



TEXAS A&M UNIVERSITY
Real Estate Center



TEXAS HOUSING INSIGHT

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AUGUST 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 Sept. 25, 2020

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AUGUST 2020 SUMMARY

SINGLE-FAMILY BUILDING PERMITS

▲ 6.6% MOM

MONTHS INVENTORY

▼ 24

HOUSING SALES

▼ -4.1% MOM

DAYS ON MARKET

▼ 57

TEXAS REPEAT SALES INDEX

▲ 5.4% YOY

Total Texas housing sales declined 4.1 percent in August from an all-time high the previous month as pent-up demand from the economic shutdown normalized. Nevertheless, sales were up 3.1 percent YTD compared with activity during the first eight months of 2019. Strong demand for housing supported permit issuance, which increased for the fourth straight month to record-breaking levels. Current inventory, however, extended a year-long fall, particularly at the bottom of the price spectrum. That shortage contributed to the shift in the distribution of sales toward higher-priced homes and pushed the median home price up 8.4 percent annually. The Real Estate Center's Repeat Sales Home Price Index, however, suggested more moderate home-price appreciation while single-family housing sales in September are expected to recover fully from August's backslide.

Supply

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction levels, increased for the third consecutive month as industry employment, wages, and construction values inched up. The **Residential Construction Leading Index** also accelerated amid rising permit issuance, suggesting ongoing activity in the coming months. Conversely, the major metros' leading indexes declined, with the exception of Houston, as multifamily building permits and housing starts dropped. A modest uptick in the real rate of the ten-year Treasury bill also pulled down the leading indexes.

Single-family construction permits increased 6.6 percent, a moderate improvement compared with the previous three months but still reached a record-breaking 14,000 permits. Texas remained the national leader, contributing 16 percent of the national total. All of Texas' major metros issued post-Great Recession highs after accounting for seasonality, except for San Antonio, where the metric recorded 920 nonseasonally adjusted permits. Houston and Dallas posted 4,768 and 3,906 permits, respectively, while Austin issued 1,854. On the other hand, Texas' multifamily permits dropped 28.4 percent, with the year-to-date (YTD) sum running 4 percent behind the total during the same period last year.

Total Texas housing starts fell 24.5 percent in August, normalizing to their two-year average as lumber prices accelerated for the fourth straight month. **Single-family private construction values** also slowed, although growth was still positive at 2.9 percent. The improvement was largely due to



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Austin values skyrocketing 30.4 percent to a record high. The metric increased modestly in North Texas and decreased slightly in San Antonio, while Houston values backtracked 14.6 percent.

The number of new listings hitting the market has failed to keep pace with sales, pulling **Texas' months of inventory (MOI)** down to a record 2.4 months. A total MOI around six months is considered a balanced housing market. Inventory for homes priced less than \$300,000 was even more constrained, sliding to less than 1.8 months. The MOI for luxury homes (homes priced more than \$500,000), although elevated at 6.3 months, decreased for the third straight month.

Inventory was even more limited in the major metros, falling to 1.2 months in Austin as the MOI for homes priced from \$200,000-\$400,000 plummeted below one month. In North Texas, the MOI dropped to 1.9 and 1.7 months in Dallas and Fort Worth, respectively. San Antonio's metric sank to 2.3 months, while Houston's MOI slipped to 2.7 months.

Demand

Total housing sales decreased 4.1 percent in August from an all-time high the prior month as pent-up demand from the economic shutdown waned. The trend, however, remained on an upward trajectory as low mortgage rates stimulated activity. Every price cohort less than \$400,000 registered a decline in sales; on the other hand, a record-breaking 4,000 luxury homes were sold. The number of Texas' sales transactions so far in 2020 outpaced last year's eight-month sum by 3.1 percent. National YTD sales fell half a percent relative to the same period in 2019.

Sales also declined at the metropolitan level, most notably in Houston, which registered a 7.9 percent monthly drop. Most of the pullback in activity was due to a reduction in sales for homes priced less than \$400,000. The metric in Dallas and Fort Worth decreased 5.2 and 4.1 percent, respectively, while San Antonio sales fell 2.9 percent. Austin was the exception, although the increase in sales was modest. Nevertheless, the metric posted a record-breaking 3,622 sales as the share of luxury homes sold exceeded one-fifth for the first time ever.

Texas' **average days on market (DOM)** slid below year-ago levels to 57 days, corroborating robust demand despite the pandemic-induced recession. The average home in all four major metros sold faster than during August 2019, with the Dallas and Fort Worth metric decreasing to 48 and 44 days, respectively. Austin's DOM shaved almost two weeks off its reading from last year, falling to 49 days. At 58 days, the DOM in Houston and San Antonio, however, was slightly higher than the statewide average.

Persistent economic uncertainty surrounding the pandemic kept interest rates at historically low levels. The **ten-year U.S. Treasury bond yield** inched up slightly but stayed below 0.7 percent*, while the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** was less than 3 percent for the first time in series history (starting in 1971). Mortgage rates extended a year-and-a-half-long

* Bond and mortgage interest rates are nonseasonally adjusted. Loan-to-value ratios, debt-to-income ratios, and the credit score component are also nonseasonally adjusted.

slide within Texas during July, falling to 3.18 and 3.21 percent for non-GSE and GSE loans, respectively. The slide in rates pushed home-purchase applications up 15.1 percent YTD in August. Refinance activity continued to normalize after spiking at the onset of the pandemic but still remained 40 percent above year-end levels. (For more information, see *Finding a Representative Interest Rate for the Typical Texas Mortgagee* at <https://www.recenter.tamu.edu/articles/research-article/Finding-Representative-Interest-Rate-2278>.)

In July, the median loan-to-value ratio (LTV) and debt-to-income ratio (DTI) constituting the “typical” Texas conventional-loan Texas mortgage decreased for the second straight month from 86.5 and 35.1 to 82.3 and 33.6, respectively. Meanwhile, the median credit score ticked up from 751 to 758, its highest reading in almost three decades. The median LTV (86.0) and DTI (35.5) of the typical Texas borrower who obtained a loan from a government-sponsored enterprise (GSE) also declined, albeit less drastically than the corresponding components of the typical conventional loan (from 86.7 and 35.6, respectively). The improved credit profiles may reflect tightening lending standards as economic uncertainty looms heading into autumn.

Prices

The **Texas median home price** flattened at \$261,300 in August but climbed 8.4 percent year over year (YOY). The annual growth rate in Central Texas and Dallas surpassed the state average, pushing the median price to \$347,800 and \$251,000 in Austin and San Antonio, respectively, and \$319,800 in Dallas. On the other hand, YOY growth slowed to around 6.5 percent in both Fort Worth and Houston for a median price of \$260,700 in the former and \$260,600 in the latter. The shift in the composition of sales toward higher-priced homes due to constrained inventories at the lower end of the price spectrum contributed to the increase in home prices.

The **Texas Repeat Sales Home Price Index** accounts for such compositional effects and provides a better measure of changes in single-family home values. The index suggested more moderate home-price appreciation than the change in the median price, but it still accelerated 5.4 percent annually in August compared with 4.2 percent the month prior. Austin’s metric rose at the fastest clip, jumping 8.3 percent and pushing the statewide rate above 5 percent for the first time in three years. The index climbed 5.7 percent in Fort Worth and 5.1 percent in San Antonio. The metric increased more moderately in Dallas and Houston, posting 4.6 percent and 4.1 percent YOY growth, respectively.

Single-Family Forecast

The Real Estate Center projected single-family housing sales using monthly pending listings from the preceding period (see table). Only one month in advance was projected due to the uncertainty surrounding the COVID-19 pandemic and the availability of reliable and timely data. Texas sales are expected to rebound 13.7 percent in September after decreasing by more than a tenth in August. The desire to capitalize on historically low interest rates is driving home sales with activity in

Central Texas and Houston predicted to accelerate around 16 percent, while DFW sales are projected to increase 13.1 percent. Texas' housing market remains a pillar of the state's economic recovery.

Single-Family Housing Sales Projections

	Percentage Change from August to September 2020	Percentage Change from January through September 2019 to January through September 2020
Texas	13.7	5.6
Austin-Round Rock	15.8	4.7
Dallas-Fort Worth	13.1	5.3
Houston-The Woodlands-Sugar Land	16.0	4.8
San Antonio-New Braunfels	16.4	7.6

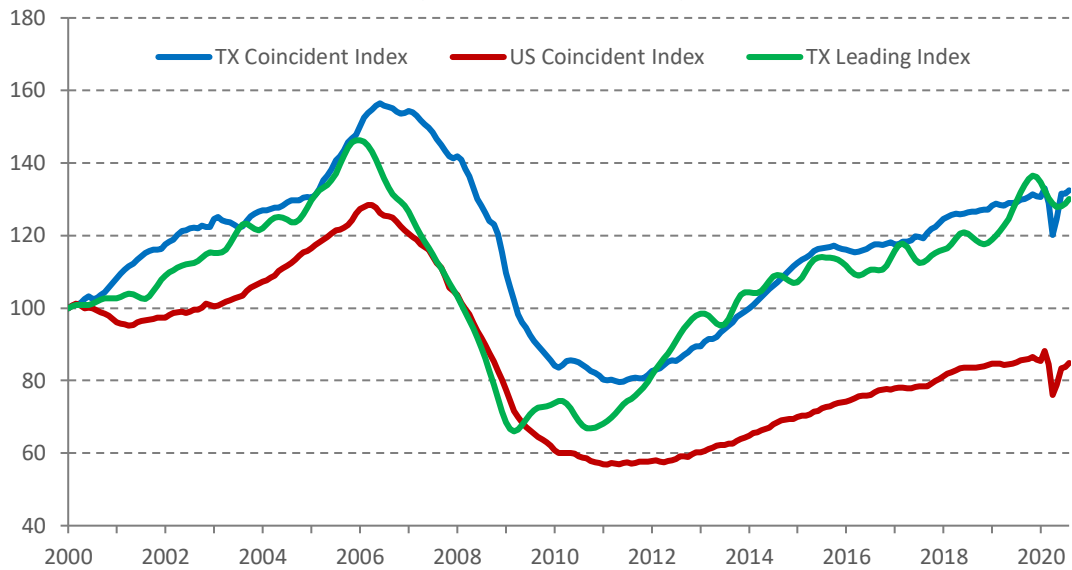
Note: Seasonally adjusted data used for the monthly percentage change. Nonseasonally adjusted data used in the year-to-date year-over-year estimation. Based on monthly pending listings and single-family housing sales through the Multiple Listing Service.
Source: Real Estate Center at Texas A&M University

HOUSING OUTLOOK DUE TO COVID-19

- The housing market will be characterized by low inventories accompanied by positive price growth.
 - Low inventories will be especially prevalent for homes less than \$300,000, affecting home sales in the price range.
 - Price growth will be positive due to stable demand, as the demographic hurt most by the economic crisis are low-skill/low-wage earners who are typically renters rather than homebuyers.
- Homebuilders are trying to build homes to satisfy demand in the lower price cohorts, and, therefore, are building new homes in the suburbs or the outer city borders where land costs are lower.
 - This trend was prevalent prior to the pandemic but has accelerated due to COVID-19.
- Mortgage rates are expected to remain low due to monetary policy implemented by the Federal Reserve, low inflation expectations, and slow economic growth.
 - Mortgage refinancing, however, will slow as mortgage lenders add more requisites and the pool of households able to refinance diminishes.
- The Mortgage Bankers Association reports that 3.6 million homeowners, or 7.2 percent of all home loans, are in forbearance.
 - Once forbearance ends, the share of homeowners who will be able to make their mortgage payments is unknown, but Center researchers expect delinquencies and foreclosures, so far kept low despite the recession due to government policy, to increase.



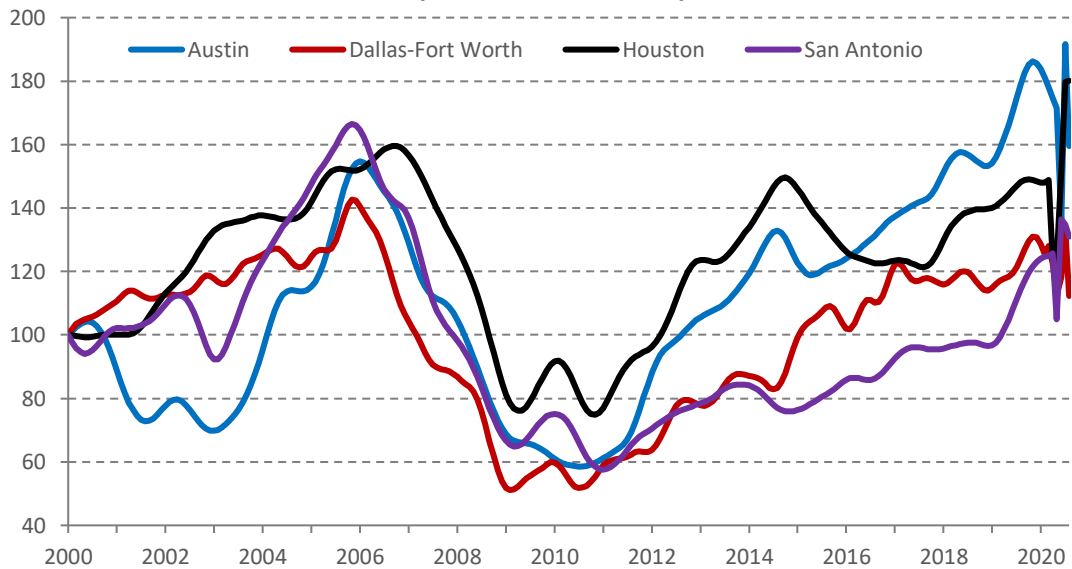
Texas Residential Construction Index
(Index Jan 2000 = 100)



Note: Trend-cycle component.

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

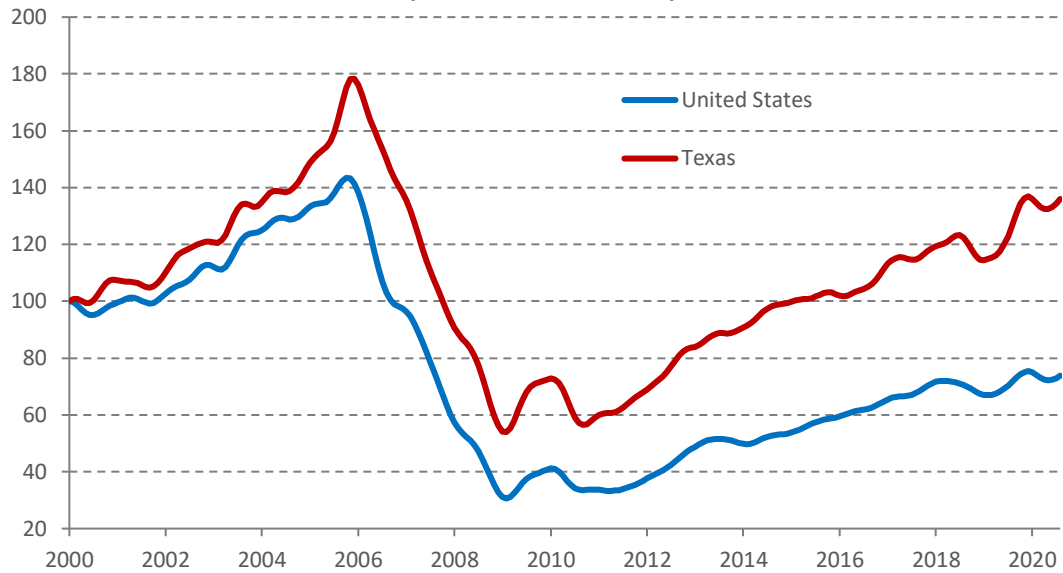
Major Metro Residential Leading Construction Index
(Index Jan 2000 = 100)



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

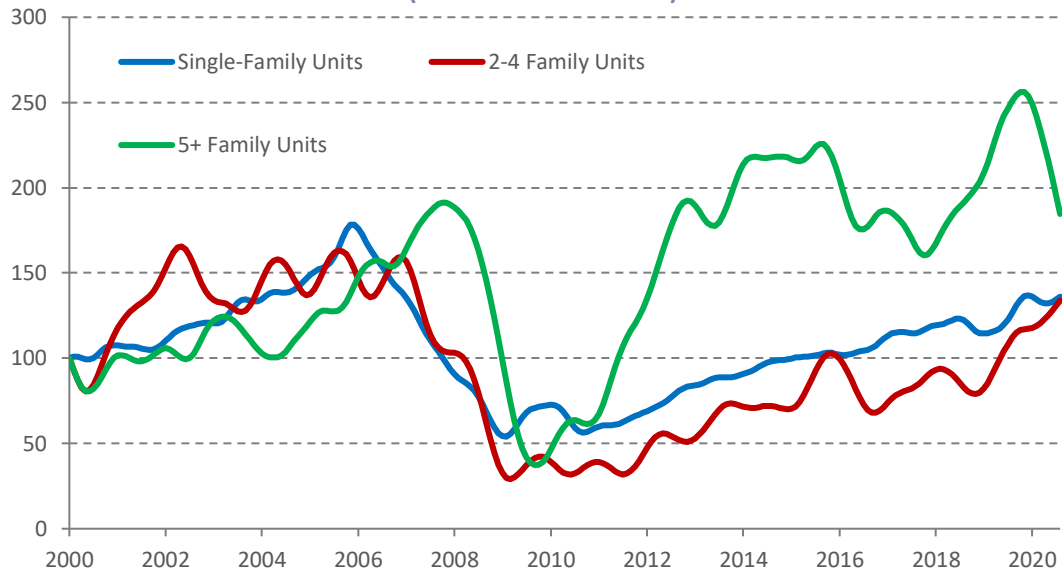
Single-Family Housing Construction Permits (Index Jan 2000 = 100)



Note: Trend-cycle component.

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

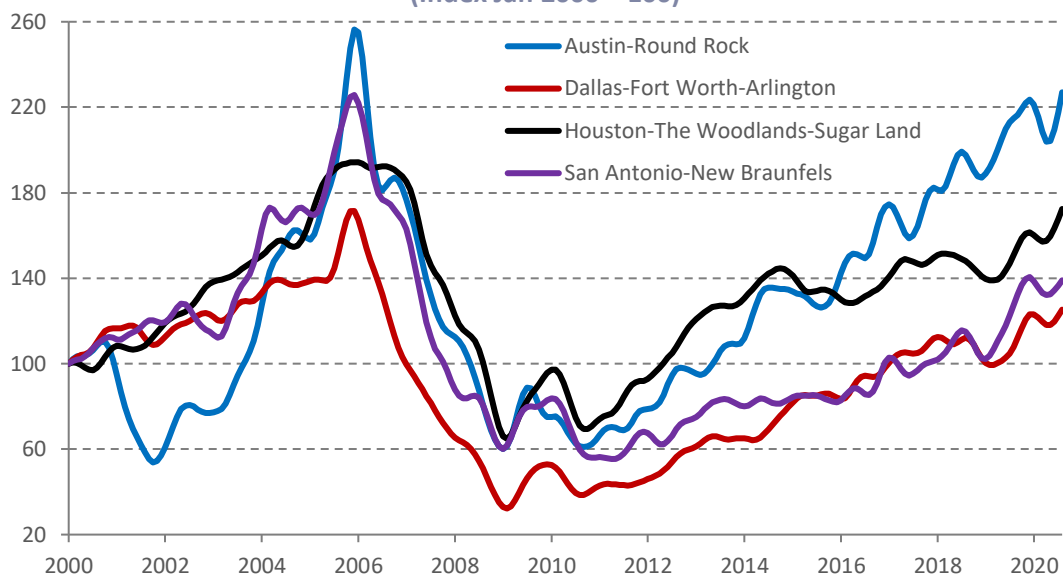
Texas Housing Construction Permits (Index Jan 2000 = 100)



Note: Trend-cycle component.

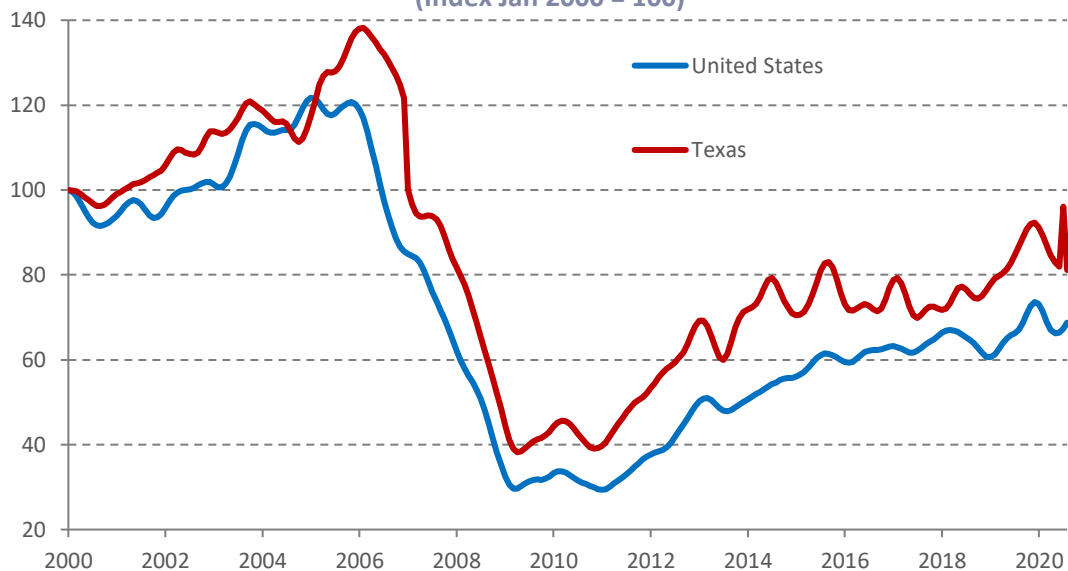
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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

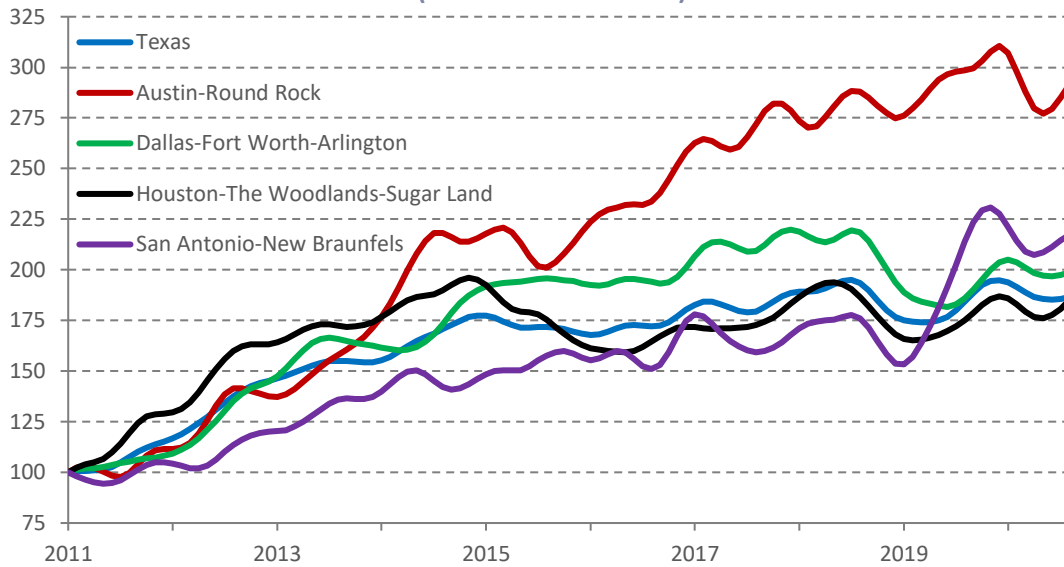
Total Housing Starts Per Capita (Index Jan 2000 = 100)



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

Total New Private Single-Family Construction Value

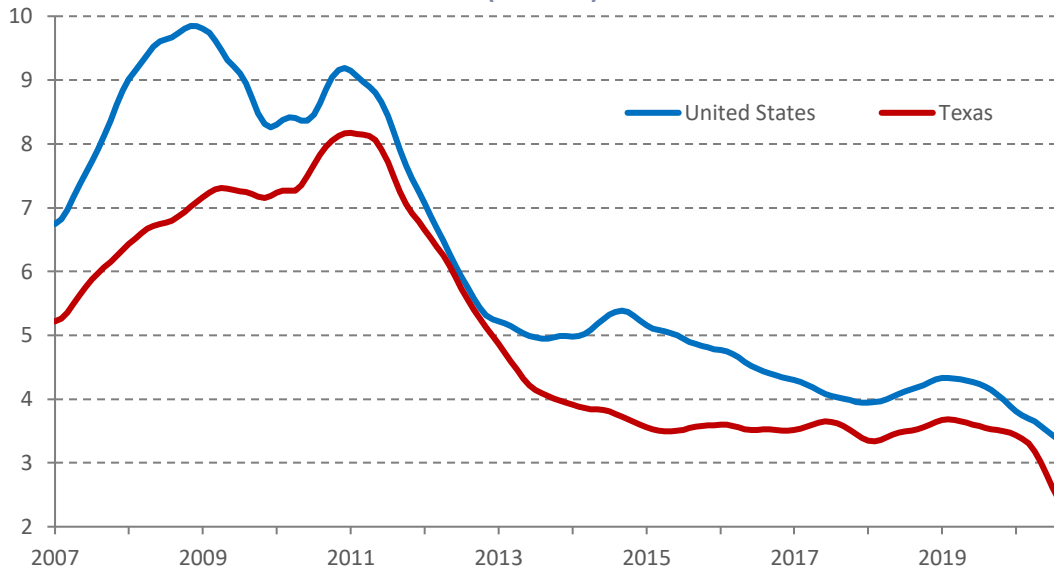
(Index Jan 2011 = 100)



Note: Inflation adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

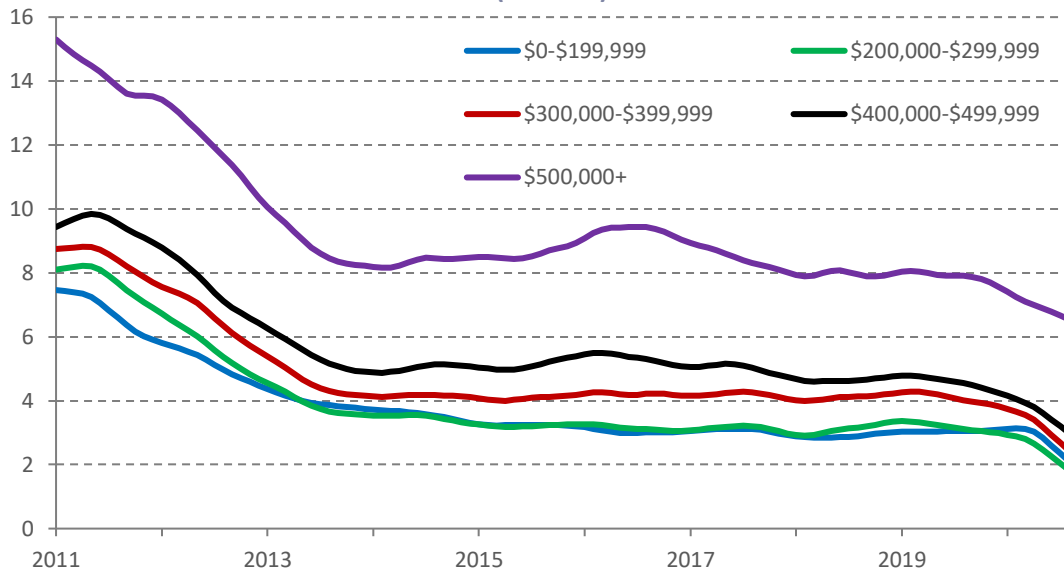
Total Months of Inventory

(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

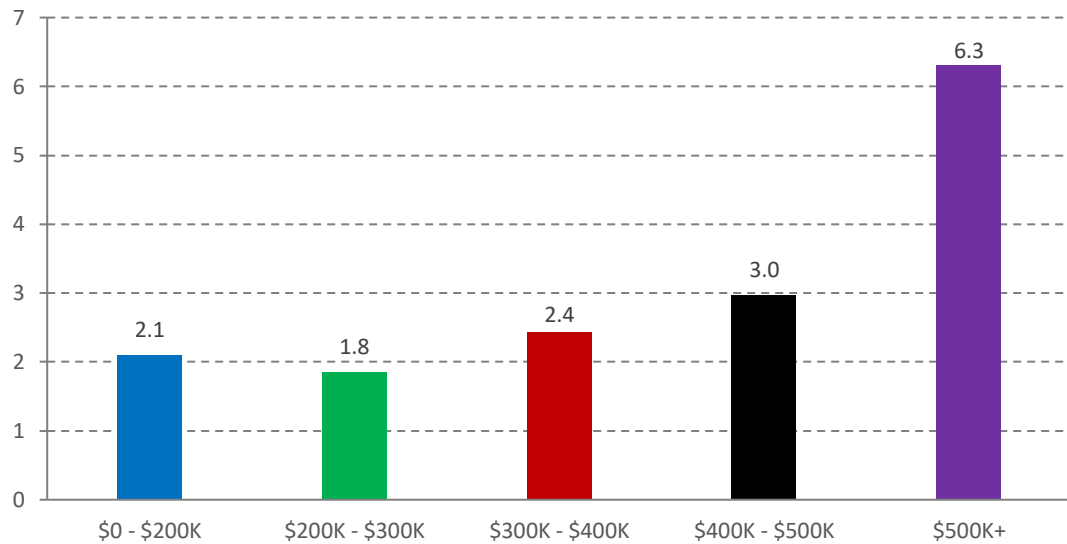
Texas Months of Inventory by Price Cohort
(Months)



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

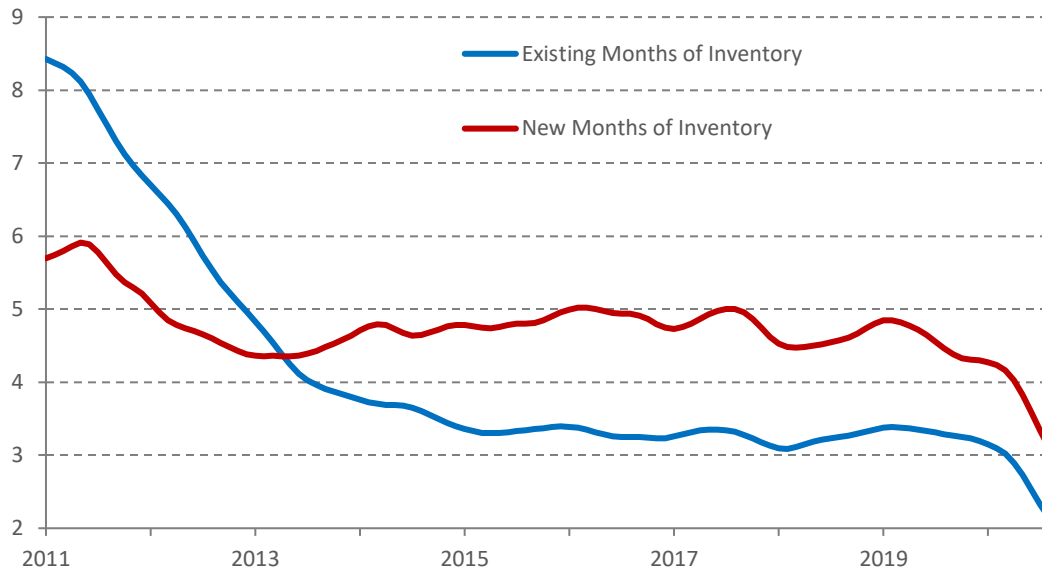
Texas Current Months of Inventory by Price Cohort
(August 2020)



Note: Seasonally adjusted.

Source: Real Estate Center at Texas A&M University

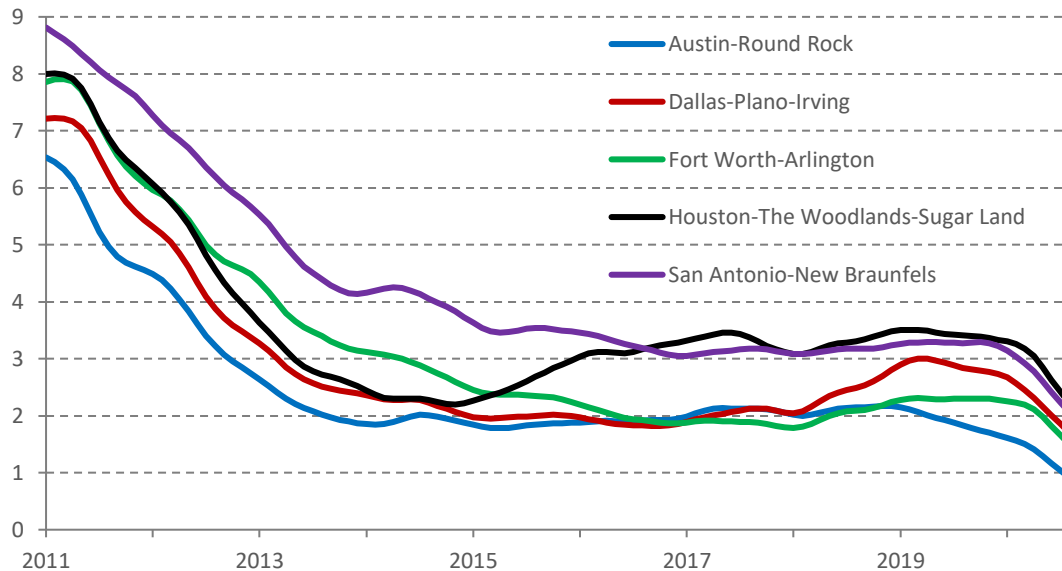
Texas Existing and New Home Months of Inventory (Months)



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

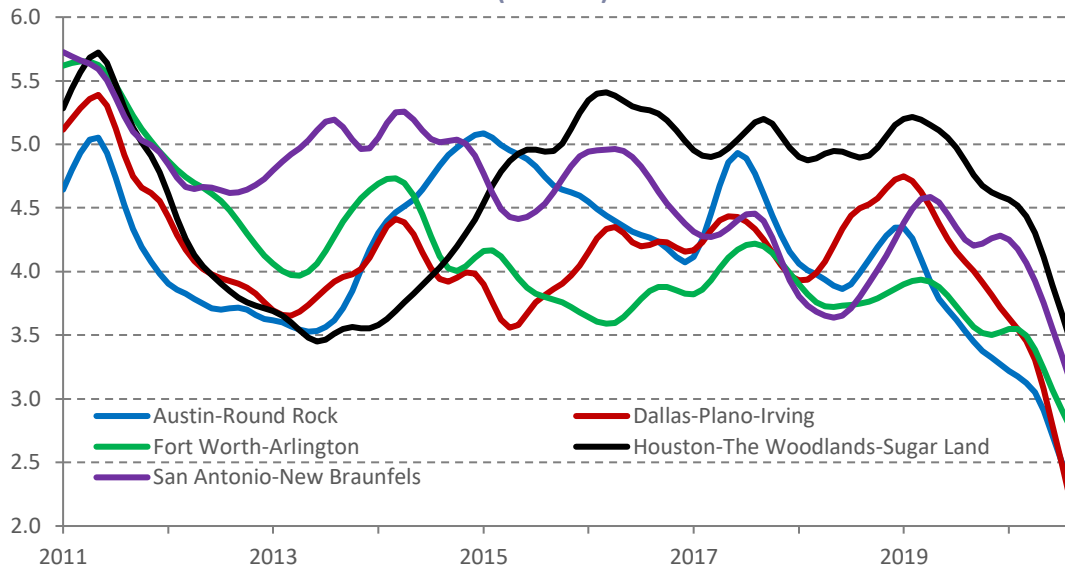
Major Metros Existing Home Months of Inventory (Months)



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

Major Metros New Home Months of Inventory (Months)

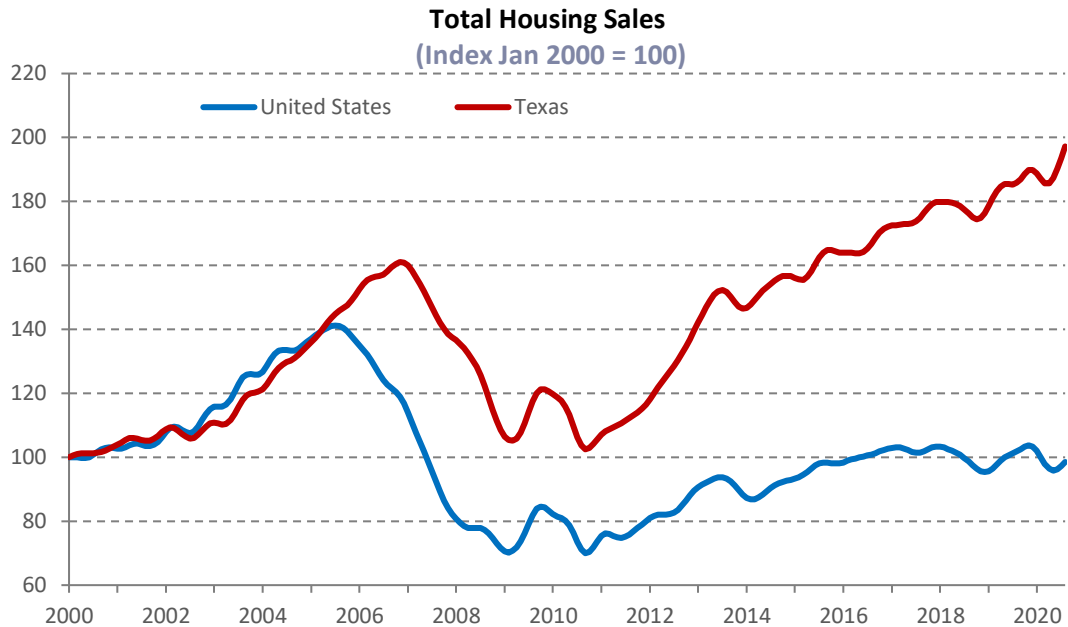


Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University



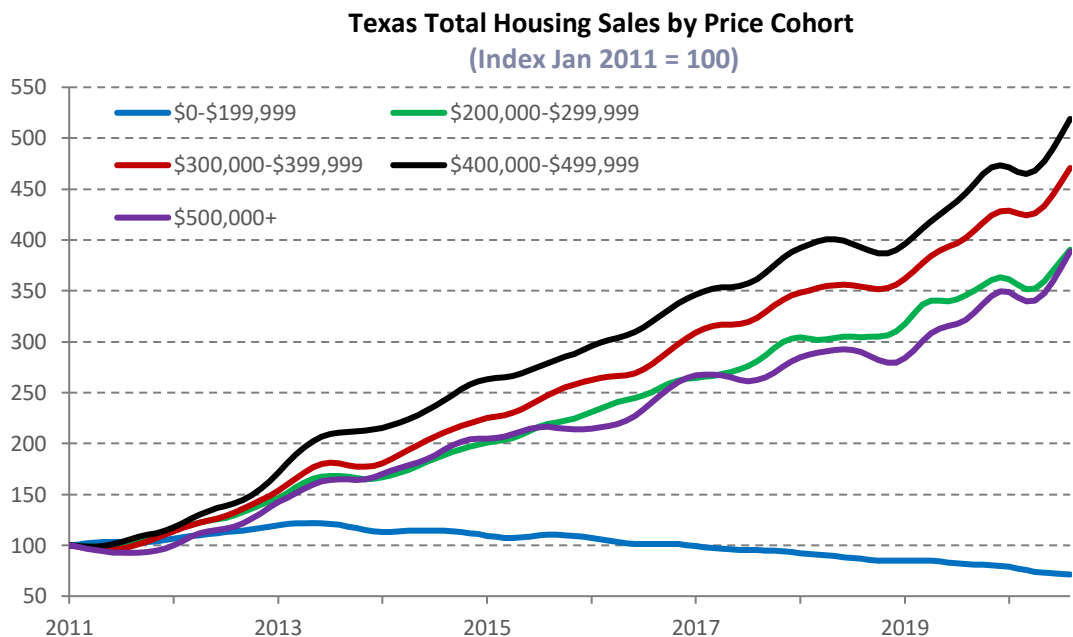
DEMAND



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](#).

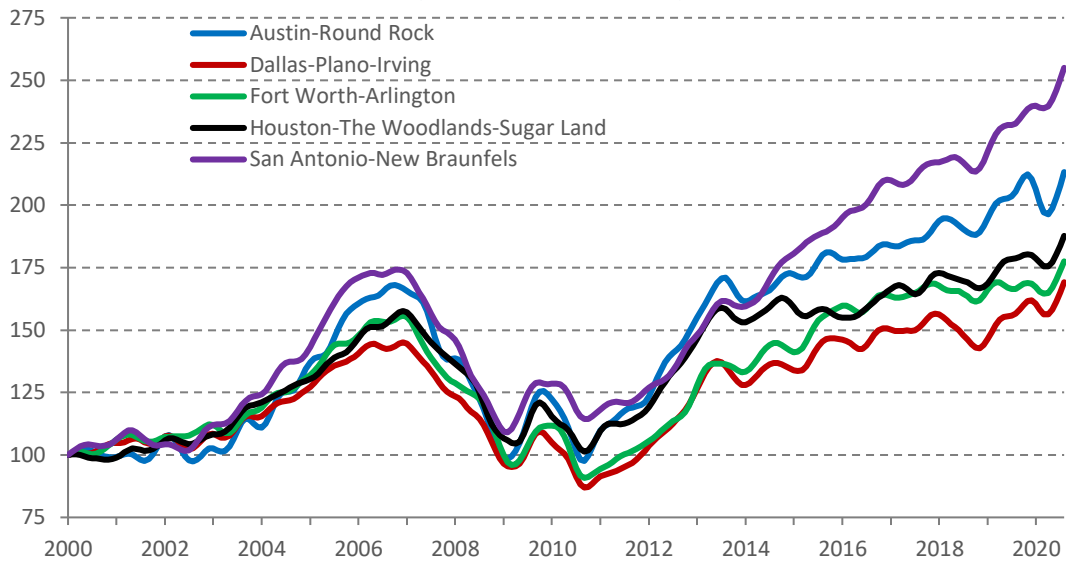
Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

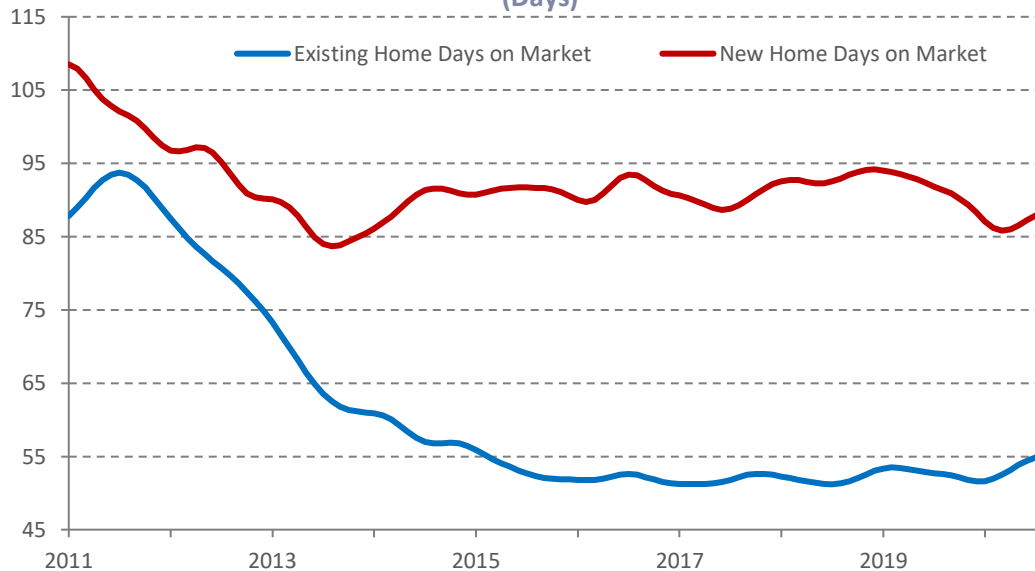
Major Metros Total Housing Sales (Index Jan 2000 = 100)



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

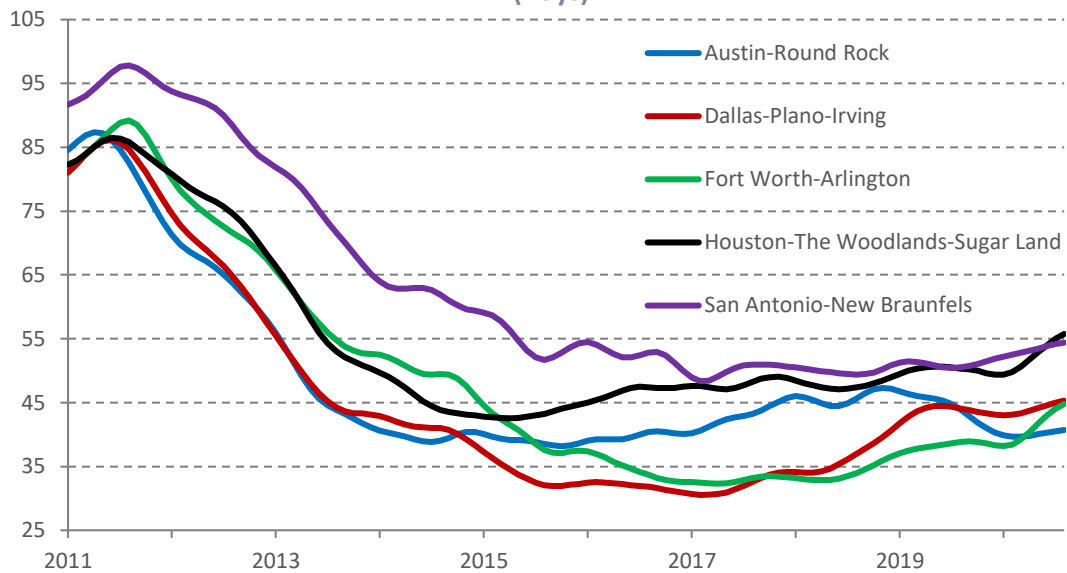
Texas Homes Days on Market (Days)



Note: Trend-cycle component. For single-family homes.

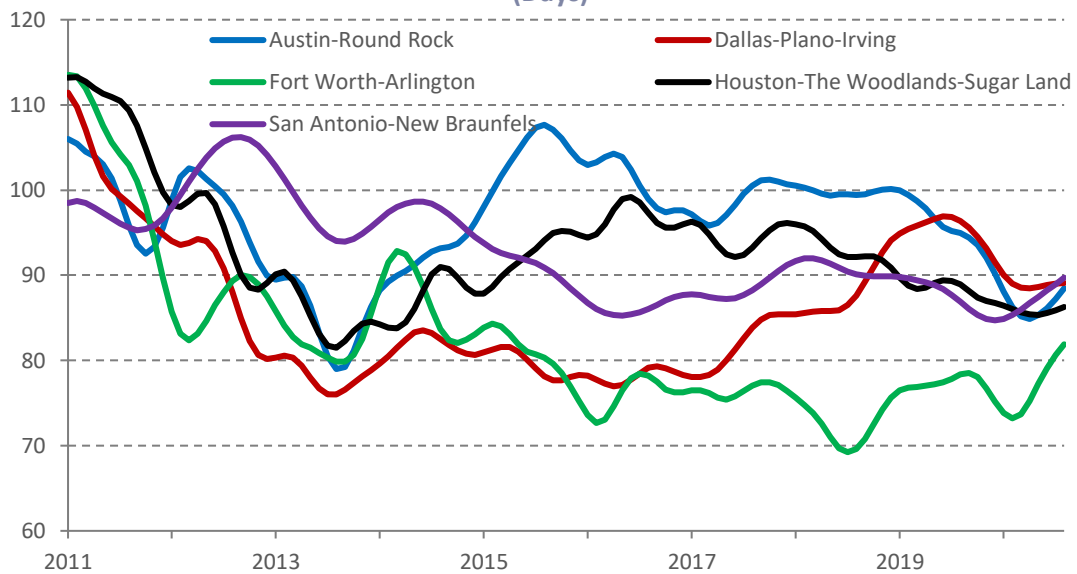
Source: Real Estate Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



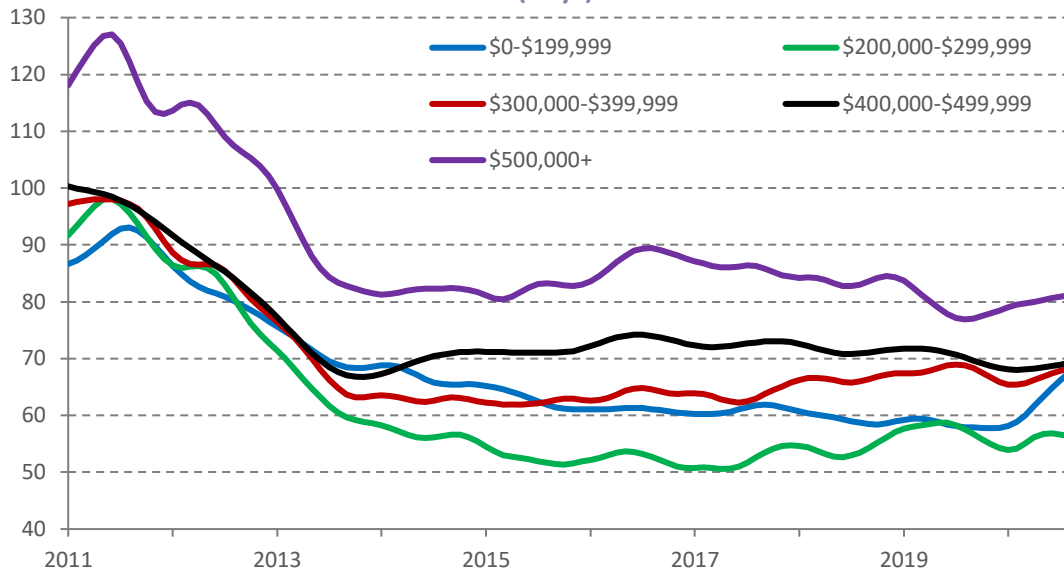
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)



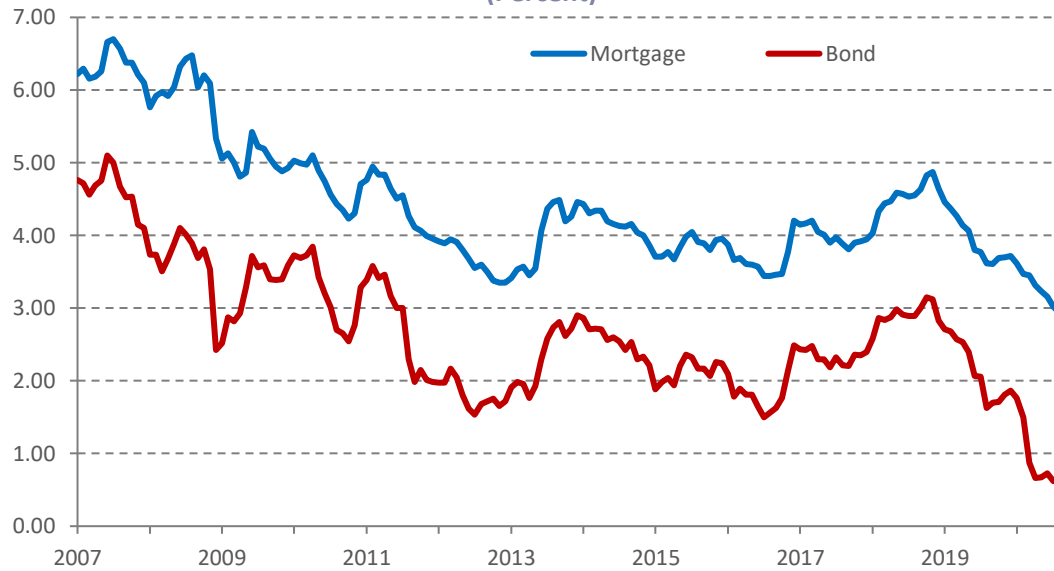
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Days on Market by Price Cohort
(Days)



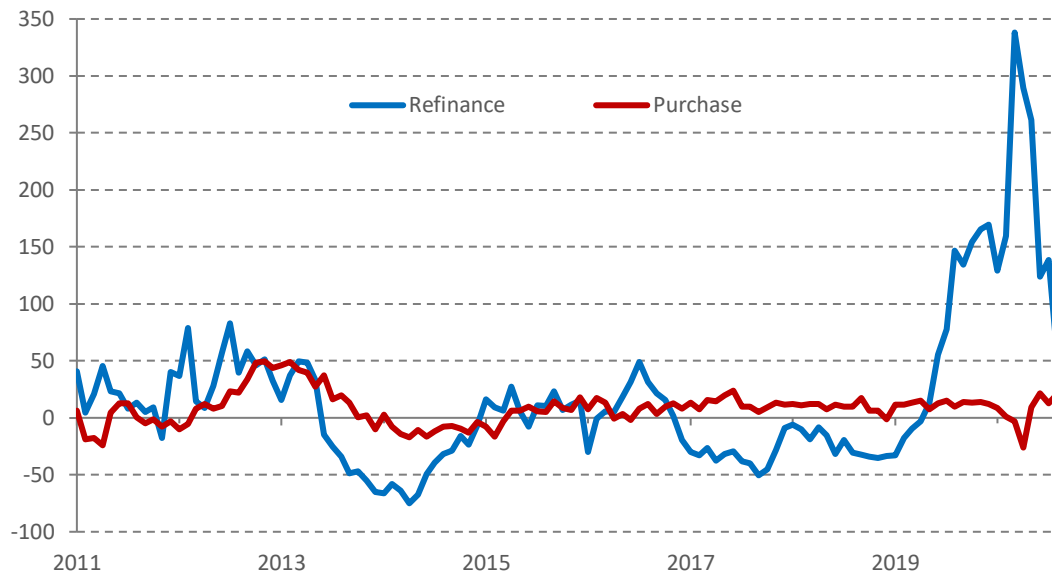
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



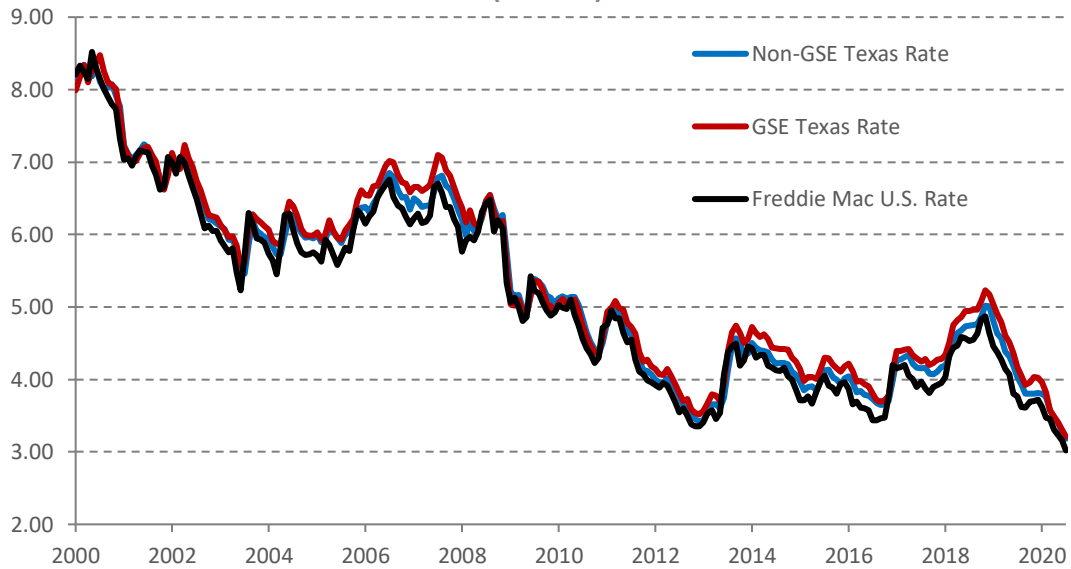
Note: Nonseasonally adjusted.
Source: Federal Home Loan Mortgage Corporation and Federal Reserve Board

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



Note: Seasonally adjusted.
Source: Mortgage Bankers Association

Fixed 30-Year Mortgage Rates (Percent)

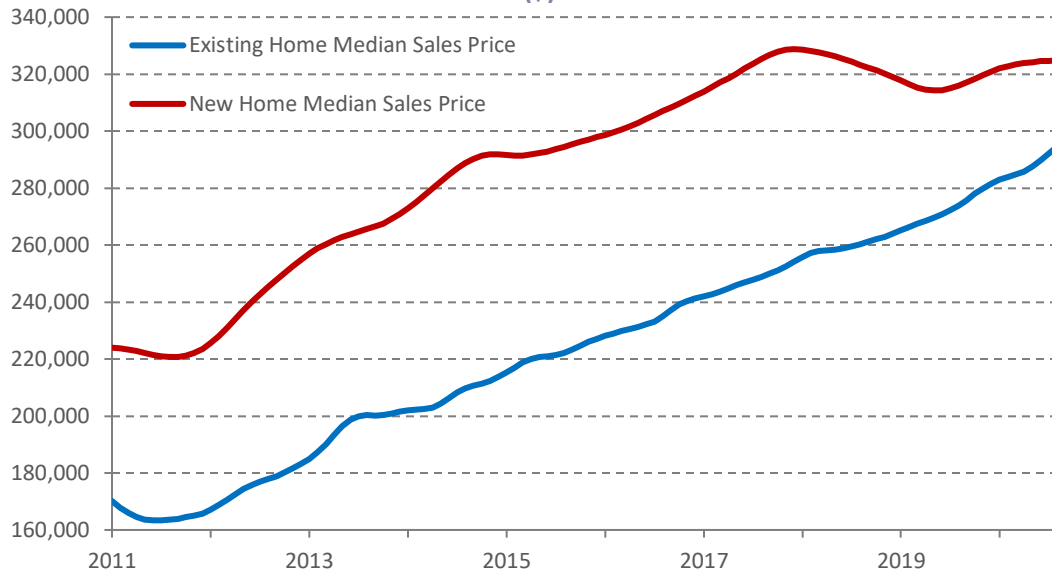


Note: Nonseasonally adjusted. The data for the most recent origination month is preliminary.
Sources: Federal Home Loan Mortgage Corporation and TrueStandings Servicing



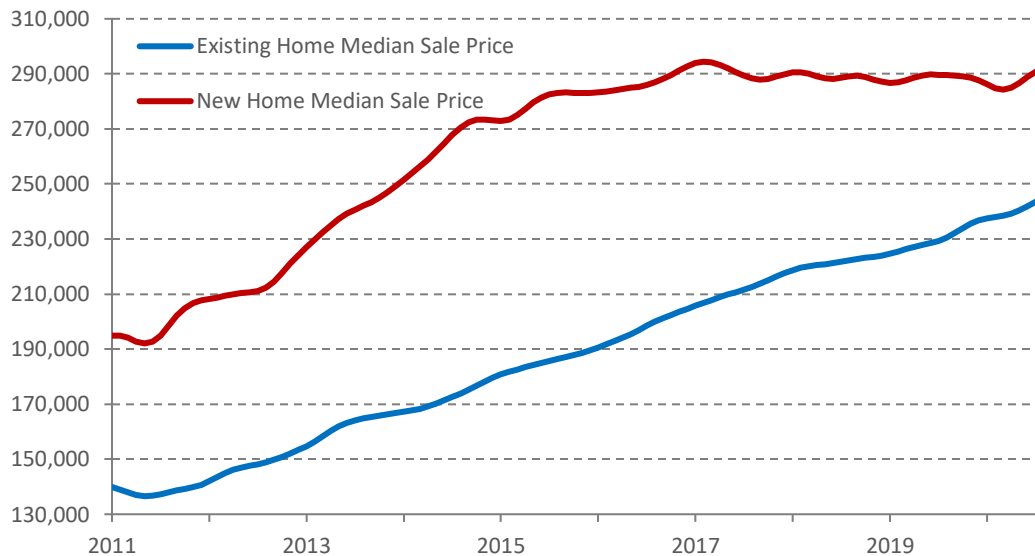
PRICES

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



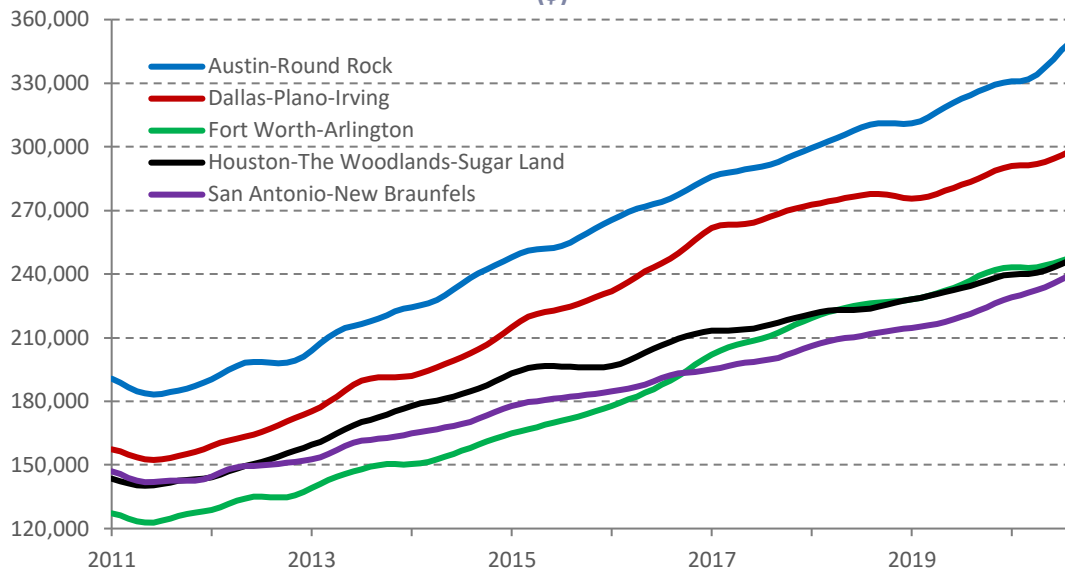
Note: Trend-cycle component. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



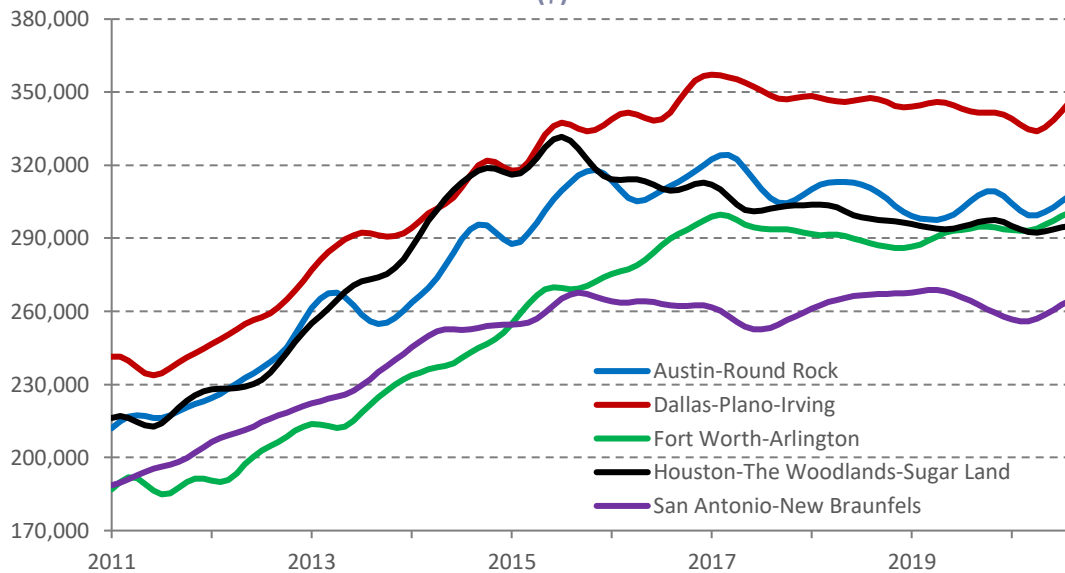
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



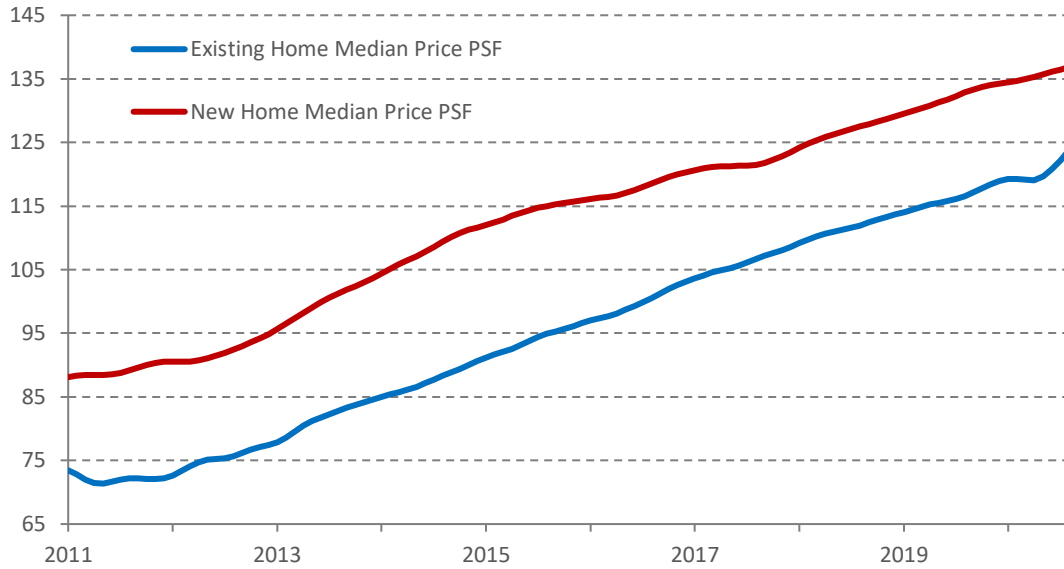
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



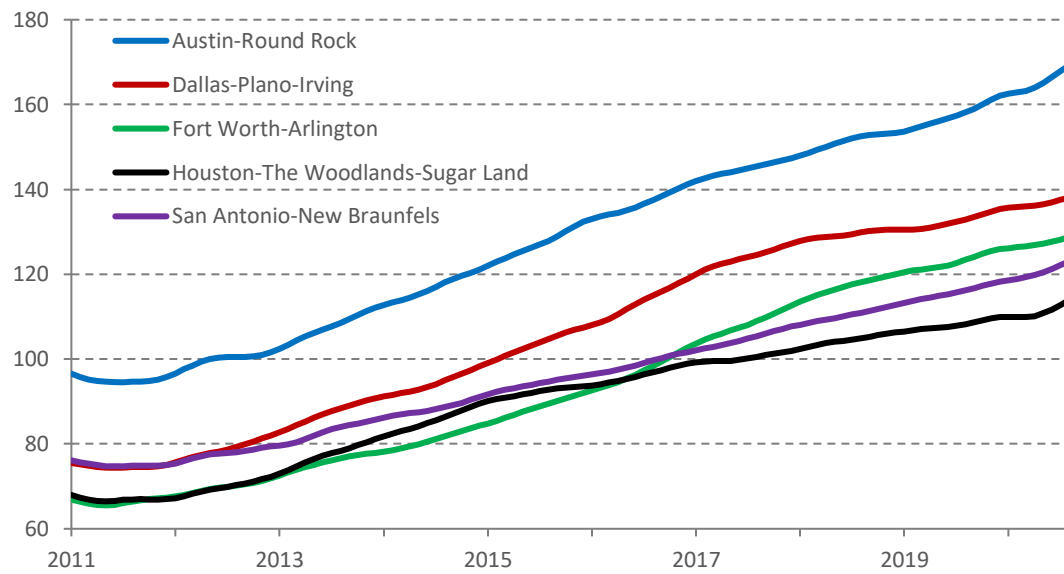
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



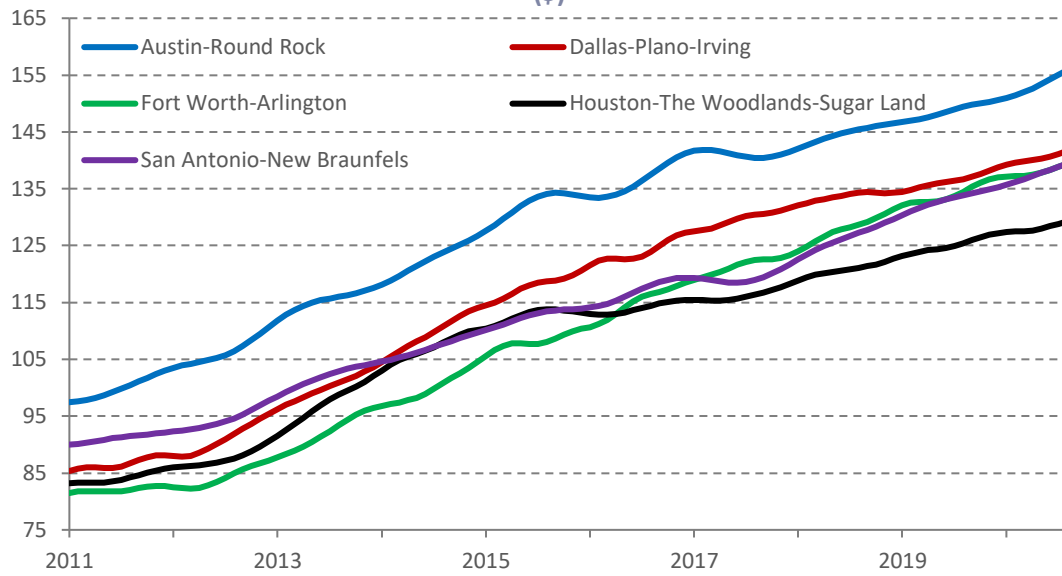
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



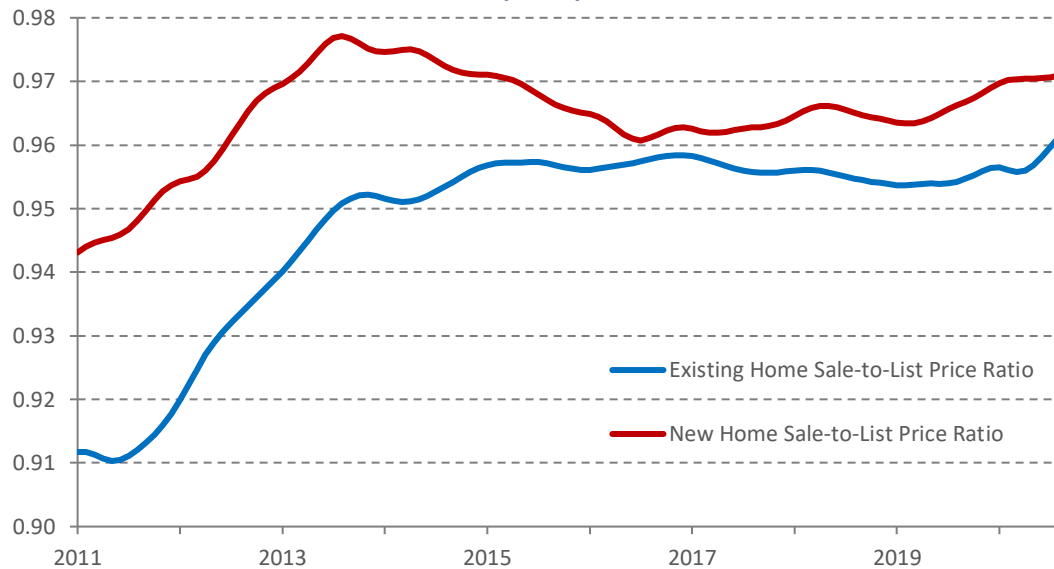
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



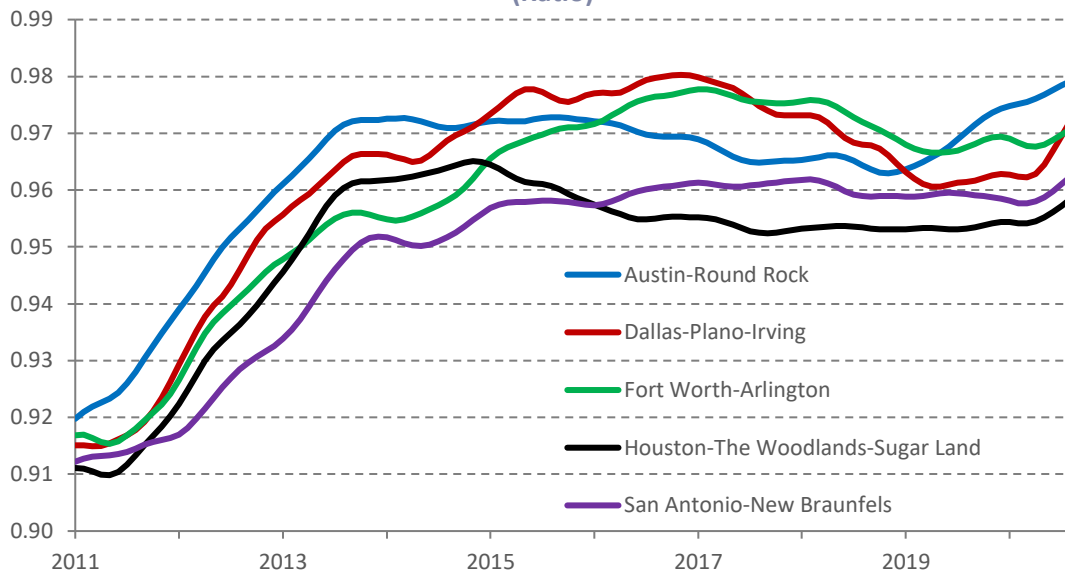
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price (Ratio)



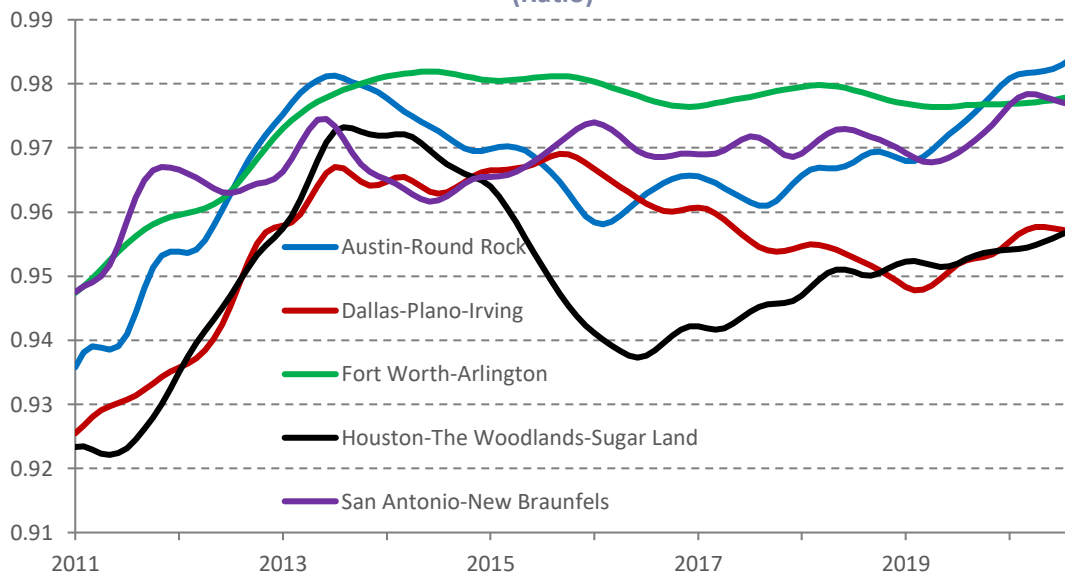
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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

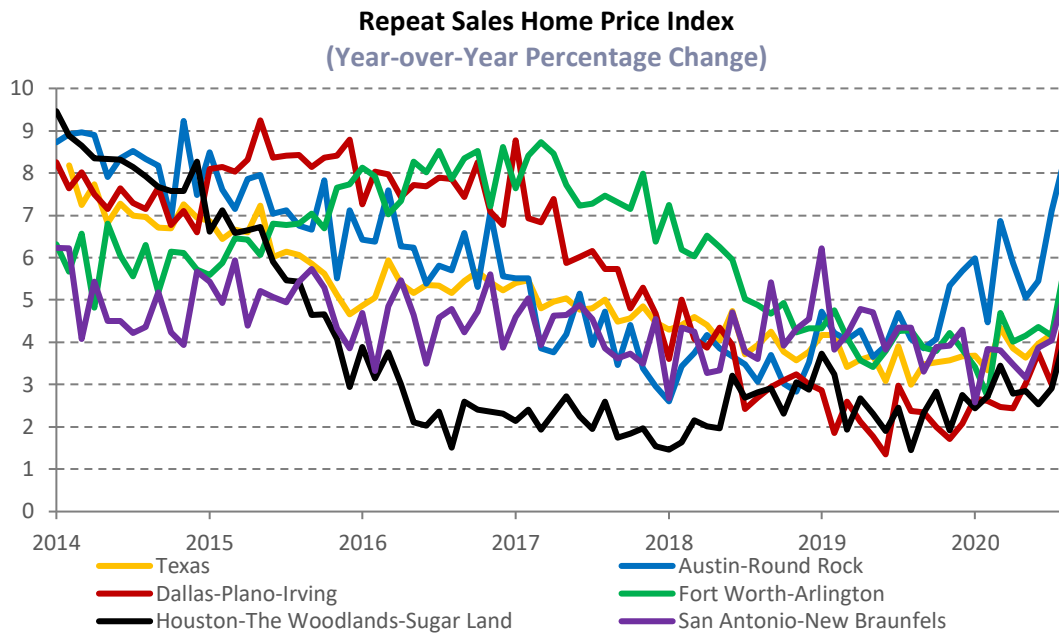


Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



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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