

Cold Comfort

Uri Slowed New Listings, But Not Much Else

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June 10, 2021

Publication 2307



Over a year has passed since the start of the COVID-19 pandemic. Remarkably, the housing market has remained incredibly robust despite negative pressures from both the economy and the virus. Then came Winter Storm Uri.

Was a historic snowstorm able to knock the housing market off balance? Did a major change in health policy affect homebuyer or, more importantly, home seller sentiments?

Deep Freeze

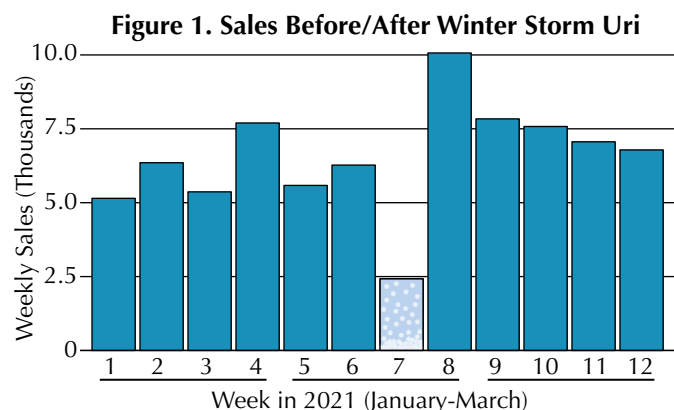
Uri hit the Lone Star State in mid-February. The novelty of snowfall in Texas quickly wore off as snow levels rose and temperatures dropped below freezing. The situation worsened when Electric Reliability Council of Texas' (ERCOT) electrical grid failed, leaving many residents without power and unable to keep warm.

The impact on the housing market was severe but brief. Pending and actual sales declined dramatically during the week of the storm but returned with a vengeance the following week, once again demonstrating the high demand for housing (Figure 1).

The Takeaway

Winter Storm Uri didn't slow down Texas home sales, but it did slow the pace of new listings. Meanwhile, housing inventory has yet to be helped by the reopening of the economy.

The pace of new listings coming to market also took a hit but, unlike sales, didn't make the same dramatic comeback.



Source: Texas Real Estate Research Center at Texas A&M University

Until mid-February, new listings were coming into play at rates similar to previous years. With housing in such short supply, this was a welcome sight. The pace of new listings hasn't been the same since Uri. In fact, Uri created a listings gap between 2021 and past years that continues to widen (Figure 2). This gap comes at a crucial point, just before the prime home-selling season begins.

This shortfall in new listings has been statewide, with a few exceptions. Despite a rough oil market, Midland and Odessa are still ahead with their new listings pace even after the slowdown in February. The other exception is El Paso, which is not connected to the ERCOT power grid like the rest of the state.

While Uri certainly had an impact on listings that week, it's important to separate broader housing trends from the short-term shock brought on by the pause in business activity. Looking back, the shortage of listings is not only a Texas trend but a national one as well. Instead, unexpected shocks such as natural disasters have a way of exacerbating underlying trends. In other words, Uri likely spurred a decline in listings that had already been expected.

Is it Safe to Come Out Yet?

In early March, Gov. Greg Abbott ended the state's COVID-related business restrictions and mask mandate. For many service-related businesses, the policy change was a much-needed spark that hopefully will improve consumer confidence, provided virus conditions remain manageable.

According to the Federal Reserve Bank of Dallas, the change in business sentiment, particularly for retail establishments, is apparent. Outlook for future business activity and overall company outlook are already on the rise (Figure 3). Expected revenues and employment opportunities are also on the rise but at lesser magnitudes. Optimism is increasing among businesses, but how about among consumers?

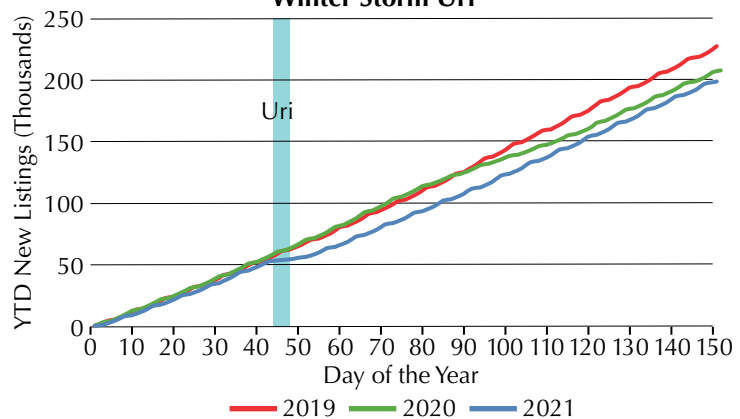
Months after the governor's announcement, it's tough to tell if consumers are as eager to return to their former consumption habits. Google's Mobility Index shows many Texans appear more likely to venture away from home now than they were at any other time since the start of the pandemic. Does that mean that they're spending more? Possibly, but the answer is unclear.

Although Google data show foot traffic at retail and recreation locations throughout the state are on the rise, revenue streams may not have caught up yet. Sources such as Womply, a small business services company, claim revenues for many local businesses in Texas are still far below pre-pandemic levels, suggesting business fortunes may not return overnight even with looser restrictions.

The gap is widest for food accommodation and leisure and hospitality businesses, which also suffered the largest employment setbacks since the pandemic. As of April 2021, these sectors were operating at revenue levels that were nearly 60 percent below February 2020 levels (Figure 4).

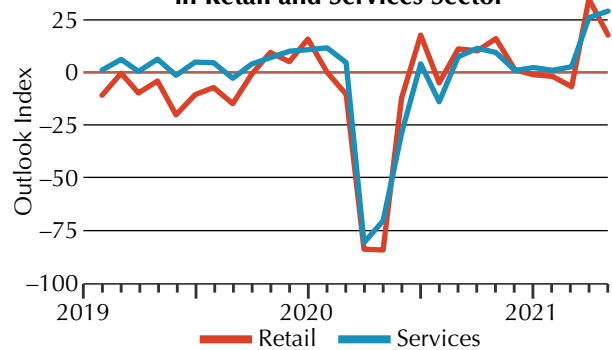
Meanwhile, there's been no hesitation among homebuyers to buy during the pandemic. The policy change doesn't appear to have had much impact on sales so far. Unfortunately, there doesn't appear to be much change

Figure 2. New Listings Before/After Winter Storm Uri



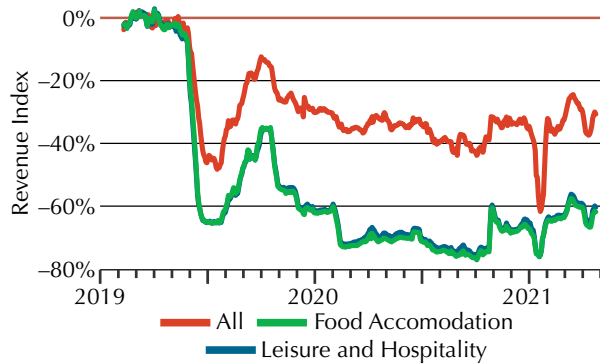
Source: Texas Real Estate Research Center at Texas A&M University

Figure 3. Future Company Outlook in Retail and Services Sector



Source: Federal Reserve Bank of Dallas

Figure 4. Food Accommodation, Leisure & Hospitality Revenue Index Since COVID



Source: Opportunity Insights (<https://tracktherecovery.org/>)

in seller sentiment either, judging by the pace of new listings. It's uncertain if opening up the economy will do much to alleviate housing market pressures on the supply side since the economy and the housing market have, for the most part, acted independently of each other since the onset of COVID.

Heading to the Suburbs

One of 2020's biggest migration trends was the push toward the suburbs, at least for certain types of households. U.S. Census Bureau data show overall migration was down, but that was largely driven by the downward spiral of renter household movement. Homeowners, a much smaller cohort, had a record year of moves.

Nationally, most of the movement was not from state to state but rather from a densely populated to a less densely populated part of a metropolitan area. Although state-to-state migration did expand in 2020, it was largely overshadowed by growth in movement both within the same county and to surrounding counties. What evidence of the national trend is there in Texas?

Change of address requests collected by the U.S. Postal Service suggest there was serious movement to the outskirts of Texas' major metros, both in absolute terms and year-over-year growth (see map). Data tracking includes family movement in and out of specific ZIP codes. Given known housing and migration trends, these families more likely represent homeowners than renters, but the data don't explicitly distinguish between the two.

Many of these areas were already high-growth territories, and the pace only accelerated after the pandemic. For example, in ZIP code 78132, which covers north New Braunfels, migration

added a net of almost 1,000 new families in 2020, amounting to a 19 percent increase over the prior year. The influx of families coincided with a more than 25 percent increase in home sales.

Meanwhile, some of the deepest drops in net family migration came from core counties of Texas' major metros. ZIP code 78660 in Pflugerville had an almost 30 percent drop. Annual home sales in that area fell almost 6 percent. However, to say demand there is struggling would be misleading. Instead, what is likely happening is that sales in this market, and many others like it, have reached the point where the market can no longer accommodate demand because of almost nonexistent inventory. While sales are down, sellers in these areas are basically calling the shots selling their homes in record time and at aggressive price points with little wiggle room for negotiation.

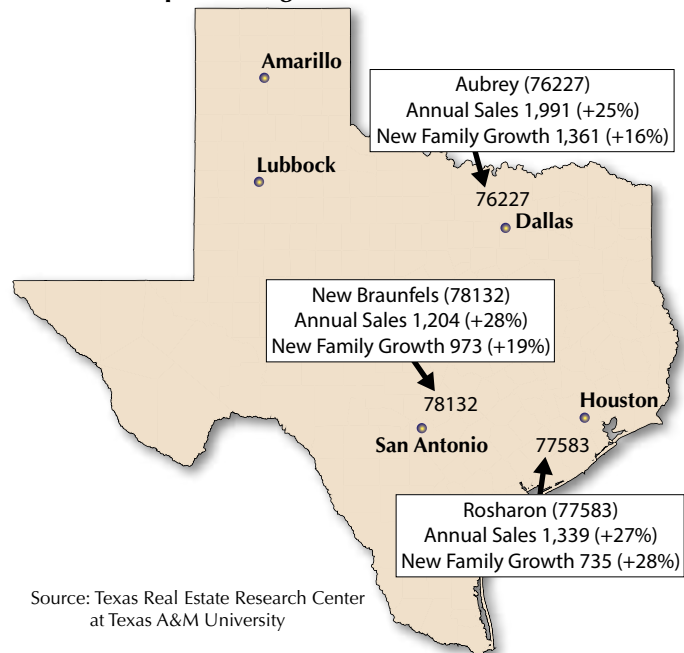
Given the underlying housing dynamics, this adds a variety of potential homebuying motivations other than the virus or a need to upgrade. Potential homebuyers may simply have no choice but to move to outer metro areas.

Returning to Normal?

Texas' housing market had an aggressive first half of 2021, despite two major events.

Winter Storm Uri didn't stop home sales for long. However, it did slow the pace of homes coming to market, a

Examples of Migration to Suburbs in 2020



Source: Texas Real Estate Research Center at Texas A&M University

situation that has yet to be remedied by the reopening of the Texas economy. For these reasons, housing supply continues to dominate concerns.

After a long break in everyday commerce, the return to full normal may take longer than hoped. 🍀

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