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February 2014

Houston's Home Buying Frenzy Tapers as the New Year Begins

A lack of housing inventory slows January sales and boosts prices

The Houston housing market exhibited the textbook laws of supply and demand in January as low housing inventory meant that there were fewer homes to purchase, but that buyers paid more for the homes that were available.

Home sales edged up 1.7 percent year-over-year - the smallest one-month sales increase since June 2011, according to the latest monthly report prepared by the Houston Association of REALTORS®. January single-family home sales totaled 3,957. That is the lowest one-month sales volume since February 2012.

January marked the 32nd consecutive month that sales have remained in positive territory. The supply of homes matched December's 2.6 months of inventory, but compared to a 3.6-month supply in January 2013.

The combination of shrinking inventory and heavy sales activity among homes between \$200,000 and \$600,000 pushed pricing up significantly in the year-over-year comparison. The median price of a single-family home-the figure at which half the homes sold for more and half for less-jumped 18.0 percent to \$177,000. The average price shot up 22.0 percent year-over-year to \$244,000. Both figures represent the highest prices for a January in Houston.

The over-\$150,000 segments single-family market experienced sales growth in January, however both the sub-\$80,000 and \$80,000-\$150,000 markets recorded declines.

"January is traditionally a slow time of year for home sales, but throw a depleted supply of inventory into the mix and you get exactly what the Houston market experienced last month," said HAR Chair Chaille Ralph with Heritage Texas Properties. "Until more housing inventory hits the market, we are likely to continue seeing lower sales volume and higher pricing than we did throughout 2013. It's the basic economic principle of supply and demand playing out."

Foreclosure property sales reported in the HAR Multiple Listing Service (MLS) continued its months-long decline, dropping 53.2 percent compared to January 2013. Foreclosures currently make up 9.2 percent of all property sales, down from a 19.6 percent share a year earlier. The median price of foreclosures rose 6.9 percent to \$86,625.

January sales of all property types in totaled 4,929, a 5.6 percent increase over the same month last year. Total dollar volume for properties sold rose 26.8 percent to \$1.1 billion versus \$905 million a year earlier.

January Monthly Market Comparison

Houston's real estate market saw gains in all measurements in January when comparing sales to January 2013. Total property sales, total dollar volume and average and median pricing all rose on a year-over-year basis.

Month-end pending sales totaled 3,730, a 3.9 percent gain over last year and another possible indication of a steady but lower volume of sales when the February numbers are tallied. Active listings, or the number of available properties, at the end of January dropped 15.9 percent to 28,211.



Mary Piper

Director of Relocation and
Operations



Amy Bernstein

Houston's inventory of available homes remained flat at a 2.6-month supply month-over-month in January, but was down from the 3.6 months of supply one year ago. The inventory of single-family homes across the U.S. currently stands at 4.6 months, according to the latest report from the National Association of REALTORS®.

CATEGORIES	January 2013	January 2014	Change
Total property sales	4,667	4,929	5.6%
Total dollar volume	\$904,858,281	\$1,147,677,815	26.8%
Total active listings	33,532	28,211	-15.9%
Total pending sales	3,591	3,957	3.9%
Single-family home sales	3,889	3,957	1.7%
Single-family average sales price	\$200,079	\$244,070	22.0%
Single-family median sales price	\$150,000	\$177,000	18.0%
Months inventory*	3.6	2.6	-27.3%

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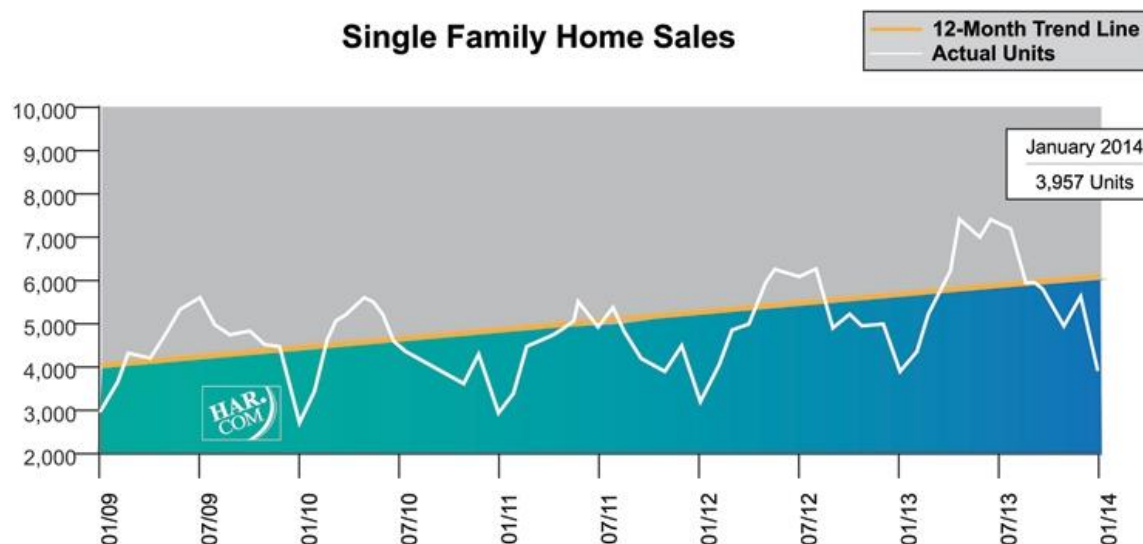
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* Months inventory estimates the number of months it will take to deplete current active inventory based on the prior 12 months sales activity. This figure is representative of the single-family homes market.

Single-Family Homes Update

January sales of single-family homes in Houston totaled 3,957, up 1.7 percent from January 2013. That marks the 32nd consecutive monthly increase. It also represents the smallest one-month sales increase since June 2011 and the lowest one-month sales volume since February 2012.

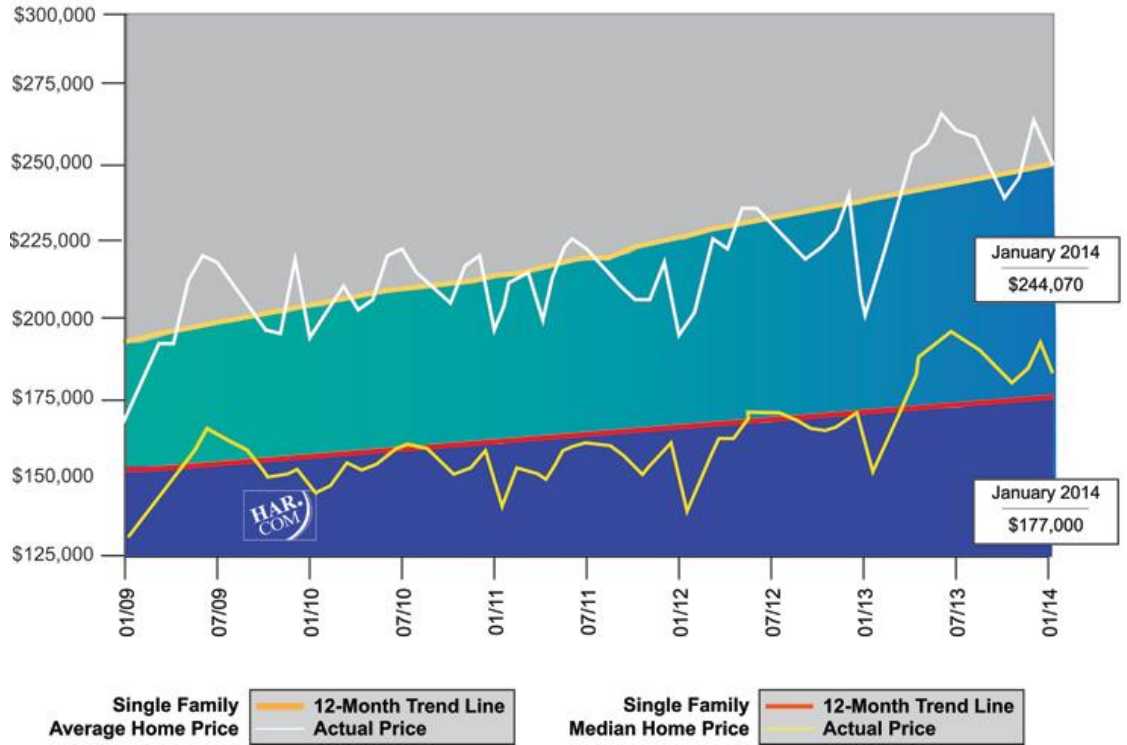
Home prices reached the highest levels ever recorded in Houston for a January. The single-family median price climbed 18.0 percent from last year to \$177,000 and the average price soared 22.0 percent year-over-year to \$244,070.



Broken out by housing segment, January sales performed as follows:

- \$1 - \$79,999: decreased 46.3 percent
- \$80,000 - \$149,999: decreased 7.9 percent
- \$150,000 - \$249,999: increased 9.7 percent
- \$250,000 - \$499,999: increased 41.6 percent
- \$500,000 - \$1 million and above: increased 45.3 percent

Single Family Average Home Price & Single Family Median Home Price



The average price of a single-family home rose 10.3 percent from last year to \$265,017, the highest level ever for a December in Houston. At \$188,500, the median sales price for single-family homes also achieved an historic high for December, up 10.9 percent year-over-year.

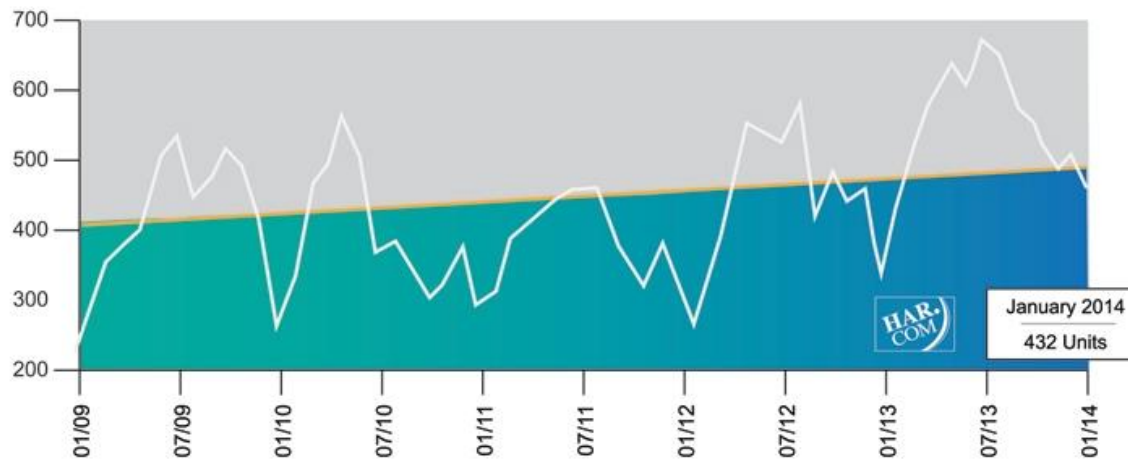
HAR also breaks out the sales performance of existing single-family homes throughout the Houston market. In December 2013, existing home sales totaled 4,890, a 17.9 percent increase from the same month last year. The average sales price rose 11.9 percent year-over-year to \$248,072. The median sales price increased 11.4 percent to \$171,500.

Townhouse/Condominium Update

January sales of townhouses and condominiums rocketed 35.8 percent from one year earlier. A total of 432 units sold last month compared to 318 properties in January 2013. The average price dipped 1.4 percent to \$170,721 while the median price declined 2.3 percent to \$131,570. Inventory dropped to a 2.5 months supply versus a 4.0 months supply in January 2013.

Townhouse/Condominium Sales

— 12-Month Trend Line
— Actual Units



Lease Property Update

Houston's lease property market showed strong gains in January. Rentals of single-family homes jumped 23.6 percent compared to January 2013 while year-over-year townhouse/condominium rentals rose 13.3 percent. The average rent for a single-family home increased 4.3 percent to \$1,616 while the average rent for a townhouse/condominium rose 8.3 percent to \$1,508.

Houston Real Estate Milestones in January

- Single-family home sales increased 1.7 percent year-over-year, accounting for the market's 32nd straight monthly increase;
- Total property sales rose 5.6 percent compared to one year earlier;
- Total dollar volume soared 26.8 percent, increasing from \$905 million to \$1.1 billion on a year-over-year basis;
- At \$177,000, the single-family home median price reached the highest level for a January in Houston;
- At \$244,070, the single-family home average price also reached a January high;
- A 2.6-month supply of inventory of single-family homes is unchanged from December but down from a 3.6-month supply in January 2013 while comparing to the national average of 4.6 months;
- Sales of townhouses/condominiums shot up 25.8 percent year-over-year;
- Rentals of single-family homes rose 23.6 percent while rentals of townhouse/condominium units rose 13.3 percent.

Courtesy of Har.com

Woodlands Developer sees Houston Housing Shortage on the Horizon

Houston is not at risk of a housing bubble, but a housing shortage, according to industry watchers. That's the view of Tim Welbes, president of the Woodlands Development Co., who spoke Friday at the Woodlands Area Chamber of Commerce Economic Outlook Conference. Welbes said that based upon projected population increases, Houston will need 77,000 new single-family homes in 2014. Homebuilders are expected to build about 28,000 new homes this year, resulting in a shortage of about 50,000 single-family homes.

The housing shortage is being driven by an expected 150,000 new residents this year, he said. But the Houston housing shortage actually started in 2009. That year, Welbes said, there was demand for about 31,500 homes, while there were just 23,000 built, resulting in a shortage of about 8,800 homes. It has been that way every year since.

"There is not enough labor to build all the homes and apartments needed," he said. "There's a labor shortage in the construction industry."



He also said that not as many Houstonians lost their homes in the sub-prime lending crisis as elsewhere. "It never really got above 1,000 per month," he said. "There is no foreclosure inventory hanging over the industry."

As a result, he said the Houston housing supply is the lowest it has been since 2003, especially in more-affordable single-family homes. "There is less than a month's supply for anything priced under \$300,000," he said.

Apartment builders are doing better, Welbes said. There was a glut of apartments before 2005, but many of those units were filled by Katrina refugees from New Orleans. Today, apartment supply and demand is basically in equilibrium. "It tells me that the apartment builders have not overbuilt," Welbes said.

"So is there a housing bubble in Houston?" Welbes asked rhetorically. "No. I see a good housing run for the next three years." He said most of those single-family homes are expected to be built on the west side of I-45, continuing a trend of the past few years.

Courtesy of The Houston Business Journal

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