



TEXAS HOUSING INSIGHT

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OCTOBER 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.

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Data current as of Dec. 11, 2020

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OCTOBER 2020 SUMMARY

SINGLE-FAMILY BUILDING PERMITS

▲ 6.0% MOM

MONTHS INVENTORY

▼ 2.1

HOUSING SALES

▲ 5.1% MOM

DAYS ON MARKET

▼ 48

TEXAS REPEAT SALES INDEX

▲ 6.9% YOY

Total Texas housing sales increased for the second consecutive month, rising 5.1 percent to exceed 38,600 seasonally adjusted transactions. Historically low mortgage interest rates contributed to robust demand, pulling the state's average days on market to a record low of 48 days. Building permits and housing starts suggested construction activity will pick up in the coming months, but current inventory is extremely depleted, and bank loan data indicated residential investment slowed during the third quarter. With homes flying off the shelf at the present rate, the housing supply would last just 2.1 months if no additional listings entered the market. Constrained inventory contributed to double-digit growth in the median home price as the composition of sales shifted toward higher-priced houses. The Real Estate Center's Repeat Sales Home Price Index also accelerated, albeit at a more moderate pace, threatening recent improvements in affordability. The pandemic and the associated economic uncertainty remain the greatest headwinds to the Texas housing market, and survey data indicated the proportion of Texas mortgagees at risk of foreclosure in the coming months increased relative to the prior month. Moreover, the Real Estate Center projects a step back in single-family sales during November.

Supply*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction levels, flattened as industry wages and construction values moderated, offsetting a modest uptick in employment. The **Residential Construction Leading Index** rose for the sixth straight month amid increased housing starts and a decrease in the real ten-year Treasury bill, although multifamily building permits stumbled. At the metropolitan level, the leading indexes also trended upward.

Recently released third-quarter private bank loan data revealed a slowdown from last year's rapid clip as lending standards continued to tighten during the pandemic and an uncertain economic outlook. Loan values for multifamily properties flattened in 3Q2020 while one- to-four-unit investment declined for the second straight quarter, sinking 6 percent quarter over quarter.

On the bright side, **single-family construction permits** accelerated 6 percent in October, marking the sixth straight monthly increase after the previous month's reading was revised upward. Houston topped the list, issuing 4,492 nonseasonally adjusted permits, followed by Dallas-Fort Worth with 4,243 permits. The metric in Central Texas reached 2,019 and 1,064 in Austin and San

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



TEXAS A&M UNIVERSITY

Real Estate Center

Antonio, respectively, pushing monthly growth to nearly 10 percent after adjusting for seasonality. On the other hand, Texas' multifamily permits fell 6.3 percent year-to-date (YTD) compared with the same period last year due to a considerable step back in the volatile apartment sector. Issuance for two-to-four-unit buildings, however, posted an all-time high of 1,083 nonseasonally permits, largely due to new duplex developments in North Texas.

Total Texas housing starts extended an upward trajectory, although the rate of increase slowed to 2.3 percent as lumber prices were one-and-a-half times greater than year-ago levels. The Department of Commerce recently lowered lumber tariffs from 20 to 9 percent, however, which should help reduce homebuilder costs in the new year. Meanwhile, **single-family private construction values** continued to normalize from record-breaking activity in August, but the trend also remained positive. More than half of the monthly decrease was attributed to DFW, where values sank 14.1 percent following three consecutive improvements. The other major metros posted more moderate declines, falling about 4 percent in both Austin and Houston and 2.9 percent in San Antonio.

Record sales chipped away at the state's supply of active listings, pulling **Texas' months of inventory** (MOI) down to an all-time low of 2.1 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 below 1.6 months. The MOI for luxury homes (homes priced more than \$500,000), although elevated at 5.2 months, decreased for the fifth straight month as the influx of new listings slowed.

Inventory dropped to unprecedented levels in the major metros as well, with the metric in San Antonio matching the statewide average. The MOI dipped to 1.7 and 1.5 months in Dallas and Fort Worth, respectively, and sank to one month in Austin. Houston's MOI fell below 2.5 months, although inventory increased for homes priced between \$400,000 and \$500,000, the only segment in the state's major metropolitan areas where supply expanded.

Demand

Total housing sales rose 5.1 percent, pushing activity to an all-time high of more than 38,600 transactions during this period of historically low mortgage interest rates. The increase was concentrated in homes priced more than \$200,000, which comprised nearly four-fifths of the market, the greatest share yet. Cumulative sales this year exceeded last year's ten-month sum by 7.5 percent compared with 4.9 percent nationwide. The current rate of sales, however, is likely unsustainable given Texas' depleted inventory.

Sales volumes in the major metros also expanded, led by Houston, where the metric surged 6.5 percent with growth across the price spectrum. Austin sales climbed 5.8 percent as YTD activity in the luxury home market accounted for 23 percent of total transactions compared with just over 18 percent last year. In North Texas, the metric improved 4.5 and 4.2 percent in Dallas and Fort Worth, respectively. San Antonio's sales ticked up by a more modest 2.9 percent as the \$400,000-\$500,000 price cohort stumbled on the month.

Texas' **average days on market (DOM)** slid to an all-time low of 48 days, corroborating robust demand despite the pandemic. Houston and San Antonio also posted unprecedented readings, with the metric dropping to 45 and 51 days, respectively. Austin's DOM reached a post-Great Recession low of 35 days, while the average home sold after 36 days in Fort Worth and 39 days in Dallas.

Expansionary monetary measures by the Federal Reserve and better-than-expected economic data instilled confidence in the bond market, however modest. The **ten-year U.S. Treasury bond yield** inched up for the third straight month to 0.8 percent[†]. On the other hand, persistent uncertainty surrounding the pandemic, due to a dubious timeline for a second round of fiscal stimulus and a resurgence in positive COVID-19 cases, kept interest rates hovering at historically low levels. The **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** fell to an unprecedented reading below 2.8 percent (series starting in 1971). Mortgage rates also slid to decades-low levels within Texas during September, sinking to 2.92 and 2.86 percent for non-GSE and GSE loans[‡], respectively. The drop in rates pushed home-purchase applications up 17.5 percent YTD in October, while refinance activity advanced 73 percent. (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 September, the median loan-to-value ratio (LTV) and debt-to-income ratio (DTI) for the "typical" Texas conventional-loan mortgage decreased from 87.4 to 86.9 and 36.8 to 36.4, respectively. Meanwhile, the median credit score stabilized at 743 after reaching a three-decade high of 751 in June when average consumer credit scores rose during the pandemic due to early relief actions taken by the federal government and lenders, which helped some households pay off debt and save money. The median LTV of the typical Texas borrower who obtained a loan from a government-sponsored enterprise (GSE) declined from 84.8 to 83.7. The overall trend of improved credit profiles may reflect tightening lending standards as economic uncertainty prevails.

Prices

The **Texas median home price** accelerated 12 percent year over year (YOY) in October to a record-breaking \$273,300. A 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 prices. Annual price growth tipped into the double-digits at the metropolitan level as well. The median price in Austin and Dallas rose almost 13 percent each to \$366,600 and \$330,500, respectively. San Antonio's metric (\$259,500) jumped 10.7 percent, while Houston's median price

[†] 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. Texas data typically lags the *Texas Housing Insight* by one month.

[‡] GSE loans originated during September 2020 are unrestricted based on debt-to-income ratio.

(\$269,300) elevated 10.3 percent. Fort Worth had the smallest home price appreciation, growing 9.1 percent to \$272,600.

The **Texas Repeat Sales Home Price Index** accounts for compositional price 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, although it still shot up 6.9 percent annually. Out of the major metros, Austin's metric rose at a pace closest to its home-price growth, soaring 11.6 percent YOY. The index in San Antonio and Fort Worth climbed 7.4 and 7.0 percent, respectively. The Dallas and Houston indexes grew at a more moderate but still impressive clip, increasing 6.6 percent in the former and 4.8 percent in the latter.

Single-Family Forecast

The Real Estate Center projected single-family housing sales using monthly pending listings from the preceding period (Table 1). 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 decline 2.3 percent in November from October, but the YOY comparisons for the first ten months of the year are significantly positive. On a monthly basis, the metric in DFW may decrease 4 percent, while possibly falling 2.1 and 1.6 percent in Houston and Austin, respectively. San Antonio sales are predicted to post a monthly increase of 2.5 percent.

Household Pulse Survey

According to the U.S. Census Bureau's Household Pulse Survey, 8 percent of Texas homeowners were behind on their mortgage payments during October, greater than the national rate of 6 percent (Table 2). Although the proportion of homes owned free and clear in DFW and Houston was greater than the state average, the percentage of households delinquent was also higher than the statewide rate. Twenty-nine percent of the respondents in Texas who were not current expected foreclosure to be either very likely or somewhat likely in the next two months compared with just 19 percent nationwide (Table 3). That same metric was also higher in the state's largest metro areas, a reversal from the prior month. Currently, the Center for Disease Control's federal foreclosure moratoriums are in place until Dec. 31, 2020. However, the Federal Housing Finance Agency has extended the foreclosure moratorium for properties owned by Fannie Mae and Freddie Mac (the Enterprises) until Jan. 31, 2021. Continued stability in the housing market is essential to Texas' economic recovery.

Table 1. Single-Family Housing Sales Projections

	Percentage Change from October to November 2020	Percentage Change from January through November 2019 to January through November 2020
Texas	-2.3	8.5
Austin-Round Rock	-1.6	7.7
Dallas-Fort Worth	-4.0	8.1
Houston-The Woodlands-Sugar Land	-2.1	8.5
San Antonio-New Braunfels	2.5	10.4

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

Table 2. Last Month's Payment Status for Owner-Occupied Housing Units

	Owned Free and Clear	Household Currently Caught Up on Mortgage Payments		
		Yes	No	Did Not Report
United States	33%	60%	6%	0%
Texas	37%	55%	8%	0%
Dallas-Fort Worth	34%	53%	12%	1%
Houston-The Woodlands-Sugar Land	37%	52%	11%	0%

Note: Total includes only individuals who are 18 years and older reported living in owner-occupied housing units and excludes those living in different types of housing units, and also those who did not report their housing situation.

Source: U.S. Census Bureau Household Pulse Survey, November 11-November 23

**Table 3. Likelihood of Having to Leave this House
in Next Two Months Due to Foreclosure**

	Very Likely	Somewhat Likely	Not Very Likely	Not Likely at All	Did Not Report
United States	4%	14%	34%	48%	0%
Texas	4%	18%	27%	50%	1%
Dallas-Fort Worth	-	15%	28%	57%	-
Houston-The Woodlands-Sugar Land	2%	11%	25%	57%	6%

Note: Total includes only individuals who are 18 years and older, that are not current on mortgage payments, and are reported living in owner-occupied housing units and excludes those living in different types of housing units, and also those who did not report their housing situation.

Source: U.S. Census Bureau Household Pulse Survey, November 11-November 23

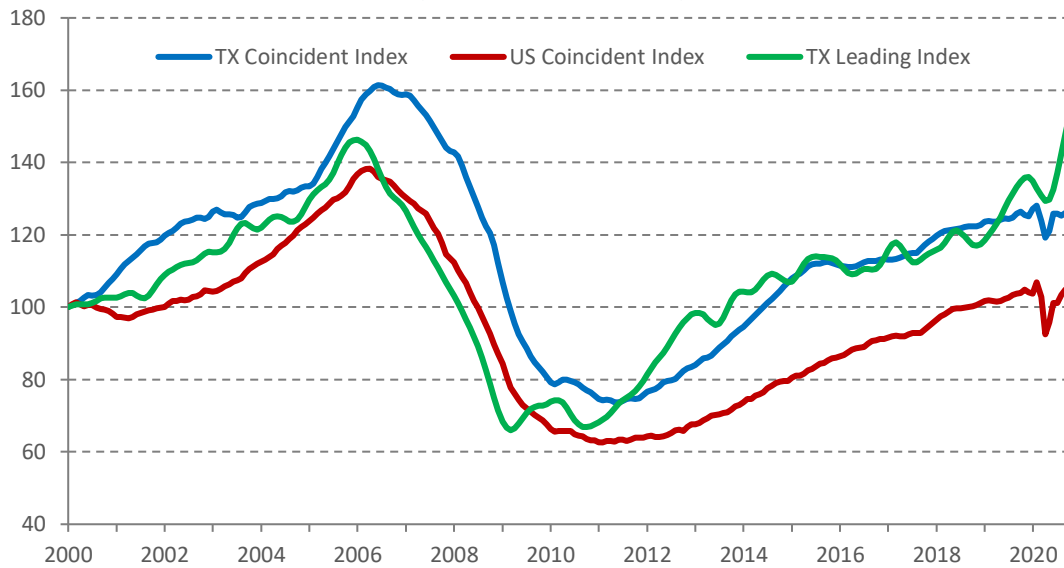
HOUSING OUTLOOK DUE TO COVID-19

- The housing market will be characterized by low inventories accompanied by positive price growth.
 - Low inventories will be especially prevalent for homes priced below \$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 2.8 million homeowners, or 5.54 percent of all home loans, are in forbearance as of Nov. 29, 2020.
 - Once forbearance ends, the share of homeowners who will be able to make their mortgage payments is unknown, but we expect delinquencies and foreclosures, so far kept low despite the recession due to government policy, to increase.





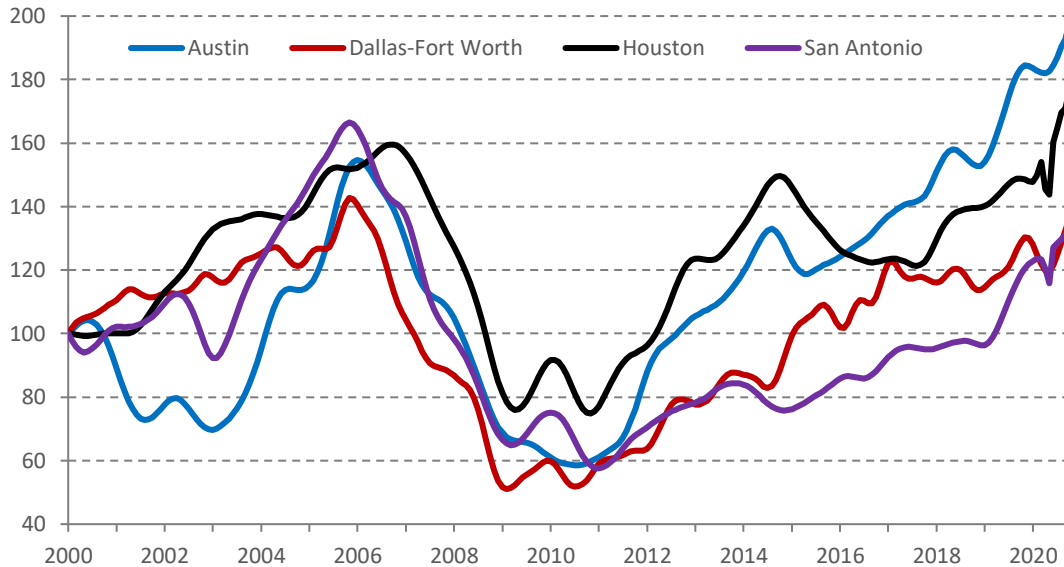
Texas Residential Construction Index
(Index Jan 2000 = 100)



Note: Trend-cycle component.

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

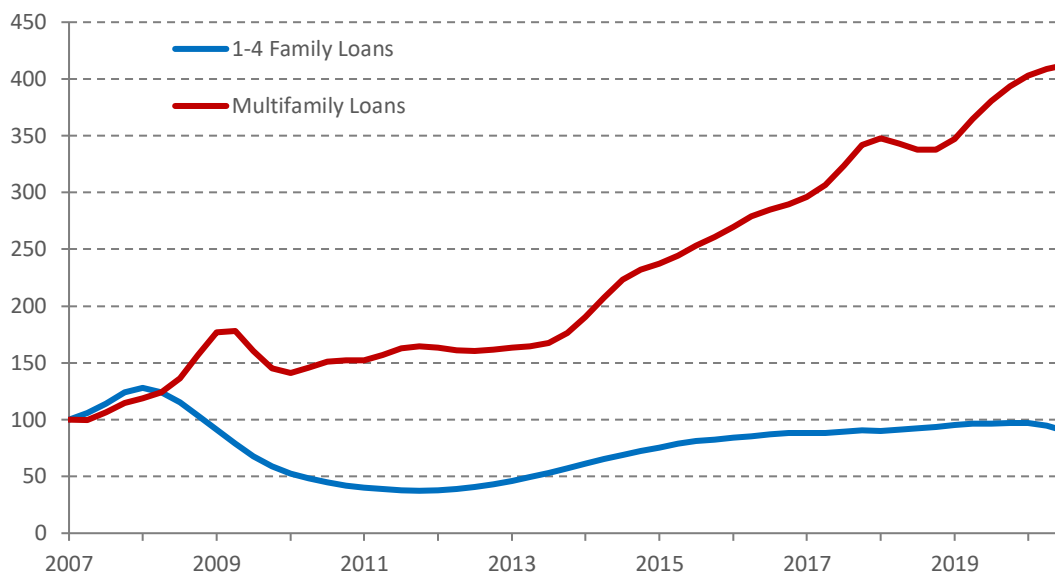
Major Metro Residential Leading Construction Index
(Index Jan 2000 = 100)



Note: Trend-cycle component.

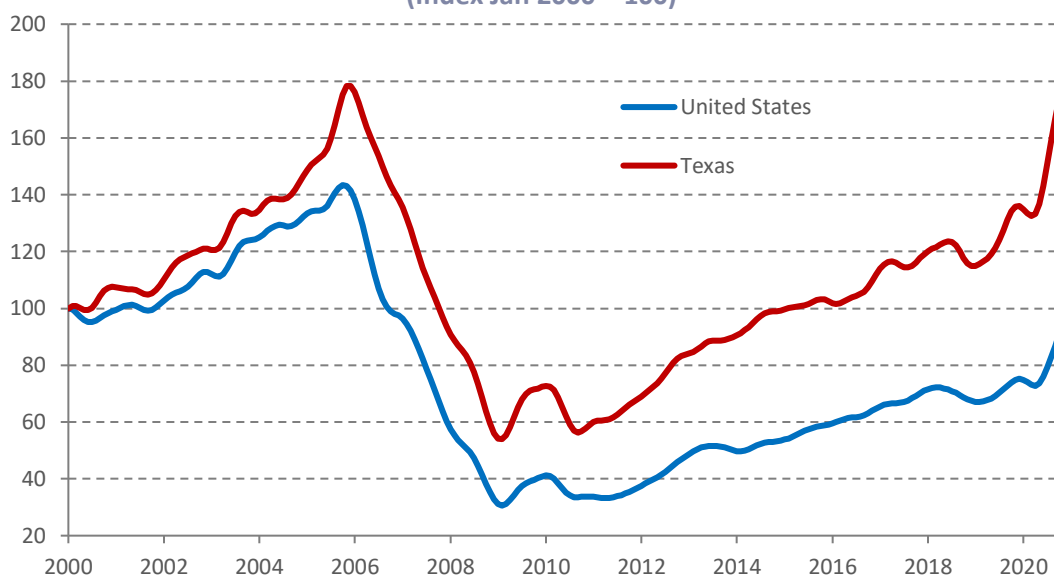
Source: Real Estate Center at Texas A&M University

Net Residential Loans (Index 1Q07 = 100)



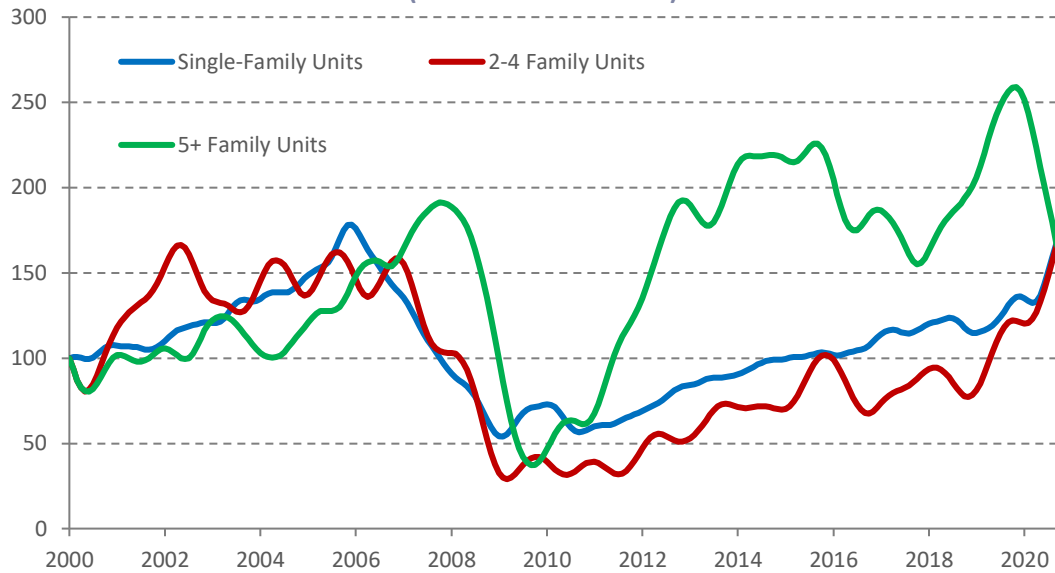
Note: Trend-cycle component.
Source: Federal Deposit Insurance Corporation

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

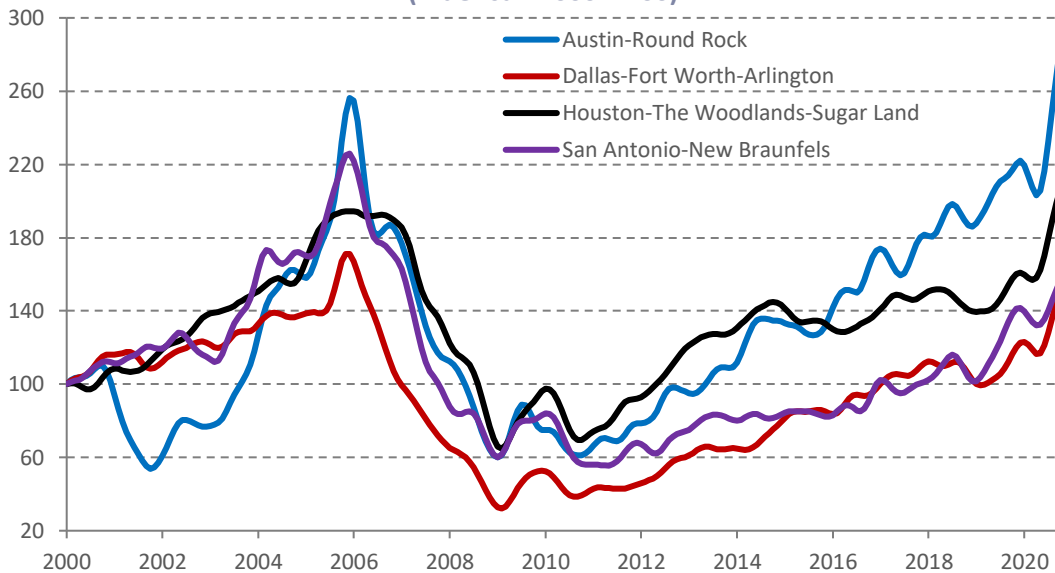
Texas Housing Construction Permits (Index Jan 2000 = 100)



Note: Trend-cycle component.

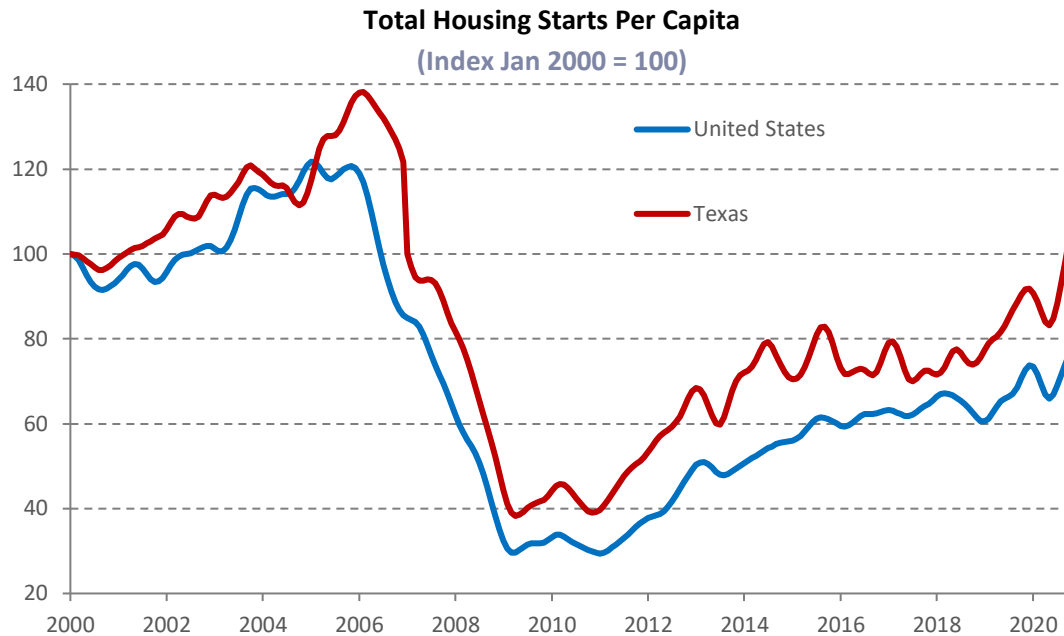
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



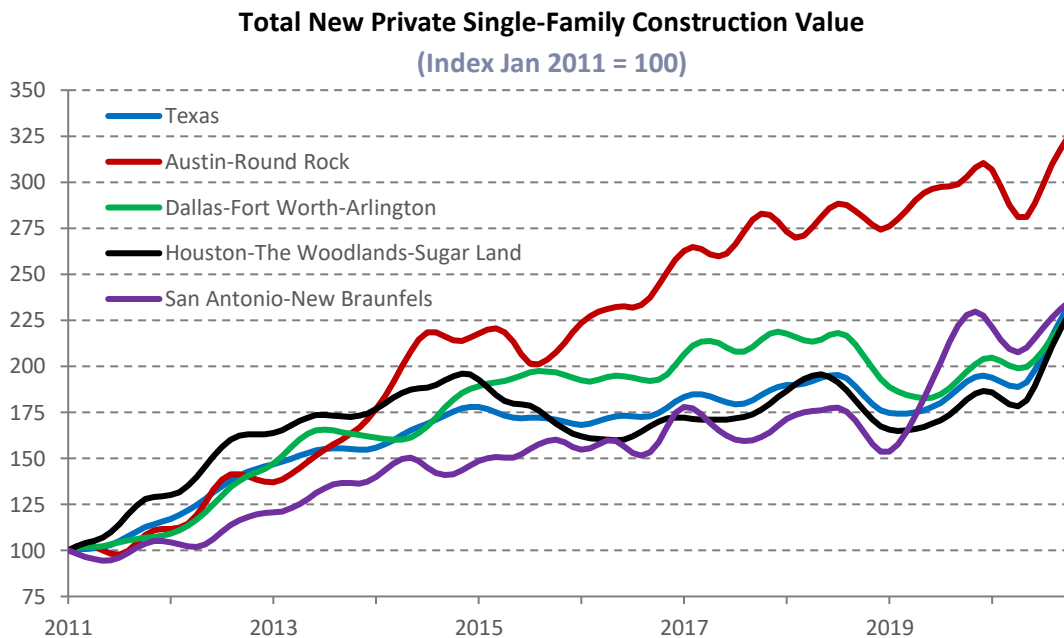
Note: Trend-cycle component. Fort Worth is missing data for Somervell County.

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



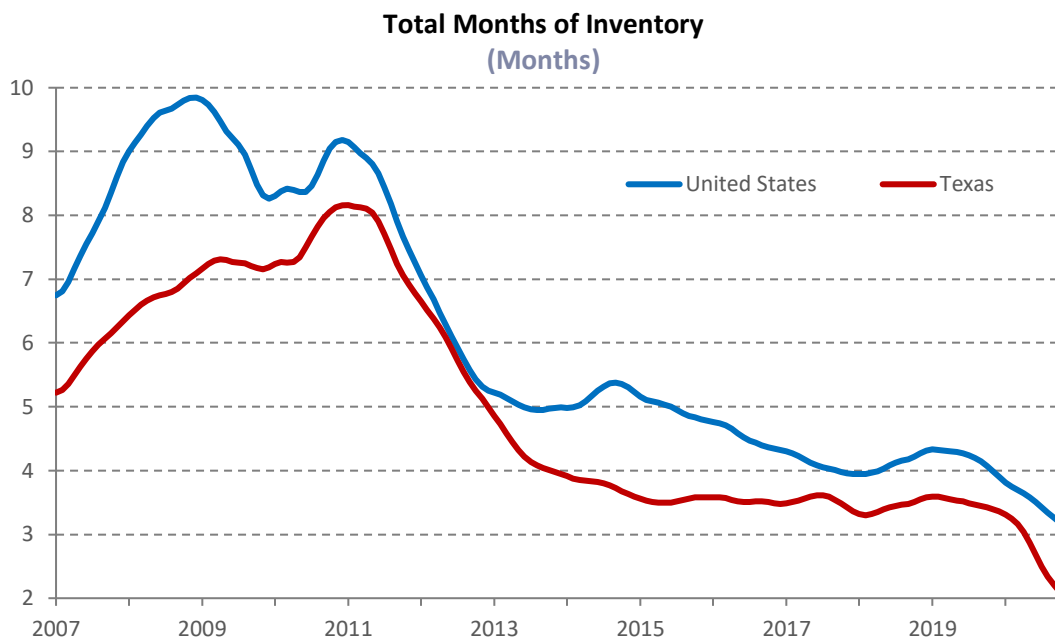
Note: Trend-cycle component.

Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ



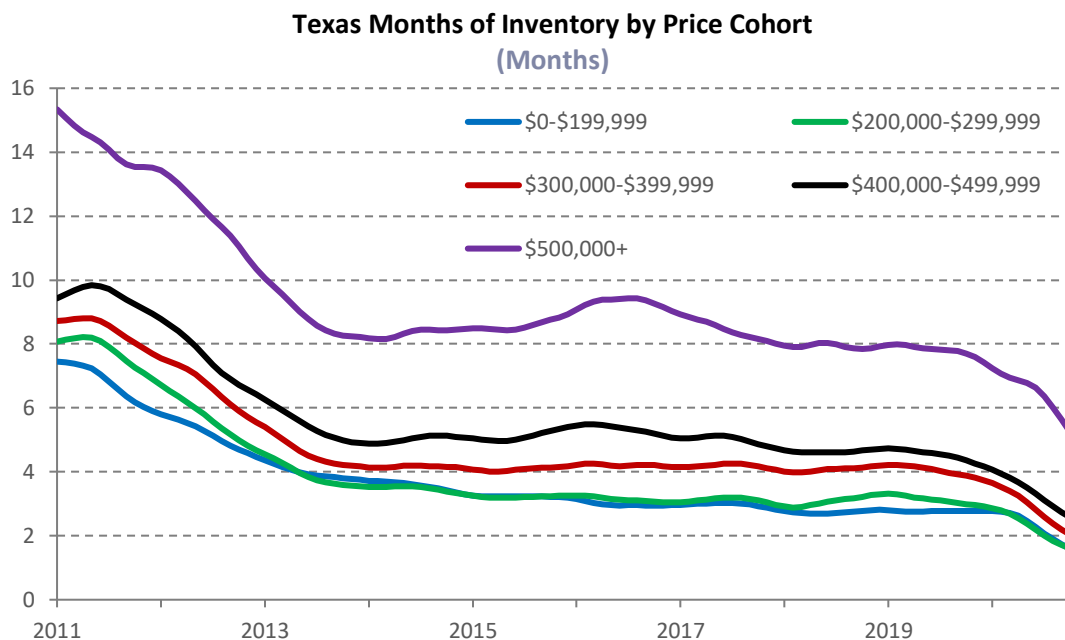
Note: Inflation adjusted. Trend-cycle component.

Source: Dodge Data & 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](#).

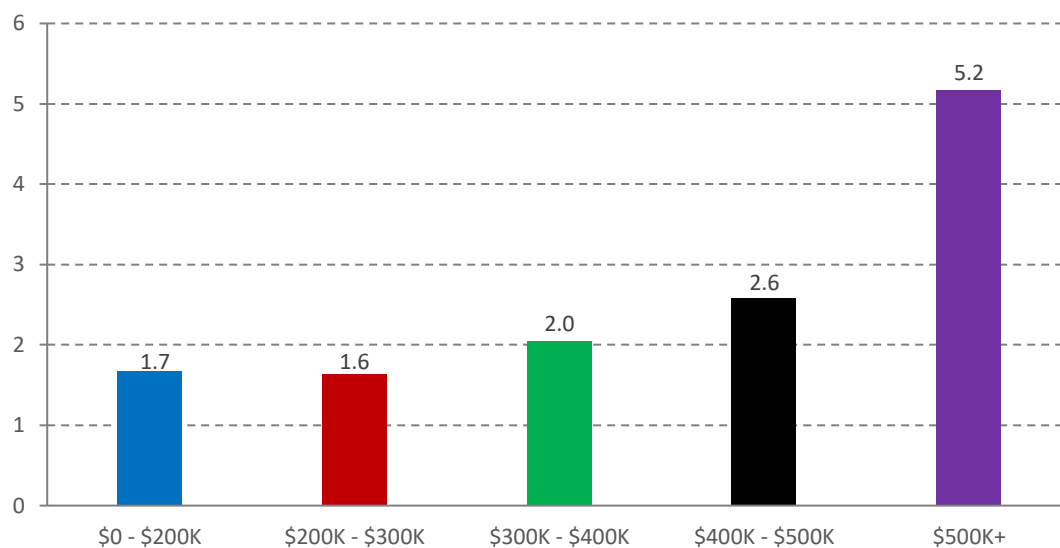
Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

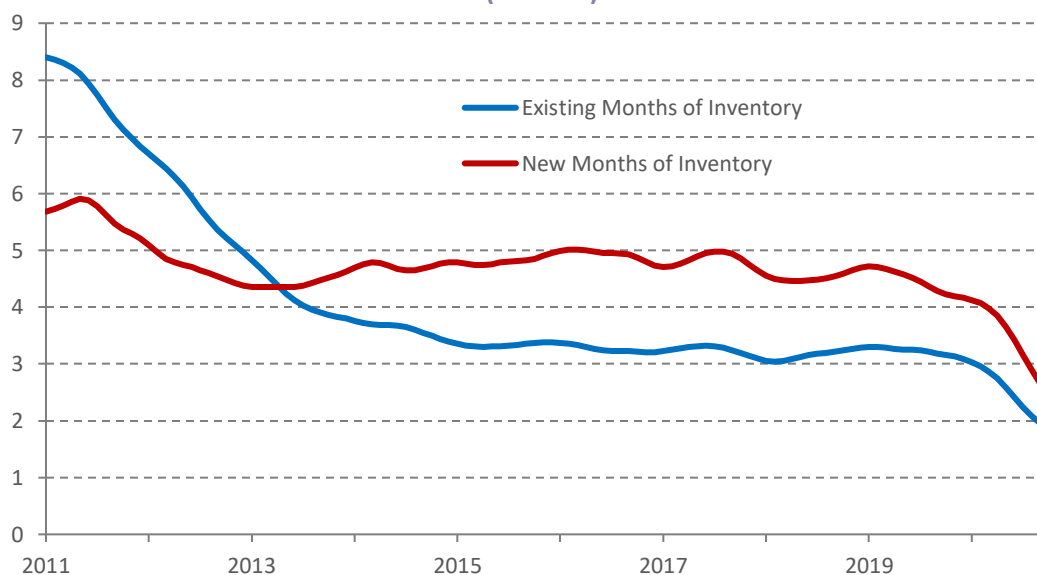
Texas Current Months of Inventory by Price Cohort
(October 2020)



Note: Seasonally adjusted.

Source: Real Estate Center at Texas A&M University

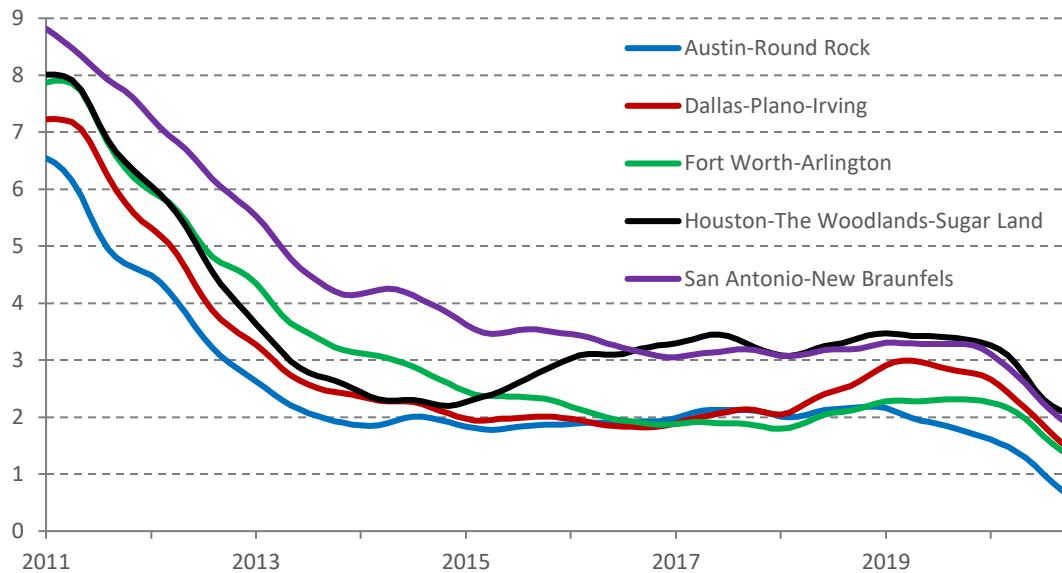
Texas Existing and New Home Months of Inventory
(Months)



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

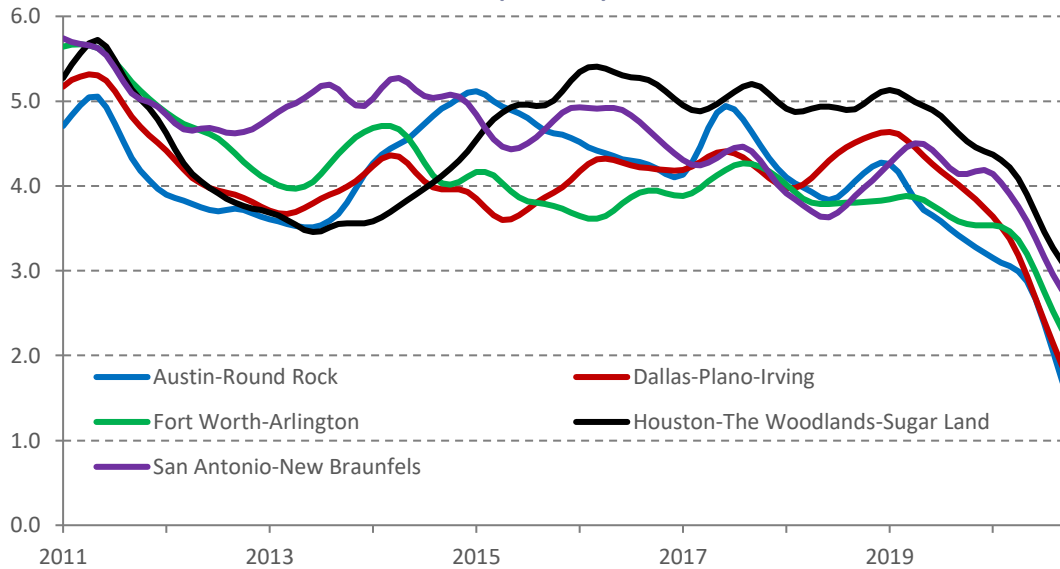
Major Metros Existing Home Months of Inventory (Months)



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

Major Metros New Home Months of Inventory (Months)



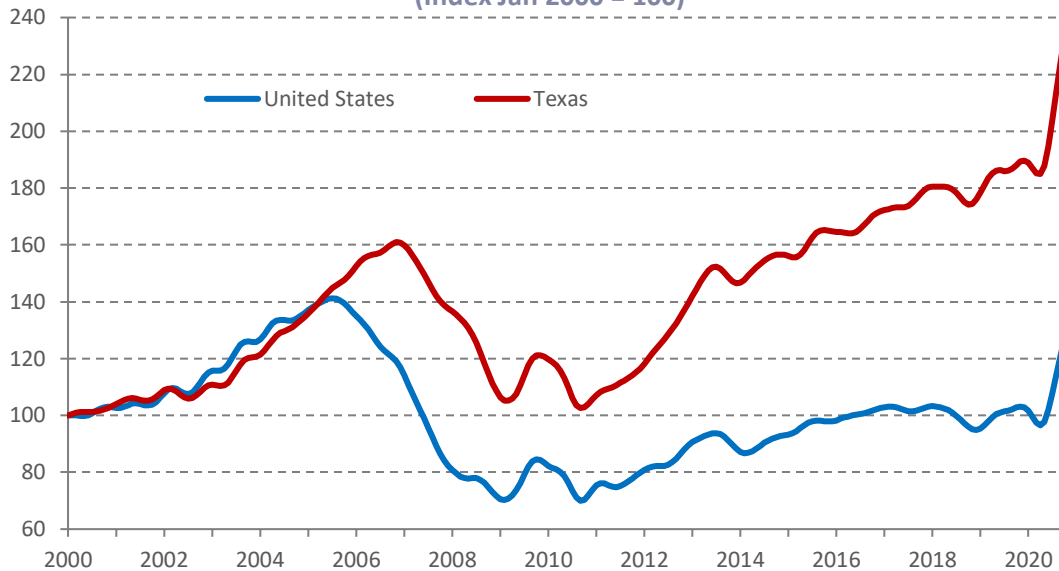
Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University



DEMAND

Total Housing Sales
(Index Jan 2000 = 100)

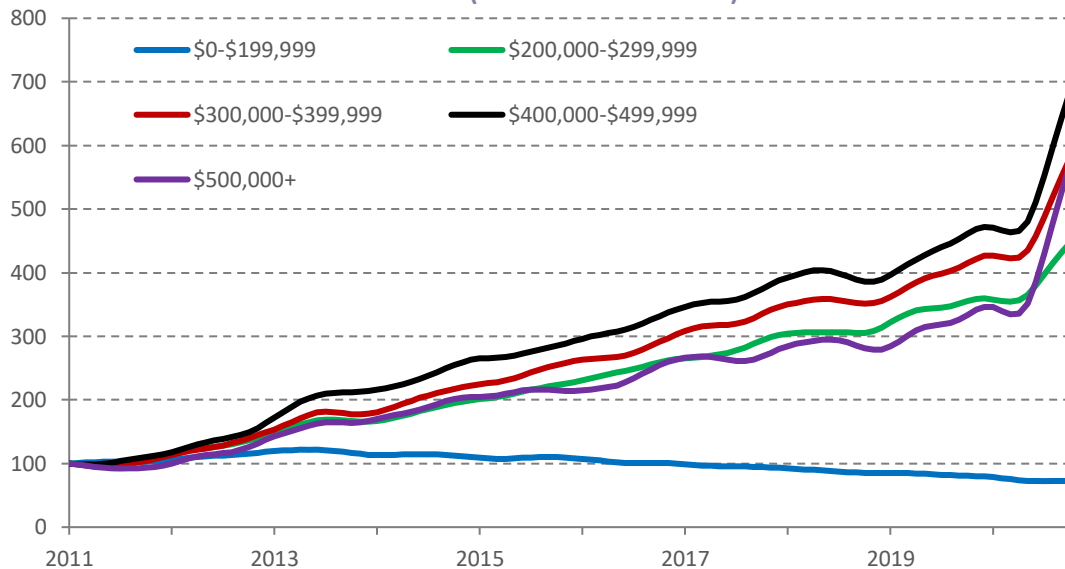


Note: Trend-cycle component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

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

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

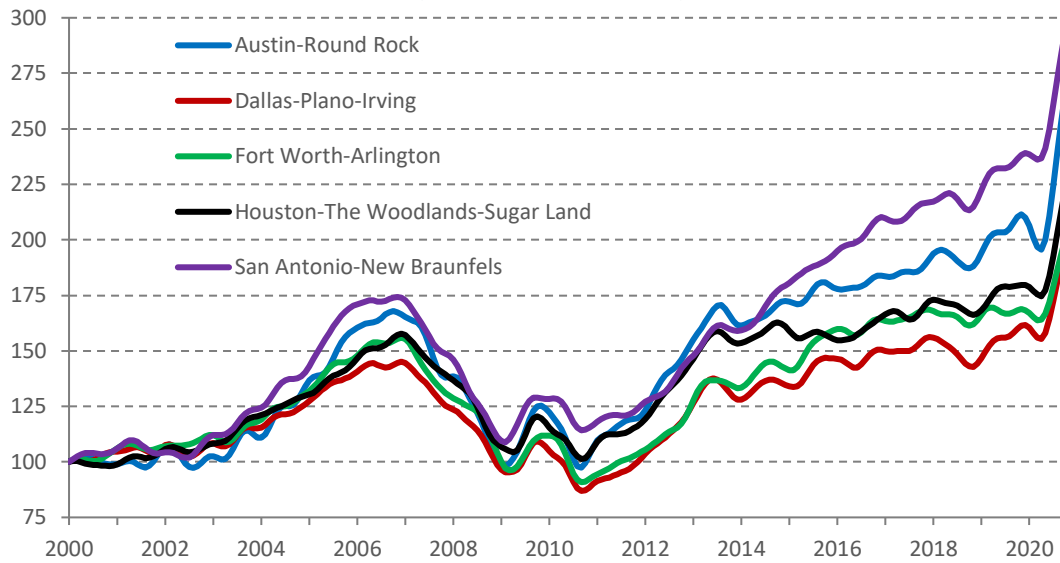
Texas Total Housing Sales by Price Cohort
(Index Jan 2011 = 100)



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

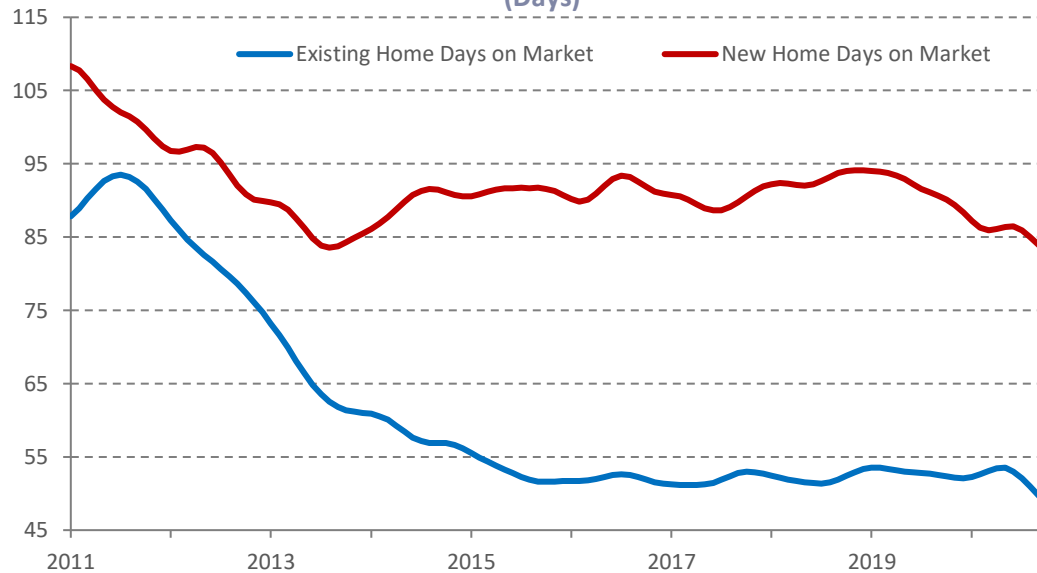
Major Metros Total Housing Sales (Index Jan 2000 = 100)



Note: Trend-cycle component.

Source: Real Estate Center at Texas A&M University

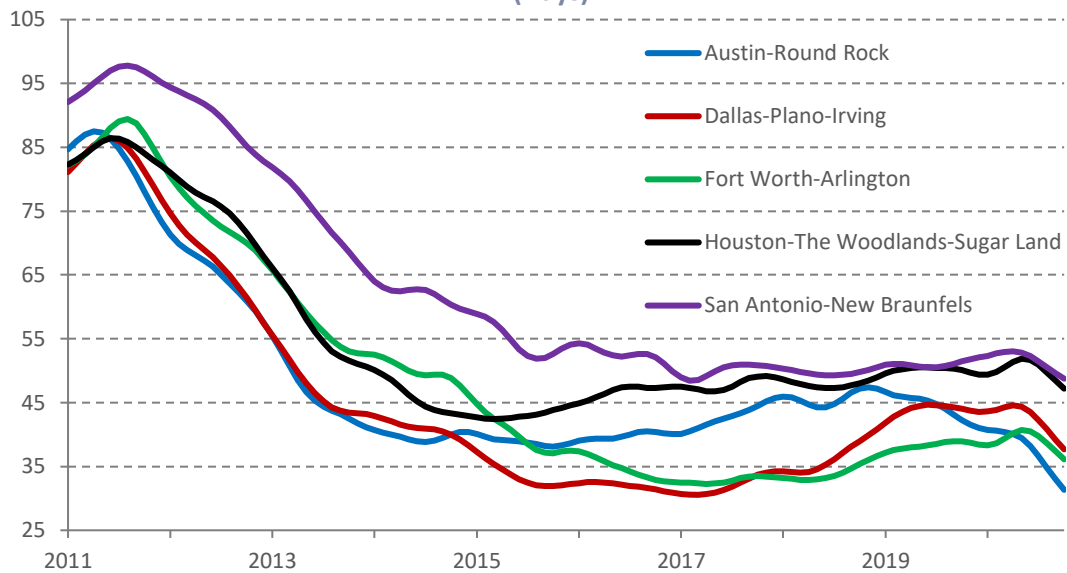
Texas Homes Days on Market (Days)



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

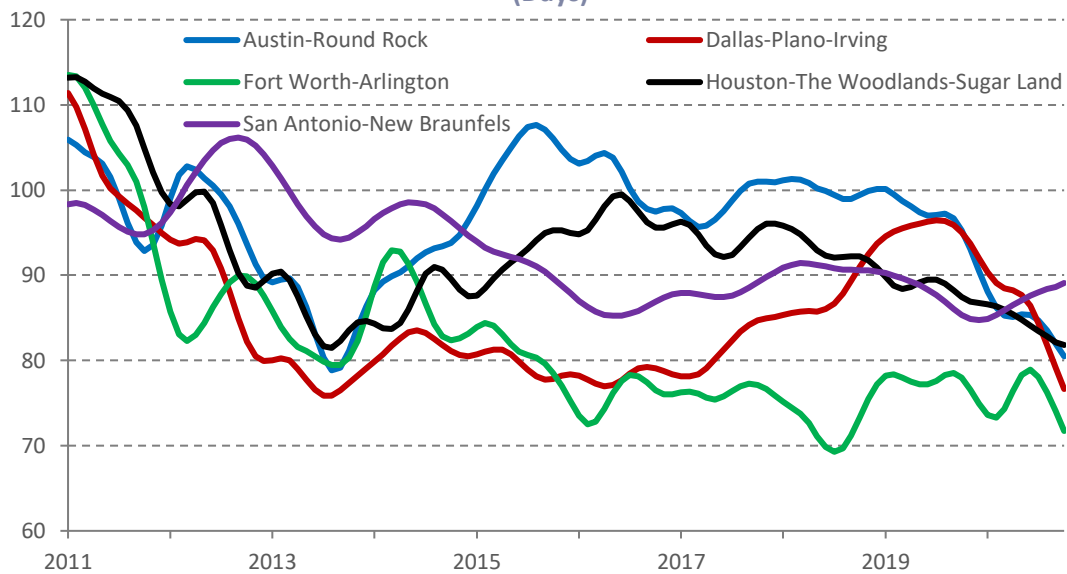
Source: Real Estate Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



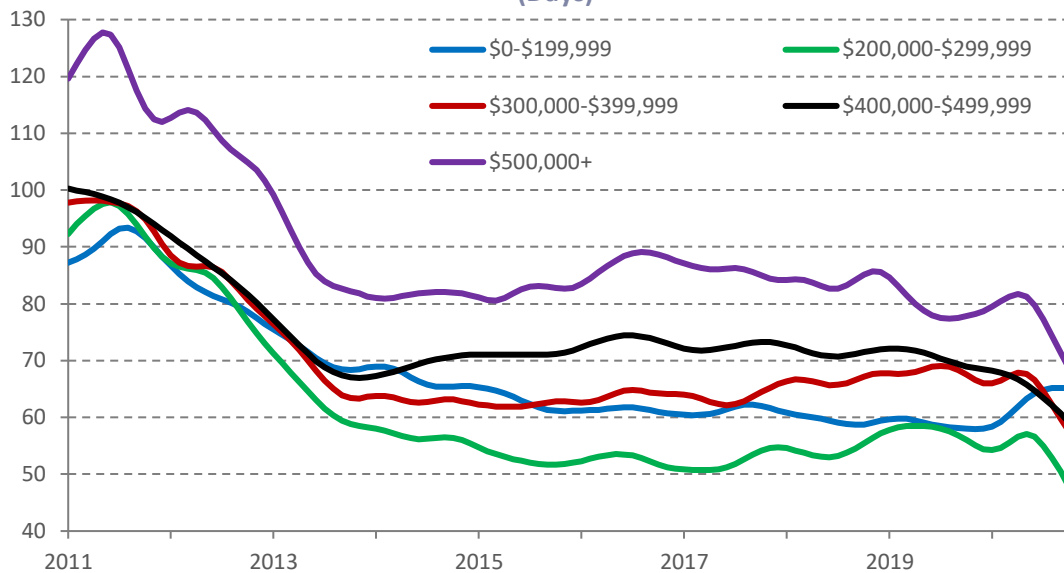
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)



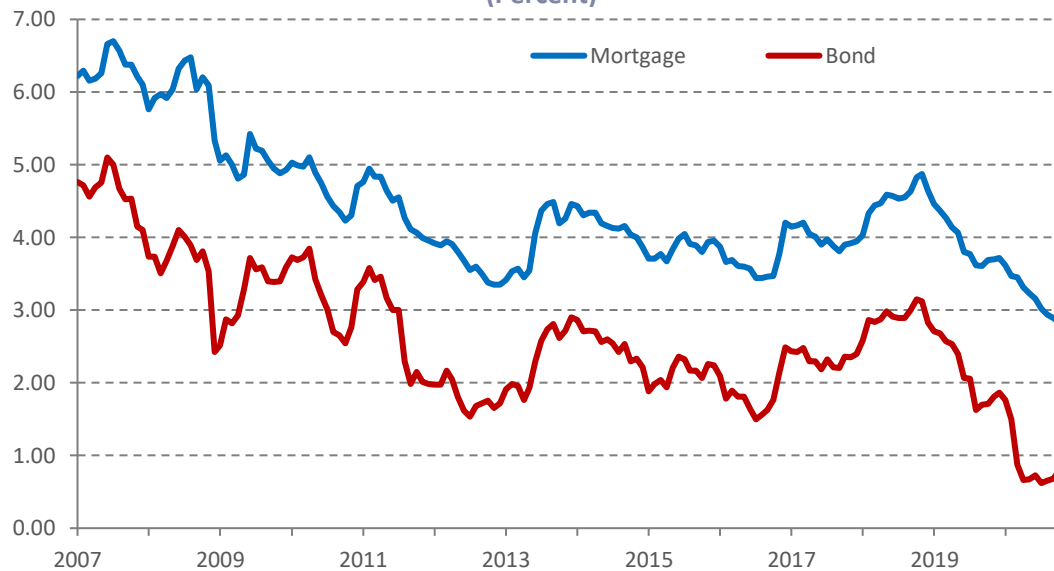
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Days on Market by Price Cohort
(Days)



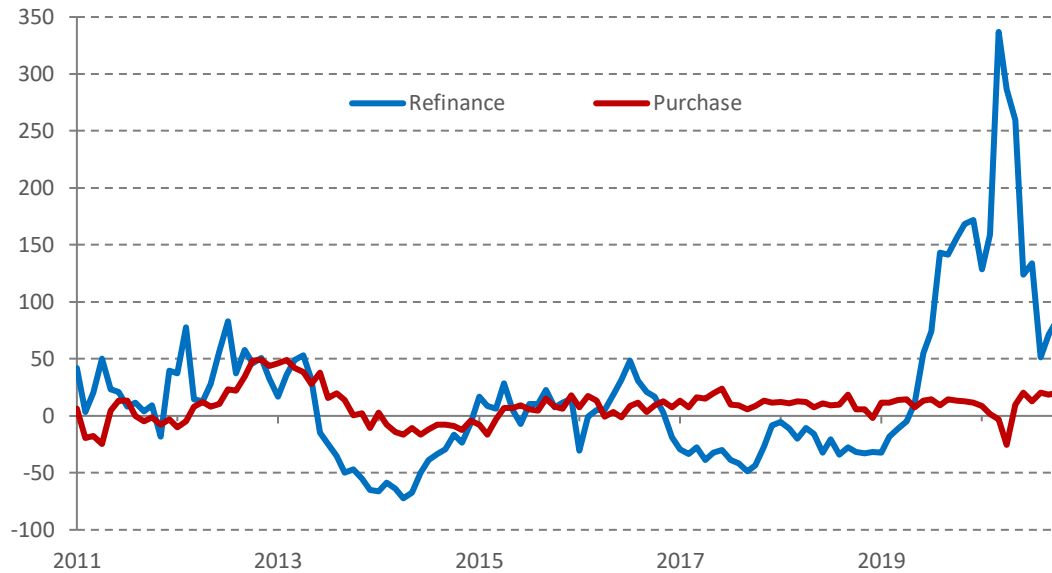
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



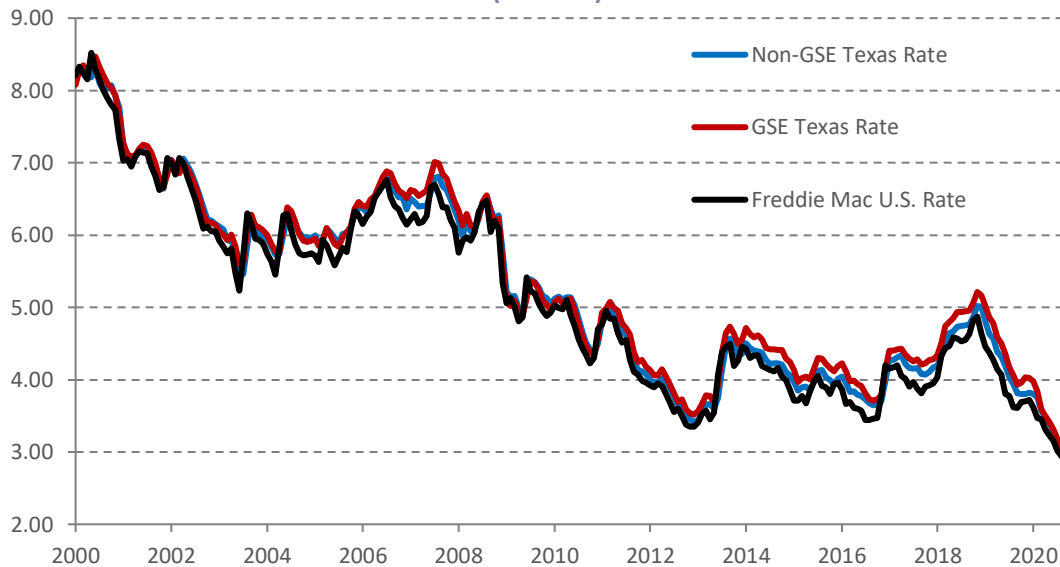
Note: Nonseasonally adjusted.
Sources: Federal Home Loan Mortgage Corporation and Federal Reserve Board

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



Note: Seasonally adjusted.
Source: Mortgage Bankers Association

Fixed 30-Year Mortgage Rates (Percent)

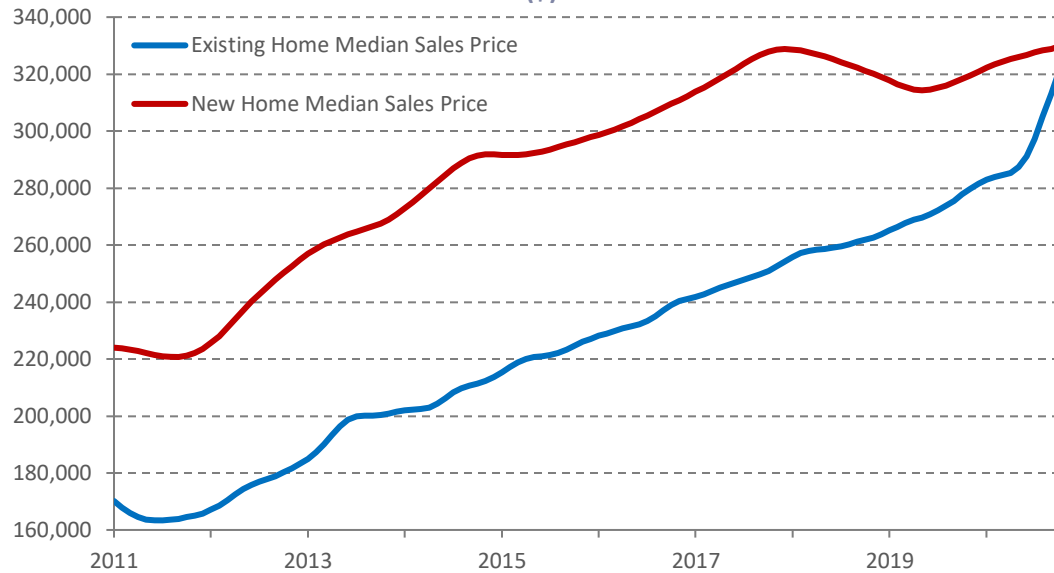


Note: Nonseasonally adjusted. The data for the most recent origination month is preliminary.
Sources: Federal Home Loan Mortgage Corporation and TrueStandings Servicing



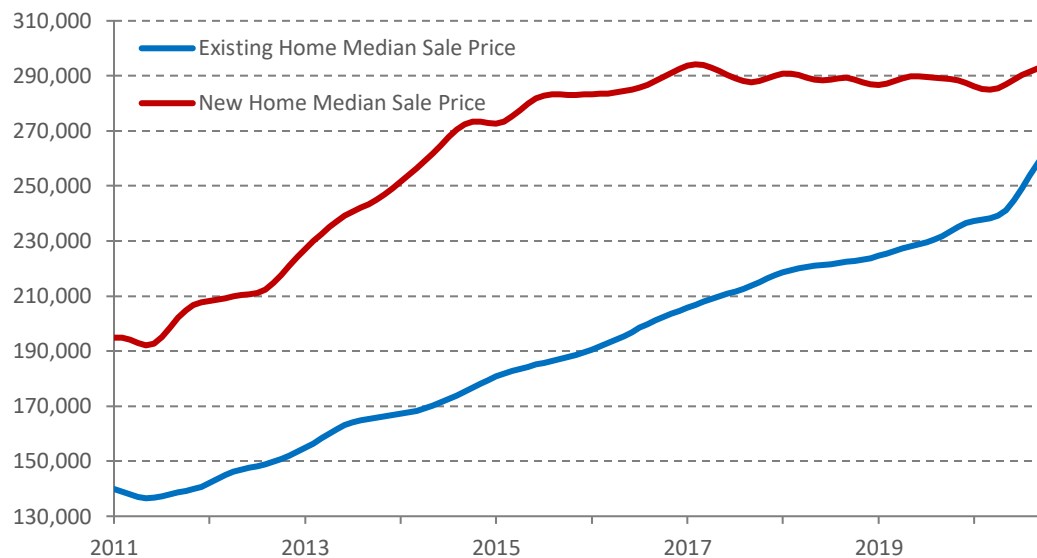
PRICES

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



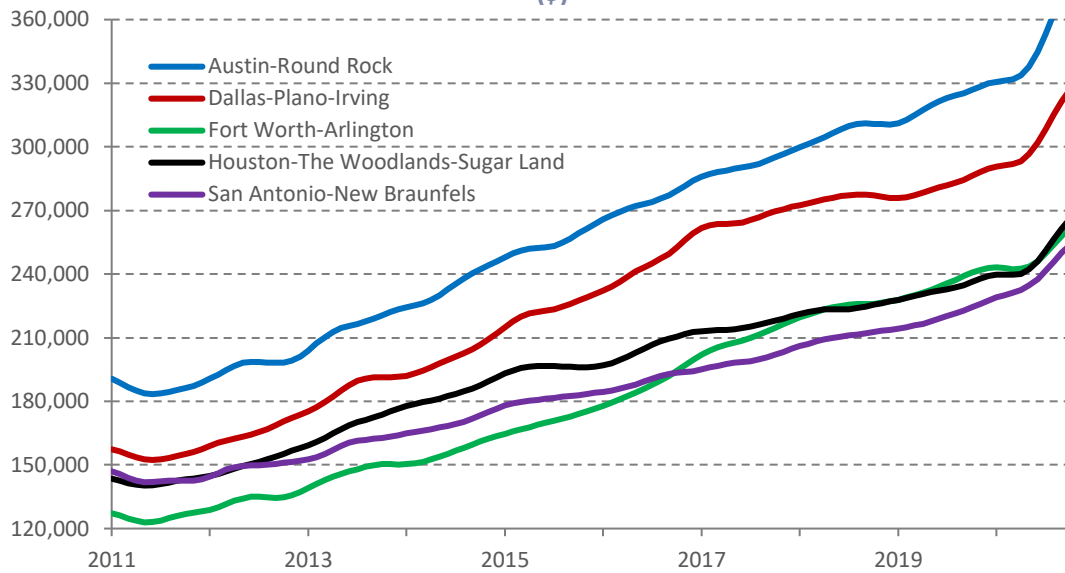
Note: Trend-cycle component. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



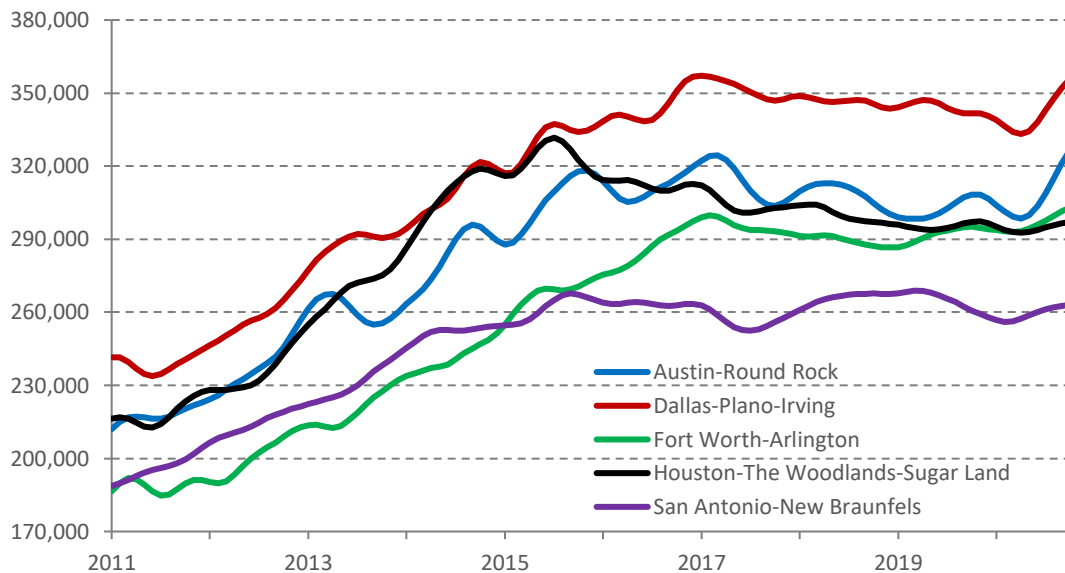
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



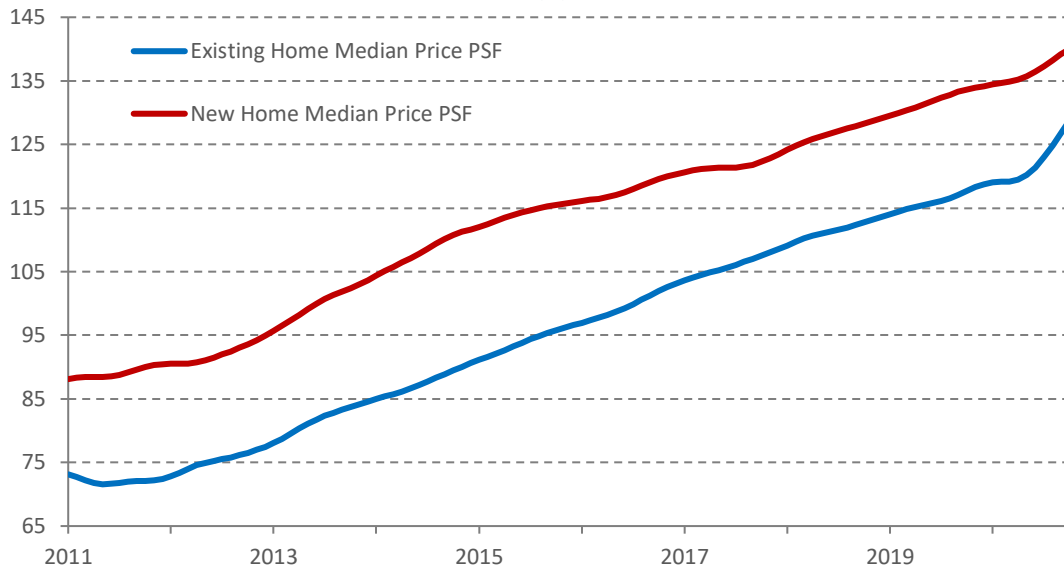
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



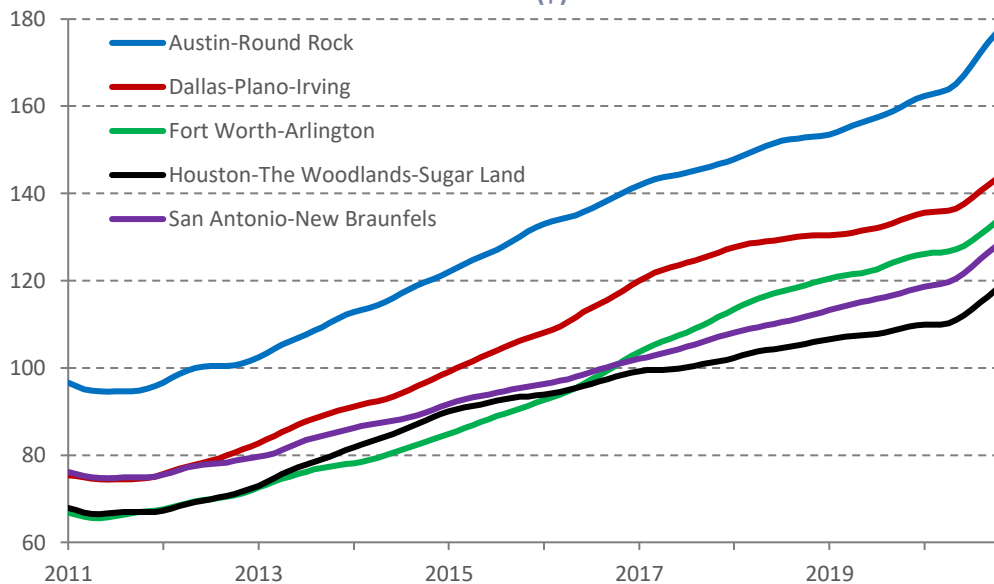
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



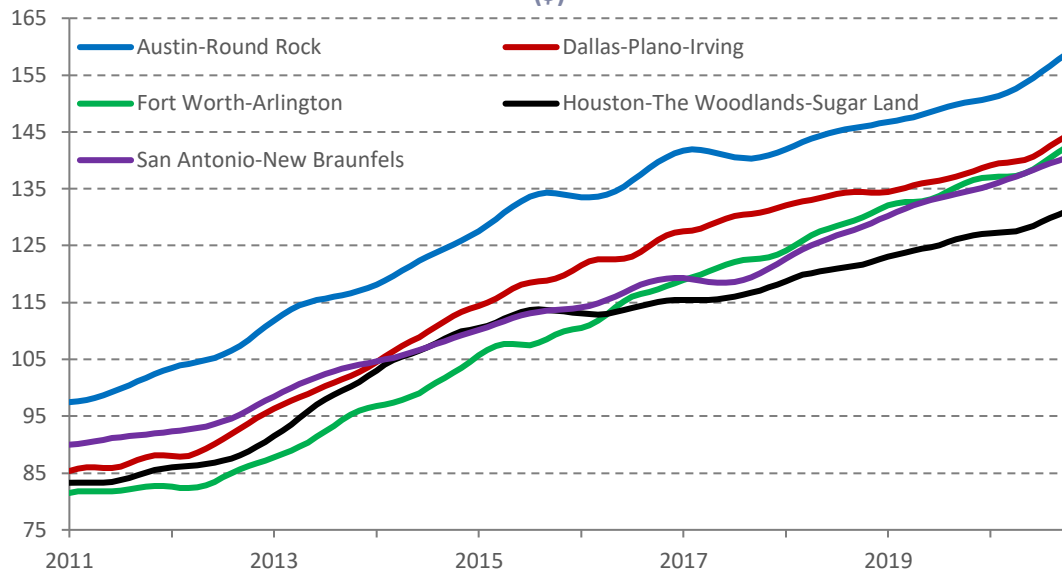
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



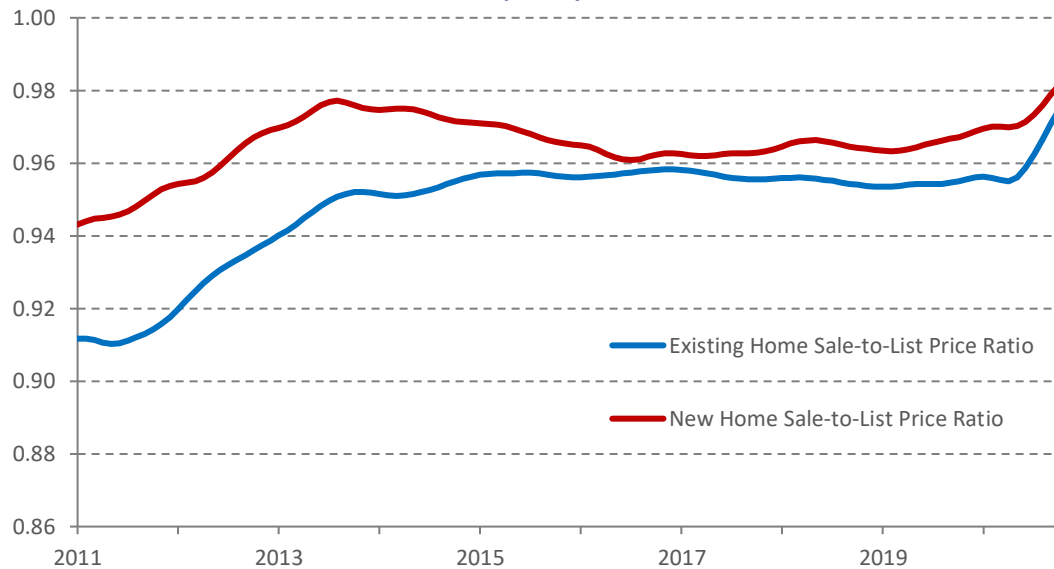
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



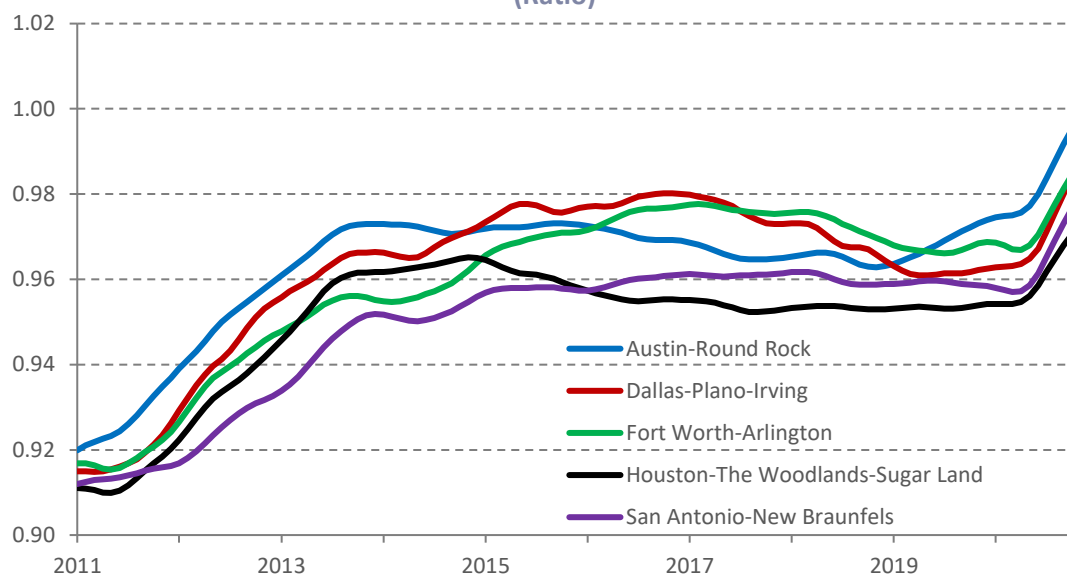
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price (Ratio)



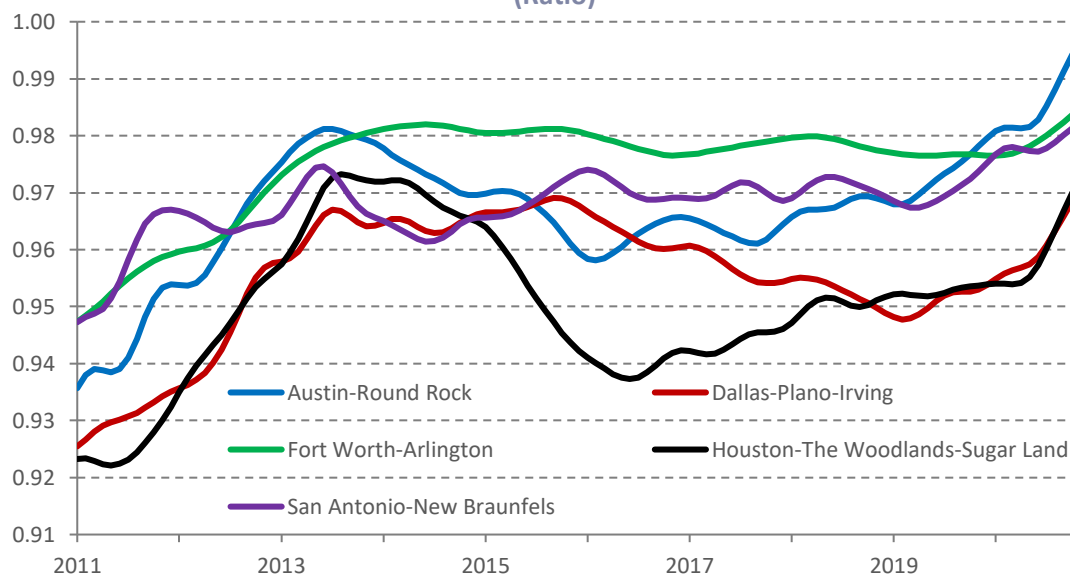
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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

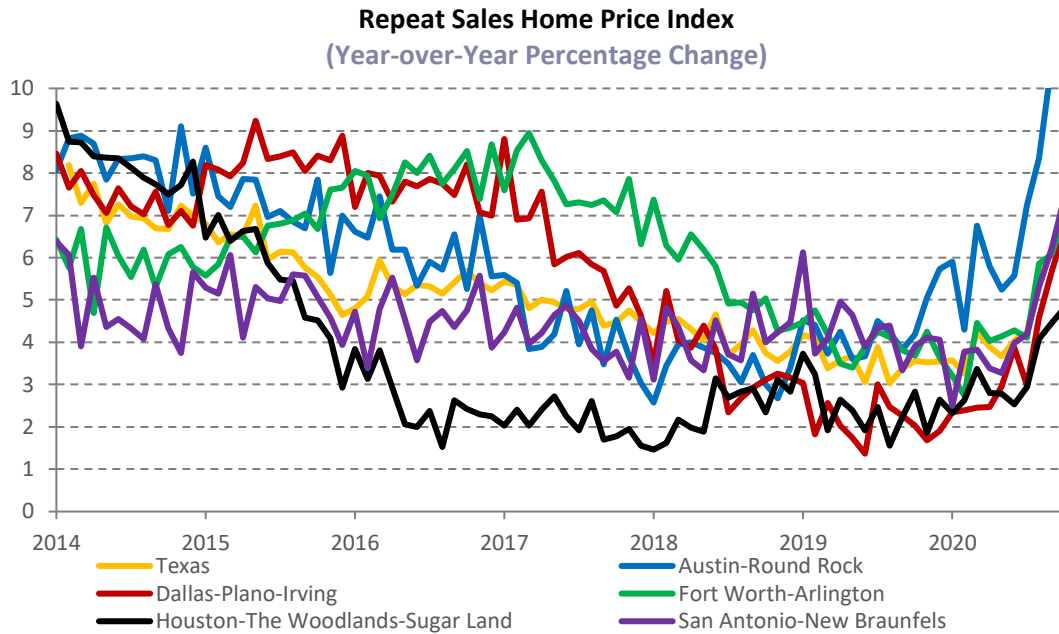


Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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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