonally adjusted.
Source: Real Estate Center at Texas A&M University

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



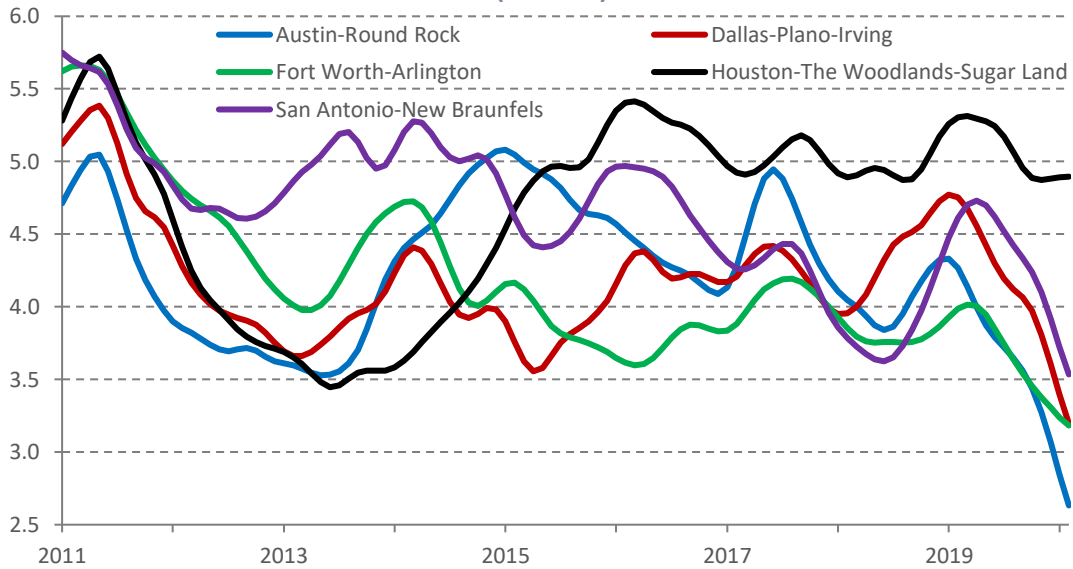
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

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)

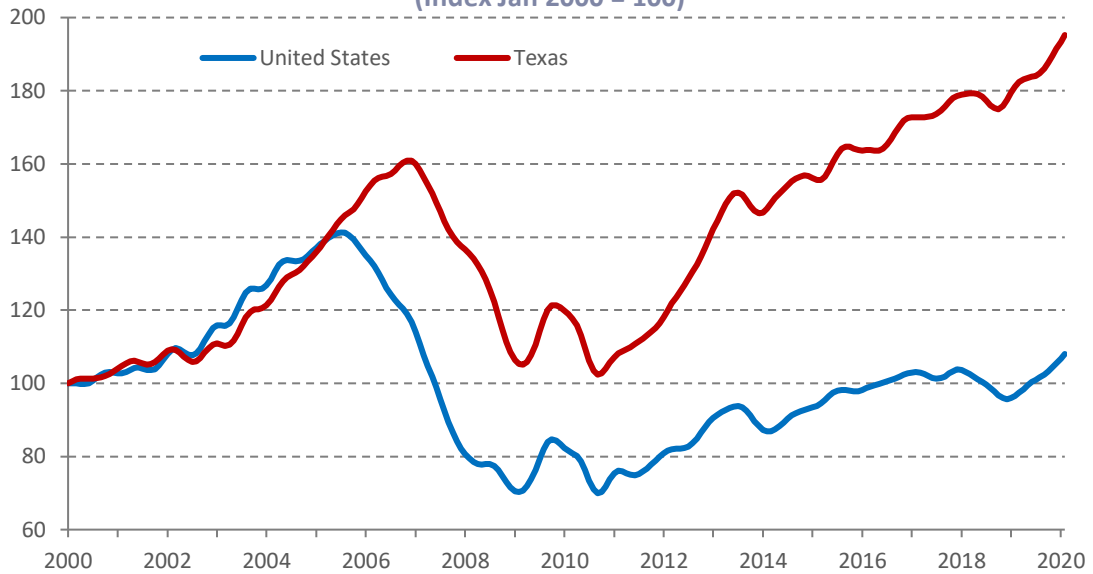


Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University



DEMAND

Total Housing Sales
(Index Jan 2000 = 100)

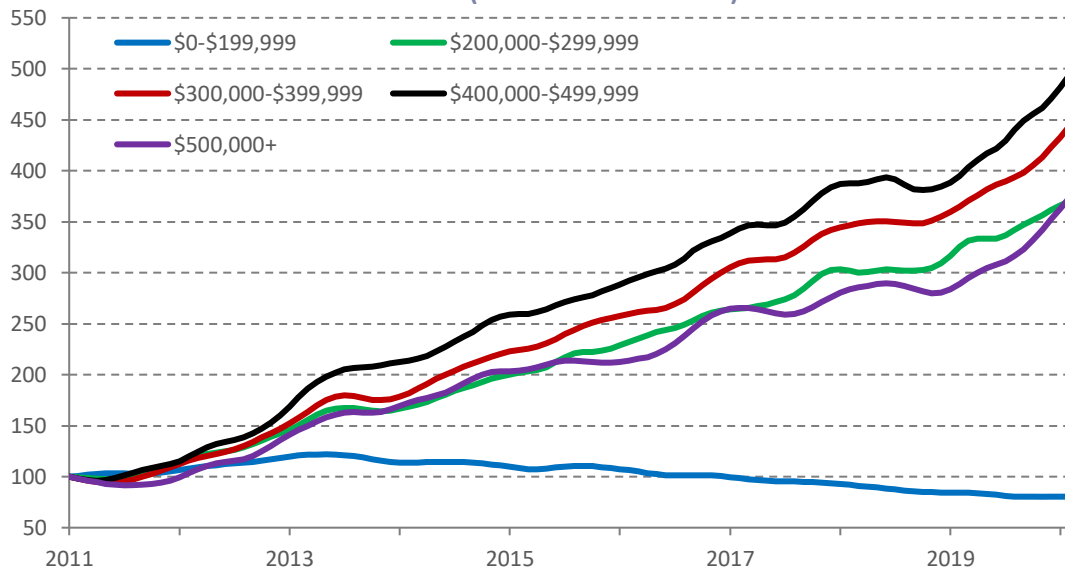


Note: Trend-Cycle Component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

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

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

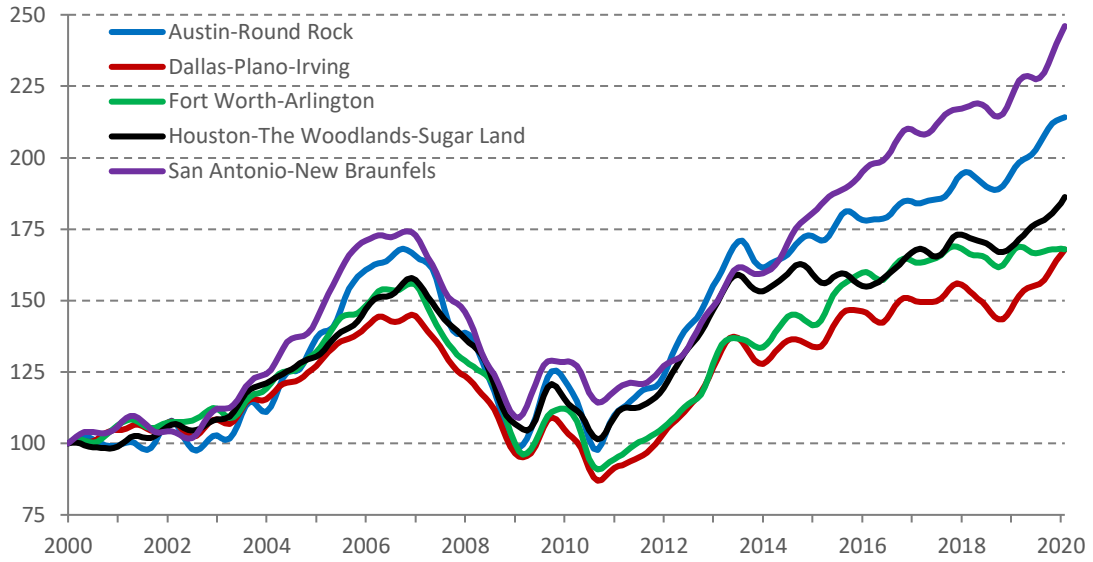
Texas Total Housing Sales by Price Cohort
(Index Jan 2011 = 100)



Note: Trend-Cycle Component.

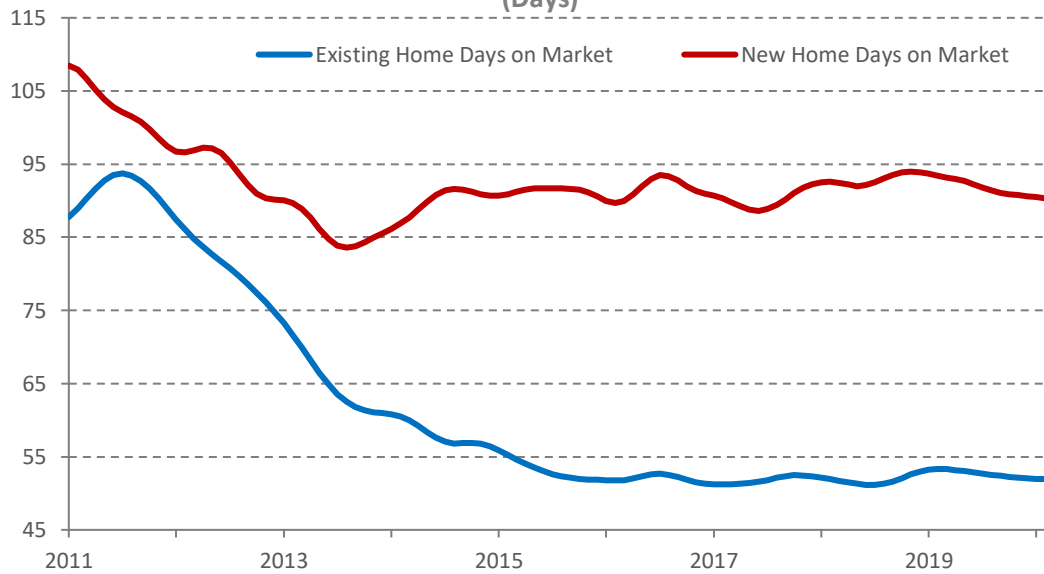
Source: Real Estate Center at Texas A&M University

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



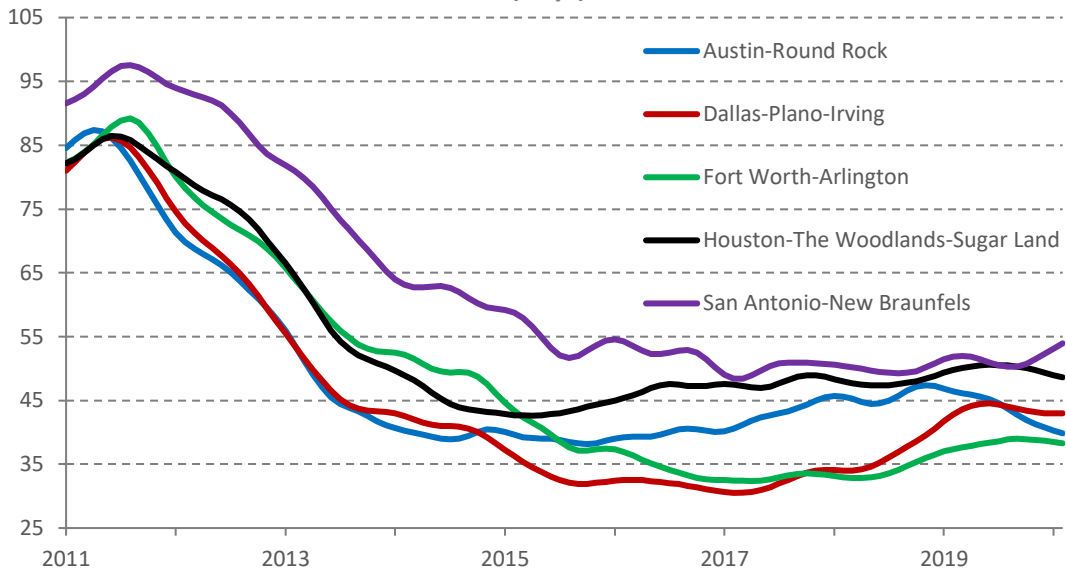
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Texas Homes Days on Market (Days)



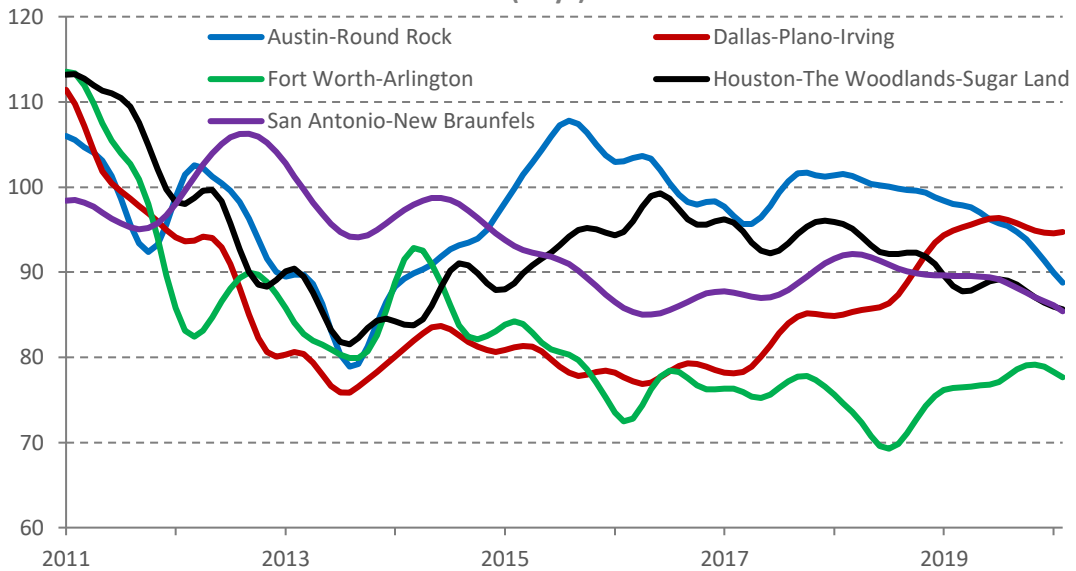
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



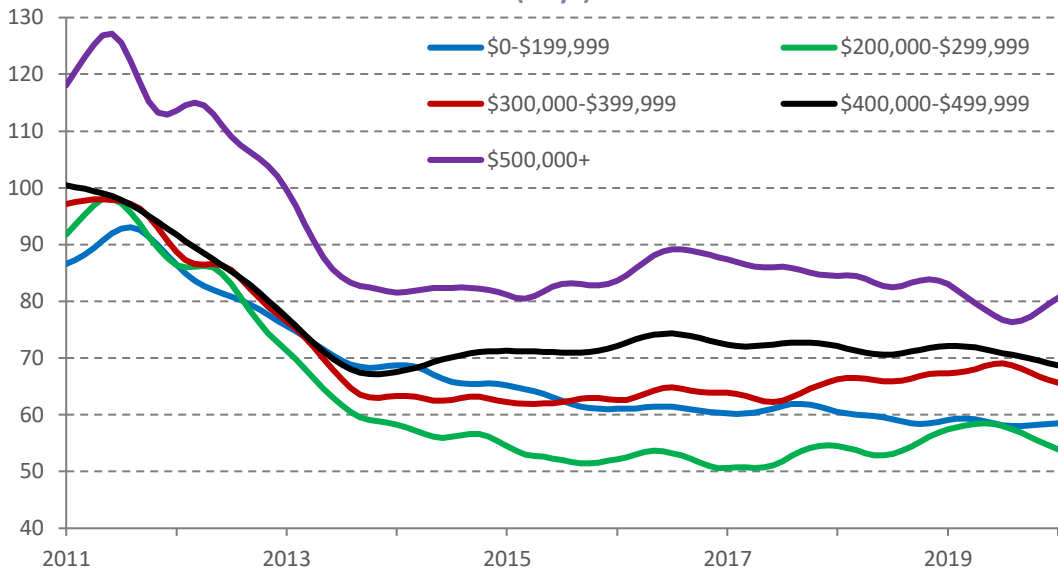
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)



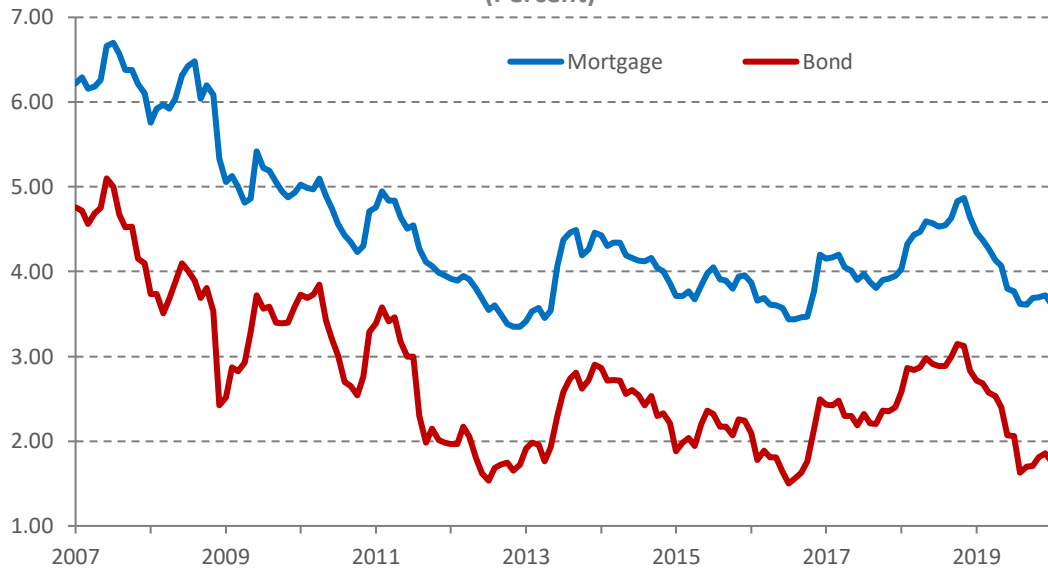
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Days on Market by Price Cohort (Days)



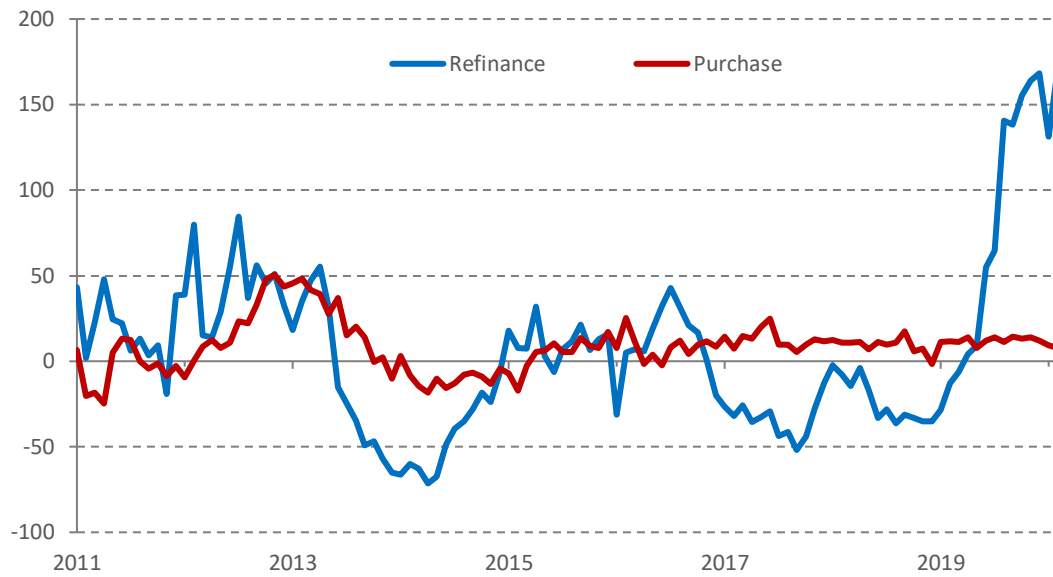
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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)

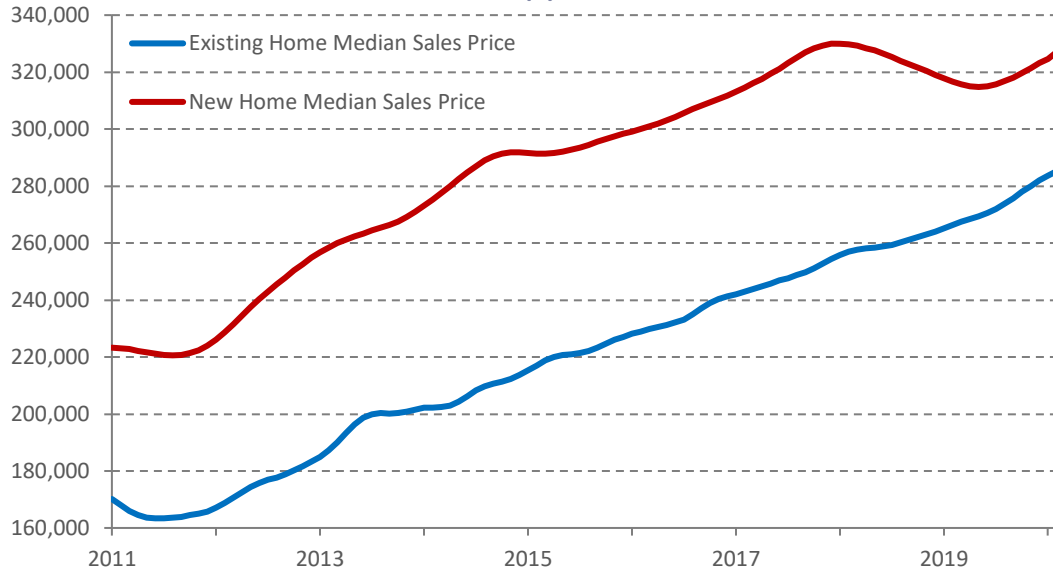


Note: Seasonally adjusted.

Source: Mortgage Bankers Association

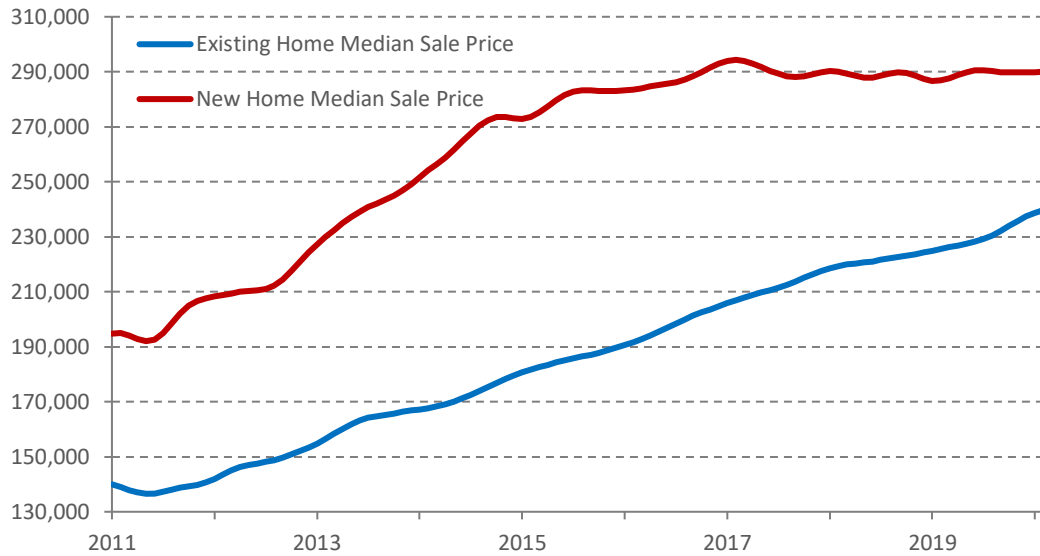


United States Existing and New Home Median Sales Price
(\$)



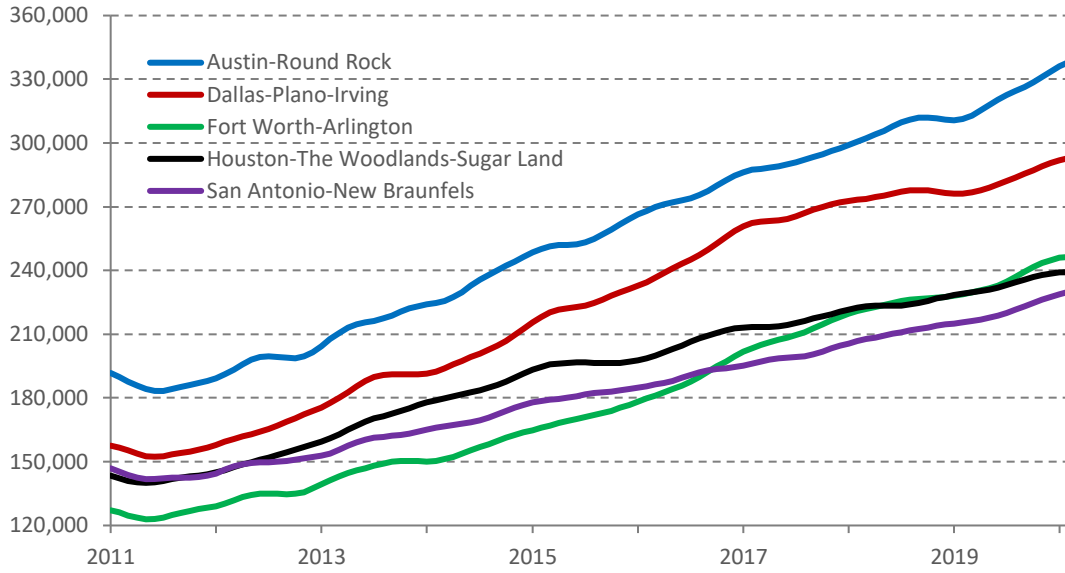
Note: Trend-Cycle Component. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



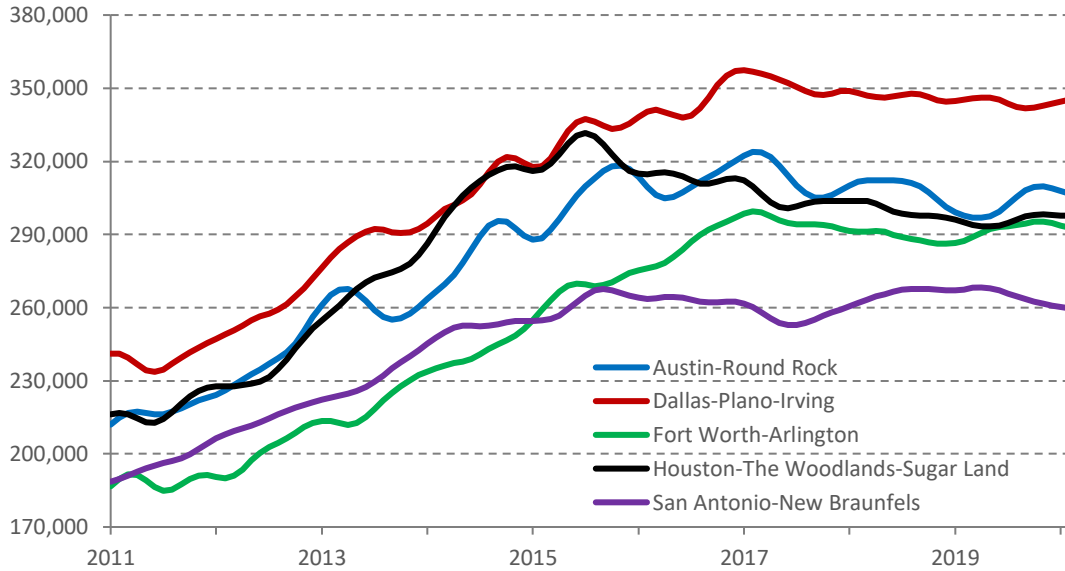
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



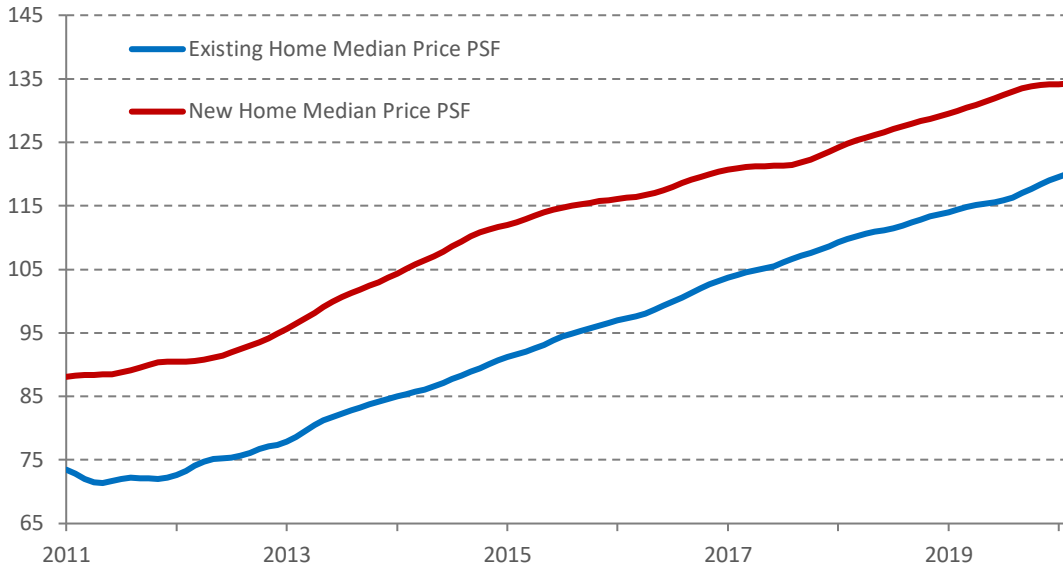
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



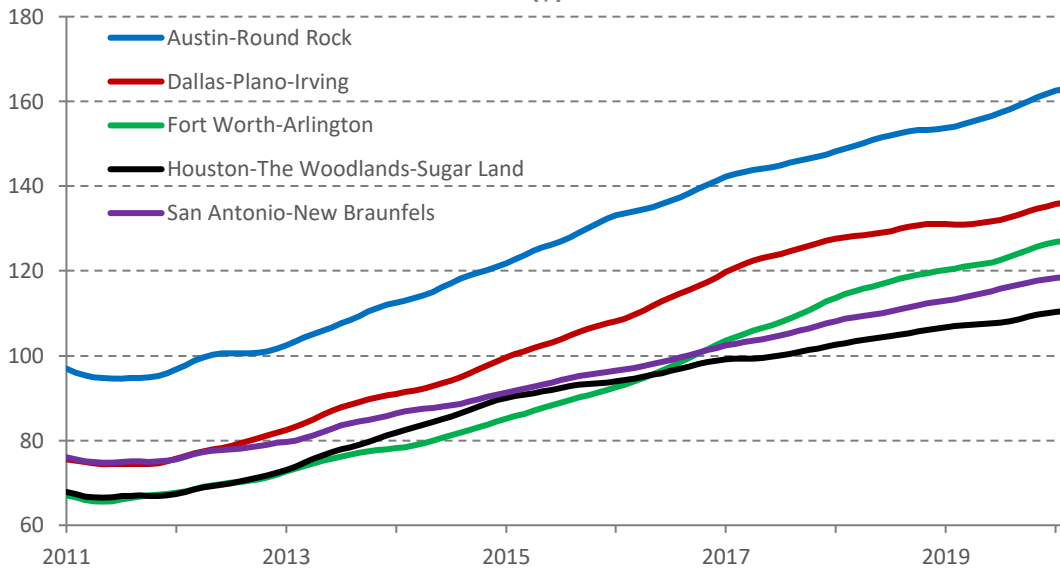
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



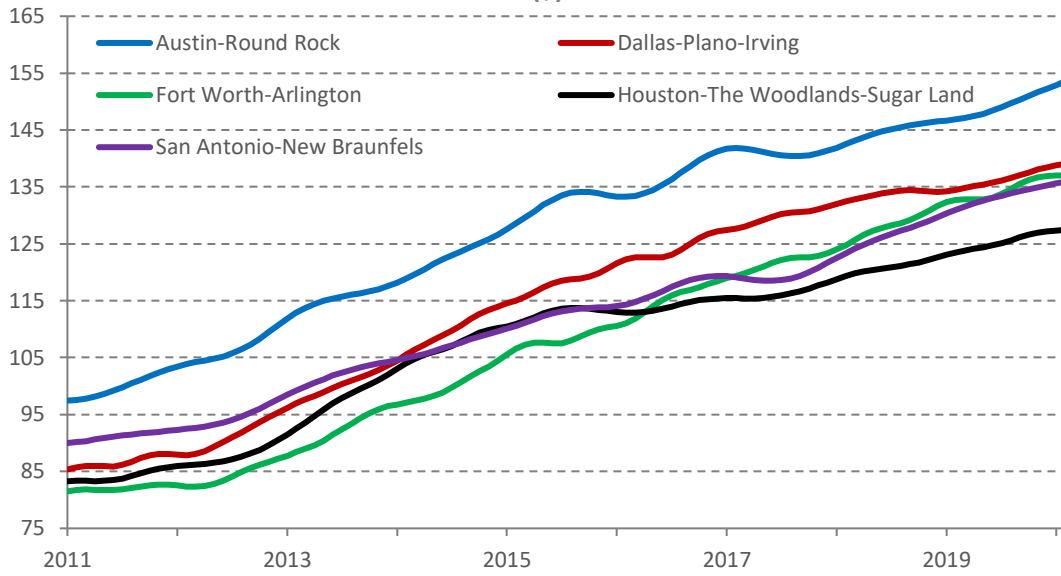
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



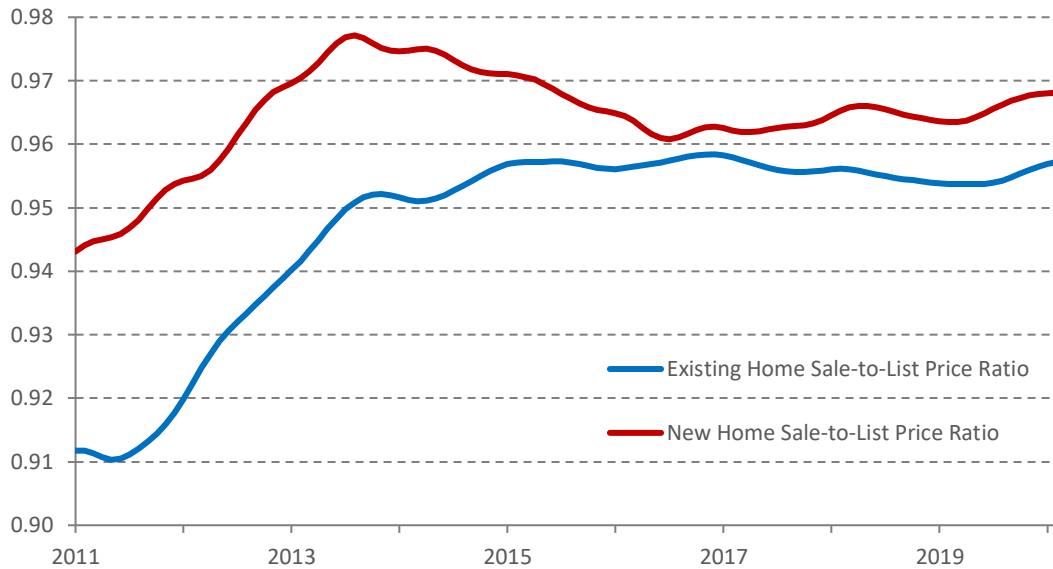
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



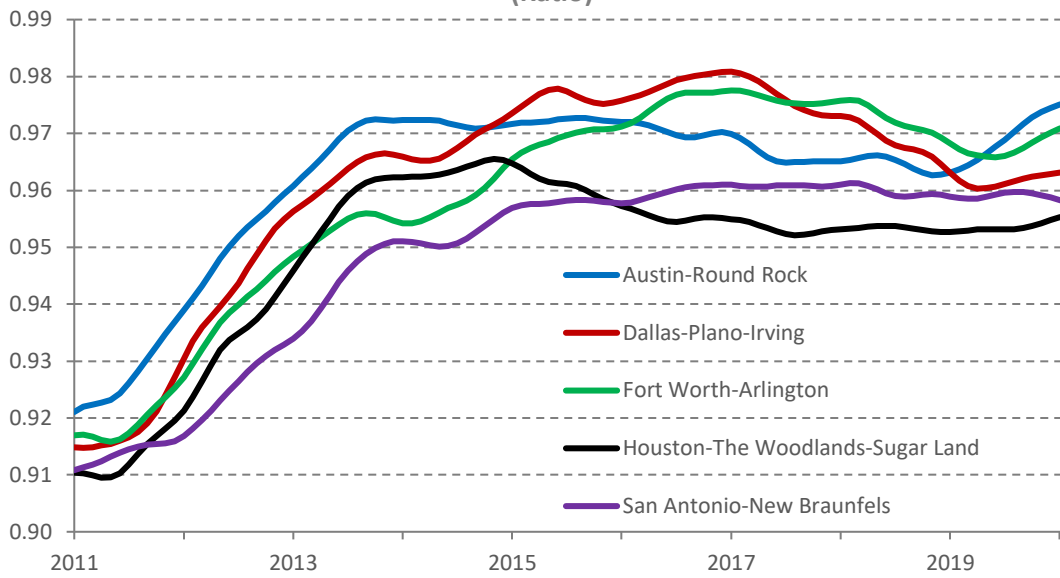
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price (Ratio)



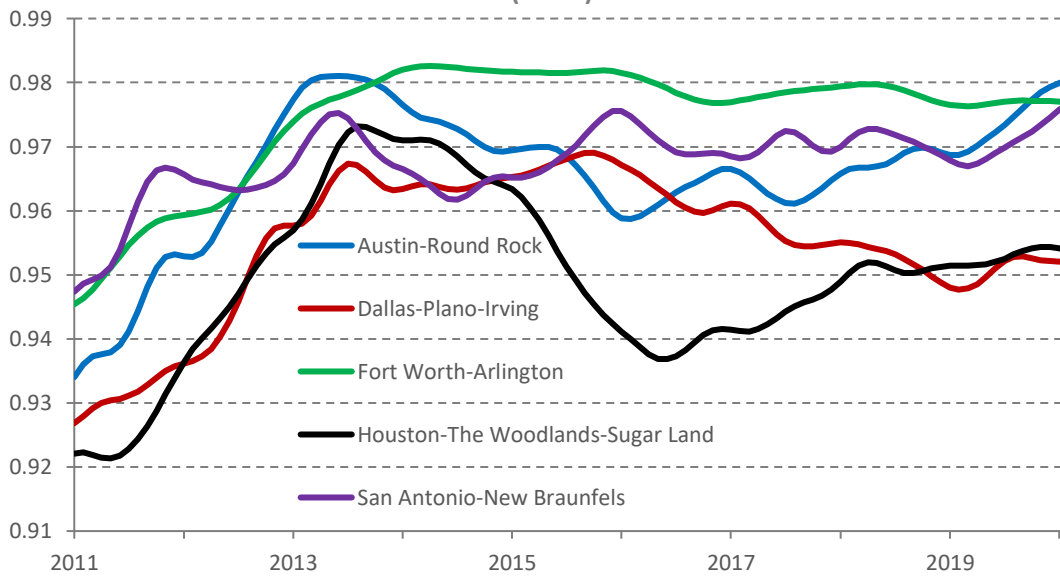
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Sale Price to List Price (Ratio)



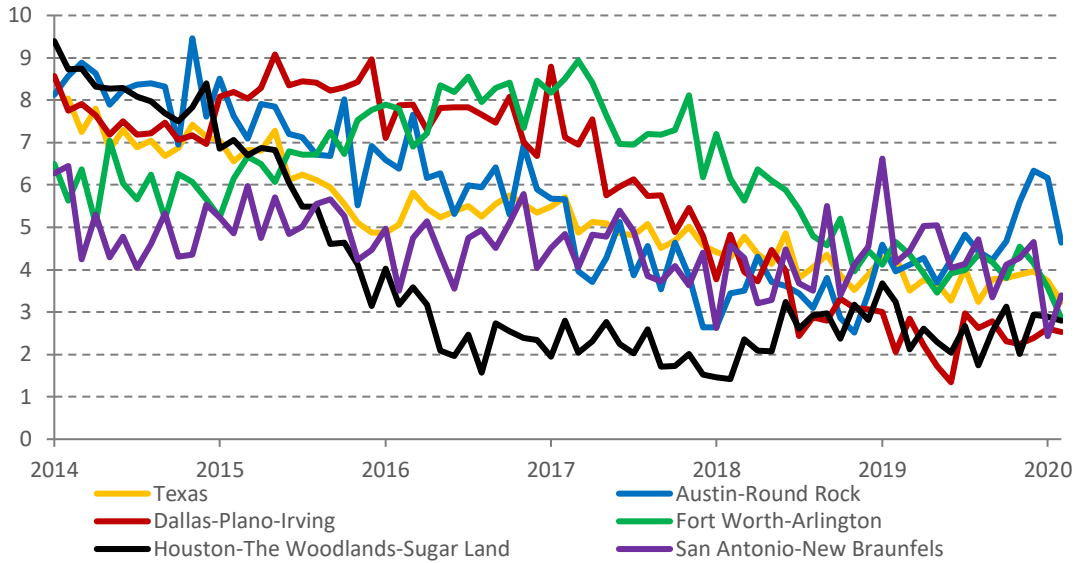
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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

**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



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