



TEXAS HOUSING INSIGHT

JAMES P. GAINES
CHIEF ECONOMIST

WAYNE DAY
RESEARCH ASSOCIATE

LUIS B. TORRES
RESEARCH ECONOMIST

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About this Report

Real Estate Center economists continuously monitor many facets of the global, national and Texas economies. *Texas Housing Insight* is a summary of important economic indicators that help discern trends in the Texas housing markets.

This monthly publication provides data and insights on the Texas housing markets. We hope you find them useful. Your feedback is always appreciated. Send comments and suggestions to info@recenter.tamu.edu.

Dr. James Gaines, Dr. Luis Torres and Wayne Day

Data current as of October 7, 2016

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August 2016 Summary

The Texas economy marched forward in August. Total employment expanded 1.6 percent year-over-year with a monthly gain of 10,400 jobs. Monthly job losses came from the trade, transportation and utilities, manufacturing, and the oil and gas extraction sectors. Houston continues to be a drag on overall employment with goods-producing jobs down 4.9 percent from a year ago. Housing demand increased across the state during August though mixed among the metros. State building permits increased over the year and over the month prior though at a slower rate than years prior.

Supply

The Texas **Residential Construction Leading Index (RCLI)**, which signals future directional changes in the residential construction business cycle of single and multifamily housing, declined. The RCLI was negatively affected by monthly declines in housing starts and weighted building permits. The Texas **Residential Business Cycle (Coincident) Index**, the measure of current construction activity, also fell as inflation-adjusted residential construction values declined. The RCLI indicates slow growth in future residential construction while the coincident index registered a slowdown in current activity. **Housing starts** decreased 21.6 percent seasonally adjusted year-over-year.

Single-family housing construction permits statewide increased over the prior month and a year ago. In recent months, Texas' building permits showed signs of slowing compared with the trend from 2011 through 2014. All major Texas metros posted permitting gains year-over-year. Houston (3,234) and Dallas-Fort Worth (2,939) still led the nation in the number of single-family permits issued, followed by Atlanta (2,167), Phoenix (1,637), and Charlotte (1,444).

Months of inventory for existing homes across Texas remained low at 3.7 months. The months of inventory has remained fairly stable since May 2015. The nation reported 4.3 months of inventory. (Around 6.5 months of inventory is considered balanced).

Demand

Total Texas **housing sales** increased 7.4 percent year-over-year seasonally adjusted (7.2 percent on a nonseasonally adjusted basis) compared with a positive 8.8 percent in the nation (8.4 percent on a nonseasonally adjusted basis). Austin (7.4 percent), Dallas-Fort Worth (5.2 percent), Houston (8.3 percent), and San Antonio (12.1 percent) all increased year-over-year. The metros gained on a monthly basis as well. On a year-to-date basis, Houston is ahead of 2015 1.1 percent while Dallas-Fort Worth is up by 4.8 percent (nonseasonally adjusted).

Mortgage interest rates remained below 4 percent. The Federal Home Loan Mortgage Corporation reported a steady 3.44 percent average rate on a 30-year fixed-rate mortgage, while the ten-year U.S. Treasury bond yield ticked up to 1.56 percent from 1.50 the month prior.

The number of days an existing home was on the market remained low at 53 days relative to prior periods, reflecting the tight supply. During the same month, new homes registered longer sales periods than existing homes at 93 days. The average statewide difference to sell a new home versus an existing home was 40 days. In number of days, new homes in Houston (97) and Austin (88) took longer to sell compared to Dallas-Plano-Irving (75), Fort Worth-Arlington (81), and San Antonio (82).

Prices

Average and median **sales prices** have risen dramatically in Texas since 2011. Although prices were still generally increasing, there were signs of deceleration. Austin was the house price appreciation leader through August with prices remaining well above the other major metros. Nonenergy employment growth and a strong services sector caused Dallas-Fort Worth to also register strong price appreciation. Due to recent declines in the energy sector and the resulting economic slowdown, Houston continued to soften in the rate of price growth ahead of the other metros. San Antonio price increases have also softened somewhat. Median prices for new homes in Dallas and Houston are on par with and have exceeded Austin new home prices.

The softening in price growth is being strongly influenced by reduced prices for new homes rather than existing homes, especially at the higher price end. The difference from the initial listing price to the actual sales price for new homes has steadily widened in Texas since early 2014. In contrast for existing homes, the listing-to-sale price difference has flattened, probably reflecting a change in market conditions for the sellers of new homes.

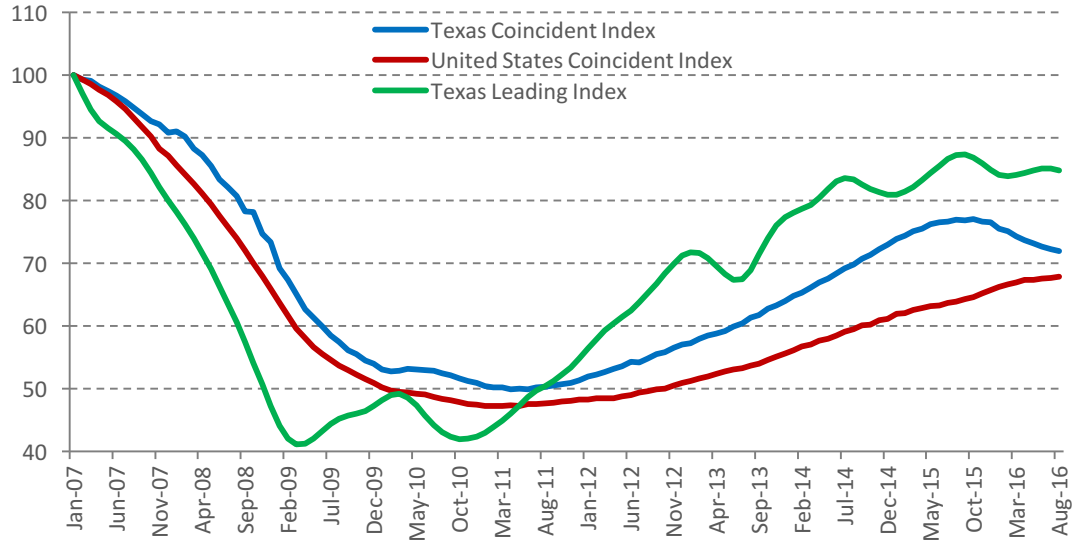
Since 2011, new home prices have exceeded existing home prices by 48 percent and 37 percent based on median and average sales prices, respectively. This price differential results primarily because of increases in home size for newer homes and the significant increases in construction and land costs for new homes. The average price per square foot for a new home in Texas is approximately 19 percent more than for an existing home.

With rapid price appreciation, Texas affordability continued to fall relative to the U.S., especially in the major MSAs. The Housing Opportunity Index for Austin and Dallas—measuring the percent of homes affordable to those earning the median family income for the area—are found to be below the national value, indicating they are relatively less affordable than the rest of the country. In contrast, Fort Worth is relatively more affordable than the nation, while San Antonio seems to register relatively the same affordability as the United States. Lower prices in Houston also resulted in an increase of affordability.

The map provides detailed information regarding Texas 25 MSAs experiencing episodes of “explosive behavior” in house prices, meaning a misalignment in house prices from their fundamental-based intrinsic values. The College Station-Bryan MSA had a period of explosive behavior in 2Q2016, while the DFW (in particular Dallas), Austin and Victoria MSAs posted some unusual price movements. These regions should continue to be tracked in the detection of possible misalignments with economic fundamentals of demand and supply.

Supply

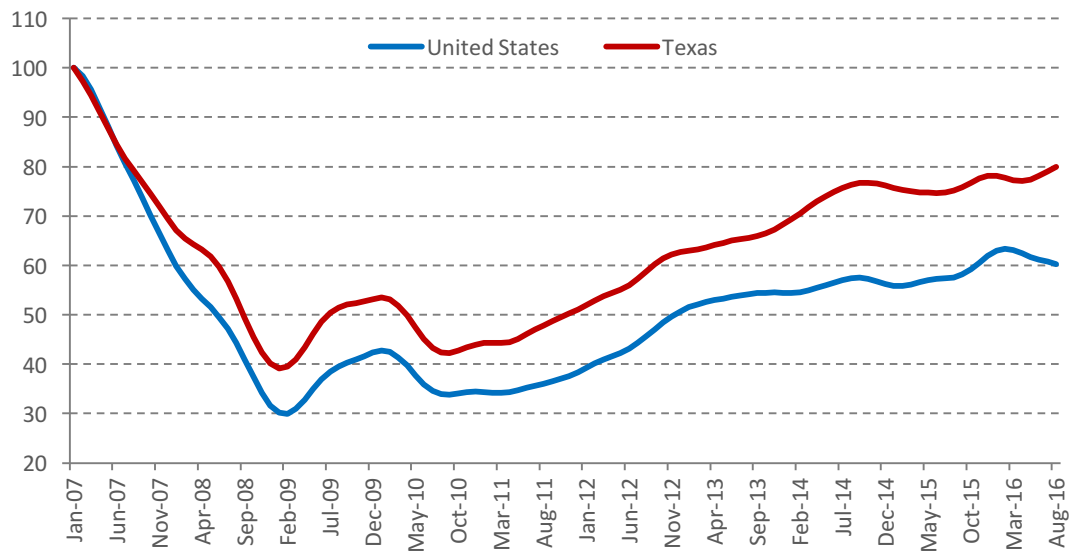
Residential Construction Coincident and Leading Indicator
(Index Jan 2007 = 100)



Note: Seasonally adjusted and detrended.

Sources: Real Estate Center at Texas A&M University and Federal Reserve Bank of Dallas

Single-Family Housing Construction Permits
(Index Jan 2007 = 100)

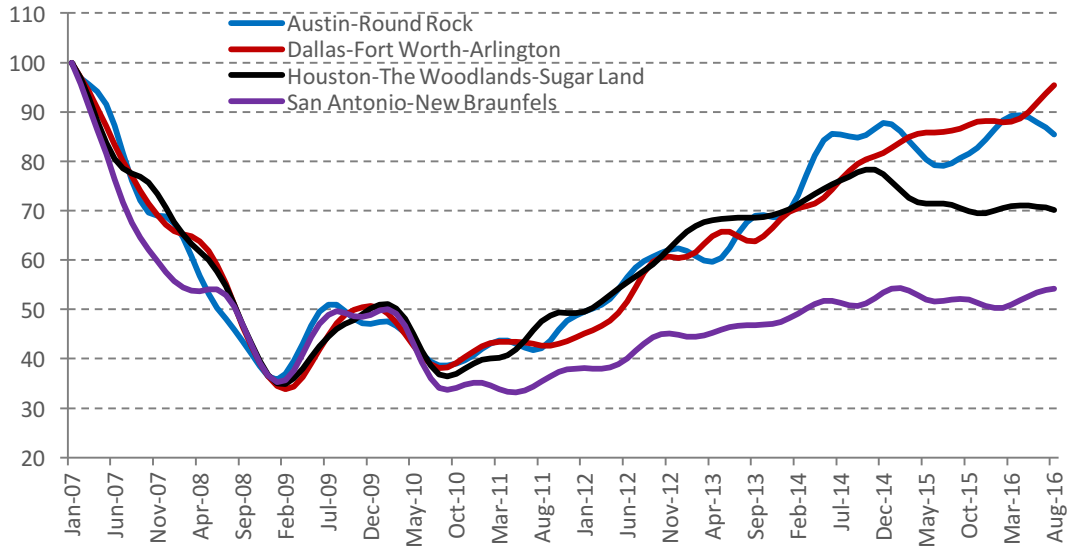


Note: Seasonally adjusted and detrended.

Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

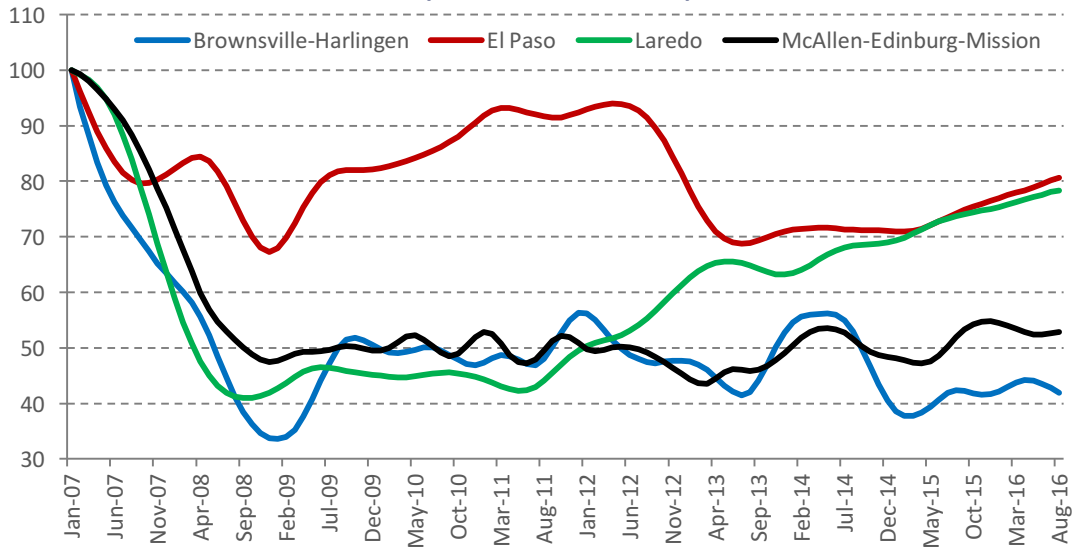


Major Metros Single-Family Housing Construction Permits
(Index Jan 2007 = 100)



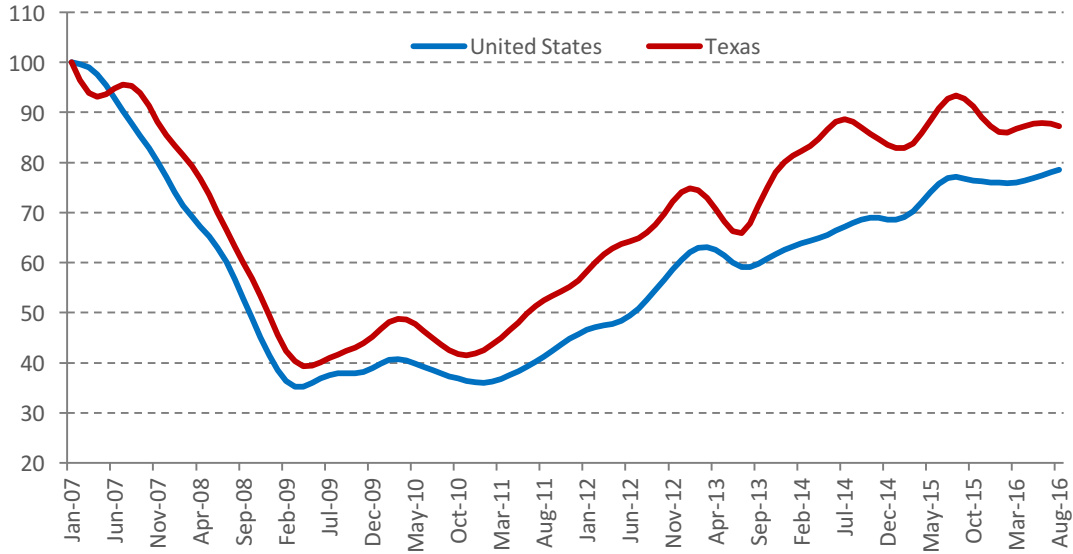
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Border Metros Single-Family Housing Construction Permits
(Index Jan 2007 = 100)



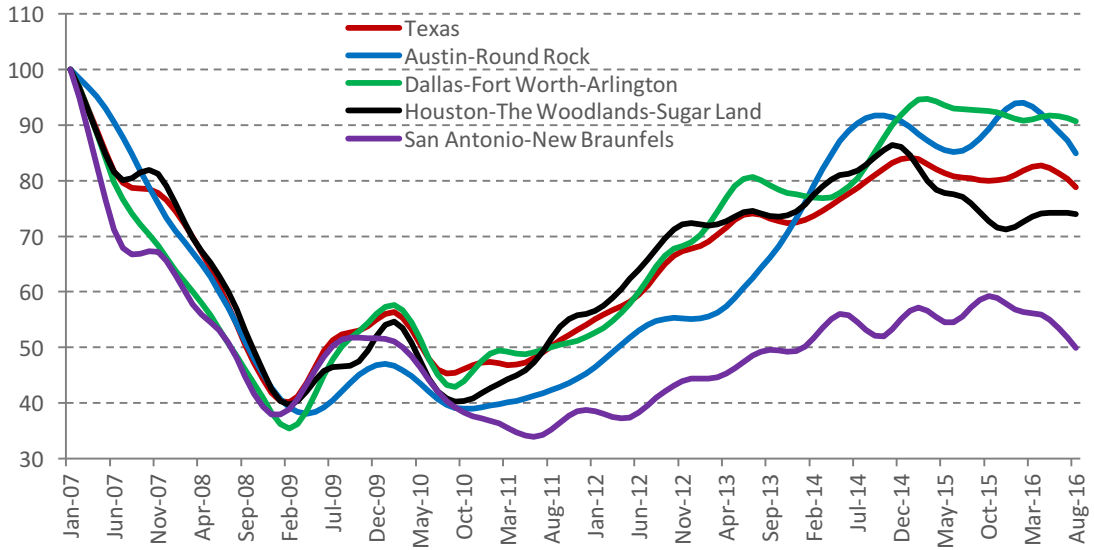
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Housing Starts (Index Jan 2007 = 100)



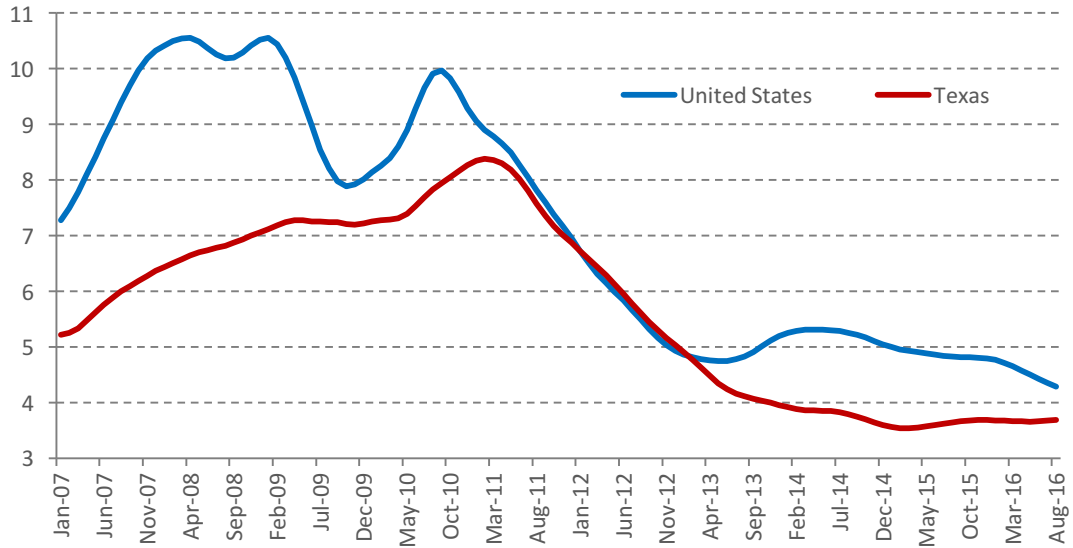
Note: Seasonally adjusted and detrended.
Sources: U.S. Census Bureau and Bank of Tokyo-Mitsubishi UFJ

Total New Private Single-Family Construction Value (Index Jan 2007 = 100)



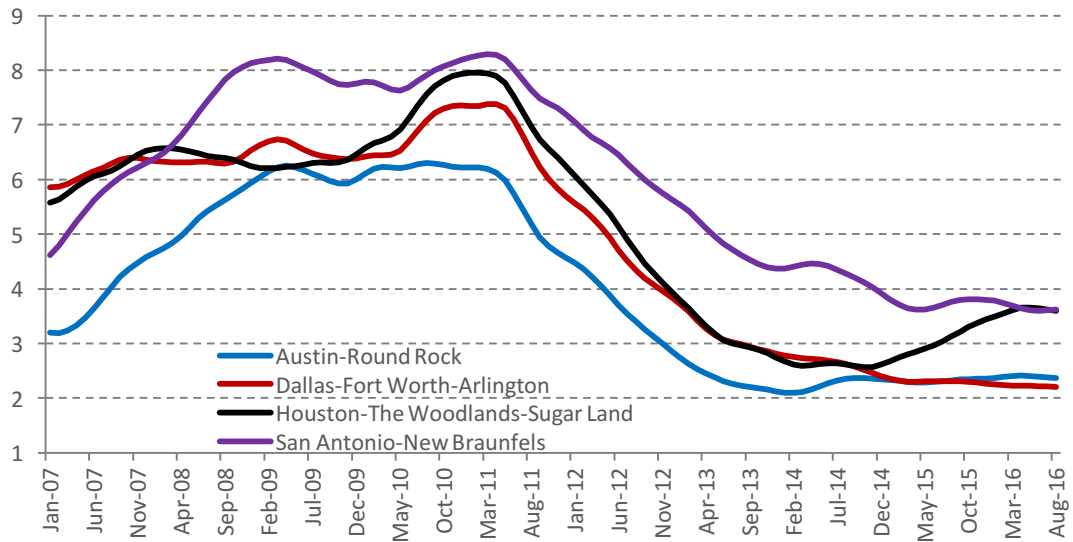
Note: Inflation adjusted. Seasonally adjusted and detrended.
Source: Dodge Analytics

Months of Inventory (Months)



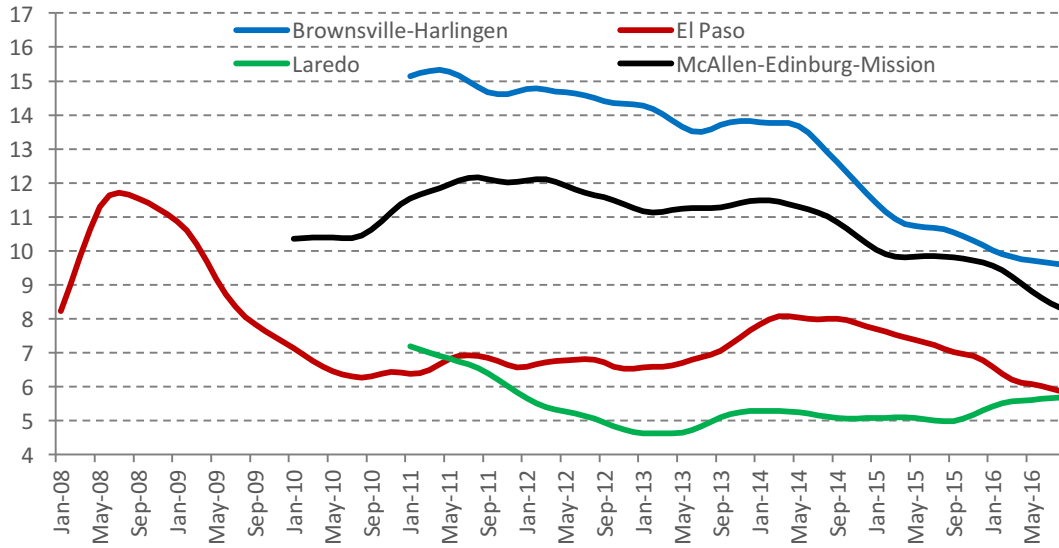
Note: Seasonally adjusted and detrended. Months of inventory for the United States is estimated using weights for all existing homes and new single-family homes; new non-single-family homes are not included. Texas includes all existing and new homes. Sources: U.S. Census Bureau, National Association of Realtors and Real Estate Center at Texas A&M University

Major Metros Months of Inventory (Months)



Note: Seasonally adjusted and detrended. Sources: Real Estate Center at Texas A&M University

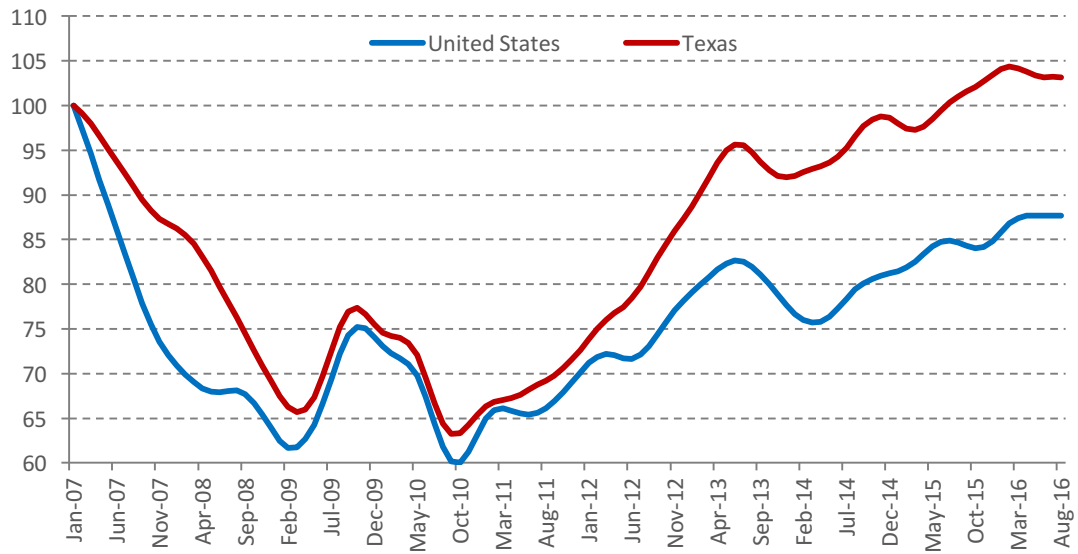
Border Metros Months of Inventory (Months)



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

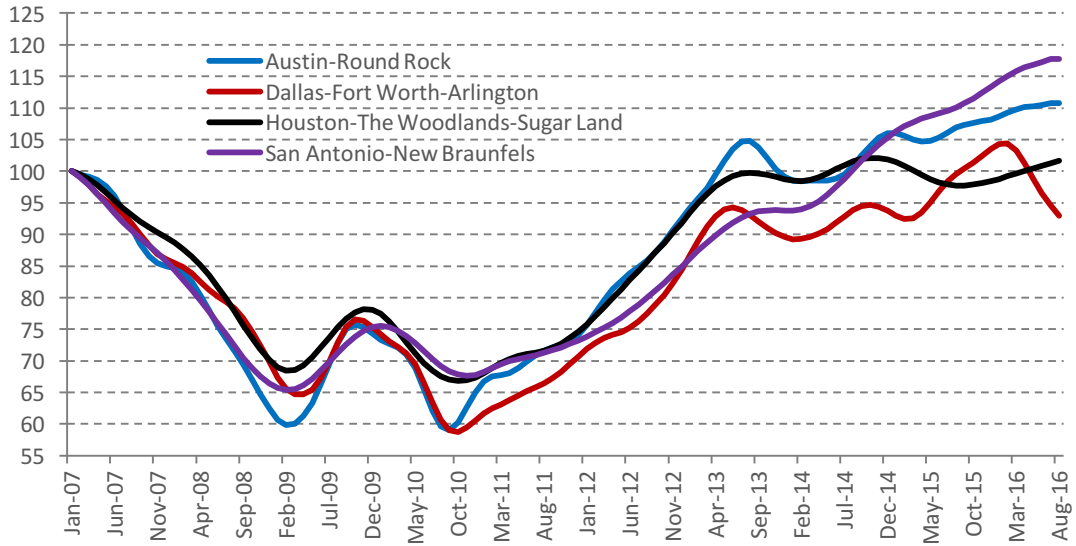
Demand

Housing Sales (Index Jan 2007 = 100)



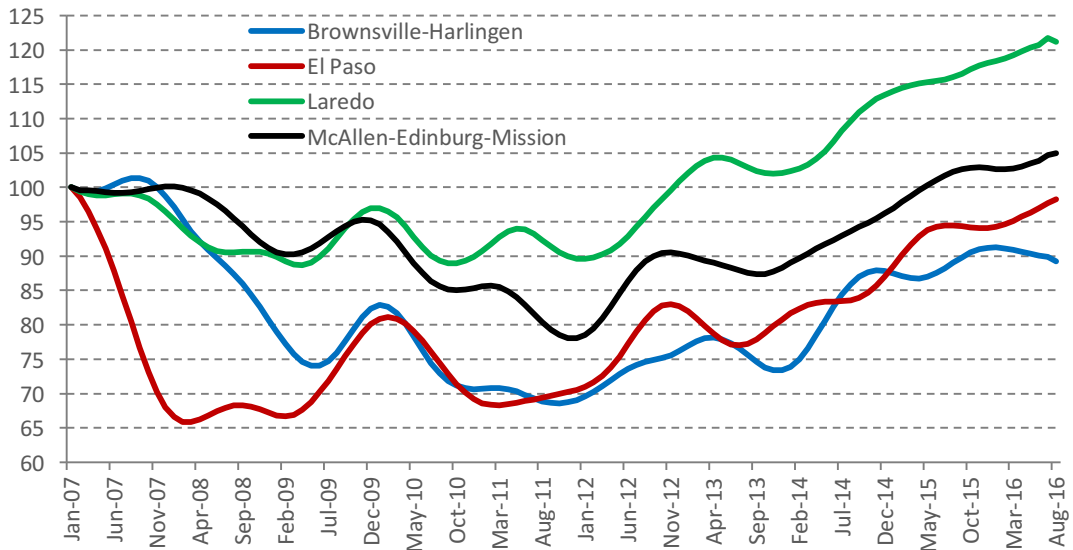
Note: Seasonally adjusted and detrended. Sales for the United States include all existing homes and new single-family homes; new non-single-family homes are not included. Texas includes all existing and new homes.
Sources: U.S. Census Bureau, National Association of Realtors, and Real Estate Center at Texas A&M University

Major Metros Housing Sales
(Index Jan 2007 = 100)



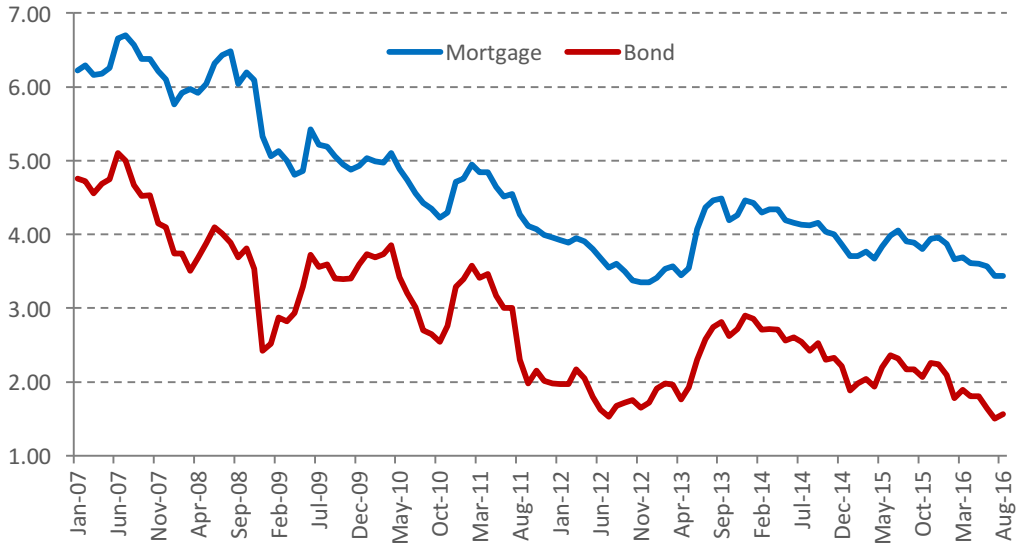
Note: Seasonally adjusted sales reported by MLS and detrended.
Source: Real Estate Center at Texas A&M University

Border Metros Housing Sales
(Index Jan 2007 = 100)



Note: Seasonally adjusted sales reported by MLS and detrended.
Source: Real Estate Center at Texas A&M University

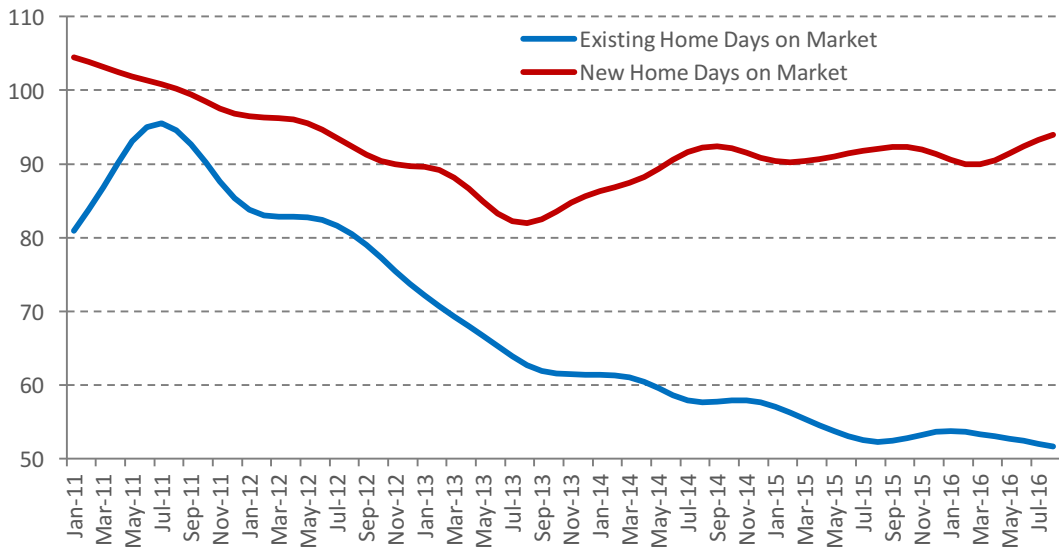
30-Year Mortgage Rate and 10-Year Bond Yield (Percent)



Note: Seasonally adjusted.

Sources: Federal Home Loan Mortgage Corporation and Federal Reserve Board

Texas Homes Days on Market (Days)

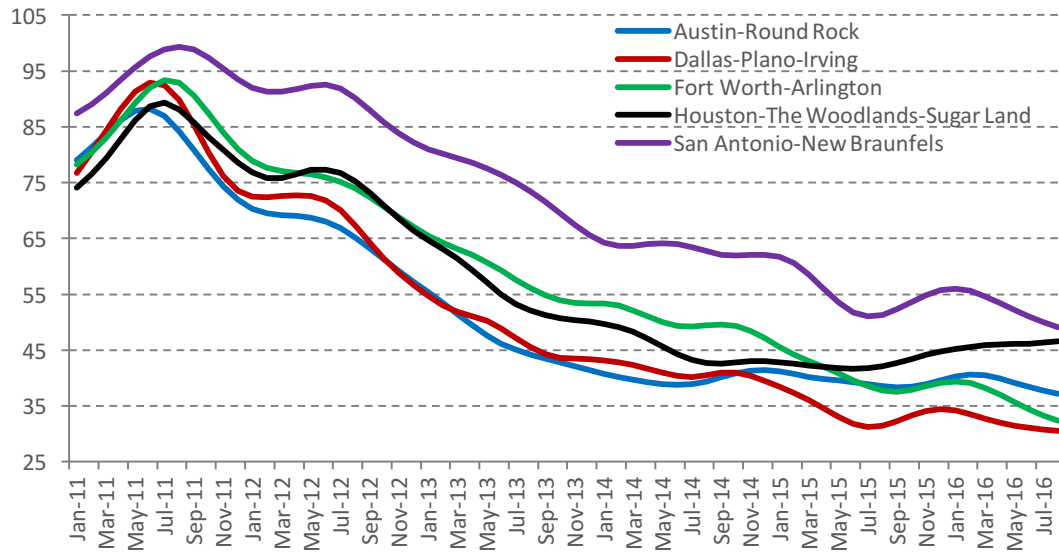


Note: Seasonally adjusted and detrended. For single-family homes.

Source: Real Estate Center at Texas A&M University

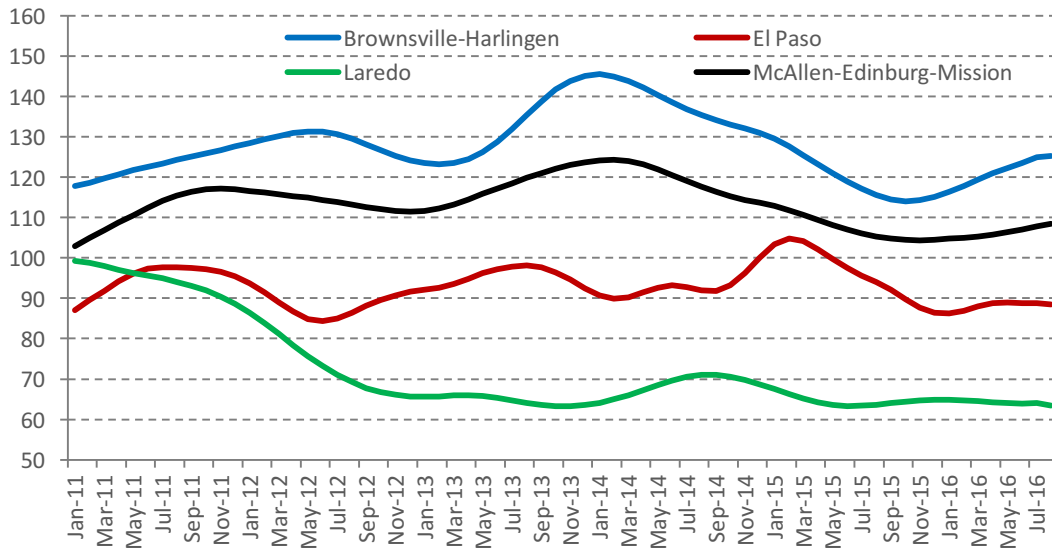


Major Metros Existing Homes Days on Market (Days)



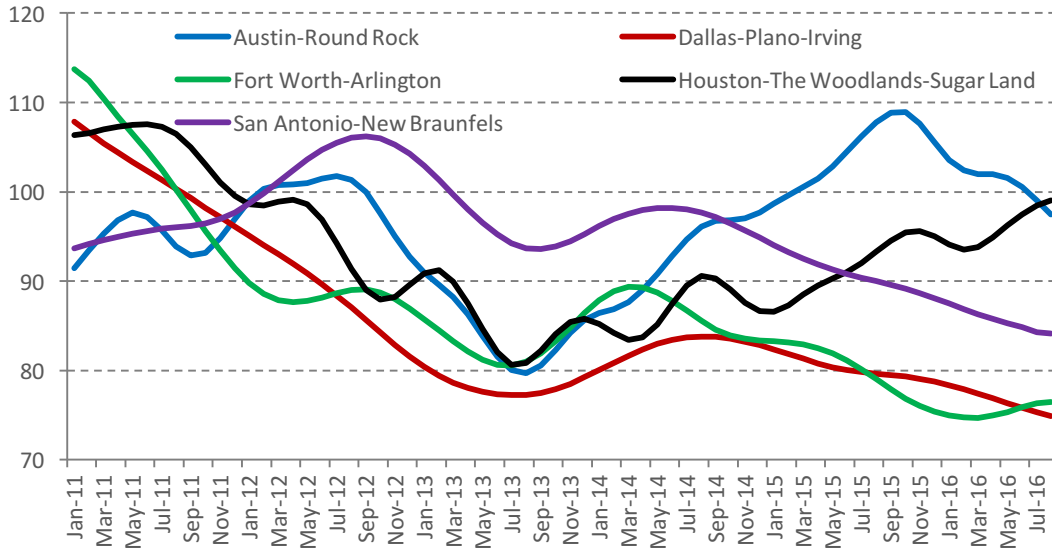
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Border Metros Existing Homes Days on Market (Days)



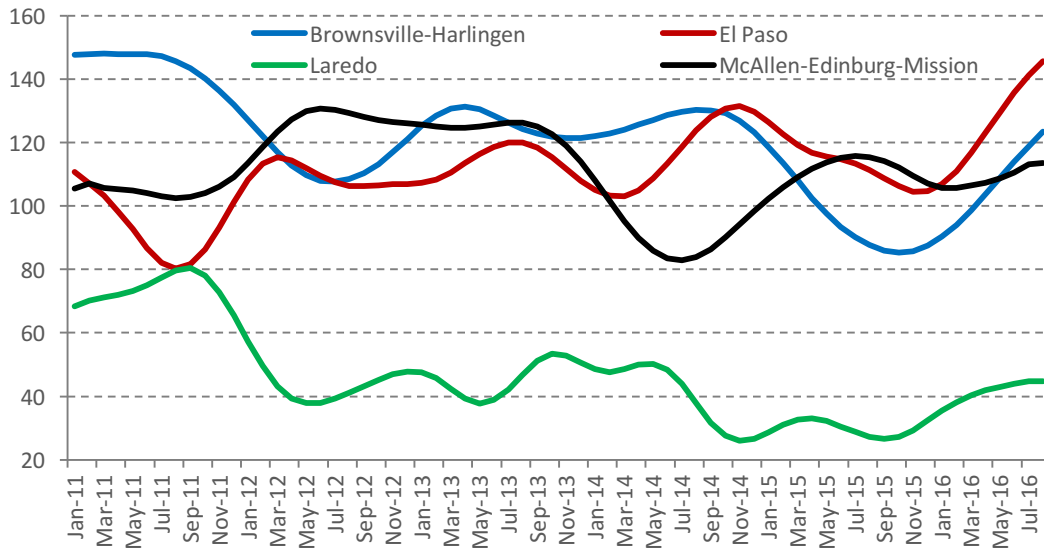
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Homes Days on Market (Days)



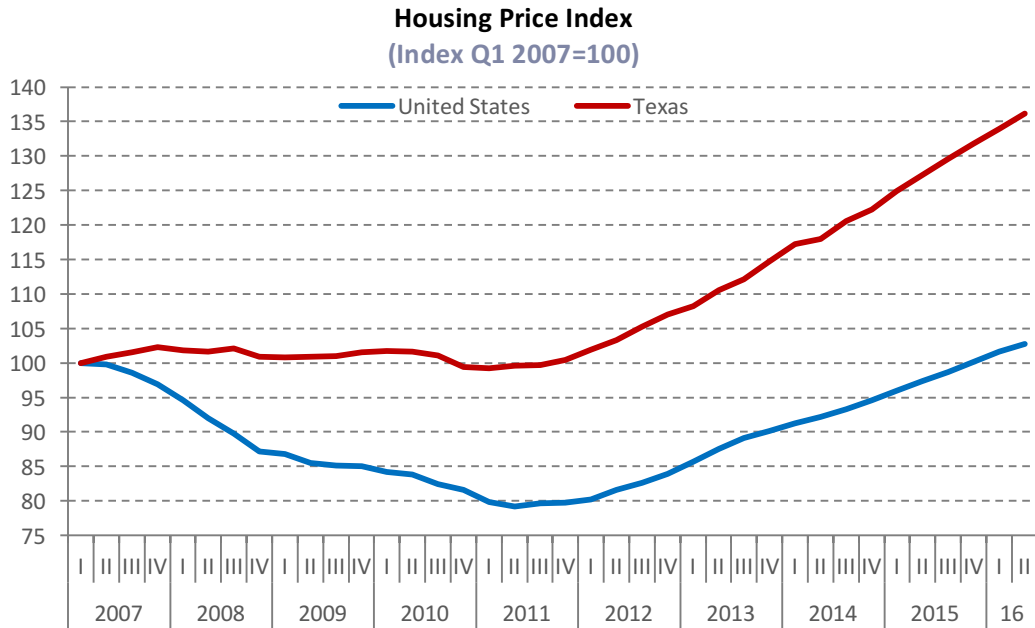
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Border Metros New Homes Days on Market (Days)

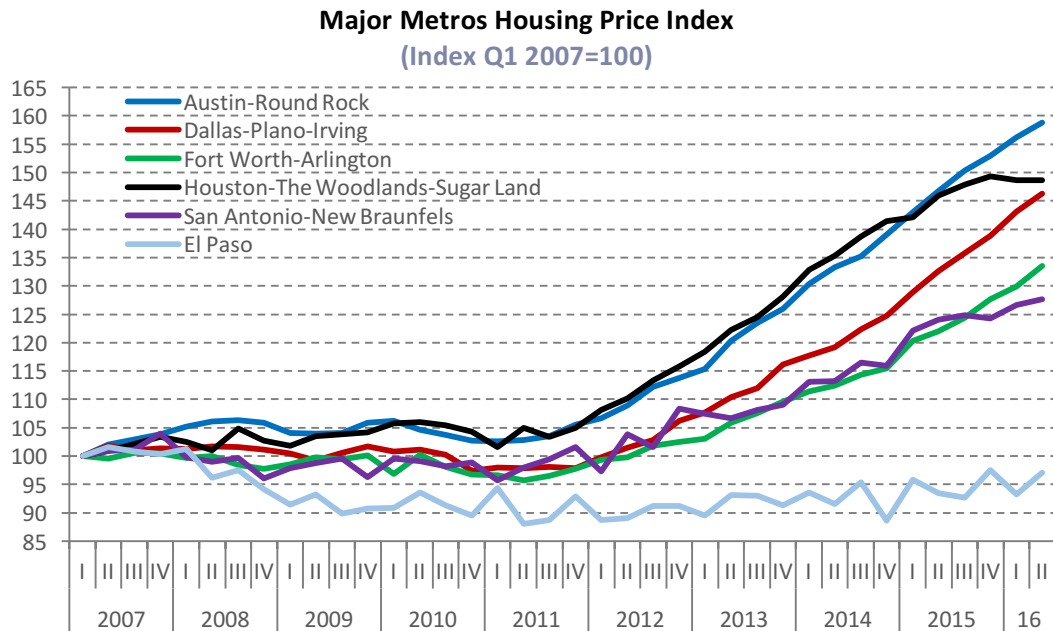


Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Prices

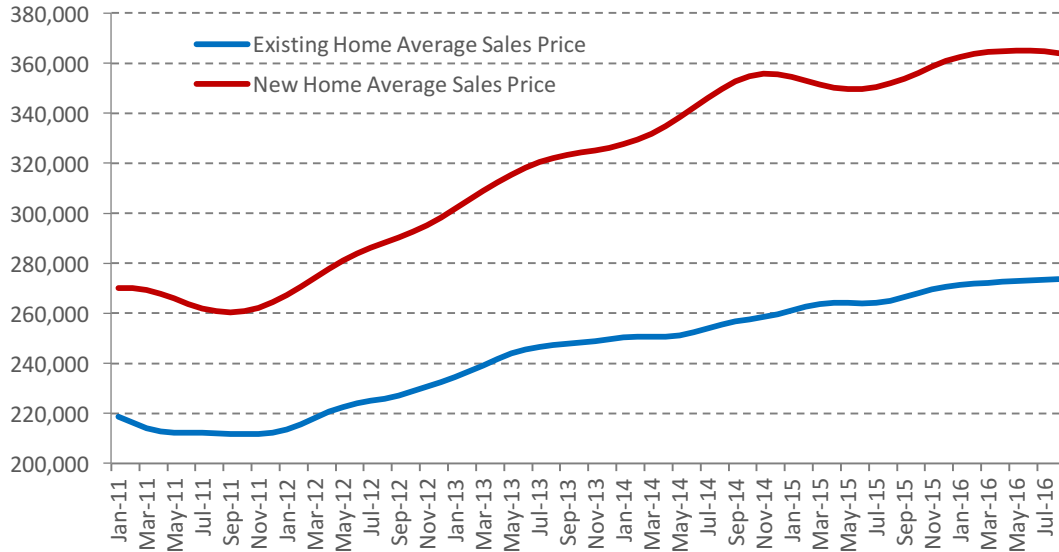


Note: Seasonally adjusted.
Source: Federal Housing Finance Agency



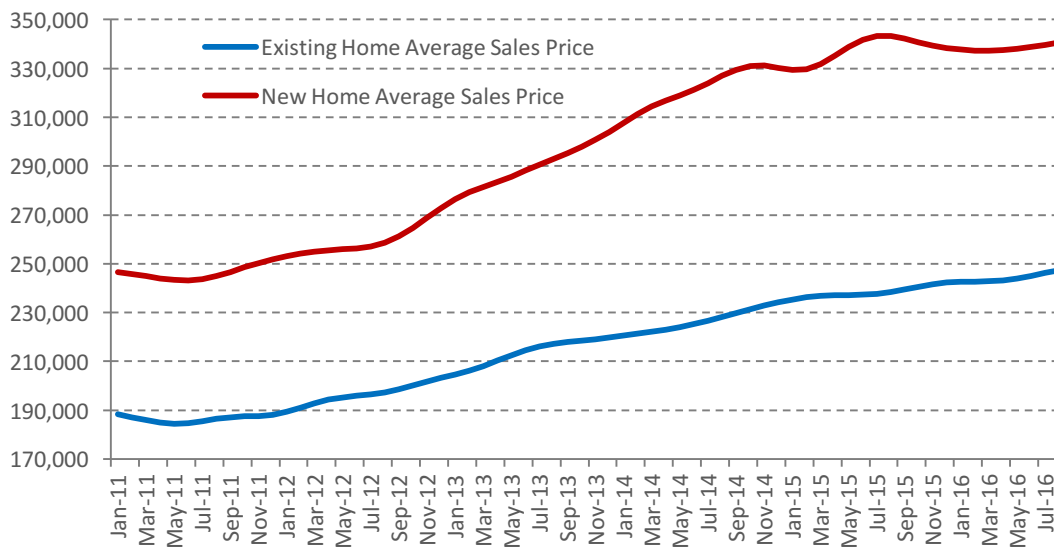
Note: Seasonally adjusted.
Source: Federal Housing Finance Agency

United States Existing and New Home Average Sales Price (\$)



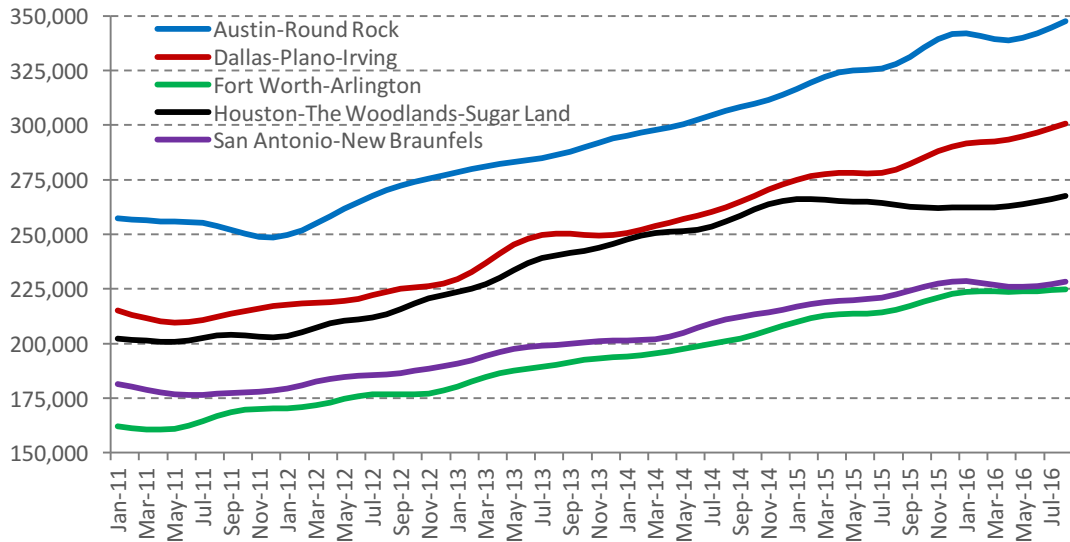
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Federal Reserve Bank of St. Louis

Texas Existing and New Home Average Sales Price (\$)



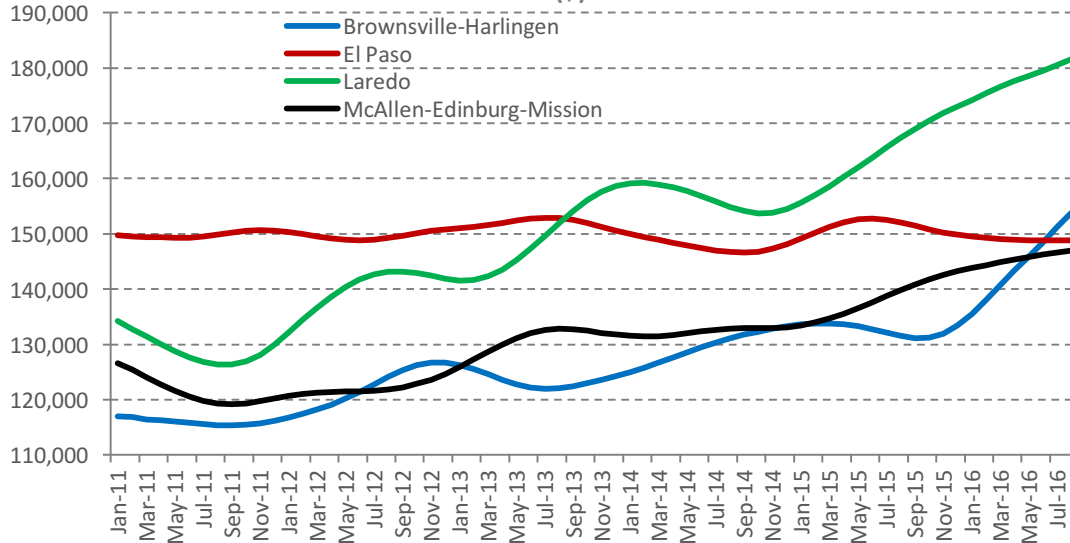
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Average Sales Price (\$)



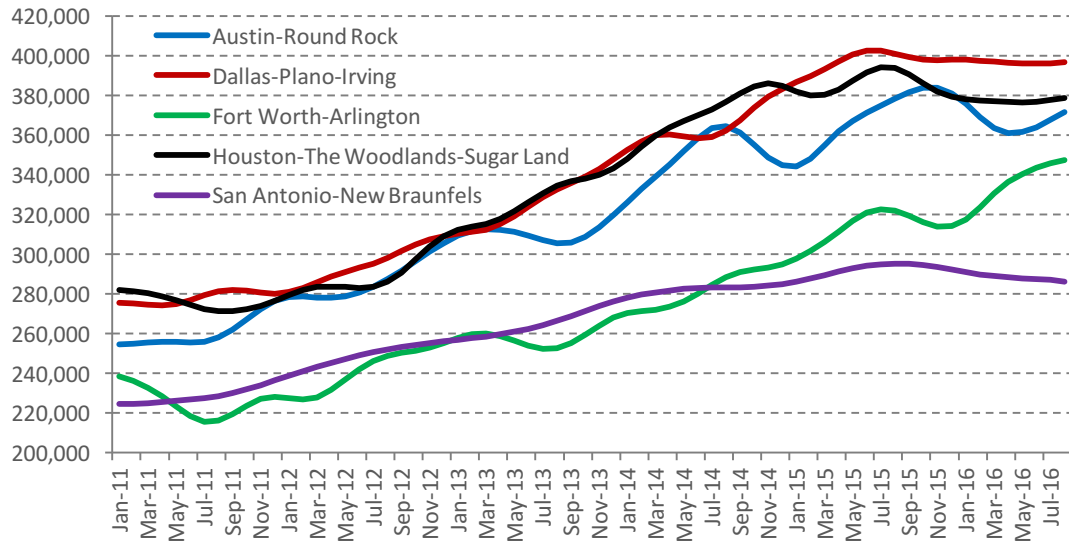
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Border Metros Existing Home Average Sales Price (\$)



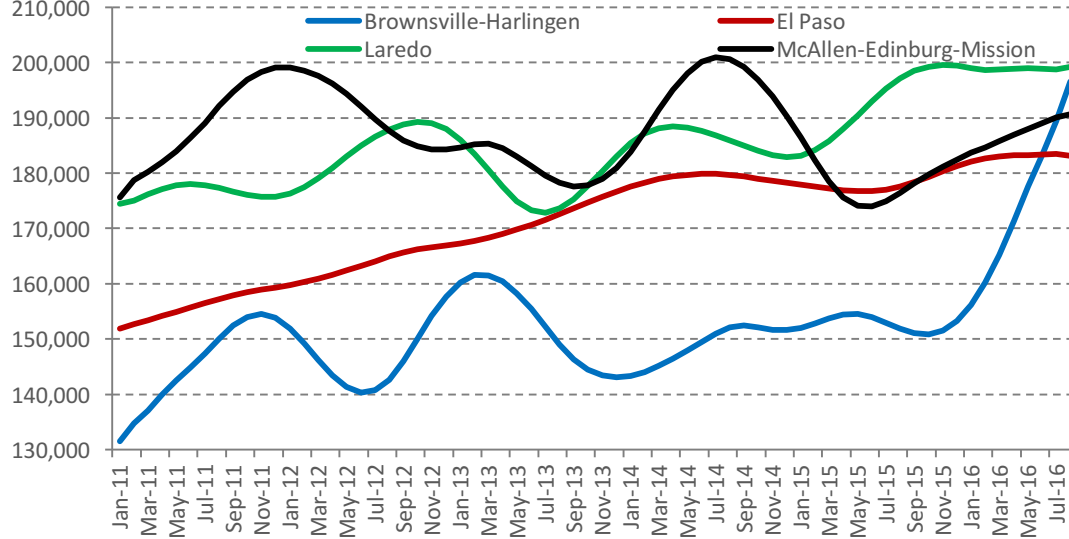
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Average Sales Price (\$)



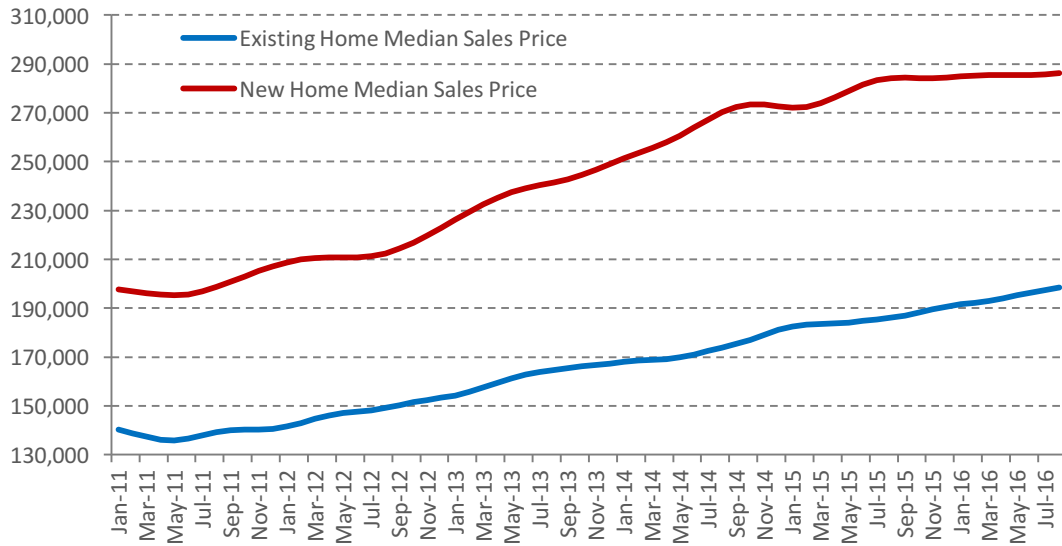
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

Border Metros New Home Average Sales Price (\$)



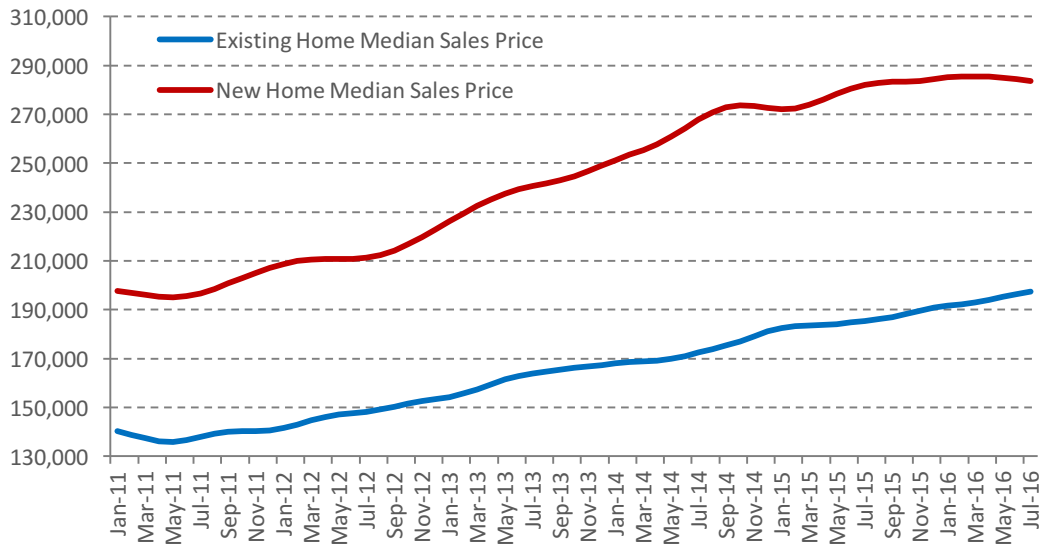
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

United States Existing and New Home Median Sales Price (\$)



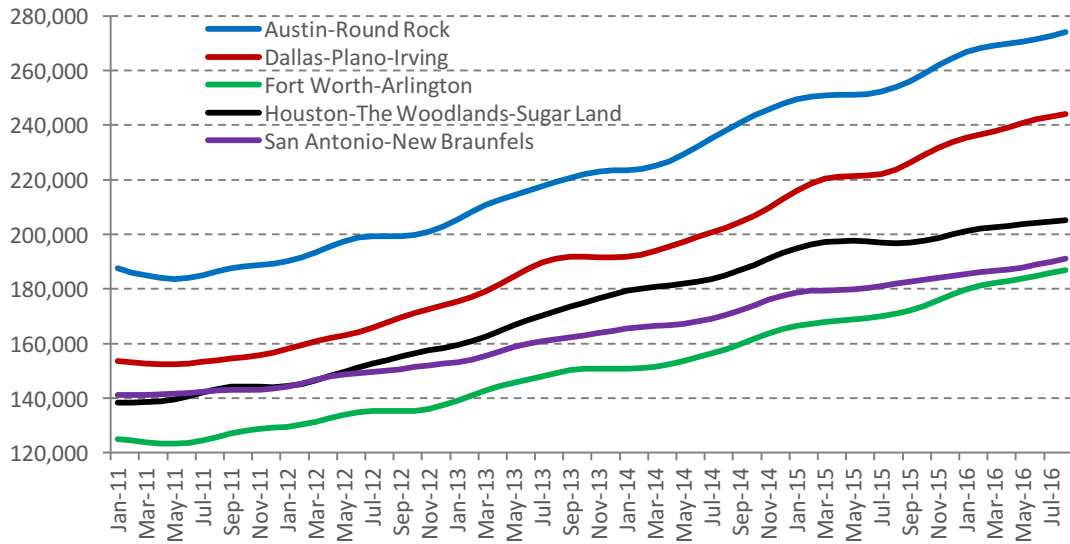
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Federal Reserve Bank of St. Louis

Texas Existing and New Home Median Sales Price (\$)



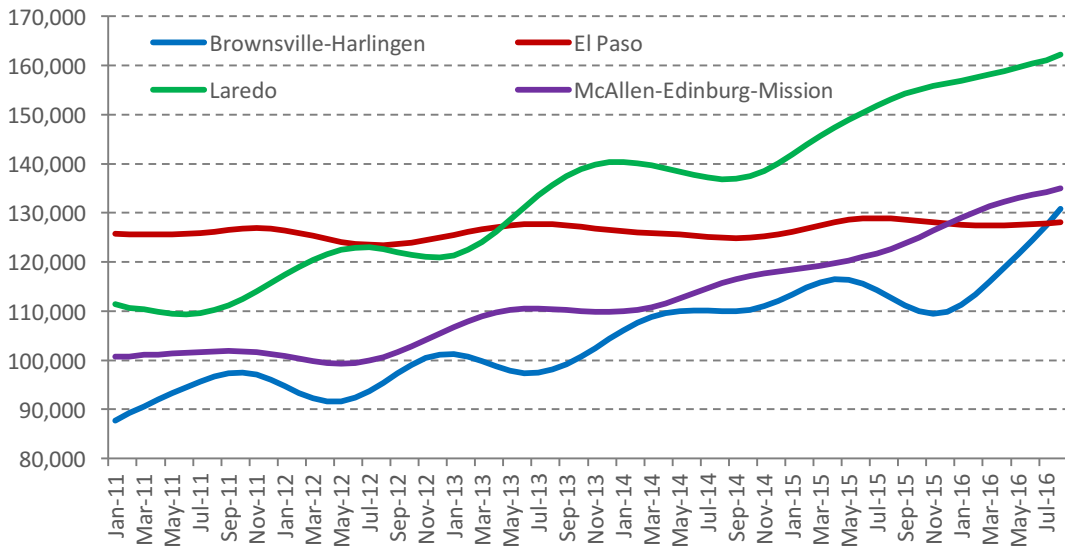
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Sales Price (\$)



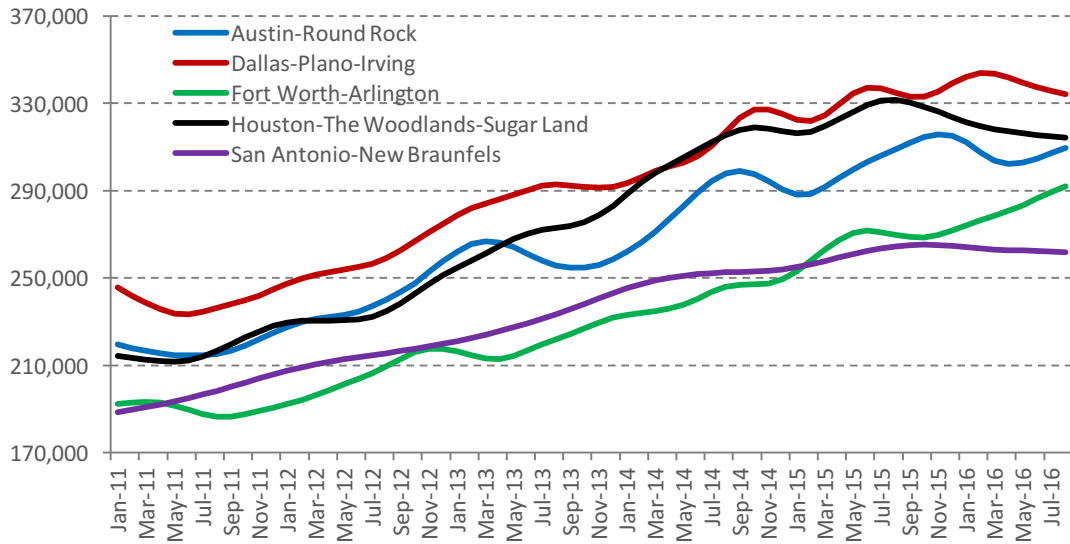
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Border Metros Existing Home Median Sales Price (\$)



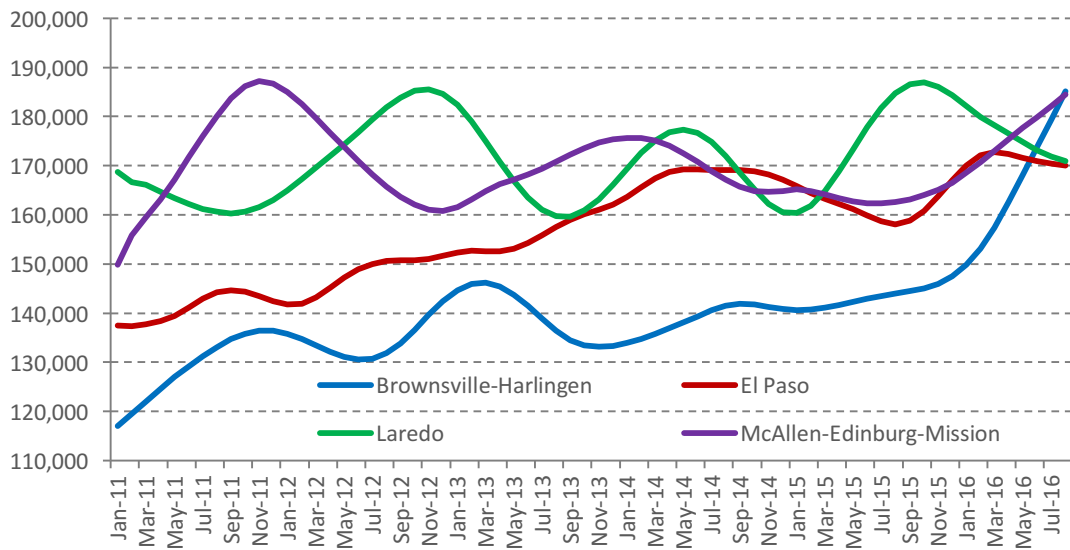
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Sales Price (\$)



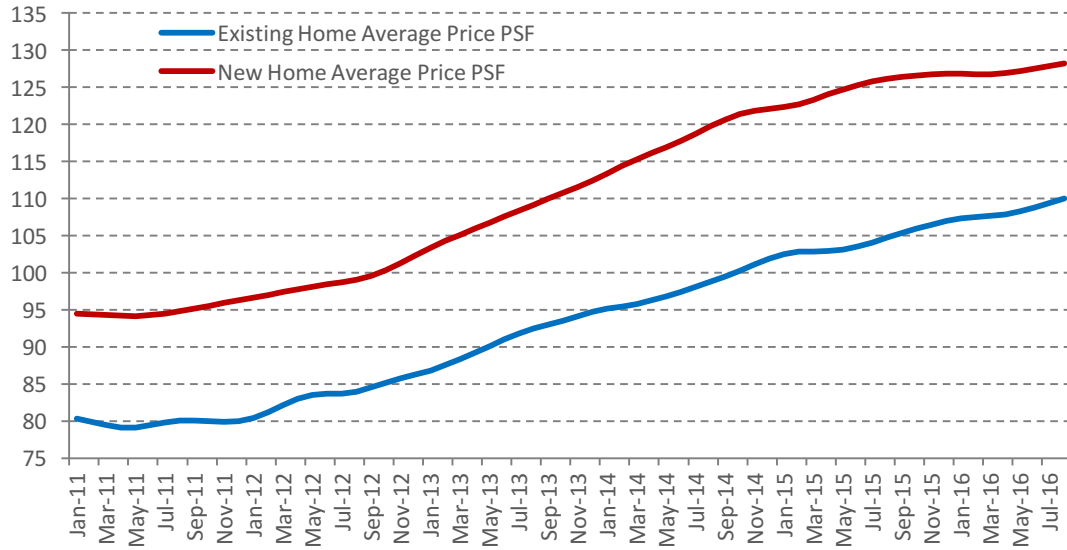
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Border Metros New Home Median Sales Price (\$)



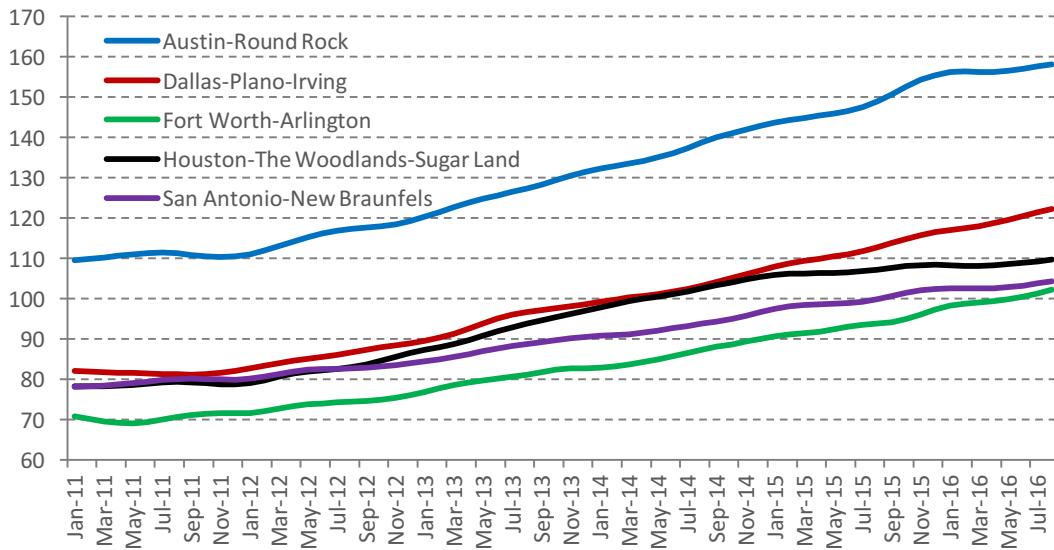
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Average Price Per Square Foot (\$)



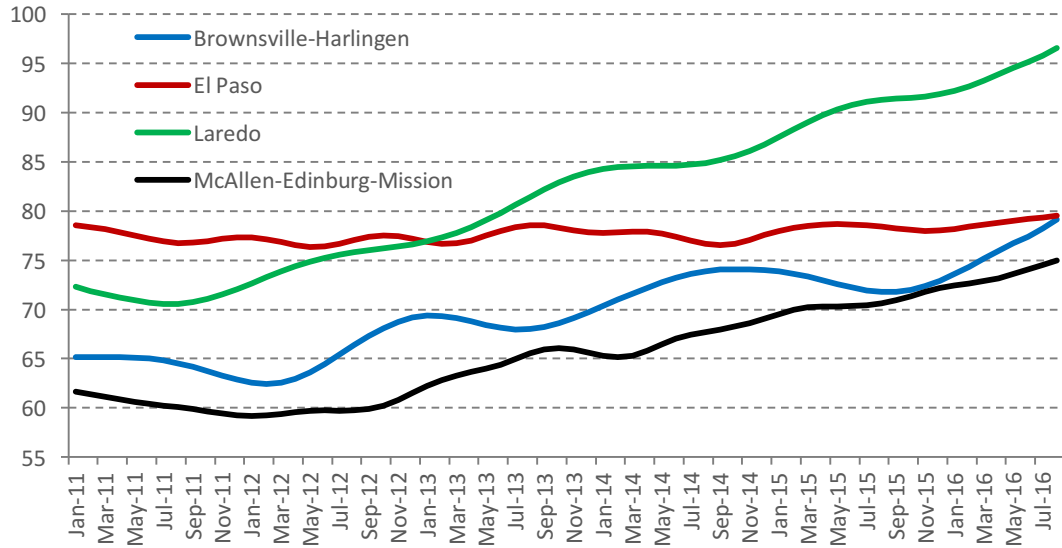
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Average Price Per Square Foot (\$)



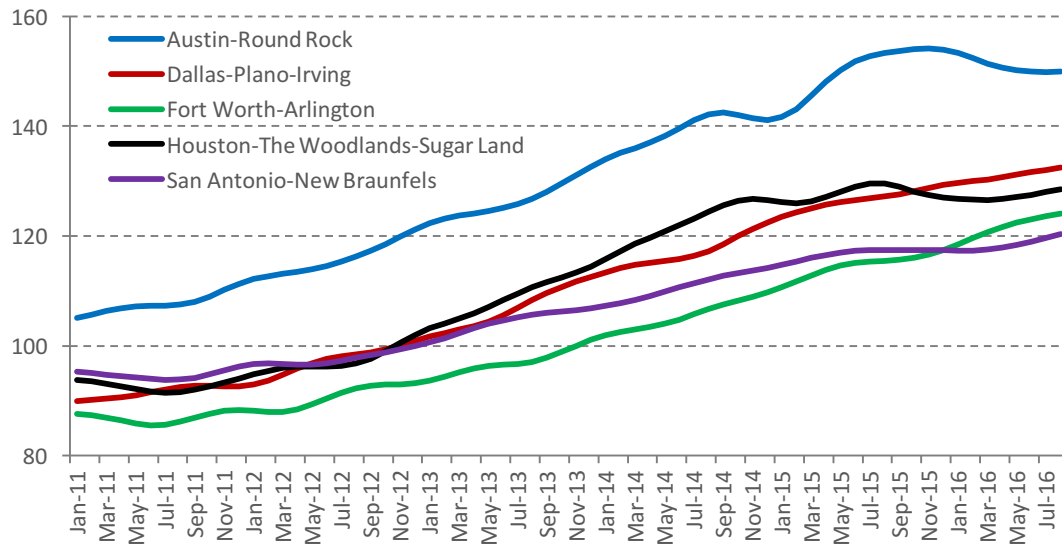
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

Border Metros Existing Home Average Price Per Square Foot (\$)



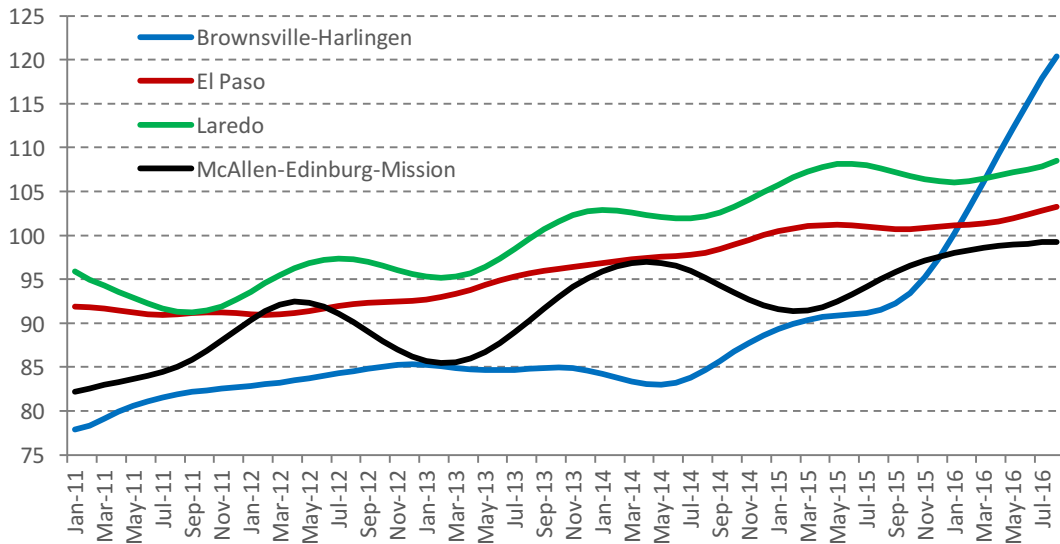
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Average Price Per Square Foot (\$)



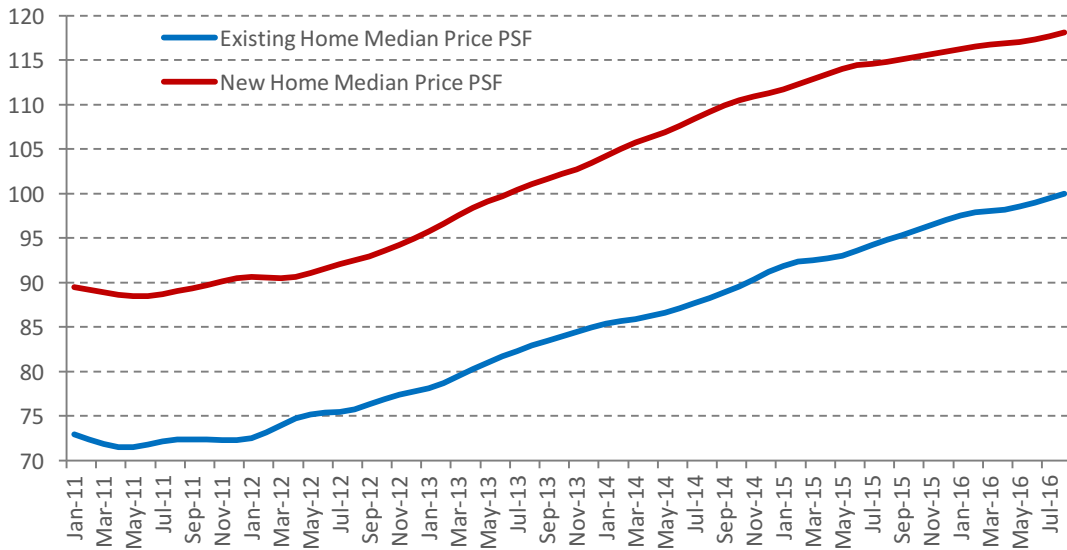
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Border Metros New Home Average Price Per Square Foot (\$)



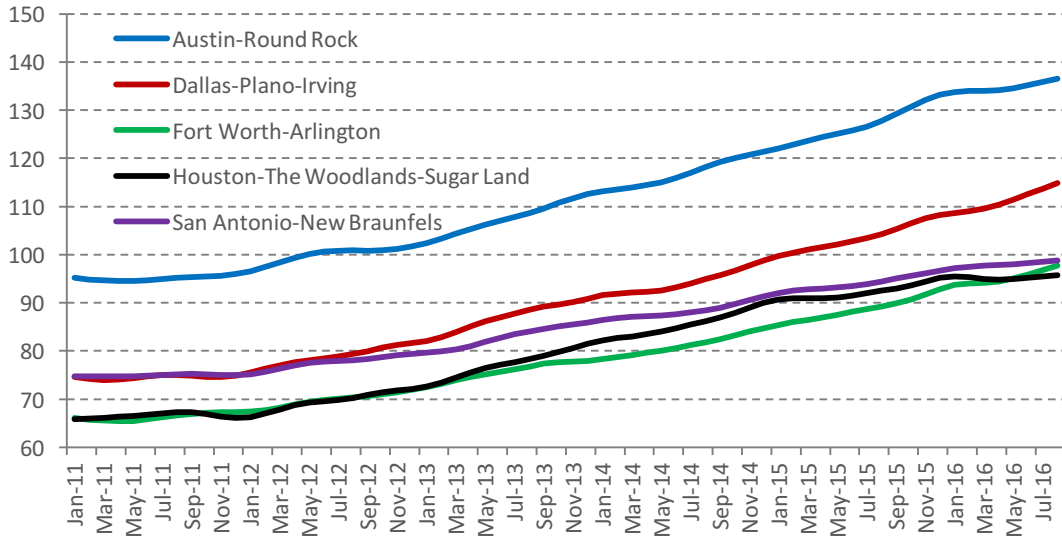
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Texas Home Median Price Per Square Foot (\$)



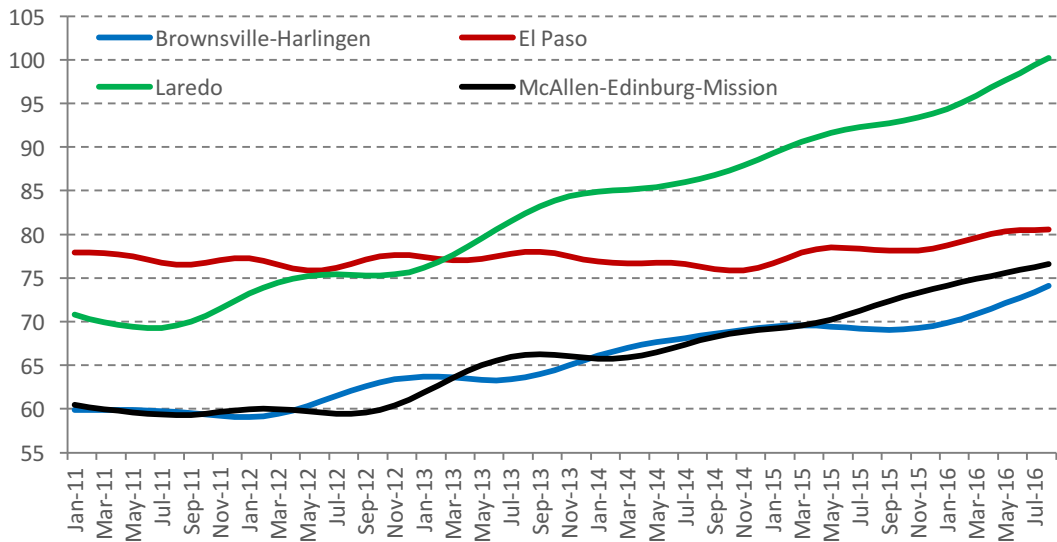
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros Existing Home Median Price Per Square Foot (\$)



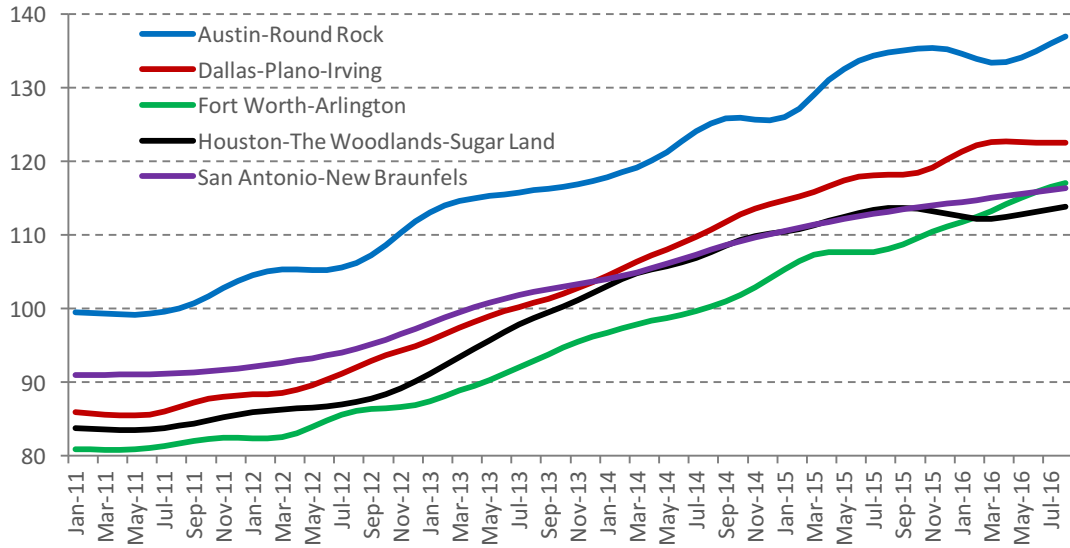
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Border Metros Existing Home Median Price Per Square Foot (\$)



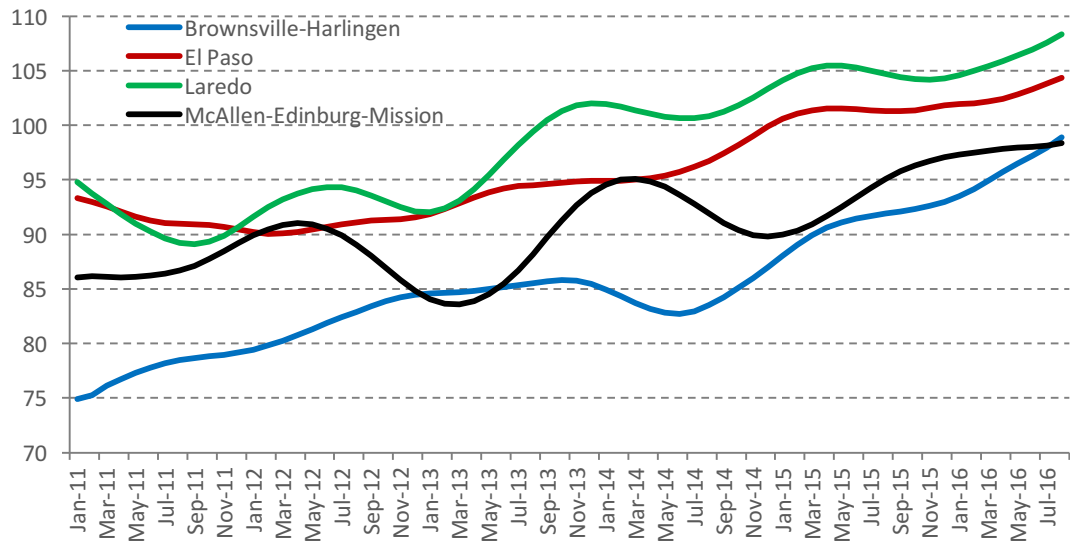
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Major Metros New Home Median Price Per Square Foot (\$)



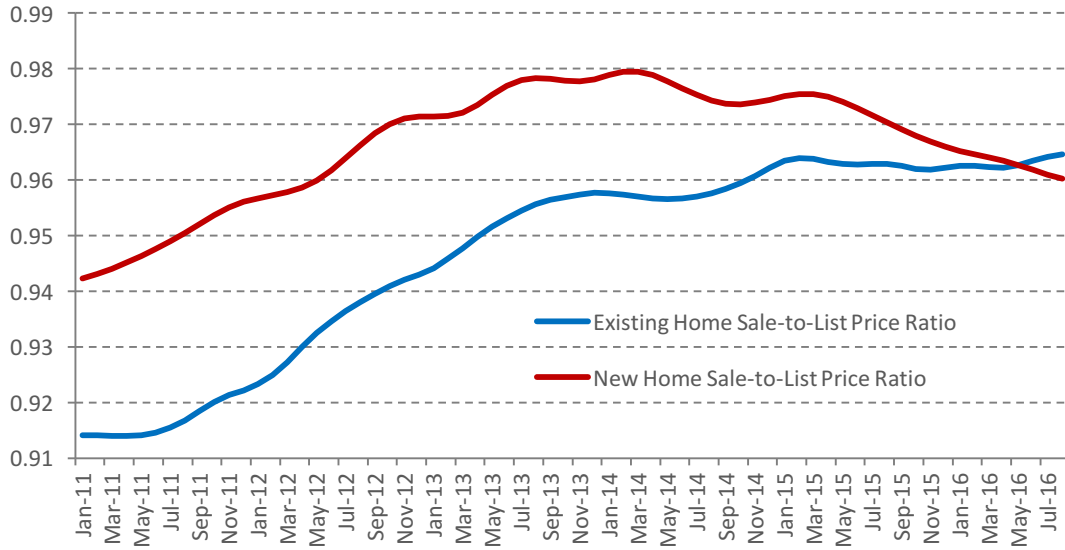
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

Border Metros New Home Median Price Per Square Foot (\$)



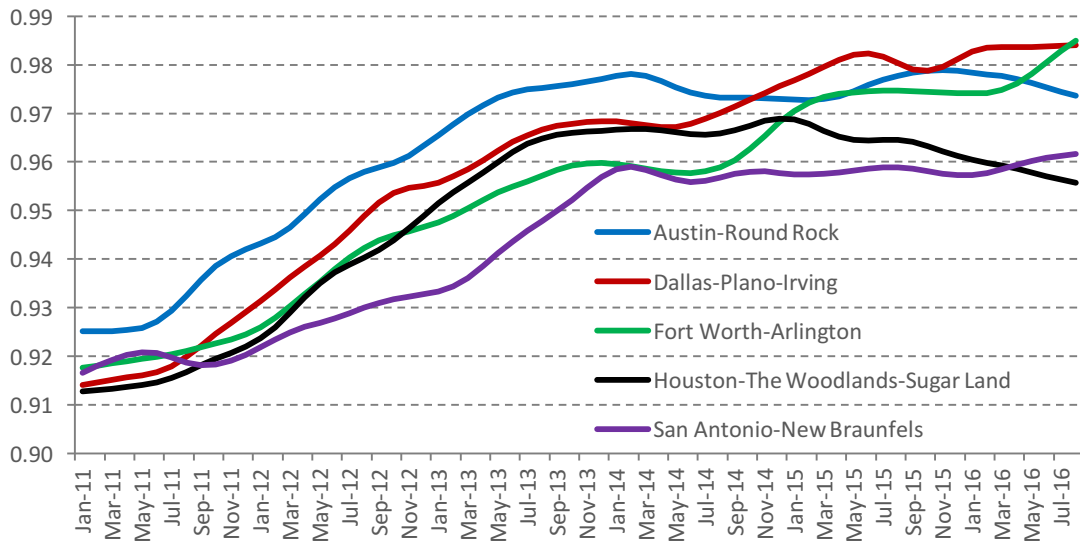
Note: Seasonally adjusted and detrended. For single-family homes.
 Source: Real Estate Center at Texas A&M University

Texas Home Sale Price to List Price Ratio (\$)



Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

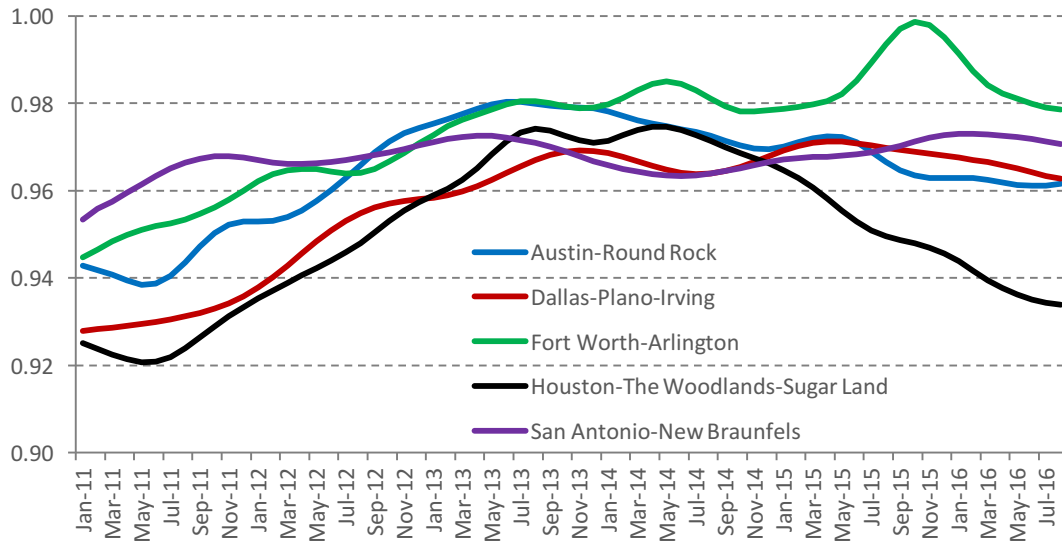
Major Metros Existing Home Sale Price to List Price Ratio (\$)



Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

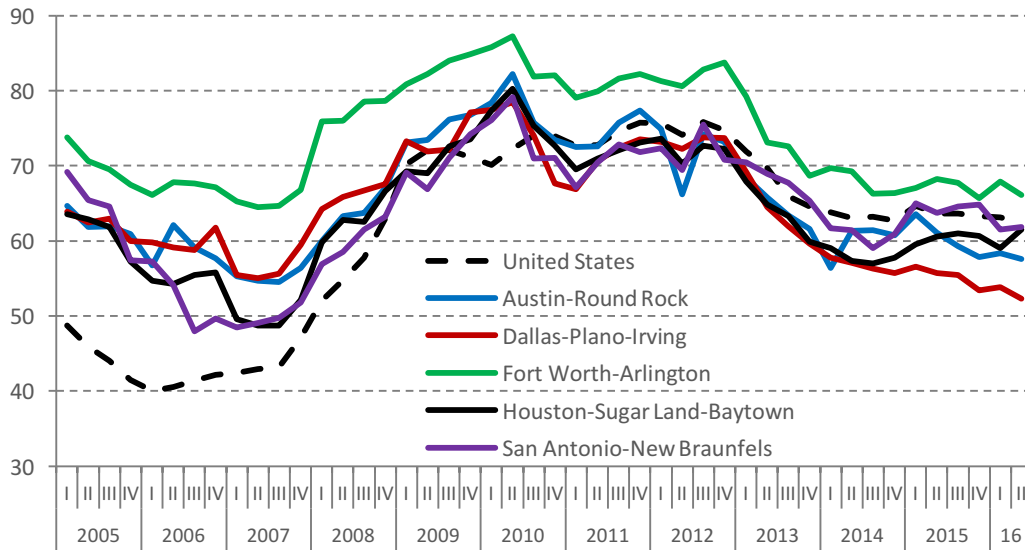


Major Metros New Home Sale Price to List Price Ratio (\$)



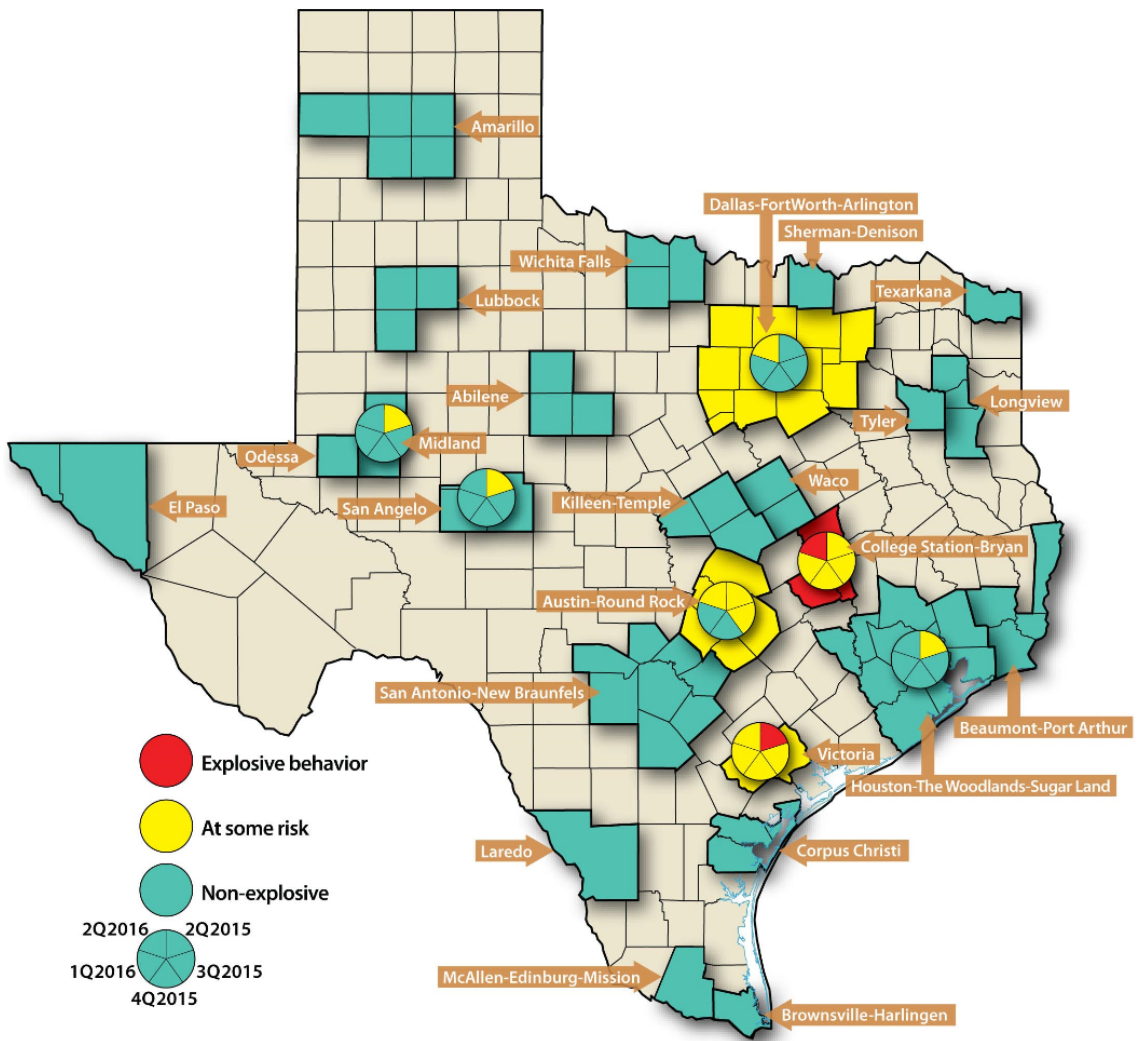
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

Housing Opportunity Index (Affordability Index) (Percentage of homes sold, affordable to median-income family)



Note: Seasonally Adjusted
Sources: National Association of Home Builders and Wells Fargo

Exuberant Housing Price Behavior (Index; 2Q2015 to 2Q2016)



Note: Red, above 95 percent critical value. Amber, 80-95 percent critical value. Green, below 80 percent critical value. Pie charts indicate the share spent within each range over the past five quarters (from 2015Q2 till 2016Q2). For more information, see: Luis B. Torres, Enrique Martínez-García, and Valerie Grossman (2016): "Curb Your Enthusiasm: Keeping an Eye on Home Prices." *Journal of the Real Estate Center at Texas A&M University Tierra Grande*, Vol. 23, July 2016.
Sources: Freddie Mac, Bureau of Labor Statistics, Real Estate Center at Texas A&M University, and Federal Reserve Bank of Dallas



MAYS BUSINESS SCHOOL

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

<http://recenter.tamu.edu>
979-845-2031

DIRECTOR

GARY W. MALER

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