



Buying a Houston Rental: The Investor's Guide

How to underwrite a rental home in Greater Houston before you make an offer.

Greater Houston edition



Illustration. Not a property we manage or list.

Start with the rent, not the price

A rental is worth what its income supports. Before you look at list price, find out what the home will actually lease for: comparable rentals within about a mile, same bedroom count, leased (not just listed) in the last 90 days. Then build the expenses from quotes and records, not rules of thumb.

The expense list most buyers underestimate

Expense	Where to get the real number
Property taxes	The appraisal district record and the current tax rates, including any MUD or PID. No homestead exemption on a rental.
Insurance	Quotes for a landlord (dwelling fire) policy, plus flood and wind where needed
HOA	The HOA's current dues and any leasing or registration fees
Vacancy	Days between leases; budget at least a few weeks a year
Repairs and turnover	Inspection report, age of roof, HVAC and water heater
Capital reserve	Money set aside for big-ticket replacements
Management	A written proposal; include leasing and renewal fees
Utilities	Anything the owner pays: water in some areas, HOA-billed services

Houston due diligence

- ☐ Check the FEMA flood zone and the county's flood history for the address; read the seller's disclosure flood questions.
- ☐ Price flood insurance before the option period ends, even outside a high-risk zone.
- ☐ Look up the tax record: appraised value, tax rates, and whether the current bill reflects a homestead exemption you will lose.
- ☐ Read the HOA deed restrictions for leasing limits and minimum lease terms.
- ☐ Inspect the roof, HVAC, foundation (Houston clay moves) and drainage.
- ☐ Confirm permits for any additions or converted garages.
- ☐ If it is tenant-occupied, get the lease, the deposit amount and the rent payment history before closing.

A worked example with current numbers

Illustrative only. Metro averages, not a property, a quote or a forecast.

Take a home at the Houston metro typical value of **\$305,001** (Zillow, Aug 2026) renting at the metro rent index of **\$1,643** a month.

Line	Per year	Source
Rent (Houston metro rent index × 12)	\$19,714	Zillow, Aug 2026
Vacancy (one month a year)	−\$1,643	Assumption
Property taxes (2.2% of value)	−\$6,710	Assumption; use the real tax record
Insurance	−\$2,400	Assumption; get quotes
Repairs (5% of rent)	−\$986	Assumption
Capital reserve (5% of rent)	−\$986	Assumption
Net operating income, before management	\$6,990	
Mortgage, 20% down, 30-year at 7.28%	−\$20,034	FRED, week of Oct 01, 2026
Annual cash flow before management	−\$13,044	

At average numbers and today’s rates, the average home does not cash-flow with 20% down; the monthly payment alone (\$1,669) is about the same as the rent. That is the point of underwriting: returns come from buying below value, adding value, a larger down payment or a better-than-average rent, and the numbers show you which one you are counting on.

Questions to answer before you offer

- What will it lease for, and what is that based on?
- What is the monthly cash flow after taxes, insurance, HOA, vacancy, repairs, reserves and management?
- What would it cost to make it rent-ready, and how long would that take?
- What is the plan if it floods, sits vacant for two months, or needs a new HVAC in year one?
- What is the exit: long-term hold, refinance or resale?

GableWay Realty can help with every step: finding the property, analyzing rent before you offer, managing it after closing, and selling it when the time comes.

Want this done for your rental?

Request a free Houston Rental Analysis at gablewaypropertymanagement.com, or call **(713) 766-1197**. GableWay leases and manages Houston rentals, and as a licensed brokerage we can help you buy, renovate or sell them.

General information for Texas rental owners, not legal advice. Laws and court rules change; confirm current requirements with a Texas attorney before relying on them.

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