

Economic Update and Texas Real Estate Trends

February 24, 2026

Texas Association of Appraisal Districts



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Texas Real Estate

1. US Macroeconomics
2. Texas Demographic and Employment Trends
3. Texas Commercial Real Estate
4. Texas Housing Trends
5. Texas Rural Land
6. Macro Review and Texas Real Estate Forecast

Not speaking on behalf of TAMU, opinions are my own.

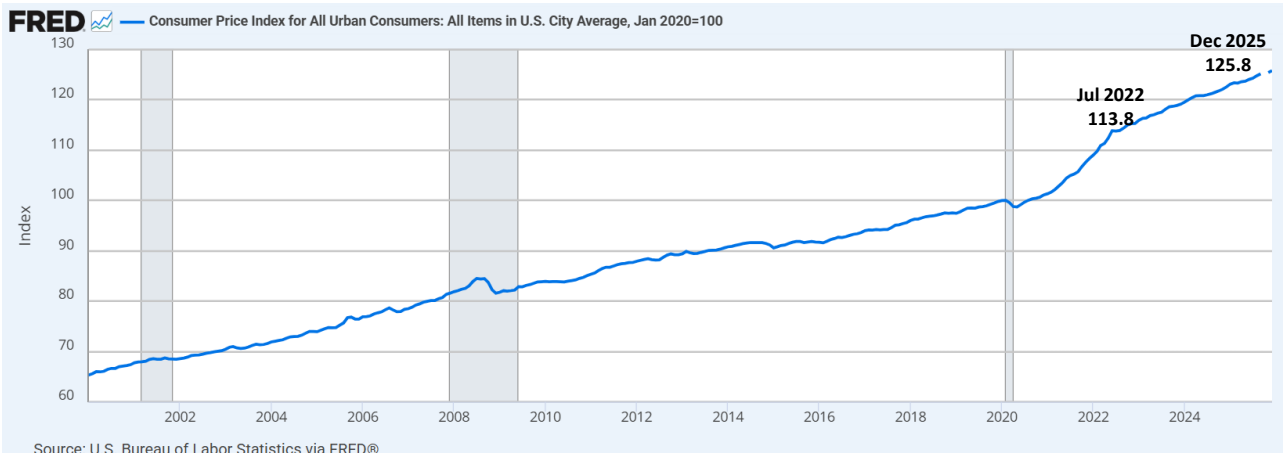
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Macroeconomics

Factors that most affect real estate markets, inflation, interest rates, and other financial conditions

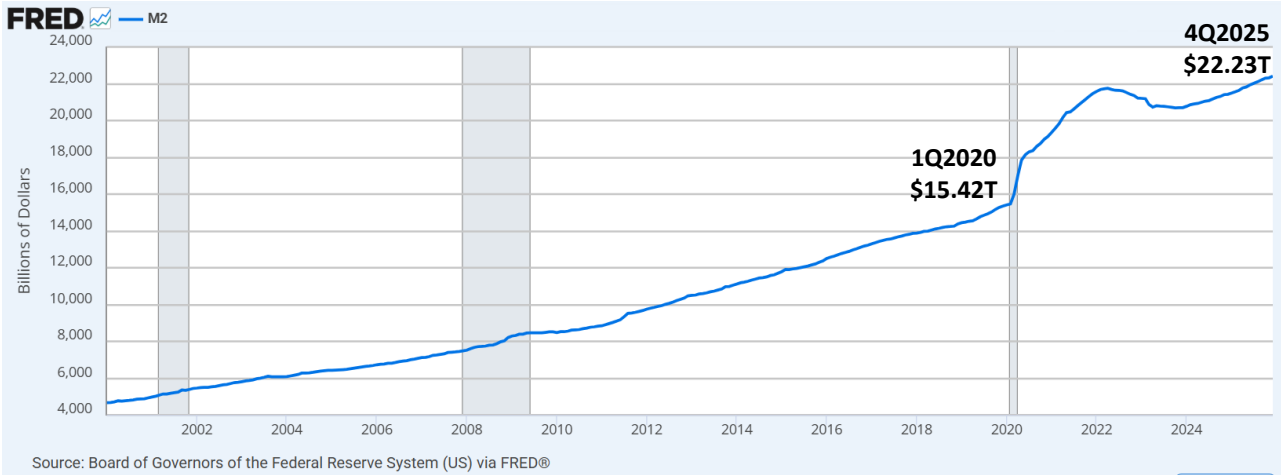
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Consumer Price Index (Index 2020=100)



4

M2 – Money Supply



5

Total Federal Government Current Expenditures



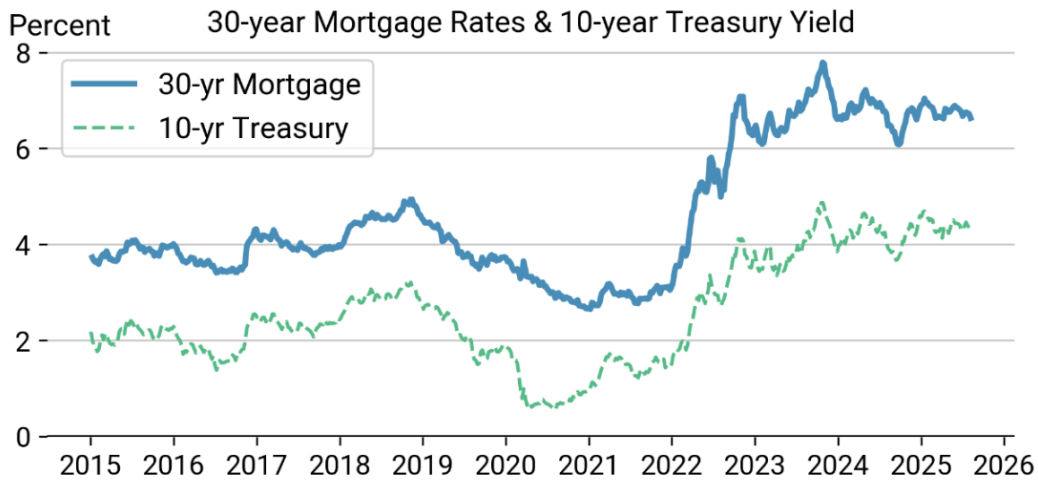
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Market yield on 10-year treasury securities from May 2013 to June 2025



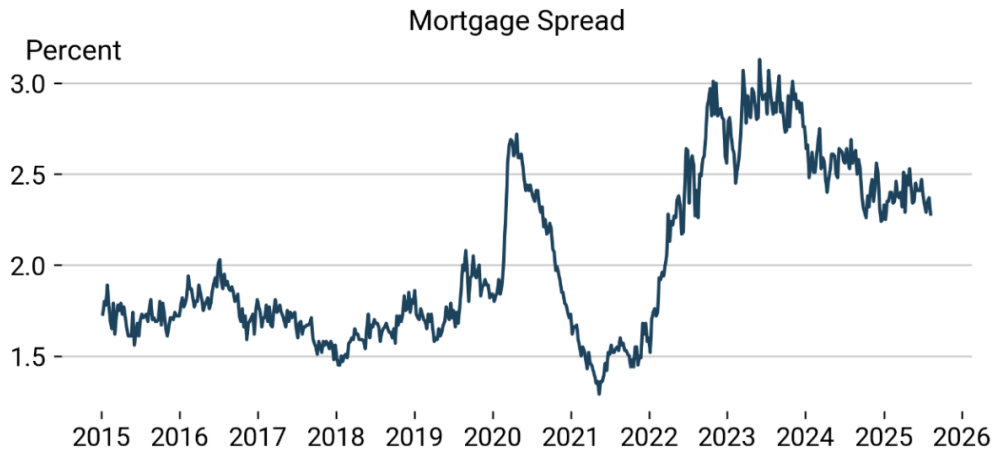
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Interest Rates and Mortgage Spread, July '25



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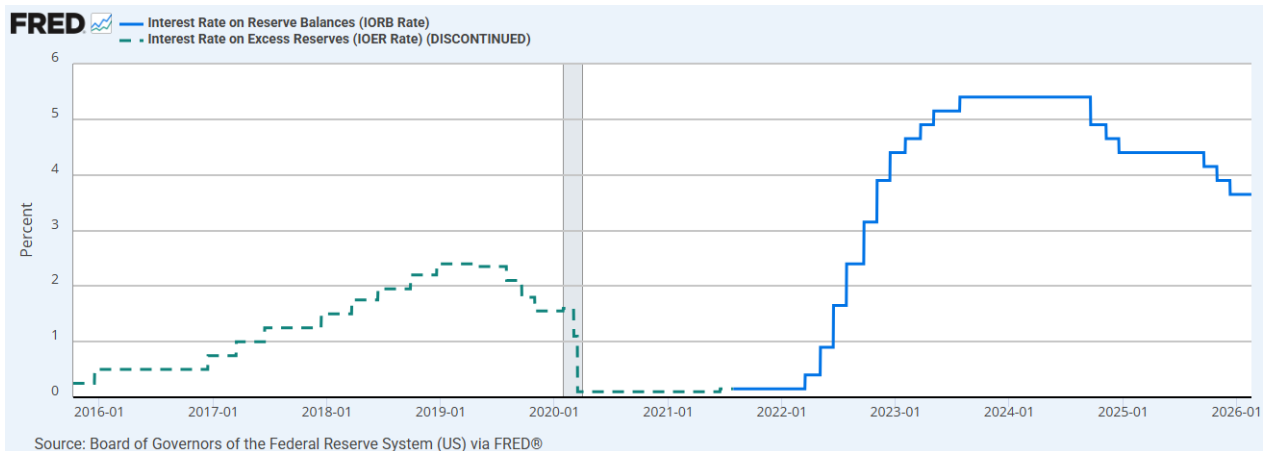
Mortgage Spread, July '25



ATM TEXAS A&M UNIVERSITY Texas Real Estate Research Center Source: Freddie Mac, Board of Governors of the Federal Reserve, and author's calculations; data accessed via FRED

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Fed Rate on Bank Reserves (IOER/IOERB)

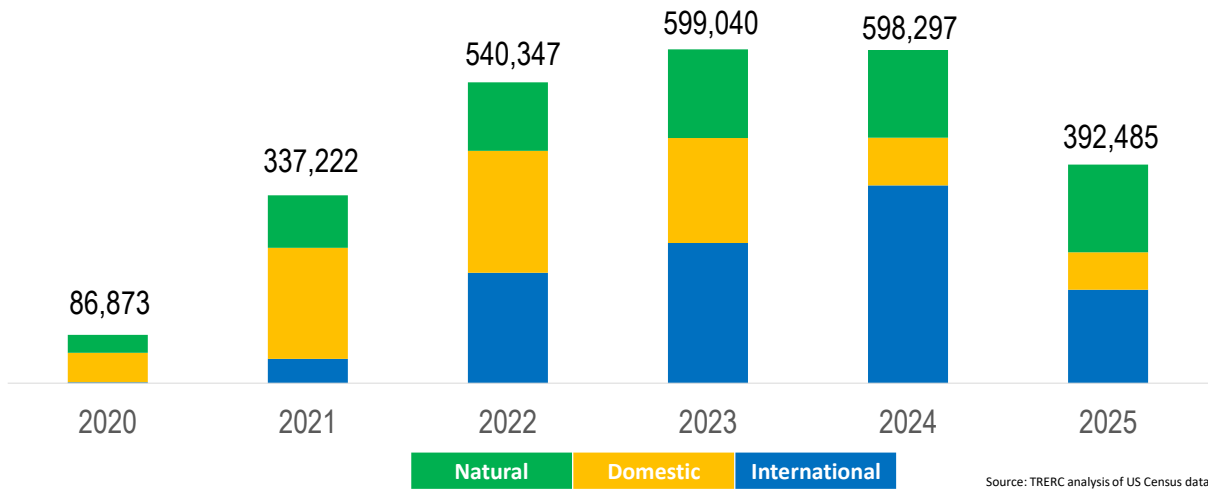


ATM TEXAS A&M UNIVERSITY Texas Real Estate Research Center Source: Freddie Mac, Board of Governors of the Federal Reserve, and author's calculations; data accessed via FRED

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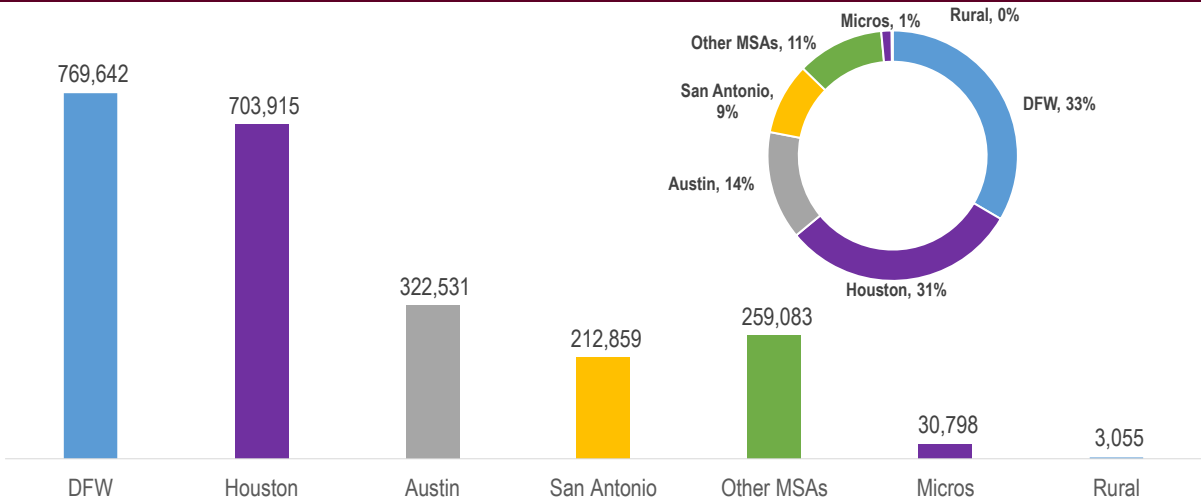
Texas Economy: Demographic and Employment Trends

Accelerating population growth slowed in 2025 (Total population growth by source, YE 6-30)



Source: TRERC analysis of US Census data.

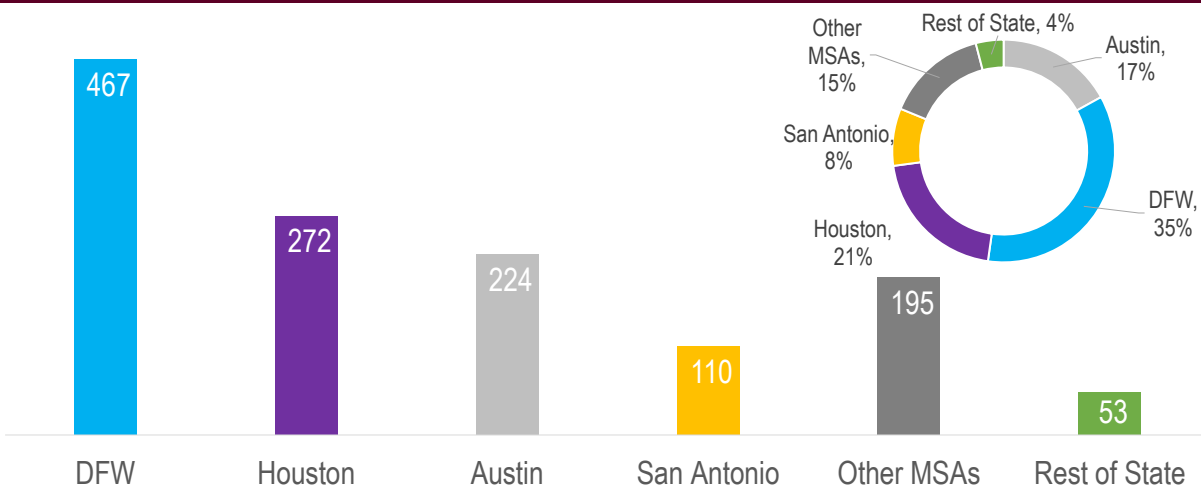
87% of population growth in the Big-4* (5-yr change; Pct. of total change)



*Other MSAs = 22 smaller metro areas. Micros = 41 micropolitan areas, Rural = remaining 121 counties

Source: TRERC analysis of Census Bureau data.

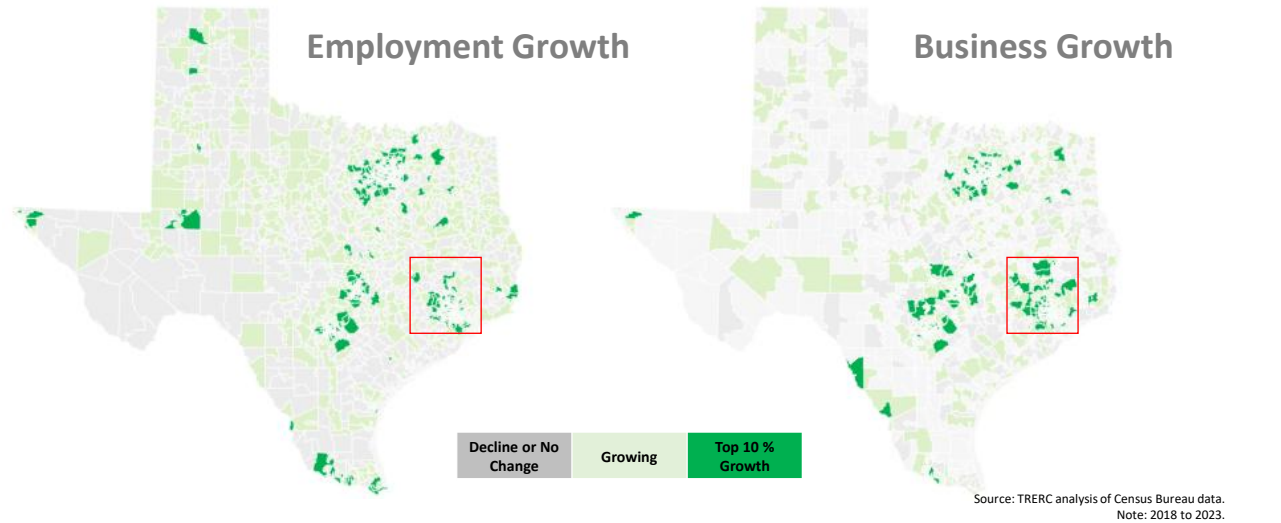
Total payroll employment up, but concentrated* (Change since March 2020, 1,000s; Pct. of total)



*Other MSAs = 21 smaller metro areas. Rest of State = 177 remaining non-metro counties.

Source: TRERC analysis of BLS data.

Firms and workforce growth patterns not aligned (5-yr change manufacturing workers and businesses, ZIP Codes)



Select Texas Commercial Real Estate Markets

A mixed bag with oversupply in most assets

CRE construction costs flattened, up 46% since 2020

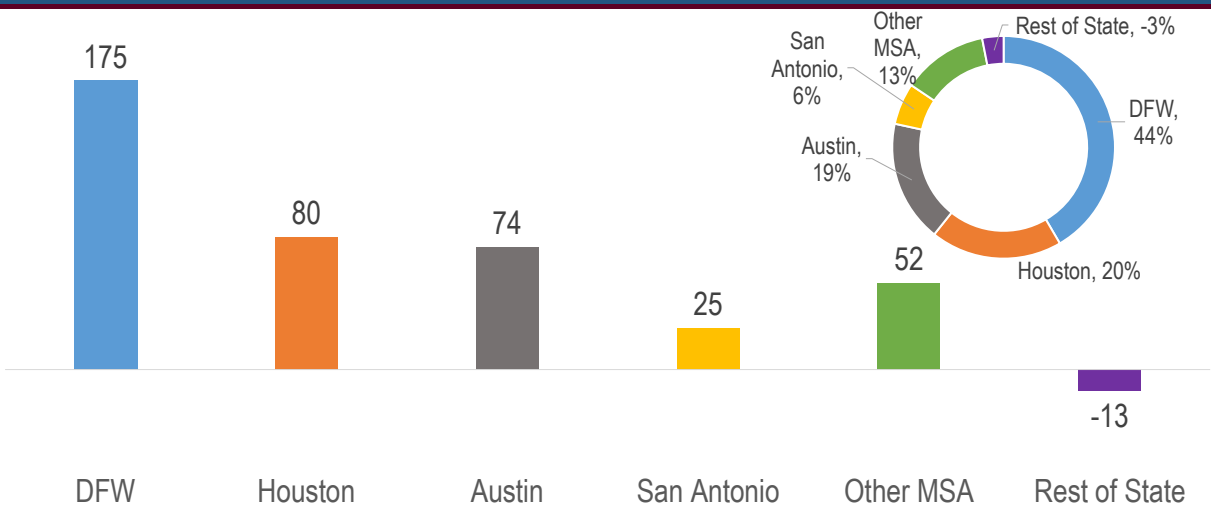
(Producer Price New Construction Index (Left=YoY Pct, Right = Index))



Source: Texas Real Estate Research Center analysis of BLS data.

DFW Office job growth 2X Houston or Austin*

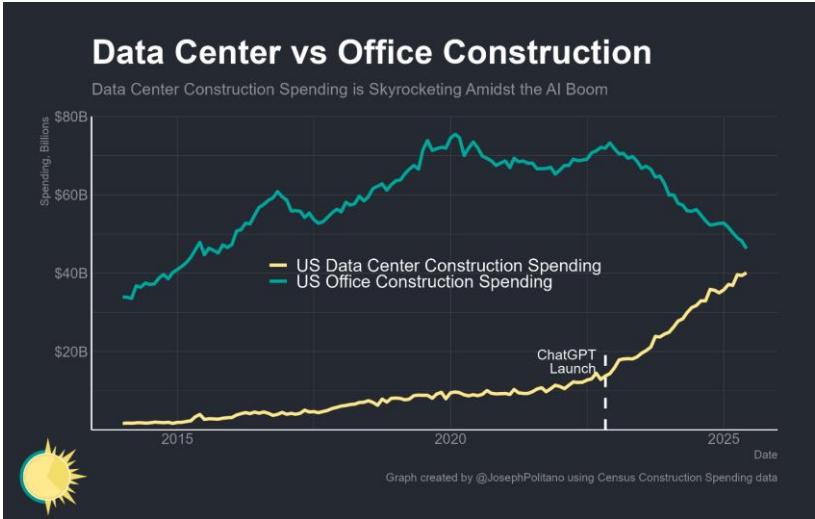
(Last five years 1,000s; Pct. of total)



*Other MSAs = 21 smaller metro areas. Rest of State = 177 remaining non-metro counties.

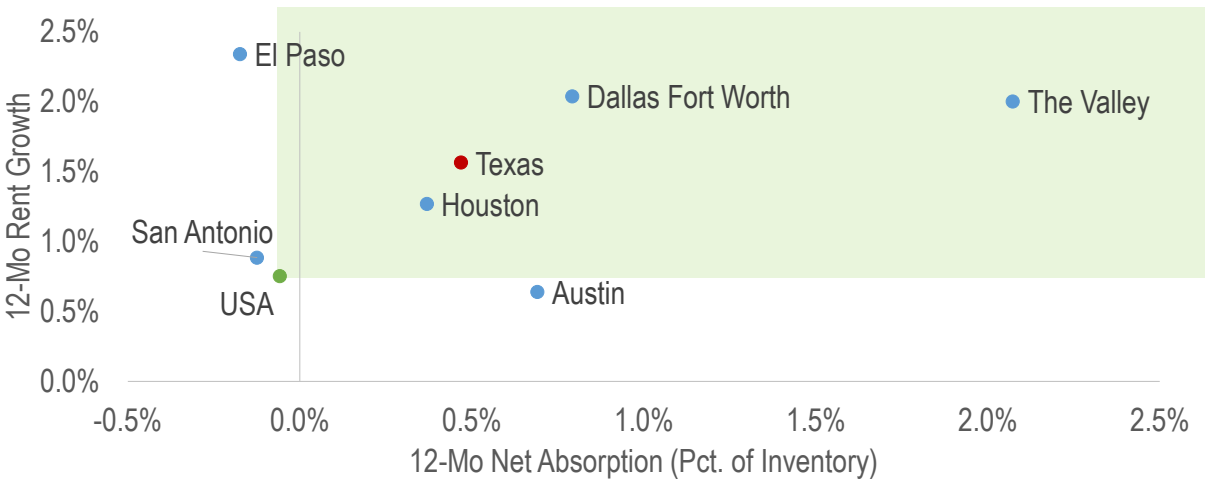
Source: TRERC analysis of BLS data.

More space for AIs than people – a bubble?



- “When bubbles happen, smart people get overexcited about a kernel of truth... That’s not rational behavior. Someone’s gonna get burned there, I think.” – S. Altman
- There’s a major new technology that certainly will change the world and be successful. But some people are confusing that with the investments being successful. – R.Dalio

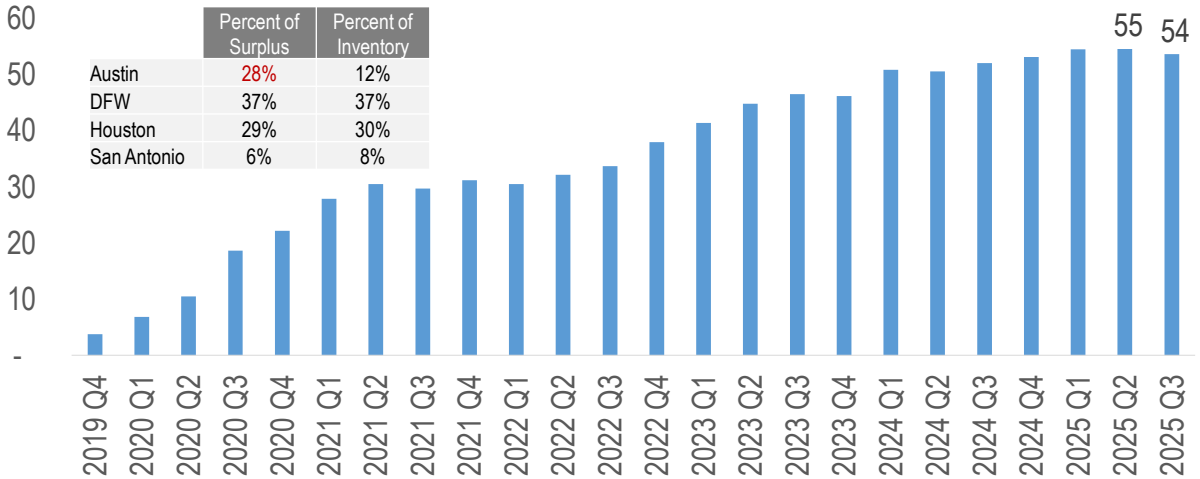
Office conditions better here than nationally



Source: TRERC analysis of CoStar data.

Office oversupply persists, slight drop Q3

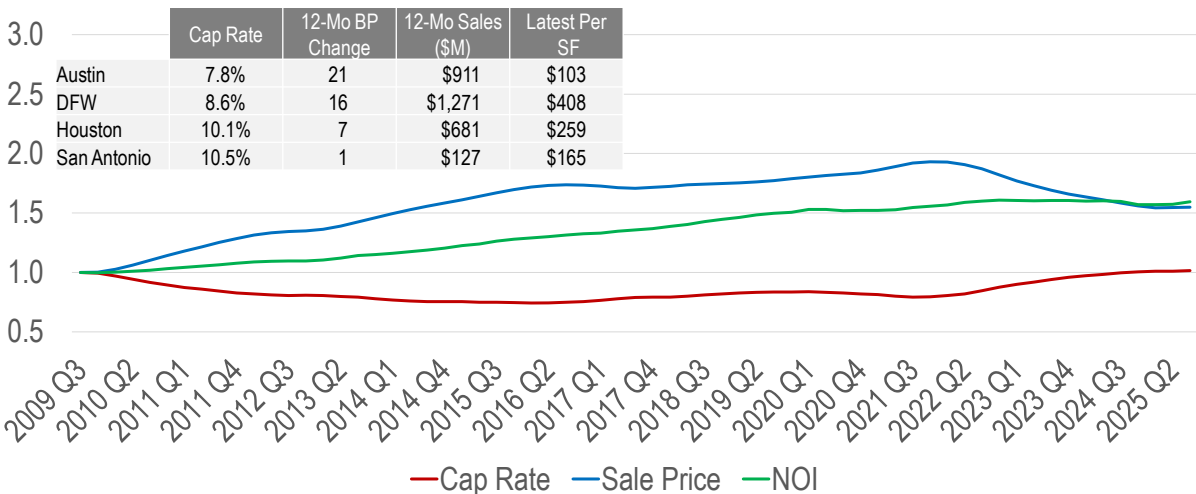
(Texas MSA cumulative supply minus demand, MSF)



Source: TRERC analysis of CoStar data.

Office sale price leveling, income improves (a little)

(Chart = US data, Table = Local Markets)

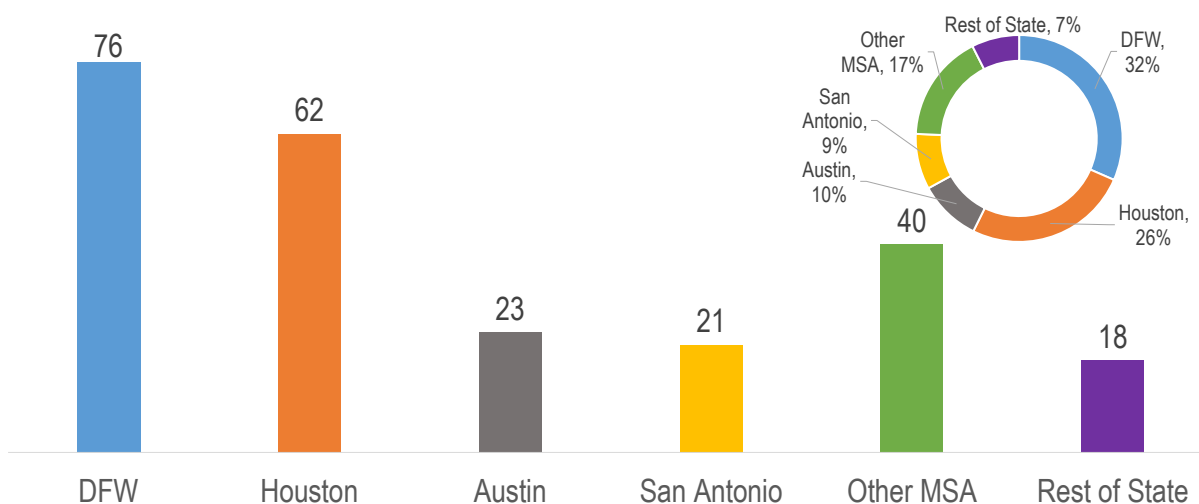


Source: TRERC analysis of CoStar data.

Texas will outperform a generally weak office sector

- Texas benefited from record office job growth – but hiring slows (AI impact or excuse?)
- Prime space in Austin and Dallas are relocation opportunities
 - Texas still ahead in the HQ relocation game (48% of national total, 12 of CA's 17 losses.)
- Limited residential conversion opportunities (for now)

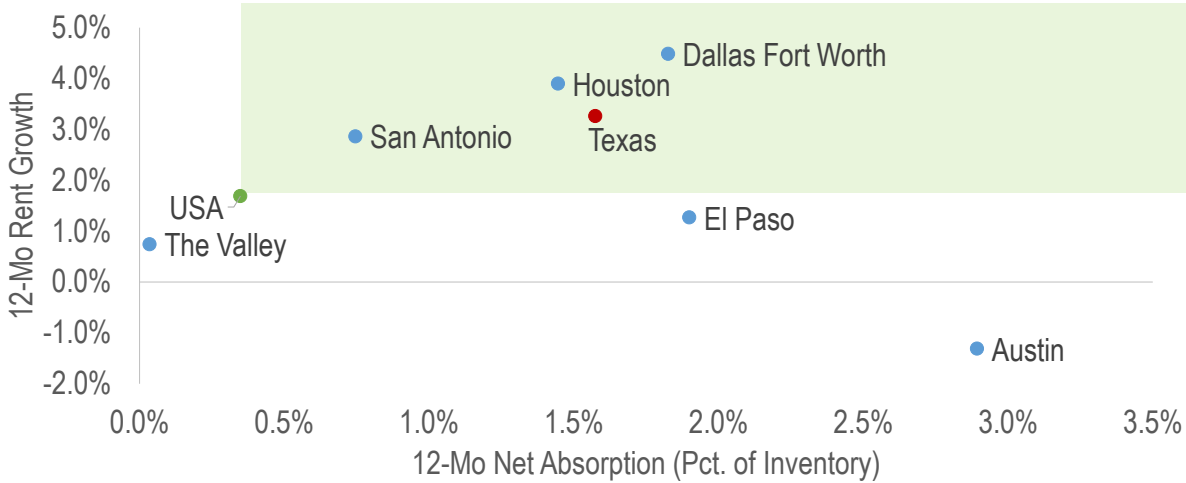
Industrial: Dallas, Houston lead job gains* (Last five years 1,000s; Pct. of total)



*Other MSAs = 21 smaller metro areas. Rest of State = 177 remaining non-metro counties.

Source: TRERC analysis of BLS data.

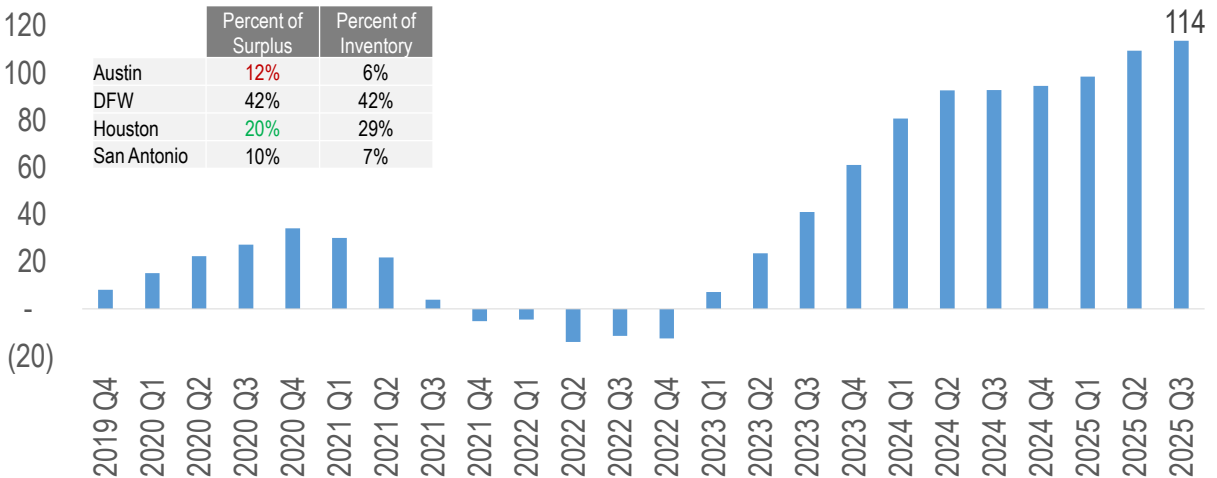
Industrial DFW, Houston, San Antonio top performing markets



ATM TEXAS A&M UNIVERSITY Texas Real Estate Research Center Source: TRERC analysis of CoStar data.

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Industrial oversupply still increasing (Texas MSA cumulative supply minus demand, MSF)

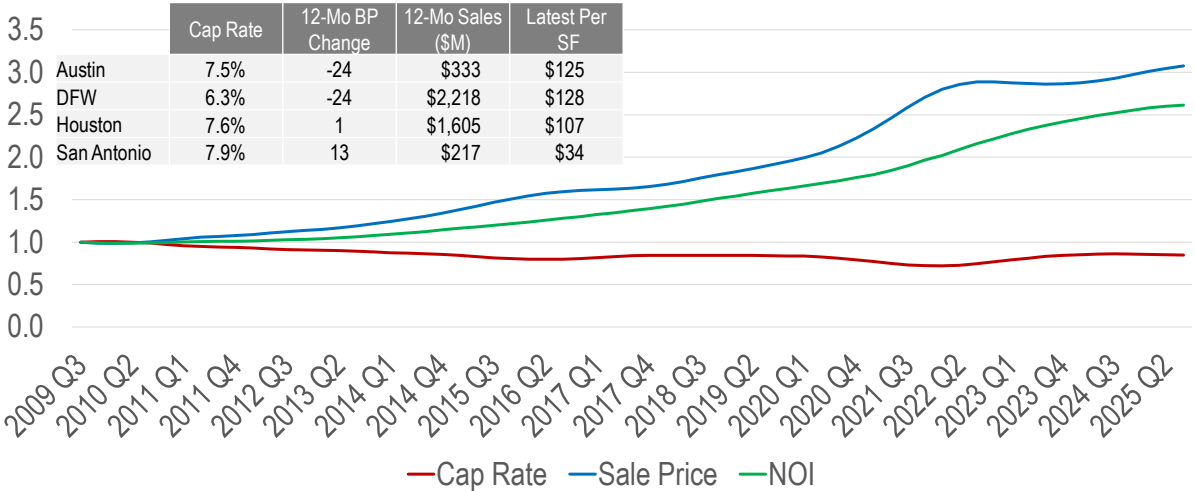


ATM TEXAS A&M UNIVERSITY Texas Real Estate Research Center Source: TRERC analysis of CoStar data.

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Industrial cap rates down on weaker income

(Chart = US data, Table = Local Markets)



ATM TEXAS A&M UNIVERSITY Texas Real Estate Research Center Note: Cap rate, sale price and NOI indices = 1.00 in 2009 Q2. Source: TRERC analysis of CoStar data.

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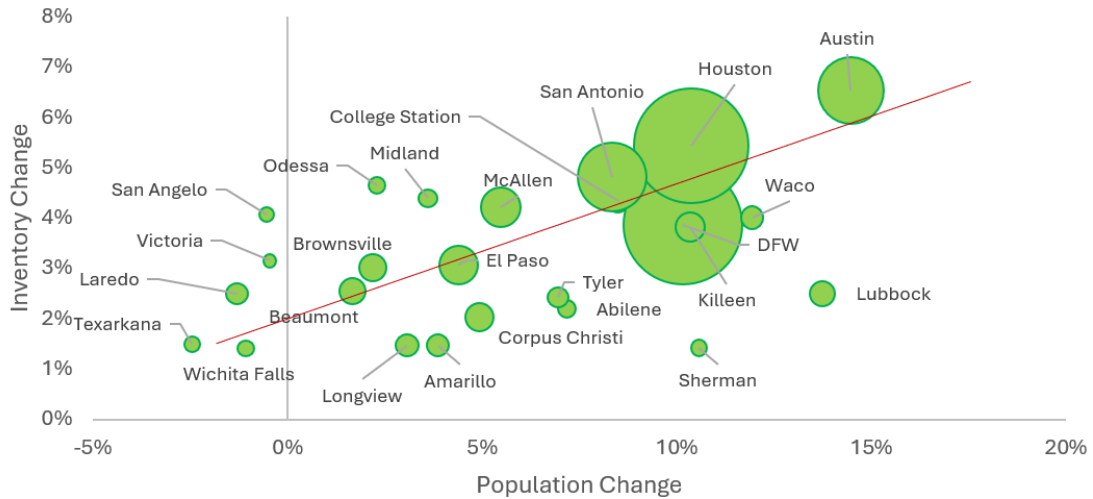
Texas industrial markets still waiting

- Excess supply still ticking up
- Distribution not as vulnerable to tariffs as some expect
- Manufacturing may play a more important role if Trump Administration policies work

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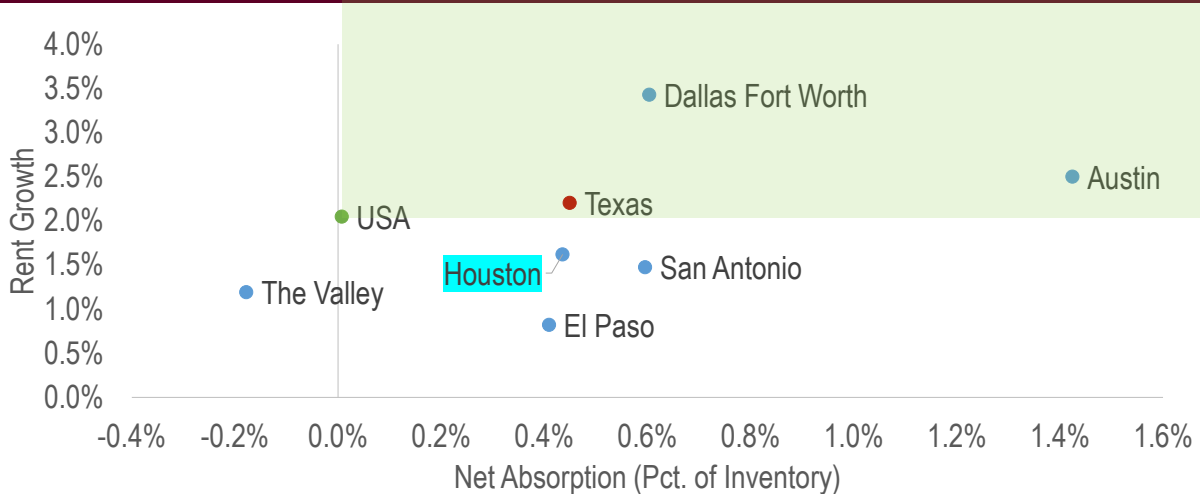
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Population now drives retail construction, not income



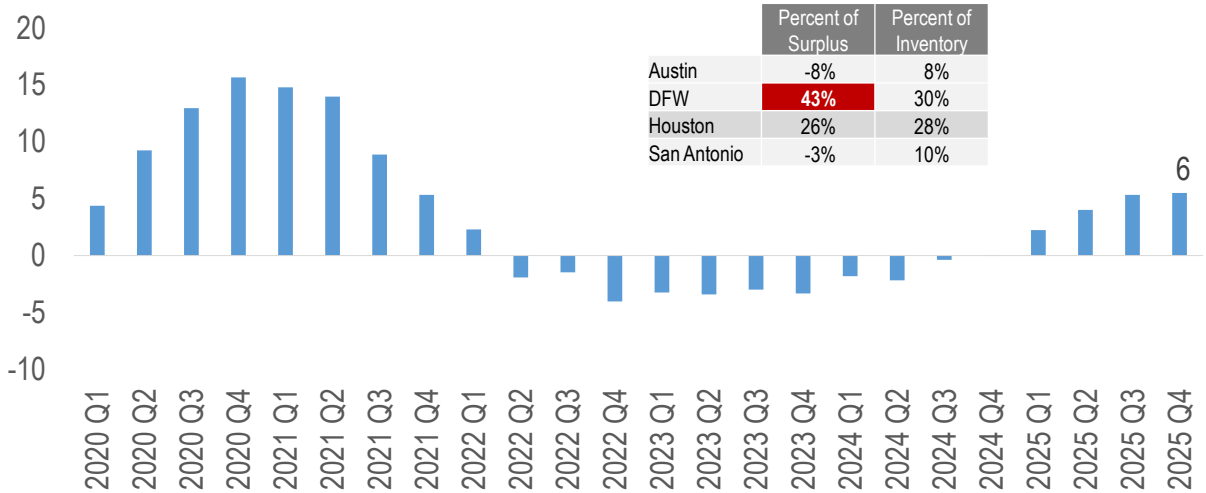
Source: TRERC analysis of Census Bureau and CoStar data.

DFW and Austin have the best performing retail



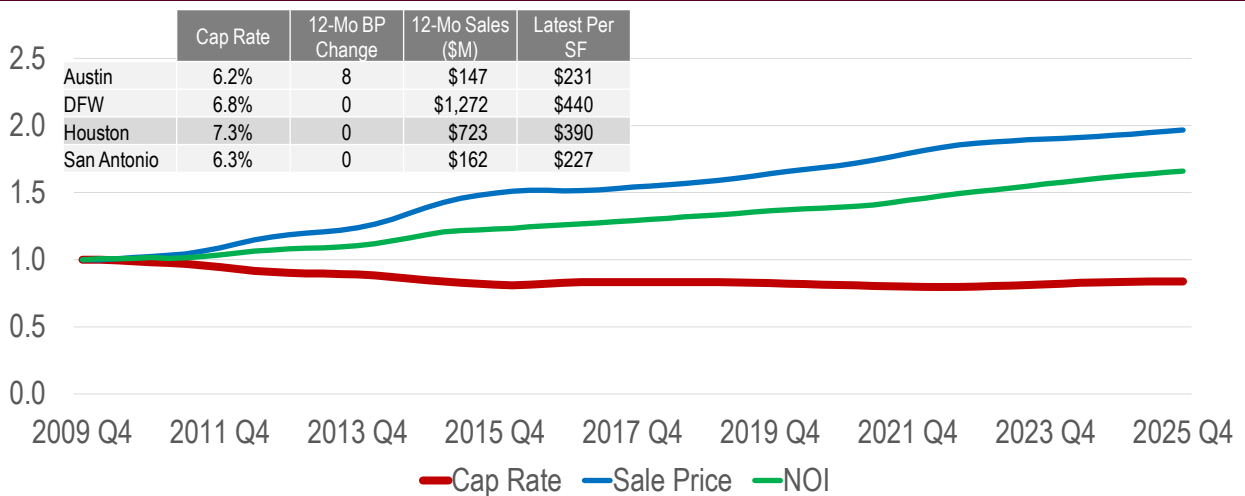
Source: TRERC analysis of CoStar data.

Retail supply a little ahead of demand (Texas MSA cumulative supply minus demand, MSF)



Source: TRERC analysis of CoStar data.

Retail sale price matches income, cap rates flat (Chart = US data, Table = Local Markets)

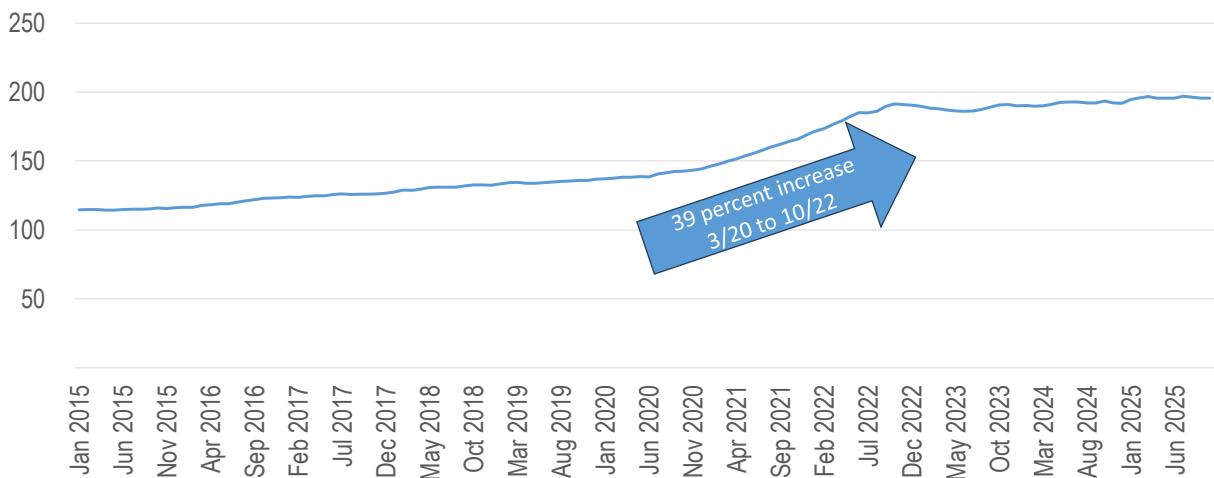


Source: TRERC analysis of CoStar data.

Texas Housing Market

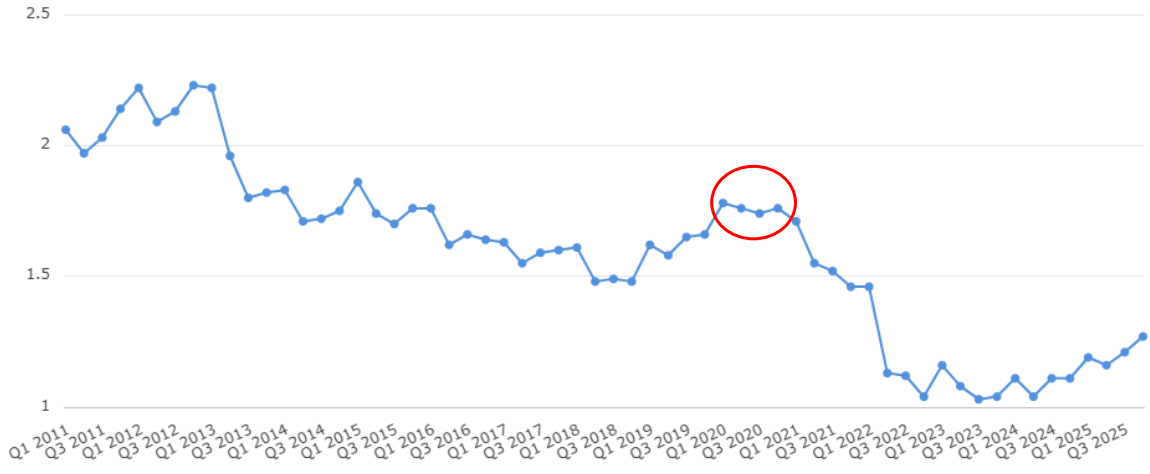
New Single Family construction cost index has been relatively flat since 2022

(Producer Price New Construction Index (Left=YoY Pct, Right = Index))



Source: TRERC of Census Bureau data.

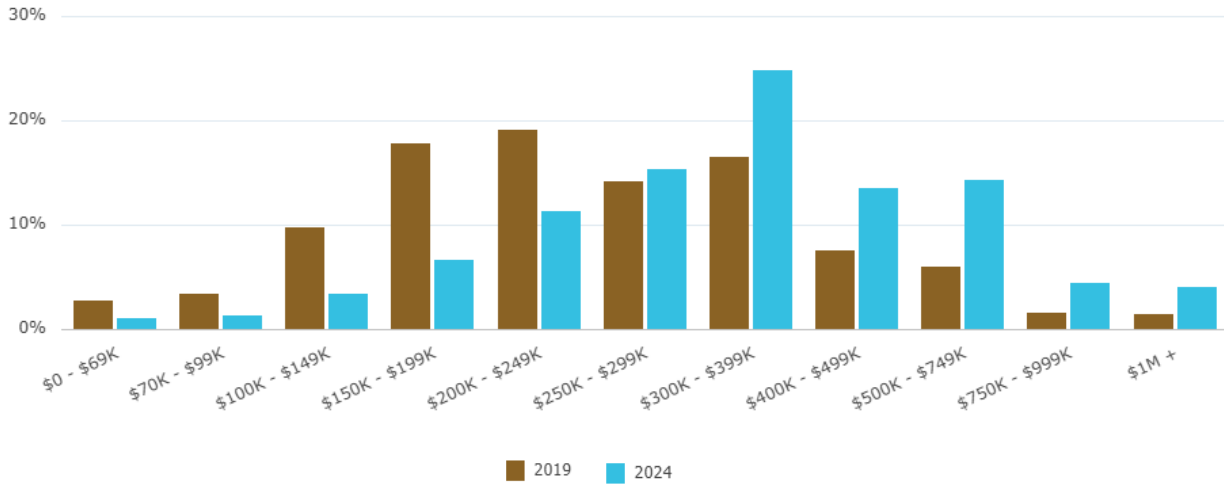
Texas Housing Affordability Index



ATM TEXAS A&M UNIVERSITY Texas Real Estate Research Center Source: NAR & TRERC <https://www.recenter.tamu.edu/data/housing-activity/#!/activity/State/Texas>

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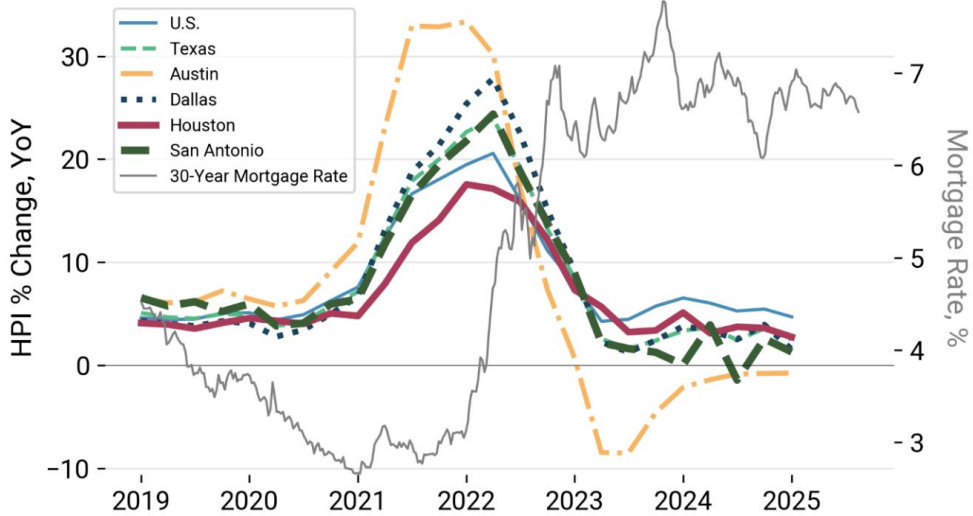
Texas: Price Distribution 2019 vs 2024



ATM TEXAS A&M UNIVERSITY Texas Real Estate Research Center Source: NAR & TRERC <https://www.recenter.tamu.edu/data/housing-activity/#!/activity/State/Texas>

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Housing Price Growth and Mortgage Rates

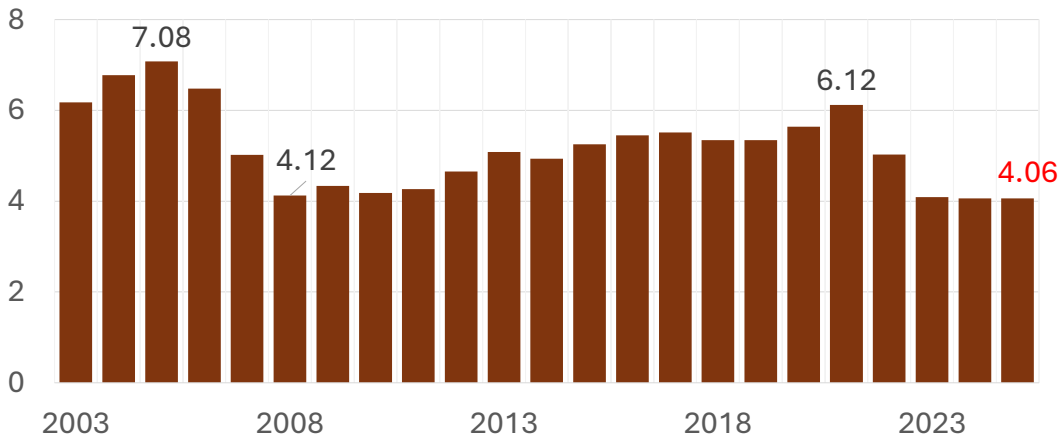


ATM TEXAS A&M UNIVERSITY Texas Real Estate Research Center Source: FHFA and Freddie Mac, accessed via FRED

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National Home Sales

Existing Home Sales (in millions)



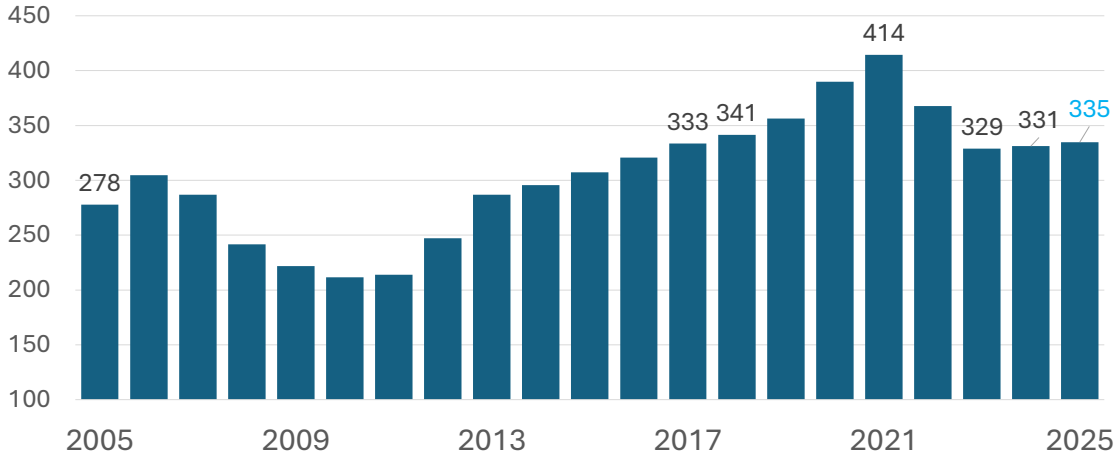
Source: NAR/Haver Analytics

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Texas Home Sales

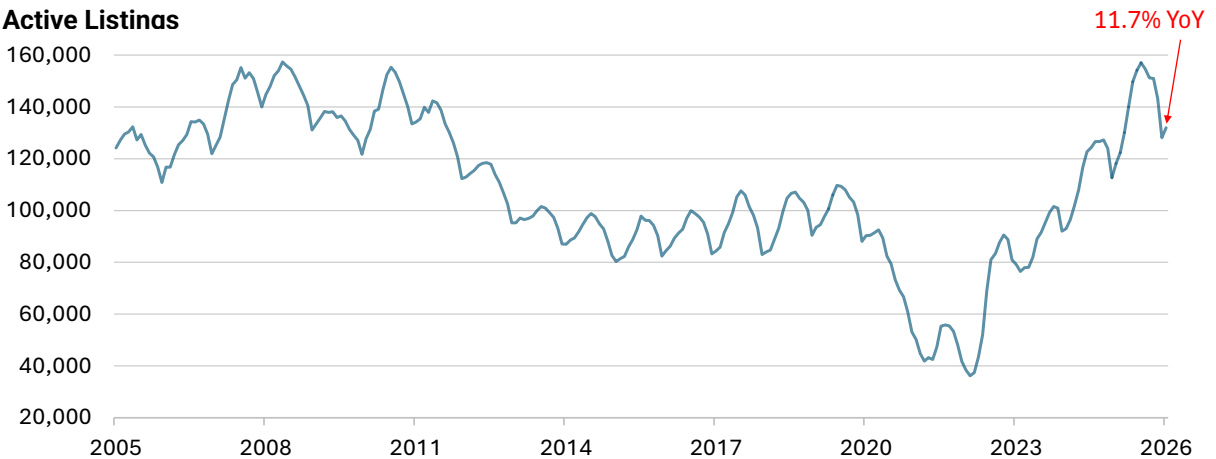
Total Sales (thousands)



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data

Housing Inventory Across Texas

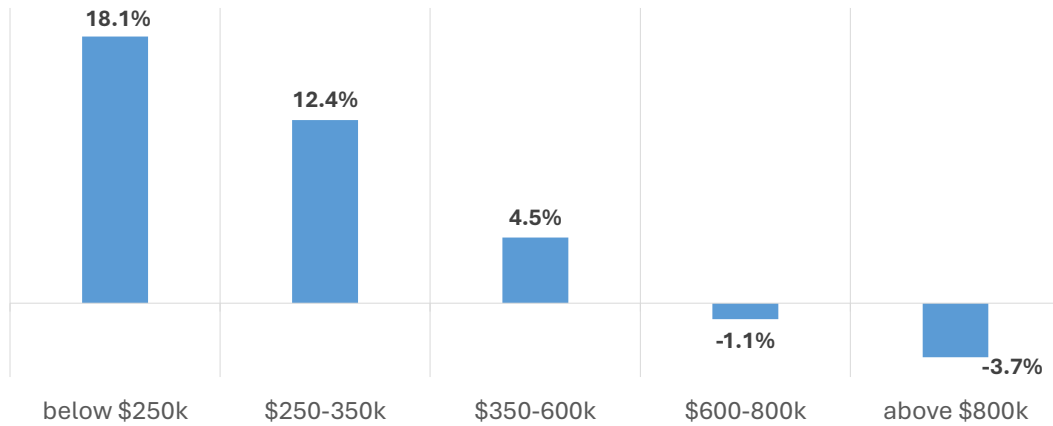
Active Listings



Source: TRERC analysis of data Relevance Project, Texas REALTORS data

Uneven Affordability Pressures

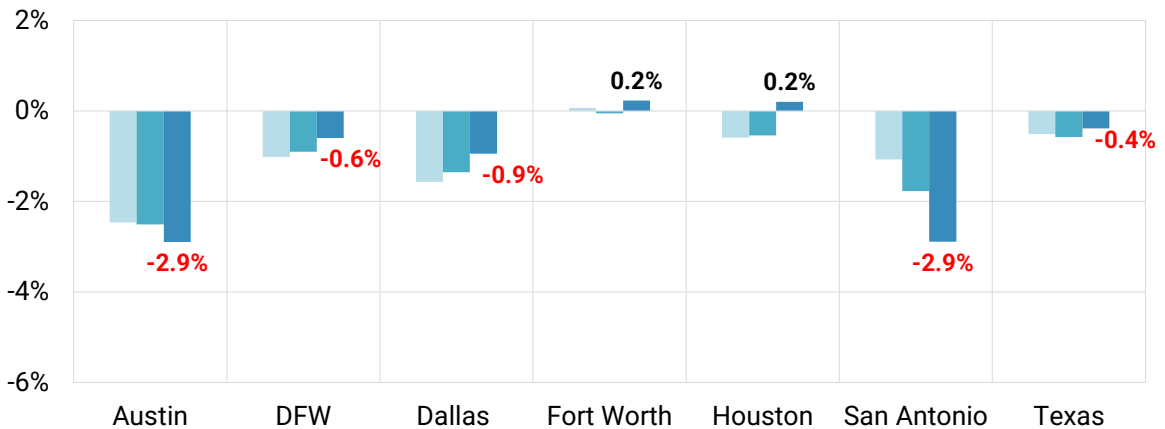
Inventory Change between April and October 2025, by Price Tier



Source: TRERC analysis of data Relevance Project, Texas REALTORS data

Texas Home Prices Slide Across Markets

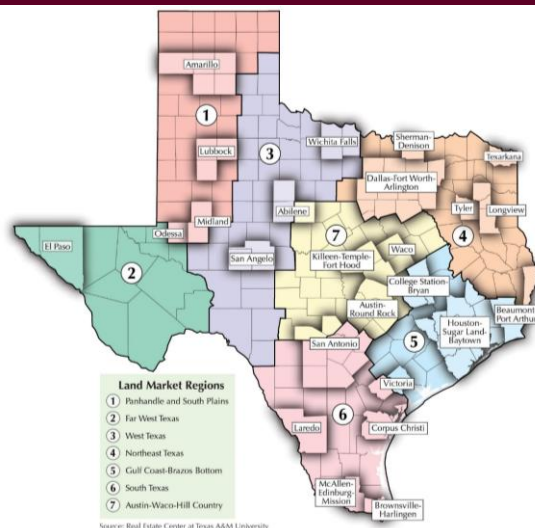
October November December



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data

Texas Rural Land Market

Texas Rural Land Markets

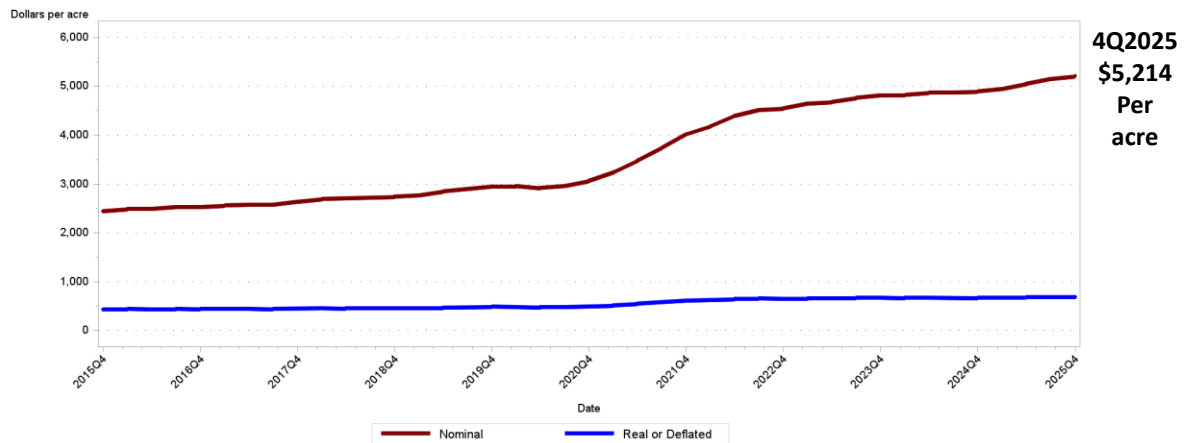


Texas Land Markets Size Segments

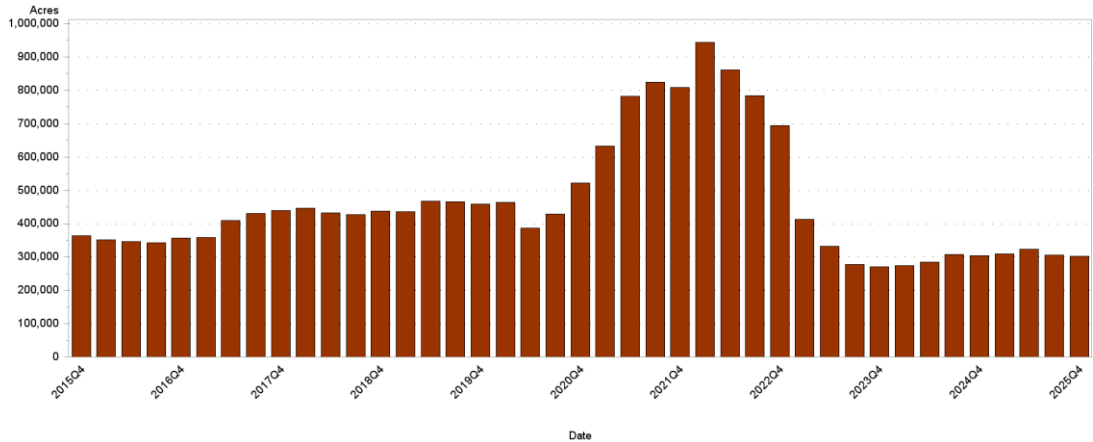
(excluding 10 acres or less)

Region	Name	Small/Large Split
1	Panhandle and South Plains	160
2	Far West Texas	499
3	West Texas	95
4	Northeast Texas	34
5	Gulf Coast, Brazos Bottom	43
6	South Texas	45
7	Austin, Waco, Hill Country	50

Texas Rural Land Prices



Total Acres Sold Texas Rural Land Statewide



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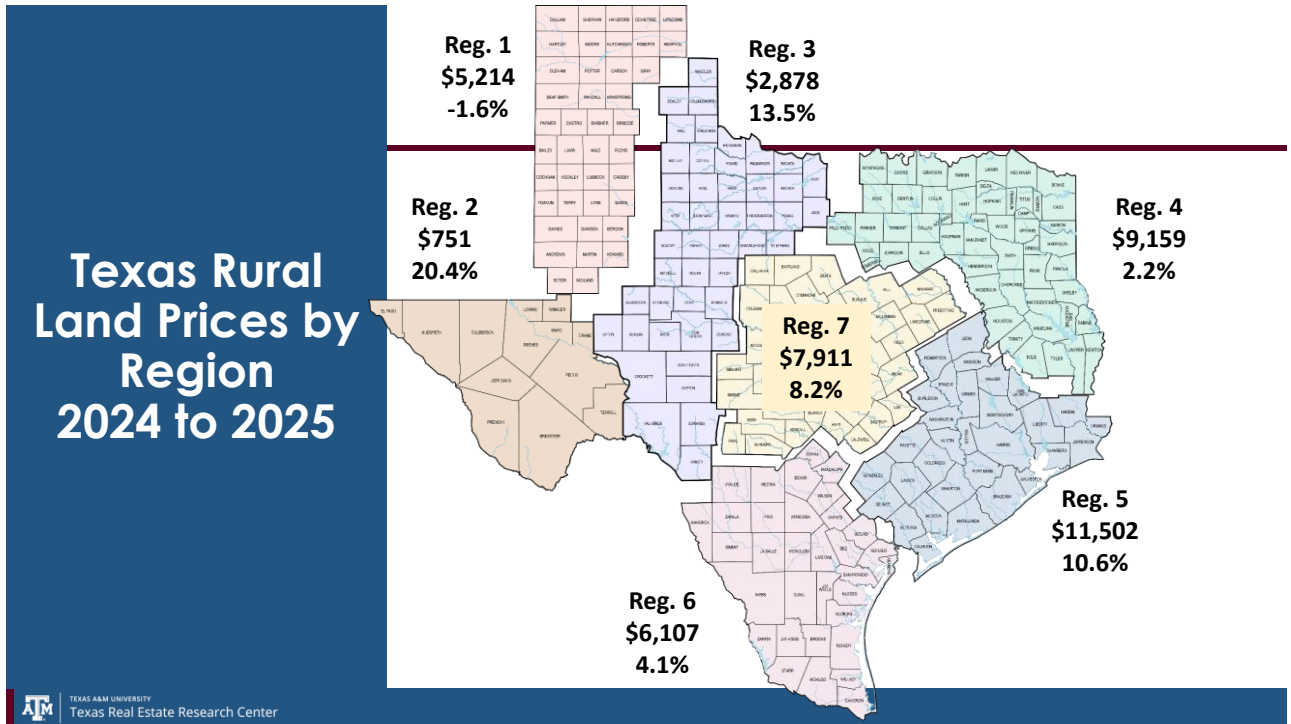
Texas Rural Land Market Large Tracts

Measure	YoY	YE 2025
Price	6.56%	\$5,214
Typical Tract Size	--	121
Sales Volume	-8.16%	3,852
Total Dollar Volume	6.22%	\$1.58B
Total Acres	-0.32%	303,148
*** Price and Volume Regained Momentum ***		



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Texas Real Estate Research Center (TRERC)

Save the Date!

**Outlook on Texas Rural Land Markets
Annual Conference
April 8-10, 2026
Hyatt Hill Country Resort – San Antonio**

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Macro Review and Texas RE Forecast

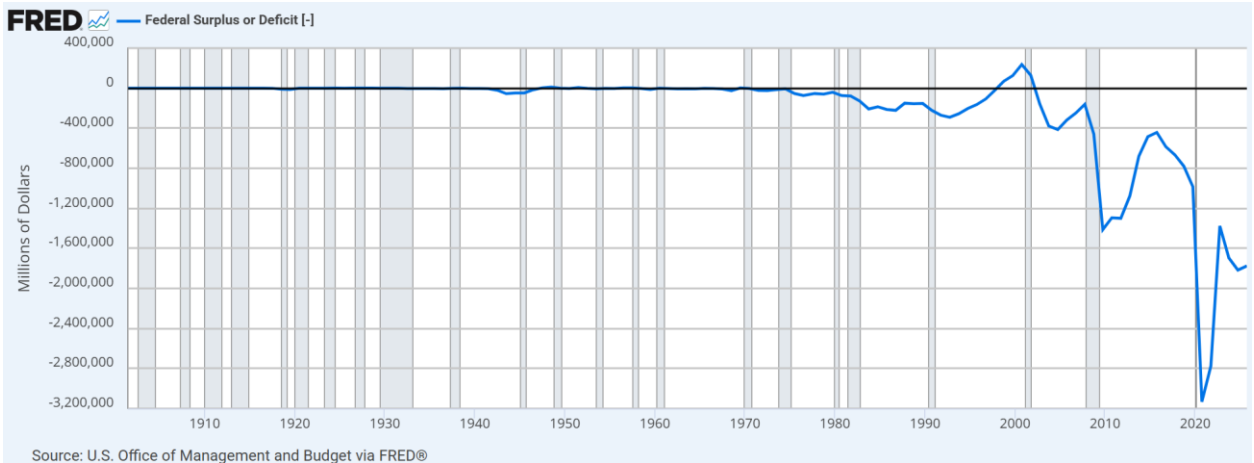


Macro Review and Outlook

- **Despite the Fed's recent rate cuts, long-term borrowing costs remain elevated compared to the last two decades**
- **Real estate, construction, and other rate-sensitive segments are likely to continue to face pressures**
- **Nonetheless, expect higher GDP growth in 2026**
- **Federal Debt still a growing problem, potential for major trouble in next 5-15 years (rates, dollar weakness, etc.)**
- **For now, watch Deficit to GDP Ratio and 10-Year Treasury yields**

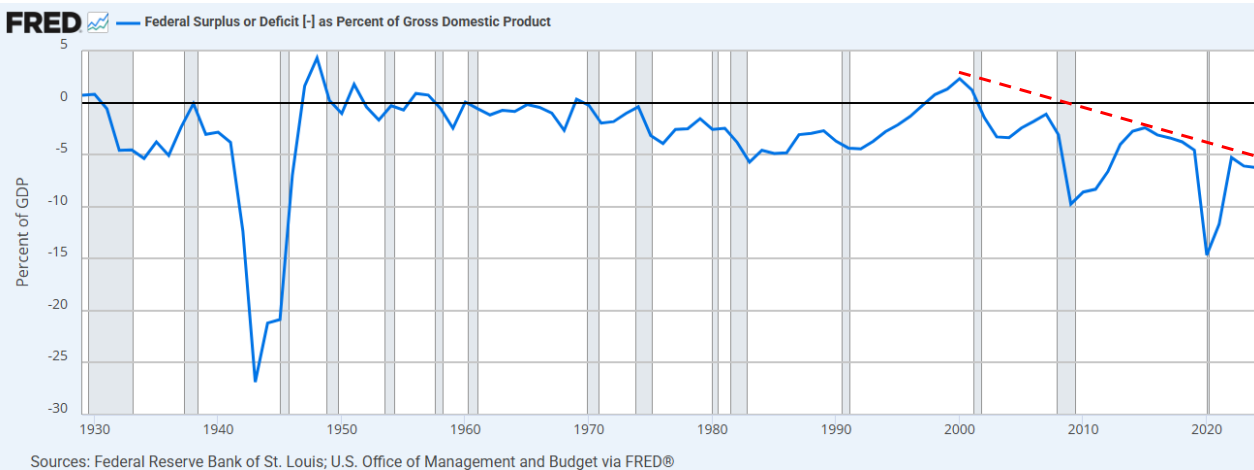


Federal Surplus or Deficit



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Federal Surplus or Deficit as Percent of GDP 2024 = 6.4%; 2025 Est = 5.9%



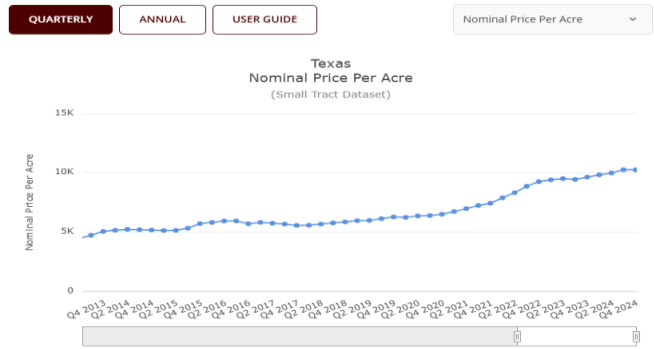
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2025 Real Estate Forecast

Single Family | Multifamily | Office | Industrial | Retail | Rural Land



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SELECT A GEOGRAPHY

States:

Regions:

Land Market Areas:

TRACT SIZE DATASET

Small Tract Dataset

REVERSE LOOKUPS

County to Region:

County to Land Market Area:



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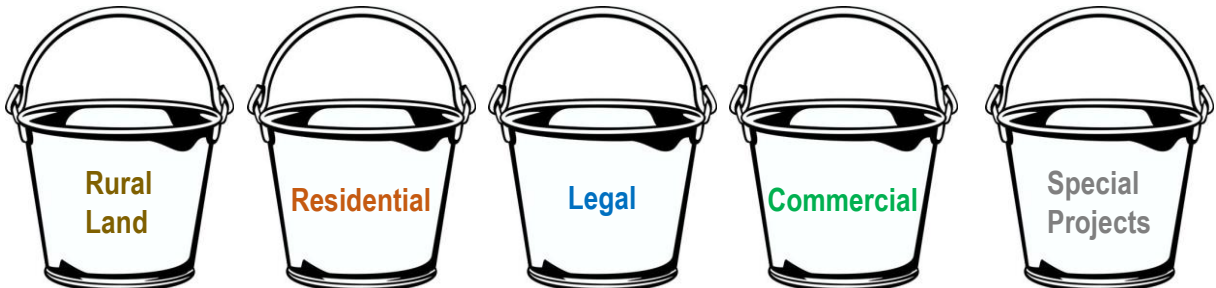


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Texas Real Estate Research Center (TRERC)

- Created by Texas Legislature in 1971
- Advisory board of real estate professionals approves research agenda
- Texas A&M University, Division of Research



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