



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



TEXAS HOUSING INSIGHT

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JULY 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 Texas housing markets. We hope you find them useful. Your feedback is always appreciated. Send comments and suggestions to info@recenter.tamu.edu.

Dr. Luis Torres, Wesley Miller, Jacob Straus, and Brendan Harrison

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JULY 2021 SUMMARY

MONTHS INVENTORY ▲ 1.5 months	HOUSING SALES = -0.3% MOM	U.S. FIXED 30-YR MORTGAGE RATE ▼ 2.9%	DAYS ON MARKET ▼ 28 days	TX REPEAT SALES INDEX ▲ 17.7% YOY
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Texas housing sales remained unchanged in July but trended downward amid limited supply of homes across all price cohorts. Despite decreases in mortgage interest rates, double-digit home-price appreciation chipped away at housing affordability. Elevated levels of demand persisted as homes averaged less than a month on the market. On the supply side, single-family housing permits declined for the second consecutive month, and housing starts decelerated even as lumber prices plummeted due to other material inputs keeping construction costs high. The historically low level of inventory available for sale is the greatest challenge to Texas' housing market. The state's diverse and expanding economy, favorable business policies, and steady population growth, however, support a favorable outlook.

Supply¹

The Texas **Residential Construction Cycle (Coincident) Index**, which measures *current* construction activity, inched up amid increased construction values and wages while employment flattened in the industry. The **Residential Construction Leading Index (RCLI)**, normalized as residential starts flattened and weighted building permits decreased; the ten-year real Treasury bill also decreased. Weighted building permits and residential starts increased in Houston and San Antonio; however, the leading index ticked down in the former due to an overall downward trend while the metric increased in the latter. Meanwhile Dallas-Fort Worth (DFW) and Austin indexes flattened as housing starts and building permits decreased in both metros.

Single-family construction permits declined for the second consecutive month in July, dropping 11 percent. Nevertheless, issuance exceeded its 2006 average and elevated 31.9 percent on a year-to-date (YTD) basis. Houston continued to lead the nation with 4,259 nonseasonally adjusted permits, followed by Dallas-Fort Worth at 4,174. Issuance in Austin decreased to 1,966 permits but remained well above pre-Great Recession levels. San Antonio's metric remained unchanged, reporting 1,267 permits as the overall trend normalized over the past five months. Similar to single-family permits at the statewide level, monthly permits issued for multifamily properties sank 10.1 percent; year-over-year comparisons, however, were largely positive.

Material inputs remain costly due to supply-chain issues, but lumber prices fell 93.6 percent in July. Consequently, **total Texas housing starts** decelerated 2.2 percent. **Single-family private**

¹ All measurements are calculated using seasonally adjusted data, and percentage changes are calculated month over month, unless stated otherwise.

construction values decreased for the second straight month, declining 8 percent in real terms. Monthly fluctuations in Dallas and San Antonio reflected broader movements in the statewide metric, while Austin and Houston values normalized from record activity.

Housing supply remained at relatively low levels statewide, despite rising for two consecutive months as **Texas' months of inventory (MOI)** increased to 1.5 months. Similarly, the MOI for homes priced less than \$300,000 trended positively, increasing to 1.1 months. The two-month increase in inventory held across all price cohorts, rising from a trough in May. The MOI for luxury homes (homes priced more than \$500,000) grew to 2.4 months but remained down 51 percent from 4.9 months a year ago. A total MOI of around six months is considered a balanced housing market.

The MOI accelerated across the major metros, rebounding after a year-long decline. Houston's MOI grew to 1.7 months. Dallas and Fort Worth increased supply to 1.2 months, and the MOI expanded in San Antonio and Austin to 1.6 and 0.8 months, respectively.

Demand

Total housing sales extended its negative trend, ticking down 0.3 percent amid reduced activity for homes priced less than \$300,000. The sales composition continued to shift toward homes above that price point, accounting for 51 percent of transactions in July and signaling supply constraints at the lower price cohorts. Sales for homes priced less than \$200,000 reached an all-time low as homes appreciated across the state.

Luxury home transactions registered double-digit YTD growth in the major Metropolitan Statistical Areas (MSAs) despite total sales trending downward. Home sales fell 1.8 and 1.2 percent in Austin and San Antonio, respectively. In North Texas and Houston, total sales reflected statewide fluctuations as significant decreases in new-home transactions offset incremental sales growth in the resale market.

Despite lackluster sales, Texas' **average days on market (DOM)** fell to an all-time low of 28 days. Similarly, the DOM fell to record lows in all the major metros, corroborating robust demand as mortgage rates remained favorable to homebuyers. Homes on Austin's Multiple Listing Service lasted an average of 14 days, while the Dallas and Fort Worth DOM averaged just over three weeks. Homes in Houston and San Antonio sold at a rate closer to the state measure, staying on the market for 31 and 29 days, respectively.

Amid low expectations of additional fiscal and monetary stimulus, economic growth forecasts for the rest of the year cooled as the initial and strongest stage of recovery likely reached its peak, and inflation pressures are believed to be temporary. The **ten-year U.S. Treasury bond yield** fell to 1.3² percent, and the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** decreased to 2.9

² 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.

percent. Despite lower rates for borrowers, mortgage applications for home purchases continue to fall, declining 22.1 percent YTD. Mortgage rates remained low for the typical Texas homebuyer in June³, sinking to 3.03 percent for nonGSE loans, while the median interest rate for GSE loans was 3.11 percent. Texas home-purchase applications, however, declined for the fourth consecutive month in July, falling 22.1 percent YTD. Refinance applications improved on a monthly basis yet were still down 18.5 percent over the same period. (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

The **Texas median home price** posted a new record high, decelerating 15.6 percent YOY to \$301,900. Year-to-date (YTD) price growth was 15.9 percent in July, considerably more than last year's YTD average of 7.1 percent. Three of the four major MSAs reached all-time highs in median home prices. The exception was Houston (\$299,200) where the metric dipped just \$1,600 from last month's record high. Austin led the state with median price of \$470,300, followed by Dallas at \$370,600. The median price in Fort Worth (\$306,300) and San Antonio (\$286,700) rose \$2,600 and \$10,000, respectively.

The **Texas Repeat Sales Home Price Index** accounts for compositional effects and provides a better measure of changes in single-family home values. The index corroborated increased home-price appreciation, climbing 17.7 percent YOY. Houston's metric rose by 14.1 percent, while Dallas and Fort Worth indexes grew 22.9 and 20.9 percent, respectively. Furthermore, the index in Austin soared 23.3 percent and accelerated 18.6 percent in San Antonio. Home-price appreciation unmatched by income improvement will continue to chip away at housing affordability.

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 uncertainty surrounding the COVID-19 pandemic and the availability of reliable and timely data. Texas sales are expected to normalize for the second straight month, dipping 0.7 percent in August.

The recovery in Dallas is predicted to surpass the state average as single-family sales improve 2.3 percent. The metric in Austin will likely be more subdued, but third quarter transactions should still exceed 3Q2020 levels. Sales activity is forecasted to decrease 1.3 and 2.1 percent in Houston and San Antonio, respectively.

On the supply side, inventory should improve slightly, reaching a trough in May, with the forecast predicting a rise in both active and new listings. Constrained inventory has curbed sales during the past few months. (For more information, see the *2021 Mid-Year Texas Housing & Economic*

³ The release of Texas mortgage rate data typically lag the *Texas Housing Insight* by one month.

Outlook at <https://www.recenter.tamu.edu/articles/research-article/2021-Mid-Year-Outlook-2312>.)

Household Pulse Survey

According to the U.S. Census Bureau’s Household Pulse Survey, 6 percent of Texas homeowners were behind on their mortgage payments during July, slightly greater than the national share of 5 percent (Table 2). The metric within Texas’ largest metropolitan areas increased from last month to 6 and 7 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, decreased 12 percentage points to 14 percent, just lower than the national rate of 15 percent (Table 3).

The proportion of delinquent individuals who were at risk of foreclosure decreased to 11 percent in North Texas and 12 percent in Houston. The Federal Housing Finance Agency’s foreclosure and REO eviction moratoriums for properties owned by Fannie Mae and Freddie Mac are currently extended through Sept. 30, 2021. After the survey was taken, the Centers for Disease Control and Prevention ended its federal eviction moratorium on Aug. 26, 2021. Continued stability in the housing market is essential to Texas’ economic recovery.

Table 1. Single-Family Housing Sales Projections

	Percentage Change from July to Aug. 2021	Percentage Change from Jan. - Aug. 2020 to Jan. - Aug. 2021
Texas	-0.7	8.4
Austin-Round Rock	-0.2	4.9
Dallas-Fort Worth	2.3	-0.4
Houston-The Woodlands-Sugar Land	-1.3	17.1
San Antonio-New Braunfels	-2.1	8.0

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.

Sources: U.S. Census Bureau and 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	36%	59%	5%	0%
Texas	42%	52%	6%	0%
Dallas-Fort Worth	34%	60%	6%	0%
Houston-The Woodlands-Sugar Land	47%	46%	7%	0%

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, July 21-Aug. 2, 2021

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

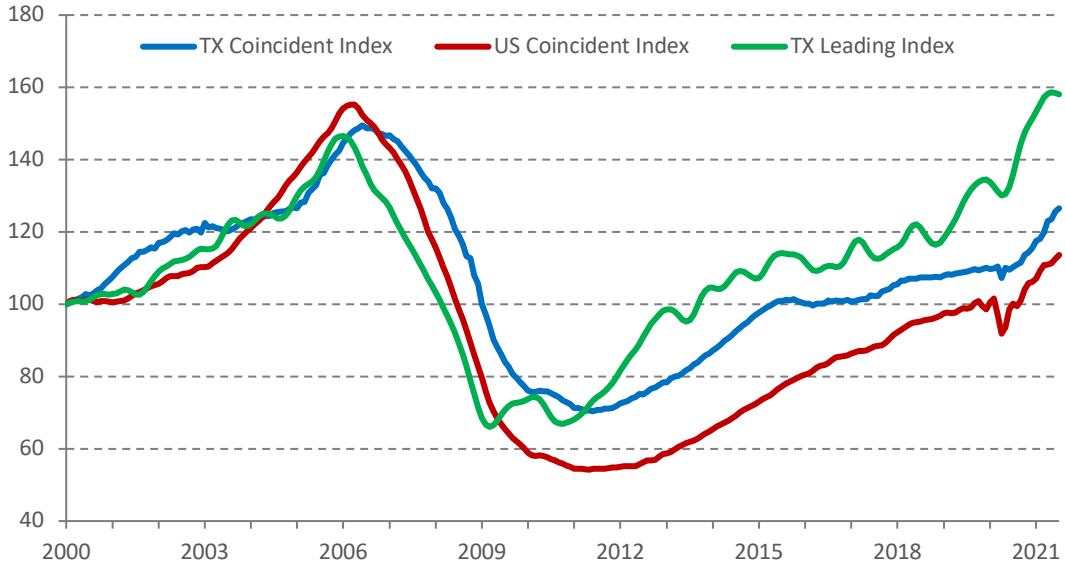
	Very Likely	Somewhat Likely	Not Very Likely	Not Likely at All	Did Not Report
United States	3%	12%	35%	45%	5%
Texas	0%	14%	24%	50%	12%
Dallas-Fort Worth	1%	10%	44%	23%	22%
Houston-The Woodlands-Sugar Land	0%	12%	37%	50%	1%

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, July 21-Aug. 2, 2021

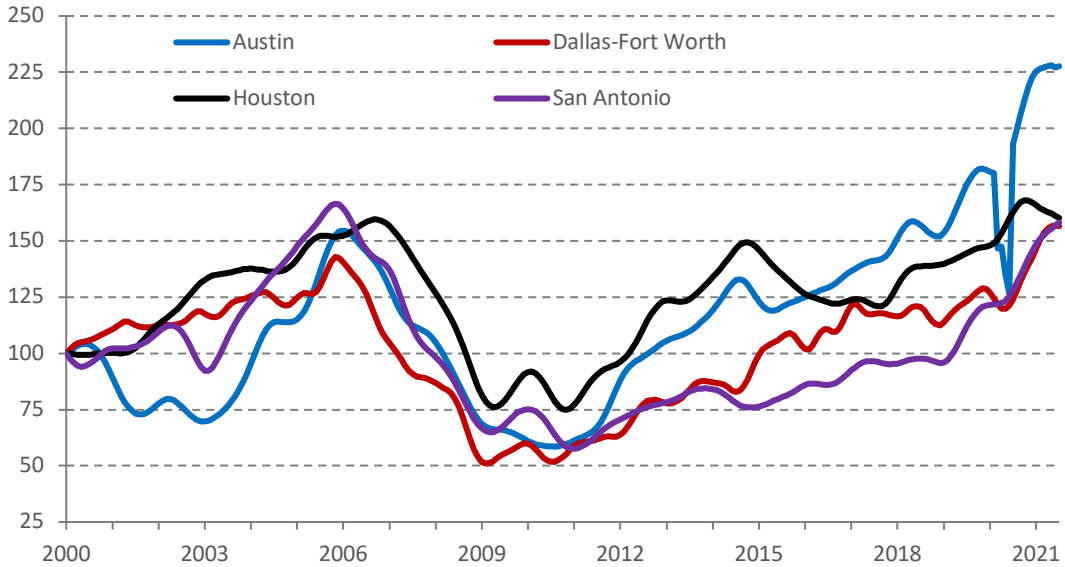


Texas Residential Construction Index (Index Jan 2000 = 100)



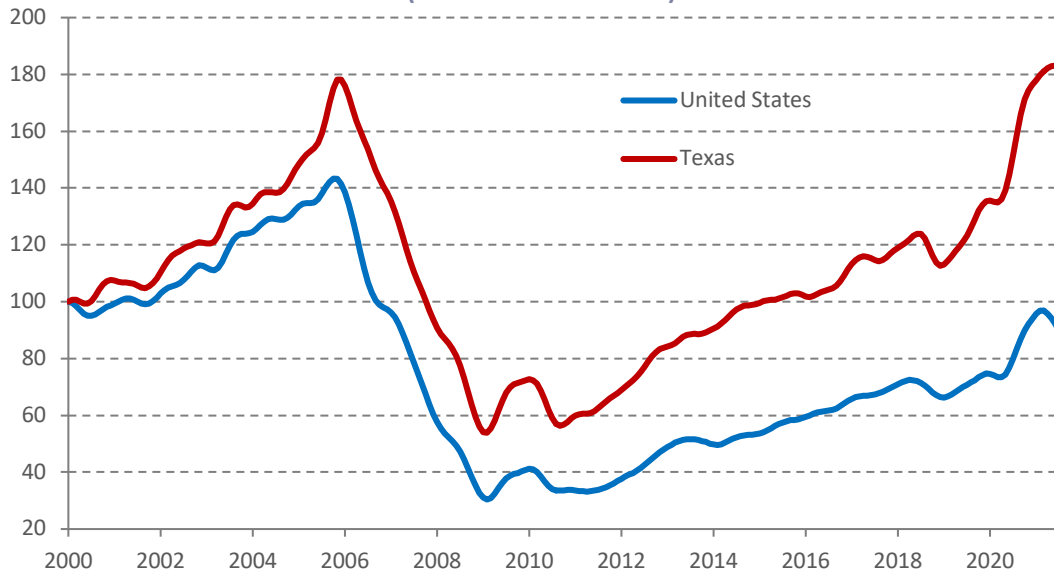
Note: Trend-cycle component.
Sources: Texas Real Estate Research Center at Texas A&M University and Federal Reserve Bank of Dallas

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



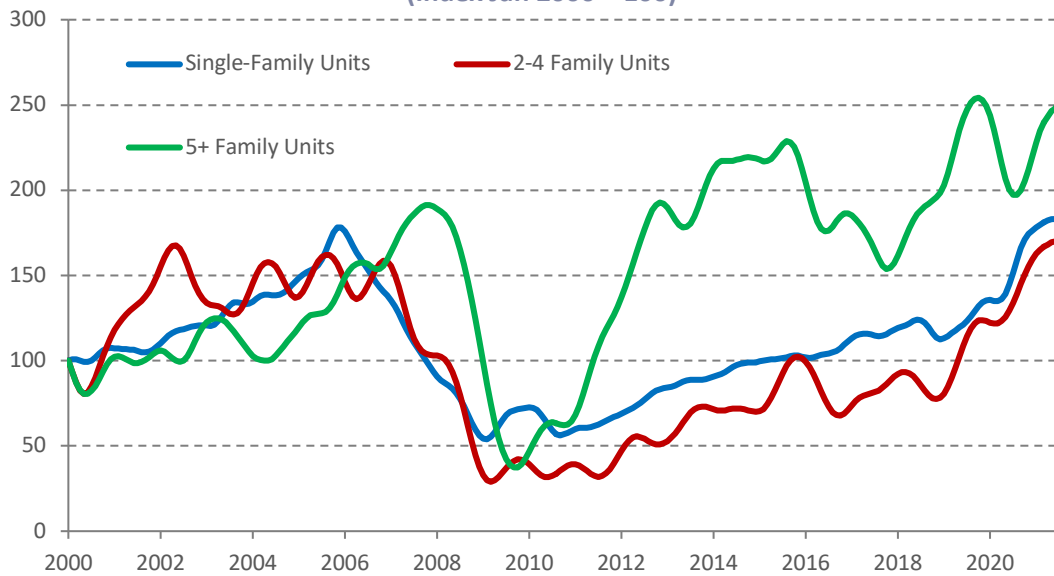
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

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



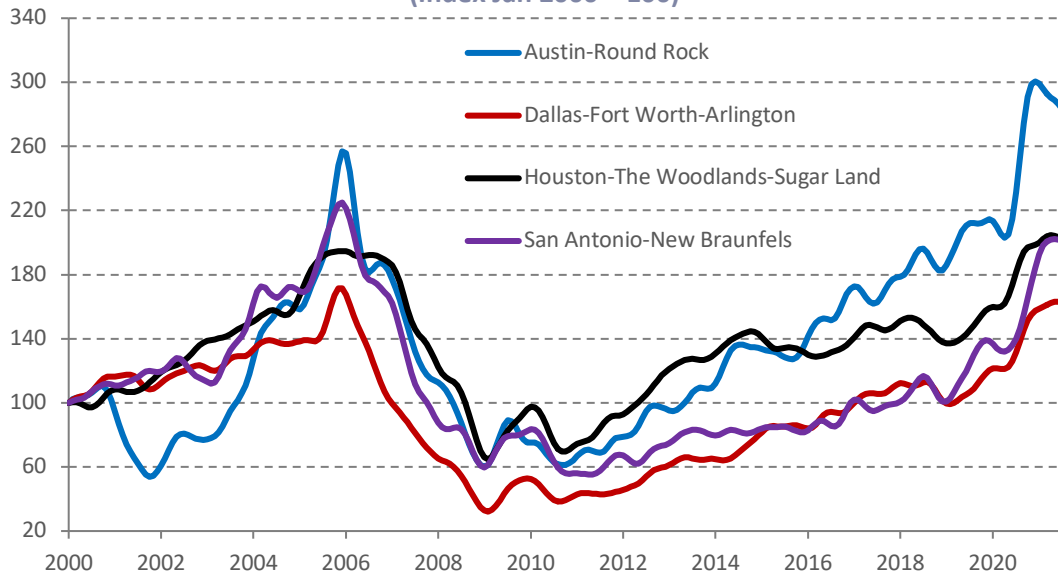
Note: Trend-cycle component.
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

Texas Housing Construction Permits (Index Jan 2000 = 100)



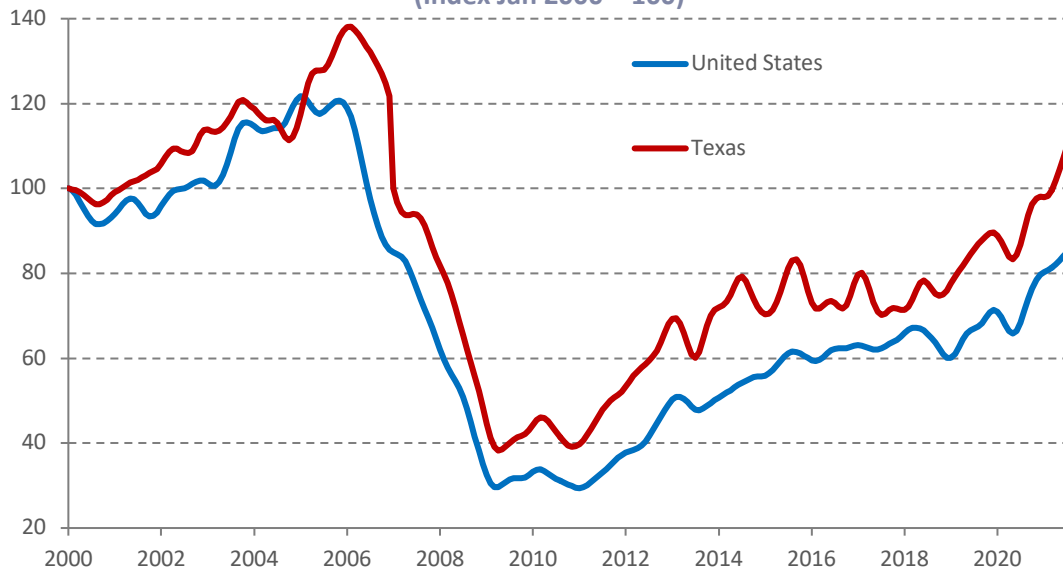
Note: Trend-cycle component.
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

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

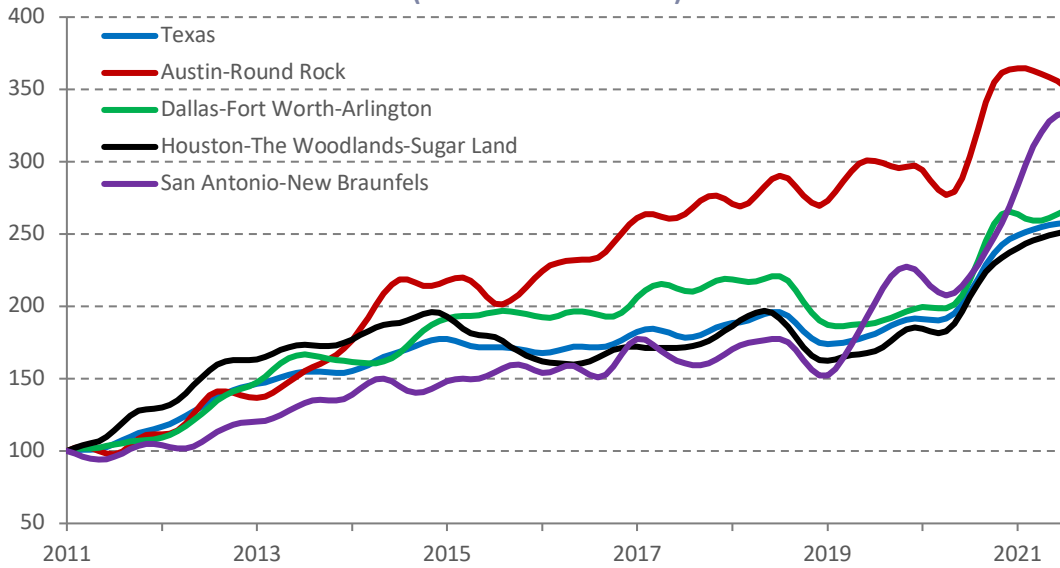
Total Housing Starts Per Capita (Index Jan 2000 = 100)



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

Total New Private Single-Family Construction Value

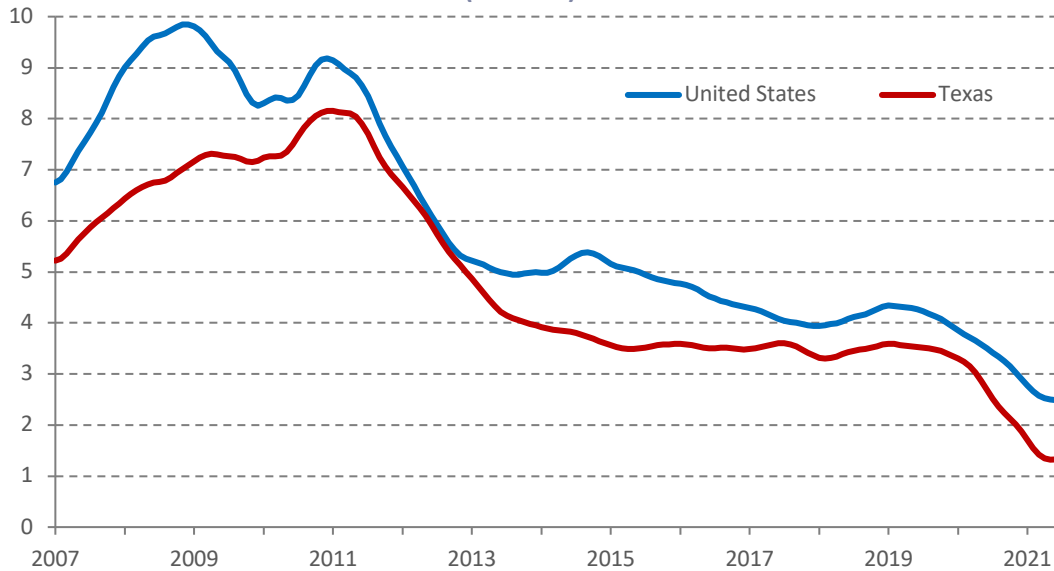
(Index Jan 2011 = 100)



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

Total Months of Inventory

(Months)

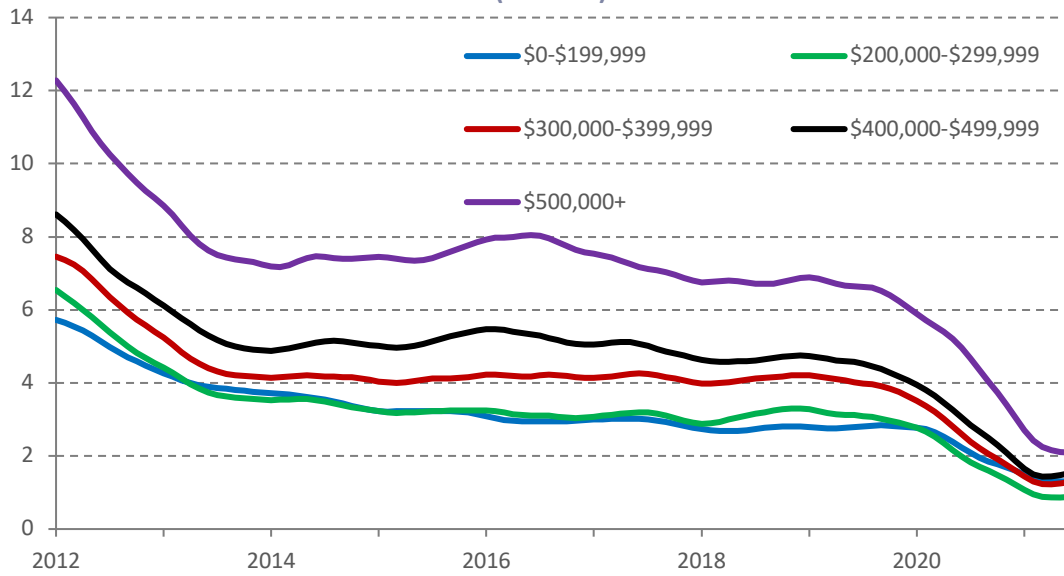


Note: Trend-cycle component. Months of inventory for the United States is estimated using weights for all existing homes and new single-family homes; new nonsingle-family homes are not included. Texas includes all existing and new homes.

For more information, see [Months of Inventory](#).

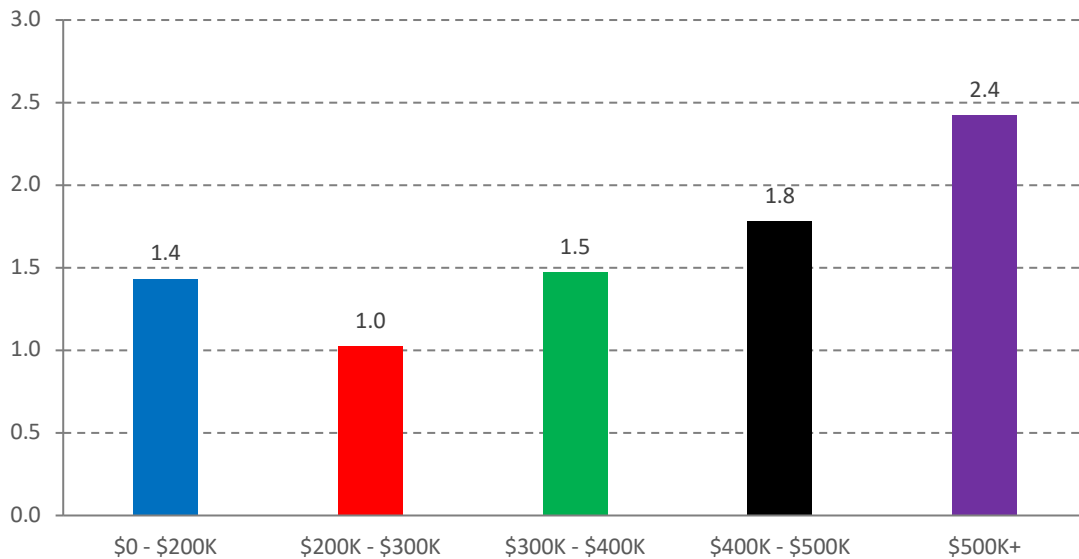
Sources: U.S. Census Bureau, National Association of Realtors, and Texas Real Estate Research Center at Texas A&M University

Texas Months of Inventory by Price Cohort (Months)



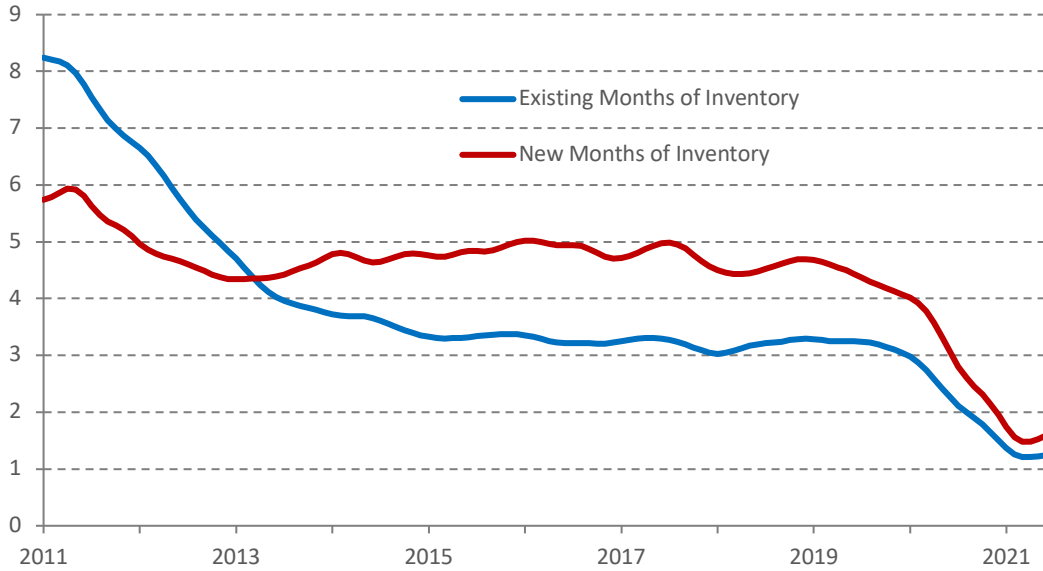
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

Texas Current Months of Inventory by Price Cohort (July 2021)



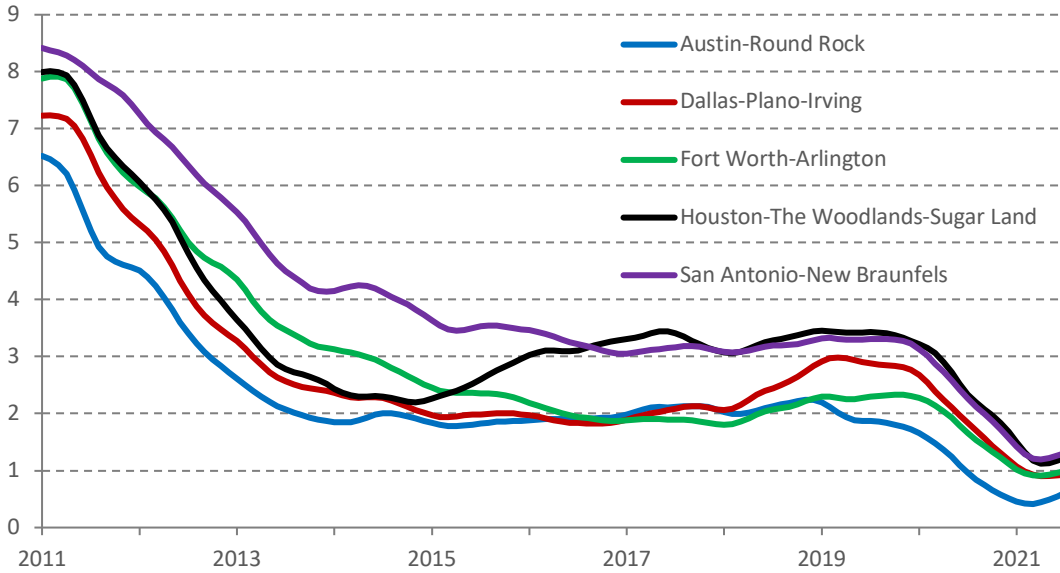
Note: Seasonally adjusted.
Source: Texas Real Estate Research Center at Texas A&M University

Texas Existing and New Home Months of Inventory (Months)



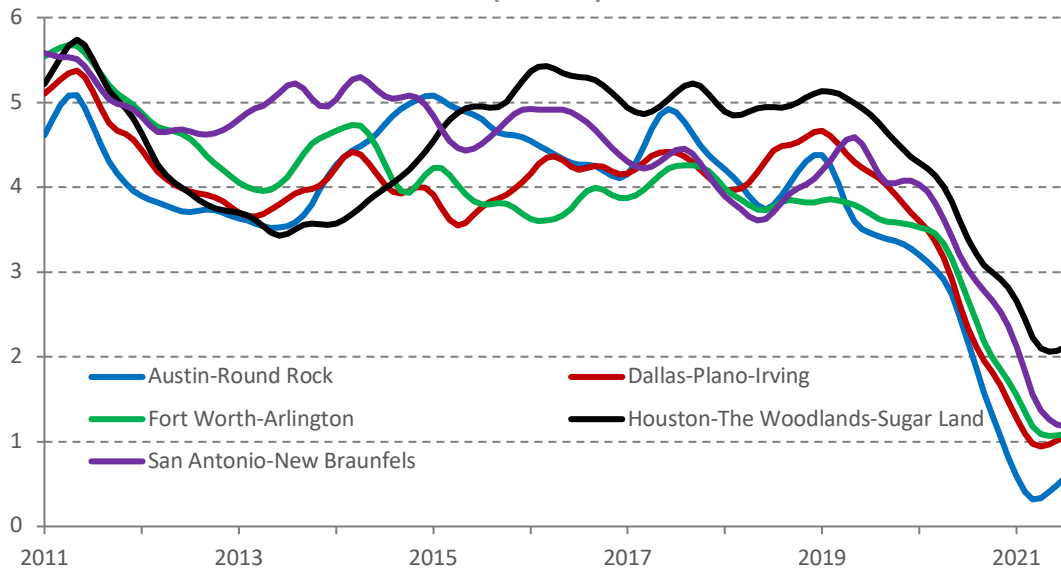
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

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)



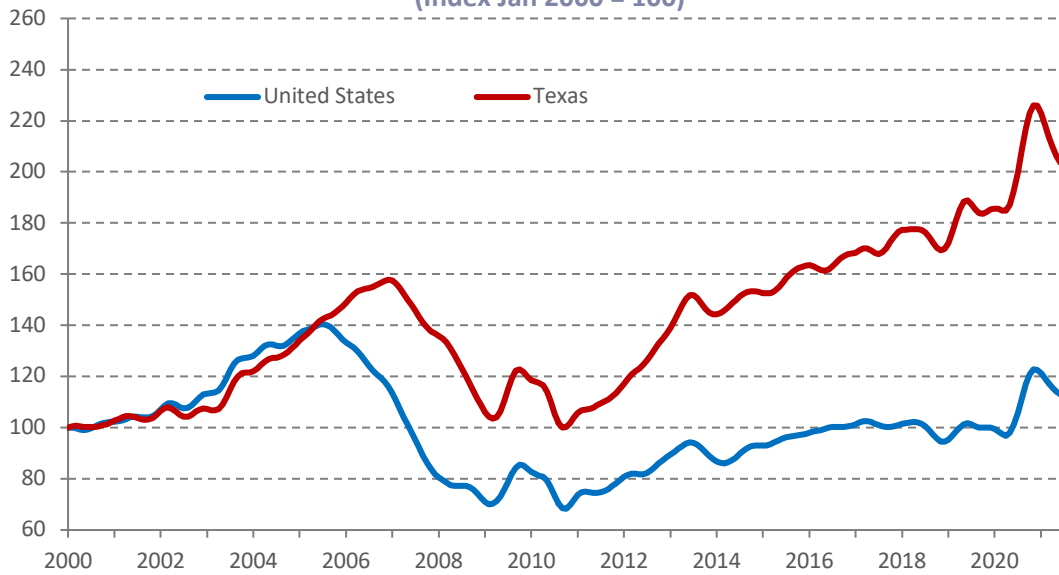
Note: Trend-cycle component.

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



DEMAND

Total Housing Sales
(Index Jan 2000 = 100)

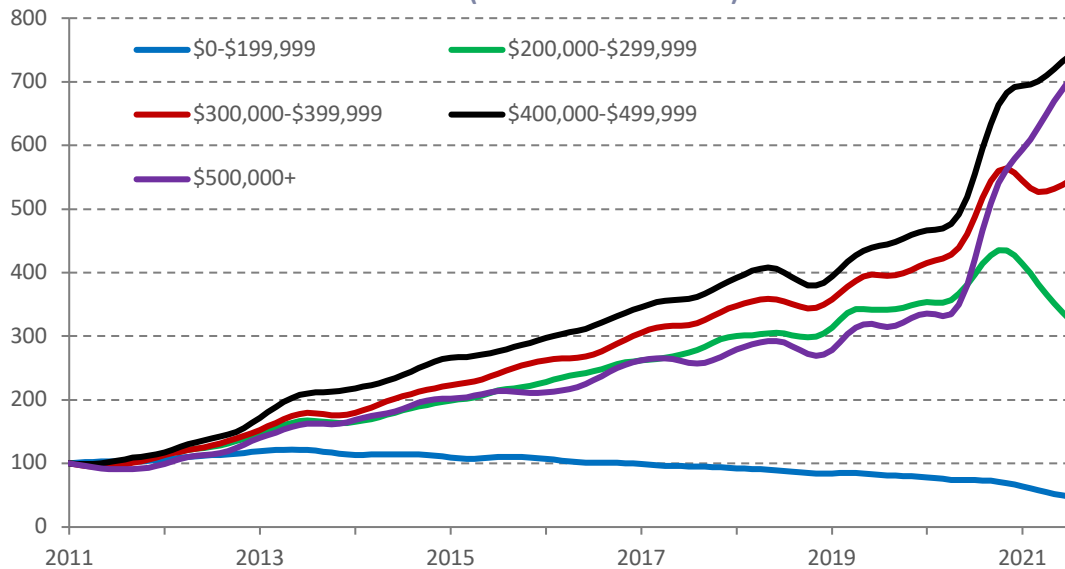


Note: Trend-cycle component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

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

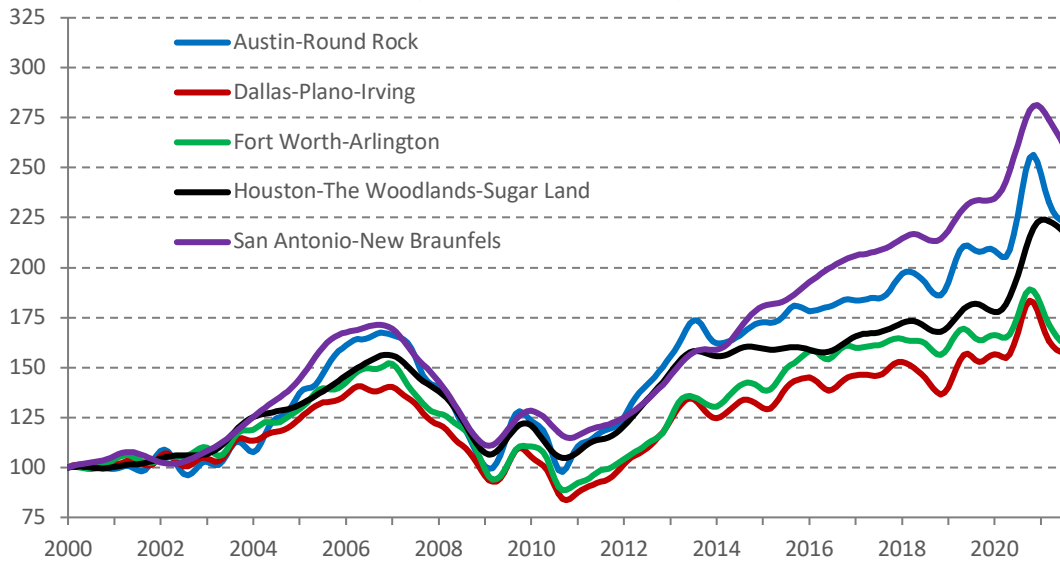
Texas Total Housing Sales by Price Cohort
(Index Jan 2011 = 100)



Note: Trend-cycle component.

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

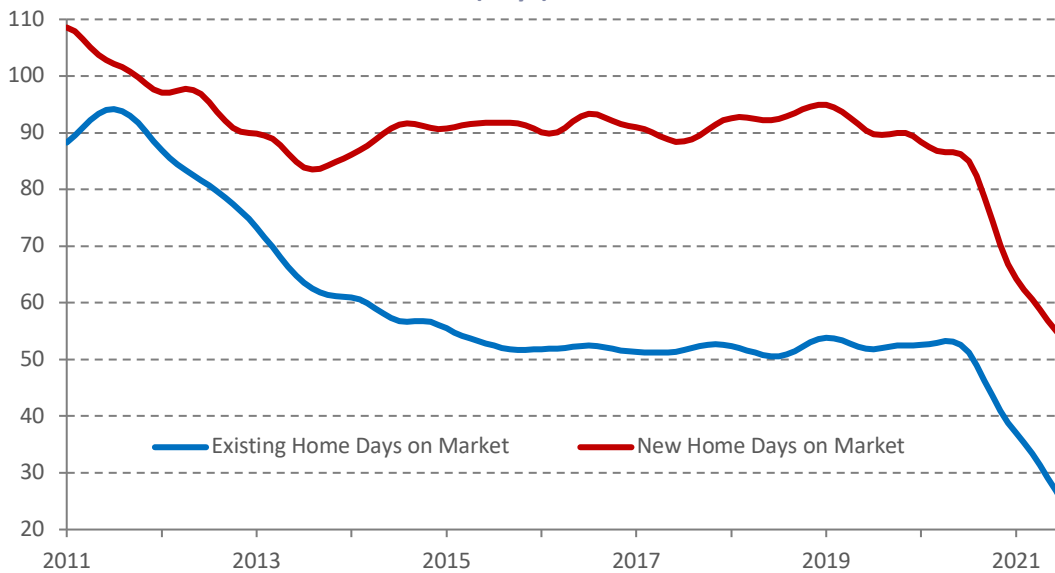
Major Metros Total Housing Sales (Index Jan 2000 = 100)



Note: Trend-cycle component.

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

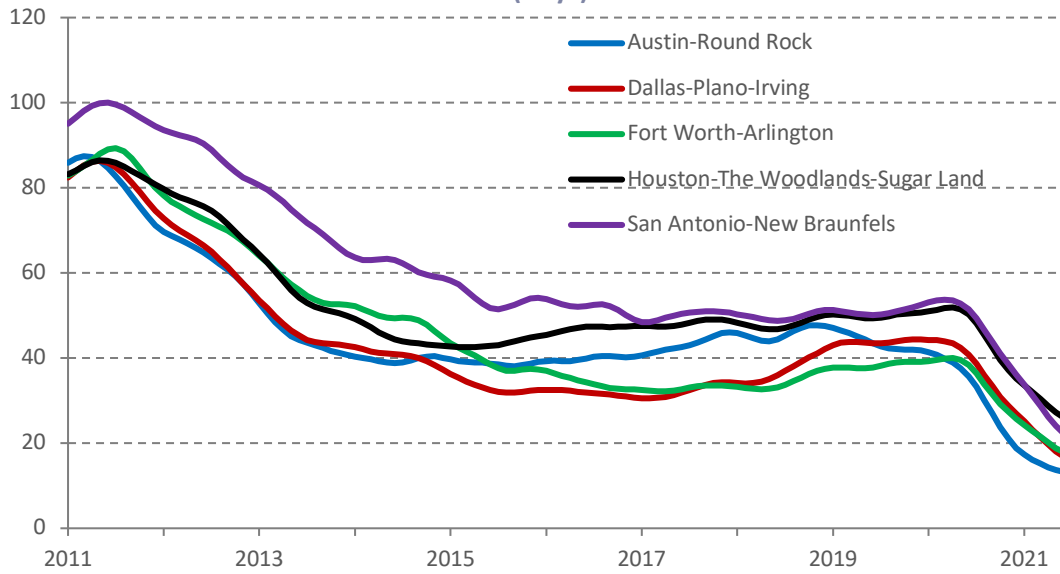
Texas Homes Days on Market (Days)



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

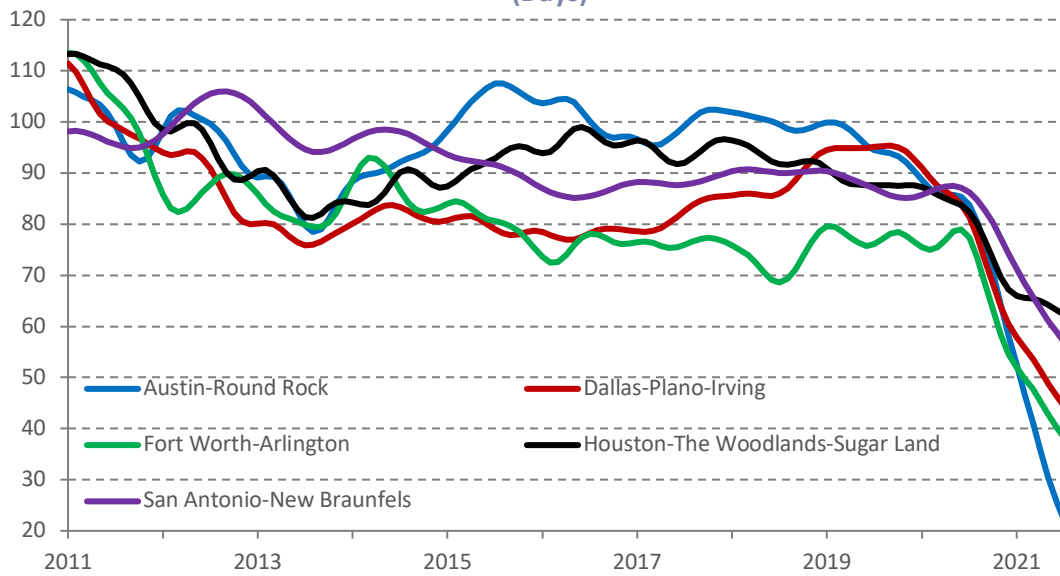
Source: Texas Real Estate Research Center at Texas A&M University

Major Metros Existing Homes Days on Market (Days)



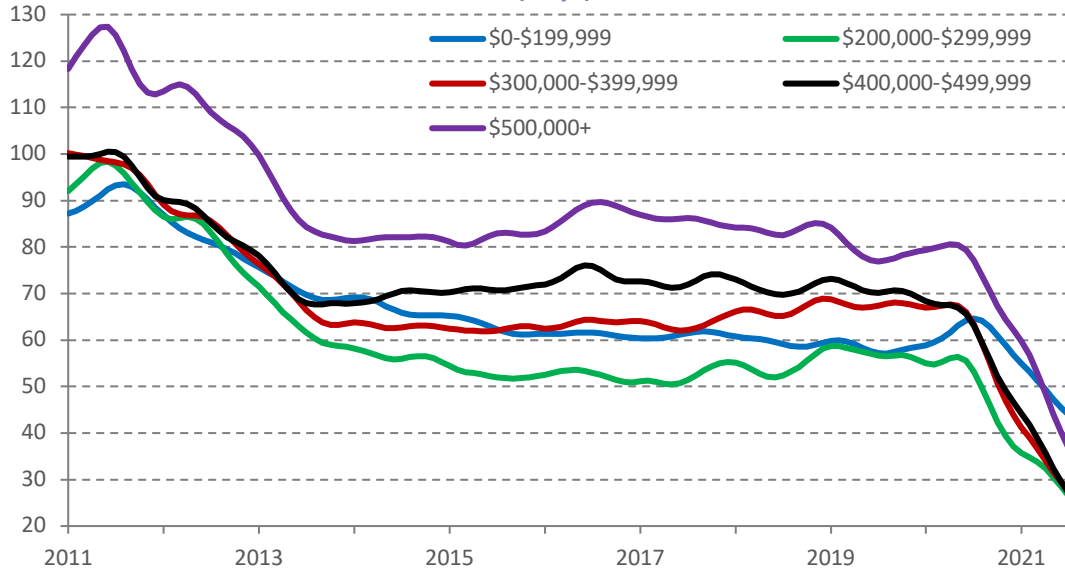
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

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)



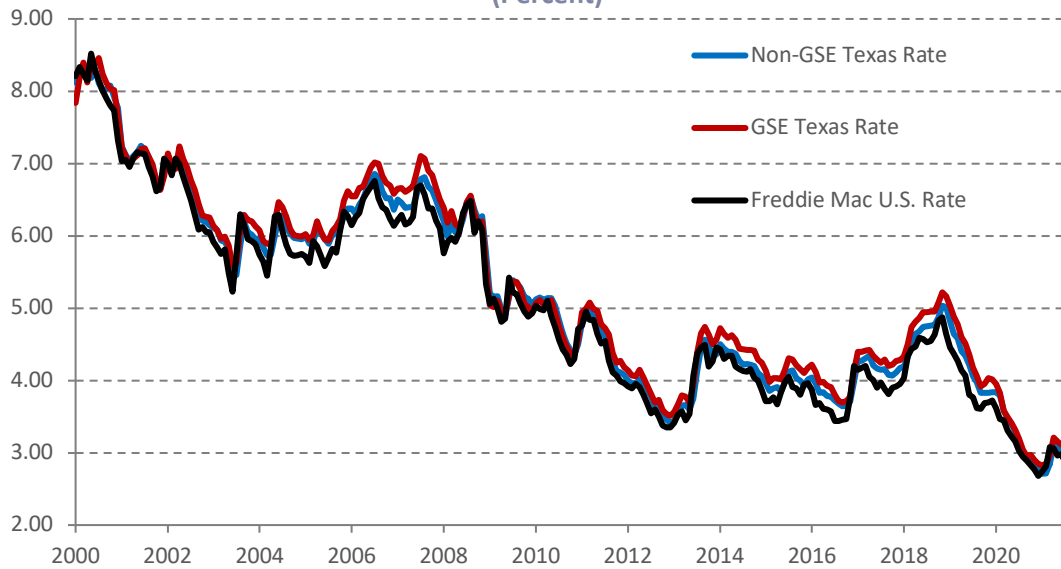
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

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



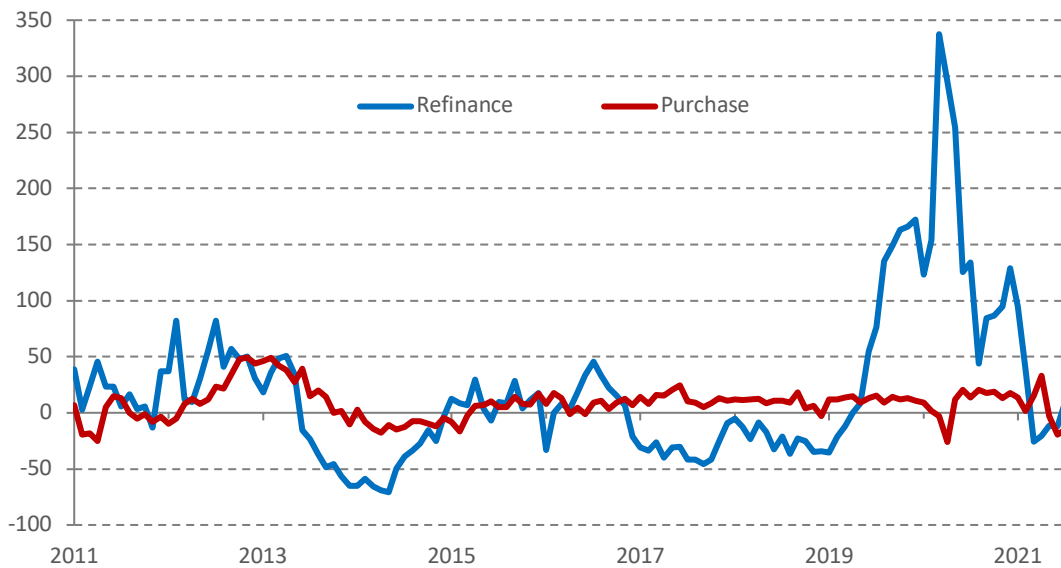
Note: Nonseasonally adjusted.
Source: Federal Home Loan Mortgage Corporation and Federal Reserve Board

Fixed 30-Year Mortgage Rates (Percent)



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

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

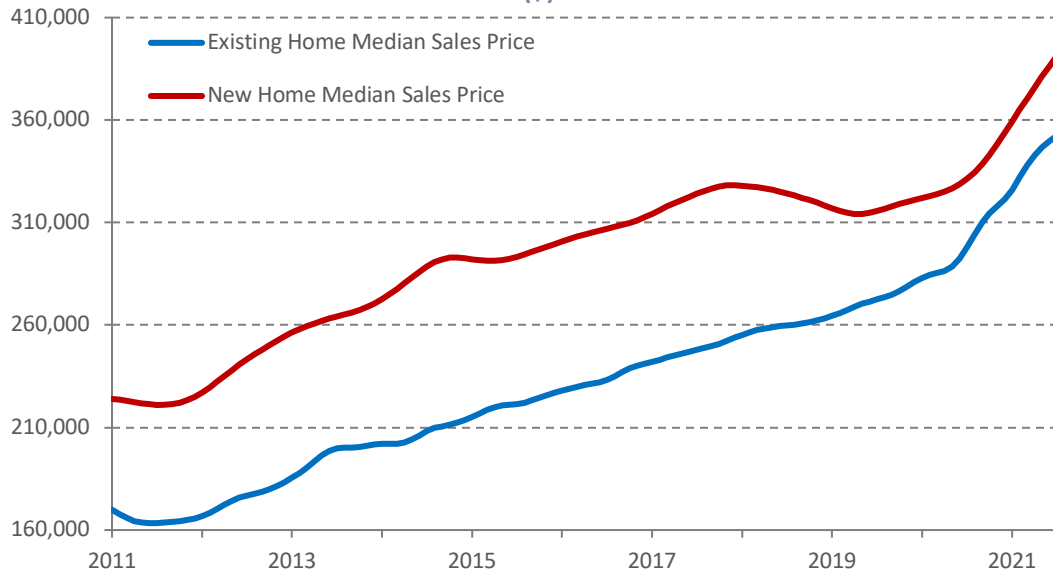


Note: Seasonally adjusted.
Source: Mortgage Bankers Association



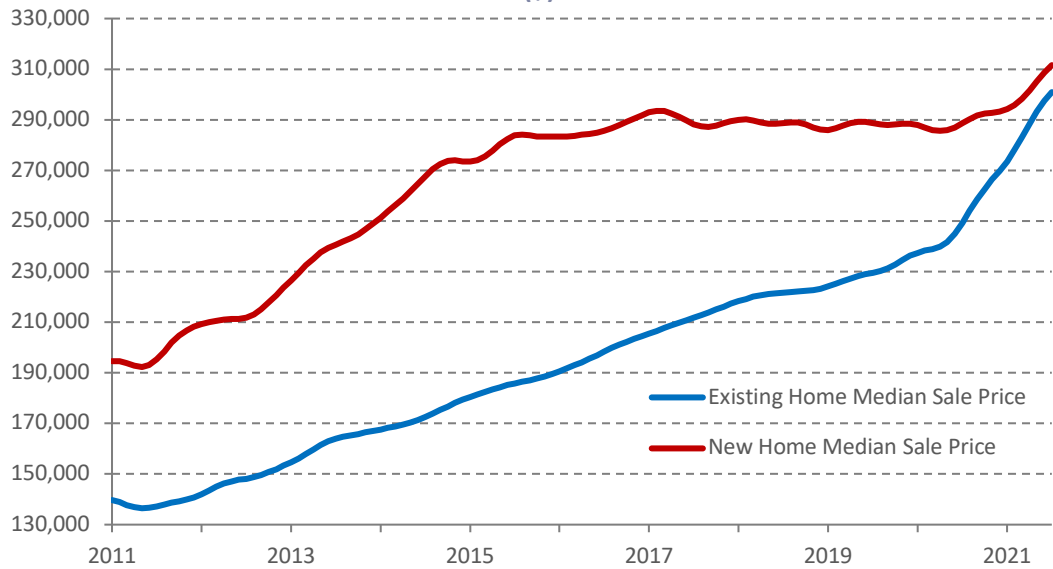
PRICES

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



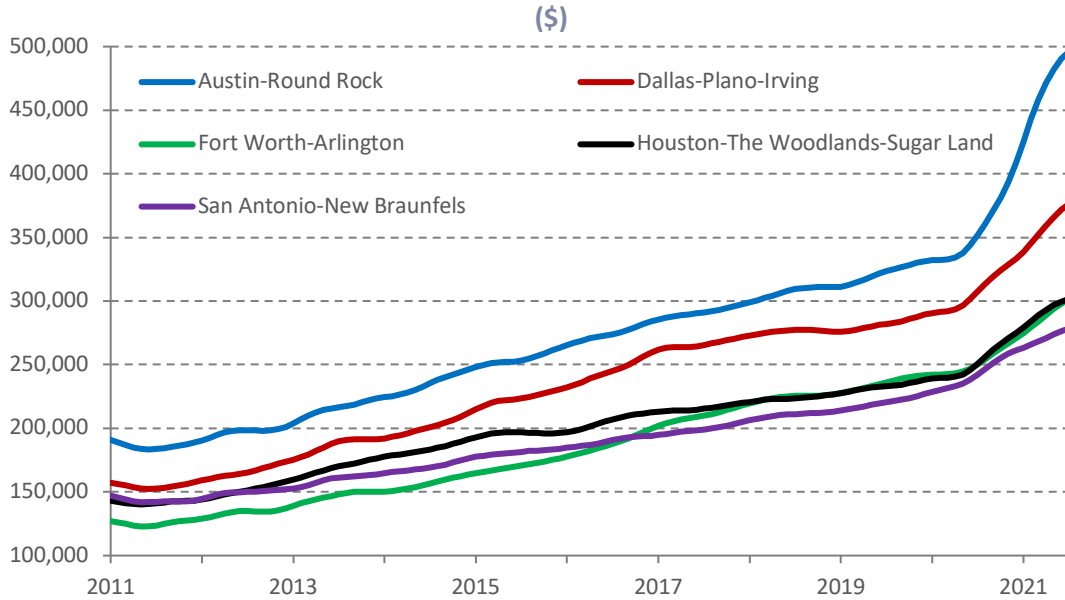
Note: Trend-cycle component. For single-family homes.
Source: Federal Reserve Bank of St. Louis

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



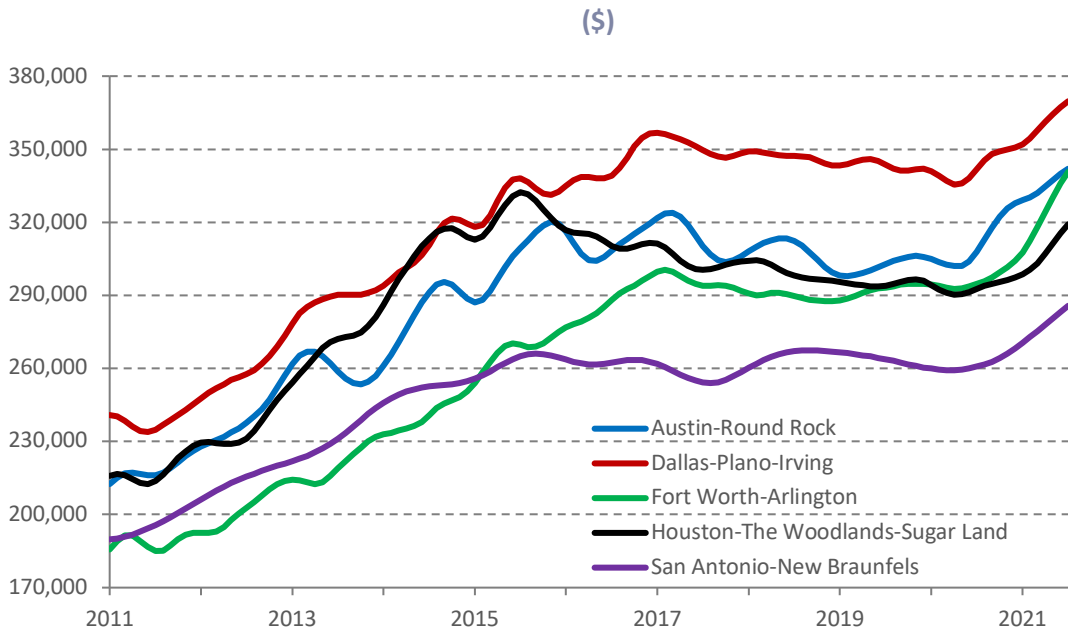
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

Major Metros Existing Home Median Sales Price



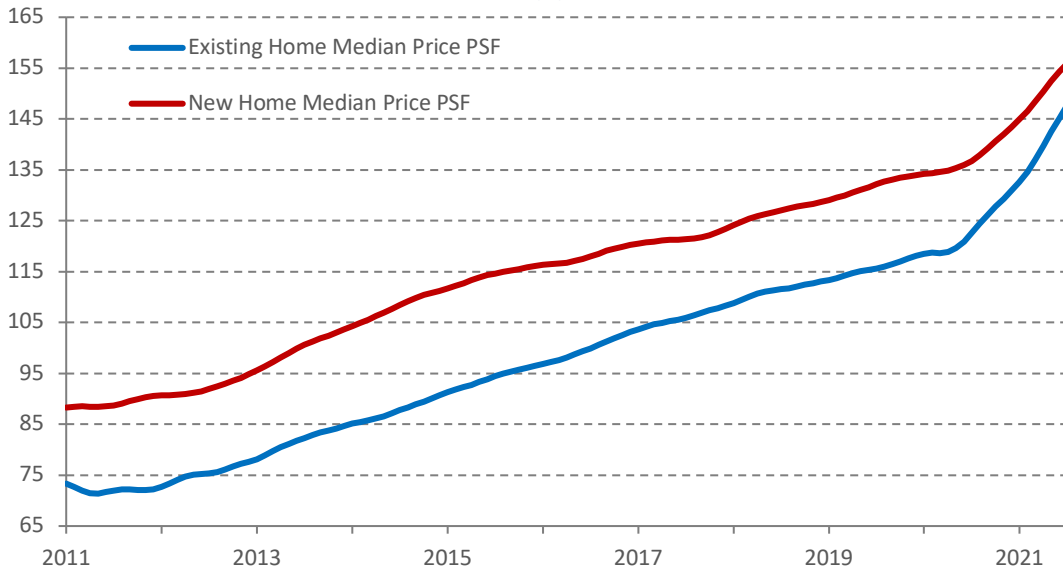
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

Major Metros New Home Median Sales Price



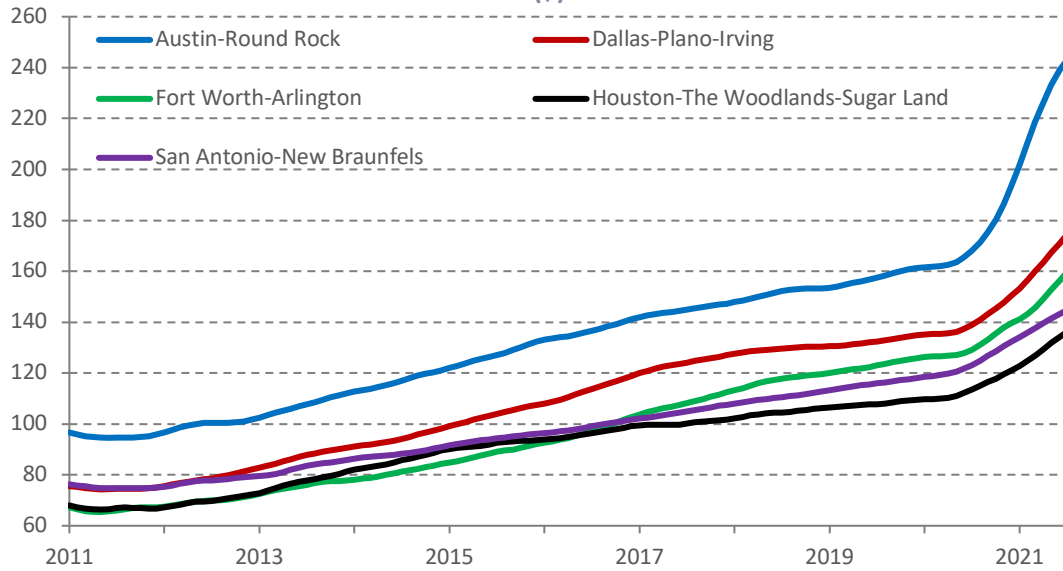
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



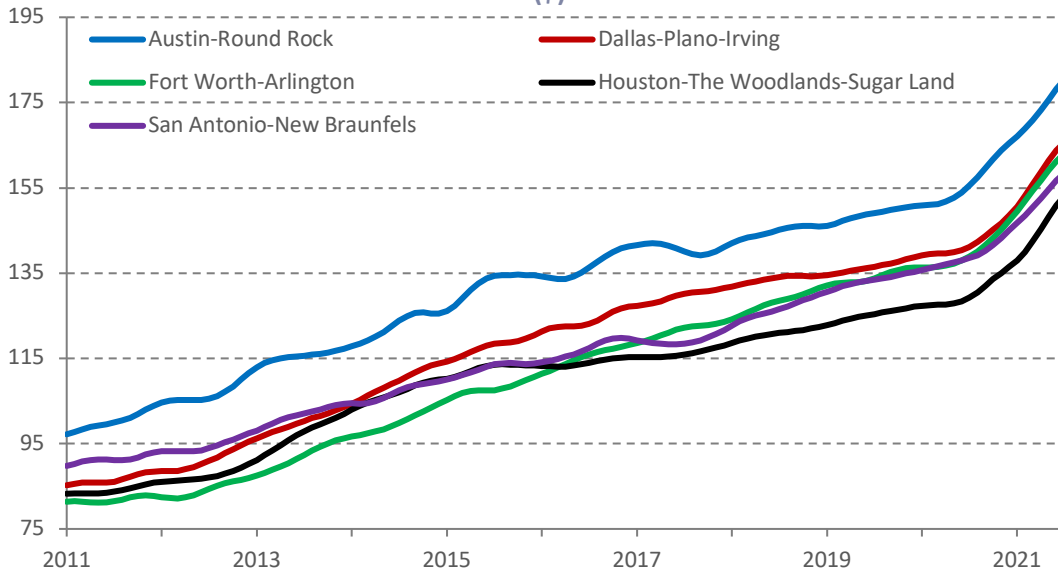
Note: Trend-cycle component. For single-family homes.
 Source: Texas Real Estate Research Center at Texas A&M University

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



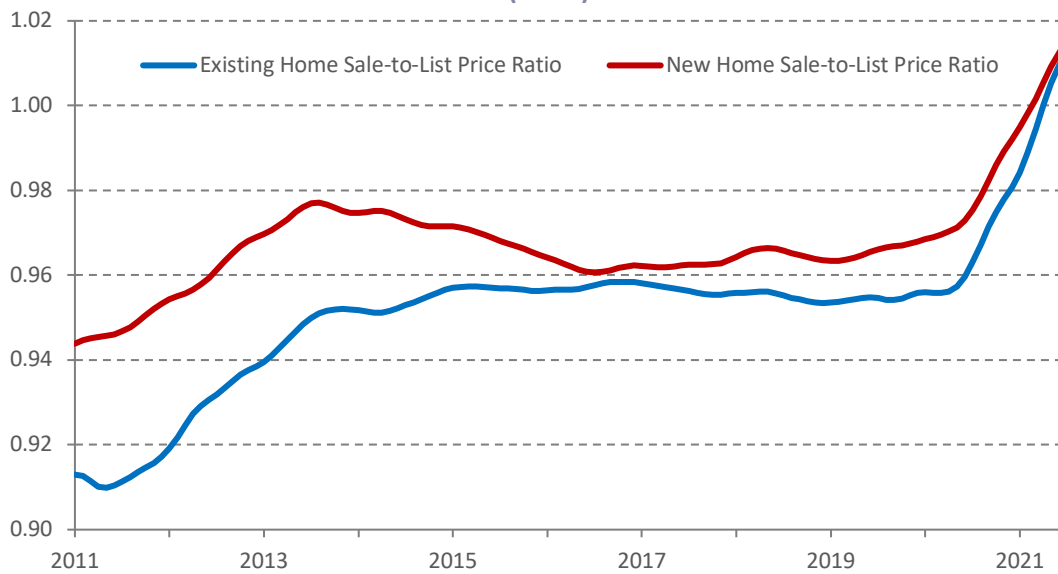
Note: Trend-cycle component. For single-family homes.
 Source: Texas Real Estate Research Center at Texas A&M University

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



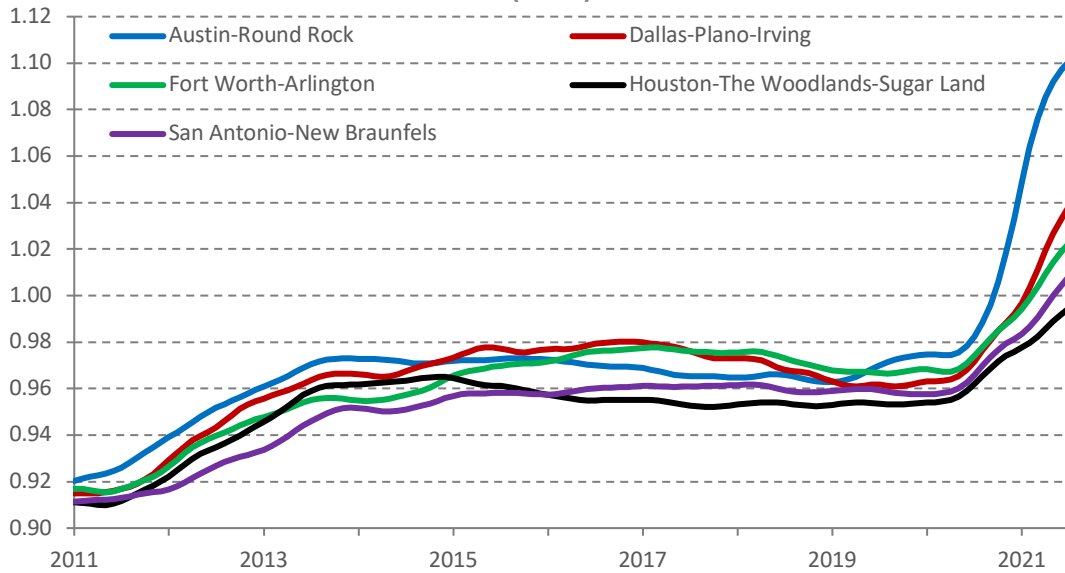
Note: Trend-cycle component. For single-family homes.
 Source: Texas Real Estate Research Center at Texas A&M University

Texas Home Sale Price to List Price (Ratio)



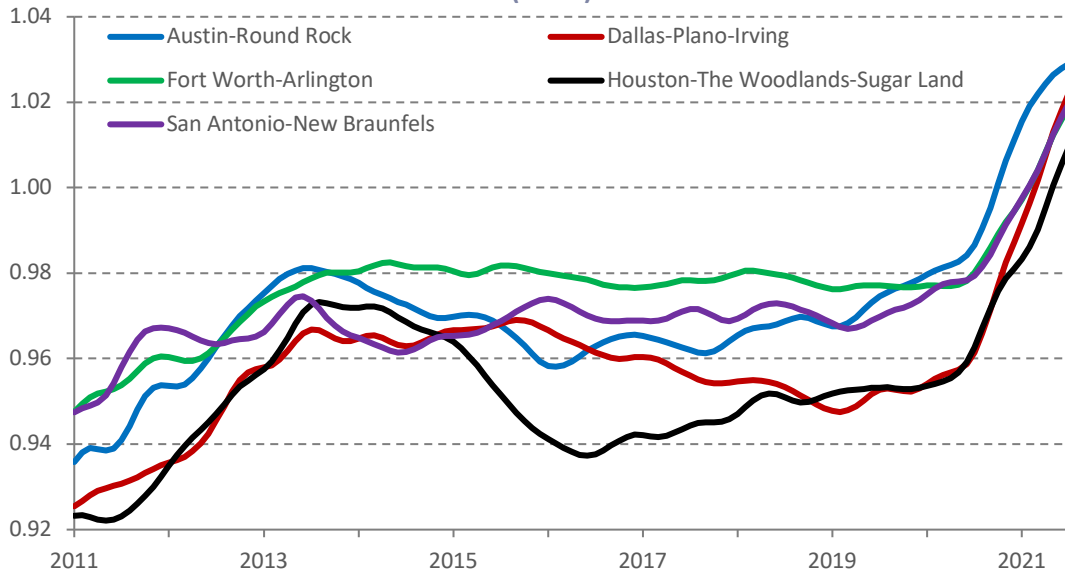
Note: Trend-cycle component. For single-family homes.
 Source: Texas Real Estate Research Center at Texas A&M University

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



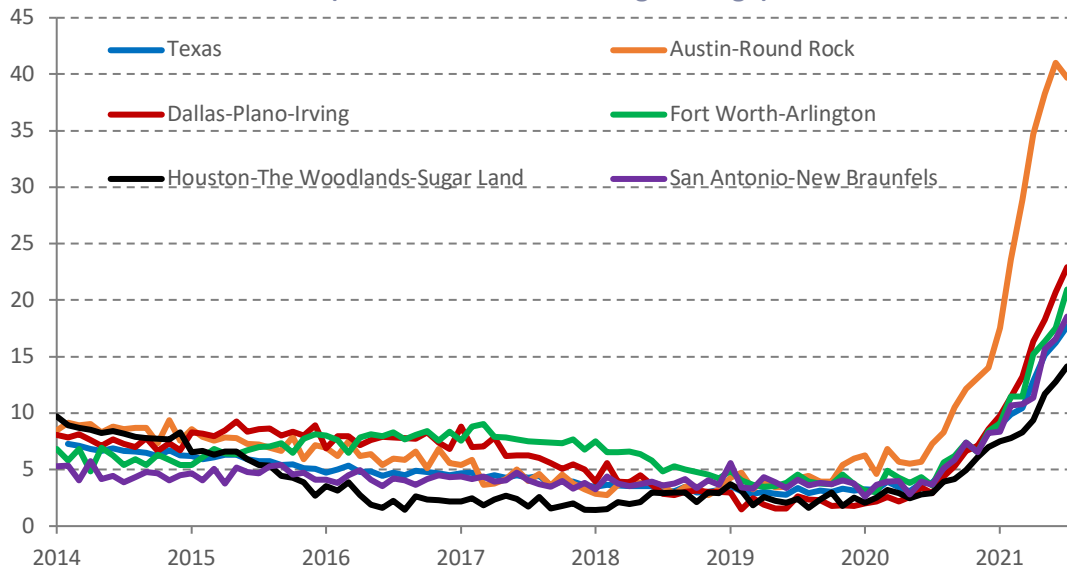
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

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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