

Housing Affordability in the City of Dallas

Dr. Clare Losey

Assistant Research Economist


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TEXAS A&M UNIVERSITY
Texas Real Estate
Research Center

Housing affordability is the most pressing issue presently facing cities and communities across Texas.



 NBC 5 Dallas-Fort Worth

New Report: Housing Affordability Declines Despite Rising Wages in DFW

 Dallas Morning News


For families, renting a house in Dallas-Fort Worth has become highly competitive

 Dallas Morning News

Dallas-Fort Worth home prices rose a record 30.7% in March, index shows

 Dallas Morning News

D-FW's building shortfall has left the area lacking thousands of new homes

 D Magazine

Dallas Is Not Building Enough Housing to Keep Up With Its ...

What's Constraining Affordability in the Dallas Housing Market?

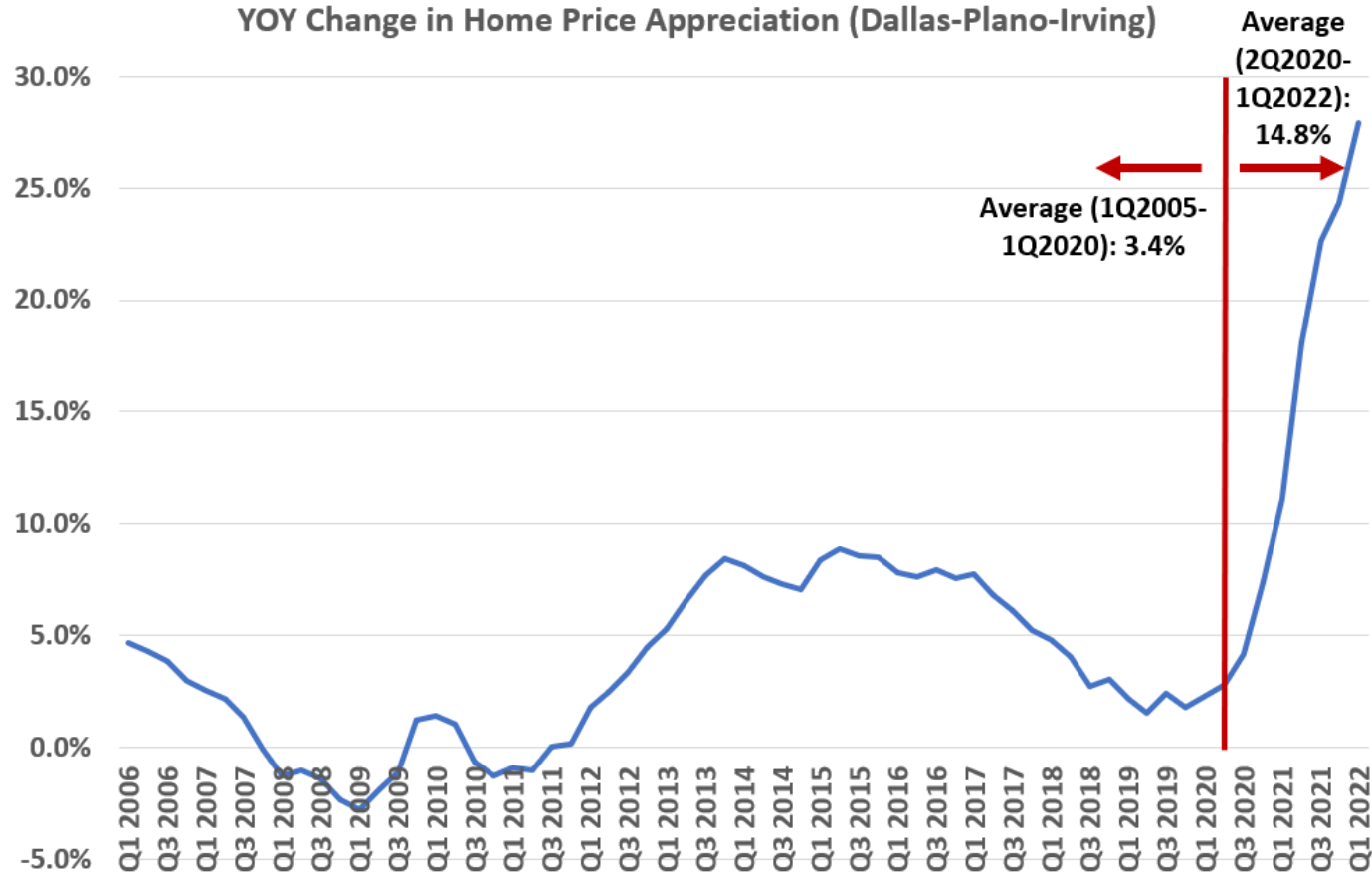
- 1) Sustained high home price appreciation & rent growth (i.e., strong demand for housing bolstered by strong population growth and labor market)**
- 2) Limited inventory of homes for sale & units for rent (i.e., supply-side constraints)**
- 3) Rising mortgage interest rates (could help to moderate demand for homeownership, but push potential buyers on the margin—i.e., first-time, low-income, & minority buyers—out of the market *first*)**
- 4) Tightened mortgage credit availability**
- 5) Rising costs of construction (materials & labor)**

...In other words

The demand for housing units is significantly outpacing the supply of housing units in the City of Dallas.

Sustained High Home Price Appreciation

YOY Change in Home Price Appreciation (Dallas-Plano-Irving)



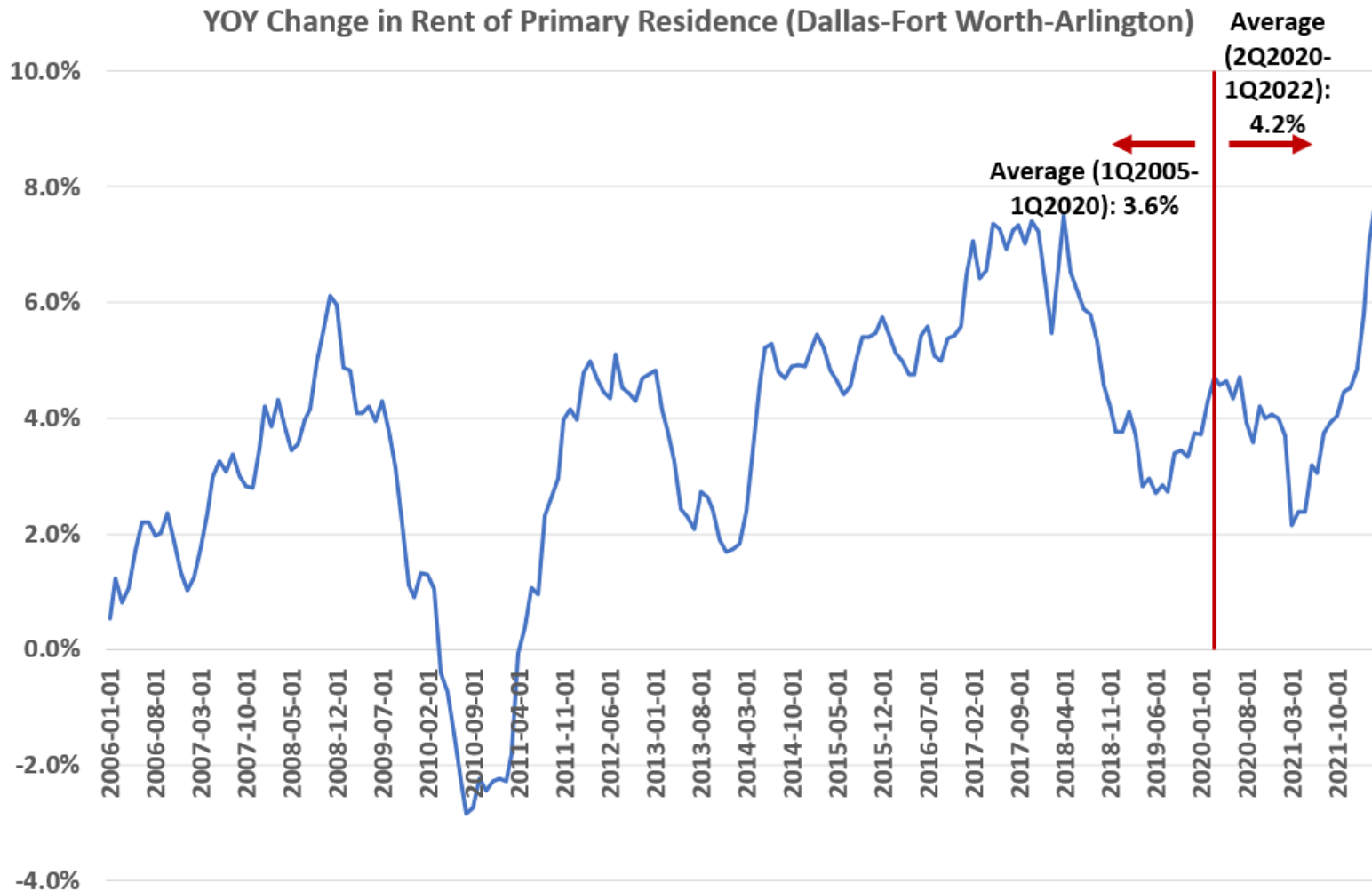
Quarter	YOY Change in Home Price Appreciation
Q1 2019	2.2%
Q2 2019	1.6%
Q3 2019	2.4%
Q4 2019	1.8%
Q1 2020	2.3%
Q2 2020	2.8%
Q3 2020	4.1%
Q4 2020	7.3%
Q1 2021	11.1%
Q2 2021	18.1%
Q3 2021	22.6%
Q4 2021	24.3%
Q1 2022	27.9%

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

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



Strong Rent Growth



Source: Bureau of Labor Statistics, FRED



Home Price & Rent Growth Largely Outpaces Income Growth

Year	YOY Change in Median Family Income	YOY Change in Home Price Appreciation	YOY Change in Rent of Primary Residence
2006	0.6%	3.9%	1.6%
2007	-5.0%	1.5%	2.6%
2008	4.2%	-1.5%	4.5%
2009	4.3%	-1.1%	3.4%
2010	1.0%	0.1%	-1.2%
2011	1.2%	-0.5%	1.0%
2012	1.4%	3.0%	4.6%
2013	-3.7%	7.0%	2.8%
2014	0.6%	7.5%	4.1%
2015	3.7%	8.6%	5.1%
2016	1.8%	7.7%	5.2%
2017	2.4%	6.4%	7.0%
2018	5.2%	3.6%	5.7%
2019	7.6%	2.0%	3.3%
2020	3.7%	4.2%	4.2%
2021	3.2%	19.1%	3.5%

*Values in red exceed the change in median family income

Source: HUD, Bureau of Labor Statistics, FRED, Federal Housing Finance Agency



Strong Population Growth

Year	Texas: Projected Population	Growth Rate	Dallas-Fort Worth- Arlington MSA: Projected Population	Growth Rate
2010	25,145,561		6,366,542	
2015	27,326,193	8.7%	7,007,212	10.1%
2020	29,677,668	8.6%	7,688,739	9.7%
2025	32,204,920	8.5%	8,437,621	9.7%
2030	34,894,452	8.4%	9,263,558	9.8%
2035	37,716,495	8.1%	10,152,233	9.6%
2040	40,686,496	7.9%	11,094,305	9.3%
2045	43,866,965	7.8%	12,096,161	9.0%
2050	47,342,105	7.9%	13,186,434	9.0%

**Projected
population growth
in DFW MSA
exceeds that of
Texas**

Source: Texas Demographic Center

Strong Labor Market

Texas Metropolitan Areas Ranked by Employment Growth Rate

Metro	March 2022	March 2021	Annual Change	Year-over-Year Change
Austin-Round Rock	1,221,600	1,131,200	90,400	8.0%
Dallas-Plano-Irving	2,892,300	2,701,500	190,800	7.1%
Midland	105,800	99,000	6,800	6.9%
Waco	129,400	121,400	8,000	6.6%
Odessa	74,100	69,600	4,500	6.5%
Fort Worth-Arlington	1,136,200	1,075,700	60,500	5.6%
Houston-The Woodlands-Sugar Land	3,176,300	3,016,500	159,800	5.3%
Laredo	106,300	101,000	5,300	5.2%
College Station-Bryan	127,100	120,800	6,300	5.2%
McAllen-Edinburg-Mission	280,900	267,400	13,500	5.0%
San Antonio-New Braunfels	1,094,200	1,042,600	51,600	4.9%
Tyler	111,000	106,500	4,500	4.2%
Longview	96,300	92,400	3,900	4.2%
Lubbock	155,300	149,100	6,200	4.2%
Killeen-Temple-Fort Hood	150,300	144,400	5,900	4.1%
Brownsville-Harlingen	152,400	146,500	5,900	4.0%
Sherman-Denison	50,200	48,400	1,800	3.7%
Texarkana	60,100	58,000	2,100	3.6%
Amarillo	124,600	120,500	4,100	3.4%
Abilene	73,100	70,700	2,400	3.4%
San Angelo	49,600	48,100	1,500	3.1%
Corpus Christi	188,500	183,100	5,400	2.9%
Beaumont-Port Arthur	155,600	151,200	4,400	2.9%
El Paso	323,900	315,000	8,900	2.8%
Victoria	39,000	38,000	1,000	2.6%
Wichita Falls	58,400	57,200	1,200	2.1%

Sources: Texas Workforce Commission and Texas Real Estate Research Center at Texas A&M University



Strong Labor Market...Adding Higher Paying Jobs!

Dallas-Fort Worth-Arlington Nonfarm Seasonally Adjusted Employees

Industry	March 2022	Last Month		Last Year	
		Employed	Percent Change	Employed	Percent Change
Total Nonagricultural	4,036,289	4,016,694	0.5%	3,768,733	7.1%
Total Private	3,590,443	3,570,165	0.6%	3,325,852	8.0%
Goods Producing	518,637	515,575	0.6%	501,069	3.5%
Mining, Logging and Construction	226,197	224,034	1.0%	218,025	3.7%
Manufacturing	292,380	290,106	0.8%	282,969	3.3%
Service Providing	3,518,657	3,504,756	0.4%	3,268,324	7.7%
Trade, Transportation and Utilities	887,380	879,378	0.9%	829,093	7.0%
Information	86,015	85,676	0.4%	80,398	7.0%
Financial Activities	361,576	357,929	1.0%	335,483	7.8%
Professional and Business Services	728,895	732,702	-0.5%	664,176	9.7%
Education and Health Services	484,371	476,994	1.5%	454,390	6.6%
Leisure and Hospitality	396,598	395,238	0.3%	345,162	14.9%
Other Services	128,087	127,082	0.8%	116,994	9.5%
Government	446,242	445,994	0.1%	443,286	0.7%

Sources: Texas Workforce Commission and Texas Real Estate Research Center at Texas A&M University



Limited Inventory of Homes for Sale

Year	Median Sales Price	First-Quartile Sales Price	Months Inventory	Average Days on Market
2011	\$175,000	\$65,000	5.21	85
2012	\$212,000	\$84,000	3.12	70
2013	\$246,220	\$118,000	2.17	49
2014	\$261,000	\$125,750	1.82	43
2015	\$284,000	\$136,000	1.89	36
2016	\$305,000	\$152,500	1.94	37
2017	\$330,000	\$170,000	1.86	37
2018	\$333,000	\$180,000	2.59	40
2019	\$330,000	\$188,000	2.72	46
2020	\$365,000	\$210,000	1.63	44
2021	\$425,000	\$255,000	0.84	29

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

**Balanced market
has ~6.5 months of
inventory**

Mortgage Interest Rate

30-Year Fixed-Rate Mortgage Average in the United States



Source: Freddie Mac, FRED

Increase in Mortgage Interest Rates Reduces Homebuyer Purchasing Power

Mortgage Interest Rate	Home Purchasing Power	Maximum Home Price Affordable with \$50,000 Income	Decline in Purchasing Power
3%	4.8	\$238,907	
3.5%	4.5	\$224,359	-6.5%
4%	4.2	\$211,480	-6.1%
4.5%	4.0	\$200,000	-5.7%
5%	3.8	\$189,702	-5.4%
5.5%	3.6	\$180,412	-5.1%
6%	3.4	\$171,990	-4.9%
6.5%	3.3	\$164,319	-4.7%

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



Increase in Mortgage Interest Rates Raises the Required Income to Qualify for a Mortgage Loan

Mortgage Interest Rate	Median Sales Price (\$425,000)	First-Quartile Sales Price (\$255,000)
3%	\$88,947	\$53,368
3.5%	\$94,714	\$56,829
4%	\$100,482	\$60,289
4.5%	\$106,250	\$63,750
5%	\$112,018	\$67,211
5.5%	\$117,786	\$70,671
6%	\$123,554	\$74,132
6.5%	\$129,321	\$77,593

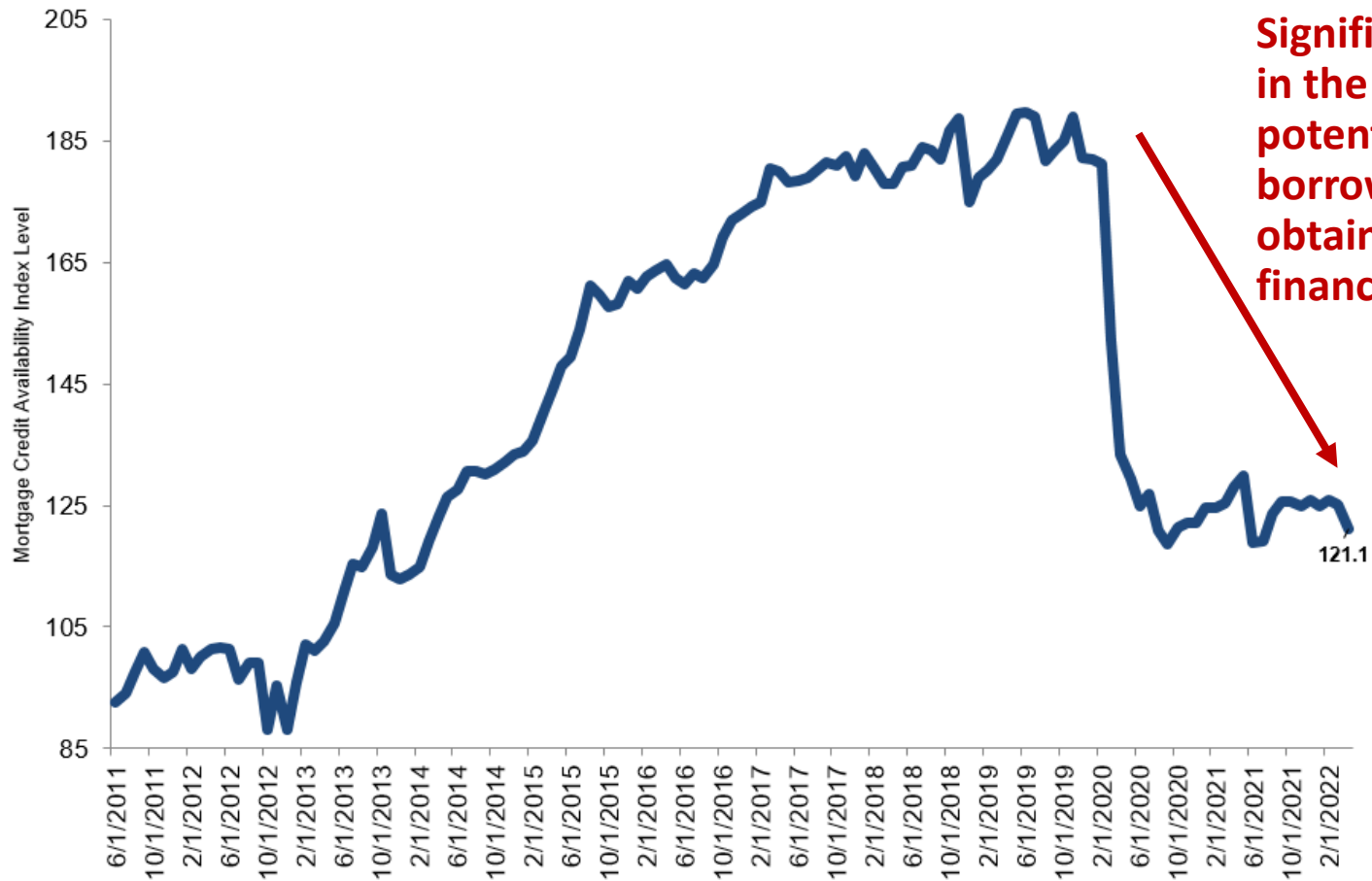
-Increase in required income to qualify for a mortgage loan pushes more potential buyers out of homeownership

(25.9%-32.4% increase in the required qualifying income from January-May 2022)

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

Tightened Mortgage Lending Standards

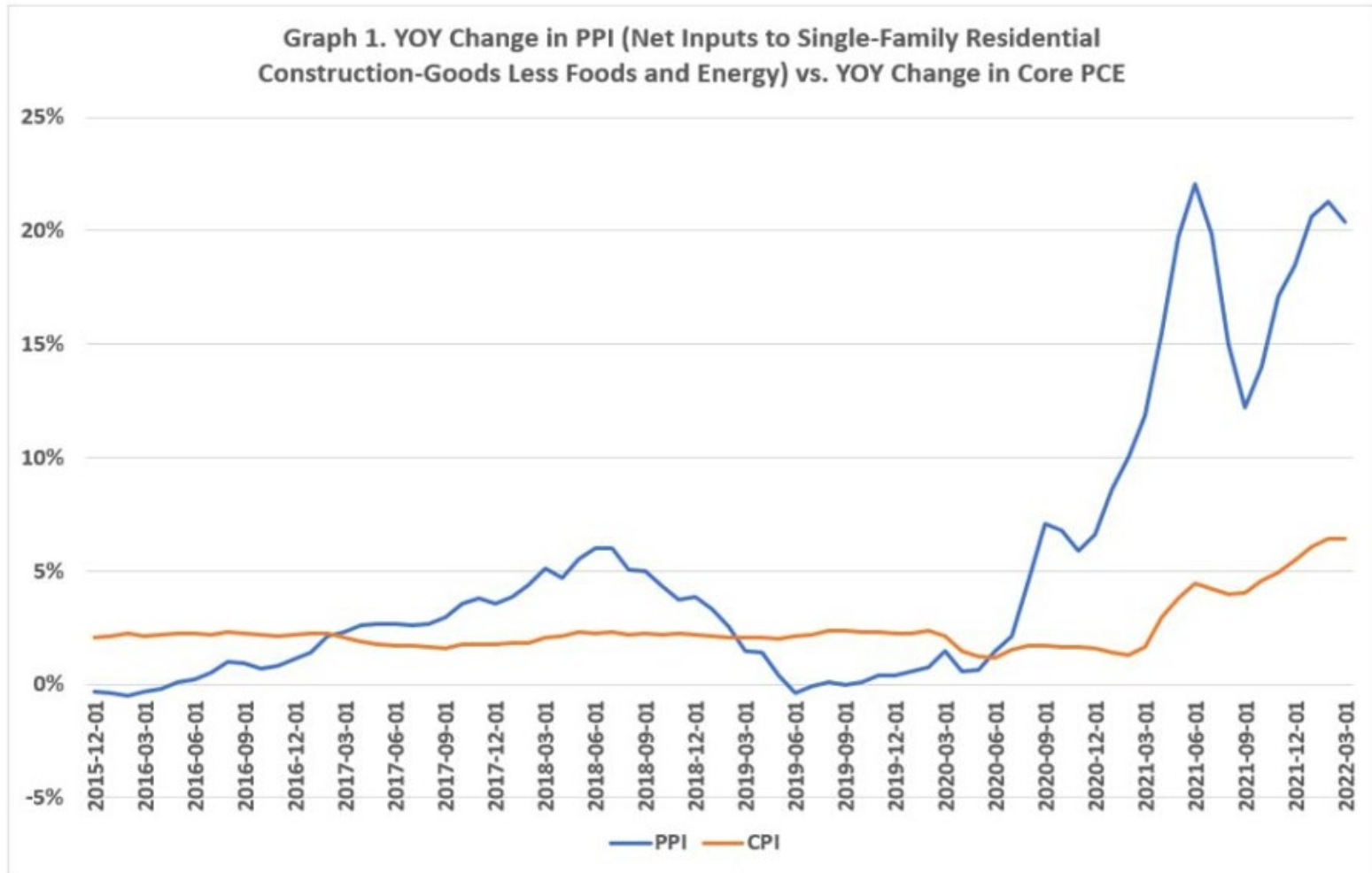
**Mortgage Credit Availability Index, Index Level by Month
(NSA, 3/2012=100)**



Source: Mortgage Bankers Association

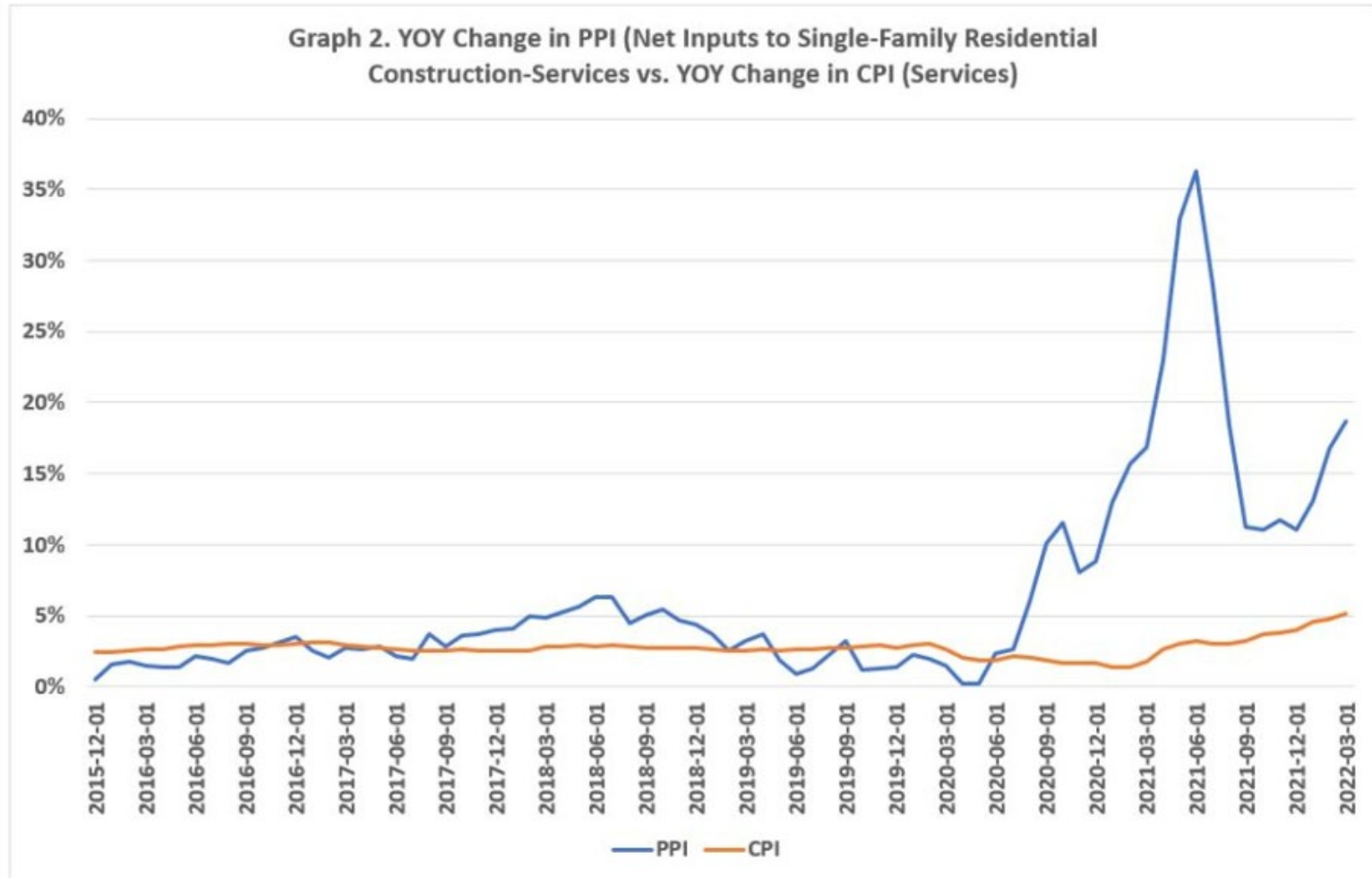


Increase in the Costs of Construction Diminish Housing Affordability



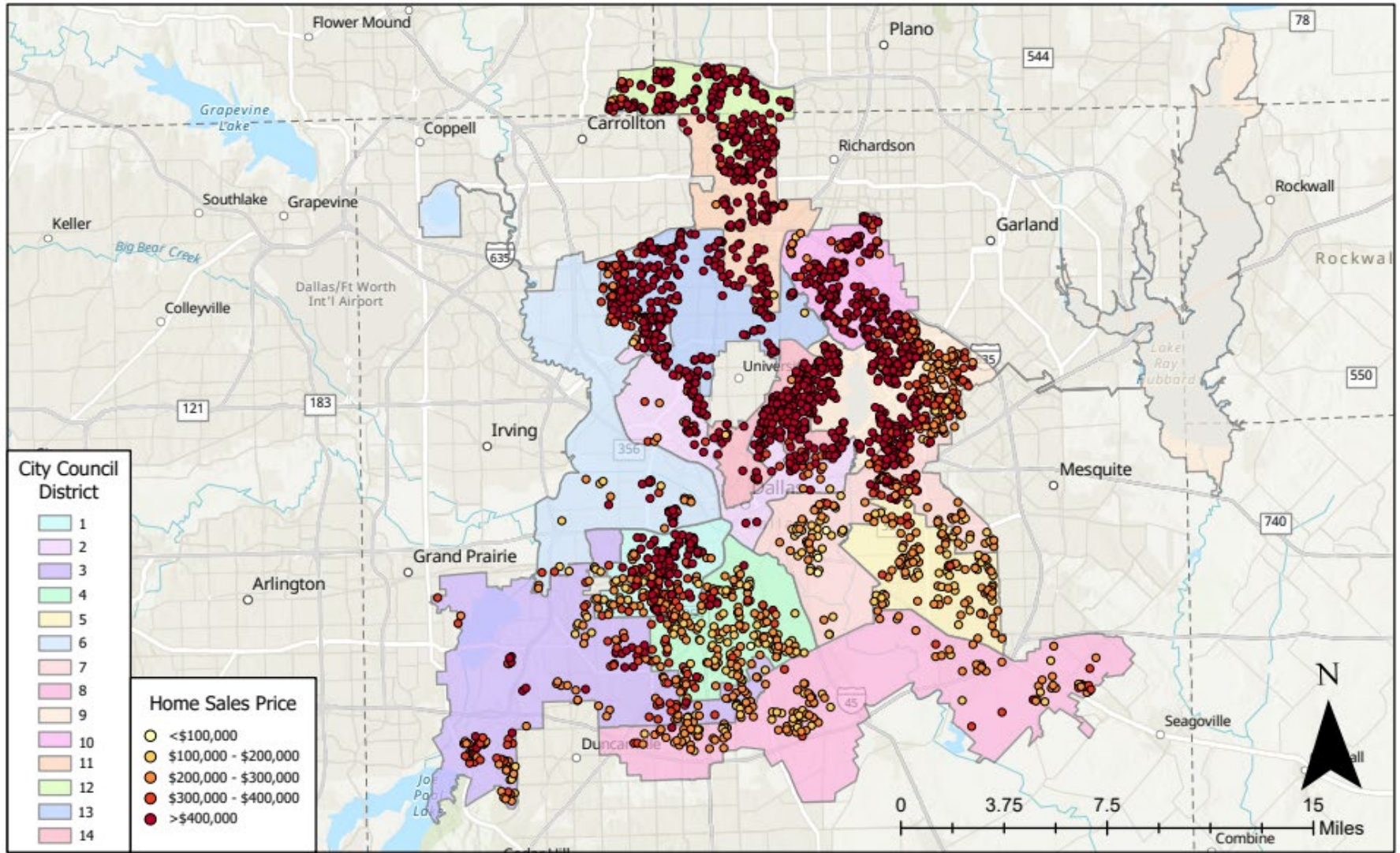
Source: FRED

Increase in the Costs of Construction Diminish Housing Affordability



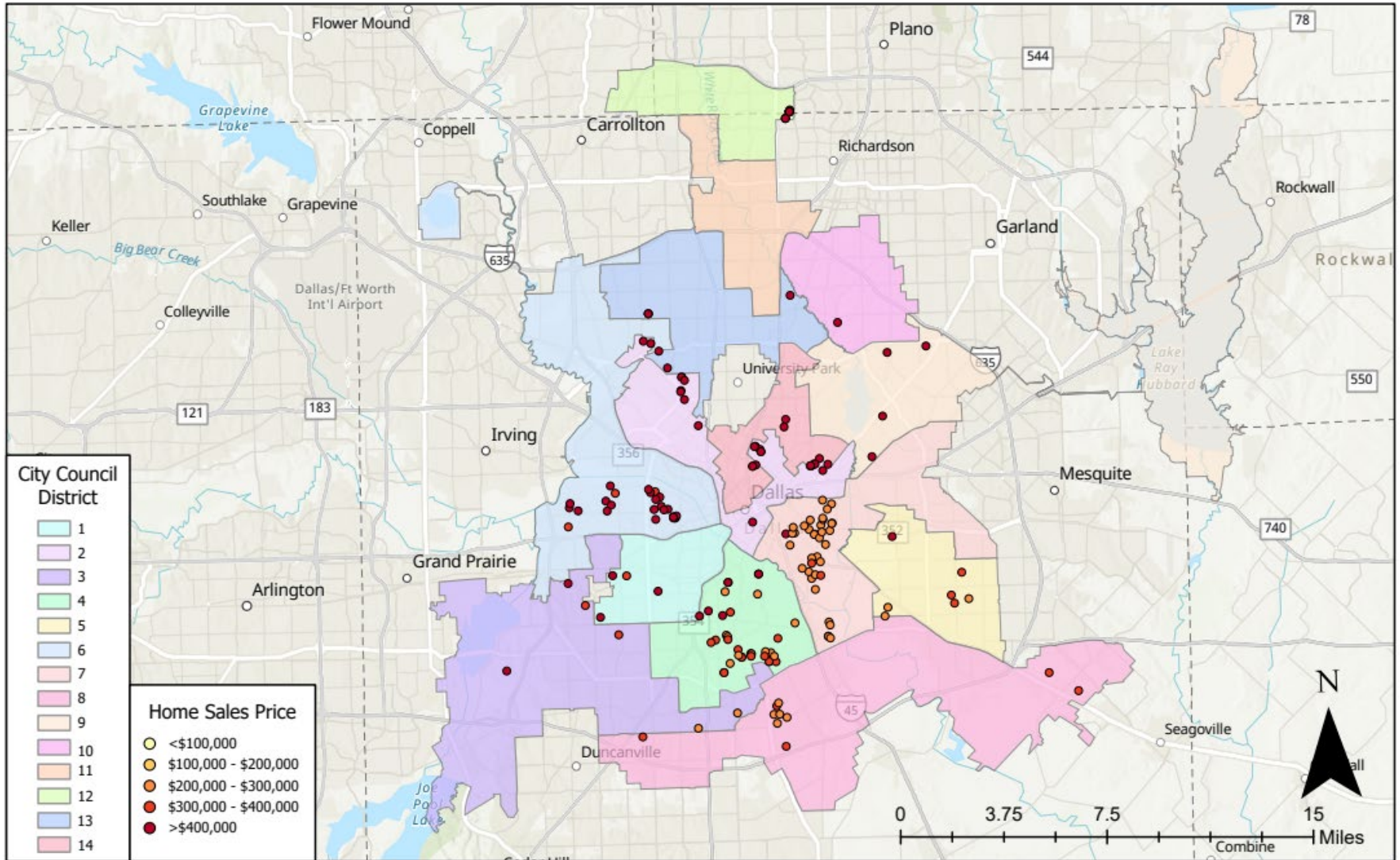
Source: FRED

Sales Price for Existing Single Family Homes in Dallas (2022)



Sources: Esri, NASA, NGA, USGS, Texas Parks & Wildlife, HERE, Garmin, SafeGraph, FAO, METI, EPA, NPS

Sales Price for New Single Family Homes in Dallas (2022)



Sources: Esri, NASA, NGA, USGS, Texas Parks & Wildlife, HERE, Garmin, SafeGraph, FAO, METI, EPA, NPS

Purpose of the Study

- **To better understand the housing needs of Dallas among various income levels and housing types across all 14 districts.**
- **To identify disparities in available supply and demand by income levels to properly target the goals of the Comprehensive Housing Policy.**
- **On April 27, Dallas City Council approved the eleven recommendations of the Comprehensive Housing Policy Racial Equity Assessment. This study extends on those recommendations.**

Results of Model

- **Significant affordability constraints for low-income households, particularly with respect to homeownership.**
 - **Difficult for low-income households to attain homeownership.**

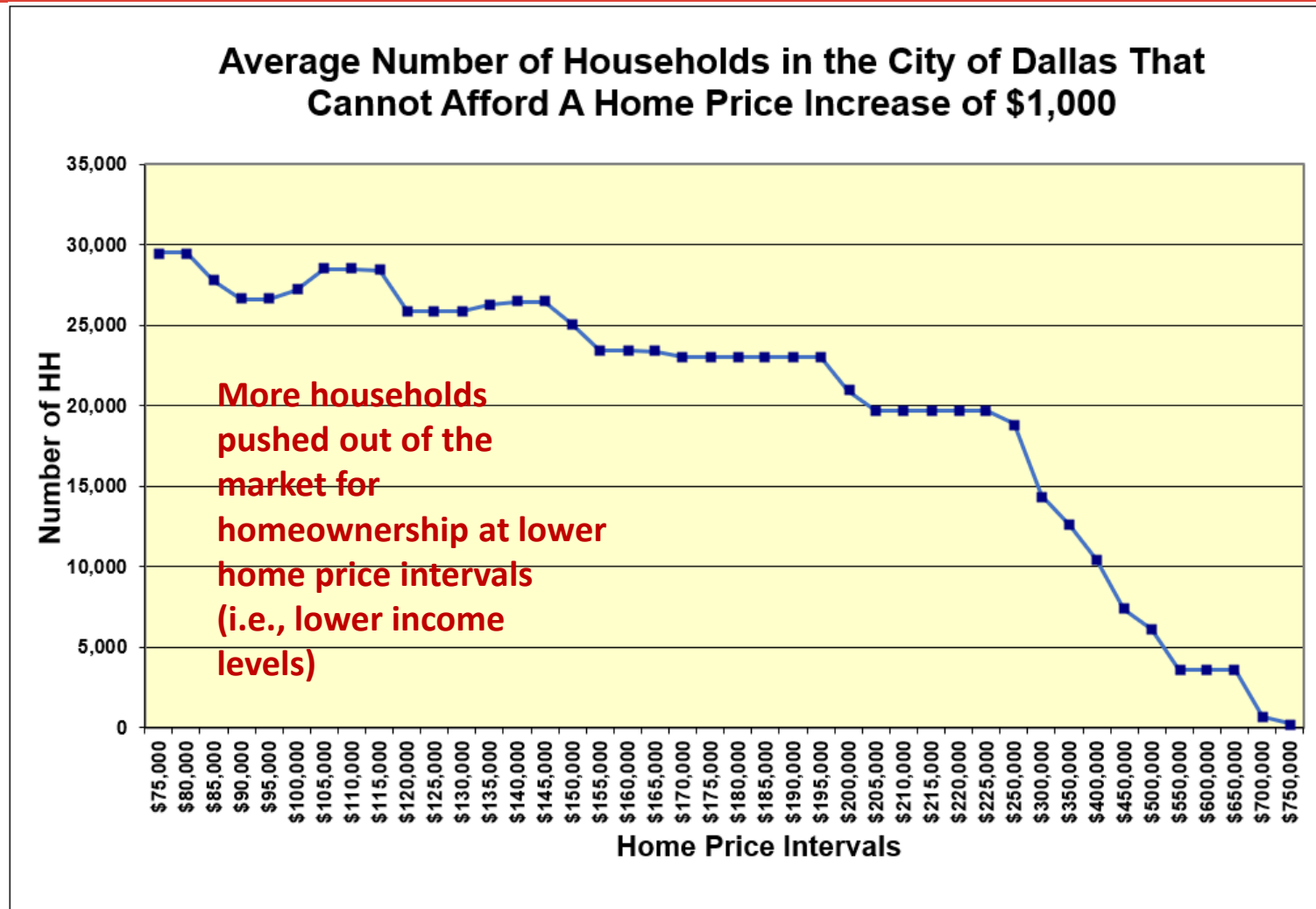
Demand/Supply Imbalance: Homeownership for 4-Person Households

Income Cohort	Income Range		Affordable Home Price Range	Demand for Homeownership	Supply of Homes	Oversupply or Undersupply (#)
Extremely Low-Income	0-30%	\$0 - \$29,200	\$0 - \$95,701	26.2%	1.0%	-25.2% (54,646)
Very Low-Income	31-50%	\$29,201 - \$48,700	\$95,702 - \$159,611	22.7%	4.8%	-17.9% (38,689)
Low-Income	51-80%	\$48,701 - \$77,900	\$159,612 - \$255,313	23.1%	19.3%	-3.7% (8,078)
Workforce	81-120%	\$77,901 - \$116,880	\$255,314 - \$383,067	14.4%	18.5%	4.1% (8,822)
Market-Rate	121%+	\$116,881+	\$383,068+	13.6%	56.3%	42.7% (92,591)

Source: HUD, American Community Survey, Texas Real Estate Research Center at Texas A&M University

*Supply reflects only single-family, existing homes

Each Additional Increase in Home Prices Affects Higher Number of Lower-Income Households



Source: American Community Survey, Texas Real Estate Research Center at Texas A&M University

Proposed Action

- **Consider affordable homeownership programs (such as down payment assistance) that reduce the barriers to homeownership, particularly for first-time, low-income, and minority households.**
 - **Three primary borrowing constraints: income, wealth, and credit.**
 - **Income is generally relatively “fixed,” at least on a short-term basis.**
 - **Credit score can be improved.**
 - **Wealth extremely difficult for low-income, non-homeowning households to accrue. Down payment assistant programs, which provide cash gifts to help with the down payment, are an effective way to counteract lack of wealth & difficulty building wealth.**
- **Consider increasing housing density to reduce costs of construction per unit of housing.**

Next Steps

- **Complete analysis on rental housing in Dallas**
- **Generate results of model for City of Dallas Council districts**

Thank you!
Contact:
clare_losey@tamu.edu
254-717-9090

