

**Newsweek**

# Texas Faces Major Housing Market Correction as Prices Drop Across State

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The Texas housing market is undergoing a substantial correction, driven by a combination of oversupply, declining demand and persistent affordability issues.

"We need to talk about Texas. Listings just hit 123,000 in April 2025. 53 percent higher than normal. And prices are now dropping across the state," Nick Gerli, a real estate analyst and the CEO of Reventure App, wrote on X, formerly Twitter, on Thursday.

He warned that Texas is now the fourth most oversupplied housing market in the United States.

# Why It Matters

Texas experienced a significant migration boom during the pandemic, attracting new residents with the promise of affordability, space and lower taxes. In 2022, net domestic migration brought 222,100 new residents to the state. However, by 2024, that number fell to 85,200, a 62 percent decline, according to Gerli.

Additionally, **Texas led the nation in homebuilding, issuing 15 percent of the country's new-home permits in 2024.** But as population growth slowed and high mortgage rates locked out potential buyers, the increased supply outpaced demand, resulting in downward pressure on prices in major metropolitan areas such as Dallas, Houston and San Antonio.

## What To Know

Gerli argued **the housing inventory increase is primarily fueled by three factors: a wave of resale of newly constructed homes, a decline in migration into the state and a growing number of locals being priced out of the market.**

"Values are down -0.7 percent over the last year, and have dropped -1.6 percent from the middle of 2022," Gerli wrote on X, adding in a separate post. "Buyer demand keeps dropping, and listings keep rising."

According to data from Norada Real Estate Investments, home prices in 31 Texas metropolitan areas are expected to decline by the end of the year. Austin, one of the hardest-hit markets, is projected to experience a 0.4 percent home price drop by October.

The city has also seen a 20.4 percent fall in home values from peak pandemic highs, Gerli said, adding, "That's the biggest metro-level correction in America in that timespan."

More severe losses are anticipated in smaller Texas cities: Pecos may see a 9.5 percent drop by October, while Zapata could experience a 7.2 percent decrease and home prices in Sweetwater may fall 6.9 percent.

Affordability remains a critical issue, with the typical mortgage and tax payment now consuming 32.5 percent of a household's gross income, according to Gerli—significantly above the historical average of 23 percent.

Sales have slowed considerably as a result. In February, 21,892 homes were sold statewide—a 6.2 percent decrease compared to the same period the previous year. The average time a house remains on the market has also increased to 75 days.

The Federal Reserve Bank of St. Louis reported 105,867 active listings in Texas in February. Redfin data showed an even larger figure: 151,335 homes for sale, a 16 percent increase from the previous year.

According to Reventure, listings in Austin have surged 16.4 percent year over year. In Travis County, the number of homes for sale rose 12.2 percent, while Williamson County saw a 16 percent rise. Hays County led the surge, with a 24.7 percent increase in available listings.

Despite increasing supply, Reventure gave Austin a home price score of 34/100. "Unless a drastic shift happens, Austin's home price growth is likely to decline more in 2025, making it a complete buyers' market," the company reported.

## What People Are Saying

**Marco Santarelli, the founder of Norada Real Estate Investments, wrote in a February report:** "The Texas housing market currently presents a mixed picture. While the third quarter ended on a positive note with an increase in home sales, other indicators are showing a bit of a slow-down after the superheated market of the past few years. ... I believe that the Texas housing market will see a more balanced, and somewhat slower growth trajectory over the next couple of years."

**Nick Gerli, the CEO of Reventure App, wrote on X:** "I could see a 15-20 percent correction in the cards, especially if there is a recession in the oil industry. Oil prices are down to \$57/barrel, and this is a level that's problematic for Texas' economy. As many local operators shut down production when oil gets that cheap. Which then has a knock-on effect on local employment and home prices, especially in markets like Houston and San Antonio."

**Chen Zhao, an economist at Redfin, previously told Newsweek:** "Buyers in the weaker Sun Belt markets such as Florida and Texas may be able to negotiate

the best deal and have the most selection [this year]. In other markets, inventory will be lower and there will be less room to negotiate."

## **What Happens Next**

Gerli predicts that Texas home prices could drop an additional 4 percent statewide over the next year. However, affordability challenges are expected to persist throughout 2025. "It is still likely that Texas' market will be about 10-12 percent overvalued at the end of 2025," he said, adding that further gradual declines may extend into 2026.

Although lower prices could eventually benefit local buyers, the road to a more balanced market remains uncertain. Gerli warned, "So long as Texas remains this unaffordable for local buyers, its housing market will struggle."