TIERRA GRANDE
THE JOURNAL OF TEXAS REAL ESTATE RESEARCH

Housing | Summer 2026

From interest rates to inventory, see what's driving Texas residential real estate.

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TEXAS A&M UNIVERSITY
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PUBLICATION 2509
JULY 2026

HOUSING

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The housing market has cooled and is neither decelerating nor accelerating. Inventory is rising and homes are no longer flying off the market as they did during the pandemic. Listings are sitting on the market much longer without committed buyers, prompting sellers to cut prices—often sharply. The frenzy of the pandemic, when homes routinely sold above asking amid breakneck demand and bidding wars, is clearly in the past.

Higher mortgage rates have squeezed buyer affordability, not only by pushing monthly payments hundreds of dollars higher for those still able to purchase, but also by shrinking the pool of qualified buyers and sidelining many altogether.

Sellers increasingly find themselves competing with one another as buyers have become more price sensitive under the weight of high mortgage rates and higher cost of living. Rising inventory has shifted market dynamics, giving buyers more leverage, something that was long absent when persistent inventory shortage largely defined market dynamics.

Seller expectations are perhaps lagging as well and contributing to frequent and significant price cuts. Coming off the peak prices of 2021-22, many homeowners may be slow or reluctant to price their properties to current market conditions, especially if those peak values have become key pricing anchors.

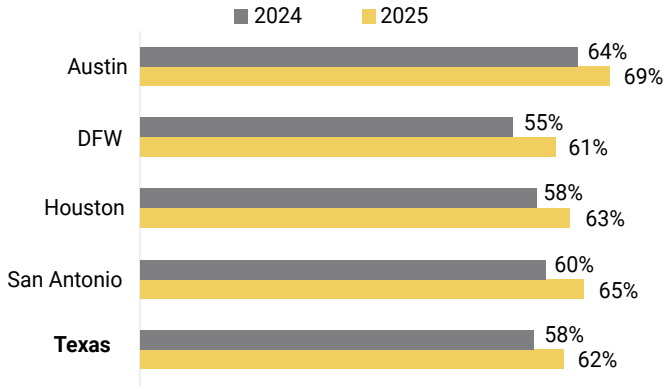
Two years ago, 58 percent of all homes sold across Texas closed at prices at least 3 percent below sellers' initial ask prices (see Figure 1). These sales accounted for 64 percent of transactions in Austin, 55 percent in Dallas-Fort Worth, 58 percent in Houston, and 60 percent in San Antonio. By 2025, the share increased statewide to more than three in five closed sales, rising to 69 percent in Austin, 61 percent in DFW, 63 percent in Houston, and 65 percent in San Antonio.

Through April, same-period data indicates more sellers are cutting prices, and by larger amounts (see Figure 2). Statewide, the typical price reduction reached 4.5 percent from the original asking price, up from 3.9 percent a year earlier. Austin continues to see the largest price concessions at 5.9 percent in the first four months of the year, followed by 5.6 percent in San Antonio, 4.9 percent in Houston, and 4.1 percent in DFW. In April, median sale prices were $440,000 in Austin, $390,000 in DFW, $330,000 in Houston, $305,000 in San Antonio, and $350,000 statewide.

Several forces are shaping the trajectory of the spring housing market: rising energy prices and supply disruptions, rising investor demand on treasury yields, higher mortgage rates, weakening consumer sentiment, and, not least, renewed inflation. Together, they are weighing on buyer demand just as the market enters its peak season.

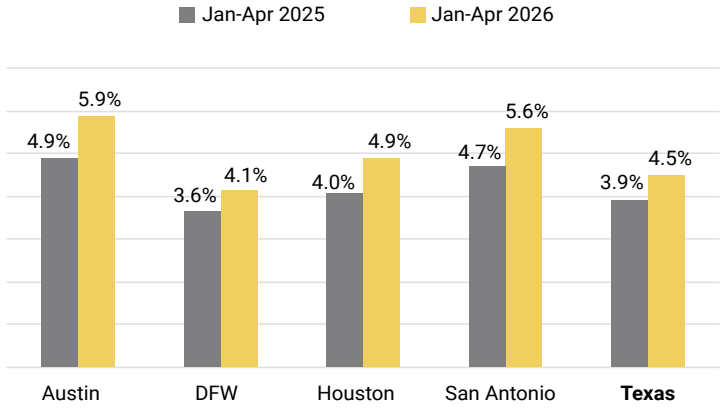
Fresh listings are on the rise and now running modestly ahead of last year. While inventory isn't expanding as rapidly as it did a year ago, it's still on track to reach a new spring-season high. These shifting conditions also create opportunities for buyers who can manage higher borrowing costs, as well as for sellers who price their homes competitively and strategically.

Figure 1. Share of Homes Closing at 3 Percent or More Below Initial Asking



Source: Texas Real Estate Research Center analysis of Data Relevance Project, Texas REALTORS® data

Figure 2. Sellers Aren't Done Cutting Prices



Note: Percentage reduction from initial listing price.
Source: Texas Real Estate Research Center analysis of Data Relevance Project, Texas REALTORS® data

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For more insights and analysis, read the latest *Texas Housing Insight* report.

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