

**45<sup>th</sup> Annual Texas Comptroller's Property Tax Institute**  
**V.G. Young Institute of County Government**  
**Hilton Hotel, College Station**  
**December 6, 2023**

# 2023-24 Texas Economic & Housing Outlook

**Dr. James P. Gaines**

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TEXAS A&M UNIVERSITY

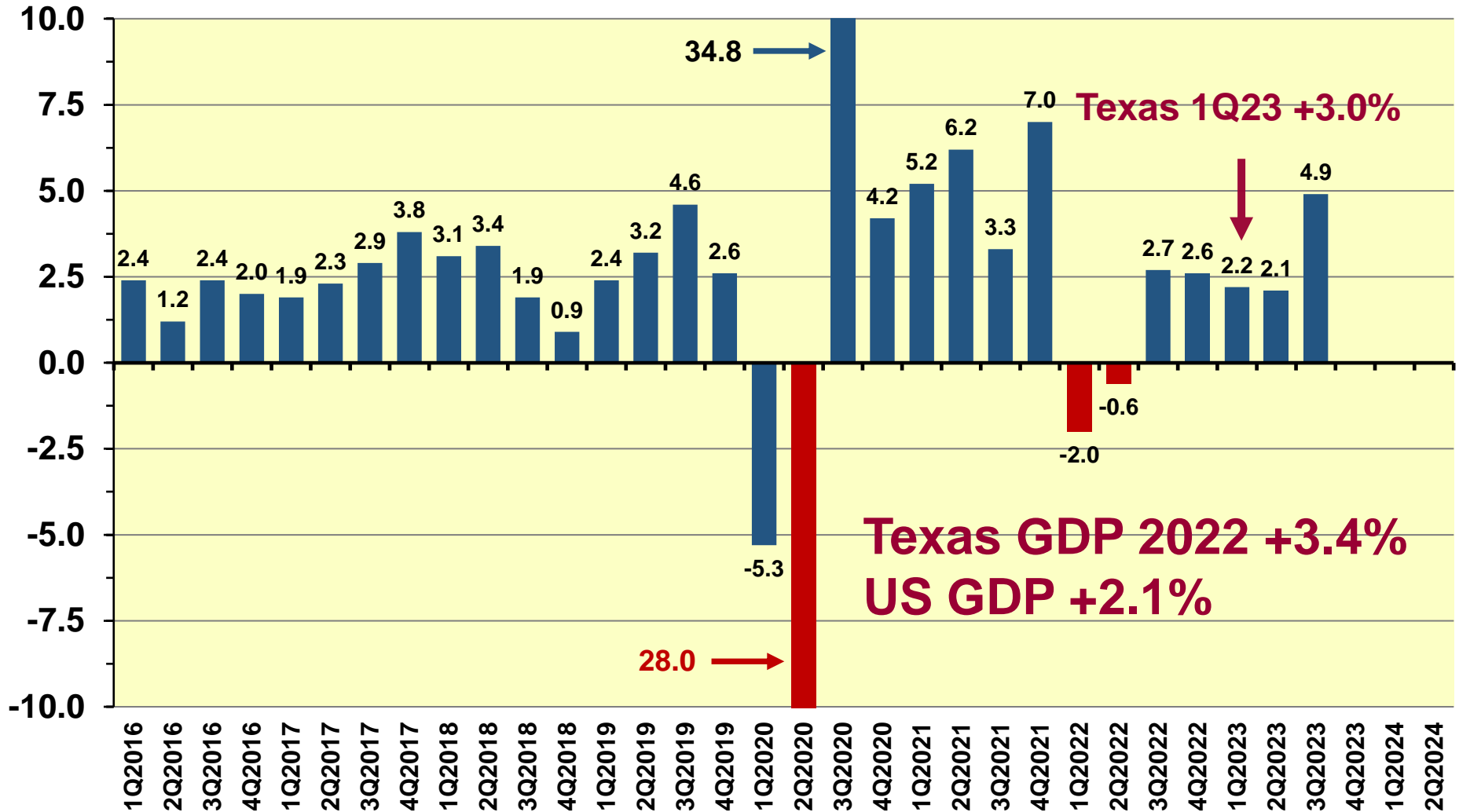
Texas Real Estate Research Center

# Current Status

- Inflation still primary focus of FED
- Higher interest rates creating limitations: general business, housing, business investment, CRE:  
“higher for longer”
  - ❖ Continuing inverted yield curve
- Employment, Wages & Income & Spending still strong – **Why no recession, so far!!**
- Consumer, Business and Government spending expected to slow down – may or may not lead to recession

# 2023 Started Out About “Norm”

## Annualized Percent Change in Real GDP



Texas GDP 2022 +3.4%  
US GDP +2.1%

Texas 1Q23 +3.0%

28.0

34.8

-0.6

-2.0

-5.3

4.9

2.7

2.6

2.2

2.1

7.0

3.3

6.2

5.2

4.2

4.6

3.2

2.4

0.9

1.9

3.4

3.1

3.8

2.9

2.3

1.9

2.0

2.4

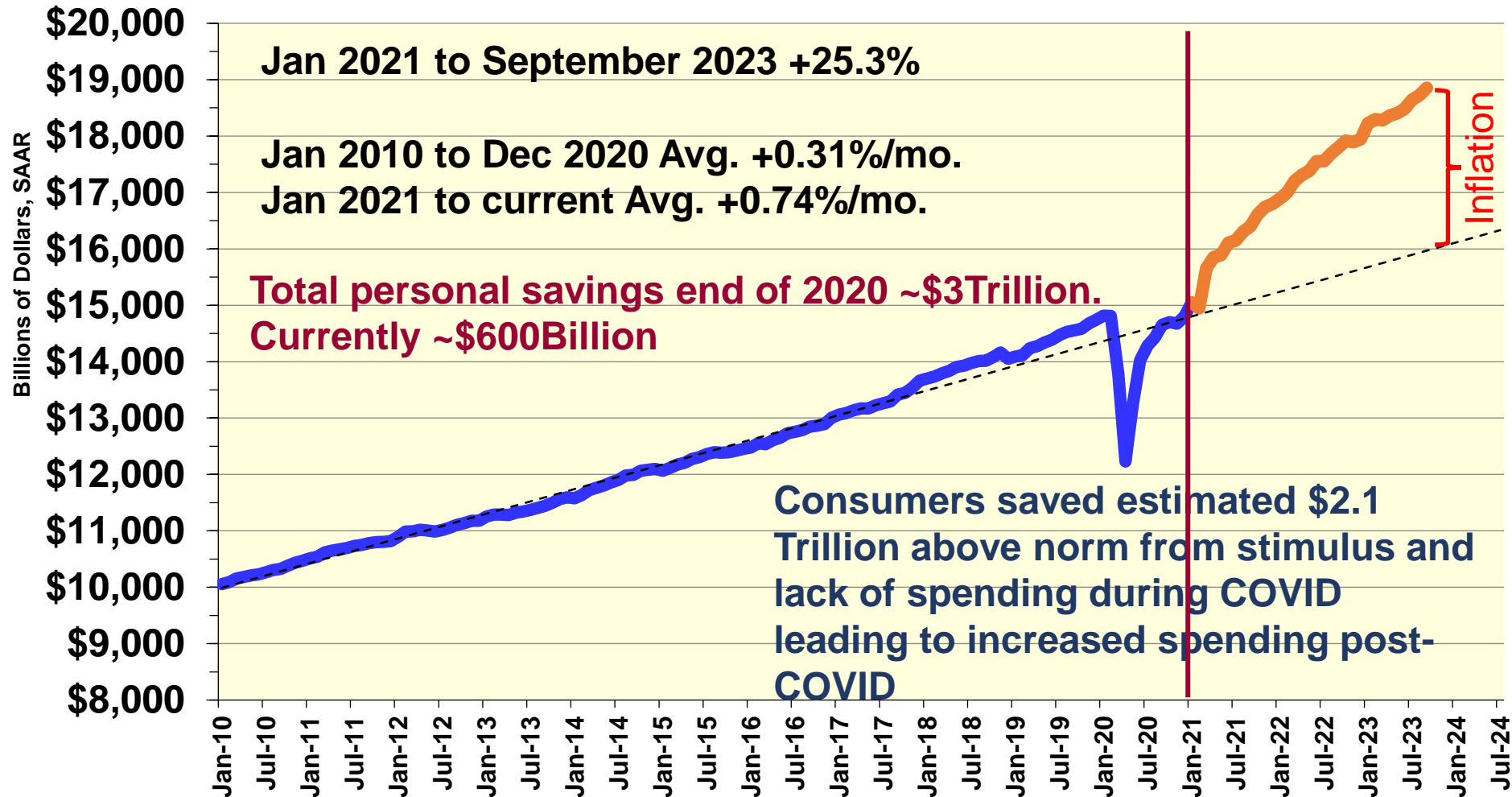
2.4

1.2

2.4

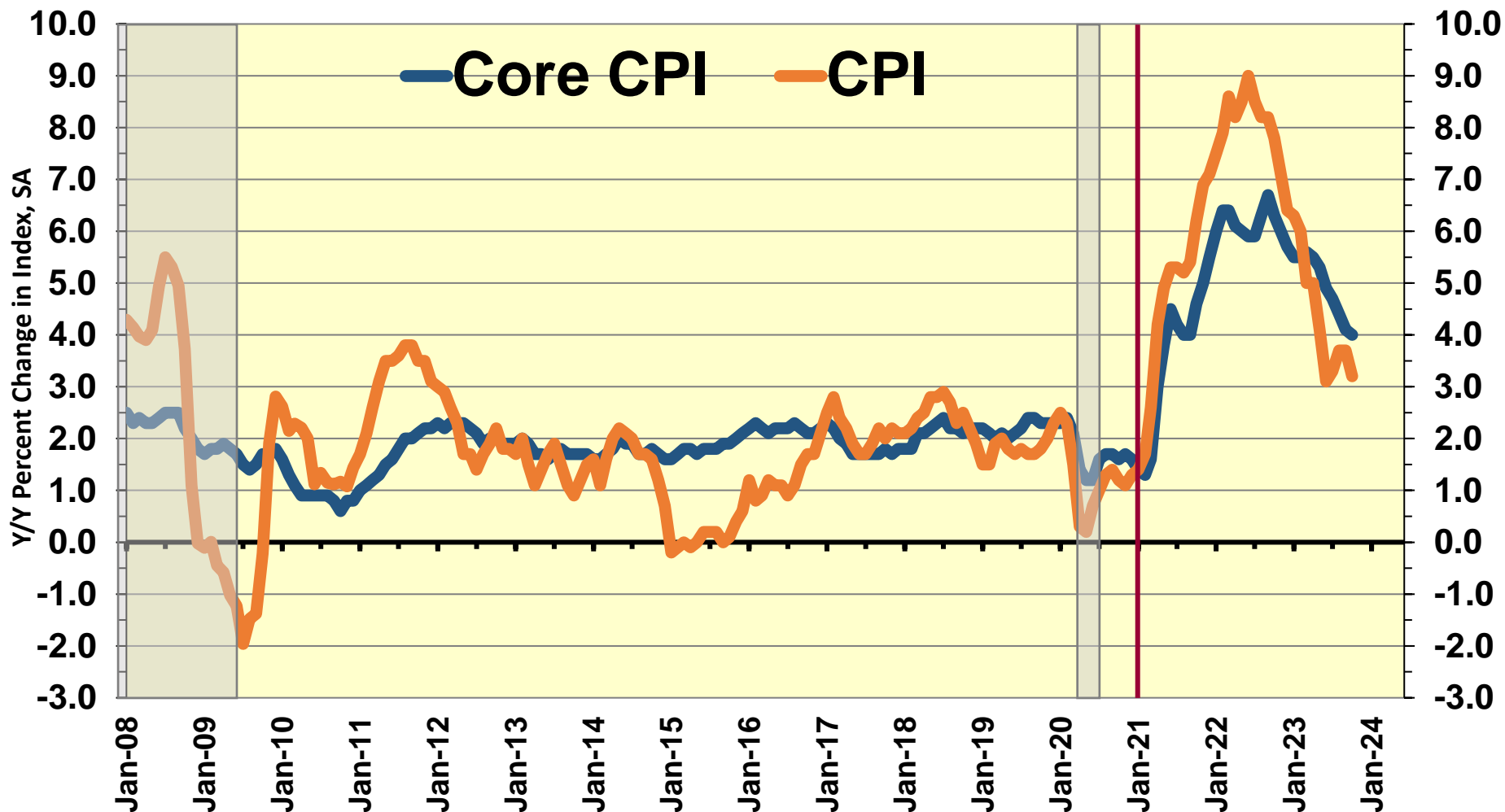
# Personal Consumption Expenditures

## Consumers Spending Savings



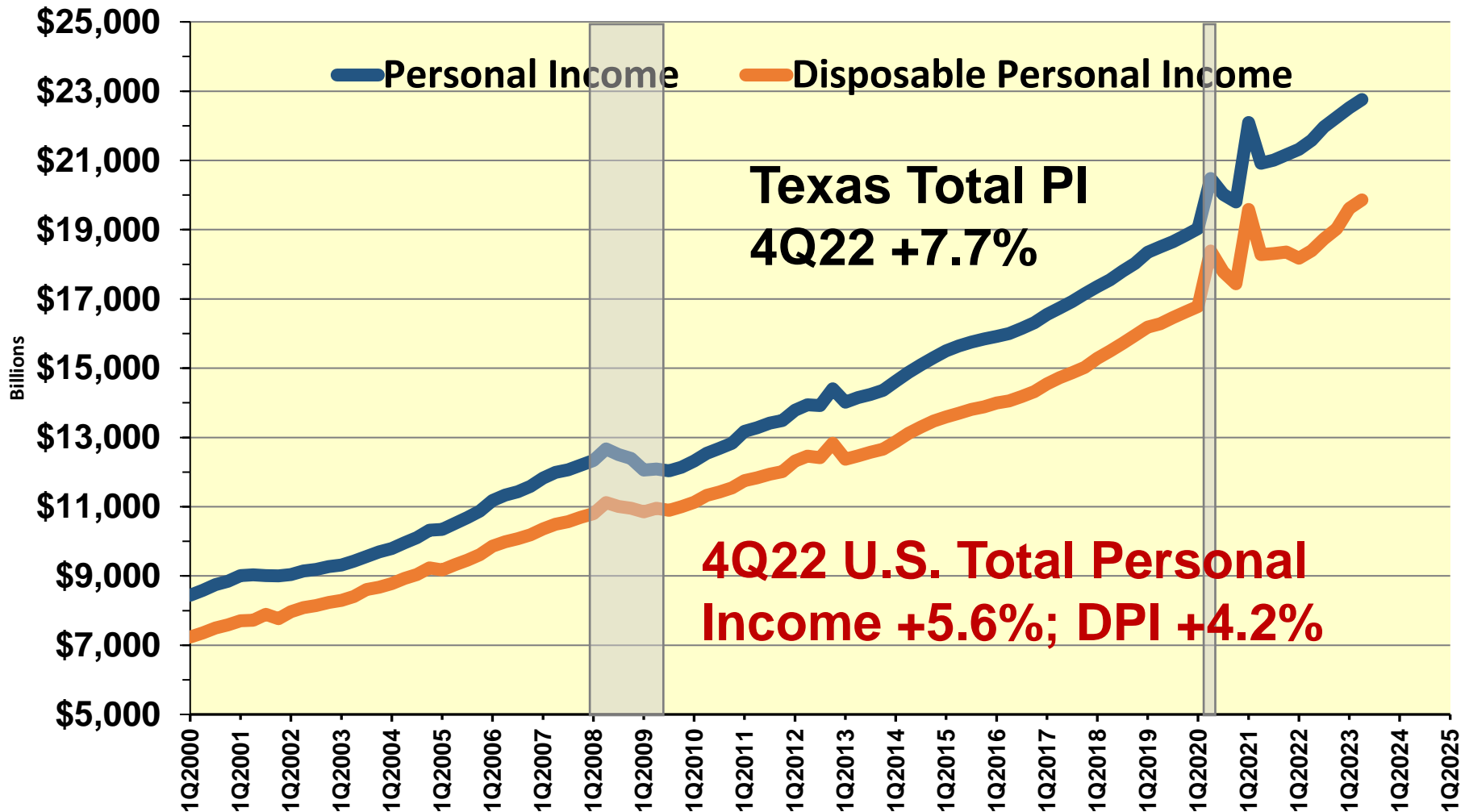
# Inflation Started January 2021

## Some Slowdown in Inflation



# Total Personal & Disposable Income

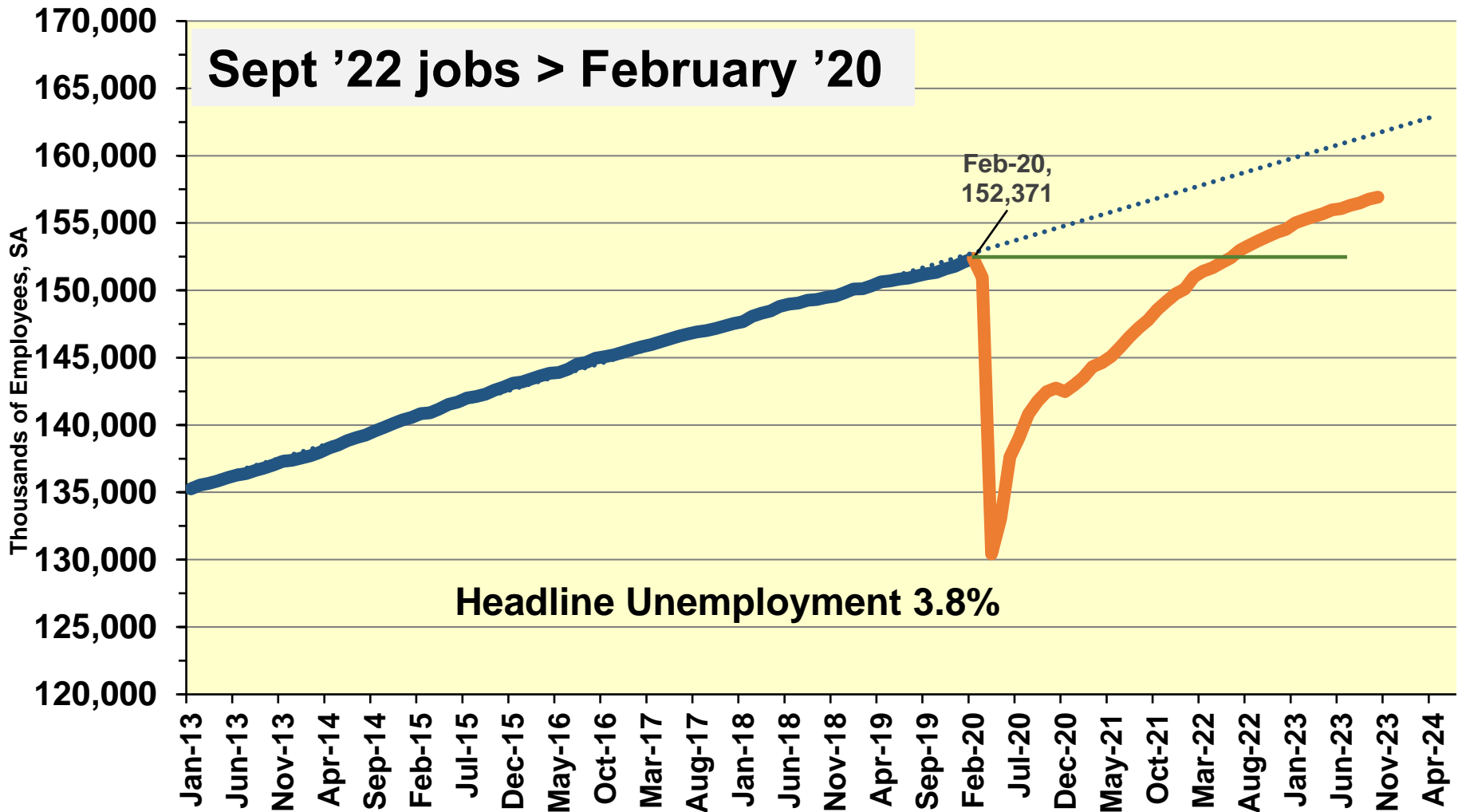
(Billions of Dollars, Quarterly Average, SAAR)



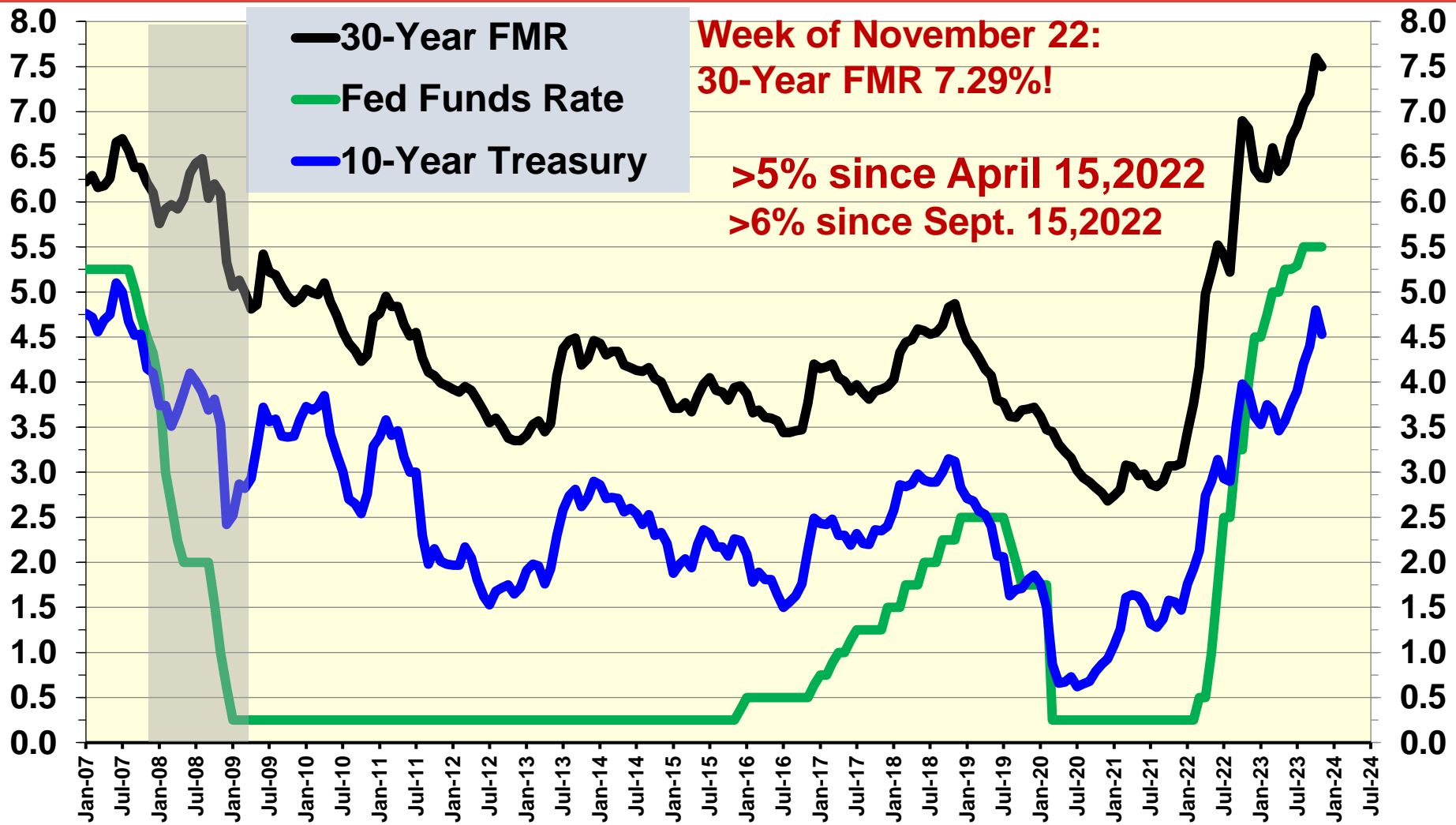
Source: BEA, Federal Reserve Bank of St. Louis;  
Real Estate Research Center at Texas A&M University

# Total U.S. Nonfarm Employment

## Above Pre-COVID, But Not Back to Trend



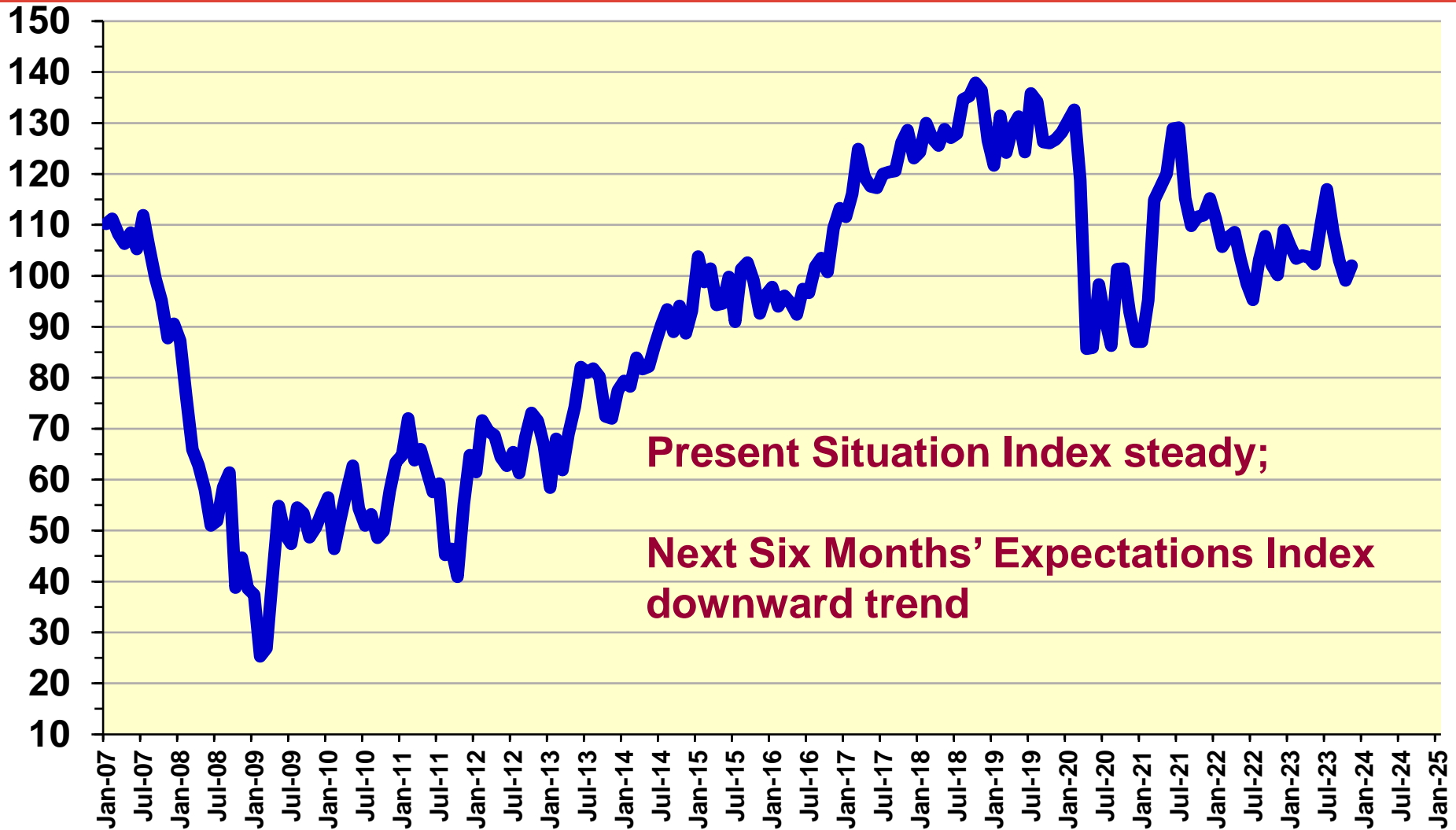
# Monthly Fed Funds, 10-Year Treasury and 30-Year FMR Rates





# Consumer Confidence Index

(1985=100)



**Present Situation Index steady;**

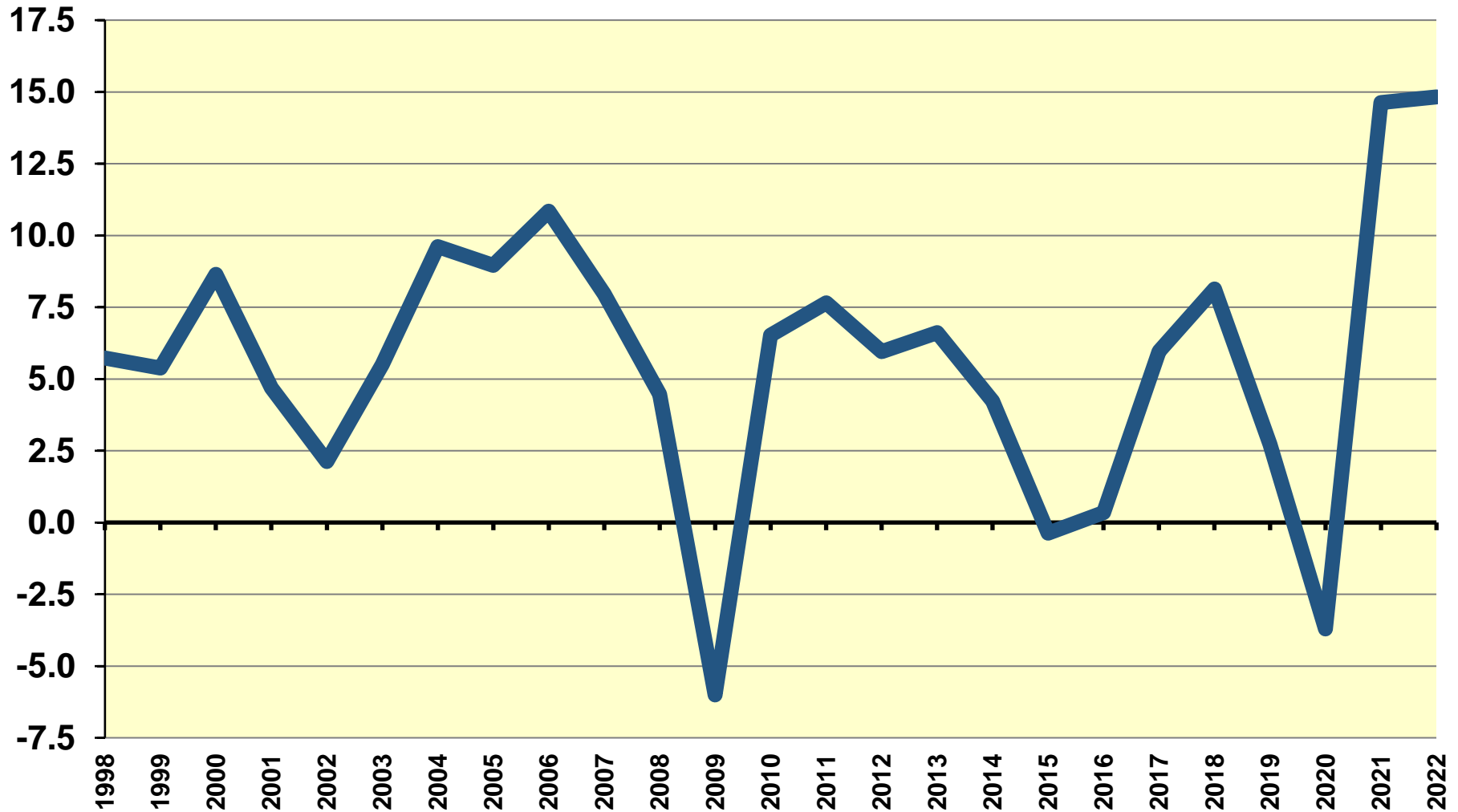
**Next Six Months' Expectations Index  
downward trend**

# Texas General Overview

- ❖ **Texas GDP** ahead of nation
- ❖ **Jobs** fully recovered and more
- ❖ **Income** growth following job growth
- ❖ **Spending** both consumer and business holding up
- ❖ **Energy** sector contributing to growth, but lesser effect than in the past
- ❖ **Distribution and bio-medical** major areas of growth
- ❖ **Population** growth continues ~400,000/year

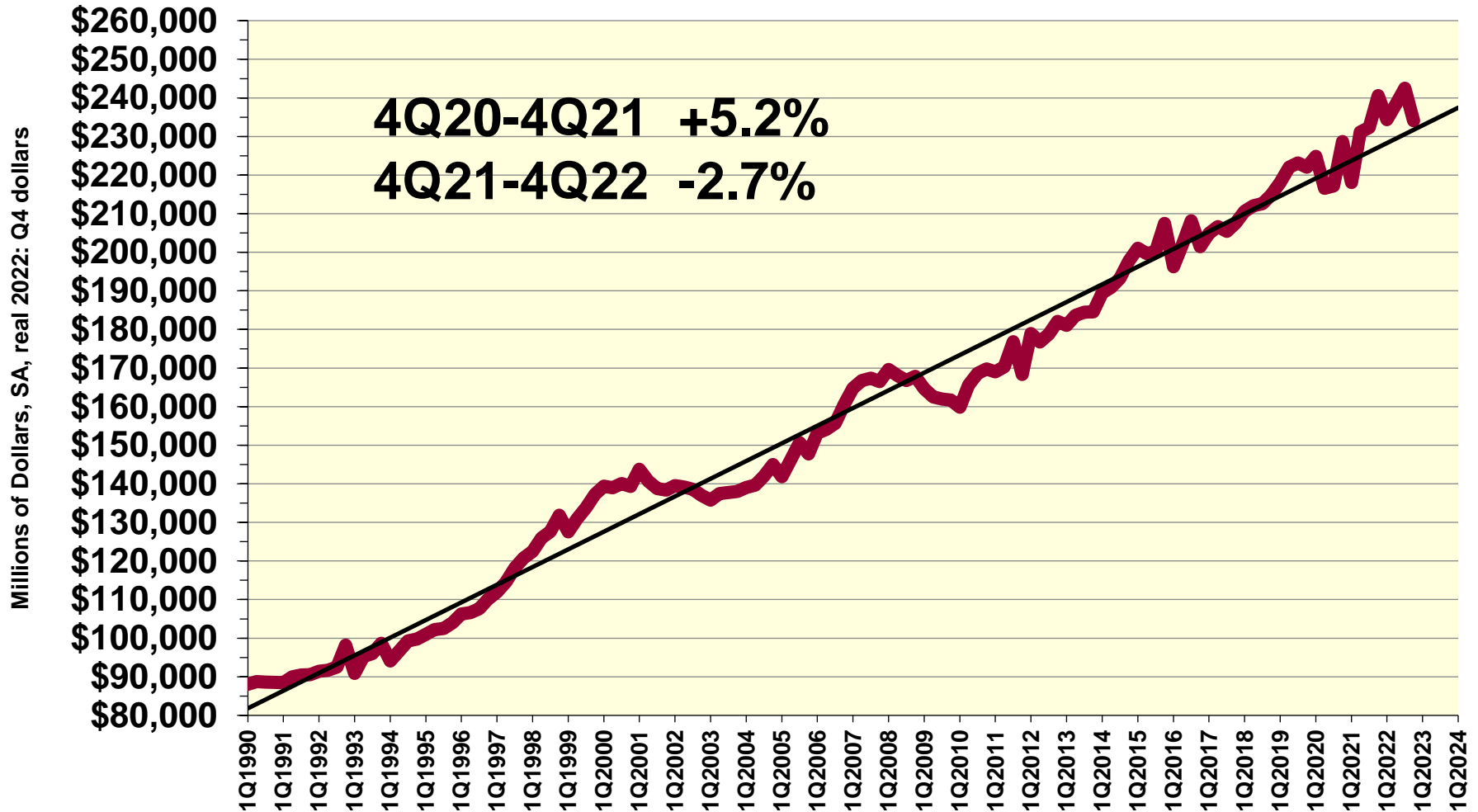
# Texas Annual GDP

Percent Change from Year Ago

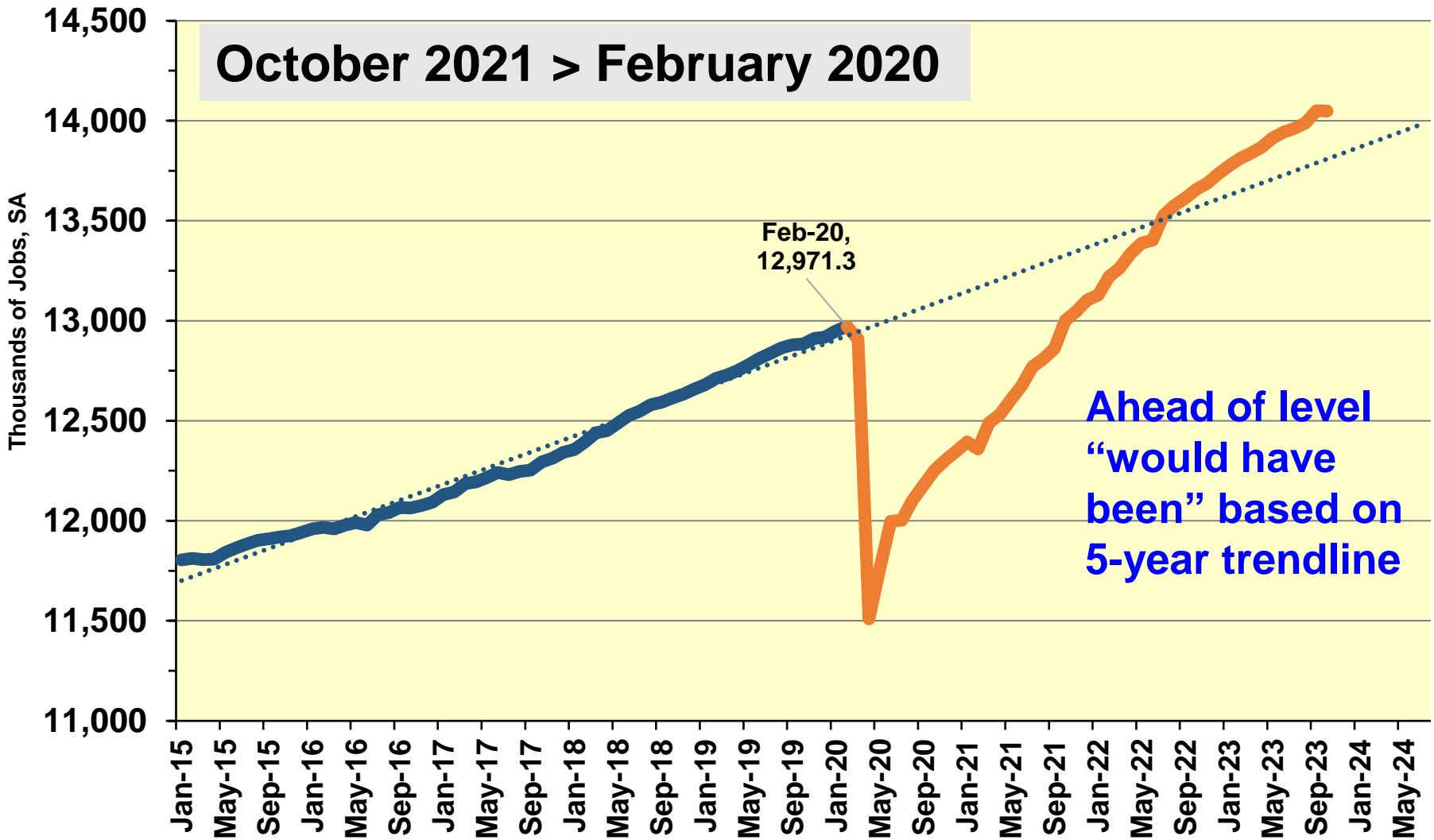


Source: BEA, Federal Reserve Bank of St. Louis;  
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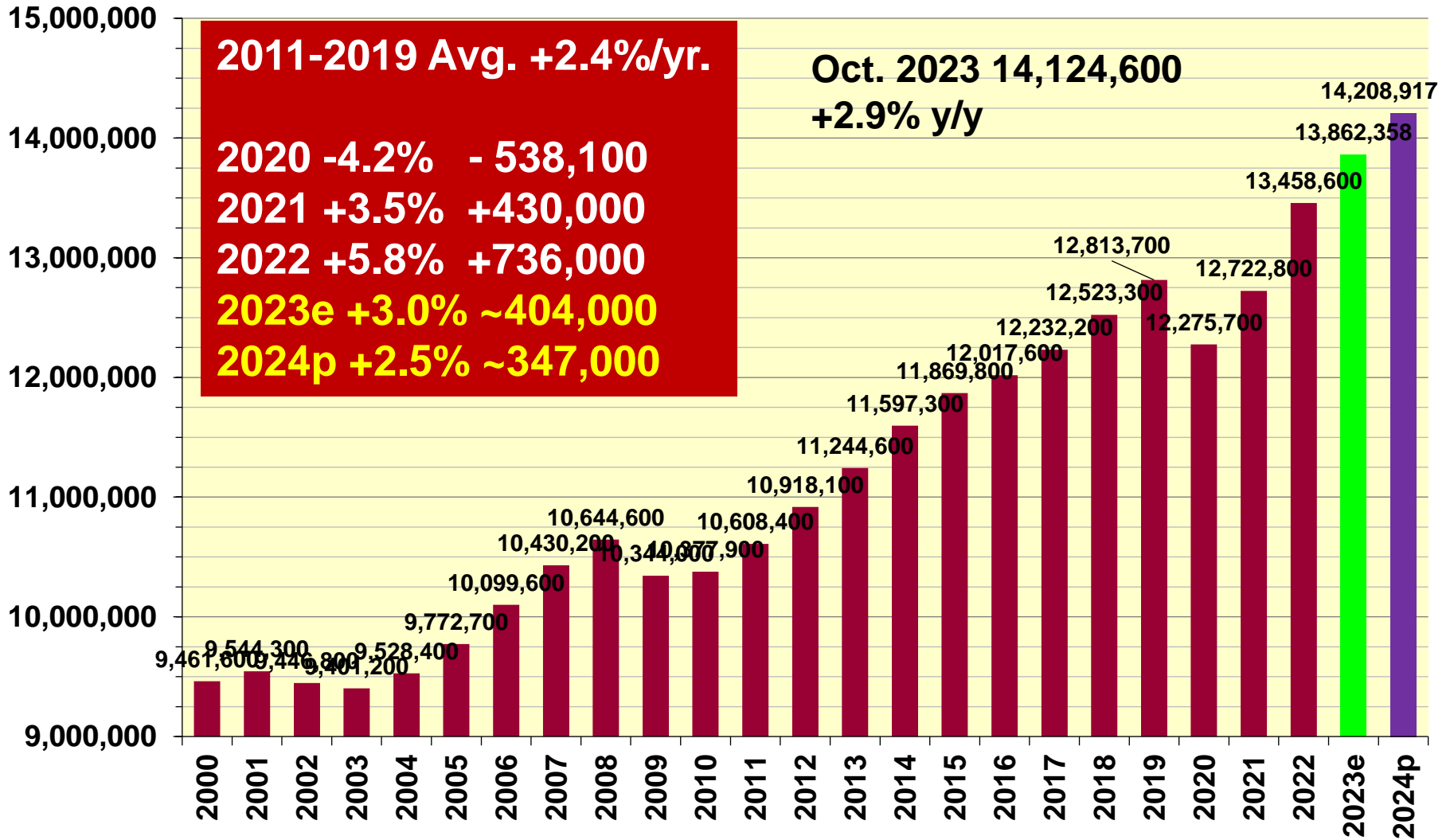
# Texas Total Real Wages



# Texas Total Nonfarm Jobs

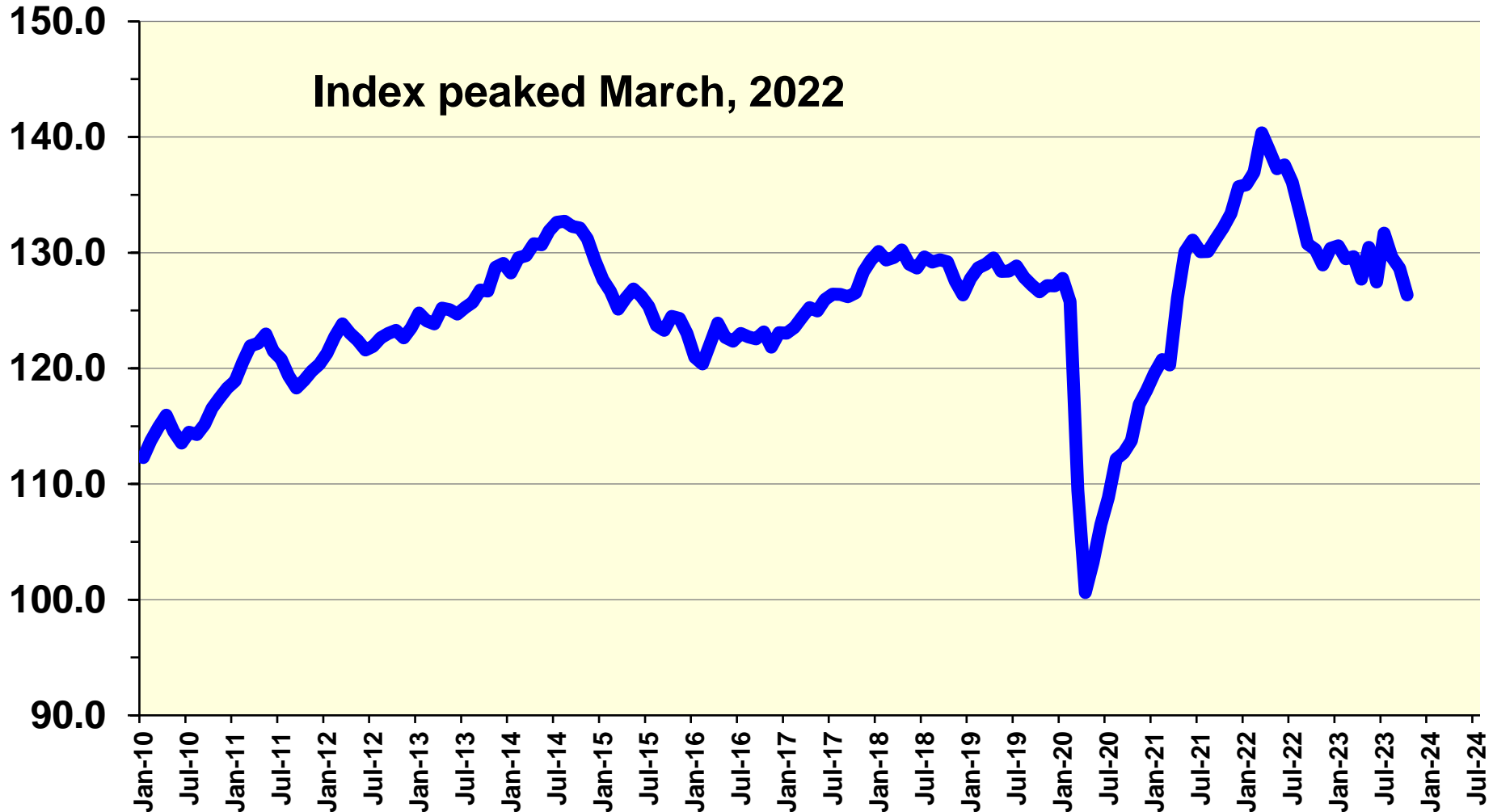


# Texas Annual Jobs

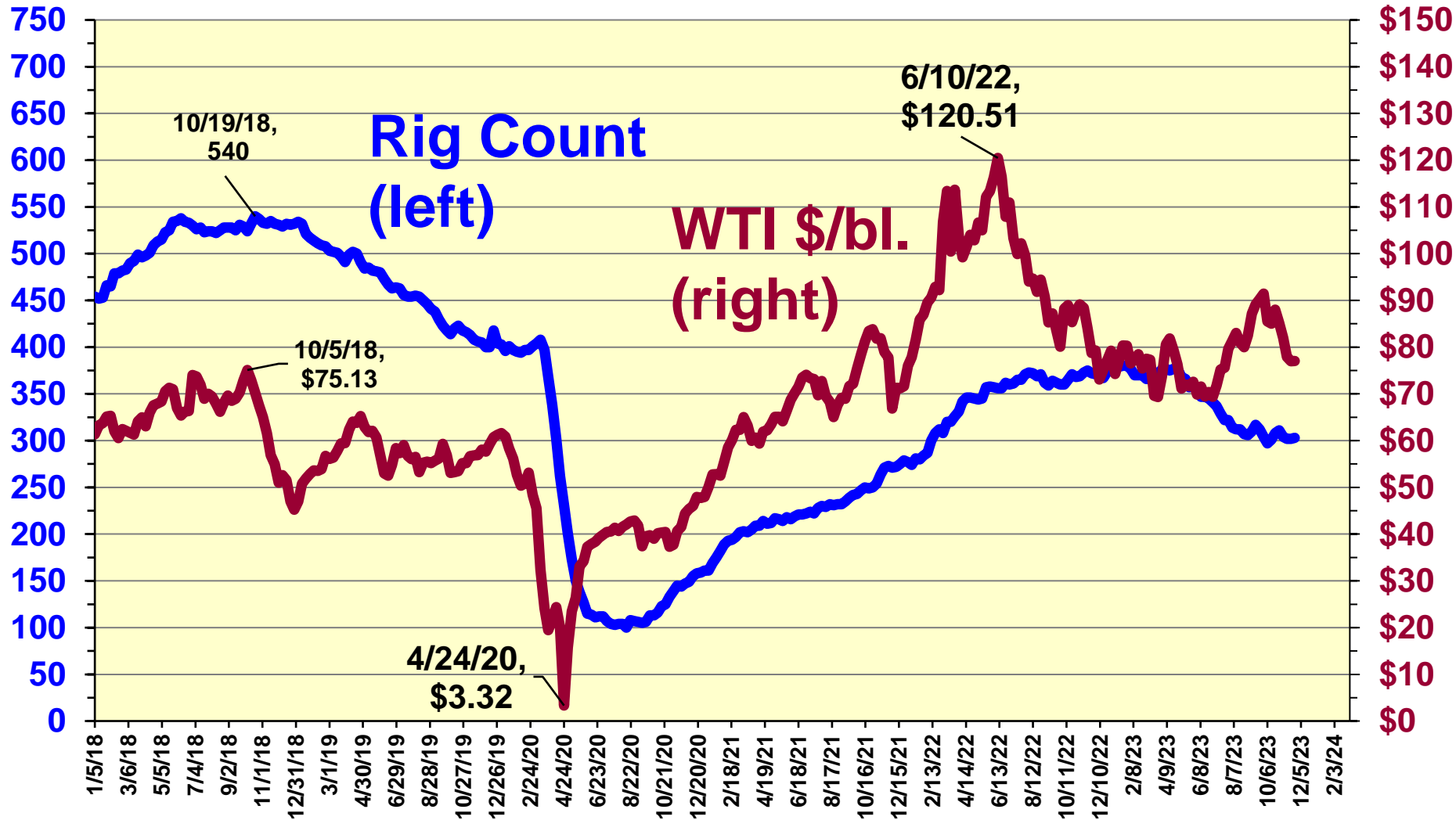


# Texas Leading Economic Index

Index, 1987=100, Seasonally Adjusted



# Weekly Active Texas Rig Count & Price of WTI Since Jan. 2018

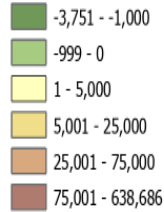




# Numeric Population Change for Texas Counties 2010 - 2020

**143 out of 254 counties lost population between 2010 and 2020**

Total Population Change 2010 to 2020



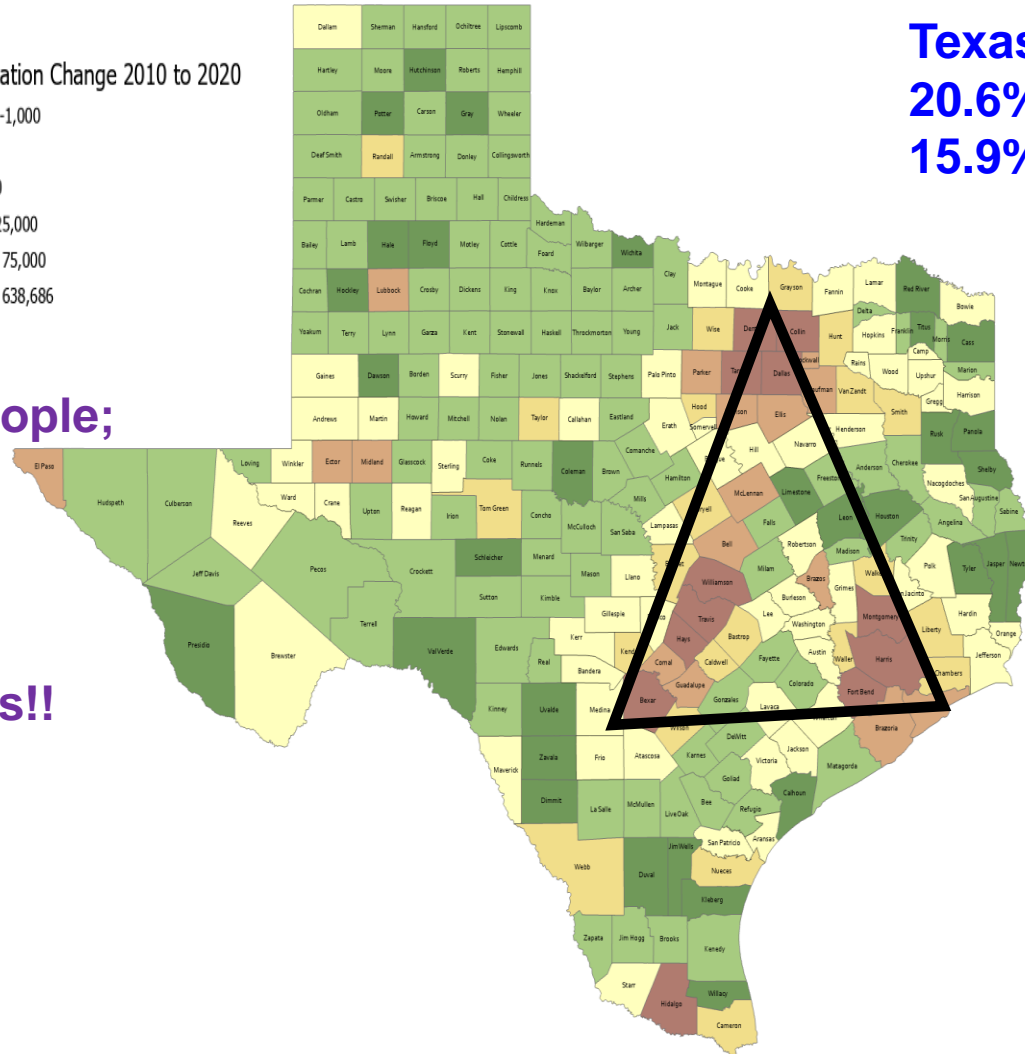
**Texas grew  
20.6% 2000-2010  
15.9% 2010-2020**

**7/2020-7/2021:**  
**Texas added 326,390 people;**

**7/2021-7/2022**  
**Added 470,708 people.**

**Nearly 800,000 in 2 years!!**

**Texas > 30 million residents in 2022**



# Housing Market Factors

## 2023 & 2024

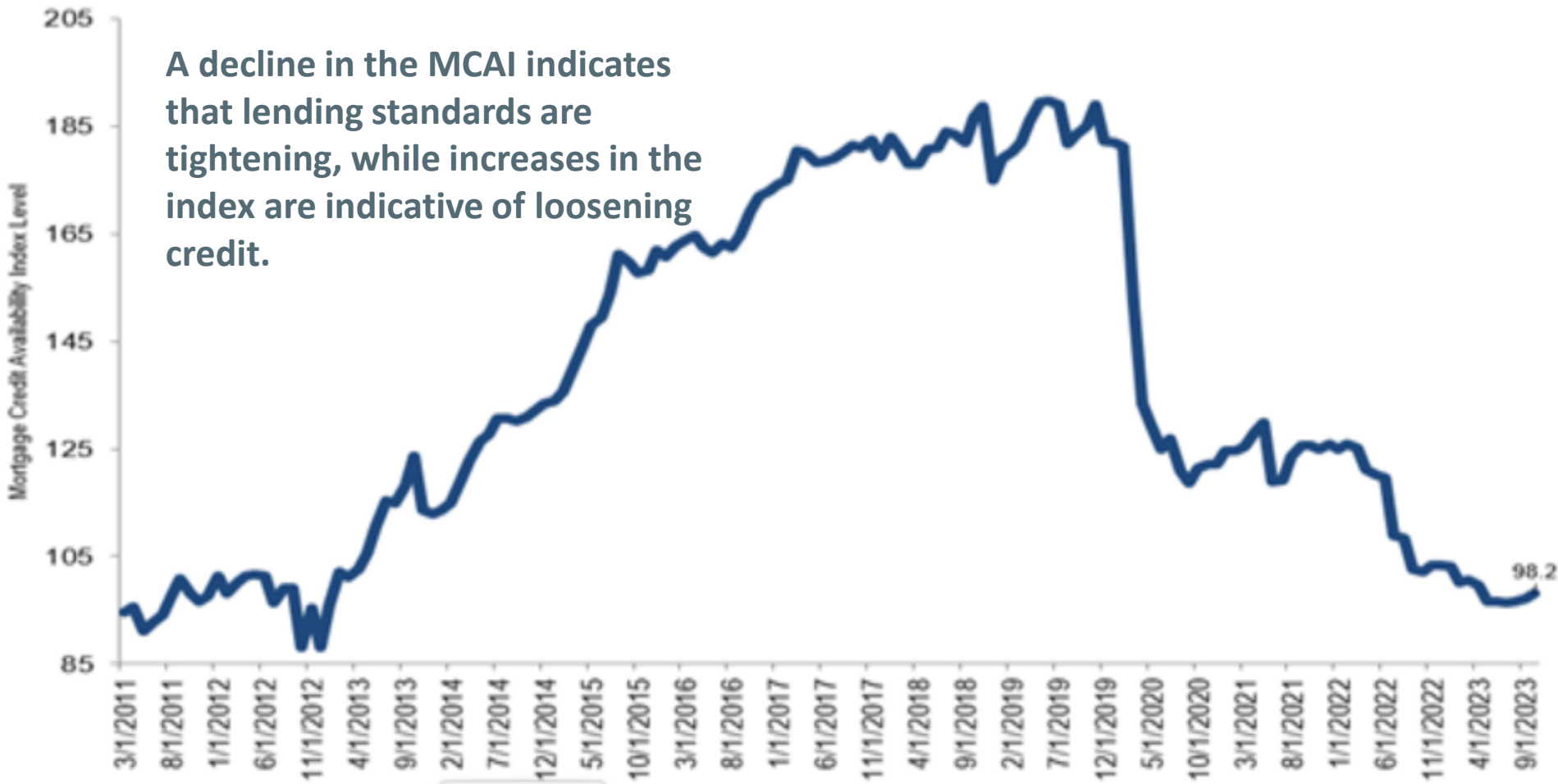
- ❑ **Demographics:** 26-44 Millennials; 45-70+ Gen X & Boomers
- ❑ **Inventory** new and existing limited
- ❑ **Interest rates** critical variable for the year
- ❑ **Mortgage Credit** availability as critical as rate
- ❑ **Affordability** employment & income; debt; Price/Income; age strata economics
- ❑ **Technology** more and faster information availability
- ❑ **Wealth Effect** stock market; savings; generational borrowing

# Home Sales and Mortgage Interest Rates



# Mortgage Credit Availability One Reason House Bubble Not Likely

**Mortgage Credit Availability Index, Index Level by Month  
(NSA, 3/2012=100)**



A decline in the MCAI indicates that lending standards are tightening, while increases in the index are indicative of loosening credit.

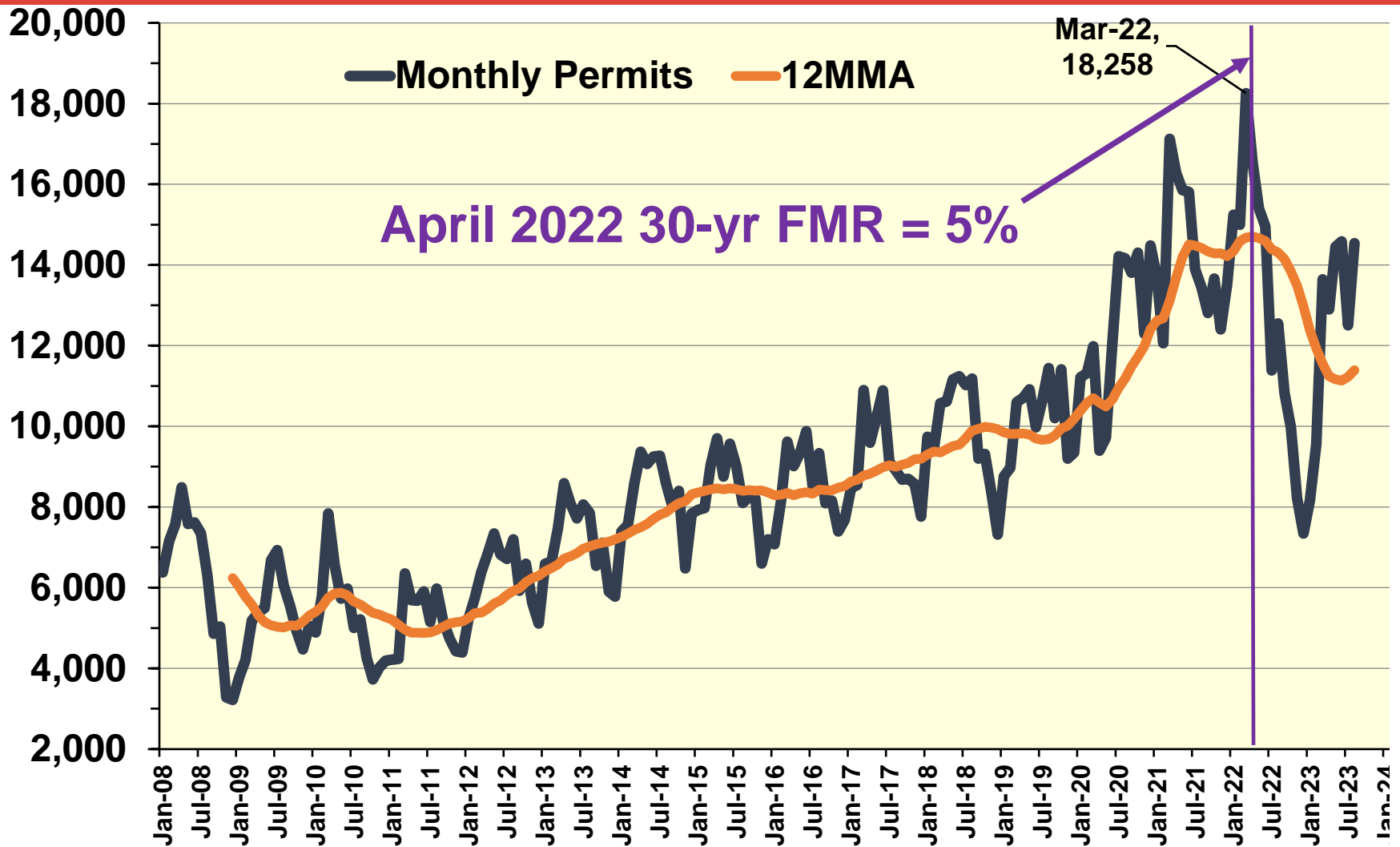
# SF Housing Starts Since 2008

April 2022 30-yr FMR = 5% and hasn't been lower

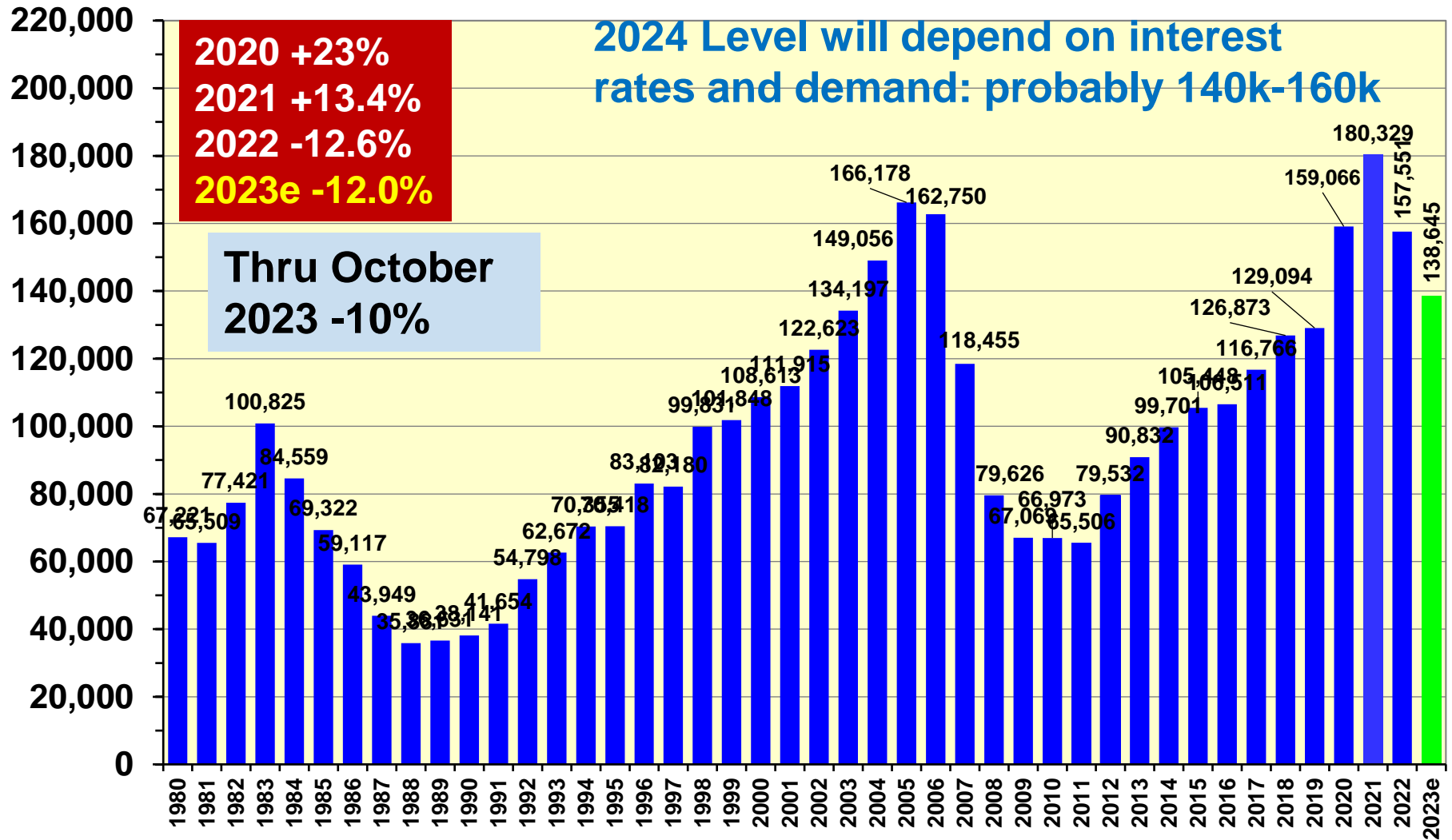


# Texas Monthly SF Building Permits

## Wasn't Enough; Now Less

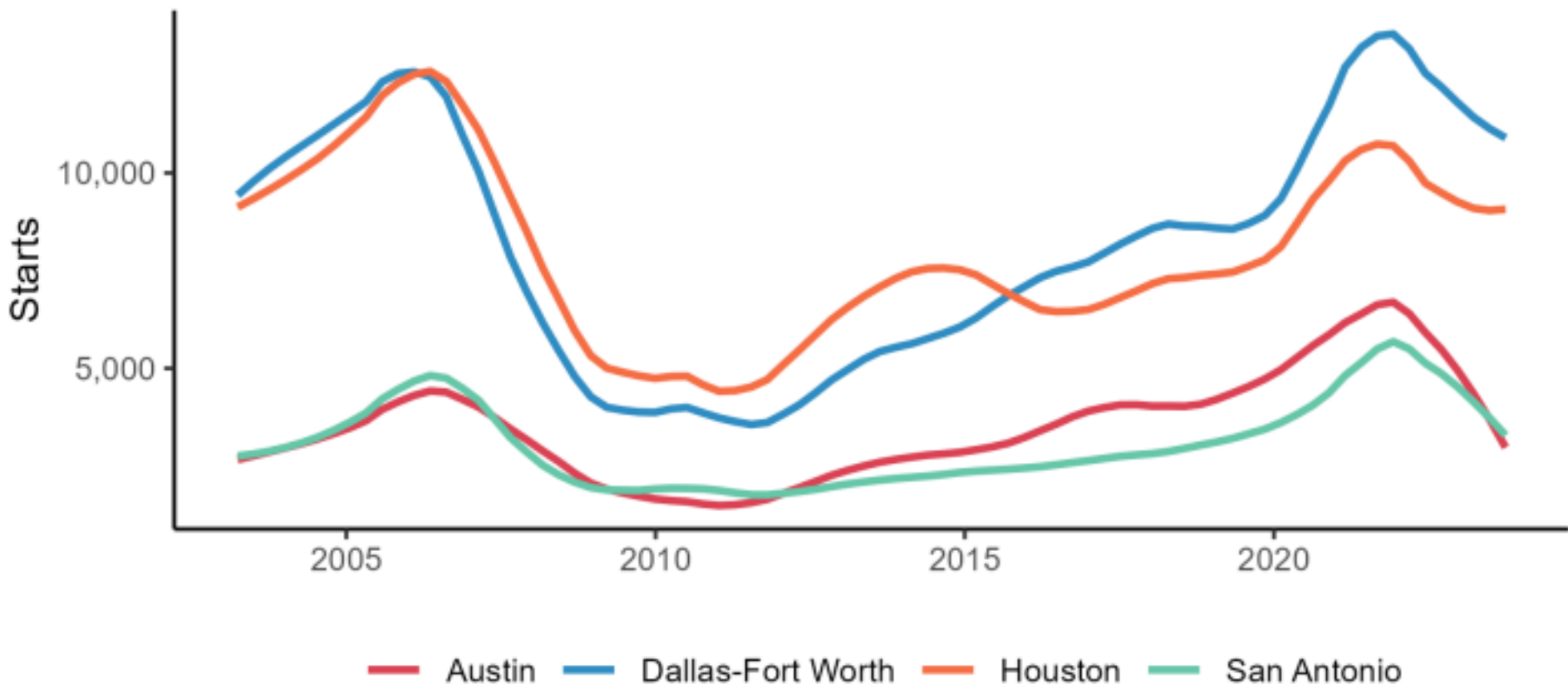


# Annual Texas SF Building Permits



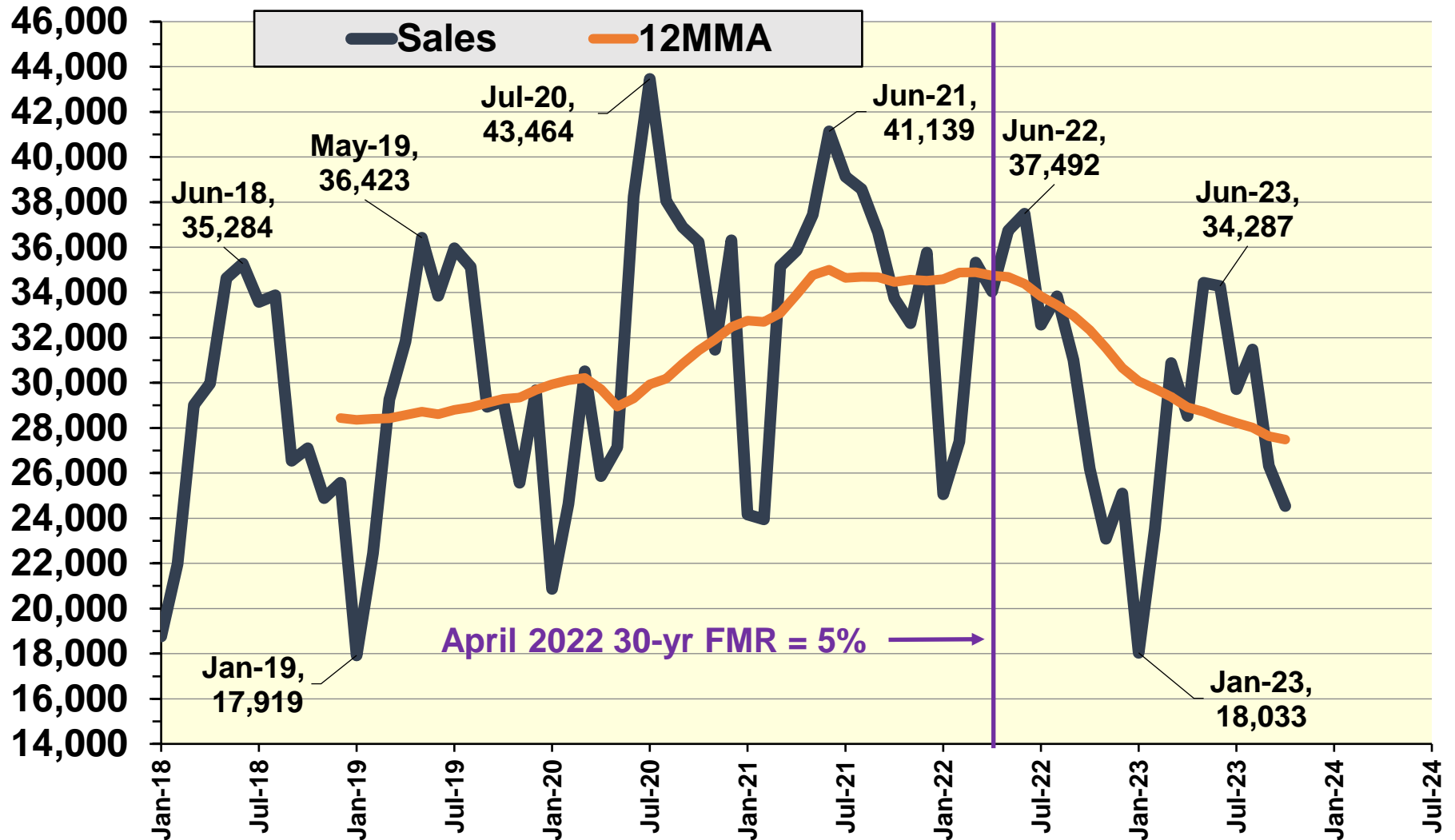
# Metro Housing Starts

Metro Housing Starts





# Texas Monthly Residential Sales

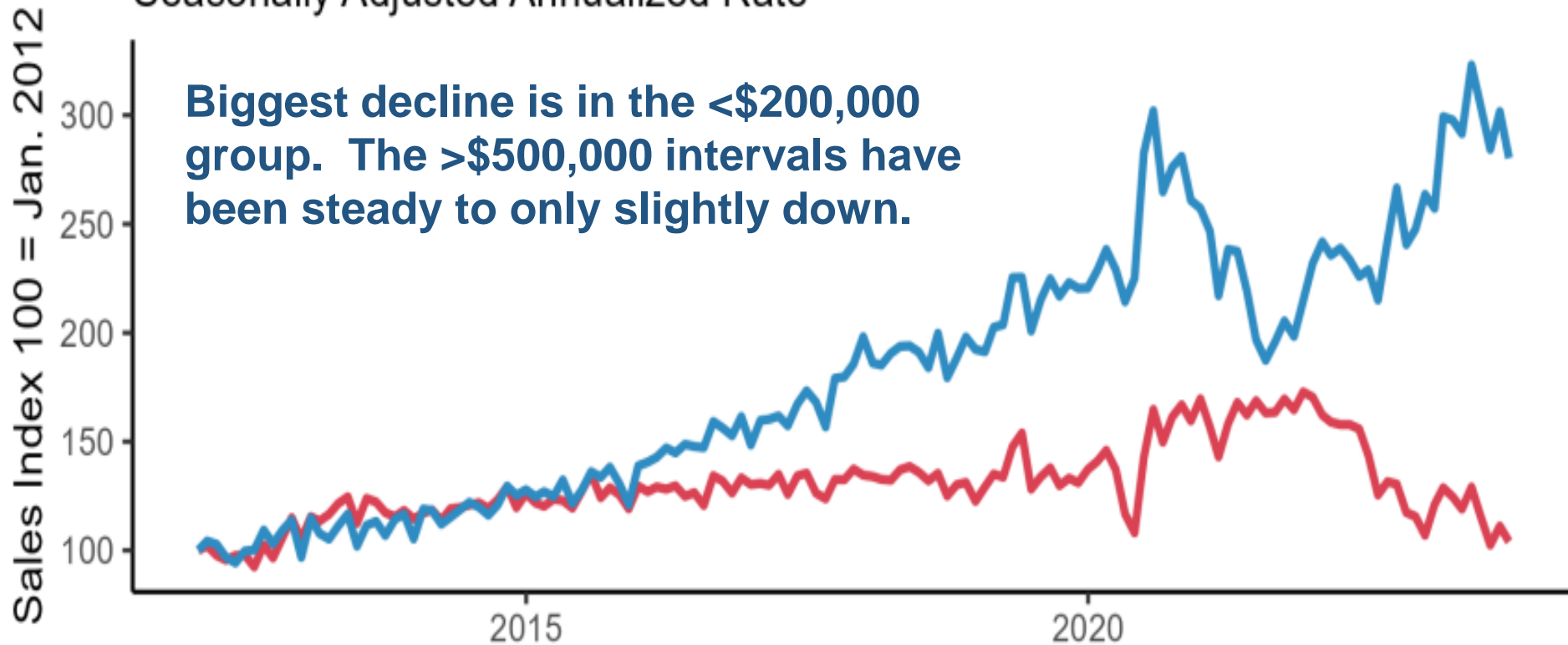


# New and Existing Home Sales

## SAAR

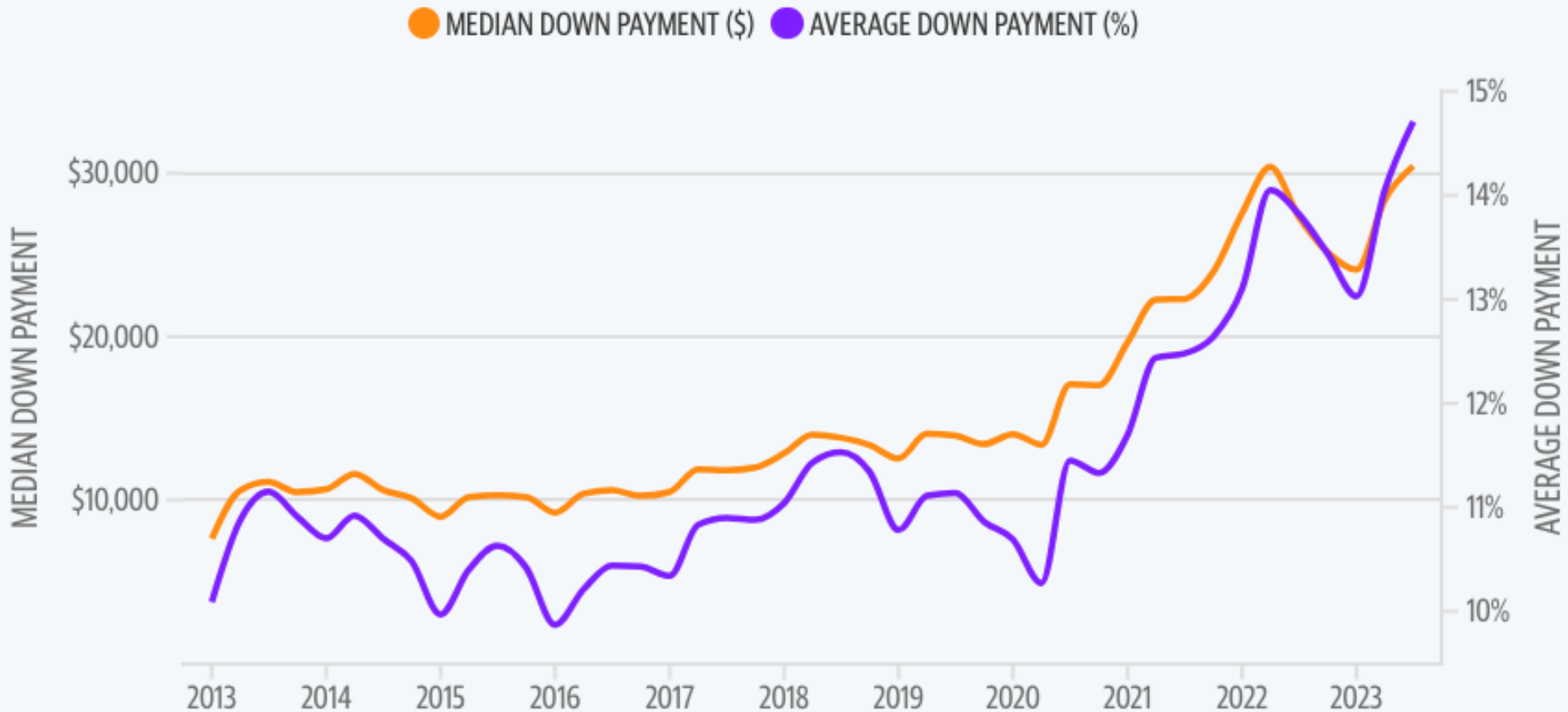
**New home sales outpacing existing market**  
**First-time buyers ~26% of the 2022 market, all time low**

Seasonally Adjusted Annualized Rate

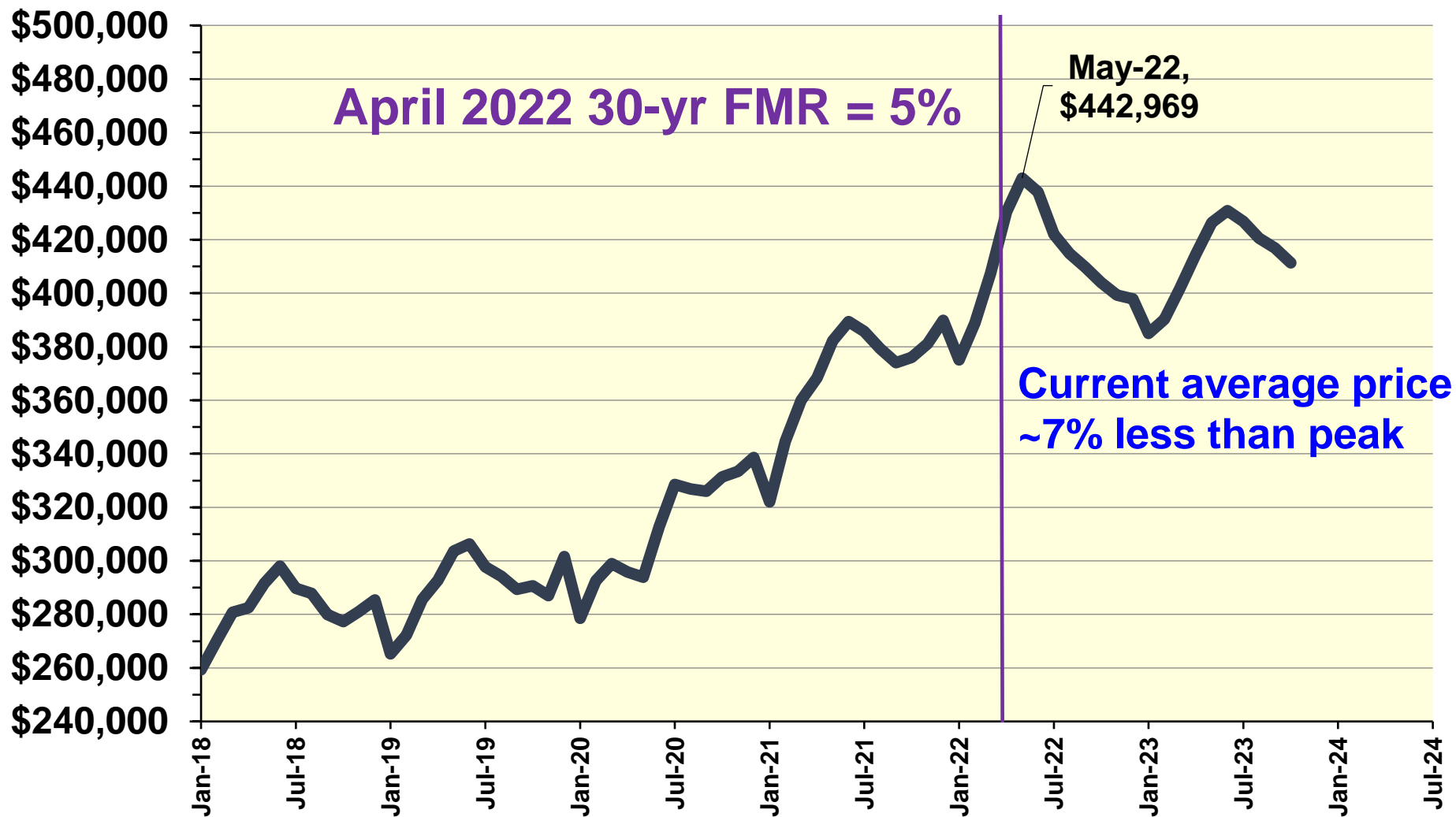


# Home Purchase Down Payments at 10-Year High

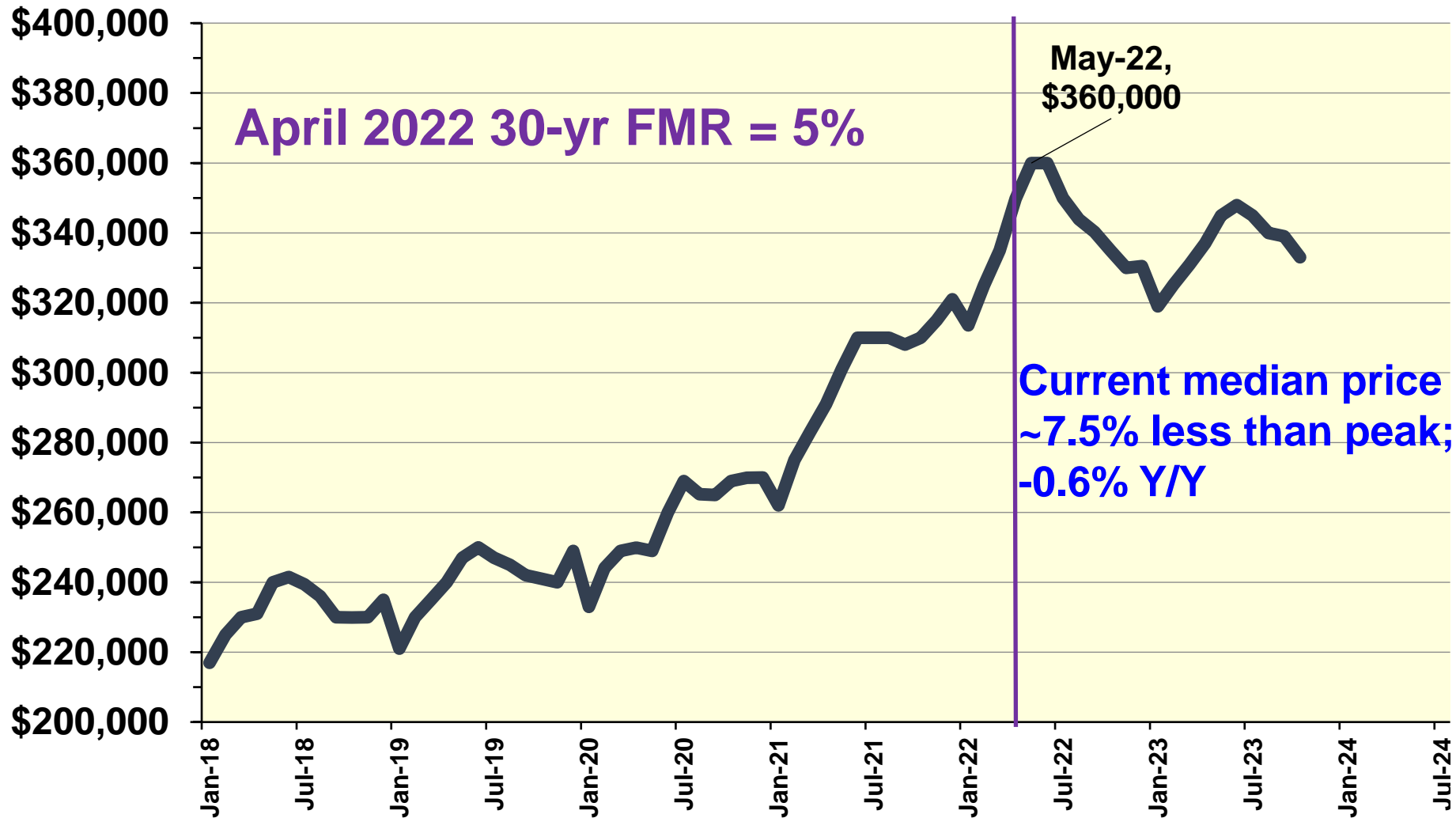
Consistent with higher savings from Pandemic payouts and excess savings along with repeat buyers using equity



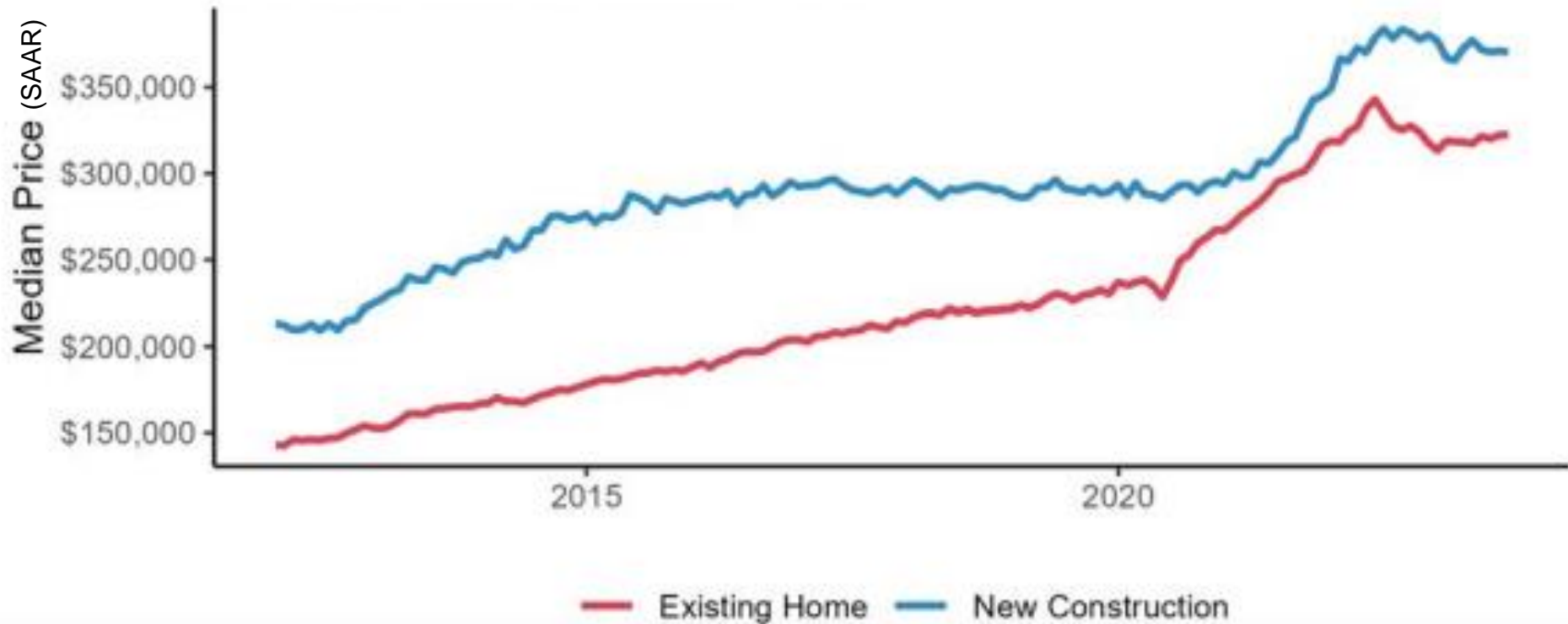
# Texas Monthly Average Sales Price



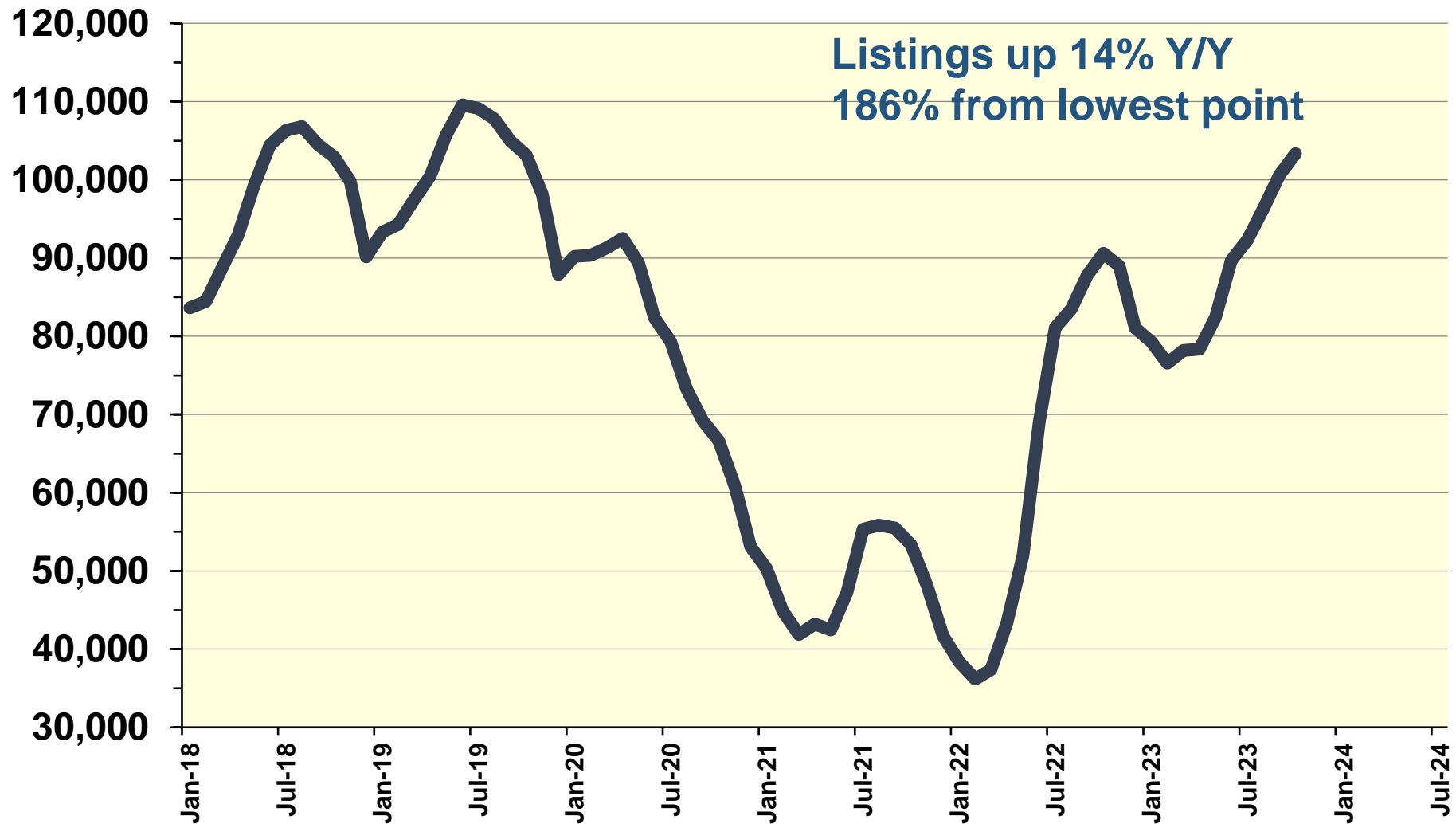
# Texas Monthly Median Sales Price



# Texas New and Existing Median Home Price

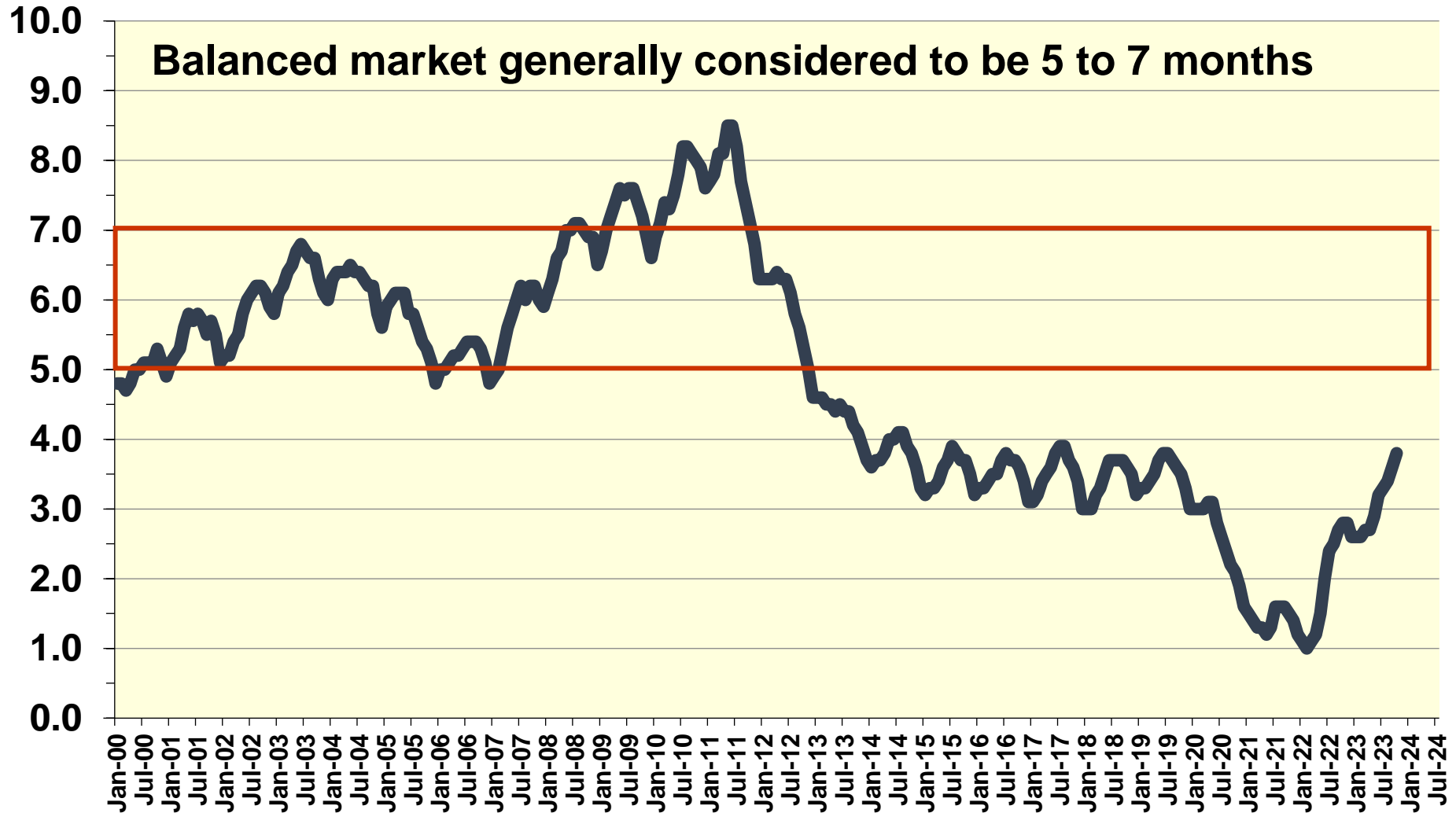


# Texas Monthly Listings



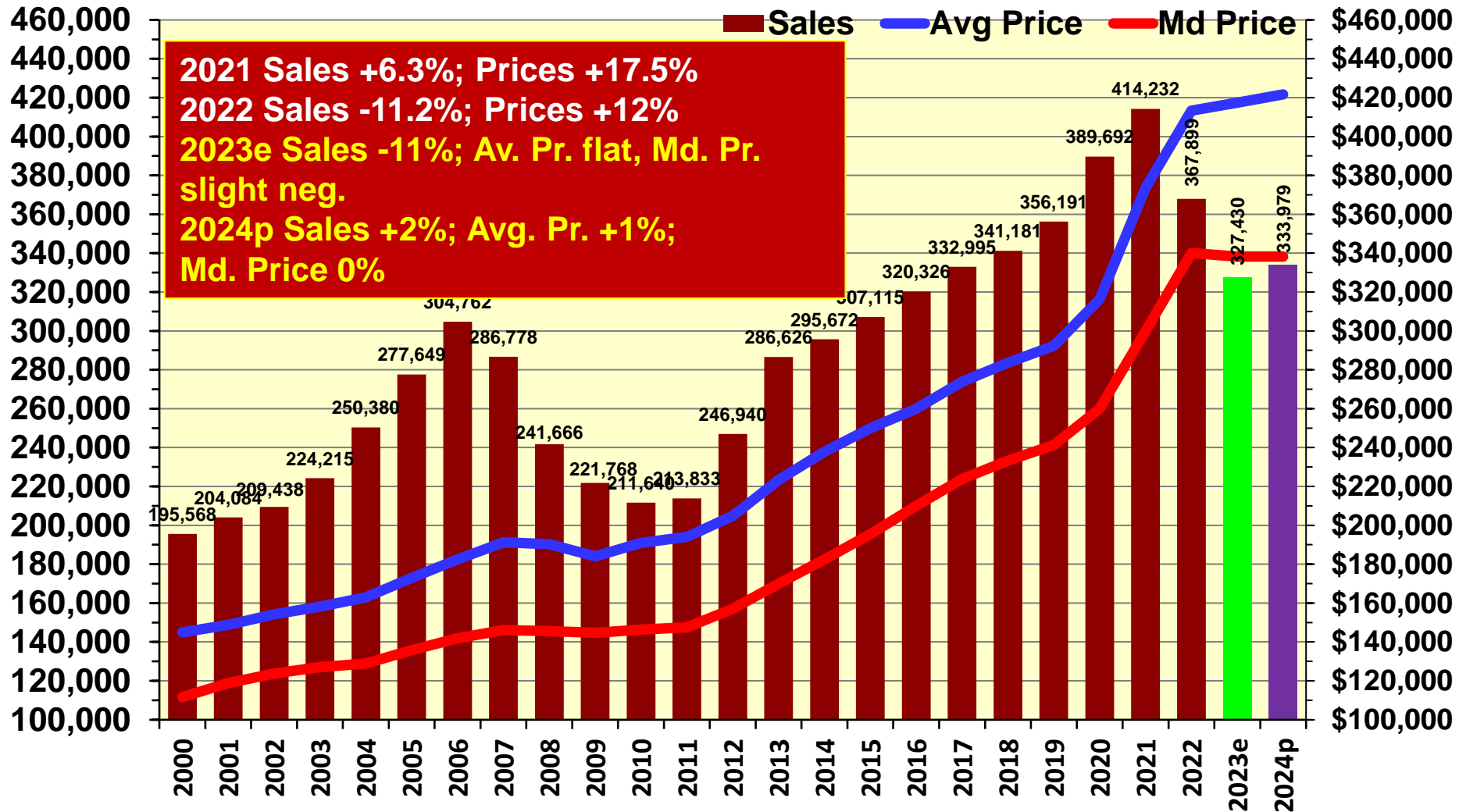
# Texas Months Inventory

## Still a Tight Market

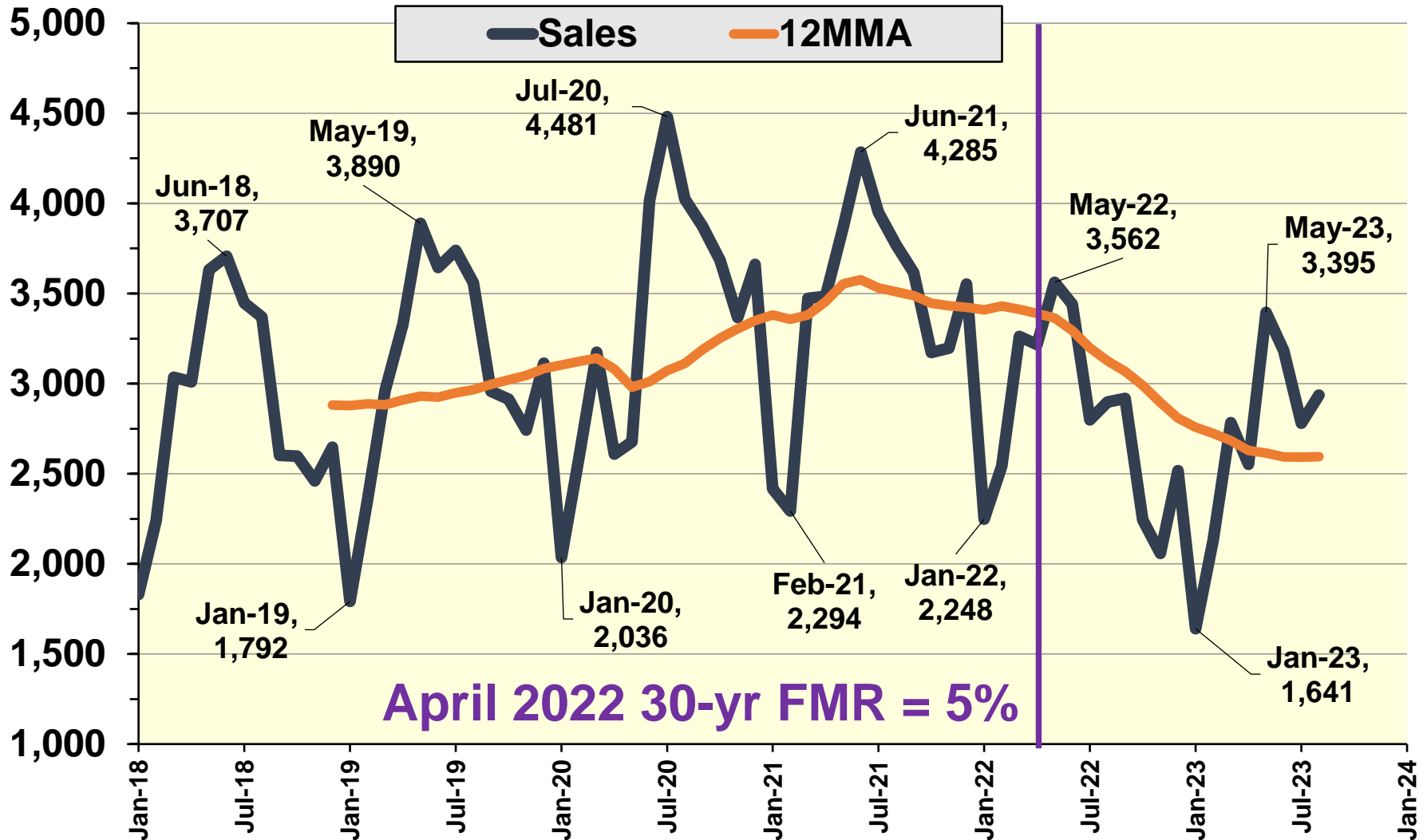




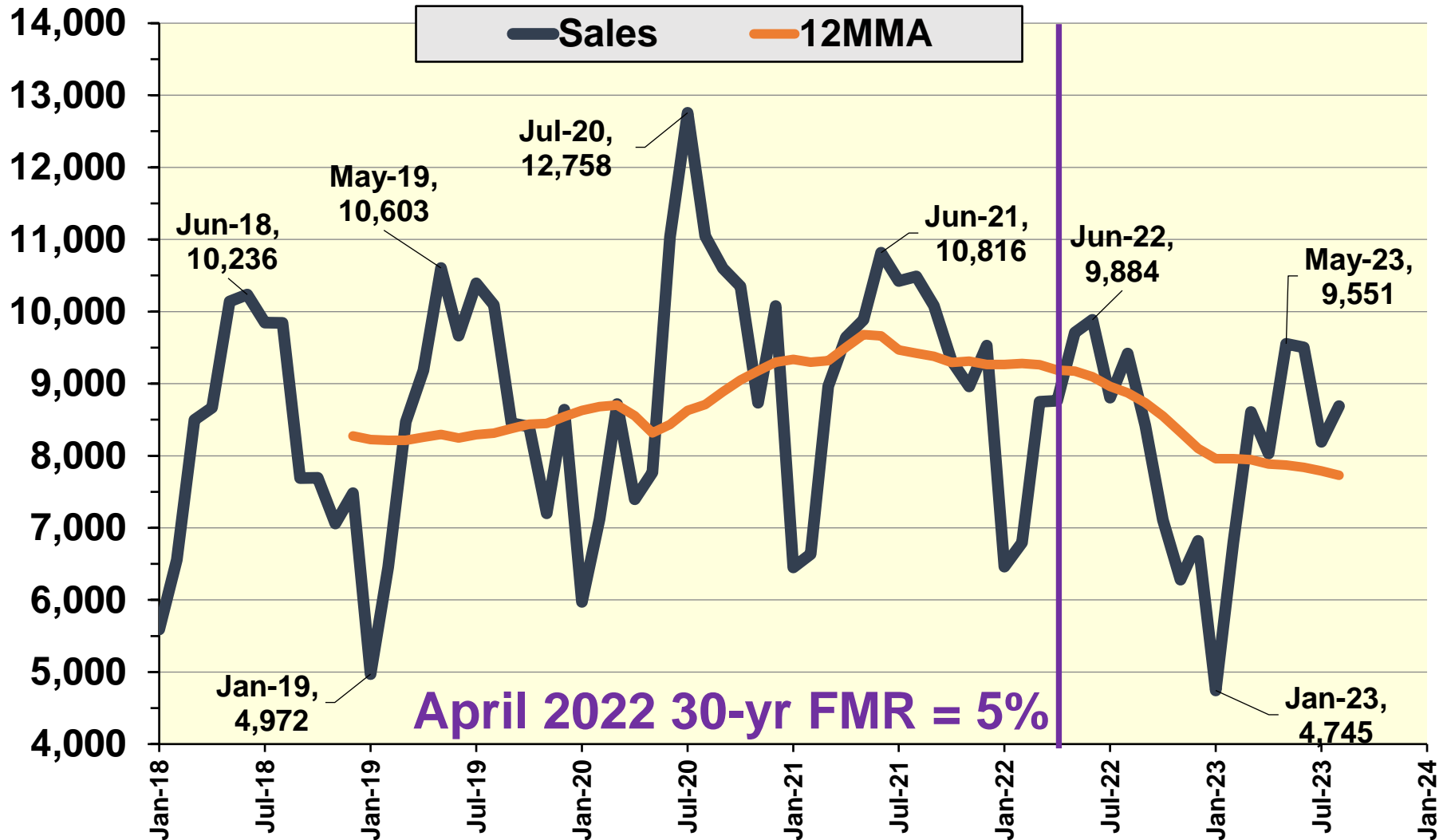
# Annual Texas Home Sales & Prices



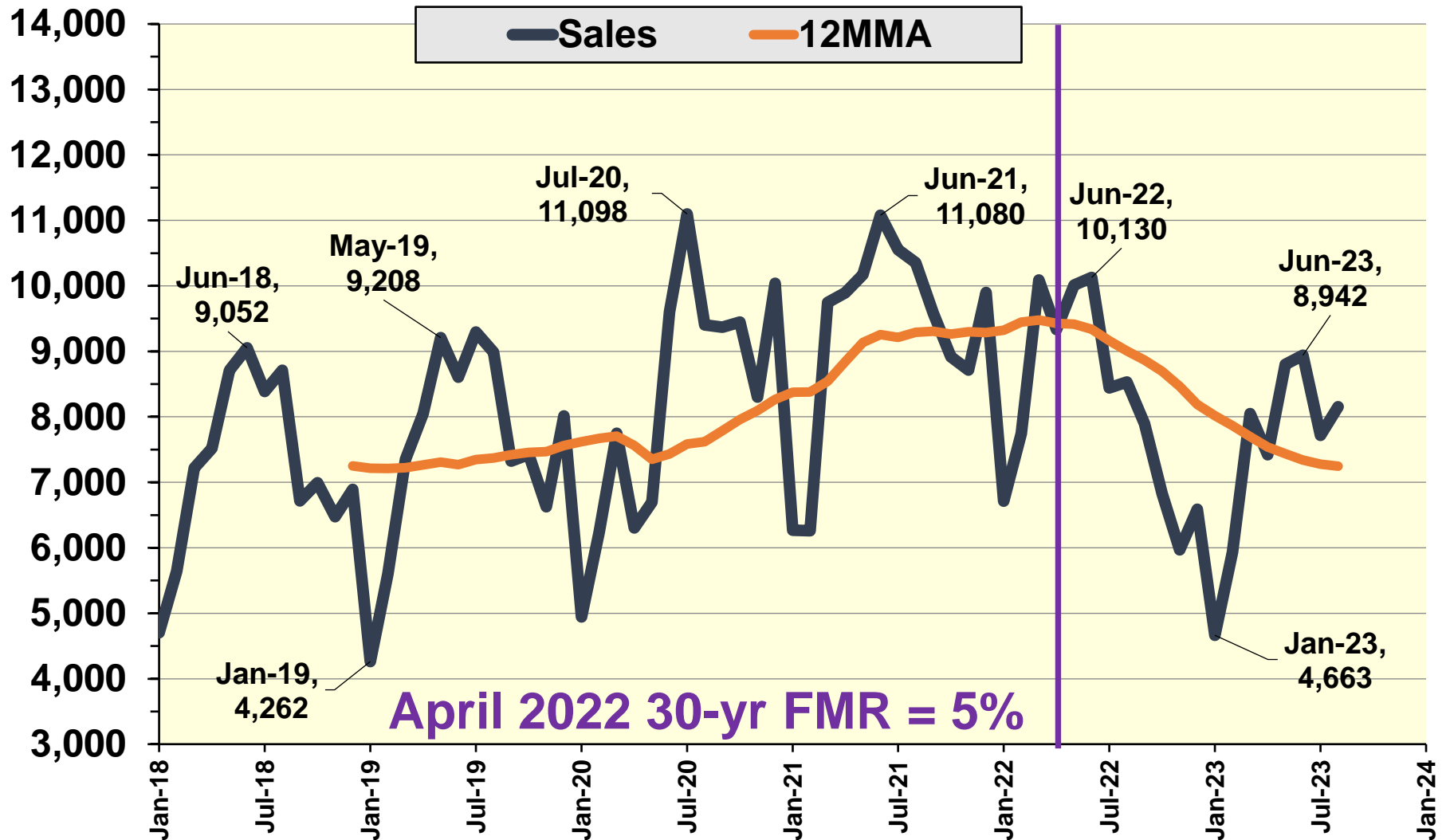
# Austin MSA Monthly Residential Sales



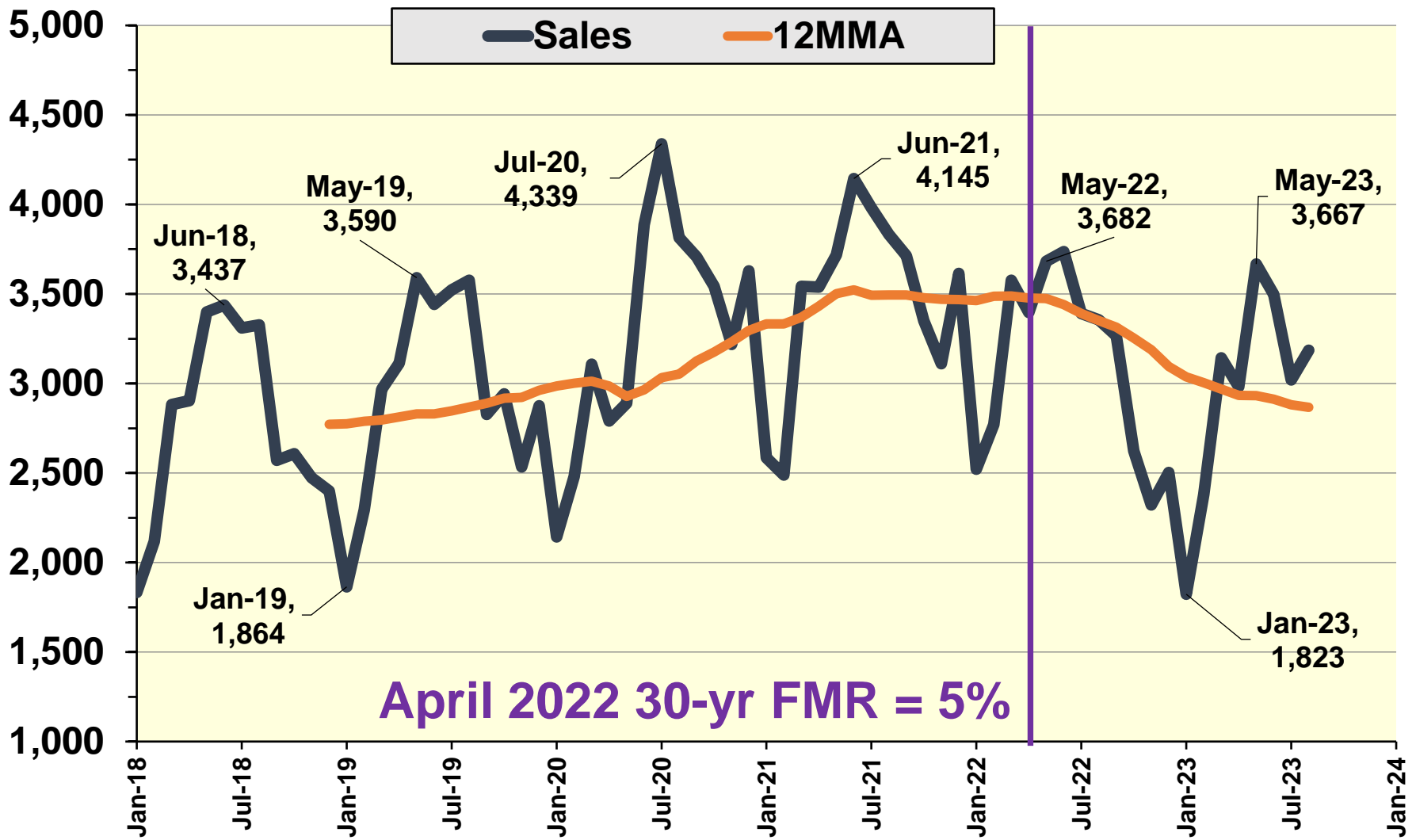
# D-FW MSA Monthly Residential Sales



# Houston MSA Monthly Residential Sales



# San Antonio MSA Monthly Residential Sales



# Housing Market Summary

- **Sales down in 2023 and slight improvement in 2024**
  - High interest rates fall, diminished savings accounts, buyers' psychology
  - General mortgage underwriting by lenders improves
- **Prices flat or slight increase**
  - Lack of inventory for sale, both new and resale; purchasing power
- **Resales/listings limited by Boomers and GenX reluctance to sell and re-buy at higher rates or to relocate**
- **Major impact on Millennials' demand/affordability**
  - Discrepancies in earnings, debt and wealth vs. older generations
- **Affordability/pricing pushing markets farther out from central urban core**
  - land and development costs, availability and infrastructure costs
- **Change in work requirements allowing/encouraging(?) move outward**
- **Home construction slower - highly interest rate sensitive**

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