

Austin and Texas Housing: 20 Year History, 5 Year Forecast

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Abstract. Austin home prices rose 3.2x between 2005 and 2026, outrunning Texas (2.7x) and the national Case-Shiller index (2.0x). The Austin / Houston Zillow ratio has compressed 44 percentage points from its 2022 peak. This paper documents that history with FHFA and Zillow data, fits a LASSO regression on 15 macro features to forecast the next five years, and runs three rate-path scenarios. Base case annualizes 2.7%, rates-stay-high 1.9%, rates-cut 3.4%. Walk-forward cross validation across 85 quarterly observations gives an out-of-sample R^2 of 0.25 and 69% directional accuracy. The paper closes with concrete positioning advice for homebuyers, small private investors, and institutional allocators.

20 Year History

Between 2005 and 2026 the Austin metro housing price index rose 3.2x, versus 2.7x for Texas as a whole and 2.0x for the national Case-Shiller index. Three regime shifts stand out: the 2008 financial crisis (Austin declined less than the rest of the country and recovered faster), the 2020 pandemic migration wave (Austin posted the largest YoY gain in its FHFA series history), and the 2022 rate shock (the first sustained YoY decline since 2009).

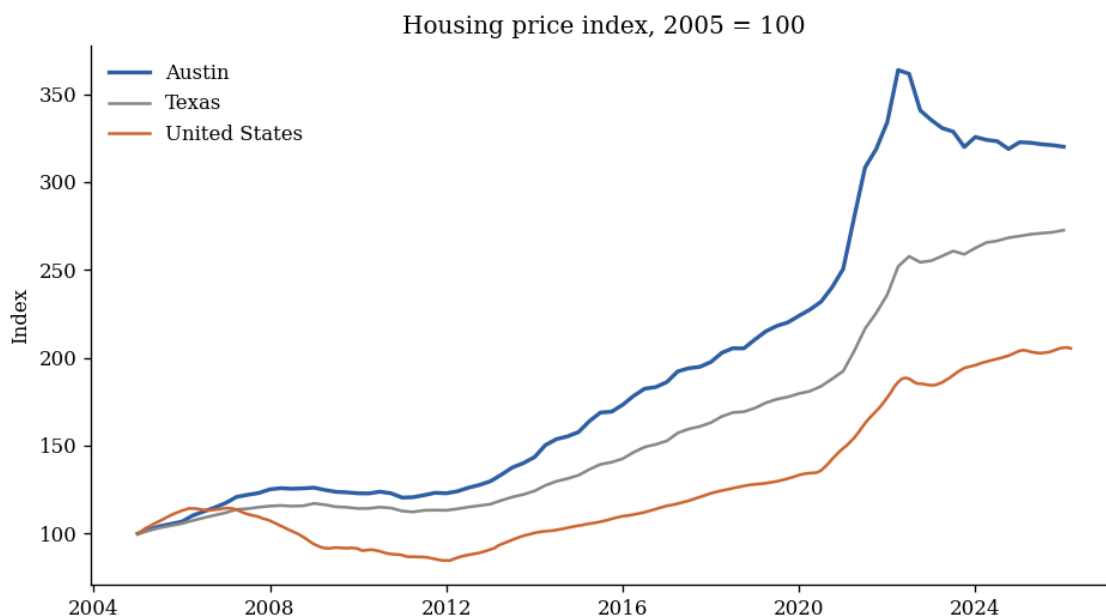


Figure 1: Housing price indexes, Austin / Texas / United States, 2005 = 100. Sources: FHFA, S&P Case-Shiller via FRED.

The Austin advantage is structural. Sustained domestic migration into the metro area, faster payroll employment growth than the national average, and a median housing stock age below the national figure all combined to compound the index over two decades. None of these drivers reversed in 2022. What changed was the denominator: mortgage payments at 7%+ rates priced out the marginal buyer in the price tiers that had

been driving the index higher. The 30 year fixed mortgage sits at 6.5% as of May 2026, and Austin metro unemployment is 3.4%.

Texas Context

Austin is one of four major Texas metros, and the price action diverges meaningfully across them. Current Zillow median home values: Austin \$430k, Houston \$308k, Dallas (DFW metro) tracks between, San Antonio \$280k. Houston, the largest by population, tracks the national index more closely than Austin does. Dallas sits between Austin and Houston in volatility. San Antonio has the lowest absolute price level and the most muted cycles.

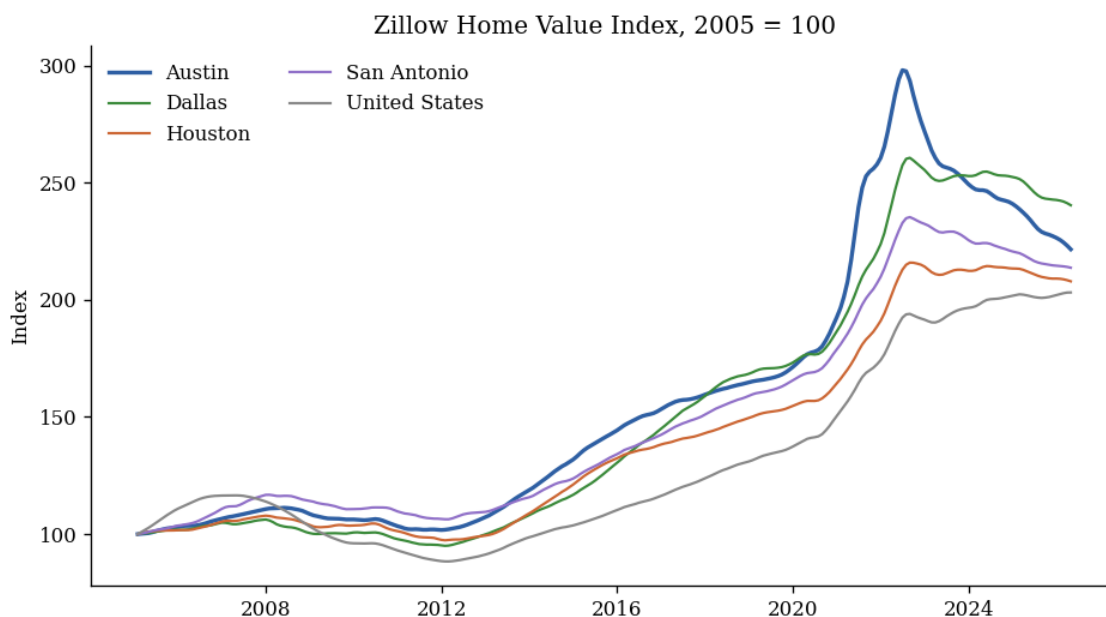


Figure 2: Zillow Home Value Index, four Texas metros plus US, 2005 = 100.

The cross-metro pattern is consistent with the standard supply-elasticity story: Houston's permissive land use absorbs population shocks into quantity rather than price; Austin's tighter land use and geographic constraints (hills, the river, MUD limits) push the same shocks into price. The implication for the next five years is that any Austin softening will be partly absorbed by Houston, DFW, and San Antonio without those metros seeing proportional weakness.

Model and Drivers

The forecast model is a LASSO regression on 15 standardized features built from FRED macro series and lagged Austin HPI changes. The target is quarter-over-quarter percent change in the Austin FHFA HPI. Walk-forward cross validation across 85 quarterly observations (40 quarter minimum training window, expanding) gives an out-of-sample R^2 of 0.25 and directional accuracy of 69% on 45 holdout quarters.

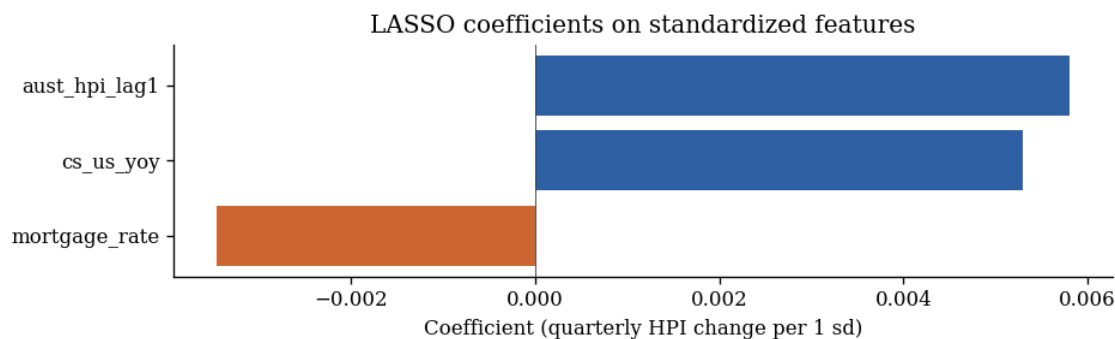


Figure 3: LASSO coefficients on standardized features at the cross-validated alpha. Negative coefficients pull future HPI down.

Three features survive the cross-validated regularization: the lag-1 quarter-over-quarter change in Austin HPI (positive, momentum), the national Case-Shiller year-over-year change (positive, national trend pulls Austin partly along), and the 30 year mortgage rate level (negative, higher rates compress prices). Everything else, including national housing starts, real disposable income growth, building permits, and Texas state HPI, drops out. The sparse final model is honest about how much of Austin's quarterly variation is genuinely explainable from observable macro features at this horizon: about a quarter of the variance, not more.

Five Year Forecast

The model is rolled forward 20 quarters under three rate-path scenarios.

- Base case: 30 year mortgage rate drifts from current levels to 6.0% by end-2031, fed funds to 3.25%, unemployment stable.
- Rates stay high: 30 year mortgage stays around 7.0%, fed funds 4.5%+, unemployment ticks up to 4.8%.
- Rates cut: 30 year mortgage falls to 5.0%, fed funds 2.0%, unemployment stable.

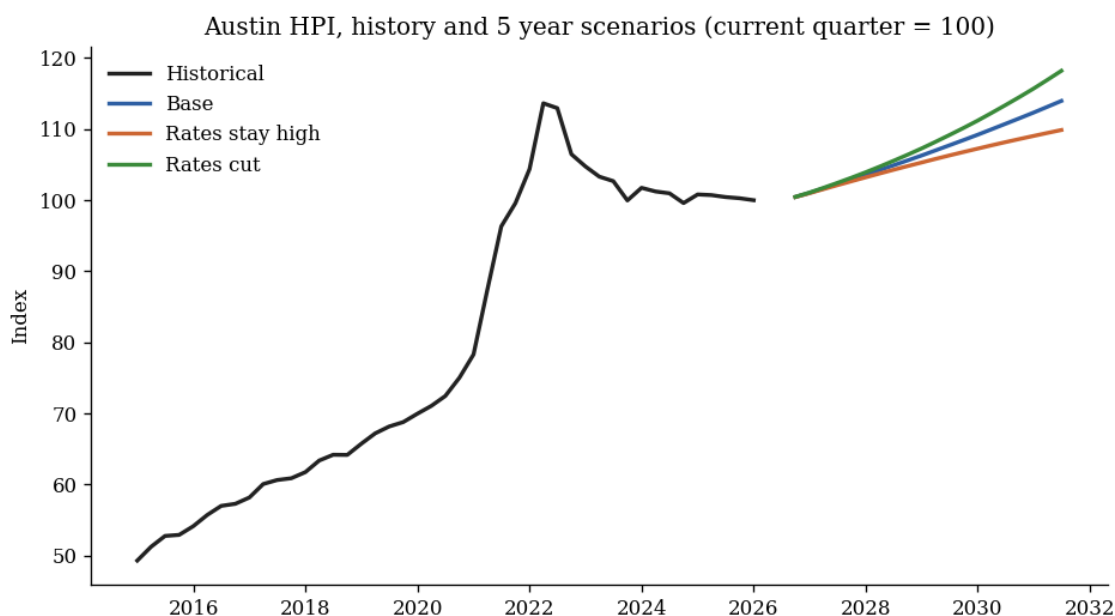


Figure 4: Austin HPI history since 2015 indexed to the current quarter, with three 5 year scenario paths.

The point estimates and 5 year cumulative change under each scenario:

Scenario	Cumulative 5y	Annualized
Base	+14.0%	+2.7%
Rates stay high	+9.9%	+1.9%
Rates cut	+18.2%	+3.4%

These ranges reflect macro path uncertainty, not idiosyncratic Austin risk. A serious local employment shock (a major tech employer relocation, a Tesla gigafactory slowdown) would shift the entire fan downward, not just the rates-high case.

Positioning

Homebuyers

The base case is positive but unremarkable. If buying now, the rates-cut optionality is the asymmetric trade: a refi window in the next 24 months remains a realistic possibility and is the primary thing to underwrite. Avoid stretching the budget on the assumption of rapid appreciation. The 2020-2022 regime was exceptional and should not be the planning baseline.

Small private investors and wholesalers

The flat-to-slightly-positive base case is the wrong environment for appreciation bets. It is the right environment for cash flow bets. Submarkets with stable rent growth and modest price levels (parts of the eastern crescent, selected San Antonio submarkets, north Houston) offer better risk-adjusted returns than chasing the Austin index. The wholesaling thesis becomes harder, not easier: less volatility means fewer distressed sellers and tighter acquisition spreads.

Institutional allocators

The interesting trade for family offices and CRE platforms is the convergence between Austin and the rest of Texas. The Austin / Houston Zillow ratio has compressed 44 percentage points from its 2022 peak of 1.84 to a current 1.40. If the structural Austin premium is intact, this is a setup for selective Austin buying near current levels. If the premium has permanently compressed, Houston and Dallas are the better risk-adjusted plays. The decision rests on two observables: (1) whether net migration into Austin reaccelerates in 2026-2027, and (2) whether the major tech employers maintain their Austin headcount commitments. Both are trackable in close to real time.

Methodology Appendix

Data

FRED series used: MORTGAGE30US (30 year fixed mortgage rate), FEDFUNDS, UNRATE (US unemployment), AUST448URN (Austin unemployment), DSPIC96 (real disposable income), HOUST (housing starts), MSACSR (months supply), CSUSHPIA (Case-Shiller US), ATNHPIUS12420Q (FHFA Austin), PERMIT (building permits), TXSTHPI (Texas state HPI). Series pulled from 2004-Q1 forward and resampled to quarterly frequency.

Zillow series: ZHVI metro file, all homes, smoothed and seasonally adjusted, filtered to Austin, Houston, Dallas, San Antonio, and the national average.

Model

LASSO regression with 5-fold cross-validated alpha selection (`sklearn.linear_model.LassoCV`). Features standardized to zero mean and unit variance on the training set at each step. Walk-forward evaluation: for each quarter t starting from a 40 quarter minimum training window, refit on all prior quarters and predict t . Direction is calculated as the fraction of predictions whose sign matches the realized HPI change sign.

Reproducibility

Companion essay at deephayer.com. Run `python -m data.fred_pull && python -m data.zillow_pull && python -m src.model && python -m src.scenarios && python -m src.plots && cd paper && typst compile econiq.typ` to reproduce.