

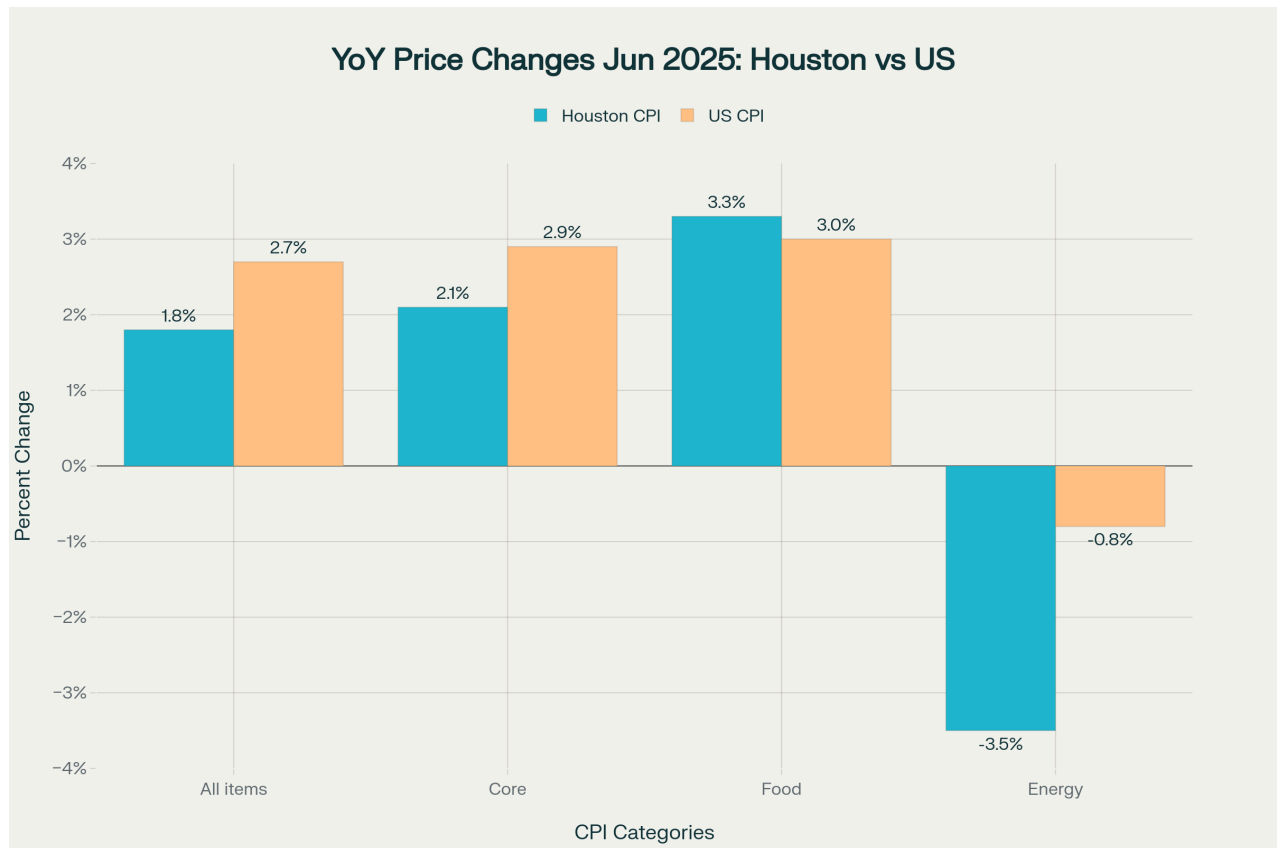
Cost of Living and Inflation in Harris County, Texas (2025)

Greater Houston entered 2025 with **below-average living costs yet pockets of acute price pressure**. Harris County's composite cost-of-living index remains under the U.S. urban mean, but strong wage gains, tariff-driven construction inputs, and a still-tight housing market are reshaping household budgets and developer pro formas.

Executive Highlights

- **Composite living cost:** 94 (6% below the U.S. metro average), driven by relatively cheap housing and health care^{[1] [2]}.
- **Shelter inflation moderates:** Houston CPI shows 1.6% rent growth versus 3.8% nationally^{[3] [4]}, but mortgage carry costs edge higher as property-tax and insurance bills rise^{[5] [6]}.
- **Utilities:** Electricity bills average 15.7 ¢/kWh (CenterPoint territory), keeping monthly power near \$235 for a typical 1,300 kWh household—well above the Texas median^{[7] [8]}.
- **Transportation:** Regular gasoline averages \$2.73/gal, 12% below 2024^{[9] [10]}; Metro fares unchanged.
- **Construction economics:** Steel and skilled-labor costs climb 11–4%, while lumber retreats 5%, producing a mixed bid environment^{[11] [12]}.

Houston's overall inflation cooled to 1.8% year-on-year by June—nearly a full percentage point under the U.S. headline rate—thanks chiefly to local energy deflation and slower shelter appreciation.



Houston’s inflation profile differs markedly from the national picture in mid-2025, with cheaper energy and slower overall price growth.

1. Cost-of-Living Index, 2025 Snapshot

Category	Harris County Index	National Urban Average = 100	Differential
Composite (all items)	94	100	-6%
Housing	76	100	-24%
Utilities	94	100	-6%
Transportation	94	100	-6%
Grocery	100	100	0
Health Care	91	100	-9%
Misc. Goods & Services	104	100	+4%

Source: C2ER Cost of Living Index Q1-Q2 2025 and Greater Houston Partnership analysis^{[1] [13]}.

Housing Cost Details

- **Median apartment rent:** \$1,475 (Q2 2025), up 4.8% y/y, still 21% below U.S. median^{[14] [15]}.
- **Median single-family sale price:** \$339,990, essentially flat from 2024^{[16] [17]}.
- **Property tax:** Effective county tax rate rises to 0.385% plus 8% temporary storm levy, adding \$160 to a \$400 k home^{[18] [19]}.

Utilities

Typical Monthly Bill	Houston 2025	U.S. Average
Electricity (1,300 kWh)	\$235	\$189
Water & Sewer (family of four)	\$125	\$95
Natural Gas (50 therms winter)	\$86	\$70

Higher electricity delivery charges (CenterPoint) offset Texas’s competitive retail energy rates^[7]^[20].

Transportation

- **Fuel:** Houston gasoline averages 87 ¢/gal below 2022 peak; diesel down 8.5% y/y^[9] ^[10].
- **Commute costs:** Metro’s \$1.25 base fare unchanged; I-45 HOT lanes up 9% during AM peak.

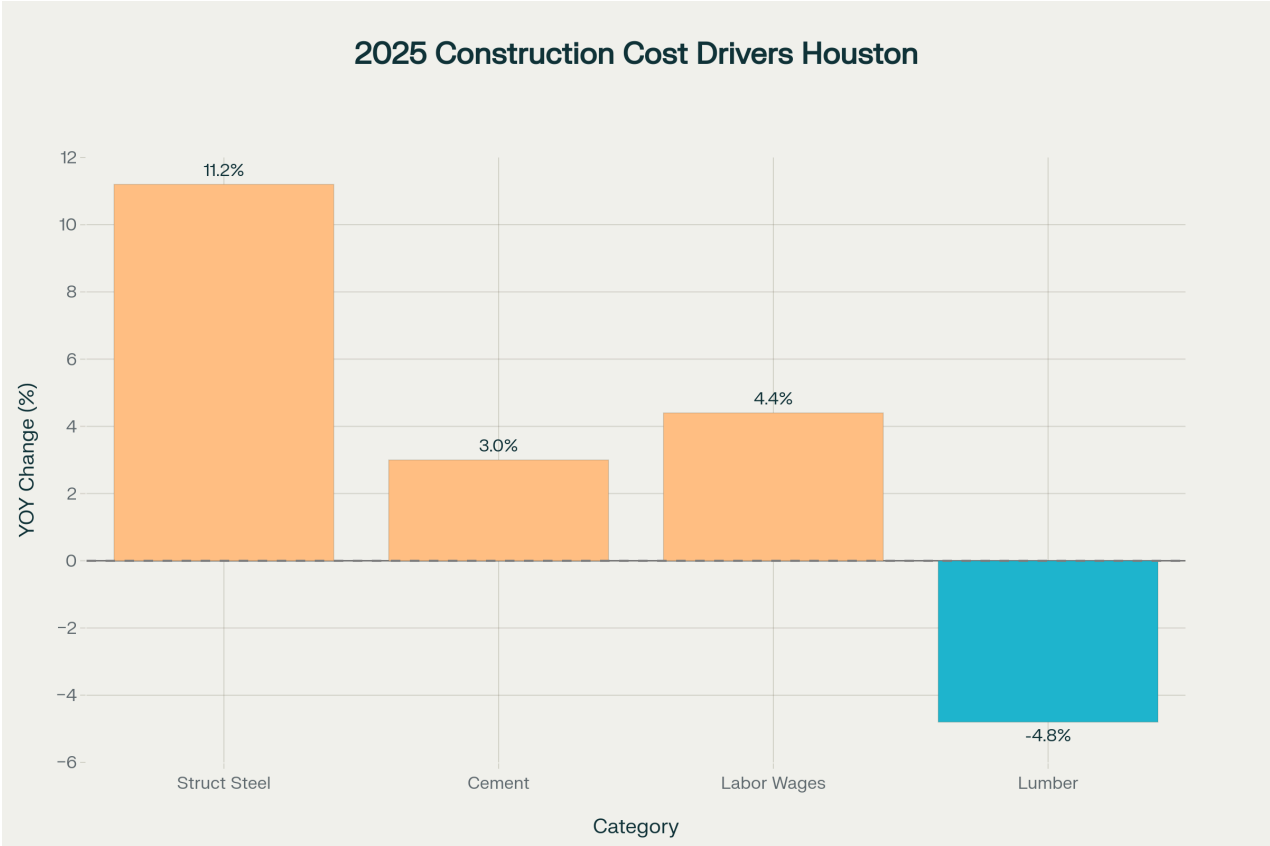
2. Houston-Area Inflation Trends (2025)

CPI Component	12-mo % Change	Drivers
All items	1.8	Energy deflation offsets food costs ^[3] .
Core (less food & energy)	2.1	Slower shelter; higher insurance premiums ^[3] ^[4] .
Food	3.3	Restaurant prices +3.5%; grocery +3.1% ^[3] .
Energy	−3.5	Gasoline −9.2%; electricity +0.7% ^[3] .

Shelter deceleration reflects the 2023–24 multifamily supply surge—34,900 units delivered and vacancy moving toward 5%^[16] ^[21].

3. Construction Cost Inflation and Real-Estate Development

Houston’s development pipeline remains active, but input costs are diverging:



Steel and labor remain the major upward pressures on Houston construction costs, while lumber prices offer slight relief.

Key Cost Drivers

- **Structural steel +11.2%:** Tariff hike to 50% on semi-finished imports raises mill prices^[11] ^[22].
- **Skilled labor +4.4%:** ABC estimates a 439,000-worker national shortfall; local builders boost wages to attract journeymen^[23] ^[24].
- **Cement +3.0%:** Elevated diesel and clinker energy costs^[25].
- **Lumber -4.8%:** Post-pandemic supply normalization lowers framing packages^[26].

Development Impact

Asset Class	2025 Build-Cost Change	Notable Effects
Garden apartments	+4-6%	Stabilizing rents squeeze yields; merchants delay starts until Q4.
Urban mid-rise	+7%	Steel, rebar, elevator packages hit budgets; sponsors re-price contingencies.
Warehouse/Logistics	+3%	Pre-engineered metal building systems partially shield steel escalation.
Custom homes	+4-5%	Financing friction from higher mortgage rates plus construction loan spreads ^[27] ^[28] .

Developers hedge by locking material contracts early and exploring **modular volumetric units** to reduce on-site labor exposure. Lenders demand larger interest reserves as pro formas assume **slower rent lifts (3%)** and cap-rate expansion.

4. Outlook and Recommendations

1. Households

- Budget an additional \$170/month for utilities and insurance by year-end.
- Lock fixed-price electricity plans of 24 months at ≤ 10 ¢/kWh before winter^[29].

2. Employers / HR

- Cost-of-living allowances of 4% will keep professional salaries competitive versus national peers, despite Houston's lower headline index.

3. Developers & Contractors

- Factor 5–6% escalation on commercial bids through 2026; prioritize early steel procurement.
- Leverage Houston's surplus multifamily inventory to negotiate turnkey construction labor as crews seek backlog.

4. Policy Makers

- Target infrastructure bond timing carefully; rising steel tariffs could inflate bridge and drainage packages by mid-2026.

Conclusion

Harris County in 2025 remains **one of America's most affordable major metros**, but the cushion is narrowing. Energy-driven cost relief tempers overall inflation, yet **housing affordability, utility charges, and construction inputs are re-accelerating**. Navigating these cross-currents will demand proactive household budgeting, data-driven wage policies, and disciplined cost control on development projects.

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