

TOTAL RECALL

March 2020

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March updates to Center research library

Monthly Review of the Texas Economy 3-30-20. The Texas economy gained 314,500 nonagricultural jobs from February 2019 to February 2020, an annual growth rate of 2.5 percent.

Texas Border Economy 3-27-20. Sluggish labor market conditions on both sides of the Texas-Mexico border weighed on the border economies. Hiring slowed and unemployment rates ticked up while real wages stumbled. Here are the main points.

- Border nonfarm employment expanded by just 800 jobs in January, decelerating to 1.1 percent SAAR growth, the slowest pace in two years.
- Border housing sales surged almost 5 percent in January to an all-time high.
- Total trade values passing through the border plateaued at \$30 billion in January, with Laredo and McAllen activity leveling off.
- January's report reveals the vulnerable position the border economies were at at the start of the year. The recent surge in domestic COVID-19 cases and expectations for the next several months may make this report and February's report just a glimpse of the past as we are headed into, if not already in, a recession. How bad it will be is yet to be seen.



WORKING FROM HOME. While physical offices of the Real Estate Center are closed thanks to COVID-19, the staff remains busy working from home. Senior Editor David Jones tries out some old and new communications ways to keep in touch with the outside world. Can you identify 15 communications forms represented in this photo? Answers are elsewhere in this issue.

Outlook for the Texas Economy 3-23-20. Texas' economy maintained positive momentum in January.

- The labor market remained healthy. Texas' nonfarm employment added 19,500 jobs in January. Unemployment held at 3.5 percent, hovering around historical lows.
- Housing market activity was strong. The number of homes sold in January was just below record levels reached at year end. Mortgage applications for home purchases jumped 9.1 percent amid falling interest rates. Residential construction stabilized.
- Manufacturing and energy sectors were the weak points. Both industries shed jobs and related commodity exports decreased. Low oil prices and the COVID-19 outbreak are expected to weigh heavily on Texas' economy, especially Houston.

This review does not account for the impacts of the domestic COVID-19 outbreak in the United States, but the repercussions on the Texas economy are sure to be revealed in the coming months' data. The depth and duration of the virus' impacts, however, are yet to be determined.

Texas Quarterly Apartment Report 3-20-20. The Real Estate Center's quarterly report summarizes important economic indicators that help discern apartment real estate trends in Austin, Dallas-Fort Worth, Houston, and San Antonio. Here are the findings from the March report.

- COVID-19 has lowered economic growth expectations and increased uncertainty. This will affect Texas real estate markets and could derail continued expansion in 2020.

- A decline in both the oil industry and the U.S. economy could threaten Texas' economic future.
- The Real Estate Center doesn't yet know how pronounced these impacts will be. Stay tuned for a more detailed analysis.
- **Austin.** Apartment demand is strong, but market fundamentals are slowing. Record levels of supply will enter the market in the foreseeable future.
- **DFW.** A large volume of new units is responsible for the metro's relatively high vacancy rate. Current demand is strong, and future demand is promising due to strengthening fundamentals. New supply moderated over 2019, but new developments will likely ramp up.
- **Houston.** Overall and Class A markets have largely recovered from the 2014 oil downturn, but the reduction in oil prices is an important headwind for the local economy. Construction increased over 2019, and new supply will enter the market in the future, possibly having a negative impact on vacancy rates and rent growth.
- **San Antonio.** Demand is healthy in the Alamo City's overall and Class A apartment markets, but market fundamentals are showing signs of slowing. Little new supply entered the market in 2019, helping decrease vacancies and bolster rent growth. This trend will likely change going forward, as construction activity greatly increased over 2019.

“Building Blockage: Affordability Obstacles Piling Up” 3-17-19. Declining affordability is the new reality for Texas housing markets. Why? The answer is complicated.

“A Calculated Risk: Commercial Real Estate Profitability” 3-16-20. Commercial real estate investment carries some degree of risk, of course. Fortunately, there are tools that can, for example, provide clues as to which major Texas metro poses the least amount of risk overall.

“How COVID-19 Could Impact Texas' Economy and Real Estate Markets” 3-16-20. COVID-19 has significantly shocked the economy and financial markets, lowering growth expectations and increasing uncertainty that could derail Texas' continued economic expansion. This caused the Real Estate Center to adjust its economic outlook for 2020.

“Knock on Wood: East Texas Timberland Production Gets Overhauled” 3-16-20. When lumber prices dropped after the Great Recession, East Texas' lumber industry overhauled its processes to optimize production and reduce waste.

Texas Housing Insight 3-10-20. Texas monthly housing sales hovered around record highs in January. We do not expect to see the COVID-19 outbreak reflected in the housing data until the second quarter of the year. Major findings include:

- Net residential construction loans increased 0.8 percent QOQ during 4Q2019 amid ongoing strength in the multifamily sector.
- Single-family permits began the year strong but expected building material supply-chain disruptions caused by the COVID-19 outbreak may hamper construction activity after 1Q2020.
- Steady employment growth and falling mortgage rates supported housing demand, but future demand may subside as Texans become warier of visiting and showing homes for sale amid COVID-19 concerns.
- The Texas Repeat Sales Home Price Index increased by 3.6 percent YOY, stabilizing at more moderate levels than during 2014-17. However, persistent wage growth that outpaces home price appreciation is necessary to maintain overall housing affordability.

Texas Quarterly Commercial Report 3-9-20. Certain economic indicators help discern commercial real estate trends in Austin, Dallas-Fort Worth, Houston, and San Antonio. At press time, COVID-19's impact was obviously significant but too soon to predict. Specifically, the report states:

- COVID-19 gave the economy a negative shock as financial markets lowered growth expectations and amid growing uncertainty.
- Pre-COVID-19, the Texas Nonresidential Construction Coincident Index, which measures current construction activity, indicates further expansion. Strong construction activity should continue into 2020 as indicated by the Texas Nonresidential Construction Leading Indicator, which measures potential future construction activity.

- The fall in the ten-year yield at the end of 2019 caused the spread in commercial capitalization rates to increase, indicating increased risk, as well as general profitability, in commercial real estate.
- Despite strong employment growth in finance, insurance, and real estate jobs, high vacancy rates, and recent negative net absorption paint a less-than-positive picture for overall demand in Houston office space.
- Despite low vacancy rates, Dallas retail asking rent growth began decreasing by 2Q2019 after peaking in 1Q2018. Asking rents are expected to decrease over the next year as rent growth is forecasted to average -1.0 and 0.6 in 2020 and 2021, respectively.

“Still on Top: Texas Homeownership Affordability Growing but Slowing” 3-6-20. Texas' housing market has been more affordable than the nation's as a whole for years, but the gap between the two has narrowed recently as the state's affordability growth has begun to slow.

“Crossing the Bridge: Lessons Learned from Hillcrest Relocation” 3-6-20. Feedback from participants in a recent Corpus Christi neighborhood relocation program yielded keen insights on how such a program could successfully be carried out in other cities.

“El Paso: Military and Manufacturing’s Influence on Housing” 3-4-20. The Department of Defense's military base realignment of 2005 boosted El Paso's housing market. Recently, though, the city has felt the effects of trade uncertainty and diminishing manufacturing output.

“Busted: Obvious (and Not so Obvious) Ways to Lose Your License” 3-4-20. A number of violations can result in loss or suspension of a Texas real estate license. Some, such as bad acts or negligence, are obvious. Certain administrative violations, however, may be less so.

Top ten most downloaded titles from REC website

1. *Texas Housing Insight*
2. *Outlook for the Texas Economy*
3. *Monthly Review of the Texas Economy*
4. *Texas Quarterly Commercial Report*
5. “Busted: Obvious (and Not So Obvious) Ways to Lose Your License”
6. *Texas Quarterly Apartment Report*
7. *Texas Border Economy*
8. “Home Security: Understanding and Negotiating Title Insurance”
9. “Seller Beware: Understanding the General Warranty Deed”
10. “Knock on Wood: East Texas Timberland Production Gets Overhauled”

Busiest day on REC website this month: Tuesday, March 17, with 1,303 unique visitors.



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Monthly data updates

Latest building permit data. Building permit data for single-, two-to-four, and five-or-more family units for states, metropolitan statistical areas, and Texas counties.

Housing reports. Housing statistics based on listing data from more than 50 Texas MLSs. Statistics for each geography based on listings of properties physically located within the mapped area presented with the statistics.



30th Annual Outlook for Texas Land Markets. This year's conference fell victim to COVID-19. [Read Real Estate Center Executive Director Gary Maler's comments on the cancelation.](#)



Legal Update 1 & 2 Instructor Training

Date: May 12, 2020. Location: Real Estate Center, College Station, Texas.

In light of concern over COVID-19, the Center believes it is prudent to pause registration for our Legal Update course in May. We have not decided to cancel the training but are monitoring events daily. Our priority is the safety of attendees and staff. If we cancel the seminar, current registrations will be refunded. We thank you for your patience and wish you health during these trying times.

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News releases. View RECenter's news releases [here](#).

Newsmakers. Real Estate Center's March media coverage

"What if someone goes out with an infection? We answer Fort Worth COVID-19 questions" 3-31-20. *Fort Worth Star-Telegram*. I live in Lake Worth. I am under quarantine. Can I prevent city employees from accessing my property while quarantined? They have a sewer easement and are currently working on sewer lines. In all likelihood, no. A public easement is a broadly protected property right in Texas and many other states, according to the Texas A&M Real Estate Center.

"Dallas-Fort Worth housing market poised to recover after COVID-19-related setbacks" 3-30-20. CultureMap Dallas. "The economic and public health response to the novel COVID-19 will drastically affect housing market activity in coming months," James Gaines, chief economist at Texas A&M University's Real Estate Center, says in a March 20 release.

"Waco economy performing well . . . before COVID-19" 3-27-20. *Waco Tribune-Herald*. The Real Estate Center at Texas A&M University, in a report released last week, expressed concerns. Real Estate Center Research Economist Luis Torres said in the report that February is likely "the last hurrah" for the housing market for the foreseeable future.

"San Antonio real estate agents using technology, sanitizer to keep selling houses" 3-26-20. *San Antonio Express-News*. The effects will be clearer when sales figures for April, May and June are released, said Jim Gaines, chief economist at the Texas A&M Real Estate Center.

“Texas home sales reached new peak just before COVID-19 hit” 3-23-20. Connect Texas Commercial Real Estate News. Existing home sales in Texas reached a record high last month, a milestone that was quickly forgotten with the arrival of the COVID-19 virus, says the Real Estate Center at Texas A&M University.

“North Texas home price spread has shifted higher in past eight years” 3-20-20. *Dallas Business Journal*. The Dallas-Fort Worth-Arlington MSA has far fewer homes priced up to \$200,000 in the past eight years. According to James Gaines, chief economist of Housing Markets and Development with the Texas A&M Real Estate Center.

“The first two of the seven stages of grief” 3-19-20. Housing Bubble Blog. James Gaines, chief economist for the Real Estate Center at Texas A&M University, said the key to housing markets’ health will be job and income recovery after the worst of the pandemic is over. “I can’t see us avoiding another wave of foreclosures, but I’m not at all certain about the extent,” he said. “Government is going to bend over backwards on forbearance.”

“Dallas home prices could get hammered by economic shakeout” 3-18-20. *Dallas Morning News*. The effect will be local and variable. In short term, expect some price disruption. Longer-term recovery could be significant, said James Gaines, chief economist for the Real Estate Center at Texas A&M University. Gaines said the key to housing markets’ health will be job and income recovery after the worst of the pandemic is over.

“San Antonio home sales jumped in February, but COVID-19 threat looms” 3-17-20. *San Antonio Express-News*. “This untimely disruption to overall economic activity will likely affect Texas’ housing markets, even in an environment of historically low mortgage rates,” Jim Gaines, chief economist at the Real Estate Center at Texas A&M University, wrote in a report this week.

“Is Killeen recession proof? City ranked among top recession-resistant cities nationwide” 3-14-20. *Killeen Daily Herald*. The location of Killeen — particularly its proximity to Austin, another resilient metropolis ranking 5th in the SmartAsset study — positively affects the housing market, according to Joshua Roberson, senior data analyst at the Texas A&M University Real Estate Center. “From what I understand, the Killeen-Temple housing market has become part of the outer orbit of the Austin housing market,” Roberson said.

“San Antonio businesses seek calm in the time of COVID-19 – but economists warn shock likely to come” 3-13-20. *San Antonio Express-News*. “Right now, the ones we’re seeing hit harder are oil-dependent regions — Houston, Midland and Odessa — but also you can see other regions,” said Luis Torres, a research economist at the Texas A&M Real Estate Center. “Dallas can be hurt also — look at warehousing. What happens if we’re not producing anything, not demanding anything and much of the economy slows down?”

“Fort Worth home sales up slightly in February” 3-13-20. *Fort Worth Business Press*. Fort Worth’s monthly housing inventory was 2 months in February 2020, compared to 2.1 months in February 2019. The Real Estate Center at Texas A&M University cites that 6.5 months of inventory represents a market in which supply and demand for homes is balanced.

“Home market could take a hit from economic headwinds” 3-12-20. *Dallas Morning News*. Jim Gaines, chief economist for the Real Estate Center at Texas A&M University, isn’t so sure that historically low mortgage

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rates will outshine economic fears with consumers. “Right now, we are not 100% sure housing will win,” Gaines said. “We are a little bit dubious about the housing market.”

“Houston’s housing market, busy in February. Faces uncertainty” 3-12-20. *Houston Chronicle*. The effect on housing of the COVID-19 pandemic is not likely to be reflected until the second quarter, according to a report from the Real Estate Center at Texas A&M University. “There may be disruptions to building-material supply chains and the visiting and showing of homes for sale, threatening the Texas housing market,” the report read. Also in *National Mortgage News*.

“Market adjustment’ likely to follow oil price decrease” 3-12-20. *Midland Reporter-Telegram*. The Texas A&M Real Estate Center shows the average prices of a home sold in Midland County between November and January to be from \$354,985 to \$334,381. Median prices have peaked at \$304,500 and bottomed out at \$300,000 during the same period. At the end of January, the A&M Real Estate Center showed 538 homes on the market inside Midland County.

“Harlan: Sales down, prices flat in February” 3-12-20. *Lubbock Avalanche-Journal*. The Real Estate Center at Texas A&M University cites that 6.5 months of inventory represents a market in which supply and demand for homes is balanced. The inventory of homes for a market can be measured in months, which is defined as the number of active listings divided by the average sales per month of the prior 12 months.

“North Texas experiences double-digit home sales increases” 3-10-20. Ebby Blog. So far in 2020, home sales in North Texas are up 14% from the first two months of 2019, according to data from the Real Estate Center at Texas A&M University and the North Texas Real Estate Information Systems.

“February was another big month for North Texas home sales” 3-9-20. *Dallas Morning News*. North Texas home sales jumped by 10% in February – the second month in a row of double-digit percentage sales increases from a year ago. The 7,574 single-family homes that area real estate agents sold last month was the largest total ever for the month of February. So far in 2020, home sales in North Texas are up 14% from the first two months of 2019, according to data from the Real Estate Center at Texas A&M University and the North Texas Real Estate Information Systems.

“Report: Texas housing market broke records in 2019 for 5th year in a row” 3-4-20. *National Mortgage News*. Jim Gaines, chief economist with the Real Estate Center at Texas A&M University, suggested 2020 would be another strong year for real estate both in Texas and nationally. “The national housing market is predicted to be one of the strongest parts of the economy this year, and in Texas we’re expecting another record-breaking year as home construction picks up and interest rates remain low,” he said. Also in *Longview News-Journal*, *Kilgore News Herald*, and numerous other outlets. Also in New Kerala (India) news.

“Two views: The American Dream is alive and well in Texas” 3-2-20. *Austin American-Statesman*. On housing, Texas faces a supply problem, just like many other states. The population of the Lone Star State grows by about 1,000 people every single day, and they all need a place to stay. Yet Texas continues to ensure that builders are free to work hard to meet the demand. Construction activity rose last year, with **an 11.5 percent increase** in construction of single-family homes over 2018. According to the Texas A&M Real Estate Center, “Much of the development in Houston and San Antonio were for homes intended to sell for less than \$300,000.”

WORKING FROM HOME ANSWERS. 1. Satellite dish, 2. Calendar, 3. CB radio (antenna), 4. print (TG magazine), 5. product-branding (briefcase and cap), 6. Computer, 7. Sign language (on computer screen), 8. Flash drive, 9. Cell phones, 10. Internet (website on iPhone), 11. Pay telephone, 12. Tin can, 13. Microphone, 14. Speech, 15. Remote control transmitter. Bonus: 16, hearing. See others? Email d-jones@tamu.edu.



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