

# Hibbs Newsletter

*Hibbs Institute for Business & Economic Research*

May 2019



## The U.S. Housing Market in 2019 is expected to perform better than originally predicted during the fall of 2018.

In this issue of the **Hibbs Newsletter** we discuss the housing market in the U.S. generally and with a focus on East Texas.

Several real estate companies, homebuilders, banks, research centers and others have recently revised their 2019 outlooks for house prices and sales. Essentially, these changes have been caused by an unexpected change in monetary policy. On March 21, the Federal Reserve Bank (FED) announced that it would keep its base interest rate, the federal funds rate, at 2.5% through 2021. This policy change was unexpected because the FED kept raising its funds rate a quarter point for several consecutive trimester periods in 2018.

Since mortgage rates are strongly influenced by the FED funds rates—the rate at which banks can borrow from the FED when needed—the FED’s decision to keep their funds rate fixed at 2.5% for the next several quarters has had positive effects on the housing market. This includes elevating the prices and sales expectations during 2019. In the last quarter of 2018 (November), mortgage rates peaked around 5%, which discouraged home buyers and lowered predictions for 2019. However, due to the FED’s policy shift, experts now foresee rates between 4.0% and 4.5%, similar to last year.

The Housing Market Index (HMI), developed by the National Association of Home Builders (NAHB), depicts the real estate professionals’ expectations very well (**Figure 1**). The HMI is based on a monthly survey of NAHB members designed to take the pulse of the single-family housing market. The survey asks respondents to rate market conditions for the sale of new homes at the present time and in the next six months as well as the traffic of perspective buyers of new homes.<sup>1</sup>

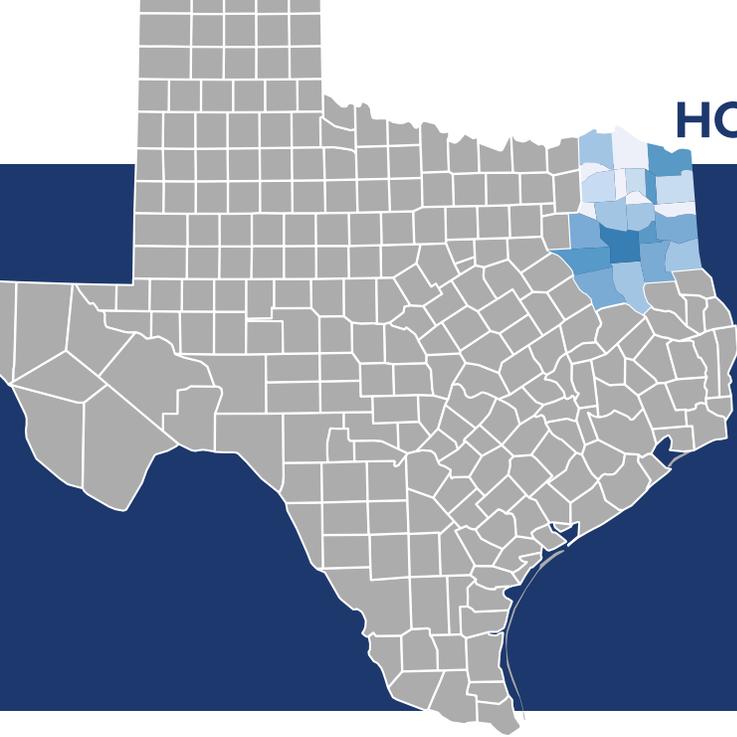
**Figure 1. U.S. Housing Market Index (HMI) (January 2018–April 2019)**



Source: National Association of Home Builders.

<sup>1</sup> The Housing Market Index (HMI) is a weighted average of separate diffusion indices for the three single-family series: sales of new homes at present, expected sales in the next six months and traffic of perspective buyers. Each resulting index is seasonally adjusted and weighted to produce the HMI. For more information, visit the National Association of Home Builders (NAHB). <https://www.nahb.org/research/housing-economics/housing-indexes/housing-market-index.aspx>

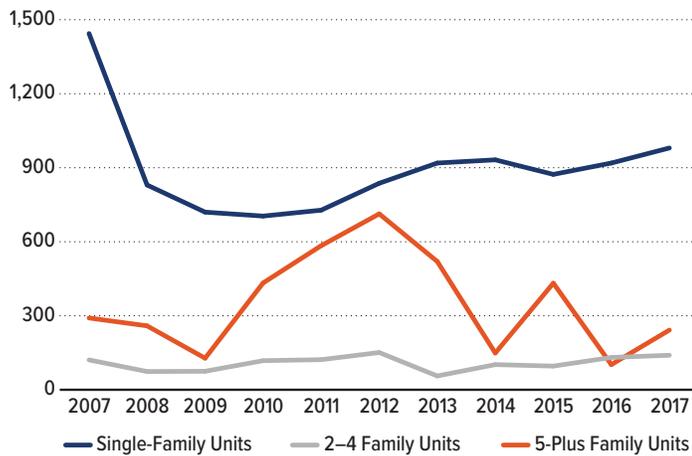
# HOUSING MARKET IN EAST TEXAS



The housing market in East Texas is (not surprisingly) intensely linked to specific counties with substantially higher levels of economic activity and building development (e.g. Smith, Bowie and Gregg), compared to other counties in rural or less developed areas in East Texas. This is typically measured by the number of building permits issued in an area.<sup>2</sup> In terms of residential developments, building permits are often classified into three categories: single-family units, 2-4 family units and 5-plus family units (typically, residential apartment complexes). **Figure 2** depicts the combined number of building permits issued for the 23 counties of East Texas. While building permits on single-family units have kept increasing after 2010, 2-4 family unit permits and 5-plus family unit permits experienced spikes in some counties during some years: Bowie, Gregg, Lamar and Smith in 2012, Lamar and Smith in 2015 (2-4 family units); Gregg in 2013, Bowie in 2015 and Smith in 2017 (5-plus family units). **Figure 3** depicts the single-family housing building permits since 2007 for East Texas and the state of Texas using an index (2007 = 100). The number of building permits in Texas is growing at a higher rate than East Texas. **Table 1** details the number of building permits by category (single-family, 2-4 family and 5-plus family units) for all 23 counties in East Texas from 2013 to 2017.

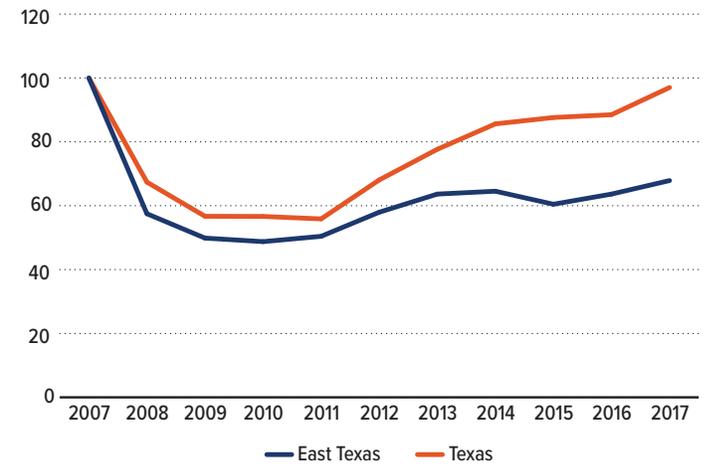
<sup>2</sup> Building permit is an official approval by a local government, which allows a contractor to develop a construction project on a certain property.

**Figure 2. Building Permits in East Texas by Category (2007–2017)**



Source: Real Estate Center at Texas A&M University.

**Figure 3. Building Permits of Single-Family Housing in East Texas and Texas (2007–2017) (Index 2007=100)**



Source: Real Estate Center at Texas A&M University.

**Table 1. Building Permits in East Texas by Category and County (2013–2017)**

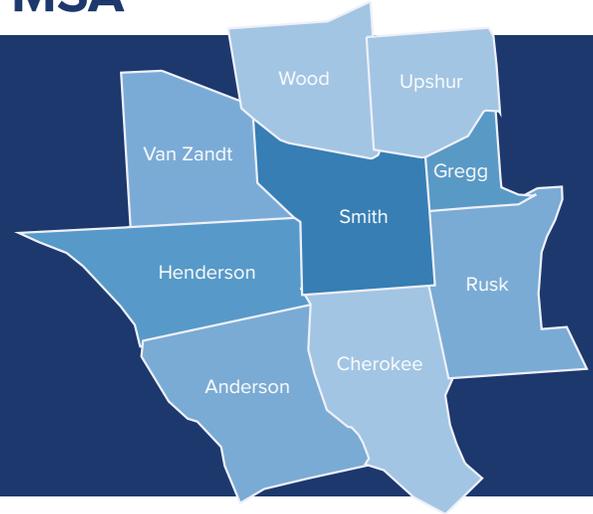
County	2013			2014			2015			2016			2017		
	Single	2-4	5-plus	Single	2-4	5-plus	Single	2-4	5-plus	Single	2-4	5-plus	Single	2-4	5-plus
Anderson	4	2	0	3	-	0	7	-	0	13	-	0	14	-	0
Bowie	59	2	16	95	6	0	25	4	256	73	-	0	53	-	100
Camp	2	-	0	7	3	0	8	-	0	6	-	0	7	-	0
Cass	11	-	0	6	6	0	16	-	0	5	-	0	14	8	0
Cherokee	13	2	0	6	-	0	5	-	0	6	-	0	7	-	0
Delta	2	-	0	2	-	0	3	-	0	-	-	0	5	-	0
Franklin	-	-	0	1	-	0	1	-	0	-	-	0	2	-	0
Gregg	243	42	489	197	33	36	206	8	15	157	-	0	160	20	0
Harrison	43	-	0	53	8	18	34	2	18	40	4	24	44	16	0
Henderson	73	-	0	71	-	0	47	-	0	40	-	54	95	-	0
Hopkins	12	-	0	8	-	0	10	6	0	10	-	0	21	8	0
Lamar	35	-	0	27	16	0	20	20	0	26	20	0	26	20	0
Marion	4	6	0	2	-	0	1	-	0	8	-	0	2	2	0
Morris	1	-	0	1	-	0	-	-	0	4	-	0	2	-	0
Panola	7	2	0	8	6	0	7	-	0	6	-	0	3	-	0
Rains	2	-	0	3	2	0	2	-	0	1	-	0	4	-	0
Red River	8	-	0	8	-	0	9	-	0	6	2	0	-	-	0
Rusk	-	-	0	3	-	0	13	-	0	2	-	0	2	-	0
Smith	379	-	0	383	14	0	420	50	0	454	103	24	472	64	142
Titus	-	-	0	22	-	0	20	2	120	19	-	0	26	-	0
Upshur	15	-	0	13	8	0	2	4	0	5	-	0	5	-	0
Van Zandt	3	-	0	9	-	80	17	-	0	28	-	0	13	-	0
Wood	3	-	15	4	-	15	-	-	23	10	2	0	3	2	0
<b>Total</b>	<b>919</b>	<b>56</b>	<b>520</b>	<b>932</b>	<b>102</b>	<b>149</b>	<b>873</b>	<b>96</b>	<b>432</b>	<b>919</b>	<b>131</b>	<b>102</b>	<b>980</b>	<b>140</b>	<b>242</b>

Source: Real Estate Center at Texas A&M University.

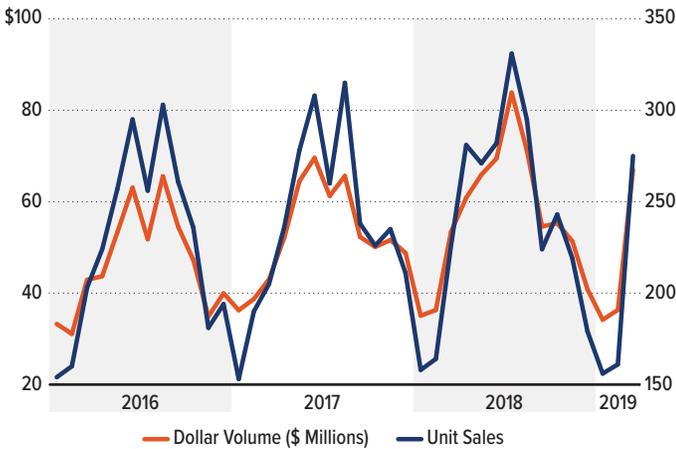
# HOUSING MARKET IN THE TYLER MSA

The housing market in the Tyler MSA is doing fairly well. Policy changes may have given a push to the market in March. Although sales in January and February in 2019 have decreased with respect to those same months in 2018 (probably due to lower expectations), March sales on single-unit residential housing increased about 22% with respect to March 2018 transactions. Total dollar volume went from \$53.4 to \$67.0 million (Figure 4). The number of days to sell single-unit residential housing in Tyler fluctuates around 100 days with peaks during summer and troughs in January and February (Figure 5).

In March 2019, the median price per square foot increased less than 3% with respect to the same month in the previous year, while the median square footage decreased about 100 feet, from 1,989 to 1,883 (Figure 6). In March 2019, the median prices of home sales in the Tyler MSA decreased over 1% from the same month in the previous year. Median price of home sales in the Tyler MSA are about 17% lower than the median prices for Texas (Figure 7).

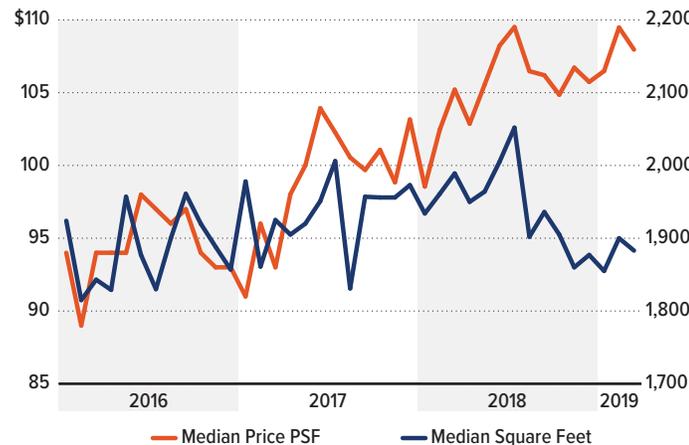


**Figure 4. Sales by Dollar Volume and Units of Single-Unit Residential Housing in the Tyler MSA (January 2018–March 2019)**



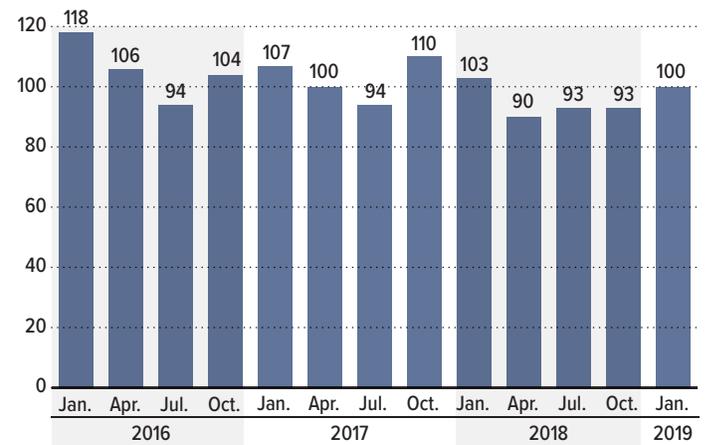
Note: Dollar Volume (left). Unit Sales (right).  
Source: Real Estate Center at Texas A&M University.

**Figure 6. Median Price per Square Feet and Median Square Feet, Single-Family Homes in the Tyler MSA (January 2018–March 2019)**



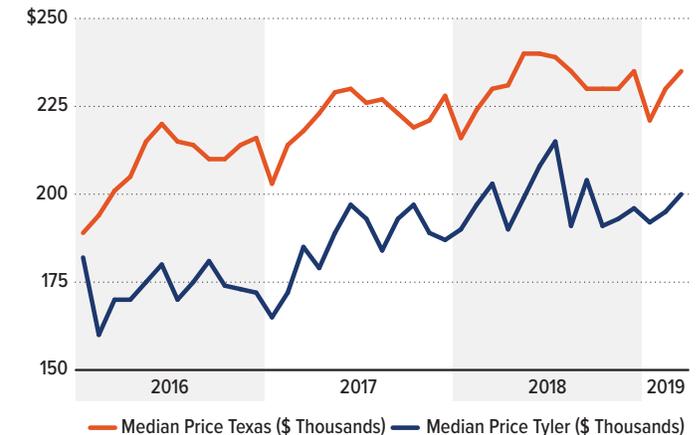
Note: Median Price PSF (left). Median Square Feet (right).  
Source: Real Estate Center at Texas A&M University.

**Figure 5. Days to Sell, Single-Unit Residential Housing in the Tyler MSA (January 2018–March 2019)**



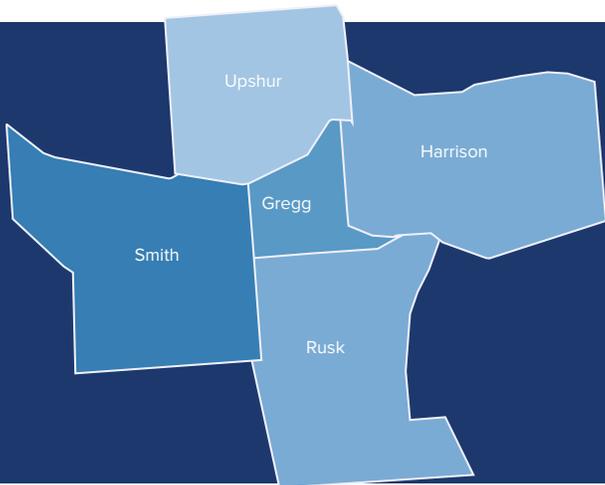
Note: Days to Sell = Days on Market + Days to Close.  
Source: Real Estate Center at Texas A&M University.

**Figure 7. Median Price of Home Sales in Texas and the Tyler MSA (January 2018–March 2019)**



Source: Real Estate Center at Texas A&M University.

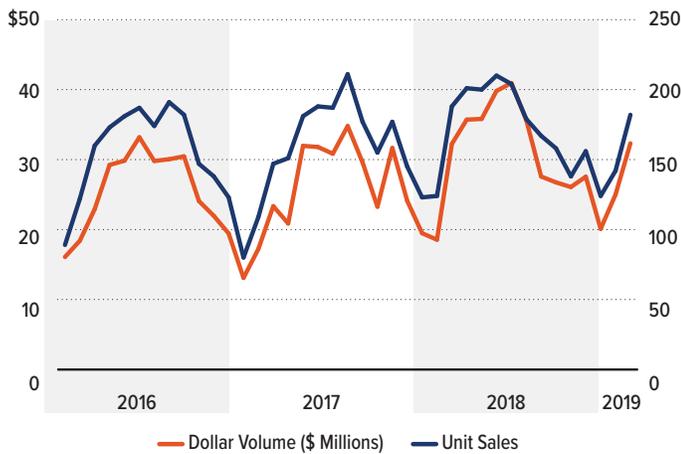
# HOUSING MARKET IN THE LONGVIEW MSA



In general, the housing market cycle in Longview is relatively pronounced compared with others. Its summer peaks and winter troughs are quite recognizable. In March 2019, sales of single-unit residential housing in the Longview MSA decreased about 3% with respect to the same month in the previous year. Total dollar volume remained about the same (\$32 million) with respect to the previous year's volume (Figure 8). The number of days to sell single-unit residential housing in Longview typically varies around 130 days (Figure 9).

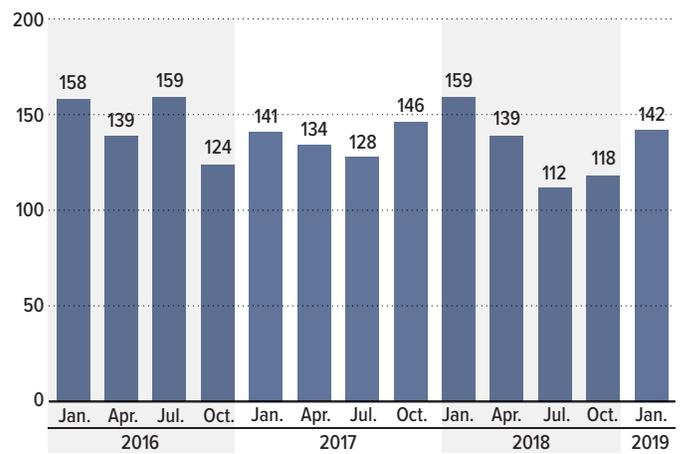
In March 2019, the median price per square foot increased about 5% with respect to the same month in the previous year, while the median square footage fluctuated around 1,900 feet during the past 12 months (Figure 10). Median prices of home sales in the Longview MSA increased 4.2% with respect to the same month in the previous year. Median prices of home sales in Longview are about two-thirds the median prices in Texas (Figure 11).

**Figure 8. Sales by Dollar Volume and Units of Single-Unit Residential Housing in the Longview MSA (January 2018–March 2019)**



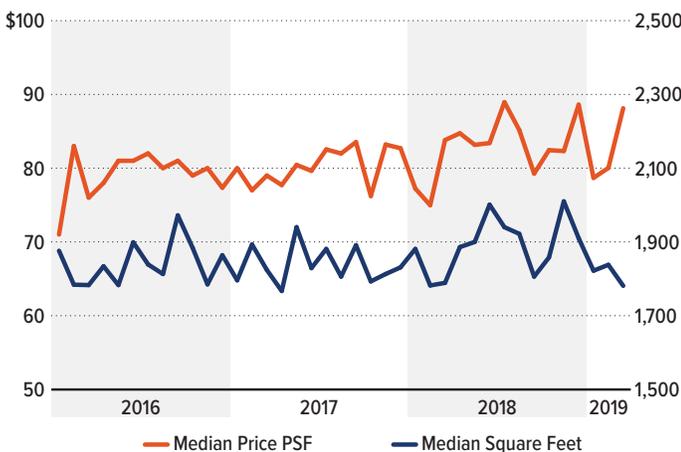
Note: Dollar Volume (left). Unit Sales (right).  
Source: Real Estate Center at Texas A&M University.

**Figure 9. Days to Sell, Single-Unit Residential Housing in the Longview MSA (January 2018–March 2019)**



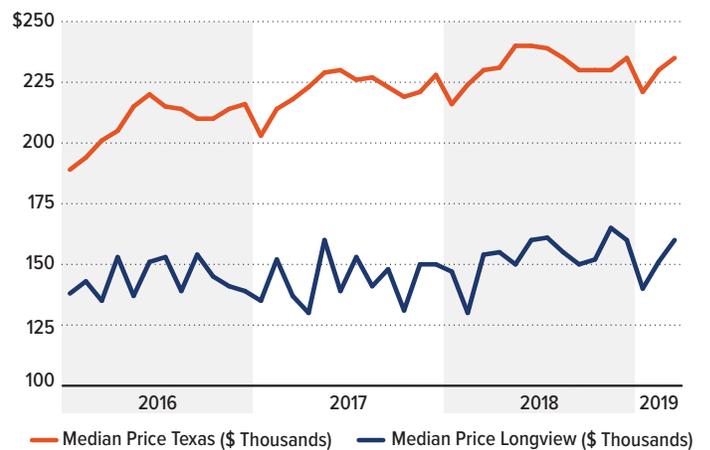
Note: Days to Sell = Days on Market + Days to Close.  
Source: Real Estate Center at Texas A&M University.

**Figure 10. Median Price per Square Feet and Median Square Feet, Single-Family Homes in the Longview MSA (January 2018–March 2019)**



Note: Median Price PSF (left). Median Square Feet (right).  
Source: Real Estate Center at Texas A&M University.

**Figure 11. Median Price of Home Sales in Texas and the Longview MSA (January 2018–March 2019)**

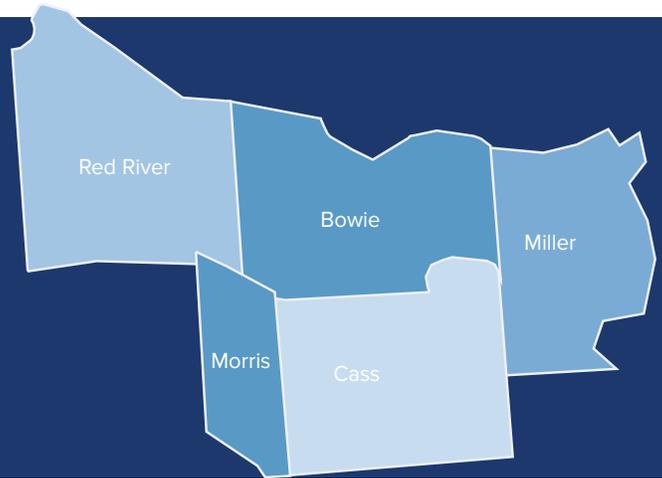


Source: Real Estate Center at Texas A&M University.

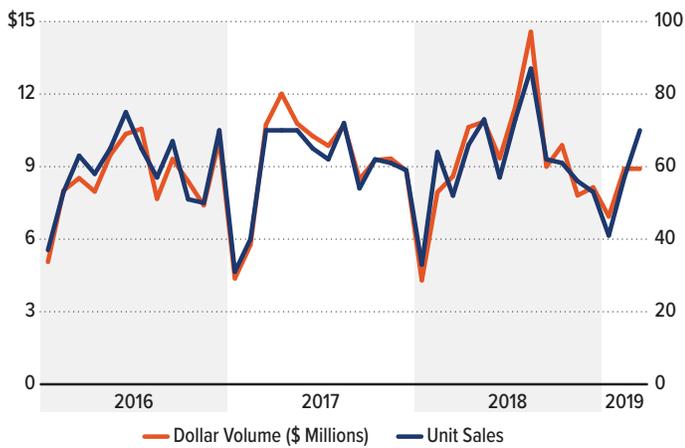
# HOUSING MARKET IN THE TEXARKANA MSA

The housing market in the Texarkana MSA has been relatively stable during the past 36 months. Although having a cyclical behavior with peaks in August and troughs in January, the annual average of single-unit residential housing sales in the Texarkana MSA remains around 62 transactions. March 2019 sales increased almost 35% with respect to March 2018 transactions. Total dollar volume increased from \$8.6 million in March 2018 to \$8.9 million in March 2019 (Figure 12). The number of days to sell single-unit residential housing in Texarkana was reduced from 130 days in 2017 to around 115 days in the summer of 2018 (Figure 13).

The median price per square foot in the Texarkana MSA decreased from \$84.04 in March 2018 to \$67.14 in March of 2019. The median square footage decreased from around 1,800 feet during several previous months to almost 1,600 feet in March 2019 (Figure 14). Median prices of home sales in the state of Texas are typically 70-75% more expensive than what they are in the Texarkana MSA (Figure 15).

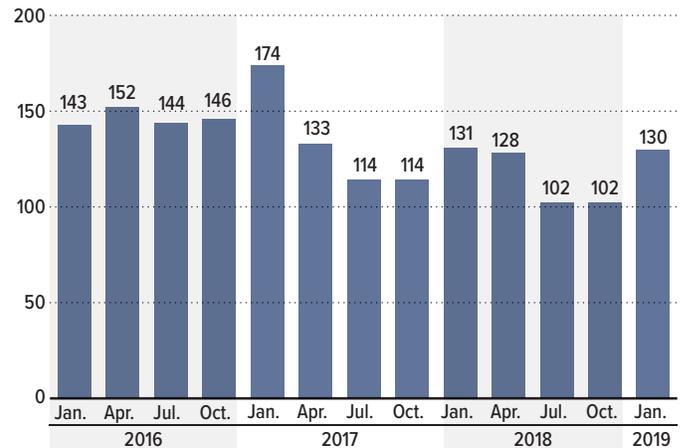


**Figure 12. Sales by Dollar Volume and Units of Single-Unit Residential Housing in the Texarkana MSA (January 2018–March 2019)**



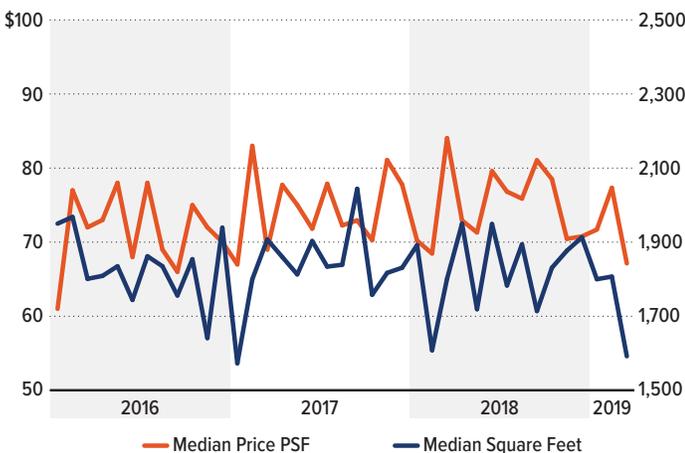
Note: Dollar Volume (left). Unit Sales (right).  
Source: Real Estate Center at Texas A&M University.

**Figure 13. Days to Sell, Single-Unit Residential Housing in the Texarkana MSA (January 2018–March 2019)**



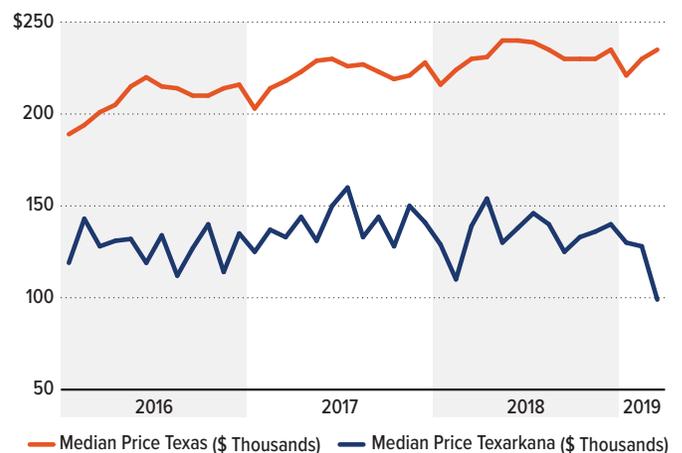
Note: Days to Sell = Days on Market + Days to Close.  
Source: Real Estate Center at Texas A&M University.

**Figure 14. Median Price per Square Foot and Median Square Feet, Single-Family Homes in the Texarkana MSA (January 2018–March 2019)**



Note: Median Price PSF (left). Median Square Feet (right).  
Source: Real Estate Center at Texas A&M University.

**Figure 15. Median Price of Home Sales in Texas and the Texarkana MSA (January 2018–March 2019)**



Source: Real Estate Center at Texas A&M University.

## HIBBS INSTITUTE STAFF

Acting Director  
Manuel Reyes-Loya, D.E.D.  
mreyes@uttyler.edu

Hibbs Faculty Research Fellow  
Marilyn Young, Ph.D.  
myoung@uttyler.edu

The Hibbs Institute for Business and Economic Research is a unit of The University of Texas at Tyler's Soules College of Business. The mission of the Hibbs Institute is to provide expert research and analysis for businesses, local government, and economic development councils with the common goal of increasing economic activity and personal income in East Texas.

**Services provided:** economic impact analysis; industry/firm economic contribution studies; policy analysis; strategic planning; project analysis; and business and economic forecasting.

Associated with several leading universities, the Hibbs team includes professors of economics, finance, management, marketing and accounting. The group includes two former university presidents and leaders of CPA and other firms.

For more information, visit:

**[UTTYLER.EDU/HIBBS](http://UTTYLER.EDU/HIBBS)**

Email us at:

**[HibbsInstitute@uttyler.edu](mailto:HibbsInstitute@uttyler.edu)**

Call:

**903.565.5952**