



REAL ESTATE CENTER
TEXAS A & M UNIVERSITY



TEXAS HOUSING INSIGHT

JAMES P. GAINES
CHIEF ECONOMIST

WESLEY MILLER
RESEARCH ASSOCIATE

LUIS B. TORRES
RESEARCH ECONOMIST

PAIGE WOODSON
RESEARCH INTERN

2 1 2 0

FEBRUARY 2019 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 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 Paige Woodson

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February 2019 Summary

Texas housing sales increased 5.2 percent amid lower mortgage rates and decreased price pressure. Supply indicators were mixed with single-family construction permits and total housing starts stabilizing after a shaky end to 2018, but single-family private construction values continued to slide. On the demand side, the typical Texas home continued to average just 60 days on the market and sold above 95 percent of the original list price. Lower mortgage rates provided incentives for prospective purchasers, but housing affordability remained a challenge across the state. Overall, the healthy labor market, population growth, and the economic expansion supported strong housing demand.

Supply*

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, inched downward as construction wages and employment calmed after a year of strong growth. The future outlook, however, remains positive as indicated by upticks in the Texas **Residential Construction Leading Index**. Lower interest rates and the extended economic expansion bolstered the industry outlook.

Single-family housing construction permits balanced for the second straight month after a sharp drop in December. San Antonio accounted for most of the positive growth with monthly permits doubling to a cycle high of 796. Despite a 14.6 percent decline, Houston led the nation with 2,846 permits followed by Dallas-Fort Worth (DFW) at 2,698. Austin ranked fifth nationally with nearly 1,400 monthly permits issued. Across the major metros, however, single-family permit issuance normalized compared with early 2018.

Total Texas housing starts recovered most of January's losses, driven by growth in the apartment market. Single-family **private construction values**, however, continued to slide as the 4Q2018 drop in permit issuance caught up to building activity. The decline was most apparent in DFW where single-family construction values fell 8.8 percent in February. Values decreased for the third and fourth consecutive months in Austin and San Antonio, respectively, but balanced in Houston after a large November drop.

Texas' months of inventory (MOI) inched upward but held below four months. A total MOI around six months is considered a balanced housing market. Homes priced less than \$200,000 and between \$200,000 and \$300,000 maintained MOI of 2.9 and 3.4 months, respectively. The rate of Multiple Listing Service (MLS) listings hitting the market, however, eased after surging through much of 2018. Fewer new listings and a recent uptick in sales could limit further MOI expansions.

Most of the major metros reached annual highs in MOI despite declines in new MLS listings. Dallas and San Antonio ticked up to 3.5 and 3.6 months, respectively, while Houston balanced at 4.1 MOI.

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

Fort Worth maintained the lowest MOI at 2.7, up from 2.0 months in February 2018. Austin was the exception where steady sales snapped a six-month stretch of inventory increases.

Demand

Texas **total housing sales** increased 5.2 percent to its highest level since July as lower mortgage rates and decreased price pressure provided some breathing room to constrained markets. Resale transactions generated most of the improvement with activity increasing for the second straight month. A record-level of homes sold in the \$200,000-\$300,000 price range, while the bottom cohort (homes priced less than \$200,000) posted its second straight monthly increase. These two cohorts account for more than 70 percent of single-family sales reported through MLSs. Furthermore, the luxury market (homes priced more than \$500,000) posted an 11.9 percent monthly increase, recovering all of its 4Q2018 losses.

All of the major metros posted positive sales growth. Activity trended upward in Central Texas with sales increasing four out of the last five months in both Austin and San Antonio. Fort Worth posted the largest monthly growth at 12.4 percent after adjusting downward in the second half of 2018. Similarly, Dallas and Houston transactions stabilized, increasing 6.0 and 6.5 percent, respectively.

Despite slow and steady increases over the past year, the Texas **average days on market (DOM)** balanced at its four-year trend of 60 days and corroborated healthy housing demand. Austin and San Antonio accounted for most of the monthly decline as the DOM sank to 56 and 59 days, respectively. Houston homes averaged 57 days on the market but trended upward. The North Texas market continued to steady after a prolonged period of imbalances. The Dallas DOM surpassed 51 days for the first time since 2013 while Fort Worth reached a three-year high at 44 days.

Softer economic data, particularly in February's U.S. employment report, decreased inflation expectations and weighed on interest rates. The **ten-year U.S. Treasury bond yield** fell to an annual low below 2.7 percent, while the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** dropped to 4.4 percent. Texans capitalized on lower rates, pushing mortgage applications for home purchases up 11.2 percent in the first two months of 2019. Refinance mortgage applications, which are more sensitive to interest rate fluctuations, increased 20.2 percent year to date.

Prices

In addition to lower mortgage rates, home price increases continued to moderate after substantial post-recession appreciation. The **Texas median home price** balanced at \$235,500, just 2.6 percent above year-ago levels. While still increasing, home prices are no longer soaring at double-digits levels YOY like in 2017. Austin maintained the highest median price but fell below \$300,000 for the first time since spring 2018. Healthy activity in the \$200,000-\$300,000 cohort, which constitutes the lower end of the Austin market, provided the recent relief in price pressure. The median dipped for the third consecutive month in Dallas to \$282,100 and fell below \$238,000 in Houston. Fort

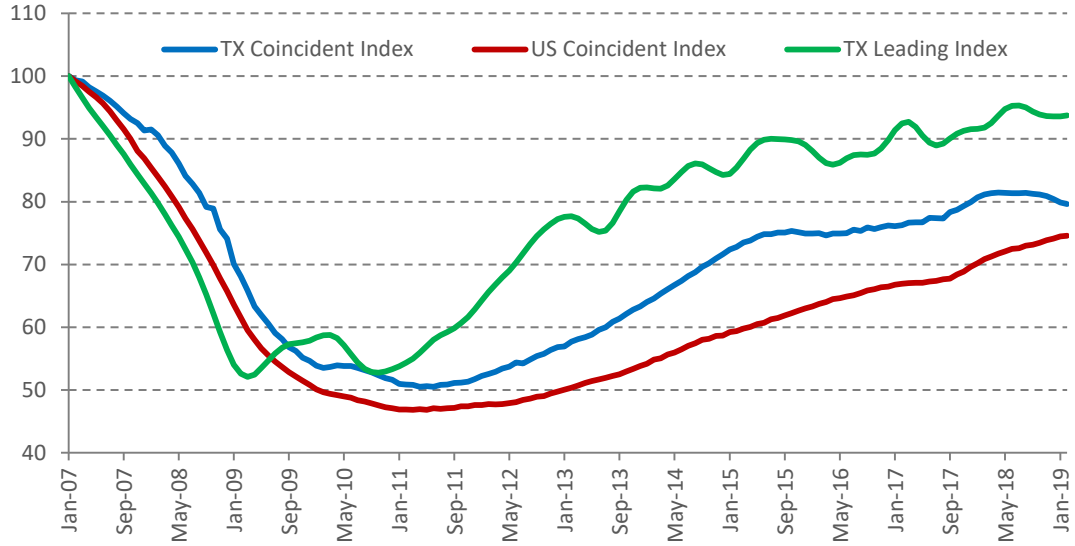
Worth and San Antonio median prices, however, increased more than \$3,000 between January and February, reaching \$235,400 and \$229,300, respectively.

The **Texas Repeat Sales Indices** corroborated movements in the major metro median prices. In Dallas, YOY growth slowed to 2.8 percent, the lowest in more than six years. The metro's list-to-sale price balanced at 0.96, down from its peak of 0.98 in January 2017, indicating solid market fundamentals despite the recent price slide. Houston's repeat sales index decelerated to 3.1 percent, while the Fort Worth index climbed above 5 percent. Central Texas observed steady annual price growth at 4.1 percent in both Austin and San Antonio. Despite the overall moderation, home-price appreciation continued to outpace wages and weighed on housing affordability.

Although Texas' affordability remained favorable compared with other states, the gap is narrowing. This presents a significant challenge to Texas' demographic advantages that have supported its economic prosperity over the past decade.

Supply

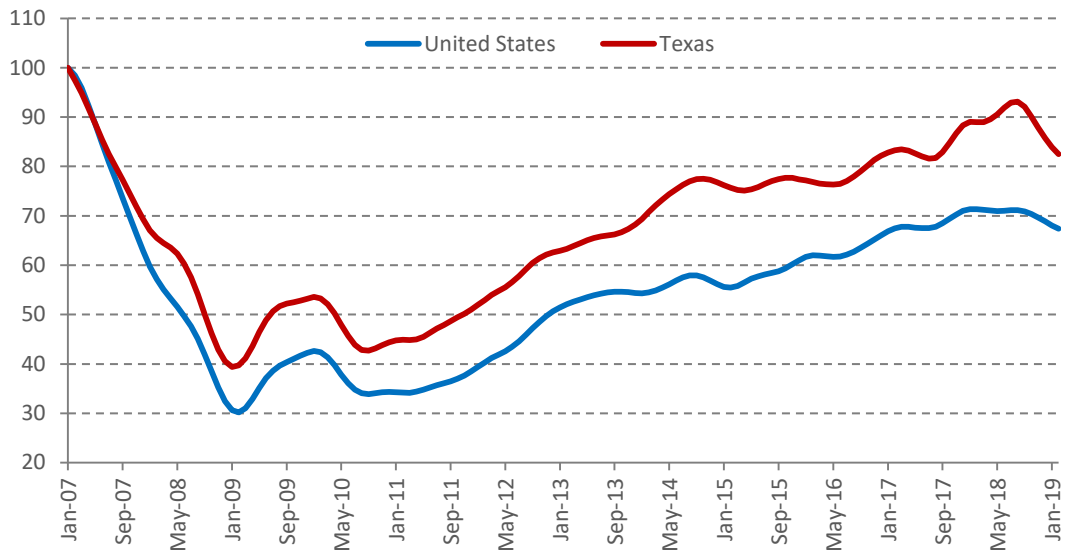
Residential Construction Coincident Indicator
(Index Jan 2007 = 100)



Note: Trend-Cycle Component.

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

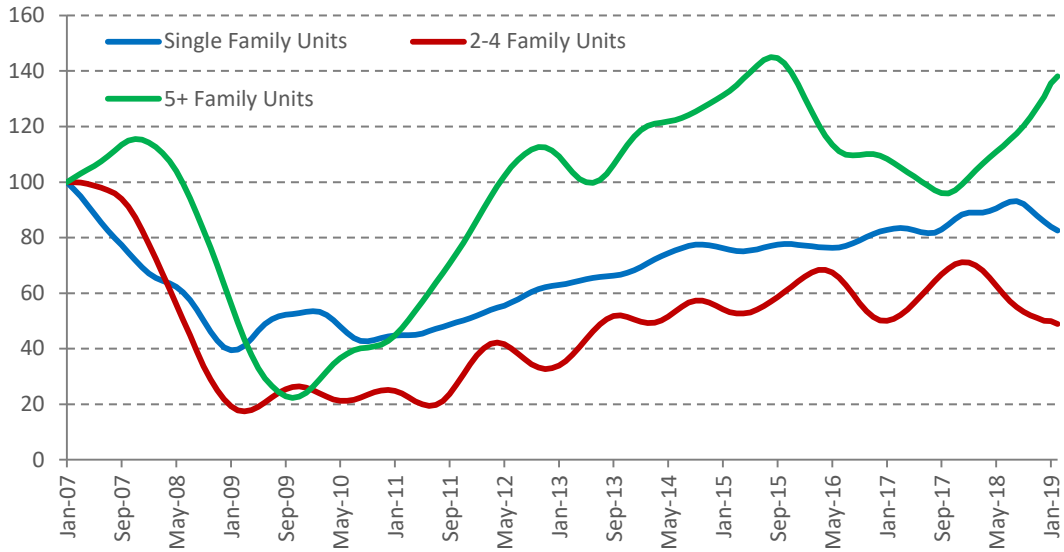
Single-Family Housing Construction Permits
(Index Jan 2007 = 100)



Note: Trend-Cycle Component.

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

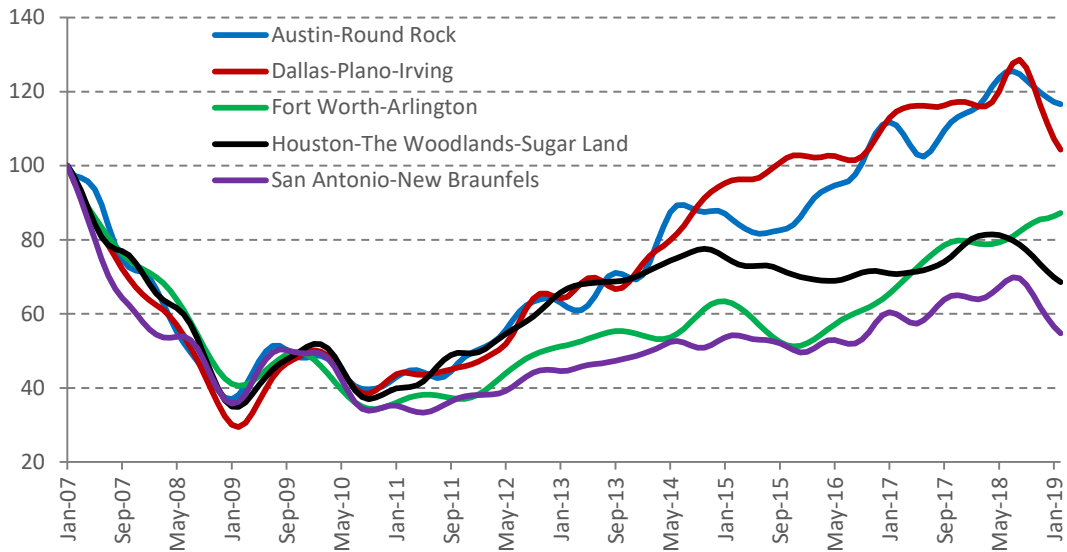
Texas Housing Construction Permits (Index Jan 2007 = 100)



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 2007 = 100)

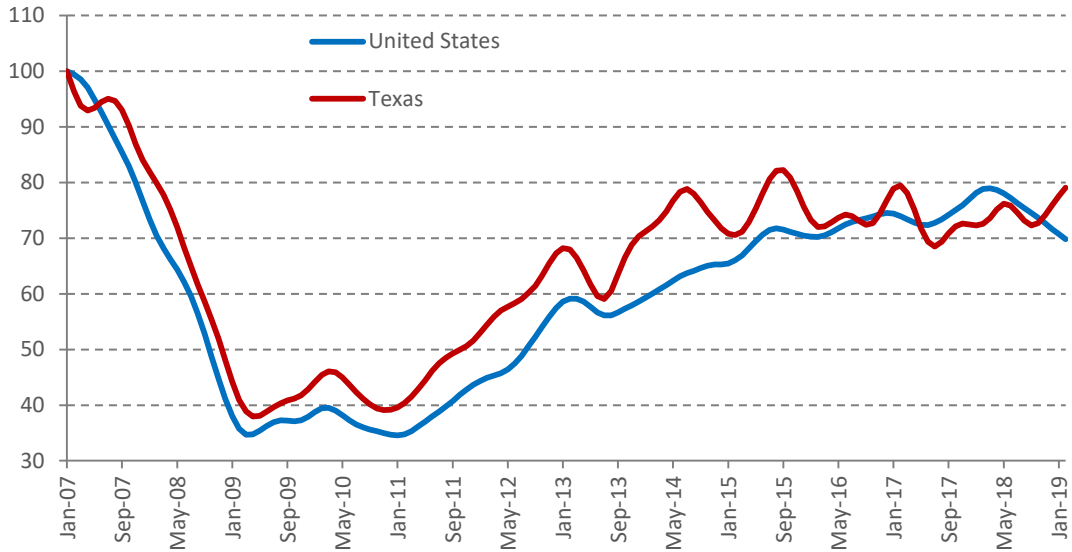


Note: Trend-Cycle Component. Fort Worth is missing data for Somervell County.

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

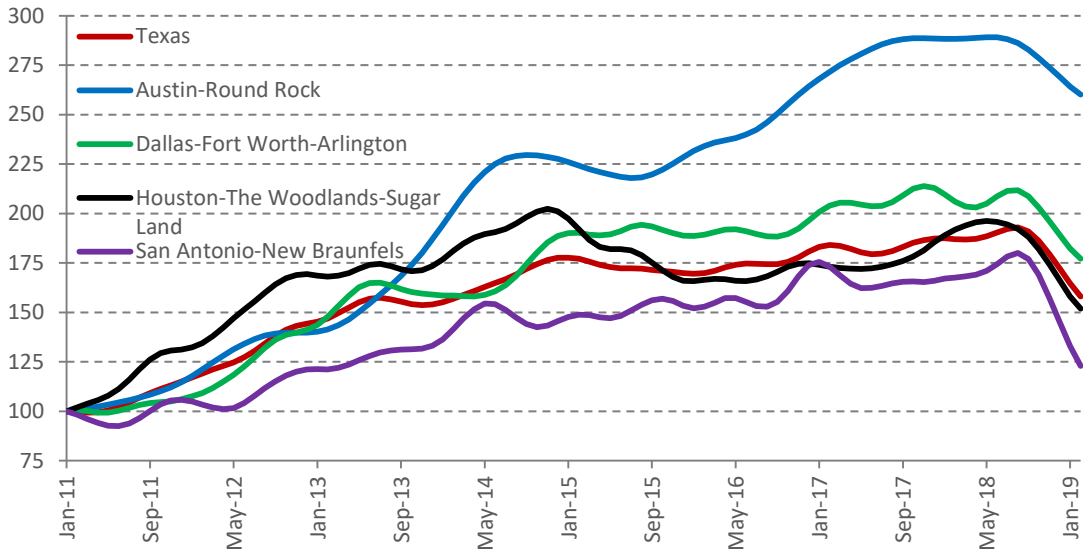


Total Housing Starts Per Capita
(Index Jan 2007 = 100)



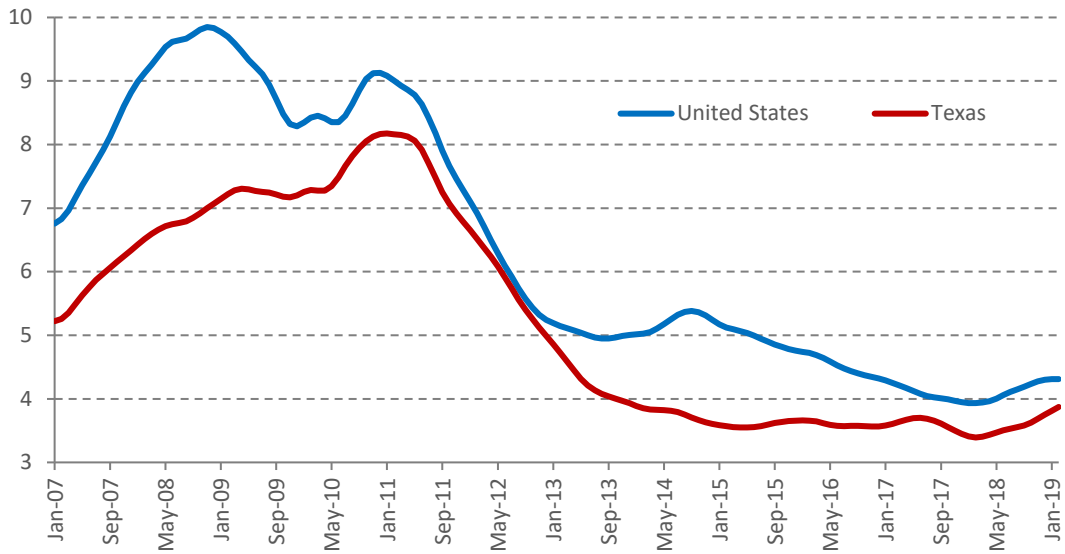
Note: Trend-Cycle Component.
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

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



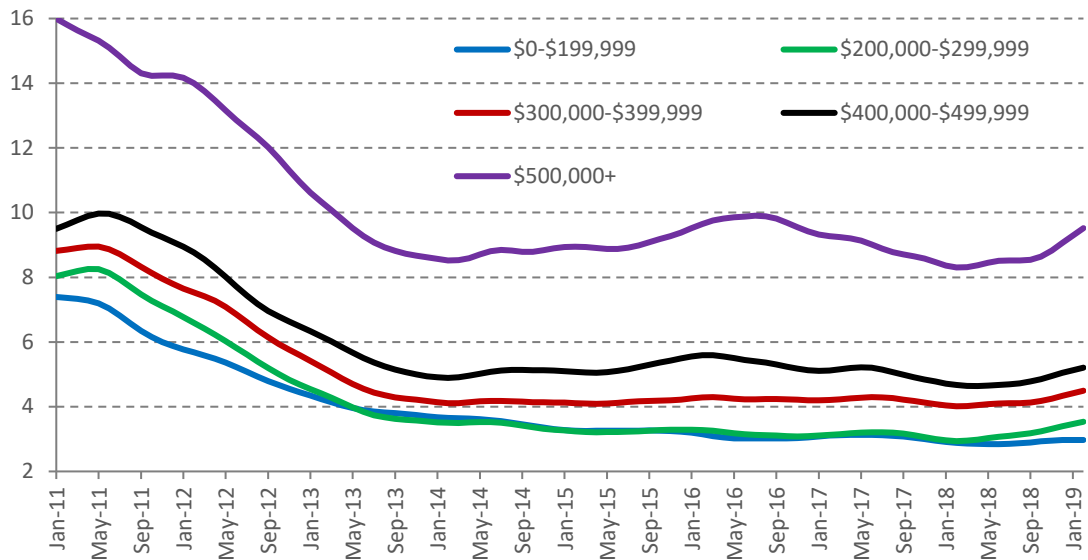
Note: Inflation adjusted. Trend-Cycle Component.
Source: Dodge Analytics

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 Real Estate Center at Texas A&M University

Texas Months of Inventory by Price Cohort (Months)



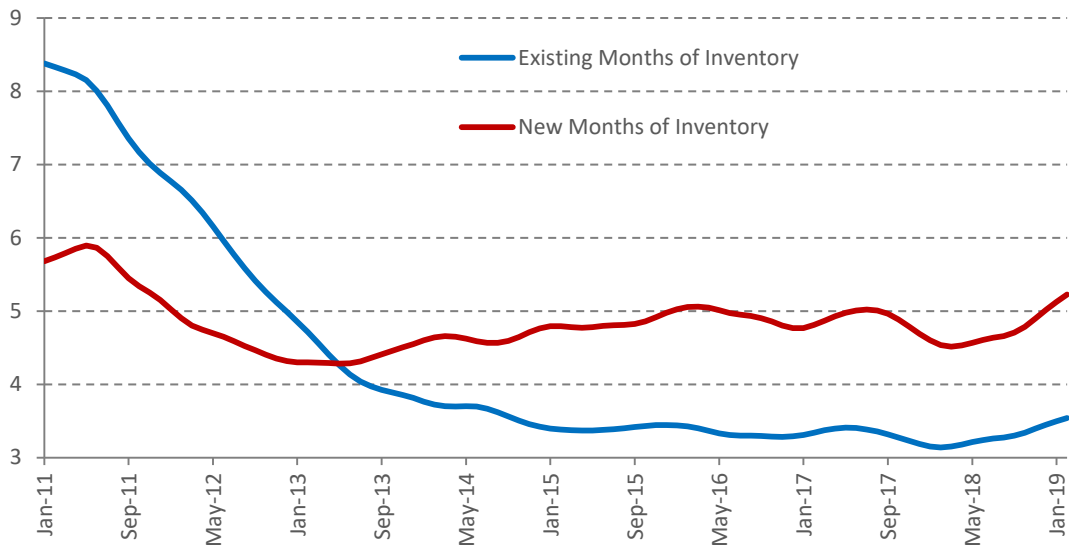
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

**Texas Current Months of Inventory by Price Cohort
(February 2019)**



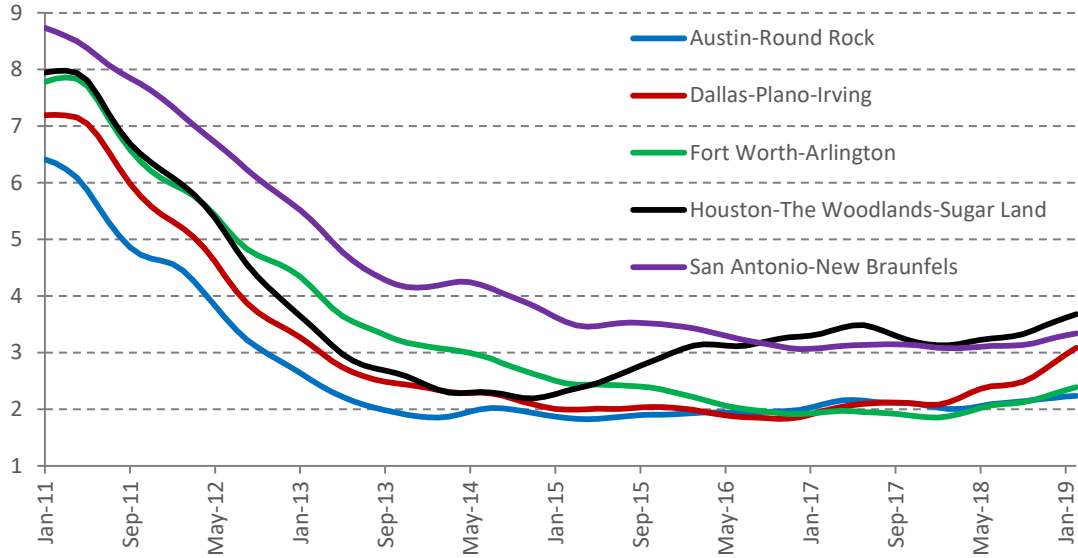
Note: Seasonally adjusted.
Source: Real Estate Center at Texas A&M University

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



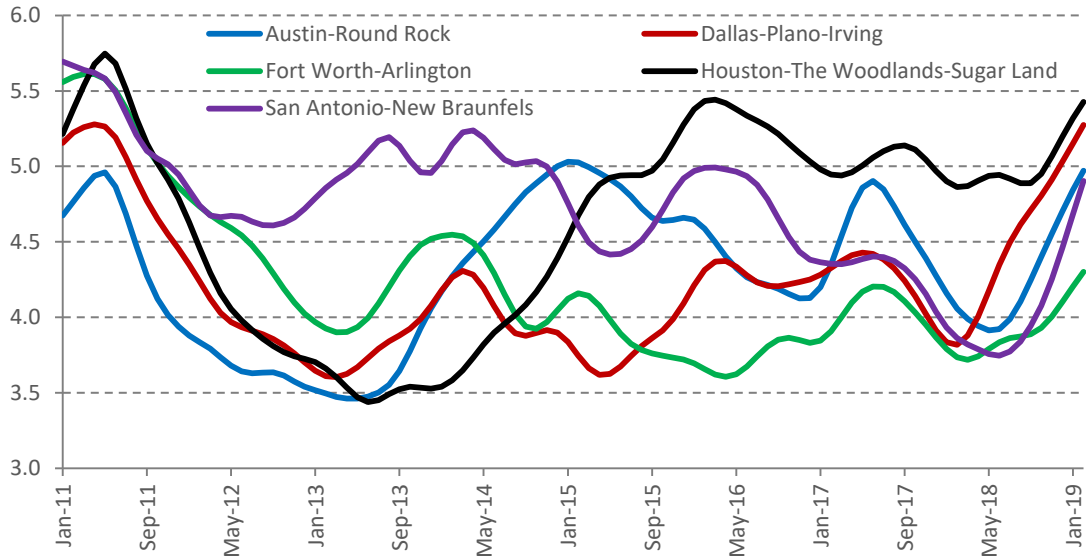
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Months of Inventory (Months)



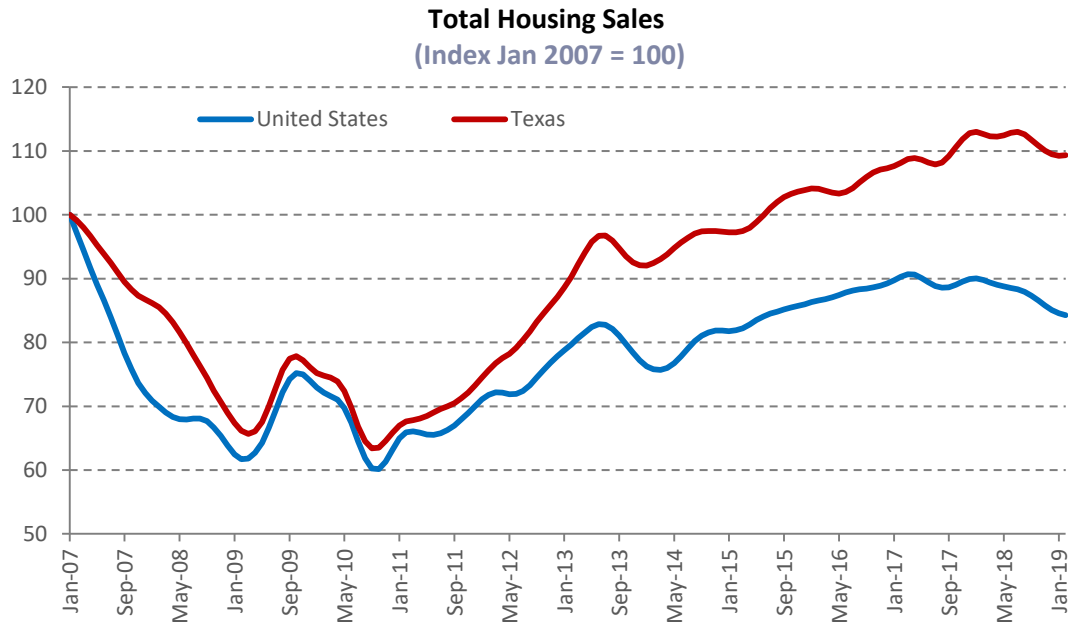
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Months of Inventory (Months)



Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

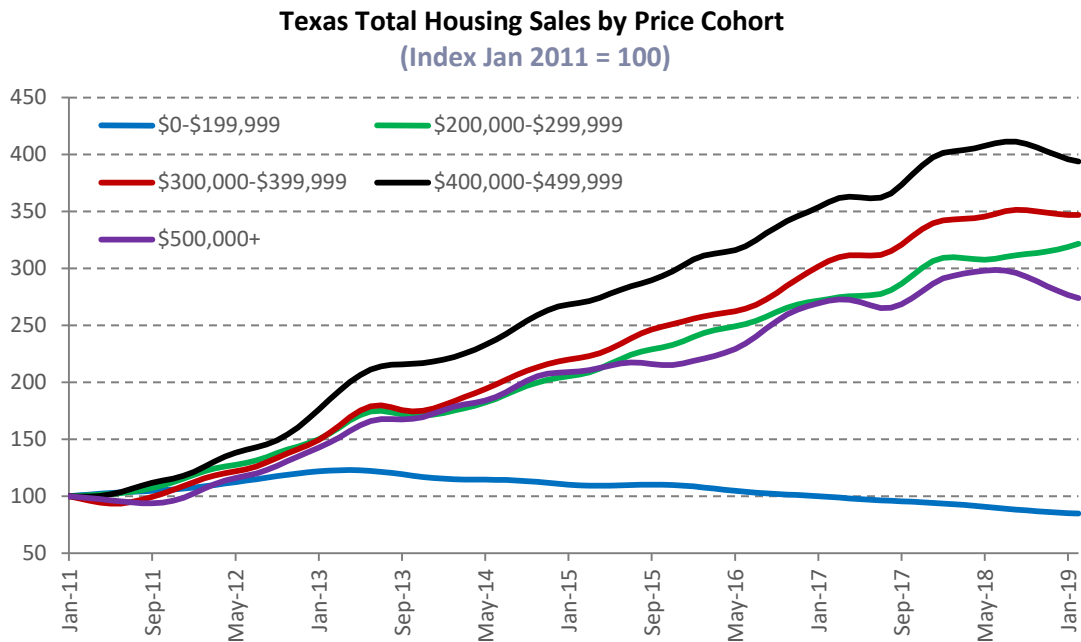
Demand



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

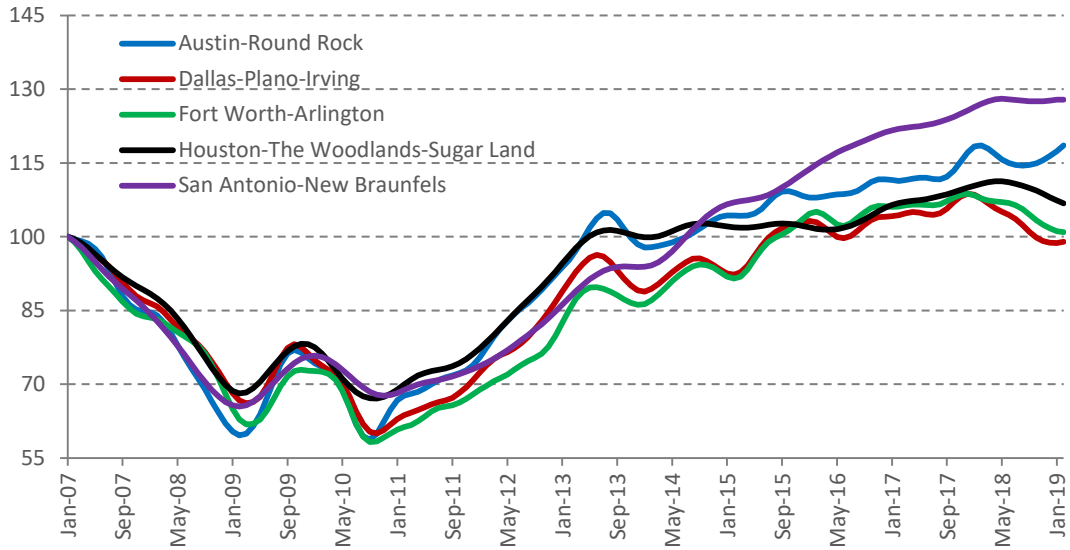


Note: Trend-Cycle Component.

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

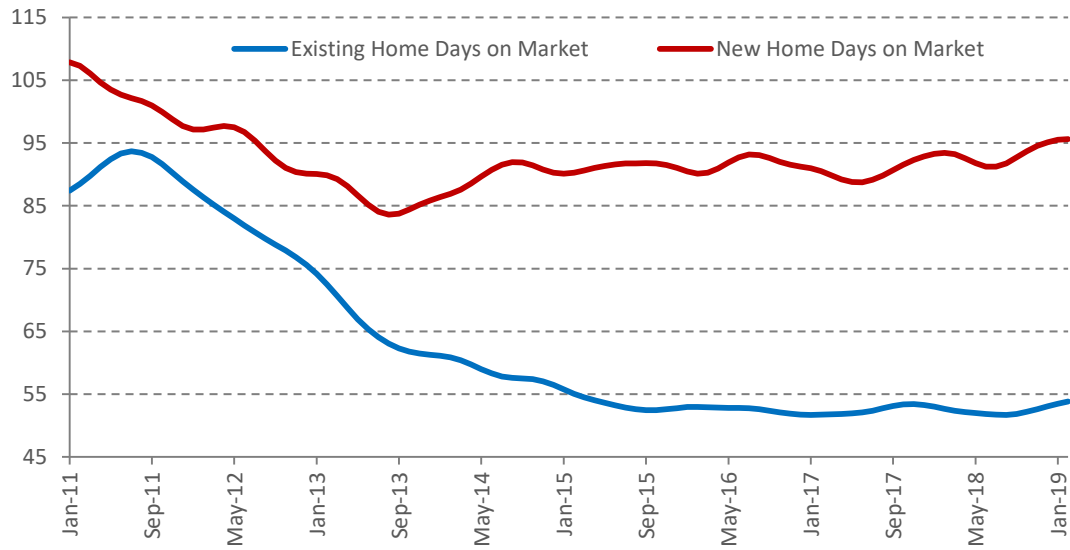


Major Metros Total Housing Sales (Index Jan 2007 = 100)



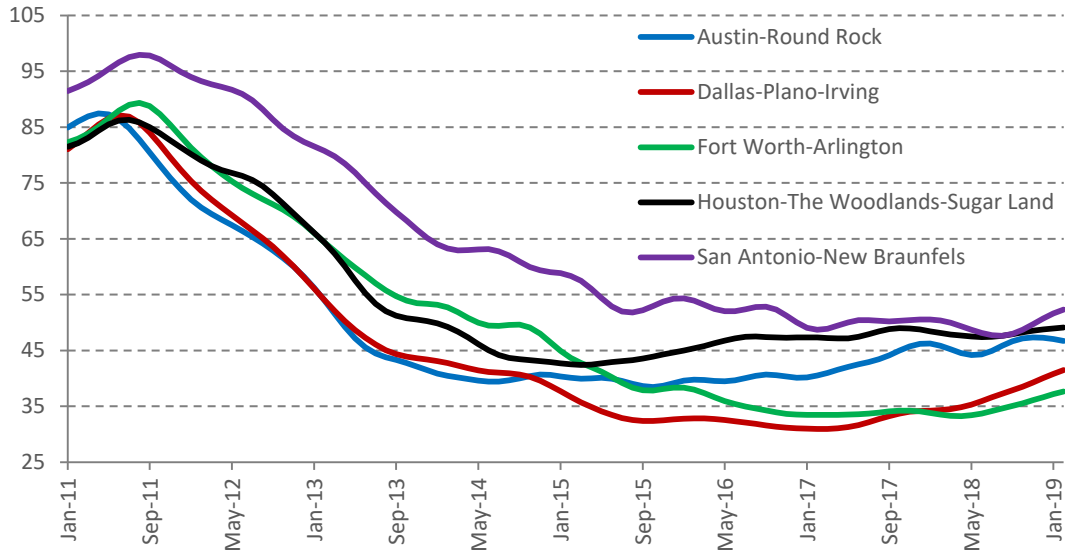
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University.

Texas Homes Days on Market (Days)



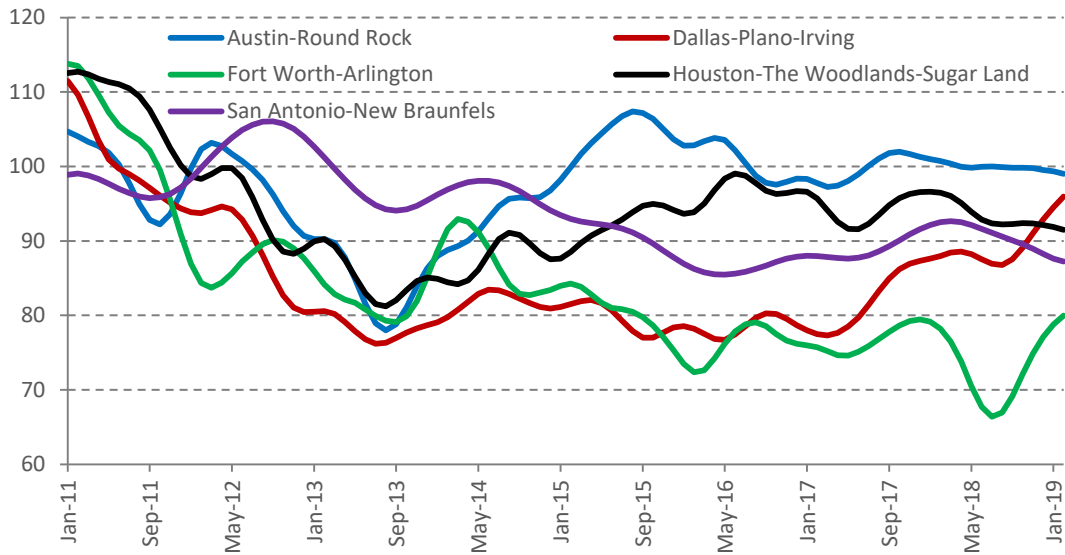
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



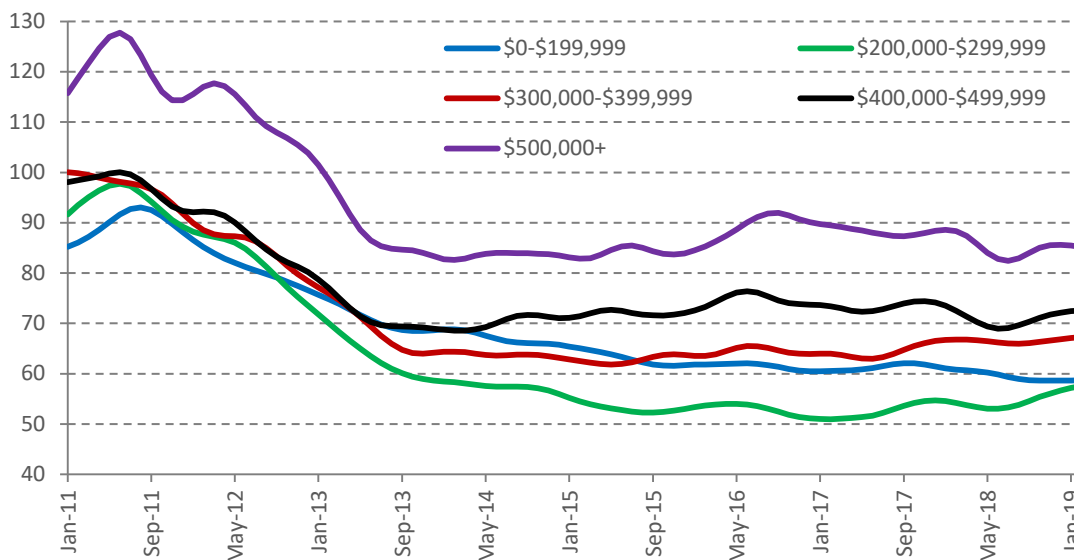
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)



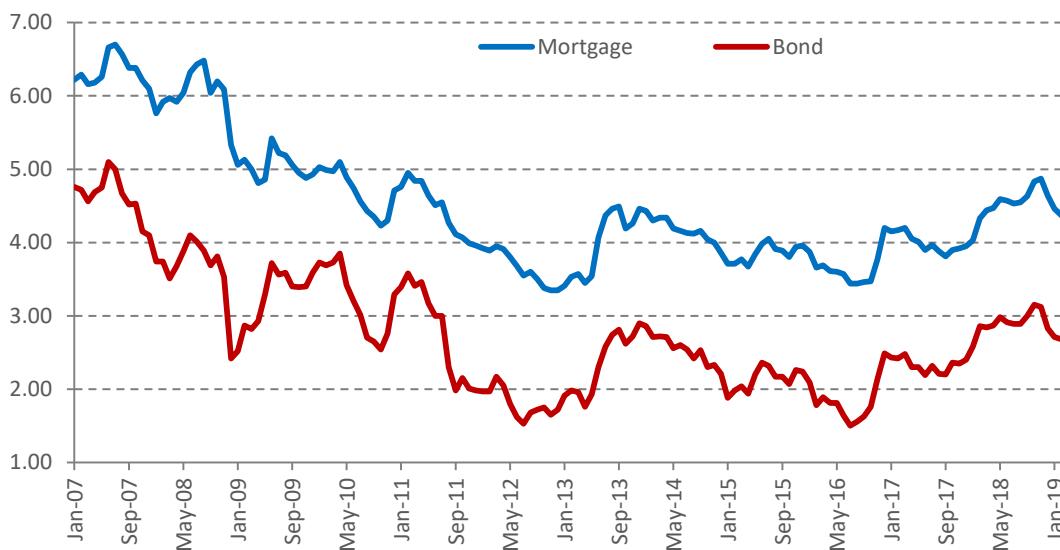
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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

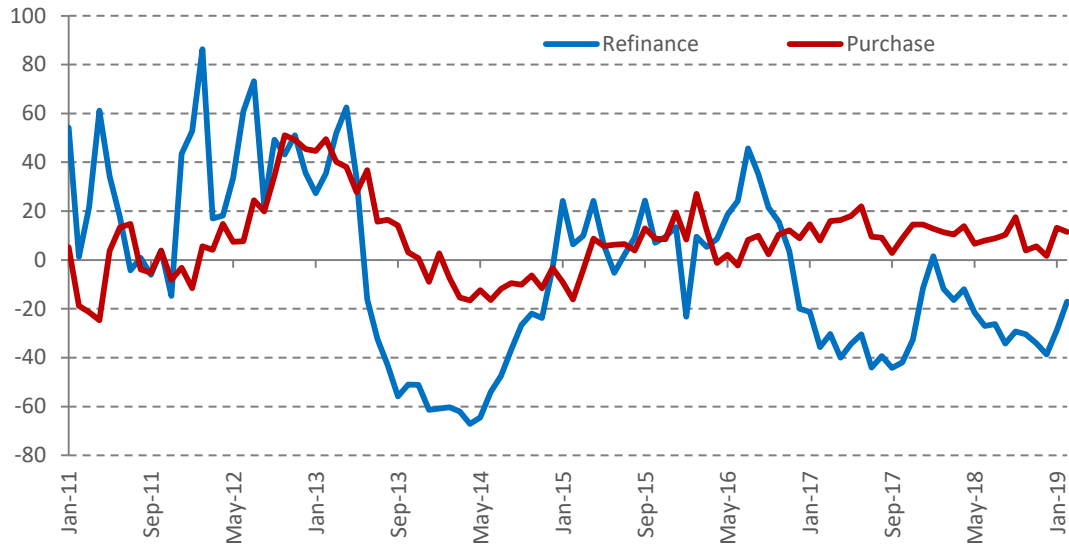
30-Year Mortgage Rate and 10-Year Treasury Yield (Percent)



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



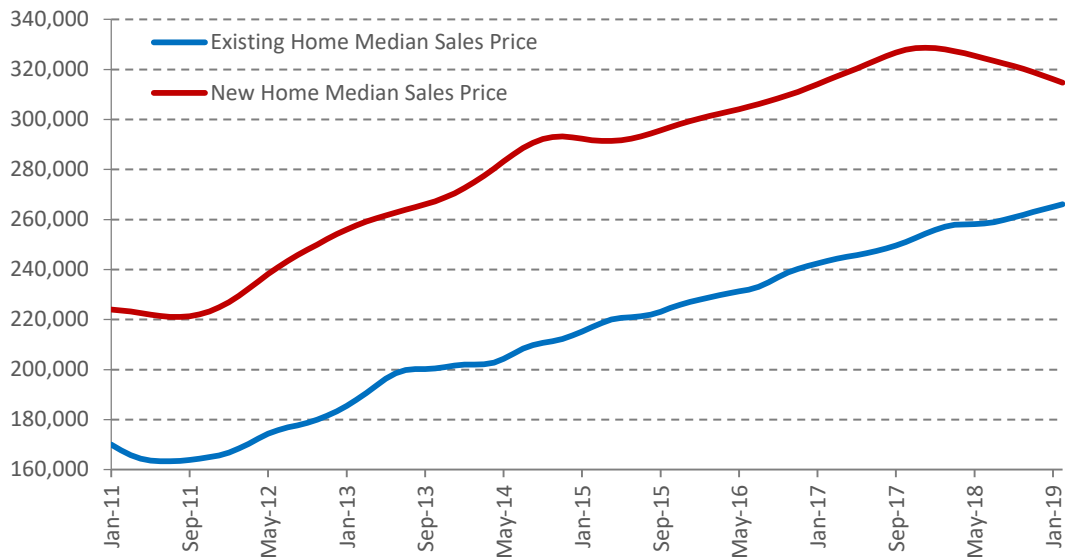
Texas Mortgage Applications (Year-over-Year Percentage Change)



Source: Mortgage Bankers Association

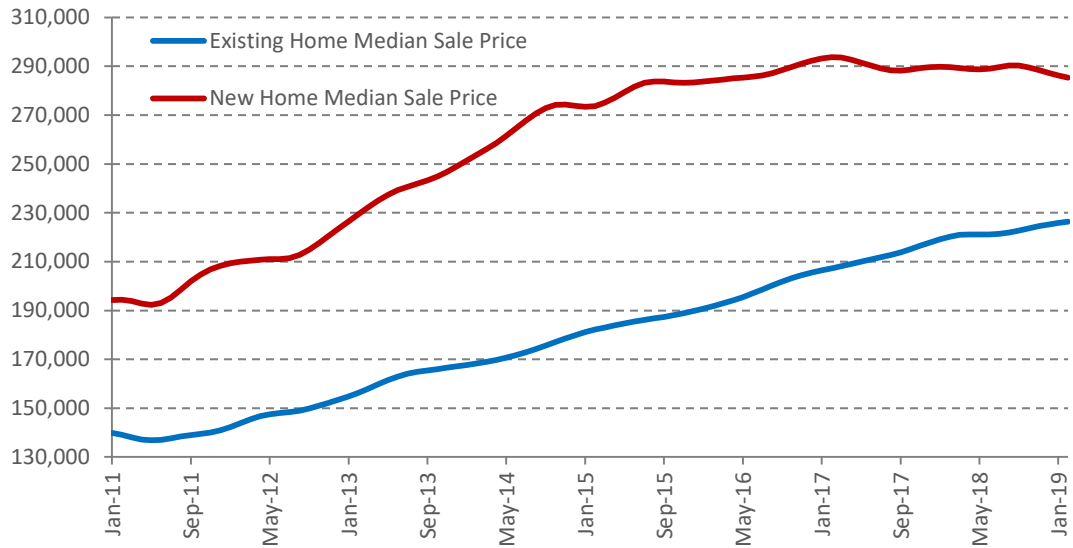
Prices

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



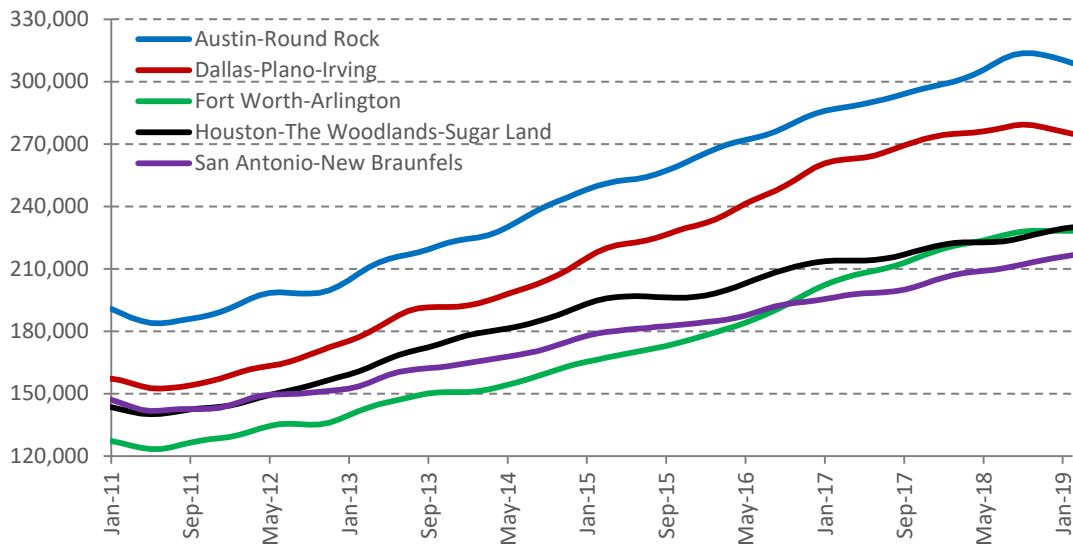
Note: Trend-Cycle Component. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



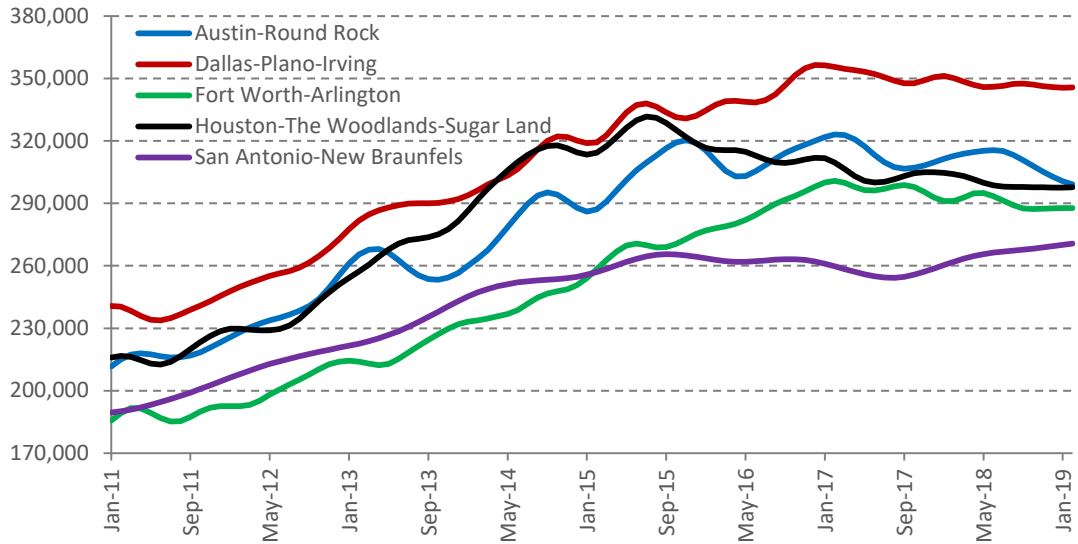
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



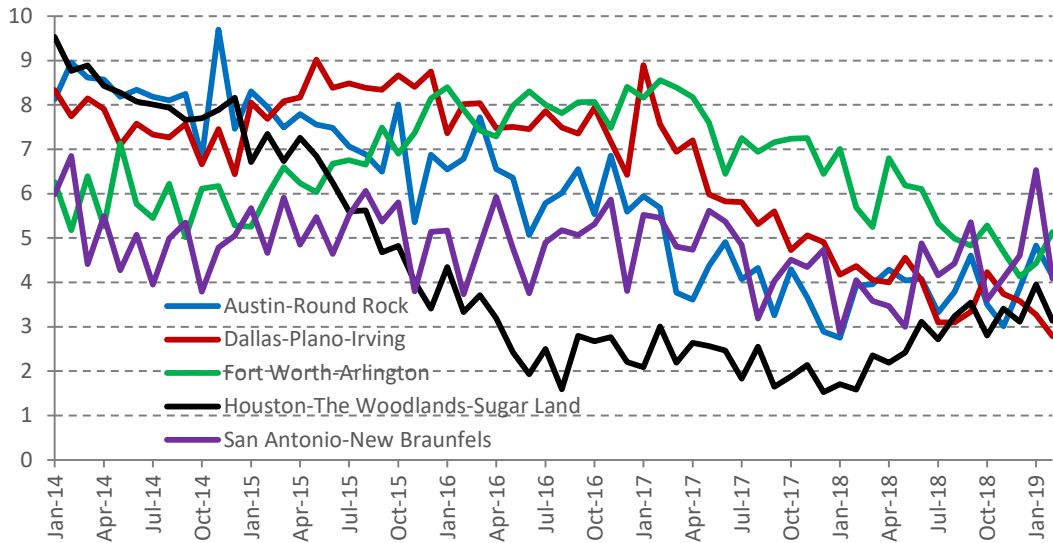
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



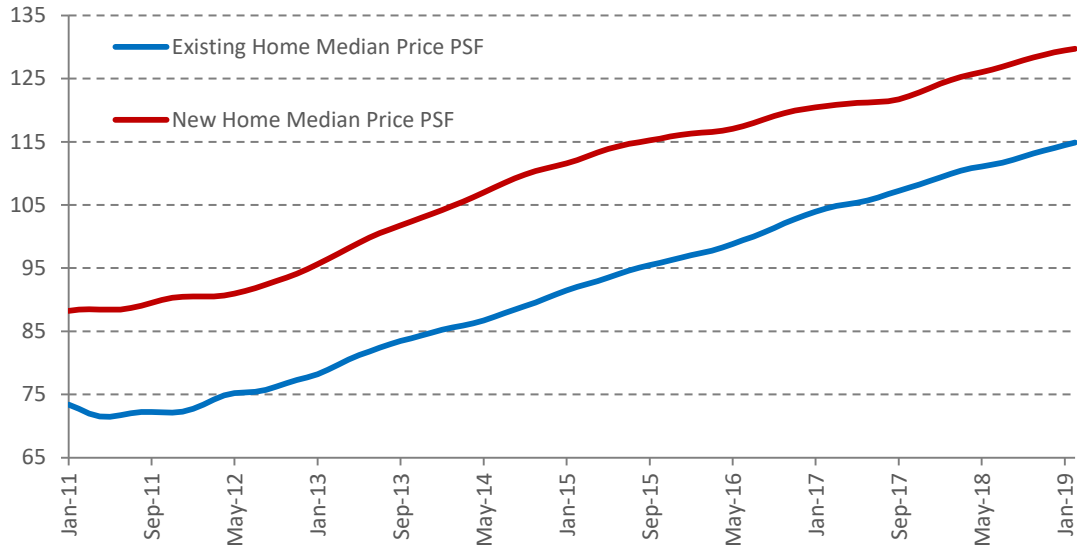
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Real Estate Center Repeat Sales Housing Price Index (Year-over-Year Percentage Change)



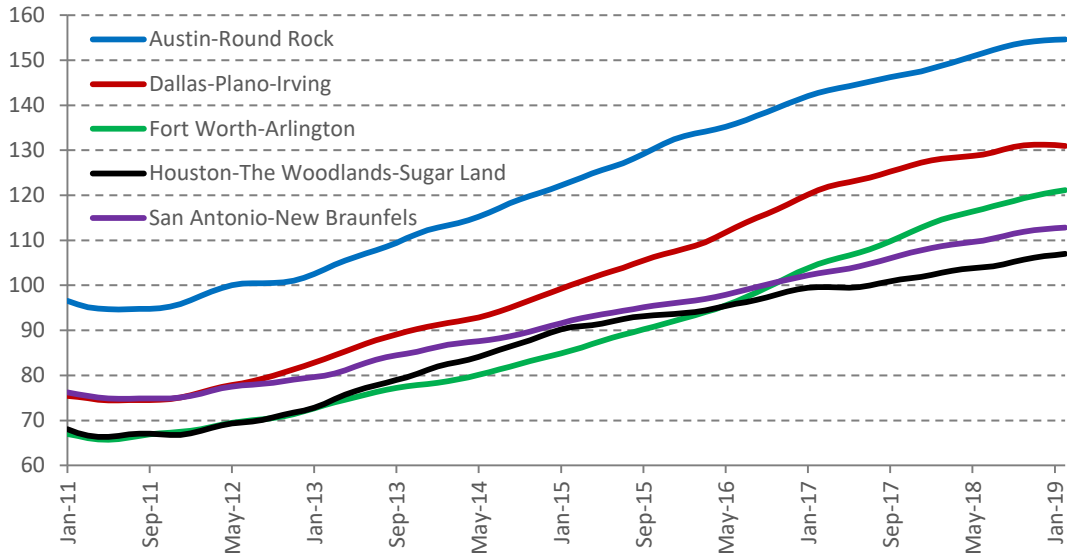
Note: The Repeat Sales Housing Price Index tracks real home price appreciation for residential single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



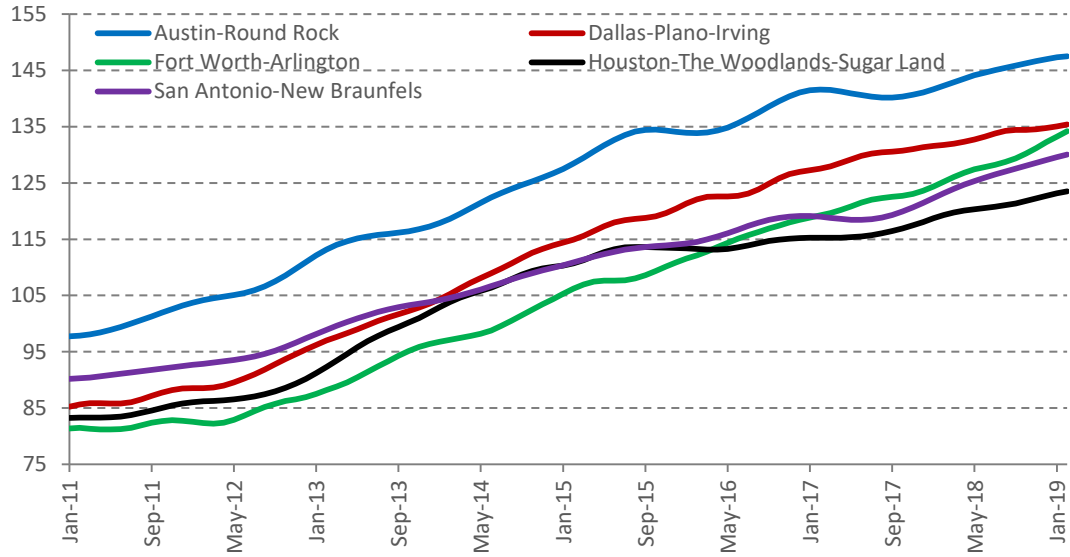
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



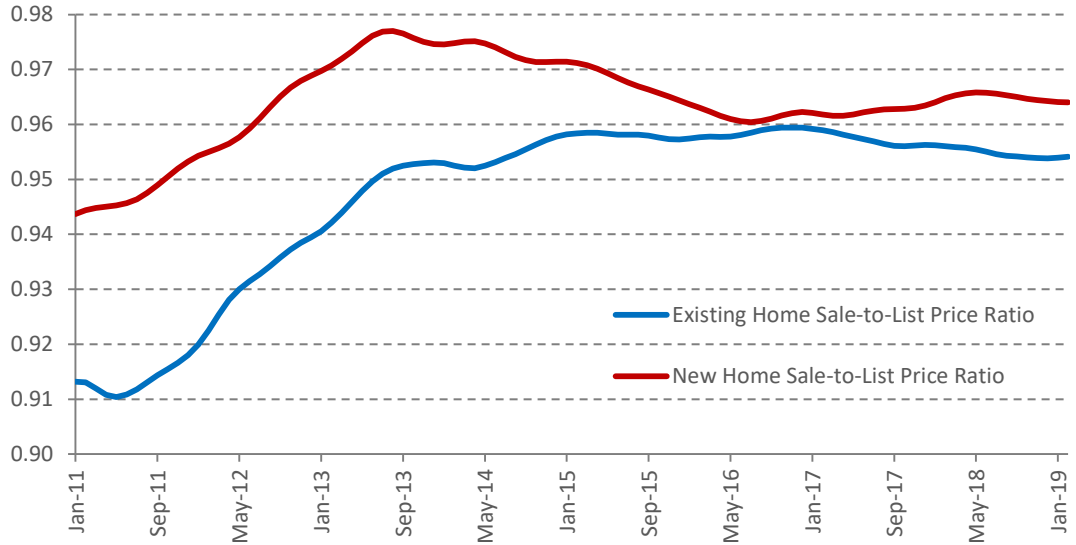
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



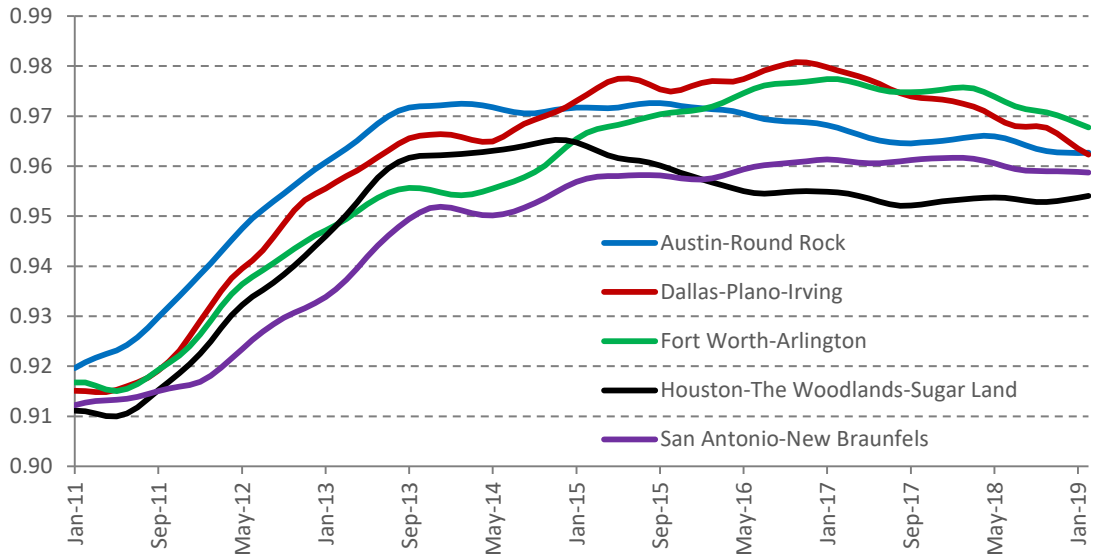
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price (Ratio)



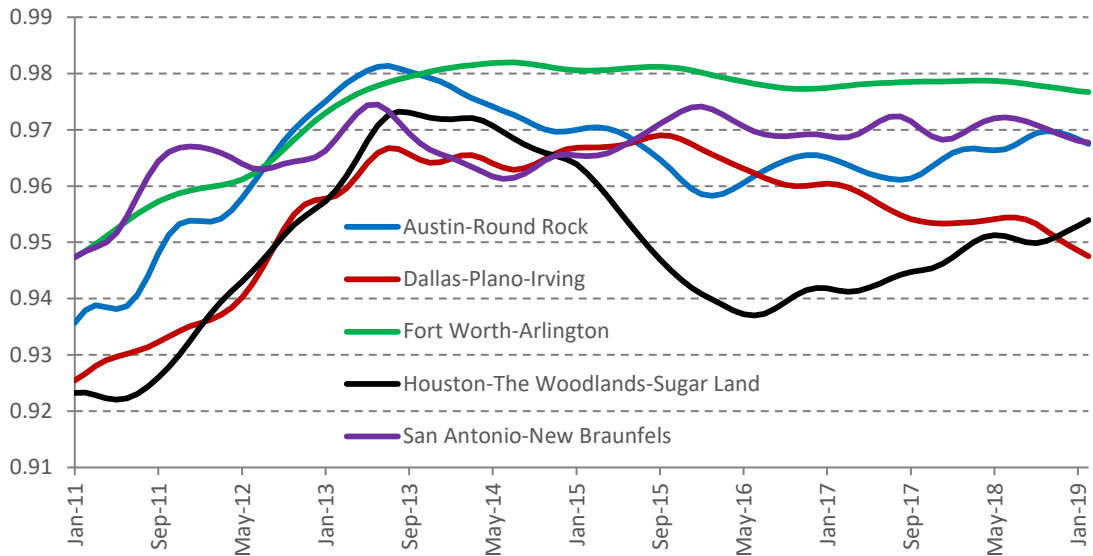
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



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

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