

The background of the image features a low-angle shot of the Texas State Capitol building, showing its ornate classical architecture and the iconic dome. A large Texas state flag is superimposed over the scene, waving in the wind. The sky is a clear, light blue with some soft white clouds.

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**PROJECTED IMPACTS OF  
Texas Senate Bill 17  
on Real Estate Market**

# Overview of Foreign Real Estate Activity in Texas

Based on the 2025 Texas International Residential Transactions report, covering the period from April 2024 to March 2025, Texas saw an estimated 7,500 international buyers of residential real estate, accounting for about 9.6% of all foreign purchases in the U.S. The top countries of origin and their contributions are as follows:

Country	Percentage of Foreign Buyers in Texas	Estimated Number of Buyers
Mexico	30%	2,250
Canada	8%	600
China	8%	600
India	7%	525
Nigeria	6%	450

These top five countries represent 59% of international residential buyers, totaling around 4,425 individuals. Among the designated countries under SB 17—China, Iran, North Korea, and Russia—China accounts for 600 buyers, while Russia, Iran, and North Korea likely contribute minimal shares, as they are not in the top rankings.

For commercial real estate, Texas ranks second nationally in foreign investment volume, behind only California in some metrics. Over the past decade, the state has attracted 1,860 foreign direct investment projects, generating an estimated \$189.6 billion in capital across various sectors, including commercial properties. Specific 2025 statistics on commercial foreign buyers are limited, but trends indicate strong interest in industrial and manufacturing assets, particularly from Asian investors, including those from China. A vast majority of foreign investment from the four designated countries in the U.S. and Texas originates from China, often in the form of manufacturing operations or U.S. distribution facilities, especially on the outskirts of major metros like Dallas-Fort Worth (DFW).



Aerial view of Mueller, Texas - a neighborhood of Austin, Texas



Distribution Center on I-35 Industrial Real Estate Corridor in Dallas, Texas

## Key Provisions of SB 17 and Enforcement Mechanisms

Enacted by the Texas Legislature and signed by Gov. Greg Abbott, Senate Bill 17 (SB 17) took effect on September 1, 2025, prohibiting individuals and entities from designated countries—currently China, Iran, North Korea, and Russia—from purchasing property, acquiring an interest in real estate, or holding leases of one year or longer in Texas. The governor retains authority to expand this list. Notably, the law includes an exception for primary residences but is not retroactive, applying only to transactions after the effective date.

Enforcement falls to the Texas Attorney General, who can initiate discovery processes, including interrogatories, depositions, and requests for materials, to investigate potential violations. If a violation is confirmed, the property enters receivership and is sold, with proceeds distributed in a waterfall:

1. First to creditors,
2. Then to cover the state's investigation costs,
3. Finally to the violating party.

**Penalties are severe:** Violators required to pay the state the greater of \$250,000 or 50% of the property's market value.

Rather than voiding transactions outright—which could broadly chill market activity—the law targets the “bad actor” directly, preserving transaction integrity while imposing significant risks on non-compliant parties.

In leasing contexts, standard clauses now often require tenants to warrant compliance with SB 17, with violations constituting immediate defaults. For example, tenants may be obligated to provide ownership details upon request, indemnify landlords against losses, and face lease termination without cure periods. This introduces new layers of due diligence and potential liability for all parties involved in commercial deals.

# Projected Impacts of SB 17 on the Texas Real Estate Market

SB 17 introduces substantial regulatory barriers and uncertainty, particularly for commercial real estate, which could prove problematic for the industry in Texas. As a relatively new law, its full ramifications remain unclear, relying on future case law and interpretations to clarify ambiguities. This uncertainty is likely to create a chilling effect on foreign investment from designated countries, aligning with the bill's intent but potentially disrupting market dynamics until investors adapt through compliant corporate restructurings or joint ventures with non-designated entities.

In the residential sector, the impact may be somewhat contained due to exemptions for primary residences and U.S. permanent residents. However, the loss of Chinese buyers (8% of international transactions) could soften demand for high-end or investment properties, introducing caution for agents and developers targeting foreign markets.

The commercial sector faces more pronounced risks, with potential declines in demand, slower price growth, and reduced transaction volumes in segments exposed to restricted buyers. Industrial projects, in particular, may stall as Chinese entities—historically active in establishing manufacturing and distribution facilities—restructure or withdraw. This could lead to delayed deals, increased costs for due diligence, and a broader hesitancy among investors. While foreign buyers from non-designated countries (e.g., Mexico, Canada, India) may help fill gaps, and Texas's strong economy—bolstered by population growth, energy, and tech sectors—offers some resilience, the law's broad scope covering all real property, including mineral interests, amplifies caution. Unlike California's vetoed agricultural-focused proposal, Texas's version is far-reaching, potentially deterring billions in capital and complicating an already competitive market.

## Financing Implications

Financing implications add further cautionary notes. With significant capital flowing into Texas via debt funds or EB-5 investments from designated countries, lenders and borrowers must navigate foreclosure risks. If a loan secured by Texas property defaults, restricted entities cannot credit bid or assume ownership without violating SB 17, forcing sales to third parties and weakening credit support. This elevates the importance of guarantor diligence and could limit financing options, particularly for mezzanine loans where recourse involves assuming control of borrower entities. Attorneys and financiers should anticipate stronger enforcement, with the Attorney General's robust powers disincentivizing risky structures.

Long-term, while the law may enhance perceived national security and attract domestic or allied investors, it risks redirecting capital to other states, slowing Texas's commercial growth. Industry stakeholders should monitor legislative responses to emerging workarounds and prepare for aggressive enforcement, as even minor affiliations with designated entities could trigger investigations and penalties.

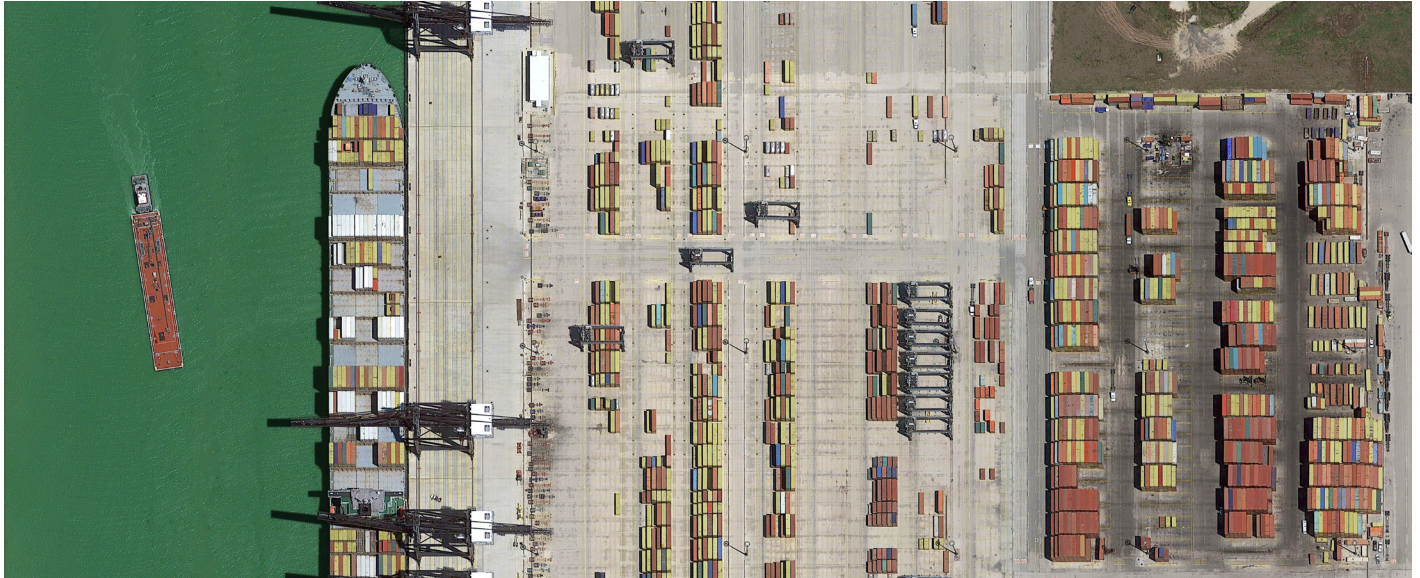
## Most Impacted Types of Commercial Real Estate

The law's emphasis on commercial transactions, especially those involving Chinese investment, underscores potential disruptions across sectors. Caution is advised, as the following areas may require enhanced compliance measures:

- **Industrial:** Expected to be hit hardest, as Chinese entities have targeted manufacturing, distribution, and warehouse facilities for nearshoring and supply chain operations. This segment sees high foreign investment due to Texas's logistics hubs, and restrictions could lead to corporate restructuring needs, delayed projects, and reduced activity. Anecdotally, several industrial deals in recent years would not proceed under SB 17 without adjustments, signaling a problematic shift for developers and investors.
- **Office:** Moderate impact, particularly in tech or corporate spaces where restricted-country firms operate, but less pronounced than industrial due to lower overall foreign penetration. However, financing uncertainties could complicate deals in innovation hubs.

- **Retail:** Limited effects, as retail investments are more domestic-driven, though large-scale developments with foreign backing could slow amid broader market caution.
- **Other (e.g., Multifamily, Hospitality):** Minimal direct hits, but indirect financing issues could arise in mixed-use projects, potentially increasing costs and timelines.

Overall, industrial and commercial transactions involving long-term leases or ownership stakes will demand rigorous due diligence, with violations risking severe financial and operational consequences.



Birds eye view of containers loading on to a ship at Port of Houston.

## Impacts in Major Texas Markets

SB 17's effects will vary by metro but warrant caution across the board, especially in commercial hotspots. The law's novelty could exacerbate challenges in adapting to new norms:

- **Dallas-Fort Worth (DFW):** Significant effects anticipated, especially in industrial outskirts where Chinese manufacturing investments are concentrated. The market may see delayed deals, restructuring demands, and a chilling effect on transactions, potentially impacting billions in closed deals. While DFW's economic diversity offers some buffer, the focus on Chinese activity—evident in recent projects—highlights risks for developers, equity investors, and financiers.
- **Houston:** Likely strong industrial impact due to port and energy infrastructure attracting foreign logistics firms. Energy-related commercial properties could face scrutiny, potentially slowing foreign-funded expansions and introducing foreclosure complications in financing.
- **Austin:** Tech and office sectors may experience moderate disruptions from restricted-country investors in semiconductor or innovation hubs, though domestic growth in AI and manufacturing should offset losses. Caution is needed for joint ventures and leases.
- **San Antonio:** Industrial and manufacturing areas along key corridors (e.g., Austin-San Antonio) could see reduced foreign activity, but military and logistics focus might limit exposure compared to larger metros. Still, enhanced diligence will be essential to avoid enforcement actions.

In summary, while SB 17 addresses security concerns, its forward impact centers on curbing investments from a small but influential group of countries, with industrial commercial real estate in major metros bearing the brunt. The law's broad enforcement powers and ambiguities pose problematic hurdles for the industry, urging proactive compliance and monitoring to mitigate risks in this evolving landscape.

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