

Episode Summary

In this week's Driving It Home episode, Dr. Clare Losey provides a summary of what happened in the market for October. Dr. Losey notes a decrease in median sales prices both year-over-year and month-over-month, while closed sales have increased, suggesting buyers are still active in the market, but sellers must adjust pricing expectations. Despite recent declines, prices remain significantly higher than in previous years, indicating a still-elevated market.

Dr. Losey highlights that the total dollar volume of sales is relatively stable, with only a slight year-over-year decrease. Active listings have increased by approximately 5%. They delve into the bigger picture of the 2023 housing market, emphasizing the impact of mortgage rates from previous months on current sales and the resilience of buyers despite rising rates. There has been some moderation in the decline of median sales prices as the year has progressed, and inventory remains low compared to demand.

Finally, the conversation shifts to [ABoR's ongoing research](#), including the recently released part two of the [Truth About Austin's Missing Housing](#) report on the housing shortage in Austin and Travis County, broken down by council districts and racial/ethnic groups. The report shows a significant shortage of affordable homes, particularly affecting Black and Hispanic/Latino households. Dr. Losey suggests that REALTORS® use these findings to educate clients about homeownership challenges and to advocate for policies promoting affordable housing. The episode concludes with a weekly housing market recap, noting a dip in closed sales and a rise in closed leases, indicating a shift toward renting amid increasing mortgage rates.

Links Mentioned in this Episode:

- [October 2023 Central Texas Housing Market Report](#)
- [The Truth About Austin's Missing Housing Part One](#)
- [The Truth About Austin's Missing Housing Part Two – District Level Analysis](#)

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Episode Transcript

[00:00:00] **Kelea Youngblood:** Hey, everybody. We are back for this week's Driving It Home Podcast. I am your host, Kelea Youngblood, your Chief Marketing Officer at the Austin Board of REALTORS®, sitting alongside Dr. Clare Losey, our housing economist here at ABoR. Hey Clare.

[00:00:19] **Dr. Losey:** Hey, Kelea, how are you?

[00:00:21] **Kelea Youngblood:** Good, Good. I am happy to be kicking off this week with our [housing stats](#) released early this morning for October. Why don't we jump right in, Clare? Can you provide a summary of what happened in the market for October?

[00:00:35] **Dr. Losey:** Sure. On the pricing front, the median sales price declined a little over 7 percent on a year-over-year basis and was down about 4 percent on a month-over-month basis. However, Closed sales ticked up about 4 percent on a year-over-year basis and about 6 percent on a month-over-month basis. So, what we're seeing with the dichotomy of those two stats is essentially that there is still willingness among buyers to enter the market.

However, sellers have to be just a little bit more conciliatory on the pricing front, And this is also supported by the closed to original list price ratio, which came in around 93%. So again, Sellers are just having to kind of tread that pricing a little more carefully. And, of course, this is where working with a trusted professional, aka our members, our REALTORS®, and agents, really comes in handy.

But anyways, just to continue our discussion on pricing, it's important to remember, we're thinking generally speaking on a year-over-year basis. That's typically how we present our stats, but since the past year, a year and a half now, has been a little bit of a different market, shall we say, than the market that we saw during the pandemic, which was really just unsustainable home price and sales growth. It's important to remember that compared to October 2018, the median sales price was still 44 percent higher this October; relative to October 2019, it was still 35 percent higher. So, we're very much in a still elevated home price environment. It's just sometimes difficult for us to remember since, you know, we're looking at these stats either on a year-over-year basis or just really on that month-over-month basis.

[00:02:33] **Dr. Losey:** Overall, just the combination, that counteracting effect of higher sales, despite that moderation on the pricing front, left total dollar volume essentially flat. It was only down about 1.5 percent on a year-over-year basis. And then meanwhile, active listings were up about 5 percent year over year.

[00:02:54] **Kelea Youngblood:** So, I can't even believe we're saying this, but as we near the end of 2023, you know, we're thinking big picture about recapping this year's housing market. Can you provide context on the October stats in relation to both the September stats and just the year more broadly?

[00:03:13] **Dr. Losey:** Absolutely. When we're talking about October stats, when we're talking about the housing stats for any particular month, it's important to remember that

we're looking at mortgage rates, you know, one to two months prior. Typically, we're looking at rates 30 to 45 days before the sale closes.

Could be even upwards of that. But, you know, call it one to two months prior. So, we're essentially looking at August and September mortgage rates. So, just for comparison, in August and September of last year, 2022. The average mortgage rate was hovering really around about 5.72%. In August and September of this year, that rate had increased about a percent, one percentage and a half point to about 7.1%. So that's a pretty considerable increase, right? However, despite that, we still saw an uptick in sales, again, 4%, about 4 percent year over year. So, what we're really seeing and what's been characteristic of this year more broadly is just buyer resilience amid that higher rate environment. And, of course, we've seen a little bit of moderation in that decline in the median sales price as the year has progressed. So, for example, in February of this year, the median sales price was down about 13 percent and really peaked in May at about a 16 percent decline year over year. So, we have seen that moderation in the rate of decline in the median sales price. So, there is some indication that buyer resilience amid the higher rate environment is helping to moderate that decline in the median sales price. And of course, too, just our lack of supply of affordable inventory, you know, our month's inventory hovered around 3.9 in October. So, we're still, you know, looking at a market that is lacking a sufficient supply of homes for sale relative to the demand for those homes.

[00:05:25] **Kelea Youngblood:** And that's a great segue for another topic that I wanted to talk to you about today, which is the fact that we continue to expand our research to best serve the needs of our members and everyone who is listening and just the broader public in general. In August, we released the [Truth About Austin's Missing Housing](#), which quantified the shortage of homes among two and four-person families in the city of Austin and Travis County.

And the [second part](#) of that original research report was released just last week. Tell us a little bit about the purpose of the second part of the report and its main takeaways. And then further, what are some of the ways agents can integrate the report's findings and policy recommendations into their discussions with their clients?

[00:06:10] **Dr. Losey:** Great question. So, the purpose of this second part of the report really is to provide the results on a finer level, so we broke down the shortage of homes, both by council districts and then by five racial and ethnic groups. So, on the council district front, we're looking at all ten council districts in the city of Austin and quantifying the shortage or the extent of the under or oversupply of homes within each of those ten council districts.

And then we're also quantifying the extent of the under or oversupply of homes by five racial or ethnic groups. So those include white, non-Hispanic or Latino households, Hispanic or Latino households, Black or African American households, Asian households,

and then a category called other races, which is just sort of a catch-all for those racial groups in the census, such as Native American households, Pacific Islander households, and then households who identify as being of multiple racial origins.

So, in essence, by looking at the extent of the under / oversupply within each individual council district, and again, breaking that down by races or ethnicity as well, we're able to provide just a more nuanced understanding of the homeownership situation throughout essentially the broader Austin region, right?

Just the extent to which households can access affordable home ownership. With respect to the findings of the report, over half of four-person households in Travis County have a median family income of 80 percent or less. So that's essentially \$93,500 or less. But fewer than 5 percent of homes sold in Travis County in the first half of 2023 were considered affordable to them.

So that equates to an estimated shortage of about 250,000 homes that would be considered affordable to more than half of all four-person households in Travis County. And then looking at it by racial and ethnic groups earning 80 percent of the area median income or less. So again, that's an income of about \$93,500 or less.

The shortage of affordable homes for sale in the first half of 2023, unsurprisingly, is not evenly distributed across race and ethnicity. So, what we found is that the extent of the undersupply is most extreme among Black or African American households, followed by Hispanic or Latino households, and then households of other races.

Meanwhile, looking at it by Council District 5, with respect to just the sheer number of homes missing, came in first at about a shortage of about 32,000 homes, and then Council District 9 had the least shortage with respect to the number of homes at about, missing about 23,000 homes.

The council districts vary just based on the percentage of homes that are undersupplied. And, of course, the sheer number of homes undersupplied also depends on the population of households within that council district. But again, the point is that affordability is not evenly distributed among council districts either.

With respect to how our agents and REALTORS® can integrate the findings of this report into their work with their clients, I think it's very important to help educate our clients as to, first of all, why homeownership is important. And we really illustrate that through our Buy vs. Rent Index. And then secondly, just how difficult it can be for some folks to attain homeownership in Austin.

That's a very valuable piece of information for just the broader public to know, as we're making policy decisions, as we're going to the polls and voting, as we're thinking of different initiatives to enact that can help facilitate the supply of more affordable homes. So, I think the more advocates we are able to build, the more advocates we're able to kind of acquire, as you will, with respect to that fight for facilitating more affordable housing, the better off, you know, the broader Austin region will be.

[00:11:08] **Kelea Youngblood:** And that coupled with down payment resource opportunities, you know, a really good lender relationship that you have that you can refer to your clients and ensuring that you have sort of a, an arsenal of resources at your fingertips both through these types of reports as well as through, like I said, down payment resource opportunities and different lending programs. It's really important. So, you can find these reports, everyone, at abor.com/research for both our segments and buy versus rent reports for those of you who really want to get into the numbers and see the graphs and charts that Dr. Losey has provided for us. This is really fascinating and fantastic information that our members now have access to. So be sure to go check that out. Thanks for that rundown, Dr. Losey. Those are it's just fascinating stuff and things that we definitely need to keep our pulse on. So, more to come on that, everyone, but let's go ahead and recap our weekly stats while I have you here; what happened last week in the housing market? And What can we look forward to in the next coming week?,

[00:12:08] **Dr. Losey:** So we saw a little bit of a decline in closed sales this week on a week-over-week basis. They were down about 35%. Meanwhile, new listings were down about 11 percent, and active listings were essentially flat. Pending sales were up about 15%. But overall, the data for residential sales is largely indicating that we're starting to see more of the effect of the increase in rates and mortgage rates, especially moving through September.

Again, you know, thinking about mortgage rates on residential sales being a month to two months prior to the close of that sale. Right now, we're looking at essentially mid-September to perhaps mid-October mortgage rates. And again, those were trending higher, so that can help to partially explain the decline in sales other than just a little bit more of the effects of seasonality itself, right?

We're moving into, of course, those months in which it's a little bit less popular to purchase homes. On the leasing front, we saw essentially the opposite effect, with that uptick in mortgage rates that actually helped to increase closed leases, which were up about 34 percent on a week-over-week basis.

New listings were up about 24 percent throughout the Austin MSA. And then active listings were down slightly, about 3 percent and pending leases were essentially flat. So overall, as we've discussed, a single-family rental home is the most comparable alternative to purchasing a home.

So, it's really a little surprising that when we see a decline in demand for home ownership, a decline in demand for residential sales that were seeing a commensurate uptick in closed leases. So, we'll stay tuned to see what happens next week. But overall, probably, you know, more or less of a similar trend, especially as we're moving into the holidays and folks are busy taking time off, you know, not necessarily thinking about purchasing a home or leasing a home right now, as much as they might otherwise.

[00:14:31] **Kelea Youngblood:** All right. Well, thank you, everybody, for listening today. We are so excited to have you tune into our Driving It Home Podcast. Let's make it a great selling week, and we'll talk to you soon.

[00:14:41] **Dr. Losey:** Thanks guys.