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FIRST EQUITY

Amarillo MSA* Housing Market Commentary YTD March 31, 2021

Closed Sales

825 closed sales in 2021 compared with 721 closed sales in 2020, a 14.42% increase from one year ago. This is the most homes sold during the first quarter in the Amarillo MSA by over 11% (1Q 2016 had 741 closed sales).

Single-Family Home Prices

The average sales price for YTD 2021 increased 15.13% to \$232,450 while the median sales price increased by 19.76% to \$200,000. The historically low inventory of homes for sale (see below), the historically low interest rate environment, buyer demand for more space and more function from their home (think home schooling, workout space, office space, etc.) have created a competitive housing market with multiple offers for properties becoming quite frequent, resulting with these unprecedented price increases. However, the Real Estate Center at Texas A&M University provides a more accurate basis for measuring price increases in their Home Price index that measures increases on a "paired sale" calculation. Over the past 16 years, Amarillo MSA prices have increased 2.90% annually. In 2020, this calculation shows Amarillo MSA prices increasing by 6.38%. Regardless, these rates are unsustainable from an affordability perspective and could reach the proverbial point of diminishing returns relative to continued double-digit increases.

Days on Market

During the first quarter of 2021 the average days on market was 92, down from 131 a year ago. The median days on market was 57, down from 91 a year ago. Both of these numbers speak directly to the increased velocity of the market.

Sales Price to List Price Ratio

The sales price to list price ratio in 2021 was 97.42% of listed prices, up from 96.69% a year ago. This is particularly impressive given the increased numbers of upper-end homes in the sales mix.

Months of Inventory

One of the most telling market metrics is total months of inventory which takes into consideration the current listing inventory (348) and the number of total sales in 1Q 2021 (825). Texas A&M's Real Estate Center's definition of a buyer-seller balanced market is 6.5 months of available inventory. Overall, the total months of inventory as of March 31, 2021 is 1.27 months as compared to 3.30 in 1Q 2020. However, that doesn't tell the full story; for homes priced under \$250,000, the total months of inventory stands at 0.67 months. For homes priced between \$250,000 and \$500,000, the total months of inventory stands at 1.69 months. For homes priced over \$500,000, the total months of inventory stands at 7.58 months.

Listing Inventory

There were 348 active single-family listings in the MLS as of March 31, 2021; down 444 listings from one year ago; or a (-56.06%) decrease from one year ago. This is the lowest reported inventory in the MLS dating back to 1977.

Building Permits

117 new single-family homes were permitted during 1Q 2021 compared with 116 in 1Q 2020. Builders (and would-be buyers) are challenged by increasing prices for building materials and lots and a persistent shortage of labor and subcontractors. Historically, communities have been able to “build their way” out of housing shortages. This is simply not the case today in America. Twice as many households are being formed each year than new housing units are completed.

Foreclosure Activity (Potter and Randall Counties)

Foreclosure activity is another indicator of the overall health of the local economy in general as well as the housing market, specifically. Residential properties posted for foreclosure were down (-46%) in 1Q 2021 to 53 postings. Actual foreclosures were down (-36%) in 1Q 2021 to 32 foreclosures. 1Q 2021 foreclosures are (-56%) below the five-year moving average for foreclosures. The federal government’s imposed forbearance program for mortgage loan delinquencies certainly impacted local foreclosure postings and sales in 2020 and into 2021.

Unemployment and Job Creation

The Amarillo MSA unemployment rate stood at 5.10% according to the February report from the Texas Workforce Commission. That same report shows that 3,600 fewer people were employed than one year ago, a decrease of 2.76%. However, the Amarillo MSA is actually faring better than Texas as a whole where the unemployment rate stands at 7.50% and 5.61% fewer people are employed compared to a year ago.

Interest Rates

The conventional 30-year mortgage loan interest rate as of March 31, 2021 was 3.125% compared the 3.75% a year ago.

Sources:

Amarillo Association of Realtors’ Multiple Listing Service

Texas A&M Real Estate Center

City of Amarillo Building Safety Department

Texas Workforce Commission

Amarillo Foreclosure Report

*Amarillo MSA includes Armstrong, Carson, Oldham, Potter, and Randall Counties