

THE BEACON OUTLOOK TEXAS

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By Taner Osman PhD, Research Manager

HIGHLIGHTS

TIGHT SUPPLY, LOW RATES, HEALTHY CONSUMERS DRIVE HOME PRICES

As of October 2021, the median home price in Texas has increased to \$312,691, a 15% jump over the same month in 2020. Looking back further, since the onset of the pandemic, home prices in the state have increased by 26%. This robust price growth has been driven by historically low mortgage rates, healthy consumers, and tight housing supply. Texas's median home price remains lower than the national median by about one-third, but if the state's very low inventory (see key indicators below) persists, national and Texas home prices will converge quickly.

LABOR SHORTAGES HIT TEXAS

According to data from the U.S. Bureau of Labor Statistics, there were 807,000 job openings in the Texas in September, but only 661,000 unemployed workers in the state, meaning there are not enough workers to fill all the jobs that are currently available. In addition to facing a housing shortage, the state's employers are grappling with a labor shortage. This is particularly notable in Texas as abundant housing and workers have been the cornerstone of the state's economic success for decades. Following the various gains, losses, and upheavals brought on by the pandemic, some signs of strain are now apparent.

UNEMPLOYMENT RATE: TEXAS VS. THE NATION

The unemployment rate in Texas is slowly but surely inching its way back down to its pre-pandemic level. Prior to the COVID-19 crisis, the unemployment rate in the state stood at 3.7%. At the depths of the labor market fallout, that rate jumped to 12.9%, and as of October 2021, it had fallen to 5.4%. Unemployment in Texas remains higher, however, than in the nation overall (4.6%). Nationally, the unemployment rate has been pushed down because millions of workers have left the labor force in a surge of retirements and quitting, something that stands in contrast to Texas (see Key Indicators below). The labor force disparity helps to explain why the Texas unemployment rate is higher than the national figure.

KEY INDICATORS



Scant Housing Supply

As of October 2021, there were a mere 1.6 months of housing inventory available for sale in Texas. Inventory refers to the number of months it would take for all current homes on the market to sell. A housing market is considered healthy when it has approximately six months' worth of inventory, a condition that does exist nationally.



Total Jobs Recovered

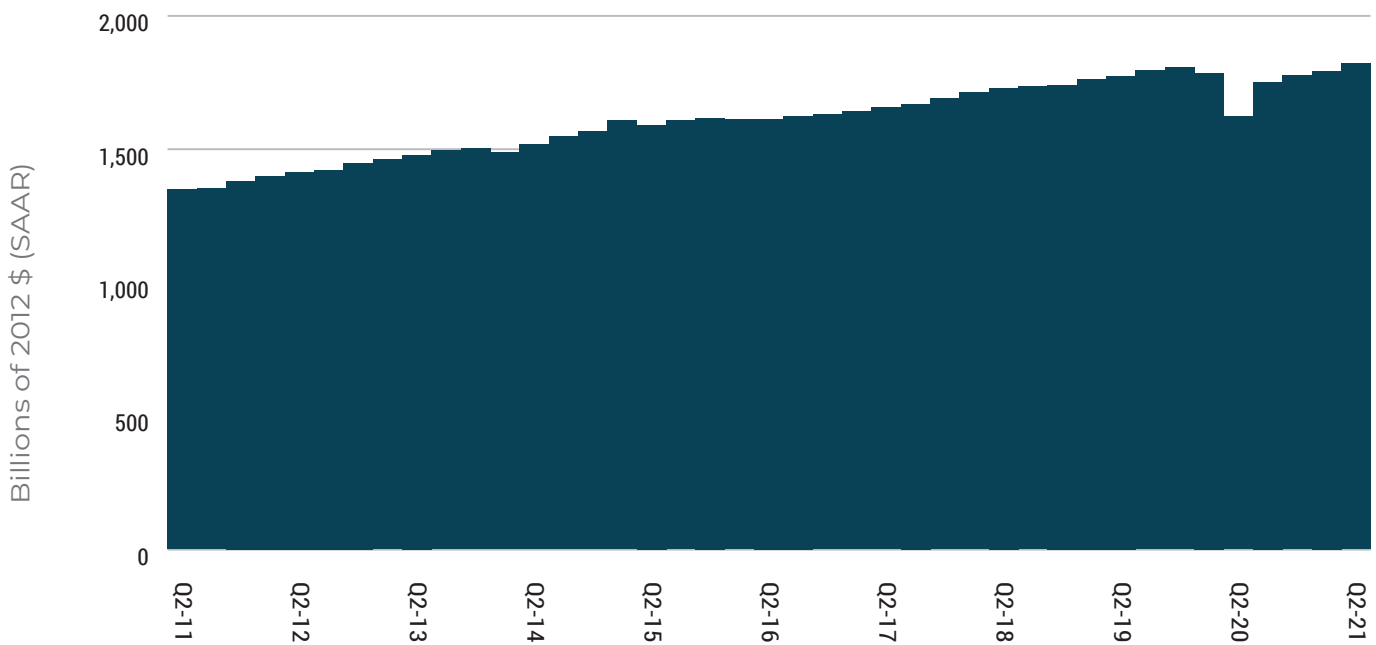
Texas is on the verge of replacing all the jobs it lost at the onset of the pandemic. The state's jobs numbers are expected to exceed pre-pandemic levels by the first quarter of 2022.



Despite Labor Shortage, Workforce Is Back

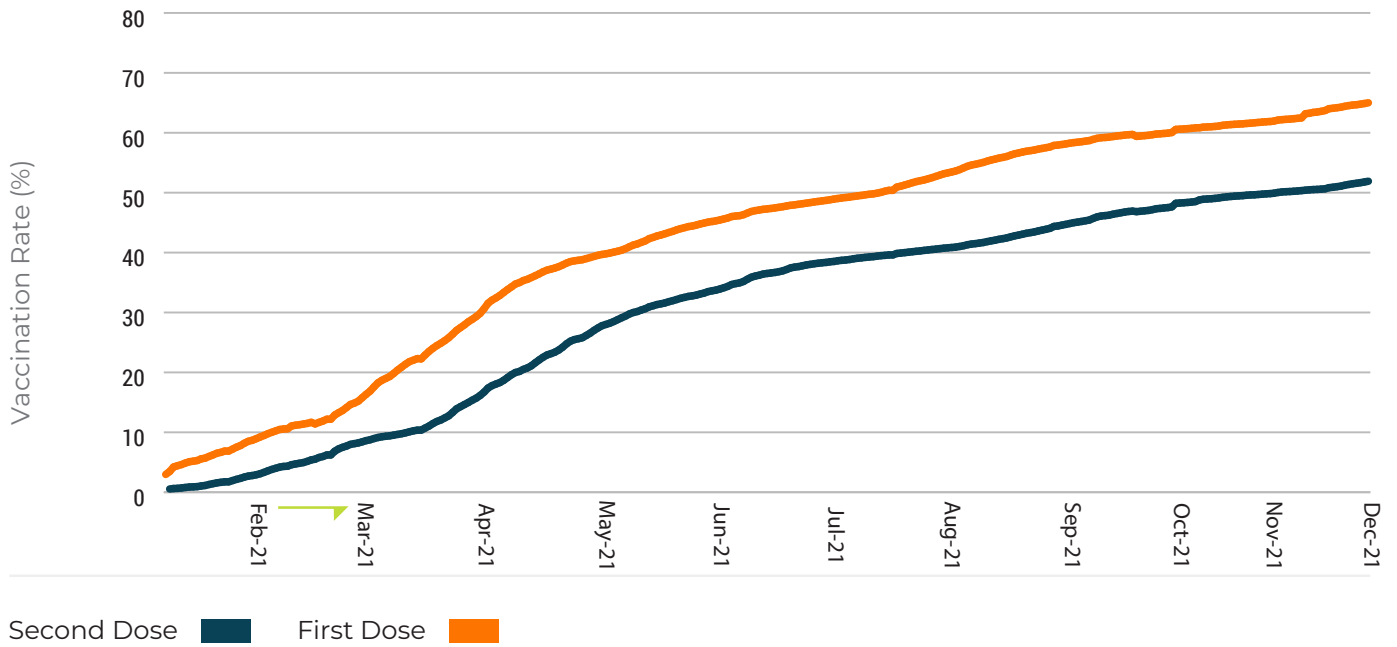
The labor force in Texas is back to its pre-pandemic level, which differentiates the state from many other states and from the nation as a whole. Although Texas employers are currently facing a labor shortage, the fact that the labor force has reached pre-pandemic numbers is a positive sign, indicating that workers are encouraged about their prospects of finding work they want.

TEXAS REAL GDP



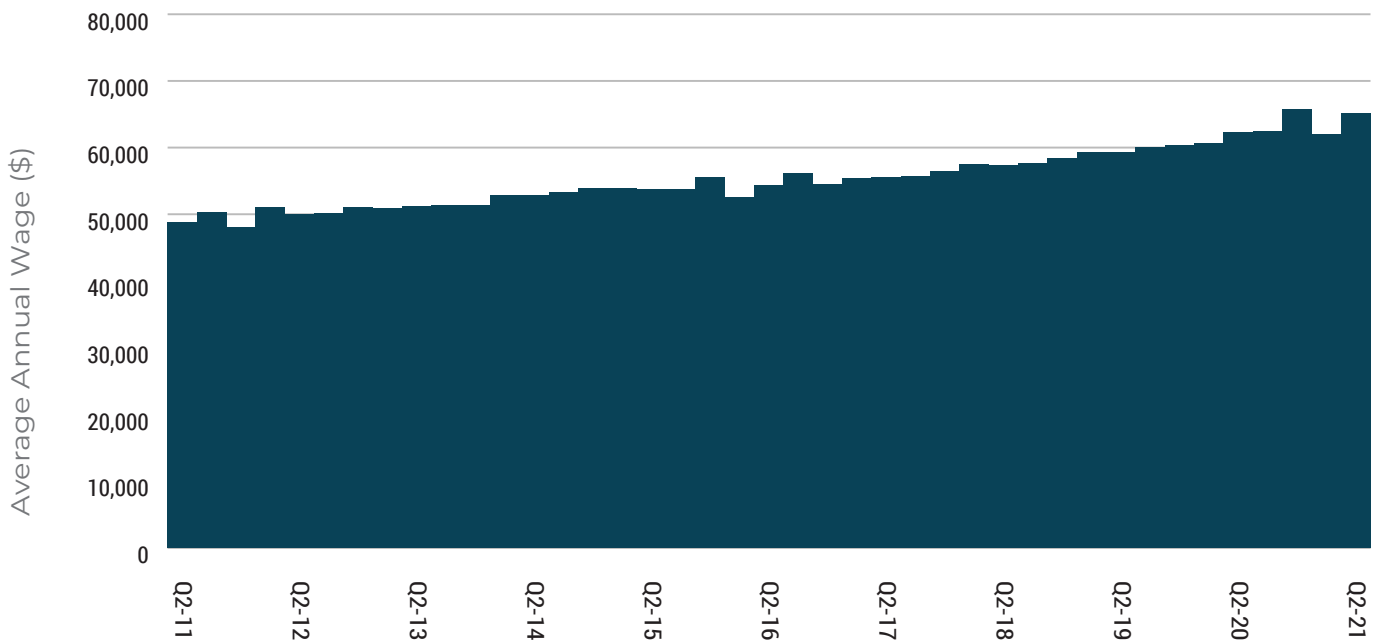
Source: U.S. Bureau of Economic Analysis; Analysis by Beacon Economics

TEXAS VACCINATION RATE



Source: Los Angeles Times, Centers for Disease Control and Prevention; Analysis by Beacon Economics

TEXAS AVERAGE ANNUAL WAGE



Source: U.S. Bureau of Labor Statistics; Analysis by Beacon Economics

TEXAS FORECAST

TEXAS FORECAST - KEY INDICATORS

	Current	Forecast				
	Q3-21	Q4-21F	Q1-22F	Q2-22F	Q3-22F	Q4-22F
Real GDP (Millions 2012\$, SAAR)	1,844,748.5	1,873,931.0	1,899,662.0	1,921,954.0	1,939,750.0	1,956,423.0
Nonfarm Payrolls (000s, SA)	12,778.6	12,913.9	13,043.3	13,154.0	13,236.9	13,316.9
Unemployment Rate (% , SA)	5.9	5.3	4.9	4.6	4.6	4.4
Home Prices (\$, SA)	286,613.9	298,436.5	307,368.9	315,420.5	322,123.2	327,672.4
			Q1-23F	Q2-23F	Q3-23F	Q4-23F
Real GDP (Millions 2012\$, SAAR)			1,975,131.0	1,988,526.0	2,003,308.0	2,019,629.0
Nonfarm Payrolls (000s, SA)			13,393.9	13,436.3	13,478.7	13,524.8
Unemployment Rate (% , SA)			4.2	4.4	4.5	4.5
Home Prices (\$, SA)			333,930.9	340,143.4	345,567.2	350,189.4