



2025 Texas Real Estate Forecast

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Real estate decisions affect the lives of more than 30 million Texans and untold others beyond the state. Wise decisions improve stewardship of our natural, cultural, and financial resources and make our economy more efficient, leading to better social and economic outcomes. This forecast is intended to inform Texans of anticipated market trends in 2025.

The forecast supports our stakeholders in two ways. First, it draws attention to the big-picture trends that influence real estate asset markets. These trends are defined by macroeconomic and demographic statistics (referred to here as macro drivers). Practitioners should watch these indicators as the new year unfolds, because they will have a significant impact on real estate markets. Second, the

forecast gives a consensus projection of real estate transactions. Forecast users can consider the projected macro drivers and asset projections in their contingency planning. Readers can consider how their own assumptions differ when interpreting the implications of these results. If users hold different geopolitical or macroeconomic assumptions, they may easily adjust their perspective on the individual asset forecasts.

Our forecast process for the 12 months ending December 2025 began with an uncertain national and global picture. Expectations of an unsettled presidential election gave way to a quick resolution with a President Trump victory and Republican control of the House and Senate. This far from eliminates uncertainty over geopolitical and macroeconomic events, but the overall direction of national policy should be relatively consistent through 2025.

Underlying Geopolitical Assumptions

Our forecast begins with four fundamental geopolitical assumptions that will influence the macro drivers in 2025.

1. Substantial changes in federal tax, spending, and regulations are possible in the long term and may have profound impacts on macroeconomic conditions. Improvements in business investment, workforce participation, inter-state migration, or even household formation/fertility rates may materialize in the coming years.
2. Executive orders and changes in agency leadership may influence international trade flows, oil and gas production, liquid natural gas exports, and reductions in international immigration. While the national impact of federal policy changes could increase in coming years, that impact may be minor in 2025.
3. On the international front, the likelihood of a wider Ukraine war decreases in 2025, but heightened risks emerge with recent decisions by the outgoing administration. Prospects for a resolution to Middle East conflict are less certain. Selective, punitive trade policies are expected, such as with China and Mexico, but wholesale tariff increases or a trade war are unlikely.

4. The prospects of a recession in 2025 may be less likely. Given greater regulatory certainty and structural economic reforms, business and household optimism may boost investment and spending even before policy changes happen. This may have inflationary consequences.

Key Macroeconomic Drivers

The following macro drivers are the most important determining factors in making a 2025 real estate forecast. Economic theory and actual historical performance suggest movements in one tend to accompany consistent positive or negative changes in others. Nevertheless, the level of certainty may differ across these metrics. The 2025 forecast uses three levels of uncertainty:

- Significant (positive or negative)
- Moderate
- Low

Economic Output (Gross Domestic Product, 2025 quarterly annualized real growth)

U.S.: 2.3% to 2.7%

TX: 3.3% to 3.7%

Uncertainty: Moderate

Jobs (Payroll Employment, 2025 change over 2024)

U.S.: 1.0% to 1.4%;

TX: 2.0% to 2.4%

Uncertainty: Moderate

Income (Personal Income, 2025 nominal change over 2024)

U.S.: 4% to 4.5%

TX: 5% to 5.7%

Uncertainty: Moderate

Spending (Personal Consumption Expenditures, 2025 real change over 2024)

U.S. 2.5 to 2.9%

Uncertainty: Moderate

Population (TX Population 2025 change over 2024)

1% to 1.4%

Uncertainty: Low

Interest Rates (in December 2025)

Federal Reserve Fed Funds Target Range: 4% to 4.5%

30-Year Fixed Mortgage Rate: 5.6% to 6%

Uncertainty: High

Inflation (annual rate of change in December 2025)

Consumer Price Index: 2.3% to 2.7%

Producer Price Index: 2.3% to 2.7%

Uncertainty: High

Energy Prices

West Texas Intermediate: ending 2025 at \$70

Henry Hub Natural Gas Prices: ending 2025 at \$3.25

Uncertainty: Moderate

Asset Forecasts

The Center tracks market performance of several assets in three broad categories: residential, including single-family homes (for sale and for rent) and multifamily (apartments); commercial space, including office, industrial, and retail; and rural land. Our researchers project supply, demand, transaction volume, and price or rent for each asset, as applicable. This report includes:

- A 2024 performance summary for each asset, which serves as the baseline for the 2025 forecasts. The 2024 summary necessarily includes an extrapolation to arrive at year-end numbers.
- The most important macroeconomic drivers for each asset. These have the most weight in the projections, and Center researchers applied the driver estimates in their forecasts of asset performance.
- Projections and a statement of the perceived uncertainty of each asset.

Single-Family Housing

2024 Situation: Texas has 8.2 million single-family homes. After starting 2024 off strong but then substantially weakening over the summer, single-family home sales ended the year at about 330,000 units. Median home price for the year was

trending to end at \$343,000. Statewide single-family rents remained flat and were trending toward \$2,200 per month at year end.

Starts: Single-family permits will come in at about 165,000 units in 2025, or 2.5 percent above the 2024 level. This will be the second year of growth in a row.

Uncertainty: Low

Sales: After being flat in 2024, home sales will increase some. While still below the 2021 peak, the projected 3 percent growth will be the first notable increase since the pandemic. Total units sold will be near 340,000.

Uncertainty: Medium

Prices: Moderating population growth and lower interest rates signal some price appreciation in 2025. Median home price will end the year just above \$350,000.

Uncertainty: Medium

Rent: Single-family rents will be flat to up slightly compared to their 2024 level, at about \$2,200.

Uncertainty: Medium

Multifamily Housing

2024 Situation: The state's apartment market has over 2.5 million units, equating to one apartment for every 11 residents. In 2024, deliveries totaled over 116,000 units. Average per-unit monthly rent was flat and ended the year just above \$1,400 per month.

Deliveries: Apartment deliveries will be much lower in 2025 than in 2024 as the under-construction pipeline has peaked. Statewide deliveries will be about half the 2024 total, or about 55,000 units.

Uncertainty: Low

Rents: Multifamily rent growth will soften some in 2025. Somewhat lower population growth and a large inventory will mean little to no rent growth through much of 2025. Rent will be negative in the most overbuilt markets and flat to slightly positive (perhaps 0.5 percent) statewide.

Uncertainty: Medium

Office Space

2024 Situation: The Texas office market includes 1.2 billion square feet of leasable space, amounting to 82 square feet per payroll worker. This inventory grew by almost eight million square feet, or about 0.7 percent, in 2024. Statewide rents through 2024 ranged between \$29 and \$44 across major markets.

Deliveries: New deliveries will slow again in 2025, reflecting a smaller pipeline. About five to six million square feet will be added to statewide inventory, an increase of about half a percent.

Uncertainty: Low

Net Absorption: Overall net absorption in 2025 will be slightly negative with new Class A space seeing strong absorption while older Class A and all Class B and C give up occupancy. The cumulative effect will be a negative 0.5 percent over 2025.

Uncertainty: Medium

Rents: In 2025 rent growth will average 1.5 percent statewide across all classes. Premium, new buildings, which will account for a substantial portion of lease volume, command record-high rents. Much of the remaining inventory will see rent stagnation or concessions leading to rent decreases in real terms.

Uncertainty: Medium

Industrial Space

2024 Situation: The state's industrial market has 2.7 billion square feet of leasable space, averaging out to 191 square feet per payroll worker. Inventory grew by 3 percent (83 million sf) in 2024. Rents across major markets ranged between \$10.60 and \$14.30 at year end.

Deliveries: The industrial pipeline has been shrinking since the peak in the pandemic. Total new deliveries will be down another 30 to 50 percent from 2024. The state should expect about 50 million square feet of deliveries in 2025, implying a statewide inventory increase of between 1 and 2 percent by December 2025.

Uncertainty: Low

Net Absorption: With continued growth, Texas businesses will take up much of the new inventory. Statewide net absorption will be healthy at about 11 million square feet each quarter, or about 45 million square feet by the end of 2025. This amounts to a 1.5 percent net absorption rate.

Uncertainty: Medium

Rent: Positive but weaker rent growth is expected overall in 2025. Expect to see some owner concessions, depending on market and product type. Big-box properties will lease more slowly than infill sites. Rent growth will fall early in 2025 and could strengthen some by year end with 3 percent growth overall.

Uncertainty: Medium

Retail Space

2024 Situation: Texas retail markets include 1.5 billion square feet of leasable space, amounting to 51 square feet per person. In 2024 a net ten million square feet was added to the inventory. Retail rent averaged \$22.70 statewide in 2024.

Deliveries: Statewide inventory will grow by over six million square feet, or at about two thirds the rate of 2024. After an increase in 2024 to meet pent-up demand, the pipeline has slowed some.

Uncertainty: Low

Net Absorption: By late 2024, net absorption was not keeping pace with new deliveries. This will be the case through much of 2025, with a cumulative year-end increase in net absorption of less than 1 percent of inventory.

Uncertainty: Medium

Rent: Retail rent growth will soften in 2025 but remain positive at 3 percent over 2024 rates.

Uncertainty: Medium

Rural Land Market

2024 Situation: About 142.7 million acres comprise Texas' rural land market. This accounts for approximately 83 percent of all Texas land. While median price rose year over year through 2024, the rate of growth has come in lower each quarter (through the third quarter). Conversely, the number of acres sold appears to have troughed in 2024 and, through the third quarter, it is higher than a year ago. Likewise, total dollar volume was positive year over year through the third quarter, for the first time in 2024. Overall, the market seems to be at an inflection point. Over the last year, market prices were sustained by sales of a high proportion of premium properties while less attractive land remained on the market longer.

Sales Volume: With interest rates widely expected to be lower in 2025 than in 2024 and market sentiment on the rise, rural land sales volumes will be slightly higher in 2025 than in 2024.

Uncertainty: Medium

Median Price: Price expectations will likely moderate, with less lofty appreciation expectations in 2025. Median land price will come in lower, at least through the first half of the year.

Uncertainty: Medium

Legal Outlook

The TRERC forecast calls attention to new and emerging legal and regulatory issues. The Center expects potential impacts on real estate markets due to the following legal and regulatory issues. Their ultimate impact will depend on factors such as implementation and interpretation by the legal system and market participants.

At the federal level, President-Elect Trump will attempt to implement his agenda. The extent to which Congress will cooperate remains to be seen. Potential impacts include cuts to federal income taxes and federal spending. Spending cuts may include a reduction in federal government employees. Tariffs may have an impact on international trade and prices of goods and materials. TRERC also expects to see changes in federal agencies with respect to policies, rules, and enforcement.

The 89th Texas Legislature begins on Jan. 14, 2025, and filing has already begun. It's still too soon to know what will pass, but the Legislature is likely to consider bills about:

- Property tax and/or appraisal reform
 - Water and energy infrastructure
 - Housing affordability
 - Property rights and Property Owner Associations
 - Property insurance
 - Illegal immigration
 - Squatters
 - School choice
- Foreign buyers

Seven Principles of TRERC's Real Estate Forecast

TRERC economists considered and adopted principles to inform the forecasting process. Keeping these principles in mind shapes how forecasts are created, evaluated, and communicated.

- Real estate decision-makers are the audience, because they have a financial stake in real estate markets. They include financiers, developers, builders, households, business occupiers, and real estate professionals who facilitate transactions.

- Asset forecasts should address supply and demand, transaction volume, and price.
 - Results should reference the prior year and provide quantitative estimates where feasible.
 - The forecast should use multiple methods integrating quantitative and qualitative methods and be informed by professional judgment. Each forecast element is developed by multiple researchers and subjected to review by the entire team.
 - Plausible geopolitical and macroeconomic assumptions are the foundation of the asset forecasts. When consensus is impossible or uncertainty too high, alternative forecast scenarios should be developed.
 - The forecast process should be regularly evaluated. The projections should be updated periodically as new data become available.
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- Include appraisal by and recommendations from outside reviewers.

Sources for 2024 asset statistics:

Single-Family: Texas REALTORS® Data Relevance Project, U.S. Census Bureau American Community Survey.

Multifamily, Office, Industrial, and Retail: CoStar Group Inc, www.costar.com, U.S. Census Bureau American Community Survey.

Rural Land: Texas A&M Natural Resources Institute, Texas Farm Bureau.