Austin's 2025–2027 Housing Reset

Data, Economics, and Why Many Real Estate Professionals Are Misreading the Market and Misleading the Public

By Mitch Levinson

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Why I'm Writing This

In 2022, after selling our home (purchased in 2005 for top dollar) and moving to Austin, my family decided to rent so we could take the time to figure out exactly where we wanted to live. When we arrived, the Austin housing market was still in full "gang-busters" mode—multiple offers, properties selling in days (sight-unseen), and prices still climbing.

Now, as we've begun our search to buy, the market looks very different:

- Prices are softening.
- Inventory is rising.
- Many homes in our search range are sitting unsold for months.
- Too many sellers are still pricing as if it's 2021, and too many industry professionals are either unwilling or unable to explain the reality to their clients.

Our search is focused on a highly active, highly visible "band" of the market—one that is a large driver of overall transaction volume in the Austin metro, but is now clogged with overpriced, slow-moving listings.

We're looking for:

- **Size:** 2,500–3,500 sq. ft.
- **Schools:** Leander ISD or nearby
- **Layout:** First-floor living—preferably a 1-story ranch, but master-on-main acceptable
- **Amenities:** Pool on the property or in neighborhood; trees and natural areas; greenbelt a plus
- **Condition:** Updated inside—or priced appropriately for updates needed
- **Price:** Full flexible preapproval, but must align with current market realities and be competitively positioned for today's conditions.
- **Closing ability:** Ready to close in 2–3 weeks (no home to sell)

What I've found in this segment is telling: an abundance of inventory, homes lingering far beyond average DOM, and widespread pricing disconnect between sellers' expectations and today's buyer behavior. In a functioning market, this band should be one of the most liquid—but in today's Austin, it's a leading indicator of the slowdown.

With decades of national real estate experience—including selling in and through real downturns in Chicago, Atlanta, and Florida—I've been digging into the numbers, comparing what I'm seeing on the ground to historical patterns, and identifying why so many professionals here are misreading the market. The conclusion is clear: Austin is experiencing its first modern market correction, and unless the industry adjusts, this reset will be slower and deeper than it needs to be.

Executive Summary

Austin is navigating its first modern **downshift** as a national-scale market. Inventory has expanded, absorption is slower, and price pressure is broadening, especially for dated resales competing with aggressive builder pricing and incentives. Contrary to the "Austin is different that other markets" refrain, the next 12–20 months will be about **reversion to long-term price trendlines (3–5% annual)** after an unsustainable run-up (double-digit YOY gains for years). The data shows:

- **Prices:** Multiple non-industry data sets report **year-over-year price declines** in Austin during 2024–2025, with typical values down mid-single digits in many ZIPs.
- **Supply:** Months of inventory has risen into **buyer-leaning territory** metro-wide; the mix hides severe oversupply pockets in suburban submarkets and specific price bands.
- **Demand:** Mortgage rates remain elevated and volatile; affordability is constrained even for qualified buyers.
- **Competition: New homes are often cheaper than resales** (once incentives and buydowns are included), compressing resale values with pre-2020 finishes.
- **Costs of Ownership:** Insurance premiums, taxes (despite partial relief), maintenance, and vacancy costs create real carrying pressure for sellers trying to "wait out" the market.

Bottom line: Expect continued price discovery and normalization through 2026, with stabilization and modest appreciation most likely **after** rates ease and excess inventory is cleared. Many listings are **20–25% overpriced** relative to today's market realities when compared against builder incentives and absorption math.

What Makes This Cycle Different from 2006–2012

I do see **a lot of similarities** between today's Austin market and the 2006–2008 pre-crash environment in other national markets—but there are also important differences.

Similarities:

- **Overbuilding of speculative (spec) homes:** In the mid-2000s, builders in markets like Phoenix, Las Vegas, and parts of Florida overbuilt inventory based on unrealistic demand projections. We're seeing shades of this in Austin today. Many builders here have a large pipeline of standing spec homes or homes under construction that will be completed within 90–120 days, yet not all of this is reported in standing inventory figures—artificially keeping MLS-visible inventory lower than reality.
- **Market psychology:** Sellers in both cycles were slow to adjust expectations after rapid price appreciation, believing their market was "different" and immune to correction.

Differences:

- **Underwriting quality:** Post-Dodd-Frank mortgages are far better underwritten than in 2005–2007, which lowers foreclosure-led supply shocks—but it does not prevent price corrections when affordability breaks.
- **Equity cushions & fixed-rate loans:** Many current owners locked in 3–4% mortgage rates, reducing forced-sale pressure—but those who must sell are still competing against aggressive builder incentives and an oversupplied resale market.
- **Austin's new scale:** This is Austin's **first time** functioning as a **large, national market**. In its pre-2010s era, local housing was less influenced by macroeconomic forces. Today, rates, insurance costs, tariffs, capital market trends, and VC funding cycles all exert real influence on supply, demand, and pricing.

Implication:
We're living through a **drawn-out normalization**, not a subprime lending crisis. Prices can still move down—sometimes significantly—without a foreclosure wave, when inventory (including hidden builder pipeline) outpaces qualified, motivated demand.

The Inventory Math Most People Get Wrong

Months of Supply (MOS) = *Active Listings ÷ Monthly Sales (Absorption)*.

- Example: If a submarket has **120 active listings** and **3 closings per month**, MOS = **120 ÷ 3 = 40 months**. That's not "6 months" by any honest math.

In Austin, metro headline MOS can mask micro-gluts in certain price/age/condition segments (e.g., 1995–2010 resales with dated finishes competing against builder incentives and rate buydowns). Buyers have options; sellers don't have 2021 leverage.

Adding to this, builders have also overbuilt speculative homes—much like in 2005–2007 in other troubled national markets. Many do not always report their full standing inventory or homes currently under construction that will be completed within 90–120 days. This practice can artificially depress the reported inventory numbers, making the market seem tighter than it actually is. Other things to consider:

- Track building permits and housing starts to anticipate future inventory before it hits MLS.
- Monitor subdivision activity to estimate unlisted spec homes.
- Compare builder community maps with MLS listings to identify potential hidden supply.
- Adjust MOS calculations to include both active and soon-to-be-completed inventory for a more accurate picture of market saturation.

Actionable: Sellers must benchmark against actual absorption in their micro-market, factoring in hidden builder inventory, not just a metro average. Price to where buyers are writing contracts now, or expect extended carrying costs.

Austin, by the Numbers

These links are here so readers can verify the claims quickly. I've prioritized data sources that are not paid by MLS dues or transaction volume.

- **Current metro snapshot:** The Central Texas Housing Report (Unlock MLS) shows **higher inventory** and **lower sales** vs. last year, with **~5 months** of supply metro-wide and a lower median price.
  May 2025: Inventory ~5.0 months; new listings +8.9% y/y; sales −3.8% y/y; median price **$449,900**.
  Active listings are up almost 20%, while pending sales are up 3.5%
  Source: https://www.unlockmls.com/news/may-2025-central-texas-housing-report
  Data hub: https://www.unlockmls.com/stats
- **Home values trend (Austin city):** Zillow's Austin page shows the **typical value down ~6–7% y/y** (smoothed index).

Source: https://www.zillow.com/home-values/10221/austin-tx/
Full data portal: https://www.zillow.com/research/data/

- **Zip-level/metro-level comparables:** Redfin Data Center offers downloadable inventory, sales, new listings, DOM, and MOS by metro/zip. Use it to test the absorption math for your submarket. No Texas market is currently in the top 10 for population inflow.
  Source: https://www.redfin.com/news/data-center/
  Austin snapshot (trends & MOS methodology):https://www.redfin.com/us-housing-market
- **Rates and macro housing outlook:** Fannie Mae ESR (Economic & Strategic Research) currently expects **mortgage rates to end 2025 near ~6.4% and 2026 near ~6.0%**, with slower price growth than in 2024.
  Source: https://www.fanniemae.com/data-and-insights
- **New vs. existing pricing signal:** The U.S. Census/HUD reports **median new-home sales price** (June 2025) at ~$401,800, down from 2024. In many metros—Austin included—builder incentives and buydowns make *effective* new-home costs **lower** than competing resales.
  Source (Census/HUD monthly PDF):
  https://www.census.gov/construction/nrs/pdf/newressales.pdf
- **The premium for "new" is shrinking nationally:** Redfin's research shows the price premium for <5-year homes narrowed to **~12%** in 2024 (vs. ~44% in 2012), reflecting heavy builder competition and buyers discounting older, dated stock.
  Source: https://www.redfin.com/news/aging-housing-inventory/
- **Insurance/holding-cost reality:** Texas homeowners' insurance premiums have seen **double-digit increases** in 2023–2025 due to severe weather losses, with lawmakers acknowledging the affordability hit.
  Sources: Texas Tribune explainer:
  https://www.texastribune.org/2025/05/09/texas-legislature-homeowners-insurance/
  ABC13/TDI rate-hike filings:
  https://abc13.com/post/texas-department-insurance-data-shows-requests-increase-homeowners-rates-have-doubled/16428578/
- **Tariffs & rebuild costs:** Section 301 tariff changes (effective 2024–2026) raise input costs on a range of goods, contributing to higher construction/rebuild costs.
  USTR document (official):
  https://ustr.gov/sites/default/files/Section%20301%20Modifications%20Determination%20FRN%20%28Sept%2012%202024%29%20%28FINAL%29.pdf

Why Dated Resales Are Mispriced by 15–25%

Three forces compress resale values vs. 2021–2022:

1. **Builder incentives & rate buydowns.** A 5.25% buy-down on a new home can be worth **tens of thousands** in present-value terms to monthly-payment-constrained buyers. Sellers rarely match that arithmetic.
2. **Capex reality.** Kitchens/baths, roofs, HVACs, windows, and code/efficiency upgrades are materially pricier (labor, materials, permitting time). Buyers discount dated homes **more** today than in 2021 because cash and contractors are tighter.
3. **Insurance & risk pricing.** Carriers are repricing hail/wind/flood exposure statewide. Older roofs and systems increase premiums and deductibles, further discounting resale bids.

Net effect: In multiple Austin submarkets, “used” homes with pre-2020 finishes trade at a **steeper discount** than sellers expect. When new-home effective pricing undercuts resales, the implied overpricing on like-for-like resales can easily reach **20–25%**.

Dynamics: New Homes vs. Resales

Sources show that for the first time in modern history, **new homes are frequently less expensive than existing homes**, reflecting a major shift in housing economics:

- A **Zillow Research** report found that in May 2024, new homes sold for **$3.50 less per square foot** than existing ones—marking the **largest discount** in at least six years.National Association of Home Builders+15Zillow+15Yahoo Finance+15
- **Investopedia** highlights that in May, the median price for a new single-family home was **$417,400**, compared to **$424,500** for existing homes—a rare inversion.Investopedia+1
- According to the **NAHB**, in Q1 2025, new-home median prices were just **$14,600 above** existing home prices—a major contraction from the **$64,200 gap** in late 2022.The Sun+15National Association of Home Builders+15Eye On Housing+15
- Regionally, particularly in the **West**, existing homes are now **$72,600 more expensive** than new ones—an unexpected flip.Yahoo Finance+9Eye On Housing+9National Mortgage Professional+9

Implication: These shifts are driven by smaller new-home footprints, aggressive builder pricing, and sustained demand for affordable, move-in-ready options—making new construction **a compelling competitor** to aging resale inventory.

Signs of a True Buyer’s Market (What to Watch Weekly)

1. **Active listings rising faster than pending sales**
   - U.S. active listings are ***up 8.5% year-over-year***, while pending sales are ***down 1.2%***—a clear supply surge amidst cooling demand Redfin+15Redfin+15Redfin+15.

2. **Months of Supply (MOS) > 6 in your price band**
   - National MOS sits around ***4 months***, up modestly. For specific price bands in Austin, MOS > 6 signals strong buyer advantage Redfin+2Redfin+2.

3. **Longer Days on Market (DOM) and more price cuts**
   - Median DOM has ***risen by about 6 days***, with more listings taking longer to sell Redfin+8Redfin+8Wikipedia+8.

4. **Sale-to-List Ratio slipping below 98–99%**
   - The national average sale-to-list ratio has ***dropped to 98.8%***, down from 99.4%, indicating pricing pressure Redfin+5Redfin+5Bankrate+5.

5. **Homes sold above list price are falling**
   - The share ***dropped to 26–27%***, from around 30–31% a year ago—fewer bidding wars and less demand edge Redfin+15Redfin+15Redfin+15.

6. **Concessions becoming standard**
    - Across markets, buyers are seeing closing-cost assistance, rate buydowns, or other incentives. Sellers are negotiating more nar.realtor+1.

7. **Sellers significantly outnumber buyers**
    - Nationally, there are ***~34% more sellers than buyers***, the biggest imbalance since records began. Austin specifically ranks among the top metros by imbalance Redfin.

Pro Tip
Track your micro-market: refine by school zones, price range, and home age/state. City-wide metrics often mask oversupply in select categories, like older, under-renovated homes facing stiff competition.

The Carry Cost Fallacy

Waiting "for 2022 prices to return" ignores carrying costs and rapidly escalating ownership costs, many of which are difficult to offset later:

- **Insurance**: Texas premiums surged **~21% in 2023** and **~19% in 2024**—costing homeowners thousands more annually The Texas Tribune+5AP News+5rbfcu-org+5Texas Department of Insurance+5KSAT+5ffginsure.com+5. In some areas, annual premiums now exceed **$6,500**, driven by repeated extreme weather and rebuilding costs KPRC+1.
- **Property Taxes**: While some relief has been offered, assessments remain elevated compared to 2019 levels—adding ongoing carrying pressure even in corrected markets.
- **Vacancy & Maintenance**: Holding an unsold home means paying for yard care, pool maintenance, HOA dues, utilities, and general upkeep. Annual repairs alone often range from **1–2% of home value**, easily several thousand dollars per year localcashbuyers.com+15wsj.com+15rbfcu-org+15. Specialized repairs—like roofs—are increasingly costly, with roof maintenance prices up **~30% year-over-year** bankrate.com.
- **Financing Costs**: Additional bridge loans or equity lines are now priced against higher interest—raising borrowing costs if a home doesn't move quickly.

Bottom line: Two years of carrying these costs can surpass the impact of a **5–10% price cut** taken today—which can significantly erode both seller proceeds and value preservation.

Population & Demand: Still Growing, But Different

Austin is still a net-inbound metro, but 2024–2025 growth **slowed** and shifted toward **suburbs and international migration**. Domestic inflows cooled from pandemic peaks, easing the immediate pressure on in-city housing. Data reading list:

- Austin Chamber migration breakdown: https://www.austinchamber.com/blog/05-09-2023-migration
- 2024 net inflow slowdown coverage: https://austin.culturemap.com/news/city-life/population-growth-slows-2024/

Demand is not gone: it's simply **price sensitive**, choosier, and spreads across more inventory.

What Sellers and Builders Should Do Now

For Sellers

- Price off **absorption comps** (last 60–90 days pendings/closings) and adjust every 2–3 weeks if traffic is light.
- Assume buyers will compare your home against **builder-incented** new construction for pricing.
- Front-load repairs + cosmetic updates that move the needle (roof, systems, paint, flooring, lighting, counters).
- Offer **concessions** that lower the buyer's payment (rate buydown/closing costs) rather than chasing list-price mirages.

For Builders

- Keep using targeted buydowns to pull payment-sensitive demand off the sidelines.
- Right-size specs and phase releases to maintain absorption; avoid fighting resales on price alone.
- Leverage lot positions and lifestyle amenities—not just granite and shiplap.

For Agents & Industry Professionals

If you are still telling sellers or colleagues that pricing "isn't being affected" or that "Austin is different" and therefore immune to a downturn, **you are part of the problem**. Markets do not correct based on opinion—they correct based on **math, economics, and historical patterns**.

Double-digit annual appreciation is **not sustainable** and never has been, even in fast-growth metros. Continuing to feed sellers the narrative that this is "normal" for Austin will only **prolong the downturn**, delay economic recovery, and erode public trust in the industry.

Action Steps for Market-Reality Professionals to stop the hype.lead with data and shorten the downturn**:**

1. **Stop Quoting 2021 Comps**
    - Use the most recent *closed* sales in your seller's price band, condition profile, and ZIP code.
    - Factor in builder incentives and the real MOS in that micro-market.
    - If your seller's home was worth between $400k and $525k in 2020, it should not be listed over $700k today. It is just that simple.

2. **Build a Simple Absorption Worksheet for Every Listing Presentation**
    - MOS = Active Listings ÷ Monthly Sales.
    - Show sellers their real competition—not just the nicest home in the neighborhood.

3. **Track Market Signals Weekly**
    - Active vs. pending count in your price band.
    - Number and % of price cuts.
    - Median DOM for comparable properties.
    - Sale-to-list ratio.
    - Cancellation & expired listing rates.

4. **Coach Sellers on Net Proceeds vs. Waiting Costs**
    - Put **carrying-cost math** in writing: insurance, taxes, utilities, HOA, maintenance, vacancy.

- Compare this to a 5–10% price adjustment today.
- Show them that waiting for “2022 pricing” often **costs more** than adjusting to the market.

5. **Acknowledge the Shift Publicly**
   - Your credibility comes from telling the truth, not repeating hype.
   - If you position yourself as the agent who understands and navigates the correction, you will attract serious sellers and buyers while others burn trust and time.

Risks to Watch (2025–2027)

1. **Rate Path & Credit Spreads**
   - Mortgage rates are anticipated to ease modestly—Fannie Mae projects end-of-year rates at **6.4% for 2025**, dropping to **6.0% in 2026**, with home price growth forecast at **2.8% in 2025**, easing to **1.1% in 2026** JPMorgan+10Fannie Mae+10The Mortgage Reports+10.
   - However, delays or volatility in rate reductions could stall recovery by keeping affordability depressed, especially in higher-priced bands.

2. **Insurance Repricing**
   - Texas homeowners’ insurance premiums jumped **~21% in 2023** and **~19% in 2024**; current average rates hover around **$6,000**, notably higher than the national average—and expected to climb to **$6,500+** in 2025 The Mortgage Reportsffginsure.com+1.
   - Texas ranks among the **most expensive states for home insurance**, pressuring buyers in older, roof-risk homes to factor in far higher holding costs epw.senate.gov+4The Washington Post+4The Wall Street Journal+4.

3. **Input Costs – Tariffs, Labor & Materials**
   - Tariffs are inflating construction costs significantly. The NAHB estimates that tariff actions have added approximately **$10,900 to the typical home’s cost** Wikipedia+9San Antonio Express-News+9Investopedia+9Kiplinger+6NAHB+6San Antonio Express-News+6.
   - Materials like lumber, steel, and appliances are affected—and the effective tariff rate could ramp up to **12% by mid-2025** suburbansolutions.com+15Dodge Construction Network+15Realtor+15.
   - As a result, builders face squeezed margins, choppier supply, and fewer moves to bridge pricing to buyers.

4. **Economic or Geopolitical Shocks**
   - Tech layoffs continue across industries: Over **80,000 jobs cut** by 171 tech firms in 2025 so far nerdwallet.com+1, and **Big Tech layoffs exceeded 100,000 recently**, driven by AI-driven restructuring nypost.com.
   - These shifts risk dampening demand from high-income buyers, prolonging market slowdown.
   - Broader lag in the services sector due to tariff spillovers also poses downside risks MarketWatch+1.

Conclusion: Back to Fundamentals, Forward with Clarity

This is not 2008—but it **is** a market where **math, economics, and historical trendlines win over hype**.

Inventory versus absorption sets price. New-home incentives and rate buydowns are resetting the ceiling for resales. Insurance spikes, higher taxes, and maintenance costs punish sellers and investors who refuse to adapt. The industry's collective denial,—clinging to 2021 pricing or the myth that "Austin is different"—only **prolongs the downturn** and deepens the drag on our local economy.

We've seen this movie before in other national markets. In every case, the markets that recovered fastest were those where industry professionals and sellers **adjusted early**—aligning prices to absorption, improving property conditions, and embracing the 3–5% sustainable appreciation trendline.

The formula for recovery is simple:

- **Price to today's demand, not yesterday's peak.**
- **Use real absorption data, not headline MOS.**
- **Account for total cost of ownership in every pricing conversation.**
- **Stop quoting comps that ignore current buyer psychology.**

Austin has never before faced a modern, large-scale housing correction. How we respond **right now** will determine whether we stabilize in 18–24 months…or endure an extended multi-year slowdown.

Call to Action: Be Part of the Solution

If you are a **seller**, **builder**, or **agent** navigating this shift—or a **buyer** looking for opportunity—you can choose to **face the math and act accordingly**:

- **Share this analysis** with colleagues, clients, and partners to help reset expectations and stop the misinformation loop.
- **Contact me directly** to benchmark your submarket, assess risk, and design a **data-driven strategy** for marketing, pricing, and negotiation that works **in a downturn**.
- For **agents and teams**, I can help you implement the **Agent Reality Checklist** and build the market-specific absorption tools you need to win trust and business in this cycle.
- For **sellers**, I can help position your property against both resale and new-home competition so it sells faster—without leaving more money on the table by waiting.

We will not get through this downturn until the industry adjusts. Let's lead that shift—so Austin can return to healthy, sustainable growth faster.

Reach out today at www.mitchlevinson.com and let's start building your strategy.

Sources & Further Reading

Direct links to non-industry and research-centric sources; test the claims in your submarket.

- Austin Central Texas Housing Report (Unlock MLS):
  https://www.unlockmls.com/news/may-2025-central-texas-housing-report
  Data hub: https://www.unlockmls.com/stats

- Zillow—Austin Home Values (typical value and y/y change): https://www.zillow.com/home-values/10221/austin-tx/
  Zillow Research Data: https://www.zillow.com/research/data/
- Redfin Data Center (downloadable metro/zip series for inventory, MOS, price cuts, DOM): https://www.redfin.com/news/data-center/
  U.S. trend page: https://www.redfin.com/us-housing-market
- Fannie Mae ESR—Mortgage Rate & Home-Price Outlook: https://www.fanniemae.com/data-and-insights
- Census/HUD—New Residential Sales (median new-home price): https://www.census.gov/construction/nrs/pdf/newressales.pdf
- Redfin Research—Aging Housing Stock & shrinking premium for "new": https://www.redfin.com/news/aging-housing-inventory/
- Texas Tribune—Homeowners' insurance: https://www.texastribune.org/2025/05/09/texas-legislature-homeowners-insurance/
- ABC13—Texas Department of Insurance filings trend: https://abc13.com/post/texas-department-insurance-data-shows-requests-increase-homeowners-rates-have-doubled/16428578/
- USTR—Section 301 tariff schedule changes (2024–2026): https://ustr.gov/sites/default/files/Section%20301%20Modifications%20Determination%20FRN%20%28Sept%2012%202024%29%20%28FINAL%29.pdf

Appendix A: How to Audit Your Submarket in 20 Minutes

1. Pull **active**, **pending**, and **sold (last 90 days)** for your ZIP and price band.
2. Compute **absorption**: average monthly closings.
3. Compute **MOS**: actives ÷ absorption.
4. Compare **effective new-home prices** (after incentives/financing) to your resale comp set.
5. Adjust price/terms *now*—then reassess every two weeks.

Appendix B: Talking Points for Your Listing Appointment

- "The buyer is choosing between your payment and a builder's buydown."
- "Waiting two years may cost more than today's price cut when you include insurance, taxes, and maintenance."
- "Our goal is to be the **next** showing that converts to a **next** pending—price to that outcome."

About the Author

Mitch Levinson is an executive digital strategist and real estate operator who has marketed for national and regional homebuilders and brokerages since the early 1990s. He has held managing broker licenses in Illinois, Georgia, and Florida; led marketing for builders and realtors across multiple market cycles; and served more than 10 years on the Board of the National Association of Home Builders (NAHB). Known for his direct Midwestern personality, Mitch brings a no-nonsense, results-driven approach that has been effective throughout his entire career. He advises companies on revenue strategy, market entry, and effective story-telling and communication strategies, and writes at www.MitchLevinson.com.

Target ZIPs Snapshot

ZIP Code	MOS / Home Value	YoY Price Change
78613	~5.2	–4.8%
78641	~5.7	–6.1%
78726	~5.5	–5.3%
78750	~4.9	–5.7%
78730	~6.2	–6.3%
78701	$696,806	−5.9%
78702	$587,324	−9.9%
78751	$630,007	−5.2%
78722	$601,463	−5.8%
78735	$847,631	−3.1%
Austin MSA	$523,769	−6.5%
Sources:Zillow, Realtor.com		