

INVESTMENT FORECAST

Multifamily
Houston

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

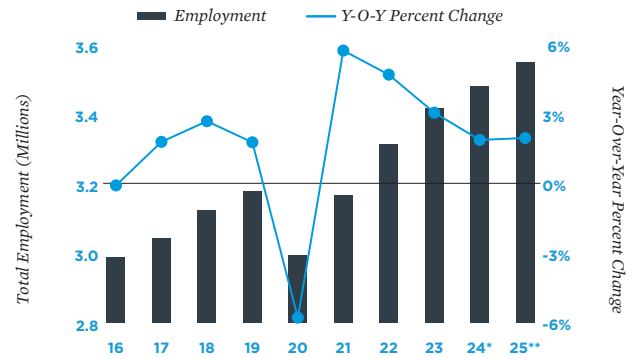
Job Growth Sustains Houston's Expanding Population and Apartment Demand

Growing economy amid slowing delivery slate fosters stability. Following Chevron's move to Houston, the metro houses 24 Fortune 500 company headquarters, third behind only New York and Chicago. This corporate presence fuels economic activity and will support the metro's robust labor market with a growing volume of well-compensated positions. A second year of strong median household wage gains, coupled with a relatively low cost of living, will enable Houston to receive the second-largest 2025 net in-migration total among major metros, expecting 100,000 new residents. These individuals will arrive amid fewer apartment deliveries, helping multifamily fundamentals in most of Houston's 33 submarkets to hold ground in the near term. The Rosenberg-Richmond and Sugar Land-Stafford regions could outperform, however, as both areas saw vacancy rates decrease last year, even with a notable influx of new units. In these two areas, a smaller 2025 delivery schedule is likely to help vacancy fall further. Similar factors are at play in Katy and the Spring-Tomball submarket.

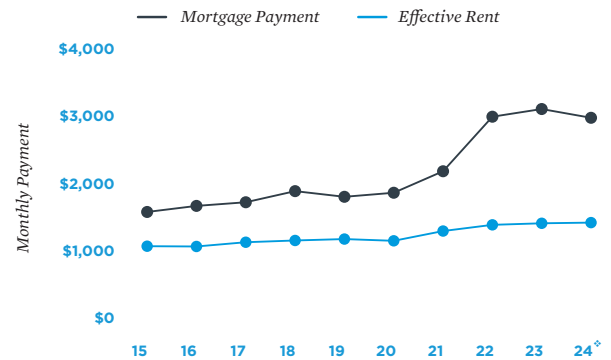
Renter demand in a segmented market draws various investors.

Anticipating the second-largest 2025 labor expansion among major markets, investors may focus their efforts toward submarkets within Beltway 8, as renter demand for housing close to key employment hubs is poised to rise. Suburbs east of Downtown in the area bounded by Interstates 10, 69 and 610 may attract commuting renters and subsequent investors. Over half of 2024's Class A trades within Beltway 8 were in this region. Favorable labor dynamics here should sustain the appeal in 2025, including for post-2015-built Class A assets with upward of 100 units. This boon, augmented by a slimmer delivery slate, will aid owners of luxury complexes in attracting and retaining tenants. Beyond Loop 610, Class B and C assets of a similar unit scale may remain appealing options for non-local investors. While 2024 deals for these complexes were frequent in areas southwest of Greater Uptown, buyers may begin combing listings to the northwest, where property performance suggests opportunities for upside exist. Class B trades in Champion West may pick up after mid-tier vacancy fell last year. This was also the only local segment to see rent growth. Meanwhile, Class C assets in Spring Branch will warrant attention, as the net absorption of over 1,000 units here last year lowered vacancy below the metro average.

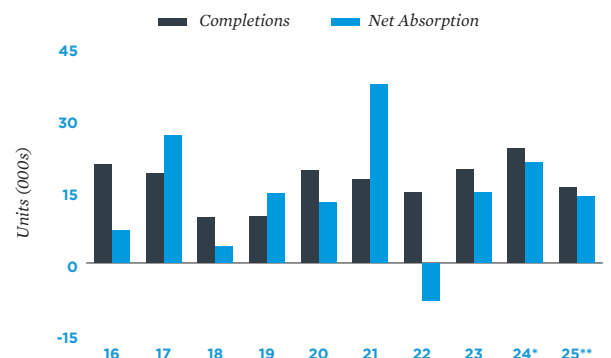
Employment Trends



Housing Affordability Gap



Supply and Demand



21.1%

2024 share of local population between 20 and 34 years old



33.0%

of local population hold bachelor's degree or higher*



\$344,800

2024 median home price*

* Estimate ** Forecast [◇] Through 3Q

**2024: 25+ years old

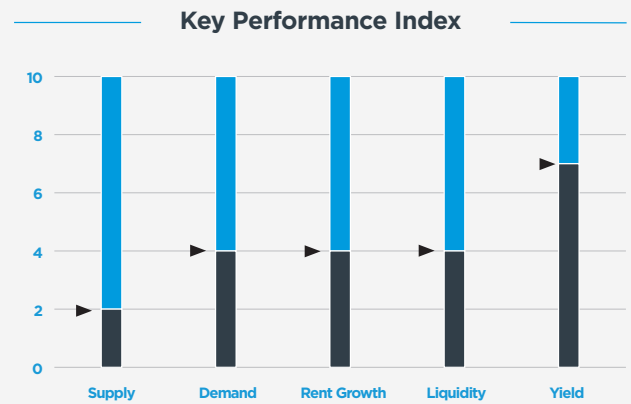
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

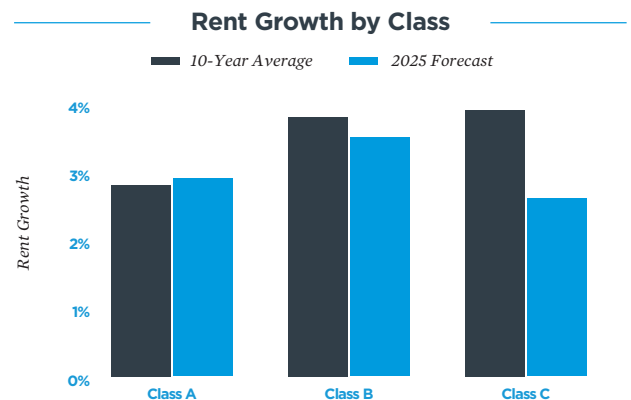
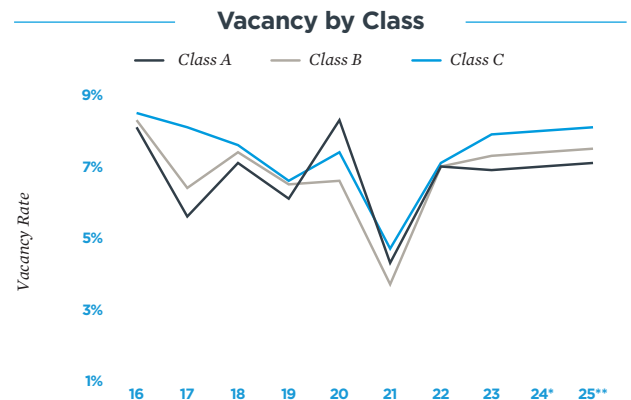
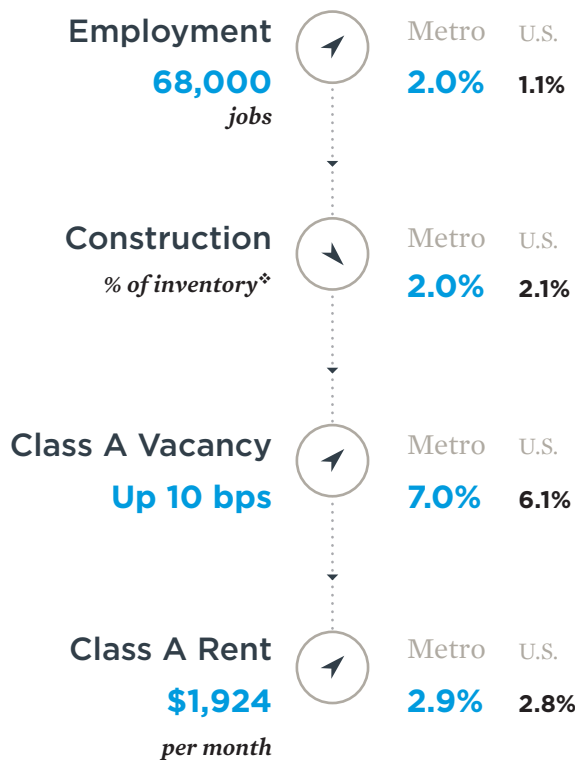
Houston joins Dallas-Fort Worth in recording a supply rating of 2, as developers key in to the Gulf Coast market's robust demographics. Houston will note the second-highest level of net in-migration this year, behind its northern neighbor, supporting demand and rent growth values of 4 in the 2025 KPI.

While Space City's yield score improves to 7 this year, reflecting the realigning of investor expectations, the market's liquidity score holds at a lower rating of 4. Trading activity may pick up, though, as rent growth momentum is anticipated to build throughout 2025.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2025 MARKET FORECAST



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* Estimate ** Forecast
* Arrow reflects completions trend compared with 2024
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics