



TEXAS HOUSING INSIGHT

JAMES P. GAINES
CHIEF ECONOMIST

WESLEY MILLER
RESEARCH ASSISTANT

LUIS B. TORRES
RESEARCH ECONOMIST

BAILEY CUADRA
RESEARCH ASSISTANT

TECHNICAL REPORT	TR
2120	
OCTOBER 2017	

Contents

About this Report	2
August 2017 Summary	3
Residential Construction Coincident and Leading Indicator	6
Single-Family Housing Construction Permits	6
Texas Housing Construction Permits	7
Major Metros Single-Family Housing Construction Permits.....	7
Housing Starts	8
Total New Private Single-Family Construction Value.....	8
Total Months of Inventory	9
Texas Months of Inventory by Price Cohort	9
Texas Existing and New Home Months of Inventory.....	10
Major Metros Existing Home Months of Inventory.....	10
Major Metros New Home Months of Inventory.....	11
Demand	11
Texas Homes Days on Market.....	11
Texas Home Days on Market by Price Cohort	12
Housing Sales	12
Texas Housing Sales by Price Cohort	13
Major Metros Existing Homes Days on Market	13
Major Metros New Homes Days on Market	14
30-Year Mortgage Rate and 10-Year Bond Yield	14
Prices	15
United States Existing and New Home Median Sales Price	15
Texas Existing and New Home Median Sales Price.....	15
Major Metros Existing Home Median Sales Price.....	16
Major Metros New Home Median Sales Price.....	16
Texas Home Median Price Per Square Foot.....	17
Major Metros Existing Home Median Price Per Square Foot	17
Major Metros New Home Median Price Per Square Foot	18
Texas Home Sale Price to List Price Ratio	18
Major Metros Existing Home Sale Price to List Price Ratio.....	19
Major Metros New Home Sale Price to List Price Ratio.....	19



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.

Dr. James Gaines, Dr. Luis Torres, Wesley Miller, and Bailey Cuadra

Data current as of September 27, 2017

© 2017, Real Estate Center. All rights reserved.



August 2017 Summary

The impact of Hurricane Harvey and the subsequent flooding is not fully captured in the August data. The short- and long-run effects of the disaster and recovery process are considered and may result in some data revisions in future reports.

The Texas housing market staggered as Harvey shut down the Houston economy for almost a week. The drastic 26.7 percent year-over-year (YOY) decline in Houston housing sales reflects the magnitude of the market disruptions. On the supply side, a 21.2 percent YOY decrease in Houston housing permits pulled Texas out of the top ten states for monthly permits per capita. In the rest of Texas, market fundamentals were relatively unchanged, with supply constraints persisting in the resale market resulting in elevated price pressures and some slowdown in sales activity.

Supply*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, decelerated due to slowing multifamily construction values. The Texas **Residential Construction Leading Index (RCLI)** fell as real interest rates have risen from last year, signaling a future downturn in the residential construction business cycle.

Statewide, **single-family housing construction permits** dropped 2.9 percent relative to last August, marking the first YOY decline in ten months. The impact of Hurricane Harvey shocked the Houston market as permits sunk 21.2 percent relative to last year. Aside from Houston, the Texas Urban Triangle posted strong permit growth, sustaining Texas' position as the national leader in total permits issued. However, Texas fell out of the top ten when ranked by permits per capita. Dallas surpassed Houston as the national leader, issuing 3,171 and 2,525 nonseasonally adjusted permits, respectively, marking the first time since September 2008 that Houston did not top the nation. Permits trended upward in Fort Worth and San Antonio, increasing 27.0 and 22.1 percent YOY. In Austin, permits stabilized but remained negative year to date (YTD).

Total Texas **housing starts** fell 1.0 percent YOY led by declines in multifamily construction. Starts could sink lower if Houston construction delays persist into September before the recovery effort stimulus. **Single-family private construction values**, which closely track housing starts, dropped 0.9 percent in Texas on a three-month moving average (3MMA) amid a 5.6 percent decline in Houston. Construction values also contracted in Dallas, falling for the fourth consecutive month. The trend was positive in Austin and San Antonio where values increased 1.7 and 1.0 percent on a 3MMA, respectively.

The Texas **months of inventory (MOI)** held steady at 3.8 months; around six months is considered a balanced housing market. The MOI remained especially constricted for homes under \$200,000, equaling just below 3.1 months for the fifth straight month. Inventories for homes priced between

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

\$200,000-\$300,000 inched forward, approaching 3.3 MOI after bottoming out in February at 3.0 months.

Tight inventories were prevalent in the existing home market, where homes are generally less expensive than newly constructed equivalents. Similar to the bottom price cohort, the Texas **MOI for existing homes** remained unchanged since April at 3.5 months. Fort Worth, Dallas, and Austin maintained exceptionally low inventories at 2.0, 2.1, and 2.1 months, respectively. In San Antonio, the MOI increased every month since March, settling at 3.2 months. Houston held the largest supply of listings at 3.7 months but is subject to a post-hurricane shock in upcoming months. Recent estimates suggest, Hurricane Harvey and the subsequent flooding damaged an estimated 159,198 homes in the Houston MSA, presenting increased supply challenges to the housing market.

The number of *new* listings in Texas was stable as the **new home MOI** settled at 5.4 months, the highest since 2011. Houston posted 3.2 percent growth, surpassing the state average, as it climbed to 5.5 months. The MOI extended past five months in Austin and San Antonio and trended upward in Dallas and Fort Worth at 4.7 and 4.4 months, respectively. Supply conditions continued to normalize for new homes but have not offset the resale market imbalances.

Demand

Texas housing sales declined 5.9 percent YOY led by a 26.7 percent YOY decline in Houston after Hurricane Harvey. The remaining major metros posted positive sales growth after stumbling in July. The number of Dallas homes sold through the Multiple Listing Service (MLS) surpassed Houston for the first time since 2008, rising 5.0 percent. Austin led the Urban Triangle in YOY growth at 3.1 percent, while Fort Worth and San Antonio trended upward at 1.2 and 1.4 percent, respectively.

Sales of homes priced under \$200,000 contracted for the third consecutive month, accounting for over 85 percent of the statewide decline. Sales growth in the top price cohort (homes priced above \$500,000) decelerated substantially: YOY growth fell from 22.4 percent in July to 0.1 percent this month. The middle price cohorts, which represent over 50 percent of the Texas market, posted positive sales growth after sliding in June and July.

Texas housing demand remained robust as the average days on market (DOM) settled at 57 days. Homes priced between \$200,000-\$300,000 sold rapidly, averaging 51 days on the market, while homes under \$200,000 averaged just over two months. Demand intensified for the upper price cohort, where homes over \$500,000 sold after 85 days, an 8.6 percent decrease YOY.

The **existing home days on market** balanced at its two-year average of 52 days. Demand for resale homes in the Texas Urban Triangle persisted below the state average despite marginal upticks in the DOM. Austin and Dallas posted YTD highs at 44 and 33 days, respectively. In Fort Worth, the demand for existing homes softened as the DOM increased 7.3 percent YOY to 34 days. The Houston DOM increased 1.1 percent from 46 to 47 days, but a September shock is expected from the aftermath of hurricane. San Antonio recorded the highest DOM at 48 days, almost a week below its year-earlier level of 54 days.

Demand for new homes softened as the **new home DOM** jumped from 85 to 91 days after a six-month decline. The Houston DOM drove the increase, rising 9.0 percent to 97 days, but Dallas (83 days) and Fort Worth (75 days) posted similar DOM growth at 8.4 and 5.9 percent, respectively. In San Antonio, the DOM hovered around its cycle low at 81 days. Rising home prices held Austin's DOM above the other metros, around 97 days, for the third straight month.

After stabilizing last month, interest rates returned to their downward trend amid weak inflation expectations. Waning confidence in tax and regulatory reform in Washington, combined with domestic and international political uncertainty, pulled the **ten-year U.S. Treasury bond yield** to a YTD low of 2.21 percent. The **Federal Home Loan Mortgage Corporation 30-year fixed-rate** fell for the fourth time in five months, settling at 3.88 percent. Relatively strict lending standards and regulations continued to offset the impact of the historically low interest rates.

Prices

Texas price pressures increased as the median home price rose 2.9 percent YTD. The price increase primarily occurred in the resale market, where the median surpassed \$212,000 for the first time in series history. The median price for existing homes in Austin (\$293,097), Dallas (\$269,986), and Fort Worth (\$211,907) also reached all-time highs amid shortages for homes under \$300,000. The median resale price in Houston (\$214,596) and San Antonio (\$201,492) bounced back after retracting last month.

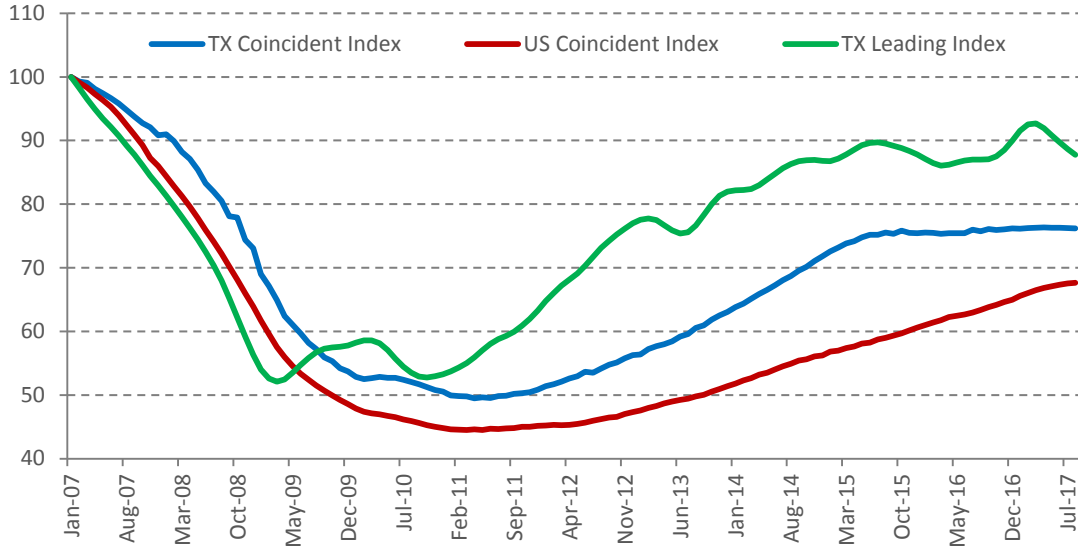
The statewide **median price for new homes** (\$284,714) sold through a Multiple Listing Service fell 1.4 percent amid softer demand and supply increases. This decline pulled the premium for new homes over resales down to 34.2 percent, the lowest in series history (since 2011). New home price pressures have relaxed throughout the year in the major metros, reflecting builders' move toward lower-priced new homes. Dallas maintained the highest median price at \$340,893 but fell 7.5 percent from its February peak. Similarly, the Fort Worth median dropped to \$281,906, down 8.4 percent YTD. In Houston, the median price rose above \$305,000 for the first time since April and closed in on the Austin median of \$312,839. The median price stabilized around \$248,000 in San Antonio but contracted 7.8 percent YTD.

Despite the dip in the median price for new homes, the statewide **median price per square foot (ppsf)** appreciated 1.5 percent to \$122.72. Rising land costs and strict regulations caused homebuilders to reduce the square footage of new homes. The average lot size for new homes sold in August was 2,327 sf, 8.0 percent smaller than the peak of 2,530 sf in 2014. The statewide median ppsf for existing homes rose to \$106.98 as lot sizes shrunk, and overall prices increased. Austin led the state in ppsf for both new and existing homes at \$137.83 and \$145.32 ppsf, respectively. However, the median ppsf for new homes in Dallas (\$131.29) continued to converge towards Austin, rising 4.2 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 Austin ratio for new homes fell marginally below 0.96 while the metrics for the other metros were unchanged.

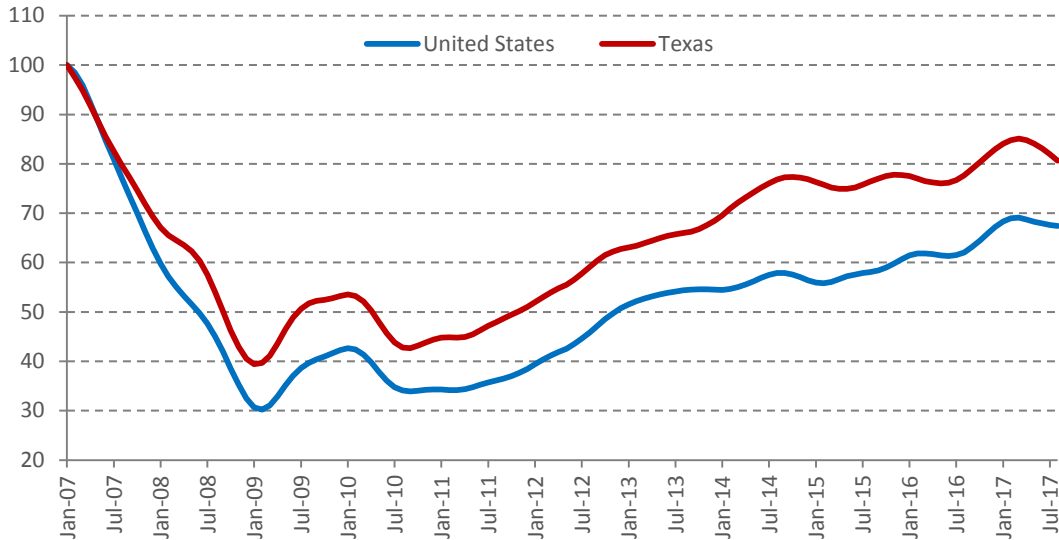
Supply

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



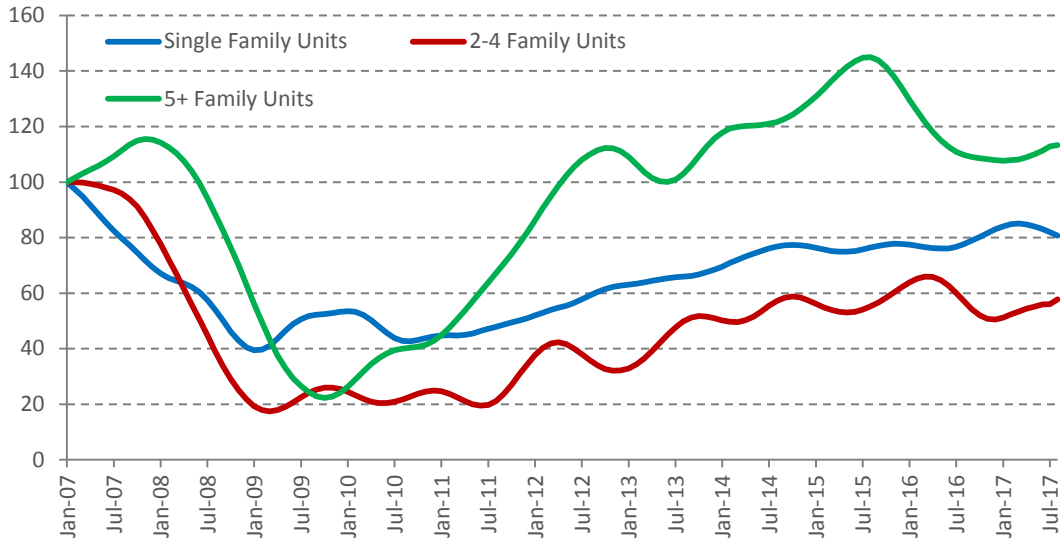
Note: Seasonally adjusted and detrended.
Sources: Real Estate Center at Texas A&M University and Federal Reserve Bank of Dallas

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



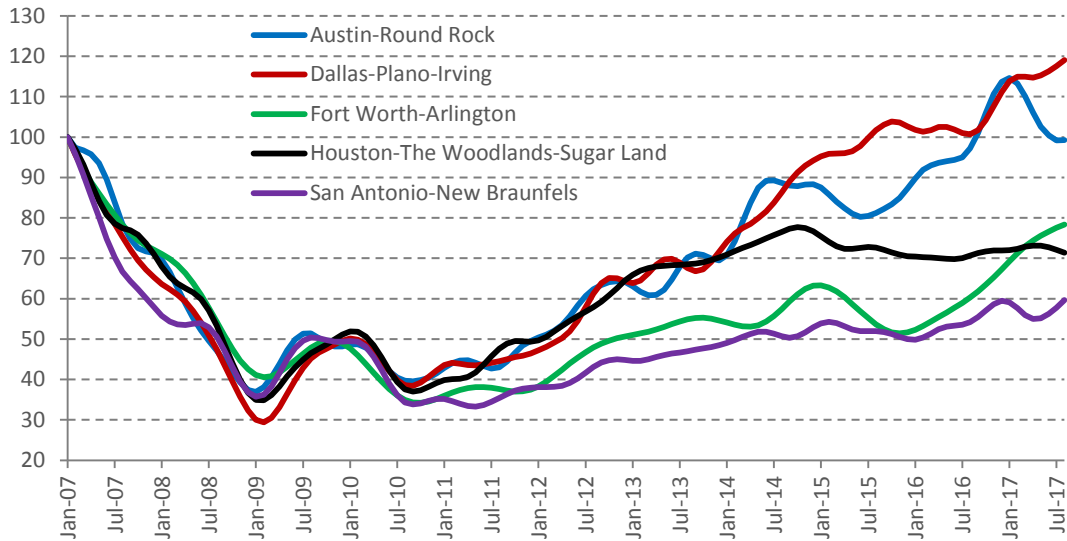
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Texas Housing Construction Permits
(Index Jan 2007 = 100)



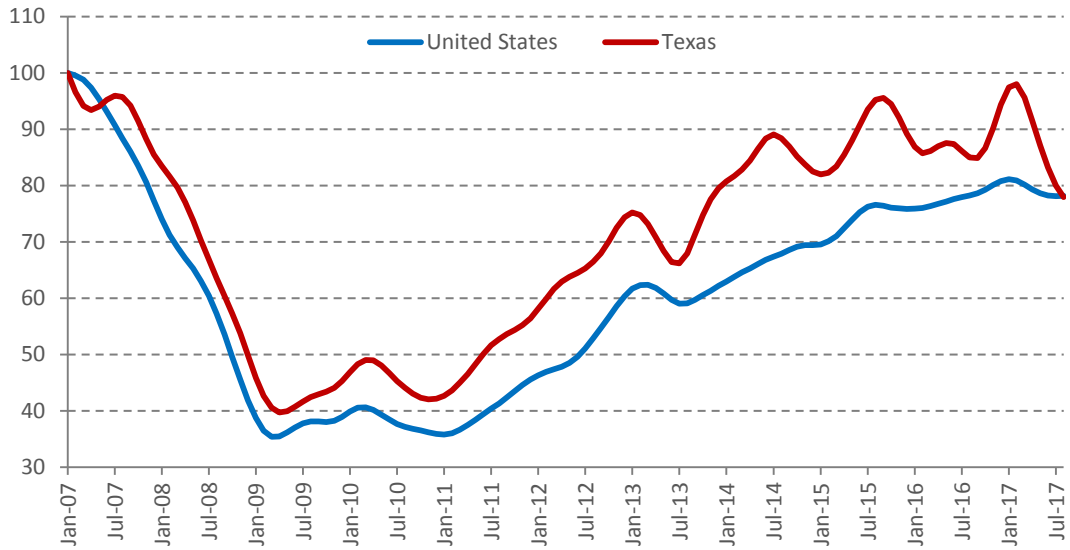
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



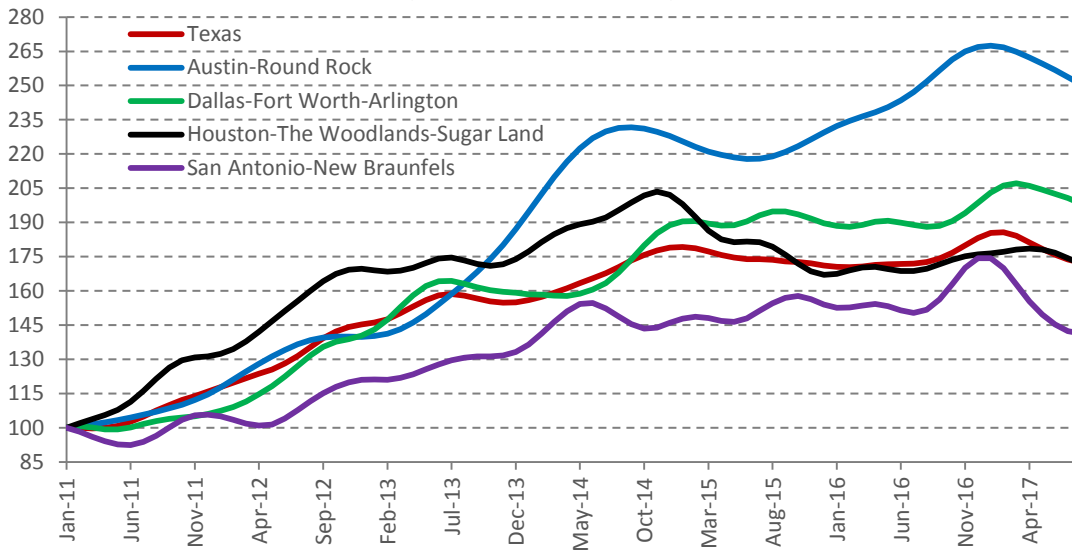
Note: Seasonally adjusted and detrended. Fort Worth is missing data for Somervell County.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Housing Starts (Index Jan 2007 = 100)



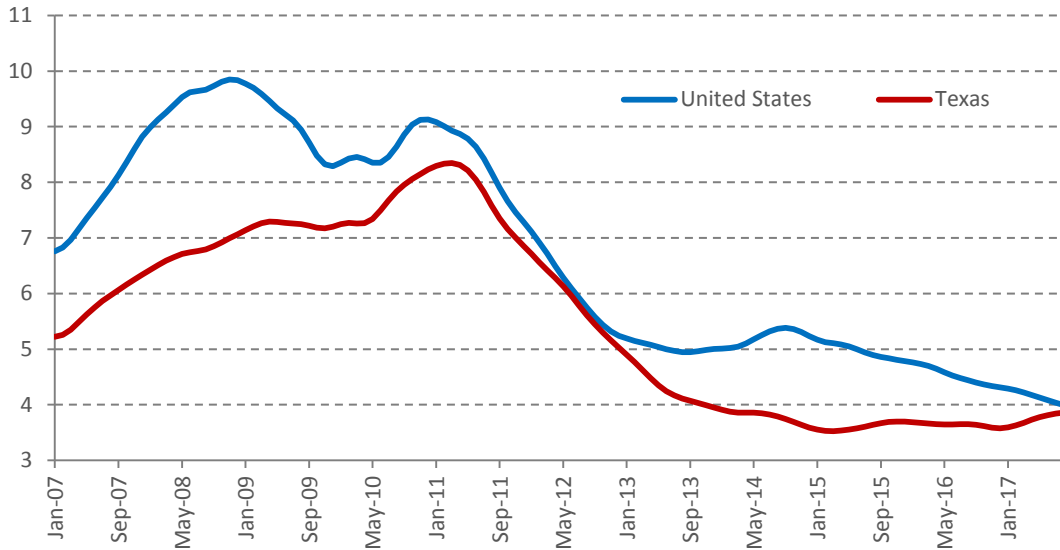
Note: Seasonally adjusted and detrended.
Source: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

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



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

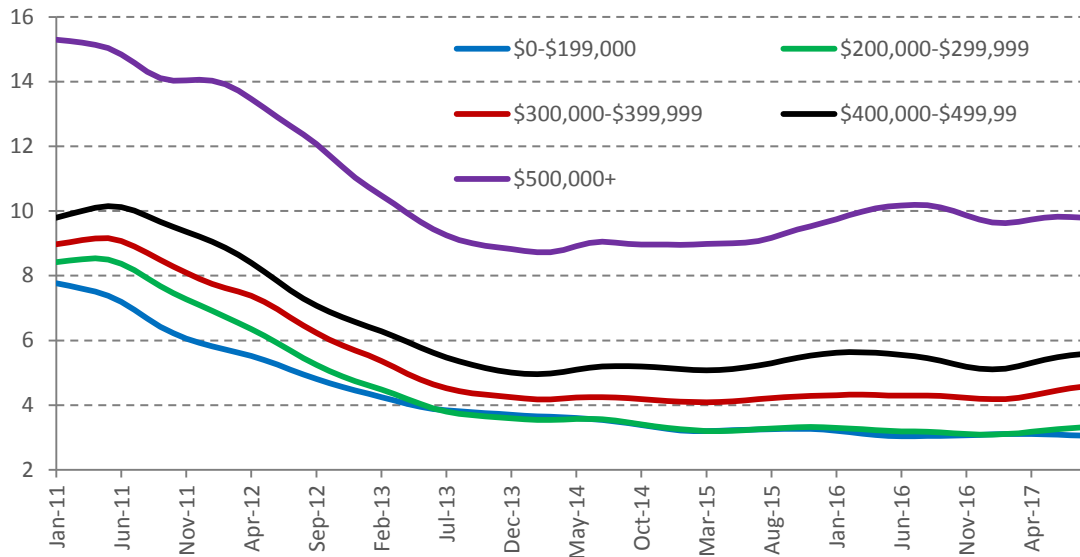
Total Months of Inventory (Months)



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. 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)

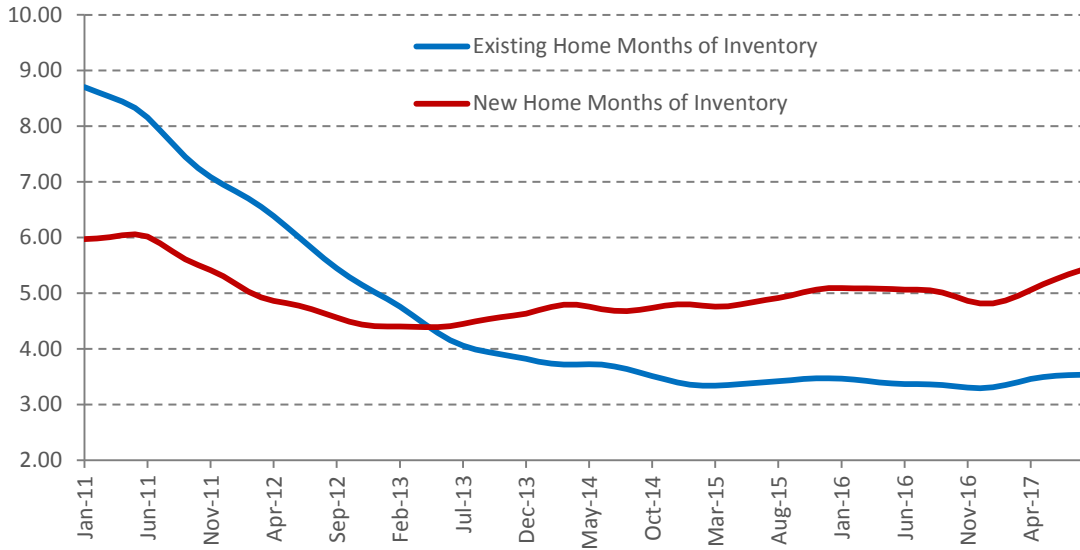


Note: Seasonally adjusted and detrended.

Source: Real Estate Center at Texas A&M University

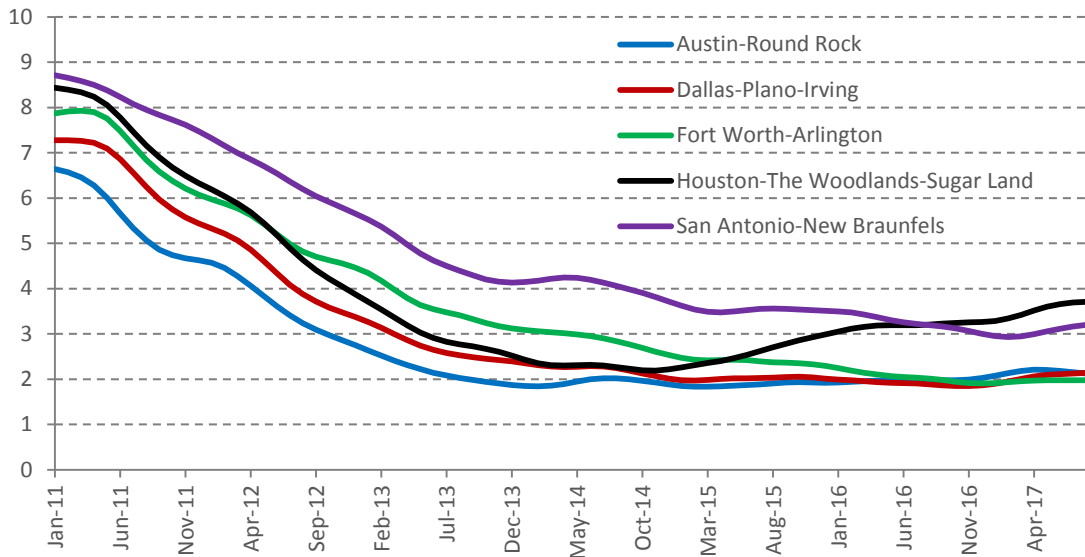


Texas Existing and New Home Months of Inventory (Months)



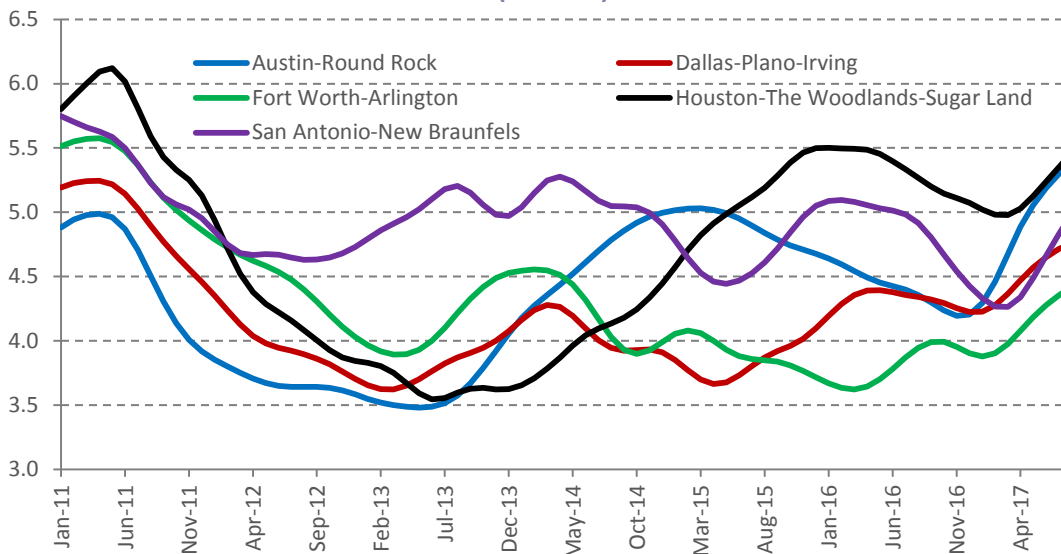
Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Months of Inventory (Months)



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

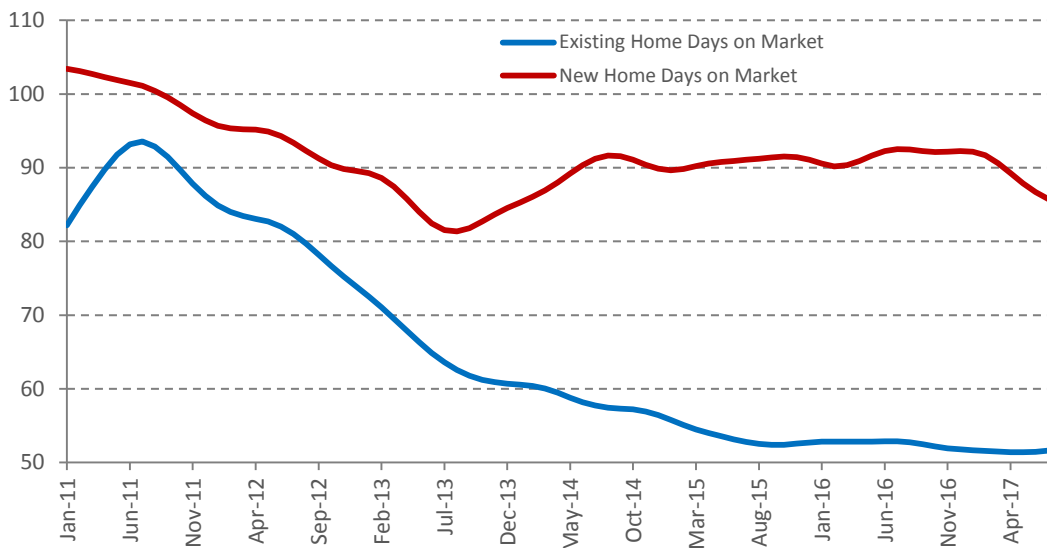
Major Metros New Home Months of Inventory (Months)



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

Demand

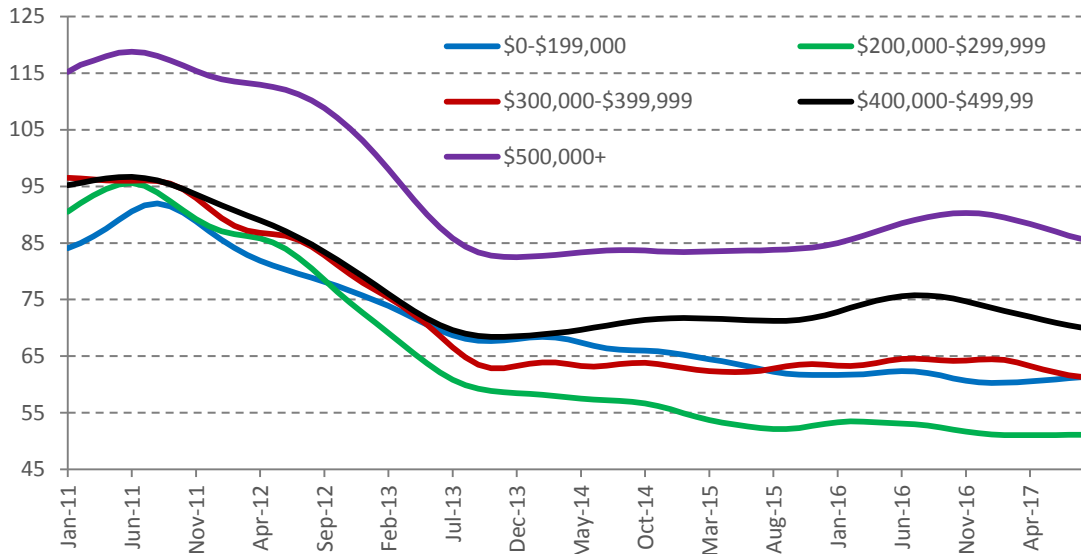
Texas Homes Days on Market (Days)



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

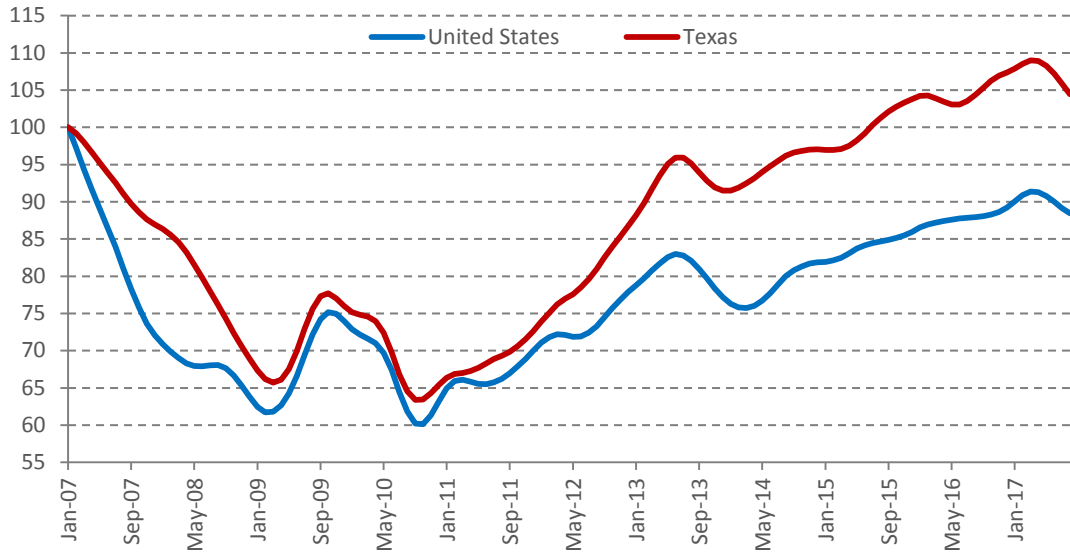


Texas Home Days on Market by Price Cohort (Days)



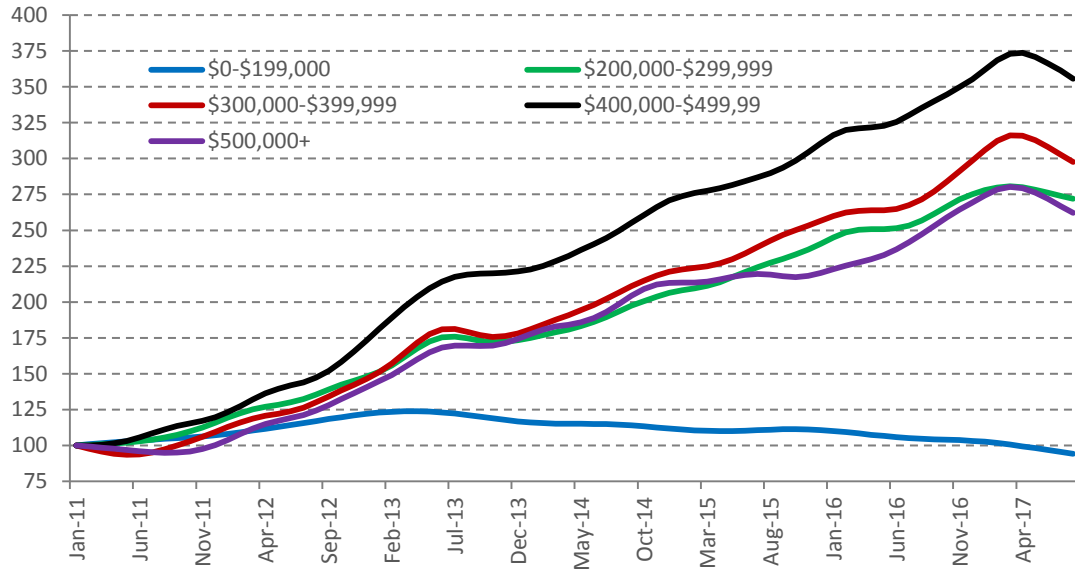
Note: Seasonally adjusted sales reported by MLS and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University.

Housing Sales (Index Jan 2007 = 100)



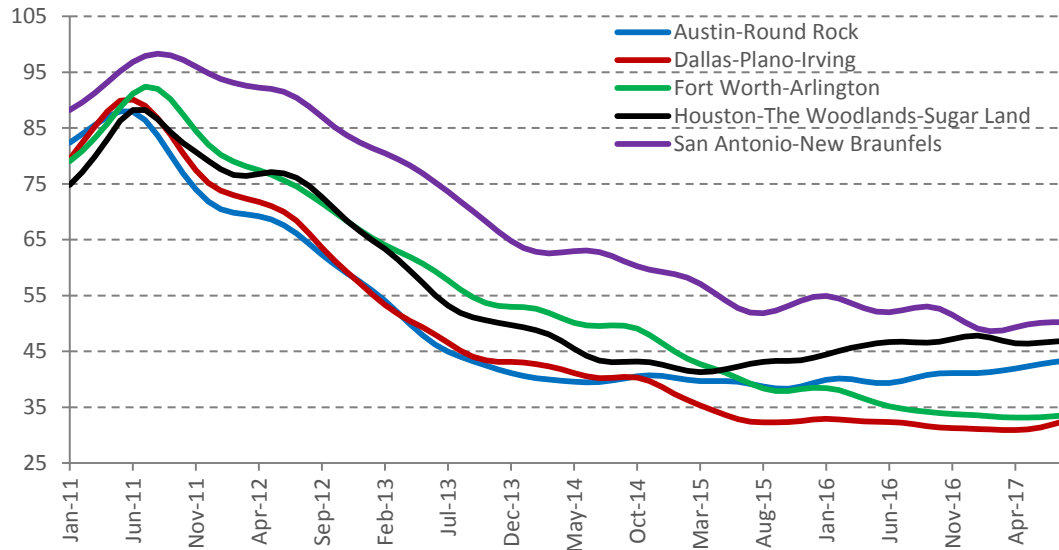
Note: Seasonally adjusted and detrended. Sales for the United States include all existing homes and new single-family homes; new non-single-family homes are not included. Texas includes all existing and new homes.
For more information see [Housing Sales](#).
Sources: U.S. Census Bureau, National Association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

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



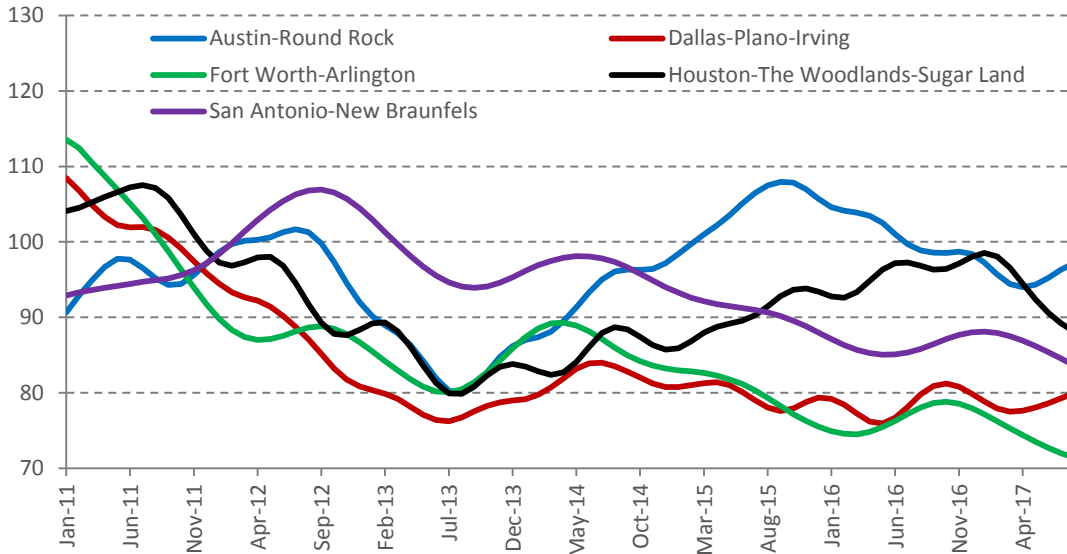
Note: Seasonally adjusted sales reported by MLS and detrended.
Source: Real Estate Center at Texas A&M University.

Major Metros Existing Homes Days on Market (Days)



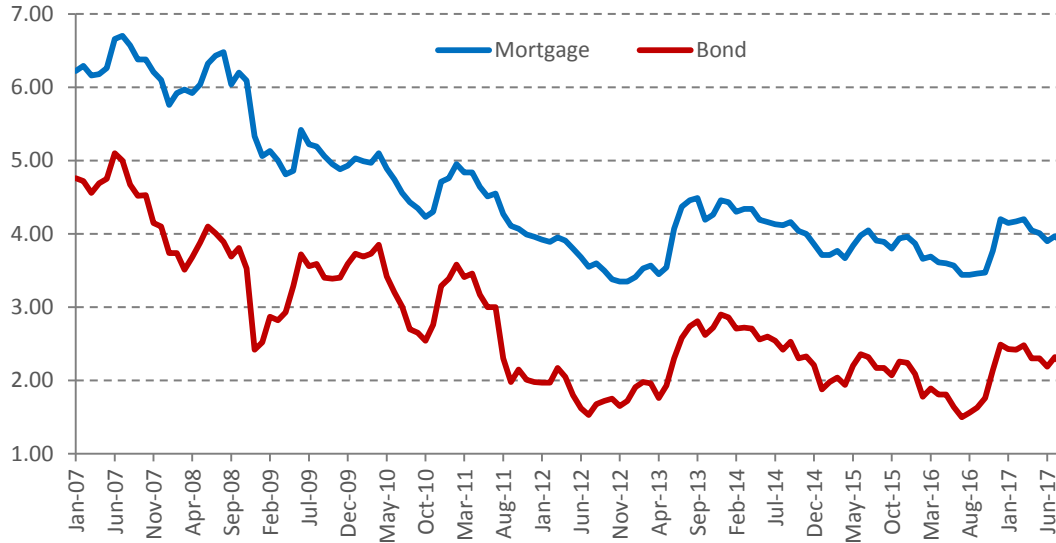
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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

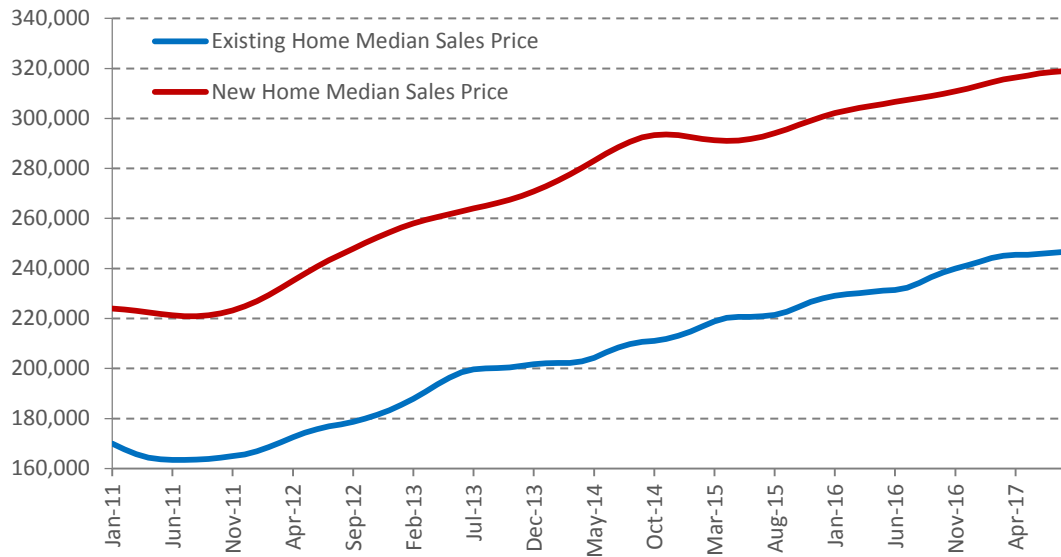
30-Year Mortgage Rate and 10-Year Bond Yield (Percent)



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

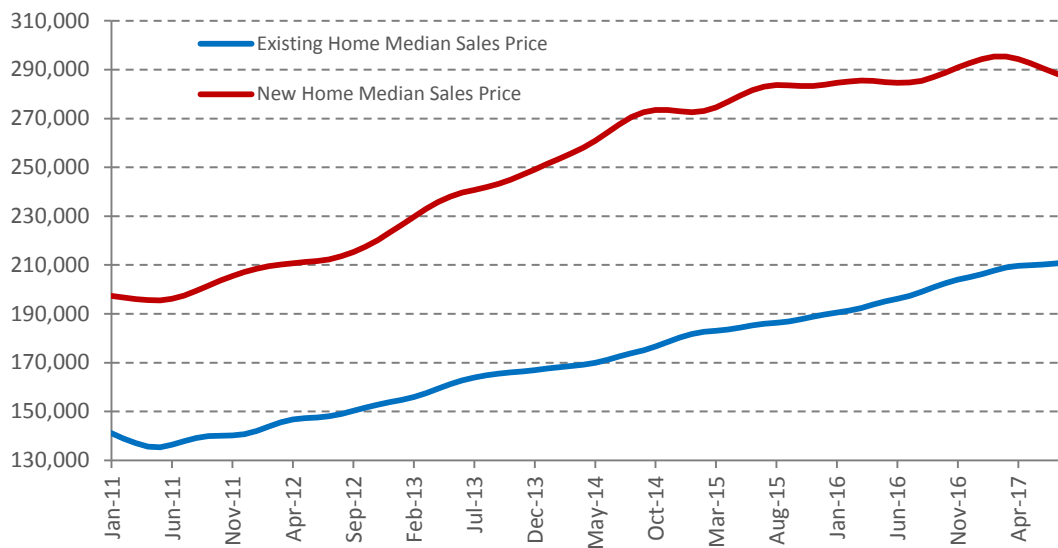
Prices

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



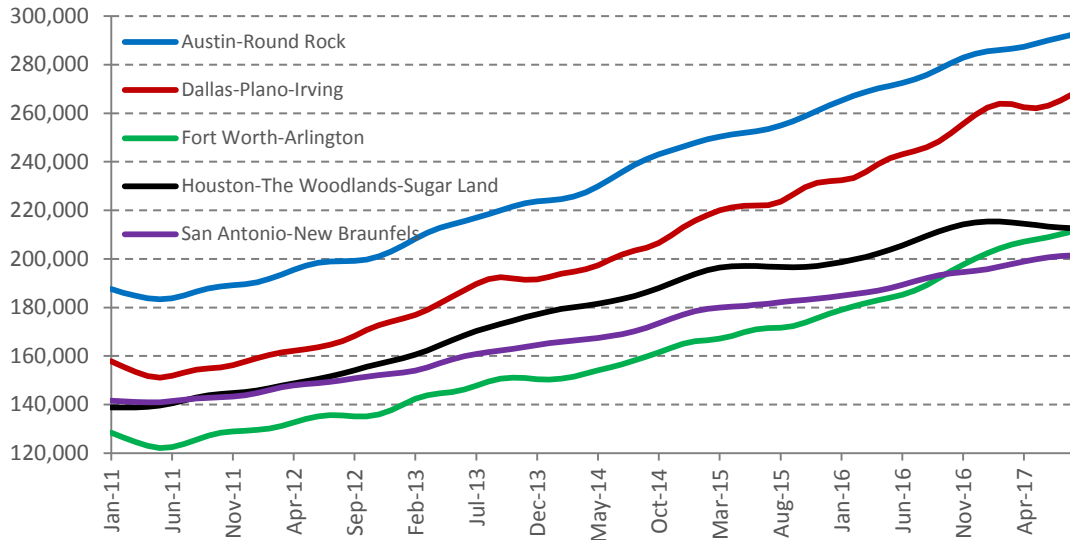
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



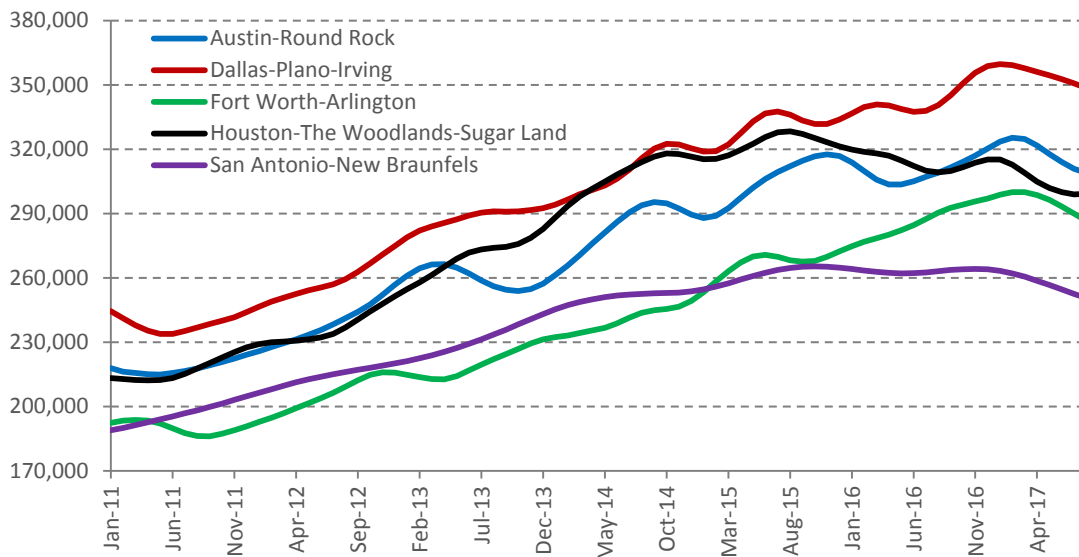
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



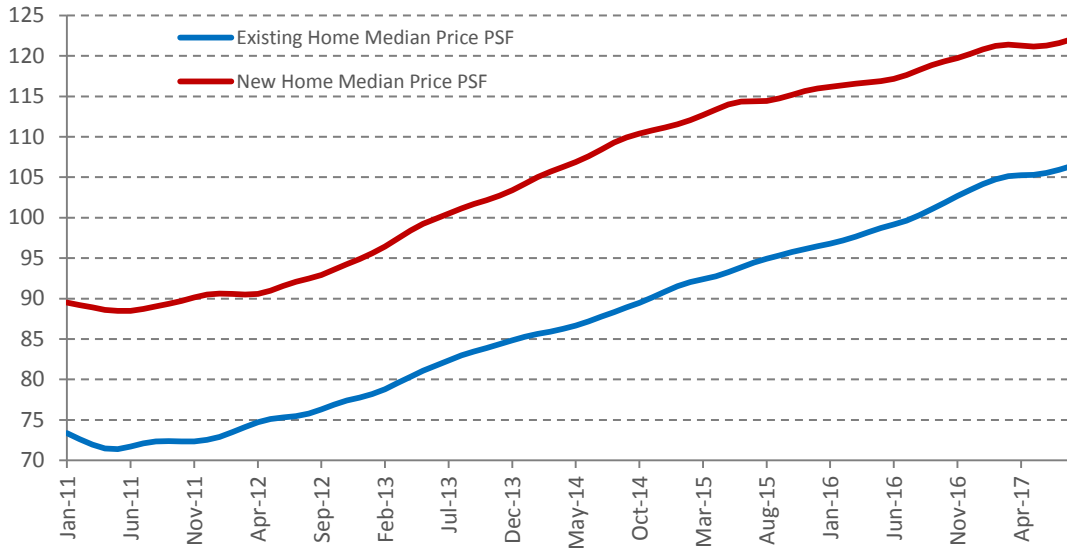
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



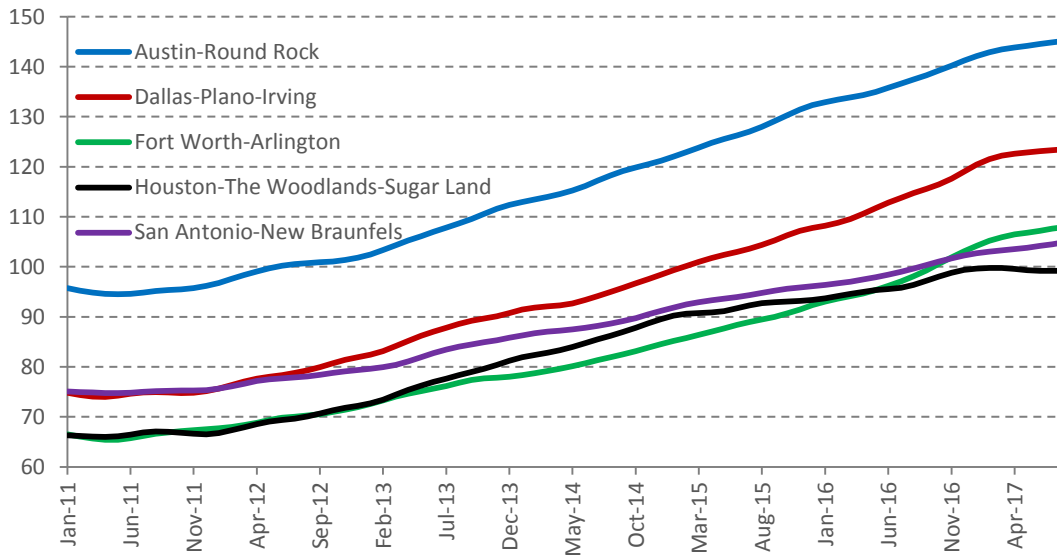
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



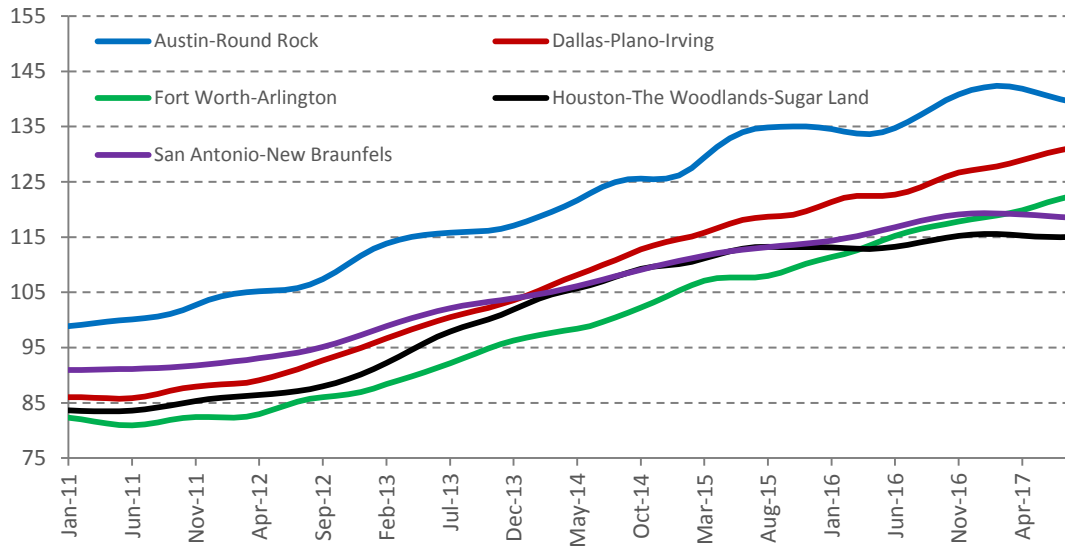
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



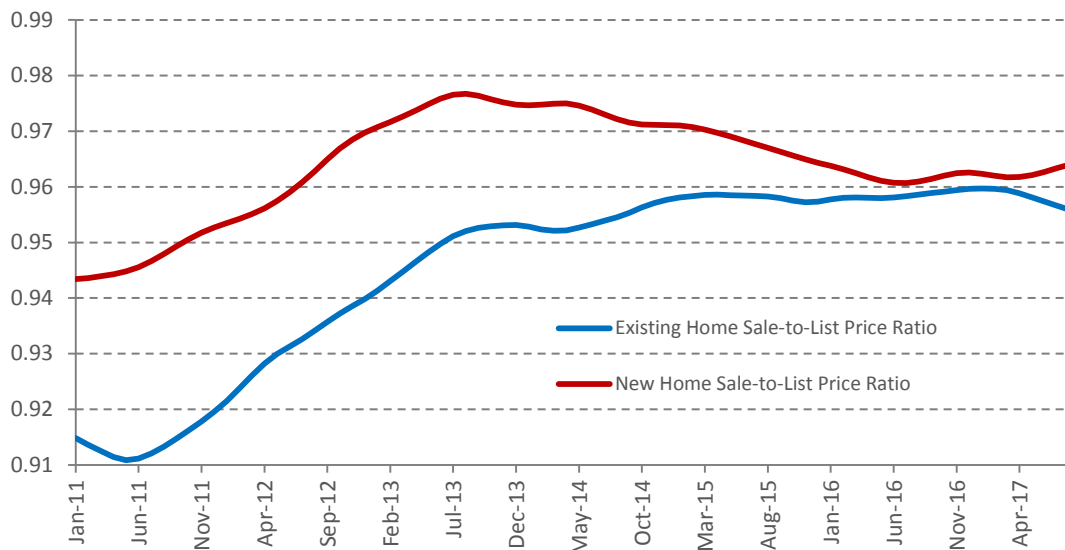
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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

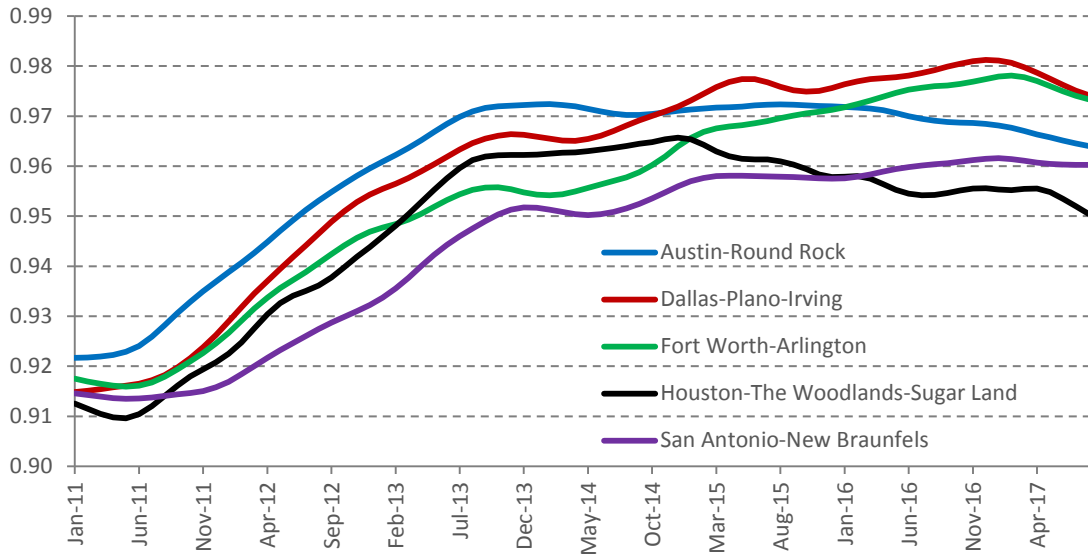
Texas Home Sale Price to List Price Ratio (%)



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

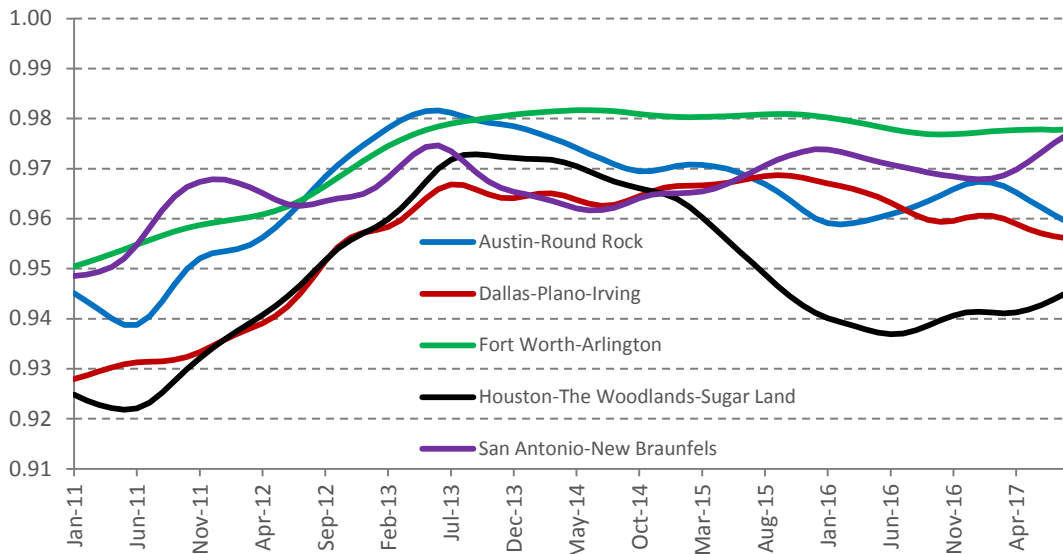


Major Metros Existing Home Sale Price to List Price Ratio (%)



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



MAYS BUSINESS SCHOOL

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

<http://recenter.tamu.edu>
979-845-2031

DIRECTOR

GARY W. MALER

ADVISORY COMMITTEE

DOUG ROBERTS, CHAIRMAN Austin	DOUG JENNINGS, VICE CHAIRMAN Fort Worth
MARIO A. ARRIAGA Conroe	BESA MARTIN Boerne
RUSSELL CAIN Port Lavaca	TED NELSON Houston
ALVIN COLLINS Andrews	C. CLARK WELDER San Antonio
JACQUELYN K. HAWKINS Austin	BILL JONES, EX-OFFICIO Temple