

# Market Update

with  
Mark Sprague

2026



Independence  
*Title*

Mark Sprague

State Director of Information Capital

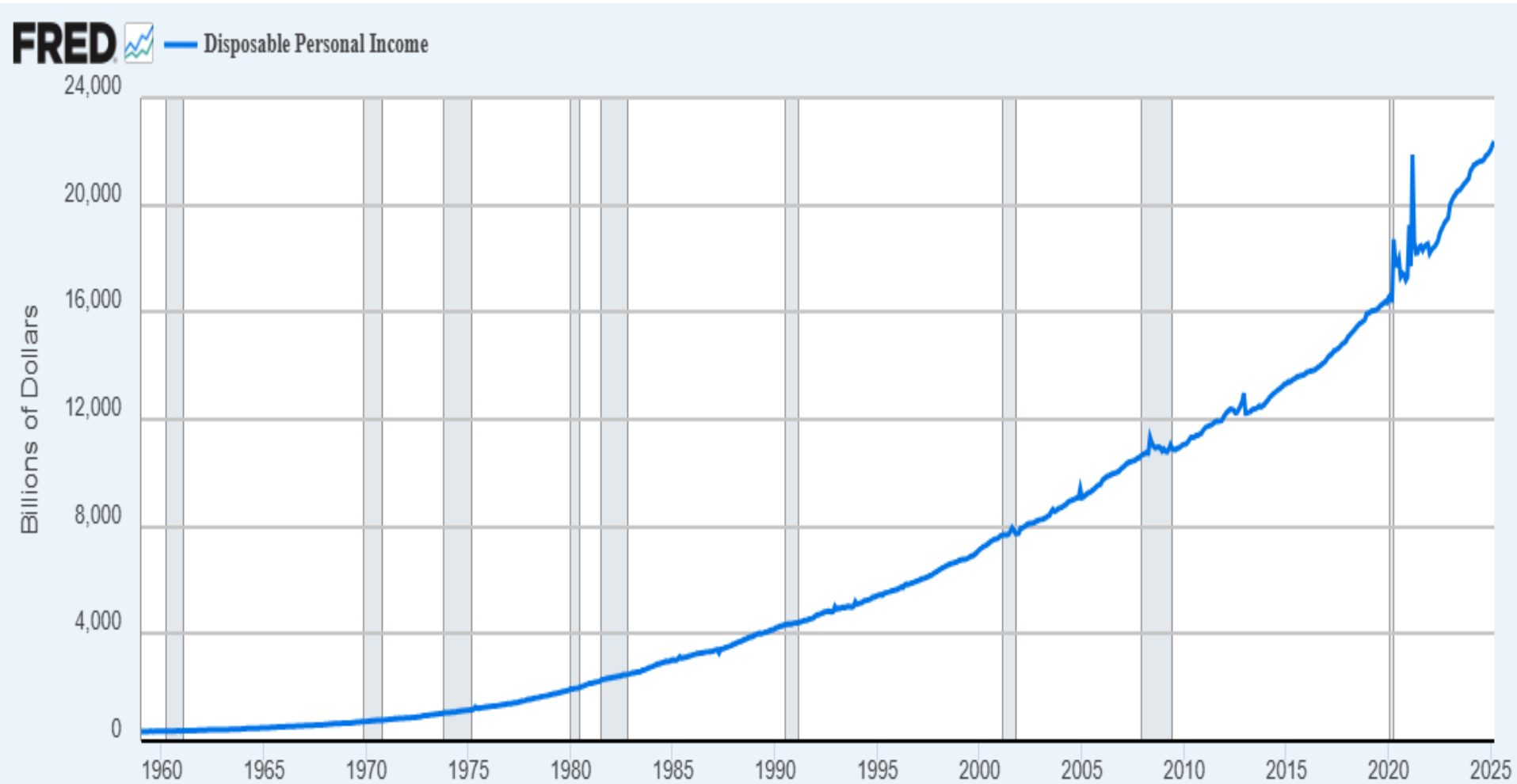
# What do you think?

## Will the market in 2026 be Better? Same? Worse?

- When do we get back to normal? What's normal? Economy / jobs / savings / rates.
- Supply-chain disruptions – are they gone?
- Inflation - what is healthy inflation?
- Decelerating real estate appreciation?
- Where are rates headed? What effect?
- Buyers or sellers' market?
- What is the possibility of a recession?
- 2020 / 2021 / 2022 was an outlier, not a benchmark.
- What inning are we in?

# Per Capital Disposable Income

Better than before COVID, but not much...



Source: U.S. Bureau of Economic Analysis via FRED®  
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

# Household Savings Rate Down



# Credit Card Debt

## U.S. Credit Card Trends

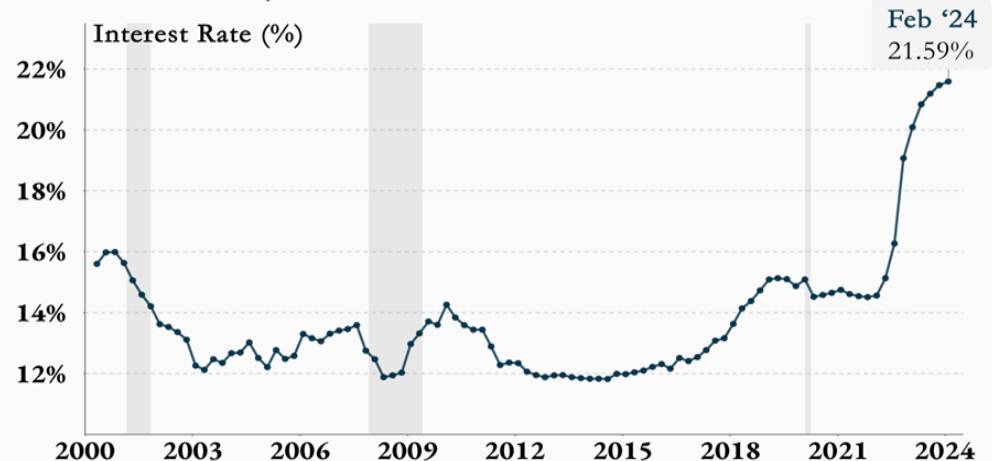
### Credit Card Debt Over Time

2000-2024 (Weekly, Seasonally Adjusted)



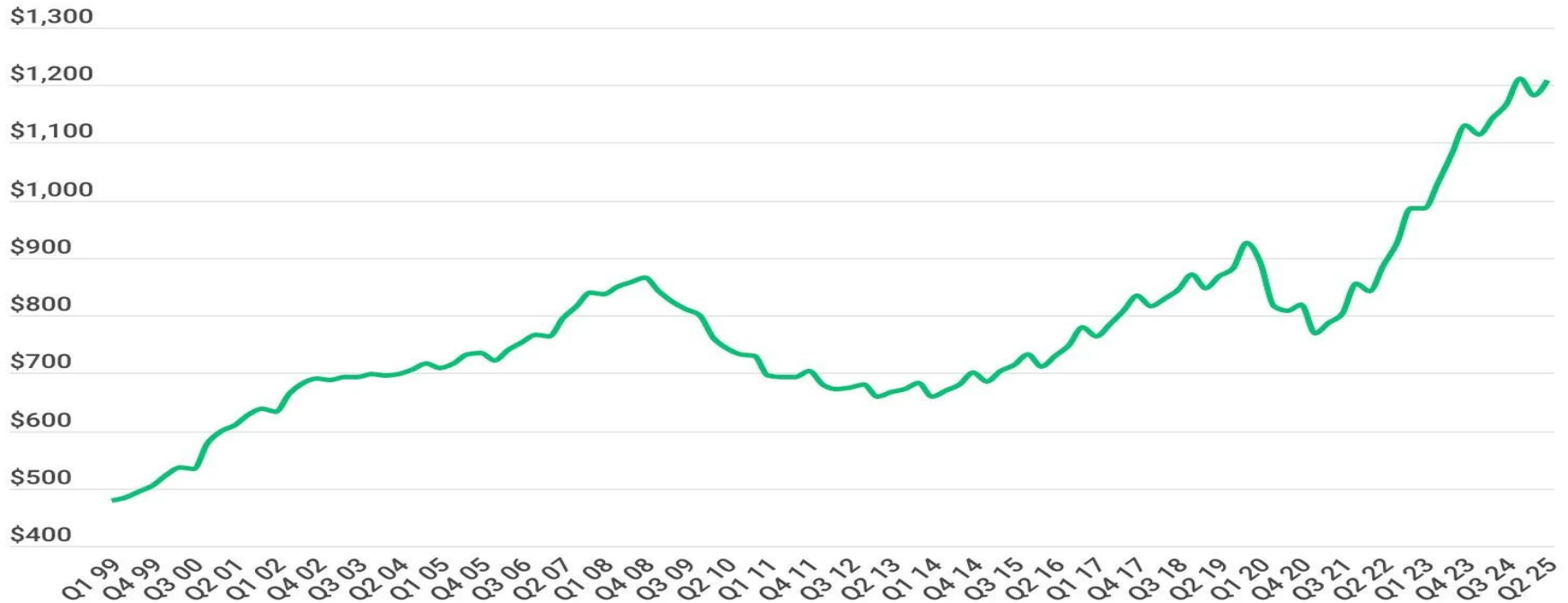
### Interest Rates on Credit Card Plans

2000-2024 (Monthly)



# Credit Card Debt

Total outstanding credit card balances, 1999 to present



Source: New York Fed Consumer Credit Panel/Equifax. Note: Values, which are in billions, are seasonally adjusted.





Comparing the Speed of

# U.S. Interest Rate Hikes

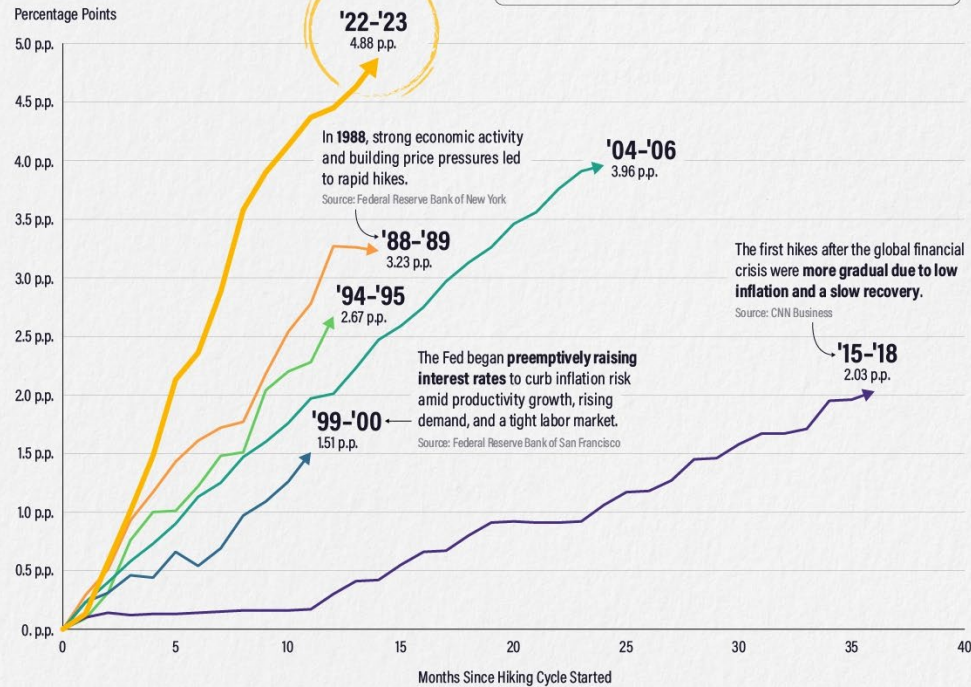
Rates have risen faster than any other time in recent history.

The Federal Reserve has aggressively raised rates to fight inflation. In just over a year, the effective federal funds rate has risen nearly 5 percentage points.

How does this compare to other periods of interest rate hikes over the past 35 years?

The effective federal funds rate is a weighted average of the rate banks use to lend money to each other overnight. It is determined by the market, but is influenced by the Federal Reserve's target.

## Change in Effective Federal Funds Rate



In 1988, strong economic activity and building price pressures led to rapid hikes.  
Source: Federal Reserve Bank of New York

'88-'89  
3.23 p.p.

'94-'95  
2.67 p.p.

'99-'00  
1.51 p.p.  
The Fed began preemptively raising interest rates to curb inflation risk amid productivity growth, rising demand, and a tight labor market.  
Source: Federal Reserve Bank of San Francisco

'04-'06  
3.96 p.p.

The first hikes after the global financial crisis were more gradual due to low inflation and a slow recovery.  
Source: CNN Business

'15-'18  
2.03 p.p.

Source: Federal Reserve. Chart inspired by Charttr. Month 0 is the month when the first interest rate hike in the cycle occurred. The 2022-2023 cycle reflects the change in the effective federal funds rate up to May 2023. Data is monthly based on daily averages apart from May 2023 data, which uses data as of May 4, 2023. We considered an interest rate hike cycle to be any time period when the Federal Reserve raised rates at two or more consecutive meetings.



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COLLABORATORS RESEARCH + WRITING Jenna Ross | ART DIRECTION + DESIGN Sabrina Lam



Mark Sprague  
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# Global Economic Outlook

The rest of the world was in recovery until the invasion of Ukraine.....



# Global Recovery Slow

## World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2024	2025	2026
<b>World Output</b>	<b>3.3</b>	<b>3.0</b>	<b>3.1</b>
<b>Advanced Economies</b>	<b>1.8</b>	<b>1.5</b>	<b>1.6</b>
United States	2.8	1.9	2.0
Euro Area	0.9	1.0	1.2
Germany	-0.2	0.1	0.9
France	1.1	0.6	1.0
Italy	0.7	0.5	0.8
Spain	3.2	2.5	1.8
Japan	0.2	0.7	0.5
United Kingdom	1.1	1.2	1.4
Canada	1.6	1.6	1.9
Other Advanced Economies	2.2	1.6	2.1
<b>Emerging Market and Developing Economies</b>	<b>4.3</b>	<b>4.1</b>	<b>4.0</b>
Emerging and Developing Asia	5.3	5.1	4.7
China	5.0	4.8	4.2
India	6.5	6.4	6.4
Emerging and Developing Europe	3.5	1.8	2.2
Russia	4.3	0.9	1.0
Latin America and the Caribbean	2.4	2.2	2.4
Brazil	3.4	2.3	2.1
Mexico	1.4	0.2	1.4
Middle East and Central Asia	2.4	3.4	3.5
Saudi Arabia	2.0	3.6	3.9
Sub-Saharan Africa	4.0	4.0	4.3
Nigeria	3.4	3.4	3.2
South Africa	0.5	1.0	1.3
<b>Memorandum</b>			
Emerging Market and Middle-Income Economies	4.3	4.0	3.9
Low-Income Developing Countries	4.0	4.4	5.0

Source: IMF, *World Economic Outlook Update*, July 2025

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2024/25 (starting in April 2024) shown in the 2024 column. India's growth projections are 6.7 percent in 2025 and 6.4 percent in 2026 based on calendar year.

INTERNATIONAL MONETARY FUND

IMF.org/pubs



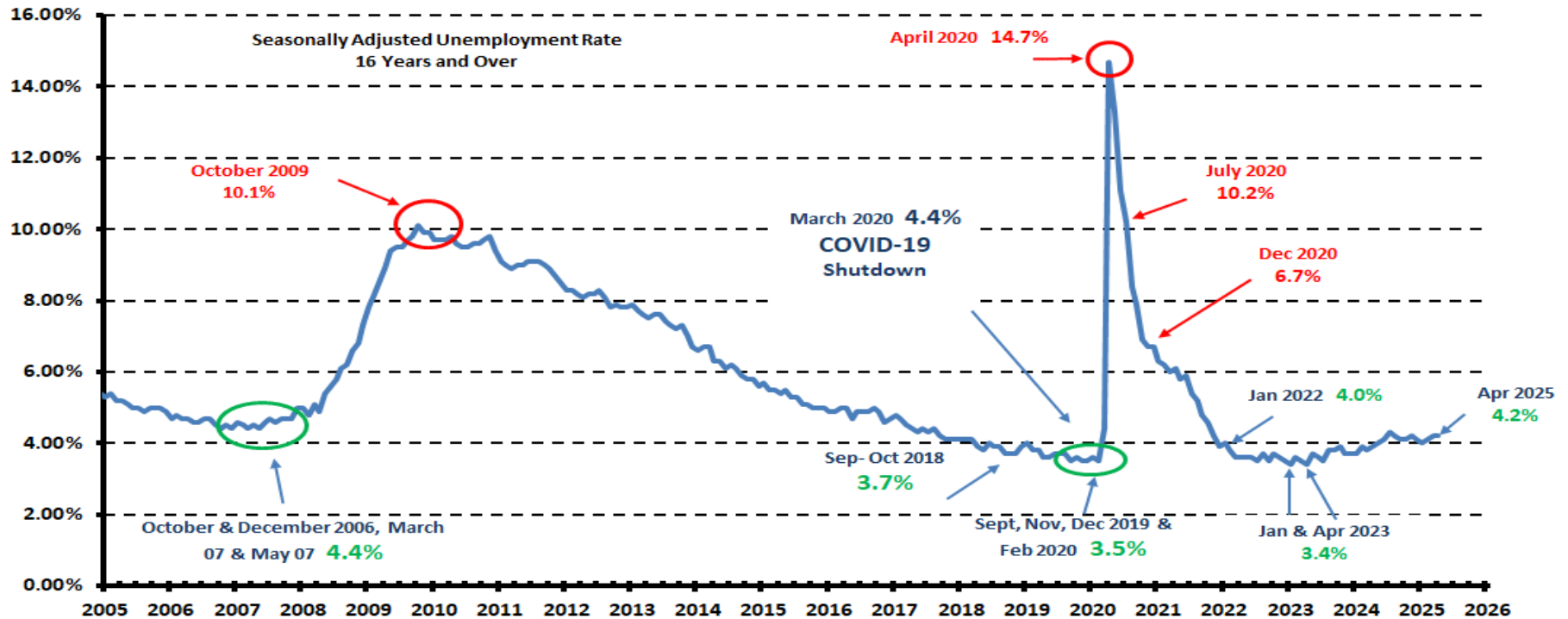
# US Economic Outlook

# Unemployment Comparison

## Seasonally Adjusted U-3 Unemployment Rate

[www.UnemploymentData.com](http://www.UnemploymentData.com)  
Updated 5/2/2025

Source: US Bureau of Labor Statistics  
Series LNS14000000

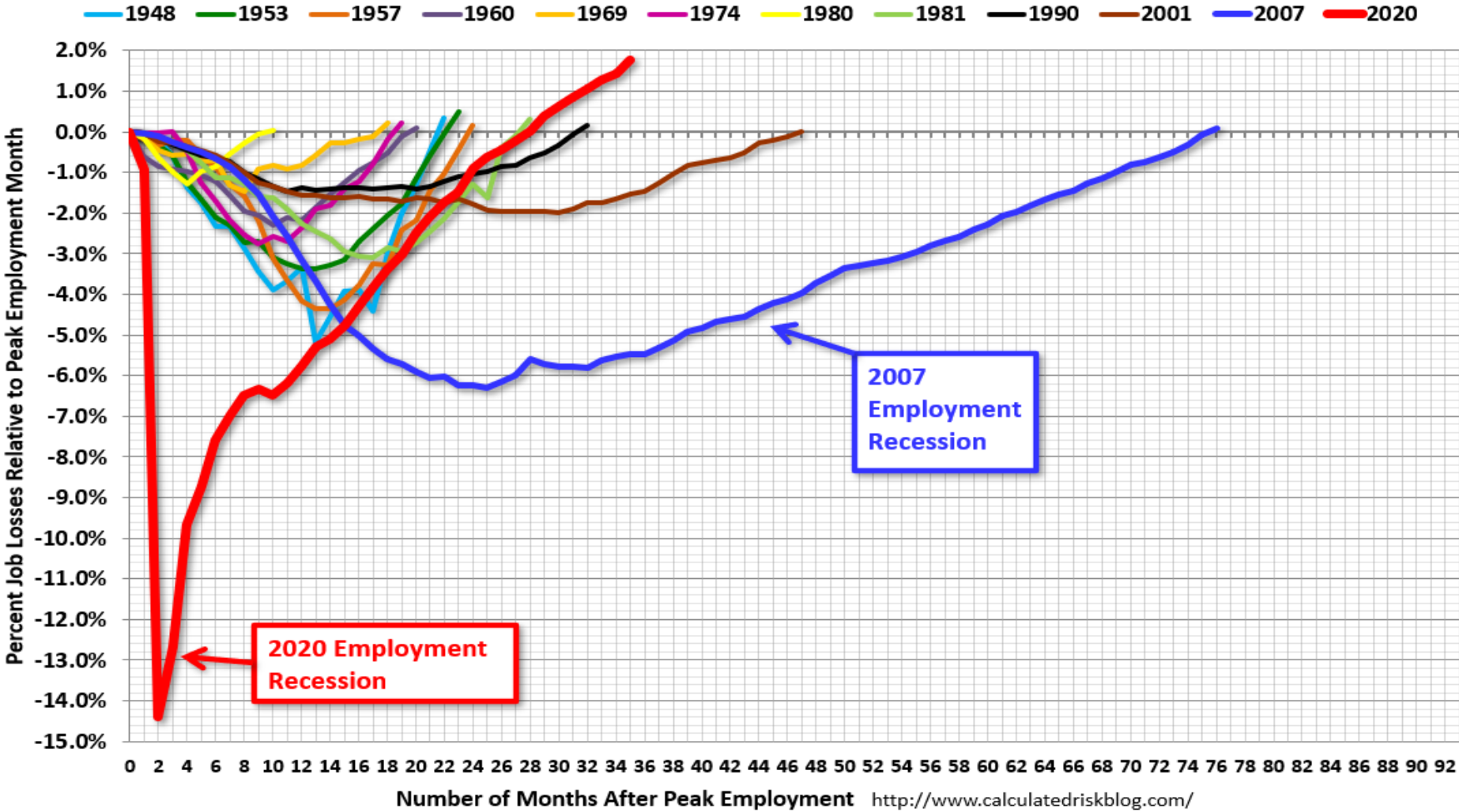


Please include a link to the original when using this chart



# COVID Economic Comparison

Percent Job Losses in Post WWII Recessions



# U.S. Economic Concerns in 2025 / 26

## There are concerns about a potential recession in the US due to:

- The war in Ukraine / Mid East and possible other intervention into others.
- GDP growth has decreased significantly, from over 7% to -.05% 1q25 to bounce back 3% 2q25.
- Inflation slowed, ranging from 2.7% presently from over 9% a 2 years ago. However, current administrative actions are historically inflationary.
- Slowing household growth. 2033 – deaths will outnumber birth in US.
- Europe's / China's reliance on Russian gas and restructuring contributes to higher inflation and a potential recession. Wars don't help.
- China's / Russia's economic issues; Real estate: Growth engine no more. Consumer confidence: Down in the dumps. Consumer prices: Deflation nation – China. Inflation – Russia. Debt: Tapped out. Demographics: Fewer workers. Fewer buyers' Foreign investment: Moving On. Trade: Raising barriers.
- Economic uncertainty with trade wars, etc. Markets don't like uncertainty.
- Despite these challenges, consumers' credit scores, savings, and income are in much better shape than in previous rate increases, credit tightening, potential recessions.
- The Fed is expected to continue to slow rates in response to the current economic climate, but there are signs of improvement in certain areas.
- Expectations on real estate, mortgages, stocks, etc. changed with rate expansion.

# U.S. Economic Concerns in 2025 / 26

## Headwinds facing the US economy:

- US economy facing challenges with slow recovery from 2009 recession and supercharged economy through 2023.
- *Only 3 of top 50 US metropolitan areas fully recovered since 2009 in terms of GDP, real estate values, and employment as of 2025.*
- Industrial and manufacturing sectors have weak productivity growth.
  - Labor, tariffs, deportation driving costs up domestically.
- Sectors like hospitality, leisure, and retail continue to improve.
- Lack of qualified applicants, and immigration policies not helping situation, exasperating labor costs.
- Declining population and falling labor force participation also contributing factors globally as well as locally.
- AI headcount reductions
  - Trade degree wages gaining traction vs. college degree wages.
  - Wage growth improving, but certain sectors beginning to stall.
- US housing and real estate market saw dramatic improvement in 2020 – 2022 but unclear what normal market looks like.
- Trade wars, tariffs, and higher costs preventing expansion.
- Increasing polarization in income distribution making it challenging to restart and maintain economy over long term.

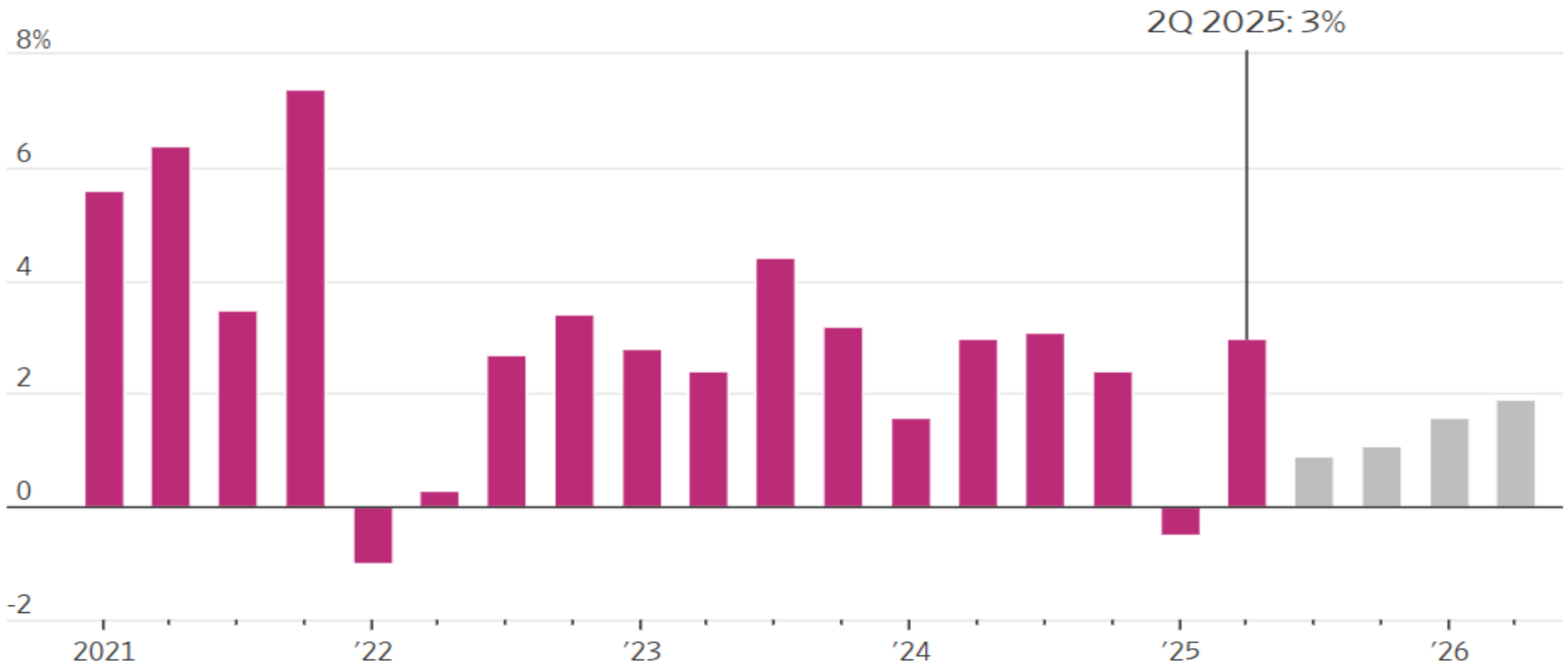
# US Strengths Going Into 2026

- Inflation-adjusted wages have reached a record high and have grown more rapidly the last 4 years historically.
- Stock market at near record levels.
- Texas apts. seeing high absorption rates.
- Inflation-adjusted gross domestic product (GDP) growth was rising. Tariff concern pushed up manufacturing. Slowing GDP in 2025 / 26.
- The unemployment rate has been creeping up, including for nearly every group of workers.
  - Biggest challenge – qualified workers that fit parameters of needs.
- Job growth has been historically faster both overall and for the private sector.
  - Many companies are slowing hiring the 2<sup>nd</sup> half of 2025 due to economic uncertainty and a need for a more cautious approach. Approximately 20% of American companies have reduced staff reflecting a shift in corporate confidence and challenges in the job market. Will continue into 2026.
- The rate of new business formations is higher the last couple of years.
  - The rate of applications for new businesses has averaged 144,000 monthly since 2022, compared with 102,000 between 2007–2019 and 106,000 between 2017–2019.
  - We have seen a slowdown in 2025. The stock market, adjusted for inflation, has shown significant growth since 2020. The S&P 500 index has had a 19.6% annual growth since 2020 indicating strong performance adjusted for inflation. Overall, the stock market has experienced a rapid increase in value since 2020.
- Wealth transfer – the estimated wealth transfer in the us is projected to over \$100 trillion. More specifically Gen X and millennials are set to inherit approximately \$125 Trillion over the next 25 years.

# GDP growth negative in Q1, surged in Q225

GDP, change from previous quarter

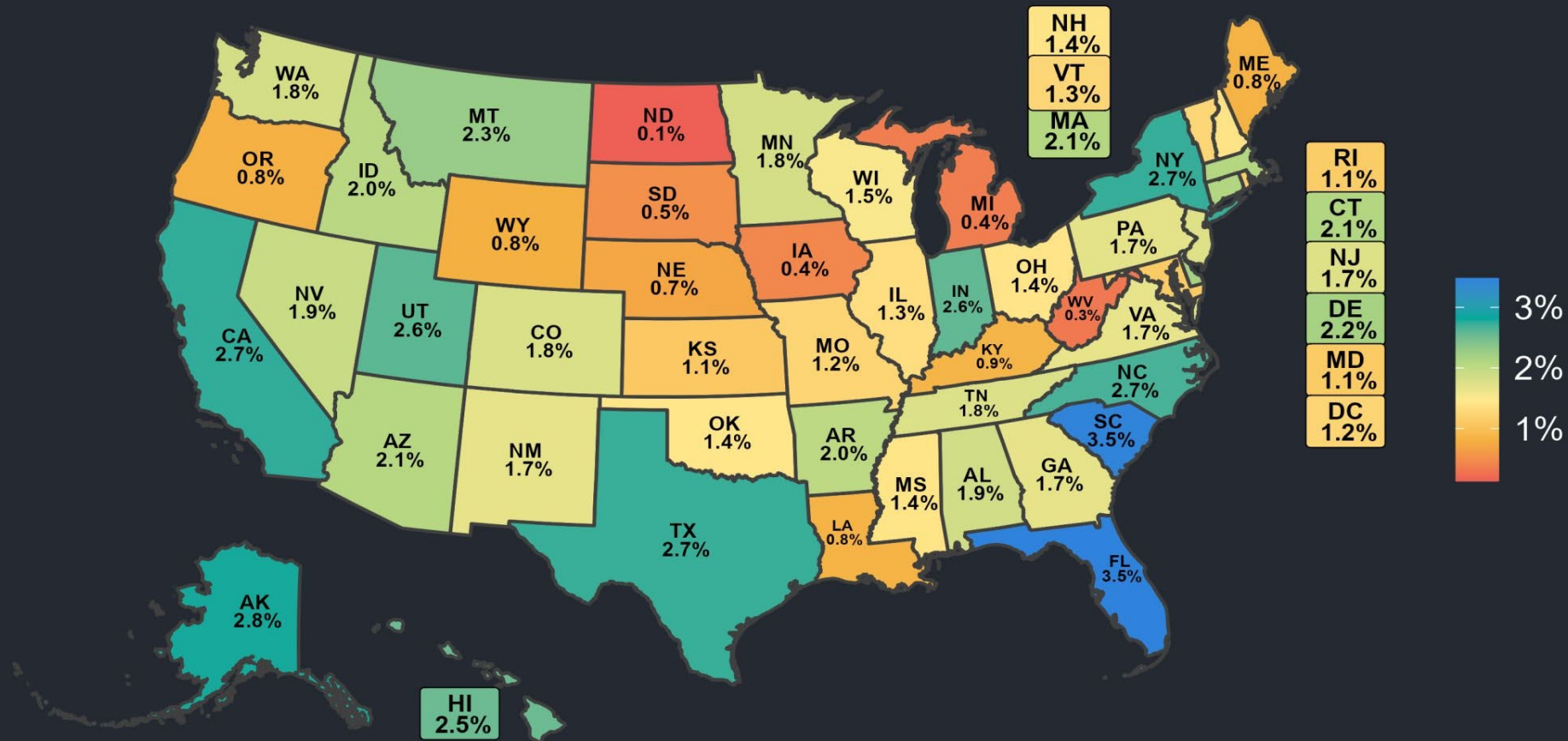
Actual Forecasts



Notes: Seasonally and inflation-adjusted annual rates; forecasts are an average of all survey responses.  
Sources: Commerce Department (actual); WSJ survey of economists (forecasts)

• GDP growth grows negative in Q125

# Real GDP Growth, Year-on-Year—Q2 2025



Graph created by @JosephPolitano using BEA data

# 2026 U.S. Economic Outlook

- Rate hikes have already delivered their biggest hits to GDP growth.
- Uncertainty on tariffs will cause GDP to slow.
  - Rate cuts could help GDP growth.
    - Short-term market volatility as investors digest the economic implications.
    - A flood of buyers rushing back into real estate.
    - Rapid shift from buyer's market to seller's market in many areas.
  - Central banks, meanwhile, will have room to reduce interest rates if they're concerned about the economy slowing. Economy continues to improve, slowing rate cuts.
  - Don't expect the low rates of the previous 10+ years. (low rates equate to ailing economy.)
  - The global and our national economy fared better than many economists expected in 2024 and will continue to improve in 2025.
  - Unemployment is historically low.
- Will inflation continue to cool?
  - Inflation rates had been low for the past 20 years, but they increased to 9.1+% in 2022, which was a concern. Still higher than wanted in 2025 but moving in the right direction.
  - Concern with new administration – higher tariffs, etc. cause inflation. bond markets reacted immediately.
- The Federal Reserve has increased interest rates in response to the economy, and they are projected to stabilize with possible rate decreases in 25 / 26.
- Oil and gas prices have been impacted by war and a decline in consumption since 2020, and prices at the pump should continue to decline.

The background of the slide is a composite image. On the left, there is a close-up of the Texas state flag, showing the blue field with a white five-pointed star. On the right, there is a close-up of a US dollar bill, showing the portrait of George Washington and the word 'ONE' in large letters. A dark blue horizontal band runs across the middle of the image, containing the title text.

# Texas Economic Outlook



**NO  
PERSONAL  
OR  
CORPORATE  
INCOME TAX**

# TEXAS *by the* NUMBERS

**26** COMMERCIAL AIRPORTS

**22** INTERSTATE HIGHWAYS

**58** FREIGHT RAILROADS

**23** SEA PORTS

**35** FOREIGN TRADE ZONES

**367** MILES OF COASTLINE



**8<sup>TH</sup>** LARGEST ECONOMY IN THE WORLD



LARGEST ENERGY-PRODUCING STATE IN THE NATION

LEADS THE NATION IN JOB CREATION

**3 YEARS** IN A ROW

MORE THAN **15.7** MILLION PEOPLE IN THE CIVILIAN LABOR FORCE



**#1** U.S. EXPORTER  
23 Years in a Row  
as of 2024



LEADING DESTINATION FOR CORPORATE RELOCATION & EXPANSION PROJECTS

LED THE NATION IN **HIGH TECH EXPORTS** FOR 12<sup>th</sup> YEAR IN A ROW IN 2024



HOME TO MORE THAN **50** FORTUNE 500 COMPANY HQs

TEXAS HOME TO **3.3 MILLION** SMALL BUSINESSES



**& HUNDREDS** OF PUBLICLY TRADED FIRMS



*"I wanted to move to Texas for the business-friendly reasons. It's very dynamic and so positive, the whole attitude with businesses coming in, the workforce you have here and the technology access."*

- Dr. Karthik Koduru | Founder and CEO of Archer Review as told to Site Selection Magazine

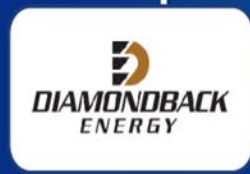
Source and Graphic Inspiration: Texas Economic Development Tourism Office | Office of the Governor | Revised March 2025

# TEXAS: THE HQ OF HQs



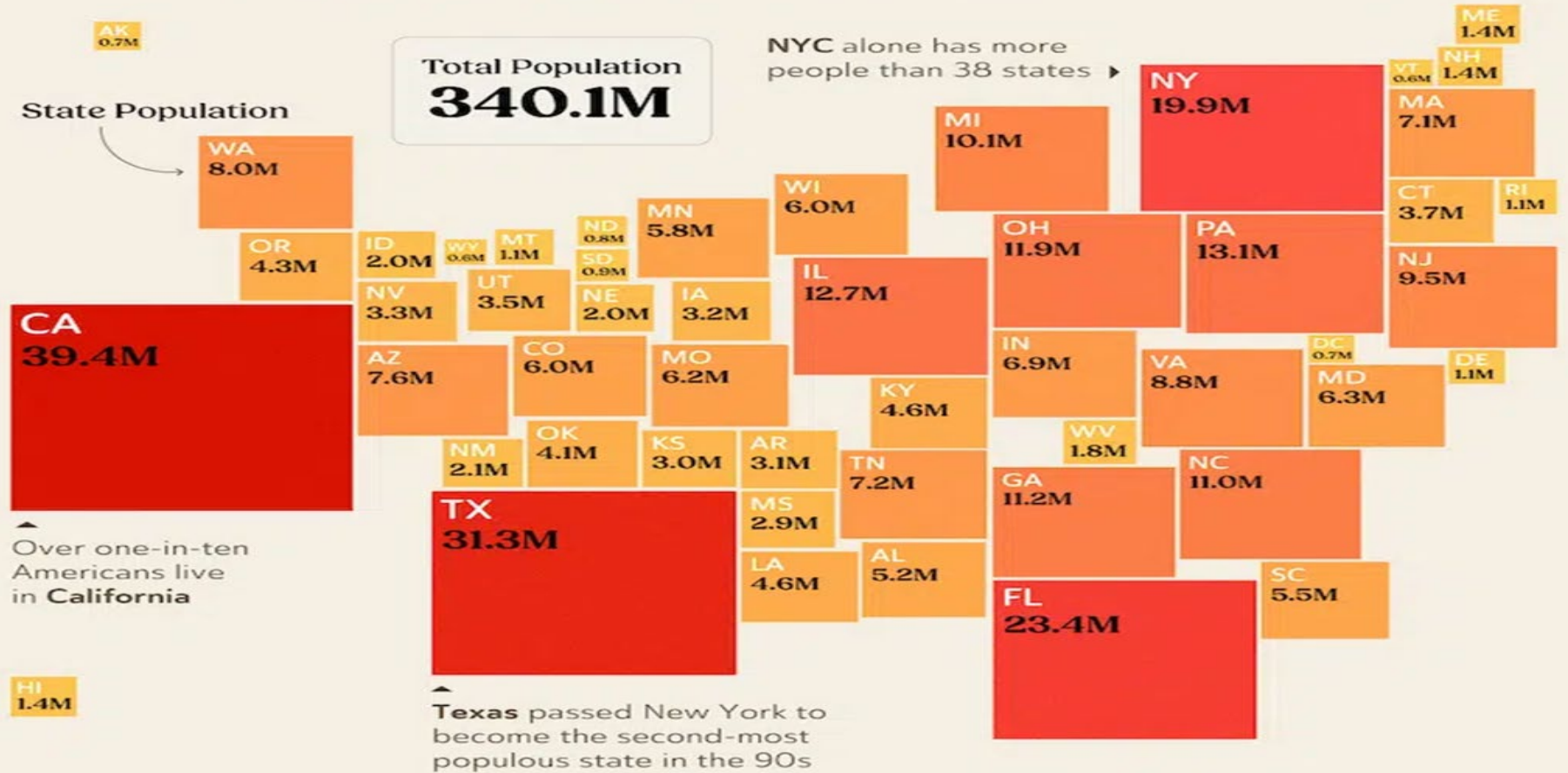
Texas is home to 55 Fortune 500 corporate headquarters, more than any other state.

# FORTUNE 500





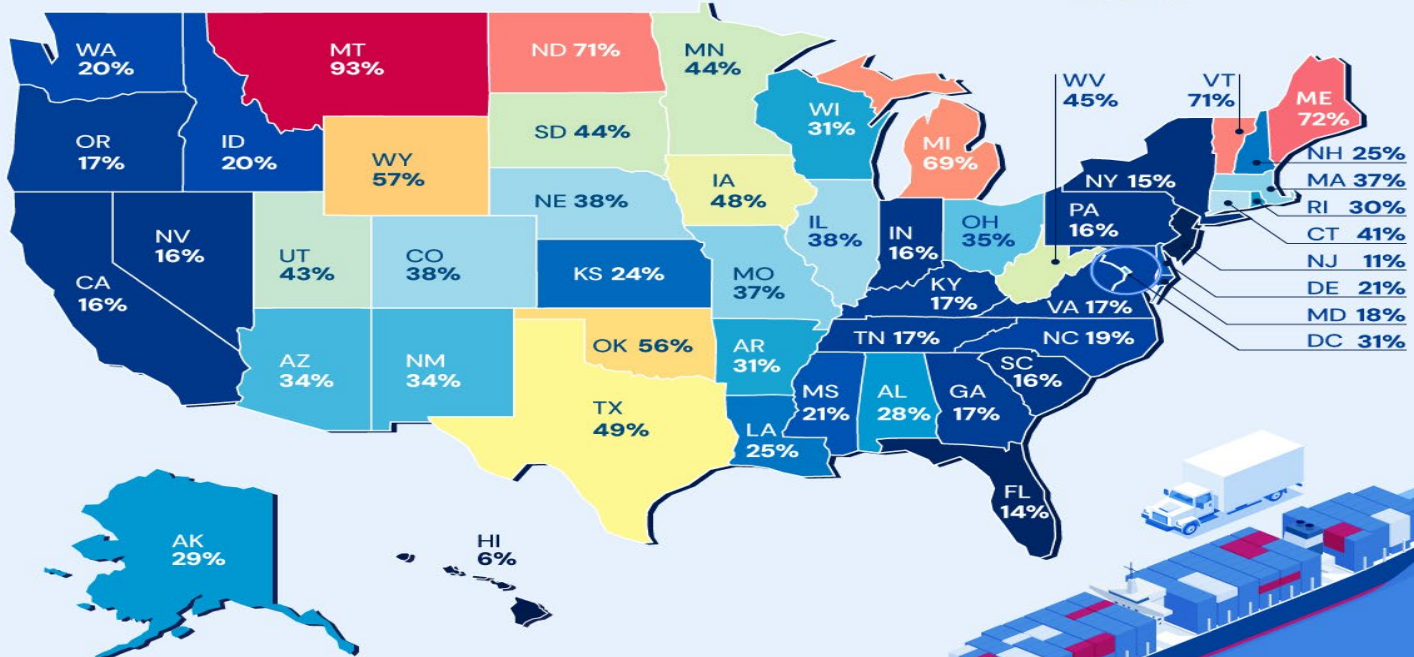
# U.S. States Reimagined by Population Size



# U.S. IMPORT DEPENDENCE ON CANADA AND MEXICO



U.S. OVERALL  
**28%**



Data for 2024, latest available as of March 2025.

Source: U.S. International Trade Administration



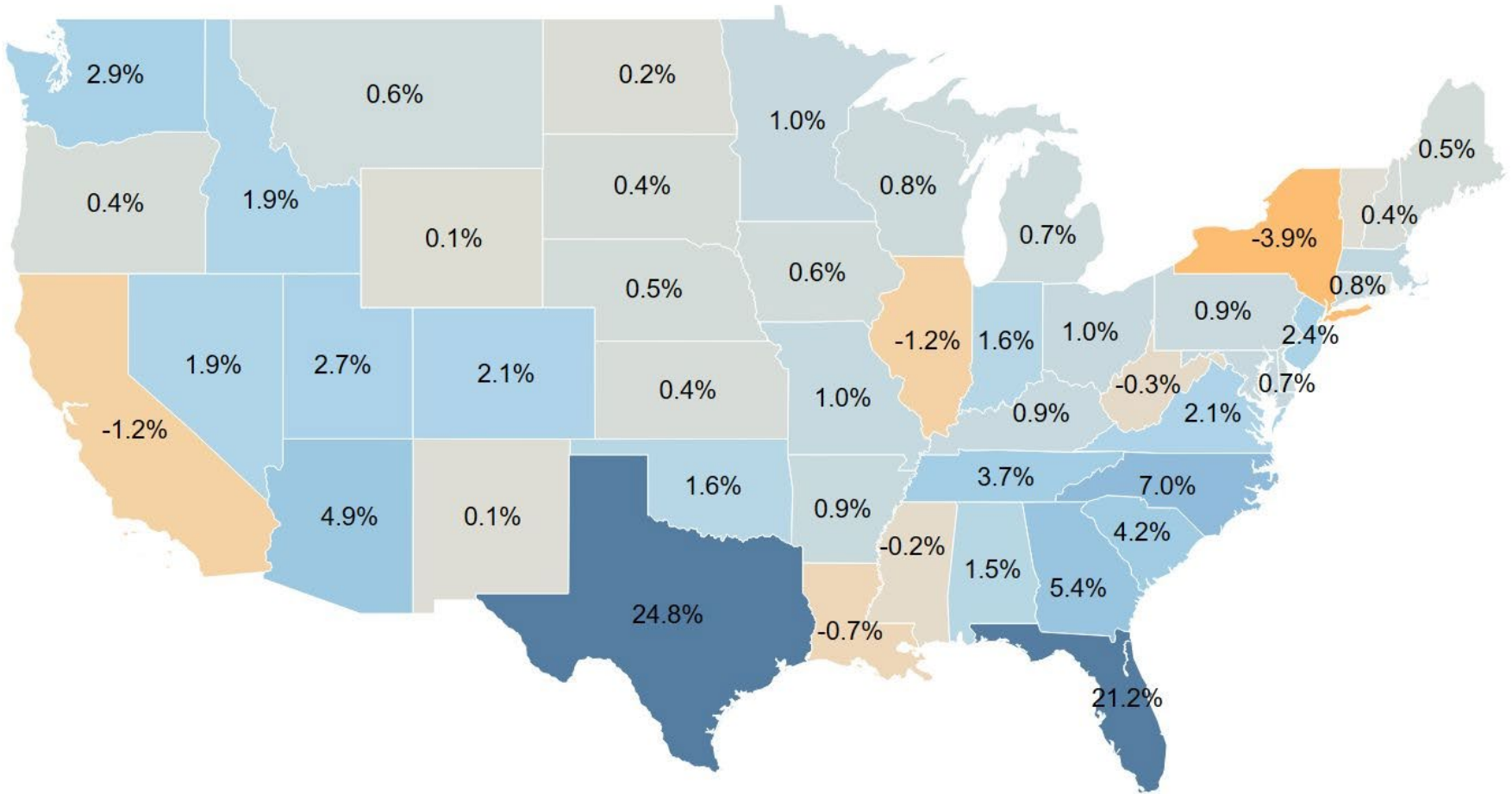
**voronoi**  
BY VISUAL CAPITALIST

Where Data Tells the Story



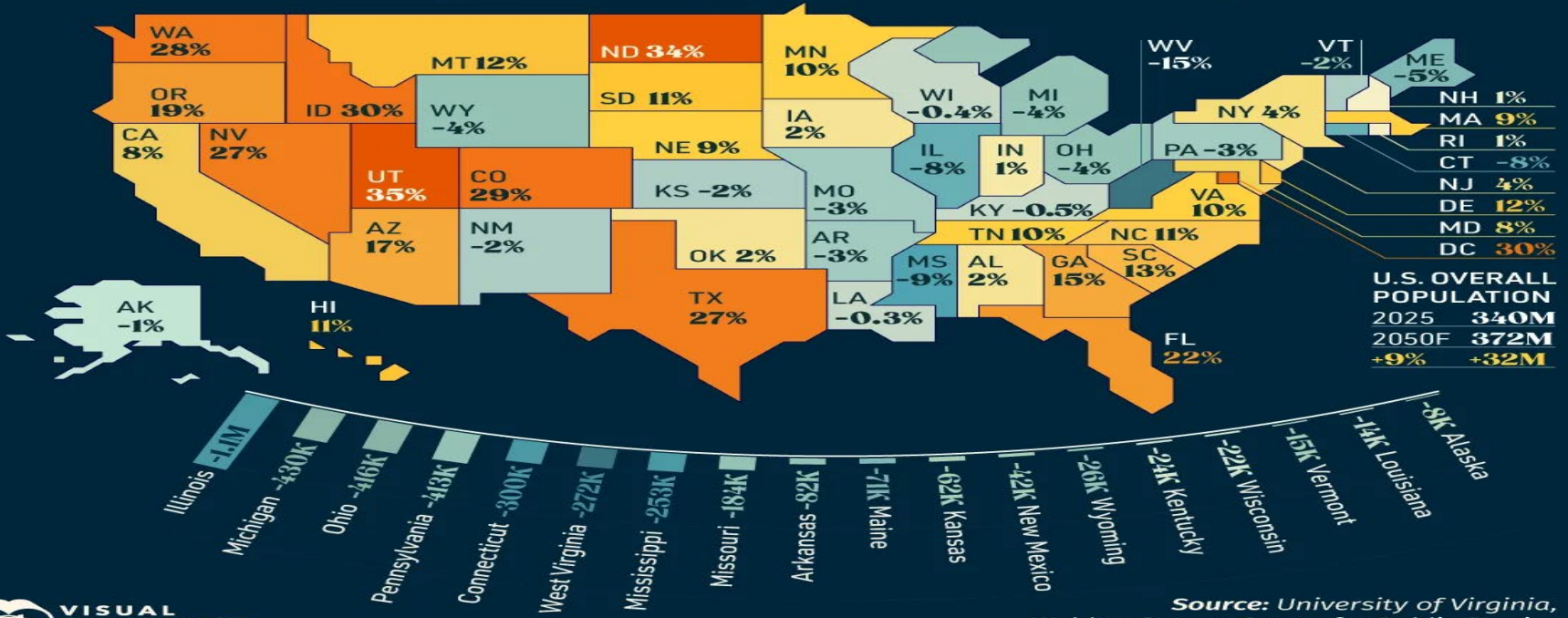
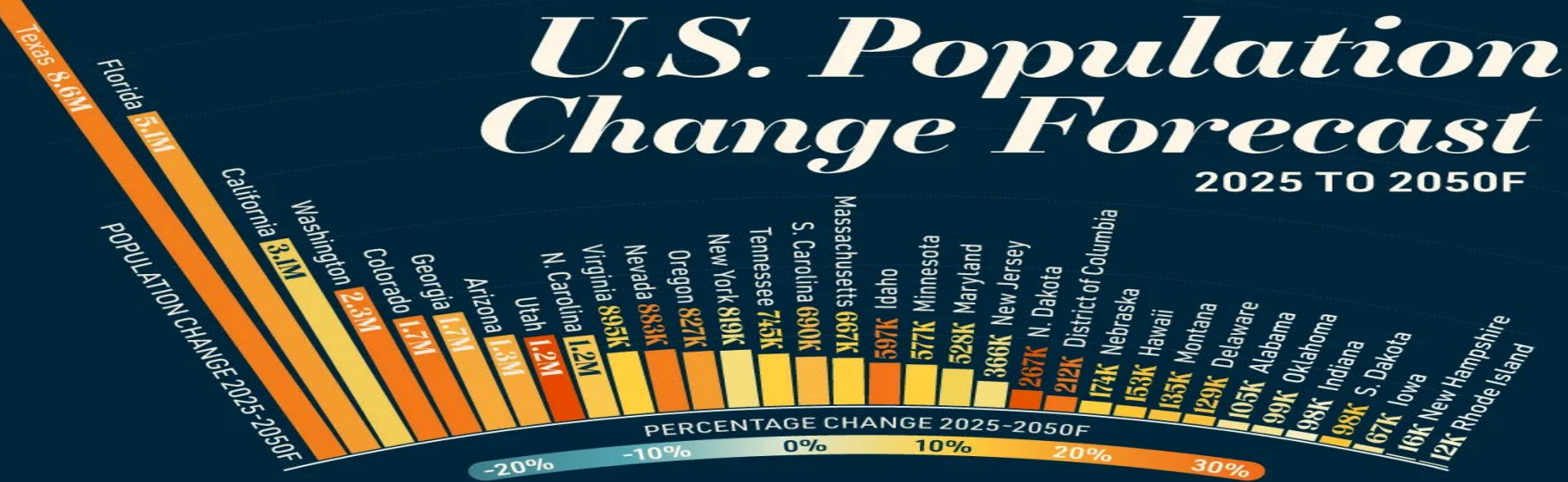
# From 2020 to 2024, the US population grew by +8.6m.

## Share of Total US Population Growth 2020 to 2024



# U.S. Population Change Forecast

2025 TO 2050F

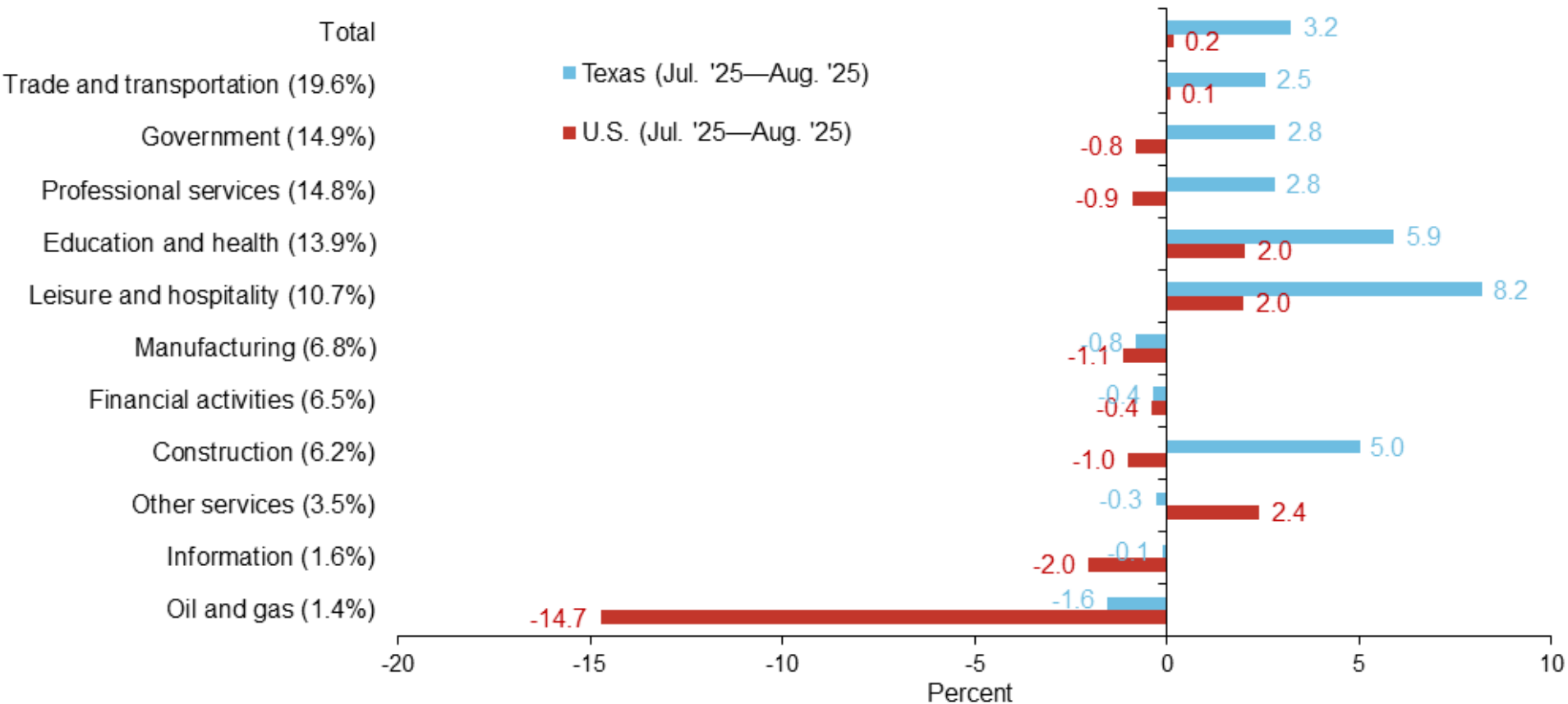


Source: University of Virginia, Weldon Cooper Centre for Public Service



# Texas Employment

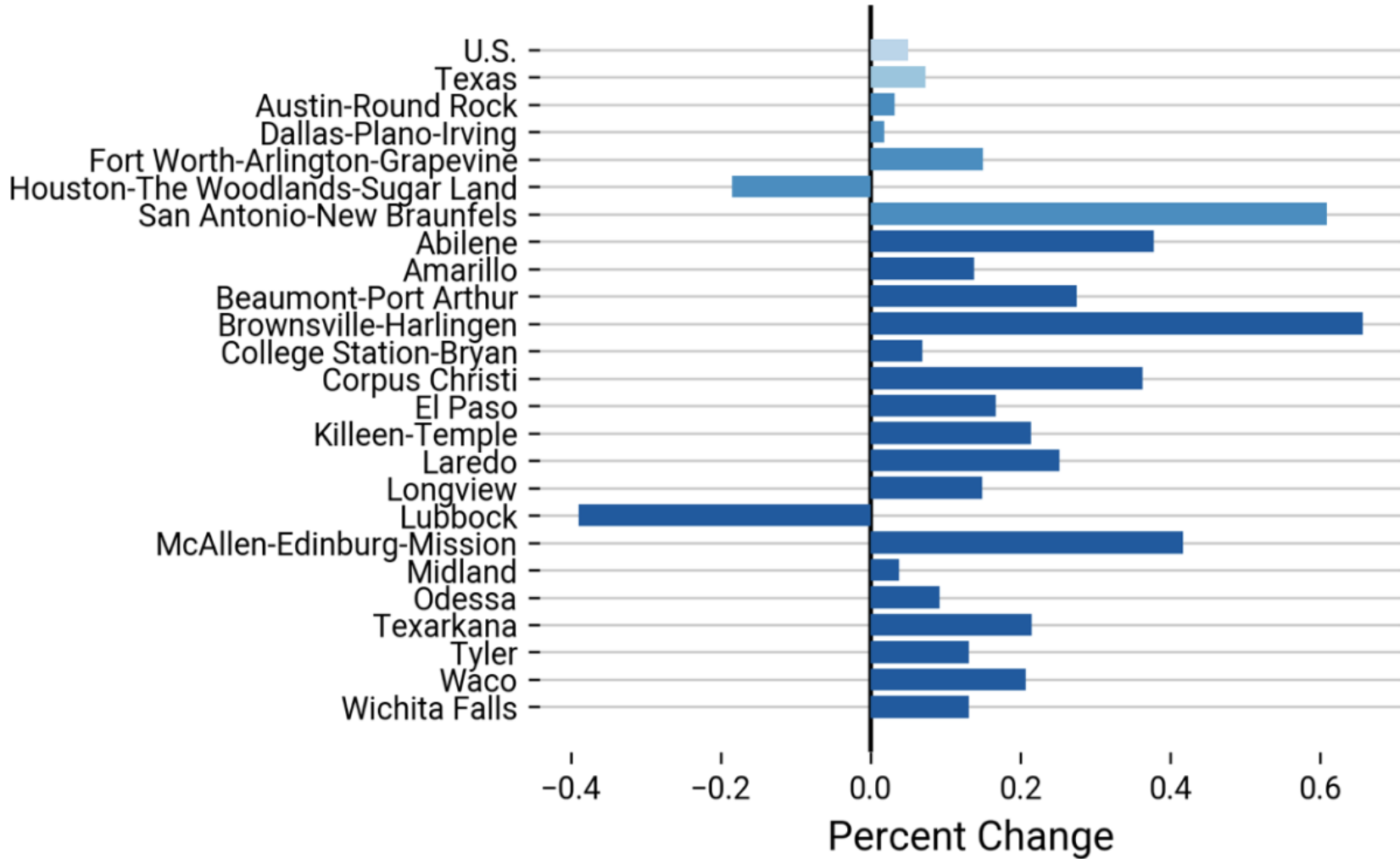
**Chart 1**  
**Employment growth by sector**



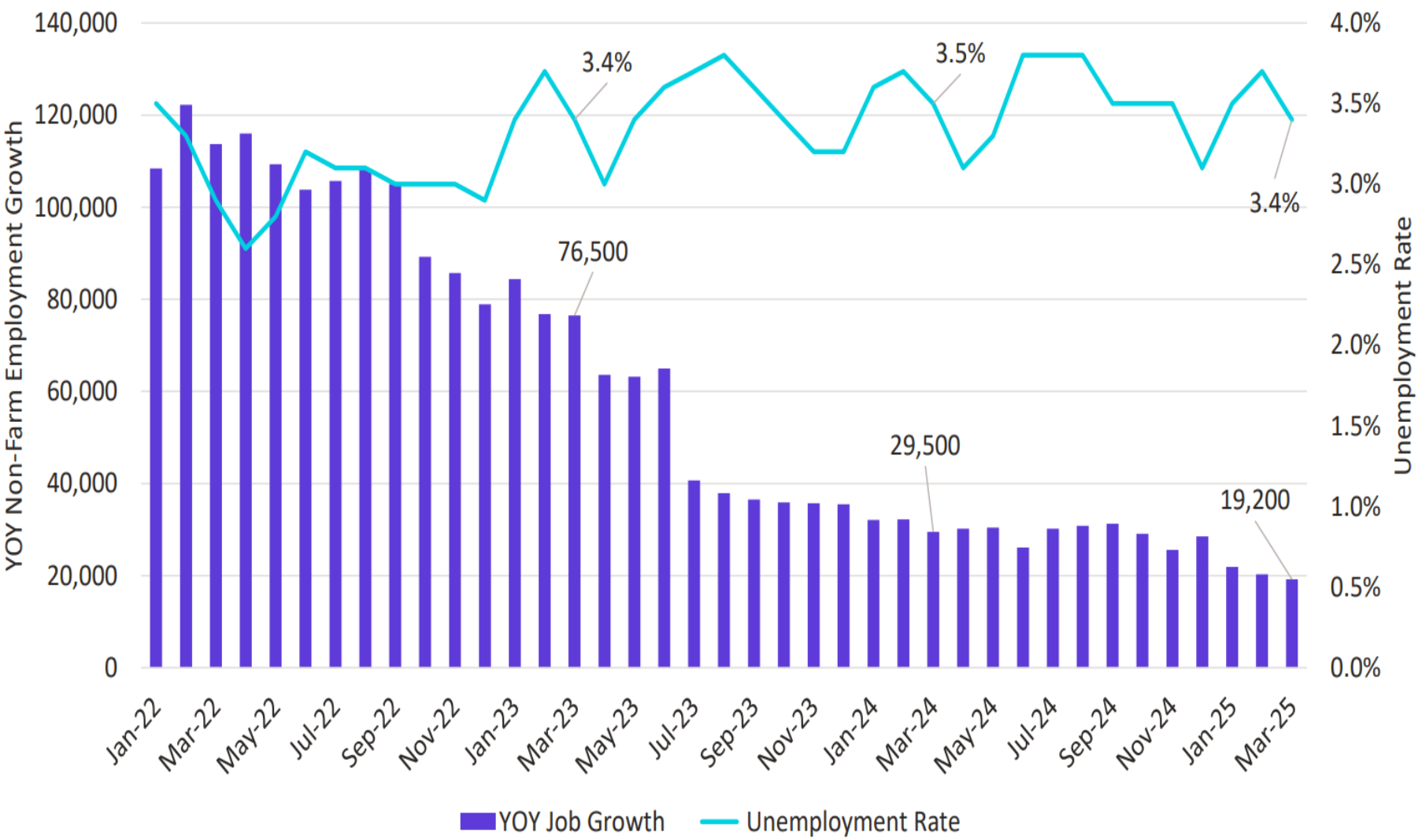
NOTES: Shown are seasonally adjusted, annualized month-over-month employment growth by major sector for August 2025. Numbers in parentheses indicate share of total state employment for August 2025.  
 SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas. Federal Reserve Bank of Dallas

Figure 4

## REGIONAL EMPLOYMENT GROWTH, JULY 2025



# Stable Unemployment, But Job Growth is Slowing



# 2026 Texas Economic Outlook

- Texas Defies Economic Headwinds with Record Job Growth
  - In 2025, 180,400 jobs by year-end, and specific sector expansions like private education and health services, government, and leisure and hospitality. The statewide unemployment rate remained steady at 4.0%, below the national rate of 4.2%. However, Austin and San Antonio unadjusted rates grew to 3.3% and 3.7% from 3.1% and 3.4% the previous month, respectively.
  - Continued job growth higher than national average.
- Texas Business Outlook Surveys mixed.
- Residential home values sales slowed due to rate increases. Will improve as rates stabilize, and values continue to normalcy. Appreciation slows to historical norms.
- Commercial sales channels continue to be challenged.
- Rent growth plateaued. (but will improve in 2026.)
- Restaurant bookings and sales tax receipts positive.
- Stronger labor market and net migration contributing to overall stronger regional growth.
- More businesses and people may relocate to Texas with natural disasters on either coast and if recession occurs.
- Recovery continuing into 2026.
- Texas has attracted the most HQ relocations (215), 2018 – 2024.

# What to Watch

- Job Growth
- Gross Domestic Product
- Population Growth
- Consumer Confidence
- Real Estate
- Interest Rates / Cap Rates

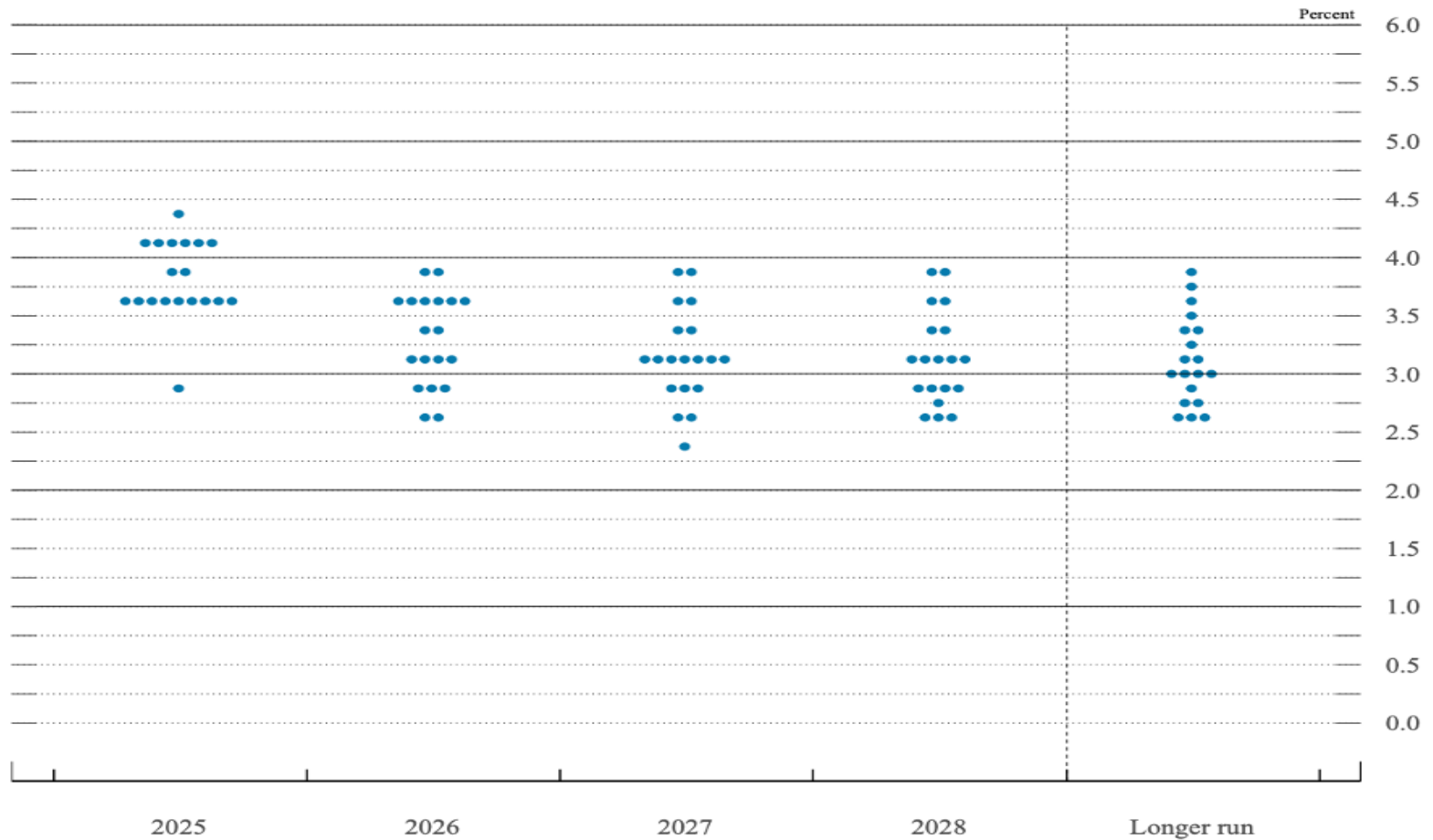
# Where are rates headed?

- **Rates are headed downward**, but slowly and with potential volatility, as the Federal Reserve cut its benchmark rate in October 2025, and economic data points to a cooling labor market. Mortgage rates recently fell to their lowest point of 2025 but may remain elevated compared to the past decade, potentially staying above 6% through 2026 due to ongoing inflation pressures and increased federal borrowing.
  - Market expectations have strengthened for a Federal Reserve rate cut, especially after recent reports showed a weakening labor market.
  - Economic Slowdown: Signs of a cooling economy and an uptick in unemployment provide support for the Fed to lower interest rates to stimulate growth.
  - Inflation Concerns: While a slowdown is expected, stubborn inflation remains a concern for the Fed and could limit the pace of rate cuts, keeping overall rates higher for longer.
  - Federal Deficit: Continued high government borrowing could add upward pressure on interest rates.
- **Negative effect of lowering interest rates**
  - Hard asset values surge past historical norms. Less affordability.
  - Lower rates can negatively impact economies by harming savers and retirees with lower returns on their savings, potentially causing asset bubbles and inflation if spending increases too much, and reducing profitability for banks and money market funds.
  - It can also increase the cost of living, while the effectiveness of rate cuts effects factors like consumer confidence and the transmission of lower rates throughout the financial system.
  - Lowers interest rates on bonds lowers earnings potential, decrease the value of existing bonds with lower coupons, erode the real returns for savers and retirees, and encourage investors to take on greater risk for similar returns, potentially and historically leading to asset bubbles or over-leveraging. Additionally, excessively low rates might signal economic weakness to the market and, in some cases, contribute to inflation and a weaker currency.
  - Impact on Existing Bonds
  - Reduced Reinvestment Opportunities:
    - When interest rates fall, new bonds are issued with lower coupon rates, making it harder for bondholders to reinvest their coupon payments and maturing principal at comparable yields.
  - Increased Inflation and Reduced Purchasing Power:
    - Prolonged periods of low rates can fuel inflation, which erodes the purchasing power of future bond payments, diminishing the real return for bond investors.
  - Investor Behavior and Risk
  - Negative Signal to the Market: A significant reduction in interest rates can sometimes signal economic trouble, creating uncertainty or negative sentiment among consumers and investors about future economic health.
  - Currency Weakness and Higher Import Costs:
    - Lower rates can lead to a weaker national currency, making imports more expensive and potentially contributing to inflationary pressures.

# Where are Rates Headed?

Federal Reserve Board projections / add 3+ points for lending rates

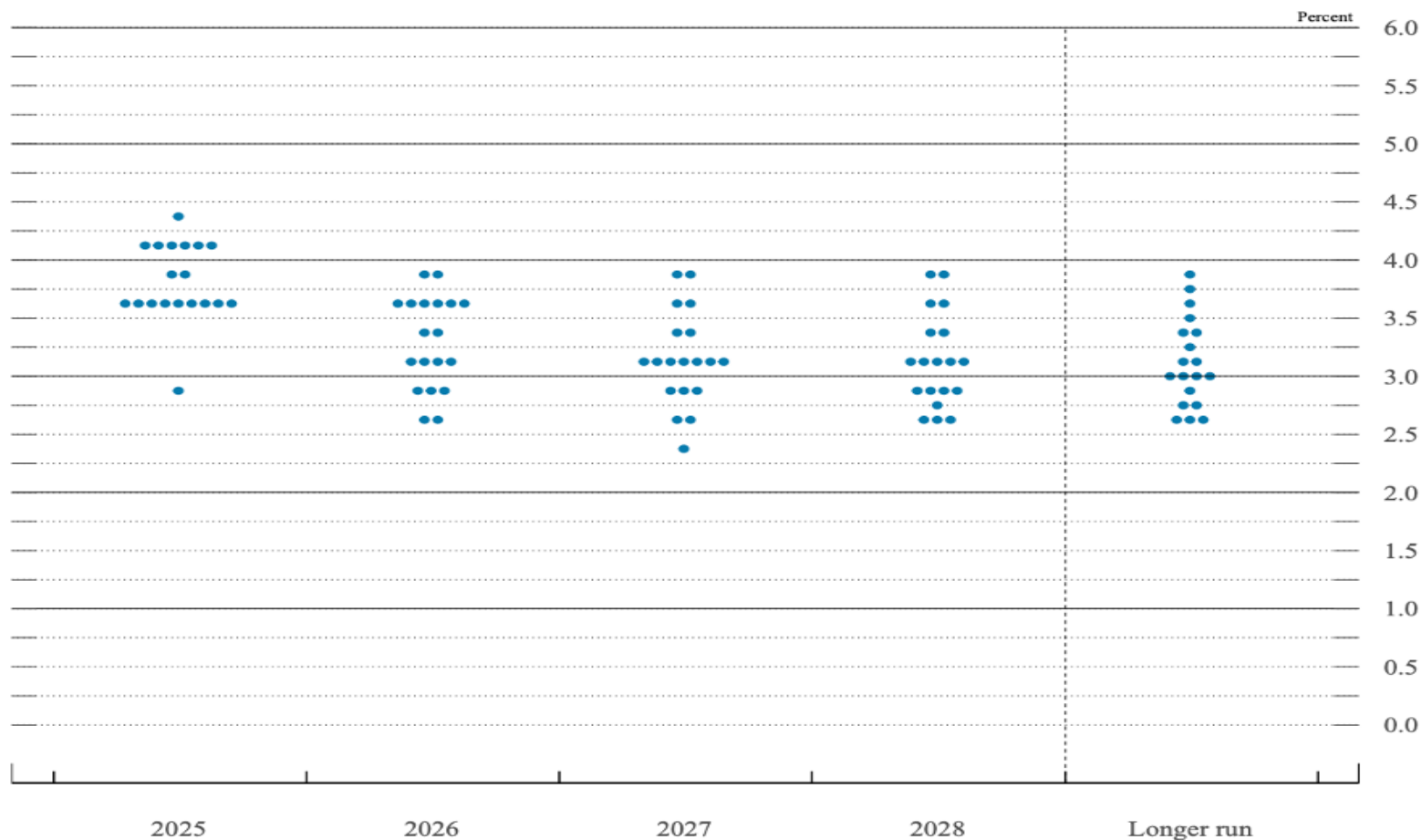
Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



# Where are Rates Headed?

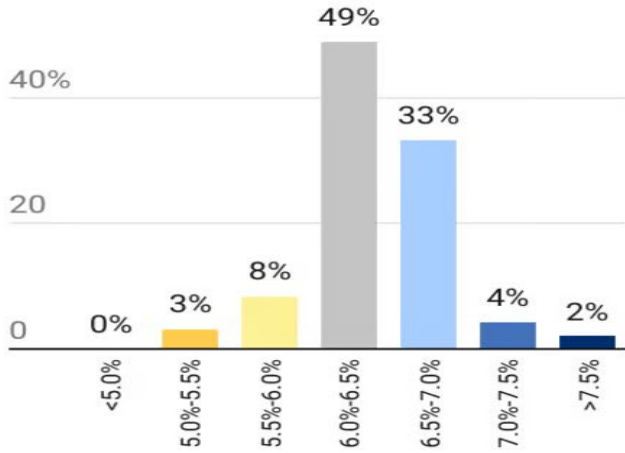
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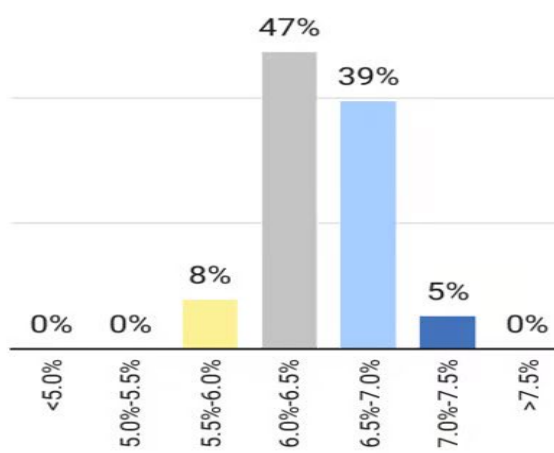


# Where respondents expect the 30-year fixed mortgage rate to go by the end of 2025

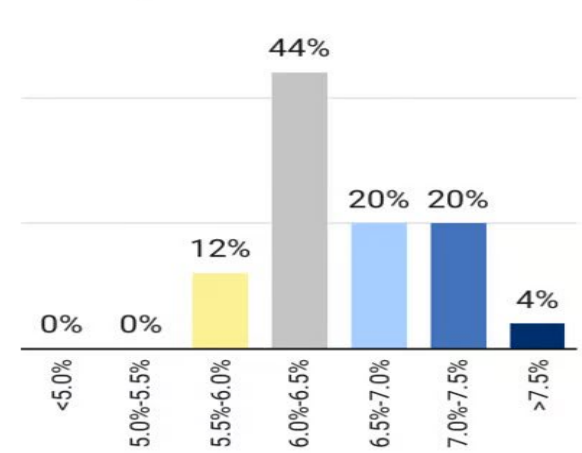
Real estate agents and brokers



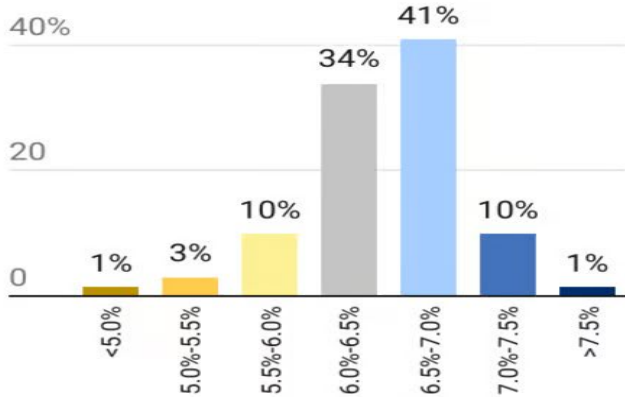
Mortgage industry



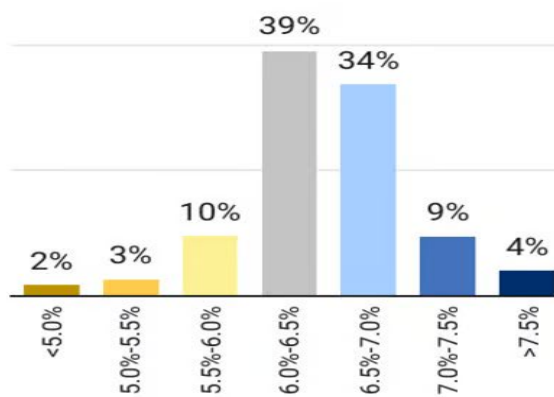
Homebuilding and construction industry



Single-family investors and landlords



U.S. adults



Responses are rounded

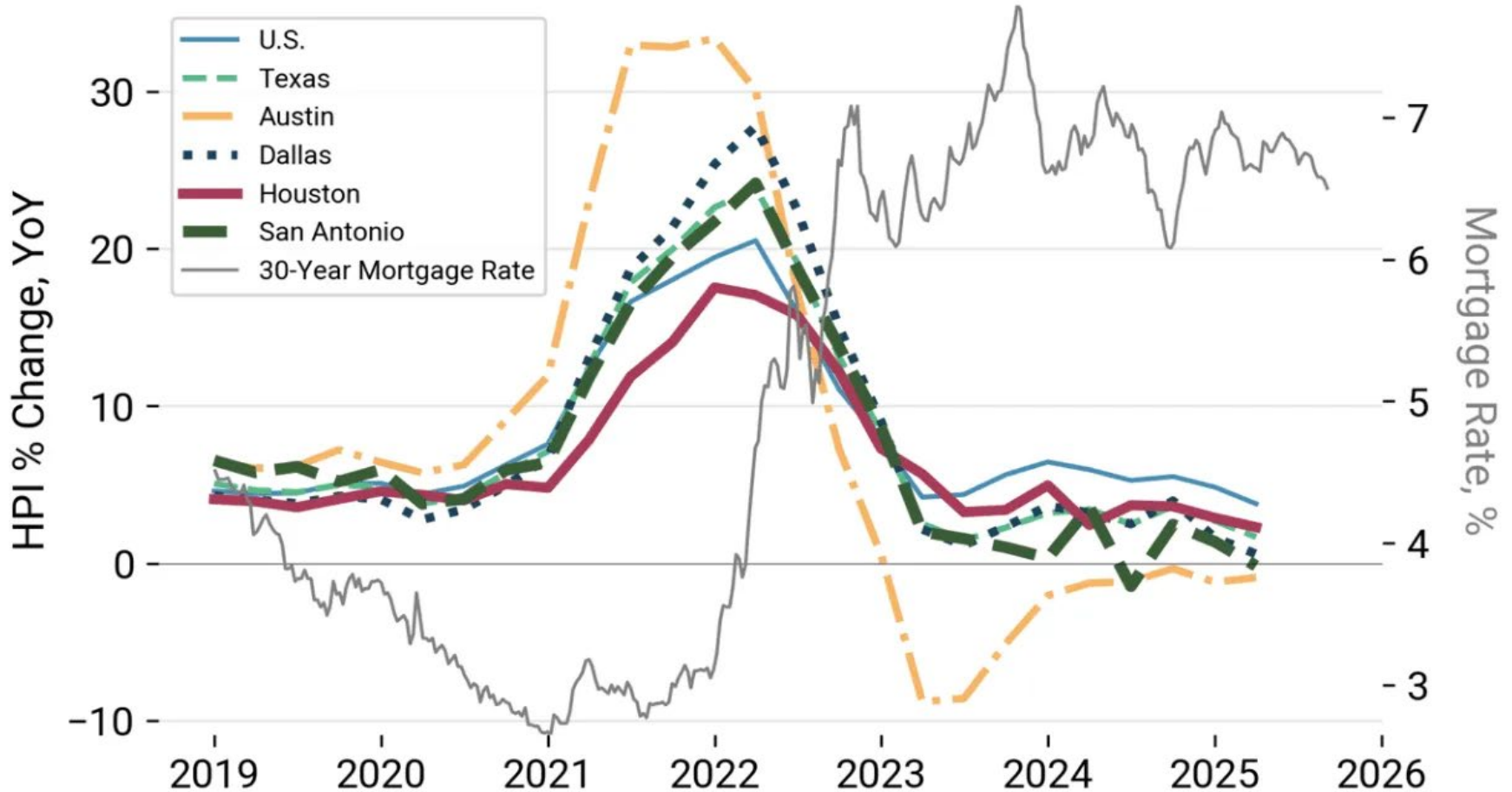
Chart: Meghan Malas • Source: ResiClub Housing Sentiment Survey of 650 respondents, conducted between February 21 and March 4, 2025 • Created with Datawrapper



Mark Sprague  
State Director of Information Capital

Figure 7

# HOUSE PRICE GROWTH AND MORTGAGE RATES THROUGH AUGUST 2025



# History of Mortgage Rates

30-Year Fixed Rate Mortgage Rates (1971-Present)

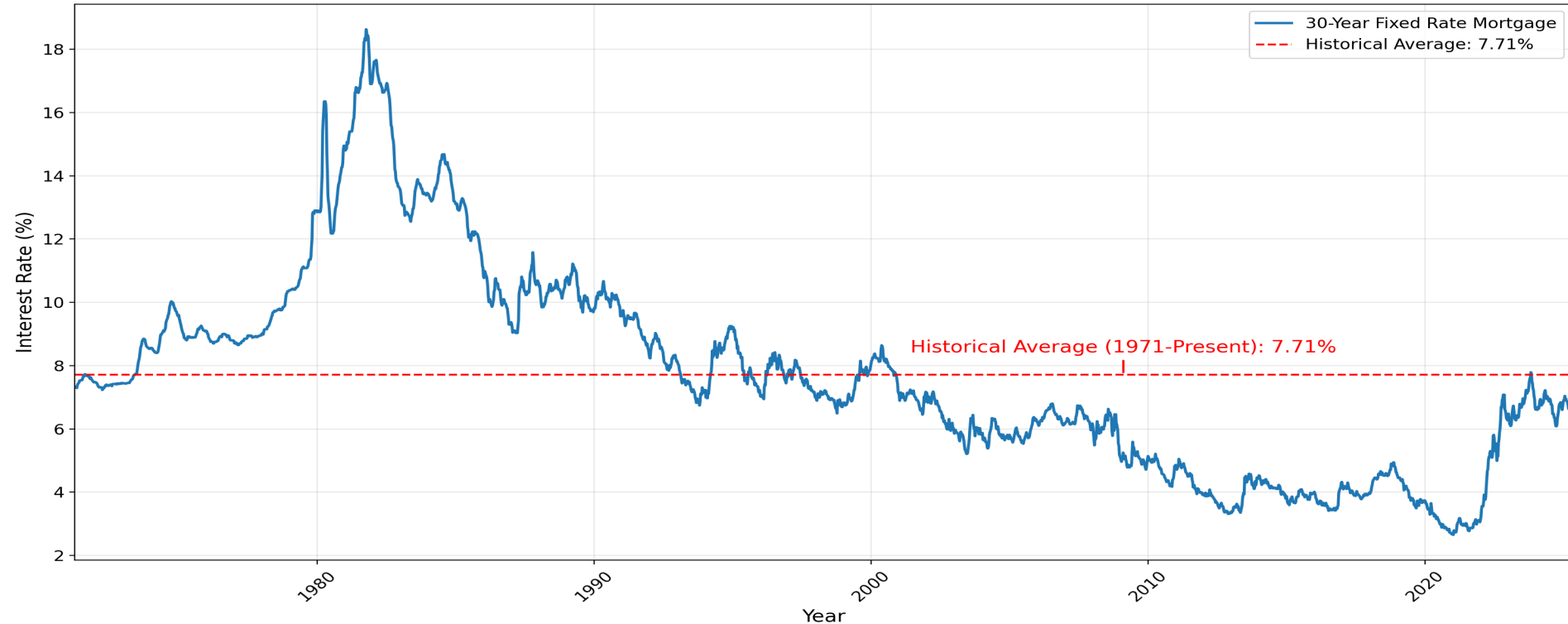


Chart represents weekly averages for a 30-year fixed-rate mortgage. Average for 1971-2024 as of October 10, 2024. Source: Freddie Mac

**All-time high:** The all-time high for a 30-year mortgage rate was 18.63% in October 1981.

**Record low:** The record low for a 30-year mortgage rate was 2.65% in January 2021.

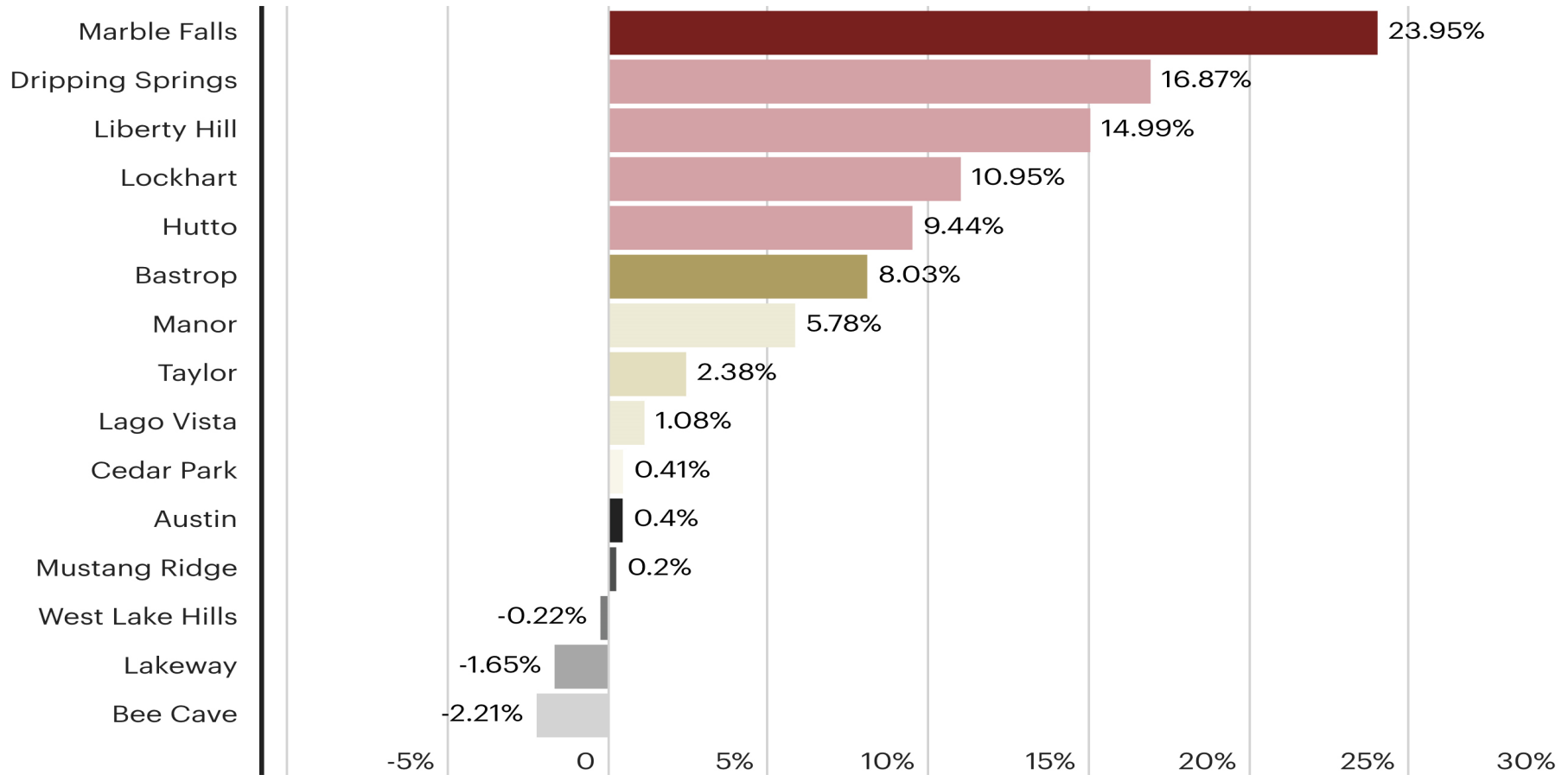


# Austin Economic Outlook



# 2023-2024 POPULATION GROWTH BY AUSTIN-AREA CITIES

Here's a look at the percentage change of population growth for a handful of Austin-area cities.

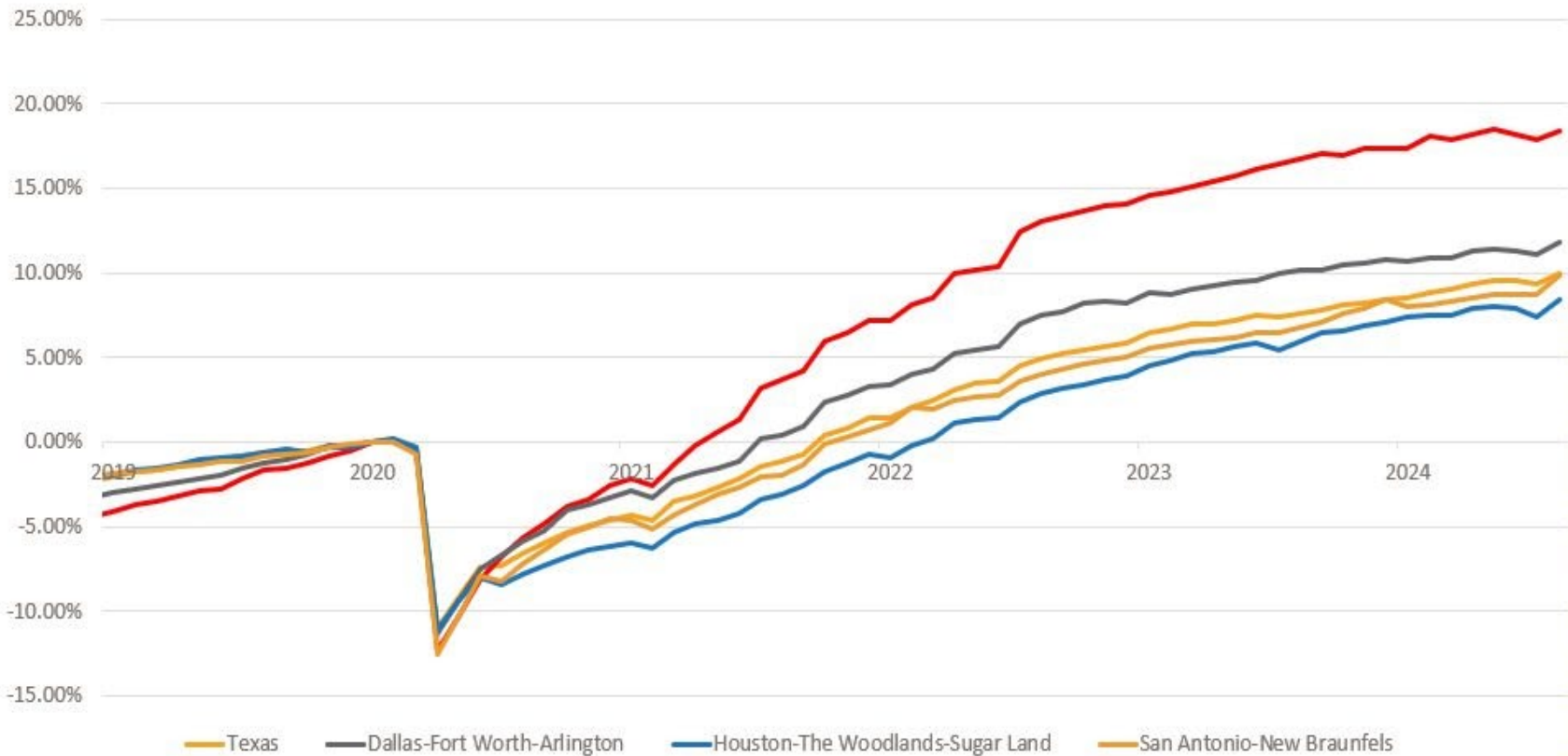


SOURCE: U.S. Census Bureau

# Austin Employment Best in Nation

📈 Zonda

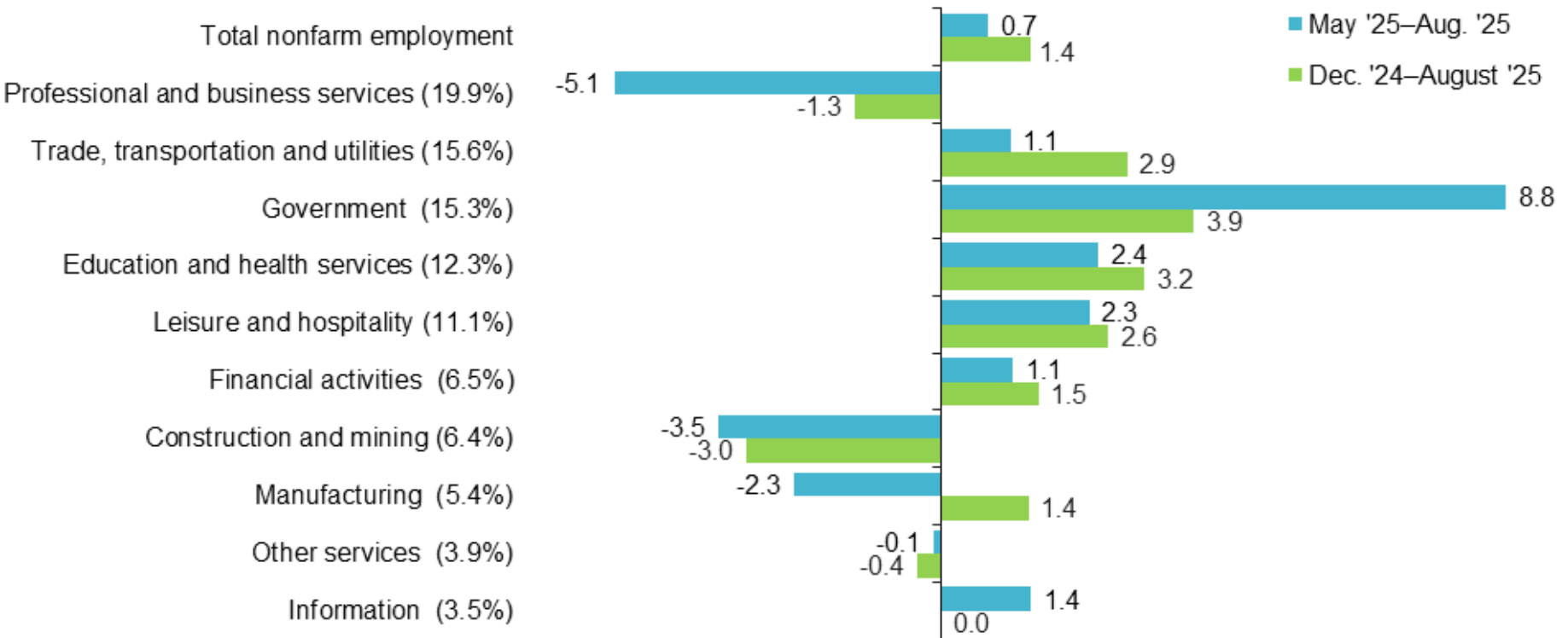
## Austin Employment Rebounds in August



• Source: Texas Workforce Commission LMI, Zonda

# Austin Employment

**Chart 2**  
**Employment growth by sector**

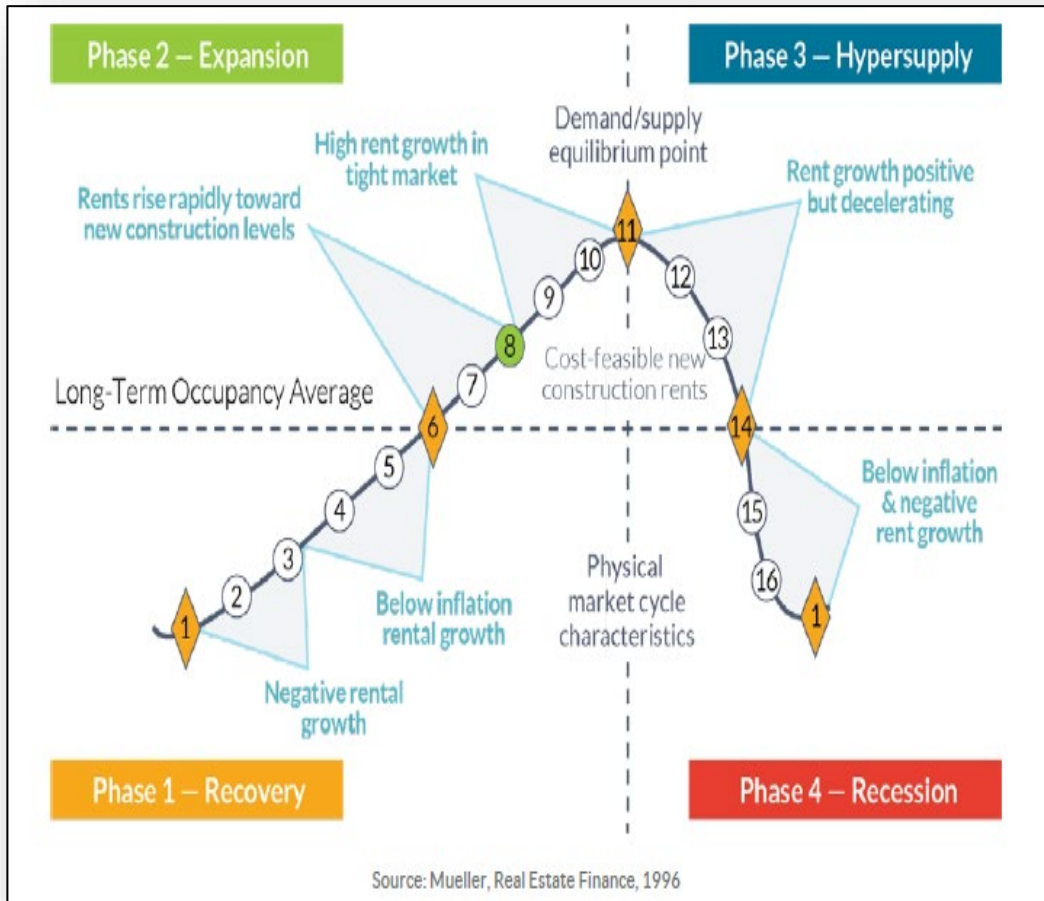


NOTE: Data show seasonally adjusted and annualized percentage employment growth by industry. Numbers in parentheses represent the shares of total employment and may not sum to 100 due to rounding.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Federal Reserve Bank of Dallas

# The Real Estate Market Affects the Economy!



- Real estate values have an impact on consumer spending and economic growth.
- Strong economic areas usually have prime real estate.
- Real estate goes through cyclical phases, and it's important to identify the current phase.
- Commercial real estate has the potential to succeed in all phases of the cycle.

# When should you buy?

## ☆ Median Sales Price of Houses Sold for the United States (MSPUS)

Observations ▾

Q4 2024: **419,200**

Updated: Jan 27, 2025 9:01 AM CST

Next Release Date: Feb 26, 2025

Units:

Dollars,

Not Seasonally Adjusted

Frequency:

Quarterly

1Y

5Y

10Y

Max

1963-01-01

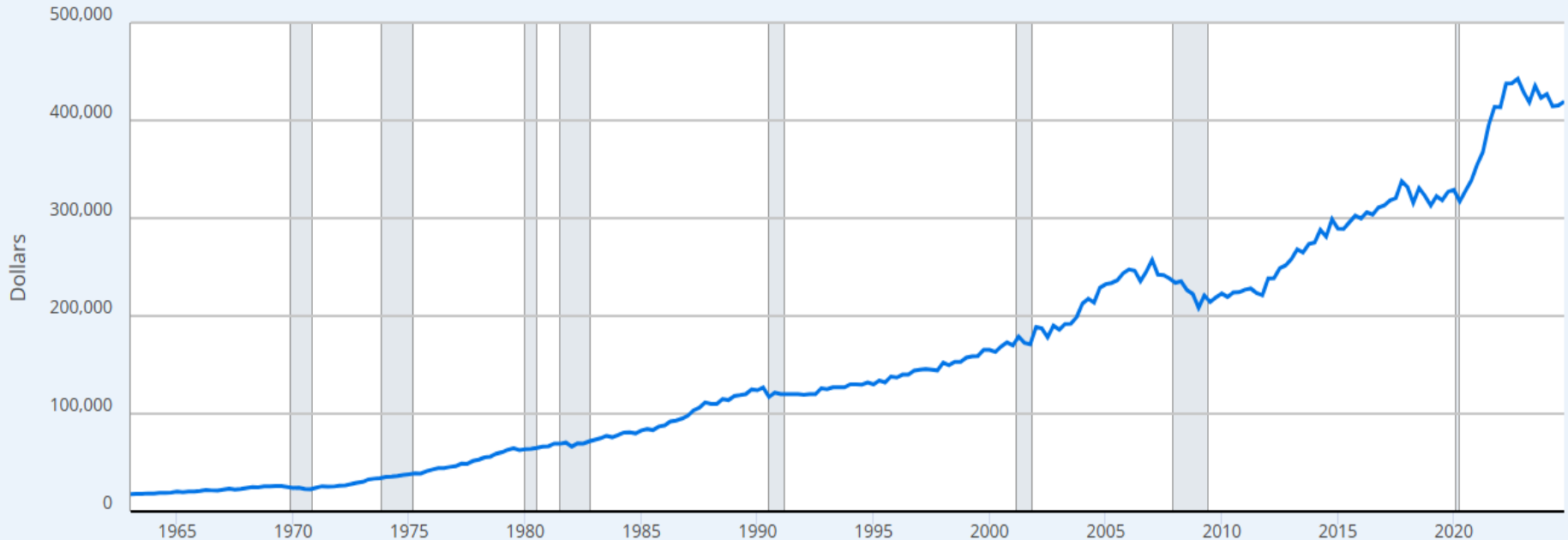
to

2024-10-01

Edit Graph

Download

**FRED** Median Sales Price of Houses Sold for the United States



Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development via FRED®

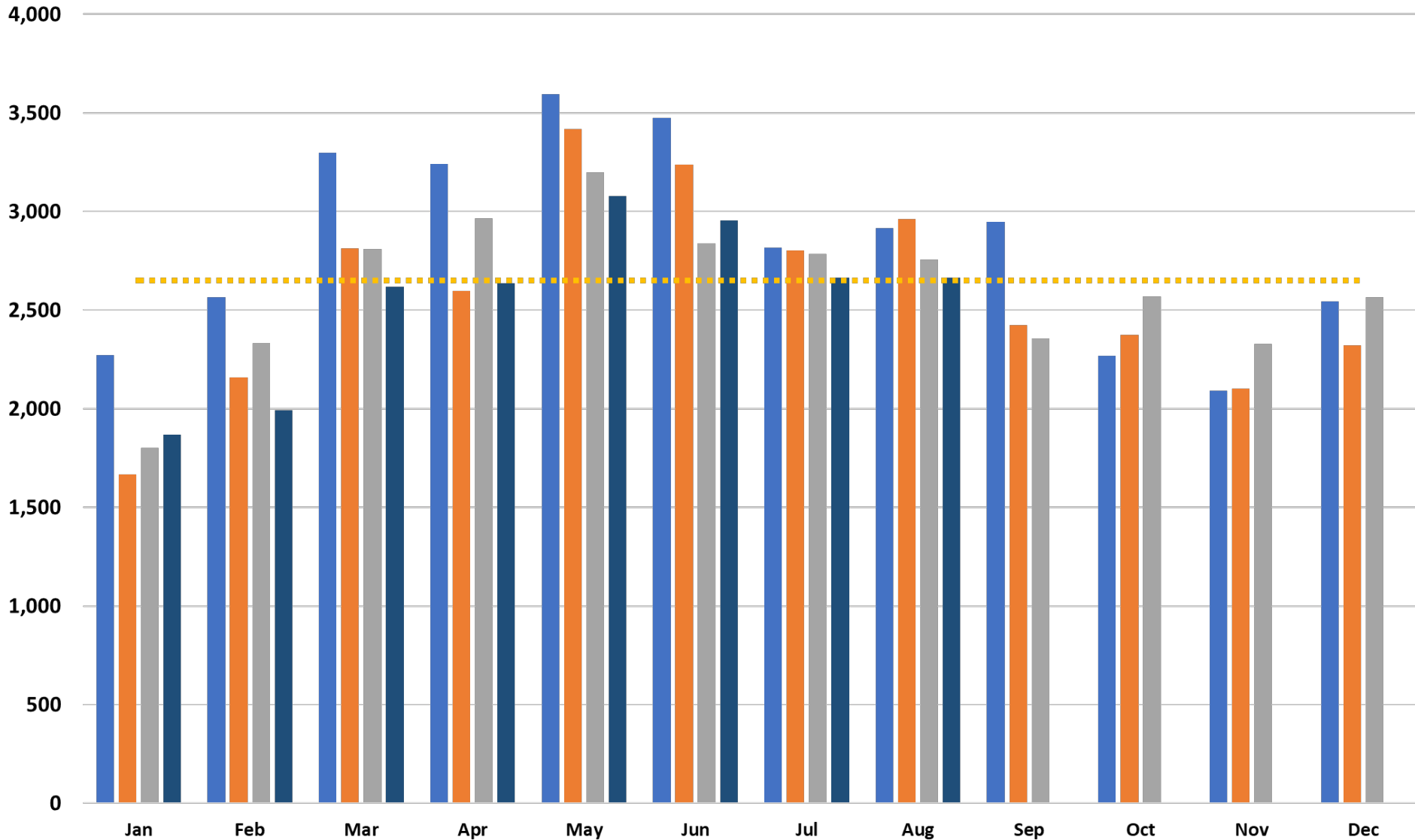
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

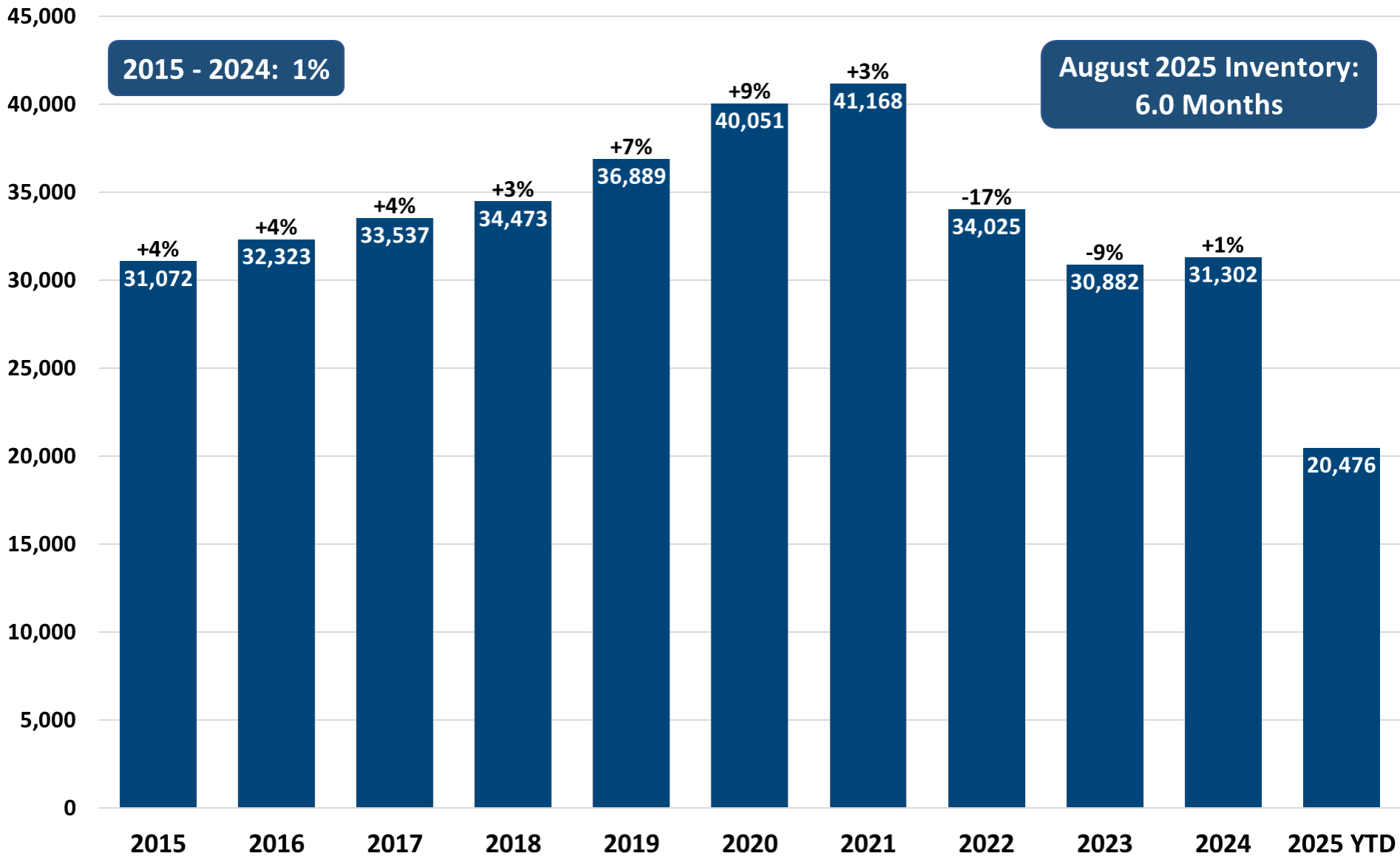
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# Austin MSA - Residential Sales

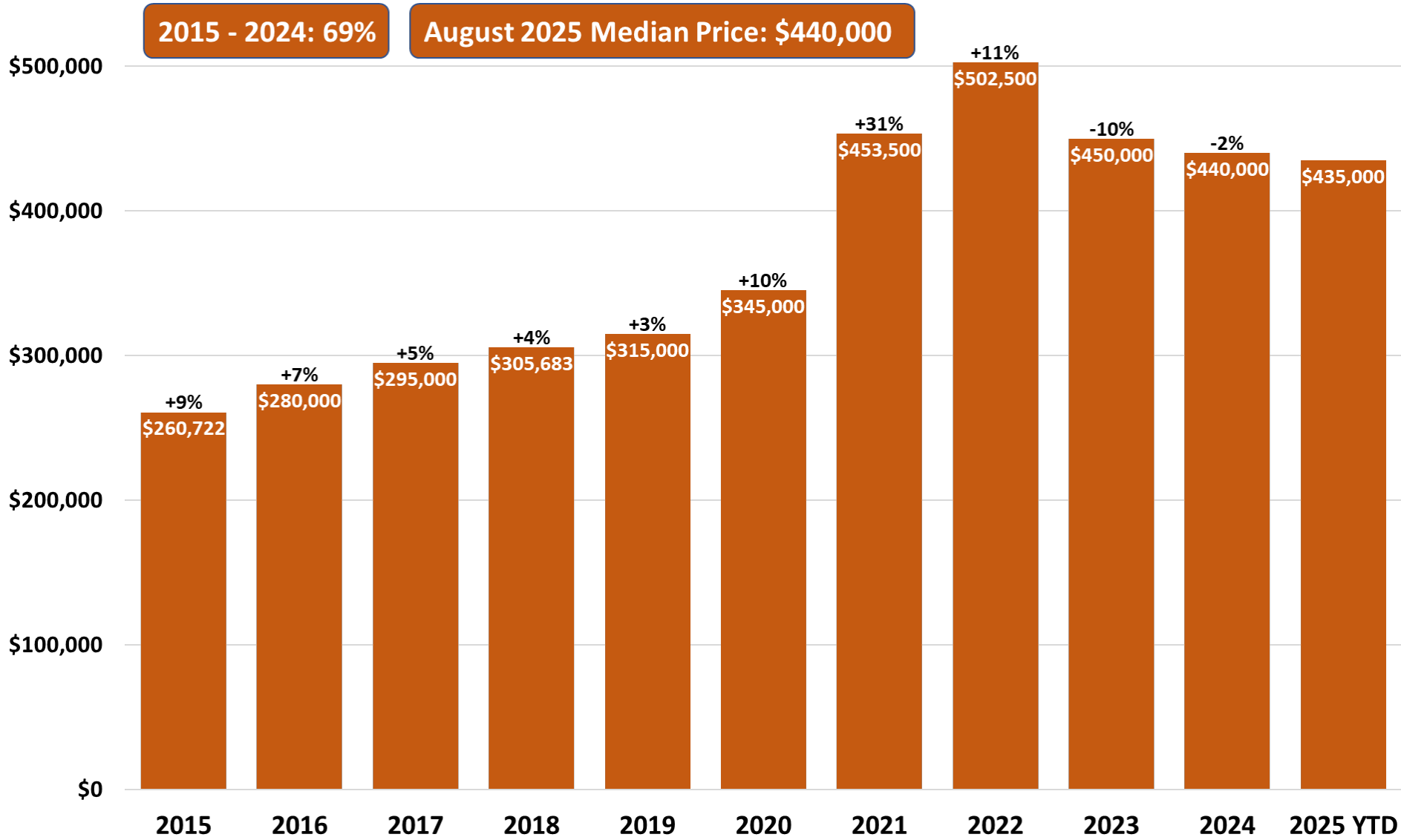
2022 2023 2024 2025 Average



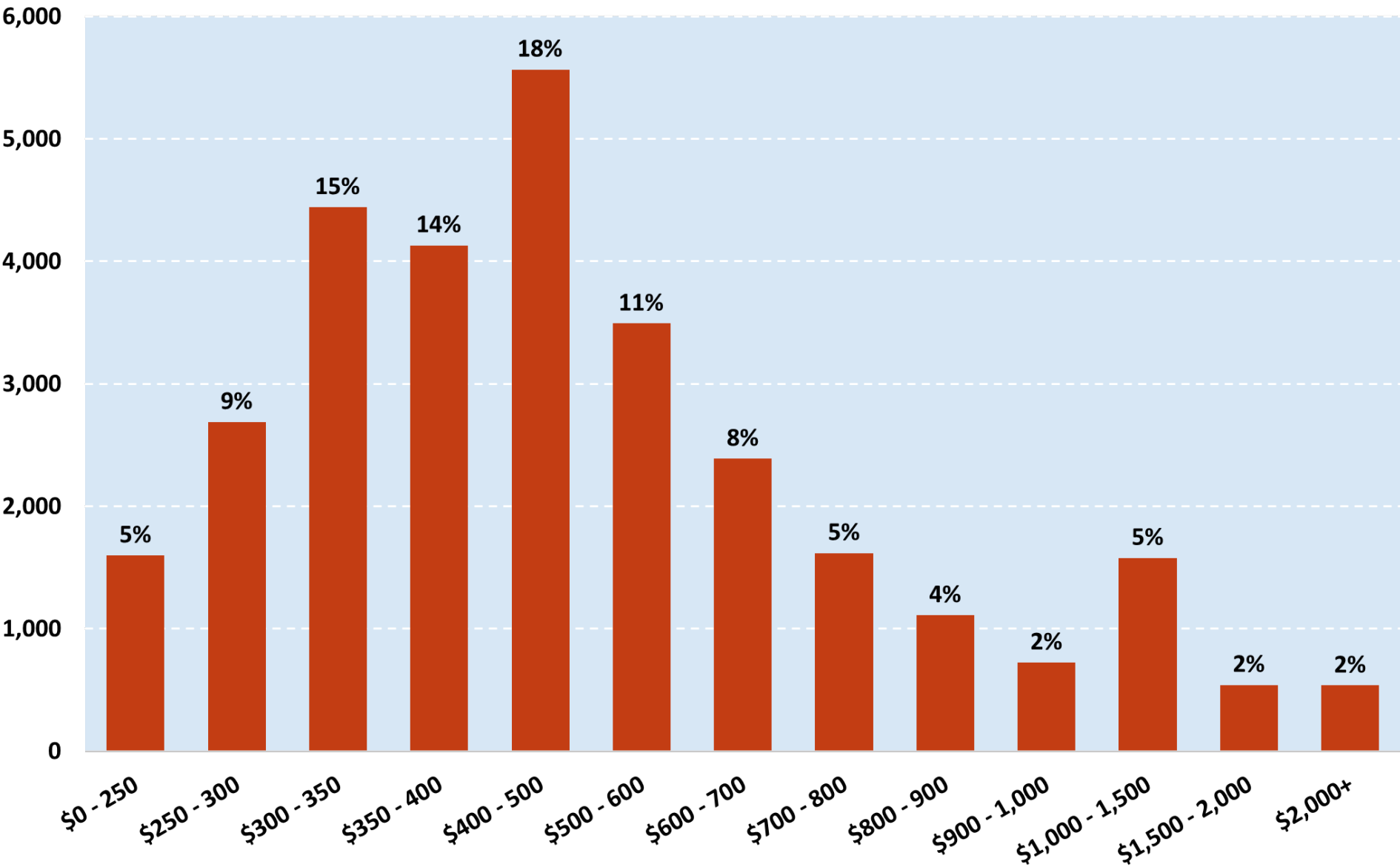
# Austin MSA - Annual Residential Sales



# Austin MSA - Median Residential Sale Price

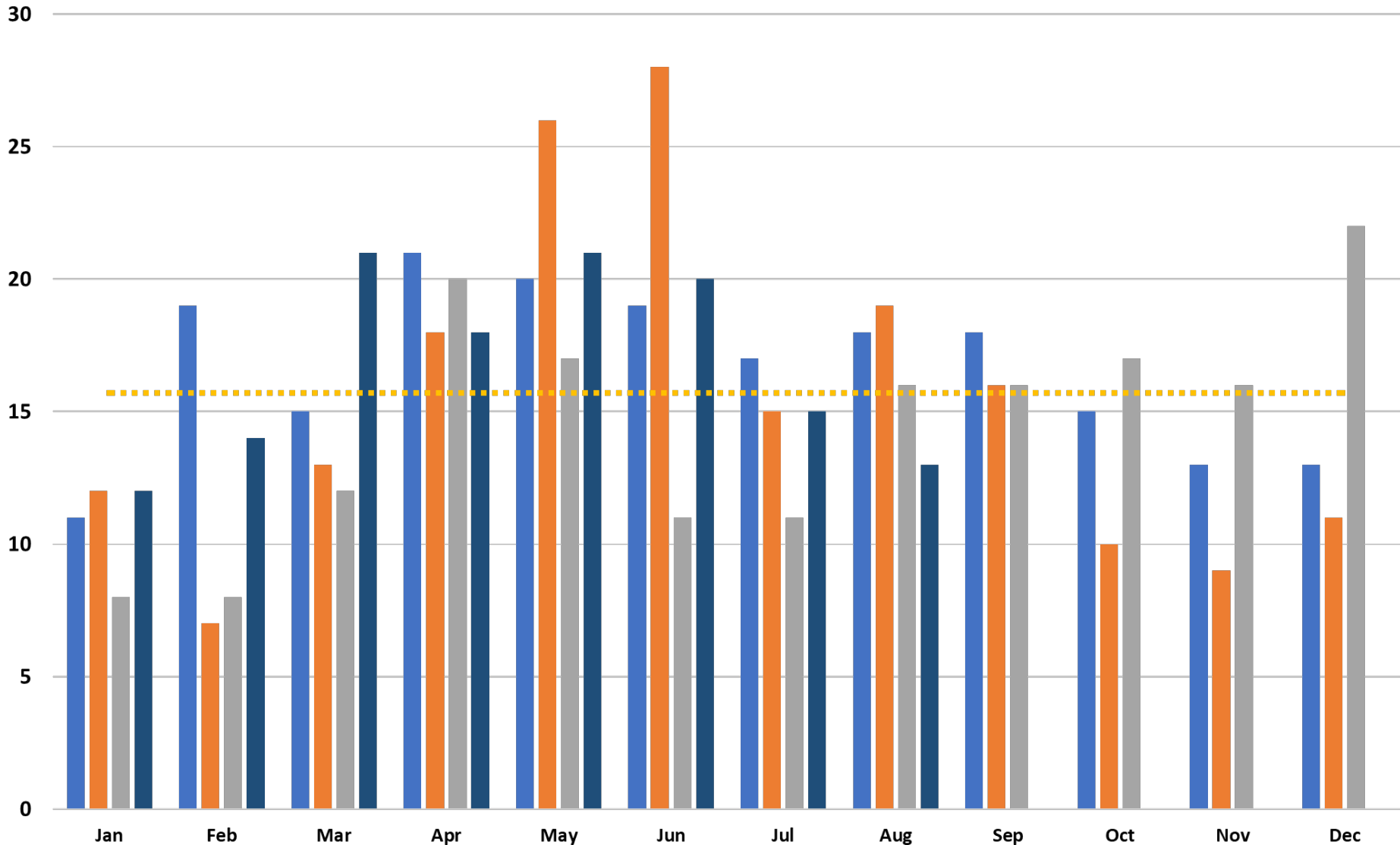


# Austin MSA - Residential Sales by Price Range - Last 12 Months

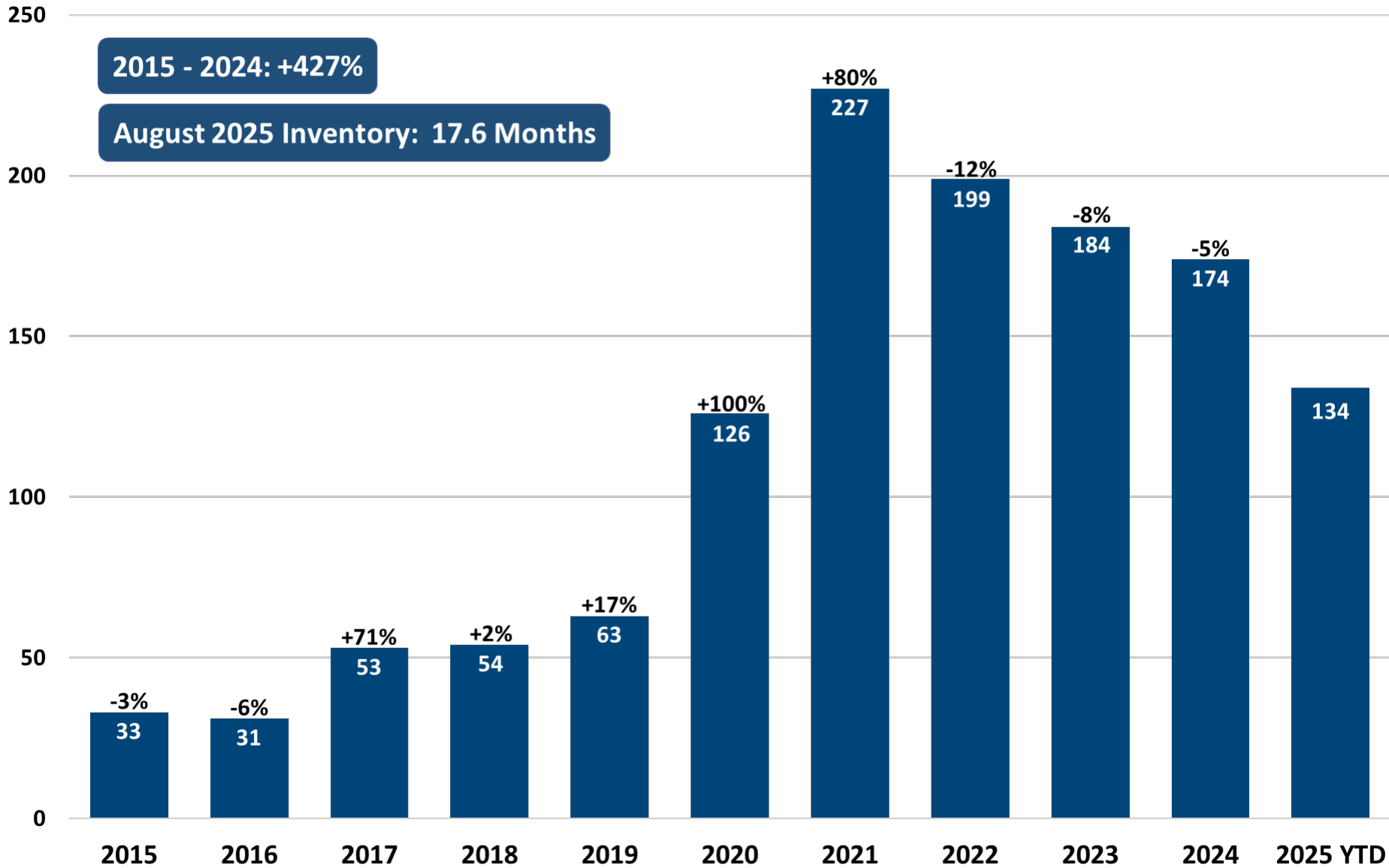


# Austin MSA - Residential Sales \$3m+

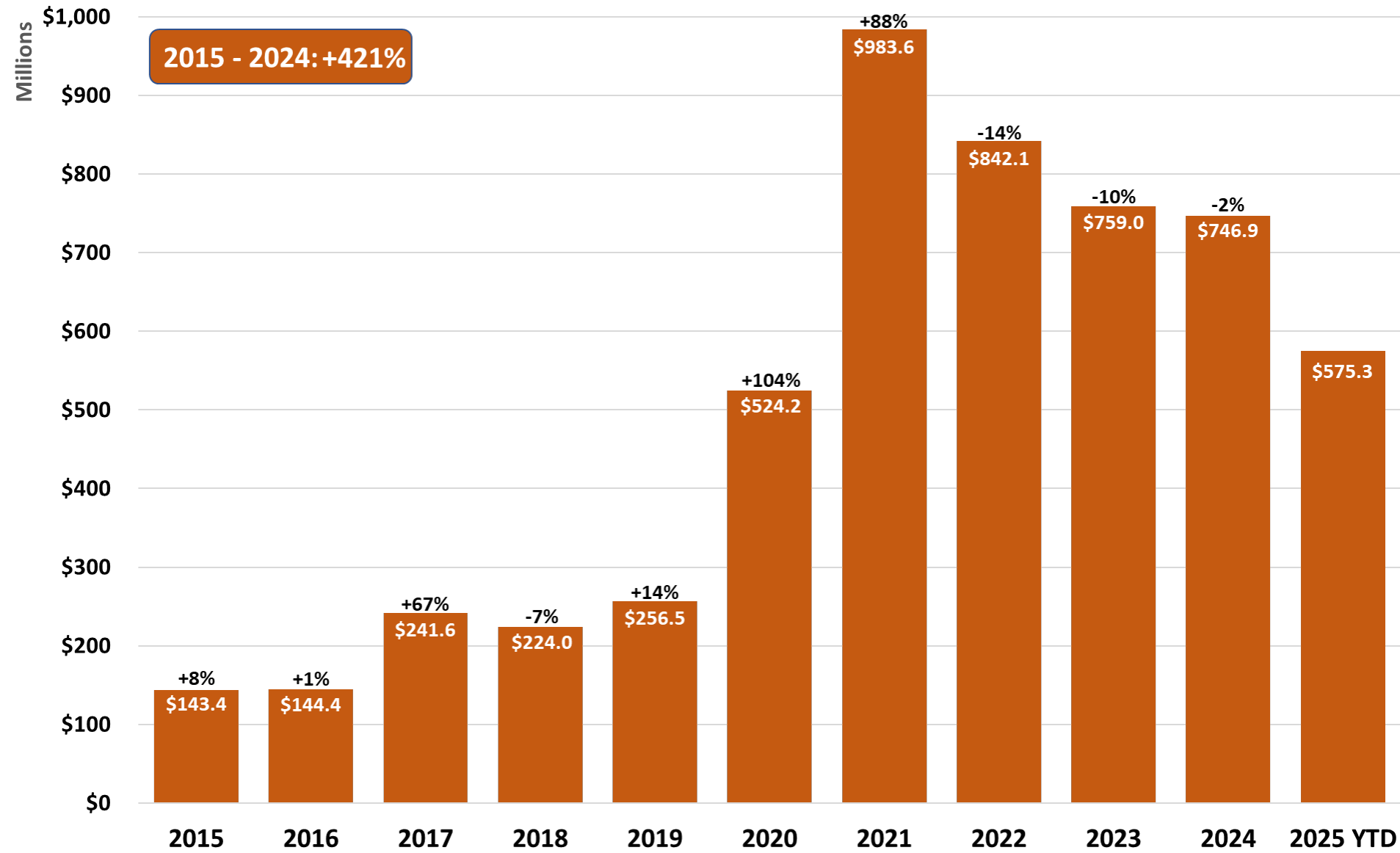
2022 2023 2024 2025 Average



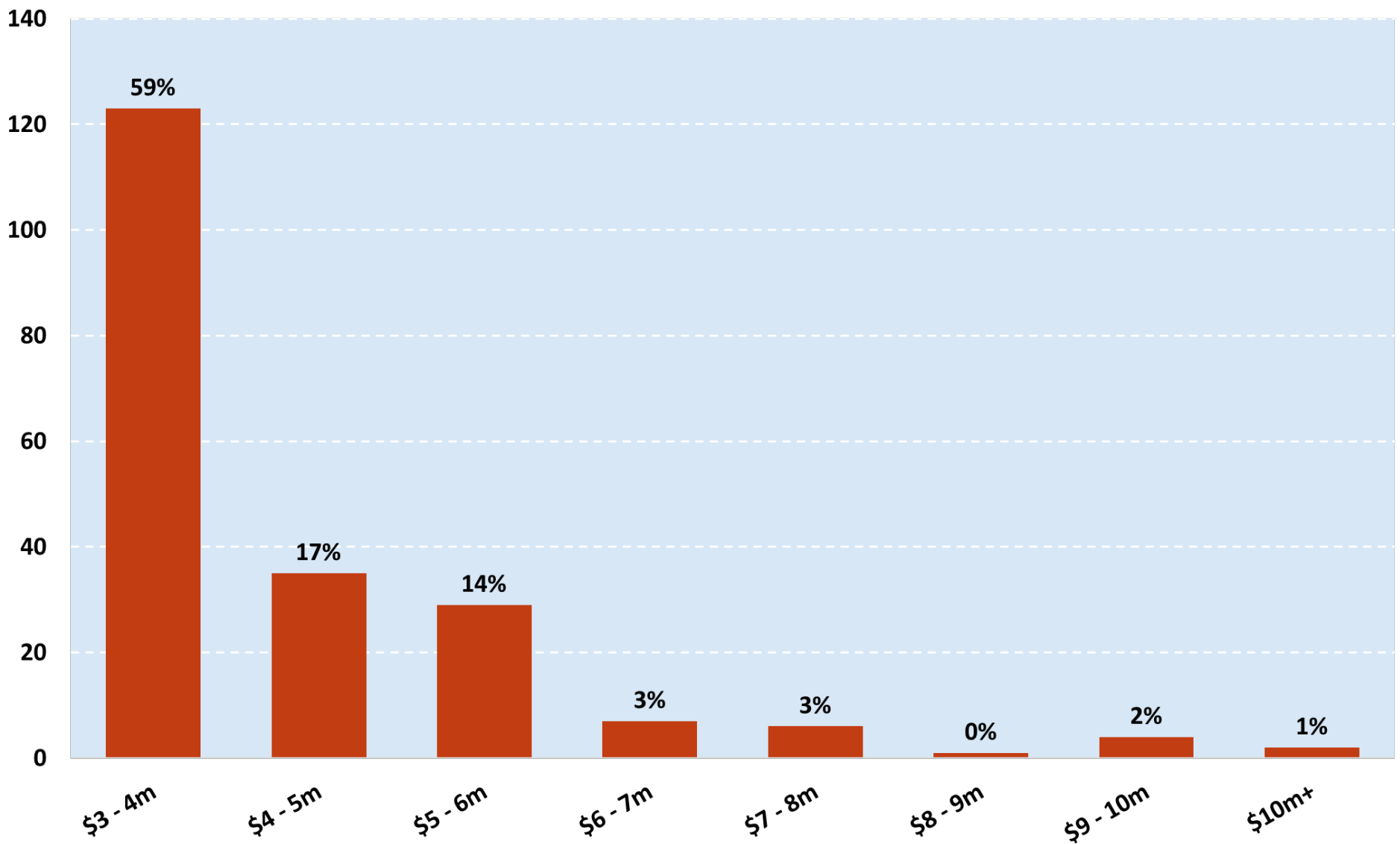
# Austin MSA - Annual Residential Sales \$3m+



# Austin MSA - Dollar Volume of \$3m+ Residential Sales

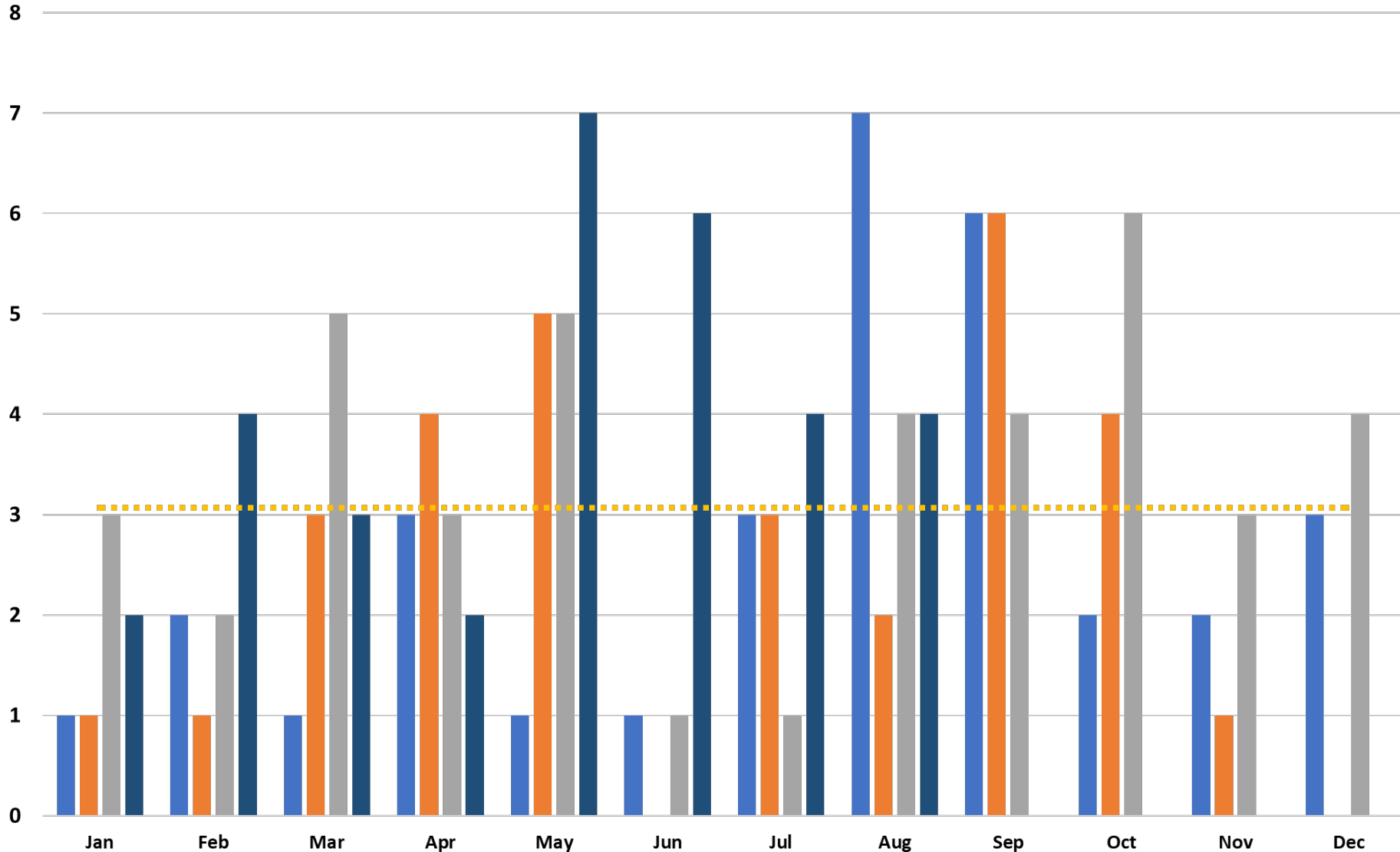


# Austin MSA \$3m+ Residential Sales by Price Range - Last 12 Months

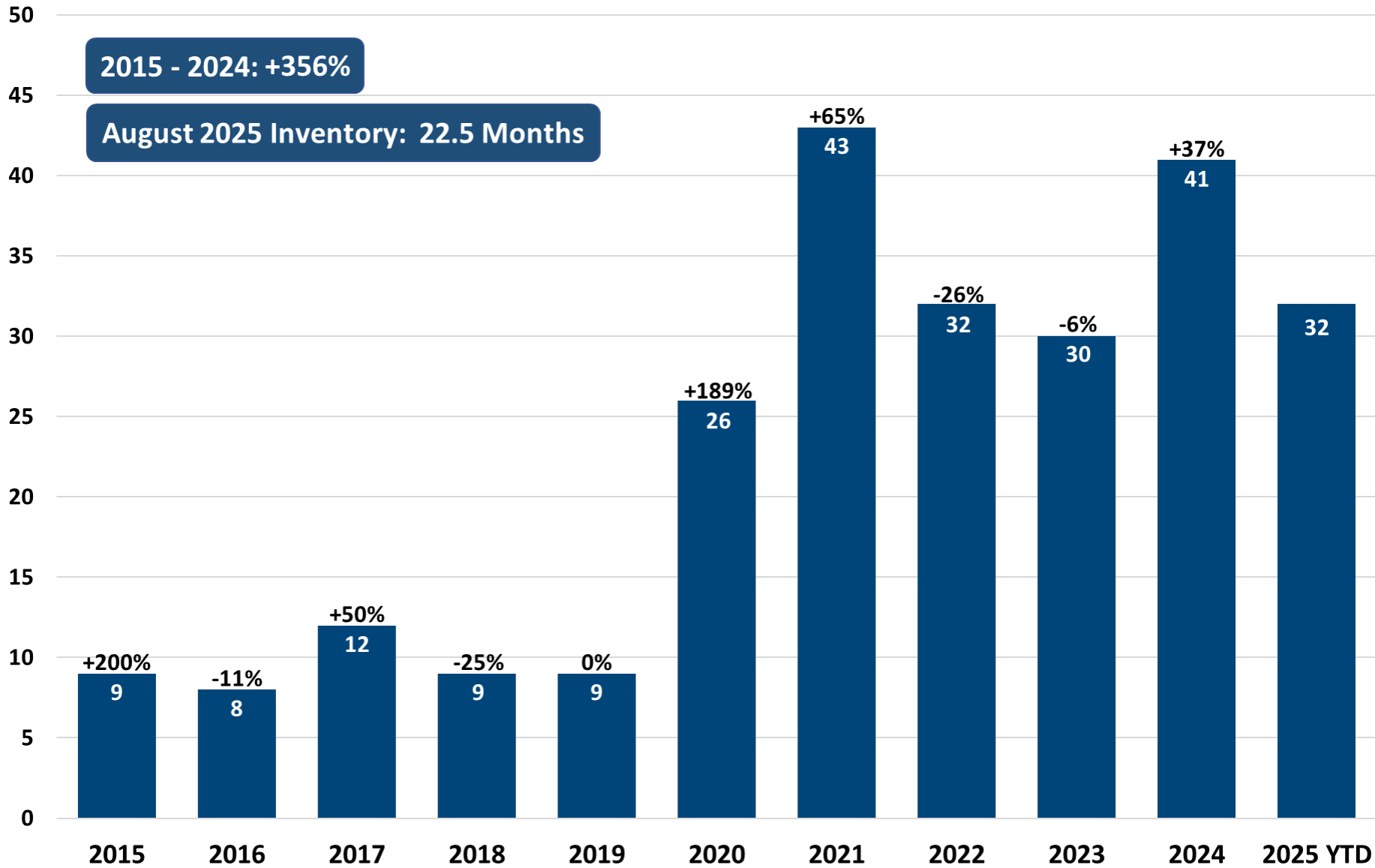


# Austin MSA - Residential Sales \$5m+

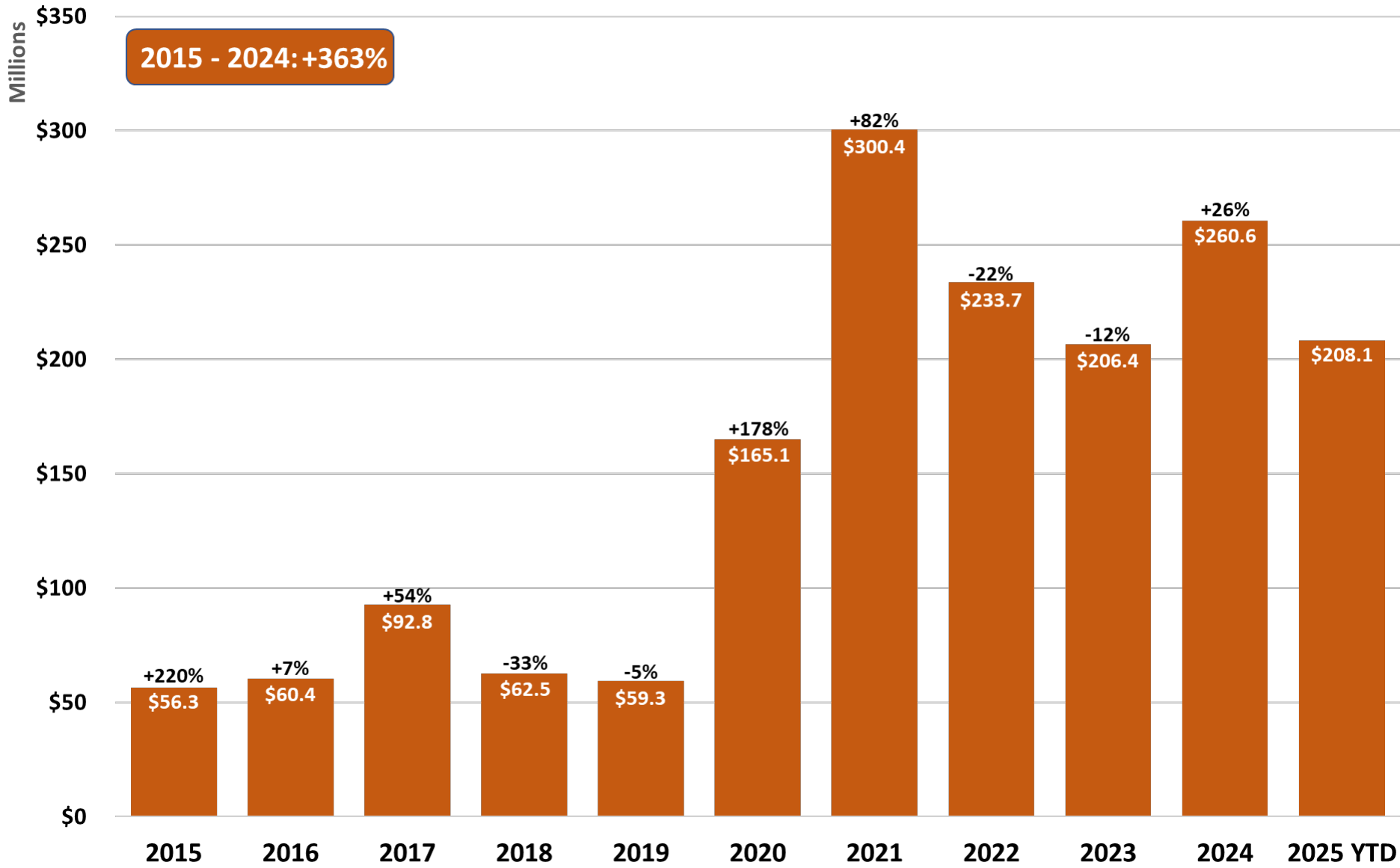
2022 2023 2024 2025 Average



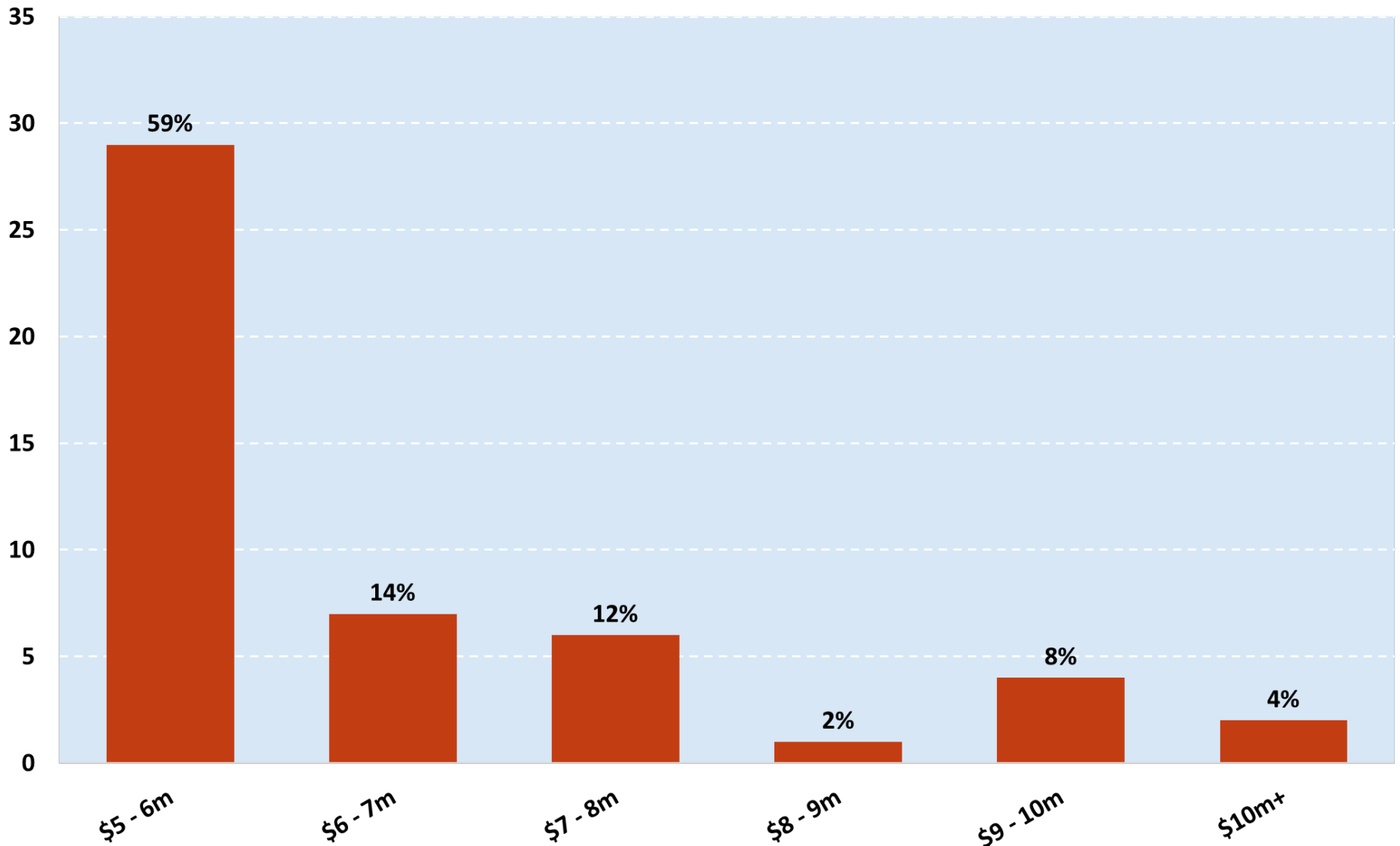
# Austin MSA - Annual Residential Sales \$5m+



# Austin MSA - Dollar Volume of \$5m+ Residential Sales



# Austin MSA \$5m+ Residential Sales by Price Range - Last 12 Months



# Commercial Real Estate Trends

The rules that governed commercial real estate before 2022.

Between 2010 – 2022:

- COVID stalled the economy 2020. Changed work habits, remote work fully embraced.
- Mixed use strong.
- 10-year treasury fell 83%,
- Real estate borrowing rates fell by 51%. (unprecedented.)
- Transaction volume more than doubled.
- Cap rates fell from 8% to 6% (commercial) and from 7% to 4.5% (apartments).

Trends that will define 2026 and beyond;

- The 10-year treasury has increased 475 bps since 2022.
- Real estate borrowing rates increased 300 to 450 bps. Higher finance costs.
- Transactional activity slows dramatically compared to previous 5 years.
- From 2021 to 2024 apartment supply out stripped demand. The oversupply caused concessions but no discounting.
- Cap rates increased 100 to 200 bps.
- Rising insurance costs.
- Impact of extreme weather.
- Material costs up 46+%, since 2020. Labor costs up 17% to 25% since 2020.
- Capital availability.
- Industrial, data centers, and multifamily assets are leading the recovery, while office and malls continues to face persistent challenges from high vacancies.

# COVID Effect on Commercial Real Estate

## •Office:

- Vacancy rates and rents hit from work from home mandate.
  - 30+% vacancies an issue.
- Rents stabilized and rising in 2025.
- Hybrid work likely for several years.
- Corporations / Commercial need to earn that commute back!

## •Retail:

- Hit the hardest – accelerating the shift to online.
- Potential of over 35,000+ storefronts closing.
- Retail vacancy vastly improved;
  - Austin – 2.8%
  - San Antonio – 3.5%
  - DFW – 4.5%
  - Houston – 5%

## •Industrial:

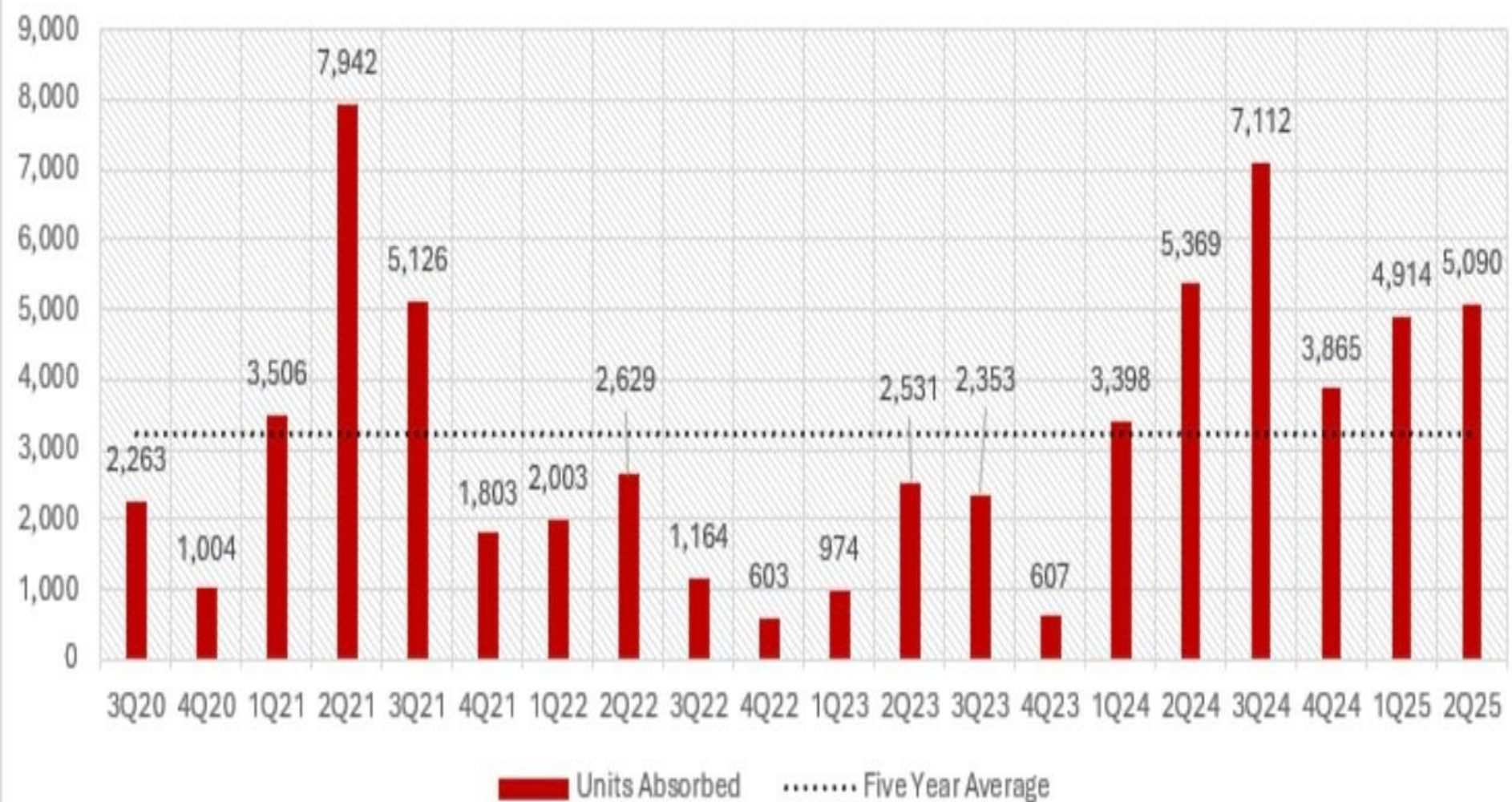
- Benefitted by the shift to online shopping.
- More warehouses closer to the customer.
- Strong demand may lead to overbuilding.
- Leasing slowing.

## •Hospitality, Leisure and retail:

- Challenged for several years. Improving.
- Potential consolidation, change of venue or purpose.

# Austin Apartment Absorption

## Austin MSA Absorption



# Commercial Economic Forecast for 2026

- The 2026 commercial real estate forecast points to a year of cautious optimism, with growth expected across most asset classes and geographies, but a continued bifurcation between high-quality and lower-quality properties. Key trends include continued pressure on traditional office space due to hybrid work, the rise of data centers and industrial sectors, and the increasing importance of technology and sustainability. The office market will likely see its performance depend on property quality and location, with a focus on conversions and high-quality spaces.
- Opportunities will emerge for commercial real estate investors in 2026, as interest rates slow and an economic slowdown—perhaps even a mild recession—lead to bargain pricing for certain assets.
- Rent growth is offset by rising operating expenses in all channels.
- Higher than normal vacancies particularly in offices / malls.
- The average time on the market for rentals is shrinking.
  - Build to rent SF / MF building slowing down.
  - Rent concessions available, however rent discounts not.
  - Short term slower market.
- Land development is costlier than ever. Low investment in land development has kept the supply of developed land sparse.
  - Land sales slower. Bank lines full.
  - Rural sales / values challenged in 2026 / 27.
- Commercial lending harsher. 3-to-5-year window challenge.
- Real estate values maintain stronger than avg. appreciation in most channels.
- Oil forecasts for 2026 suggest a likely price decline, with some analysts predicting an average Brent crude price around \$52/bbl, driven by global supply growth outpacing demand. Bad for Texas.
- Weaker global demand for consumer goods. Particularly in 2025.. Global consumer goods demand in 2026 will be driven by a combination of economic factors and evolving consumer values, leading to polarized spending and growth in both premium and private-label sectors
- Strong employment. Particularly in Texas. Stronger than expected.
- Virus crisis hit hospitality, leisure and retail hard. When market reopened, one out of five gone.

# Final Thoughts- Market Summary

- **Residential market stabilizing.**
  - The real estate market in 2026 is expected to experience a period of stabilization and modest growth. Home prices are likely to grow at a slower, more [sustainable] pace compared to the rapid increases seen in recent years.
  - Prices should remain relatively flat or see minor price increases on a national basis. After rising more than 50% over the last five years, prices may finally stabilize in 2026.
  - 3 years out, new market will be challenged due to lack of developed lots.
- **Price correctly.**
  - While real estate values could finally slow, it doesn't look like they'll drop in 2026. Homes are selling within 95% to 98% of median list price in Texas metros.
- **Mortgage Rates will stabilize.**
  - Late 2025, financial indicators are pointing to a .125-to-.25-point drop or rise at most. Rates will stabilize as markets look to inflation indicators.
- **The Rental Market gains strength.**
  - After historical number of starts 2020 to 2022, now historical low number of starts, rent values are stabilizing with limited concessions.
  - Everyone is reporting that their renters are in strong financial shape (normalizing delinquency, high retention, low rent-to-income ratios) -- a good reminder that rental affordability is a bifurcated issue. Rent-to-income ratios mostly around 20%, and Equity Residential noted move-outs due to rent increases remain below historical norm
- **Inflation and job creation will continue to drive Prices**
  - Global and US inflation has continued with a steady but uneven decline while generally growth has remained resilient, allowing for eventual central bank rate cuts.
  - The US economic outlook is stable, with a moderate growth slowdown expected, but no recession.

# There's a lot of uncertainty in the markets!

- Business optimism is waning – particularly with tariffs. (source: Journal of Accountancy, chiefexecutive.net, etc.)
- Consumer confidence has plunged. (source: Consumer Confidence Index )
- Manufacturers are reporting declines in new orders.(FT, WSJ)
- Personal expenditures fell in January 2025 by its most in nearly four years. Projecting for 2026 is challenging due to economic uncertainty, but most analysts project a slowdown in spending growth compared to 2024 and 2025. Factors such as elevated inflation, tariffs, and lingering high interest rates will likely keep consumers cautious, especially with discretionary purchases.
- Consumer inflation expectations have surged in surveys. (Federal reserve)
- The termination of federal jobs is creating an air of uncertainty in the labor market. (several indexes & news sources)
- The Fed's independence is an ongoing concern. (Jerome Powell and numerous news sources.)
- People are starting to question the safe-haven status of the dollar. (FT, World economic forum, WSJ,)
- Government oversight is being removed. (Federal News Network, Politico, breaking numerous constitutional laws and more).
- We're hearing zany ideas (like removing government spending from GDP calculation). (FT) (what a great way to hide all those ' doing a great job' \$400 million paid for by the US govt. agencies just since the start of 2025.)
- Will any inflation from tariffs be transitory? (Bloomberg)
- Tariffs being announced and then delayed. Deglobalization of industry, (numerous news sources)
- Immigration crackdowns causing a shortage of labor. (Bloomberg)
- Reshaped global alliances – Europe, Canada and Mexico feeling as if they are not aligned with the US and possibly reluctant to share intelligence. (WSJ)
- The US economy has lost its aura.- Investor confidence has been shaken by unpredictable trade policy and fears that the shake-up of federal government machinery will sap growth. Higher corporate uncertainty and lower sentiment are prompting recession warnings. (FT)

**Real Estate is still the safest haven for appreciation!**

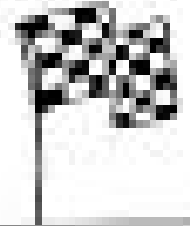
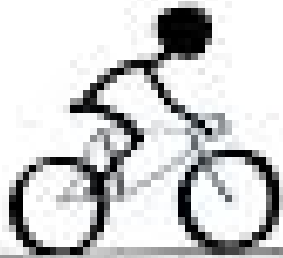
# Final Thoughts

- Is the Fed Done raising / lowering rates? Tariffs, tax cuts without cutting spending will cause higher inflation and rates.
- Mortgage rates will bounce around between 6-7% for the next 12 months.
- Inventory will keep housing prices from changing very much.
  - Higher mortgage rates continue to keep the resale market at bay.
  - Watch consumer and business confidence / spending.
  - Quality of employment growth and migration are trends to watch.
  - Price compression will be the words of the year in 2026. Home values / prices will rise more modestly. Single digit appreciation.
  - Short-term choppiness doesn't negate long-term Texas tailwinds
  - Home buyers should have more properties to choose from.
  - Stabilizing rates should stimulate the market.
  - Buyers have more negotiating leverage than the past.
- New residential will likely cost more in the, up 1-2-3% - each quarter of 2026.
- Inflation keeps builders building smaller homes, in the same price ranges, to slightly higher. Because of the lack of inventory and stronger incentives, builders are capturing more market share.
- Yes, commercial real estate will be challenged. For a couple of years.
- Quit comparing to the last 3 exceptional years and one down year. The prior were outliers / once in a lifetime events. The latter happens every 7 to 10 years when inflation gets out of control.
- The market won't be as strong, but supply will increase with values positive but slowing.
- Prices will slow but not crash. A return to normalcy.
- Demand for buying real estate investment will stay strong.

# Texas housing market predictions 2026

- After the asset bubble of 2020 – 2022 the 2026 Texas housing market will shift to a more balanced, buyer-friendly environment. Key factors contributing to this include easing mortgage rates, increased inventory, and moderate price growth or stabilization,. Some cities, particularly Austin, are close to a price bottom (sales and slow recovery, while others like Houston, DFW and San Antonio are seeing more stable growth.
- Mortgage rates: Rates are expected to ease further into 2026, potentially falling into the low 6% range.
- Inventory: The supply of homes for sale is increasing, giving buyers more options and leverage in negotiations.
- Home sales: Experts forecast a potential rebound in sales activity as affordability improves, with one source predicting up to a 10% increase in Texas home sales. Certain price points are seeing stronger absorption.
- Prices: Statewide, values are not expected to change dramatically. However, regional trends vary, with some areas seeing continued price drops before a potential bottom in late 2026, while others experience modest growth.
- Buyer/seller dynamics: The market is expected to continue shifting in favor of buyers, with more opportunities for negotiation and fewer bidding wars.
- Should rates hit 6% or lower, it will turn into a seller's market quickly.
- Predictions for Texas metro areas in 2026:
  - Austin-Round Rock: Home appreciation has slowed. Values settling around median in most neighborhoods. Latter of 2026 before potentially bottoming out in the second half of the year. This will extend the current buyer's market, with a gradual recovery anticipated. Expect a more normalized market, with a modest median home price increase
  - Dallas-Fort Worth (DFW): Existing home sales are projected to climb by approximately 11% in 2026, with new construction increasing by about 5%.
  - Houston: The housing market is predicted to see more moderate, steady growth.
  - San Antonio: The San Antonio market is expected to see moderate home value growth. The market will move towards a better balance between sellers / buyers in 2026.

# Your Plan



# Reality





# There is no better time to buy! Why would you wait?

*The pessimist complains about the wind. The optimist expects it to change. The realist adjusts his sails.*