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Texas Real Estate Research Center



# TEXAS HOUSING INSIGHT

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AUGUST 2022 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 September 15, 2022

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# AUGUST 2022 SUMMARY

SINGLE-FAMILY CONSTRUCTION PERMITS

▲ 9.3% MOM

ACTIVE LISTINGS

▲ 5,400 listings

TOTAL HOUSING SALES

▲ 1,400 closed listings

30-YR MORTGAGE RATE

▼ 19 basis points

The pandemic-induced housing frenzy is easing as the Fed's aggressive monetary policies directly affect the housing market. Mortgage interest rates rose from 2.84 to 5.22 percent in the past year. Amid these robust rate increases, Texas' housing market quickly dialed back sales while supplies have gradually accumulated. Despite the slowdown, inventory levels remain below historical levels, and prices are still high. While prices have dipped some in recent months, they still remain considerably high compared with before the pandemic. As of August, Texas' median price remains 11.4 percent elevated from a year earlier.

## Supply<sup>1</sup>

Interest rates continued to increase following more aggressive Federal Reserve intervention. Despite mounting interest rate pressure, Texas' **single-family construction permits** recovered 12,500 permits in August, rising 9.3 percent month over month (MOM). Permits rebounded in three of the state's four largest metros (San Antonio being the exception). Houston (3,700) and Dallas (3,693) had the most permits, while Austin (1,609) and San Antonio (681) followed third and fourth in the state. Meanwhile, **Texas' single-family construction values** continued to fall by double digits, tumbling to a two-year low. All major metros reported double-digit negative year-to-date (YTD) growth.

Permits for Texas' multifamily sector corrected. After July's abnormally high request of 12,500 construction permits, 9,000 permits were issued in August.

**Total overall housing starts** in the **Southern Census Bureau Region** also recovered some in August with 885,000 new starts. However, single-family housing starts, which account for the biggest share of the overall count, remained 100,000 units short of the year-ago average with 530,000. August's boost could be partially explained by declining input costs such as lumber. The lumber producer price index (PPI) decreased for the third time in a row in August.

In the existing-home market, the state's current supply has accumulated throughout the summer. **Active listings** rose more than 30,000 units since May. This loosening up of housing availability indicates a break-through considering the distinctly low inventories of the past two years. Texas' housing supply, which had been below two **months of inventory (MOI)** from November 2020 to June 2022, ticked up to 2.4 months. San Antonio led with 2.7 months, and Dallas remained the

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



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tightest with two months (Table 1). The Texas Real Estate Research Center considers six to 6.5 months of inventory a balanced market.

**Table 1. Single-Family Months of Inventory**

	Jul 2022	Aug 2022	Net Monthly Changes
<b>Texas</b>	2.2	2.4	↑
<b>Austin-Round Rock</b>	2.4	2.6	↑
<b>Dallas-Fort Worth</b>	1.9	2.0	↑
<b>Houston-The Woodlands-Sugar Land</b>	2.1	2.3	↑
<b>San Antonio-New Braunfels</b>	2.5	2.7	↑

Note: Seasonally adjusted data used for the reported metrics.  
 Source: Texas Real Estate Research Center at Texas A&M University

### Demand

As a result of higher mortgage rates, housing demand has fallen, and homes are sitting on the market longer. **Sales** improved slightly in August (5 percent MOM) from July’s steep decline, reaching a seasonally adjusted rate of 29,300 sales. Overall home sales have been in freefall since around April. At the current rate, 2022 sales will likely fall short of 2021. According to the Center’s Data Relevance Program, the sales level was down 16.3 percent from a year earlier.

Sales in all major metros remained low as mortgage pressures rattled buyers. Austin and Houston’s closed listings were most affected with a 20 percent year-over-year (YOY) reduction, while DFW and San Antonio pulled back more than 10 percent. Existing-home sales, which make up 80 percent of Texas’ housing market, inched down for the seventh straight month. Texas’ marginal recovery in August was concentrated in the remaining 20 percent of the housing market, where Dallas’ new-construction market had double-digit growth.

Texas’ **average days on market (DOM)** was 38 days, up from 29 days in March. However, compared with the five-year average of 57 days between 2014 and the early 2020s, the relatively short time suggests a persistent imbalance between sellers’ and buyers’ bargaining-power. Amid slowing sales, Austin’s market reacted most aggressively, doubling the listing time in the past five months, while DFW reacted most moderately.

When days on market are differentiated based on the home market, the existing homes’ DOMs are conspicuously lower than new homes’. This could possibly be due to differing price points as new homes tend to be more expensive than the average existing-home listing. Categorized by price cohorts, homes priced between \$300K and \$500K had the shortest listing time, taken off list in 34 days.

## Prices

The downward trend for **Texas' median home price** continued in August. The state's seasonally adjusted median price was \$342,000, falling more than \$10,000 in three months. Prices dropped in all metros except San Antonio, which advanced \$2,000 this month (Table 2). Dallas and Houston, Texas' two largest MSA areas, reported modest declines of \$2,000, while Austin took the biggest hit of \$11,000. Although housing prices are recently under correction, they remain much elevated from year-ago prices, accelerating 11.4 percent YOY. Even for Austin, the price in this much-affected market was up 5.5 percent YOY.

**Table 2. Median Housing Prices**

	Jul 2022	Aug 2022	Net Monthly Changes
<b>Texas</b>	\$344,000	\$342,000	↓
<b>Austin-Round Rock</b>	\$505,000	\$494,000	↓
<b>Dallas-Fort Worth</b>	\$406,000	\$404,000	↓
<b>Houston-The Woodlands-Sugar Land</b>	\$338,000	\$337,000	↓
<b>San Antonio-New Braunfels</b>	\$321,000	\$323,000	↑

Note: Seasonally adjusted data used for the reported metrics.  
Source: Texas Real Estate Research Center at Texas A&M University

The Federal Reserve is expected to impose more forceful monetary policies throughout the latter half of this year and likely into the upcoming year to combat inflation. While the **ten-year U.S. Treasury bond yield** persisted at 2.9 percent<sup>2</sup>, the two-year counterpart continued to march upward. The spread between the ten-year and the two-year bond yields dipped further in the negative territory, indicating the market's economic uncertainties about the near future. The **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** refrained from June's high of 5.52 percent and slipped 30 basis points in the past two months. The last time the mortgage rate was over 5 percent was 2009. For more information on the effect of mortgage interest rates on purchase affordability, see "How Higher Interest Rates Affect Homebuying" at <https://assets.recenter.tamu.edu/Documents/Articles/2339.pdf>.

The **Texas Repeat Sales Home Price Index**, which accounts for compositional price effects, corroborated the trend of depreciation. The index's monthly decline was the second in a row. Annual appreciation slowed to 12.1 percent YOY in August compared with 20.4 percent YOY growth in January. While Dallas' home price index remained above the state average, Austin's YOY rate fell to a single digit, behind Houston's yearly growth and down to the slowest appreciating metro.

## Household Pulse Survey

According to the U.S. Census Bureau's Household Pulse Survey, in spite of rising mortgage rates, the share of Texas homeowners current on their mortgage payments improved 60 basis points in

<sup>2</sup> Bond and mortgage interest rates are nonseasonally adjusted.

August, and the percentage of people who were behind shrunk to 4 percent (Table 3). This implies that while the overall economy continues to decline, homeowner financial health has so far remained robust. Houston owners' bolstered ability to pay their mortgage resulted in an increase in the state's average owned free/clear homes ratio. On the other hand, when asked about future payments, fewer Texas homeowners were confident that they would not face foreclosure. The proportion of delinquent individuals at risk of foreclosure shot up 80 basis points to 8 percent (Table 4).

**Table 3. 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
<b>United States</b>	35%	60%	4%	0%
<b>Texas</b>	38%	57%	4%	0%
<b>Dallas-Fort Worth</b>	36%	60%	4%	0%
<b>Houston-The Woodlands-Sugar Land</b>	32%	60%	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 27 – Aug. 8, 2022

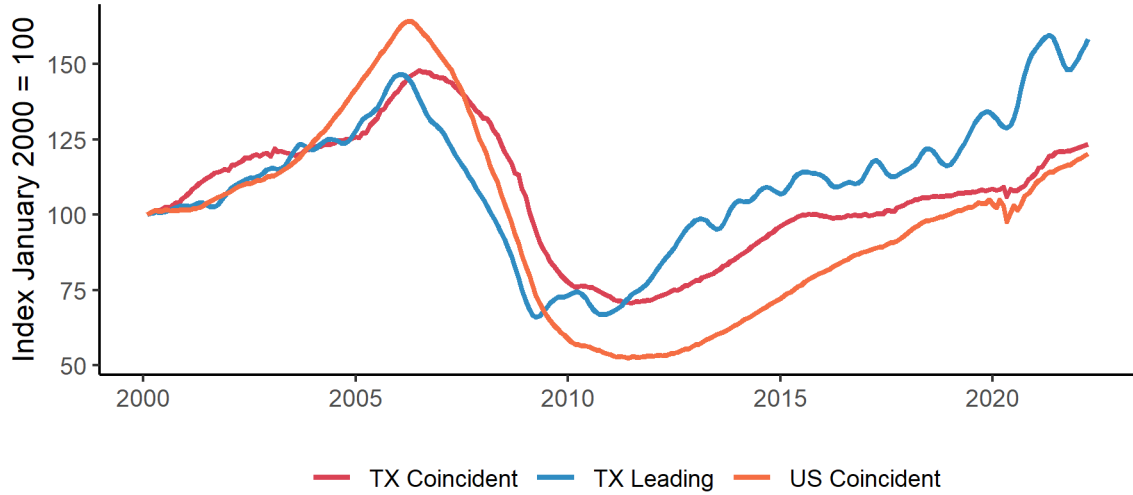
**Table 4. Likelihood of Having to Leave this House in Next Two Months Due to Foreclosure**

	Likelihood of leaving this home due to foreclosure				
	Very likely	Somewhat likely	Not very likely	Not likely at all	Did not report
<b>United States</b>	5%	15%	37%	41%	3%
<b>Texas</b>	8%	12%	49%	29%	2%
<b>Dallas-Fort Worth</b>	7%	43%	34%	17%	0%
<b>Houston-The Woodlands-Sugar Land</b>	3%	6%	32%	54%	7%

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 27 – Aug. 8, 2022.

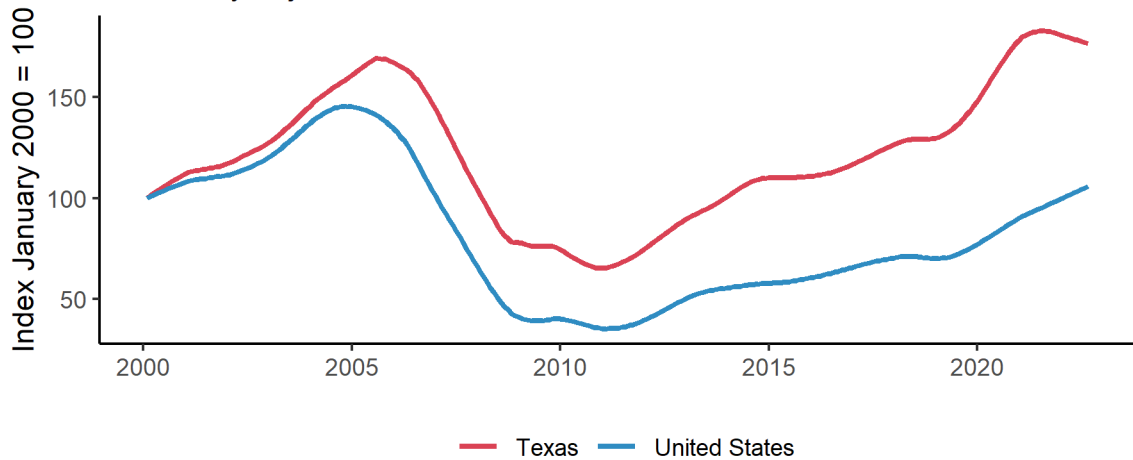


### Texas Residential Construction Index



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

### Single-Family Housing Construction Permits Seasonally Adjusted Trend

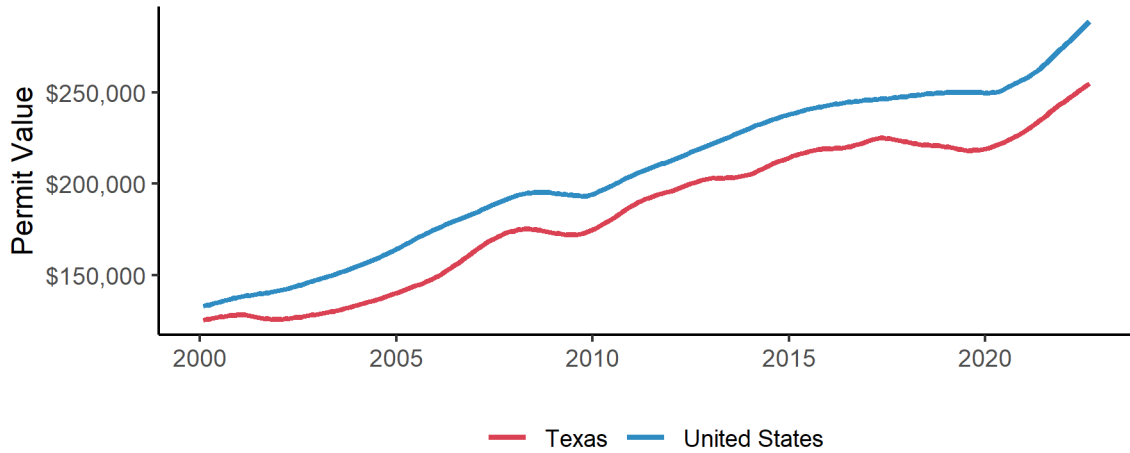


Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University



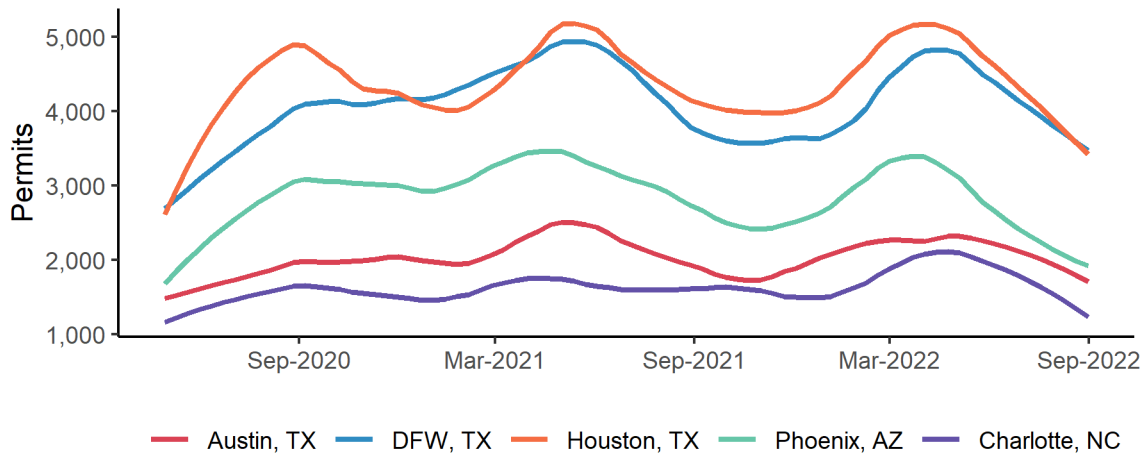


### Single-Family Housing Construction Permit Values Seasonally Adjusted Trend



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

### Top New Home Metros Since COVID Single-Family Detached Homes

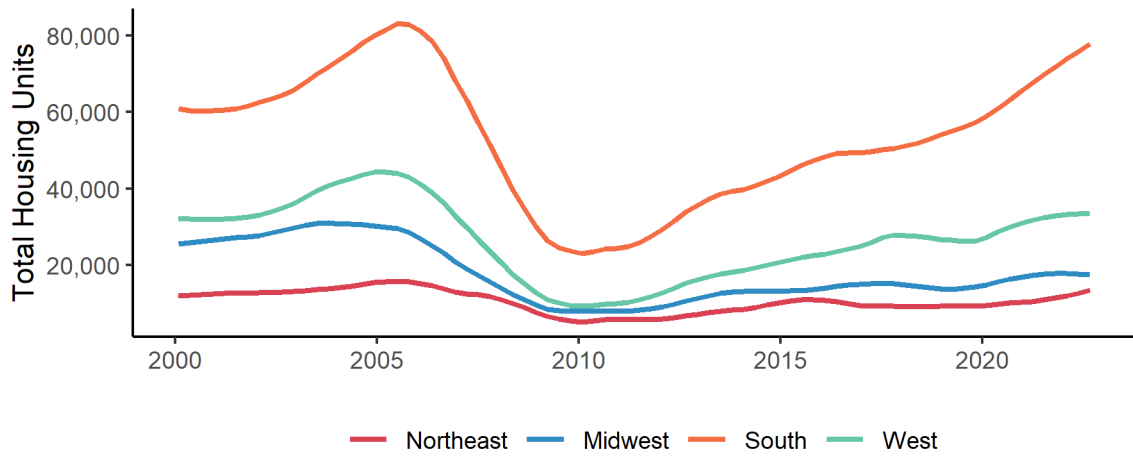


Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University



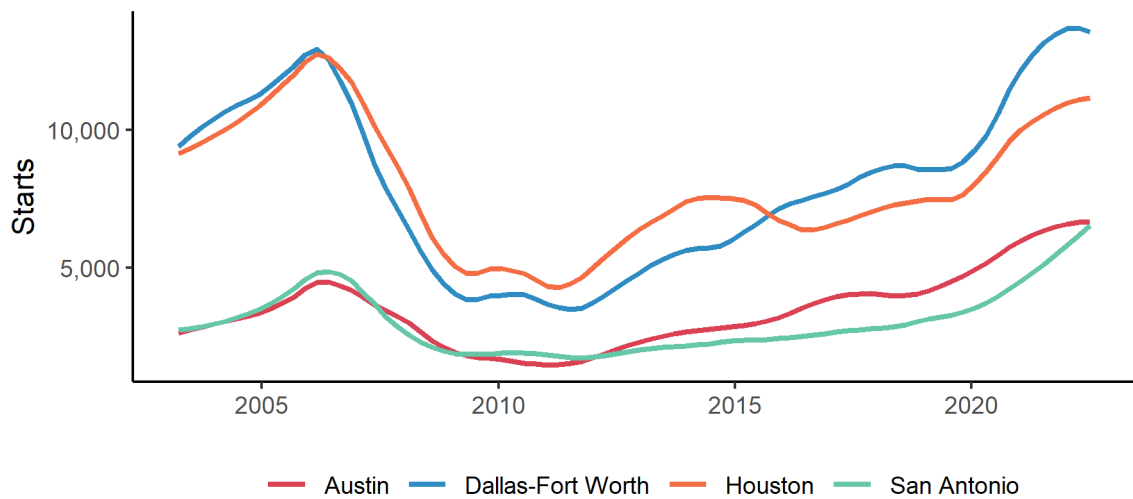
## Regional Housing Starts

Total Housing Units



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

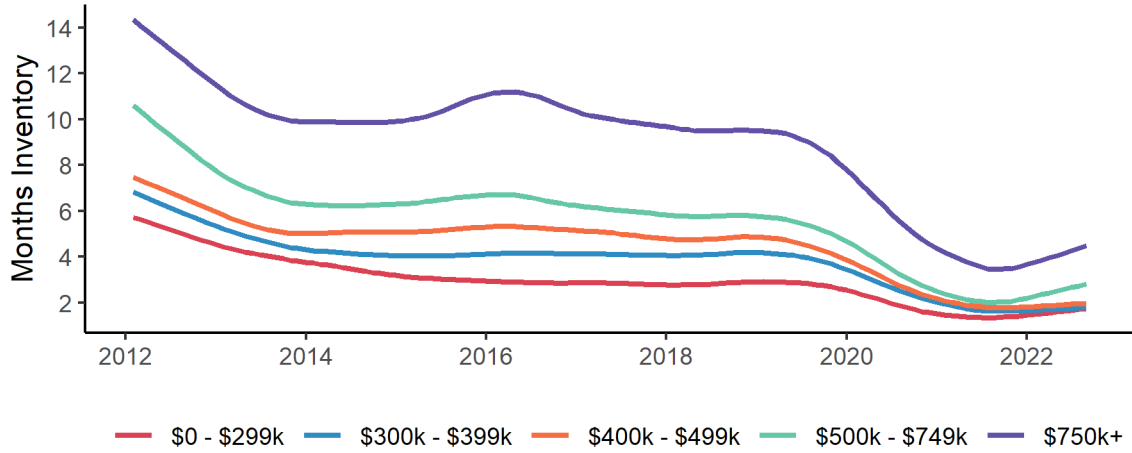
## Metro Housing Starts



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

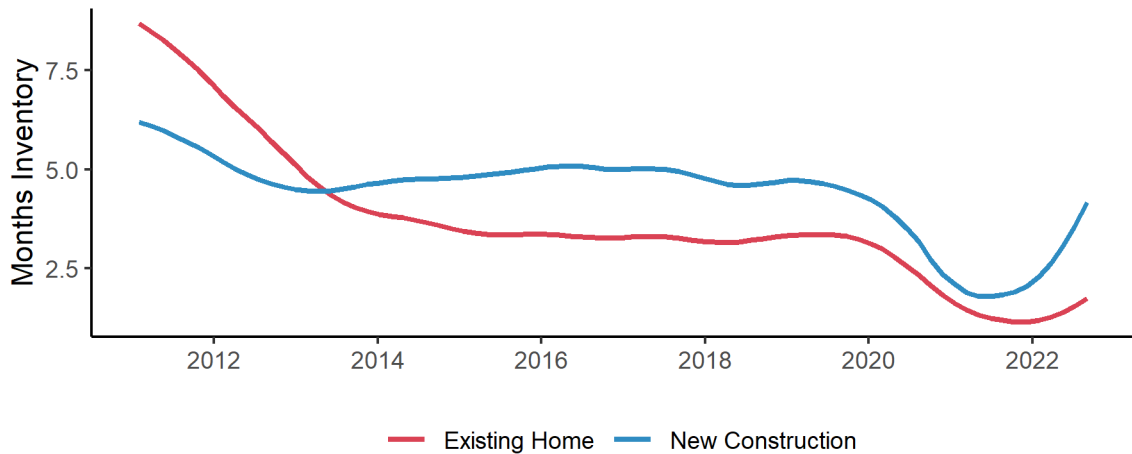


**Inventory by Price Cohort**  
Seasonally Adjusted Trend



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

**Texas New and Existing Inventory**  
Seasonally Adjusted Annualized Rate

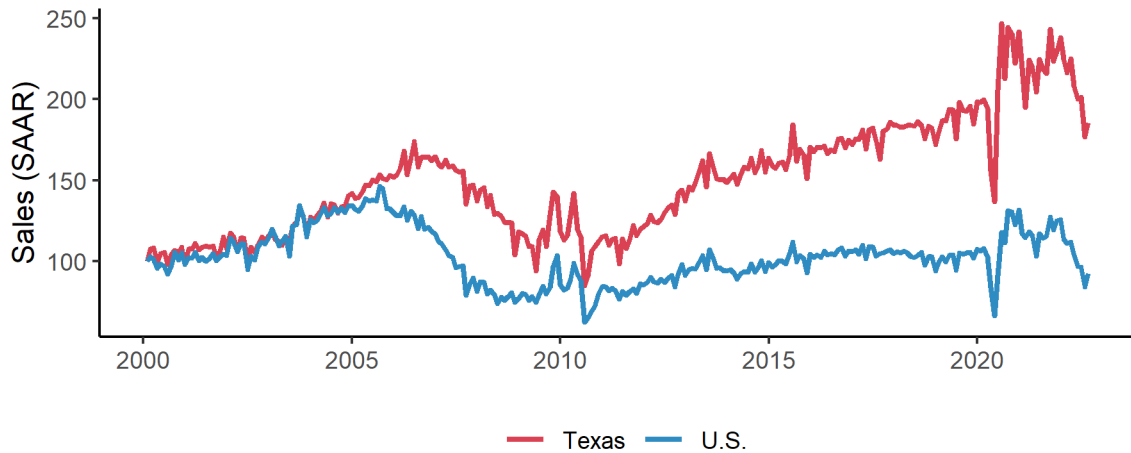


Source: Texas Real Estate Research Center at Texas A&M University



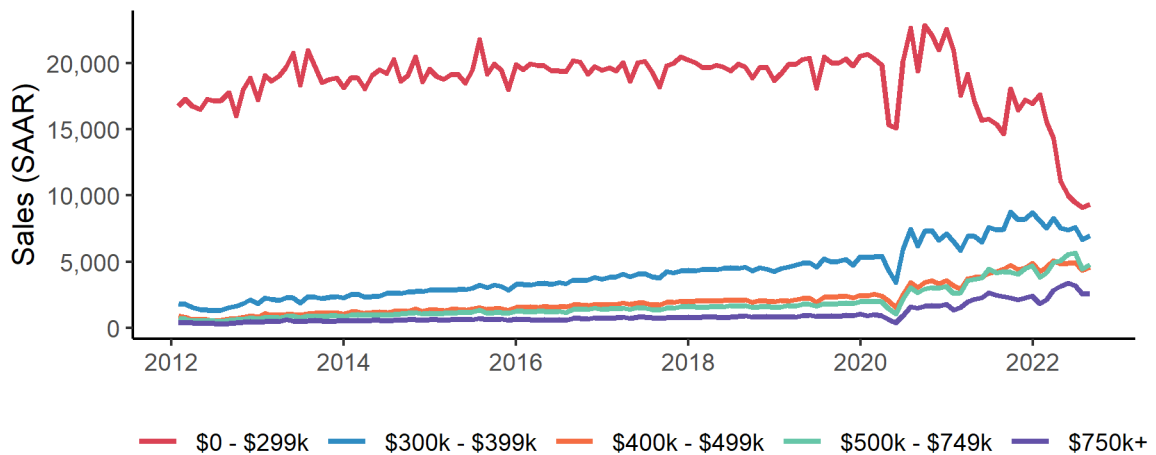
# DEMAND

## Residential Home Sales Seasonally Adjusted Annualized Rate



Source: National Association of Realtors - Texas Real Estate Research Center at Texas A&M University

## Texas Sales by Price Cohort Seasonally Adjusted Annualized Rate

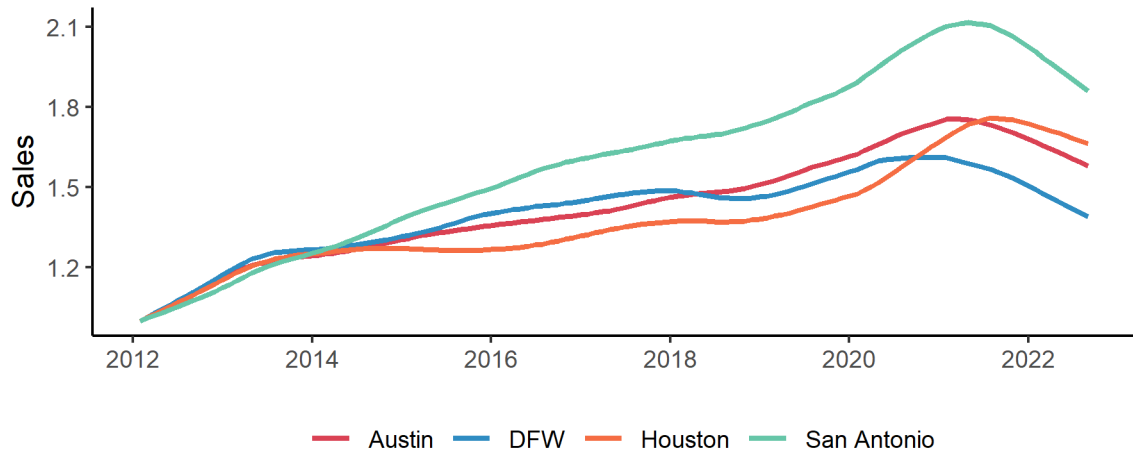


Source: Texas Real Estate Research Center at Texas A&M University



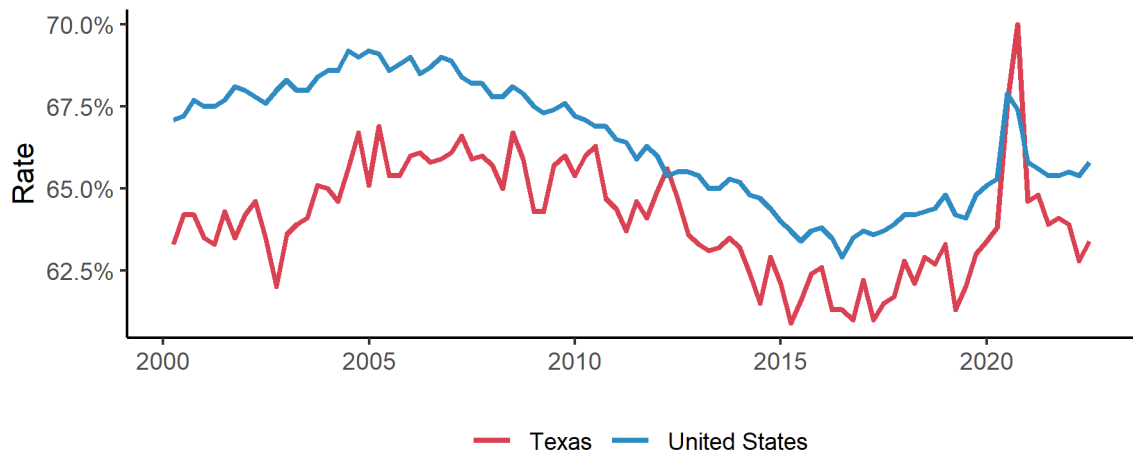
# DEMAND

## Metro Home Sales Seasonally Adjusted Trend



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

## Homeownership Rate Seasonally Adjusted Trend

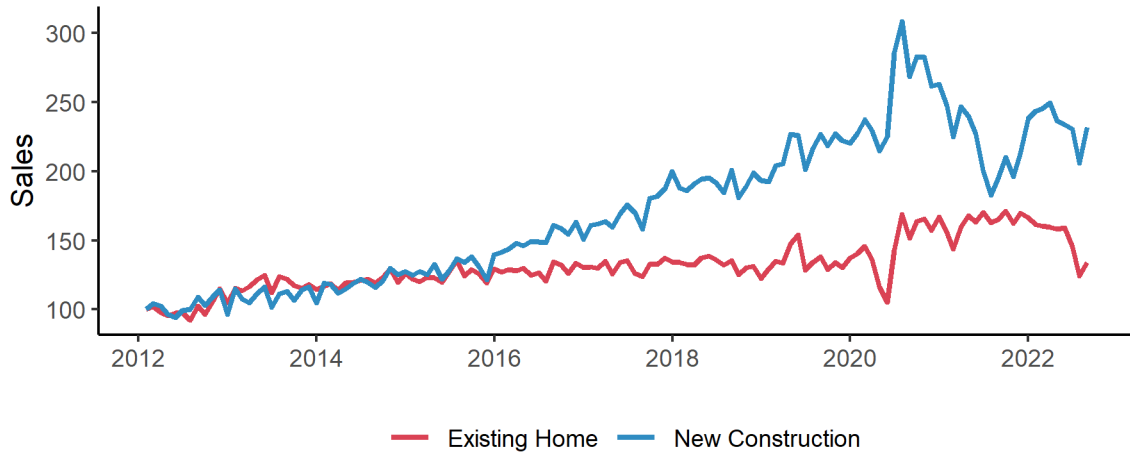


Source: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University



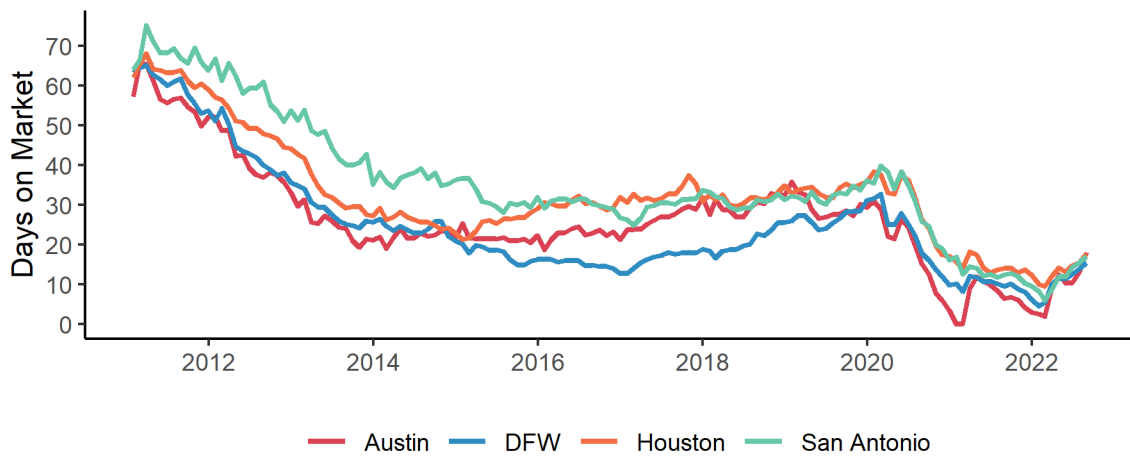
# DEMAND

## New and Existing Home Sales Seasonally Adjusted Annualized Rate



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

## Metro Median Days on Market Seasonally Adjusted Annualized Rate



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

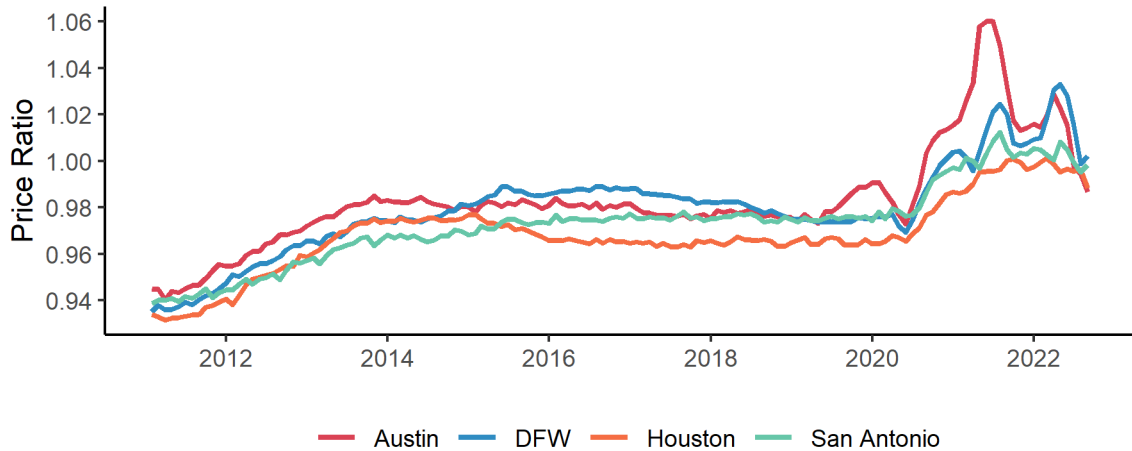




# DEMAND

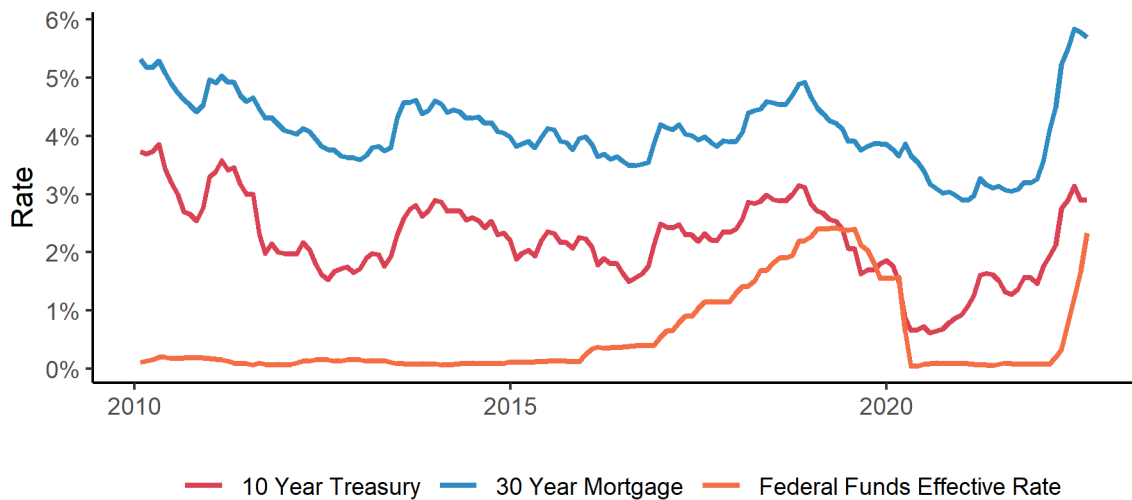
## Metro Median Sale to List Price Ratio

Seasonally Adjusted Annualized Rate



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

## Interest Rates

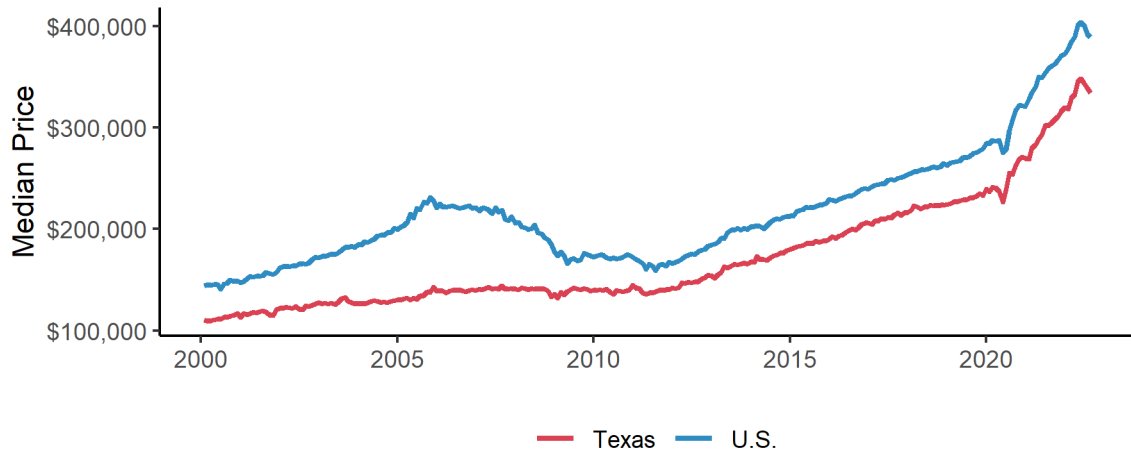


Source: Federal Reserve - Wall Street Journal - Texas Real Estate Research Center at Texas A&M University



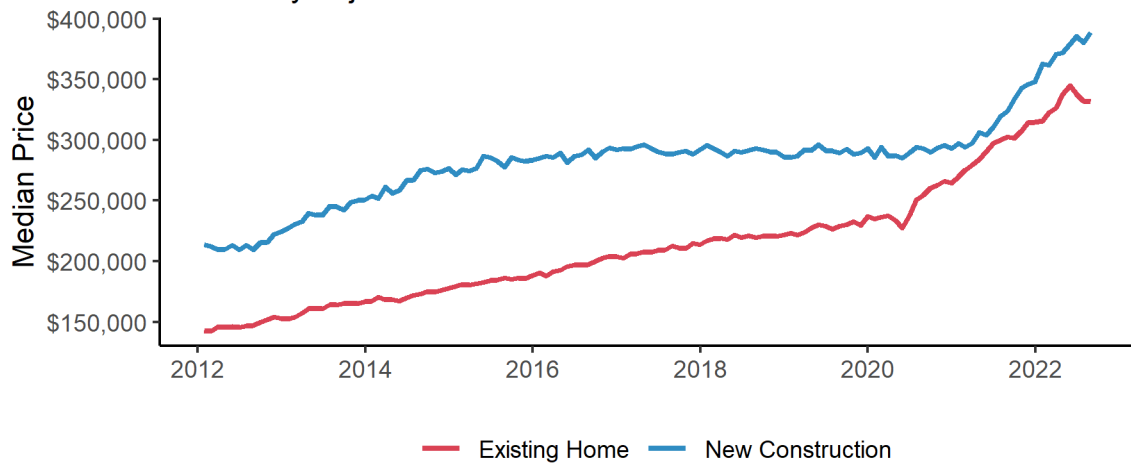
# PRICES

## Median Existing Single-Family Home Prices Seasonally Adjusted Annualized Rate



Source: National Association of Realtors - Texas Real Estate Research Center at Texas A&M University

## Texas New and Existing Median Home Price Seasonally Adjusted Annualized Rate



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



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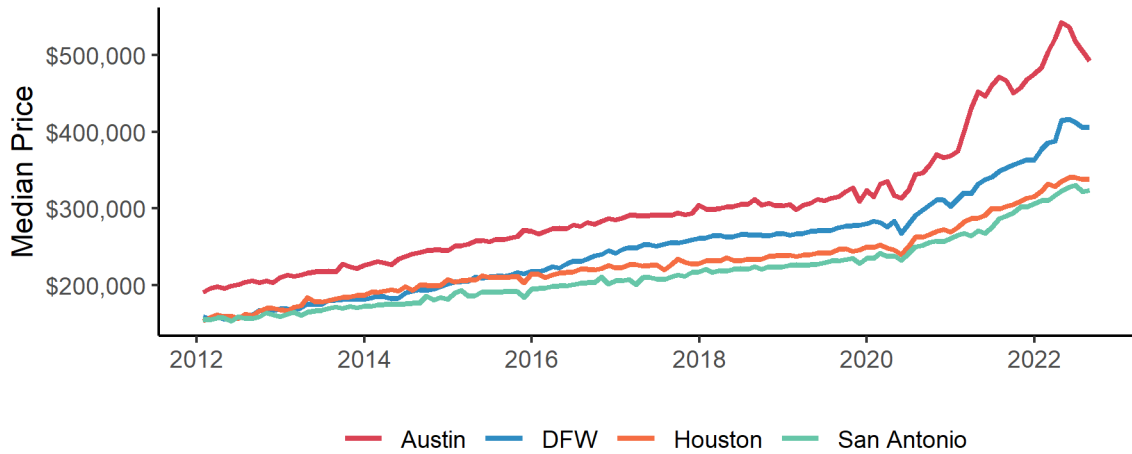
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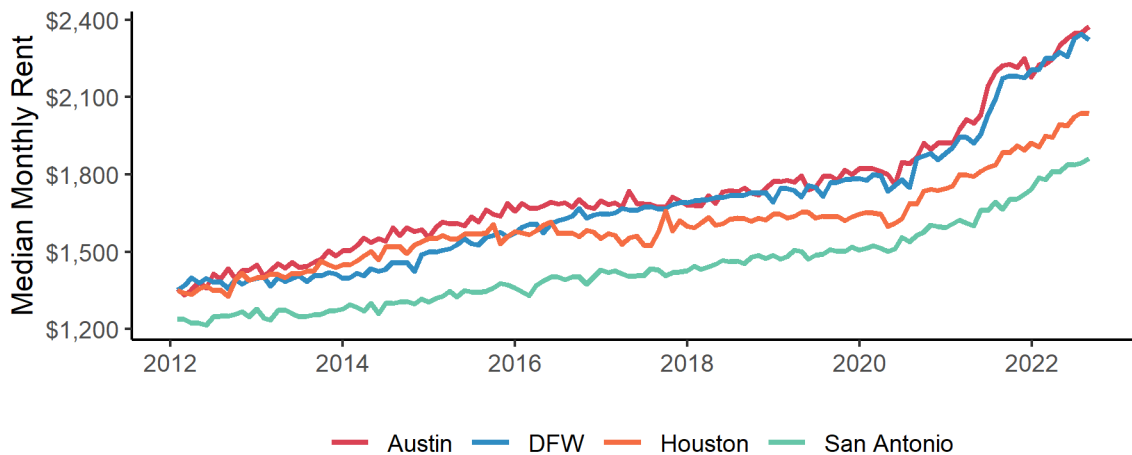
# PRICES

## Texas Major Metro Median Home Prices Seasonally Adjusted Annualized Rate



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

## Texas Major Metro Median Single-Family Monthly Rent Seasonally Adjusted Annualized Rate

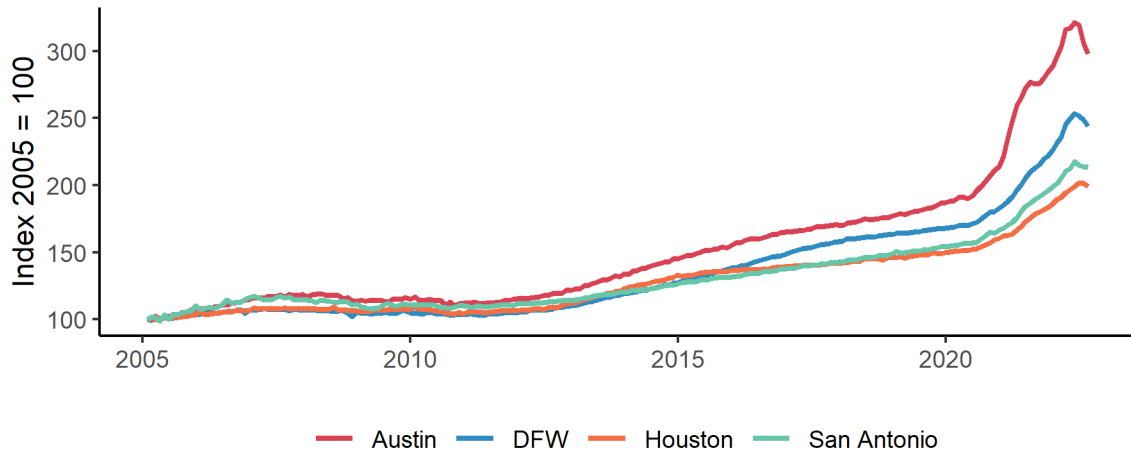


Source: Texas Real Estate Research Center at Texas A&M University



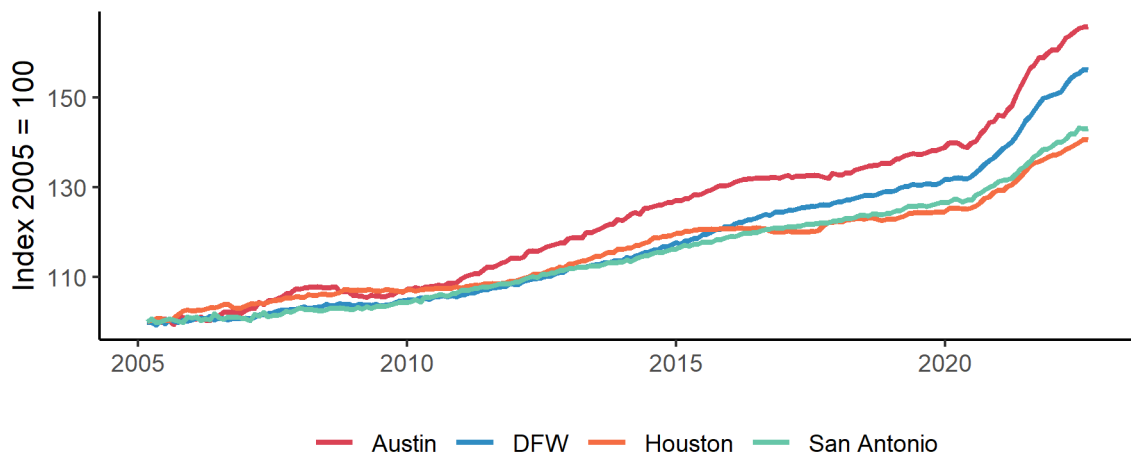
# PRICES

## Major Metro Home Price Index Seasonally Adjusted Annualized Rate



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

## Major Metro Single-Family Rent Index Seasonally Adjusted Annualized Rate



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



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