

# Macro and Housing Overview

September 17, 2024



TEXAS A&M UNIVERSITY  
Texas Real Estate  
Research Center

Prepared for:  
Homebuilders Association of San Angelo

Dr. Daniel Oney  
Research Director

# Objectives and Time

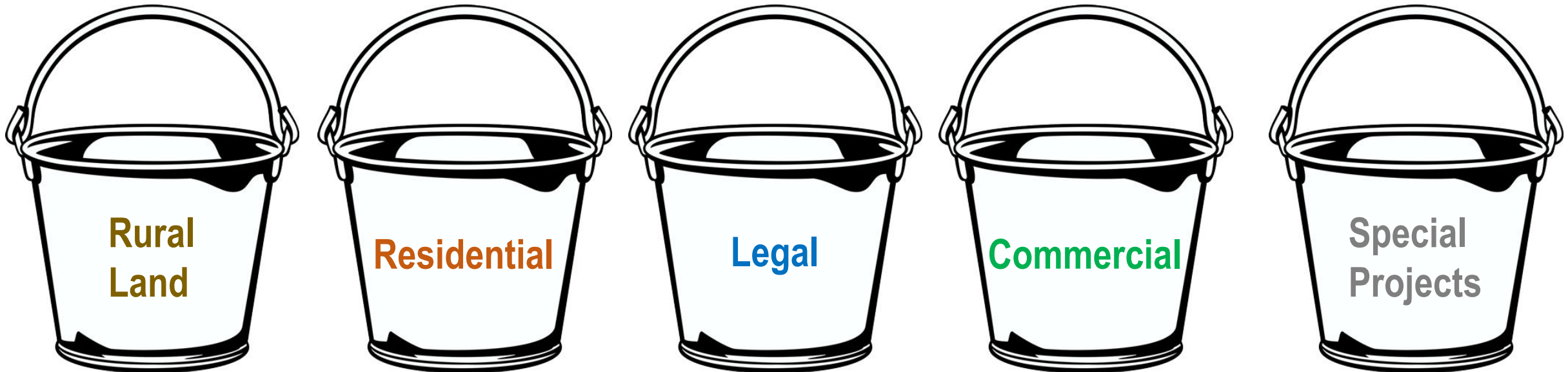
1. Review demographic and economic drivers of real estate markets.
2. Evaluate Texas and local housing trends and outlook.

**30 Minute  
Presentation**

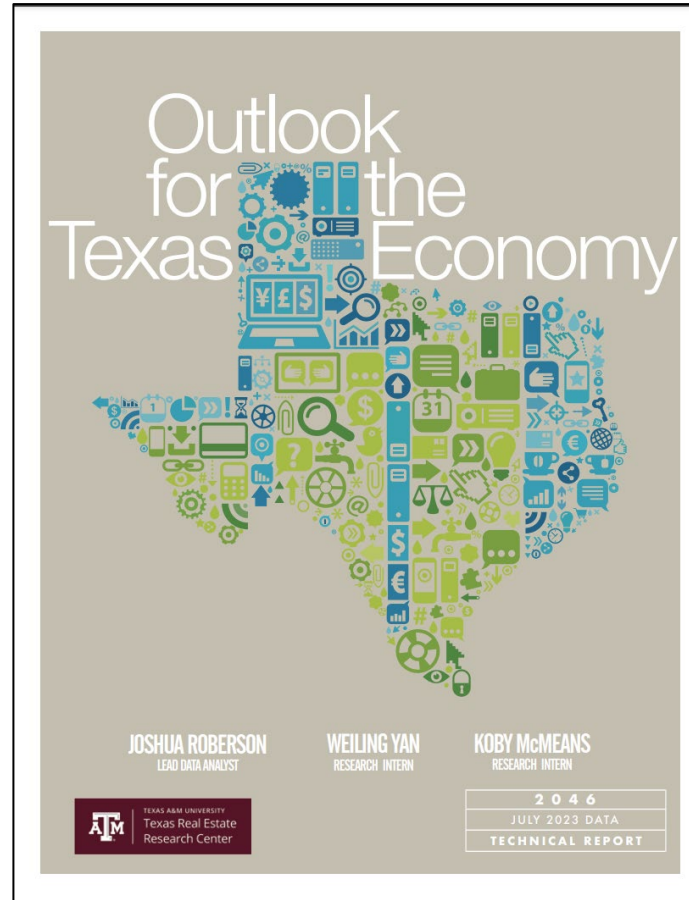
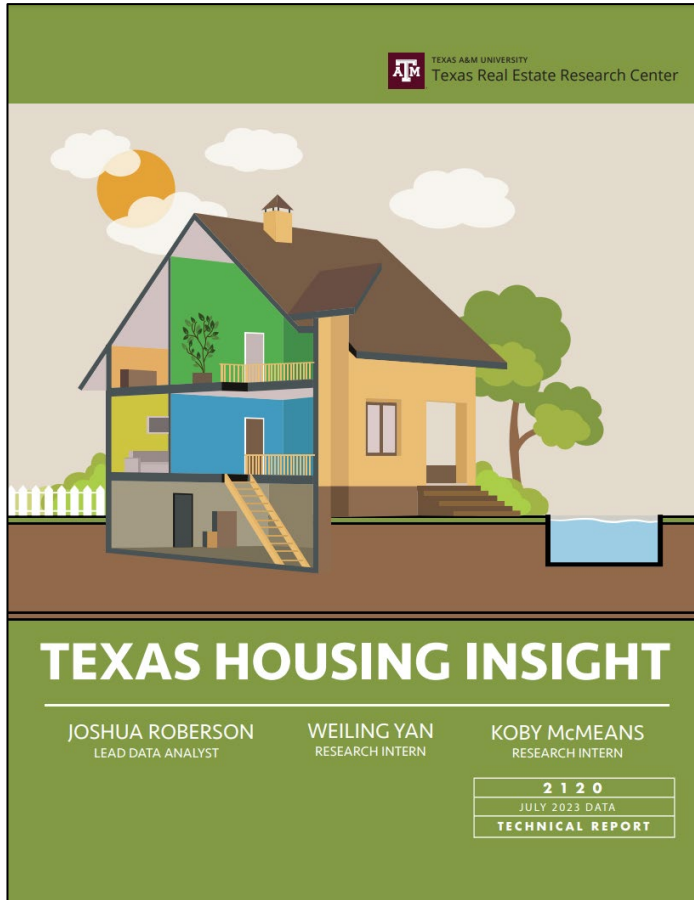
**Q&A**

# Texas Real Estate Research Center (TRERC)

- Created by Texas Legislature in 1971 (EDUCATION CODE 86.51.)
- Advisory board of real estate professionals approves research agenda
- Texas A&M University in Division of Research



<https://trerc.tamu.edu/>



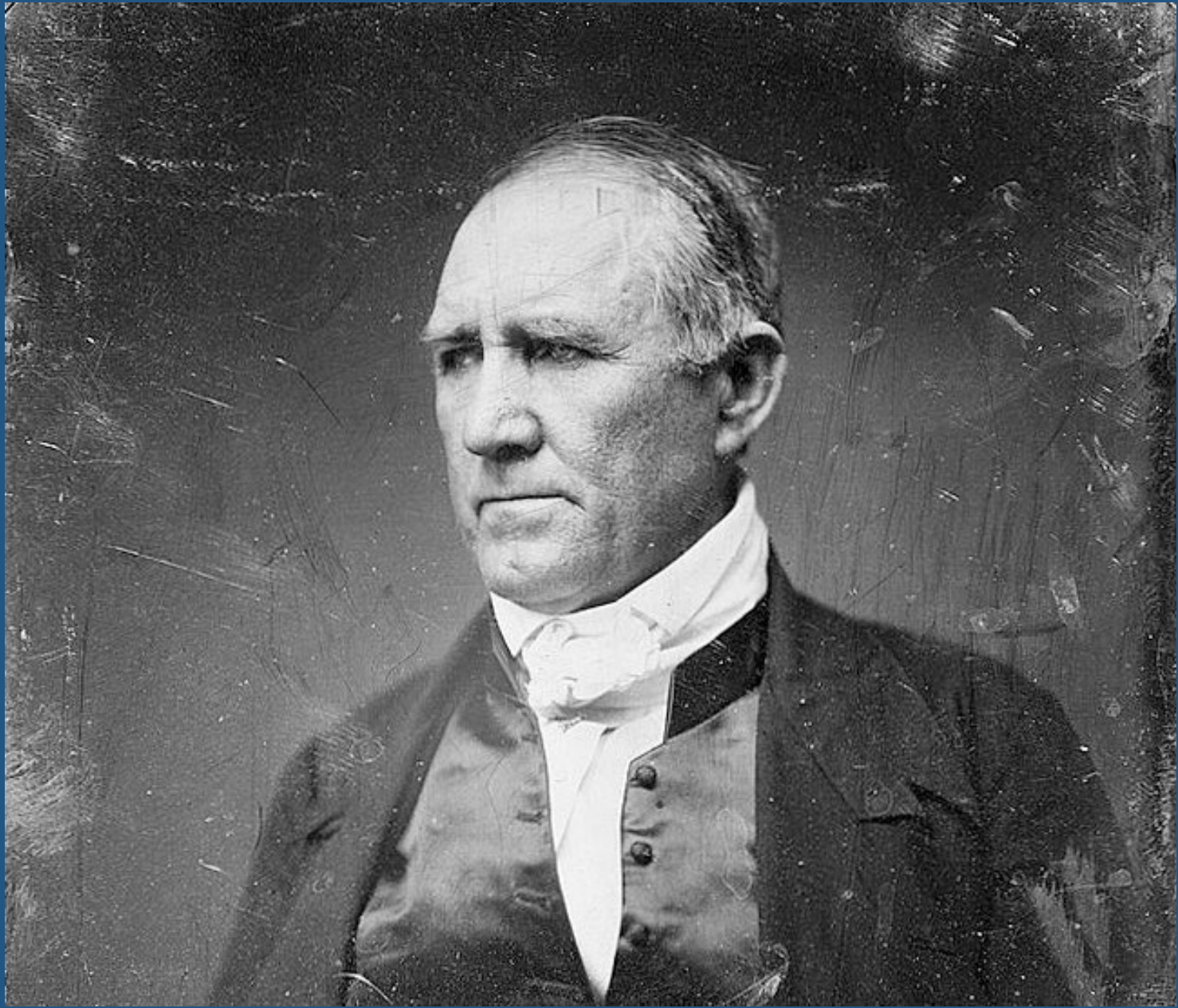
# Doesn't everyone love a streak?

- 5 – World Series wins by NY Yankees (1949 to 1953)
- 28 – years since Dallas Cowboys in Superbowl (last in 1996)
- 18 – elections Democrats carry Texas (1848 to 1924)
  - 11 – wins by Republicans (since 1980)
- 80 – years of California adding the most people

# Demographic Trends

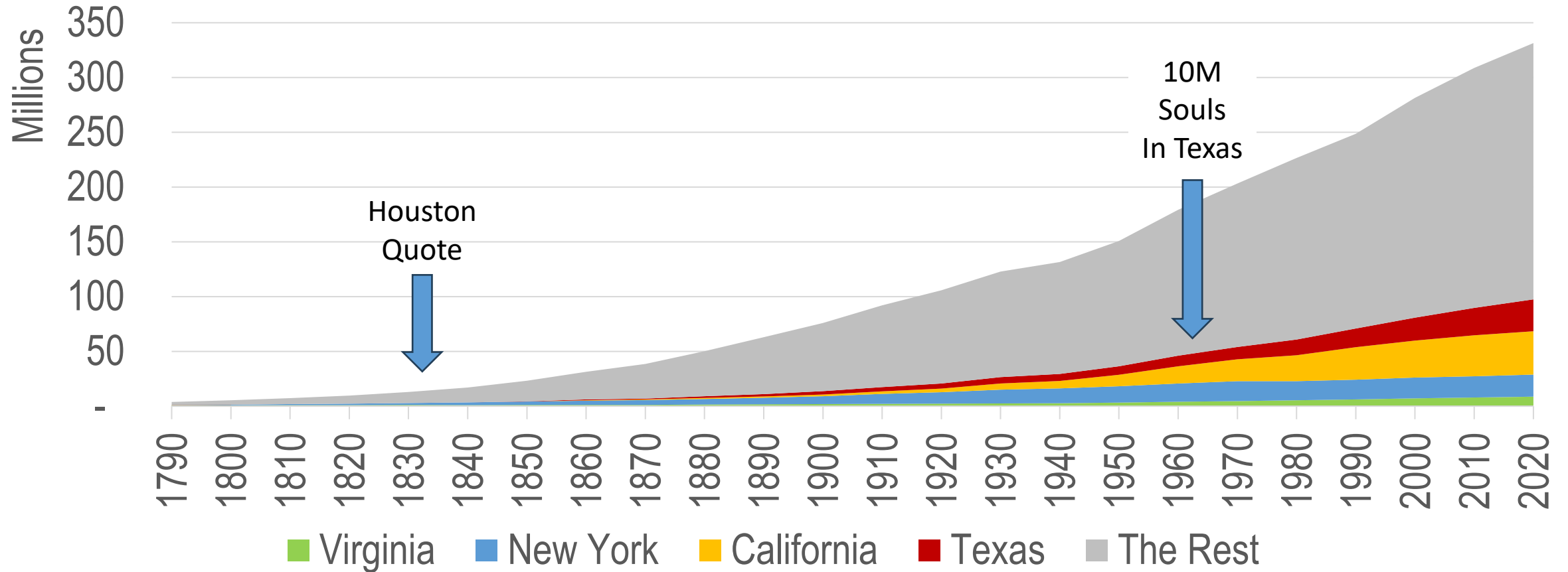
Persistent population growth supports demand for goods, services, and real estate. Texas growth increasingly concentrated in major markets.

“There can be no doubt the country east of the Rio Grand of the north would sustain a population of ten millions of souls”





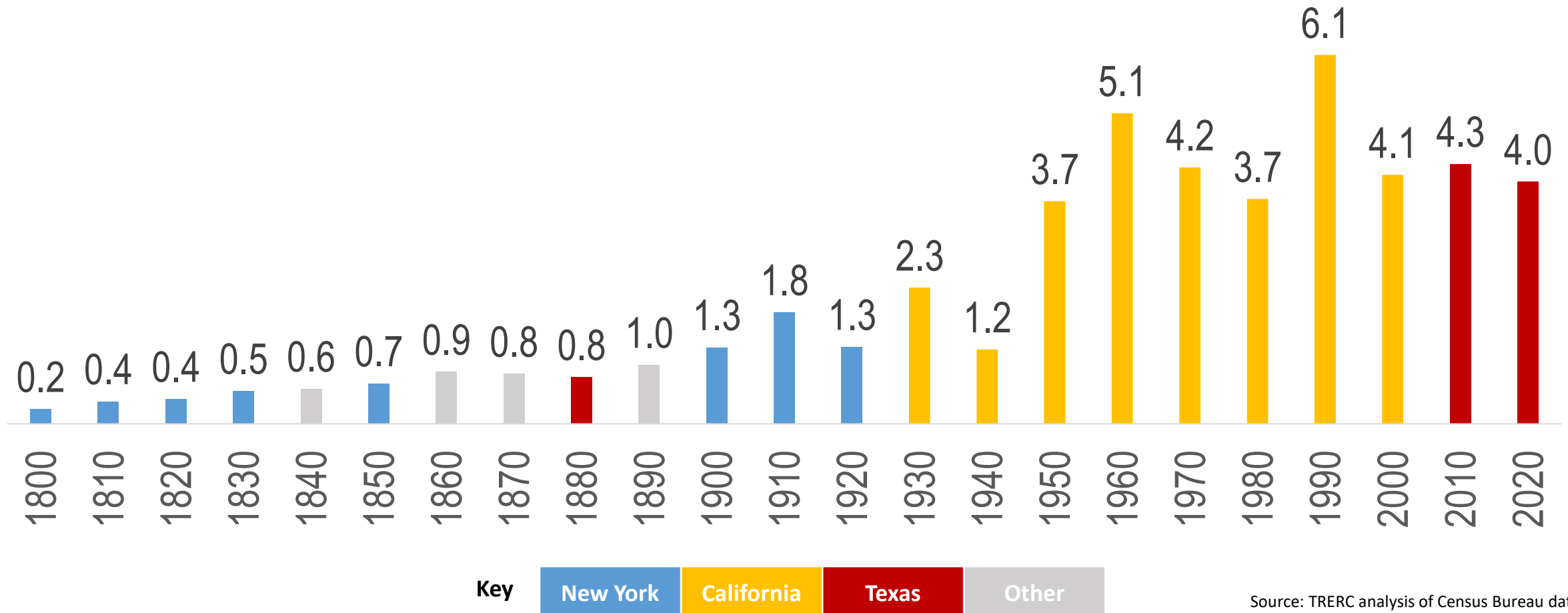
# Population of the largest states + Texas (Millions)



Source: Census Bureau

# Will Texas have an 80-year run at #1?

(Largest state population increase, Millions)

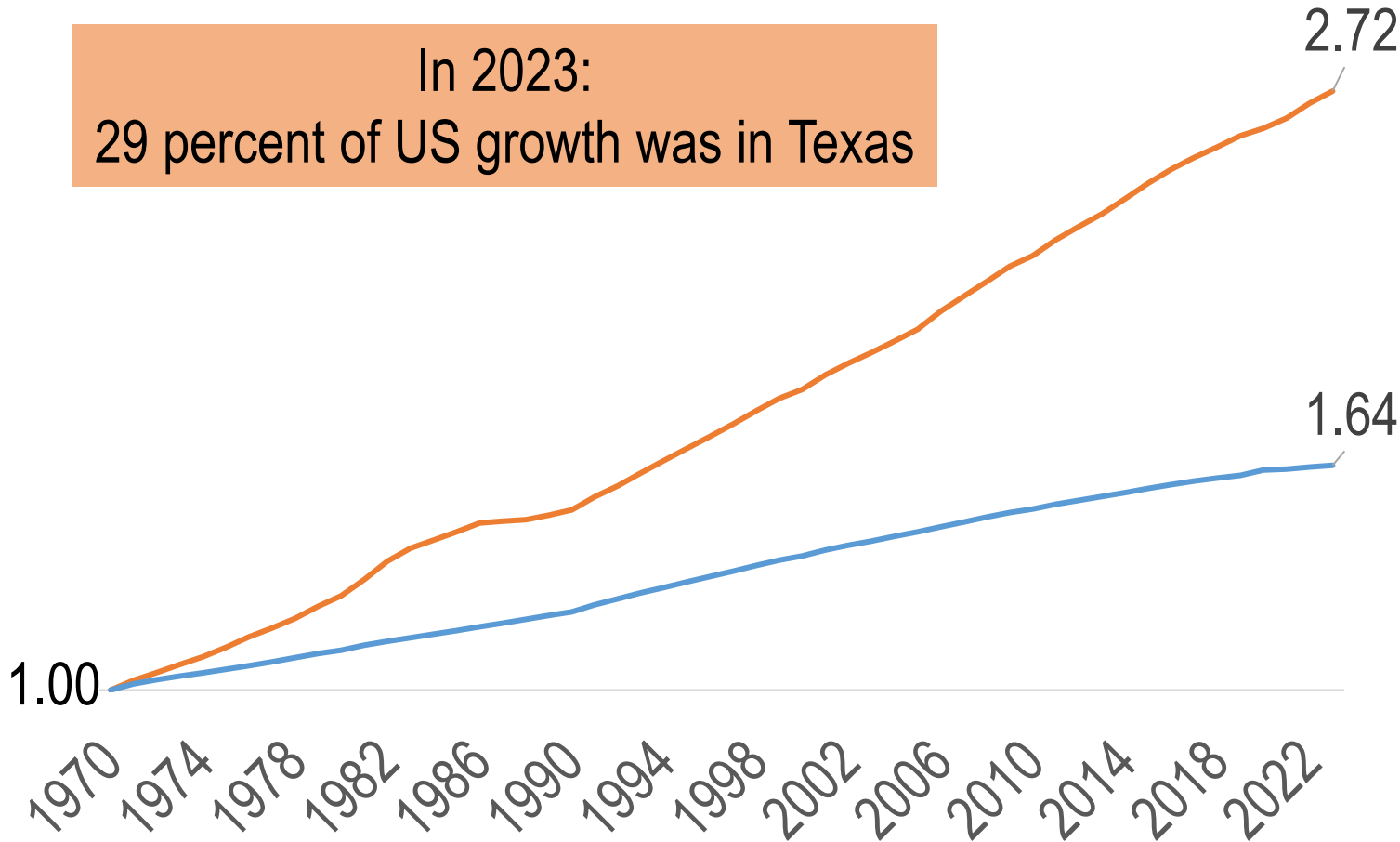


Source: TRERC analysis of Census Bureau data.

# Texas' population up 2.7X since 1970

(Population indices, 1970 = 1.00)

In 2023:  
29 percent of US growth was in Texas

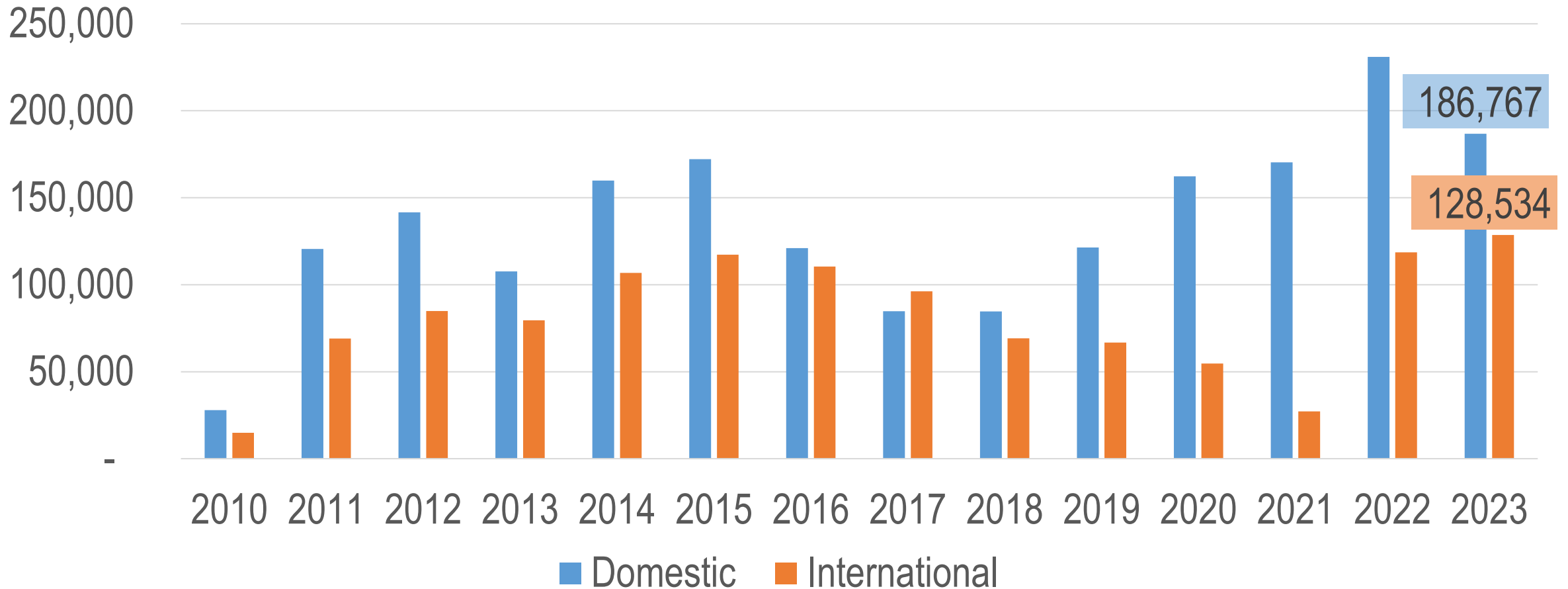


Population Millions			
	1970	2023	Change
USA	203.3	334.9	131.6
TX	11.2	30.5	19.3

Source: U.S. Census Bureau, Texas Real Estate Research Center.

# Texas net migration still up, international at high

(Net domestic and international migration)



Source: Census Bureau.

# 1,300 new Texans every day

(Population Change July 1 2022 to July 1 2023)

## Net Daily:

- 352 from another country
- 511 from another state
- 1,069 born
- 636 die

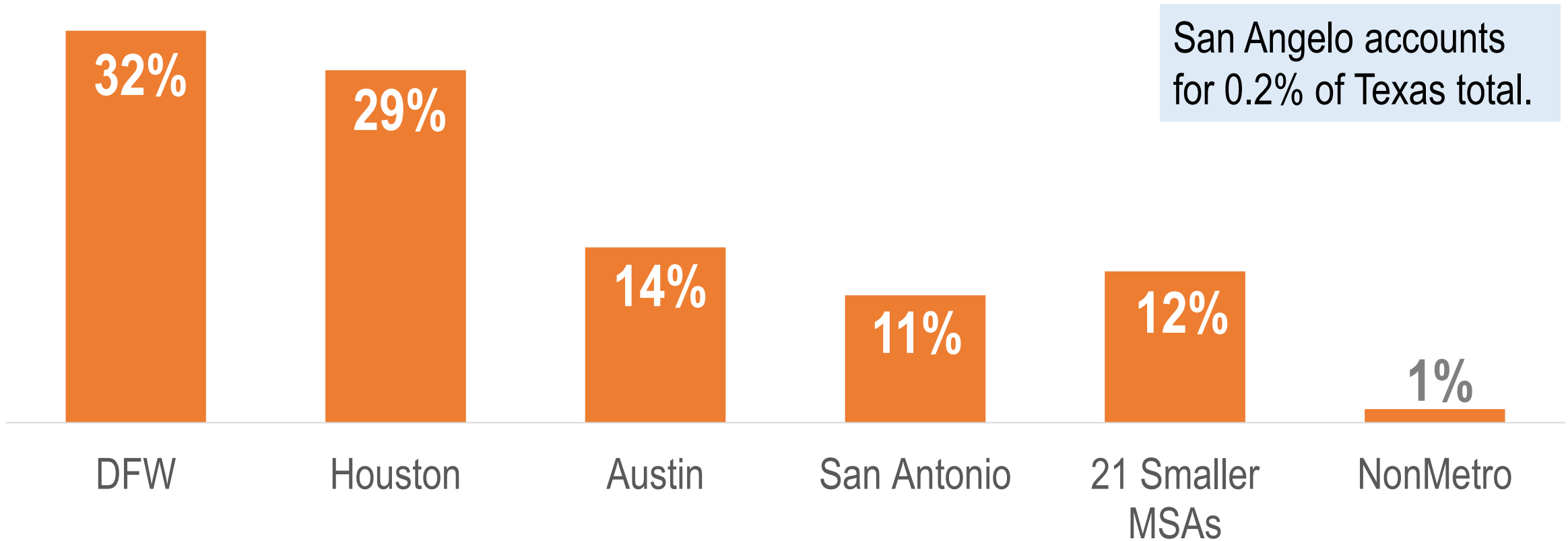
= 474,000 annually

Source: TRERC analysis of U.S. Census Bureau.

# Growth even more concentrated in larger MSAs

(Share of total Texas population change since 2010)


86 percent in Big-4

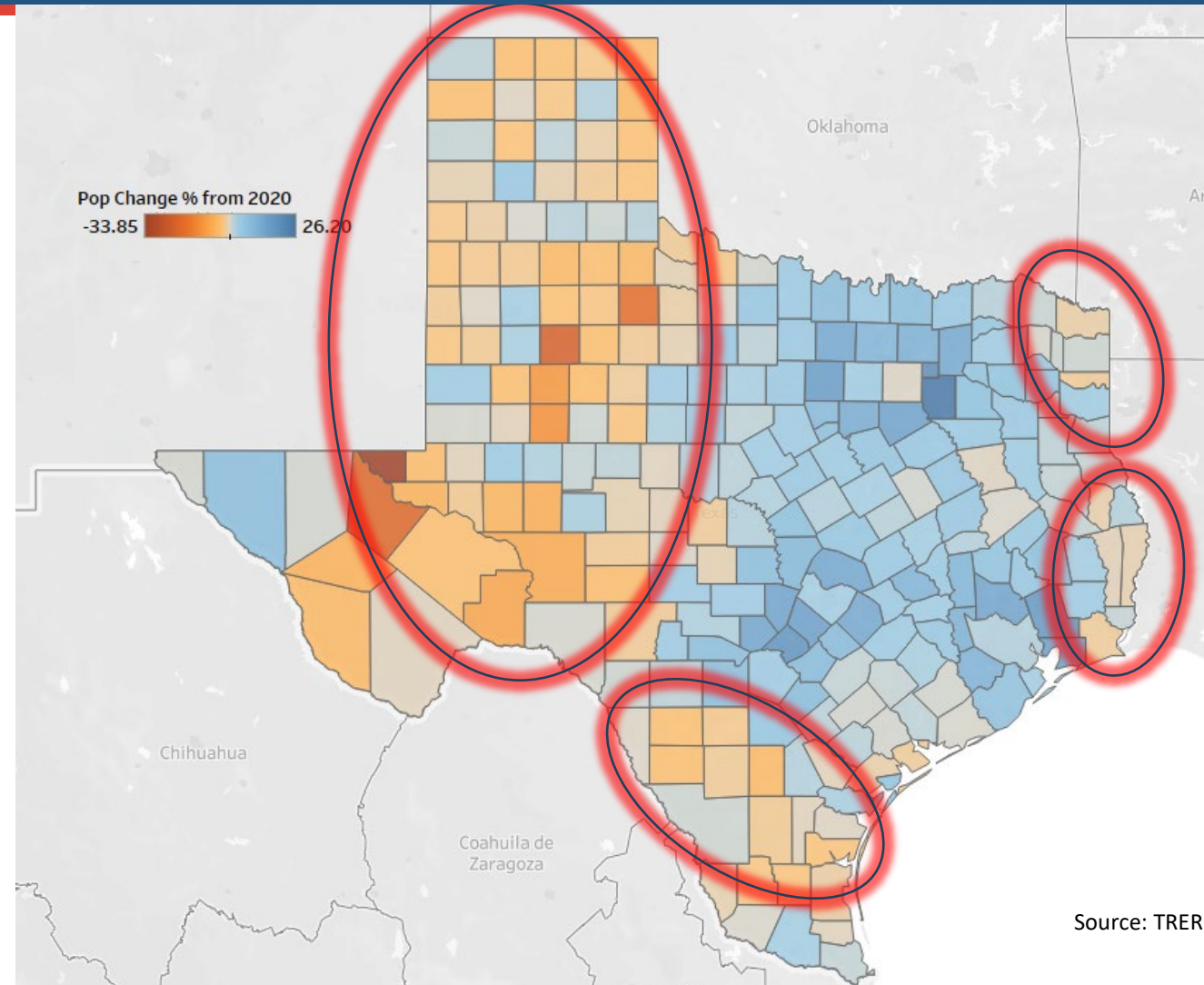


Source: TRERC analysis of Census Bureau data.

# Population loss outside the Triangle

(Percent population growth since 2020)

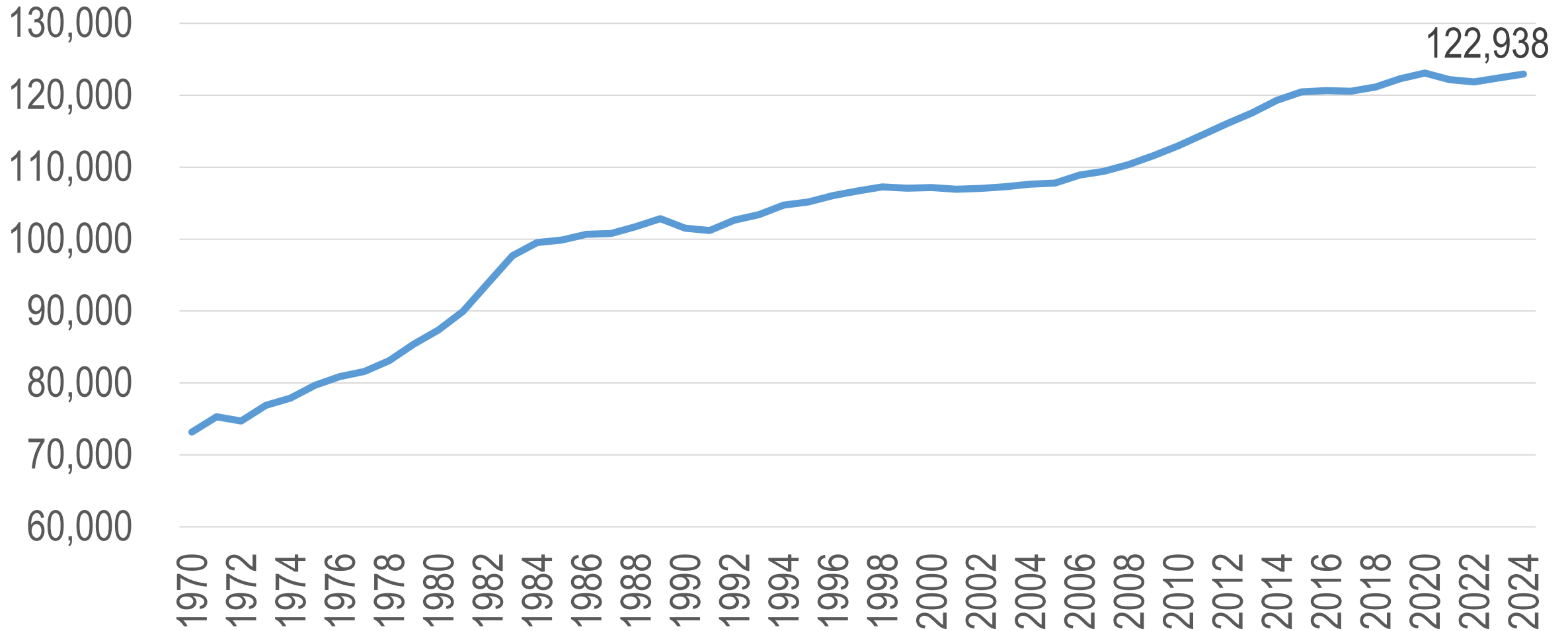
 Falling population zones



Source: TRERC analysis of Census Bureau data.

# San Angelo growth matches oil booms

(MSA Population)

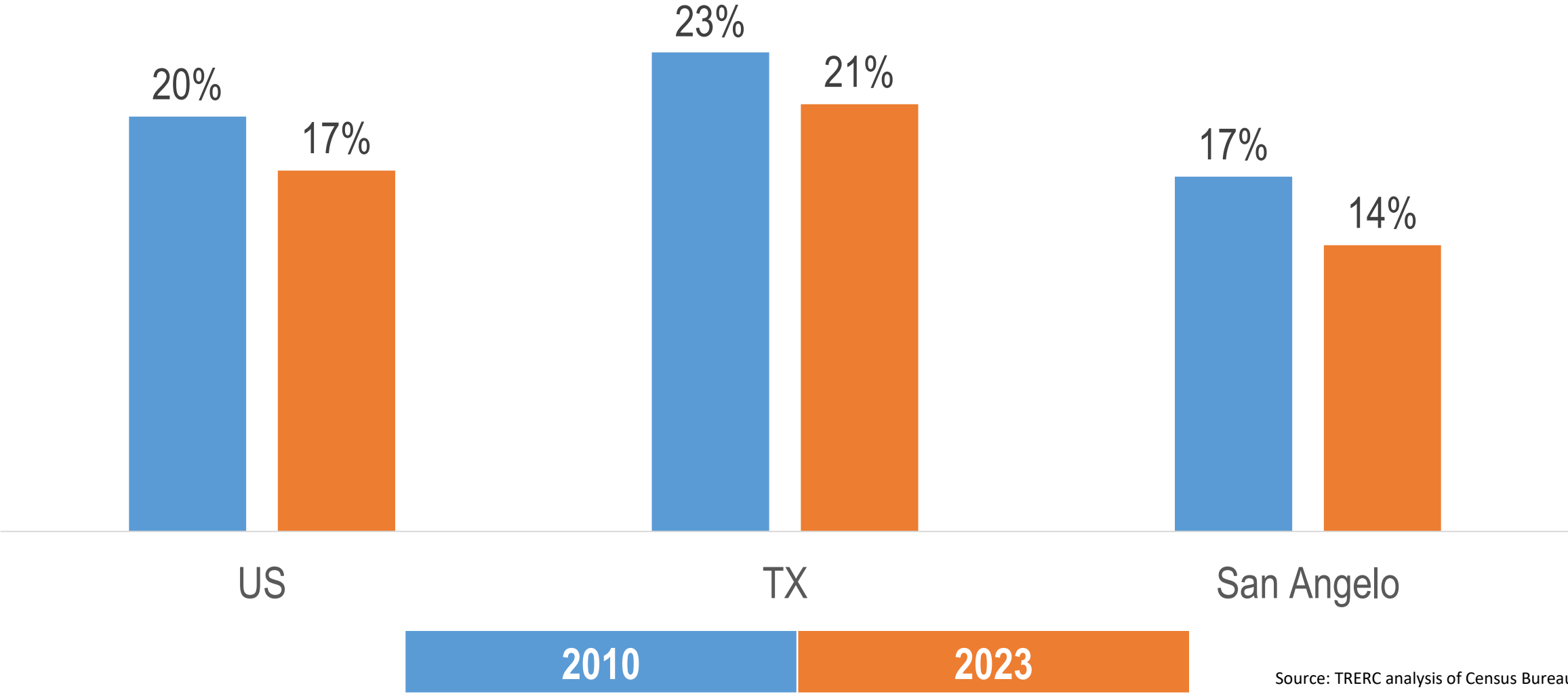


Source: TRERC analysis of Census Bureau data.



# “Traditional” home demographic scarcer locally

(Married with children share of all households)



Source: TRERC analysis of Census Bureau data.

# Texas Demographic Takeaways

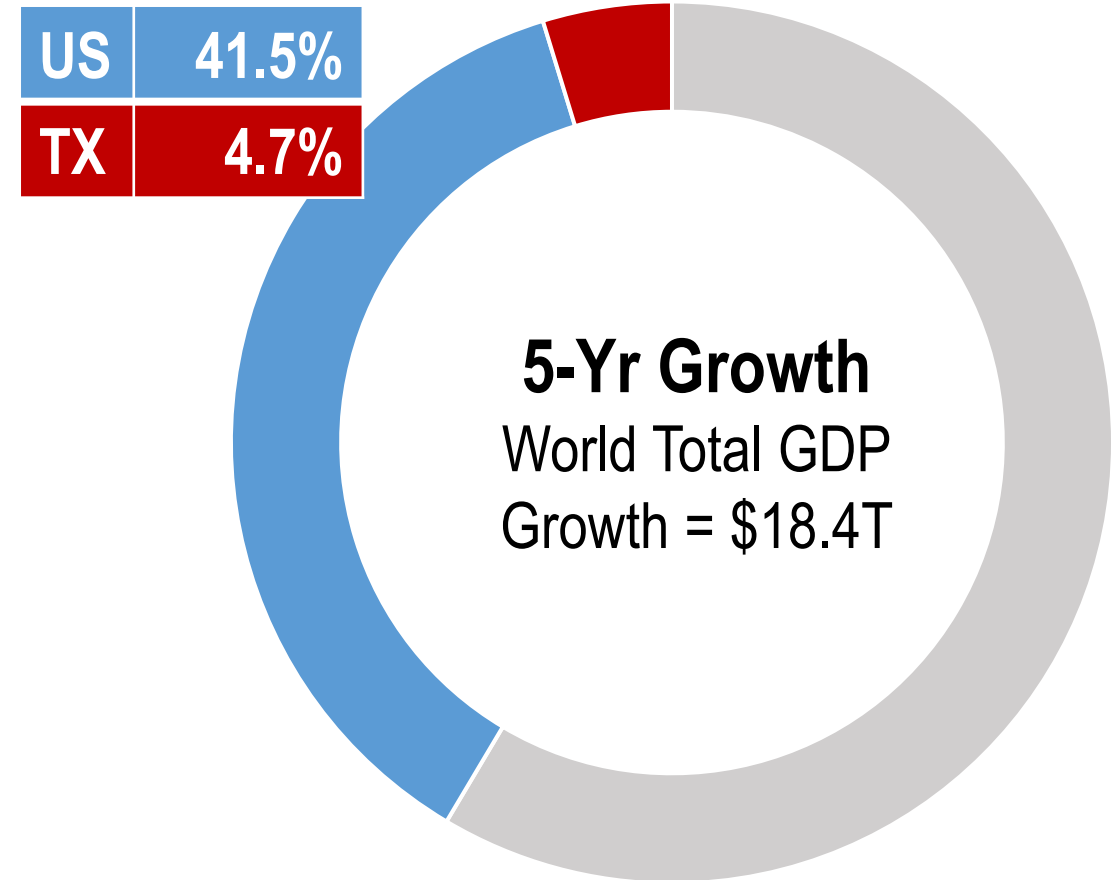
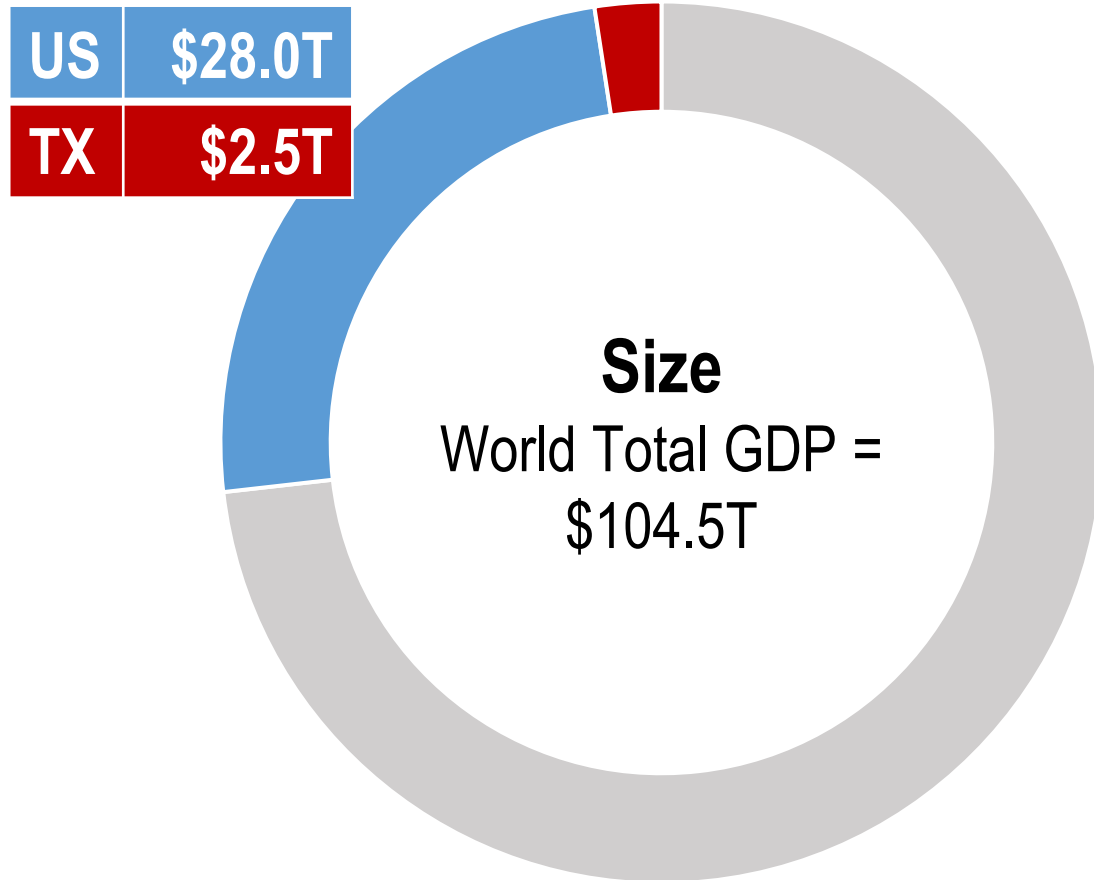
- Texas continues to outgrow the nation.
- Texas' growth is not unprecedented, and its continuation depends on accommodating talent and business investment.
- Growth is increasingly concentrated in the Big-4 MSAs – much of the state is losing population.
- The demographic profile is becoming less favorable to continued growth.

# Macroeconomic Drivers

Key drivers of real estate markets are generally strong, relative to recent decades.

# Texas punching above its weight in global economy

(GDP in \$Trillions; Percent of 5-Yr Global Change in GDP)

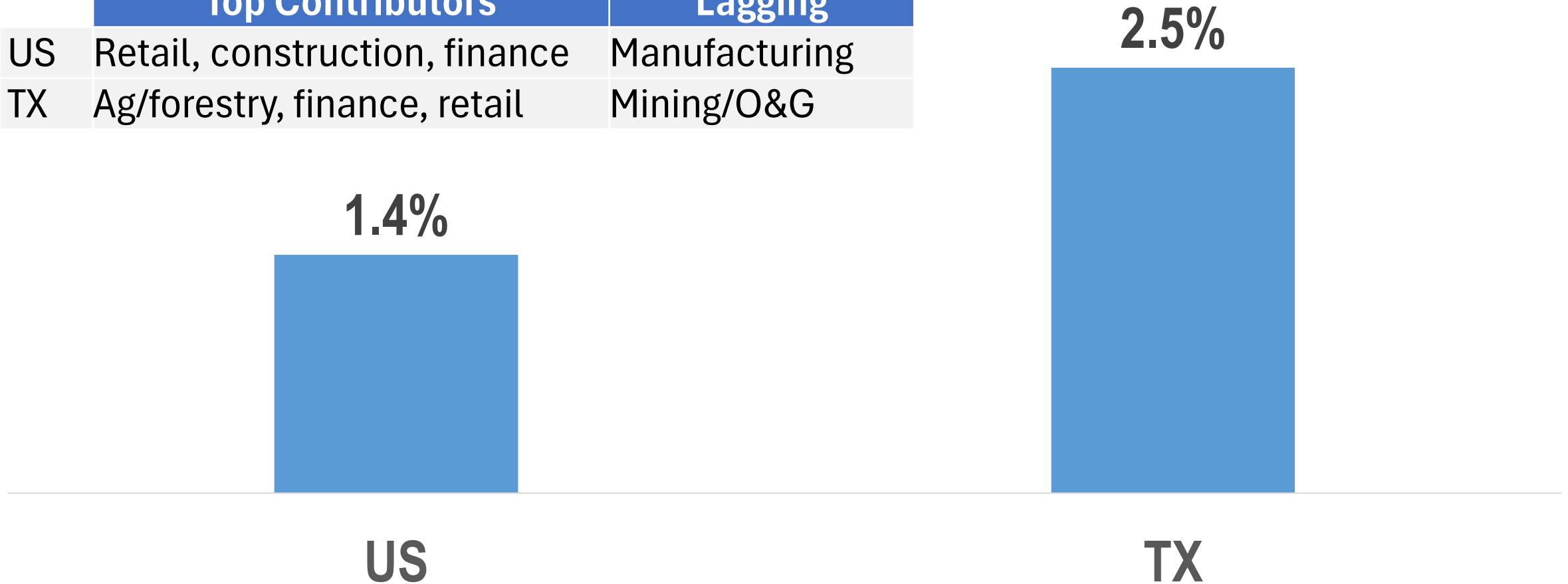


Source: TRERC analysis of IMF and US BEA data.

# Texas GDP still outperforming US

(GDP, Q1 Annualized Growth Rate)

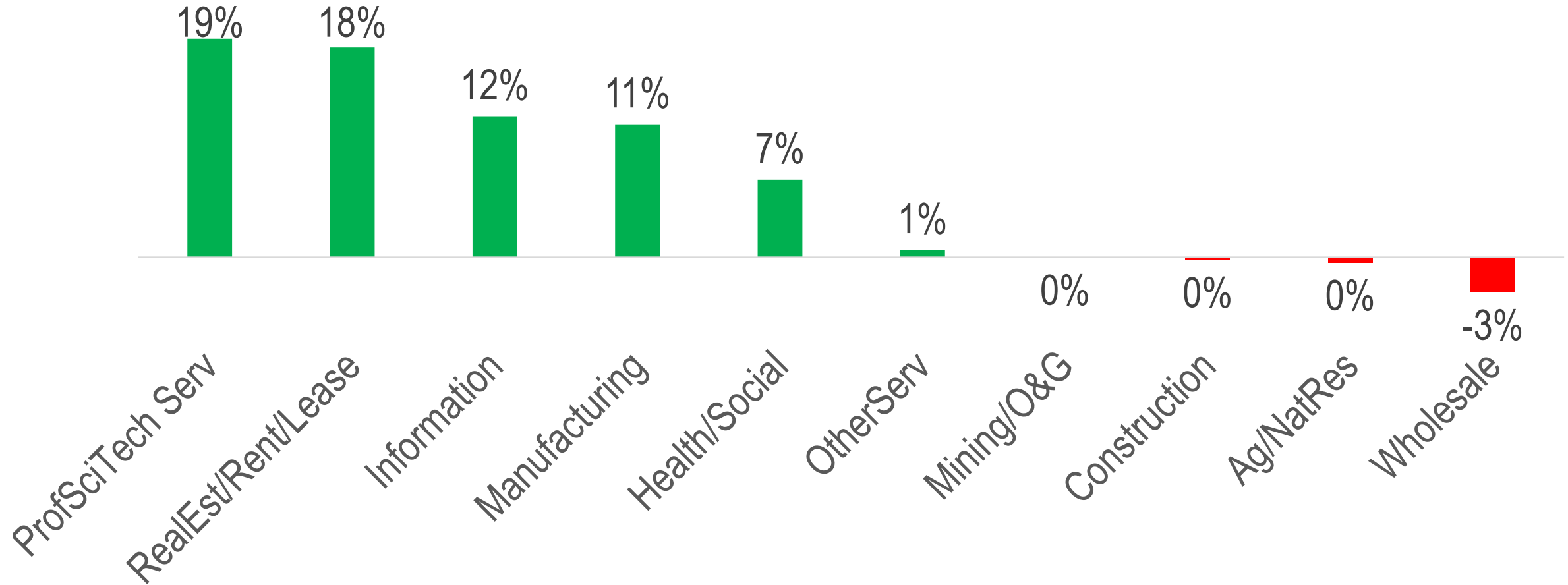
	Top Contributors	Lagging
US	Retail, construction, finance	Manufacturing
TX	Ag/forestry, finance, retail	Mining/O&G



Source: Texas Real Estate Research Center analysis of BEA data.

# Real sectors a drag, services boost Texas growth

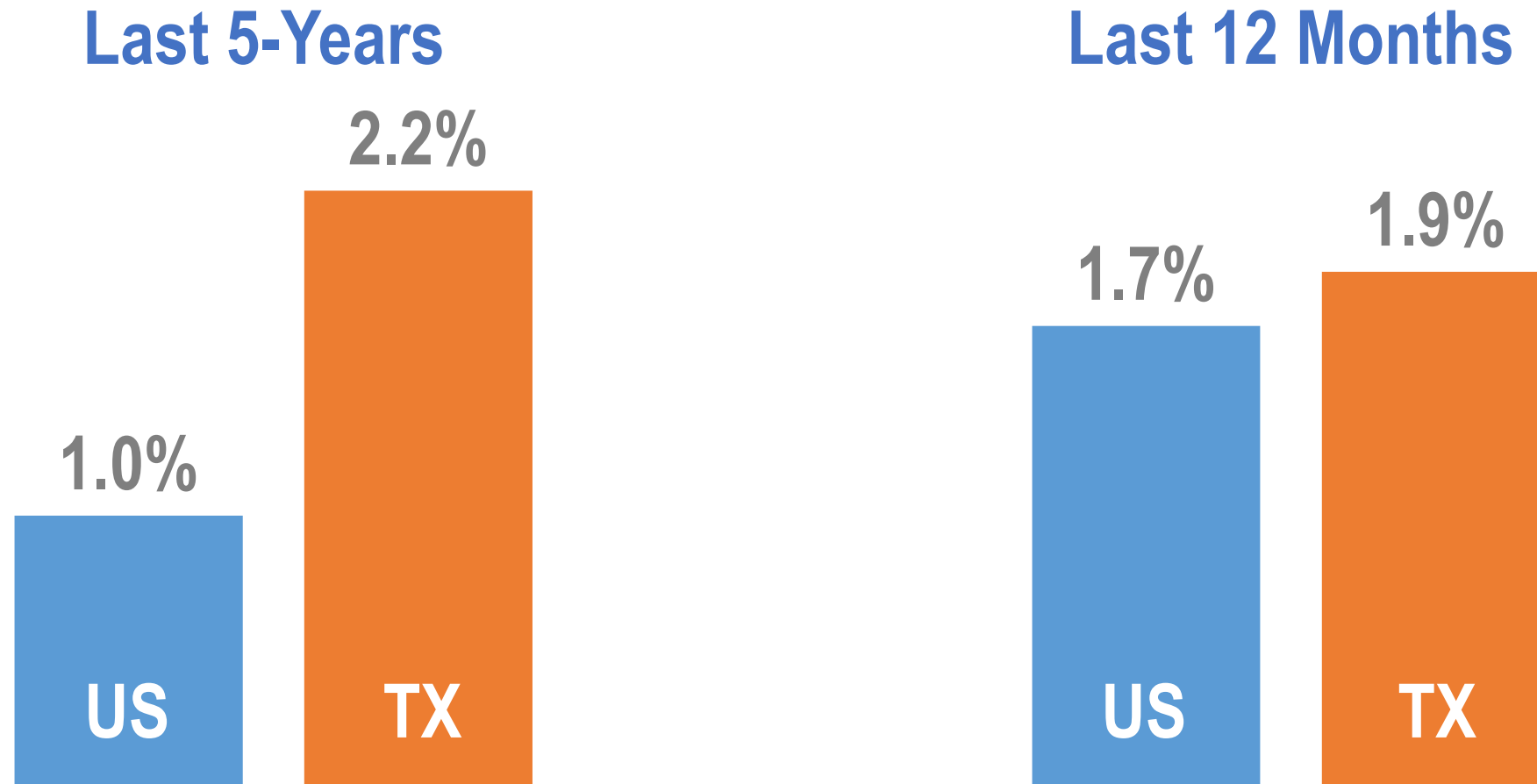
(Contribution to 3-Yr GDP change)



1.4. TX GDP Components  
Source: TRERC analysis of BEA data.

# Texas adding jobs faster than US, gap is closing

(Payroll employment, compound annual growth rates)

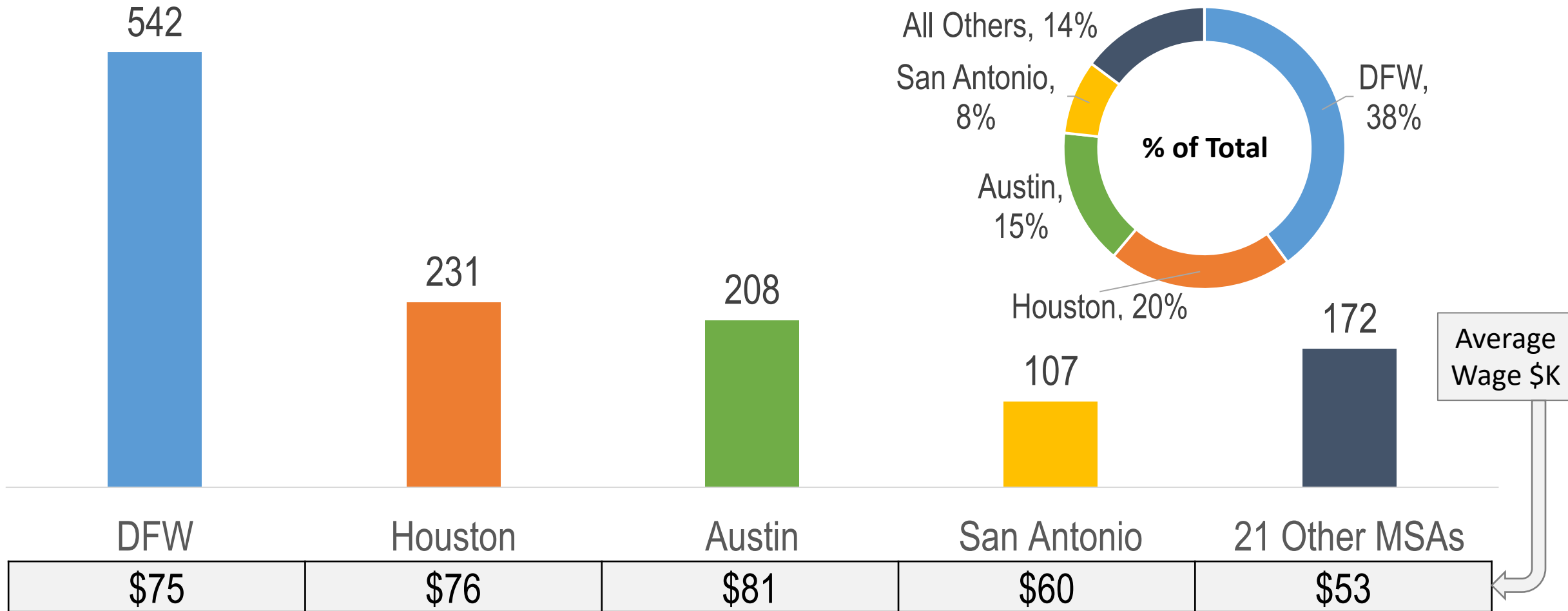


1.6. TX and US PayEmp  
Source: BLS

# Total payroll employment up, but concentrated

(Change since March 2020, 1,000s; Pct. of total)

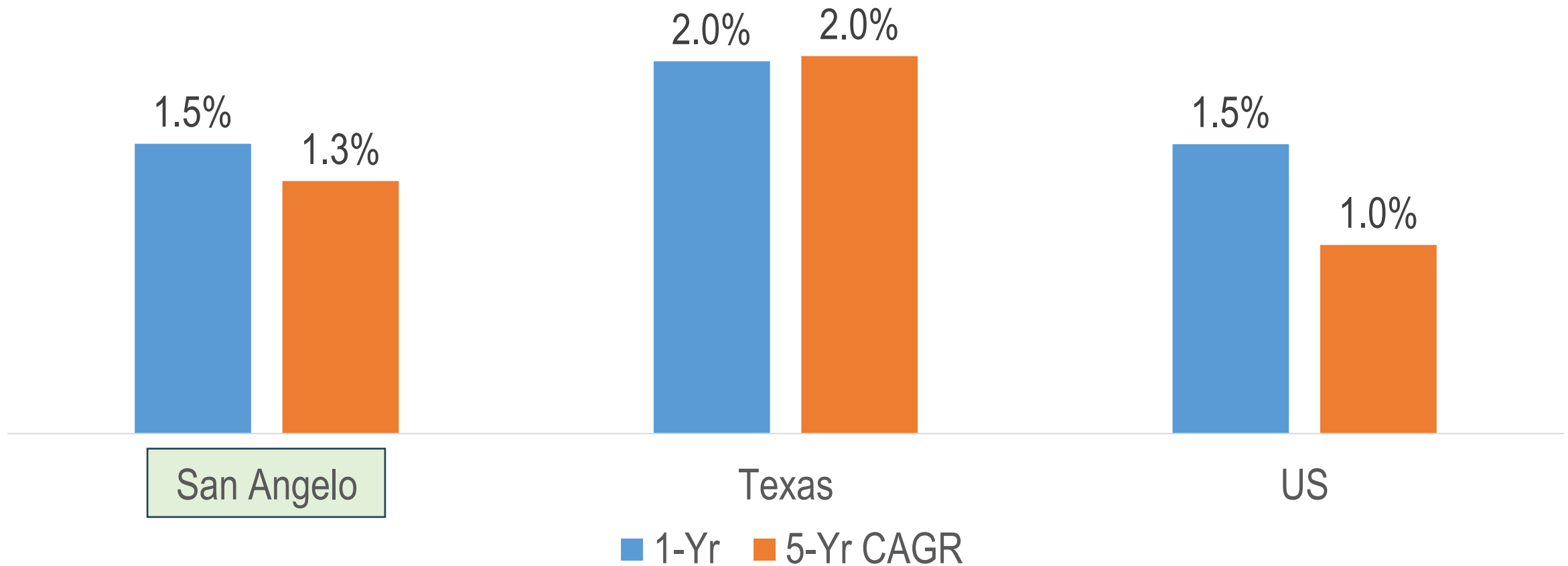
Source: TRERC analysis of BLS data.





# Local job growth beats US, lags Texas

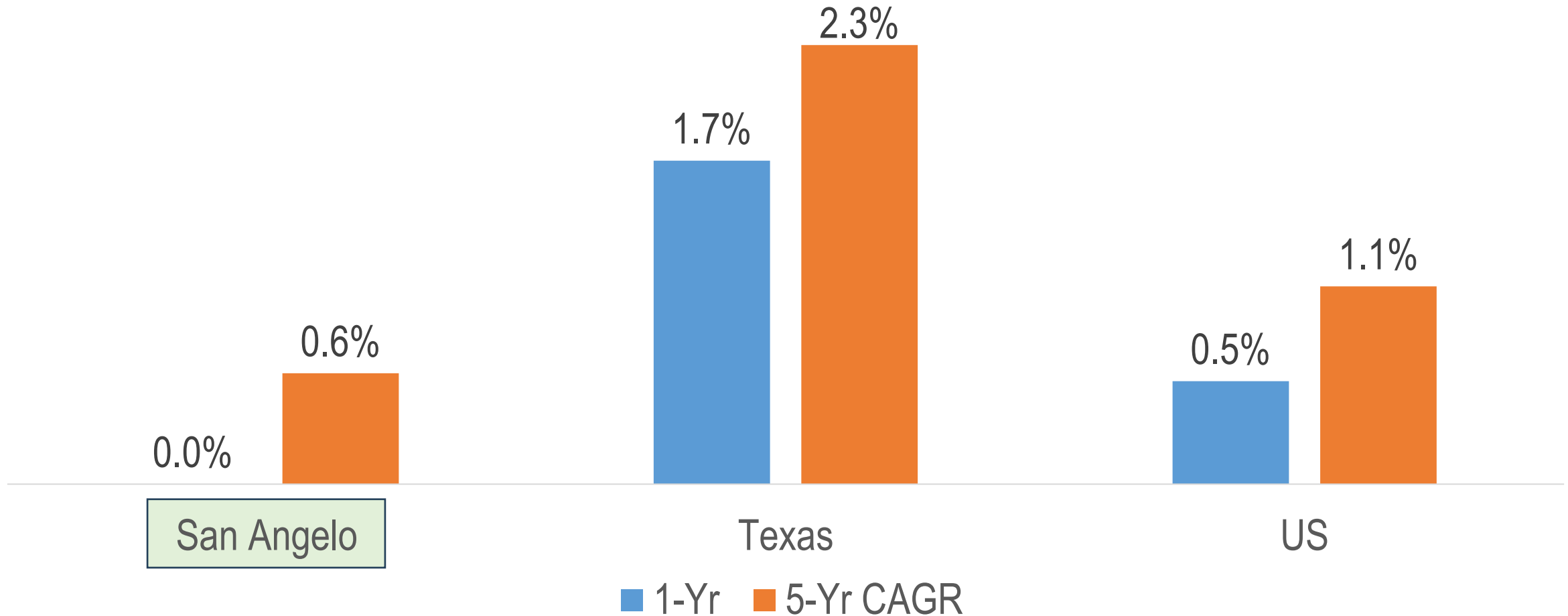
(Payroll employment pct. change)



Source: TRERC analysis of BLS data.

# Local industrial jobs lagging significantly

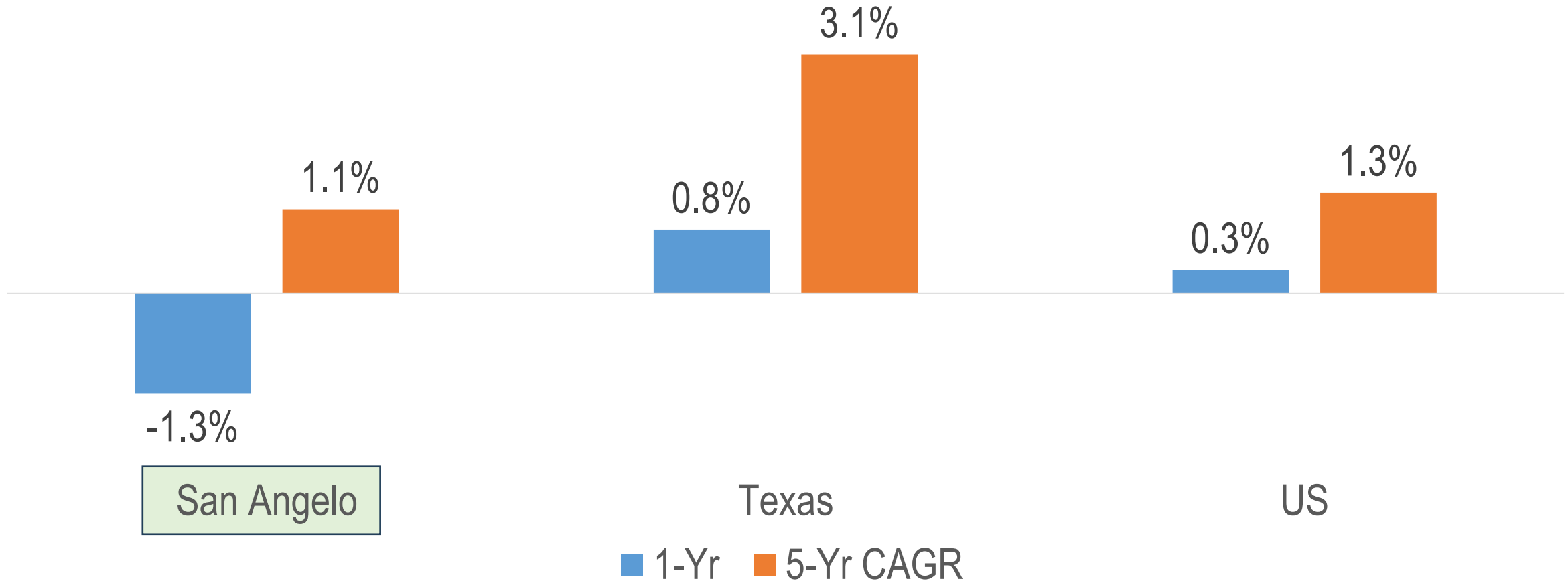
(Industrial-using payroll employment pct. change)



Source: TRERC analysis of BLS data.

# Local office jobs decreased recently

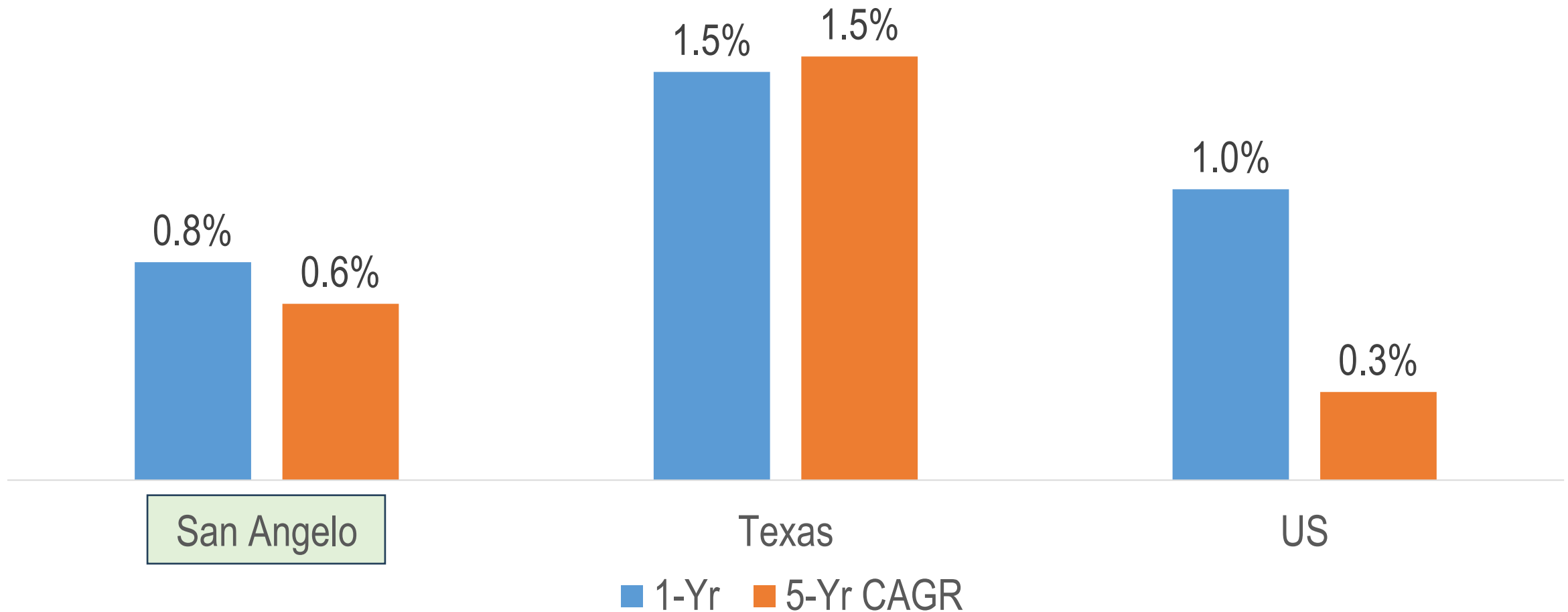
(Industrial-using payroll employment pct. change)



Source: TRERC analysis of BLS data.

# Retail & hospitality doing better than US

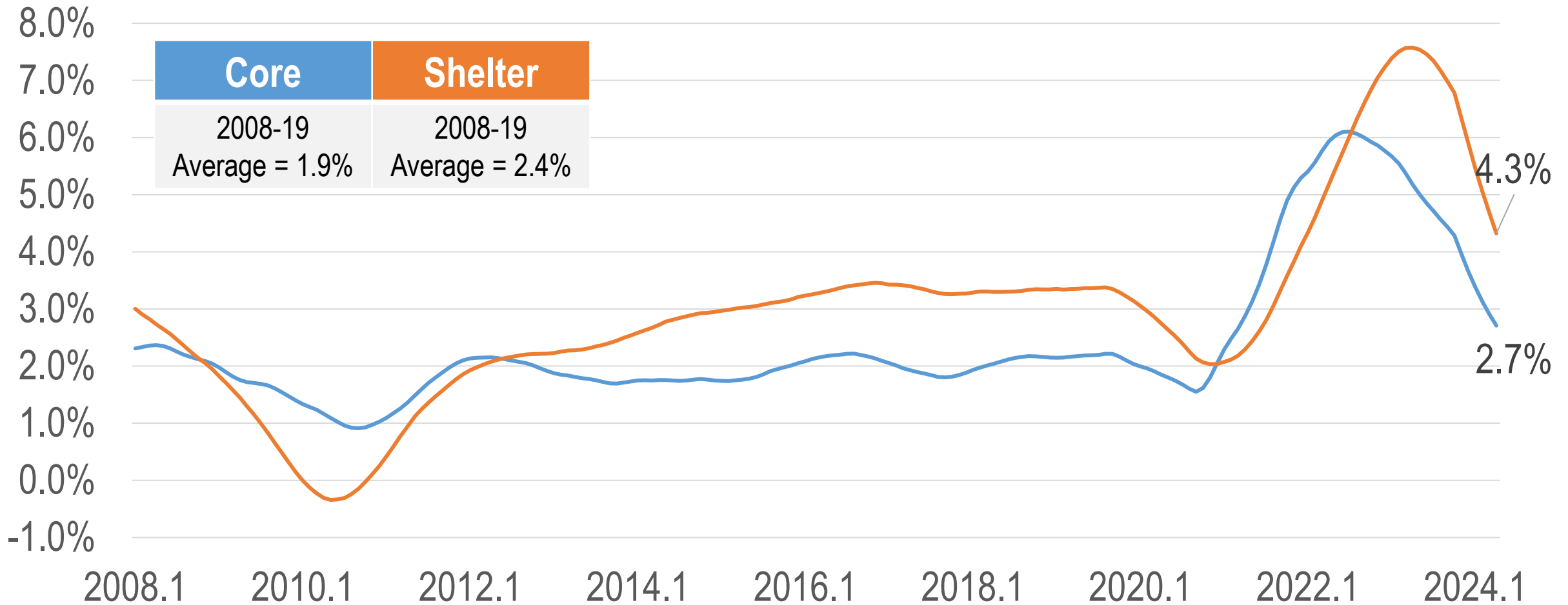
(Retail & hospitality-using payroll employment pct. change)



Source: TRERC analysis of BLS data.

# Inflation slowing, but above historic levels

(CPI-All Urban, year over year pct. change)



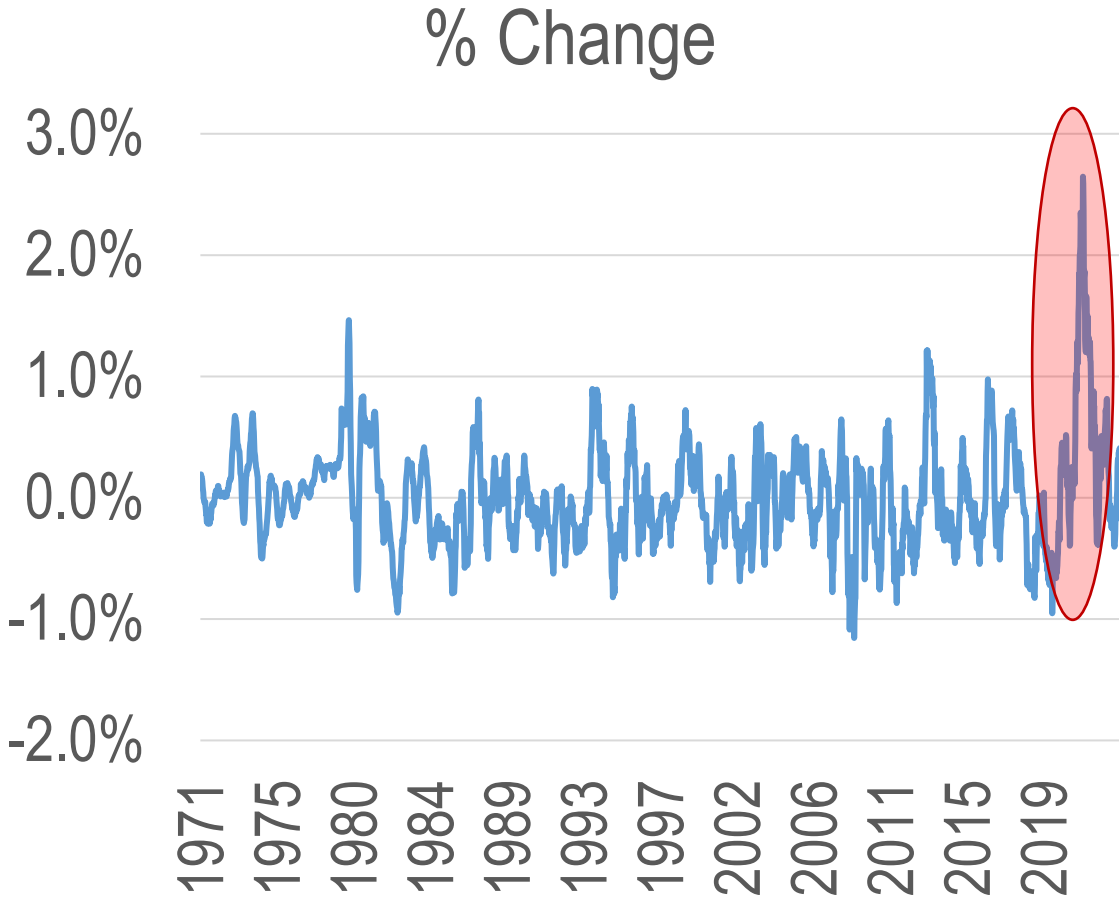
# Eleven rate increases = 475bp

Date	Increase (basis points)	Range
July 27, 2023	25	5.25-5.50
May 4, 2023	25	5.00-5.25
March 23, 2023	25	4.75-5.00
February 2, 2023	25	4.50-4.75
December 15, 2022	50	4.25-4.50
November 3, 2022	75	3.75-4.00
September 22, 2022	75	3.00-3.25
July 28, 2022	75	2.25-2.50
June 16, 2022	75	1.50-1.75
May 5, 2022	50	0.75-1.00
March 17, 2022	25	0.25-0.50

Source: BOG Federal Reserve.

# Fastest mortgage rate increase in 50 years

(30-year weekly fixed rate and weekly pct. change)



Median home price/median income: 1980 = 3.6, 2023 = 5.7

Source: Freddie Mac.

# Macroeconomic Takeaways

- Texas' economy is adding value faster than jobs – Texas jobs are higher-skilled and increasingly concentrated in professional services.
- Commercial real estate asset job growth departs from overall job patterns: DFW, Austin lead office, DFW, Houston lead industrial, retail growth is more balanced.
- Capital investment is shifting pre/post-COVID with heavy manufacturing, mining and natural resources seeing more, and more per employee investment.

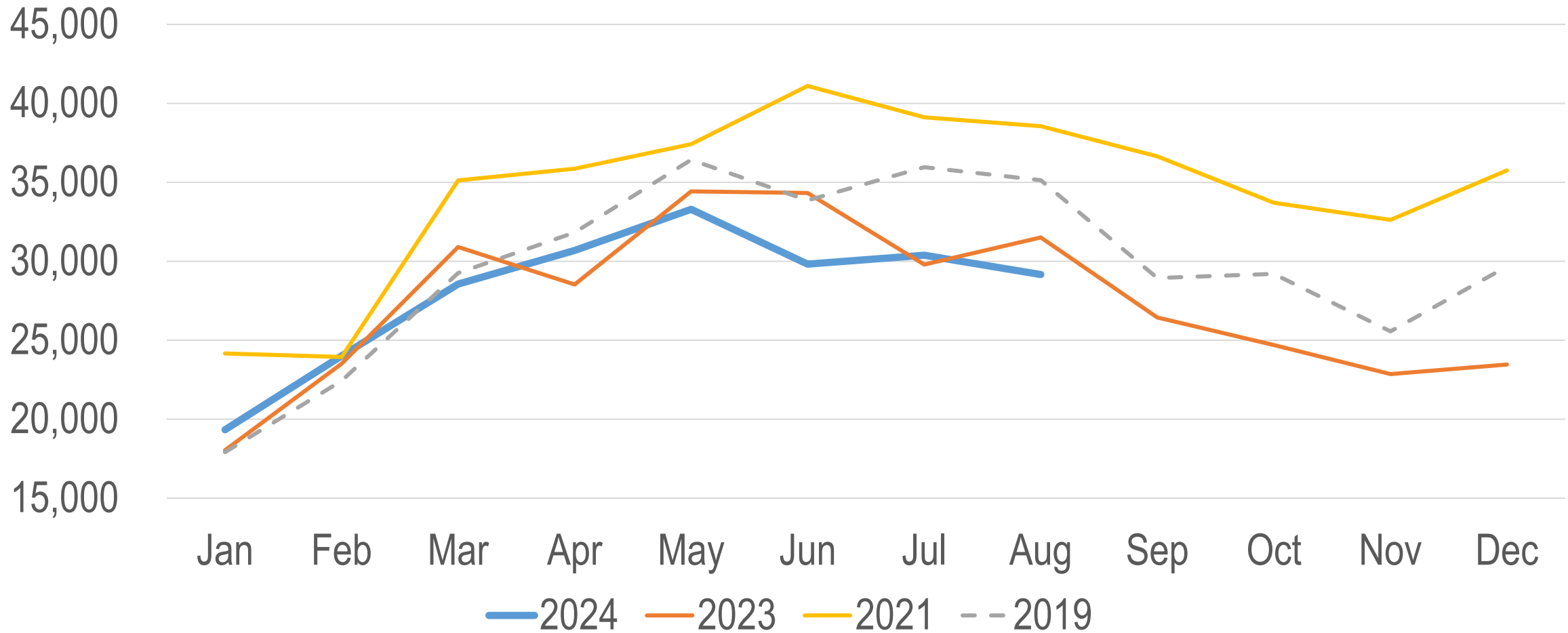


# Texas Housing Markets

After matching 2023 performance, housing sales have fallen off in the traditional busy season.

# Texas sales tracked 2023 until recently

(Sales Units)

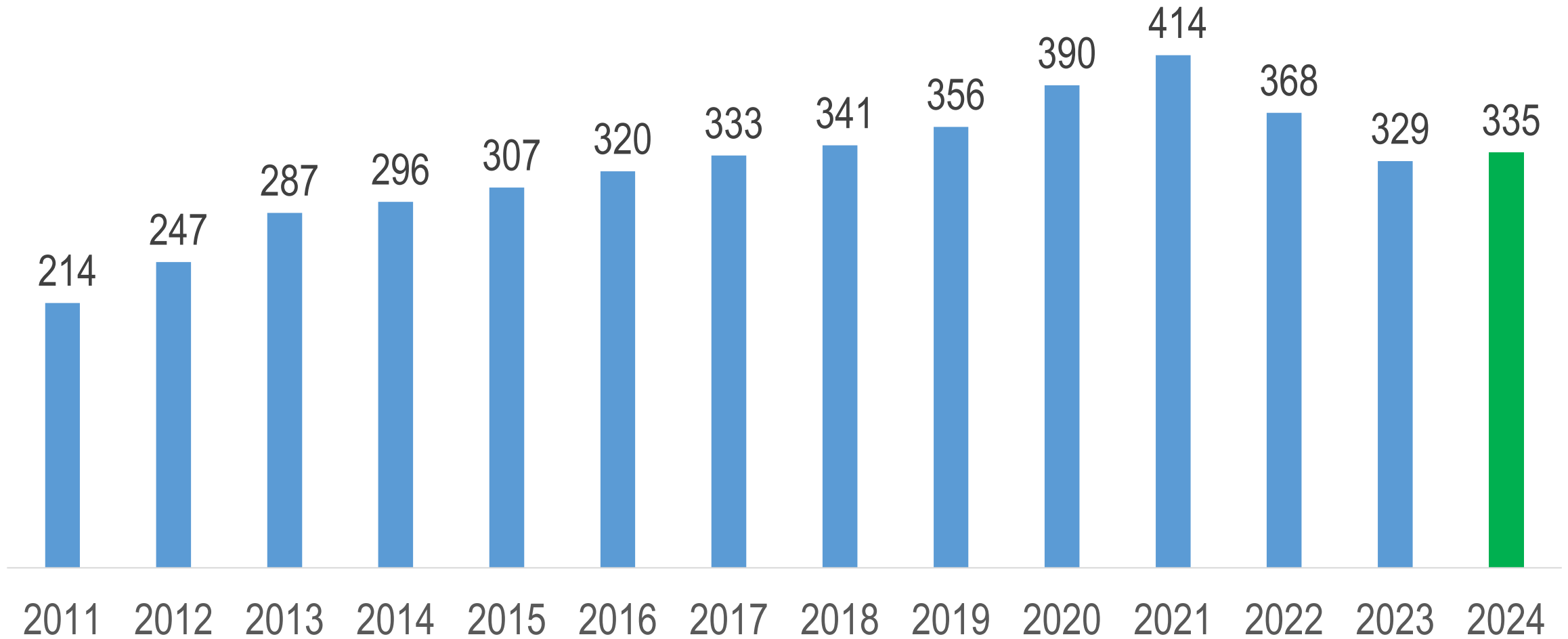


Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.



# Texas 2024 home sales tracking at about 2023 level

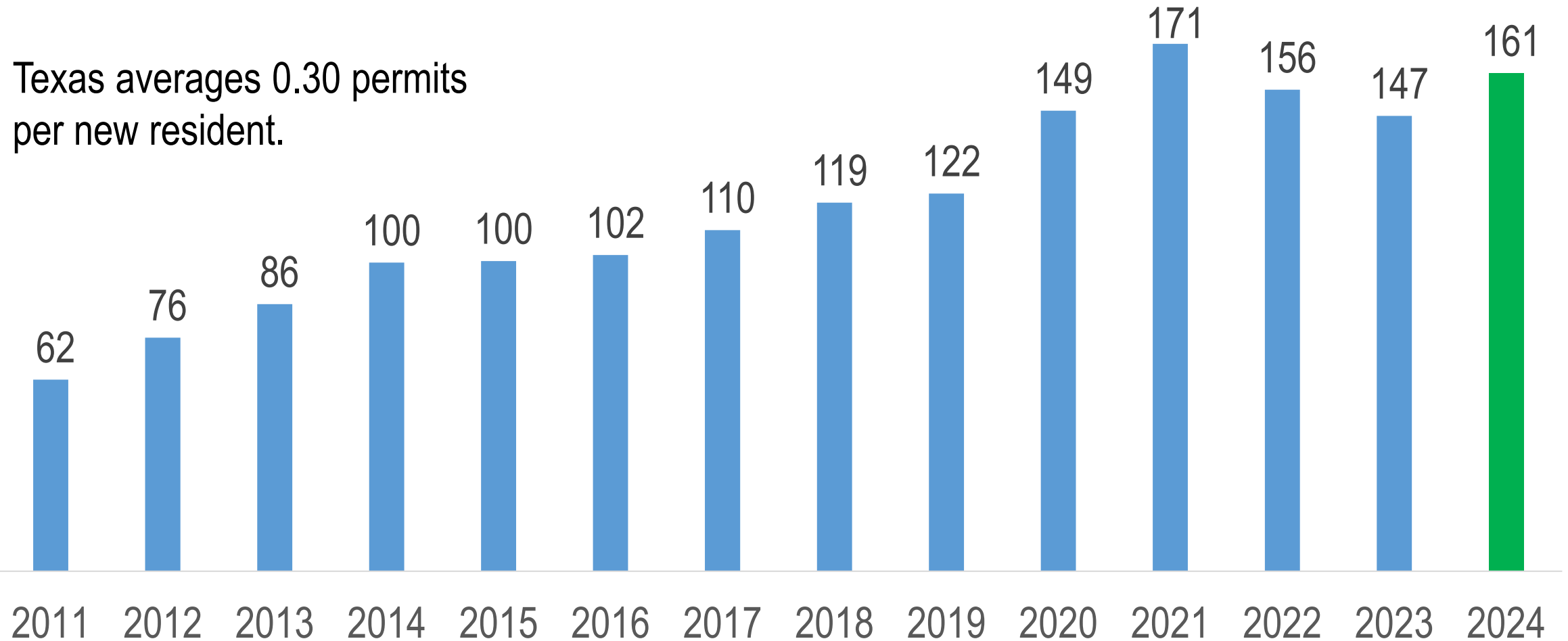
(Sales in thousands)



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

# Texas permit levels increasing again

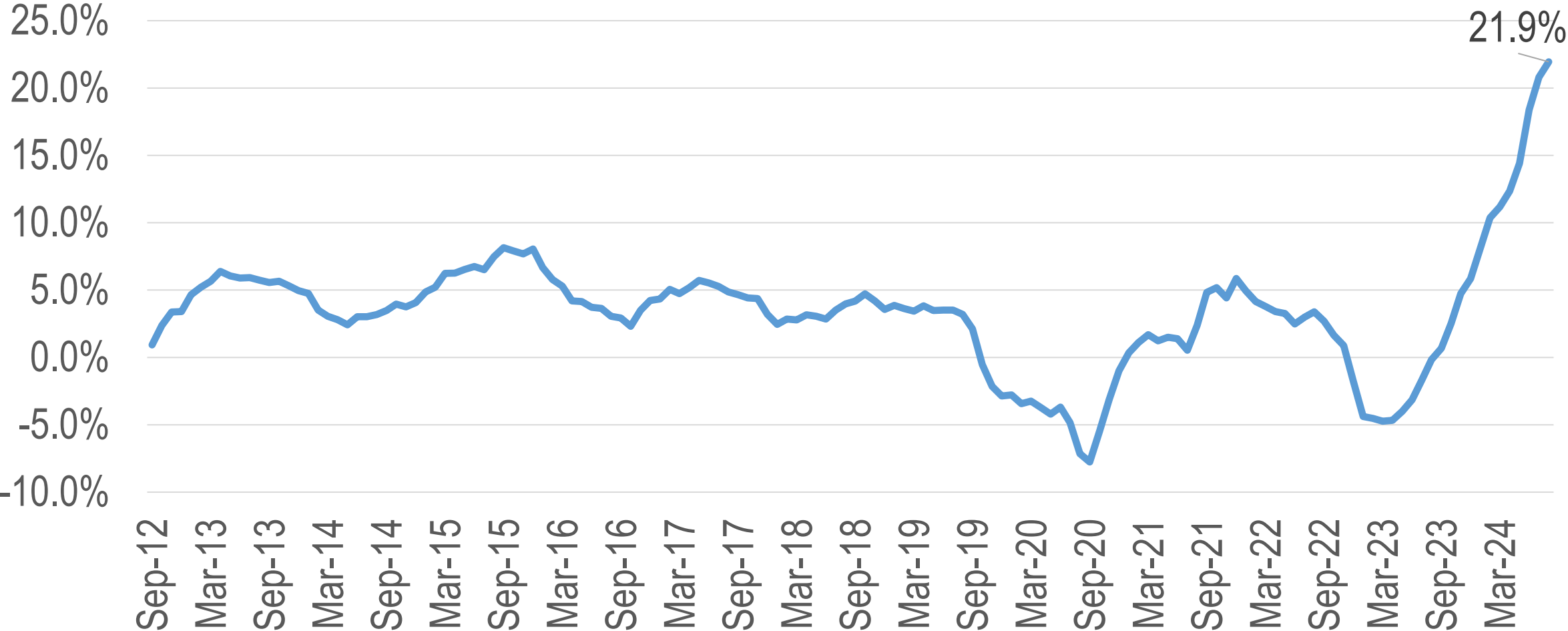
(1-Unit permits in thousands)



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

# Dramatic growth in Texas new listings

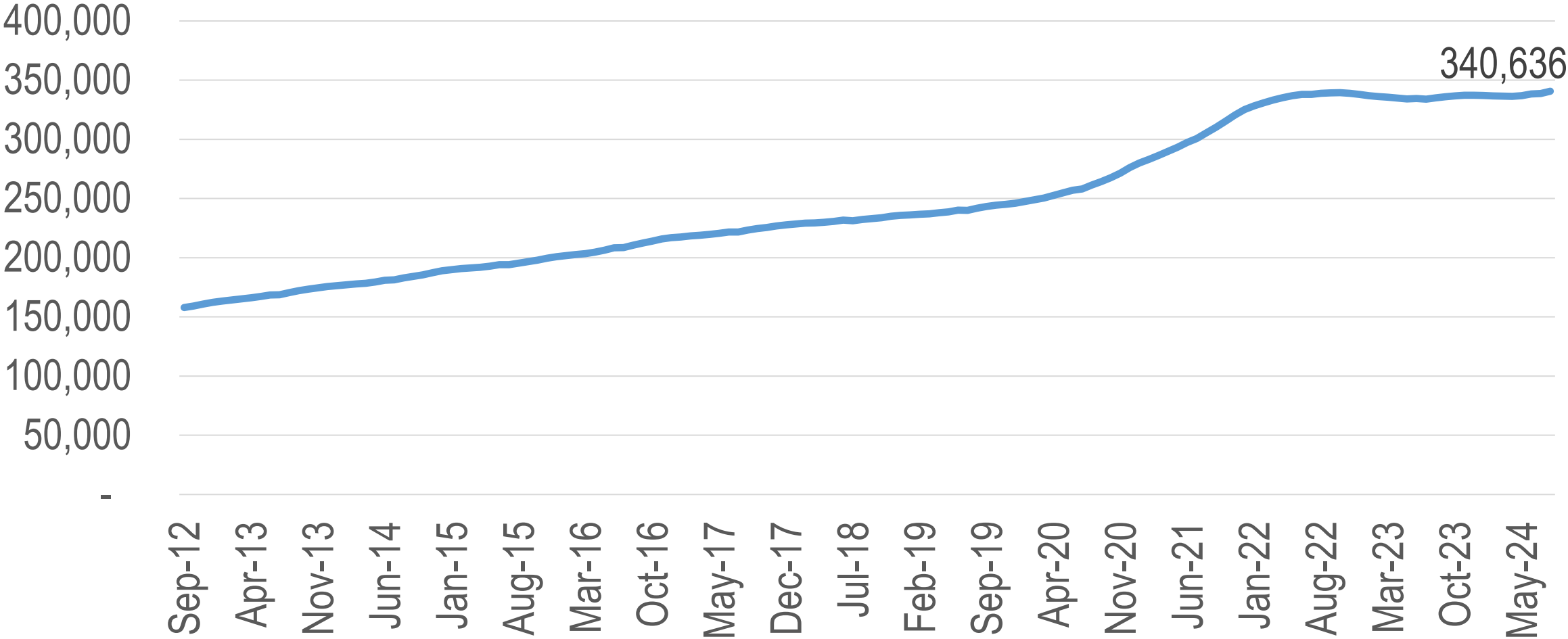
(Year over Year Pct. Change)



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

# Texas median price has remained flat since 2022

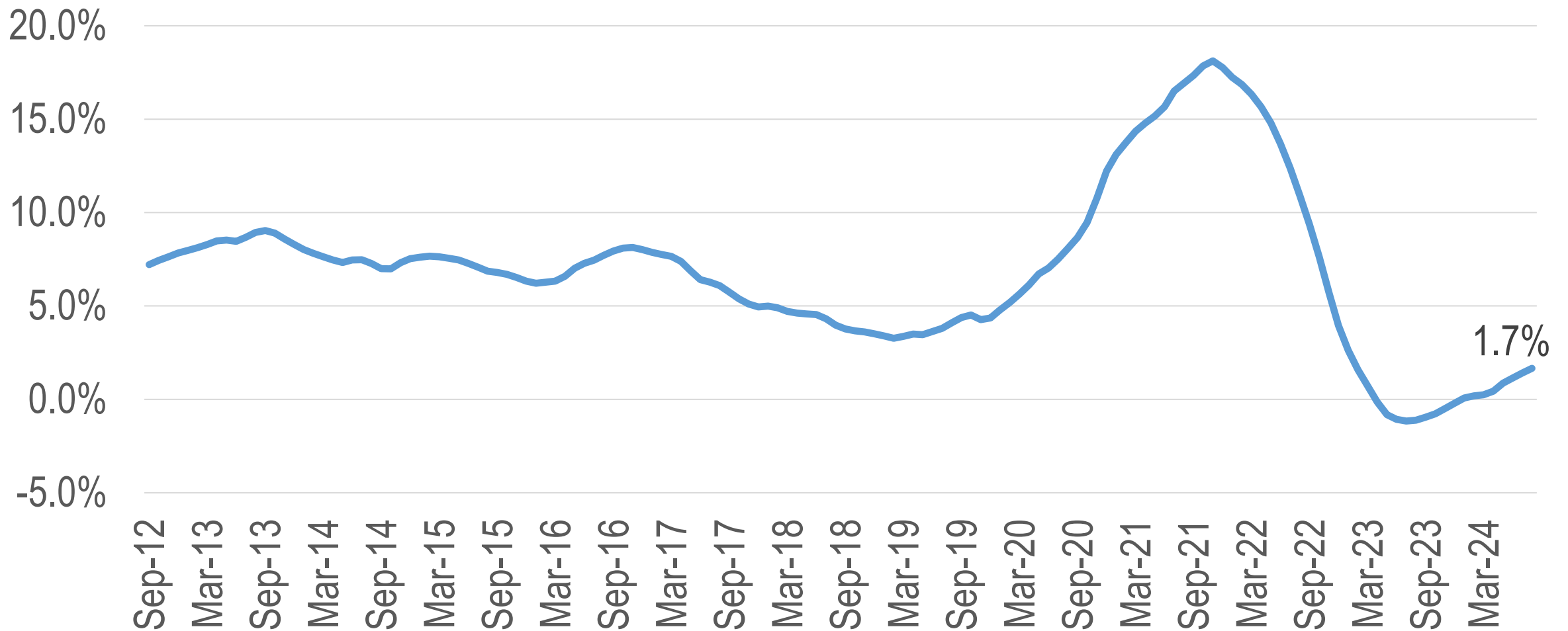
(Median Sale Price Dollars, Moving Average)



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

# Year of falling prices in Texas ended in May 2024

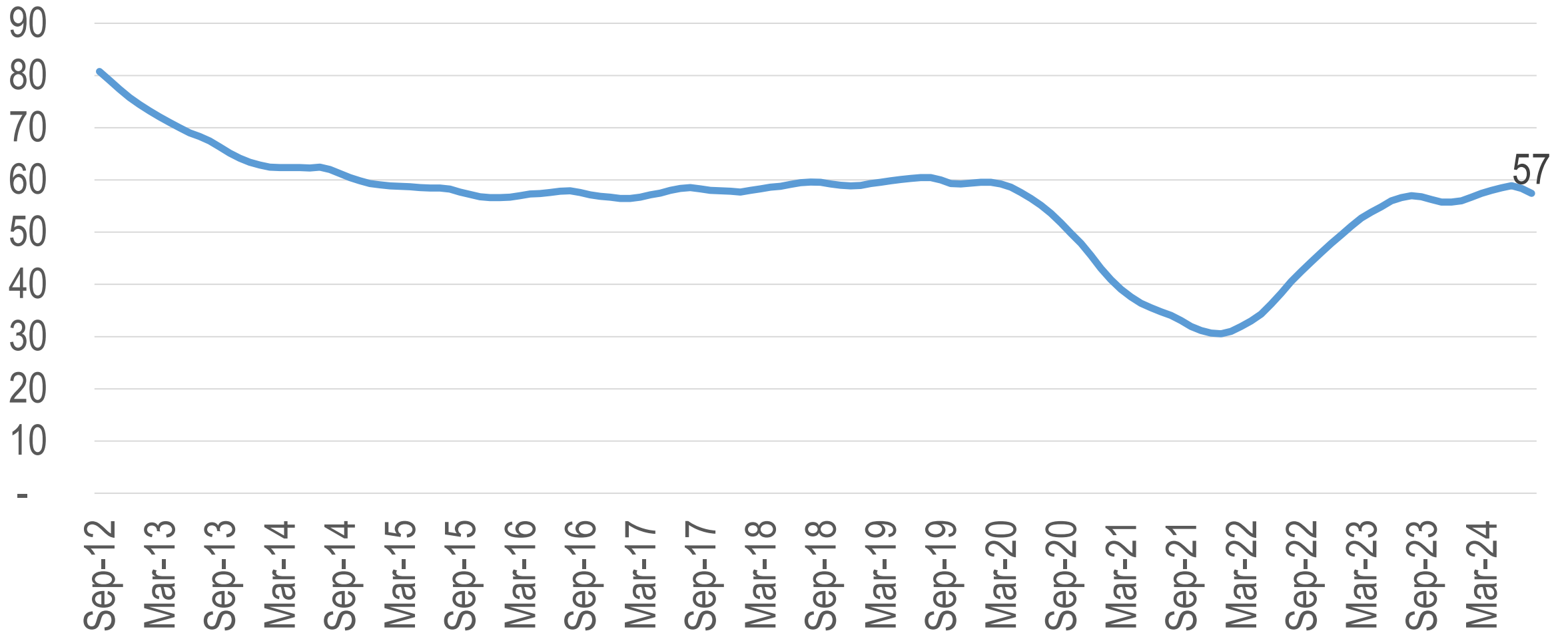
(Median Price Year over Year Pct. Change)



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.



# DOM in Texas returned to pre-COVID average (Days, Moving Average)



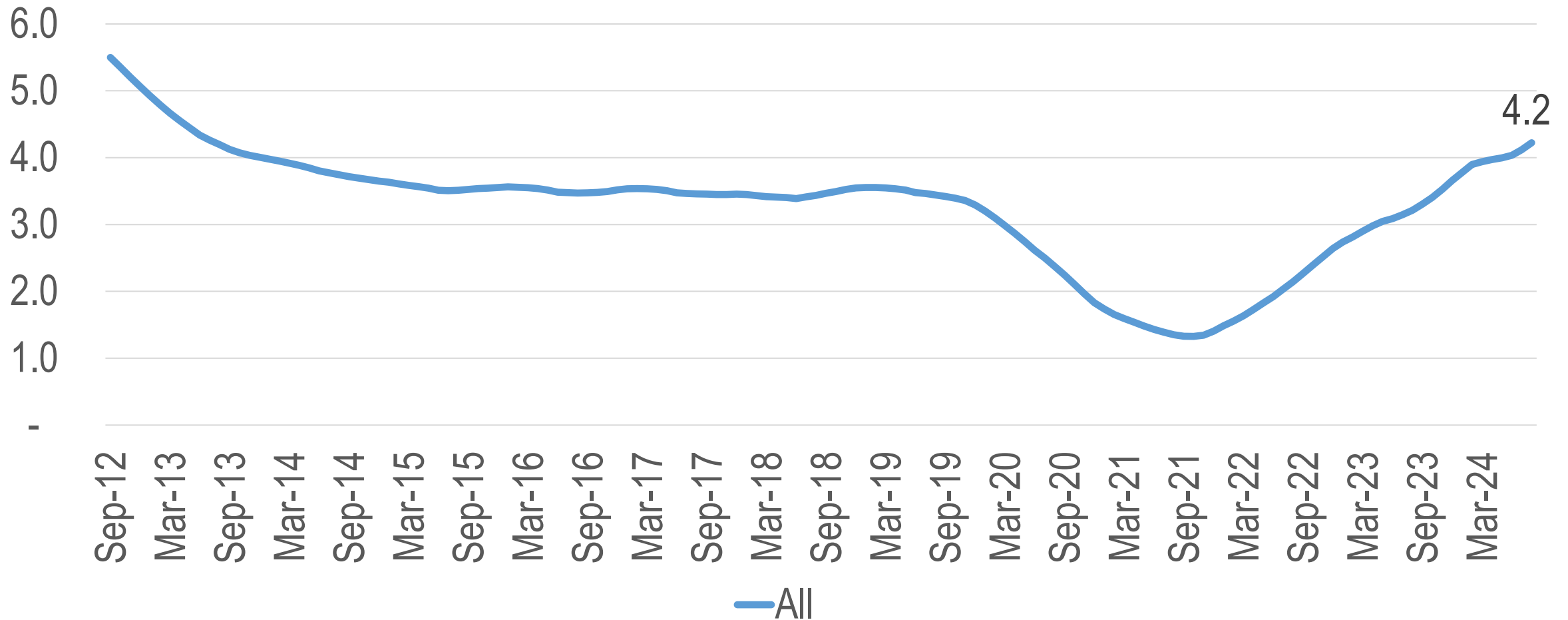
Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.





# Texas inventory levels converged above pre-COVID levels

(Months at annual sales rates)

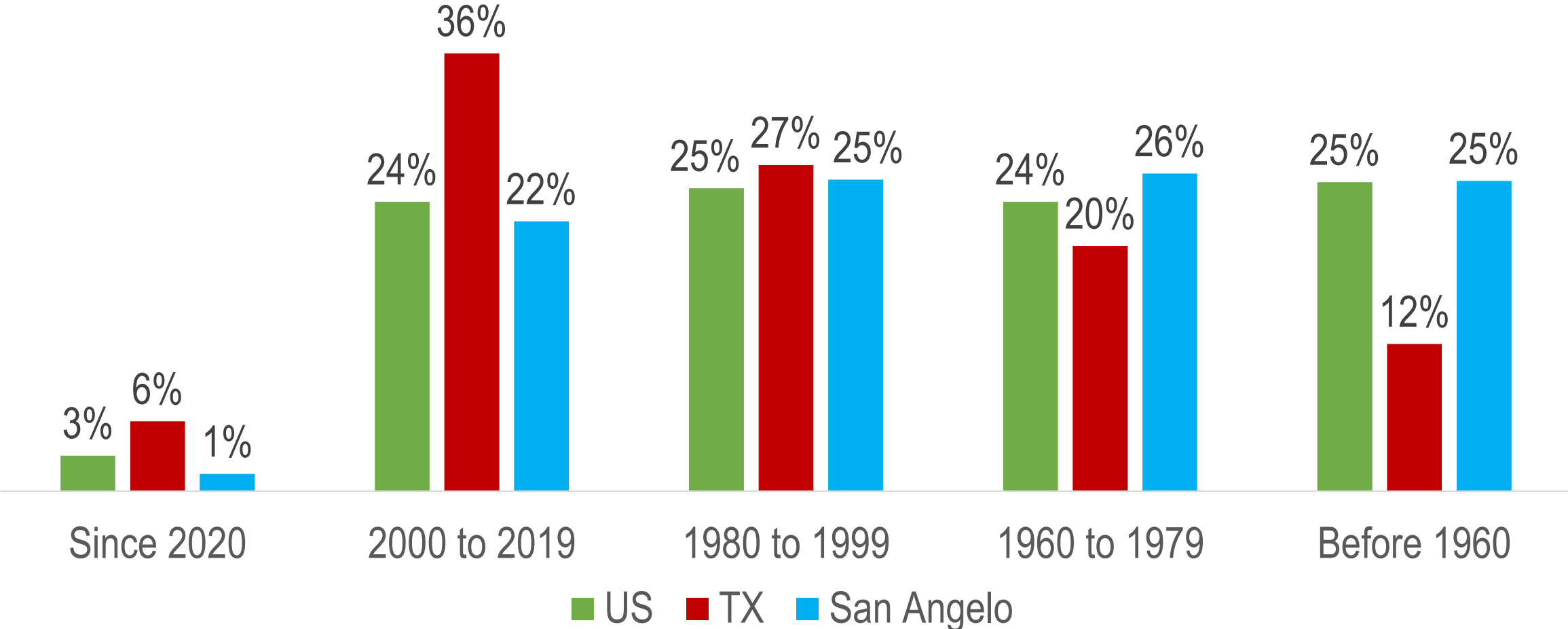


Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.



# Local housing age more like US than Texas

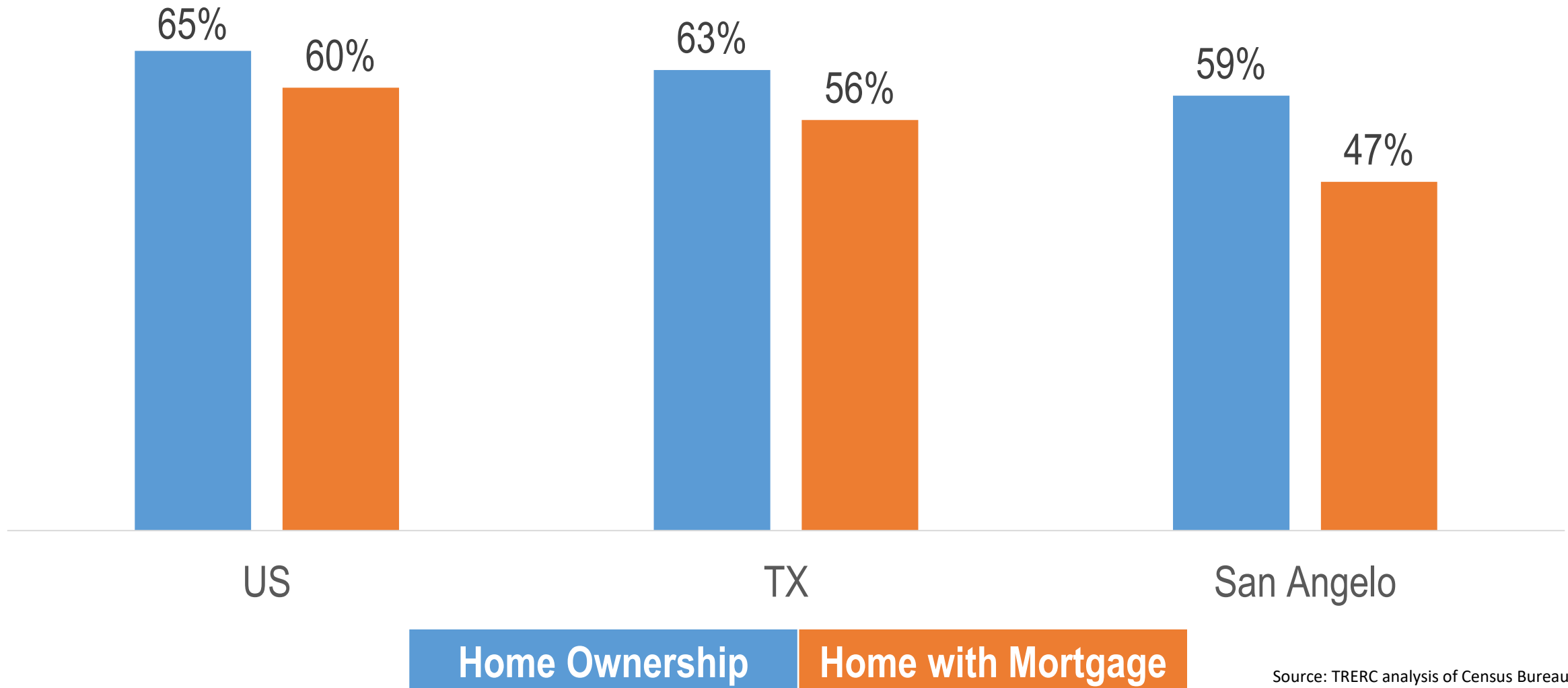
(Share of housing stock by year built)



Source: TRERC analysis of Census Bureau data.

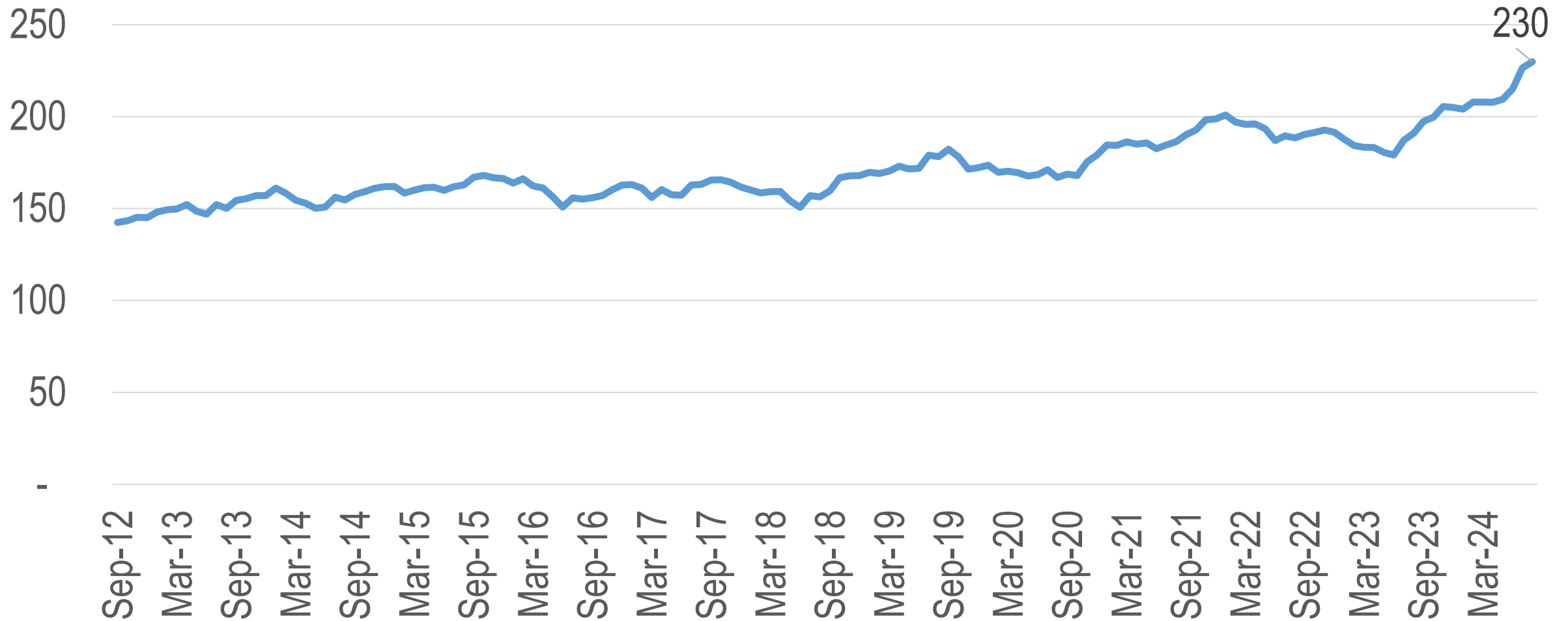
# Ownership, mortgage-holding less common locally

(Share of housing units)



Source: TRERC analysis of Census Bureau data.

# Local listings also increasing (New Listings)

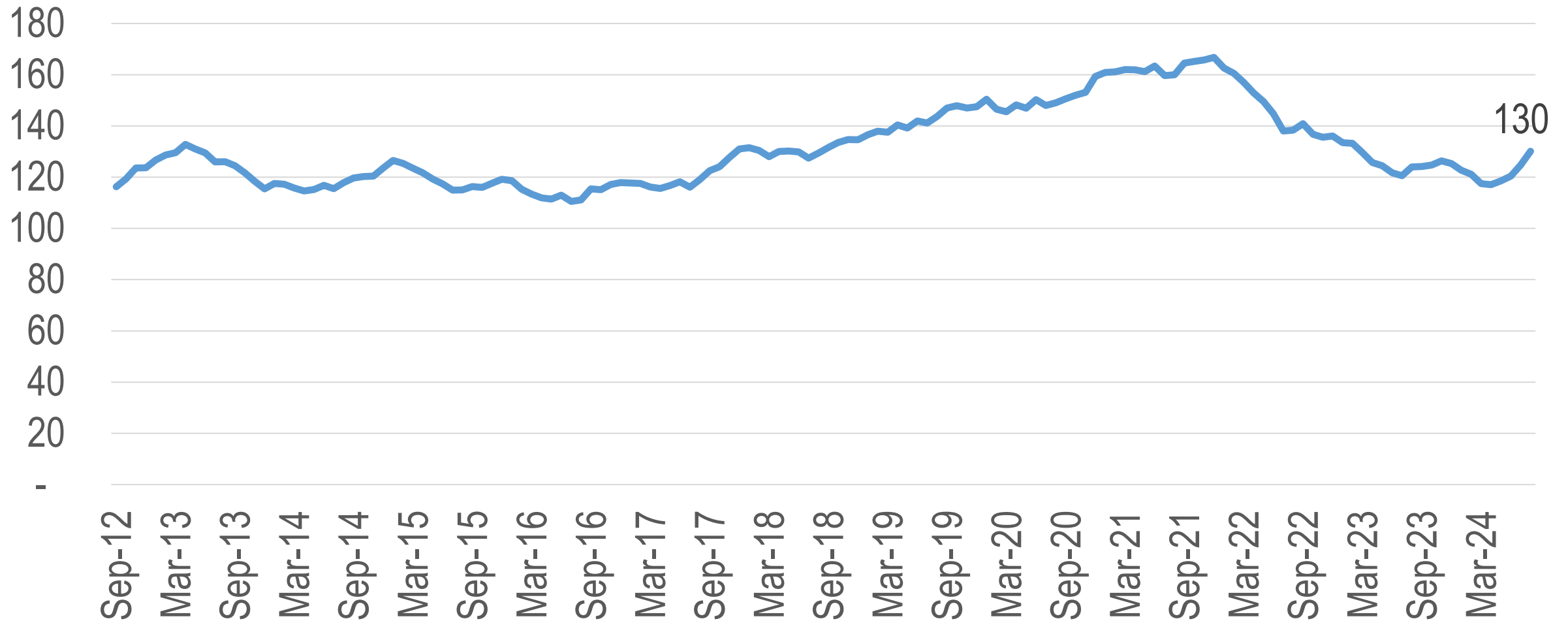


Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.



# Local sales up MoM, down 22 pct. since Dec '21 high

(Monthly sales, moving average)

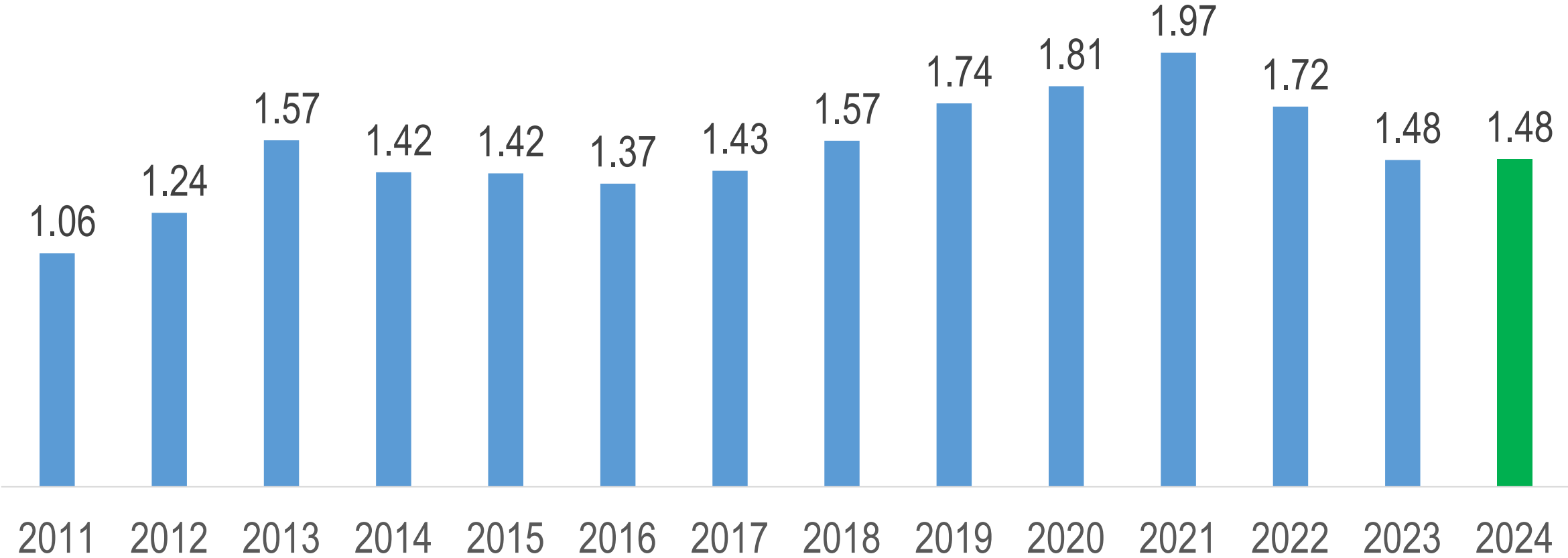


Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.



# Local sales tracking at 2024 level YTD

(Sales, thousands)

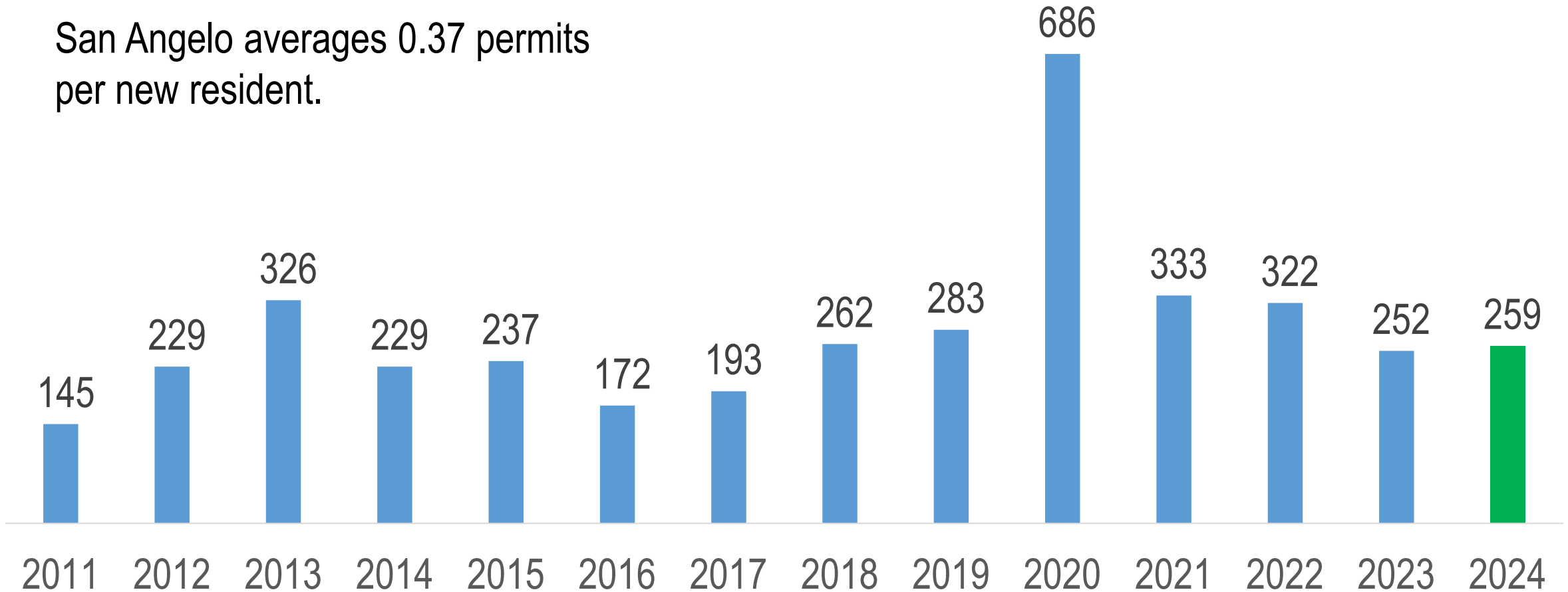


Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.



# Local permits tracking at 2023 level (1-Unit permits)

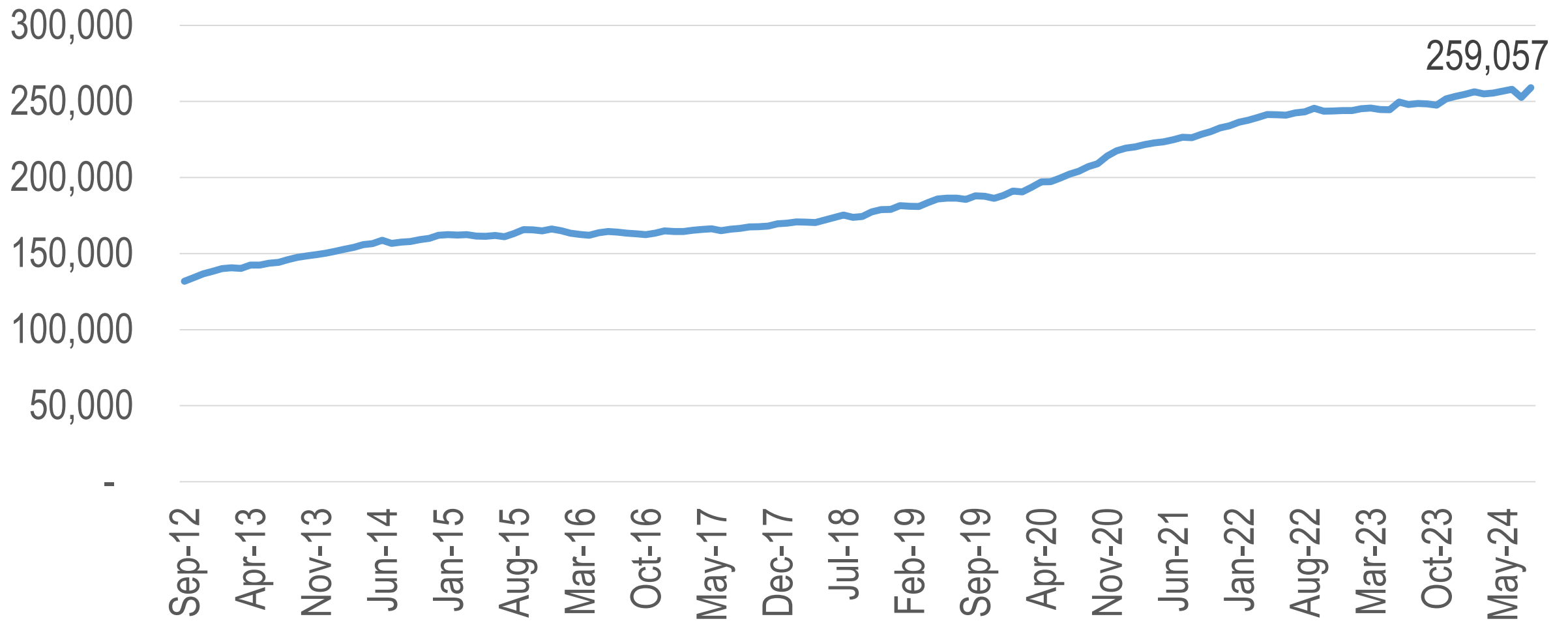
San Angelo averages 0.37 permits per new resident.



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

# Local prices increasing, up 34 pct. since Mar'20

(Median Sale Price)



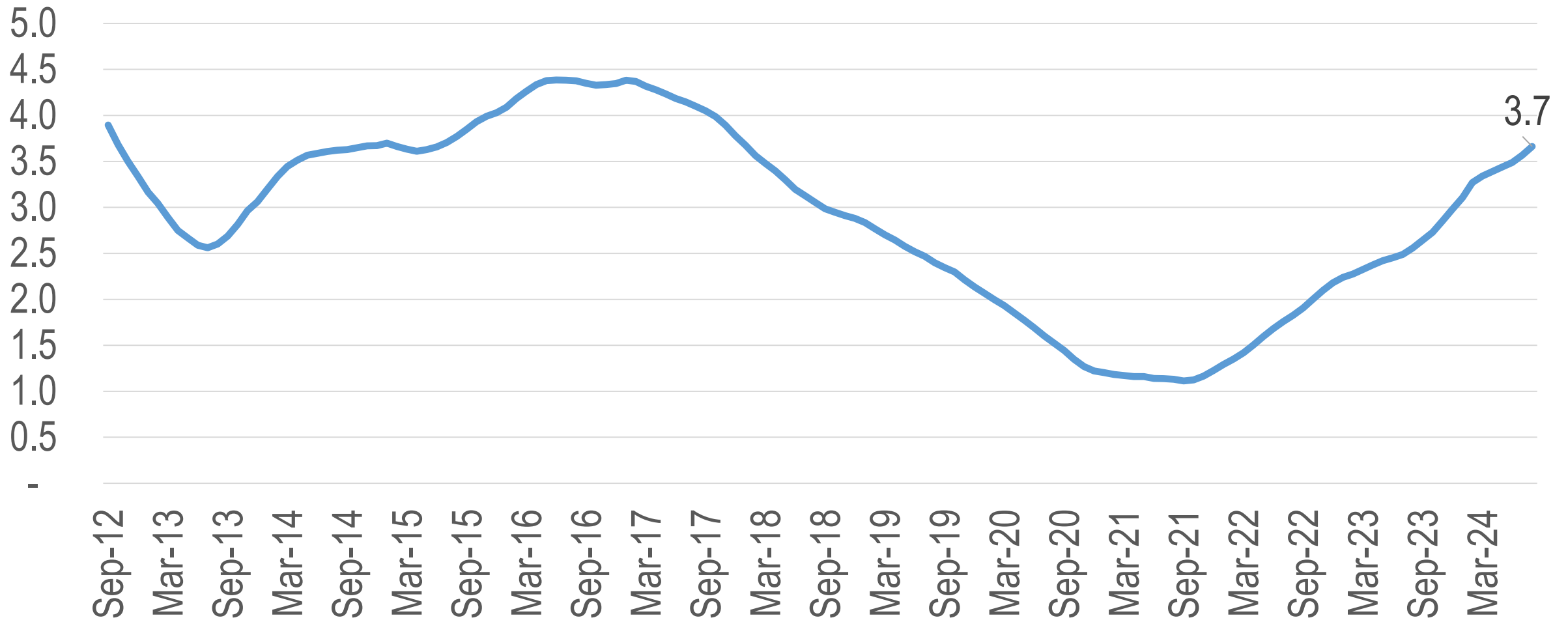
Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.





# Local inventory has been growing since COVID

(Months Inventory)

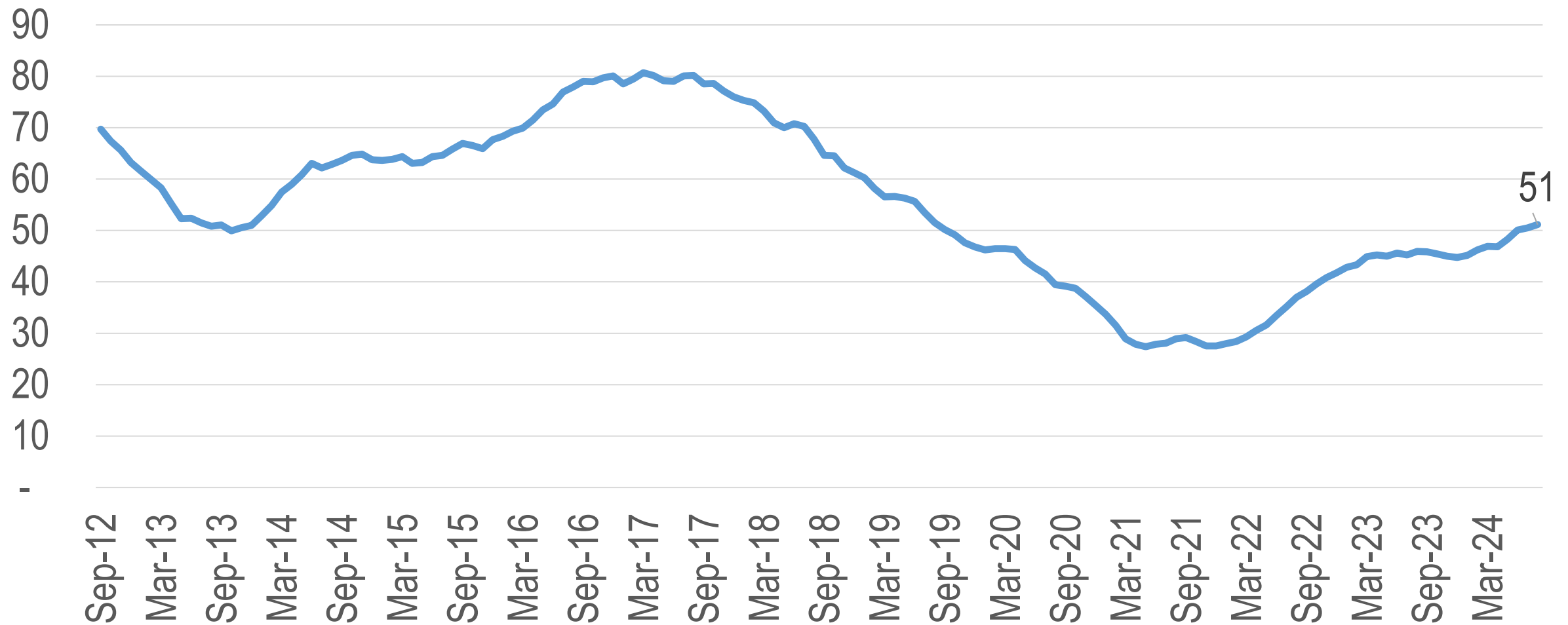


Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.



# DOM up some, lower than statewide average

(Average Days on Market)



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.



# Texas Single Family Forecast

Macro Drivers:         

## Deliveries

Up  
4%



## Median Prices

Flat to Slightly  
Up  
0% to 1%



## Sales

Flat to Slightly  
Up  
0% to 2%



## Rent

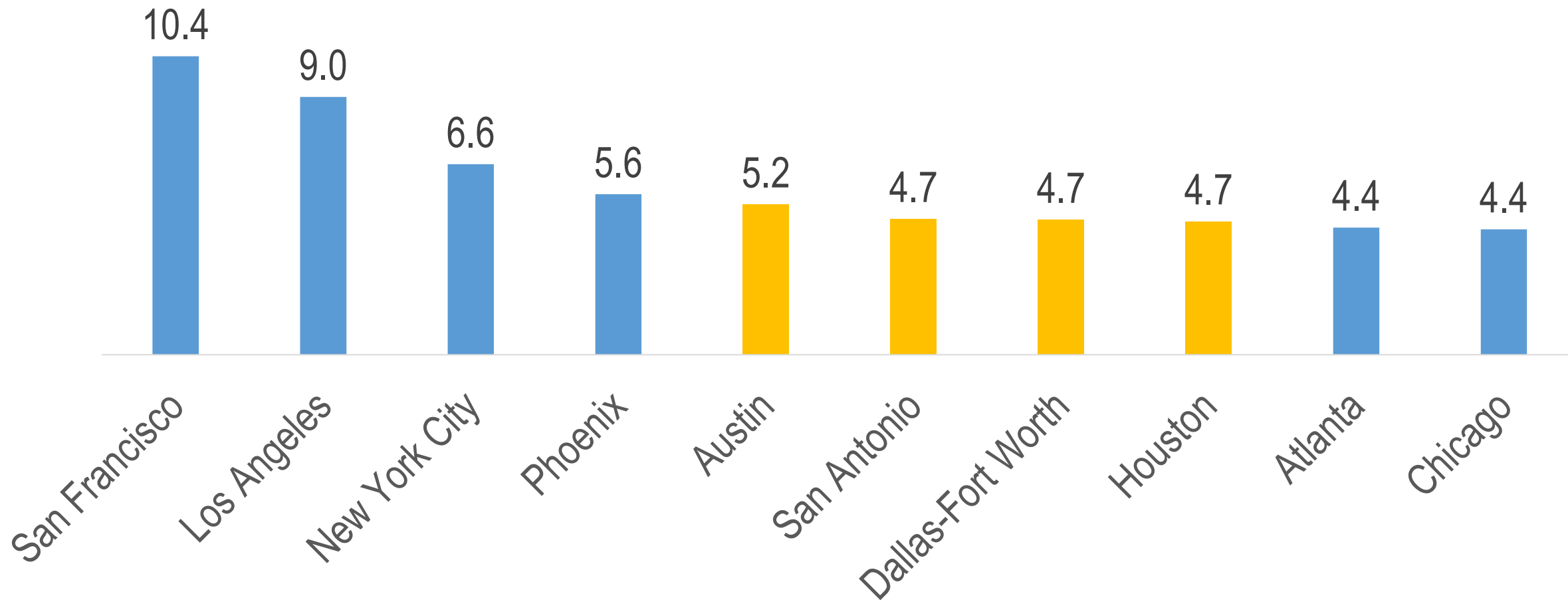
Down  
>1%



Source: 2024 Texas Real Estate Forecast.

# High Texas home prices still somewhat competitive

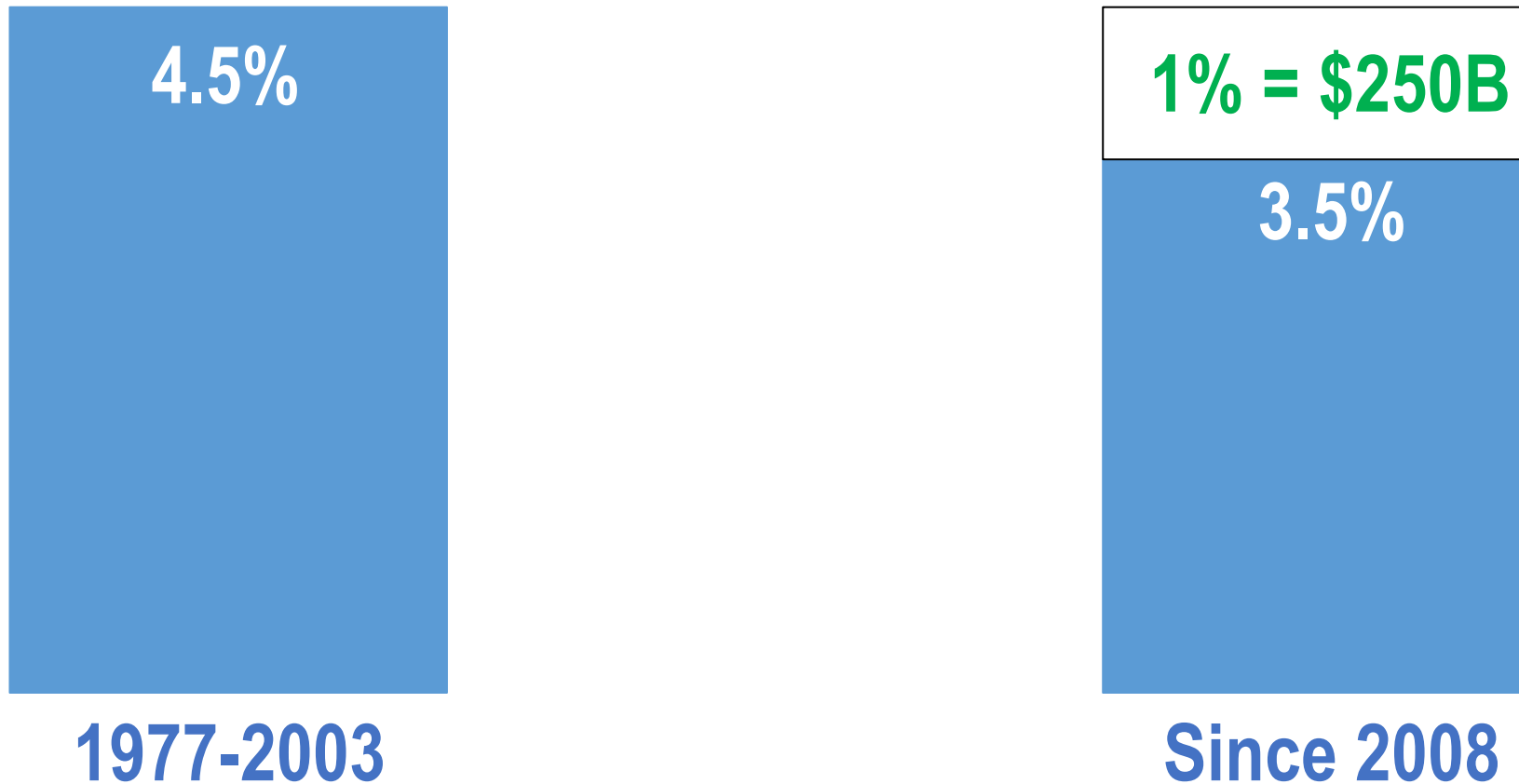
(Affordability ratios (median home price/median household income))



Source: TRERC analysis of NAR and Census Bureau data.

# Economywide shift = 600,000 fewer homes per year

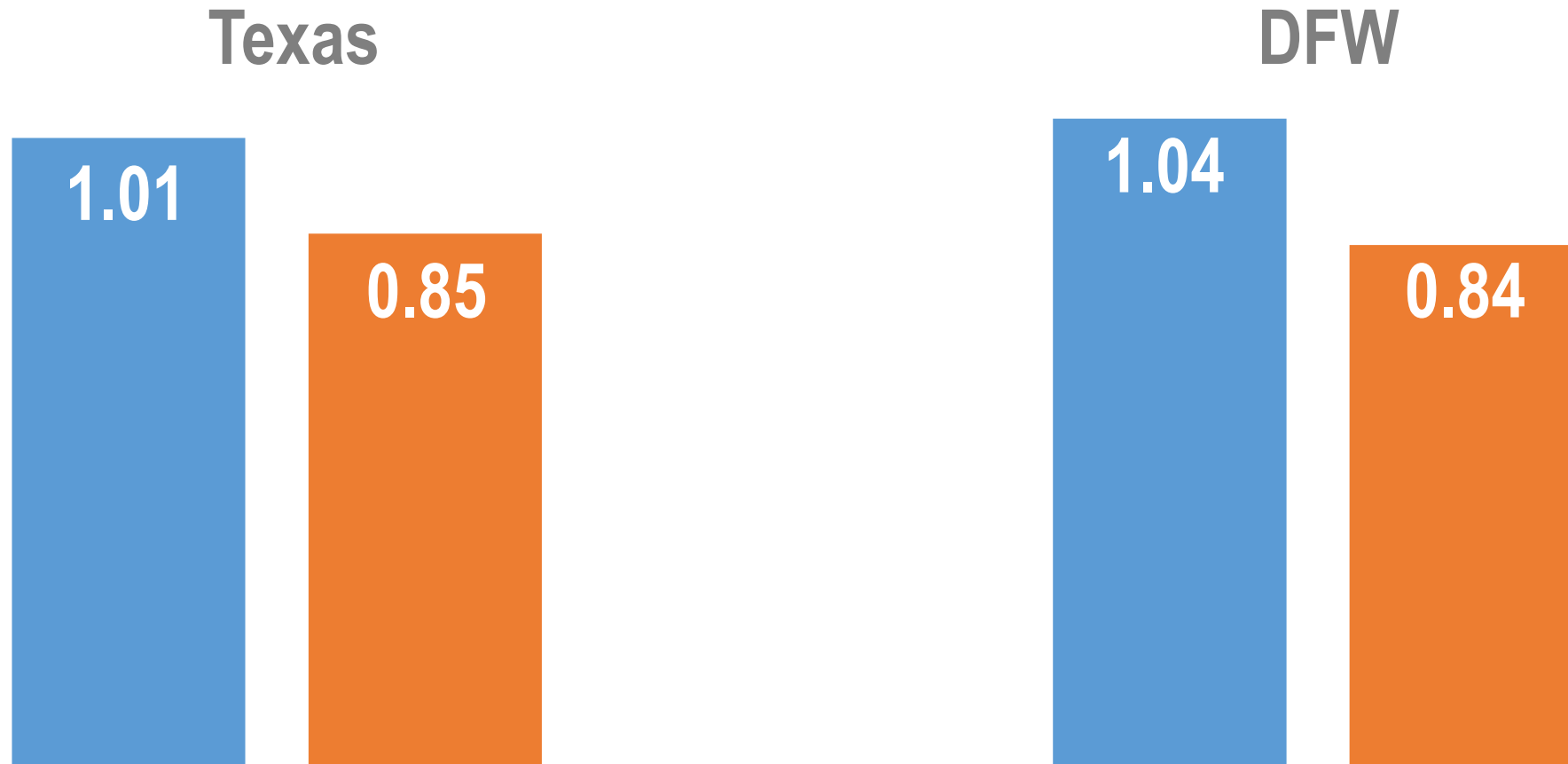
(Share of US GDP spent on residential structures)



Source: TRERC analysis of BEA data.

# Texas is 500K, DFW is 197K units short since Great Recession\*

(Annual average new housing units per new household)



\*Assuming pre-GR rates continued.

1992-2007

2008-2023

Source: TRERC analysis of BEA data.



# Questions



# Daniel Oney

- Dr. Daniel Oney
- Research Director
- Commercial market analysis, public finance, labor analytics
- Daniel joined the Texas Real Estate Research Center in 2022. He specializes in building forecasting and decision models to help public and private leaders make better economic and fiscal choices. Before joining the Center, Daniel was managing director in Newmark's Global Corporate Services division where he supported clients with site selection, labor analysis, and development strategy. Daniel was economic research manager for the City of Dallas and senior economist for the Virginia General Assembly. He holds MPA and Ph.D. degrees from the University of Texas at Dallas.
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