



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



TEXAS HOUSING INSIGHT

JOSHUA ROBERSON
LEAD DATA ANALYST

WEILING YAN
RESEARCH INTERN

2120

APRIL 2023 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.

Joshua Roberson and Weiling Yan

Data current as of May 19, 2023

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APRIL 2023 SUMMARY

SINGLE-FAMILY CONSTRUCTION PERMITS

▼ 31.7% YTD

HOME OWNERSHIP RATE

▲ 65.2%

MONTHS OF INVENTORY

▬ 3 months

MEDIAN HOME PRICE

▬ 0.7% MOM

April's housing sales slipped uniformly in the Big 4 Texas metros. As buyers adjusted to currently inflated rates, the loss in sales was primarily due to the lack of home supplies as construction activities slowed and sellers' unwillingness to give up their low rates. The higher mortgage rates put the brakes on the housing frenzy. Prices had been stable, fluctuating around 1 percent month over month (MOM) since November 2022. The housing market is forecasted to stay normalized until the economy sees relieved rates.

Supply* Recedes After the Two-Year Boom

So far, 2023 single-family construction levels have fallen far below levels from the previous two years. April's **single-family construction permits** registered 25 percent below April 2021's level and even more than 2022's. Year-to-date permit levels are about 46 percent below 2022's. On the monthly basis, Dallas (3,617 permits) and Houston (4,238 permits) declined from March's peaks. The ratio between Austin (940 permits) and San Antonio (750 permits) diminished after doubling a year ago, signaling a significant reduction of Austin's real estate development amid the cooling housing market.

The number of new homes breaking ground remained low, although strengthened monthly since **single-family construction starts** bottomed out in December 2022 at a five-year low. April's construction starts marched up to 10,080 units. Interestingly, while Dallas issued fewer construction permits than Houston, the metro had slightly more construction starts (3,242). Construction generally hits a seasonal low in December and peaks in March or June.

The state's total **single-family starts value** reached \$9.9 billion in April, down from \$16.1 billion in April 2022. Houston and Dallas-Fort Worth continue to account for over half of the state's construction activity values, holding a combined 55 percent of the Texas market. Austin and San Antonio remained on par with previous years' market percentage shares. This capital allocation suggests metros still receive consistently proportional interests from prospective investors.

Active listings also reversed last year's upward trend as the number of available homes, both new and existing, fell from a two-year peak in November 2022. The 7.8 percent MOM drop brought homes ready for sale down from 87,700 units to 80,850. As potential sellers pulled back amid higher mortgage rates, the number of **new listings** ticked down 10.5 percent from April 2022 to

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



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36,800 units. Despite the drop in housing inventories, **months of inventory (MOI)** resumed an upward trend at three months. The trend was largely sustained by Austin's increasing MOI.

Demand Softens as Sales Slump More than 10 Percent

The state's seasonally adjusted **total home sales** dipped to 27,154 single-family houses in April, resulting in a 12 percent MOM decrease (Table 1). Monthly home sales across metros declined between 6.1 percent to 15.3 percent. Interestingly, among the four metropolitan areas, sales declined least in the priciest metro—Austin. One plausible reason was Austin's already depressed demand, with sales volume vanishing at 18.8 percent year over year (YOY), down from 3,180 transactions in April 2022.

Sales fell across all price cohorts in Dallas and Houston except for homes priced above \$750K, inching up 6.1 percent and 4.2 percent MOM, respectively. However, compared with a year ago, sales in this price category had plummeted more than one fifth in all metros amid higher mortgage rates. Overall home sales in Texas cooled 16.4 percent YOY in April.

Texas' **average days on market (DOM)** steadily advanced to 58 days, gaining one day per month since February. Compared with the five-year average of 59 days before 2020, the housing market was only one day behind historical norms. Austin's DOM kept inching up, marking 76.8 days in April, the longest market time since 2013. This is a major swing from the intense market conditions from a year ago.

The U.S. Census Bureau announced that Texas' **homeownership rate** was 65.2 percent in 1Q2023, a boost from the 63.8 percent two-year average. Despite the increased ownership in the state, the number was still 1 percent lower than the national rate (66.2 percent) due in part to the influx of out-of-state movers. For the less populated metros, Austin and San Antonio had higher ownership rates at 65.1 percent and 68.2 percent, respectively. Meanwhile, the more populated metros had lower rates—around 61.5 percent in DFW and Houston.

Prices Make Minimal Gains as Long-Term Rates Moderate

Texas' median home price inched up 0.7 percent MOM to \$337,400, shying close to 3 percent from a year ago (Table 2). Austin's price grew for the second consecutive month, rebounding 2.3 percent MOM. Despite the recent improvement, Austin's median price still fell \$83,000 short of April 2022's record high, diminishing 15 percent. Other than Austin, the remaining three metros had some gains. Houston's and San Antonio's housing prices remained below the state average, making housing in the Texas Triangle relatively affordable.

Amid moderating consumer price growth, the **ten-year U.S. Treasury bond** retreated from a historical ten-year high of almost 4 percent in October 2022, still attracting long-term investors with a high yield of 3.46 percent. Similarly, the **Federal Home Loan Mortgage Corporation's 30-year fixed-rate** continued its downward course to 6.4 percent, down from 6.9 percent in October 2022.

The **Texas Repeat Sales Home Price Index** accounts for compositional price effects and provides a better measure of changes in single-family home values. In March 2022, Texas witnessed a record period when home prices appreciated by more than 20 percent in a year. However, since then, the rapid increase in mortgage rates has led to a significant slowdown in the growth of the price index. It dropped from a YOY growth rate of 19.8 percent YOY to 0.7 percent YOY. It is anticipated that home price appreciation will continue to moderate, and the last time the Texas index recorded a gain of around 0 percent was approximately twelve years ago, in July 2011.

The **Texas Housing Affordability Index (THAI)** reflects the relationship between the median-family income and the median-priced home. A higher THAI indicates relatively greater affordability. The relative data ([Texas Housing Affordability Index](#)) can be found on the Center's website. Measured by the THAI metric for 1Q2023's first-time homebuyers, Houston and Fort Worth-Arlington were most affordable between the major metros at 1.24. Following metros were San Antonio, Austin, and Dallas, respectively, with the latter two metros on equal footing at 1.1.

Table 1. Home Sales Volume

	Mar	Apr	Monthly Changes
Texas	30,867	27,154	↓ -12.0%
Austin-Round Rock	2,751	2,582	↓ -6.1%
Dallas-Fort Worth-Arlington	8,537	7,402	↓ -13.3%
Houston-The Woodlands-Sugar Land	8,239	6,978	↓ -15.3%
San Antonio-New Braunfels	3,116	2,733	↓ -12.3%

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

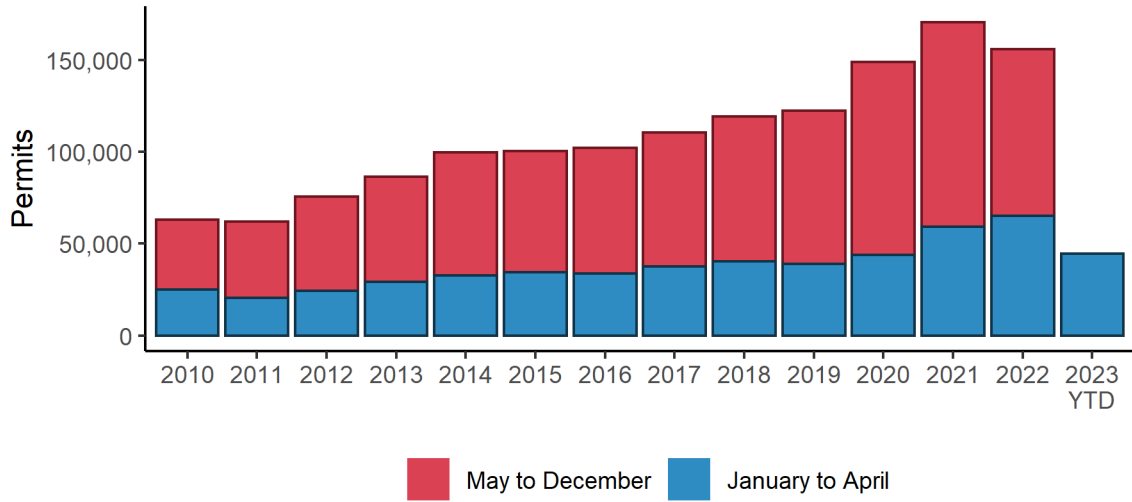
Table 2. Median Housing Prices

	Mar	Apr	Monthly Changes
Texas	\$ 335,000	\$ 337,400	↑ 0.7%
Austin-Round Rock	\$ 455,000	\$ 465,400	↑ 2.3%
Dallas-Fort Worth-Arlington	\$ 391,700	\$ 395,400	↑ 0.9%
Houston-The Woodlands-Sugar Land	\$ 323,100	\$ 328,400	↑ 1.7%
San Antonio-New Braunfels	\$ 316,600	\$ 322,200	↑ 1.8%

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

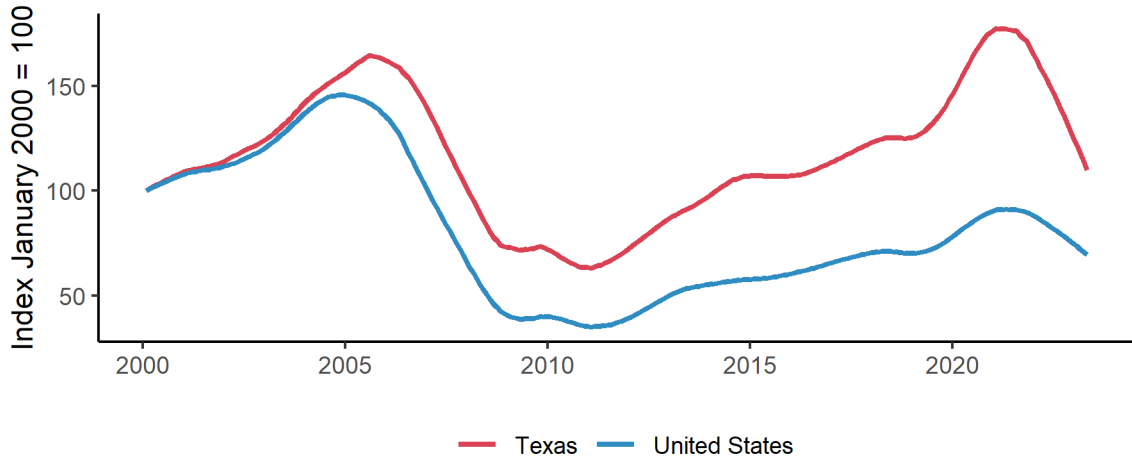


Texas Single-Family Permits



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

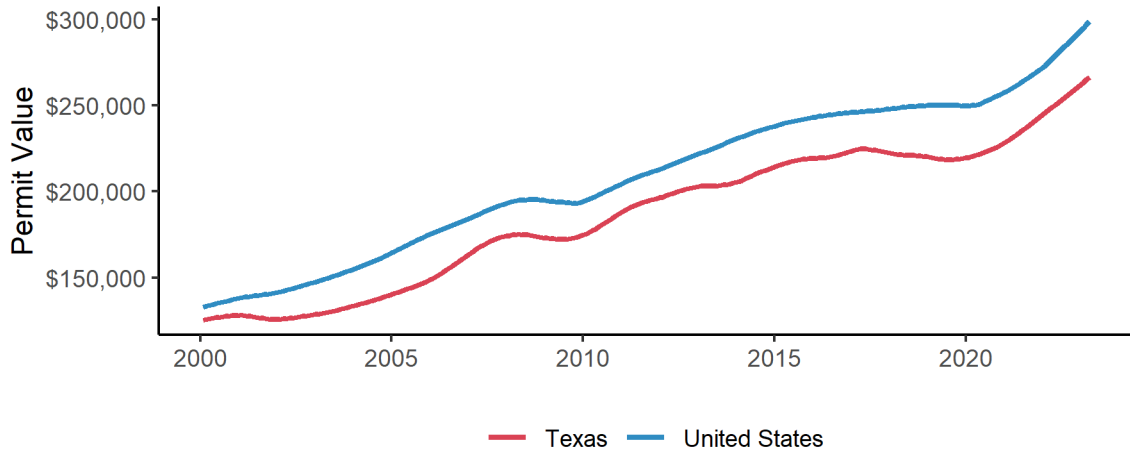
Single-Family Housing Construction Permits Seasonally Adjusted Trend



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

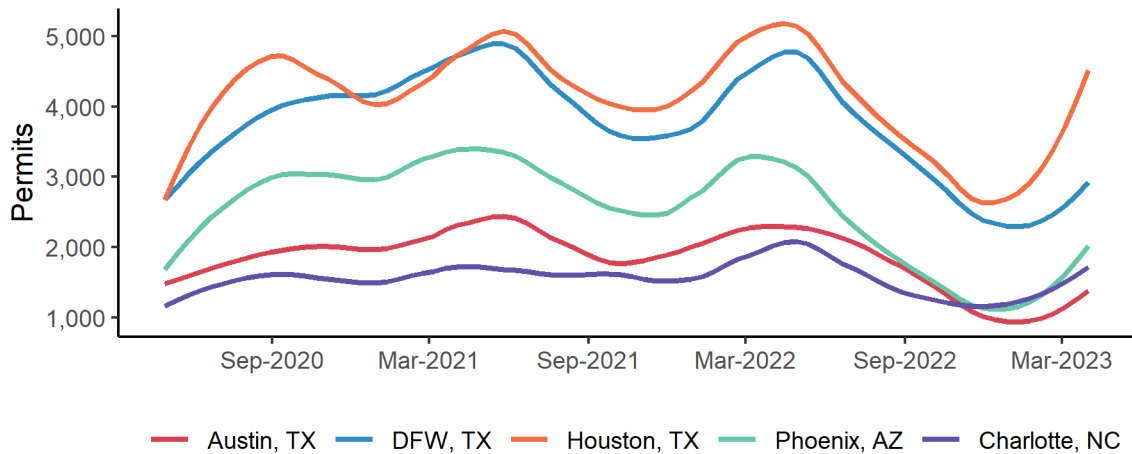


Single-Family Housing Construction Permit Values Seasonally Adjusted Trend



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

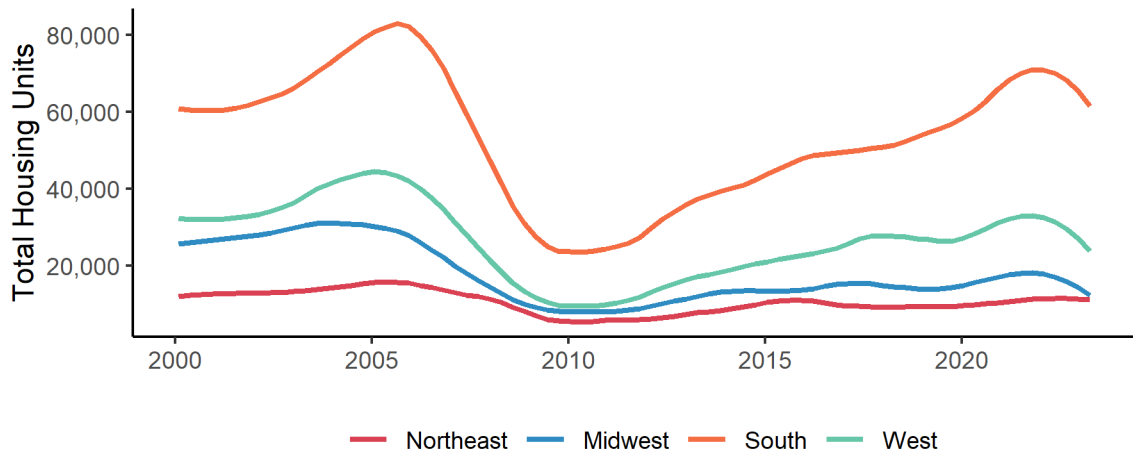


Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University



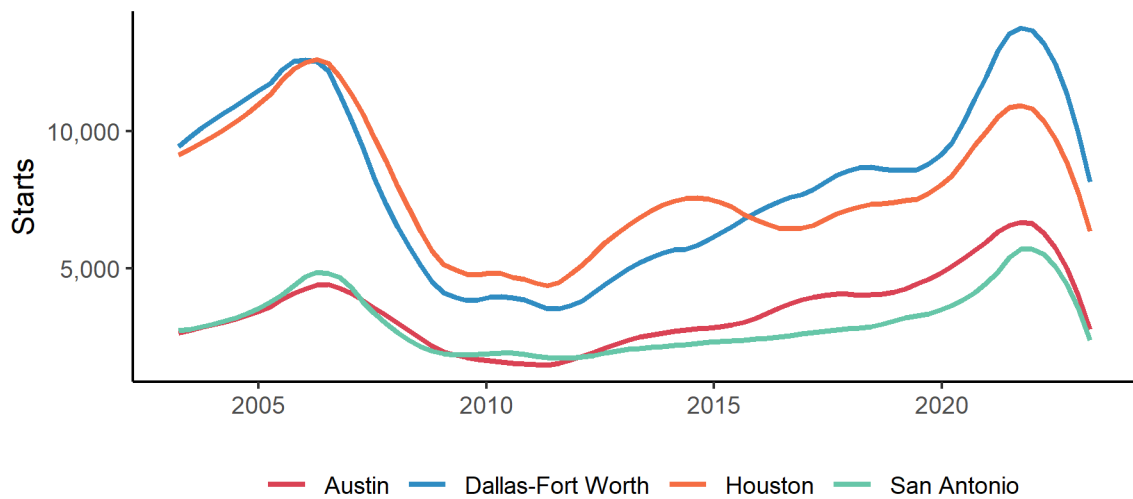
Regional Housing Starts

Total Housing Units



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

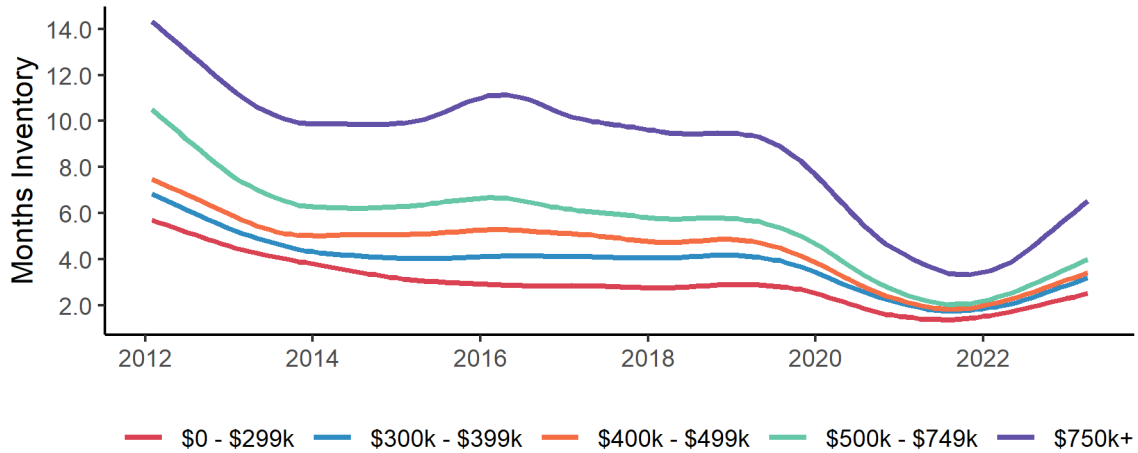
Metro Housing Starts



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

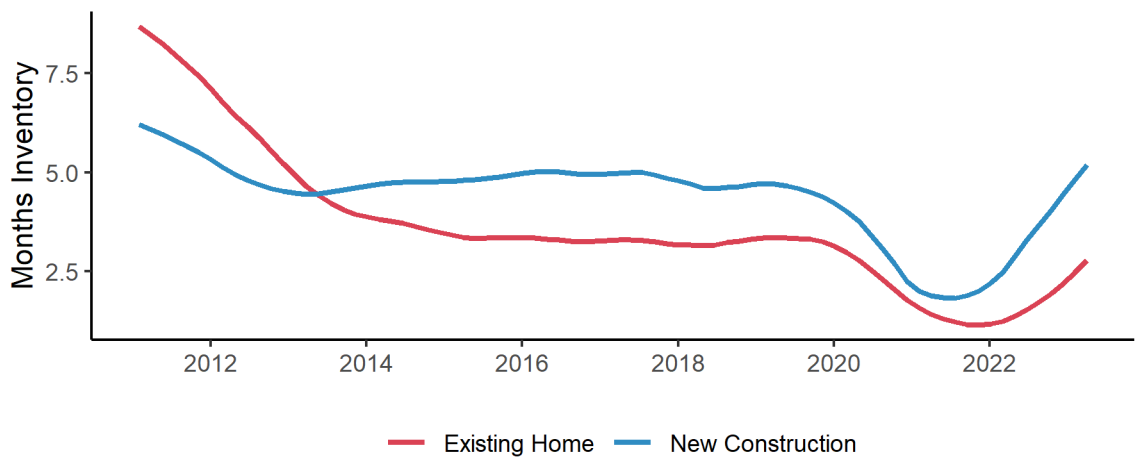


Inventory by Price Cohort
Seasonally Adjusted Trend



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

Texas New and Existing Inventory
Seasonally Adjusted Annualized Rate

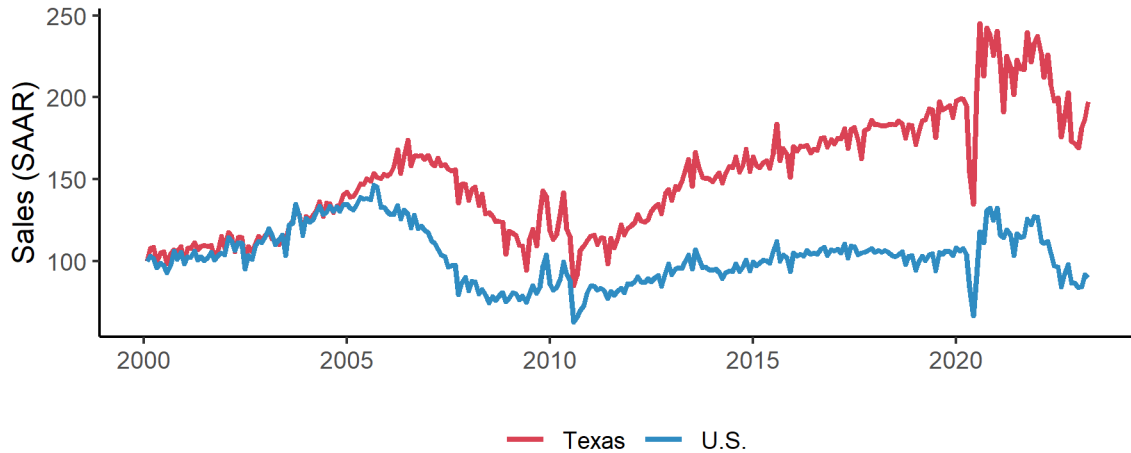


Source: Texas Real Estate Research Center at Texas A&M University



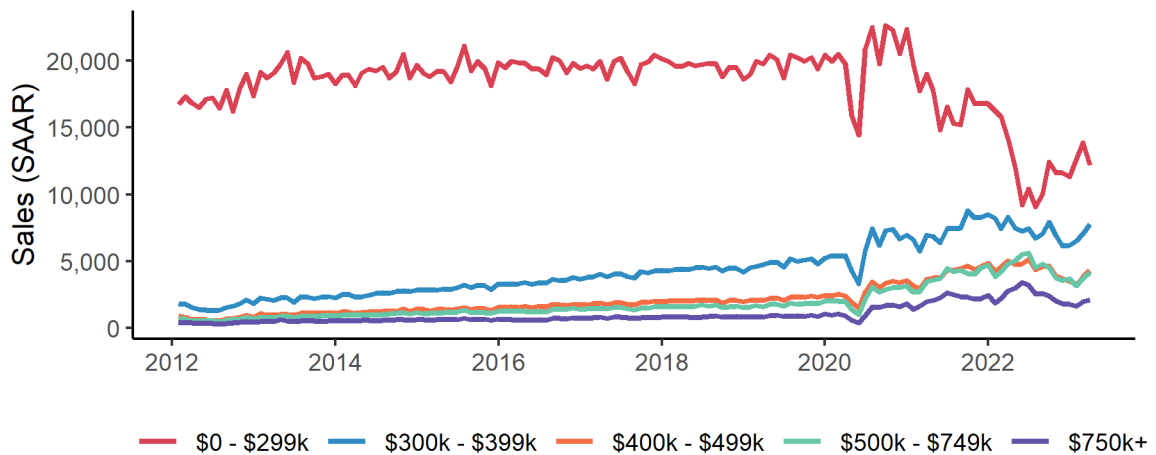
DEMAND

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

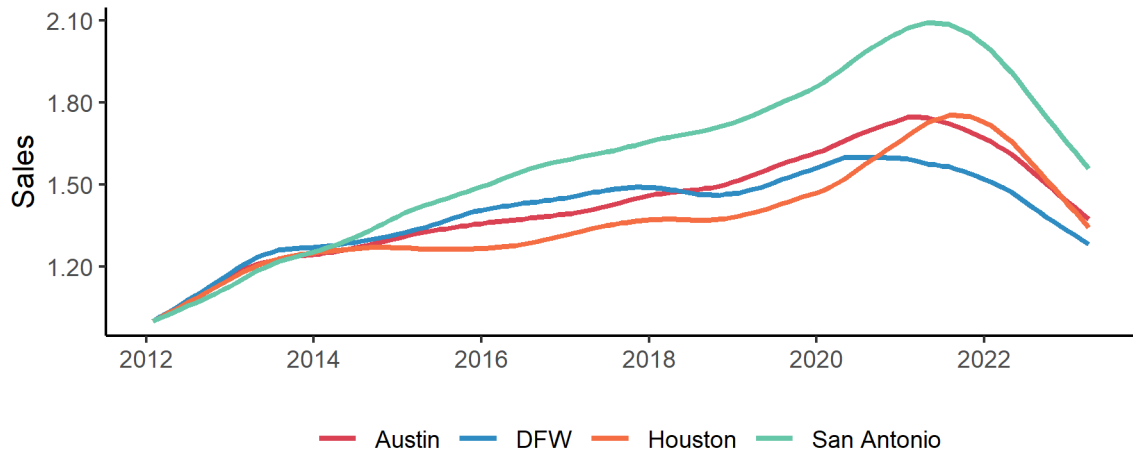




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Metro Home Sales

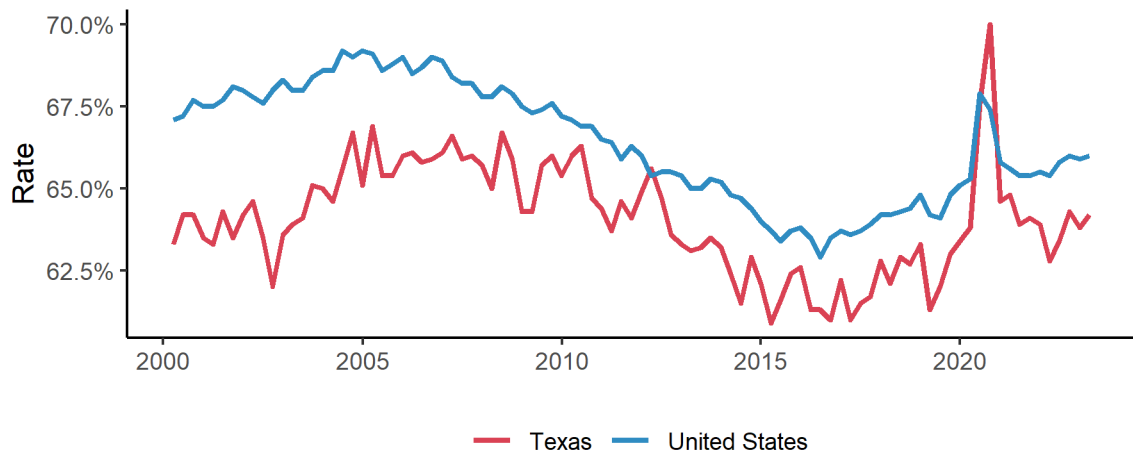
Seasonally Adjusted Trend



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

Homeownership Rate

Seasonally Adjusted Trend



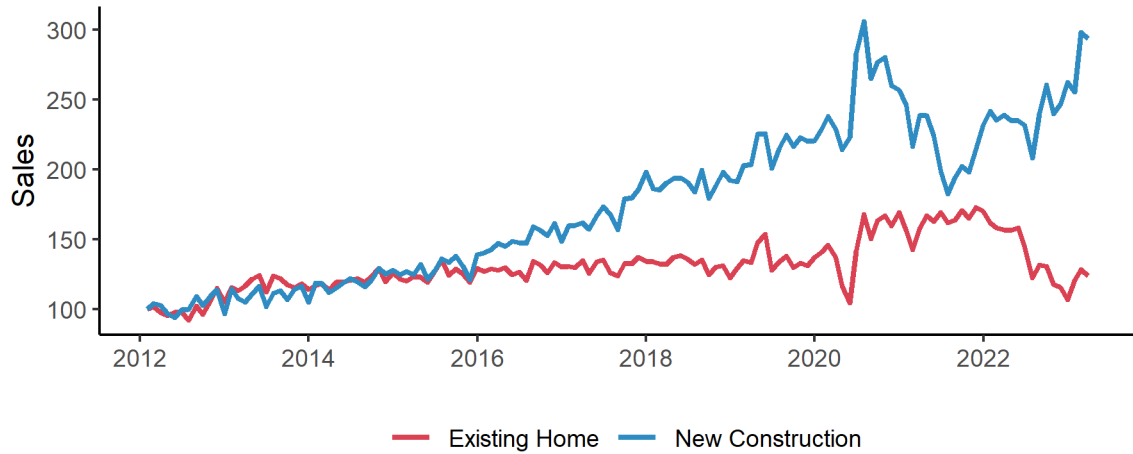
Source: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University





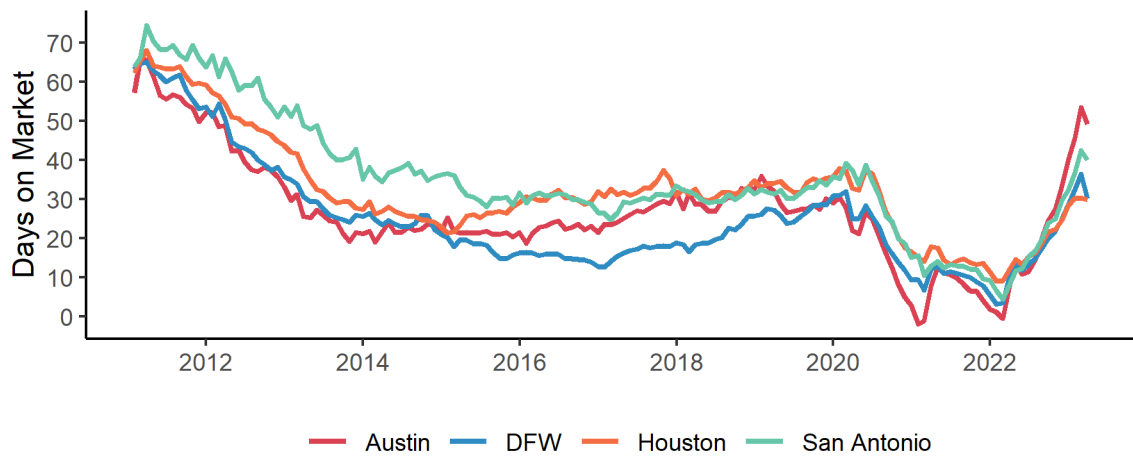
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New and Existing Home Sales Seasonally Adjusted Annualized Rate



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

Metro Median Days on Market Seasonally Adjusted Annualized Rate



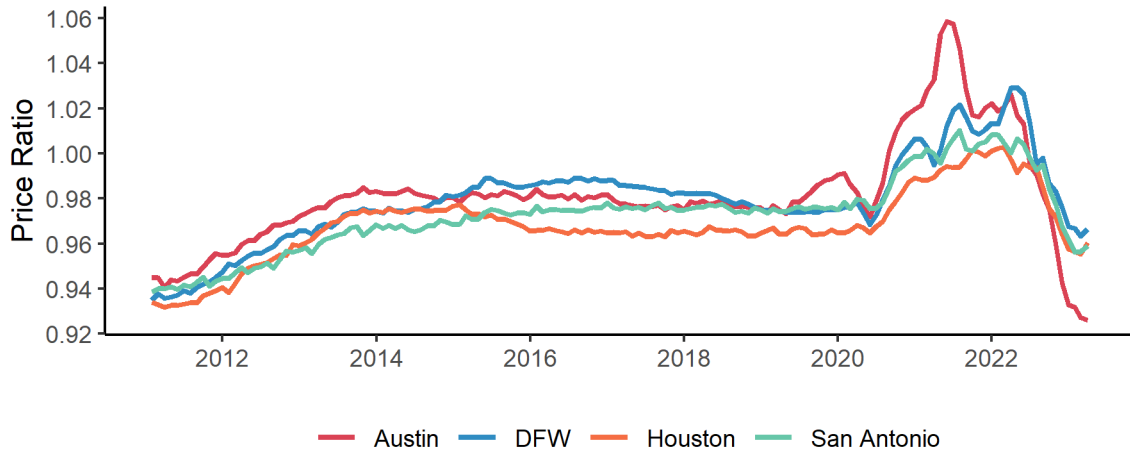
Source: Texas Real Estate Research Center at Texas A&M University



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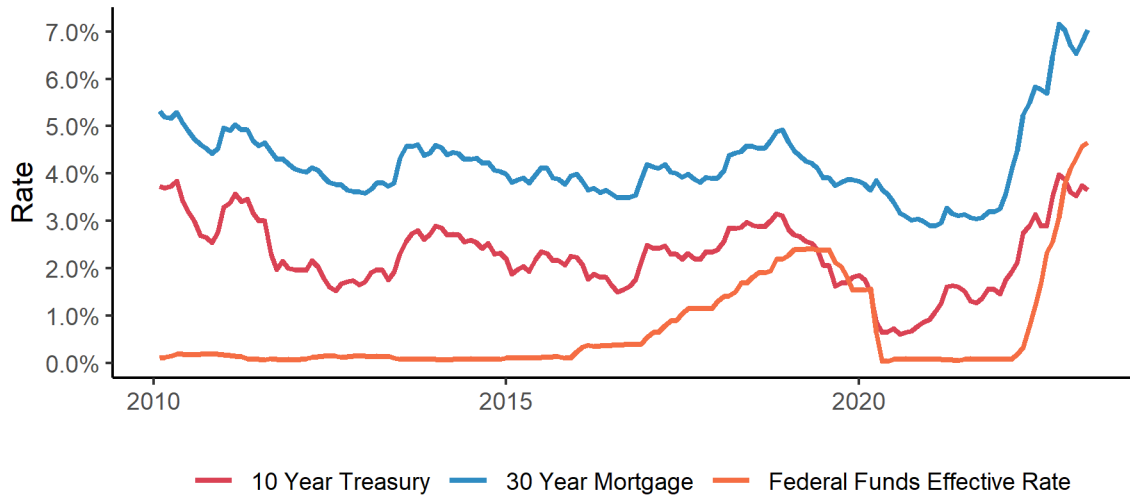
Metro Median Sale to List Price Ratio

Seasonally Adjusted Annualized Rate



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

Interest Rates

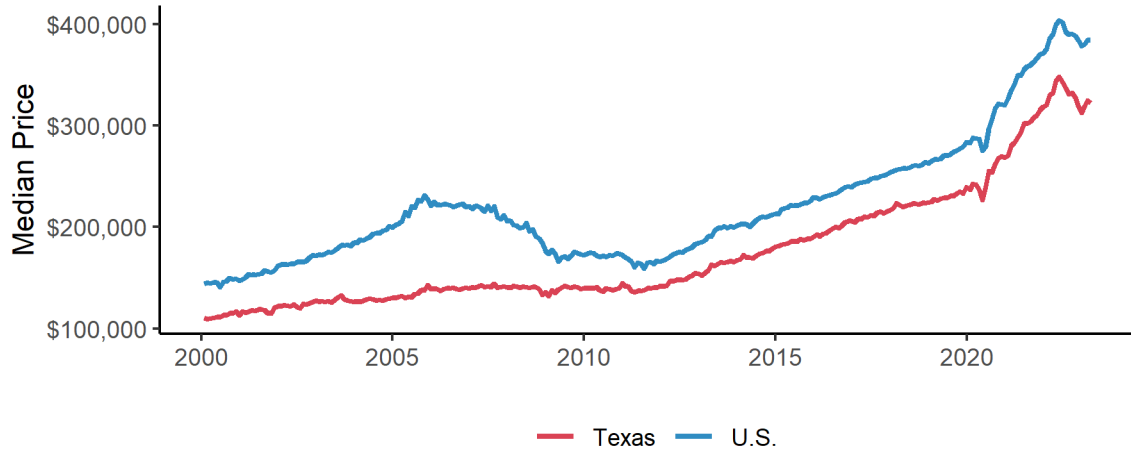


Source: Federal Reserve - Wall Street Journal - Texas Real Estate Research Center at Texas A&M University



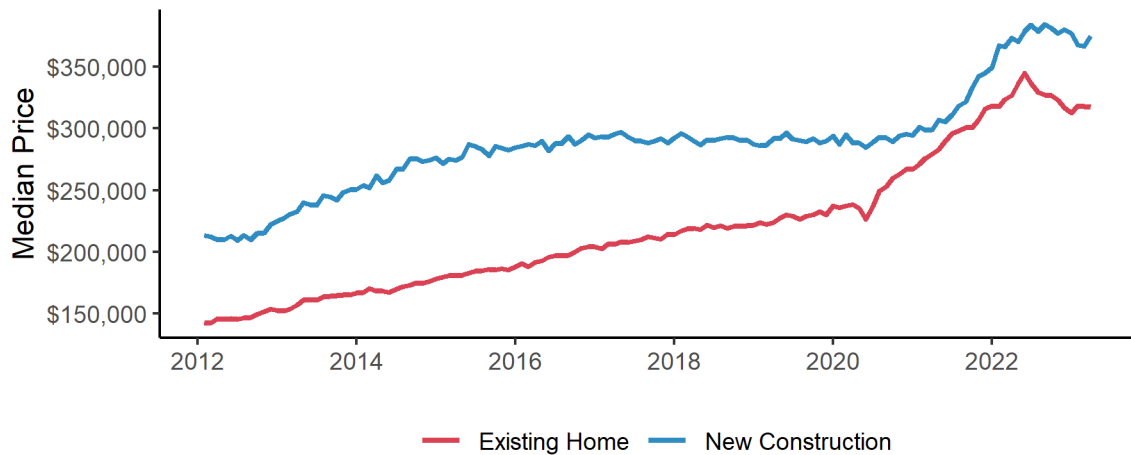
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Median Existing Single-Family Home Prices Seasonally Adjusted Annualized Rate



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

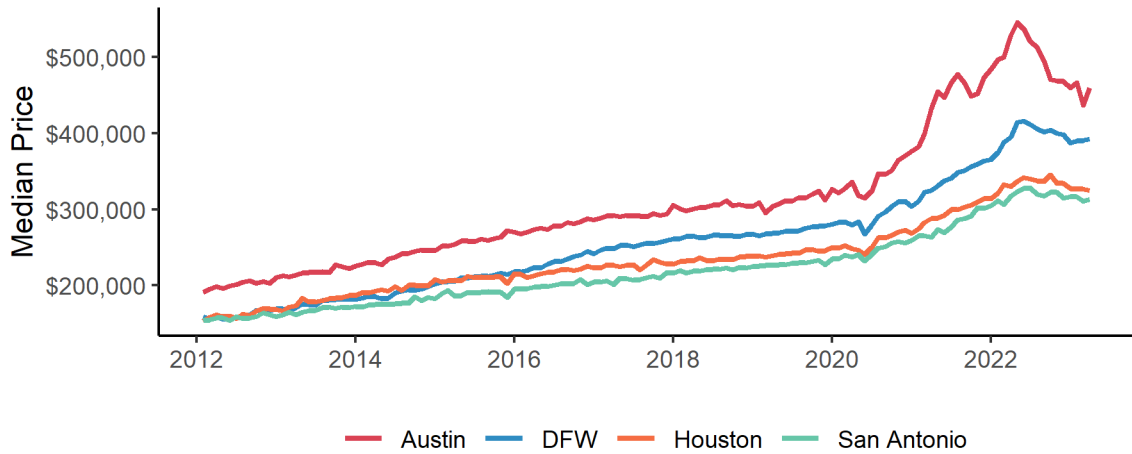


Source: Texas Real Estate Research Center at Texas A&M University



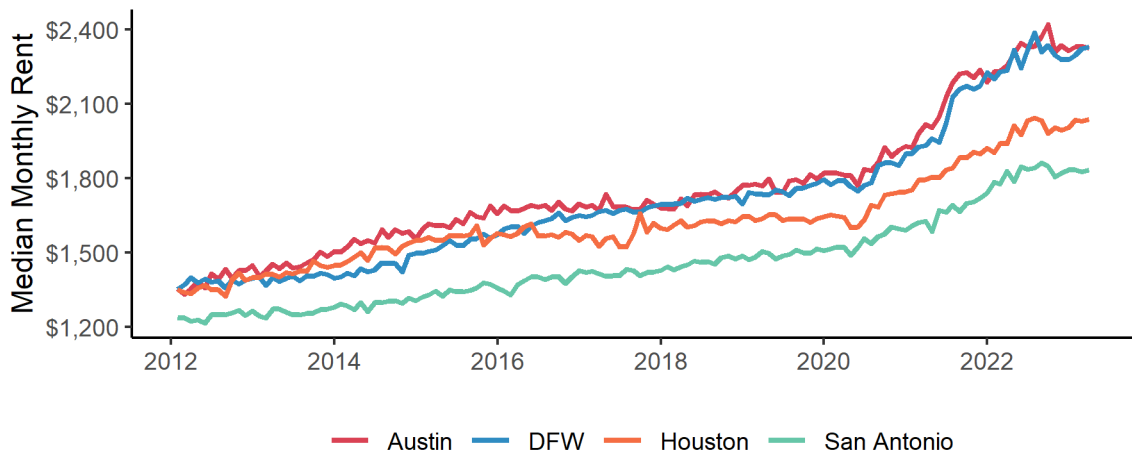
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Texas Major Metro Median Home Prices Seasonally Adjusted Annualized Rate



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

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

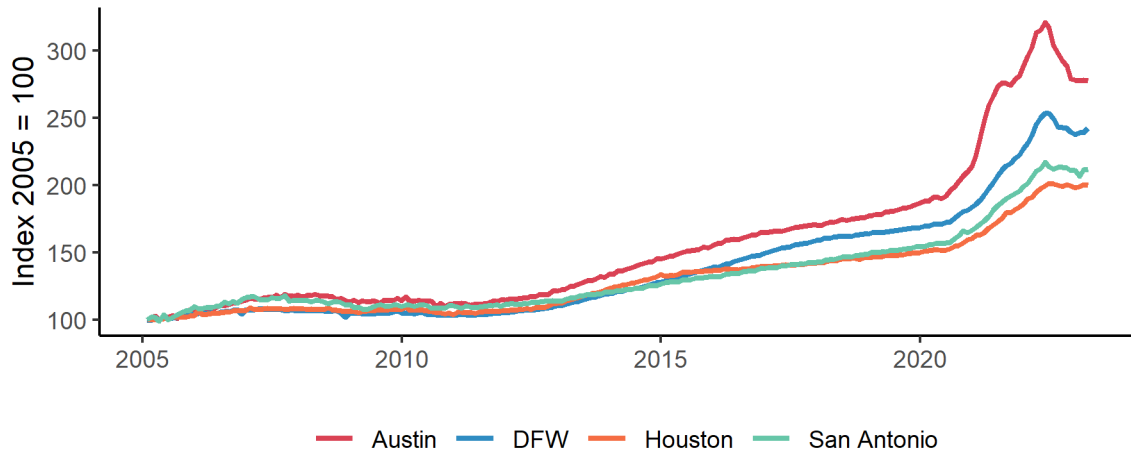


Source: Texas Real Estate Research Center at Texas A&M University



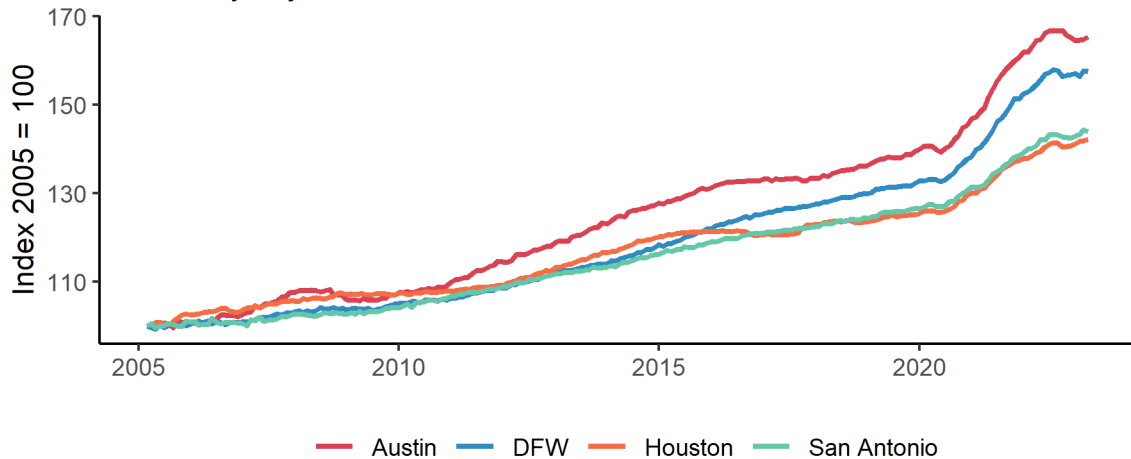
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Major Metro Home Price Index Seasonally Adjusted Annualized Rate



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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