As with other metro areas in Texas, Corpus Christi’s housing market has been booming since the beginning of this decade. Recently, the local economy has stalled in the wake of falling oil prices. Still the area’s residential construction remains remarkably active, and home prices stay at historically high levels. This sparks concerns about a possible disconnect between the local real estate market and the broader economy in Corpus Christi.

From a long-term historical perspective, the metro area’s housing market has grown without major interruptions since 2000. Even during the burst of the nationwide housing bubble and the subsequent recession of 2007-2009, local home prices merely slowed down.

Along with other metro areas in Texas, Corpus Christi was among the top cities in home price appreciation during the decade ending in 2016. The area’s median home price grew nearly 40 percent over the 2006-2016 period, slightly below the 45 percent and 44 percent growth rates for Houston and Dallas, respectively.

Oil Impacts
Sales of new and existing homes are affected by income and job growth of the local area. Given its relatively large exposure to the oil and gas industry, Corpus Christi’s overall economic condition is tied to developments in the oil market. The chart on the next page highlights the role of the oil market in the local economy by showing how much the percentage change in Corpus Christi’s personal income per capita has been correlated with the percentage change in oil prices over time since 1980. For the three years that local personal income per capita recorded a loss, the crude

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**Median Home Price Indexes (2006=100)**

- Corpus Christi
- Texas
- U.S.

Sources: Real Estate Center at Texas A&M University, and Federal Reserve Bank of St. Louis.
oil price also fell. Year 2016 was the most recent period that local income per capita shrank, after the collapse of the oil market beginning in early 2015.

Changes in local household income and the overall economy over time help explain the cyclical nature of the housing market. The following chart of single-family building permits in Corpus Christi captures changes in the local supply of new homes since 1980. Developers responded to rising home prices by increasing the supply of home units. Historically, local residential construction peaked out about every 10 years.

Home Affordability
Despite the cyclical nature of the housing market, Corpus Christi’s home prices tended to rise over the past decade. So were the incomes of local residents. Are homes in the area equally affordable today as in the past for the typical household?

The chart suggests that homes in both Corpus Christi and Texas are less affordable today than in 2012. Home prices across Texas have caught up with income growth, which has recently slowed down from the 2011-2014 period of economic boom. Still the latest THAI readings remain higher, meaning more affordable, than their respective readings at the previous housing boom ending in 2007.

Converging Home Prices
In real estate, the most often-mocked catchphrase is “location, location, location.” While the median home price of the Corpus Christi metro area tended to rise at a solid pace in the past decade, the housing conditions varied widely across its local communities.

The first chart on the next page plots the median prices of new homes built in the three respective counties of the metro area. Home prices surged the most in Aransas County between 2004 and 2014, but those in San Patricio County caught up rapidly after 2011.

With hindsight, a real estate bubble might have developed and then burst recently in the Rockport-Fulton area—the major community of Aransas County. Construction of a large number of industrial sites around the Port of Corpus Christi seems to have boosted the housing markets of various communities in San Patricio County.

Following a long period of swings in different directions, the median home prices of these three counties converged to about $160,000 by the end of 2016.

Market Outlook
What lies ahead for Corpus Christi’s
homing market? Because home investment makes up a significant part of a typical household’s financial wealth, home price stability is vital for the overall health of the economy. The outlook for the local housing market depends on the expected changes in market supply and demand.

As illustrated in the above chart, year-over-year local home price appreciation reached a historic high of about 10 percent in mid-2014—the end of the shale oil boom. Since then, the amount of housing inventory in the metro area has grown due in part to rising new home supplies as discussed above. By the end of 2016, the housing inventory had almost reached the six-month benchmark for a balanced market, meaning that it would typically take six months to sell all existing homes. The pace of home price appreciation has also slowed down to below 4 percent year-over-year.

Should the current market trends continue under normal conditions, home prices would rise modestly through the end of this year. Oil and gas drilling and production in South Texas began to rebound in late 2016, and based on the oil futures market, oil prices are expected to rise steadily at least in the next six months.

So, Corpus Christi will likely continue to recover from the recent economic downturn, holding up home demand.

**Apartment Market**

Like single-family homes, the apartment market in Corpus Christi underwent wild swings during the last decade. The following chart shows the patterns of key apartment market indicators since 2006. A popular measure of market tightness is net absorption, which is the change in occupied apartment units from one year to the next.

In 2016, the net absorption level was a loss of 276 units, or a decrease of 1.2 percent. Meanwhile, the amount of apartment supply, also known as deliveries, continued to expand with an addition of nearly 600 units. Given the strong apartment construction activity underway, about 1,200 new units will be available by the end of 2017.

The current vacancy rate above 9 percent has reached a historic high, and given the expected market supply and demand conditions, overall vacancy for apartments in Corpus Christi will likely stay close to 10 percent for 2017, compared to the U.S. historical norm around 6 percent.

**Reference**

Past Issues:

2017, No. 3: Impacts of Rising Seas
2017, No. 2: Closing Income Gaps with Education
2017, No. 1: Seasonal Employment
2016, No. 12: A Tale of Two Oil Towns
2016, No. 11: Where You Live Matters
2016, No. 10: How Distressed is Our Community?
2016, No. 9: Disparities in Local Business
2016, No. 8: Understanding Local Unemployment
2016, No. 7: Corpus Christi by the Rankings
2016, No. 6: Local Divergence after the Fall
2016, No. 5: Advanced Manufacturing Drives Local Economy
2016, No. 4: Survival of the Fittest in Texas Oil
2016, No. 3: Local Health Care Dilemma
2016, No. 2: Economic Disparity Among Us
2016, No. 1: Small Business Climate
2015, No. 7: Aging Corpus Christi
2015, No. 6: Economic Diversification in South Texas
2015, No. 5: Construction as a New Game Changer
2015, No. 4: Local Employment Outlook
2015, No. 3: A Diversified Economy?