

# INVESTMENT FORECAST

Multifamily  
Houston

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2024

## Regional Living Cost Advantages and High-Wage Job Opportunities Sustain Migration

**Houston will remain a top relocation destination.** Now years in the rearview, the circumstances of the pandemic accelerated migration to Sun Belt metros due to cost-of-living and quality-of-life advantages, fueling the addition of 165,100 new households in Houston between 2020-2023. Correlating with that influx, Class A rent growth was exceptional prior to last year's moderation, resulting in an aggregate 20 percent surge in that apartment segment during the span. Some other Sun Belt metros had even larger hikes, altering the spectrum of relative living costs. Houston's mean effective Class A apartment rent trailed the equivalent average of major Sun Belt markets by about \$150 per month in 2020. Entering this year, that relative monthly discount had doubled to roughly \$300. This positions Houston to sustain migration long-term, especially if an economic slowdown leads renters seeking higher-quality apartments to more cost-friendly markets in the region. Further enhancing relocating households' considerations, hiring in high-wage industries has been noteworthy, reflected in median household income growth. Houston ranked first in Texas for that metric last year and is projected to do the same in 2024. Relative luxury rental affordability, alongside attractive wage prospects, should continue to stoke migration and diverse Class A/B apartment demand.

**Increasing operating costs clash with a promising outlook.** Even amid a nationwide slowdown in transactions after aggressive interest rate hikes and a pullback in available financing, some operators in Houston may be more inclined to list in 2024. Historically prone to natural disasters, the average cost to insure an apartment unit rose by over 50 percent annually as of the third quarter of 2023, well above other Texas metros and the national increase. This additional burden, alongside rising property taxes, could motivate trading activity and influence development strategies. Institutions willing to take on greater costs, due to the market's favorable long-term outlook, could focus on suburbs exhibiting robust demographic growth, including Clear Lake, Conroe-Montgomery County, Katy and Spring-Tomball. Investors targeting locations with tight Class A/B operations may consider Alief and Sugar Land-Stafford, while institutions concentrating on urban core neighborhoods should concentrate on West University and the Medical Center amid robust job growth in higher-wage fields here.



20.8%

2023 share of local population between 20 and 34 years old



31.5%

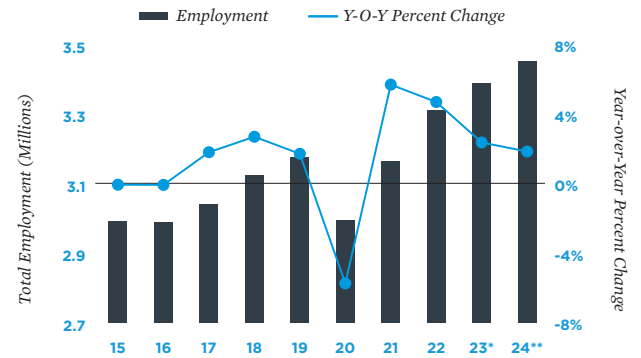
of local population hold bachelor's degree or higher\*



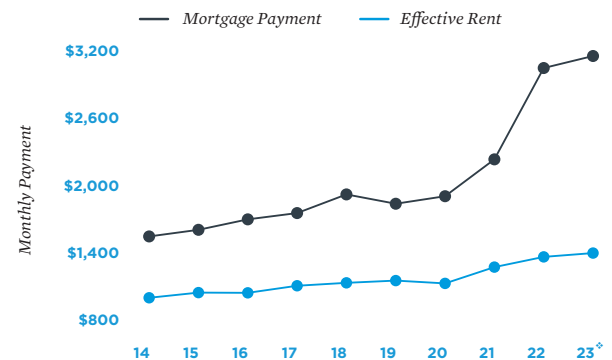
\$345,900

2023 median home price\*

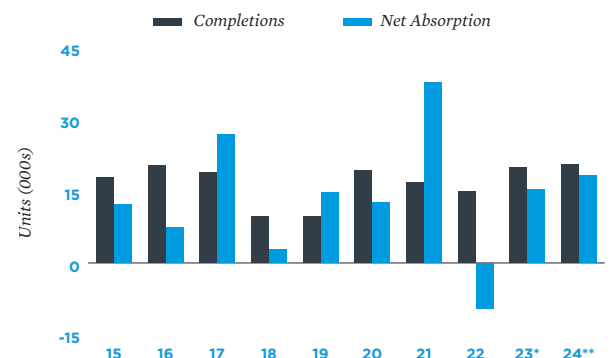
## Employment Trends



## Housing Affordability Gap



## Supply and Demand



\* Estimate \*\* Forecast ^ Through 3Q

\*\*2023: 25+ years old

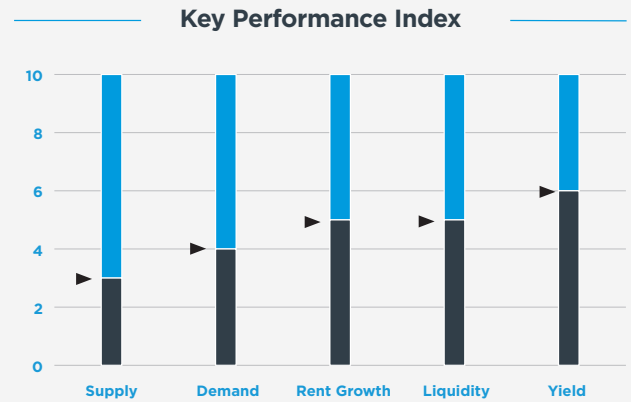
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

## Investment Outlook

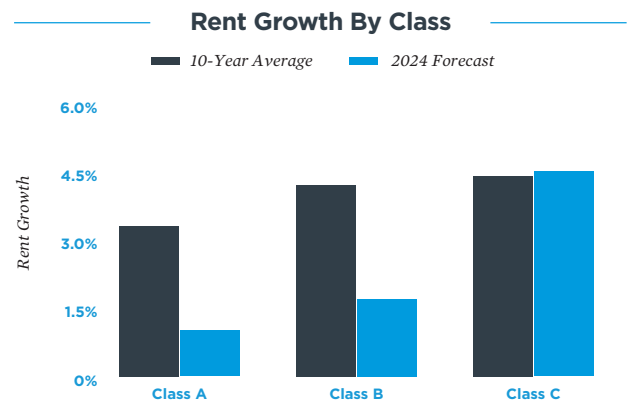
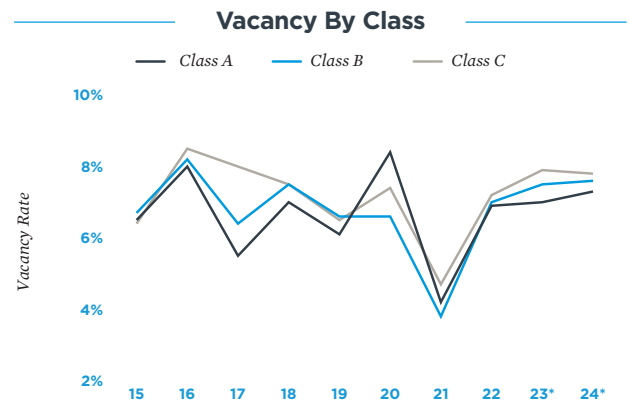
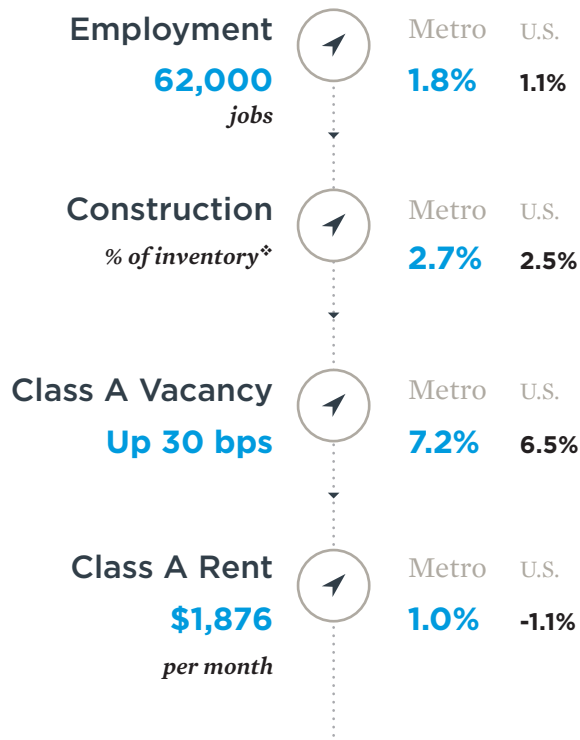
Houston's rent growth score of 5 on the 2024 Index is the highest among Texas' four major markets, as each local apartment quality tier is expected to note a lifted rate. The metro's demand ranking is consistent with last year's figure as well, supported by Houston's top 12 national pace of job growth and household creation.

Relatively strong demand and rent growth metrics translate to a liquidity score on the midpoint of the KPI scale. The yield score of 6 is also the highest in the Sun Belt.

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



## 2024 MARKET FORECAST



### John Sebree

Senior Vice President  
 Director IPA Multifamily  
 (312) 327-5400 | jsebree@ipausa.com

\* Estimate \*\* Forecast  
 \* Arrow reflects completions trend compared with 2023  
 Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics