



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



# TEXAS HOUSING INSIGHT

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OCTOBER 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).

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

Data current as of December 9, 2021

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# OCTOBER 2021 SUMMARY

MONTHS INVENTORY  
= 1.6 months

HOUSING SALES  
= -0.3% MOM

U.S. FIXED 30-YR MORTGAGE RATE  
▲ 3.1%

DAYS ON MARKET  
▲ 32 days

TX HOME PRICE INDEX  
▲ 18.6% YOY

Texas housing sales slowed in October but trended upward amid continued supply constraints. Along with higher mortgage interest rates, double-digit home-price appreciation chipped away at housing affordability. Elevated demand persisted as homes averaged roughly one month on the market. On the supply side, single-family housing permits increased for the second consecutive month, but housing starts declined as lumber and other input material prices rose. The relatively 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.

## Supply<sup>1</sup>

The Texas **Residential Construction Cycle (Coincident) Index**, which measures current construction activity, flattened nationally and within Texas due to decreased construction values despite employment and wage gains during October. The Texas **Residential Construction Leading Index** ticked down as weighted building permits decreased, signaling a potential slowdown in future activity. Among the major metros, weighted building permits and residential starts increased, except in Dallas-Fort Worth (DFW), where there was a decrease in both metrics. Inflationary pressures, however, tempered economic expectations and may slow construction activity in coming months.

**Single-family construction permits** accelerated 4.5 percent in October, increasing for a second straight month. Houston topped the national list for seven consecutive months with 4,080 nonseasonally adjusted permits after registering a healthy seasonally-adjusted increase. DFW ranked second on the national list and posted a double-digit monthly expansion to 3,724 permits. Meanwhile, Austin and San Antonio issued 1,677 and 1,085 permits, respectively. On the other hand, Texas' multifamily sector registered incremental growth as issuance shifted from two-to-four units to five-or-more units. The metric ticked up just 0.7 percent on a monthly basis, but elevated 13.5 percent year to date (YTD) relative to the same period last year.

Despite strengthening economic conditions and ample housing demand, **total Texas housing starts** declined as lumber prices increased 17.9 percent in October. **Single-family private construction values**, however, increased slightly in real terms, but the metric continued to trend downward in

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

Texas' major metros. The majority of the statewide growth was attributed to the elevation in Austin and DFW values.

**Texas' months of inventory (MOI)** normalized at 1.6 months as sales activity and new listings slowed. A total MOI around six months is considered a balanced housing market. Supply remained relatively constant across all price cohorts except in the upper and lower extremes. For example, inventory tightened for homes priced less than \$300,000 and for luxury homes (those priced more than \$500,000), diminishing to 1.2 and 2.5 months, respectively.

Inventory in the major metros decreased slightly in October, except in Houston, where MOI stayed at 1.7 months. Supply remained the most constrained in Austin at 0.9 months, while San Antonio's MOI lowered to 1.7 months. North Texas' metric declined at the largest rate, falling to 1.1 and 1.2 months in Dallas and Fort Worth, respectively. Depleted inventory remains a major headwind to the health of Texas' housing market.

## **Demand**

**Total housing sales** flattened in October, dipping 0.3 percent amid rising mortgage interest rates and dwindling inventory. The slowdown was attributed to historically low activity for homes priced less than \$200,000. On the other hand, the number of homes sold priced between \$400,000 and \$499,999 reached an all-time high. Reduced transactions at the lower end of the price spectrum slightly outweighed the uptick in the higher price ranges.

Housing sales decreased in all metro areas except for in Dallas. San Antonio reflected statewide fluctuations across the price spectrum as total sales declined 1.5 percent. In Houston, the metric dropped 0.9 percent, while activity in Austin contracted 3.2 percent. Sales in North Texas slowed overall, decreasing 3.4 percent in Fort Worth. However, transactions in Dallas increased 1.9 percent due to strong gains for homes priced between \$200,000 and \$299,999.

Texas' **average days on market (DOM)** rose marginally to 32 days, confirming robust demand and attributing sales decrease to limited inventory. Austin's DOM improved by one day, averaging 19 days, while North Texas' metric also increased, selling after an average of 23 days in Fort Worth and 27 days in Dallas. San Antonio's and Houston's metrics registered narrow gains, matching the statewide average of 32 days in both metros.

With monetary policy possibly normalizing, starting with the Federal Reserve Bank's tapering of bond purchases, economic growth forecasts for the coming years point to a slow return to the long-run structural trend as the initial and strongest stage of recovery likely reached its peak. It's becoming clearer that inflation pressures will be permanent. The **ten-year U.S. Treasury bond yield** ticked up for the second consecutive month to 1.6 percent<sup>2</sup>, while the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** elevated to 3.1 percent. The median mortgage rate for the typical Texas homebuyer remained constant at 3.1 percent for GSE loans in September<sup>3</sup> and

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<sup>2</sup> 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.

<sup>3</sup> The release of Texas mortgage rate data typically lags the Texas Housing Insight by one month.

ticked down ten basis points to 2.9 percent for non-GSE loans. Although mortgage interest rates rose over the past two months, Texas home-purchase applications increased in October but fell 6.5 percent YTD. Meanwhile, refinance applications declined on a monthly basis and were down 24.6 percent since December 2020. Year-over-year (YOY) purchase and refinance applications diminished 9.8 and 10 percent, respectively, largely due to baseline effects after a surge of remodeling and refinancing in 2020. Increasing rates, lenders adding more requisites, and the shrinking pool of households able to refinance are likely impacting refinance activity as well. (For more information, see “Finding a Representative Interest Rate for the Typical Texas Mortgagee” at <https://assets.recenter.tamu.edu/Documents/Articles/2278.pdf>.)

In September, the median loan-to-value ratio (LTV) constituting the “typical” Texas conventional-loan mortgage dropped from 87.8 a year earlier to 84.5. The debt-to-income ratio (DTI) elevated from 35.4 to 36.4, while the median credit score increased ten points to 749 over the same period. The LTV GSE borrowers decreased from 85.4 last September to 85.9; however, DTI grew from 35.4 to 36.4. Overall improved credit profiles reflected the fact that only the most qualified housing applicants were able to outbid their competition for their desired homes amid exceptionally tight inventories and robust demand.

### Prices

Average home prices were boosted by the ongoing shift in the composition of sales toward higher-priced homes due to constrained inventories at the lower end of the market. The **Texas median home price** rose for the tenth consecutive month, appreciating 1.4 percent on a monthly basis and 15.5 percent YOY to a record-breaking \$312,700 in October. The share of luxury homes sold in Austin continued to expand, contributing to the 24.4 percent YOY surge in the median price (\$453,600). The Dallas metric (\$383,100) increased 17.6 percent, while annual price growth in Fort Worth (\$319,600) shot up to 18.2 percent. Houston’s (\$309,100) and San Antonio’s (\$303,000) metrics elevated 15.1 and 18.4 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. Texas’ index corroborated significant home-price appreciation, accelerating 18.6 percent YOY. The repeat sales index also accelerated in the major metros, except in Austin and Houston, as annual price growth reached recent peaks. The metric dipped to 35.1 percent in Austin, followed by Dallas and Fort Worth with 24.1 and 22 percent home-price appreciation, respectively. San Antonio posted an 18.4 percent annual hike, while Houston’s index decelerated to 14.6 percent. Increasing home prices pressured housing affordability, particularly in an environment of low real wage growth.

### 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 uncertainty surrounding the COVID-19 pandemic and the availability of reliable and timely data. Texas sales are expected to recover 2.7 percent in November after October’s decline. The metric is estimated to rebound 2.5 and 2.4 percent in Austin and Houston, respectively, with additional

increases of 4.9 percent in DFW. Transactions in San Antonio, however, are forecasted to slow further to -3.6 percent. Sales through November 2021 should accelerate relative to the same period in 2020. On the supply side, inventories reached a trough in May 2021 and should improve in the coming months. Listings seemed to reach a trough in May and are rising, easing some of the price pressures amid a rise in new and pending listings. (For more information, see *2021 Mid-Year Texas Housing & Economic Outlook* at <https://assets.recenter.tamu.edu/Documents/Articles/2312.pdf>).

### Household Pulse Survey

According to the U.S. Census Bureau’s Household Pulse Survey, the share of homeowners behind on their mortgage payments increased to 6 percent nationally and 9 percent in Texas (Table 2). Houston and DFW hovered above the national average at 13 and 8 percent, 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 declined from 27 percent in September to 14 percent in October (Table 3). The proportion of delinquent individuals at risk of foreclosure fell in North Texas, decreasing from 20 to 18 percent, and declining 28 percentage points to 16 percent in Houston. The Federal Housing Finance Agency’s foreclosure and REO eviction moratoria for properties owned by Fannie Mae and Freddie Mac (the Enterprises) expired Sept. 30, 2021. Continued stability in the housing market is essential to Texas’ economic recovery.

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

	Percentage Change from Oct. to Nov. 2021	Percentage Change from Jan. - Nov. 2020 to Jan. - Nov. 2021
Texas	2.7	5.2
Austin-Round Rock	2.5	0.5
Dallas-Fort Worth	4.9	-1.9
Houston-The Woodlands-Sugar Land	2.4	11.6
San Antonio-New Braunfels	-3.6	4.1

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%	6%	0%
Texas	39%	52%	9%	0%
Dallas-Fort Worth	37%	55%	8%	0%
Houston-The Woodlands-Sugar Land	32%	55%	13%	0%

Note: Nonseasonally adjusted. Total includes only individuals who are 18 years and older reported living in owner-occupied housing units. It excludes those living in different types of housing units and those who did not report their housing situation.  
Source: U.S. Census Bureau Household Pulse Survey, Oct. 14-Oct. 26, 2021

**Table 3. Likelihood of Leaving 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	5%	10%	39%	44%	2%
Texas	1%	13%	50%	36%	0%
Dallas-Fort Worth	2%	16%	24%	58%	1%
Houston-The Woodlands-Sugar Land	1%	15%	44%	41%	0%

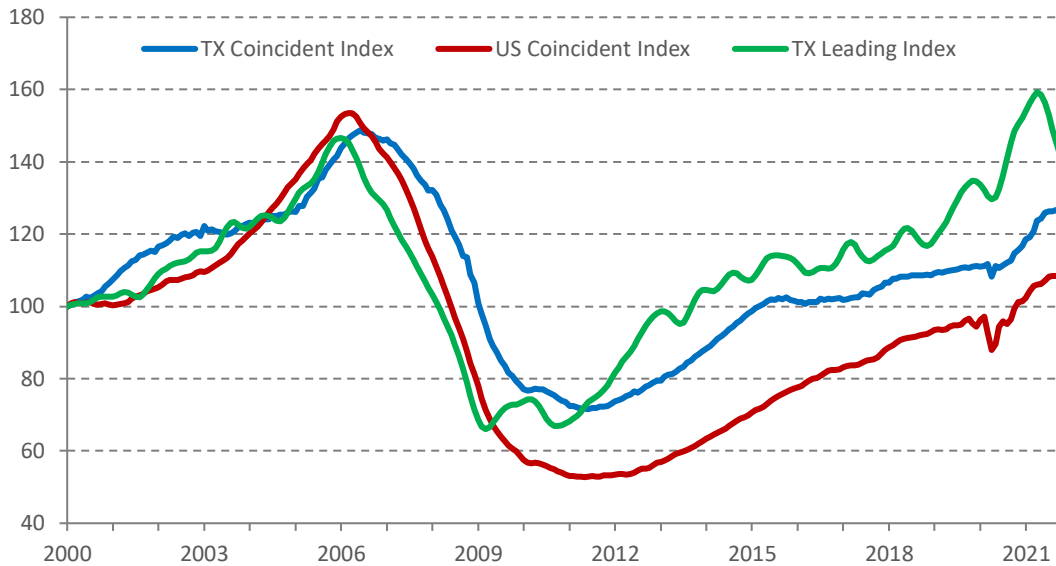
Note: Nonseasonally adjusted. Total includes only individuals who are 18 years and older, are not current on mortgage payments, and are reported living in owner-occupied housing units. It excludes those living in different types of housing units and those who did not report their housing situation.

Source: U.S. Census Bureau Household Pulse Survey, Oct. 14-Oct. 26, 2021





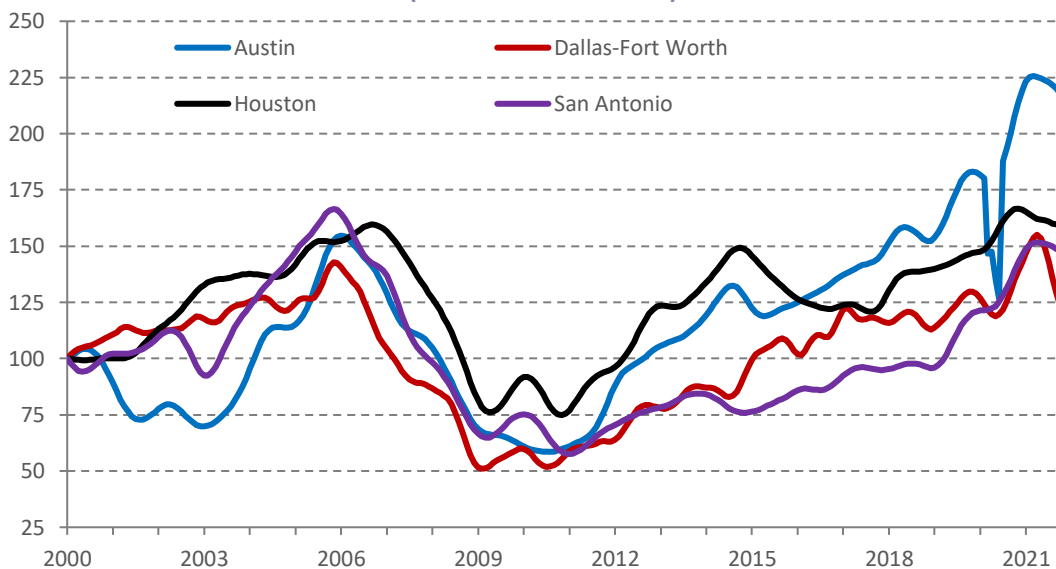
**Texas Residential Construction Index**  
(Index Jan 2000 = 100)



Note: Trend-cycle component.

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

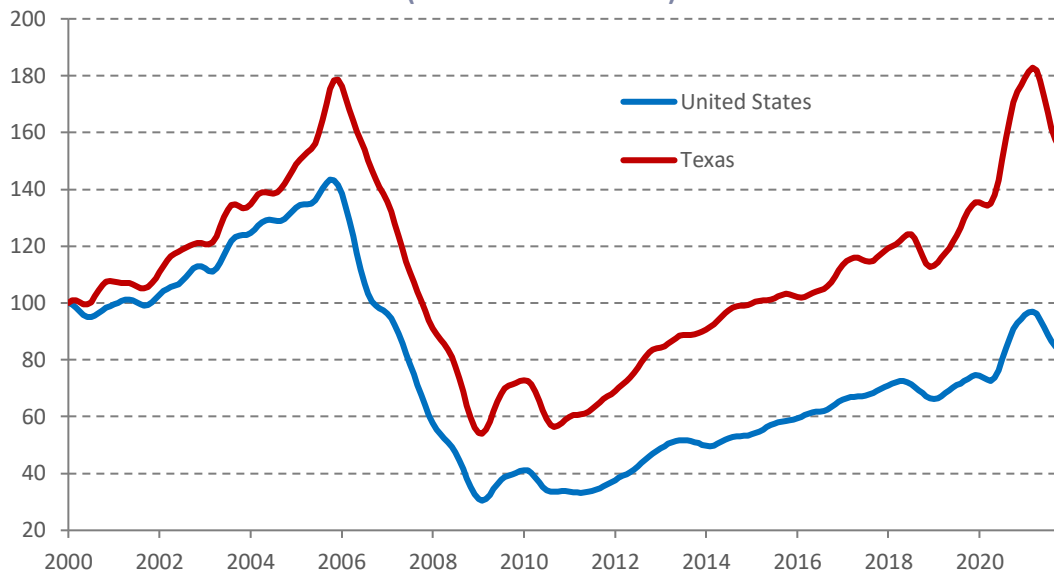
**Major Metro Residential Leading Construction Index**  
(Index Jan 2000 = 100)



Note: Trend-cycle component.

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

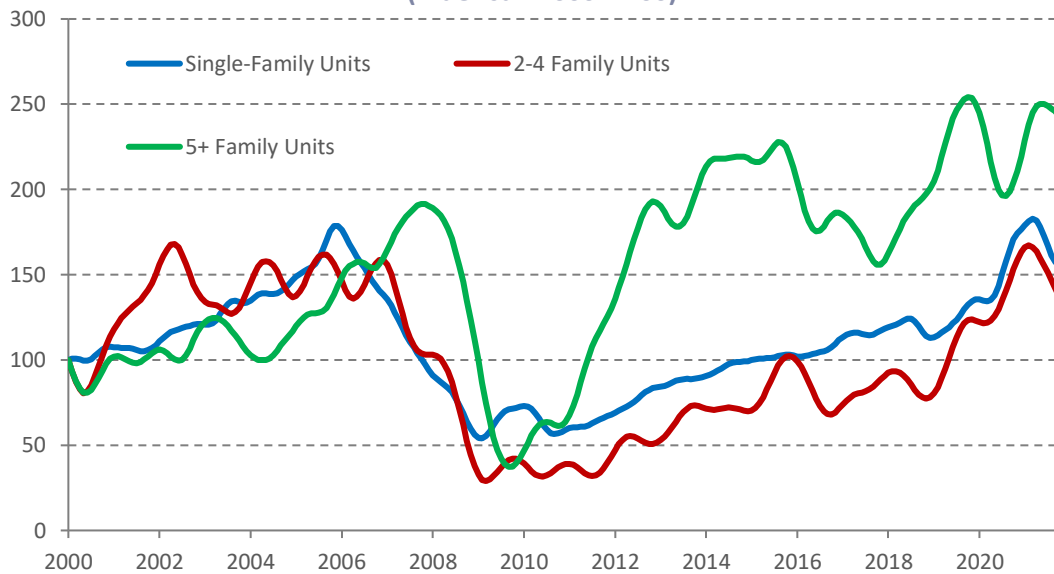
### Single-Family Housing Construction Permits (Index Jan 2000 = 100)



Note: Trend-cycle component.

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

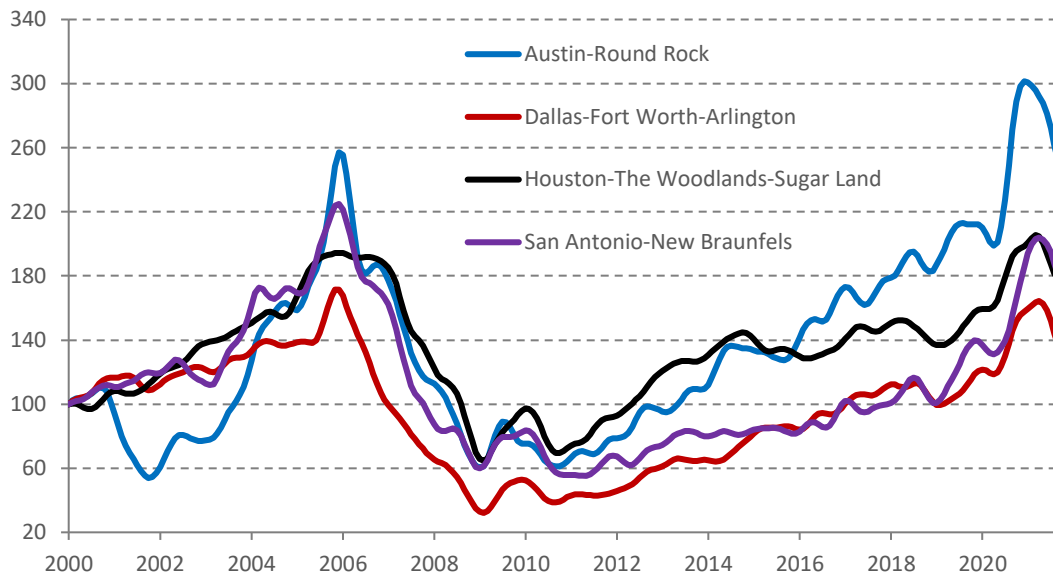
### Texas Housing Construction Permits (Index Jan 2000 = 100)



Note: Trend-cycle component.

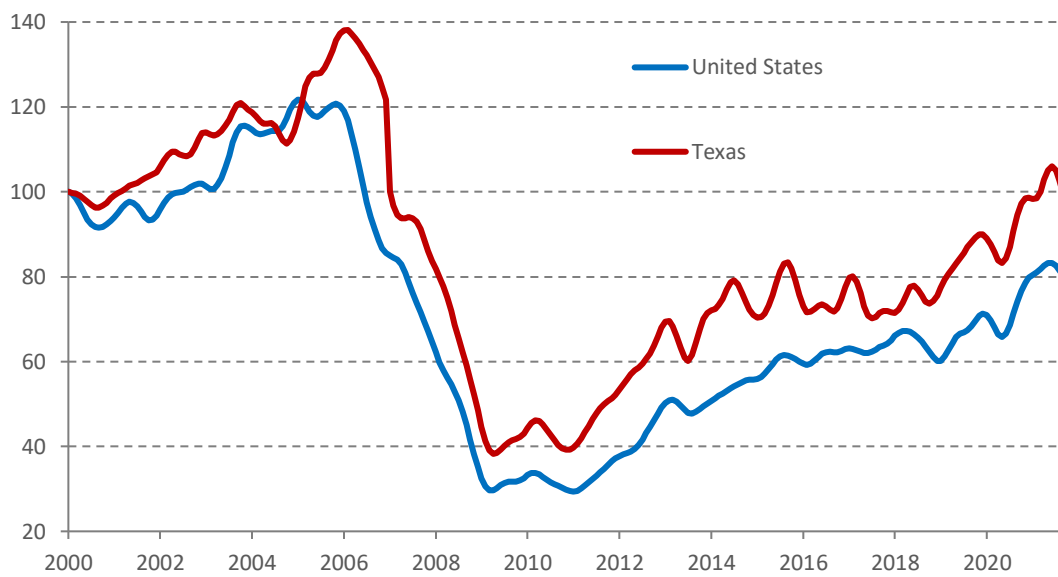
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

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



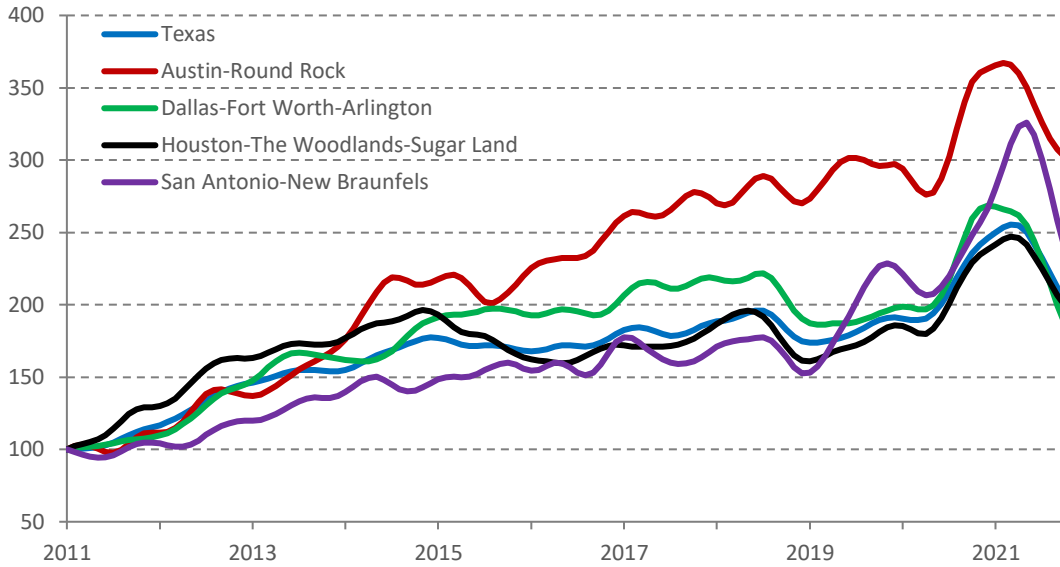
Note: Trend-cycle component. Fort Worth is missing data for Somervell County.  
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

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



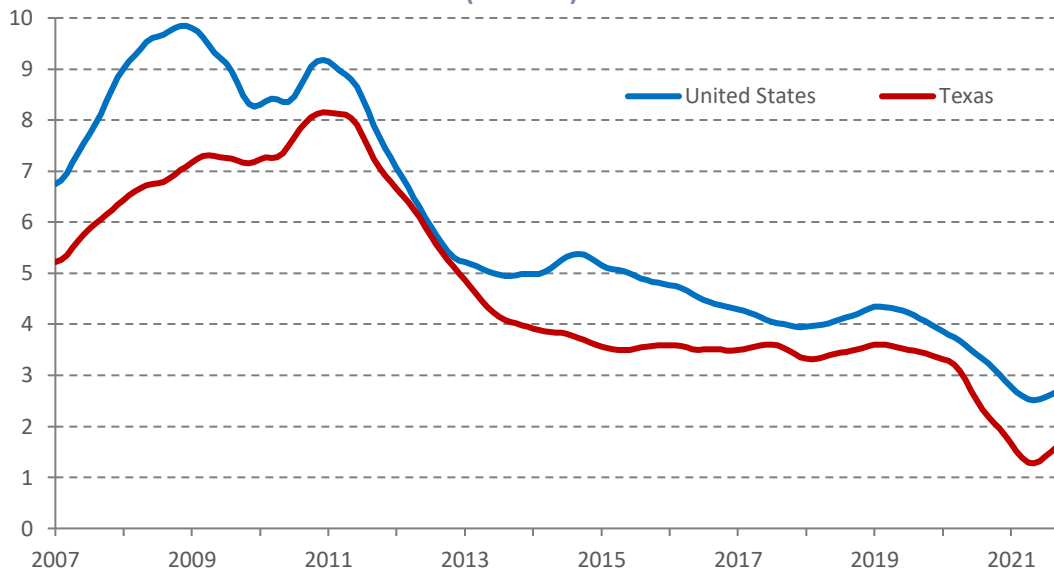
Note: Trend-cycle component.  
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

### 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)

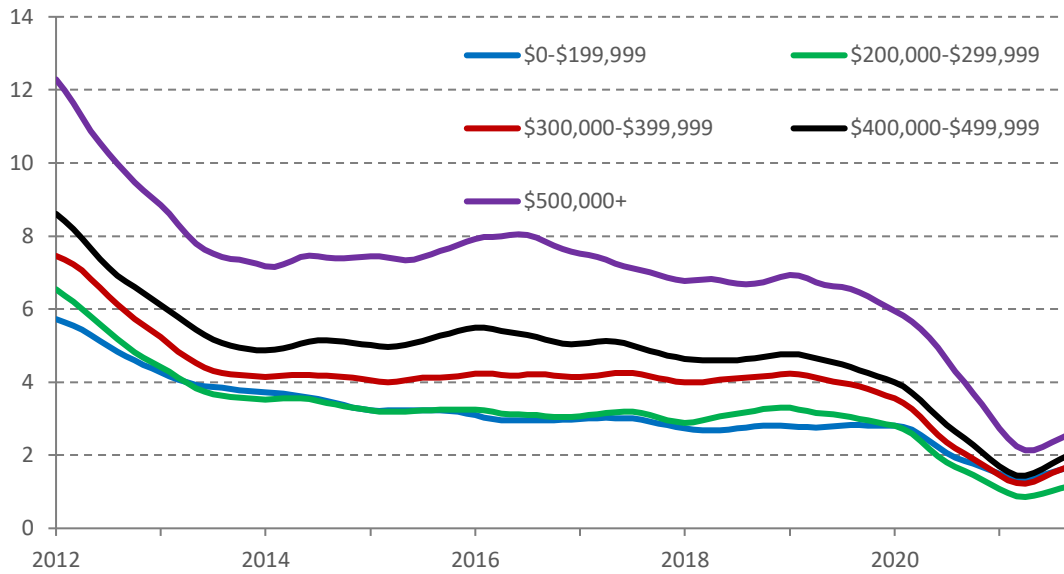


Note: Trend-cycle component. Months of inventory for the United States is estimated using weights for all existing homes and new single-family homes; new nonsingle-family homes are not included. Texas includes all existing and new homes. For more information, see [Months of Inventory](#).

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



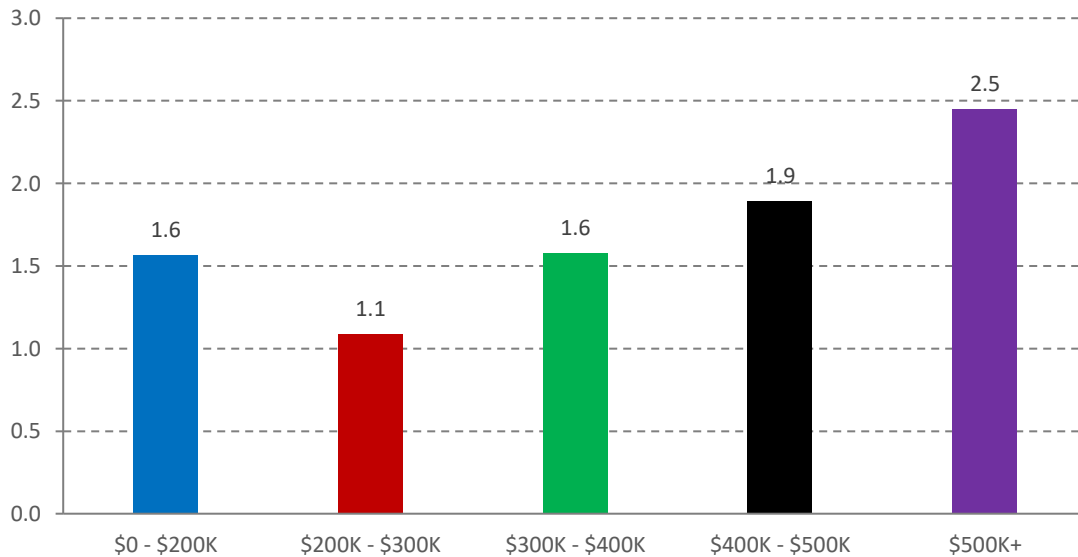
### Texas Months of Inventory by Price Cohort (Months)



Note: Trend-cycle component.

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

### Texas Current Months of Inventory by Price Cohort (October 2021)



Note: Seasonally adjusted.

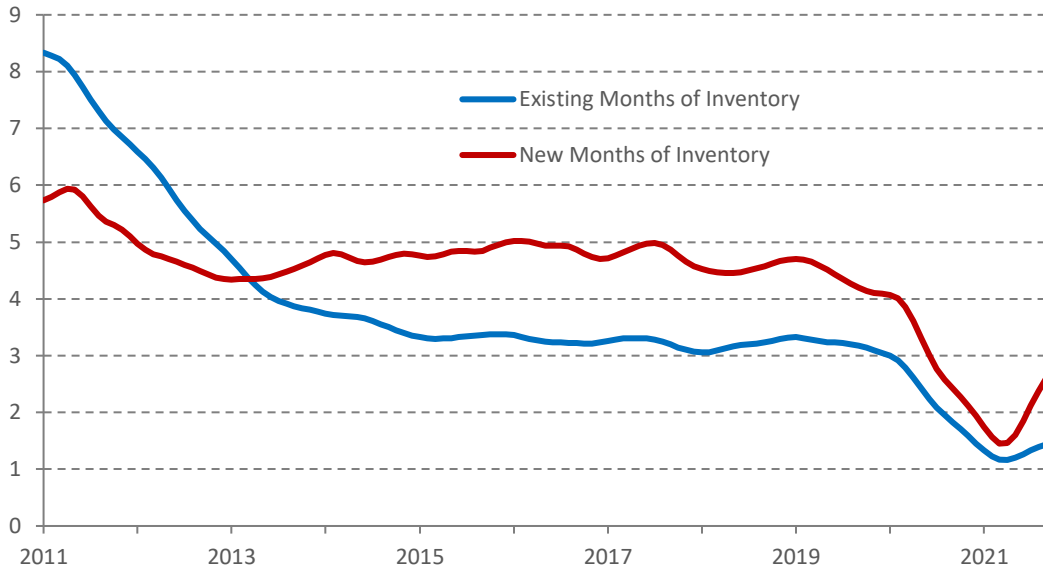
Source: Texas Real Estate Research Center at Texas A&M University



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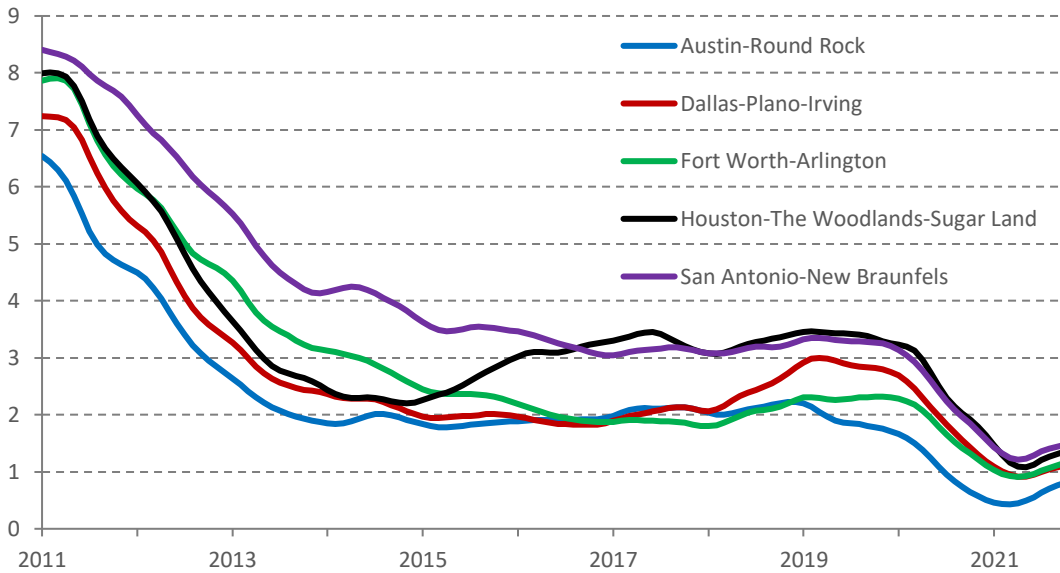
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### Texas Existing and New Home Months of Inventory (Months)



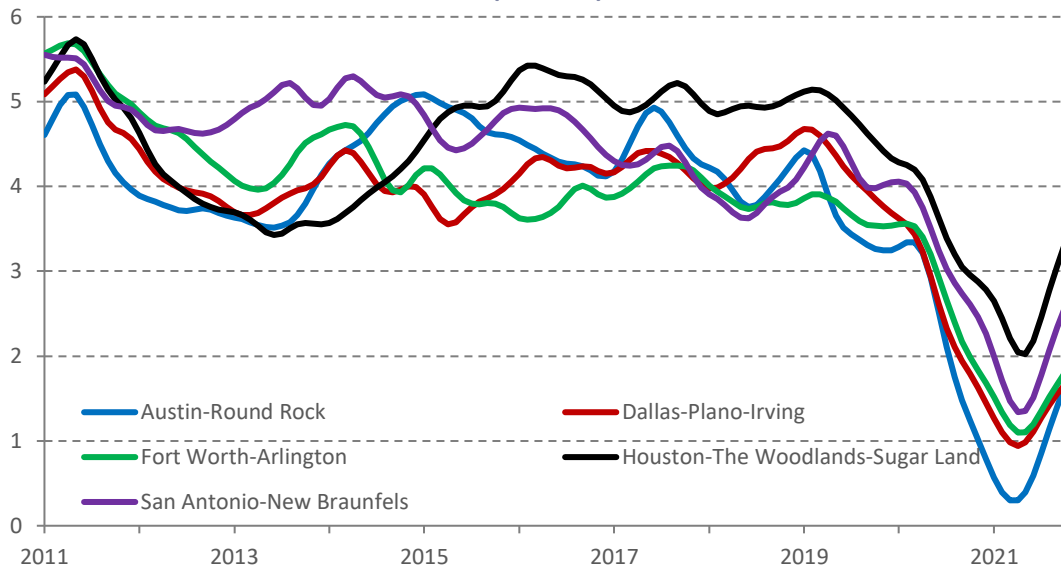
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### 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

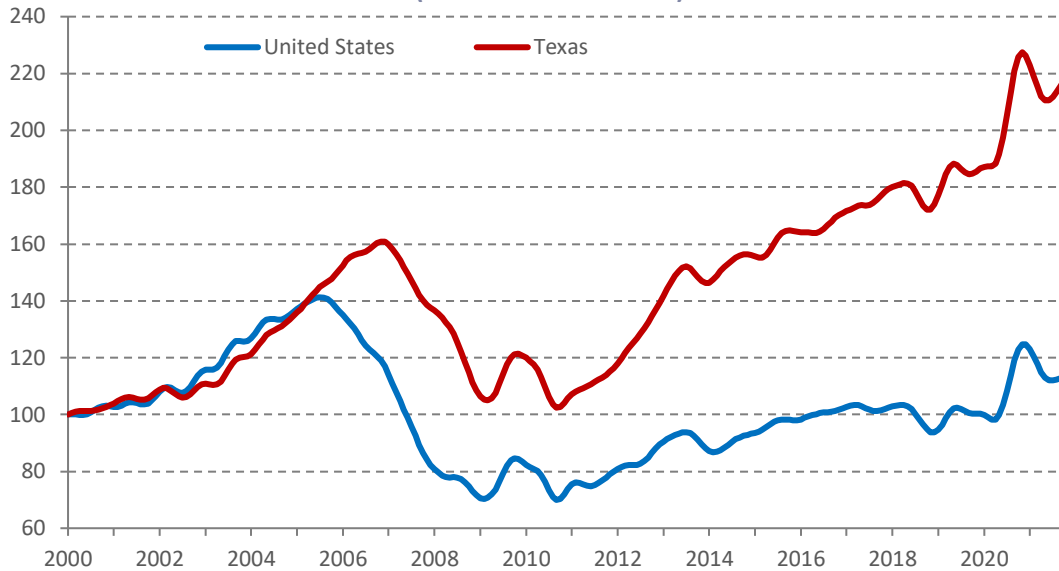






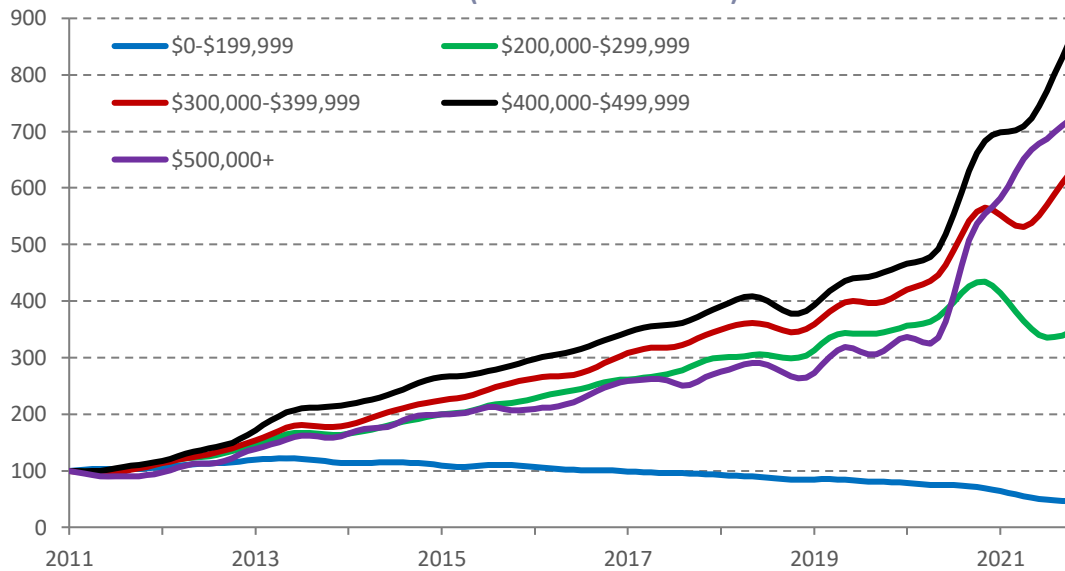
# DEMAND

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



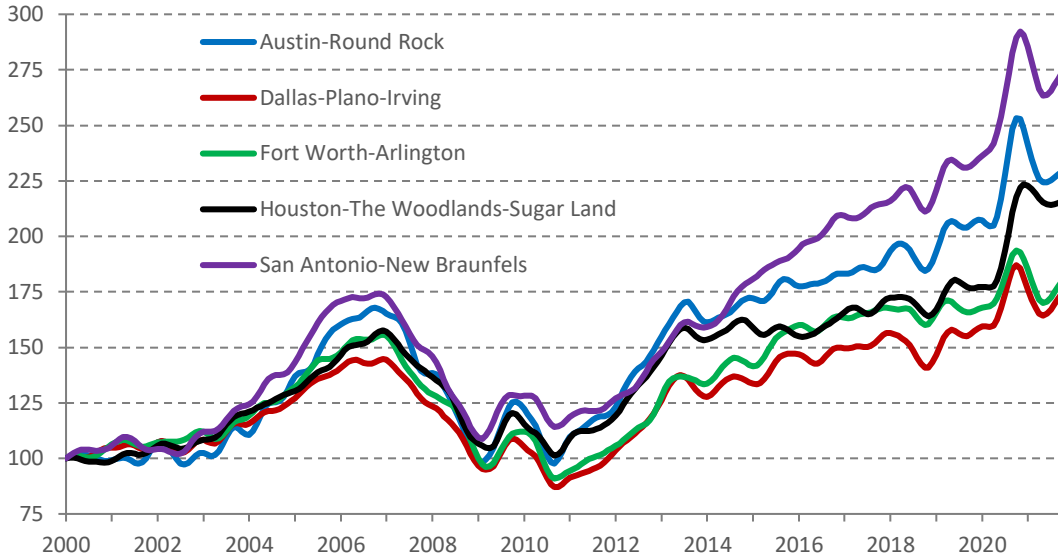
Note: Trend-cycle component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.  
For more information see [Housing Sales](#).  
Sources: U.S. Census Bureau, National 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)



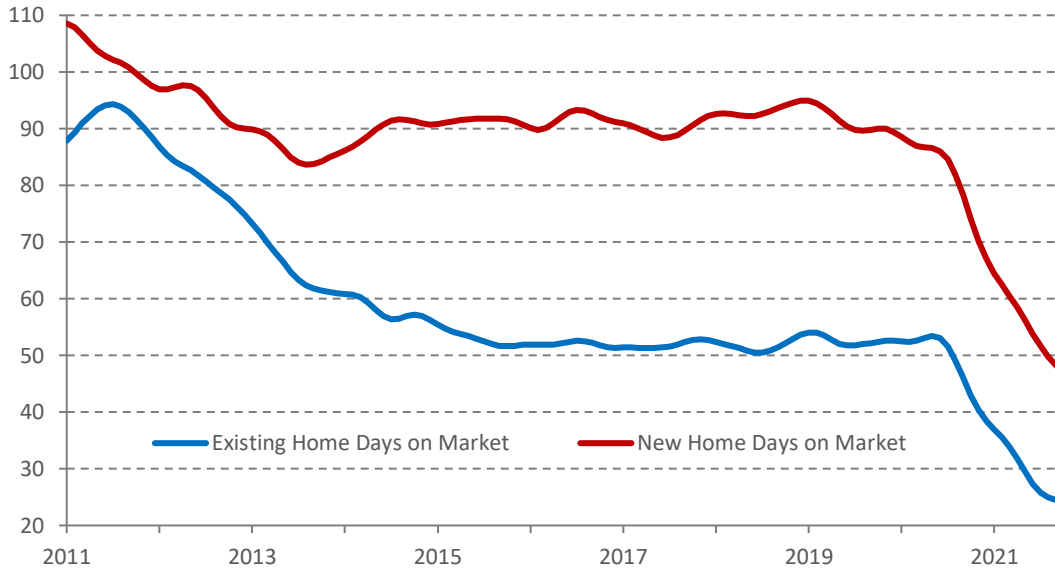
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



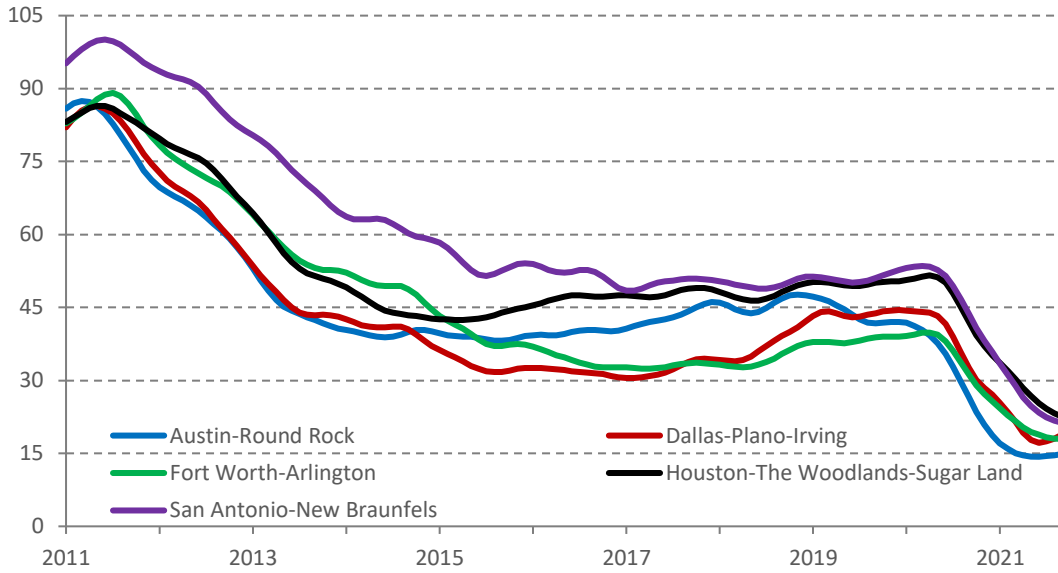
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### Texas Homes Days on Market (Days)



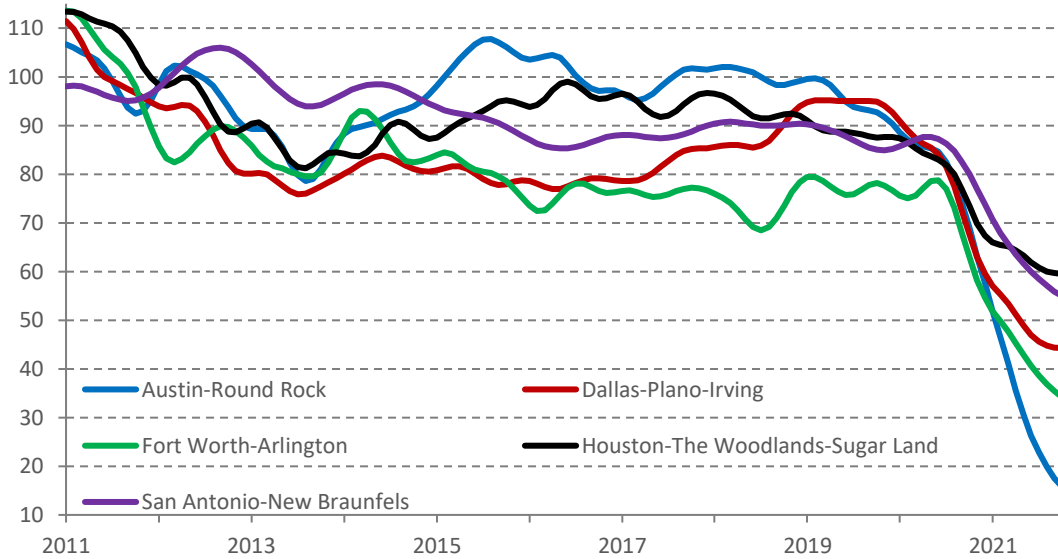
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



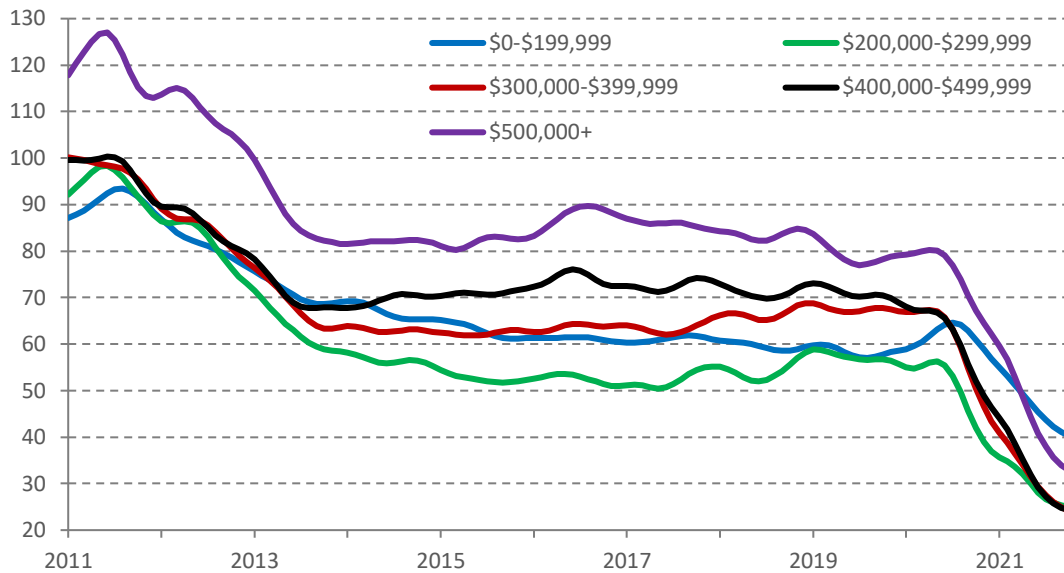
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### 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)



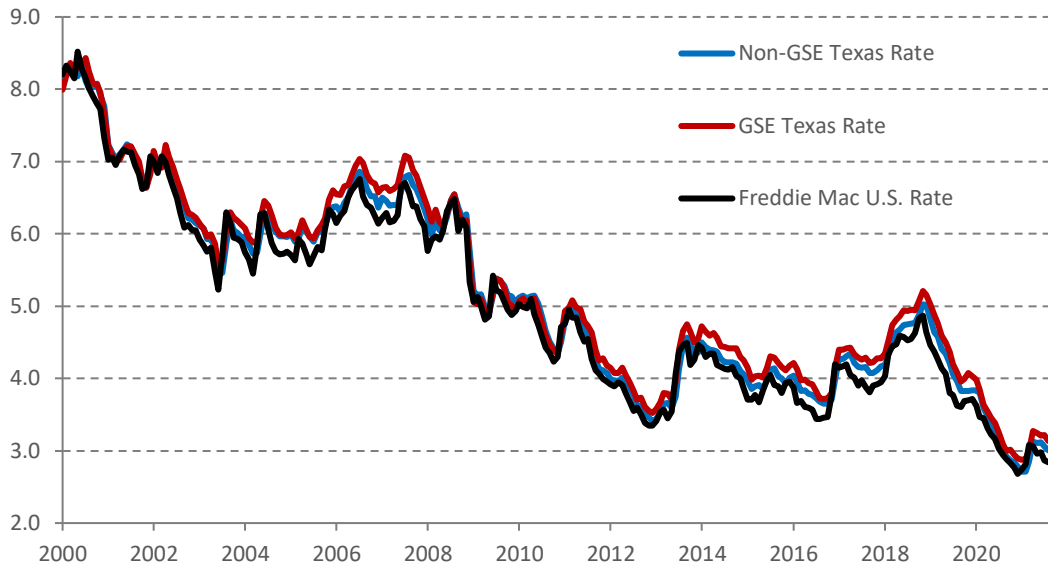
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



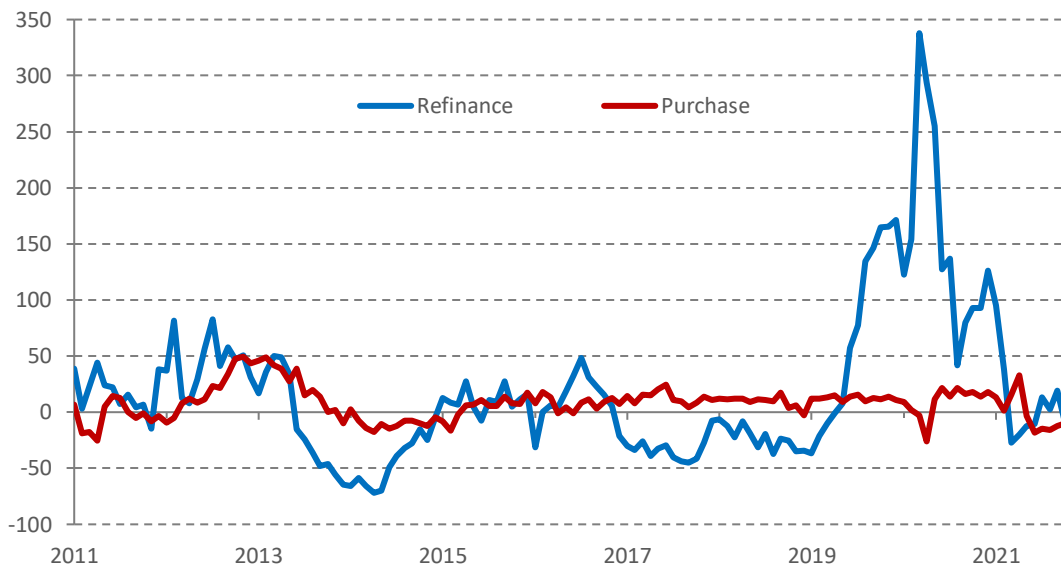
Note: Nonseasonally adjusted.  
Source: Federal Home Loan Mortgage Corporation and Federal Reserve Board

### 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

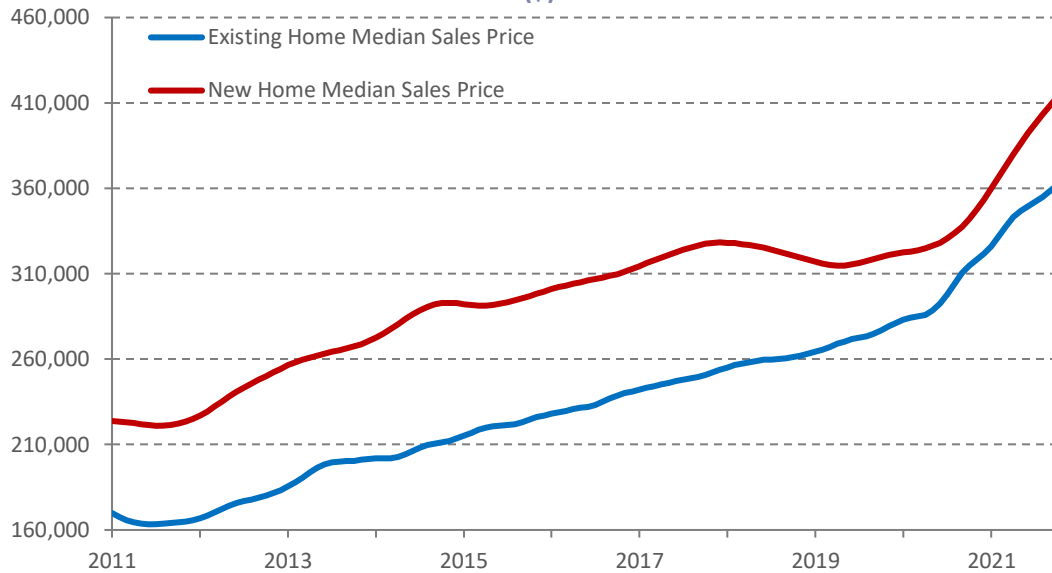
### Texas Mortgage Applications (Year-over-Year Percentage Change)



Note: Seasonally adjusted.  
Source: Mortgage Bankers Association

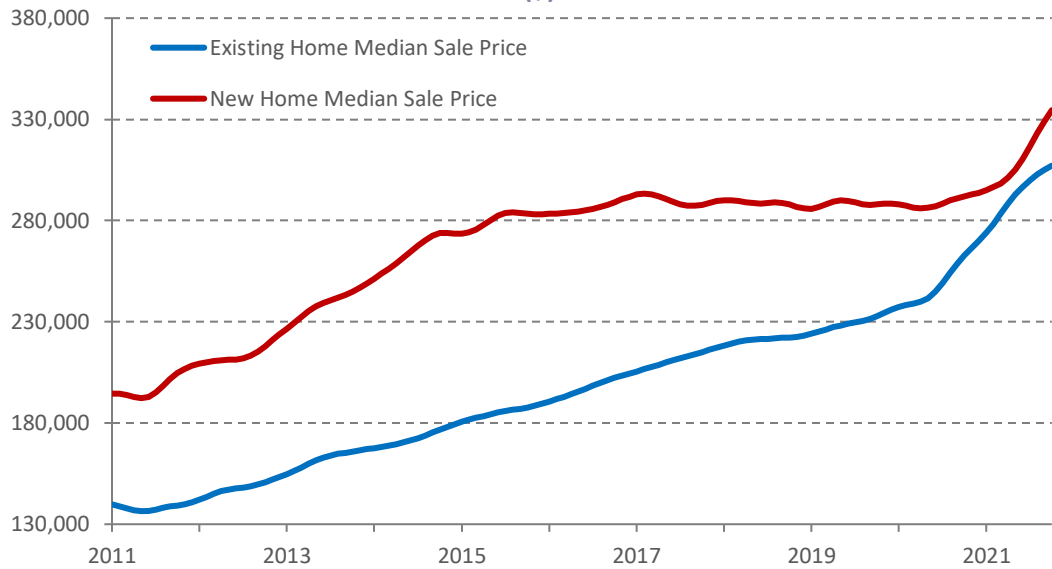


**United States Existing and New Home Median Sales Price**  
(\$)



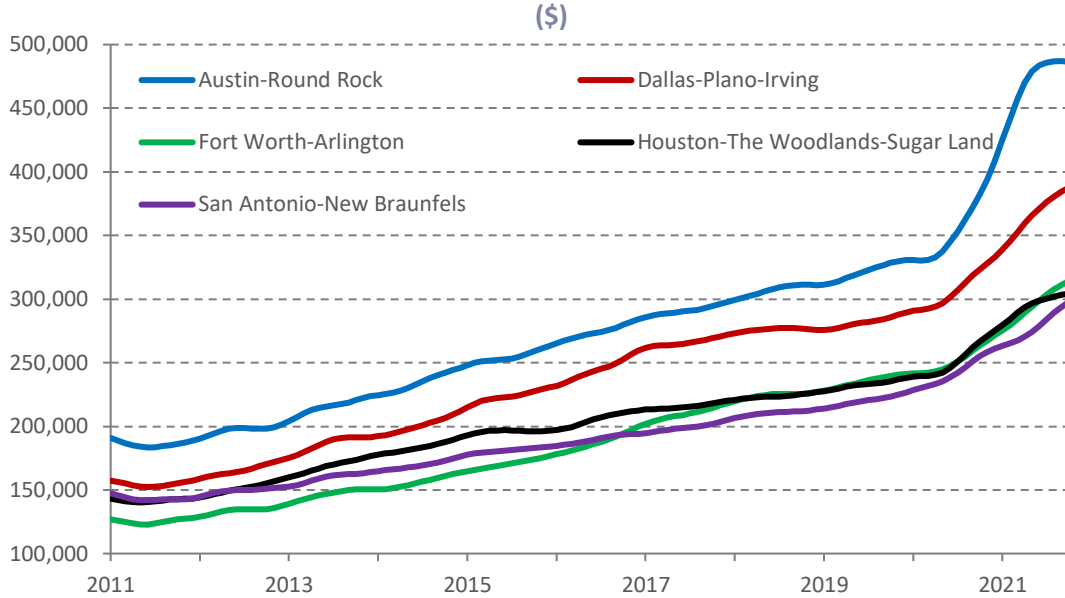
Note: Trend-cycle component. For single-family homes.  
Source: Federal Reserve Bank of St. Louis

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



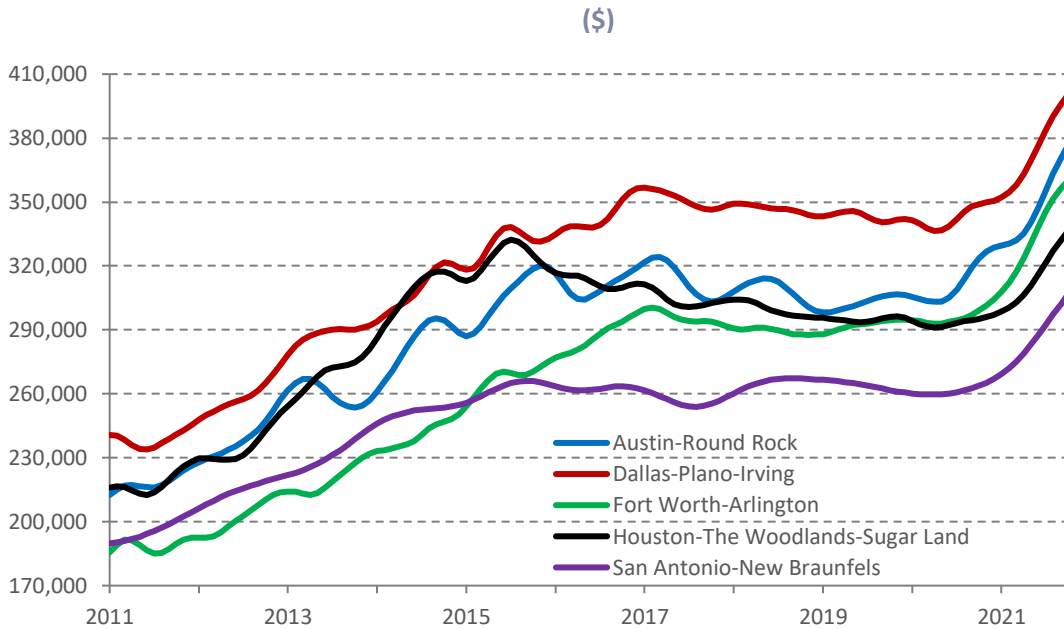
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Major Metros Existing Home Median Sales Price



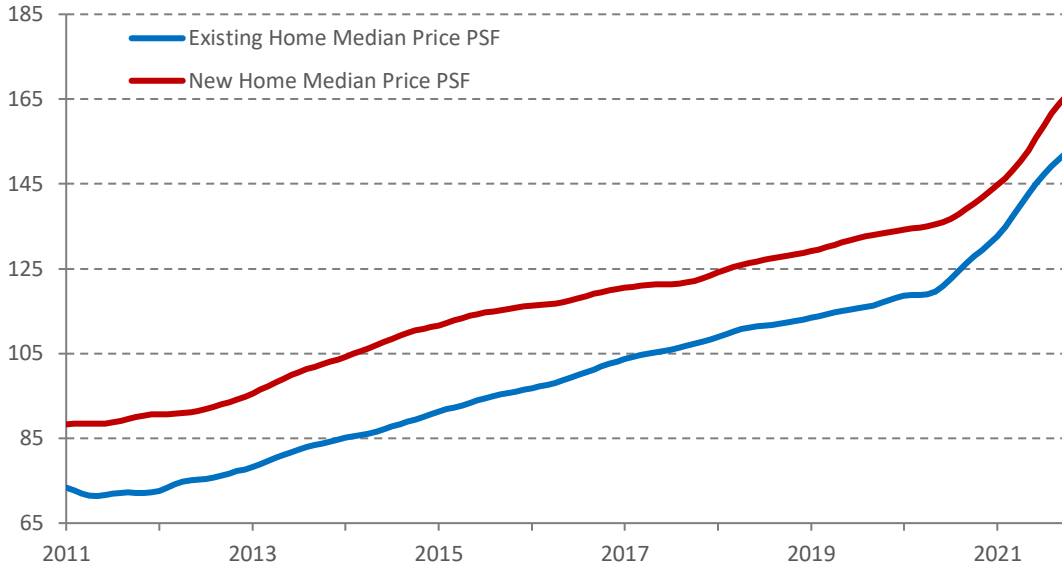
Note: Trend-cycle component. For single-family homes.  
 Source: Texas Real Estate Research Center at Texas A&M University

### Major Metros New Home Median Sales Price



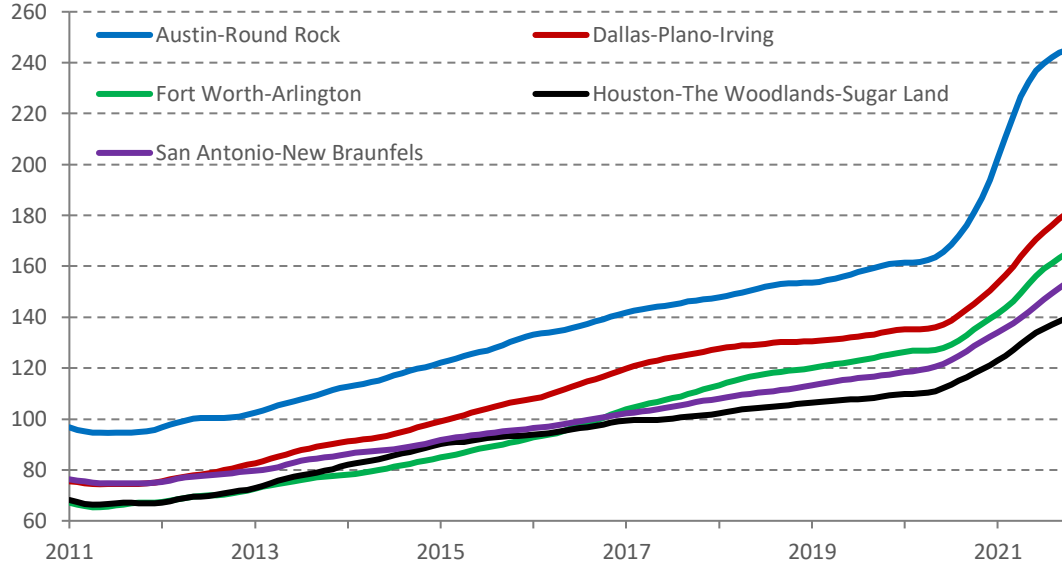
Note: Trend-cycle component. For single-family homes.  
 Source: Texas Real Estate Research Center at Texas A&M University

### 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

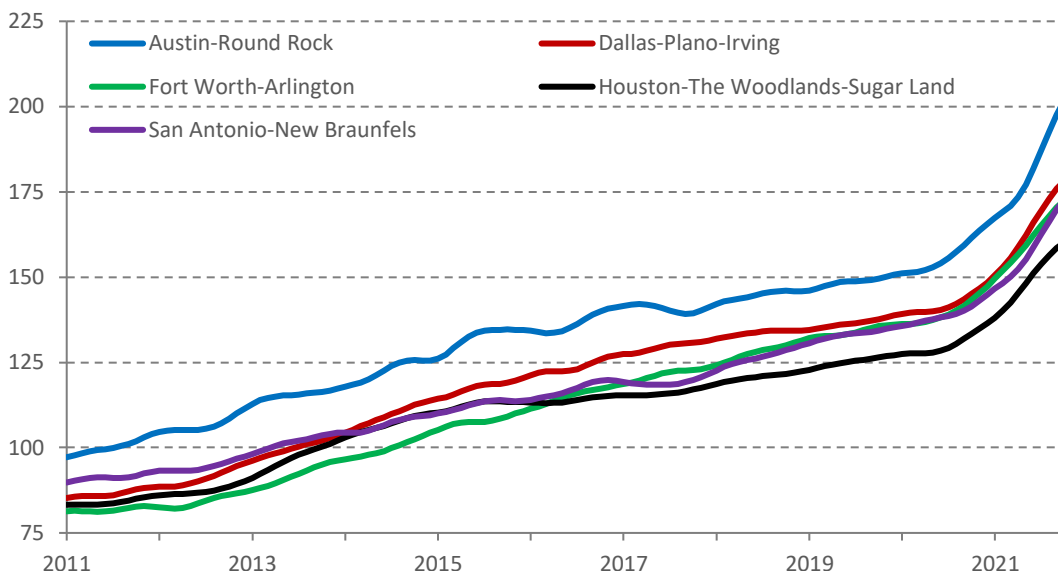
### Major Metros Existing Home Median Price Per Square Foot (\$)



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

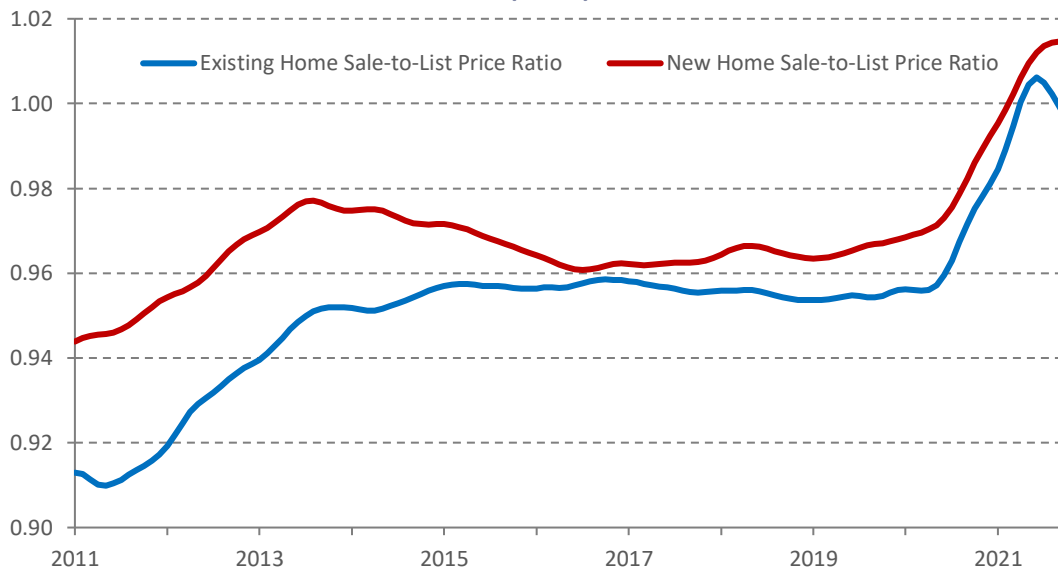


### Major Metros New Home Median Price Per Square Foot (\$)



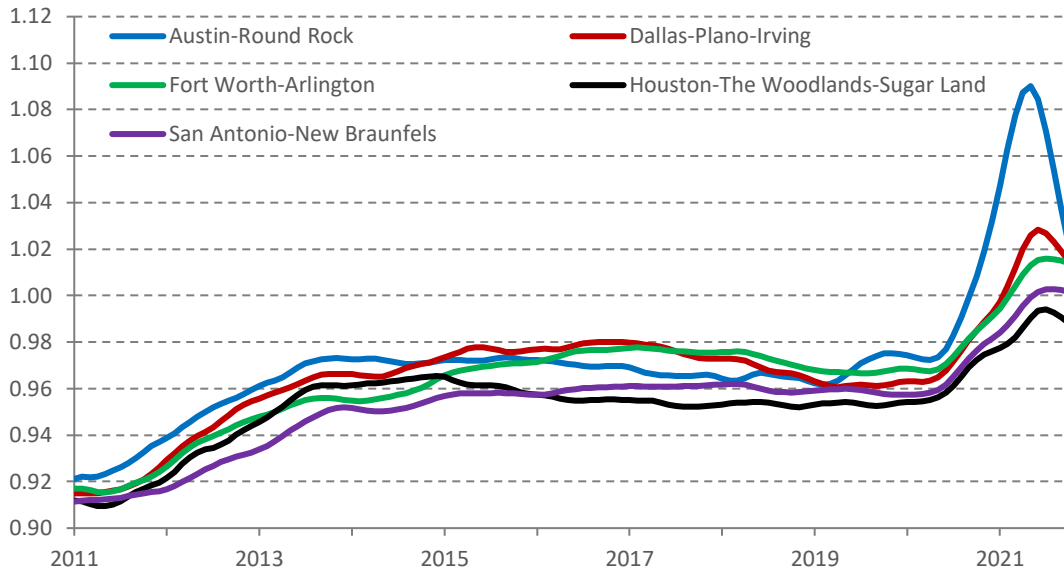
Note: Trend-cycle component. For single-family homes.  
 Source: Texas Real Estate Research Center at Texas A&M University

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



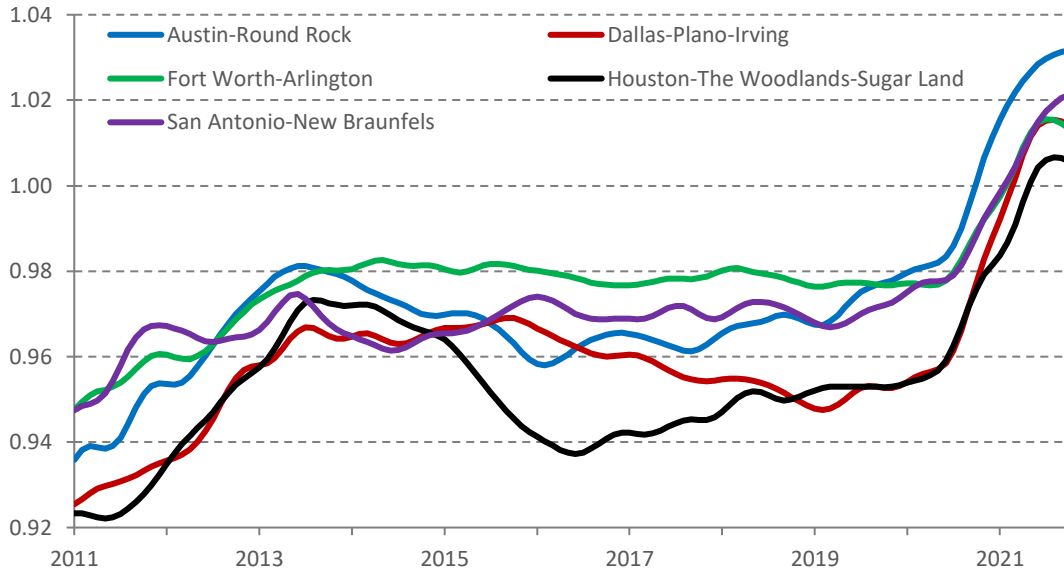
Note: Trend-cycle component. For single-family homes.  
 Source: Texas Real Estate Research Center at Texas A&M University

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



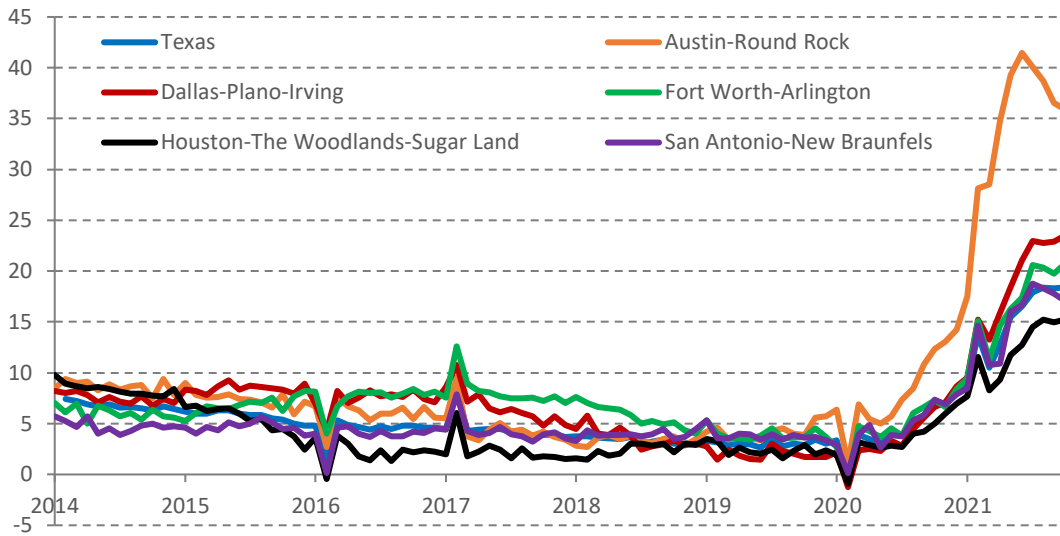
Note: Trend-cycle component. For single-family homes.  
 Source: Texas Real Estate Research Center at Texas A&M University

### 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



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

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