

Take Me to Texas

Post-Pandemic Population Boom

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March 3, 2022

Publication 2340



Texas has been an attractive relocation destination for the past decade thanks to its pro-business environment, relatively affordable housing, and friendly charm. While population growth has been strong all ten years, some years have stood out more than others.

A wave of Californians came to Texas in 2018, shortly after the Tax Cut and Jobs Act of 2017, which prompted numerous moves due to the loss of state and local tax (SALT) deductions.

The onset of COVID in 2020 brought another wave of newcomers.

Nationally, U.S. Census Bureau data show homeowners made the largest push across state lines over the past ten years (Figure 1). Meanwhile, renters have largely remained in-state for almost a decade, a trend that has accelerated since the pandemic.

Takeaway

The number of people moving to Texas from out of state has risen since the beginning of the pandemic. Most have come from California, and many are settling in North Texas.

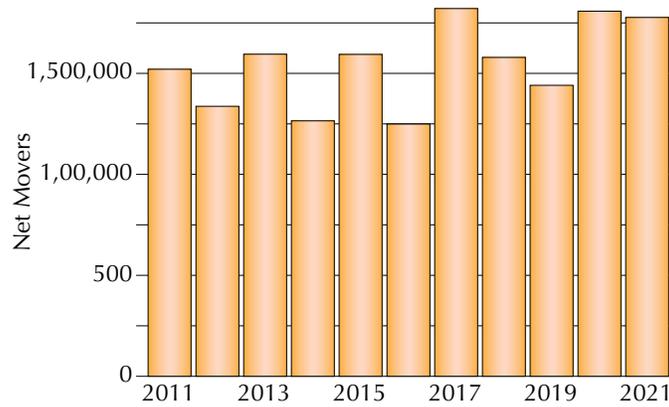
Although the total number of interstate homeowner moves has increased, the share of those moves compared with local moves has not. Since the pandemic, homeowners have been more likely to move to nearby suburbs or exurb counties.

For Texas, there's even more to the story.

In-Migrant Boom

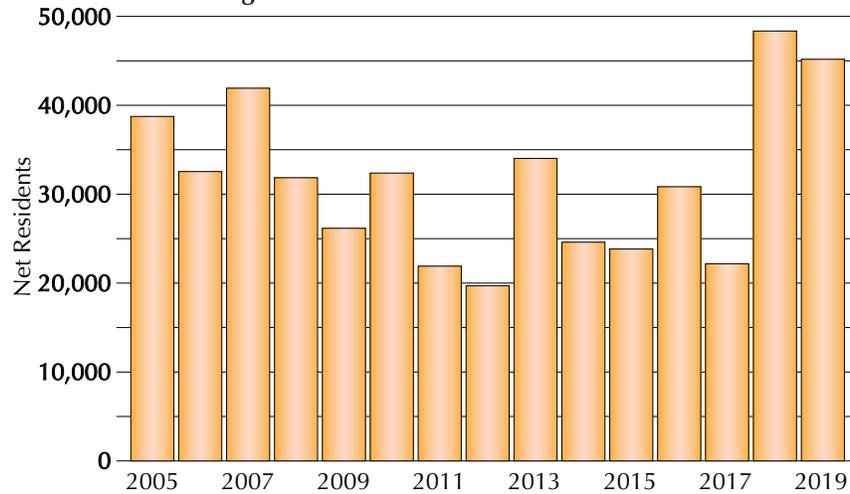
While the number of Texas households moving to less dense areas of the state has greatly increased, especially

Figure 1. National Interstate Migration Patterns
Homeowner Households



Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

Figure 2. Net New Residents from California



Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

within the “Texas Triangle” (the region bordered by I-35, I-45, and I-10), the number of in-migrants has grown well beyond the national average. In fact, Texas had an almost 200,000 net increase in out-of-state moves between the summers of 2020 and 2021, second only to Florida, which had slightly more than one-quarter million.

The number of newcomers from California has been especially high over the past few years (Figure 2). The big question is, how many *more* Golden State residents will call Texas home because of the post-COVID scramble?



According to the Dallas Federal Reserve, the inflow of Californians to Texas since the start of the pandemic has been significantly higher than it was the two years before the pandemic began (use QR

code to read related article). While tech-heavy Austin has a reputation for attracting newcomers, the biggest total count of Californians belongs to Dallas-Fort Worth. Most are coming from Los Angeles.

The next highest number of moves to DFW were from New York and New Jersey. Before COVID, the number of New Yorkers usually totaled half of the current estimates, signifying a massive shift. Houston also received a massive boost of residents from both L.A. and New York.

Housing Market Impact

Almost two years into the pandemic, the Texas housing market is still operating well above normal. Year-end sales for 2021 set a new record, for-sale inventory levels remained scarce, and prices rose rapidly. Signs indicate housing may cool in 2022, especially as mortgage rates increase.

In some ways the cooling has already begun. The Texas Real Estate Research Center’s Home Price Index showed price growth in both Austin and DFW slowed in fall 2021, dragging down Texas’ overall price growth. While DFW quickly recovered, Austin prices continued to decelerate (that’s not saying much, though, because home price growth near the capital is still well into the double digits). This shows buyers can get frustrated by continued home-price growth and eventually give up house-hunting.

Mortgage rates have already begun to creep up and are likely to continue doing so in alignment with Fed policy aimed to curb high inflation. The loss in purchasing power will only make it harder for many households to buy new homes. Meanwhile, home prices are likely to remain high compared with pre-COVID years. While

mortgage rates and housing supply will likely work against total home sales, home prices could remain high thanks to strong migration levels even if the growth rate slows down.

For the past decade, Texas’s migration levels have been significantly higher than the national average, but it’s uncertain whether 2022 levels will be like those of the past two years. However, because of Texas’ strong job potential and relatively affordable housing, they probably don’t need to be to keep the housing market from cooling. ➡

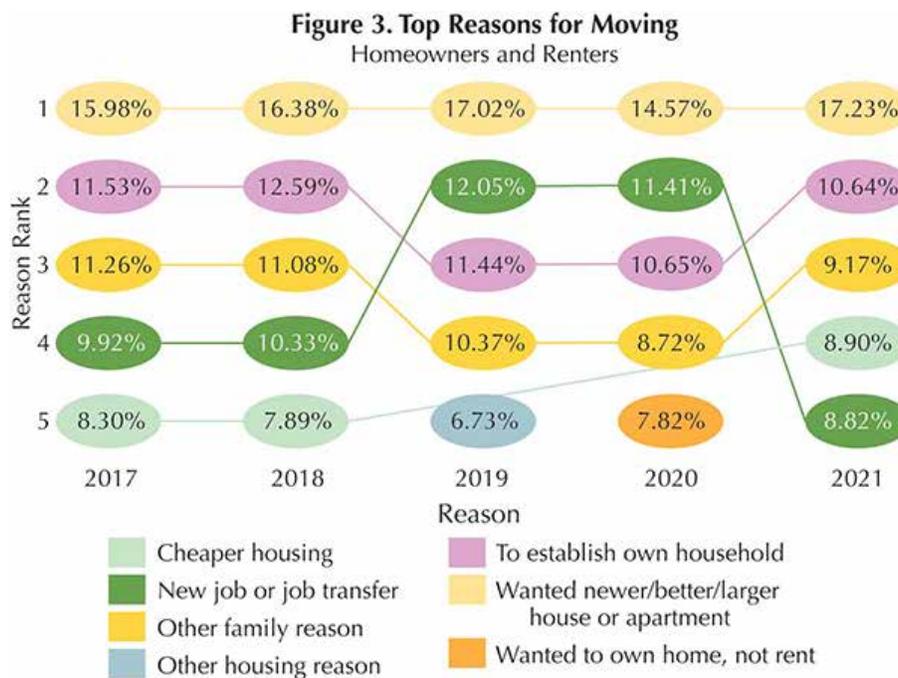
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Why People are Moving

The drop in mortgage rates set off a frenzy of homebuying in Texas shortly after the start of the COVID pandemic. With travel options limited, Texans mostly stayed home, giving them ample time to reprioritize their housing needs.

In fact, U.S. Census Bureau data show housing needs, such as the desire to upgrade, were once again on the minds of most people who chose to relocate in 2021 (Figure 3).

Meanwhile, new job/job transfer as a reason for moving fell below double digits for the first time since 2017.



Sources: U.S. Census Bureau, Current Population Survey, Annual Social Economic Supplement 1999-2021 (CPS ASEC), and Texas Real Estate Research Center at Texas A&M University

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