Finding Shelter: Assessing Texas Residential Real Estate Amid the Oil Slump

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Texas Housing Market 2016

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REAL ESTATE CENTER
TEXAS A&M UNIVERSITY
Macro Housing Issues

- **Demographics**: growing, shifting
- **Affordability**: workforce priced out of ownership
- **Capital**: more equity
- **Infrastructure**: transportation, education, utilities
- **Development**: Design, Density, Resources and Processes
- **Regulatory**: lending; environmental; land use
  - Federal
  - State
  - Local Growth Controls/Initiatives
National Housing Market
2016 National Housing Market

- **Mortgage Rates**: up ~0.5% over the year (4% → 4.5%)
- **Household Formations**: ~1.25 million
- **Rental Market**: tight, low vacancies, higher rents
- **Owner Market**: sales volume and prices up ~5%
  - Increased first-timers, millennials more active
- **Single-family Rental**: organized SF rental market with institutional owners
- **Home Construction**: builders focused on design, density, resources and processes
- **Affordability**: prices and rents increasing faster than incomes – eventual constraint on market
New SF Home Starts

1963-2002 average per year (1.06 million)

*2015 & 2016 NAHB projections Apr 2015

Source: US Census Bureau; NAHB; Real Estate Center at Texas A&M University
Mortgage and Federal Funds Rate

Source: Federal Reserve Board; FHLMC; Haver Analytics; Real Estate Center at Texas A&M University
Mortgage and 10-Year Treasury Rates

Source: Federal Reserve Bank of St. Louis; FHLMC; Real Estate Center at Texas A&M University
Texas Housing Market
## Mortgage & Tenure Status of Homes in Texas 2005 & 2014

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th></th>
<th>2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Homes</td>
<td>Percent of Total Units</td>
<td>Number of Homes</td>
<td>Percent of Total Units</td>
</tr>
<tr>
<td>Total Housing Units</td>
<td>9,026,011</td>
<td></td>
<td>10,426,760</td>
<td></td>
</tr>
<tr>
<td>Total Occupied Units</td>
<td>7,978,095</td>
<td>88.4%</td>
<td>9,227,197</td>
<td>89.0%</td>
</tr>
<tr>
<td>Total Renter-Occupied Housing Units</td>
<td>2,815,491</td>
<td>35.3%</td>
<td>3,602,956</td>
<td>38.8%</td>
</tr>
<tr>
<td>Total Owner-Occupied Housing Units</td>
<td>5,162,604</td>
<td>64.7%</td>
<td>5,674,241</td>
<td>61.2%</td>
</tr>
<tr>
<td>O-O units with a mortgage</td>
<td>3,237,790</td>
<td>62.7%</td>
<td>3,307,196</td>
<td>58.3%</td>
</tr>
<tr>
<td>O-O units without a mortgage</td>
<td>1,924,814</td>
<td>37.3%</td>
<td>2,367,045</td>
<td>41.7%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2005 & 2014 American Community Survey
Annual Texas Home Sales

2015 Record Year!!

Source: Real Estate Center at Texas A&M University
Texas Monthly Home Sales & WTI Price/bl
January 1986 to Present

Dec. ’15 1st month < $40 since Feb ‘09

Source: EIA; Real Estate Center at Texas A&M University
2015 Home Sales and Median Prices by Metro Areas

Texas:
- Median Sales Price: 7.3%
- Sales Volume: 3.4%

San Antonio:
- Median Sales Price: 7.1%
- Sales Volume: 9.1%

Houston:
- Median Sales Price: 6.7%
- Sales Volume: -2.5%

Fort Worth:
- Median Sales Price: 7.6%
- Sales Volume: 9.8%

El Paso:
- Median Sales Price: 1.1%
- Sales Volume: 10.7%

Dallas:
- Median Sales Price: 9.1%
- Sales Volume: 11.3%

Austin:
- Median Sales Price: 8.9%
- Sales Volume: 3.8%

Source: Real Estate Center at Texas A&M University
Texas Months’ Inventory

Inventory at extremely low level relative to market activity

Source: Real Estate Center at Texas A&M
Texas SF Building Permits

1990-2014 average 94,693/year

2014 +10%
2015 +4%

Source: US Census Bureau, Real Estate Center at Texas A&M
Texas SF Permits & WTI Price/bl.

Monthly January 1991 to Current

Source: U.S. Census; EIA; Real Estate Center at Texas A&M University
Texas MF Building Permits

1990-2014 average 34,368/year

2014 +20%  
2015 +1%

Source: US Census Bureau, Real Estate Center at Texas A&M
Texas Housing Affordability

Price vs. Income
Texas Monthly Median Home Price

Median Price on Trend

Source: Real Estate Center at Texas A&M University
Texas Average & Median Home Prices
12-Month Moving Average

Since Jan 2013, average price is up 20.9% & median price is up 26.0%

Source: Real Estate Center at Texas A&M University
Texas Median HH Income & Median Home Price Indexed to 1989

Source: U.S. Census Bureau; Real Estate Center at Texas A&M University
Texas Households by Highest Affordable Price

### Thousands of Households

- **$750,000+**: 450 (4.9%)
- **$500,000-$749,999**: 538 (5.9%)
- **$400,000-$499,999**: 602 (6.6%)
- **$300,000-$399,999**: 1,007 (11.1%)
- **$250,000-$299,999**: 645 (7.1%)
- **$200,000-$249,999**: 893 (9.8%)
- **$175,000-$199,999**: 526 (5.8%)
- **$150,000-$174,999**: 576 (6.3%)
- **$125,000-$149,999**: 644 (7.1%)
- **$100,000-$124,999**: 689 (7.6%)
- **$70,000-$99,999**: 858 (9.4%)
- **$<70,000**: 1,682 (18.5%)

### Source
US Census Bureau 2013 American Community Survey; Real Estate Center at Texas A&M University

- **20% down; 4.15% interest; 35% qualifying ratio; and 5.5% taxes, insurance & utilities**
- **~43% of Texas HHs cannot afford home priced > $150,000**
Texas Households by Highest Affordable Price

<table>
<thead>
<tr>
<th>Price Range</th>
<th>Thousands of Households</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$&gt;750,000</td>
<td>443</td>
<td>4.9%</td>
</tr>
<tr>
<td>$500,000-$749,999</td>
<td>432</td>
<td>4.7%</td>
</tr>
<tr>
<td>$400,000-$499,999</td>
<td>519</td>
<td>5.7%</td>
</tr>
<tr>
<td>$300,000-$399,999</td>
<td>996</td>
<td>10.9%</td>
</tr>
<tr>
<td>$250,000-$299,999</td>
<td>636</td>
<td>7.0%</td>
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<tr>
<td>$200,000-$249,999</td>
<td>886</td>
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<td>671</td>
<td>7.4%</td>
</tr>
<tr>
<td>$100,000-$124,999</td>
<td>1,117</td>
<td>12.3%</td>
</tr>
<tr>
<td>$70,000-$99,999</td>
<td>494</td>
<td>5.4%</td>
</tr>
<tr>
<td>$&lt;70,000</td>
<td>1,802</td>
<td>19.8%</td>
</tr>
</tbody>
</table>

Source: US Census Bureau 2013 American Community Survey; Real Estate Center at Texas A&M University

- 10% down; 4.15% interest; 35% qualifying ratio; and 5.5% taxes, insurance & utilities
- ~45% of Texas HHs cannot afford home priced > $150,000
Texas Households by Highest Affordable Price

- $750,000+: 4.9% (438 households)
- $500,000-$749,999: 4.7% (385 households)
- $400,000-$499,999: 5.7% (465 households)
- $300,000-$399,999: 10.9% (956 households)
- $250,000-$299,999: 7.0% (660 households)
- $200,000-$249,999: 9.7% (867 households)
- $175,000-$199,999: 5.9% (530 households)
- $150,000-$174,999: 6.3% (589 households)
- $125,000-$149,999: 7.4% (678 households)
- $100,000-$124,999: 12.3% (730 households)
- $70,000-$99,999: 5.4% (927 households)
- <$70,000: 19.8% (1,885 households)

Source: US Census Bureau 2013 American Community Survey; Real Estate Center at Texas A&M University

3% down; 4.15% interest; 35% qualifying ratio; and 5.5% taxes, insurance & utilities

~46% of Texas HHs cannot afford home priced > $150,000
December Closed Sales Texas MSAs

Y/Y Percent Change

Dec. Sales +6%
YTD Sales +4%

Source: MetroTex; Texas Realtor®
Data Relevance Project, Real Estate Center at Texas A&M University
December Average Sales Price/Sq.Ft. Y/Y Percent Change

Dec. P/SF +4%
YTD P/SF +6%
Md. Pr. YTD +7%

Source: MetroTex; Texas Realtor® Data Relevance Project, Real Estate Center at Texas A&M University
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