

Unheard of Dallas-area home price increases are something to worry about if they continue



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OK, it's time to worry.

After more than 30 years of covering the local real estate business I've never seen a home market like this one.

The pace of home price increases in North Texas is unprecedented and unsustainable.

And the quicker the market cools down, the better it will be for everyone.

At first, big gains were understandable.

Our housing market — like almost every one across the country — lost value during the housing bust and recession.

To make up for those declines you'd expect to see increases in prices.

But the latest surveys show that the Dallas area has recouped everything lost in the recession and then some when it comes to residential real estate values.

Median home prices here are at all-time highs and still surging ahead.

In July, the price of pre-owned single-family homes in North Texas was up 12 percent from a year earlier. And

pre-owned condominium prices jumped an unheard of 17 percent year over year.

The median price of houses sold by real estate agents through their multiple listing service is about 40 percent higher than it was in January 2009.

The recent increases in the local housing market have been so strong that economists at Trulia.com put the Dallas area on a list of cities around the country where housing prices have gotten out of hand — overvalued compared with market fundamentals.

"I do see things moderating in the next 12 months without question. I don't see a price bubble happening here."

— **Dr. Ted Jones**
Economist with Stewart Title

Trulia's chief economist Jed Kolko isn't pushing the panic button about Dallas housing prices yet, but he's keeping an eye on Texas.

"Prices look 4 percent overvalued in Dallas right now, but that's far from bubble territory," Kolko said. "At the height of the bubble in early 2006, prices nationally looked 39 percent overvalued, and more than 50 percent overvalued in the really overheated markets.

"Furthermore, the recent price rebound is starting to slow down," he said. "Rising mortgage rates,

expanding inventory and declining investor interest will all put the brakes on recent price increases, making a bubble even less likely."

That's what all the analysts are counting on — a slowdown in housing price increases later this year or in early 2014.

"I do see things moderating in the next 12 months without question," said Dr. Ted Jones, economist with Stewart Title.

“I don’t see a price bubble happening here.”

Jones said the home sales and price increases now being seen in most major Texas cities are the result of strong economic growth, not speculation.

Recent increases in mortgage rates are also causing buyers to scramble, he said.

“There is a sense of urgency for people to go out and lock in interest rates that are still near record lows,” Jones said.

This year’s more than 20 percent spike in home purchases in North Texas is a bounce-back from two or three years of depressed sales during the recession, analysts say.

“It’s a release of pent-up demand hitting a shortage of supply that’s pushing prices up,” said Dr. James Gaines, an economist with the Real Estate Center at Texas A&M University. “I don’t want to be an alarmist and say we are having a bubble.

“We are simply making up for several years of lost appreciation.”

But if local home prices continue to rise at the current pace into next spring’s housing market, Gaines and other economists would no doubt have a different take on things.

“Yes, I’d be worried then,” he said. “But I don’t think that’s going to happen.”

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