



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



# TEXAS HOUSING INSIGHT

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FEBRUARY 2021 DATA

TECHNICAL REPORT

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## ABOUT THIS REPORT

Texas Real Estate Research 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](mailto:info@recenter.tamu.edu).

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Data current as of April 9, 2021

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# FEBRUARY 2021 SUMMARY

MONTHS INVENTORY

▼ 1.5

HOUSING SALES

▼ -16.1% MOM

US FIXED 30-YR MORTGAGE RATE

▲ 2.8%

DAYS ON MARKET

▬ 42

TEXAS REPEAT SALES INDEX

▲ 10.4% YOY

Total Texas housing sales plummeted 16.1 percent in February as Winter Storm Uri swept across the state, causing widespread power and water outages. Before the freeze, however, sales were at record levels and should rebound in March as indicated by the Texas Real Estate Research Center's single-family sales forecast. The number of new homes added to the Multiple Listings Service (MLS) was also negatively affected by the wintery weather, exacerbating the limited supply issue. Building permits and housing starts decreased on a monthly basis but remained elevated overall, which bodes well for construction activity this year. Additionally, improved economic growth and inflation expectations contributed to rising mortgage interest rates, the continuation of which may slow the current breakneck pace of sales. Depleted inventory is the greatest challenge to Texas' housing market, assuming the pandemic remains contained.

## Supply\*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction levels, ticked up as industry employment and wages improved. The **Residential Construction Leading Index** also continued its upward trajectory due to overall elevated building permits and housing starts despite monthly contractions, pointing toward increased construction in the coming months. Similarly, the metropolitan leading indexes suggested future activity to be favorable. Only in Houston, where permits and starts fell significantly, did the metric indicate an impending slowdown in building.

**Single-family construction permits** declined for the second straight month in February, dropping 12.4 percent. Nevertheless, issuance exceeded its 2006 average and elevated 20.8 percent compared with last year on a year-to-date (YTD) basis. Dallas-Fort Worth continued to lead the nation with 3,796 nonseasonally adjusted permits, followed by Houston at 3,395 permits. Issuance in Austin decreased to 1,862 permits but still remained well above pre-Great Recession levels. Although San Antonio's metric ticked down to 1,000 permits, the overall trend persisted upward. Similarly, Texas' multifamily permits sank 11.5 percent; year-over-year comparisons, however, were largely positive.

Amid rising lumber prices and utility outages across the state, **total Texas housing starts** fell 6.2 percent. **Single-family private construction values** decreased 13.3 percent in real terms after

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



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flattening the previous month. Monthly fluctuations in Houston construction values reflected broader movements in the statewide metric, while Austin and Dallas values normalized from record activity. San Antonio values also corrected downward in February after increasing by a third of December levels, flattening at its year-long average.

Although sales declined, the number of new MLS listings plunged to its lowest measure since the economic shutdown last spring, pushing **Texas' months of inventory (MOI)** down to an all-time low of 1.5 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, dropping below 1.2 months. Even the MOI for luxury homes (homes priced more than \$500,000) slid to 2.7 months compared with 5.8 months a year ago.

The supply situation in Austin and North Texas was even more critical than the statewide metric. Inventory expanded minimally in Austin's mid-range price cohorts, but the overall MOI flattened at 0.5 months. Meanwhile, Dallas and Fort Worth's metric fell to 1.1 and 1.0 months, respectively. On the other hand, the Houston MOI remained highest out of the major metros despite ticking down to 1.9 months. Fluctuations in San Antonio inventory matched the state average.

## **Demand**

After a solid start to the year, **total housing sales** decreased 16.1 percent in February during severe disruptions to the state's power grid due to the winter storm. Activity declined across the price spectrum from record transactions the month prior for all but the bottom price cohort (less than \$200,000). Still, luxury home sales remained in positive YTD growth territory. The sales composition continued with shift toward homes priced more than \$300,000 due to depleted inventory and rising building costs.

Luxury home transactions remained positive YTD in the major Metropolitan Statistical Areas (MSAs). Nevertheless, total sales fell 18.3 and 19.7 percent in San Antonio and Houston, respectively, and trended downward in Austin and North Texas. Austin sales plummeted 23.6 percent, but the list-to-sale-price ratio climbed above 1.0 for the fourth consecutive month, indicating especially robust demand. Dallas sales sank 13.1 percent on top of revisions to January data that revealed only modest improvement at the start the year after a sluggish fourth quarter. Fort Worth was the exception, with activity down from year-end levels across the price spectrum. Moreover, total sales declined for the second straight month, registering a 15.3 percent drop in February.

Although Texas' **average days on market (DOM)** flattened at 42 days, it still hovered at an all-time low and shed more than two weeks off its year-ago reading, corroborating strong demand as low mortgage rates remained favorable to homebuyers. The metric also stabilized across the major metros, albeit at lower levels in markets of exceptionally low inventory where available listings were snapped up after just 26 days in Austin and 33 and 30 days in Dallas and Fort Worth, respectively. The average home in Houston and San Antonio sold at a rate closer to the state measure, staying on the market for 41 days in Houston and 44 days in San Antonio.

Progress on the vaccine front and an approved third fiscal stimulus package resulted in higher growth and inflation expectations for 2021. The **ten-year U.S. Treasury bond yield** rose to an annual high of 1.3 percent\* in February. The **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** ticked up for the second straight month to 2.8 percent, although the metric still hovered around historically low rates (series starting in 1971). Further increases in mortgage rates this year may soften housing demand and slow home-price appreciation. Mortgage rates remained low within Texas during January†, sinking to 2.66 percent for non-GSE loans, while the median interest rate for GSE loans was 2.80 percent. February home-purchase applications were affected by the winter storm, falling 14.8 percent YTD but remaining positive relative to year-ago levels. Similar fluctuations were observed in refinance activity as lenders added more requisites and the pool of households able to refinance shrank. (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>.)

## Prices

Although sales activity slowed during the winter storm, the **Texas median home price** continued to post strong growth, accelerating 13.2 percent year over year (YOY) to \$280,400. 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 rise in prices. In Austin and Dallas, where the luxury home market share increased by more than 10 percentage points from last February, the median home price skyrocketed by a record 22.4 and 16.9 percent annually to \$398,700 and \$344,500, respectively. The Fort Worth metric (\$287,900) also rose by an unprecedented 15.7 percent YOY, while San Antonio's (\$268,200) and Houston's (\$281,700) median home prices elevated 11.0 and 12.2 percent, respectively.

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 corroborated increased home-price appreciation, climbing 10.4 percent YOY, but the rate was less than the surge in the median home price suggested. Houston's metric rose by a relatively moderate 7.5 percent, less than the average price appreciation in 2014. The Dallas and Fort Worth indexes jumped 11.4 and 11.7 percent, respectively. On the other hand, the index in Central Texas was more or less in line with median price growth, soaring 23.3 percent in Austin and 10.4 percent in San Antonio. Home-price appreciation unmatched by income improvement will continue to chip away at housing affordability in 2021, especially as mortgage rates rise.

## Single-Family Forecast

The Texas Real Estate Research 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

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\* 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.

† The release of Texas mortgage rate data typically lag the *Texas Housing Insight* by one month.

uncertainty surrounding the COVID-19 pandemic and the availability of reliable and timely data. Texas sales are expected to rebound 12.1 percent in March from the impacts of the winter storm that swept across the state in February. The recovery in Houston and San Antonio is predicted to surpass the state average as single-family sales improve about 17.0 and 13.2 percent, respectively. Austin and DFW sales activity will likely be more subdued, but first quarter transactions should still exceed 1Q2020 levels.

### 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 February, greater than the national share of 7 percent and an uptick from the previous month (Table 2). The metric also inched up within Texas' largest metropolitan areas to 6 and 11 percent in DFW and Houston, respectively. The share of Texas respondents who were not current and expected foreclosure to be either very likely or somewhat likely in the next two months, however, rose only incrementally to 13 percent (Table 3). The proportion of delinquent individuals who were at risk of foreclosure decreased to just 9 percent in North Texas but jumped to one-third in Houston. The increase may be associated with negative economic impacts from the winter storm during February. The Federal Housing Finance Agency's foreclosure and REO eviction moratoriums for properties owned by Fannie Mae and Freddie Mac (the Enterprises) are currently extended through June 30, 2021. After the survey was taken, the Center for Disease Control and Prevention also renewed its federal eviction moratorium through the end of June. Continued stability in the housing market is essential to Texas' economic recovery.

**Table 1. Single-Family Housing Sales Projections**

	<b>Percent Change from Feb. 2021 to March 2021</b>	<b>Percent Change from Jan.-March 2020 to Jan.-March 2021</b>
Texas	12.1	8.5
Austin-Round Rock	17.8	2.9
Dallas-Fort Worth	5.0	-0.5
Houston-The Woodlands-Sugar Land	18.9	17.0
San Antonio-New Braunfels	11.6	13.2

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 single-family housing sales through the Multiple Listing Service.

Source: Texas Real Estate Research 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	34%	59%	7%	0%
Texas	40%	52%	8%	0%
Dallas-Fort Worth	41%	53%	6%	0%
Houston-The Woodlands-Sugar Land	38%	51%	11%	1%

Note: Nonseasonally adjusted. 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, March 3-15, 2021

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

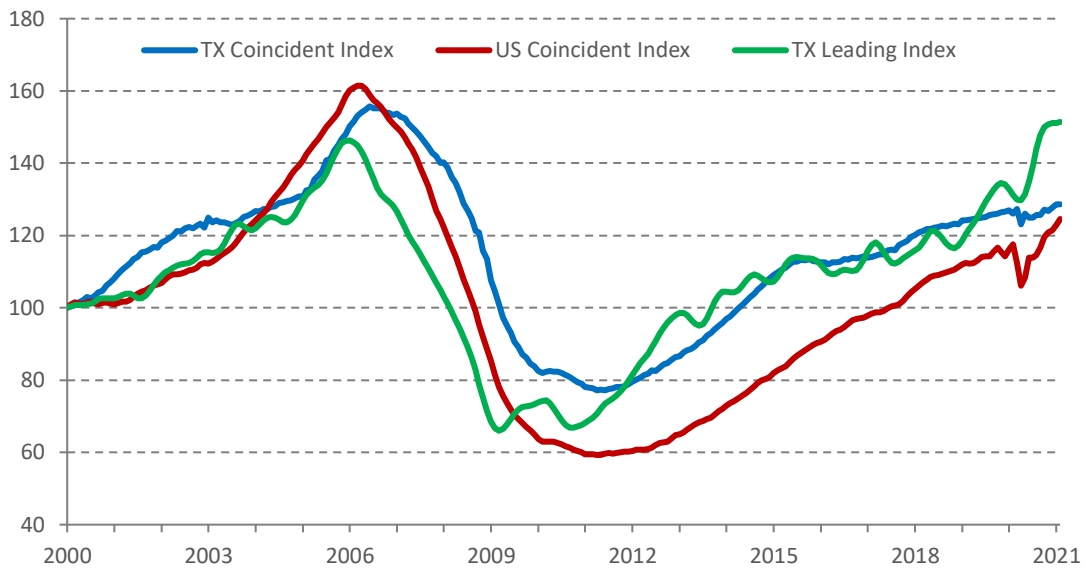
	Very Likely	Somewhat Likely	Not Very Likely	Not Likely at All	Did Not Report
United States	4%	11%	38%	46%	1%
Texas	2%	13%	40%	40%	5%
Dallas-Fort Worth	0%	9%	73%	17%	-
Houston-The Woodlands-Sugar Land	6%	27%	30%	37%	-

Note: Nonseasonally adjusted. 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, March 3-15, 2021



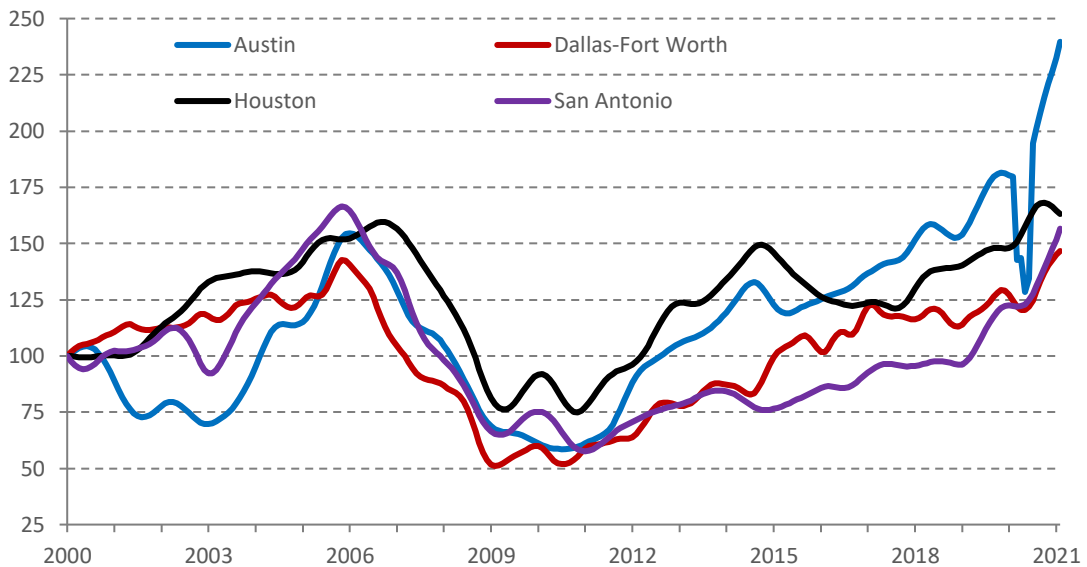
### Texas Residential Construction Index (Index Jan 2000 = 100)



Note: Trend-cycle component.

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

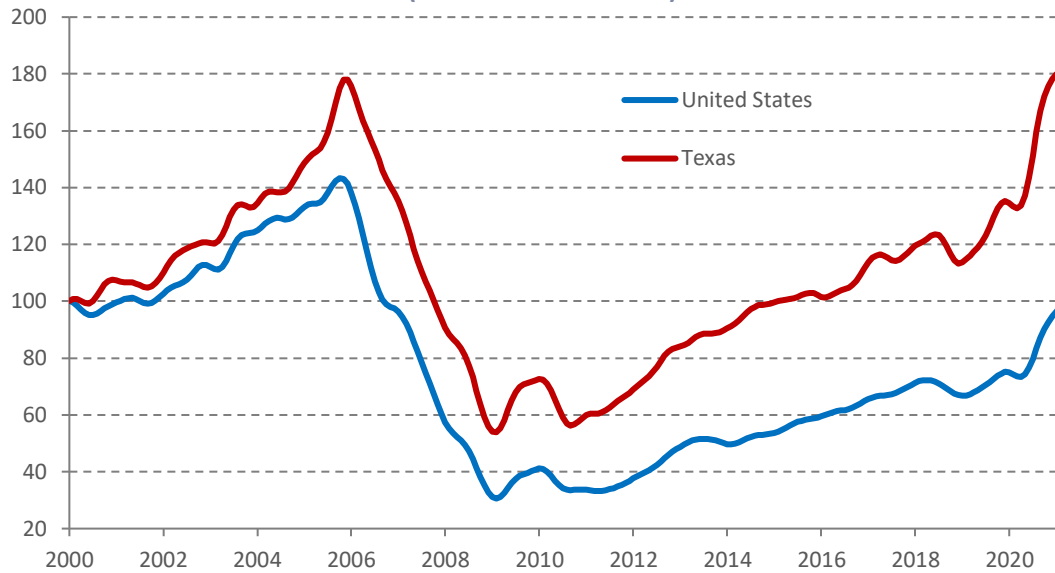
### Major Metro Residential Leading Construction Index (Index Jan 2000 = 100)



Note: Trend-cycle component.

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

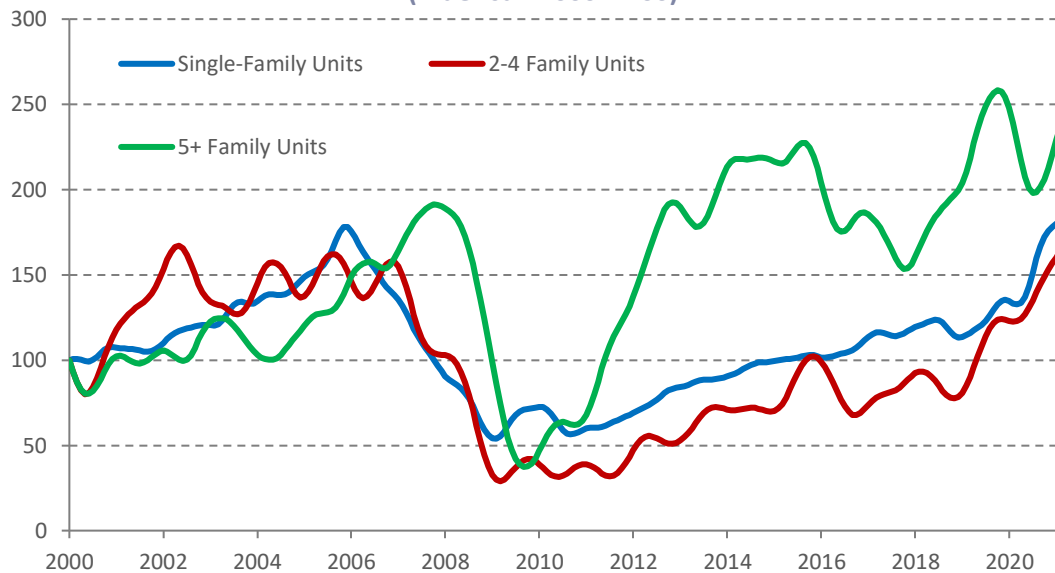
### Single-Family Housing Construction Permits (Index Jan 2000 = 100)



Note: Trend-cycle component.

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

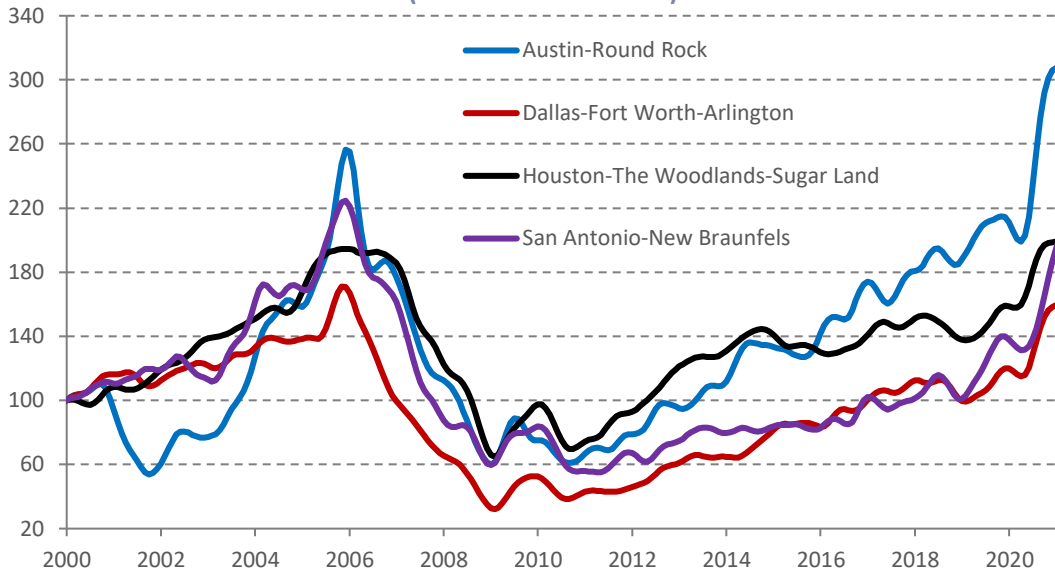
### Texas Housing Construction Permits (Index Jan 2000 = 100)



Note: Trend-cycle component.

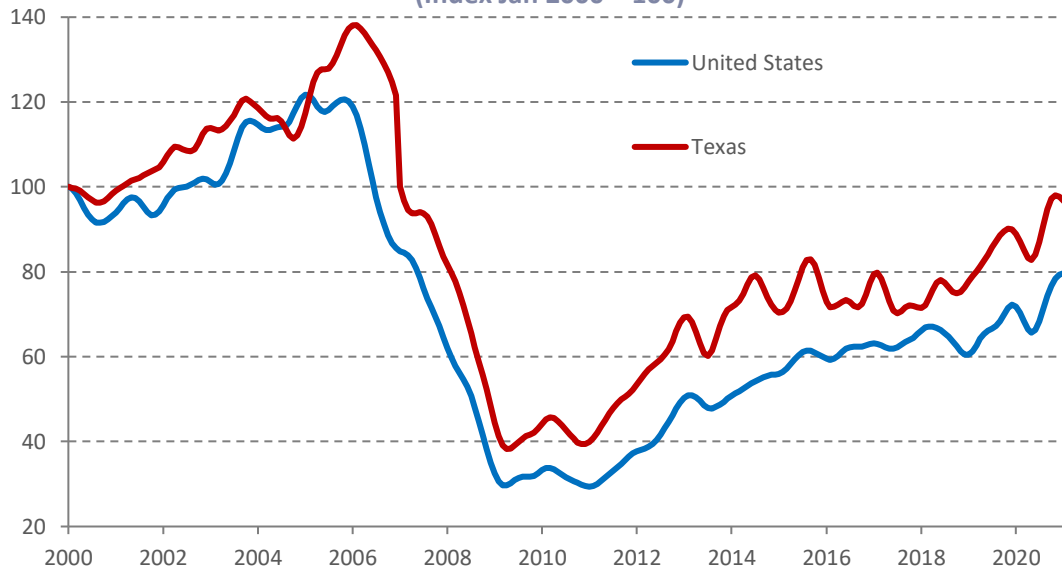
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

### 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 Texas Real Estate Research Center at Texas A&M University

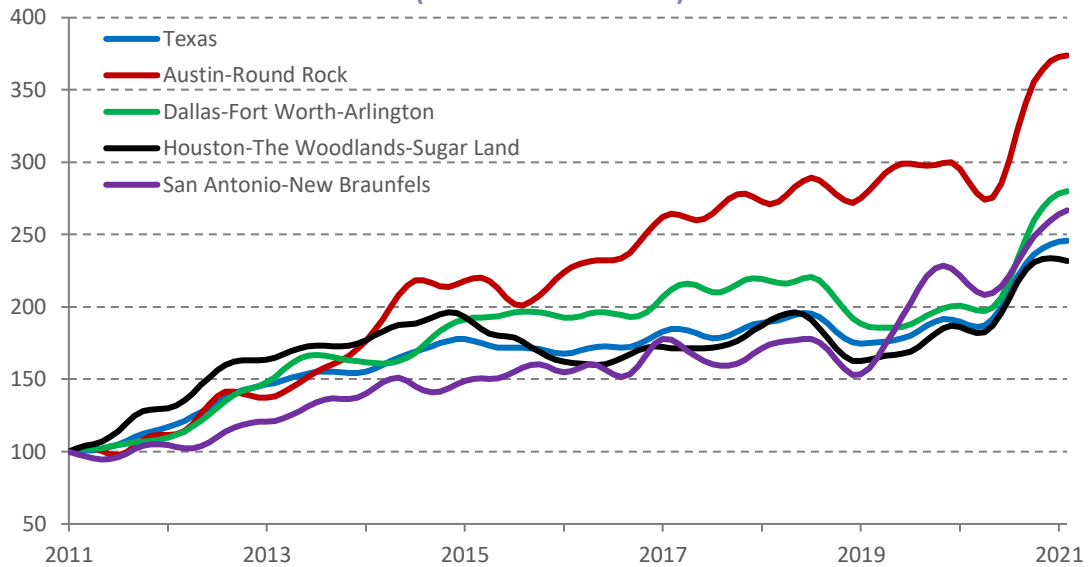
### Total Housing Starts Per Capita (Index Jan 2000 = 100)



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

### Total New Private Single-Family Construction Value

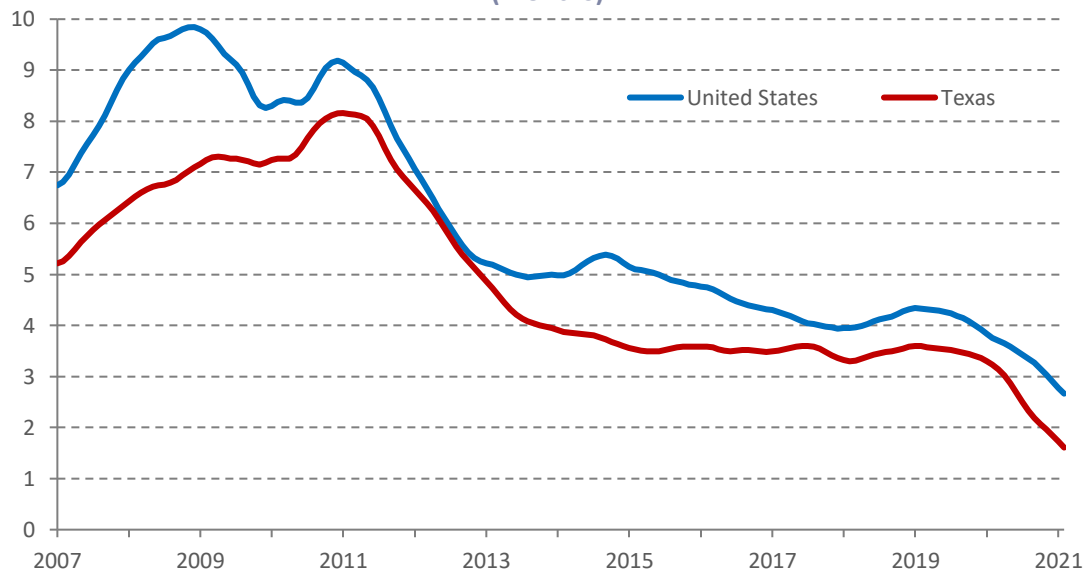
(Index Jan 2011 = 100)



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

### Total Months of Inventory

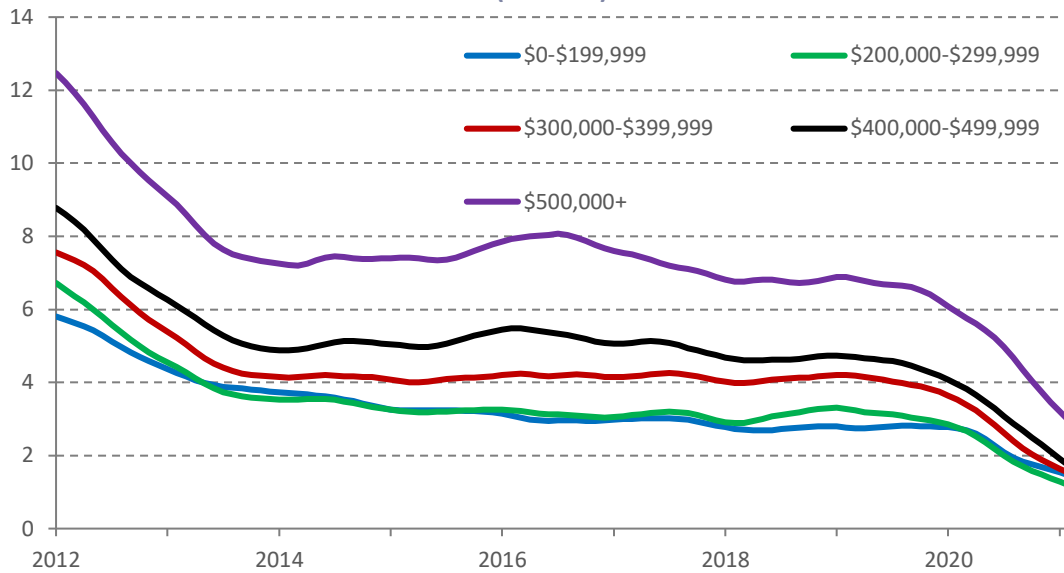
(Months)



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 Texas Real Estate Research Center at Texas A&M University

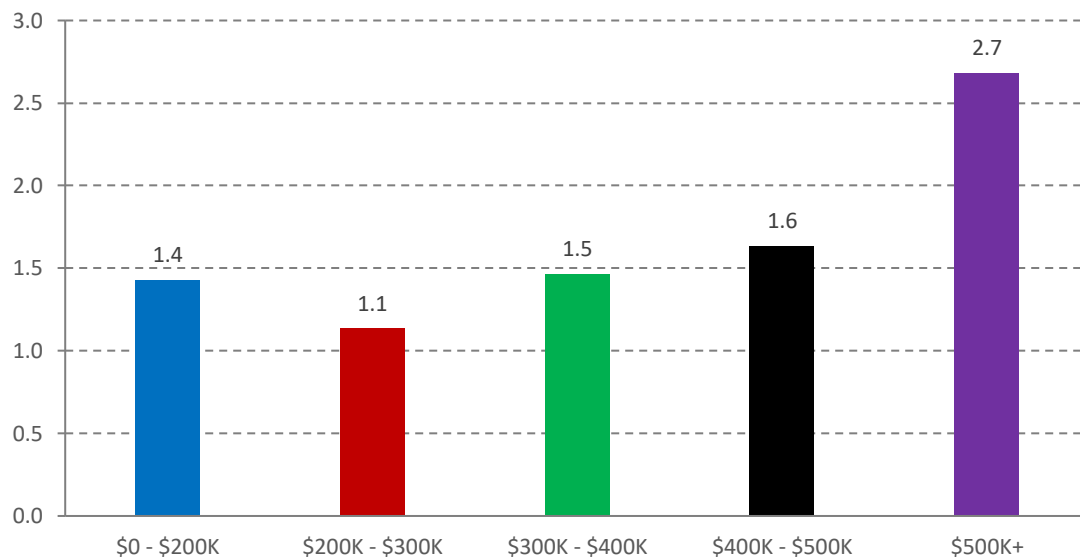
**Texas Months of Inventory by Price Cohort**  
(Months)



Note: Trend-cycle component.

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

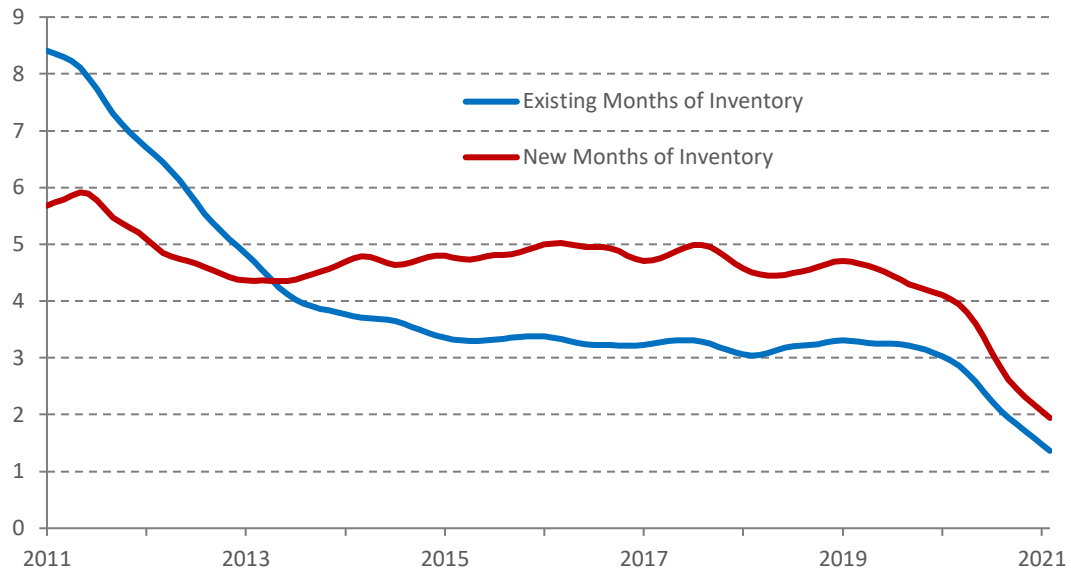
**Texas Current Months of Inventory by Price Cohort**  
(February 2021)



Note: Seasonally adjusted.

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

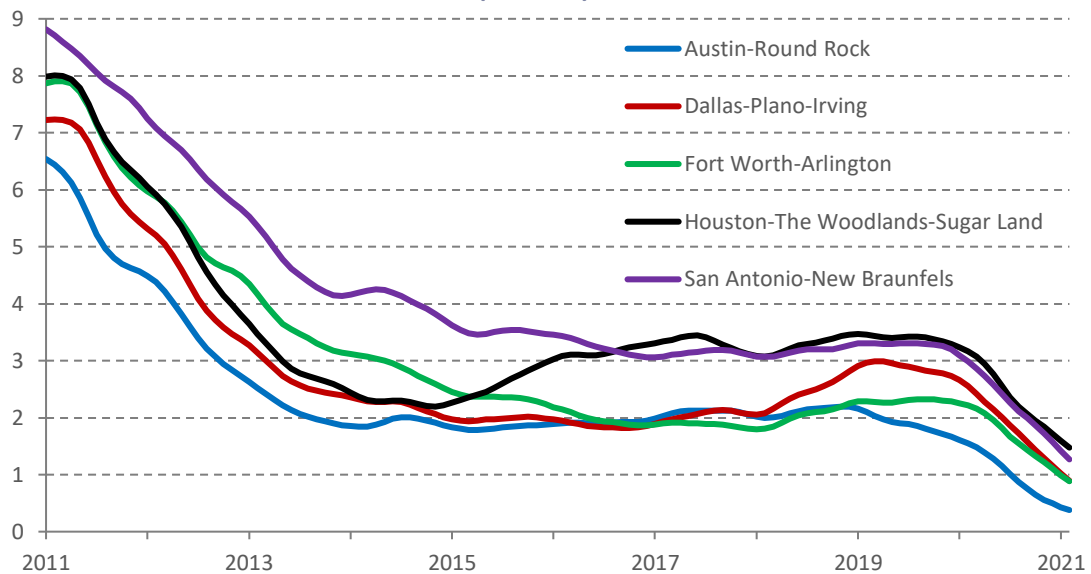
### Texas Existing and New Home Months of Inventory (Months)



Note: Trend-cycle component.

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

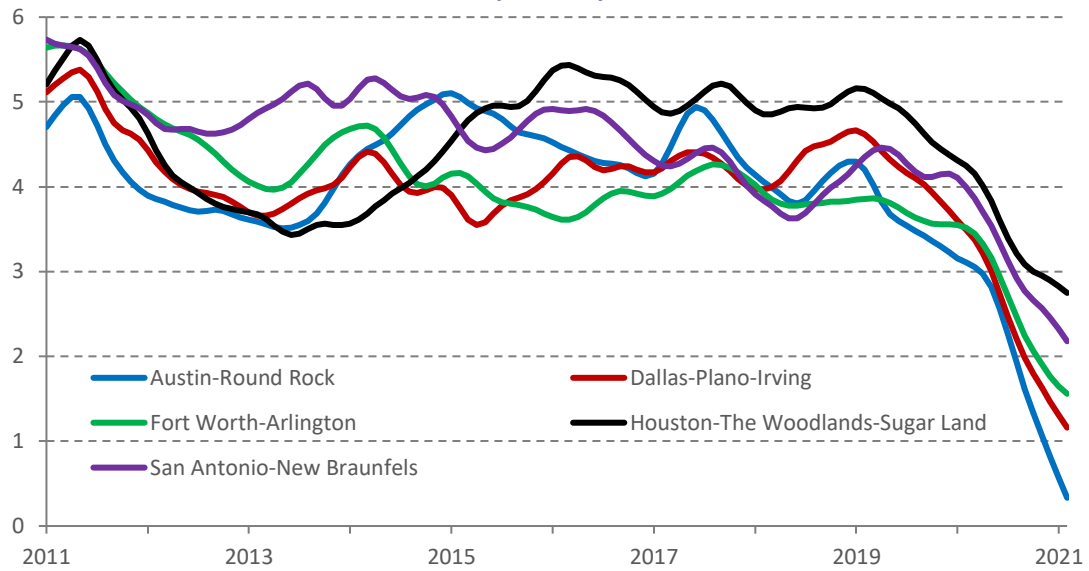
### Major Metros Existing Home Months of Inventory (Months)



Note: Trend-cycle component.

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

### Major Metros New Home Months of Inventory (Months)



Note: Trend-cycle component.

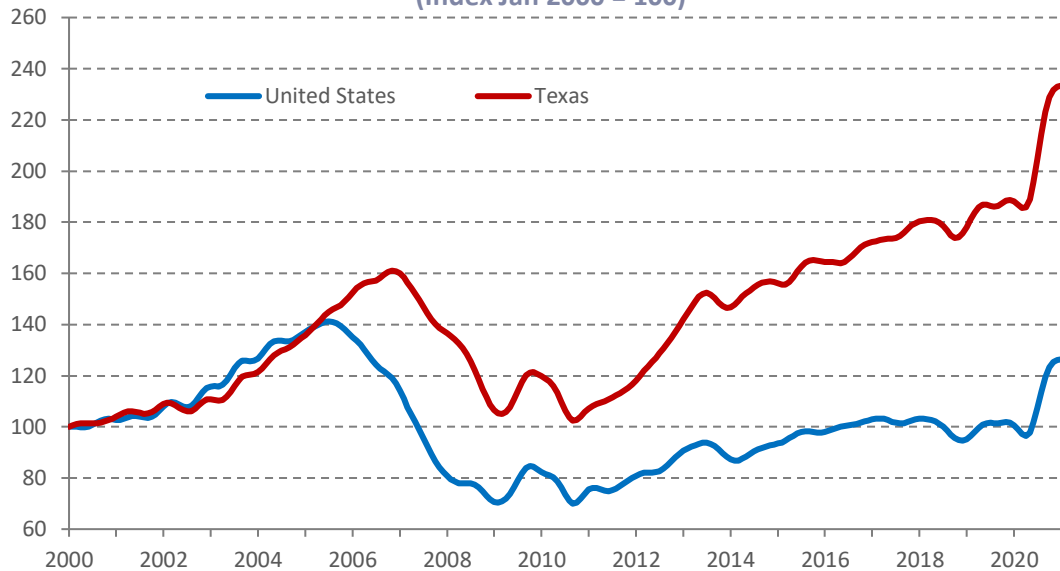
Source: Texas Real Estate Research Center at Texas A&M University





# DEMAND

**Total Housing Sales**  
(Index Jan 2000 = 100)

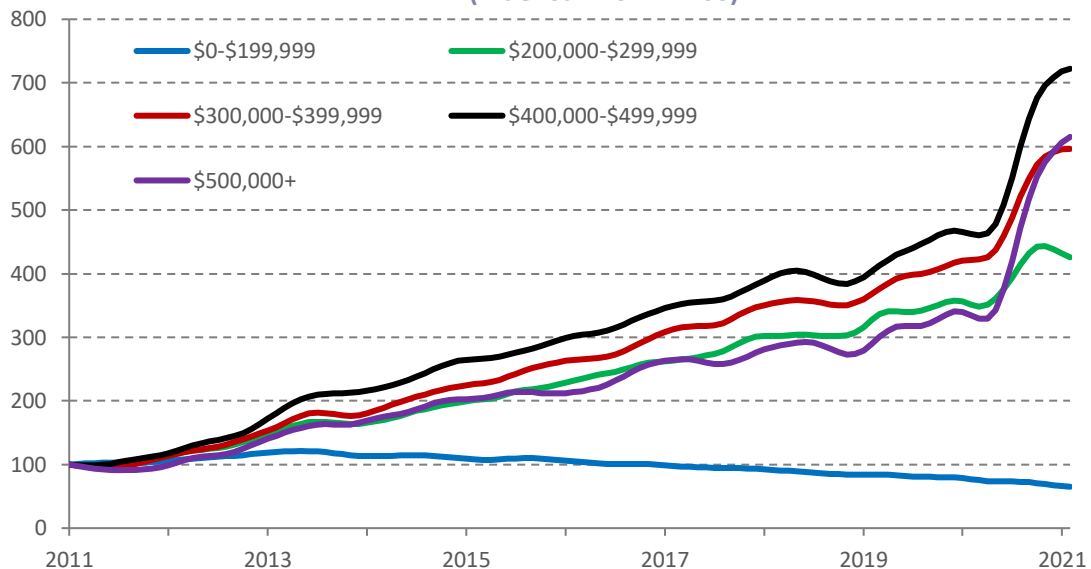


Note: Trend-cycle component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

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

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

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



Note: Trend-cycle component.

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

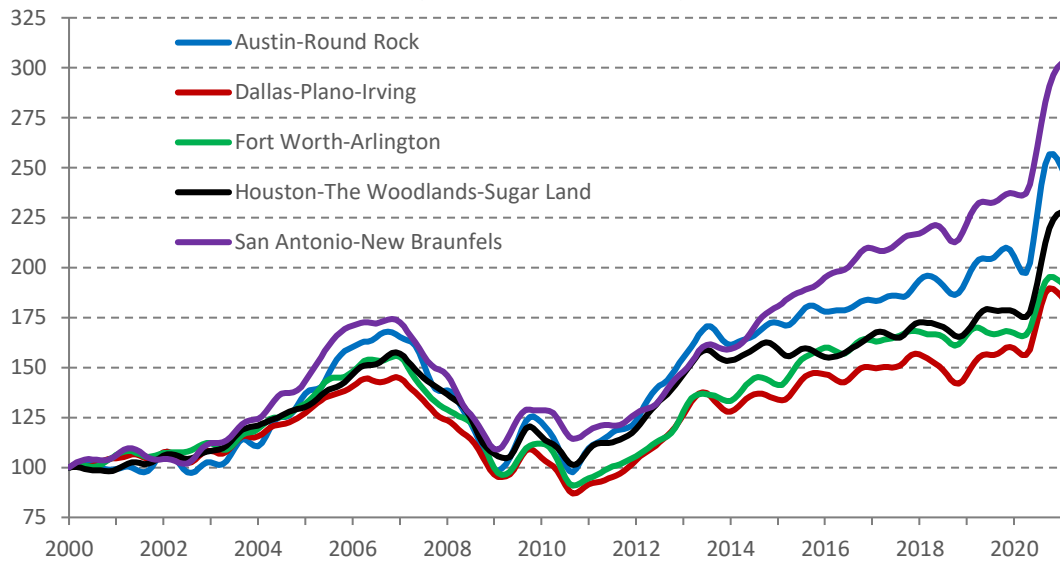


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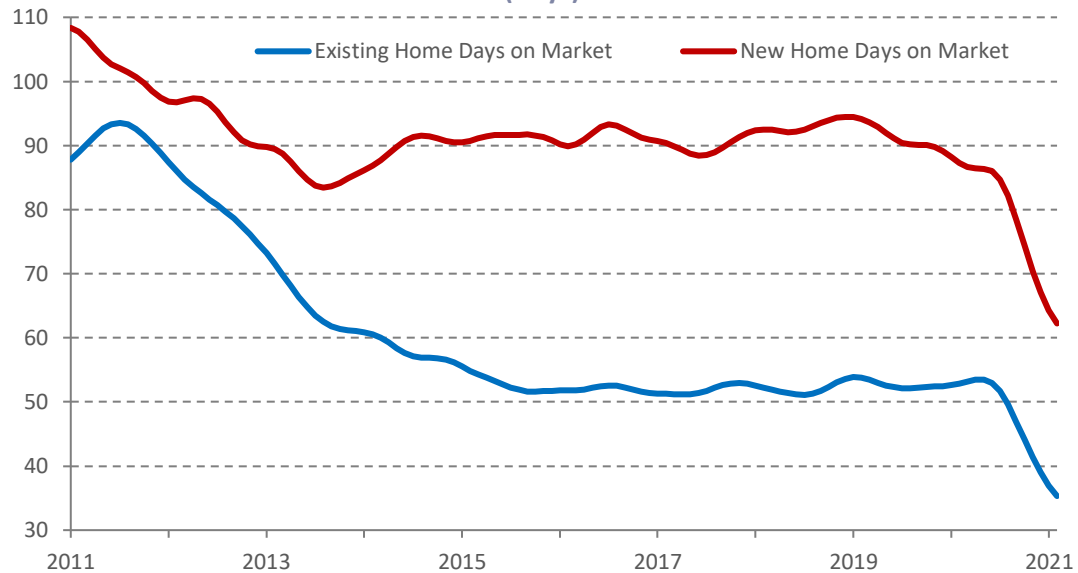
### Major Metros Total Housing Sales (Index Jan 2000 = 100)



Note: Trend-cycle component.

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

### Texas Homes Days on Market (Days)



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

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

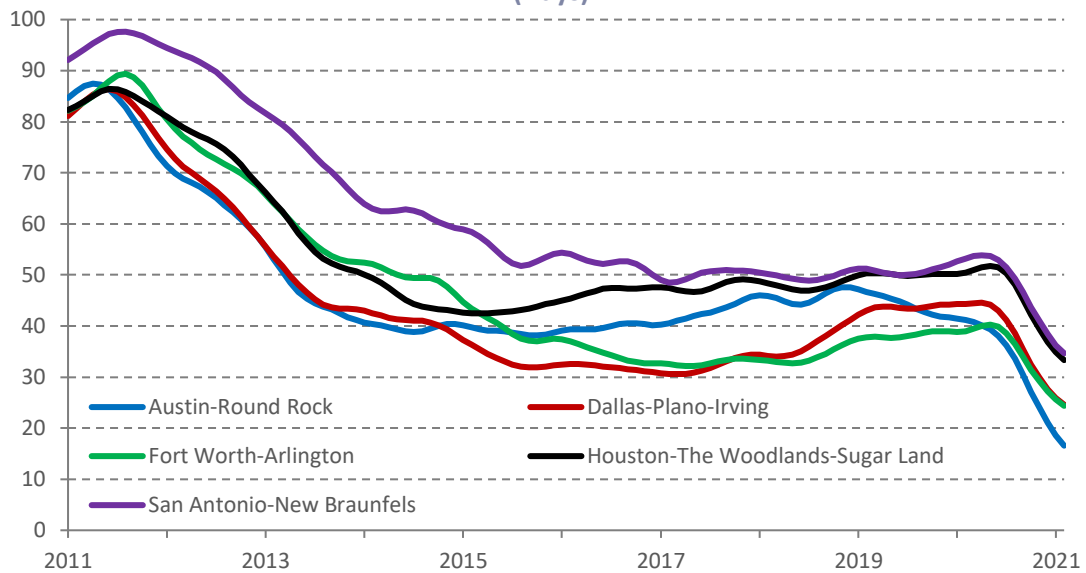


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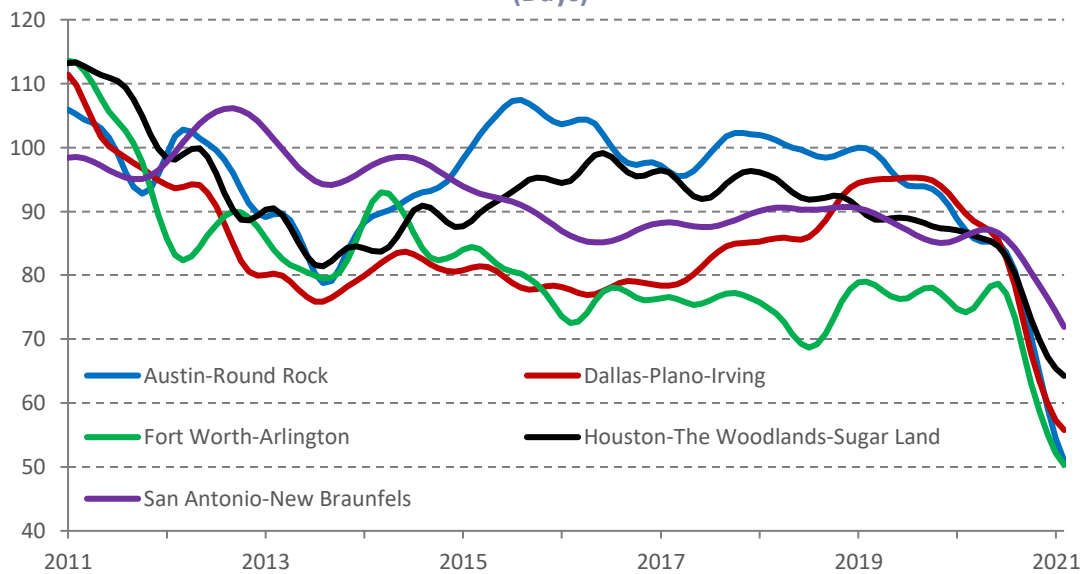


### Major Metros Existing Homes Days on Market (Days)



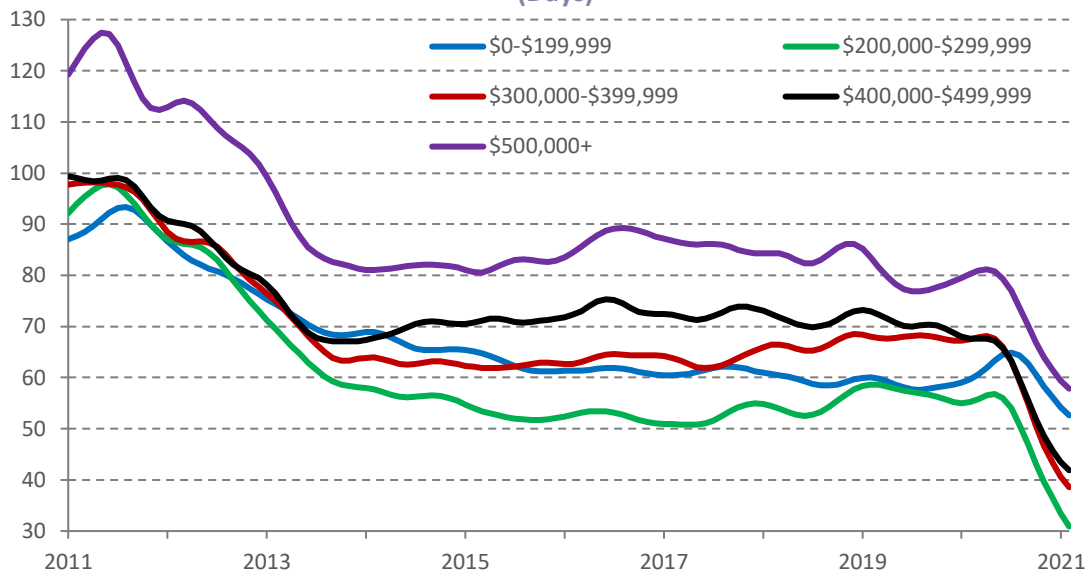
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Major Metros New Homes Days on Market (Days)



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

### Texas Home Days on Market by Price Cohort (Days)

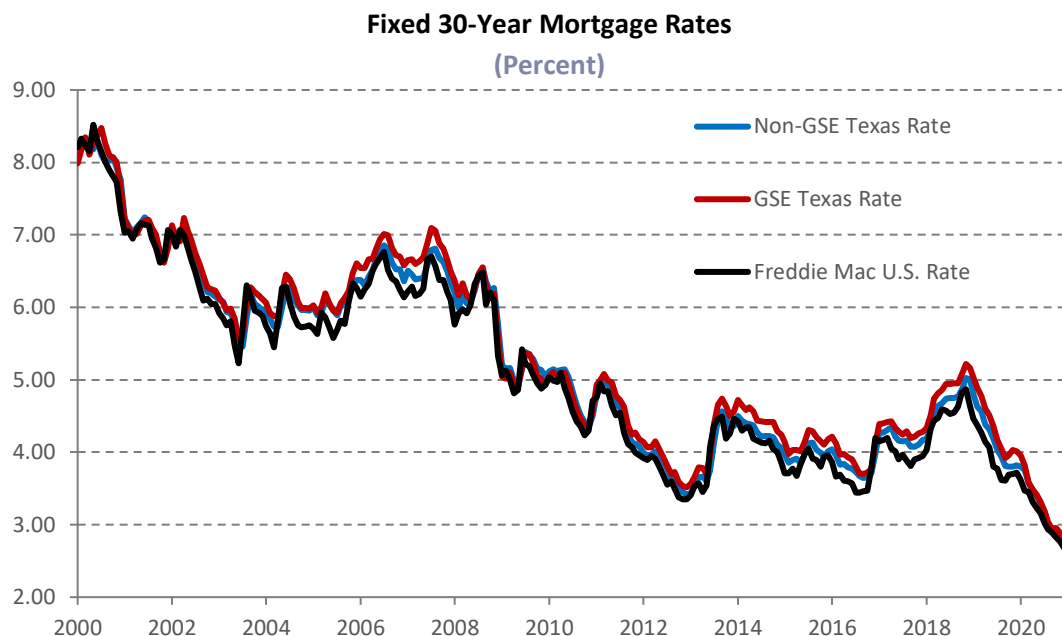


Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

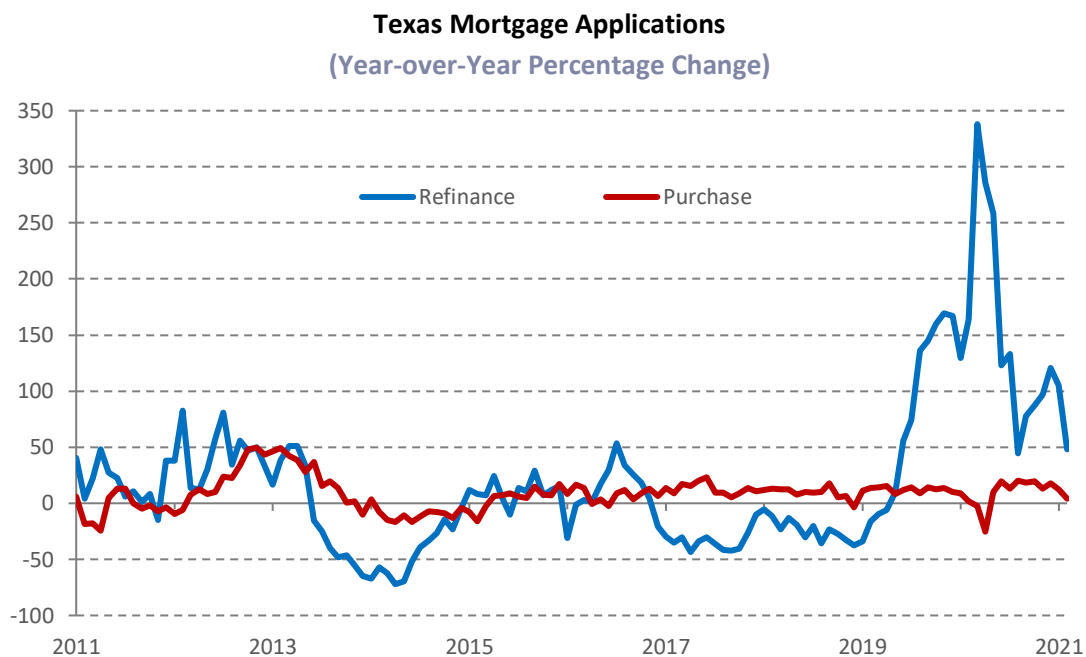
### 30-Year Mortgage Rate and Ten-Year Treasury Yield (Percent)



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



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

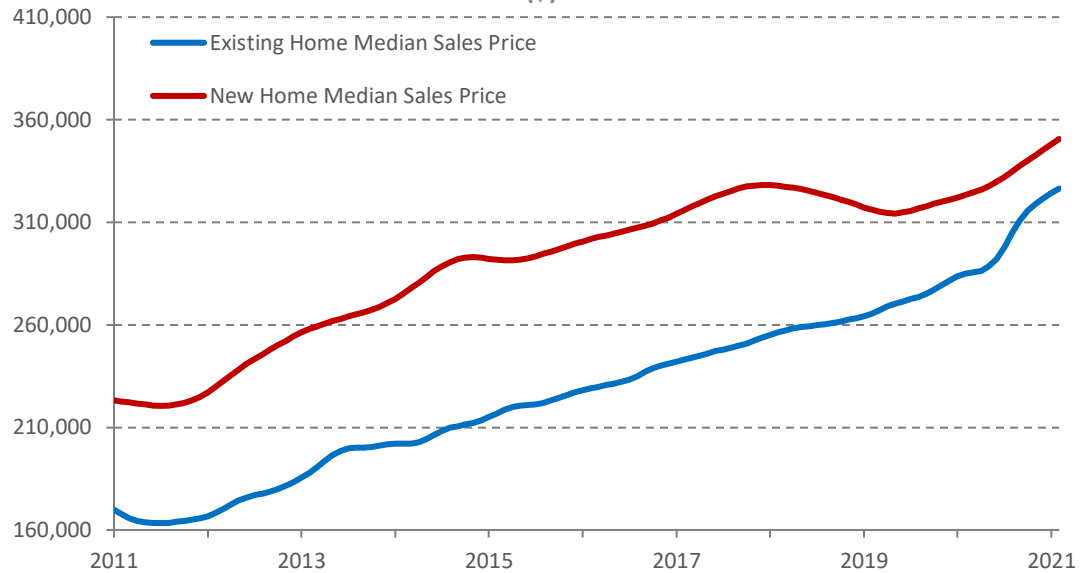


Note: Seasonally adjusted.  
Source: Mortgage Bankers Association



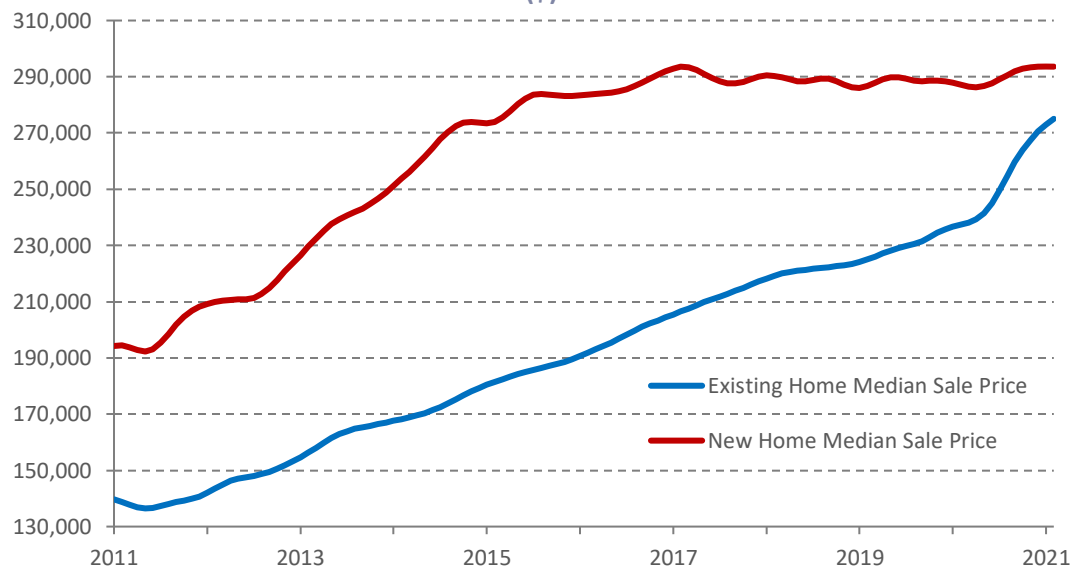
# PRICES

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

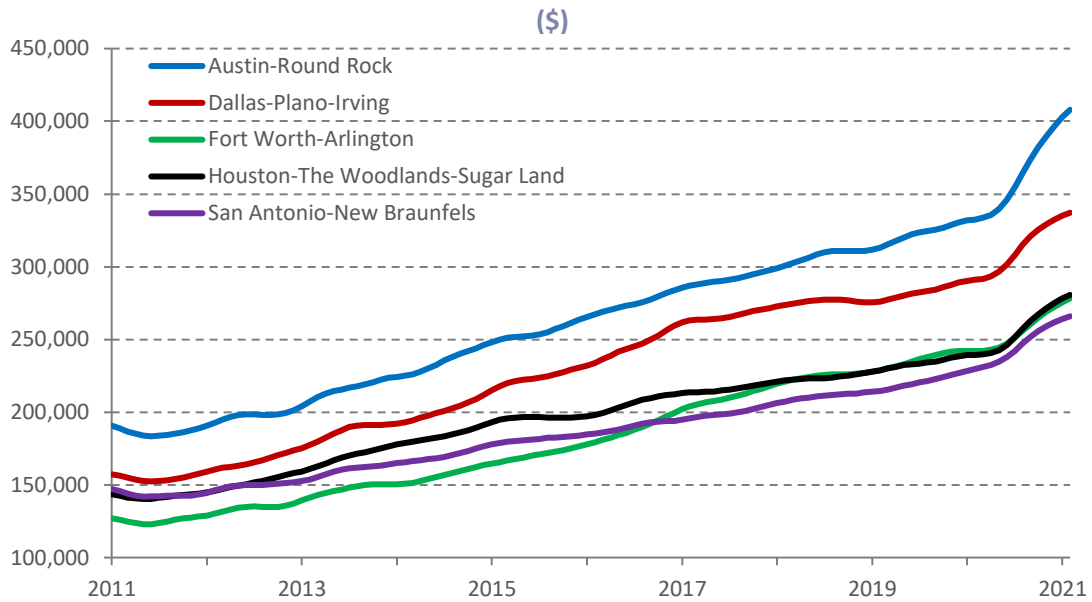


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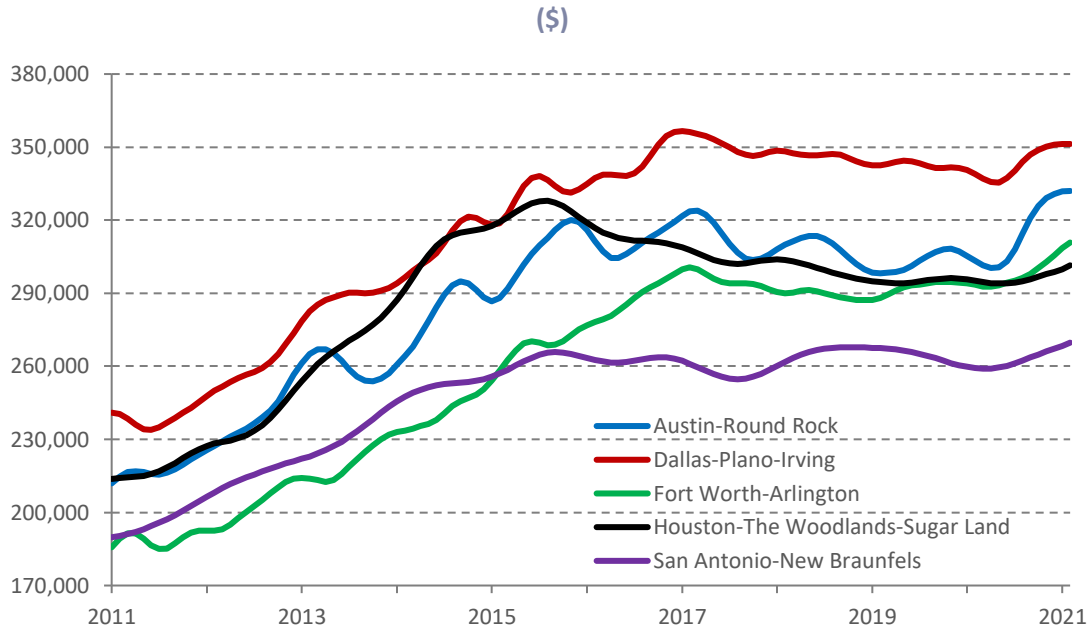


### Major Metros Existing Home Median Sales Price



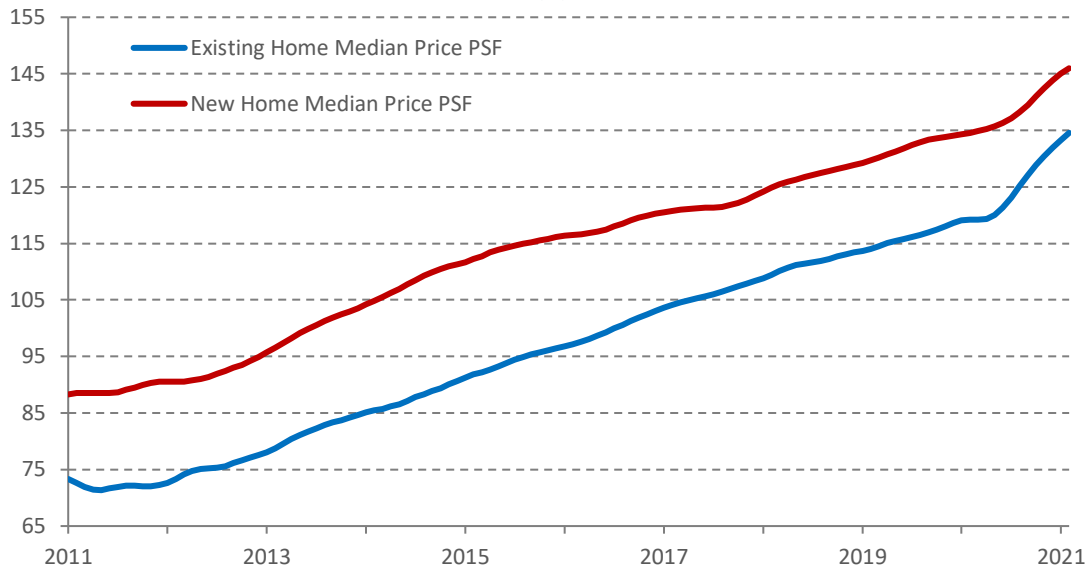
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Major Metros New Home Median Sales Price



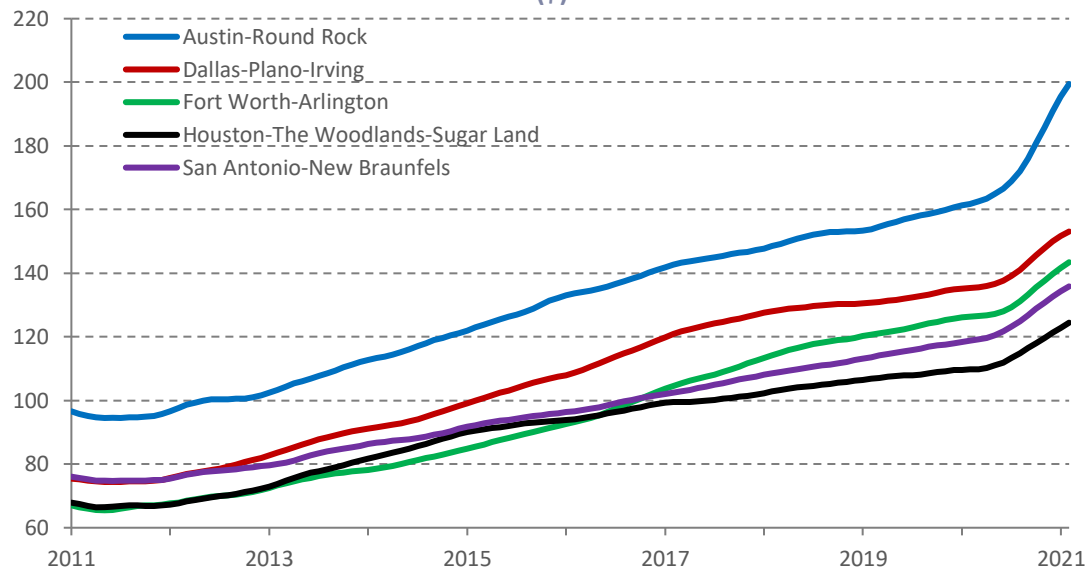
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Texas Home Median Price Per Square Foot (\$)



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

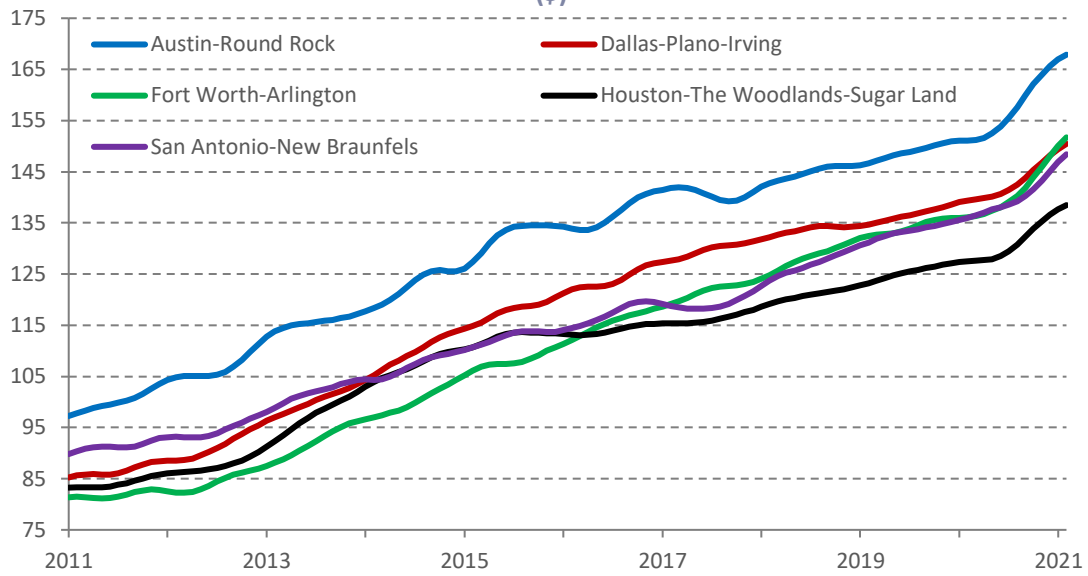
### Major Metros Existing Home Median Price Per Square Foot (\$)



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

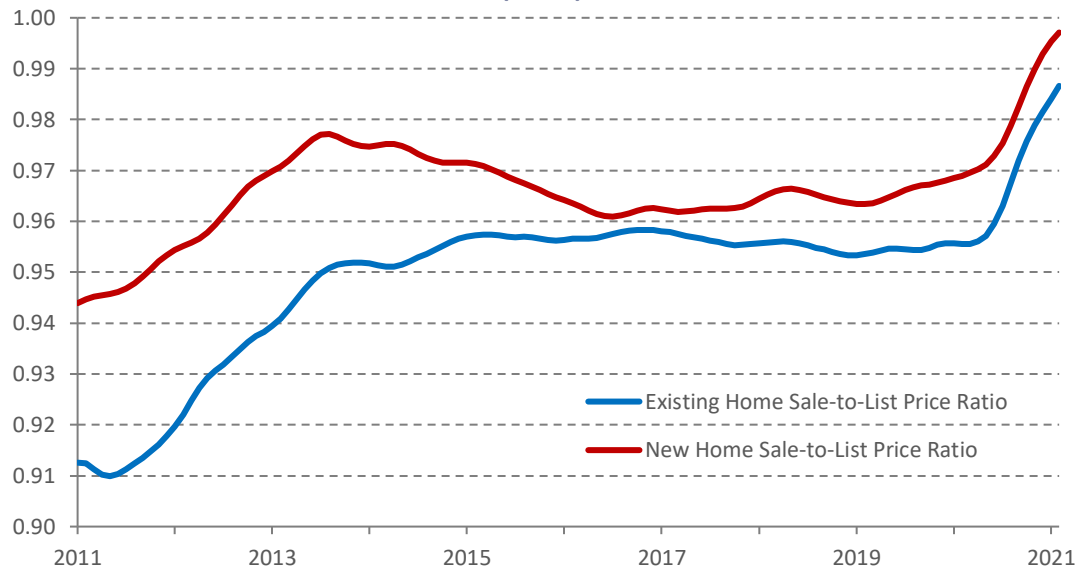


### Major Metros New Home Median Price Per Square Foot (\$)



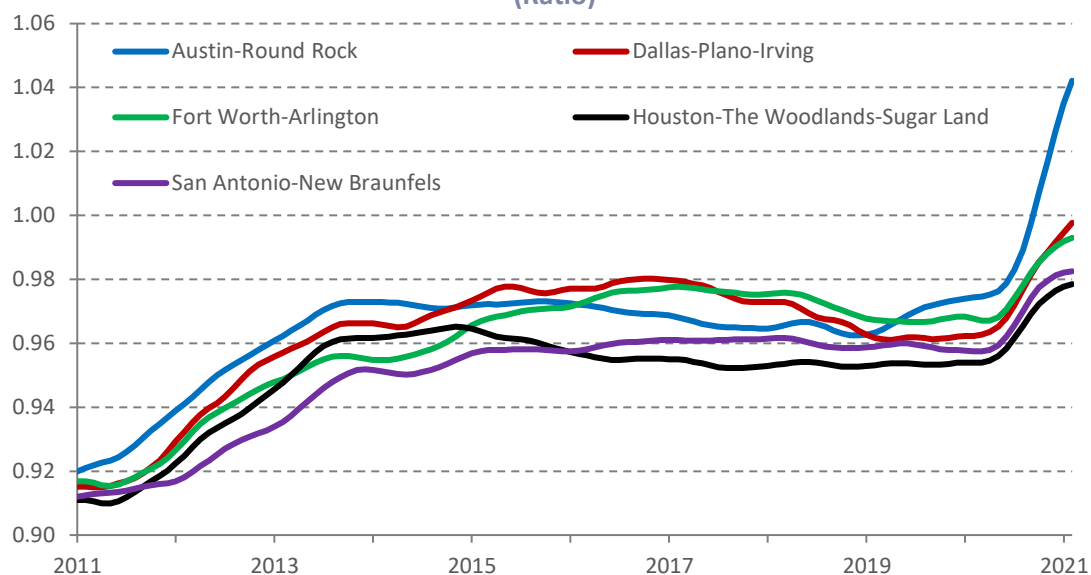
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Texas Home Sale Price to List Price (Ratio)



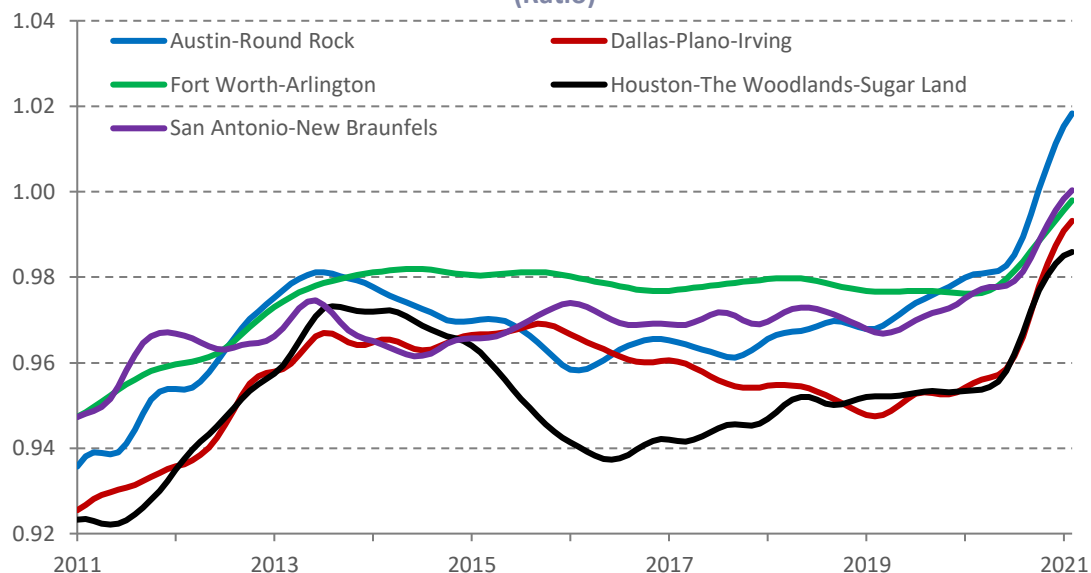
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



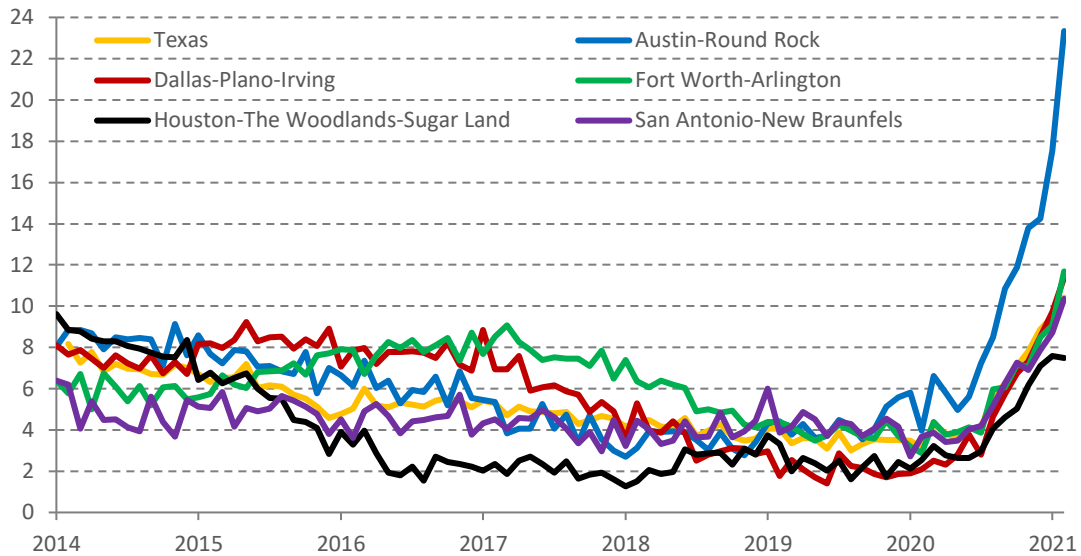
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



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

### Repeat Sales Home Price Index (Year-over-Year Percentage Change)



Note: Seasonally adjusted. The Repeat Sales Home Price Index tracks real home price appreciation for residential single-family homes.

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



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