

Shifting Winds

Amarillo's Housing Market Slowdown

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The 2010s have been generally good to Amarillo's housing market. The area had several consecutive years of sales growth before slowing in 2016. Despite the slowdown, prices continued to rise until recently. What factors have influenced these trends, and where is the market headed?

Making sense of the city's housing market begins with understanding the overall economy.

With over 96,000 households, Amarillo is a major hub for much of the nation's beef and dairy industry. In addition, although Chicago is known as the "Windy City," Amarillo has more reason to claim the moniker. Texas is the nation's leading producer of wind energy, with the Panhandle playing a major role.

Wind farm investment continues to expand in the region, including a few recent projects in Randall and Armstrong Counties (see table). These farms will provide not only long-term employment but also a short-term boost in construction employment.

The Takeaway

Amarillo's housing market had its most recent sales peak in 2016 with almost 3,400 sales. Since then, signs have pointed toward a slowing housing cycle.

Overall, Amarillo had a downturn in job growth beginning in 2016. Employment turned around mid-2017 before slowing down again in late 2018. Major industries such as manufacturing, which includes food

Wind Farm Projects

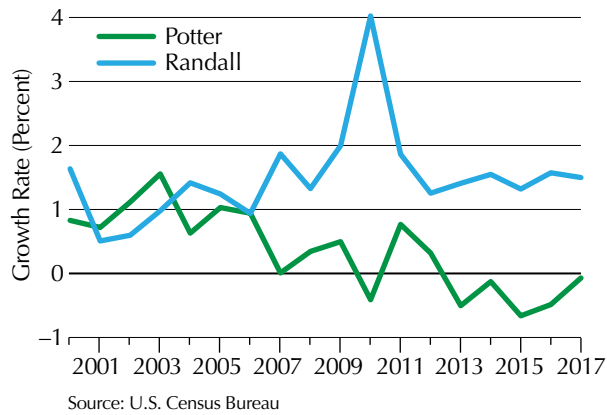
	2014	2015	2016	2017	2018
Armstrong County	1	0	0	0	2
Carson County	5	2	0	0	0
Oldham County	3	0	0	2	0
Randall County	0	1	0	0	1
Amarillo	9	3	0	2	3
Panhandle	19	9	1	12	5

Source: Texas Comptroller's Office

manufacturing, grew 2.9 percent year over year in August 2018, the highest growth rate since 2011. Mining and construction grew almost 10 percent year over year from 7,100 to upward of 7,800 by year-end 2018.

The city's population growth has been steady for much of the decade but has not exceeded 1 percent annual growth since 2011. Between Potter and Randall Counties, the Panhandle's two biggest counties, Randall has seen the most population growth since 2000 (Figure 1). Potter County had positive growth for much of the 2000s but has been in the negative for most of the 2010s. Randall County, on the other hand, has been positive the entire time and experienced a 4 percent population spike in 2010.

Figure 1. Population Growth, Potter and Randall Counties



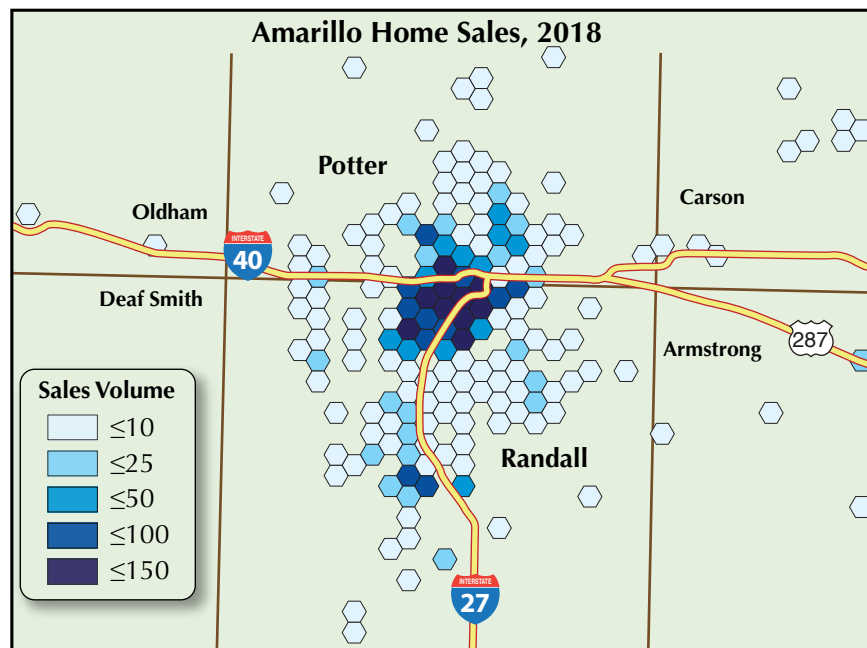
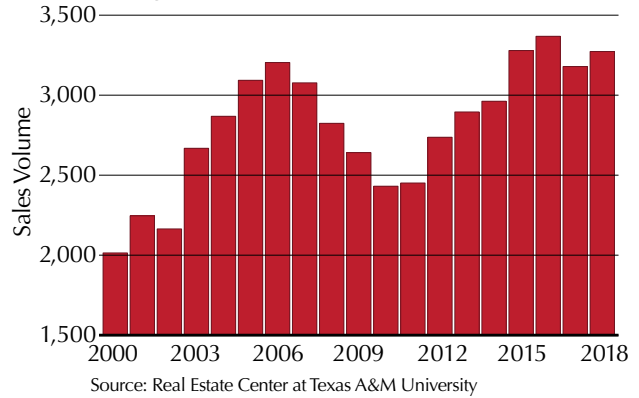
Housing Cycle Ups and Downs

Amarillo recently completed a residential real estate cycle that peaked in 2016. At that time, home sales totaled 3,368 with an annual growth rate of 2.7 percent. The year before was even more impressive with a growth rate of almost 11 percent.

Total sales for 2018 ended up between 2016 and 2017 levels at 3,264 (2.7 percent growth rate). As home-sales growth has continued to stall, active listings have gradually risen, resulting in a rise in months inventory and the bottoming out of average marketing time, all signs of a slowing housing cycle.

Amarillo had another cycle in the 2000s that peaked in 2006 before the start of the Great Recession (Figure 2). What followed was a year-over-year sales drop, rising

Figure 2. Amarillo Annual Home Sales



Sources: Bureau of Land Management, Texas Parks & Wildlife, Esri, HERE, Garmin, USGS, NGA, EPA, USDA, and NPS

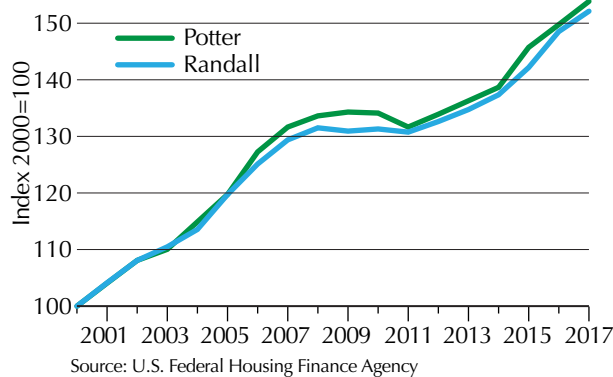
inventories, and stagnation of home-price growth. By contrast, until recently prices in the latest cycle rose despite all other indicators pointing to a downturn. The lag between sales slowdown and slowing price growth may mean recent economic events, such as rising mortgage rates, have more influence on price than area employment cycles.

Comparing Counties

Amarillo is divided by a county line with Potter County to the north and Randall County to the south. Potter County contains downtown Amarillo and most of the local industry. A larger proportion of existing homes is sold there. Randall County includes the southern half of Amarillo as well as Canyon, has a higher household count, and contains the bulk of new-home sales.

The Federal Housing Finance Committee’s Home Price Index (HPI) for both counties (Figure 3) includes purchases and refinances and reveals a slowdown in price growth from 2007 to 2011. This is followed by tandem growth until year-end 2017. The Real Estate Center’s HPI for Amarillo (Figure 4), which extends to year-end 2018 and includes only purchases, reveals a similar trend of continued price growth despite declining sales. Prices peaked in third quarter 2018 before dropping significantly in the fourth quarter.

Figure 3. Home Price Index, Potter and Randall Counties



Multiple Listing Service data show new-home sales in these two counties have been up and down compared with overall sales (Figure 5). Homes from this sample are believed to represent speculative homes or new homes built without contracts. New-home sales reached a high in 2012 then declined for the next three years. This is counter to the overall sales growth during the same period (Figure 2).

Price points for new housing units have changed quickly since the start of the decade. Figure 6 illustrates the

Figure 4. Amarillo Home Price Index

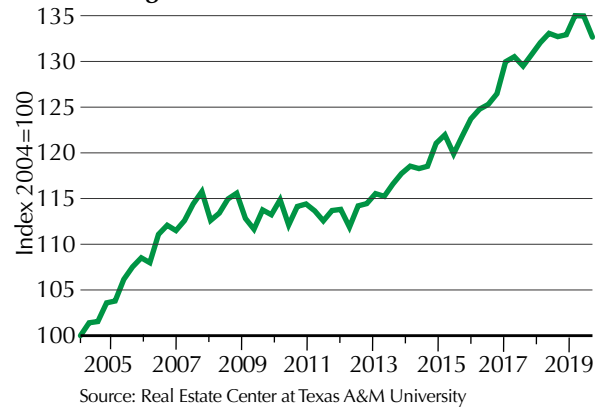


Figure 5. New Single-Family Home Sales, Potter and Randall Counties

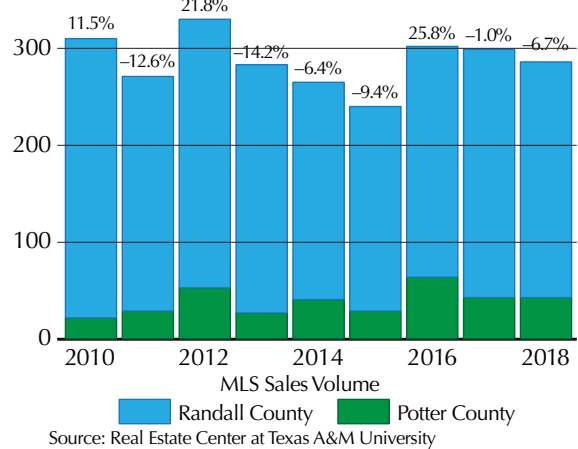
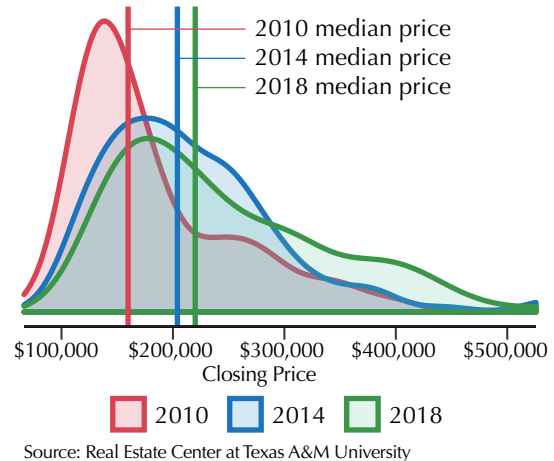


Figure 6. New Single-Family Price Distribution, Potter and Randall Counties



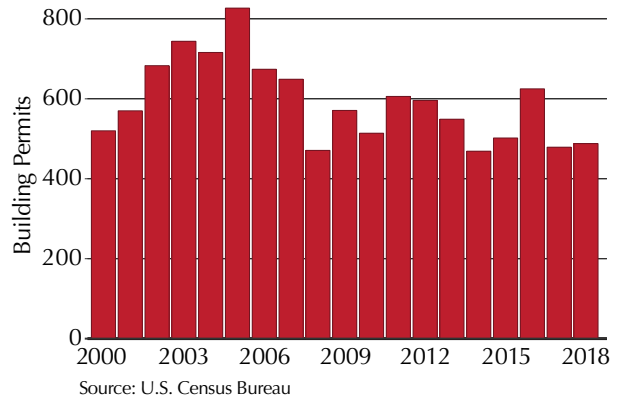
price distribution of new single-family homes in four-year increments. In 2010, the median new-home price was approximately \$160,000. At that time, the price range of new homes was narrow and in the \$100,000s with a comparatively smaller proportion of new-home

sales in the \$200,000s and beyond. Over time, the price distribution flattened as fewer homes sold in the \$100,000s and more sold in the higher price ranges. By year-end 2018, the median price finally rose to \$230,000.

According to Census Bureau data, year-to-date November 2018 building permit counts have already exceeded year-end 2017 levels (Figure 7). However, with only December data remaining (at time of publication), year-end 2018 permit levels may still fall short of the decade's annual average of 536 permits.

Amarillo's housing market began to slow after peaking in 2016. While sales dropped, prices kept rising until the end of 2018. This could be a seasonal lull. On the other hand, other major Texas markets are showing price softness, a trend that may have finally reached the Texas Panhandle. 📍

Figure 7. Amarillo Single-Family Building Permits



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