

2019 TEXAS HOUSING & ECONOMIC OUTLOOK

REAL ESTATE CENTER RESEARCH STAFF



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TEXAS A & M UNIVERSITY

SPECIAL REPORT

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2019 Texas Housing & Economic Outlook

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Texas Economy Cools Off Slightly

The U.S. and Texas economies will continue to expand in 2019 but at noticeably decelerated rates.

Moderate oil prices (around \$50 a barrel), softening global economic activity, uncertain international trade negotiations, and volatility in the financial markets will likely cause the Texas and U.S. economies to lose some forward momentum.

Expect U.S. GDP growth to decline to around 2.7 percent in 2019 and about 2.4 percent in 2020 from roughly 3.1 percent in 2018. Texas GDP growth is expected to decline from more than 4.5 percent in 2018 to 4 percent in 2019 and around 3.7 percent in 2020.

Texas employment should grow about 2.7 percent in 2019 compared with 3 percent in 2018. U.S. employment growth should remain roughly the same at around 1.5 percent and slow to 1.3 percent in 2020.

U.S., Texas Employment/GDP Outlook

Employment Growth	2018 (%)	2019 (%)	2020 (%)
U.S.	1.6	1.5	1.3
Texas	3.0	2.7	2.4
Austin	3.4	3.5	2.7
Dallas-Fort Worth	3.0	3.1	2.8
Dallas	3.2	3.2	2.9
Fort Worth	2.4	2.6	2.4
Houston	3.2	3.5	3.1
San Antonio	1.6	1.4	1.6

GDP Growth	2018 (%)	2019 (%)	2020 (%)
U.S.	3.1	2.7	2.4
Texas	3.8	4.0	3.7
Austin	6.0	5.1	4.9
Dallas-Fort Worth	4.0	3.9	3.7
Houston	3.8	3.9	3.6
San Antonio	3.9	4.1	3.9

Source: Texas Workforce Commission and the Real Estate Center at Texas A&M University

Texas Housing Market Reverts to 'Normal'

The Texas housing market slowed in 2018 as sales rose 1.7 percent compared with 4.1 the previous year. The shortage of homes priced less than \$300,000 combined with rising interest rates weighed on overall activity. Listing inventories inched forward but remained tight relative to demand.

Housing demand showed signs of normalizing, particularly in North Texas, after a multiyear period of record increases. Projected population and job growth, however, suggest healthy demand for the duration of the current economic expansion. The recent pause in sales activity slowed home price appreciation to a historically normal rate. Rising interest rates will hinder housing affordability statewide.

Slowing economic and employment growth along with affordability issues and increasing mortgage interest rates will cause housing sales activity to soften. Price pressures are projected to ease as housing sales weaken and homebuilders stretch to increase production in the entry and first move-up markets.

In 2019, single-family housing sales are projected to increase by only 1 percent after averaging 4.6 percent per year since 1991. Housing permits for new single-family residential units are expected to slow to a 2.1 percent increase from nearly 6 percent in 2018. Lot availability, labor shortages, higher interest rates, and the inability to build homes in the more affordable price ranges will constrain new-home construction.

Single-Family Forecast	2018 (%)	2019 (%)	2020 (%)	1991-2018 (%)
Texas				
Housing permits	5.7	2.1	1.0	5.4
Sales	1.8	0.9	3.4	4.6
Price per square foot	4.4	4.0	4.7	4.8
Austin				
Housing permits	9.6	0.2	1.3	11.4
Sales	2.3	2.8	3.0	6.1
Price per square foot	4.5	4.0	5.8	6.3
DFW				
Housing permits	5.3	3.3	0.6	4.7
Sales	-2.2	0.3	2.4	5.0
Price per square foot	5.3	4.4	4.9	4.6
Houston				
Housing permits	4.1	0.1	3.0	5.9
Sales	3.5	1.1	4.3	3.9
Price per square foot	3.1	4.6	5.1	5.3
San Antonio				
Housing permits	9.7	10.5	1.4	7.9
Sales	2.3	-1.0	6.7	6.8
Price per square foot	5.2	3.9	4.5	4.6

Note: Estimated with October/December 2018 data; 2018 housing permits are forecasted.
Source: Real Estate Center at Texas A&M University

Land Outlook Location Dependent

We expect to see these land market storylines in Texas in 2019.

- Overall price per acre will flatten and experience little change from 2018 levels.
- The number of acres involved in land transactions will decline nearly 10 percent.
- Total dollar sales volume in land sales will decline approximately 11 percent.



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