

Is the Pandemic Housing Frenzy Over?

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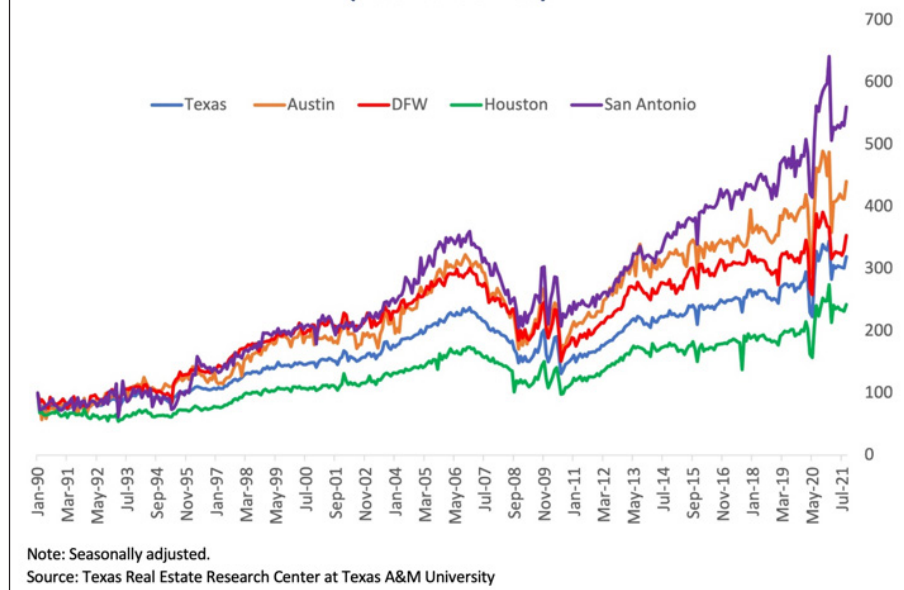
Texas home sales accelerated after the pandemic shut down the economy during March and April 2020. This caused the already depleted inventory of homes for sale to reach historic lows, leading to exuberant home-price growth. The housing market's surprisingly strong performance was due to depressed mortgage rates, an increase in home purchasing preferences, homebuyers unaffected by the pandemic, and the federal government's transfer payments and suspension of student loan payments.

A combination of housing indicators is signaling the housing frenzy could be over. Both sales growth and price growth have peaked and are slowing. In addition, months of inventory, listings, and days on market have reached a trough and are rising.

Texas', Houston's, and San Antonio's single-family sales peaked at the start of 2021 after Austin

and Dallas-Fort Worth recorded their highest number of housing sales during fourth quarter 2020 (Figure 1). Housing sale numbers were hindered by the lack of homes available for sale, possibly not the best sole indicator of when the housing market started to slow.

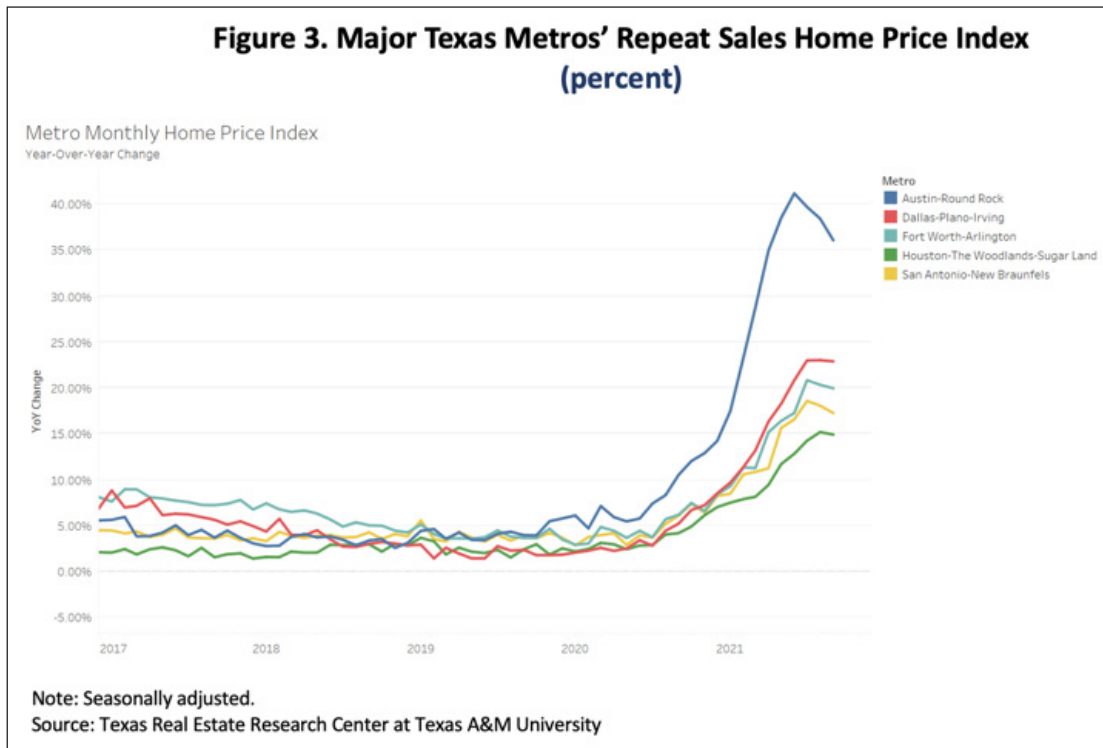
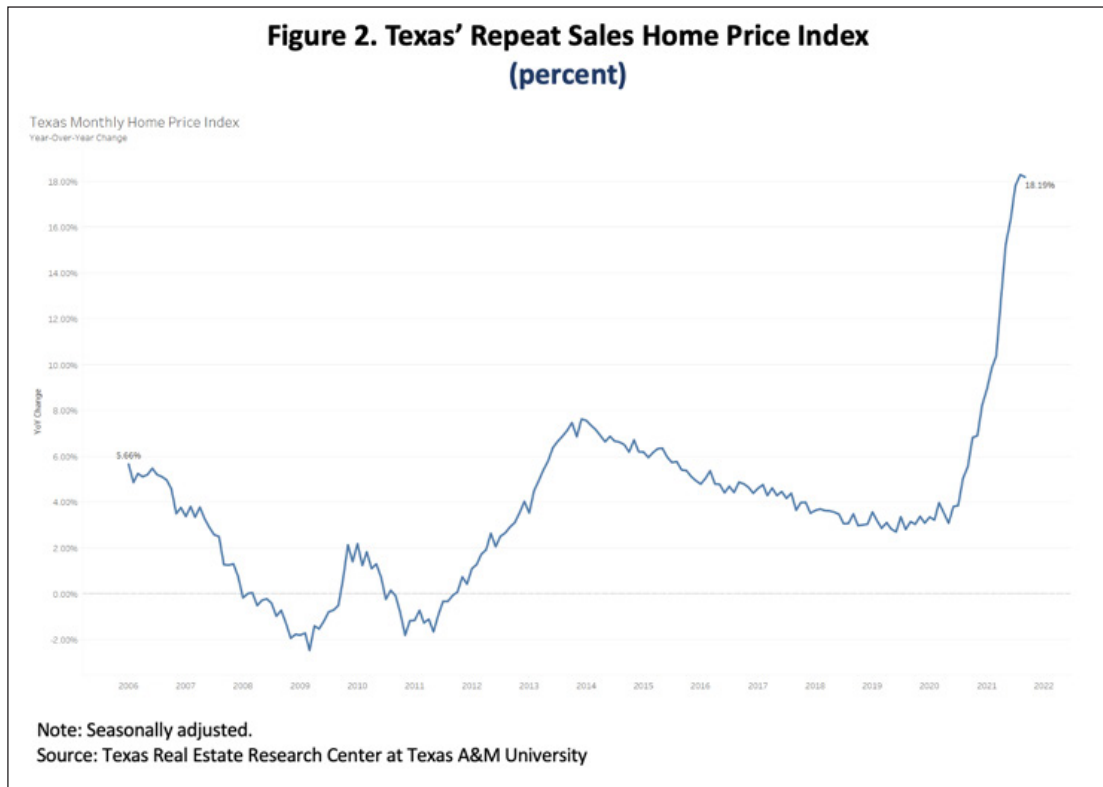
Figure 1. Texas, Major MSAs Single-Family Home Sales (Index Jan90=100)



Meanwhile, housing prices, which are determined by demand and supply, recorded the highest year-over-year growth rate in Texas, Dallas, and Houston in August; in Fort Worth and San Antonio in July; and in Austin in June (Figures 2 and 3). Some of the price pressures

caused by strong demand facing weak supply have subsided.

Months of inventory in the state and its major Metropolitan Statistical Areas (Austin, Dallas-Fort Worth,



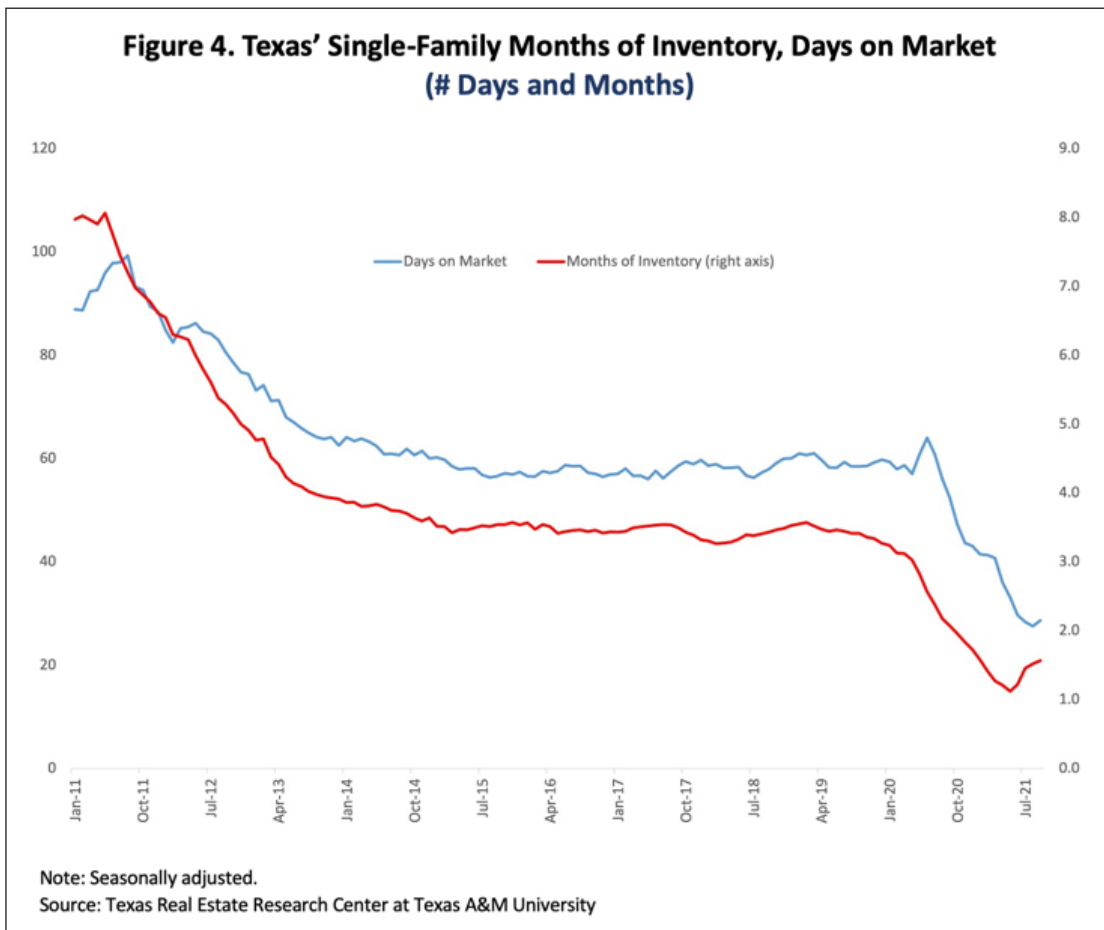
Houston, and San Antonio), hit bottom in May. That was also true for active listings, with the exception of Austin and San Antonio, which recorded lows in March and April, respectively (Figure 4).

New and pending listings reached a trough in February when Winter Storm Uri brought the economy to a standstill. The overall trend for both new and pending listings is an increasing signal the supply of homes for sale continues to grow (Figure 5). Days on market, more of a demand indicator, is another variable that reached a trough at the state level and in three major MSAs in August; Dallas-Fort Worth reached its minimum in July. Other indicators, such as state mortgage home-purchase applications, are also slowing (Figure 6).

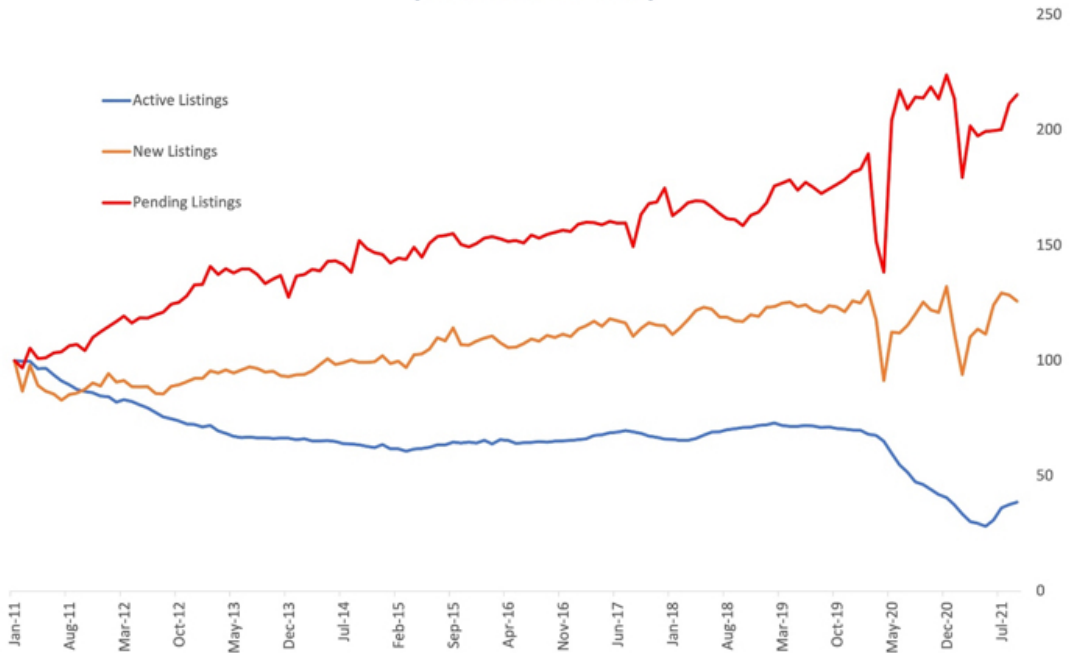
The end-of-the-pandemic pressures and the return to more long-run, sustainable rates of housing market growth align with the Texas Real Estate Research Center’s forecasts for 2021 and 2022. (For more information, see <https://www.recenter.tamu.edu/articles/research-article/2021-Mid-Year-Outlook-2312>.)

Demand is expected to remain relatively strong with improving inventories accompanied by moderate housing price growth in an environment of slowly rising mortgage rates (Figure 7). ↴

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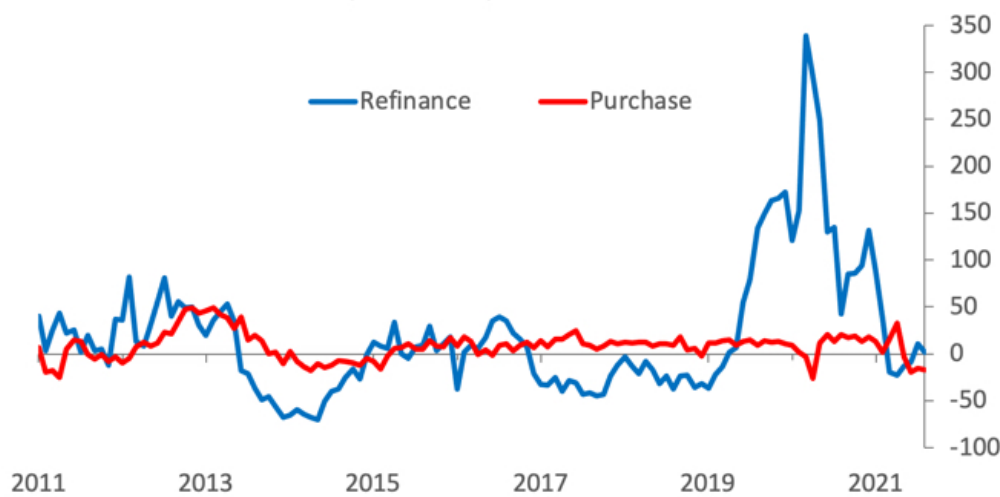


**Figure 5. Texas; Single-Family Active, New, and Pending Listings
(Index Jan11=100)**

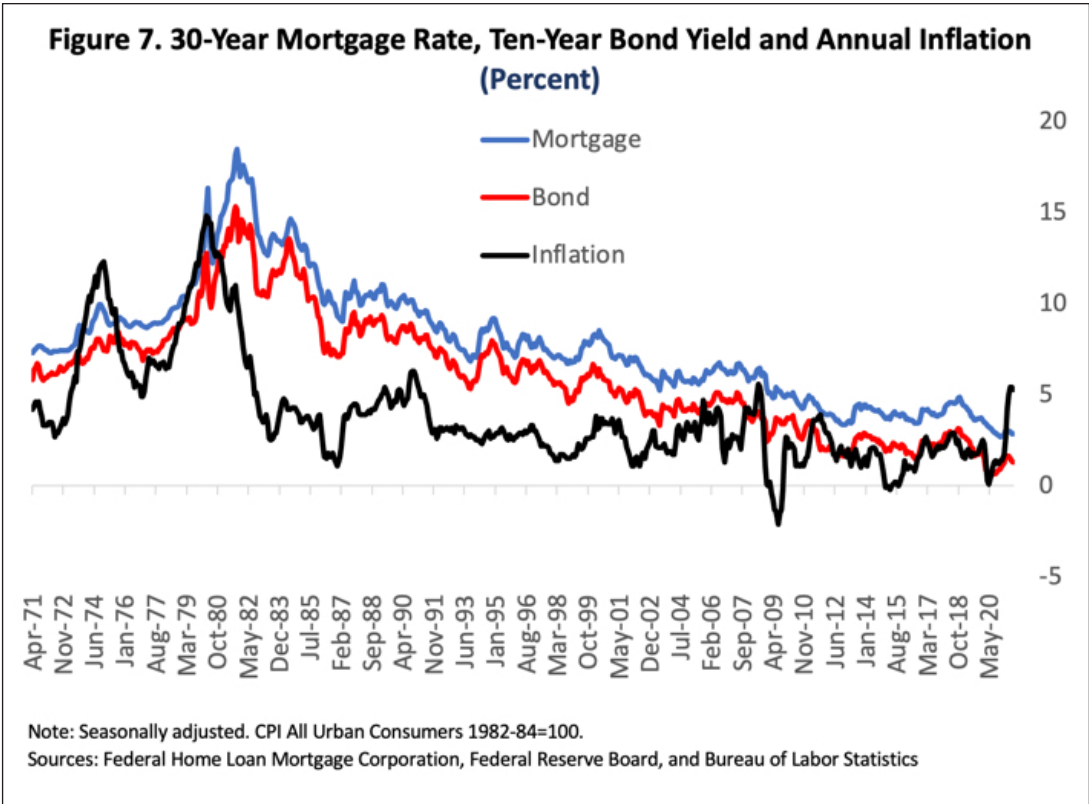


Note: Seasonally adjusted.
Source: Texas Real Estate Research Center at Texas A&M University

**Figure 6. Texas' Mortgage Applications
(year-over-year %)**



Note: Seasonally adjusted.
Source: Mortgage Bankers Association



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