The beleaguered Texas housing market has been getting some help from Washington's attempts to revive the economy. First-time homebuyers in the state are taking advantage of tax credits of as much as $8,000 provided by the American Recovery and Reinvestment Act of 2009. Due in part to the credit, first-time buyers account for almost half of U.S. home sales this year, the National Association of Realtors reports. The Beige Book, the Dallas Fed's anecdotal survey of regional business activity, suggests the percentage may be even higher in Texas, with contacts saying tax credits have been a factor in as much as 80 percent of sales at some companies.

Texas existing home sales increased 0.8 percent in the second quarter, rebounding from more than two years of declines and a near-record 10.8 percent contraction in fourth quarter 2008—just before the tax credit took effect Jan. 1. Existing home inventories have since leveled off, and the median home price has rebounded 6.1 percent from its November 2008 low. The challenge will be maintaining this momentum in the face of high unemployment, low appraisal values and the tax credit's Dec. 1 expiration date. Another key issue is whether households took advantage of the tax credits to buy this year rather than next—and how much that will dampen the housing market in 2010.

—Jessica Renier

QUOTABLE: “The downward slide in the Texas economy continues to slow. Recent indicators and anecdotal reports continue to point toward stabilization, albeit at subdued levels.”

D’Ann Petersen, Business Economist