ECONOMIC OUTLOOK

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COUNTY AUDITOR
3RD QTR 2023

AUSTIN

"**In August, Austin's employment declined, and unemployment rose**.

In addition, layoff notices covered by the Worker Adjustment and Retraining Notification Act (WARN) increased, concentrated in the professional and business services sector.

In contrast, wages continued to record strong growth." – Oct 2023 – Austin Economic Indicators – Dallas Fed



TEXAS

"Texas economic expansion slowed in August. **Employment growth moderated**, and unemployment remained flat.

The September Texas Business Outlook Surveys (TBOS) indicated **service sector activity rose at a slower pace**, and manufacturing output rebounded.

The **Texas rig count and oil prices increased** in mid-September.

Median home prices were little changed in August." – Sep 2023 – Texas Economic Indicators – Dallas Fed

UNITED STATES

"**Over the past year, substantial progress has been made in bringing inflation down**."

"**Real spending on goods, which surged as COVID-19 spread, has moderated substantially** and is now roughly back to its prepandemic trend."

"The decline in goods consumption together with improvements in global supply chains have contributed to **a pronounced decline in goods price inflation** since the middle of 2022.

In contrast, the progress in lowering **services inflation has remained subdued**, with little change in the rate over the past two years."

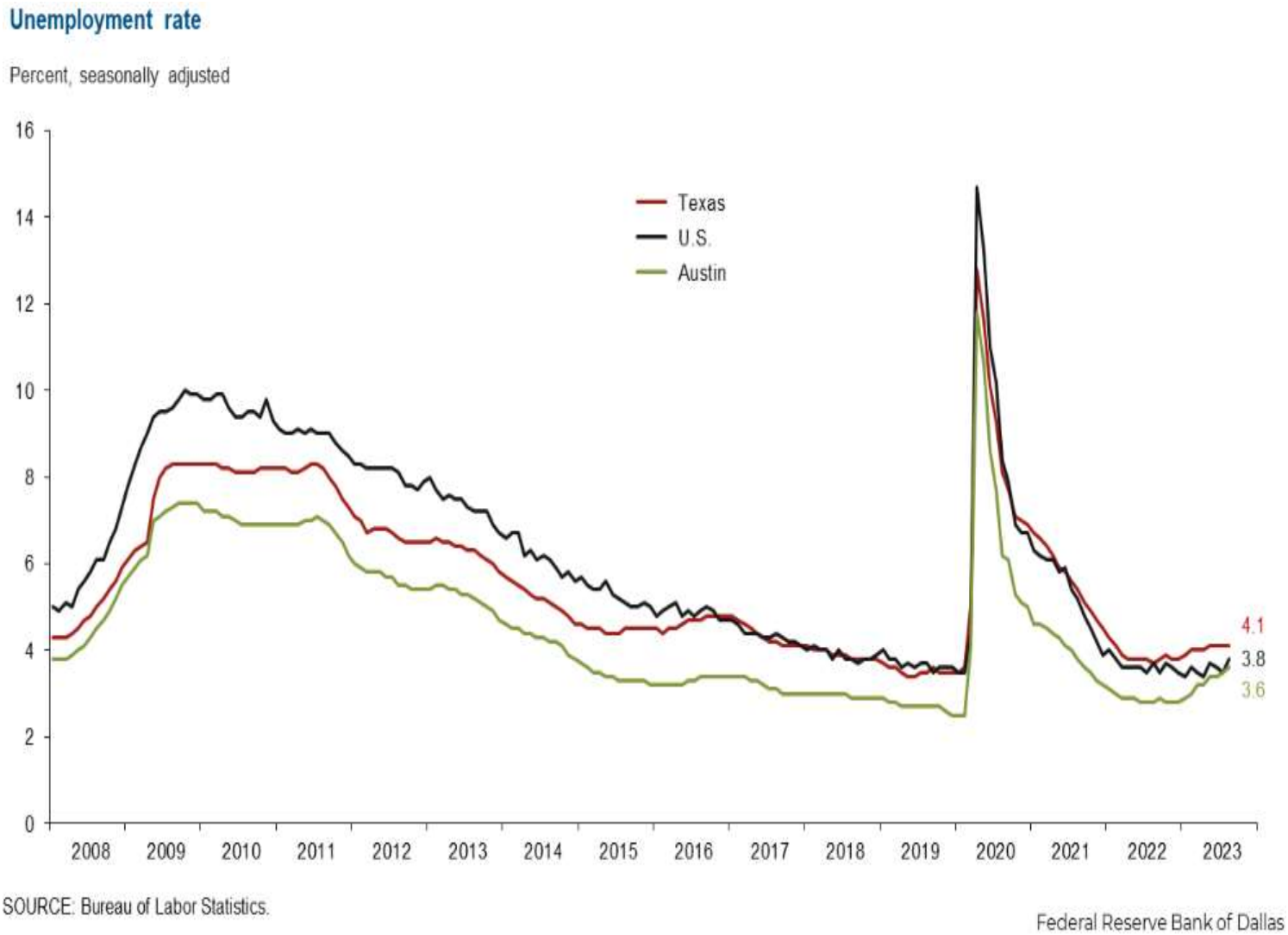
"Over the past year, the unemployment rate has remained lower than we had expected."

"Still, **we expect the unemployment rate to rise gradually to 4.2% by the end of 2024** as consumer spending slows in response to tighter monetary policy, the excess savings accumulated during the pandemic depletes, and firms' access to credit diminishes."

"All told, we expect the road back to 2% inflation to take time**. We see headline PCE inflation declining to 2.8% in 2024** and then moving down further to 2.3% in 2025, slightly above the Fed's goal." – Sep 2023 – FedViews – San Francisco Fed

JOBS – UNEMPLOYMENT RATES – AUSTIN MSA, TEXAS, U.S.

"**Austin's [August] unemployment rate increased to 3.6 percent in Austin and remained below the state rate of 4.1 percent.** Though the rate rose, Austin's unemployment rate remains lower than the national rate of 3.8 percent." – Oct 2023 – Austin Economic Indicators – Dallas Fed

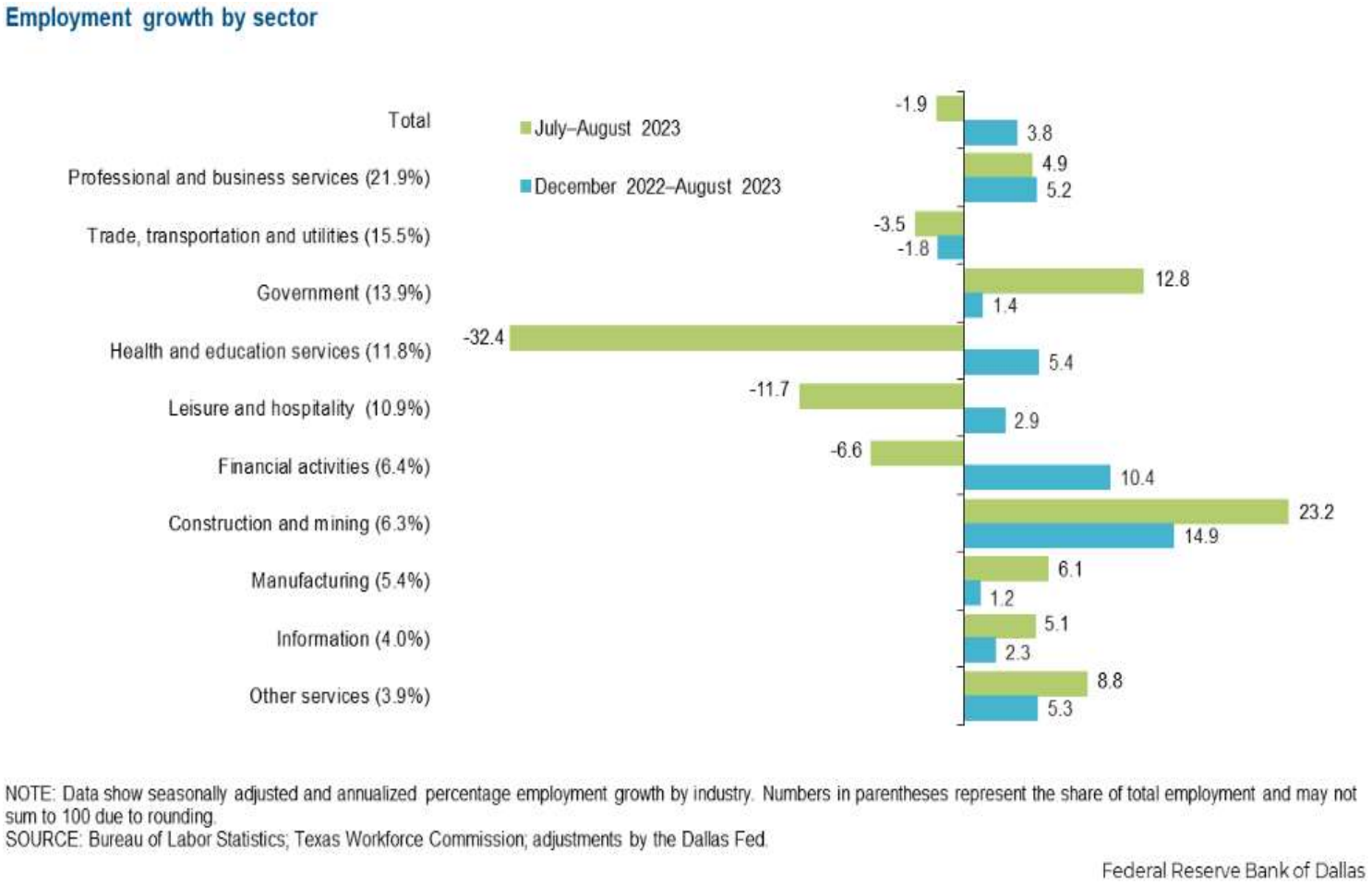


Provided by Federal Reserve of Dallas – Austin Economic Indicators – Oct 2023

JOBS – EMPLOYMENT GROWTH BY SECTOR – AUSTIN

"Austin employment fell an annualized 1.9 percent in August, the first month the rate declined since February 2021. In July, employment increased 1.6 percent. Sectors with the greatest decreases were health and educational services (32.4 percent, or 5,033 jobs), leisure and hospitality (11.7 percent, or 1,503 jobs), and financial activities (6.6 percent, or 480 jobs). At the same time, employment increased significantly in construction and mining (23.2 percent, or 1,475 jobs) and government (12.8 percent, or 1,871 jobs).

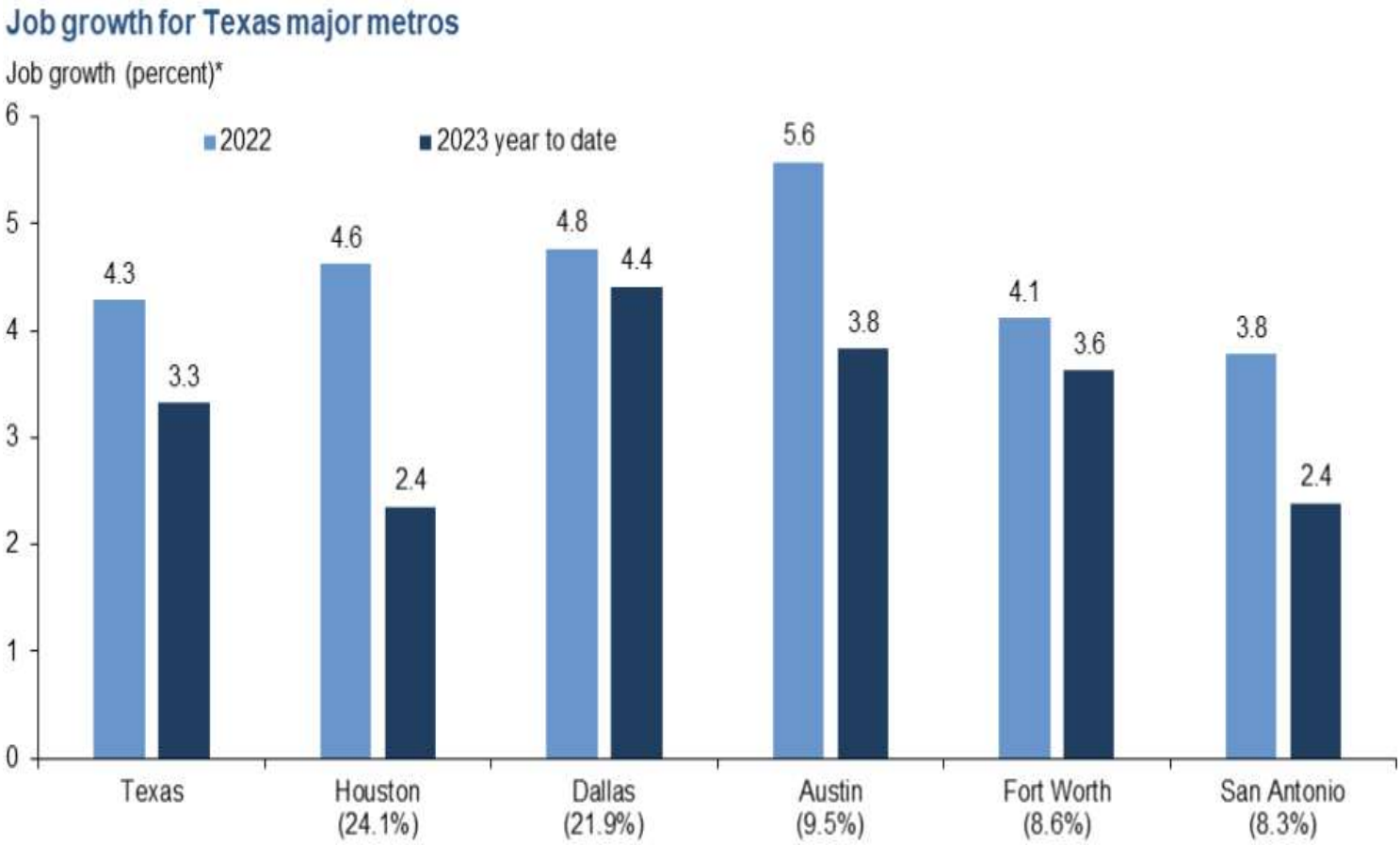
Construction employment growth may be driven by new projects, such as Brookfield Properties breaking ground on $90 million in industrial projects." – Oct 2023 – Austin Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Austin Economic Indicators – Oct 2023

JOBS – EMPLOYMENT GROWTH BY MAJOR METRO – TEXAS

"Employment growth in August was mixed across Texas major metros. Dallas and Houston posted strong gains. August job growth was modest in Fort Worth and San Antonio, while payrolls contracted in Austin, El Paso and McAllen. **Year to date, Dallas leads with annualized job growth of 4.4 percent, followed by Austin at 3.8 percent growth** and Fort Worth's increase of 3.6 percent. San Antonio and Houston both saw job gains of 2.4 percent, below the state's 3.3 percent increase." – Sept 2023 – Texas Economic Indicators – Dallas Fed

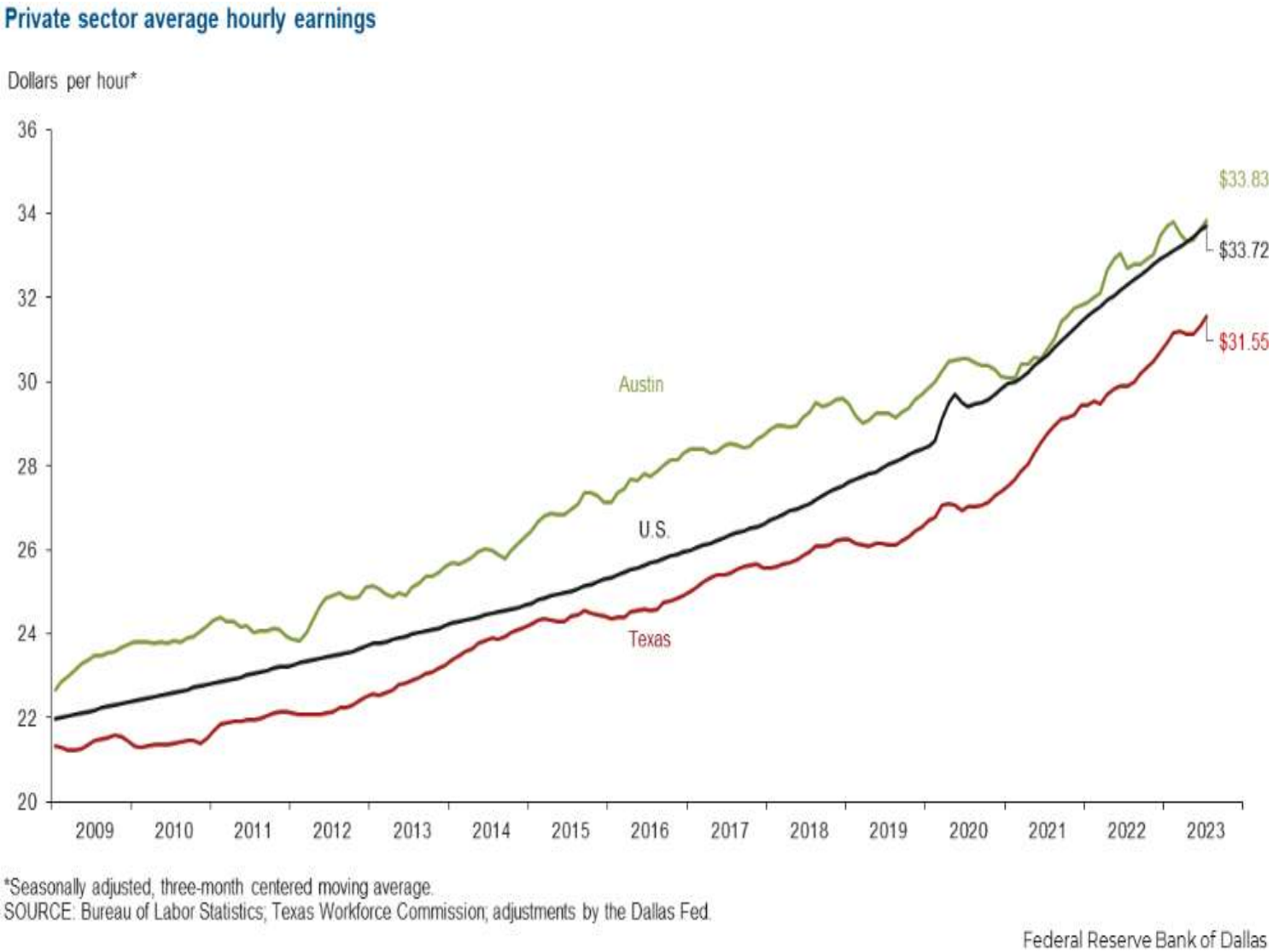


*Seasonally adjusted, annualized rate.
NOTE: Numbers in parentheses indicate share of state employment for August 2023.
SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by Federal Reserve Bank of Dallas.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Sept 2023

JOBS – PRIVATE SECTOR AVERAGE HOURLY EARNINGS – AUSTIN

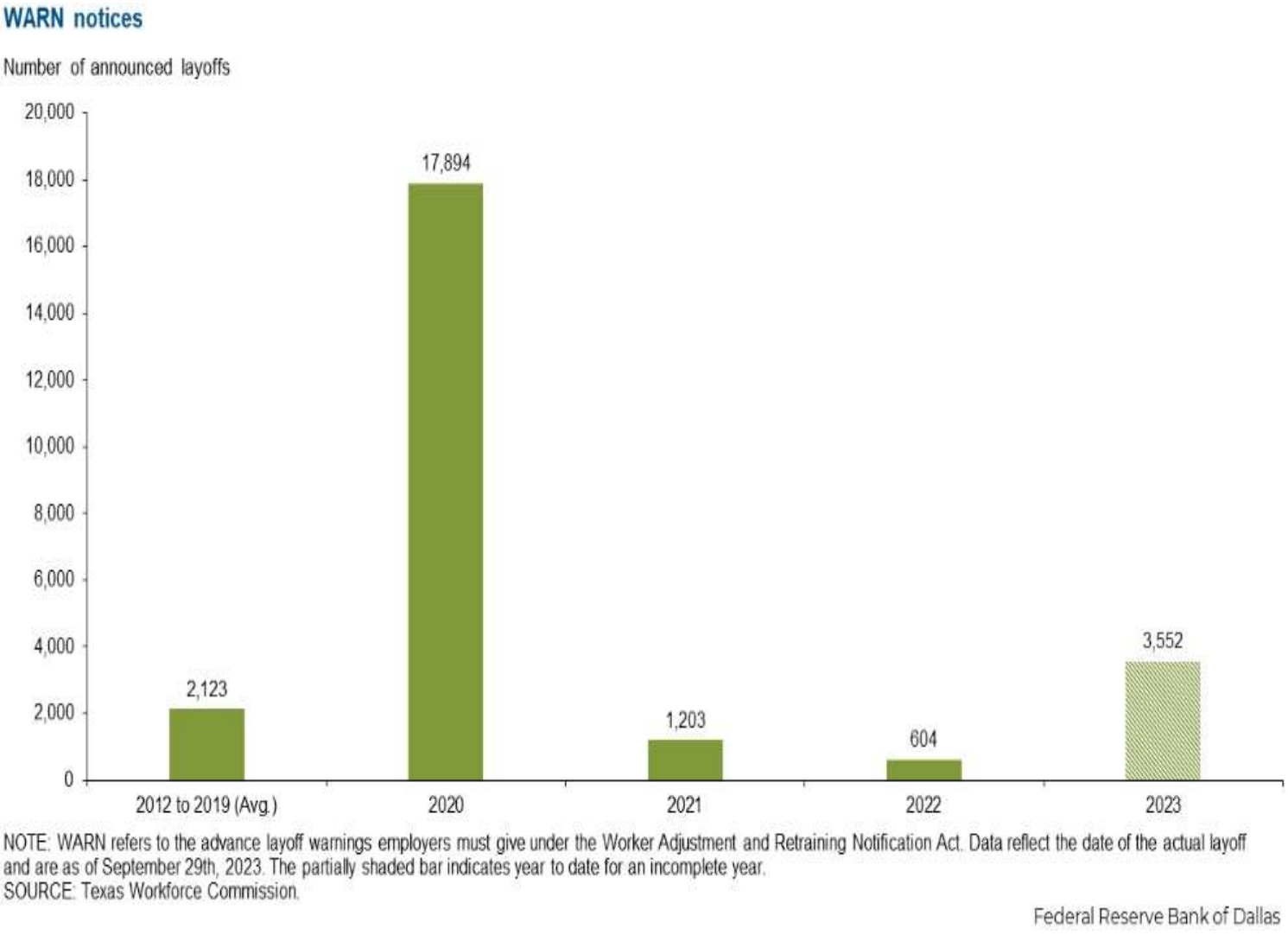
"**The three-month moving average of Austin wages increased 6.2 percent in August.** The average hourly wage of $33.83 remains above the nation's average ($33.72) and the state's ($31.55). Year over year, Austin wage growth of 3.4 percent is slower than U.S. gains of 4.3 percent and Texas growth of 5.2 percent." – Oct 2023 – Austin Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Austin Economic Indicators – Oct 2023

JOBS – NOTICES OF ANNOUNCED LAYOFFS – AUSTIN

"As of Sept. 29, 3,552 employees in the Austin metropolitan statistical area had received mass layoff notices (WARN notices) this year. This is higher than the 2012 to 2019 annual average and more than the number of layoffs in both 2021 and 2022, reflecting the cooling labor market. Assuming the pace continues for the rest of the year, by the end of 2023, the number of layoffs would be around 4,700, the second-highest annual amount for the past decade." – Oct 2023 – Austin Economic Indicators – Dallas Fed

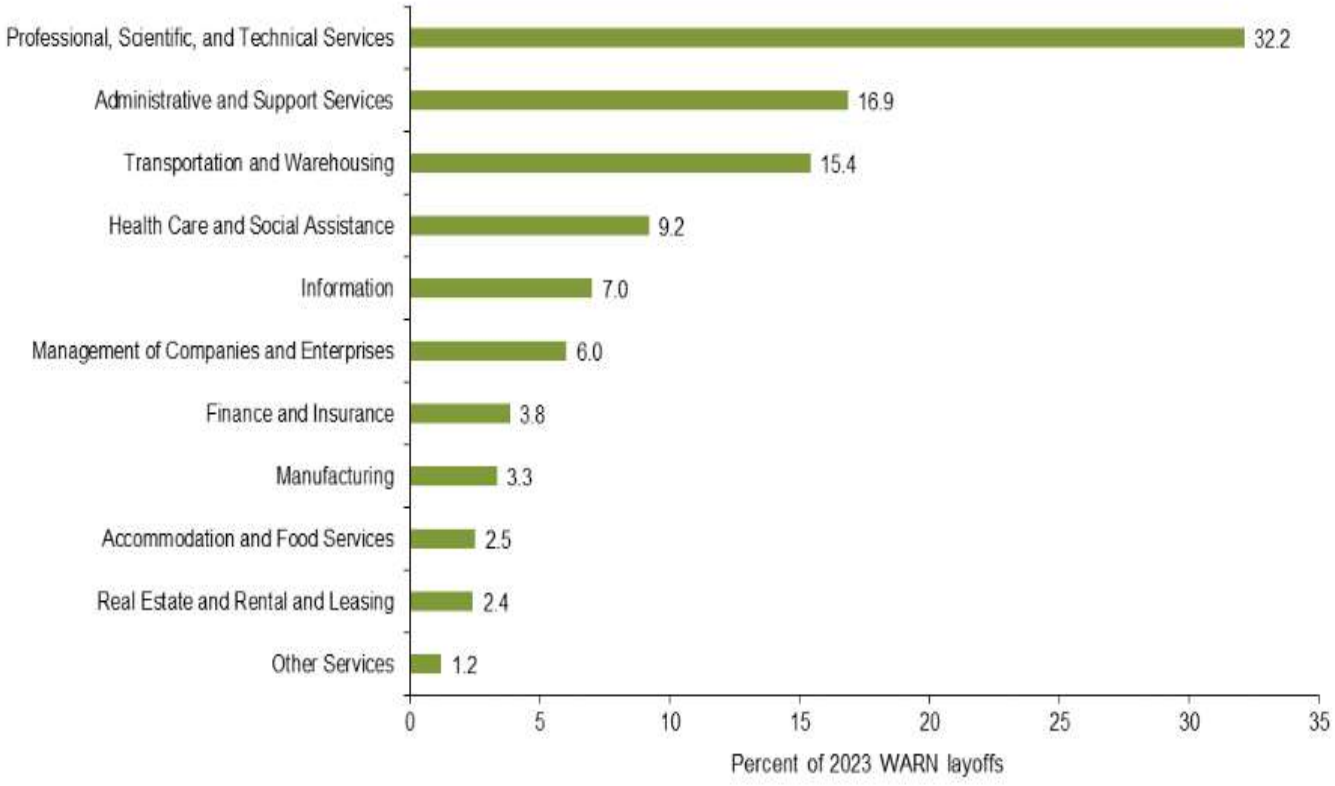


Provided by Federal Reserve of Dallas – Austin Economic Indicators – Oct 2023

JOBS – 2023 WARN LAYOFFS BY SECTORS – AUSTIN

"So far in 2023, layoffs have been concentrated in professional, scientific and technical services, followed by administrative and support services and the transportation sectors. Given the compositions of these industries, **mass layoffs appear to emphasize white-collar office workers rather than blue-collar labor.** Information services, which comprises 4 percent of the Austin labor force, took a disproportionate hit this year, with 7 percent of the mass layoffs." – Oct 2023 – Austin Economic Indicators – Dallas Fed

2023 WARN layoffs by sectors



NOTE: WARN refers to the advance layoff warnings employers must give under the Worker Adjustment and Retraining Notification Act. Data reflect the date of the actual layoff, not when the notice was received. Data are as of September 29th, 2023.
SOURCE: Texas Workforce Commission.

Federal Reserve Bank of Dallas

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Oct 2023

JOBS – LABOR PARTICIPATION RATE IN THE U.S.

"**Both the labor force participation rate, at 62.8 percent, and the employment-population ratio, at 60.4 percent, were unchanged over the month.** The number of persons employed part time for economic reasons, at 4.1 million, changed little in September. These individuals, who would have preferred full-time employment, were working part time because their hours had been reduced or they were unable to find full-time jobs.

In September, **the number of persons not in the labor force who currently want a job was 5.5 million, little different from the prior month**. These individuals were not counted as unemployed because they were not actively looking for work during the 4 weeks preceding the survey or were unavailable to take a job.

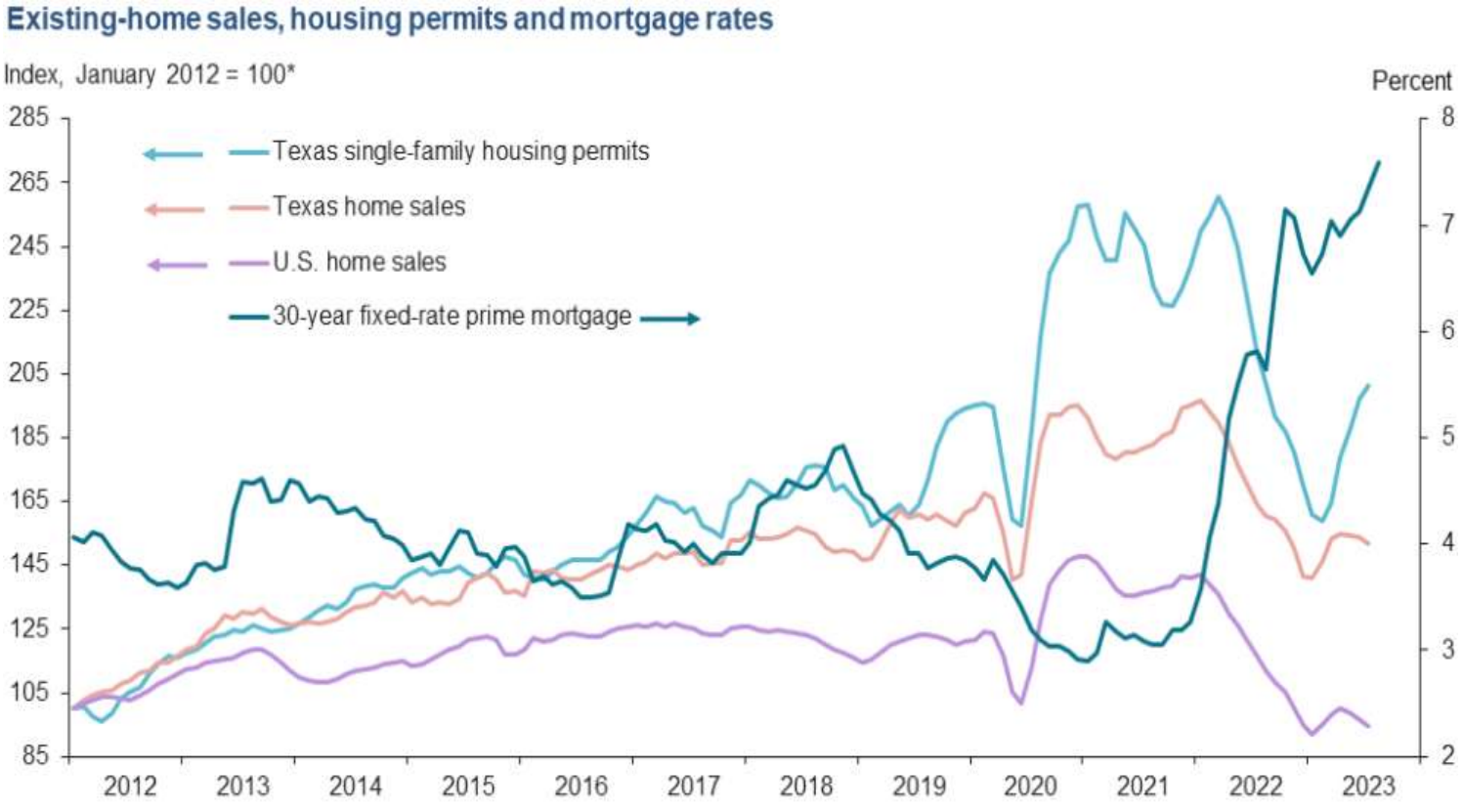
Among those not in the labor force who wanted a job, the number of persons marginally attached to the labor force changed little at 1.5 million in September. These individuals wanted and were available for work and had looked for a job sometime in the prior 12 months but had not looked for work in the 4 weeks preceding the survey." – The Employment Situation – Oct 2023 – Bureau of Labor Statistics



Provided by Federal Reserve of Dallas – U.S. Economy Charts – Oct 2023

HOUSING – EXISTING HOME SALES, PERMITS, MORTGAGE RATES – TEXAS

"**Texas existing-home sales fell by 5.0 percent month over month in July amid low home inventories**, resulting in 27,000 total sales. The three-month moving average declined as well. U.S. home sales dropped 2.2 percent in July. **High mortgage rates persisted, averaging 7.3 percent in July and 7.6 percent in August**, and continued to impact housing affordability. Texas single-family housing construction permits dipped 1.2 percent after increasing for five straight months. However, the three-month moving average continued to tick up in July." – Sept 2023 – Texas Economic Indicators – Dallas Fed

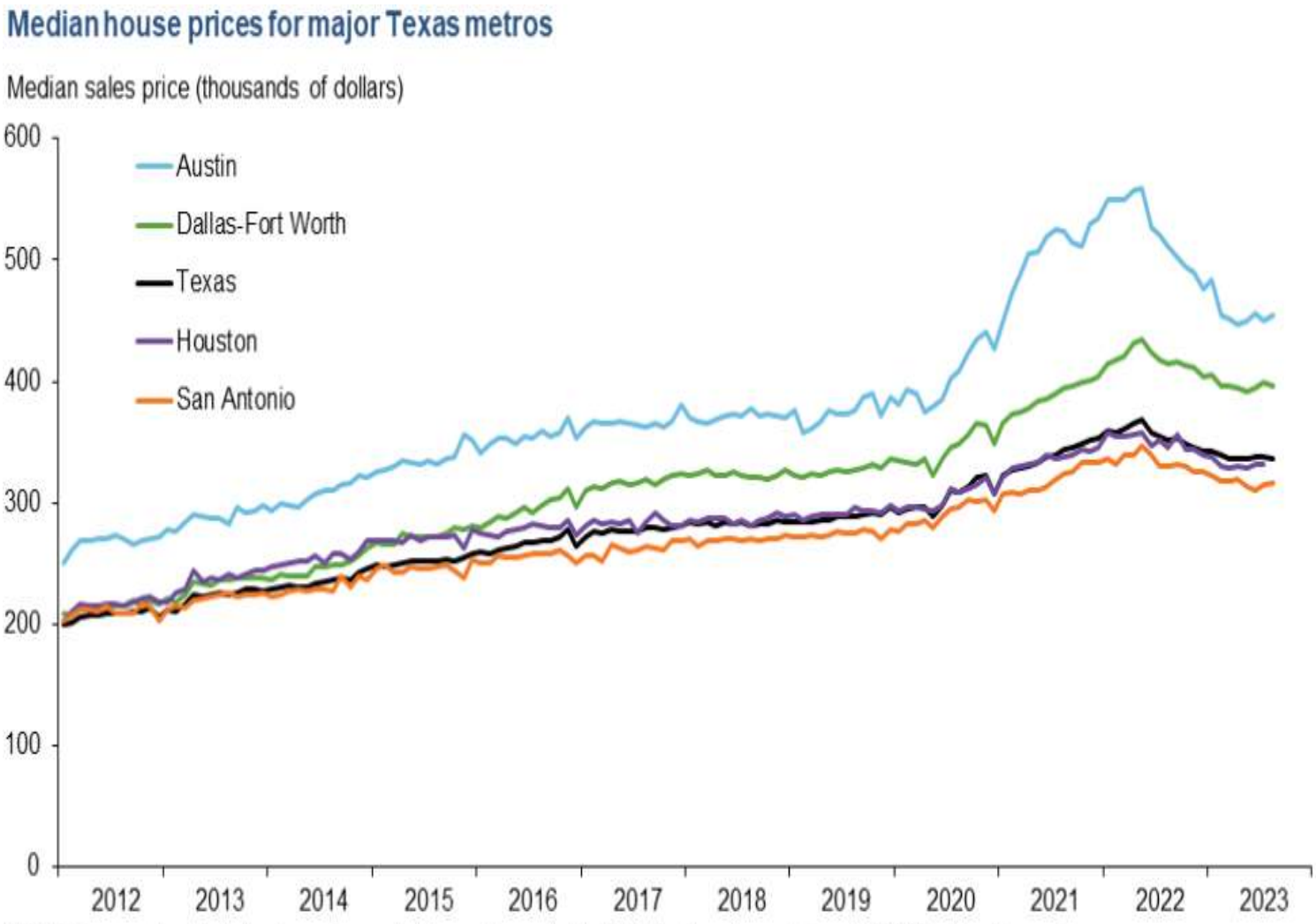


*Seasonally adjusted, three-month moving average.
NOTES: Mortgage data are through August 2023; the rest are through July 2023.
SOURCE: Real Estate Center at Texas A&M University; Multiple Listing Service; Freddie Mac Primary Mortgage Market Survey; Census Bureau.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Sept 2023

MEDIAN HOUSE PRICES FOR MAJOR METROS – TEXAS

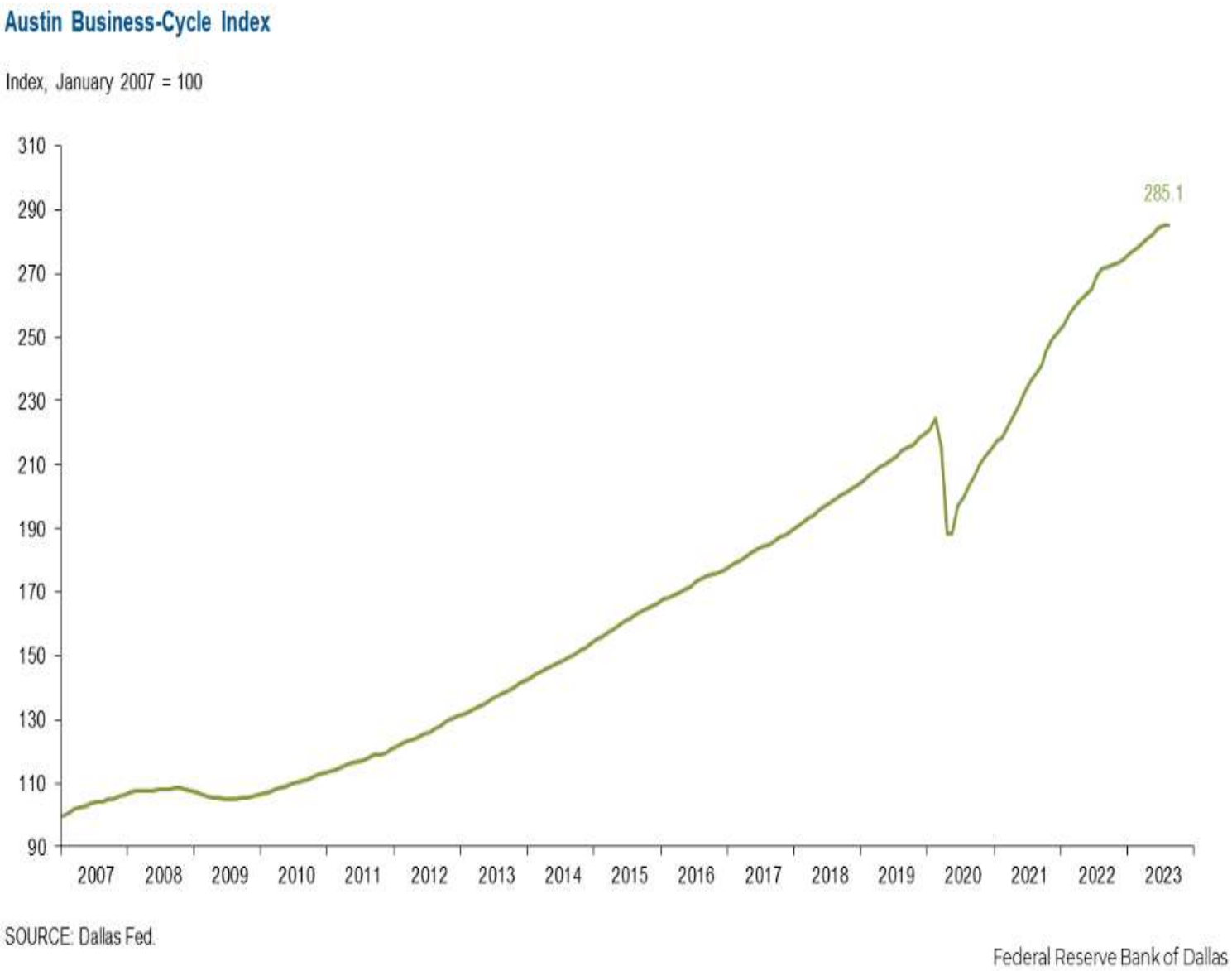
"Median house prices ticked up in Austin and San Antonio in August, while remaining flat in other Texas major metros as well as the state. **Across Texas, home prices have been flat to down since peaking in early 2022**. As of August 2023, the Texas median house price was around $337,000, little changed from year-ago levels." – Sept 2023 – Texas Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Texas Economic Indicators – Sept 2023

BUSINESS CYCLE INDEX – AUSTIN

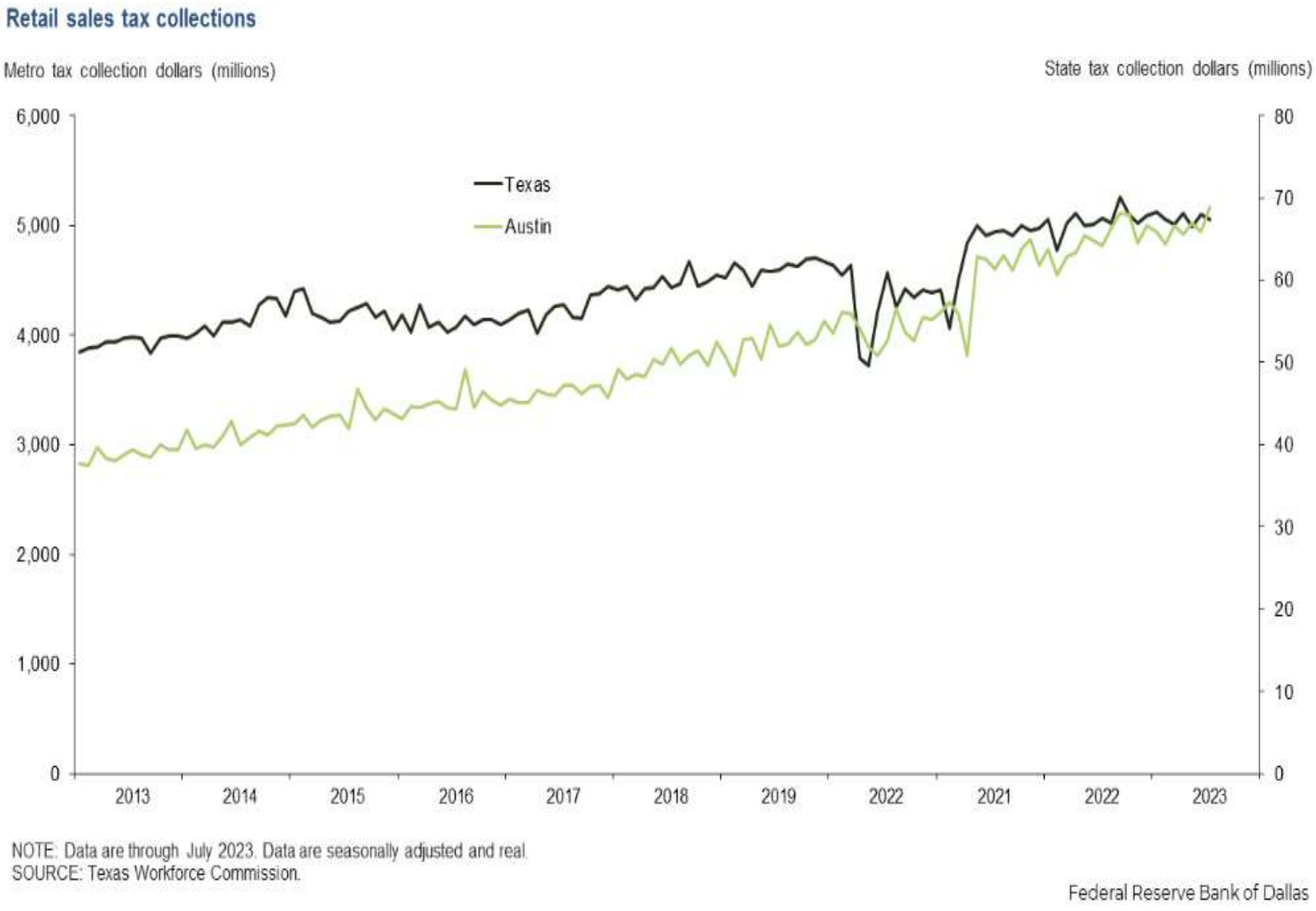
"**The Austin Business-Cycle Index, a broad measure of economic activity, grew an annualized 0.2 percent in August**, much slower than the 3.4 percent gain in July."– Oct 2023 – Austin Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Austin Economic Indicators – Oct 2023

RETAIL SALES TAX COLLECTIONS – AUSTIN

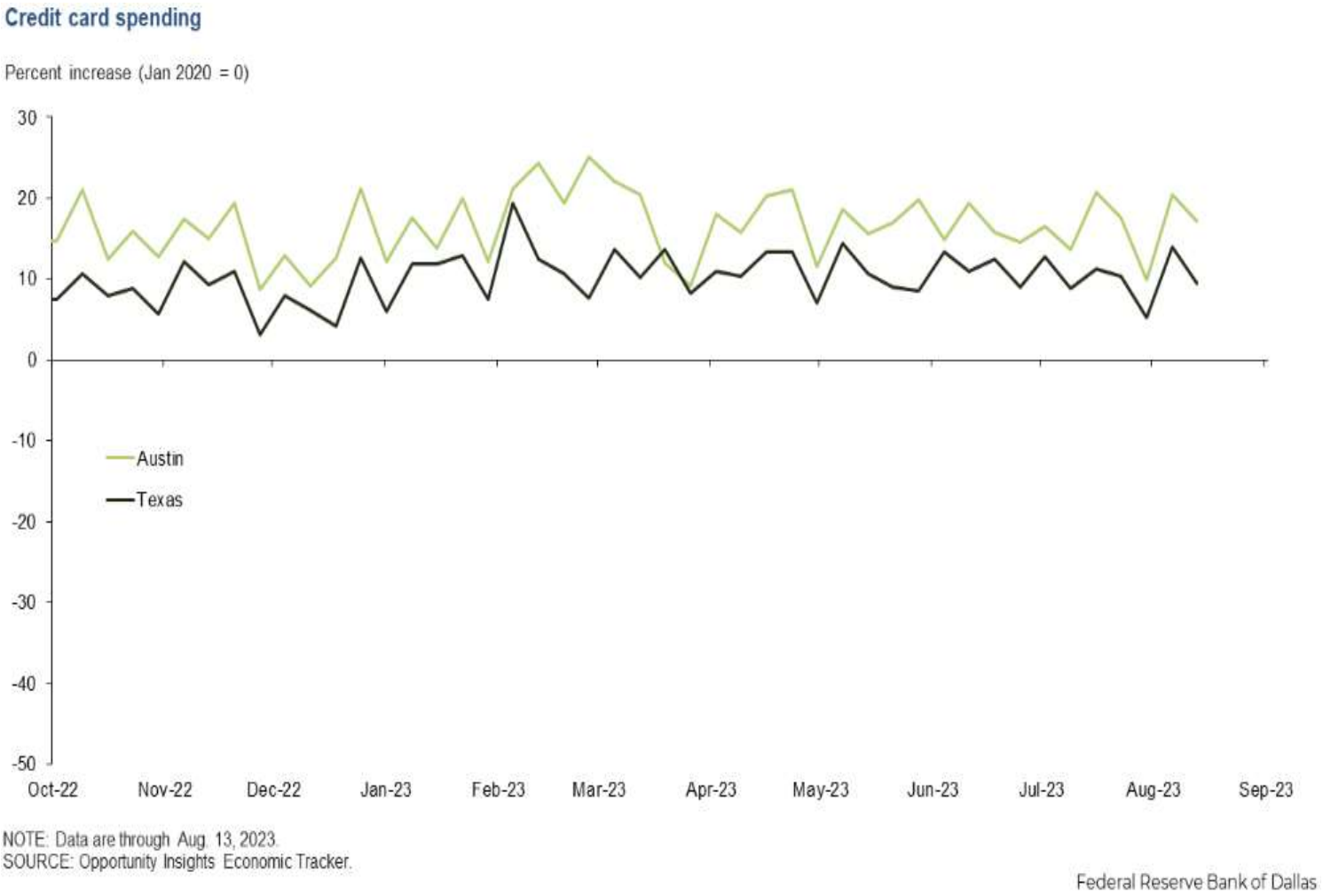
"In July, Austin's real inflation-adjusted retail sales tax collections increased 4.6 percent, outpacing the state's collections, which declined 0.9 percent. **Year over year, the metro retail sales tax collections rose 7.5 percent, contrasting Texas' collections, which fell 0.2 percent.** This implies retail spending demand in the Austin area remains at elevated levels." – Sept 2023 – Austin Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Austin Economic Indicators – Sept 2023

CREDIT CARD SPENDING – AUSTIN

"Credit card spending, a proxy for overall consumer demand and spending power, remains elevated, up 17.1 percent in Austin since January 2020. This is greater than the state's performance, up 9.4 percent from prepandemic levels. However, the year-over-year increases are largely smaller, with less fluctuation. **Austin's spending has only increased 0.8 percent compared with last year**, with Texas similarly experiencing a 1.1 percent increase." – Sept 2023 – Austin Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Austin Economic Indicators – Sept 2023

TEXAS BUSINESS OUTLOOK SURVEYS INDEXES – TEXAS

"**The September Texas Business Outlook Surveys reported a strong rebound in manufacturing output and continued moderate growth in the service sector.** The manufacturing production index surged into positive territory after negative readings for four months in a row. The service sector revenue index dipped but remained positive and close to its 10-year average, suggestive of ongoing expansion in service sector activity." – Sept 2023 – Texas Economic Indicators – Dallas Fed

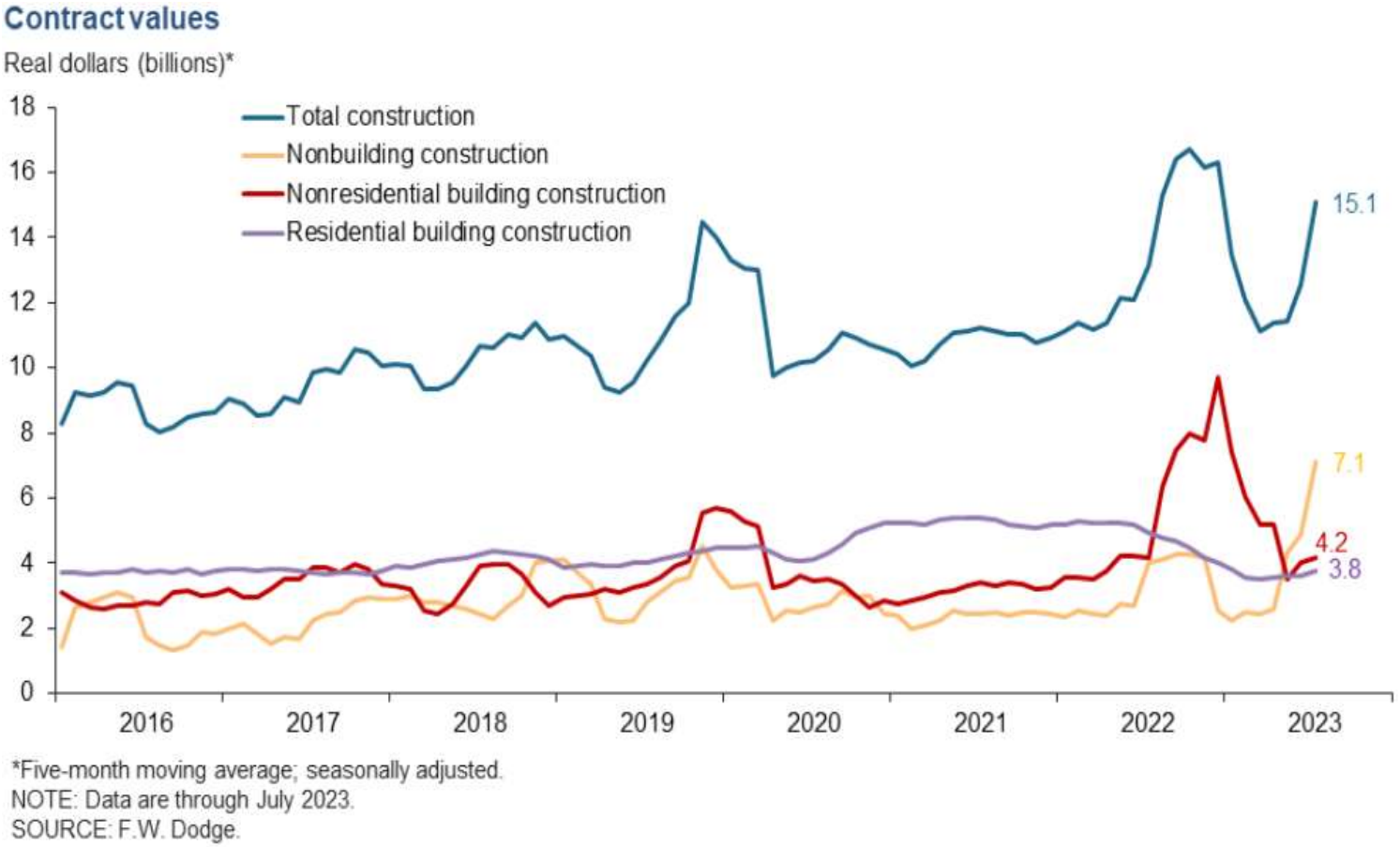


*Seasonally adjusted.
NOTE: Data are through September 2023.
SOURCE: Federal Reserve Bank of Dallas' Texas Business Outlook Surveys.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Sept 2023

CONSTRUCTION CONTRACT VALUES - TEXAS

"**Construction contract values increased sharply in July, pushing up the five-month moving average to $15.1 billion.** Based on a five-month moving average, nonbuilding and residential building construction values increased for the fourth consecutive month—reaching $7.1 billion and $3.8 billion, respectively. Following a five-month decline, nonresidential values rose for a second straight month, increasing to $4.2 billion. Year to date through July, total construction contract values were up 3.8 percent compared with the same period in 2022." – Sept 2023 – Texas Economic Indicators – Dallas Fed

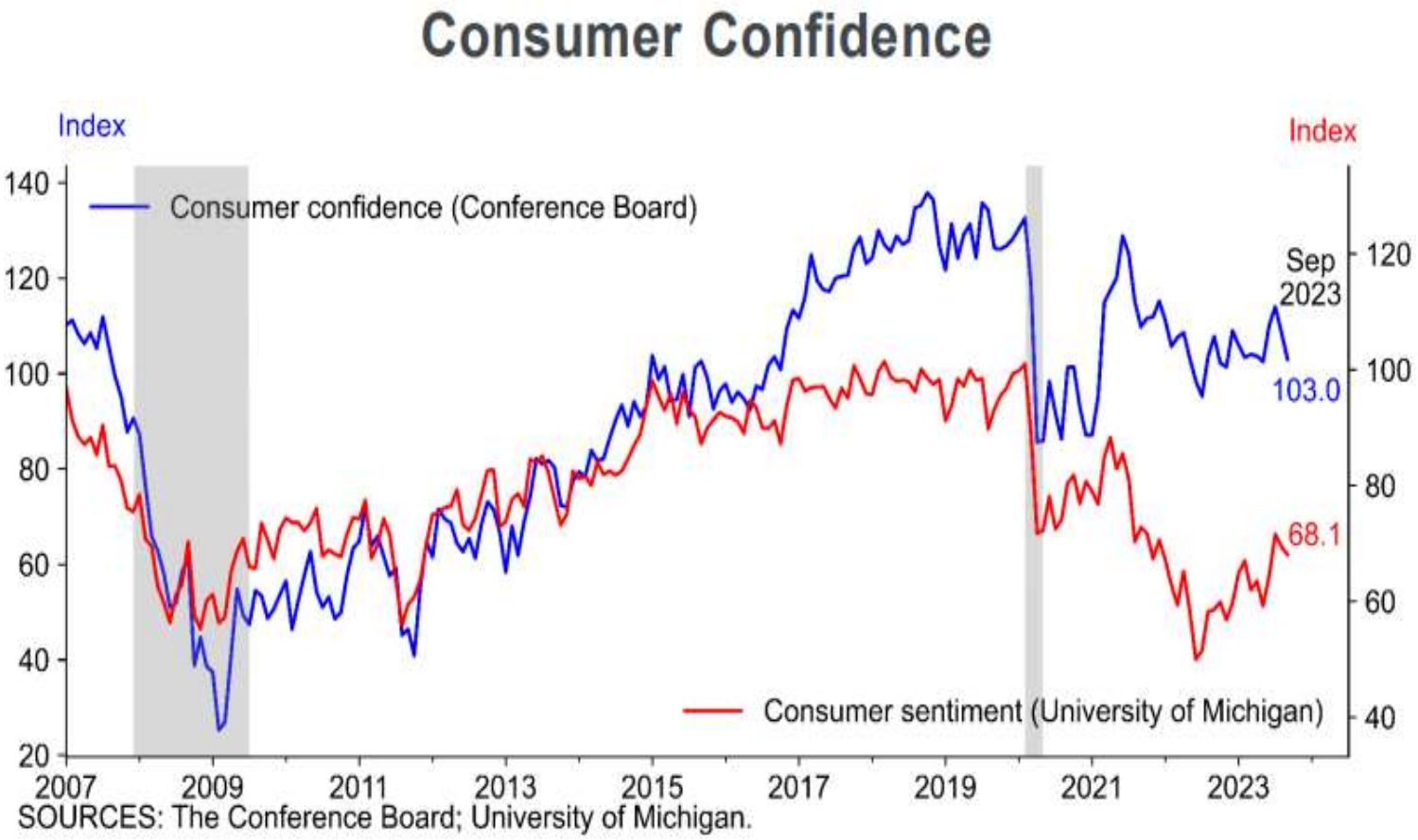


Provided by Federal Reserve of Dallas – Texas Economic Indicators – Sept 2023

CONSUMER CONFIDENCE AND CONSUMER SENTIMENT – U.S.

"The Conference Board Consumer Confidence Index® **declined again in September** to 103.0 (1985=100), down from an upwardly revised 108.7 in August." "Write-in responses showed that **consumers continued to be preoccupied with rising prices in general, and for groceries and gasoline in particular.** Consumers also expressed concerns about the political situation and higher interest rates. The decline in consumer confidence was evident across all age groups, and notably among consumers with household incomes of $50,000 or more."– Sept 2023 – The Confidence Board

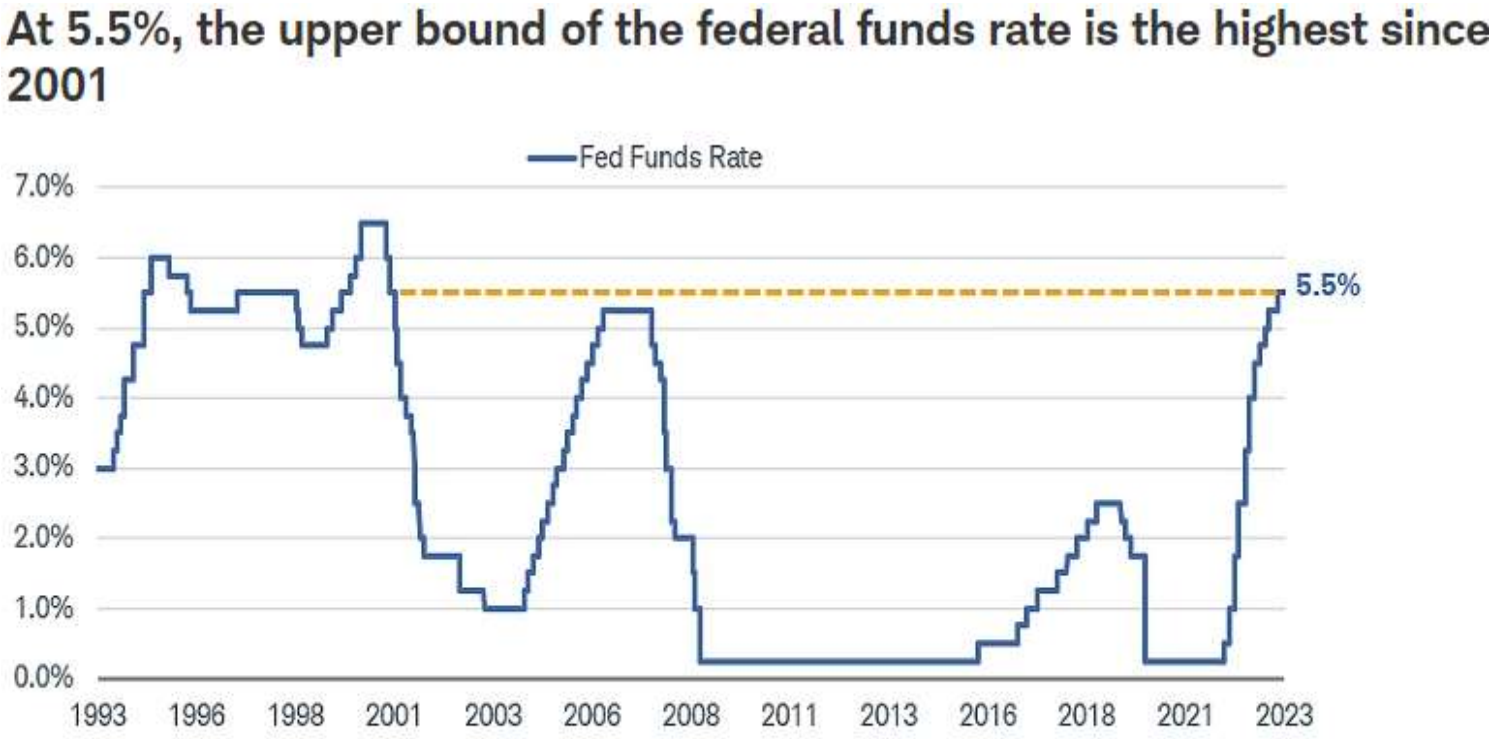
"**Consumer sentiment confirmed its early-month reading and was little changed this month**, slipping a mere 1.4 index points from August and remaining 16% higher than a year ago. A small decline in consumer expectations over their personal finances was offset by a modest improvement in expected business conditions." – Sept 2023 – Survey of Consumers – University of Michigan



Provided by Federal Reserve of Dallas – U.S. Economy Charts– Sept 2023

FEDERAL FUNDS RATE – UNITED STATES

"As expected, the Federal Reserve left its key policy rate—the federal funds rate—unchanged in September at a range of 5.25% to 5.5% but signaled that another rate hike later this year is the consensus view. The overriding message from the Fed is that it will continue to keep rates high until inflation comes down. This 'higher-for-longer' message reflects a high level of uncertainty at the Fed about what it will take to move inflation sustainably lower." – Sept 2023 – Charles Schwab



Source: Bloomberg.

Federal Funds Target Rate - Upper Bound (FDTR Index). Data as of 9/20/2023.

Provided by Charles Schwab – Sept 2023

CONSUMER PRICE INDEX

"The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4 percent in September on a seasonally adjusted basis, after increasing 0.6 percent in August, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months**, the all items index increased 3.7 percent** before seasonal adjustment. The index for shelter was the largest contributor to the monthly all items increase, accounting for over half of the increase. An increase in the gasoline index was also a major contributor to the all items monthly rise."

"The index for all items less food and energy rose 4.1 percent over the past 12 months. The shelter index increased 7.2 percent over the last year, accounting for over 70 percent of the total increase in all items less food and energy. Other indexes with notable increases over the last year include motor vehicle insurance (+18.9 percent), recreation (+3.9 percent), personal care (+6.1 percent), and new vehicles (+2.5 percent)." – Oct 2023 – Economic News Release – Bureau of Labor Statistics

Consumer Price Index - 12 Month Percentage Change

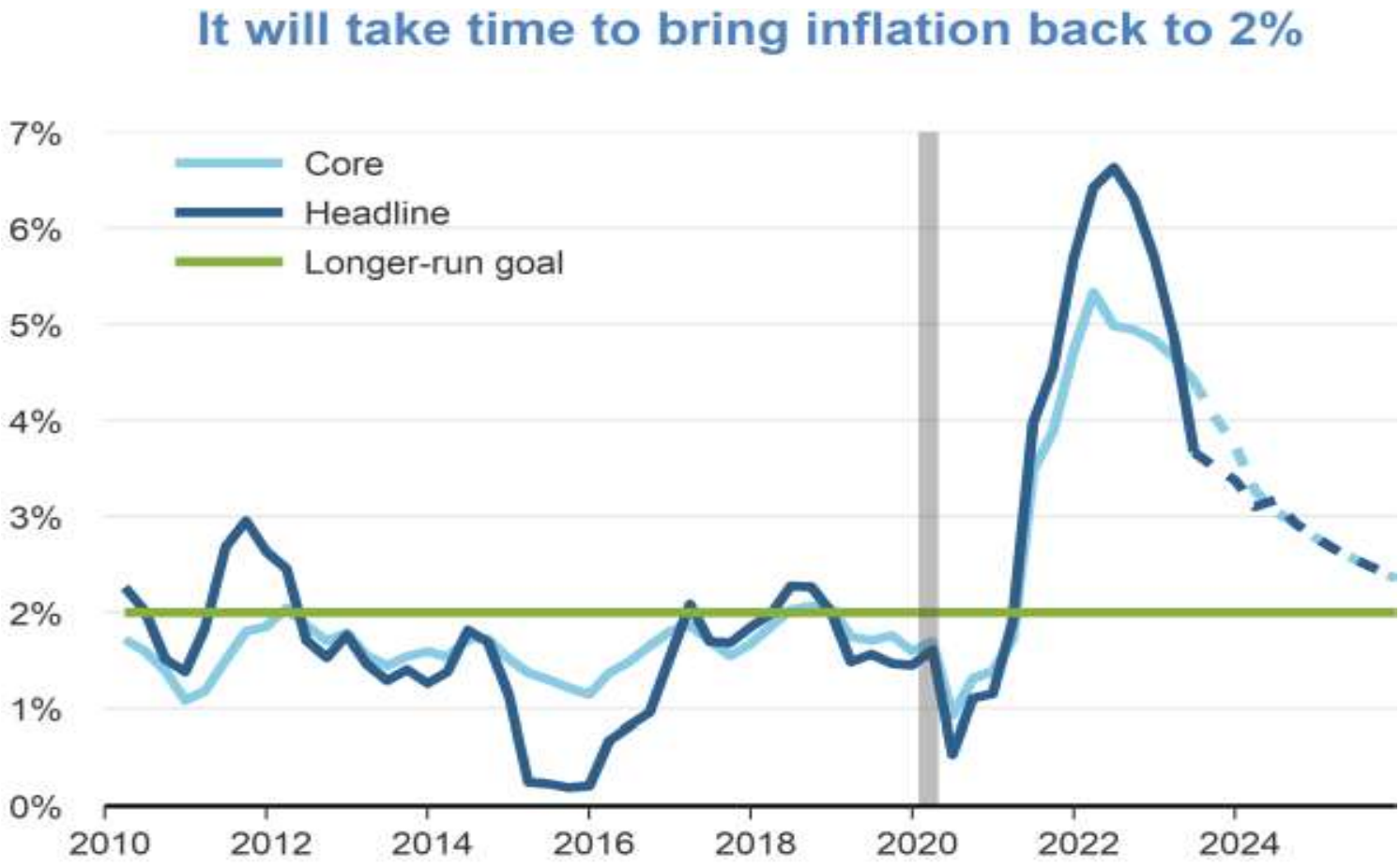


Source: Bureau of Labor Statistics, not seasonally adjusted, 1982-84=100 Provided by the St. Louis Fed

According to the Bureau of Labor Statistics (BLS), "There are a variety of CPI numbers generated each month. In the graph above, two numbers are compared. The first is the ***Official CPI Number*** that is reported to the media. It is the broadest and most comprehensive CPI and is called the ***All Items CPI for All Urban Consumers***. The second one is called the ***All items less food and energy***." The BLS mentions that "Some users of CPI data use this index because food and energy prices are relatively volatile, and these users want to focus on what they perceive to be the 'core' or 'underlying' rate of inflation."

ESTIMATED TIMELINE TO ACHIEVE 2% INFLATION – UNITED STATES

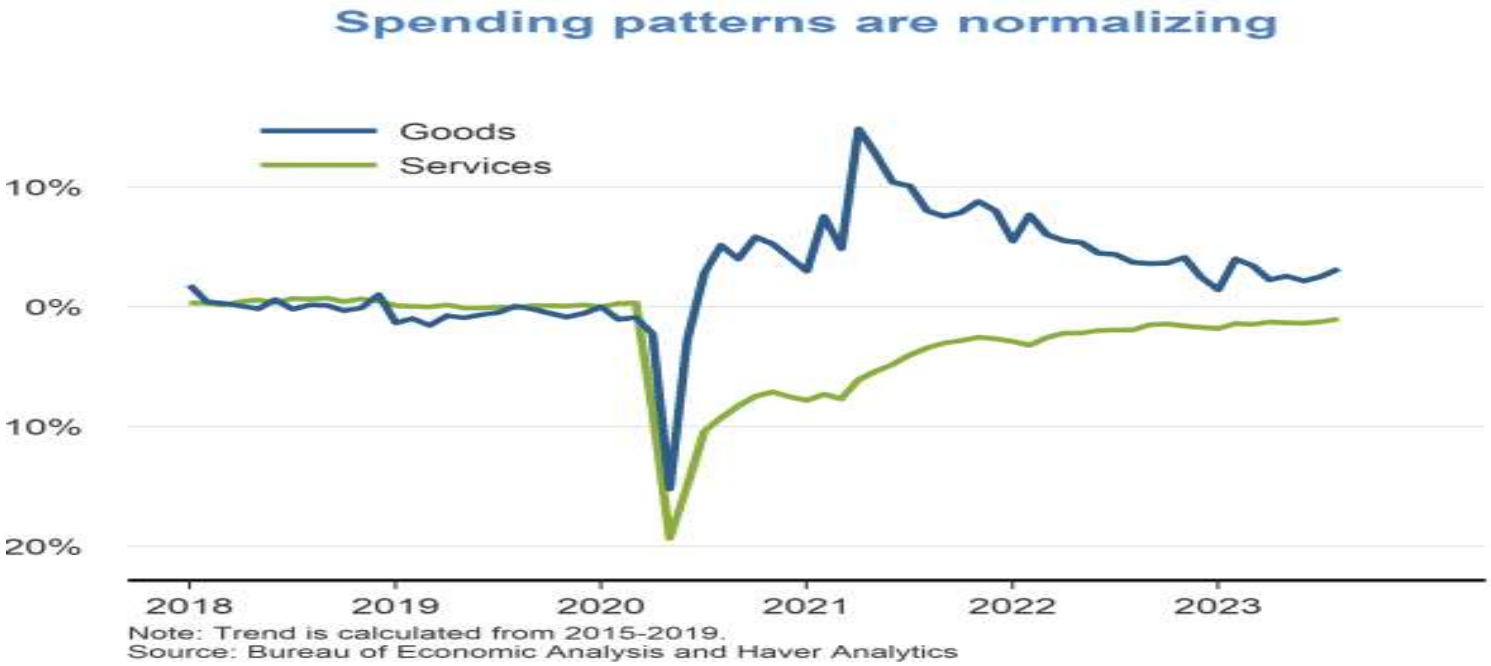
"All told, **we expect the road back to 2% inflation to take time.** We see headline PCE inflation declining to **2.8% in 2024** and then moving down further to **2.3% in 2025**, slightly above the Fed's goal. We anticipate similar movements in core PCE inflation. One important risk is that services inflation could prove stickier than expected and delay the return to price stability, absent further policy tightening. However, this risk must be balanced against the possibility that previous interest rate hikes are still working their way through the economy and that banking lending may slow more than anticipated in coming months." – Sept 2023 – FedViews – San Francisco Fed

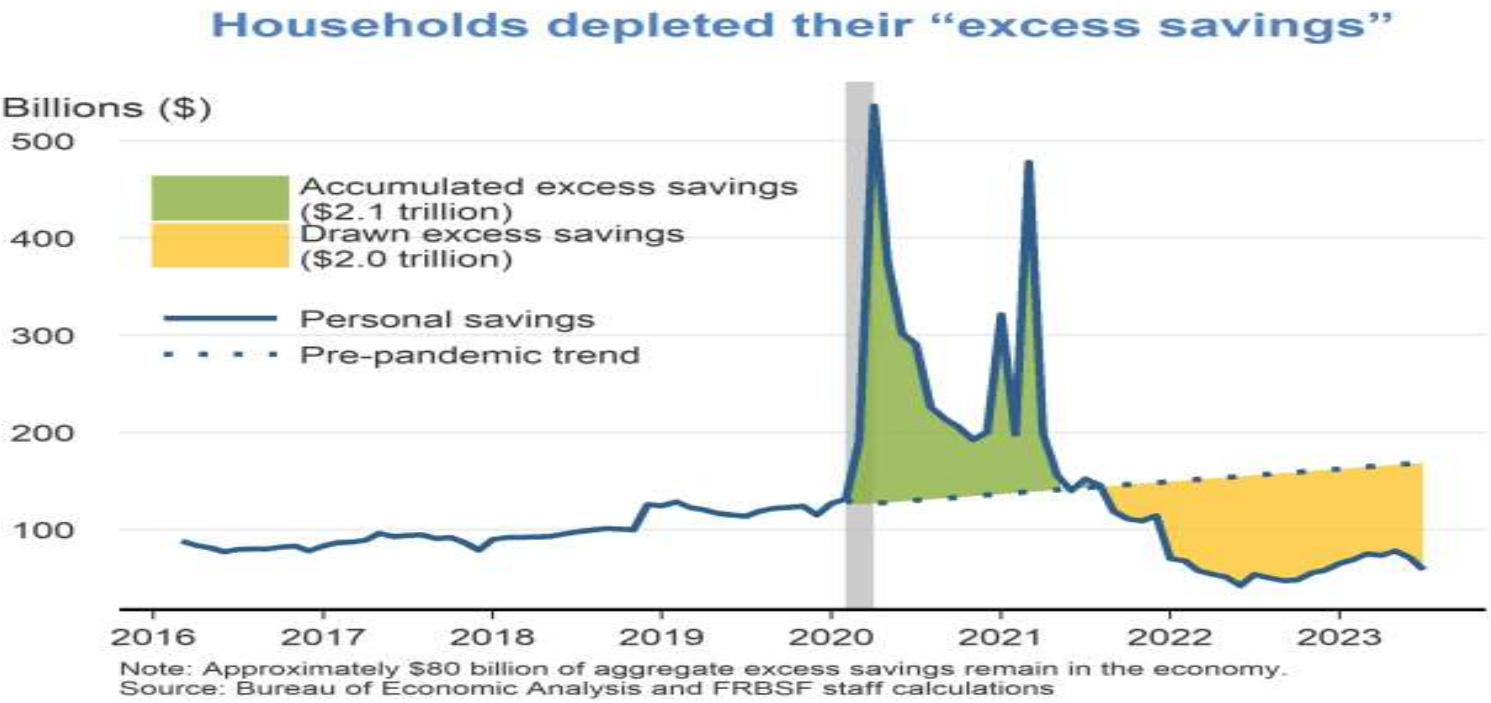


Provided by Federal Reserve of San Francisco – FedViews – Sept 2023

SPENDING PATTERNS AND EXCESS SAVINGS – UNITED STATES

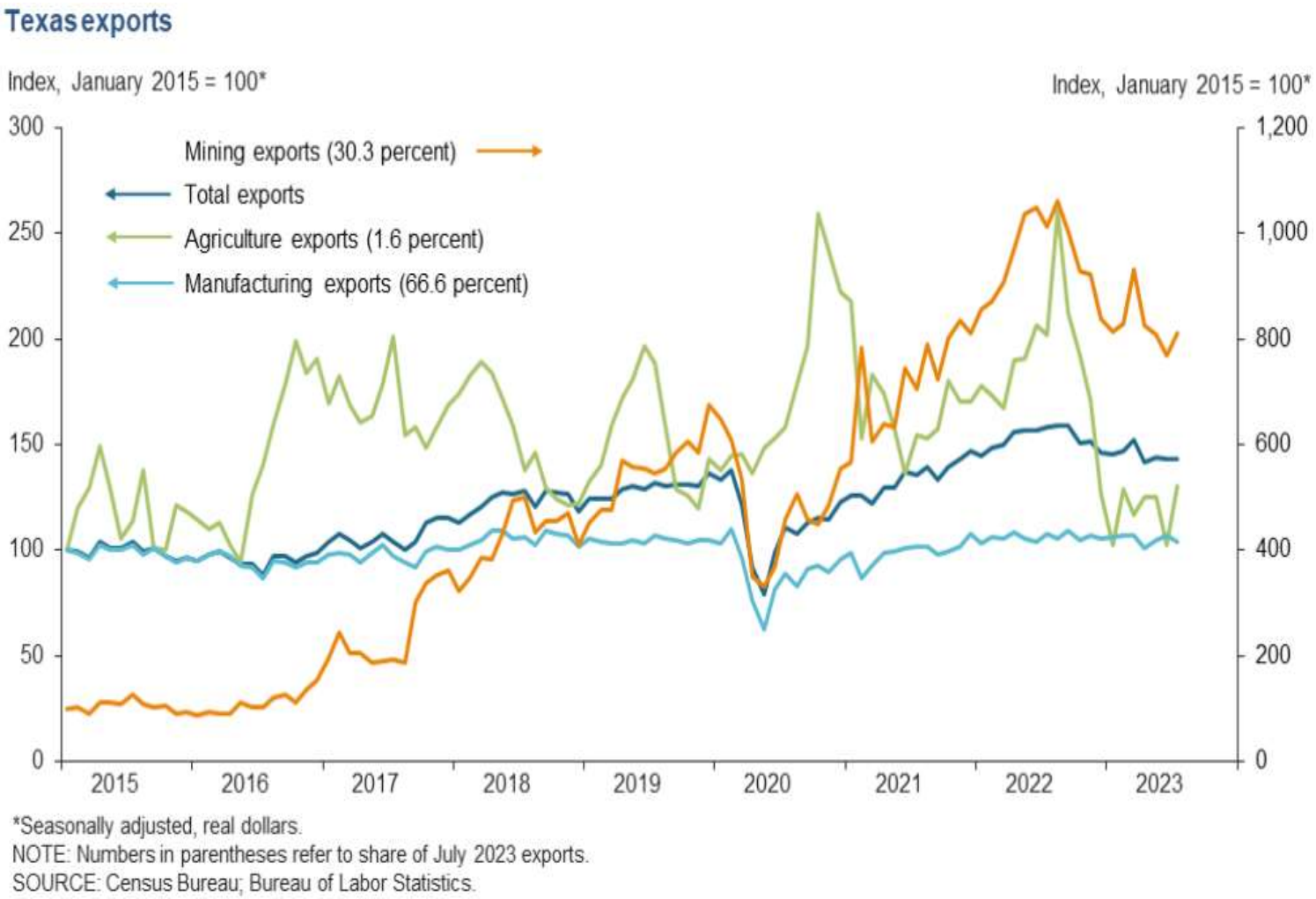
"**Consumer spending patterns in the aftermath of the pandemic continue to normalize.** Real spending on goods, which surged as COVID-19 spread, has moderated substantially and is now roughly back to its prepandemic trend. Real spending on services has continued to recover following a steep drop during the early stages of the pandemic." – Sept 2023 – FedViews – San Francisco Fed





EXPORTS - TEXAS

"Inflation-adjusted Texas exports were little changed in July. Mining and agricultural exports increased, while manufacturing exports—accounting for the majority of the state's exports—fell. **Through July, total Texas exports were 5.2 percent below the corresponding period in 2022.** U.S. exports fell 1.9 percent in July from June." – Sept 2023 – Texas Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Texas Economic Indicators – Sept 2023

ENERGY - TEXAS

"The Texas rig count ticked up, and oil prices rose in mid-September. As of the week ending September 15, the Texas rig count rose by seven to 317, and the West Texas Intermediate oil price rose for the third straight week to $89.14." – Sept 2023 – Texas Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Texas Economic Indicators – Sept 2023

SOMETHING OF INTEREST – AMAZON TO RUN ADS IN PRIME VIDEO

"**Amazon said it plans to start running advertisements in shows and movies on its Prime Video platform**, the latest streaming service to turn to advertising amid mounting losses in the sector.

The company said in a blog post Friday it would play ads for its U.S. viewers beginning early next year, unless they pay more to avoid them. Amazon has been **looking for ways to generate more revenue** from entertainment and cover the costs of creating its shows and movies.

Prime Video is one of the last major streamers to introduce an ad-supported option. Netflix and Disney rolled out those options in the past year as an alternative to their pricier ad-free plans. Apple TV+ doesn't have a subscription plan with ads.

Prime Video is included with Amazon Prime membership, which costs $14.99 a month or $139 a year. As a stand-alone streaming service, Prime Video currently costs $8.99 a month. Amazon said in July it had more than 200 million Prime members around the world.



PHOTO: NIKOS PEKIARIDIS/ZUMA PRESS; Provided by The Wall Street Journal (WSJ)

For an ad-free experience, Amazon Prime members in the U.S. will now need to opt to pay an extra $2.99 a month. By having ads in the current product, Amazon is instantly able to give advertisers scale.

The company said Friday it would aim to have "meaningfully fewer ads than linear TV and other streaming TV providers." **The company said the rollout will begin in the U.S., U.K., Germany and Canada in early 2024**, followed by France, Italy, Spain, Mexico and Australia later in the year." – Sept 2023 - WSJ

SOMETHING OF INTEREST – MILLIONS IN KOREA GOT YOUNGER

"**South Koreans became a year or two younger [in June 2023]** as new laws that require using only the international method of counting age took effect, replacing the country's traditional method.

Under the age system most commonly used in South Koreans' everyday life, people are deemed to be a year old at birth and a year is added every Jan. 1.

The country has since the early 1960s used the international norm of calculating from zero at birth and adding a year on every birthday for medical and legal documents. But many South Koreans continued to use the traditional method for everything else.

In December, South Korea passed laws to scrap the traditional method and fully adopt the international standard.

'We expect legal disputes, complaints and social confusion that have been caused over how to calculate ages will be greatly reduced,' Minister of Government Legislation Lee Wan-kyu told a briefing…"

"'I was about to turn 30 next year (under the traditional Korean age system) but now



Map of South Korea PHOTO: Freepik

I have some more time earned and I love it,' Choi Hyun-ji, a 27-year-old office worker in Seoul, said. 'It's just great to feel like getting younger,' Choi added."

"Another age system exists in South Korea for conscription, school entrance and calculating the legal age to drink alcohol and smoke: a person's age is calculated from zero at birth and a year is added on Jan. 1. Officials said that method would remain for the time being." – Jun 2023 – Reuters

SUSTAINABLE BUSINESS – COMPANIES STALL CLIMATE ACTION

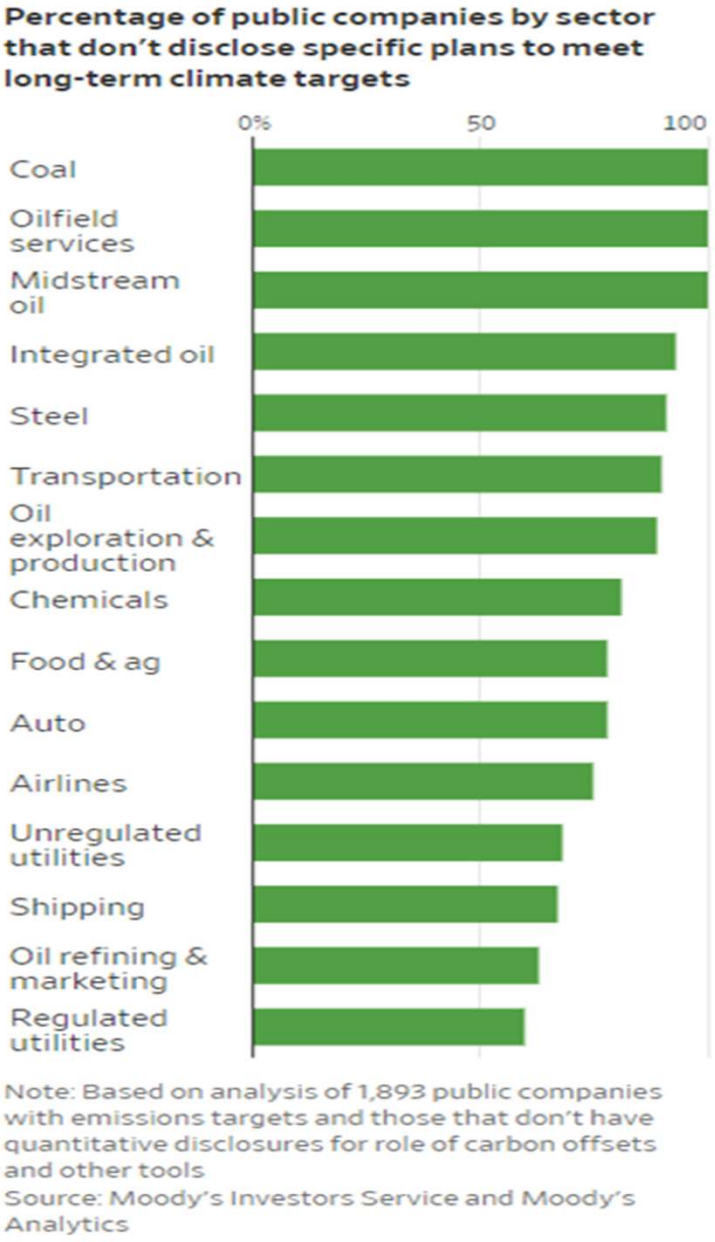
"Climate progress at big companies is hitting a wall.

The world's largest companies have committed to slashing their emissions to address climate change. Many of them have **overpromised and underdelivered because of higher costs, slow advances in technology and political pressure.**

One big factor is a **lack of trust in voluntary carbon markets**. Many companies had intended to use carbon credits to offset emissions that are hard to reduce, such as the burning of jet fuel by airlines.

Those credits were supposed to cover short-term commitments. Companies are now backing off of these goals while **maintaining they are committed to long-term targets**. It is a sobering conclusion two years after the 2021 United Nations climate summit in Glasgow jump-started several climate initiatives.

Mining giant Rio Tinto can't hit a near-term emissions target without using carbon offsets. Delta Air Lines and other carriers are under similar pressure. Shell and BP dialed back green-investment plans under pressure from investors. Amazon.com recently shelved a target to slash delivery emissions by 2030.



'Many companies are learning that the beginning of decarbonization is easy,' said Günther Thallinger, a board member at insurer Allianz who chairs a U.N. climate-focused investor group. 'The moment you really need to go into **true transformation, the work becomes quite difficult**.'" – Sept 2023 – WSJ

SUSTAINABLE BUSINESS – LEGO DITCHES PLAN TO MAKE BRICKS FROM RECYCLED PLASTIC BOTTLES

"Lego ditched plans to make oil-free bricks, saying the new material from recycled bottles would increase carbon emissions."

"Lego has long sought to replace its petroleum-based bricks with more sustainable materials. It tried making pieces from corn, but that resulted in bricks that were too soft. A wheat-based brick didn't look right.

Bricks made from other materials over the years proved too hard to pull apart or lost their grip.

Its latest effort was focused on recycled plastic bottles. The company found a one-liter plastic PET bottle could produce around 10 of its classic 2×4-stud bricks.

The company has been testing bricks made from the material for their quality, durability and 'clutch power'—the name Lego gives to the brick's ability to lock together with other bricks.

Lego said it is abandoning the effort because it found that **scaling up production wouldn't cut the company's carbon emissions:** The extra steps involved in production would use more energy and manufacturing facilities would require retooling.



PHOTO: PHOTO: WOLFGANG RATTAY/REUTERS; Provided by The Wall Street Journal (WSJ)

'We **remain fully committed to making Lego bricks from sustainable materials by 2032**,' a Lego Group spokesperson said.

'Recycled PET is one of hundreds of different sustainable materials we've tested.'" – Sept 2023 – WSJ

IN DEPTH - HOUSING AFFORDABILITY

INTRODUCTION

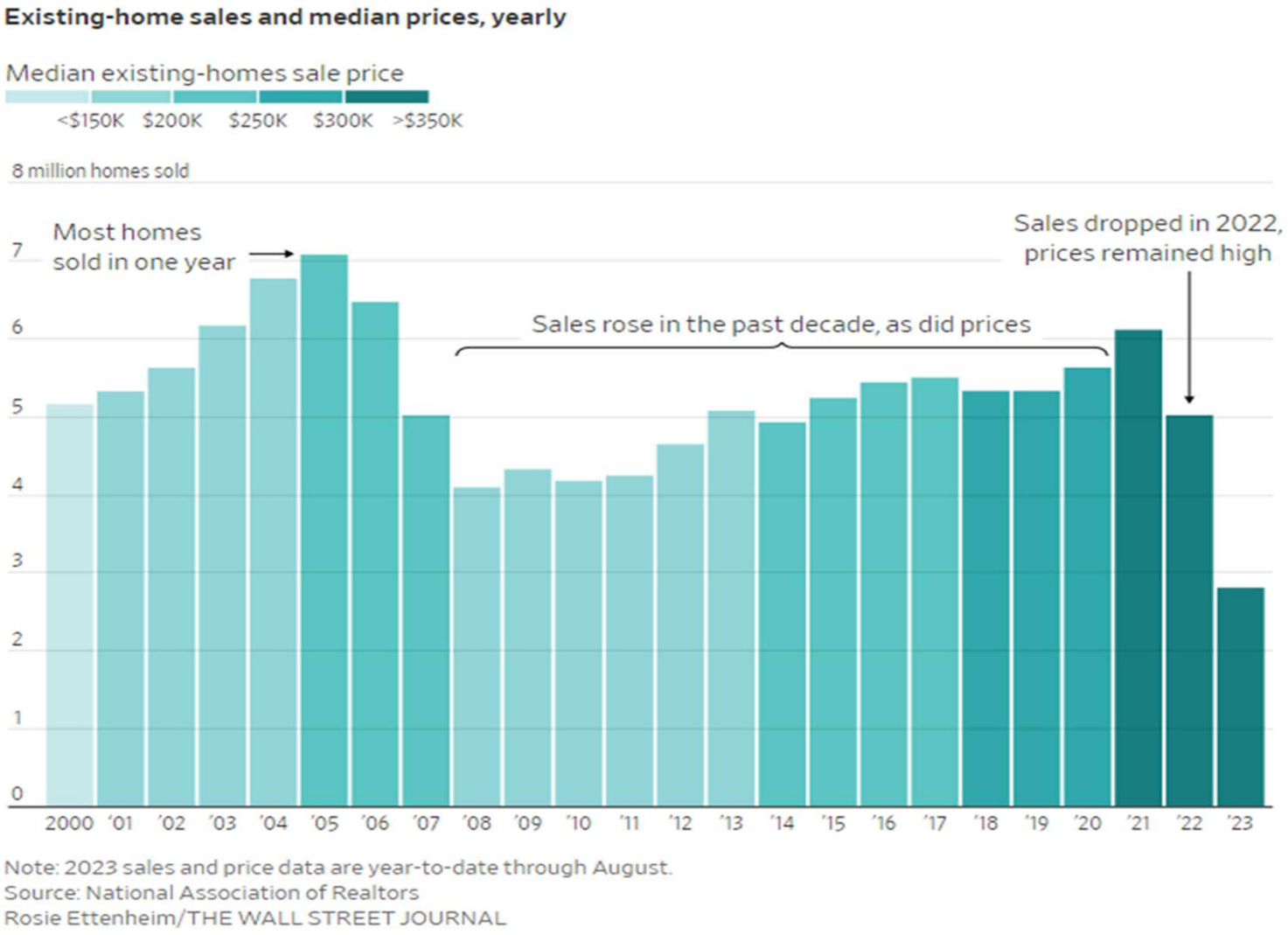


PHOTO: Compass Real Estate; Provided by Scripps News

"**A home buyer must earn $114,627 to afford the median-priced U.S. home**, up 15%, or $15,285, from a year ago, and up more than 50% since the start of the pandemic, Redfin says. That is the highest annual income necessary to afford a home on record. **Housing costs are higher than ever because of high mortgage rates and rising home prices**. The average rate on a 30-year fixed mortgage was 7.57% during the week ending Oct. 12. While soaring mortgage rates have dampened demand, **low inventory is causing home prices to increase**. The typical U.S. home sold for about $420,000 in August, up 3% year-over-year and just about $12,000 shy of the record high hit in mid-2022. **The typical U.S. homebuyer's monthly mortgage payment is $2,866, an all-time high.**" – Oct 17, 2023 – WSJ

IN DEPTH - HOUSING AFFORDABILITY

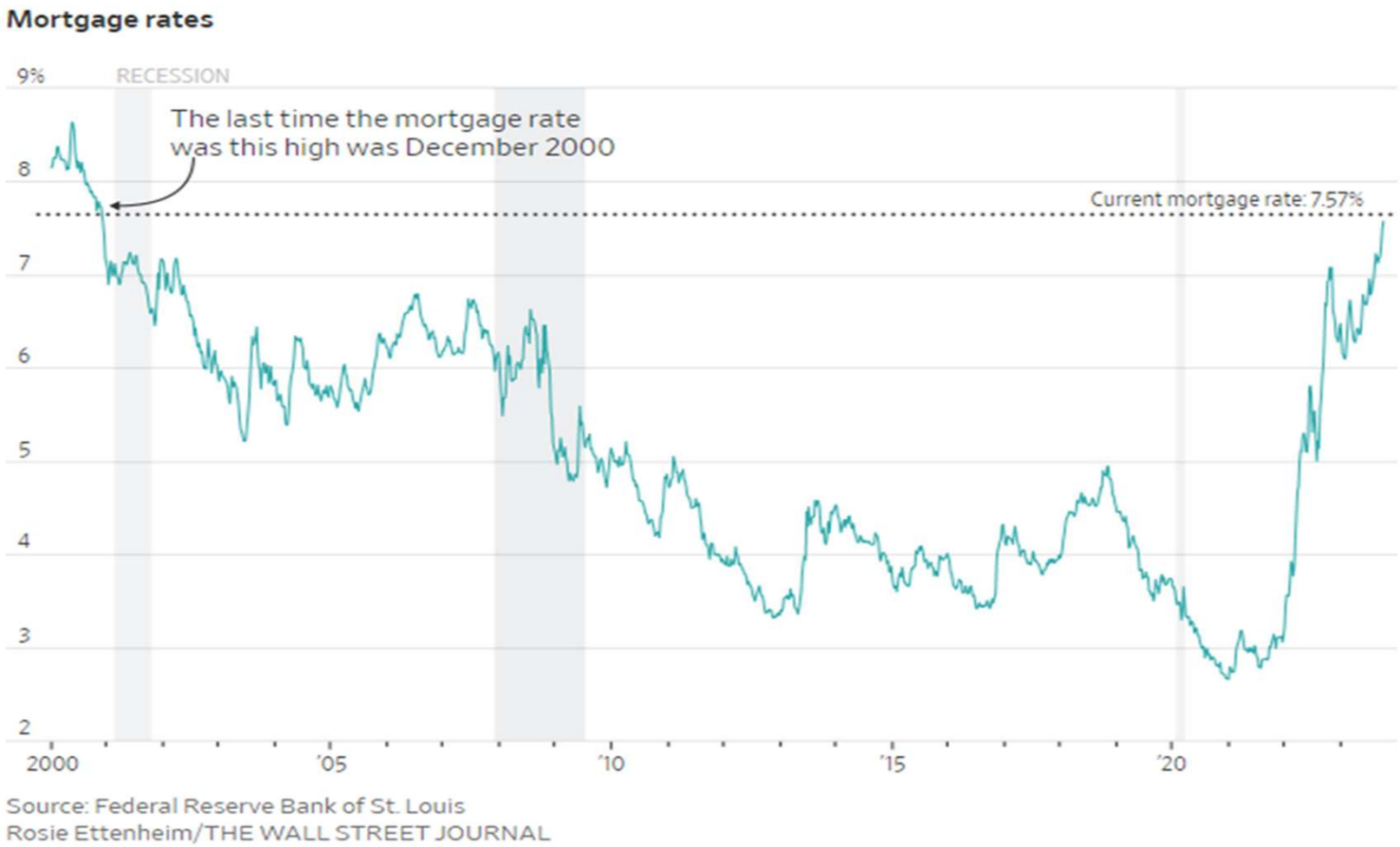
HOMES SALES ARE DOWN BUT PRICES REMAIN HIGH



"Chen Zhao, economics research lead at real-estate brokerage Redfin, estimated that **total existing-home sales in 2023 would amount to around 4.1 million**, which would mark the smallest number of sales since about 2008, the year that Lehman Brothers collapsed and sparked the global financial crisis. Zhao said sales are unlikely to pick up much next year, with mortgage rates likely to remain at elevated levels." – Oct 16, 2023 – WSJ

IN DEPTH - HOUSING AFFORDABILITY

MORTGAGE RATES CONTINUE TO INCREASE



"This time around, **home sales have been slowing for more than a year because of rising borrowing costs, record-high home prices and a very limited inventory of homes for sale.**

More recently, the speed at which mortgage rates have climbed is driving away all but the most committed home buyers. The average rate on a 30-year fixed mortgage rose to 7.57% last week, according to Freddie Mac. That is up about half a percentage point since August, when rates crossed above 7% for the first time in nearly a year and home sales fell to their lowest level since January." – Oct 16, 2023 – WSJ

IN DEPTH - HOUSING AFFORDABILITY

RESIDENT GROWTH IN TEXAS INCREASED HOUSING DEMAND

"**Texas gained 9,085,073 residents between 2000 and 2022, more than any other state**, making it the fourth fastest-growing state in the U.S."

"In Texas, the low cost of living has long attracted out-of-staters. The pandemic accelerated that process. **Net migration increased nearly 60% in the five quarters following the beginning of the pandemic, compared with the five quarters preceding it**, the Dallas Fed report said."

"**Texas home values rose sharply post pandemic.** The price appreciation peaked in early 2022 at a 20% year-over-year increase, according to data from the Federal Housing Finance Agency."

"Texas is still affordable compared with other places. The median listing price in Texas was $379,900 in September, compared with $760,000 in California, according to the Federal Reserve Bank of St. Louis."

"Luis Torres, senior business economist at the Dallas Fed's San Antonio branch, said that while Texas is still affordable compared with many other states, **the drop in affordable housing was significant because the state was always less expensive than other parts of the U.S.**, and the region had never seen such sharp price increases."

"'A lot of people were getting priced out of Austin and started moving into San Antonio,' said San Antonio real-estate agent Marie Crabb. "'They were getting priced out, according to them, by people from California. It was an interesting trickle-down effect.'"

"**The influx of newcomers to San Antonio, coupled with a limited supply of homes, has driven up prices**. The city's top employers, predominantly in the military, education and healthcare sectors, provide stable but not high-paying jobs, contributing to the affordability challenge, said Ali Wolf, chief economist at housing-market research firm Zonda based in Newport Beach, Calif." - Oct 10, 2023 – WSJ

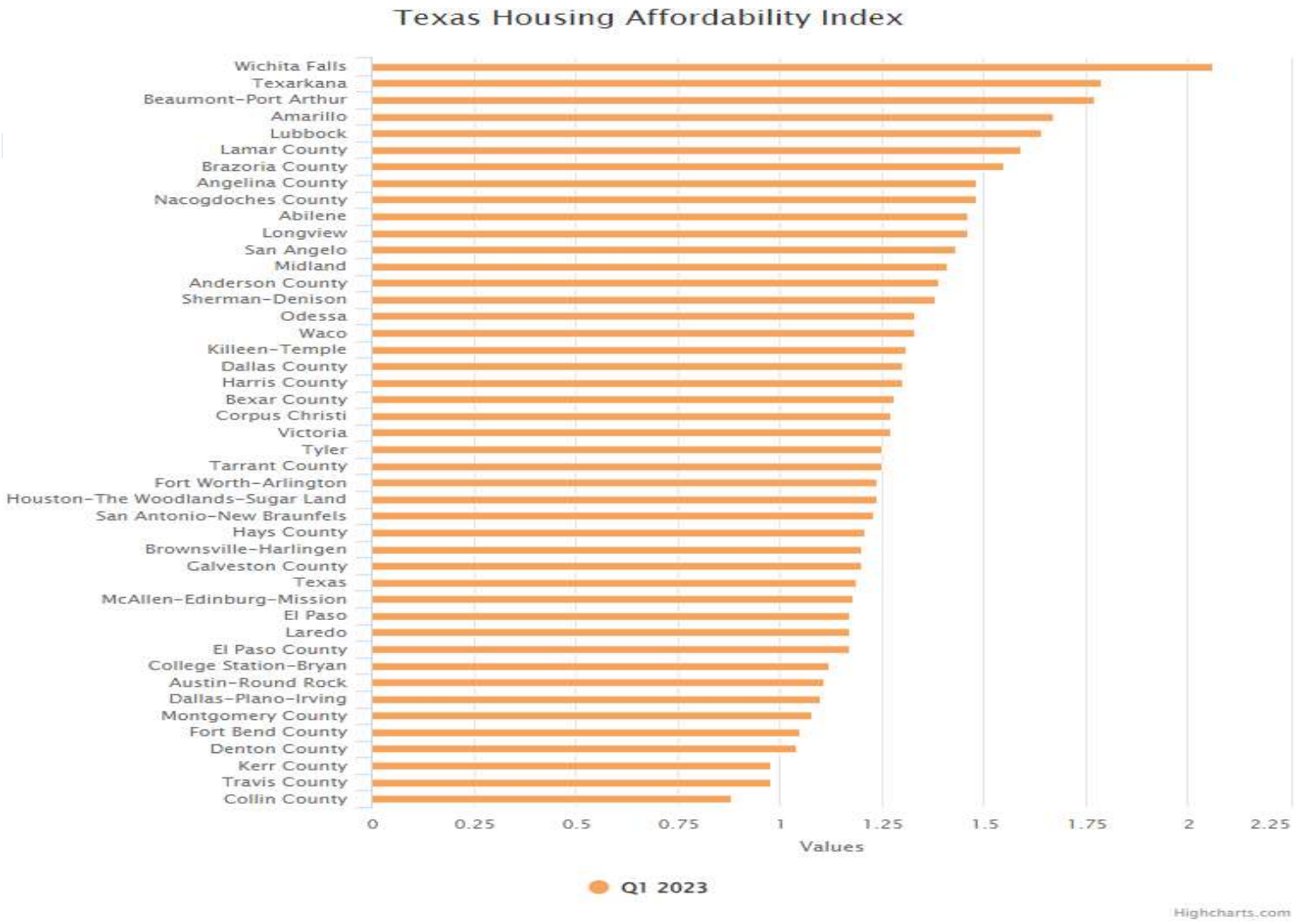
IN DEPTH - HOUSING AFFORDABILITY

% OF HOMES AFFORDABLE TO MEDIAN INCOME FAMLIES HAS DECLINED



"The Federal Reserve Bank of Dallas recently analyzed data on housing affordability in Texan cities, defined as the percentage of the housing stock affordable to families earning the median income in those places. **At the beginning of 2014, nearly two-thirds of homes in San Antonio were affordable for a median-income family. By the end of 2022, fewer than one-third were.** Affordability, defined as what a family spending 28% of its gross income on housing could buy, also declined in Dallas, Fort Worth and Austin, before ticking up slightly early this year." – Oct 10, 2023 – WSJ

IN DEPTH - HOUSING AFFORDABILITY



"The Texas Housing Affordability Index (THAI) reflects the relationship between the median family income in a locale and the computed amount required to purchase a median-priced home. The required income is derived from the current mortgage interest rate, the down payment, and the lender's required mortgage debt-to-income ratio, or qualifying ratio. The qualifying ratio is a measure of the monthly mortgage payment to the borrower's gross monthly income. For example, a qualifying ratio of 25 percent means the monthly mortgage payment (principal and interest) cannot exceed 25 percent of the borrower's gross monthly income. A higher THAI indicates relatively greater affordability.

A ratio of 1.00 means that the median family income (MFI) is exactly sufficient to purchase the median-priced home." "A THAI of 0.90 can be interpreted to mean that the MFI is 10 percent less than the required income to purchase the median-priced home." - October 2023 – Real Estate Center

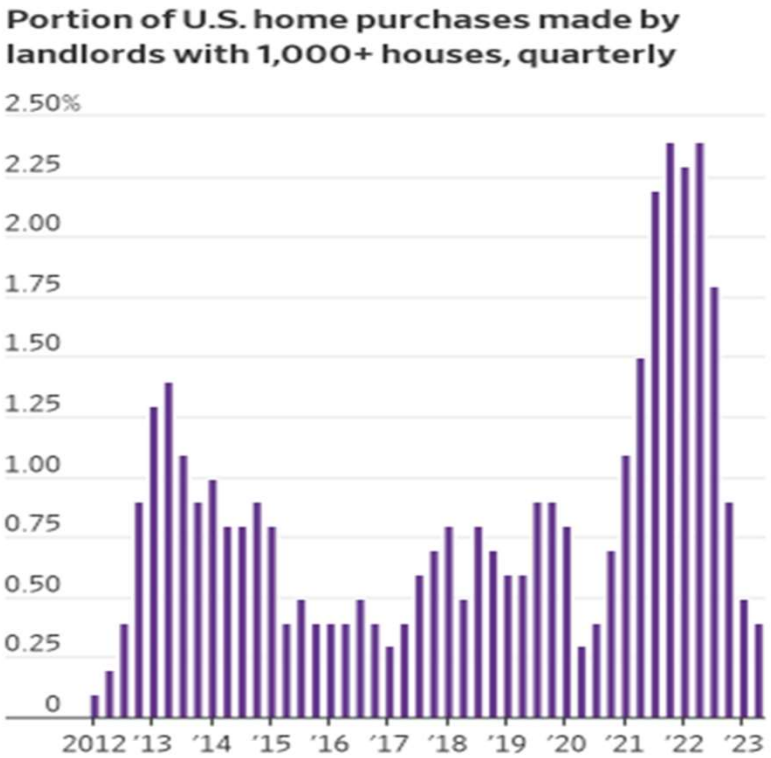
IN DEPTH - HOUSING AFFORDABILITY

WALL STREET CORPORATION HAVE SLOWED HOME BUYING

"It isn't just regular Americans who are having trouble buying houses these days. **High borrowing costs and the shortage of properties for sale have slowed home buying by Wall Street's rental giants as well**, limiting their ability to grow at the same time suburban rents are climbing.

The big landlords' computers are still poring over listings, scanning for houses they can buy and turn into rentals. But **financing has become expensive even for them**, and competition is fierce from people willing to pay up for the few homes hitting the market. Prices have pushed past what big landlords, including AMH and Invitation Homes, can pay and still meet profit targets."

"'We write hundreds of offers every week at price points that we'd be willing to transact at,' Invitation Chief Executive Dallas Tanner told investors this summer. '**We're striking out quite a bit**.'"

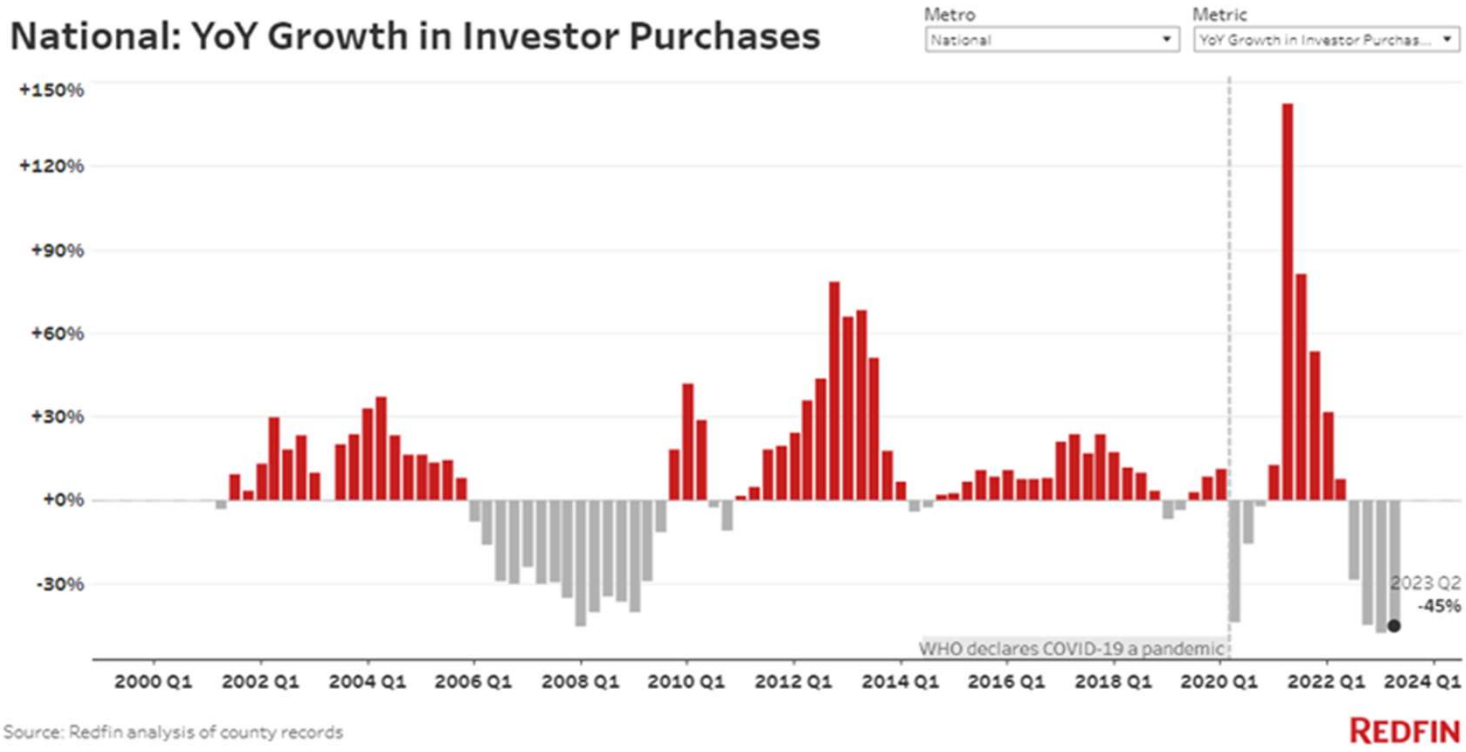


"Landlords with 1,000 properties or more accounted for 0.4% of U.S. home purchases during the second quarter, down from a peak of 2.4% in late 2021, according to John Burns Research & Consulting.

Suburban America's **mega-landlords have seldom accounted for such a small share of the market since they emerged after the 2008** housing crash." – Sep 20, 2023 – WSJ

IN DEPTH - HOUSING AFFORDABILITY

INVESTORS PULL BACK, BUYING 45% FEWER HOMES



"**Investor home purchases fell 45% from a year earlier in the second quarter**, outpacing the 31% drop in overall home sales. That's the biggest decline since 2008 with the exception of the quarter before, when they dropped 48%. The decline comes as this year's relatively cool housing and rental markets makes investing in homes less attractive than it was during the pandemic-driven homebuying frenzy of 2021 and early 2022." – Aug 2023 – Refin News

"**This marks a retreat from a boom in investor activity during the pandemic, which was driven by record-low mortgage rates** and huge homebuying and rental demand, creating opportunities for investors to make a lot of money. '**Offers from hedge funds have dried up**; I haven't received an offer from one in a long time, except unrealistically low offers,' said Las Vegas Redfin Premier agent Shay Stein. 'From mid-2020 until early 2022 when interest rates started going up, hedge funds bought up a ton of properties and immediately turned them into rentals, pricing out local buyers. **Now a big portion of our homes are owned by investors, but they're not adding to their portfolios**.'" – Aug 2023 – Refin News

IN DEPTH - HOUSING AFFORDABILITY

GROWING NUMBER OF HOUSEHOLDS MAKE OVER $150,0000 ARE RENTING

"**The number of renter households making $150,000 or more a year rose by 87% between 2016 and 2021** to more than 3 million, according to five-year estimates from the U.S. Census Bureau.

Overall, about 44 million households rented and the median income for all households was nearly $71,000 in 2021, according to the Census.

No city saw a bigger increase in higher-earning renters than Austin, Texas, where renter households making $150,000 or more rose by 154% over the five-year period, according to an analysis of the census data by researchers at RentCafé, an apartment-listing website. Cities across the South and Southwest—from Nashville, Tenn., to Atlanta and Phoenix—also experienced large increases in these renters after many highly paid workers moved to the region during the pandemic.

The number of Americans earning more than $150,000 has been rising in recent years. But **higher mortgage rates and steeper home prices have put home purchases beyond the reach** of many of these relatively high-earners."



An executive at AHV Communities, which builds single-family rental homes, said higher rents are here to stay.

PHOTO: AHV COMMUNITIES; Provided by The Wall Street Journal (WSJ)

"Real-estate companies have followed the trend of wealthier renters, and helped accelerate it. Large investment companies have been buying up suburban homes by the thousands and renting them out to above-average earners. Major apartment developers focus on amenity-packed buildings catering to professionals making high wages. **Home builders, meanwhile, are building more single-family houses designed to be rented** instead of sold." – Mar 2023 – WSJ

IN DEPTH - HOUSING AFFORDABILITY

SUMMARY

"At today's rates [August 2023], buying **a median-priced home would require a monthly principal and interest payment of $2,440 for those making a 20% down payment**, according to Black Knight, a mortgage technology and data provider.

That's **$1,172 a month more in mortgage payments from just two years ago**, before the Federal Reserve raised its benchmark lending rate 11 times in 18 months, Black Knight found. **It's a 92% increase** — and is taking a growing chunk out of household budgets already facing inflation on many fronts.



Home-buying affordability fell over the summer to the lowest level since 1985, according to the NAR.
PHOTO: ANGELA OWENS/THE WALL STREET JOURNAL

Currently, 38.6% of the median household income is required to make the monthly payment on the average home purchase, making housing the **least affordable it's been since 1984**, according to Black Knight.

'To put today's affordability levels in perspective, **it would take some combination of up to a 28% decline in home prices, a more than 4% reduction in 30-year mortgage rates, or up to a 60% growth in median household incomes to bring home affordability back to its 25-year average,'** said Andy Walden, vice president of enterprise research and strategy at Black Knight." – Aug 2023 – CNN Business

"Home-buying affordability fell over the summer to the lowest level since 1985, according to the NAR [National Association of Realtors], meaning **in many markets, only those with high incomes or plenty of cash can afford to buy homes right now.**

Affordability is likely to remain a problem because while mortgage rates are rising, prices aren't falling. Homeowners who purchased or refinanced when mortgage rates were low are unwilling to move, keeping the supply of homes for sale far below historically normal levels." – Oct 16, 2023 – WSJ

IN-DEPTH TOPICS LOCATED ON THE COUNTY AUDITOR'S WEBPAGE

5G Network	4th Qtr 2018
Afterpay	4th Qtr 2020
Alibaba	3rd Qtr 2017
Bitcoin	4th Qtr 2016
Cashless Society	4th Qtr 2017
Chatbots	1st Qtr 2019
Deep Sea Mining	3rd Qtr 2020
EV Supply Chain	3rd Qtr 2022
Facial Recognition	1st Qtr 2018
FedNow	2nd Qtr 2023
Housing Affordability	3rd Qtr 2023
IRS - Online Platforms	2nd Qtr 2022
Labor Participation Rate	4th Qtr 2015
Libra, Calibra, Facebook	2nd Qtr 2019
Lumber Prices Soaring	4th Qtr 2021

Money Market Reform	3rd Qtr 2016
Natural Gas – U.S. Exports	4th Qtr 2019
Negative Interest Policy	2nd Qtr 2016
New Silk Road	2nd Qtr 2017
Non-Fungible Tokens	1st Qtr 2021
Pandemic – Impact	1st Qtr 2020
Quantitative Easing	1st Qtr 2016
Repurchase Agreements	3rd Qtr 2019
Secure Act - Retirement	4th Qtr 2022
Series I Bonds	1st Qtr 2022
Small Business Reorg Act	2nd Qtr 2020
Student Loan Update	1st Qtr 2023
Texas Imports and Exports	2nd Qtr 2018
Universal Postal Union	3rd Qtr 2018
Vehicle Shortage	2nd Qtr 2021

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