



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



TEXAS HOUSING INSIGHT

JOSHUA ROBERSON

LEAD DATA ANALYST

WEILING YAN

RESEARCH INTERN

JOHN SHAUNFIELD

RESEARCH INTERN

2120

FEBRUARY 2023 DATA

TECHNICAL REPORT

About This Report	2
February 2023 Summary	3
Supply	6
Texas Single-Family Permits	6
Single-Family Housing Construction Permit	6
Single-Family Housing Construction Permit Values	7
Top New-Home Metros Since COVID-19	7
Regional Housing Starts	8
Metro Housing Starts.....	8
Inventory by Price Cohort.....	9
Texas New and Existing Inventory.....	9
Demand	10
Residential Home Sales.....	10
Texas Sales by Price Cohort	10
Metro Home Sales	11
Homeownership Rate	11
New and Existing Home Sales.....	12
Metro Median Days on Market	12
Metro Median Sale to List Price Ratio	13
Interest Rates.....	13
Prices	14
Median Existing Single-Family Home Prices.....	14
Texas New and Existing Median Home Price	14
Texas Major Metro Median Home Prices.....	15
Texas Major Metro Median Single-Family Monthly Rent	15
Major Metro Home Price Index.....	16
Major Metro Single-Family Rent Index.....	16



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.

Joshua Roberson, Weiling Yan, and John Shaunfield

Data current as of March 19, 2023

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FEBRUARY 2023 SUMMARY

SINGLE-FAMILY PERMITS
▲ 17.0% MOM

TOTAL HOUSING SALES
▲ 7.8% MOM

MEDIAN HOME PRICE
▲ 0.6% YOY

HOME PRICE INDEX
▲ 3.14% MOM

February's housing market shows 2023 has returned to normal seasonal trends, something not experienced since 2019. Housing sales are back on trend with increases for the month, as are construction starts and permits. Rebounding to pre-pandemic levels means sales and construction activity are still decreased compared with the previous two years. This is likely due to inflated mortgage rates and high inflation. Days on market (DOM) increased across all major metros as inventory rose because of deflated demand. All of these factors point to a cooling housing market and a return to form.

Supply* Rises as Inventory Gains Ground

Single-family construction permits reversed their course for February, gaining significant ground with a 17 percent increase month over month (MOM). All four major metros contributed to the statewide rise, as they all had positive gains for February. Houston led the way with a 33 percent increase over last month (3,793 permits), while Austin lagged the rest with a 0.7 percent gain (1,160 permits).

Construction generally hits a seasonal low in December, and peaks in March or June. **Single-family construction starts** are following this trend with a seasonally adjusted MOM increase of almost 2 percent. December's low point reached levels not seen since 2015, due in large part to the drastic increase in mortgage rates. March starts, around 9,200 according to Dodge Data & Analytics, pale in comparison to the previous two March levels, which were record-breaking peaks at the time.

The state's total **single-family starts value** reached \$4.3 billion in February, down from \$7.5 billion in February 2022. Houston and Dallas-Fort Worth (DFW) are responsible for more than half of that. Houston continues to account for the largest portion of Texas' construction values with 29 percent of the market share. DFW accounts for 25 percent. Austin and San Antonio remained on par with previous years' market percentage shares.

February's **active listings** continued their upward trend since March 2022 after having slowed in the past two months, when the metric fell to 91,000 units after seasonal adjustment. Although, these levels are still lower than pre-pandemic listing levels. Additionally, despite the small dip last month, **months of inventory (MOI)** returned to an upward trend as inventory levels reached three months. Austin's MOI fell to just below three months. Dallas followed a similar trend, with MOI

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

dropping to 2.2 months. Meanwhile, Houston and San Antonio bolstered the state with increases, raising the overall months of inventory.

Demand Increases as Sales and Prices Jump

Housing demand started the new year with an upward trend, as sales volume expanded for two consecutive months. **Total home sales** had a strong boost of 7.8 percent MOM, doubling last month's 3.7 percent growth. Sales gained more than 2,000 transactions in a month, marching upward to a seasonally adjusted rate of 29,728 closings. Austin and Houston, the two metros that had their great rebound in January, stayed flat this month (Table 1). Meanwhile, Dallas and San Antonio spiked up. Dallas' 17.1 percent growth brought more than 1,200 additional homes under contract in February.

Sales across all price cohorts continued to follow their normal seasonal cycle with sales increasing through all price cohorts. Homes in the \$300K-\$400K range remain at the epicenter of the market, making up 28 percent of Texas sales. This constitutes a 2 percent increase in market share for this price cohort over February 2022. DFW increased its market share by a similar 2 percent this month in the same cohort, as the other metros stayed on course with YOY market shares. Despite sales activity picking up, Texas' **average DOM** steadily advanced four days in 2023 to 56 days. Compared with the five-year average of 59 days before 2020, the housing market is fast approaching historic norms. Austin posted a ten-year record of 71 days this month, the longest market time since 2013. This is a major swing from the intense market conditions from just a year ago.

Austin homes' time on market uniformly lengthened across all price cohorts, while other metros had mixed trends. Among the homes valued above \$400K, Austin's DOM ranged from 57 to 69 days, at least ten days longer than the corresponding cohort in the DFW market. Houston homes in the \$750K and above price cohort were in a hot market, staying on market only one day longer than homes below \$200K.

Prices Flatten as Rates Remain High

Texas' median home price mostly stayed flat from the previous month, and only 0.6 percent higher than a year ago (Table 2). However, home prices did fall in Austin with 4.6 percent MOM and 12.2 percent YOY decreases. Dallas and San Antonio still saw low-single-digit price growth from a year ago.

The **ten-year U.S. Treasury bond yield** reversed the dwindling trend and marched upward 22 basis points to 3.8 percent. The **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** saw the fourth consecutive moderation since November, falling to 6.3 percent.

High mortgage rates have discouraged many homebuyers, driving demand down over the past year. 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 gained 3.1 percent MOM. Austin stood out with an 8 percent YOY decrease. The other four metros had minor single-digit YOY increases, indicating possible price normalization.

Table 1. Home Sales Volume

	Jan	Feb	Monthly Changes
Texas	27,572	29,728	↑ 7.8%
Austin-Round Rock	2,693	2,729	↑ 1.3%
Dallas-Fort Worth	7,387	8,652	↑ 17.1%
Houston-The Woodlands-Sugar Land	7,475	7,487	↑ 0.2%
San Antonio-New Braunfels	2,683	2,880	↑ 7.4%

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

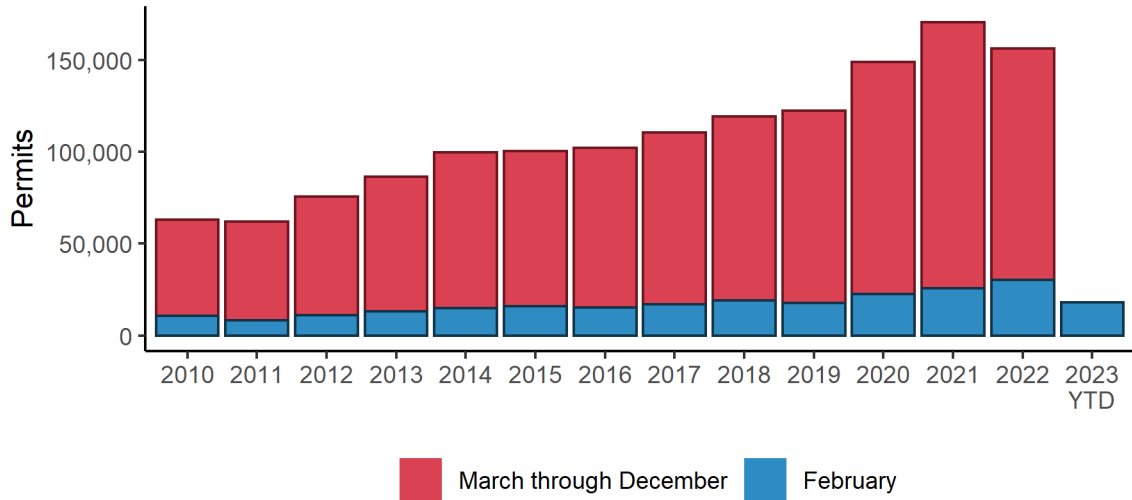
Table 2. Median Housing Prices

	Jan	Feb	Monthly Changes
Texas	\$335,300	\$334,400	↓ -0.3%
Austin-Round Rock	\$462,500	\$441,000	↓ -4.6%
Dallas-Fort Worth	\$392,800	\$394,600	↑ 0.5%
Houston-The Woodlands-Sugar Land	\$329,200	\$327,500	↓ -0.5%
San Antonio-New Braunfels	\$315,400	\$314,100	↓ -0.4%

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

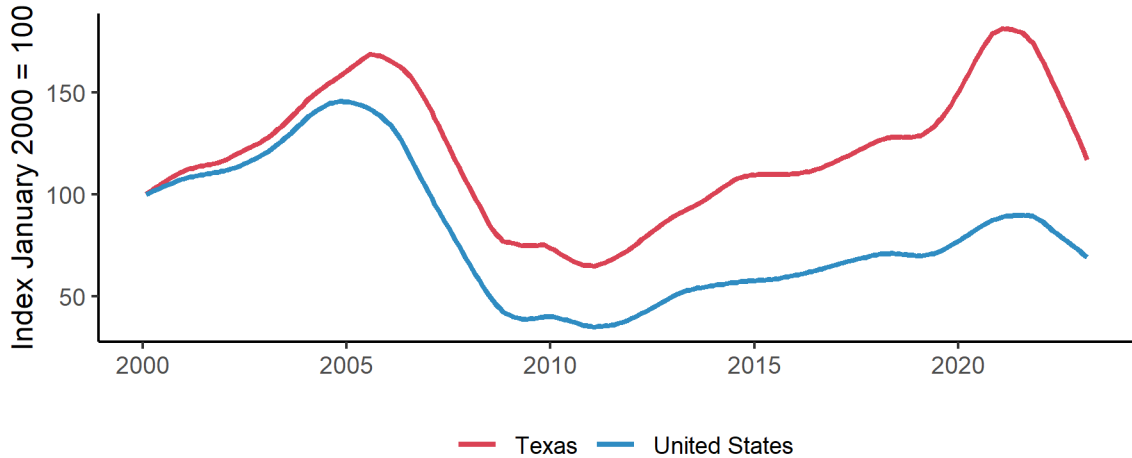


Texas Single-Family Permits



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

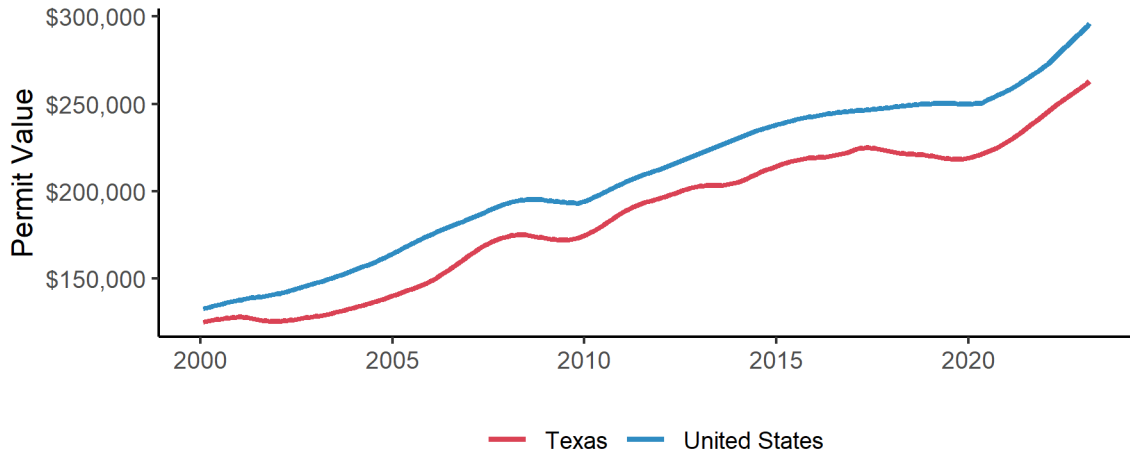
Single-Family Housing Construction Permits Seasonally Adjusted Trend



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

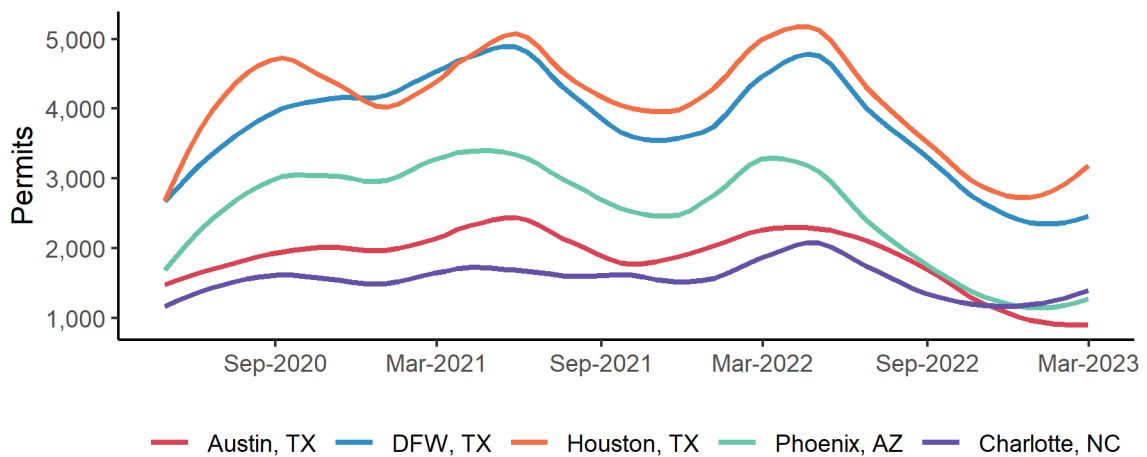


Single-Family Housing Construction Permit Values Seasonally Adjusted Trend



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

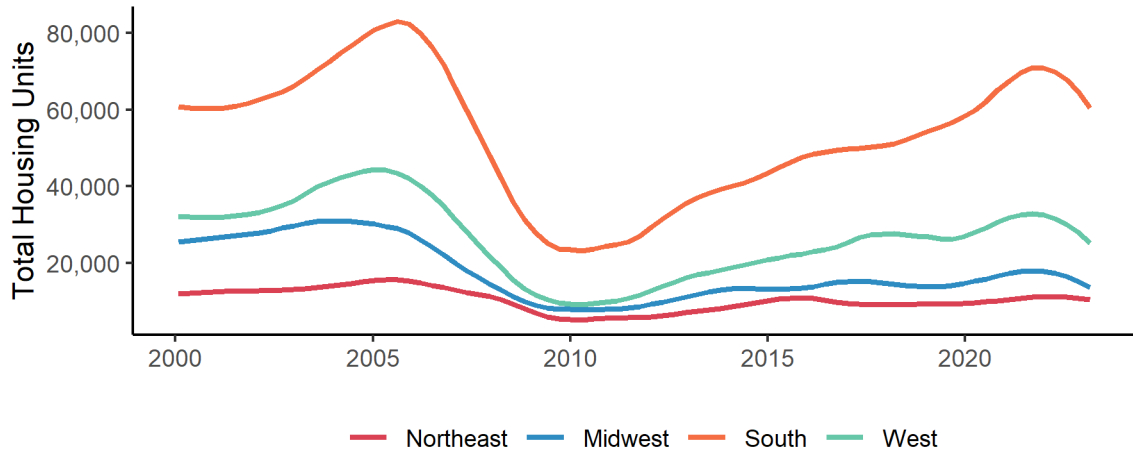


Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University



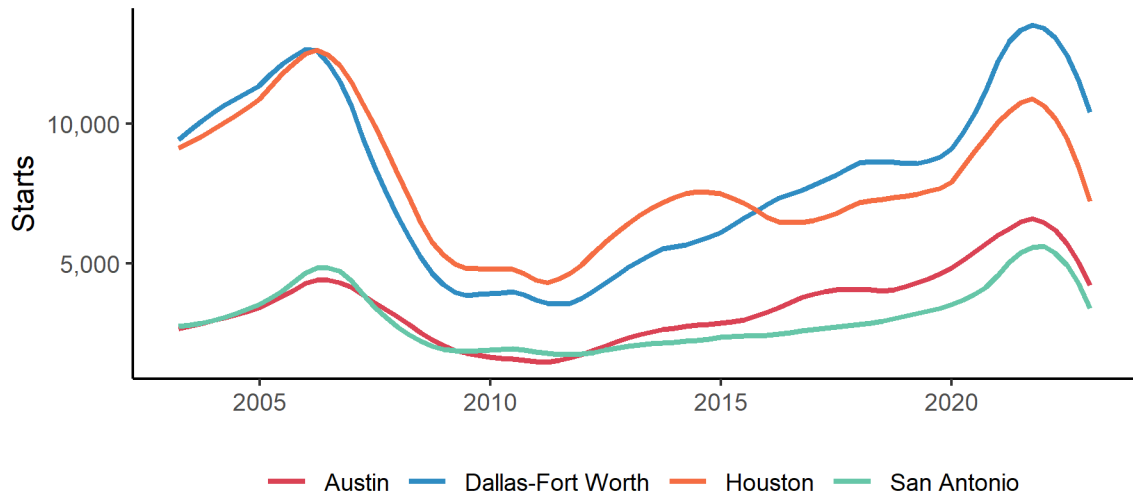
Regional Housing Starts

Total Housing Units



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

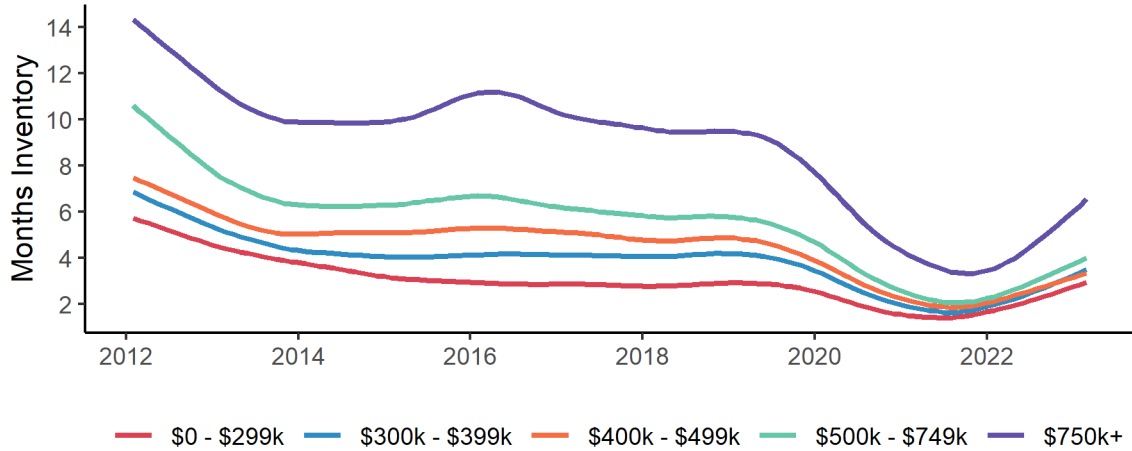
Metro Housing Starts



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

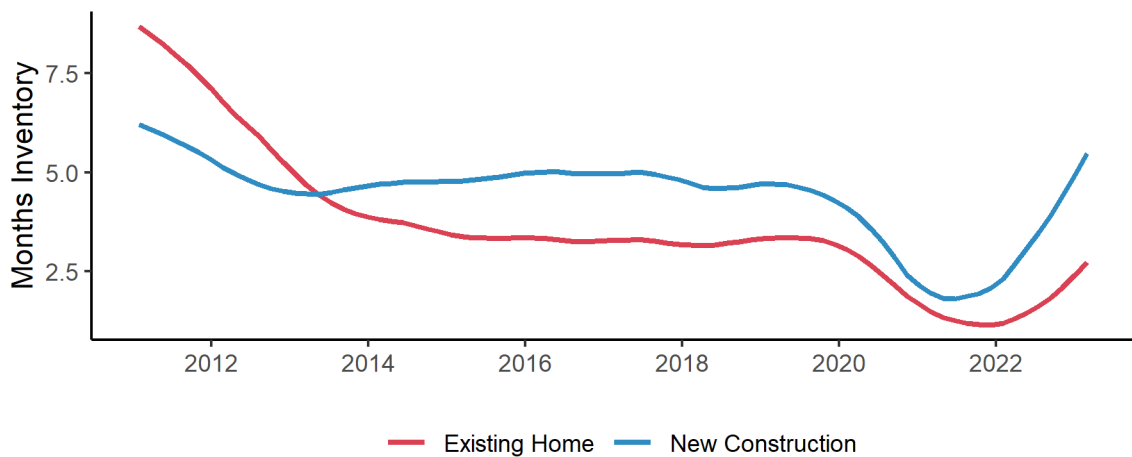


Inventory by Price Cohort
Seasonally Adjusted Trend



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

Texas New and Existing Inventory
Seasonally Adjusted Annualized Rate

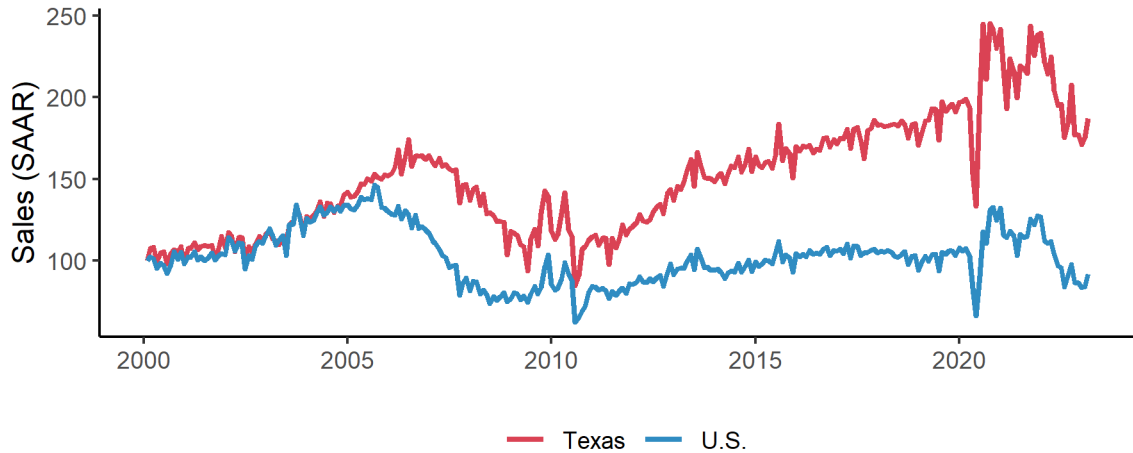


Source: Texas Real Estate Research Center at Texas A&M University



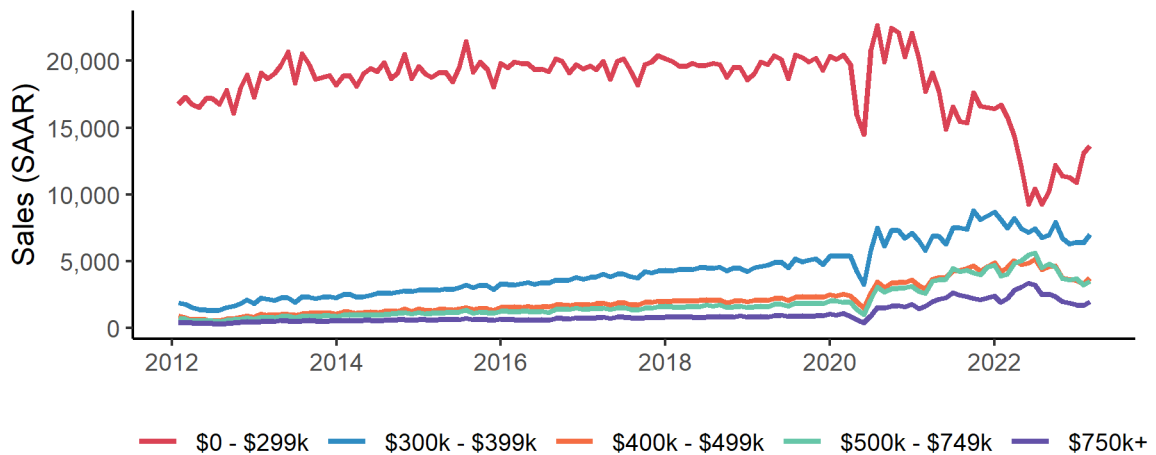
DEMAND

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

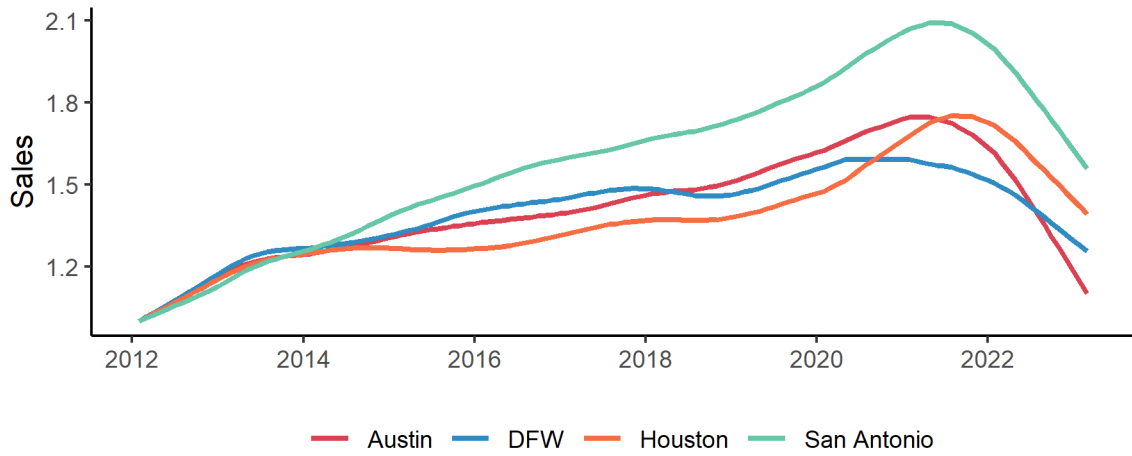


Source: Texas Real Estate Research Center at Texas A&M University



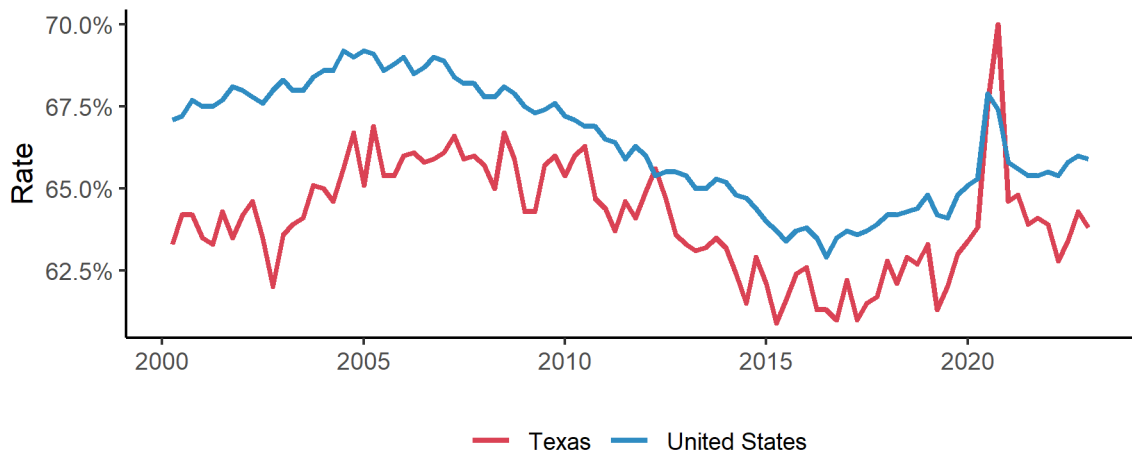
DEMAND

Metro Home Sales Seasonally Adjusted Trend



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

Homeownership Rate Seasonally Adjusted Trend

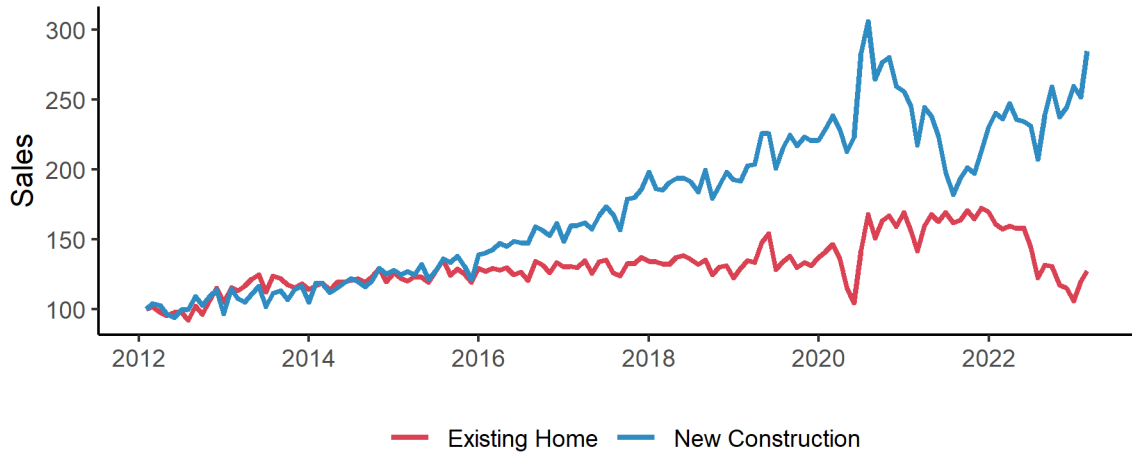


Source: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University



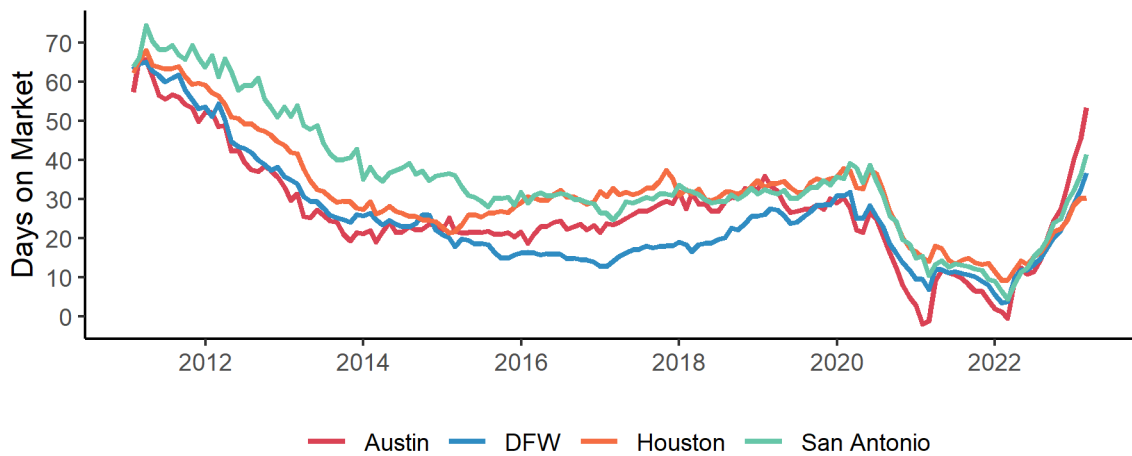
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New and Existing Home Sales Seasonally Adjusted Annualized Rate



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

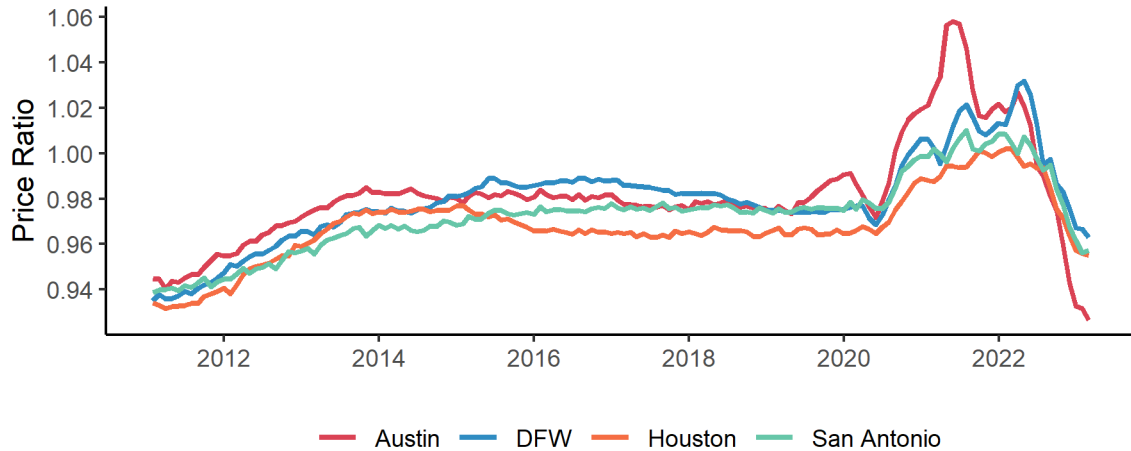




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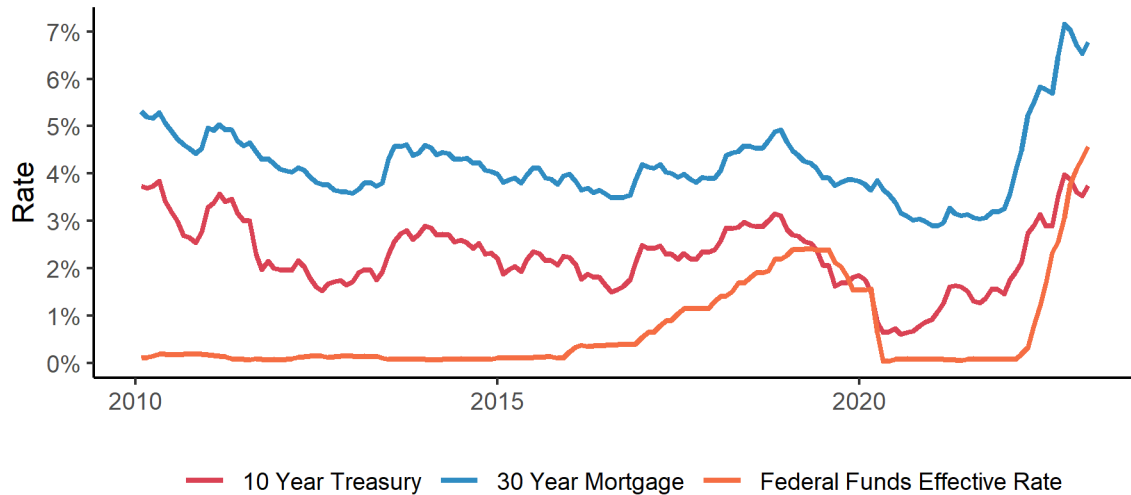
Metro Median Sale to List Price Ratio

Seasonally Adjusted Annualized Rate



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

Interest Rates

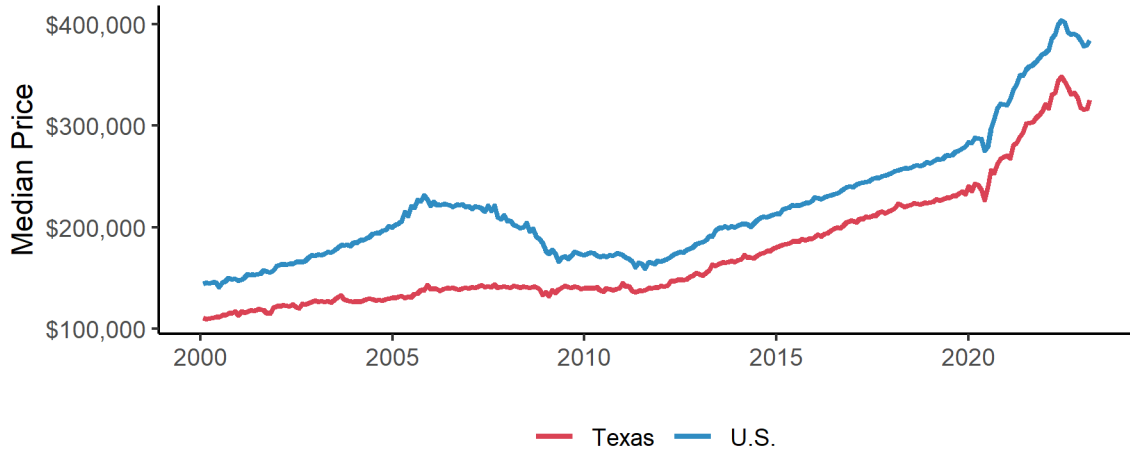


Source: Federal Reserve - Wall Street Journal - Texas Real Estate Research Center at Texas A&M University



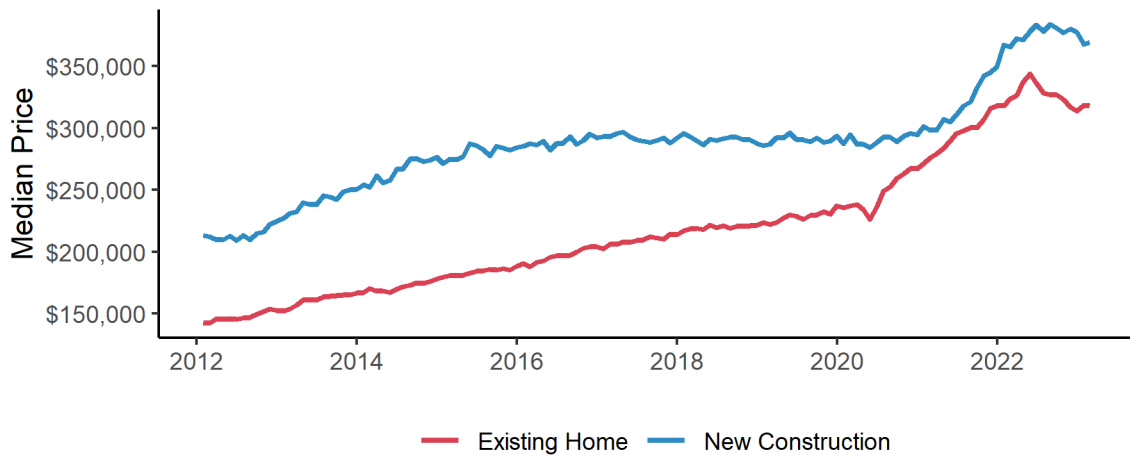
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Median Existing Single-Family Home Prices Seasonally Adjusted Annualized Rate



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

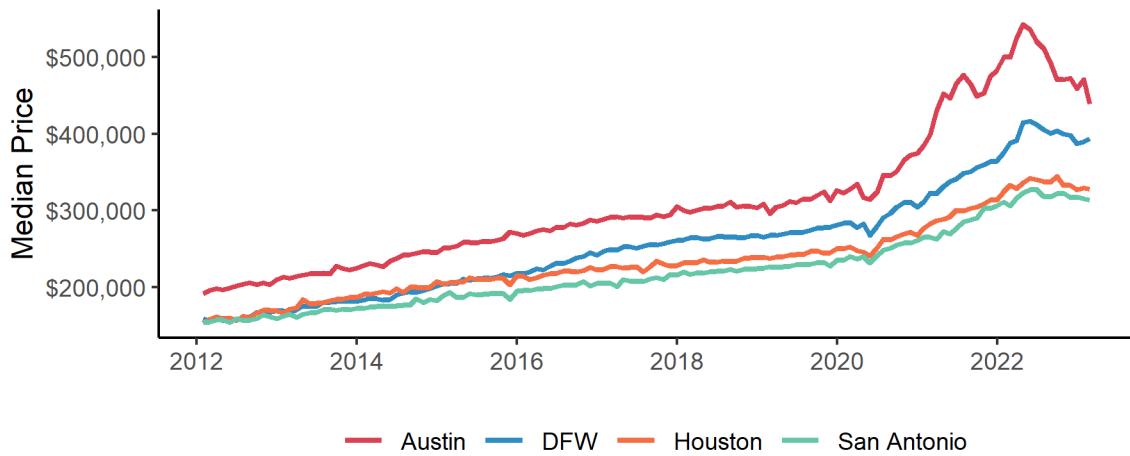


Source: Texas Real Estate Research Center at Texas A&M University



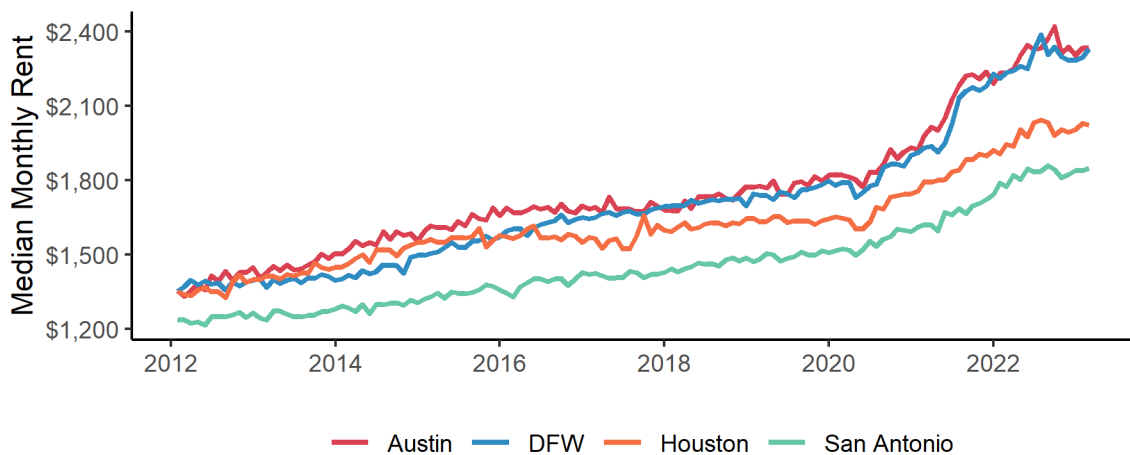
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Texas Major Metro Median Home Prices Seasonally Adjusted Annualized Rate



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

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

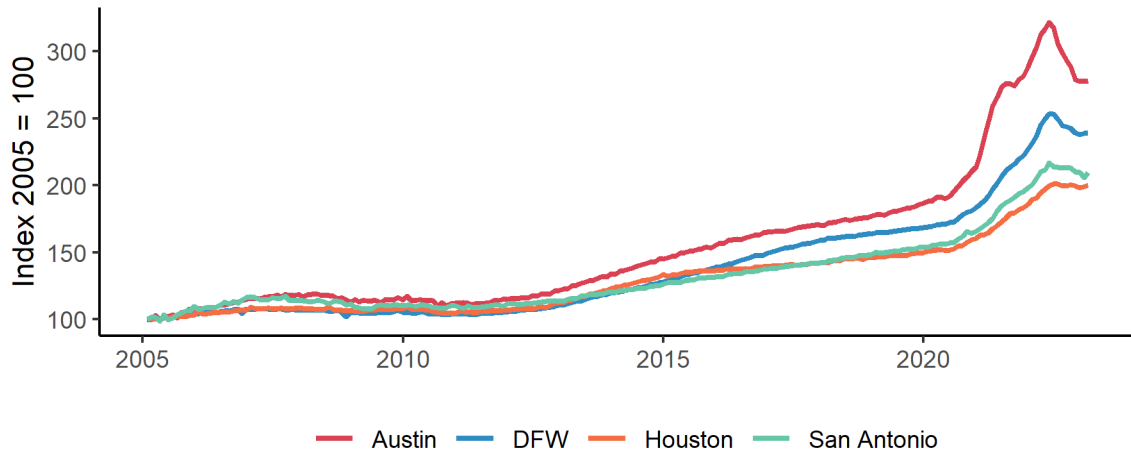


Source: Texas Real Estate Research Center at Texas A&M University



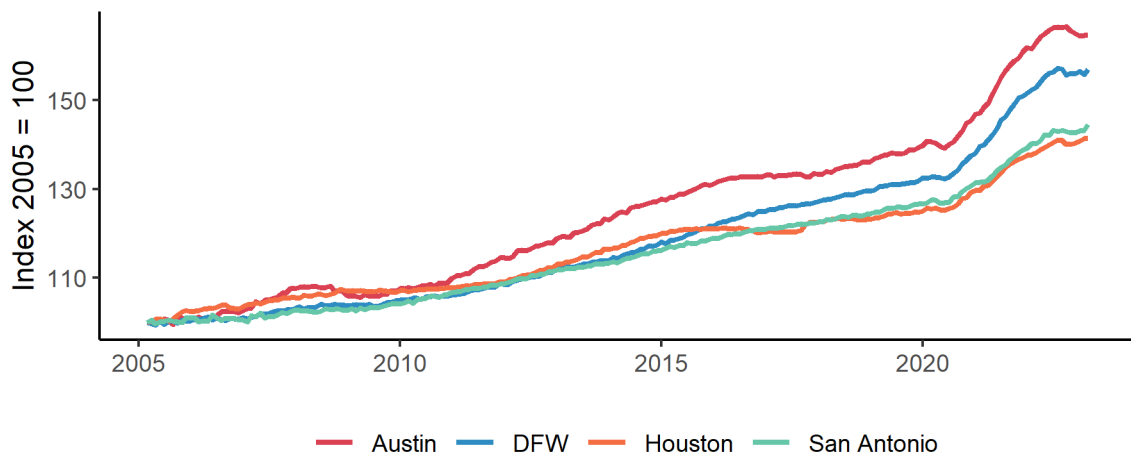
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Major Metro Home Price Index Seasonally Adjusted Annualized Rate



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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DIVISION OF ACADEMIC AND STRATEGIC COLLABORATIONS

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

<http://recenter.tamu.edu>
979-845-2031

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