



TEXAS HOUSING INSIGHT

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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 monthly 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 July 31, 2017

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June 2017 Summary

The Texas housing market held steady as supply slowly expanded. Housing starts dwindled away most of their first quarter gains but increased building permits indicate a bounce back. The new home market advanced amid stable demand and increased supply, pulling the median price down 0.2 percent year over year. However, restricted supply for homes under \$300,000 combined with stagnant wages and rising construction costs worsened Texas housing affordability.

Supply*

The Texas **Residential Business Cycle (Coincident) Index**, which measures *current* construction activity, remained constant even as construction values lagged. Decelerating housing starts flattened the Texas **Residential Construction Leading Index (RCLI)**, which signals *future* directional changes in the residential construction business cycle. The June RCLI projects only marginal improvement in housing market imbalances into the third quarter.

Second-quarter housing supply factors improved, albeit slowly, as builders battled against rising costs, regulations, and skilled labor shortages. The number of **vacant developed lots (VDLs)** increased in the most supply-constrained markets, rising 2.9 percent and 1.8 percent in Austin and Dallas, respectively. The number of VDLs rose 2.4 percent in Houston but fell 1.2 percent in San Antonio.

Statewide **single-family housing construction permits** rose 2.9 percent, up 12.5 percent year over year. Texas led the country in total permits issued and was sixth when ranked by permits per capita. Houston and Dallas remained the national leaders, issuing 3,996 and 3,442 nonseasonally adjusted permits, respectively. Houston's economic recovery drove permits up 15.4 percent year to date and 19.9 percent relative to last year. Fort Worth observed a similar permit expansion, rising 16.1 percent this year. In contrast, permits in Austin and San Antonio contracted 8.4 percent and 12.1 percent year to date, respectively.

After major gains in the first quarter, Texas **housing starts** slowed to more typical levels. Dallas recorded the most second-quarter starts (8,098) but fell slightly quarter over quarter. Austin posted the largest quarterly growth at 13.7 percent, while positive trends continued in Houston and San Antonio. **New single-family construction values**, which closely track housing starts, stalled in June but maintained a positive trend throughout the major metros. San Antonio was the exception, where construction values have declined four of the last five months.

Texas **months of inventory (MOI)** continued a gradual climb, surpassing 3.9 months for the first time since 2014; around six months is considered a balanced housing market. The number of listings increased in every price cohort, including homes less than \$200,000, rising 1.6 percent year

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

over year. The largest MOI increase occurred for homes priced between \$300,000 and \$399,999, rising 8.3 percent year over year.

The number of listings expanded in both new and existing home markets. The statewide **MOI for existing homes** reached 3.6 months, up 11.3 percent year to date. Fort Worth (2.0 months), Dallas (2.2 months), and Austin (2.2 months) maintained exceptionally tight inventories but continued to inch upward. San Antonio posted its fourth straight MOI increase, rising to 3.2 months, while the Houston resale market improved to 3.9 MOI.

The Texas new home market remained stable with 5.3 months of inventory. Austin reached a series (begun in 2011) record 5.3 MOI for new homes, increasing 31.1 percent this year. The new home MOI in Dallas (4.8 months) and Houston (4.5 months) exhibited similar year-to-date growth at 21.5 percent and 20.9 percent, respectively. In Fort Worth, the MOI (5.2 months) dipped below the state average but should benefit from increased building permits.

Demand

Texas housing demand relaxed marginally as the average days on market (DOM) inched up to 57 days. Homes priced between \$200,000 and \$299,999 continued to sell quickly, averaging 51 days on the market, a one-day increase from the previous month. Texas housing sales ticked down 2.1 percent on a seasonally adjusted basis but maintained 6.9 percent year-over-year growth. Supply constraints caused decreased sales for homes less than \$200,000 and accounted for over a third of this month's total sales decline. Second-quarter housing sales were particularly strong in San Antonio, rising 11.9 percent, while Austin and Dallas observed 4.9 percent and 2.7 percent increases, respectively. Despite improving economic conditions, sales in Houston dropped 4.2 percent in the second quarter and were flat year over year.

Houston's existing home demand was abnormally soft as the **existing DOM** rose to 50 days, just two days below the statewide level. Existing homes sold fastest in Dallas (30 days) and Fort Worth (33 days), dropping 5.7 percent and 3.8 percent year to date, respectively. San Antonio DOM balanced at 51 days after dipping into the high 40s during the first quarter. DOM went to 42 days in Austin, up from 39 days in June 2016.

The shortage of existing homes pushed demand into the new home market, driving down the **new home DOM** to 87 days. The average new home in Fort Worth (71 days) sold two weeks faster than in December. During that same period, new homes sold a week faster in Austin (97 days) and Houston (90 days). Dallas DOM remained unchanged this year at 80 days.

Interest rate fluctuations continued to affect the Texas housing markets, reaching annual lows because of softening inflation. Stubbornly low oil prices dragged down the **ten-year U.S. Treasury bond yield** to a monthly average of 2.19 percent. The **Federal Home Loan Mortgage Corporation 30-year fixed-rate** fell below 4.0 percent for the first time this year despite the Fed's third straight quarterly hike in the federal funds rate. Low interest rates could ease housing affordability constraints and stimulate residential construction.

Favorable interest rates and a healthy labor market supported the fourth straight quarterly increase in the national **homeownership rate** to 63.9 percent. The Texas rate remained well below the national average, ticking up to 61.6 percent. In Houston, homeownership fell to 57.4 percent, the lowest since 2015. Austin also fell to 57.4 percent amid rising unaffordability. Dallas jumped above the Texas average at 62.4 percent, while San Antonio closed in at 61.5 percent.

Prices

Texas price pressures eased slightly as median home price growth dropped from 6.7 percent to 5.5 percent year over year. The Texas median resale price hovered around \$210,000 for the third straight month but increased significantly in the major metros. Austin's 7.0 percent year-over-year growth pushed prices to a series record of \$292,674. Existing home prices in Dallas (\$262,869) and Fort Worth (\$206,216) exhibited 7.6 percent and 11.9 percent year-over-year growth, respectively. In the first half of 2017, resale price growth in San Antonio outpaced the other major MSAs at 4.3 percent, pushing the median to a record \$203,565.

In contrast, the statewide **median price for new homes** (\$281,647) sold through a Multiple Listing Service dropped 3.0 percent for the year as homebuilders rushed to satisfy rampant demand. The premium for new homes over resales dropped to 34.1 percent, well below its 46.7 percent average since 2011. New home price pressures softened further in the major metros. This year, the median price for a new home fell 3.3 percent in Austin (\$308,570), 5.5 percent in Houston (\$293,139), and 9.3 percent in San Antonio (\$244,749). Dallas was the only major metro to post mid-year price appreciation, rising 1.7 percent to \$360,289.

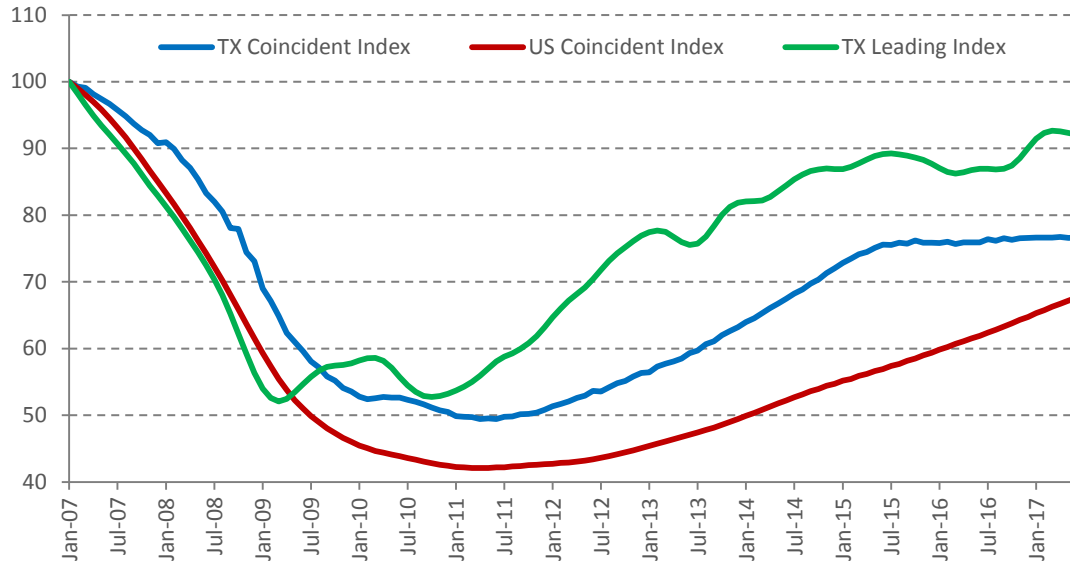
The statewide **median price per square foot (ppsf)** appreciated predominantly in the existing home market. The median ppsf for a new home was 15.3 percent higher than for an existing home, down from last year's 18.1 percent average. Rising land costs and strict regulations caused homebuilders to reduce the square footage of new homes. In 2014, the median square feet for new homes reached 2,459 sf, 4.5 percent larger than the June median of 2,341 sf. Austin led the state in ppsf for both new and existing homes at \$141 and \$144 per square foot, respectively. However, the median ppsf for new (\$132) and existing homes (\$124) in Dallas continued to converge toward Austin, rising 4.4 percent this year.

The Texas **sale-to-list price ratio** hovered around 0.96 for new and resale homes, indicating a seller's market. The Houston metric settled below the state average at 0.94 and 0.95 for new and existing homes, respectively. In Austin and Dallas, the new home ratios trended downward around 0.96. However, all the major metros maintained ratios above 2011 levels.

Despite softening home price pressures, stagnant wages dragged the Texas **Housing Affordability Index** to its lowest point since the housing crisis. Austin and Dallas maintained the worst affordability conditions among the major metros, but the downward trend was universal. The tightening labor market should stimulate household income increases, relieving some of this problematic trend.

Supply

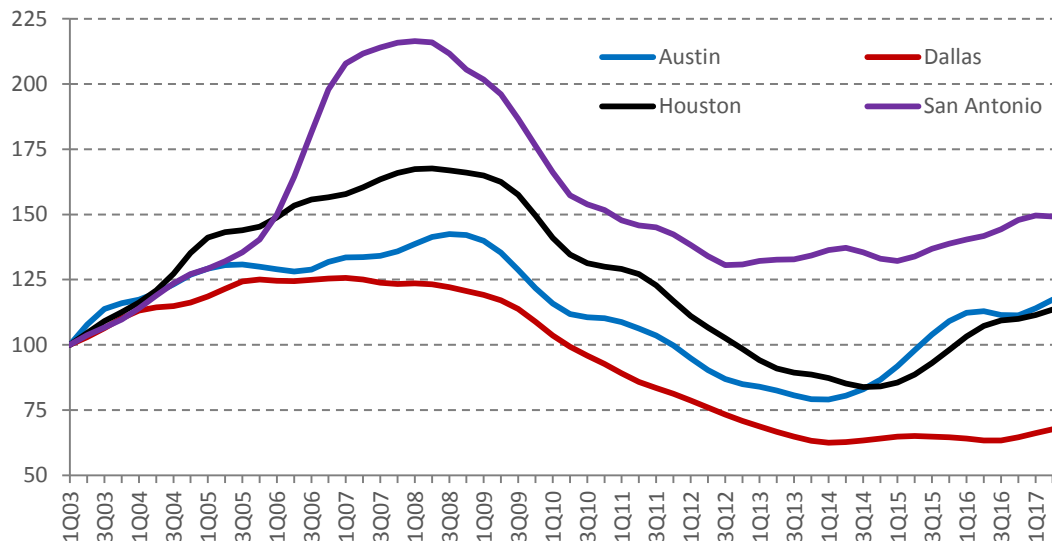
Residential Construction Coincident and Leading Indicator
(Index Jan 2007 = 100)



Note: Seasonally adjusted and detrended.

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

Vacant Developed Lots
(Index Q1 2003 = 100)

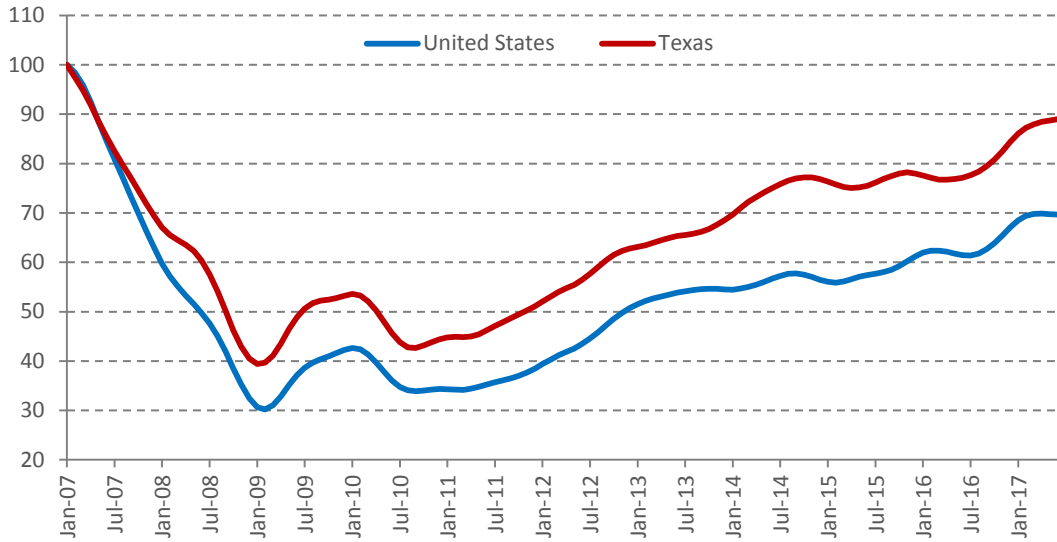


Note: Seasonally adjusted and detrended.

Source: Metrostudy



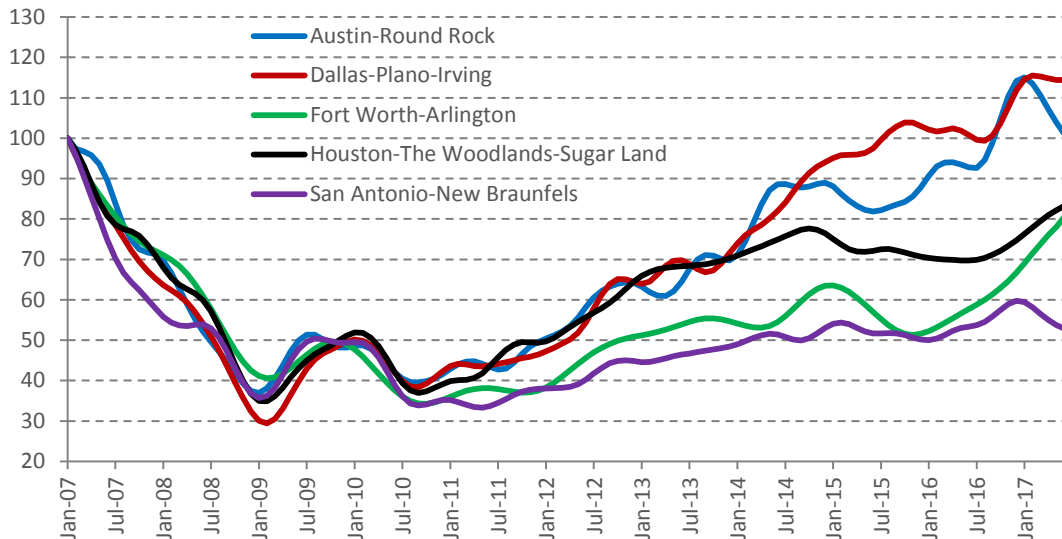
Single-Family Housing Construction Permits (Index Jan 2007 = 100)



Note: Seasonally adjusted and detrended.

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

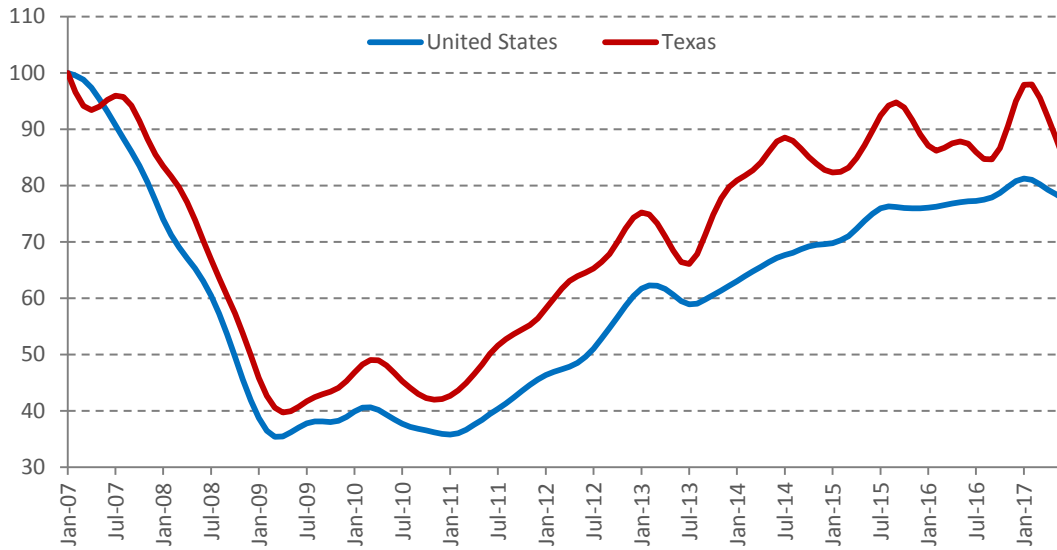
Major Metros Single-Family Housing Construction Permits (Index Jan 2007 = 100)



Note: Seasonally adjusted and detrended. Fort Worth is missing data for Somervell County.

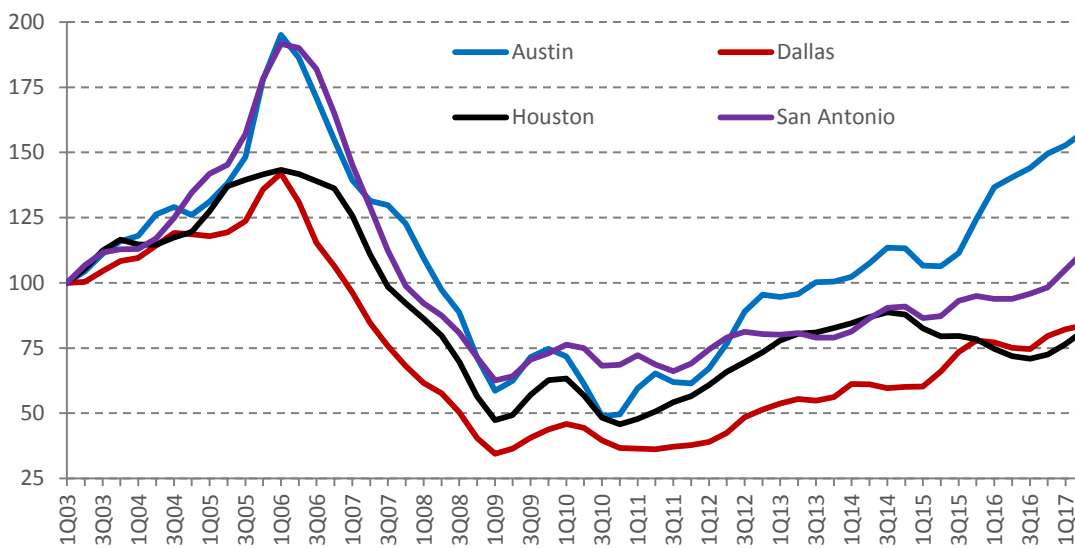
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Housing Starts (Index Jan 2007 = 100)



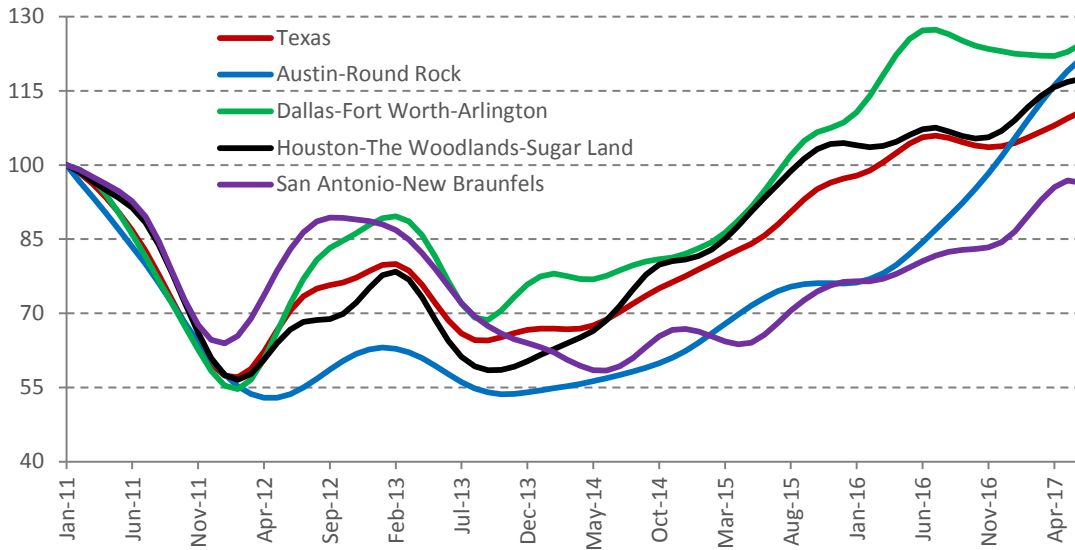
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

Major Metros Housing Starts (Index Q1 2003 = 100)



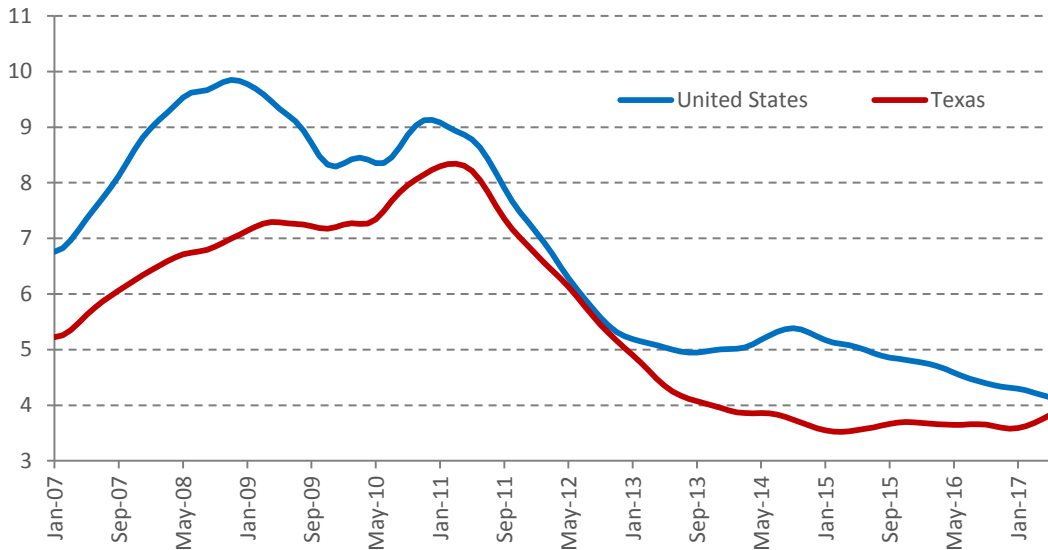
Note: Seasonally adjusted and detrended.
Source: Metrostudy

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



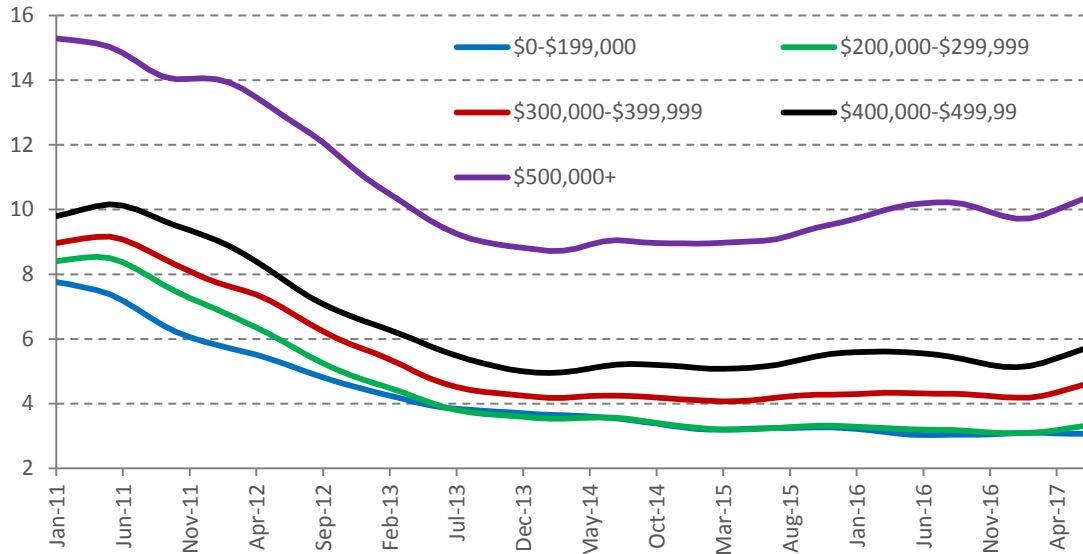
Note: Inflation adjusted. Seasonally adjusted and detrended.
Source: Dodge Analytics

Total Months of Inventory
(Months)



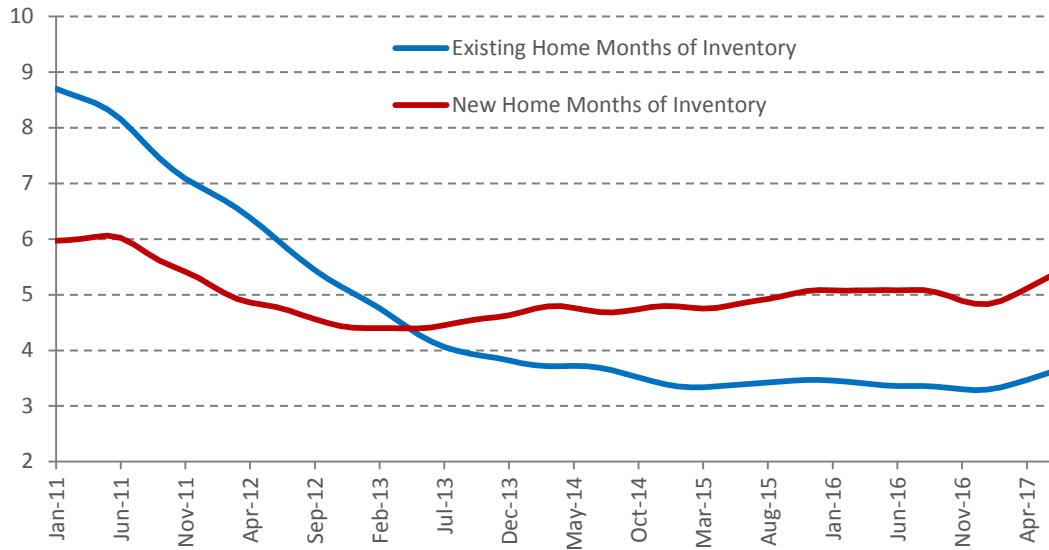
Note: Seasonally adjusted and detrended. Months of inventory for the United States is estimated using weights for all existing homes and new single-family homes; new nonsingle-family homes are not included. Texas includes all existing and new homes.
Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University

Texas Months of Inventory by Price Cohort (Months)



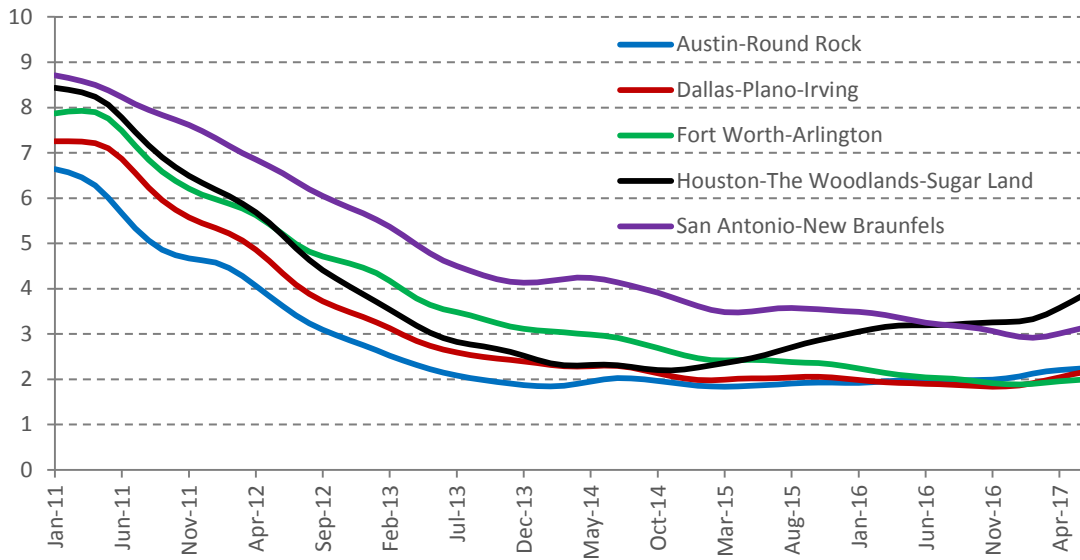
Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University

Texas Existing and New Home Months of Inventory (Months)



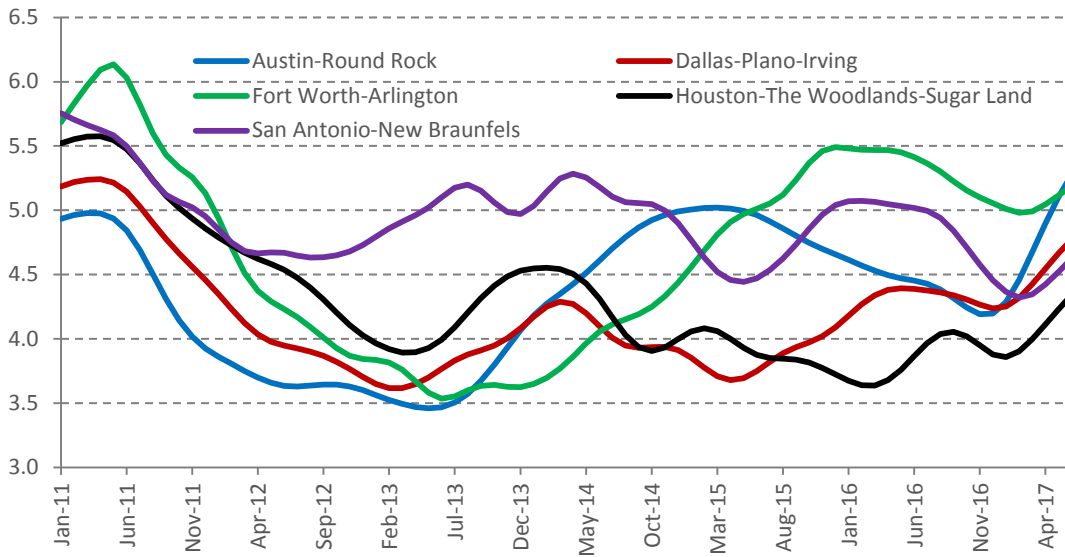
Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Months of Inventory (Months)



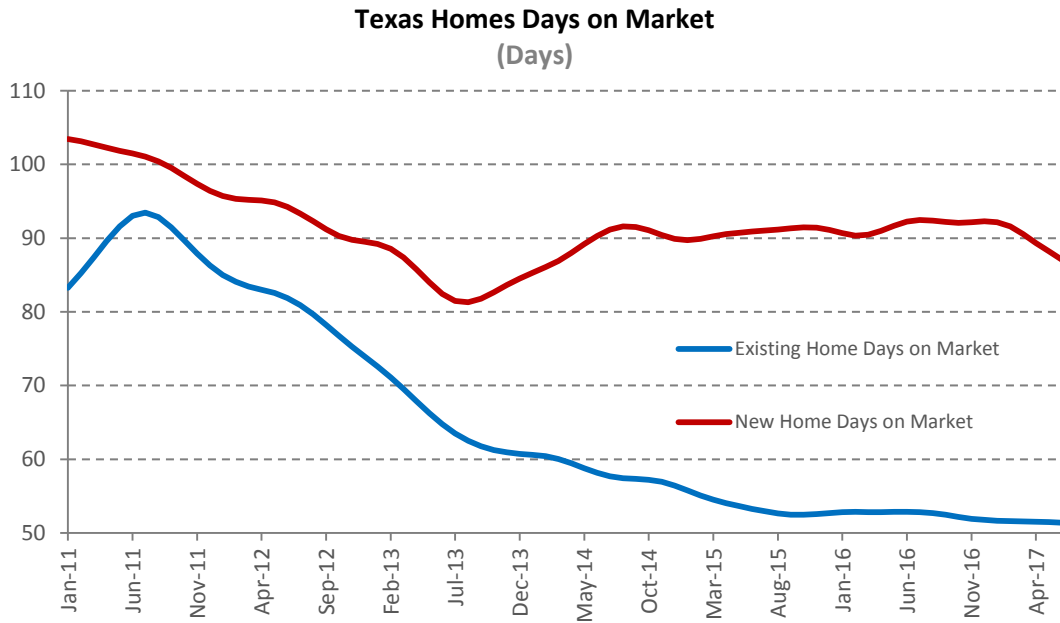
Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Months of Inventory (Months)

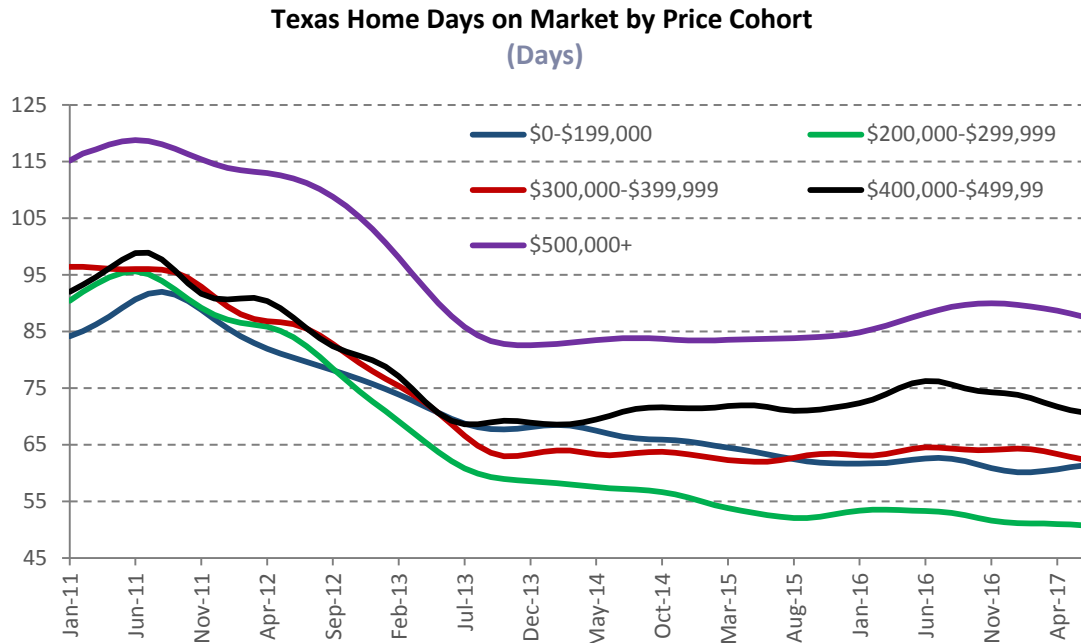


Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University

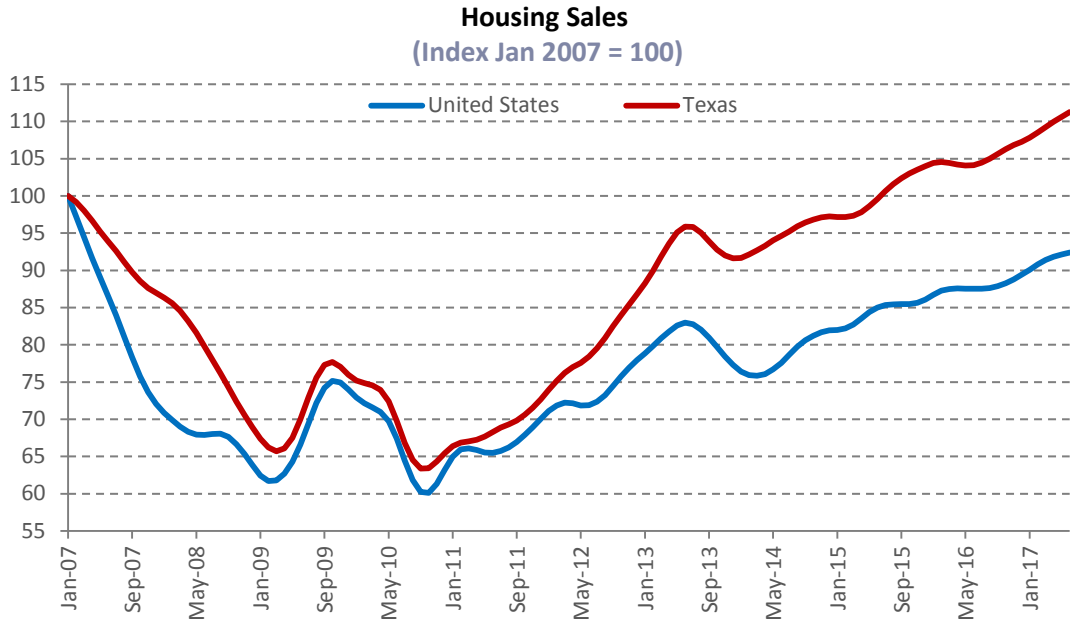
Demand



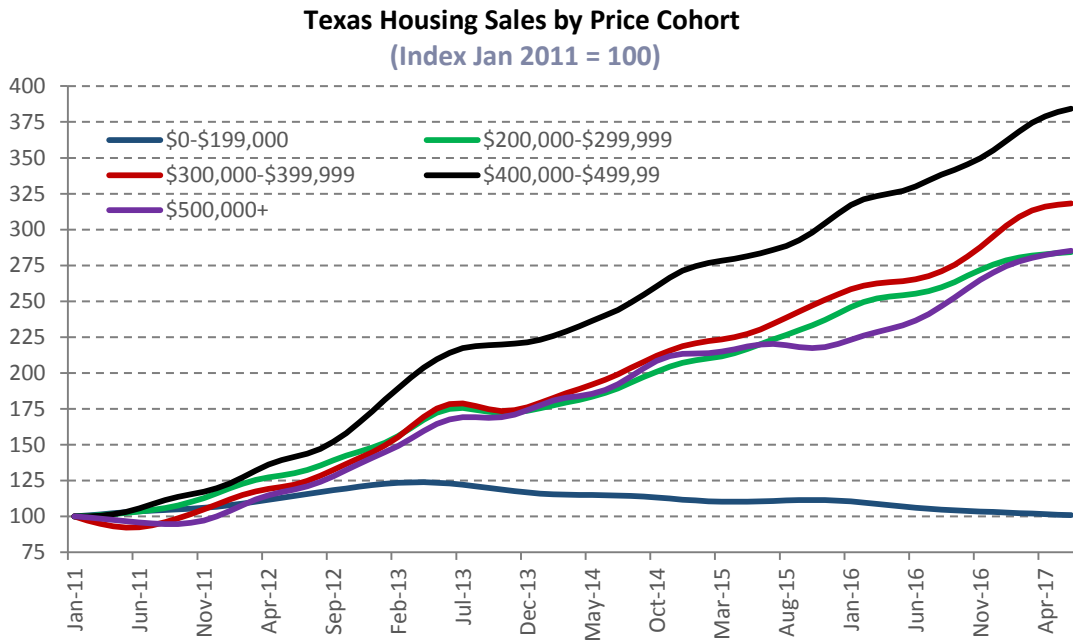
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University



Note: Seasonally adjusted sales reported by MLS and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University.

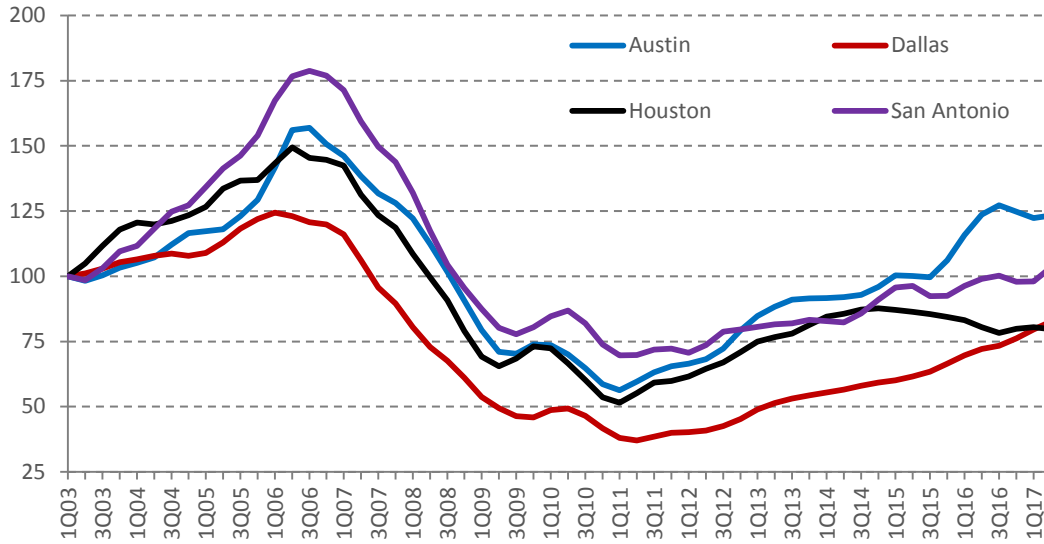


Note: Seasonally adjusted and detrended. Sales for the United States include all existing homes and new single-family homes; new non-single-family homes are not included. Texas includes all existing and new homes.
Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University



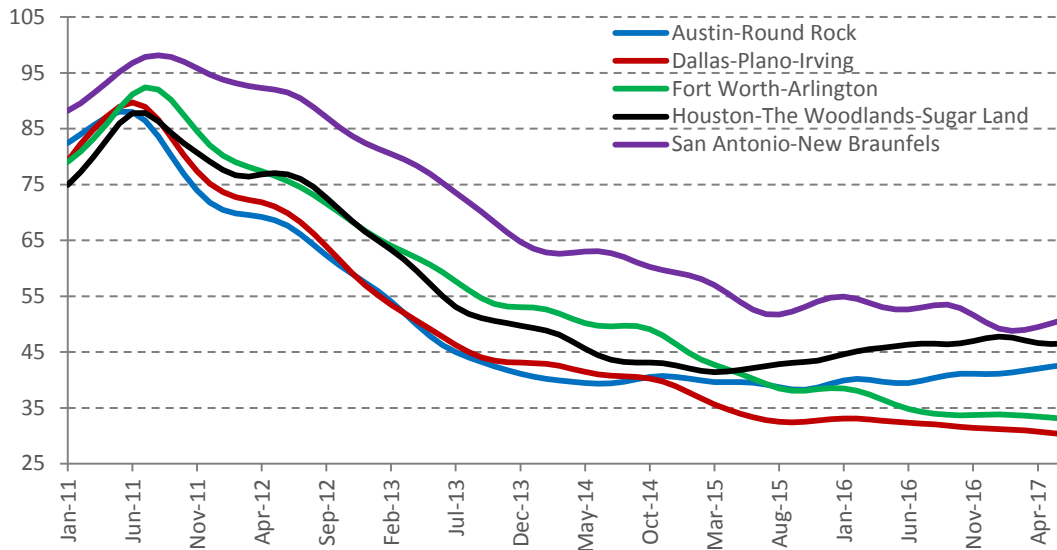
Note: Seasonally adjusted sales reported by MLS and detrended.
Source: Real Estate Center at Texas A&M University.

Major Metros Housing Sales (Index 1Q2003 = 100)



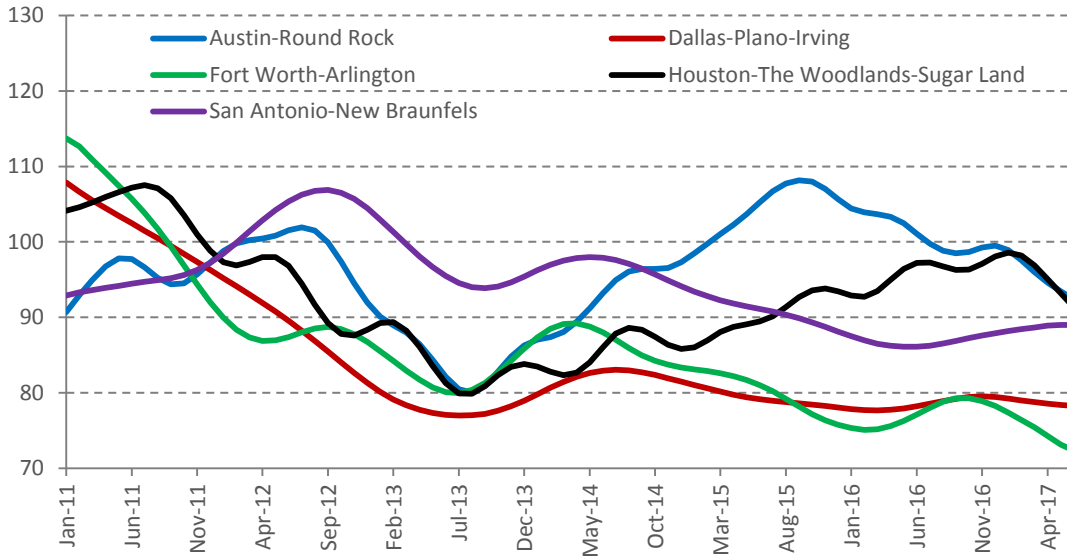
Note: Seasonally adjusted and detrended.
Source: Metrostudy

Major Metros Existing Homes Days on Market (Days)



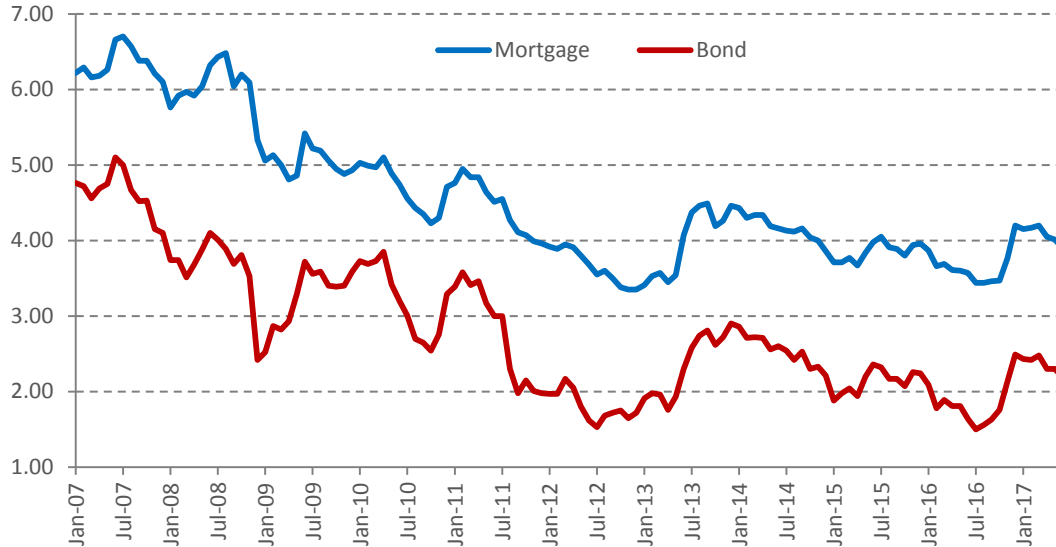
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)



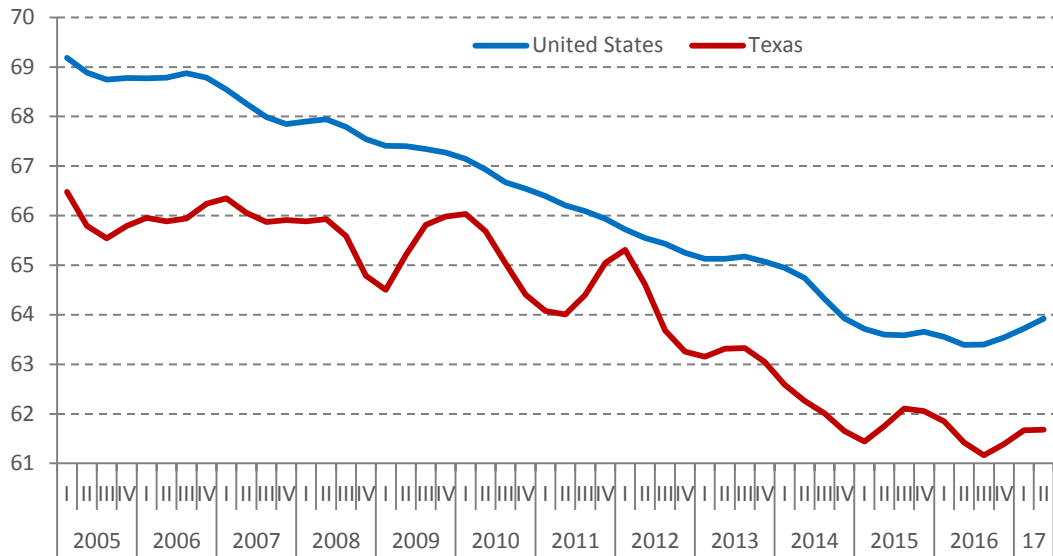
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



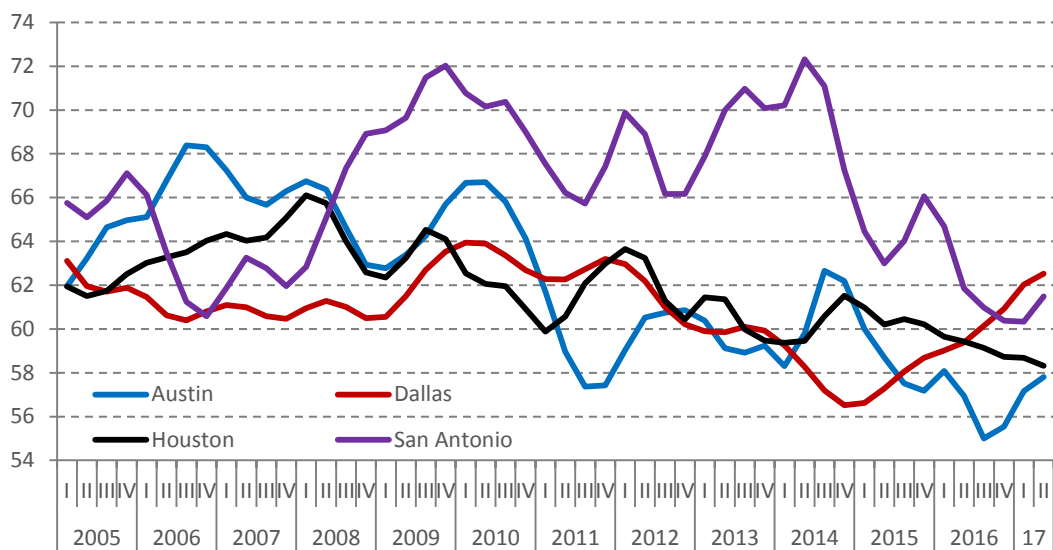
Note: Seasonally adjusted.
Source: Federal Home Loan Mortgage Corporation and Federal Reserve Board

Home Ownership Rate (%)



Note: Seasonally adjusted and detrended.
Source: United States Census Bureau

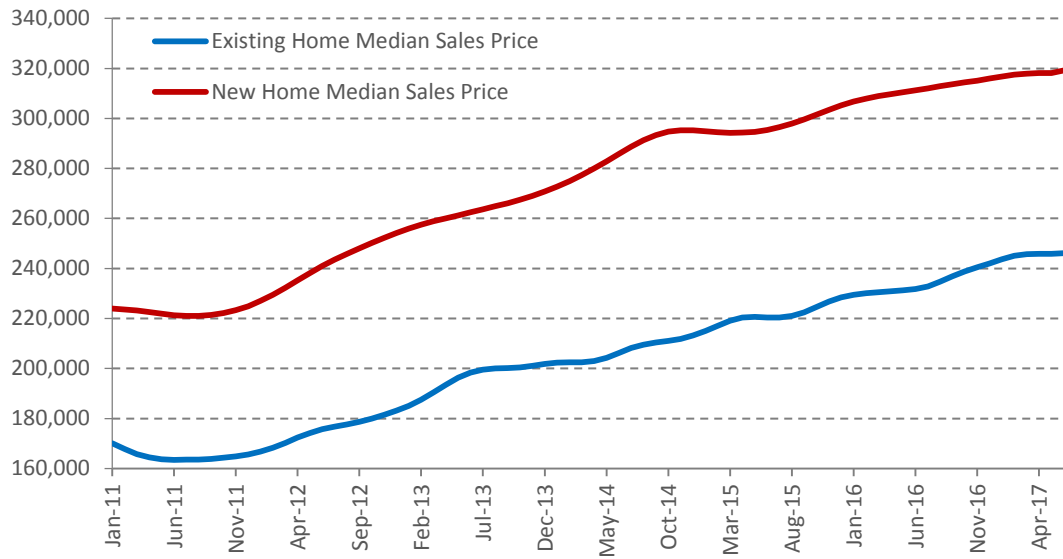
Major Metros Home Ownership Rate (%)



Note: Seasonally adjusted and detrended.
Source: United States Census Bureau.

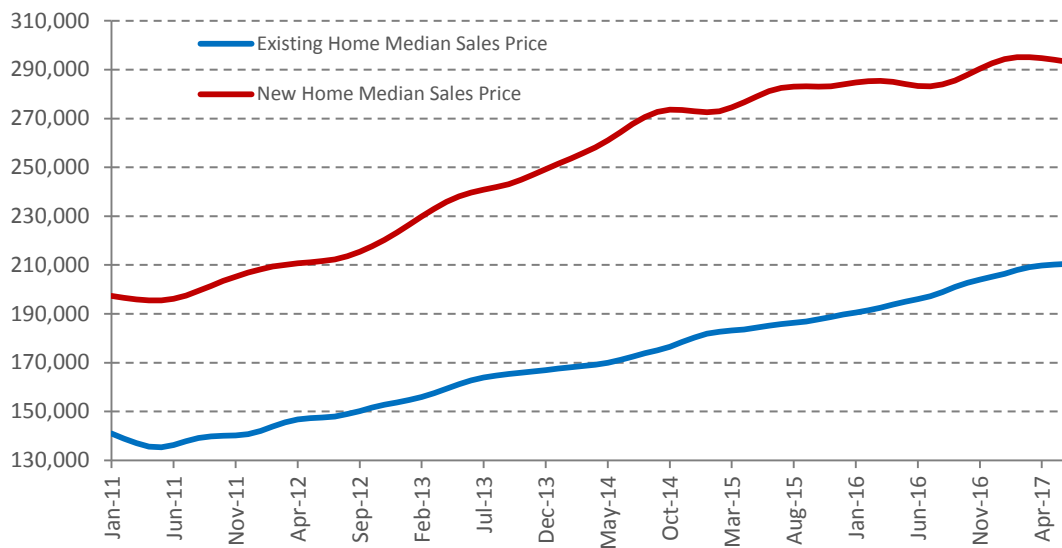
Prices

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



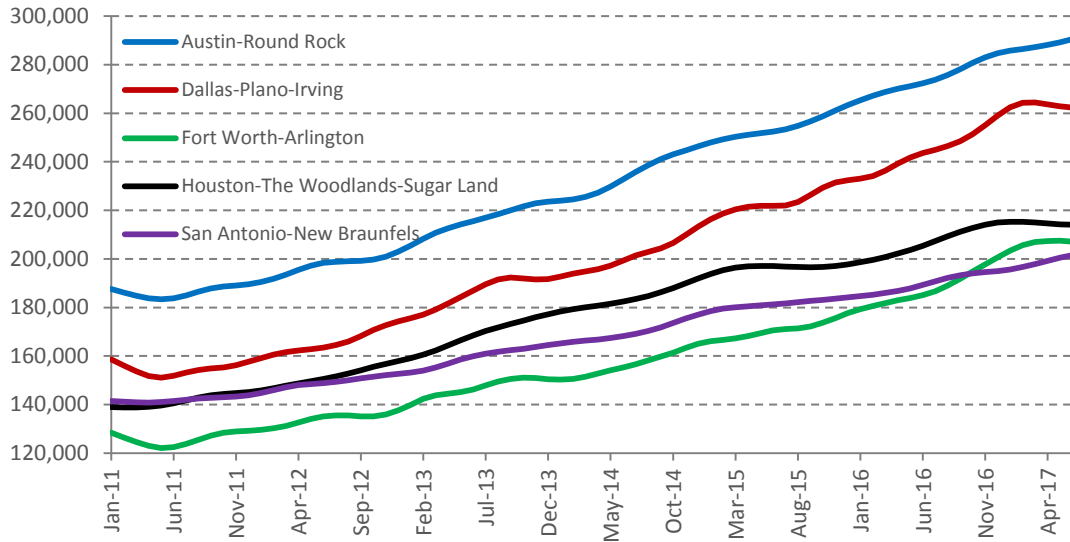
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



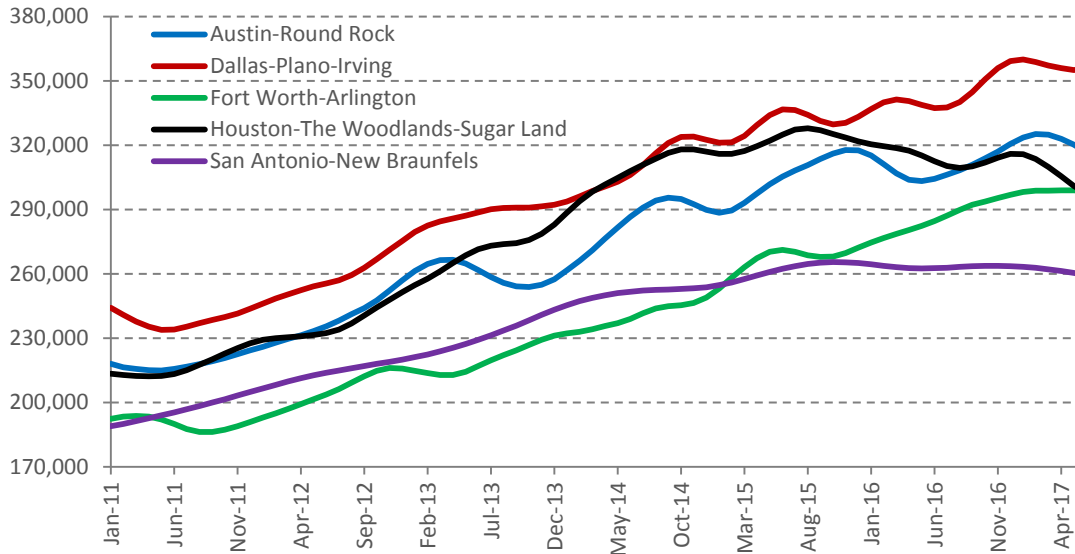
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



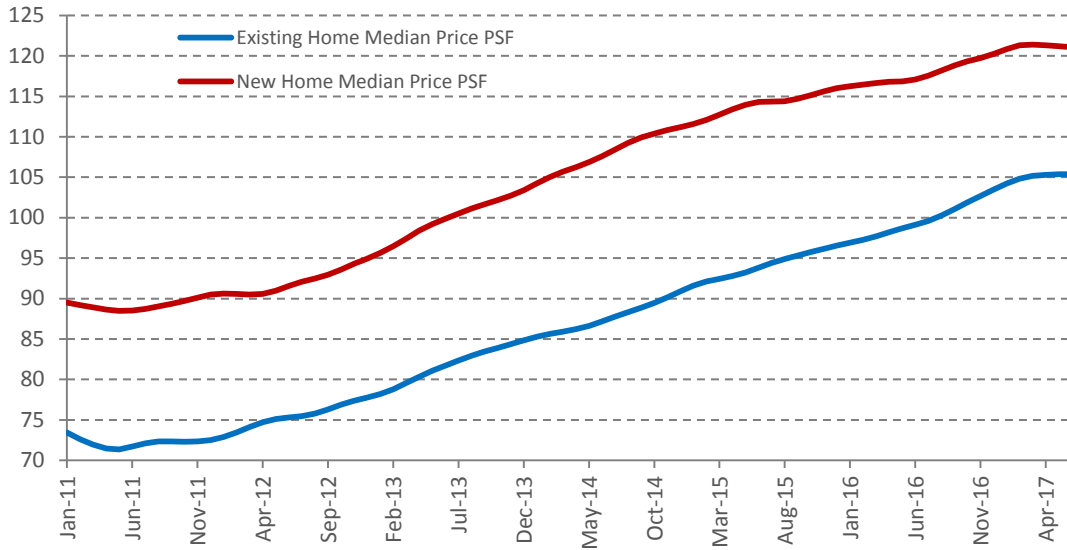
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



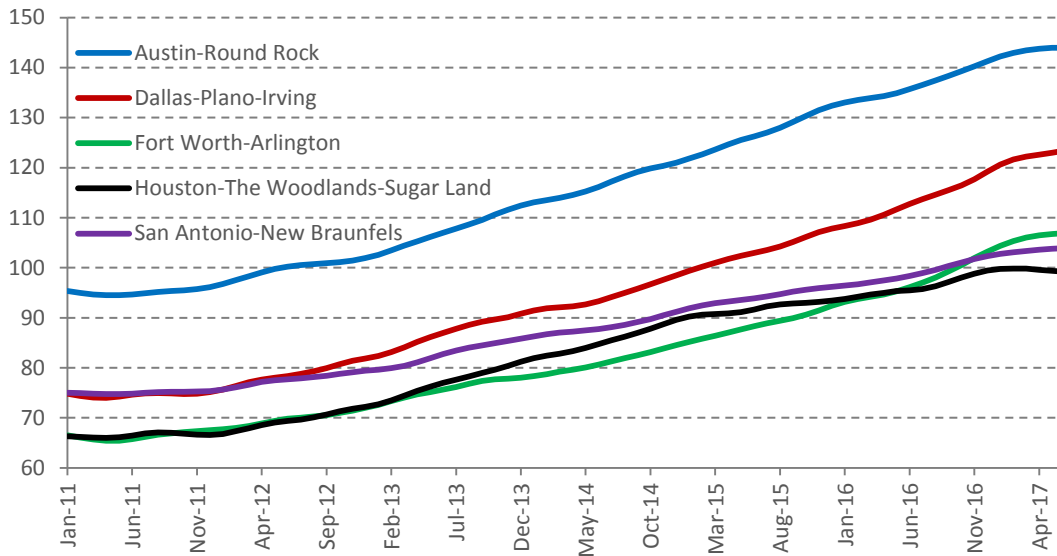
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



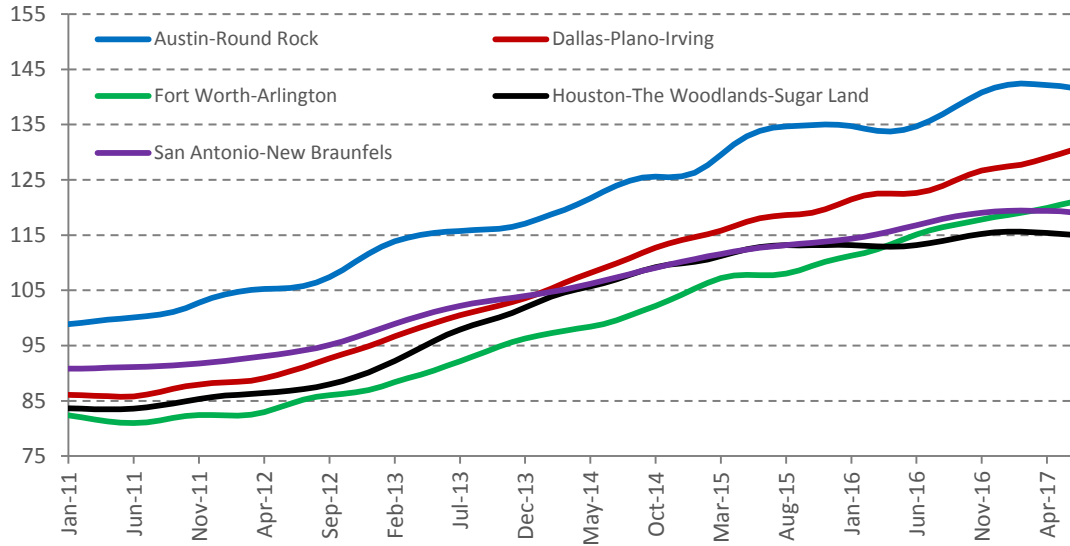
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



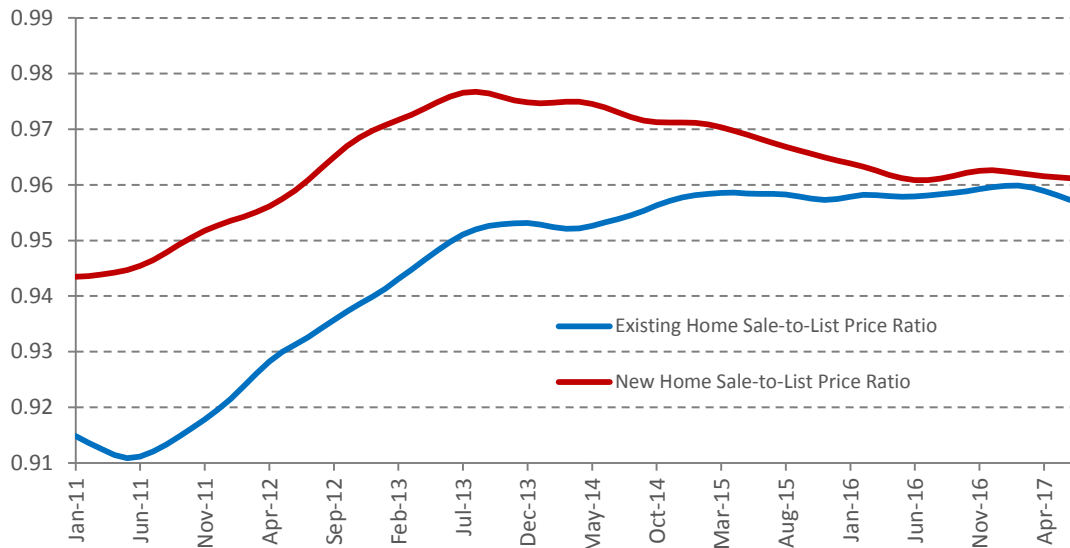
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



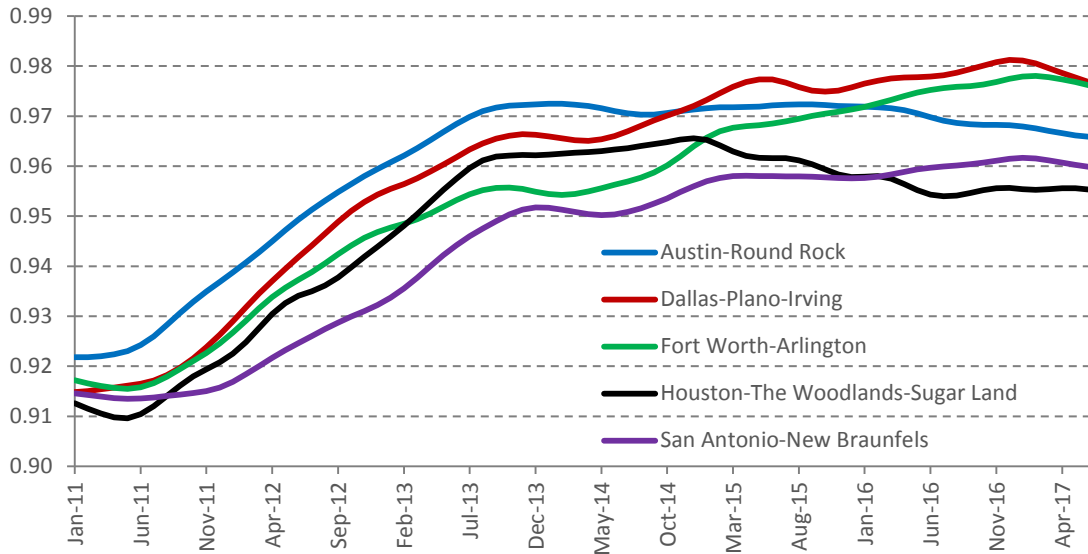
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price Ratio (%)



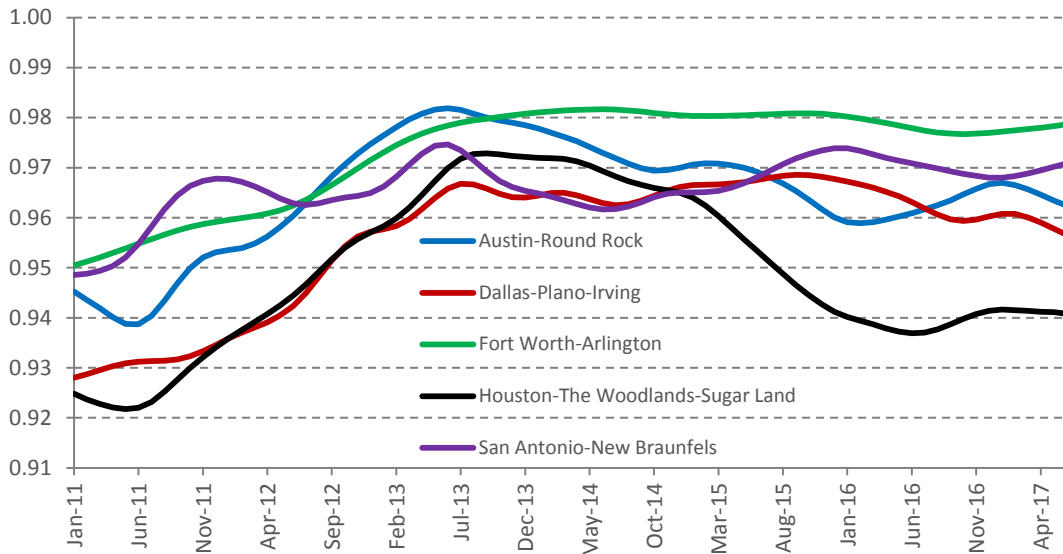
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

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



Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Sale Price to List Price Ratio (%)



Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University



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