

INVESTMENT FORECAST

Multifamily
Houston

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

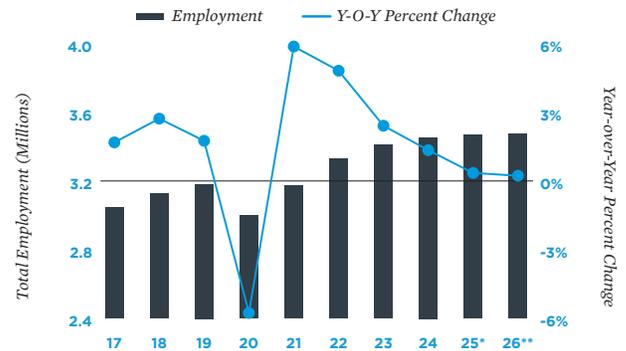
2026

Suburban Stability and Urban Constraints Shaping Investment

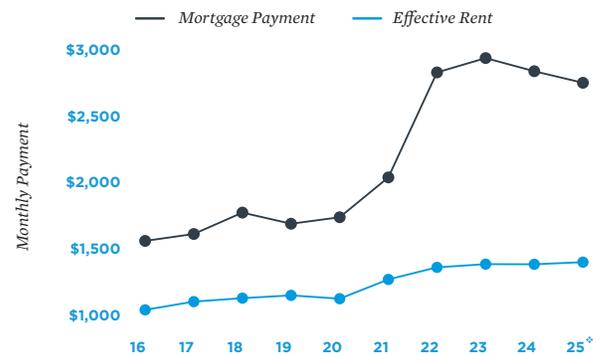
Local fundamentals diverge across urban and suburban areas. Rent growth remained evident across much of Houston in late 2025, with outer-ring hubs such as Conroe, Baytown, and Galveston continuing to post steady gains. Urban-core neighborhoods, where average monthly rents exceed \$2,000 and vacancy rates hovered near 5 percent, also held firm, supported by limited new supply and sustained demand. Looking ahead, rents are expected to continue rising, even as household formation slows. Houston's development pipeline is set to contract further, with completions falling to the lowest level since 2012. The slowdown is most pronounced inside the Interstate 610 Loop, where deliveries in 2026 will represent just 10 percent of the prior year's volume. In contrast, suburban construction remains active, particularly in high-growth areas such as Katy, Sugar Land-Stafford, and along Highway 249 in Northwest Houston. The latter area, in particular, will face near-term headwinds, with late-2025 vacancy upticks and a wave of new supply in 2026 that could weigh on performance. The metrowide outlook, however, is broadly healthy.

Investors target supply-constrained submarkets. Houston apartments are attracting increased investor attention, driven in part by the metro's relatively high yields and steady fundamentals. Among Texas' major markets, Houston has long offered some of the highest average cap rates, a characteristic that continues to attract capital seeking income-generating assets. Transaction velocity picked up more profoundly in Houston in 2025 compared with Austin and Dallas-Fort Worth, where average cap rates were over 100 basis points lower than Houston's. Building on last year's momentum, investors are expected to remain active in 2026, particularly if borrowing costs ease and pricing adjusts. Investment focus has shifted somewhat toward supply-constrained areas such as River Oaks, where limited development supports rent stability. Southeast Houston submarkets — including Clear Lake, Pearland, Pasadena, and Galveston — are also attracting attention, backed by consistent demand from a growing working-class population amid a broader national slowdown of white-collar employment growth. These dynamics suggest a favorable environment for institutional investors seeking stable returns in a diversifying Sun Belt market.

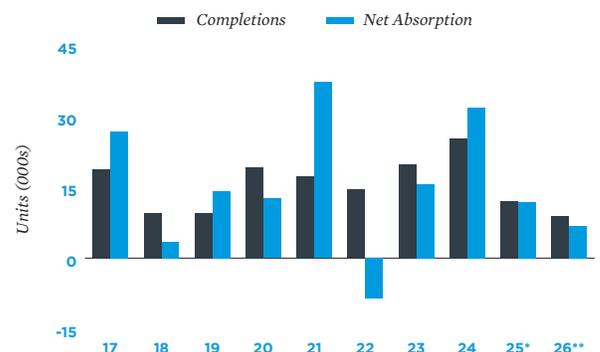
Employment Trends



Housing Affordability Gap



Supply and Demand



20.8%

2025 share of local population between 20 and 34 years old



33.2%

of local population hold bachelor's degree or higher*



\$332,600

2025 median home price*

* Estimate ** Forecast * Through 3Q
*2025: 25+ years old

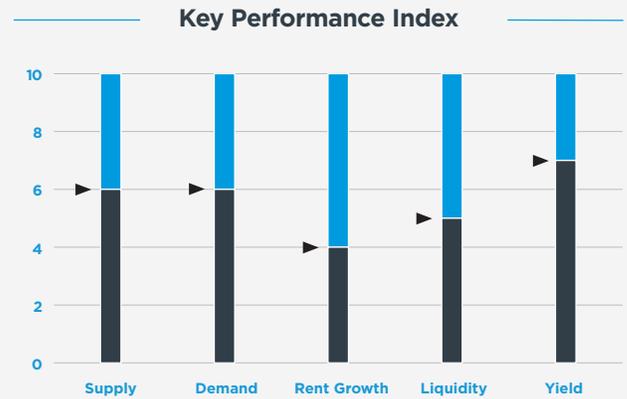
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

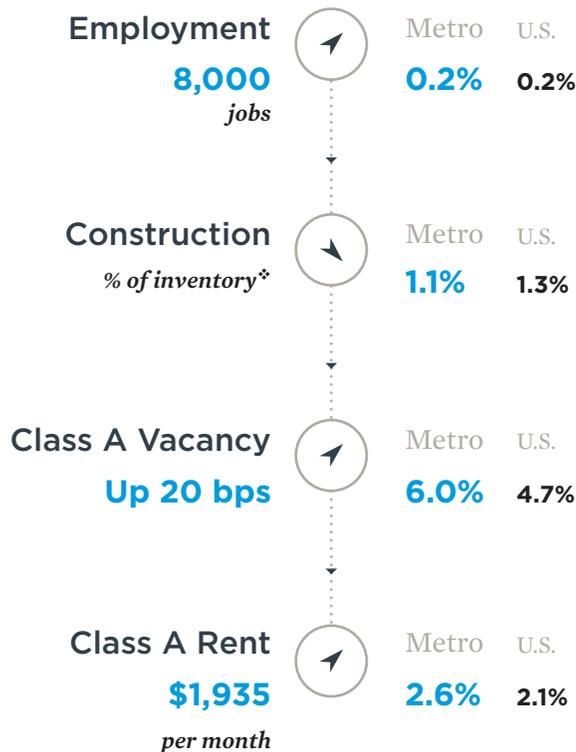
Houston leads the other major Texas markets in its KPI ratings for supply and demand this year with matching scores of 6. Local dynamics play a key role here. While metrowide vacancy will exceed 6 percent this year, above most other metros, it is nevertheless well below the local historical average.

Space City also leads Austin, Dallas-Fort Worth, and San Antonio in yield KPI with a 2026 score of 7. The market's liquidity score has also improved from last year, although the rating of 5 places it with Austin, below that of the other two ranked Texas metros.

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



2026 INVESTMENT OUTLOOK



IPA Multifamily

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* Estimate ** Forecast
* Arrow reflects completions trend compared with 2025

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics