



2024 Texas Real Estate Forecast



TEXAS A&M UNIVERSITY
Texas Real Estate Research Center

2024 Texas Real Estate Forecast

By the TRERC Research Team

Given the Lone Star State's powerful economic influence, real estate decision makers shape our entire economy and impact more than 30 million residents. Our forecast shines new light.

Texas is a real estate trendsetter when it comes to residential, commercial, and land markets in the U.S. In fact, four Texas housing markets—DFW, Houston, Austin, and San Antonio—outranked every U.S. real estate market in 2023. Is this sustainable in 2024? That's where our 2024 Texas Real Estate Forecast illuminates with relevant and reliable data.

Not all real estate decisions are good ones, but an informed economic forecast can improve the odds. Our new forecast is intended to help Texans make better real estate decisions.

- » It draws attention to the most influential, big-picture trends that impact individual real estate asset markets (see the macro drivers sidebar).
- » It gives our best consensus projections for those markets (see the handy color-coded risk and certainty notes).
- » And it connects the dots between the macro drivers and risk projections for contingency planning across the state (see the seven principles).

To help shape this forecast, our research team adopted **seven principles:**

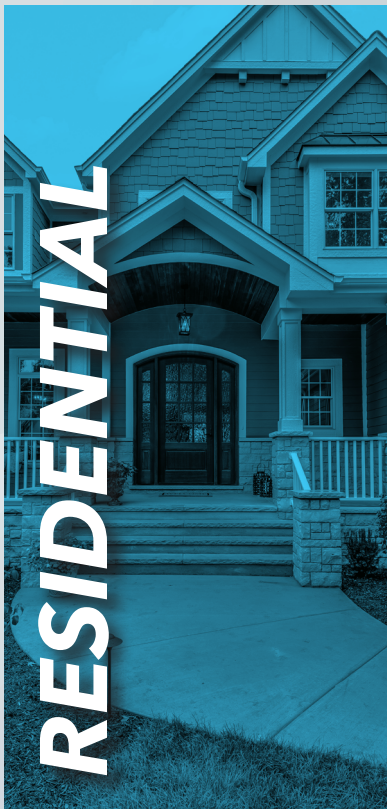
- » **AUDIENCE.** Real estate decision makers are the audience: financiers, developers, builders, homebuyers and sellers, business occupiers, and those who facilitate real estate transactions.
- » **ASSETS.** For residential housing, we include single-family and multifamily housing; for commercial spaces, we include office, industrial, and retail; and for land, we consider rural land.
- » **COMPARISON.** We present 2024 results qualitatively and in comparison to 2023's overall performance.
- » **METHOD.** We use both quantitative and qualitative methods for team consensus.
- » **SCENARIOS.** We base real estate asset forecasts on plausible scenarios.
- » **EVALUATION.** We will regularly evaluate the forecast and revise as needed.
- » **VETTING.** We questioned and challenged each other's methods and results before reaching a consensus on macro driver assumptions and asset forecasts. We enlisted outside authorities to challenge assumptions and forecasts for efficacy.

The 2024 Texas Real Estate Forecast: It's REAL ESTATE. It's RELEVANT. It's TEXAS.



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



Single-Family Housing



2023 Situation: There are 8.2 million single-family homes in Texas. Single-family home sales continued to plummet with final sale levels likely to fall somewhere between 320,000 and 340,000. Median home price ranged between \$320,000 and \$345,000 and should end the year below \$340,000. Statewide single-family rents ended the year at \$2,100 per month.

↑ Deliveries

Single-family deliveries will increase in 2024 relative to 2023. With almost 4 percent growth over last year, construction will match pre-COVID levels.

CERTAINTY ✓

↓ Prices

At best, average overall home price levels could remain flat or, at most, dip slightly but stay near \$340,000.

CERTAINTY ?

↓ Rent

Single-family rents are expected to fall, continuing their 2023 trend.

CERTAINTY ?

↔ Sales

Home sales have not bottomed out, and total sales are expected to remain flat in 2024 compared to 2023, at about 330,000 units. Lower interest rates for at least part of 2024 may boost this somewhat. New sales will continue to account for a larger-than-average share of total sales—around 20 percent.

CERTAINTY ?



Office Space



2023 Situation: The Texas office market includes almost 1.2 billion square feet of leasable space, amounting to 82 square feet per payroll worker. This inventory grew by almost 12 million square feet, or about 1 percent in 2023. Statewide rents through 2023 averaged \$30.00.

↑ Deliveries

New deliveries will run at or above the 2023 level. Depending on how vigorously under-construction projects are completed, statewide inventory may increase by a net 10 million square feet, half of that by the first quarter.

CERTAINTY ✓

↓ Net Absorption

Net absorption in 2024 will be negative with substantially more office space given up than leased. As a percentage of inventory, net absorption will range from minus 1 to 2 percent.

CERTAINTY ?

↓ Rent

Average statewide rent across all classes will fall through 2024. December 2024 rents will be 3 to 4 percent below their 2023 end.

CERTAINTY !

Asset Risk Certainty

Based on historical relationships and the methods used to forecast each asset, the level of certainty fluctuates across the forecast, demonstrated by our color-coded signals:

- ✓ Low risk, relative certainty
- ? Intermediate risk, some uncertainty
- ! Significant risk, significant uncertainty

Key Macro Drivers

The market behaviors and established macro drivers are the foundation of TRERC's asset forecasts in 2024. Our economists and researchers believe the macro drivers listed here were the most important determining factors in this forecast. Each market—residential, commercial, and land—includes a row of icons indicating which macro drivers will most impact that market asset.



ECONOMIC OUTPUT
Gross Domestic Product
U.S.: 1.0% to 1.5%
TX: 2.0% to 2.5%



JOBS
Payroll Employment
U.S.: 0.8% to 1.0%
TX: 1.1% to 2.7%



INCOME
Personal Income
TX: 2.7% to 3.8% (nominal)



SPENDING
Personal Consumption Expenditures
U.S.: 2.0 to 4.0% (nominal)



POPULATION
TX Population Growth
1.0% to 2.0%



INTEREST RATES
Federal Reserve Fed Funds Target Range
4.5% to 5.5%
30-Year Fixed Mortgage Rate
6% to 8%



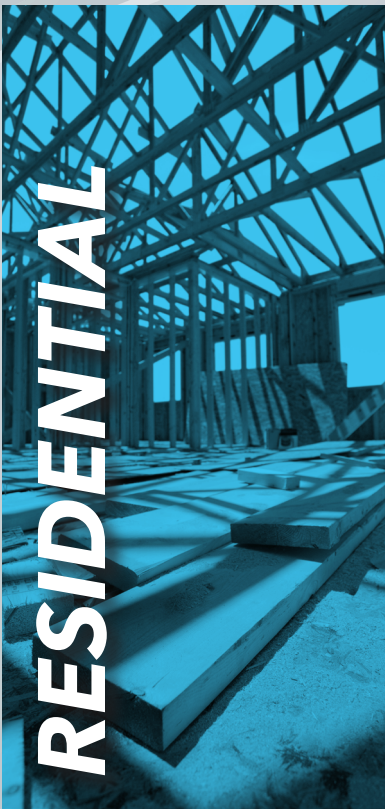
INFLATION
Consumer Price Index
2.0% to 3.0%
Producer Price Index
1% to 2%



ENERGY PRICES
West Texas Intermediate \$80 to \$100, ending 2024 at \$90
Henry Hub Natural Gas Prices \$2.75 to \$3.75, ending 2024 at \$3.50

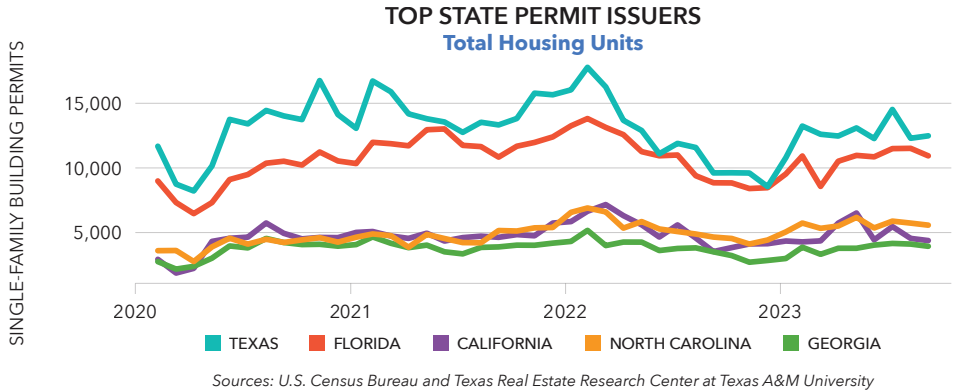


LEGAL & GEOPOLITICAL
Continued political division brings risks over spending and debt policy. Risks from many global conflicts are relatively high.



New Construction

2023 Situation: In Texas, new home construction hammered other U.S. markets. Dallas-Fort Worth, Houston, Austin, and San Antonio are top homebuilding markets in the United States, and are expected to continue that positive trend in 2024.



Retail Space



2023 Situation: Retail markets in Texas total 1.5 billion square feet of leasable space. This amounts to 51 square feet of retail space per person in the state. A net 7.5 million square feet were added to the retail inventory. Retail rent averaged \$22.18 in 2023.

↔ Deliveries

Statewide inventory will remain unchanged, with the potential for a 1 to 2 percent increase or decrease from December 2023. This will depend on the rate at which older spaces are converted and how closely new construction matches demand.

CERTAINTY ?

↑ Net Absorption

Retail net absorption as a percentage of inventory will be positive but lower in 2024 than in 2023. Total net absorption may approach ten million square feet or about 0.5 percent of inventory.

CERTAINTY ?

↑ Rent

Retail rents are expected to end 2024 slightly above their December 2023 level. Up to 2 percent growth statewide is possible.

CERTAINTY ?

Asset Risk Certainty

Based on historical relationships and the methods used to forecast each asset, the level of certainty fluctuates across the forecast, demonstrated by our color-coded signals:

- ✔ **Low risk, relative certainty**
- ? **Intermediate risk, some uncertainty**
- ! **Significant risk, significant uncertainty**

Key Macro Drivers

The market behaviors and established macro drivers are the foundation of TRERC's asset forecasts in 2024. Our economists and researchers believe the macro drivers listed here were the most important determining factors in this forecast. Each market—residential, commercial, and land—includes a row of icons indicating which macro drivers will most impact that market asset.



ECONOMIC OUTPUT
Gross Domestic Product
U.S.: 1.0% to 1.5%
TX: 2.0% to 2.5%



JOBS
Payroll Employment
U.S.: 0.8% to 1.0%
TX: 1.1% to 2.7%



INCOME
Personal Income
TX: 2.7% to 3.8% (nominal)



SPENDING
Personal Consumption Expenditures
U.S.: 2.0 to 4.0% (nominal)



POPULATION
TX Population Growth
1.0% to 2.0%



INTEREST RATES
Federal Reserve Fed Funds Target Range
4.5% to 5.5%
30-Year Fixed Mortgage Rate
6% to 8%



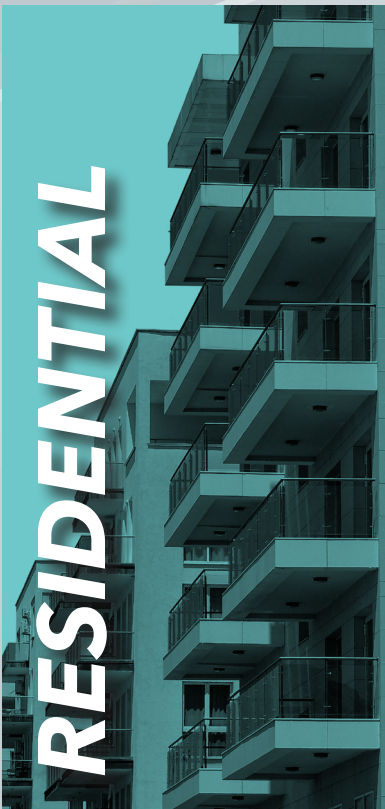
INFLATION
Consumer Price Index
2.0% to 3.0%
Producer Price Index
1% to 2%



ENERGY PRICES
West Texas Intermediate \$80 to \$100, ending 2024 at \$90
Henry Hub Natural Gas Prices \$2.75 to \$3.75, ending 2024 at \$3.50



LEGAL & GEOPOLITICAL
Continued political division brings risks over spending and debt policy. Risks from many global conflicts are relatively high.



RESIDENTIAL

Multifamily Housing



2023 Situation: The Texas apartment market has over 2.5 million units, or one apartment for every 11 residents in the state. The market delivered over 80,000 units. Average per-unit rent is above \$1,400 per month.

↓ Deliveries

Apartment deliveries will be much lower in 2024 than in 2023 as the under-construction pipeline has peaked. Statewide deliveries will be 20 percent lower by year end.

CERTAINTY ✓

↑ Rent

Multifamily effective rent growth will strengthen in 2024. Growth in the largest metropolitan markets will average 2.5 percent for the year.

CERTAINTY ?



COMMERCIAL

Industrial Space



2023 Situation: The Texas industrial market includes 2.7 billion square feet of leasable space, averaging out to 191 square feet per payroll worker in Texas. Inventory grew by 2.8 percent, a total increase of 73 million square feet. Rents averaged \$9.35 through 2023.

↑ Deliveries

Even with macroeconomic conditions softening in 2024, deliveries will remain relatively strong. Depending on how vigorously under-construction projects are finished, total statewide inventory may increase by 1.5 to 3 percent by December 2024.

CERTAINTY ✓

↓ Net Absorption

Statewide net absorption will be healthy in 2024, but at two-thirds the rate of 2023, or about 50 million square feet. This is about 2 percent of December 2023 inventory.

CERTAINTY ?

↑ Rent

Statewide industrial rents will continue increasing in 2024, but the 2 to 4 percent increase will be below 2023's pace.

CERTAINTY ?

Asset Risk Certainty

Based on historical relationships and the methods used to forecast each asset, the level of certainty fluctuates across the forecast, demonstrated by our color-coded signals:

- ✓ Low risk, relative certainty
- ? Intermediate risk, some uncertainty
- ! Significant risk, significant uncertainty

Key Macro Drivers

The market behaviors and established macro drivers are the foundation of TRERC's asset forecasts in 2024. Our economists and researchers believe the macro drivers listed here were the most important determining factors in this forecast. Each market—residential, commercial, and land—includes a row of icons indicating which macro drivers will most impact that market asset.



ECONOMIC OUTPUT
Gross Domestic Product
U.S.: 1.0% to 1.5%
TX: 2.0% to 2.5%



JOBS
Payroll Employment
U.S.: 0.8% to 1.0%
TX: 1.1% to 2.7%



INCOME
Personal Income
TX: 2.7% to 3.8% (nominal)



SPENDING
Personal Consumption Expenditures
U.S.: 2.0 to 4.0% (nominal)



POPULATION
TX Population Growth
1.0% to 2.0%



INTEREST RATES
Federal Reserve Fed Funds Target Range
4.5% to 5.5%
30-Year Fixed Mortgage Rate
6% to 8%



INFLATION
Consumer Price Index
2.0% to 3.0%
Producer Price Index
1% to 2%



ENERGY PRICES
West Texas Intermediate \$80 to \$100, ending 2024 at \$90
Henry Hub Natural Gas Prices \$2.75 to \$3.75, ending 2024 at \$3.50



LEGAL & GEOPOLITICAL
Continued political division brings risks over spending and debt policy. Risks from many global conflicts are relatively high.



Rural Land Market



2023 Situation: Roughly 142.7 million acres make up the state's rural land market. This includes about 83 percent of all Texas land or 4.7 acres of rural land per Texan. Although rural land sales volumes fell from the heated demand in 2021 and the first half of 2022, prices continued to rise through 2023. However, declines in total dollar volume and the recent slowdown in price appreciation imply many market participants perceive prices are too high. With interest rates expected to remain high and a potential recession on the horizon, we expect the following in 2024.

↓ Sales

Rural land sales volumes will continue to decline in 2024.

CERTAINTY ✓

↓ Prices

Median land price will reach a near-term peak, possibly by the end of 2023, and then decline.

CERTAINTY ?



Legal Outlook

TRERC expects the following legal and regulatory issues from the 88th Texas legislative session to eventually have a substantial impact on real estate markets. Ultimate impact will depend on factors such as implementation and interpretation by the legal system and market participants.

ALL PROPERTY OWNERS

» **SB 929** provides a process for property owners required to stop a nonconforming use. Owners may elect to receive certain costs plus the diminution in the market value of the property, or recoup that amount through continued nonconforming use.

Why this matters: Because property owners now have this option, municipalities may change the way they address zoning issues.

HOMEOWNERS

» **SB 2** (Second Special Session) makes changes to the property tax system, including an increased homestead exemption and a three-year, 20 percent appraisal cap on non-homestead properties under \$5 million.

Why this matters: This may enable more homeowners to stay in their homes, and it may affect the real estate market and the general Texas economy.

COMMERCIAL OR RESIDENTIAL DEVELOPERS

» **HB 3697 AND HB 14** change what a county may require for plat approval, allow delegation of plat approval, and strengthen timing requirements and the consequences for failure to meet them. A qualified third party may conduct document review or development inspection if a regulatory authority fails to do so within 15 days after the time required.

Why this matters: This may streamline the approval process for developers, but it also may increase the potential for inconsistencies in plat approvals.

» **HB 1526** may affect development and markets in municipalities with population greater than 800,000 by prohibiting required dedication of parkland or fees in lieu thereof for commercial uses other than multifamily, hotel, or motel.

Why this matters: This change may encourage development in some cases by reducing costs and making more land available to the developer.

» **HB 2127** may eliminate some regulations by municipalities and counties.

Why this matters: It may result in easier, faster, or less expensive development.

About the Forecast

The 2024 Texas Real Estate Forecast introduces an innovative approach for the Texas Real Estate Research Center at Texas A&M University (TRERC). Projections for real estate sales and lease transactions, including prices for each asset within the residential, commercial, and rural

land sectors, were made at a state-wide level. 2023 summaries necessarily include an extrapolation to arrive at year-end numbers for each asset class. Projections for 2024 are relative to the 2023 baseline. Giving the most weight to macro drivers, TRERC researchers assumed these

drivers, or trends, would behave within the ranges indicated in the sidebar. Teams of TRERC researchers projected performance for each asset, with three or more researchers addressing each of the asset categories. This report reflects the consensus of those teams.

Sources for 2023 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



Daniel Oney, Ph.D.



Lynn Krebs, Ph.D.



Rusty Adams, J.D.



James Gaines, Ph.D.



Adam Perdue, Ph.D.



Joshua Roberson



Charles Gilliland, Ph.D.



Tian Su, Ph.D.



Wesley Miller



Harold Hunt, Ph.D.



Mallika Natarajan

About the Texas Real Estate Research Center

The Texas Real Estate Research Center at Texas A&M University is the nation's largest publicly funded organization devoted to real estate research. Created by the state

legislature in 1971 to meet the data and knowledge sharing needs of many audiences, including the real estate industry, instructors, researchers, legislators, and the

public, the Center creates public content, including digital and print documents, publications, and videos that are available on the Center's website www.recenter.tamu.edu.

www.recenter.tamu.edu

[f](#) [X](#) [@](#) [in](#) [@recentertx](#)



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center