

Houston Housing Weathering a Challenging Year

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If the nation learned anything from Hurricane Harvey, it's that Houstonians—and Texans in general—are willing and able to help their neighbors when disaster strikes. With so many Houston families facing a tough recovery, it's easy to overlook that the city's housing market, overall, had a good year.

Home sales were up 2.6 percent for the second year in a row, capping 2017 with 82,874 homes sold. Sales dropped more than 7 percent during the third quarter, but all remaining quarters posted at least 6 percent year-over-year growth.

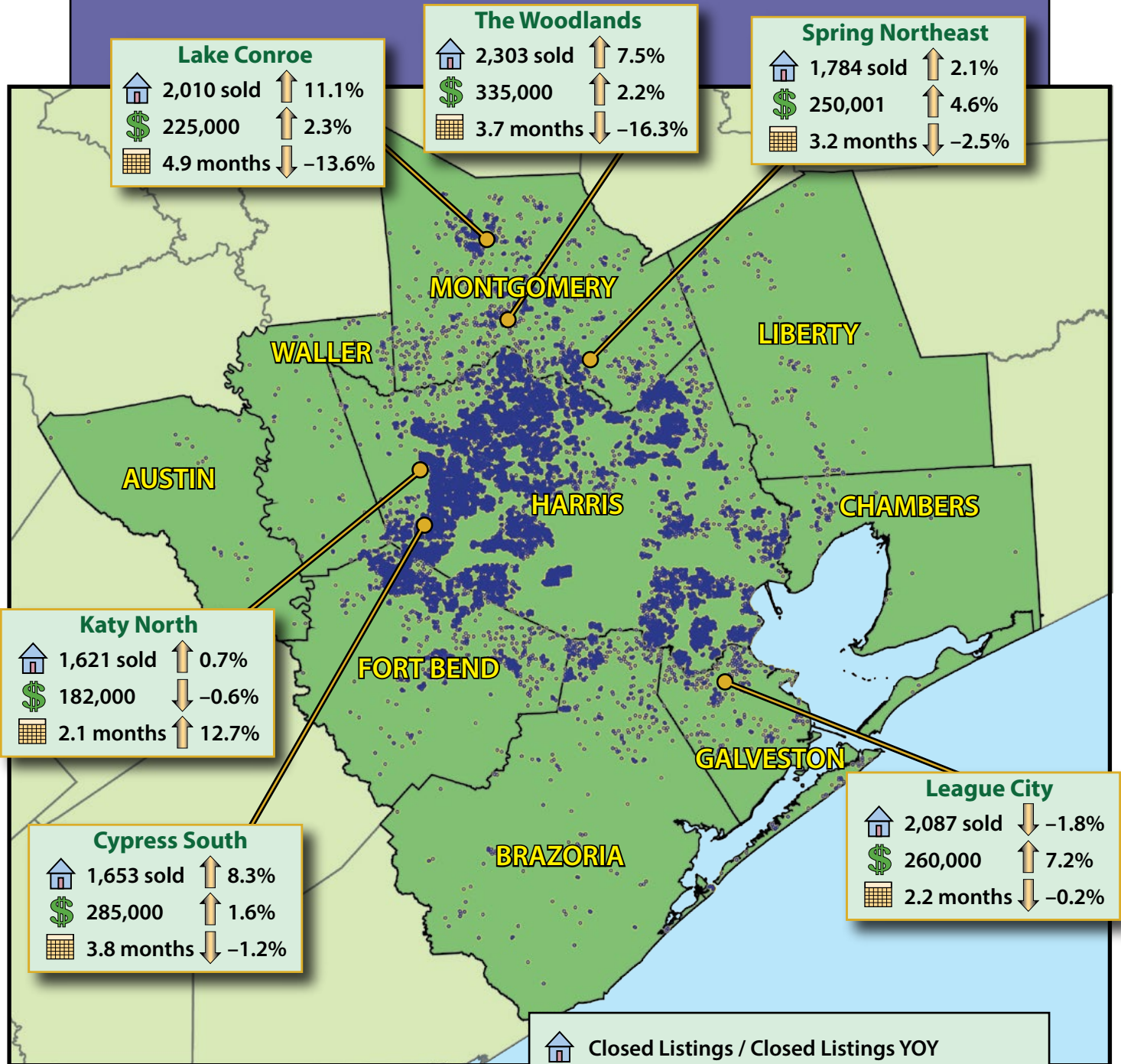
General Economy

As is often the case with storms of this magnitude, Hurricane Harvey gave the Houston economy a short-term boost to close out the year. The immediate losses in productivity and jobs were mostly temporary and offset by the surge in economic activity as replace-and-rebuild efforts took over. Job counts in both the retail and construction sectors have benefitted from strong year-over-year monthly growth during the final quarter of the year.

The oil industry showed positive signs in 2017 that it may gain some ground in the near future. Although growth expectations vary widely, signals for the oil industry are at least heading in the right direction. Global inventories of crude are declining, which should push prices upward. What is not clear is how increased U.S. oil production will help the Houston economy, especially compared with the last oil boom. The oil industry's landscape has changed considerably since earlier in the decade as the industry has optimized efficiency and relied more on capital and less on labor. This means that oil-related job growth is not likely to be as remarkable as it was during the last oil boom, and the same may apply to home sales.

Although Houston is still very much an oil town, its economy is much more diverse today compared with the 1980s. Today there is a robust healthcare industry, a wider variety of national brands headquartered locally, and a strong retail market. There isn't a clear sector leader to propel Houston's housing market into the future, but there is a diverse enough industry mix to maintain

Houston Metropolitan Statistical Area 2017 Home Sales



Source: Real Estate Center at Texas A&M University

- Closed Listings / Closed Listings YOY
- Median Close Price / Median Close Price YOY
- Months Inventory / Months Inventory YOY
- Blue dots represent single-family homes sold.

housing market growth. In the meantime, Houston still benefits from recent rapid population growth and positive job growth, which is always great news for housing.

Overall Single-Family Housing Market

Along with sales volume, year-end median price and median price per square foot (PSF) both increased for at least the sixth consecutive year (pricing data go back only to 2011). On the supply side, months inventory fell to 3.2 months compared with 3.3 months overall in 2016. This is below the decade average of 3.4 months and signals that the home supply is still relatively tight. Average days on market stayed about the same as in 2016 at 55 to 56 days, still lower than the decade average of 62 days.

At the county level, Montgomery County had the most impressive year in terms of sales volume growth, jumping from 9,509 to 10,435 sales. For a county its size, Montgomery County's 9.7 percent year-over-year growth dwarfed other densely populated counties such as Fort Bend at 1.9 percent, Harris at 1.3 percent, and Galveston at -1.1 percent growth. While Montgomery County suffered an abysmal August like most of the Houston metro, monthly year-over-year sales growth was at least 10 percent for much of the year. May and June posted 18 percent and 14.5 percent year-over-year growth, respectively, which helped the county outgrow Hurricane Harvey's impact on annual sales.

New Home Construction

Like the overall market, single-family new home construction also had a respectable year with a 4 percent expansion over 2016. The new home market was scattered throughout the metro, but generally it was most active either along the city's outskirts near the Grand

Parkway or closer to downtown near the northwest corner of Loop 610. The second and fourth quarters had the strongest activity with each posting at least an 8.6 percent year-over-year expansion. The third quarter was weakest. Despite the good year, sales growth paled in comparison with 2016's 10.8 percent growth over 2015.

Median price PSF for the year grew from \$114 to \$116, a 1.9 percent increase over 2016. At year-end the median price of a new single-family home in the Houston metro was \$305,000. This marks the second consecutive year in which the median price has dropped despite price PSF increasing. This continues the trend of shrinking new home sizes.

Inventory for single-family new construction continued to inch downward from 5.1 months in December 2016 to five months in December 2017. This was higher than the overall months inventory, where most sales recorded were in the scarcest price range, the \$200,000s. This indicates that new home sales were more balanced toward homes in the \$300,000s than the \$200,000s, at least for new homes sold through the Multiple Listing Service. Average marketing time fell from 97 days in 2016 to 94 days in 2017.

Year-end, single-family construction permits totaled 36,601, 3.4 percent greater than 2016's year-end total but short of 2015's total of 36,713. The median value of these permits in 2017 was \$197,450, a significant jump from the median value of \$181,500 in 2016. This may signal that the entry-level price for new single-family homes will continue to rise in the immediate future. 📈

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