Texas Real Estate Forecast 2026

Texas A&M University's Real Estate Research Center recently published its third annual market forecast, delivering valuable analysis of the economic dynamics and industry trends poised to influence property markets across the state through the end of 2026. The following summary highlights the principal conclusions from this latest study, presenting a research-based overview of anticipated developments for industry participants.

Economic Projections: Steady but Cautious Expansion

Looking ahead to 2026, analysts anticipate sustained economic growth nationally and within Texas, though certain variables remain difficult to predict. Nationwide GDP is projected to increase between 2% and 2.6%, while Texas is expected to demonstrate stronger performance at 2.4% to 2.9%. Notably, researchers have characterized these estimates as carrying "significant" uncertainty given current macroeconomic volatility.

Regarding labor markets, national payroll expansion should fall within the 0.8% to 1.2% range, whereas Texas is positioned for more robust hiring activity at 1.3% to 1.7% through December 2026. State population increases are anticipated between 0.7% and 1.2%, with both metrics assigned "moderate" uncertainty designations. Personal income gains of 5% to 5.5% are expected across both the national and state economies, representing one of the more dependable forecasts with a "low" uncertainty classification.

Monetary Policy and Consumer Prices

Rate trajectory continues to be pivotal for property markets. Analysts expect the Federal Reserve to establish its benchmark rate within a 3% to 3.5% corridor by late 2026. This outlook reflects the ongoing monetary easing that commenced in 2025, when policymakers pivoted from combating inflation toward supporting a cooling employment landscape.

Thirty-year mortgage rates are anticipated to settle between 5% and 5.6% by year's end, marking a substantial reduction from the 6.24% level recorded in November 2025. Annual consumer price increases are forecast to decelerate to between 2.4% and 2.8% by December 2026.

Office Sector: Confronting Excess Inventory

Commercial property, especially the office segment, enters 2026 amid considerable headwinds. Roughly 53 million square feet of vacant office space has accumulated statewide over the preceding five years, generating substantial excess capacity in Texas's principal metropolitan regions.

This surplus varies considerably by geography. Austin exhibits the greatest proportional imbalance, comprising merely 12% of statewide office stock yet accounting for 28% of recent excess inventory. The technology sector's rapid expansion prompted aggressive development, though absorption has lagged despite sustained employment gains through mid-2025.

Dallas-Fort Worth's vacancy situation corresponds to its overall market share, with the metroplex representing 37% of both total inventory and surplus space. Houston and San Antonio have generated comparatively less excess relative to their inventory positions. Meanwhile, 21 smaller metro areas collectively contain 12% of the state's office space but account for just 1% of the oversupply, indicating minimal speculative construction activity in secondary markets.

Shifting Office Utilization Patterns

Weak employment growth does not explain the office market's difficulties. Office-sector hiring has remained consistent across major Texas metros for a decade, with the most recent five-year period actually generating marginally higher job creation than the preceding period. Through August 2025, Austin recorded 75,700 new office-related positions (8% above the prior period), DFW added 167,200 roles (15% higher), and Houston gained 76,000 jobs (14% increase). San Antonio proved the outlier, generating only 24,900 positions (13% fewer than the preceding period).

The core challenge lies in the decoupling of office employment from physical space requirements. Square footage absorbed per additional office employee has declined by more than 50% across all major Texas markets. Remote work arrangements were already gaining traction before 2020, and pandemic-era shutdowns dramatically accelerated this shift, creating persistent obstacles for employers seeking to restore traditional workplace attendance.

Factors Supporting Market Stabilization

Multiple dynamics may facilitate equilibrium restoration in Texas commercial property markets. The state maintains its competitive advantage in corporate headquarters relocations, capturing one-quarter of major company moves in 2024. Premium office developments completed in Austin and DFW remain compelling options for firms relocating from other states.

Adaptive reuse projects, particularly residential conversions, offer another mechanism for inventory absorption. Building demolitions may increase where alternative uses prove economically unfeasible. Additionally, a softening labor market may strengthen employer leverage in mandating office attendance. The convergence of reduced construction activity, continued economic expansion, and property repurposing or removal is expected to gradually restore market balance.

Underlying Assumptions and Risk Factors

The 2026 projections presume no significant macroeconomic disruptions that would fundamentally alter the U.S. or Texas economic trajectory. This framework assumes current policies regarding international trade, taxation, and immigration will continue shaping economic conditions without major modifications or unexpected developments. The analysis also presumes geopolitical tensions will not intensify to levels that would meaningfully affect broader economic conditions.

Evaluating prior forecast performance, researchers acknowledged that 2025 growth predictions exceeded actual results, while inflation and rate projections aligned more closely with observed data. The 2025 outlook had anticipated 2.5% GDP expansion and 1.2% payroll growth; however, actual GDP averaged just 1.6% through the first half, and national employment increased only 0.8% through September. Inflation estimates proved more reliable, with the annual average through autumn 2025 reaching 2.3% against the 2.5% projection.

This newsletter is based on research published by the Texas Real Estate Research Center at Texas A&M University in January 2026. For the complete forecast, including detailed asset projections, visit the Center's website at trerc.tamu.edu.

For further information on these developments, please contact Emily Garrett.