



A Reappraisal on Rates

The ever-popular spring homebuying and selling season is upon us once again. But as sellers enhance their curb appeal in the hopes of procuring top dollar, sellers would also do well to appraise their expectations regarding home prices. The average seller can no longer reasonably anticipate being able to procure a sales price equivalent to COVID-era levels. Since the median sales price peaked at \$550,000 in the Austin market in April and May of 2022, home prices have moderated in response to higher mortgage rates and levels of inventory. However, the decline in home prices has not been sufficient to offset the decline in buyers' affordability from higher rates and the rise in buyers' negotiating power from higher levels of inventory.

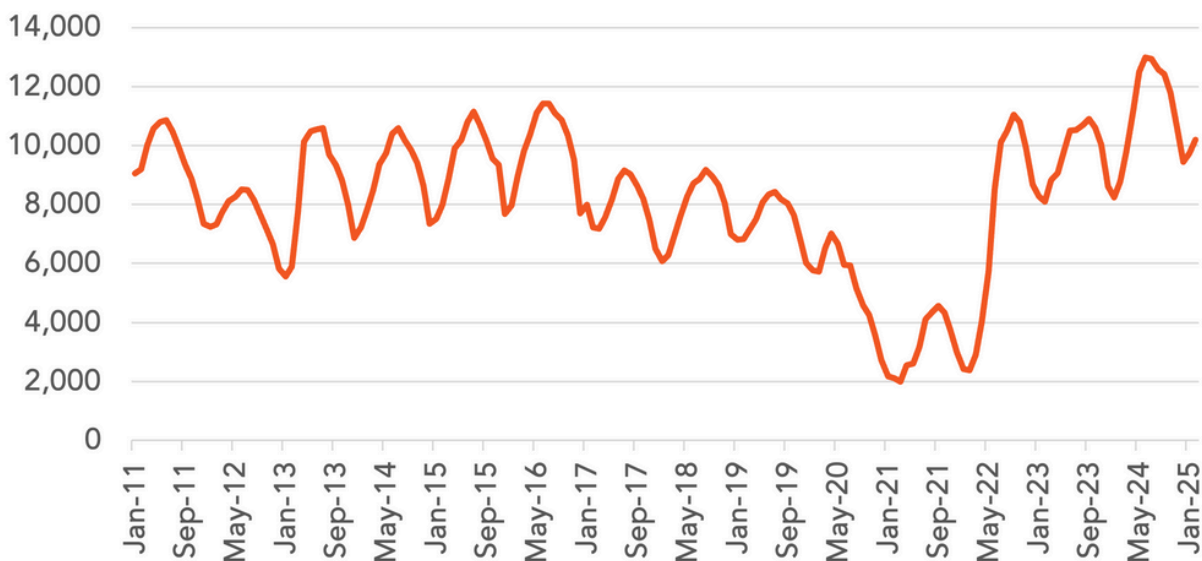
Still-Elevated Mortgage Rates

Buyers continue to face the key constraint of reduced affordability from higher rates. Despite a 12% decline in the median sales price for the MSA from 2022 to 2024, this figure measured over 40% higher in 2024 than in 2019. Meanwhile, buyers' purchasing power declined 18% from 2019 to 2024. In other words, while buyers' affordability has declined, home prices have increased, hampering sales activity. Expectations for mortgage rates to remain sticky—likely hovering in the mid-to-high 6% range for most of 2025—indicate that for demand (i.e., sales) to increase, home prices must decline.

Higher Levels of Inventory

Heading into spring, buyers continue to face significantly higher levels of inventory, providing them with more options. Since April 2024, active listings have measured higher than any other commensurate month since the beginning of 2011. While the circumstances surrounding each individual property differ, on average, the higher levels of inventory offer buyers more negotiating power with sellers. Coupled with the decline in buyers' affordability from higher rates, sellers should consider adjusting home prices to reflect the higher levels of inventory in the market.

Active Listings (SF/C/TH, Austin-Round Rock-San Marcos MSA)





How Much Do Home Prices Need to Decline?

From 2010 to 2019, home prices in the Austin-Round Rock-San Marcos area increased at a steady rate of about 4.3% per year. If that trend had continued without the pandemic-driven housing surge, today's median home prices would be significantly lower than what we're seeing now. During the COVID-19 pandemic, demand for homes skyrocketed due to lifestyle shifts—more people wanted home offices, gyms, and more space. Additionally, many out-of-state buyers moved to Austin, pushing prices even higher. But those factors were temporary, and now the market is adjusting toward long-term trends.

As buyers face affordability challenges from higher interest rates and sellers see more competition with higher inventory, pricing homes in line with market fundamentals is key to getting them sold. The desired price correction from 2024 to 2025 is about 9% for prices to become aligned with underlying market fundamentals. However, sellers should remember that even with this adjustment, home values have still grown significantly—homeowners who bought in 2019 are still up nearly 30% in equity. Pricing competitively now can help sellers move their properties faster while still securing strong returns.

Year	Forecasted Median Sales Price	Median Sales Price (Actual)	Difference between Actual and Forecasted
2020	\$330,718	\$346,140	\$15,422
2021	\$345,029	\$456,000	\$110,971
2022	\$359,960	\$505,990	\$146,030
2023	\$375,537	\$452,500	\$76,963
2024	\$391,788	\$445,000	\$53,212
2025	\$408,742		

About Dr. Clare Knapp



Dr. Clare Knapp unpacks complex data and keeps REALTORS® up to date on the latest trends in the Central Texas housing market and broader economy. She's passionate about providing accurate, timely, and relevant analysis & commentary of all levels of our economy and housing market, empowering REALTORS® to better understand current market conditions and optimize their business practices accordingly. Prior to joining Unlock MLS, Dr. Knapp worked at the Texas Real Estate Research Center at Texas A&M University for seven years as an Assistant Research Economist.

About Unlock MLS Research

Unlock MLS Research is the economic research and publication arm of the Austin Board of REALTORS®, the largest professional trade association in Central Texas. Led by Unlock MLS Housing Economist, Dr. Clare Knapp, Unlock MLS Research delivers timely market intelligence that helps Central Texas real estate professionals, consumers, and policymakers understand trends and economic factors impacting the region's housing market.

