



MULTIFAMILY REPORT

Houston Slows Down

July 2024



Rent Growth Trails US

Occupancy Below 93%

Employment Market Still Solid

HOUSTON MULTIFAMILY



Rents Inch Up, Occupancy Slips

Houston multifamily fundamentals moderated but were still healthy. Demand kept up with supply and advertised asking rents posted a 0.2% year-over-year increase, to \$1,355, as of May, which kept the metro among the more affordable U.S. markets. Meanwhile, the average U.S. advertised asking rent posted a 0.6% yearly improvement, to \$1,733, closer to the pre-pandemic pace. The occupancy rate in stabilized properties in Houston lagged, dropping 90 basis points year-over-year as of April, to 92.5%.

In the 12 months ending in March, Houston's employment market expanded by 2.7%, or 67,800 net jobs. This growth rate ranked third among major U.S. metros, behind Las Vegas and Austin. The jobless rate fell to 3.8% in April, slightly above the U.S. (3.9%) and the state (4.0%), but remained the area's best figure since the onset of the pandemic. Of all sectors, only information contracted (-1,000 jobs). Education and health services (24,000 jobs) and government (19,500) led job growth. The largest sector—trade, transportation and utilities—added just 4,200 jobs during the period. However, Port Houston reported a 15% increase in volume in the first quarter of 2024 compared to the previous year.

This year through May, 7,392 units came online, with an additional 31,492 apartments under construction. Multifamily investment remained limited, with \$707 million in assets trading during the first five months of 2024.

Market Analysis | July 2024

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Recent Houston Transactions

Park at Voss



City: Houston
Buyer: Tara Capital
Purchase Price: \$74 MM
Price per Unit: \$91,358

The Standard at Champions



City: Houston
Buyer: Hamilton Point Investments
Purchase Price: \$53 MM
Price per Unit: \$148,148

Allora Bella Terra



City: Richmond, Texas
Buyer: Post Investment Group
Purchase Price: \$49 MM
Price per Unit: \$143,053

Barron Park

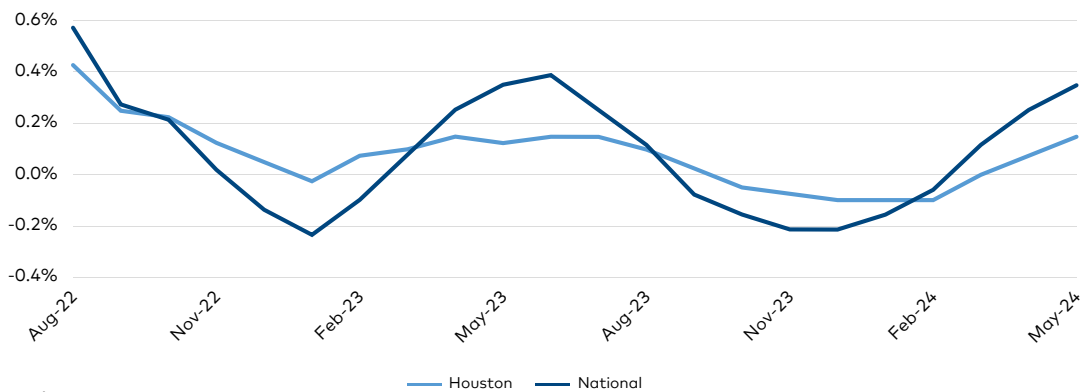


City: Pearland, Texas
Buyer: Knightvest Capital
Purchase Price: \$48 MM
Price per Unit: \$137,368

RENT TRENDS

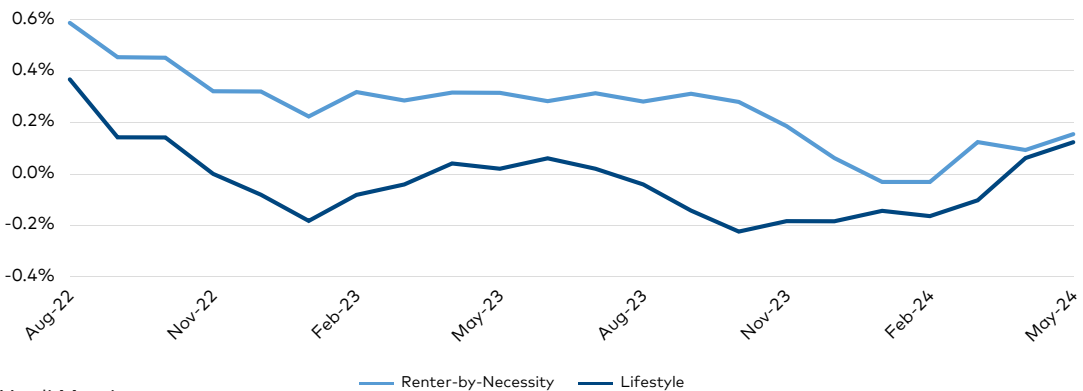
- ▶ Houston advertised asking rents rose 0.1% on a trailing three-month (T3) basis through May, for the second consecutive month, reaching \$1,355. Apart from a seven-month period that ended in February, rent movement has been positive in the metro. Meanwhile, the national average rose 0.3%, to \$1,733. Houston's rent growth lagged the national trend on a year-over-year basis, too, with the average advertised asking rent up 0.2% in May, 40 basis points behind the U.S. rate.
- ▶ Rent gains were slightly stronger in the working-class Renter-by-Necessity segment, at 0.2% on a T3 basis through May, to \$1,081. Meanwhile, following nine months of negative or flat movement, Lifestyle advertised asking rents posted the second consecutive month of growth, up 0.1%, to \$1,626.
- ▶ Occupancy in stabilized assets dropped 90 basis points year-over-year through April, to 92.5%, making Houston one of four major U.S. metros to dip below 93.0%. The slide was steeper in the RBN segment, down 1.2%, to 91.7%. Lifestyle occupancy decreased 0.6%, to 93.2%, as of April.
- ▶ The West End/Downtown remained the most expensive submarket in Houston, with advertised asking rents up 2.6% year-over-year through May, to \$2,102. In the metro's eastern half, Clear Creek was the priciest submarket, with the average down 3.9%, to \$1,602.
- ▶ Houston single-family rentals outperformed multifamily, with rents rising 2.7% year-over-year as of May, to \$2,089. Meanwhile, occupancy was up 0.6% over 10 months, to 94.6% in April.

Houston vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Houston Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Houston unemployment slid to 3.8% in April, the lowest rate recorded since the onset of the pandemic. As of April, the metro outperformed the U.S. and the state by 10 and 20 basis points, respectively, but lagged all other major Texas markets—Austin (3.0%), San Antonio (3.3%) and Dallas (3.4%).
- ▶ In the 12 months ending in March, Houston's economy added jobs at the third-fastest rate among major metros in the country, trailing only Las Vegas and Austin. The metro's job market expanded by 2.7%, or 67,800 net jobs, 130 basis points above the national rate. All sectors added jobs except for information (-1,000 positions).
- ▶ Education and health services (24,000 jobs) and government (19,500 jobs) led gains. The former is poised for longer-term growth, as Harris Health System and UTHHealth Houston broke ground on a new \$1.6 billion facility in Harris County this year. The project is slated to wrap up in 2028.
- ▶ While the metro's largest sector—trade, transportation and utilities—gained just 4,200 jobs in the 12 months ending in March, Port Houston reported a 15% traffic increase in the first quarter of 2024 over the previous year, with nearly 1.1 million TEUs handled.

Houston Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	466	13.6%
90	Government	463	13.5%
60	Professional and Business Services	559	16.3%
80	Other Services	130	3.8%
30	Manufacturing	236	6.9%
40	Trade, Transportation and Utilities	685	20.0%
15	Mining, Logging and Construction	307	9.0%
70	Leisure and Hospitality	354	10.4%
55	Financial Activities	186	5.4%
50	Information	32	0.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Houston gained 93,649 residents in 2022, for a 1.3% expansion. That was well ahead of the 0.4% U.S. rate and 30 basis points higher than 2021's figure.
- ▶ Between 2019 and 2022, Houston's population expanded by 3.8%, nearly double the 2.0% national average.

Houston vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Houston	6,884,138	6,979,613	7,048,954	7,142,603

Source: U.S. Census

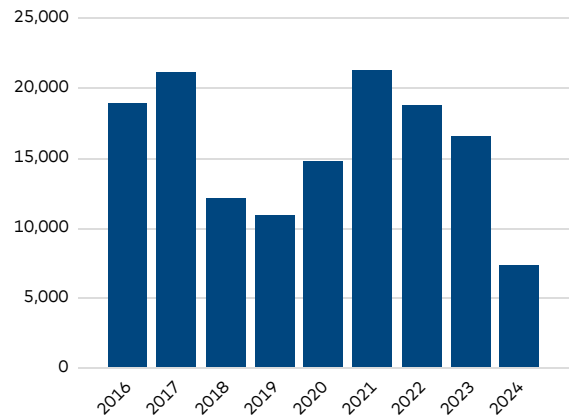
SUPPLY

- ▶ Houston's inventory expanded by 7,392 units in 2024 through May, with the bulk in the metro's western half (6,596 units). Developers remained focused on the upscale segment, which accounted for 85% of newly added stock. RBN and fully affordable communities accounted for 7% and 8%, respectively.
- ▶ Houston's under-construction pipeline comprised 31,492 units, of which 7,255 apartments were on the eastern side of the metro and 24,237 units on the western side. Another 66,000 units were in the planning and permitting stages. Similar to recent deliveries, the composition of the pipeline remained centered on the Lifestyle segment (88%), followed by fully affordable (8%) and RBN (4%). Yardi Matrix forecasts 18,257 units will be delivered in Houston for the entire year, a volume that is slightly above the average of the past five years.
- ▶ New construction softened, with the volume of new projects dropping to 2,724 units across 12 properties during the first five months of the year, well below the 11,391 units that broke ground during the same interval last year.
- ▶ Cinco Ranch – North (4,042 units underway) led by volume underway as of May, followed by The

West End/Downtown (3,373 units). The East End came in third, with 2,509 units.

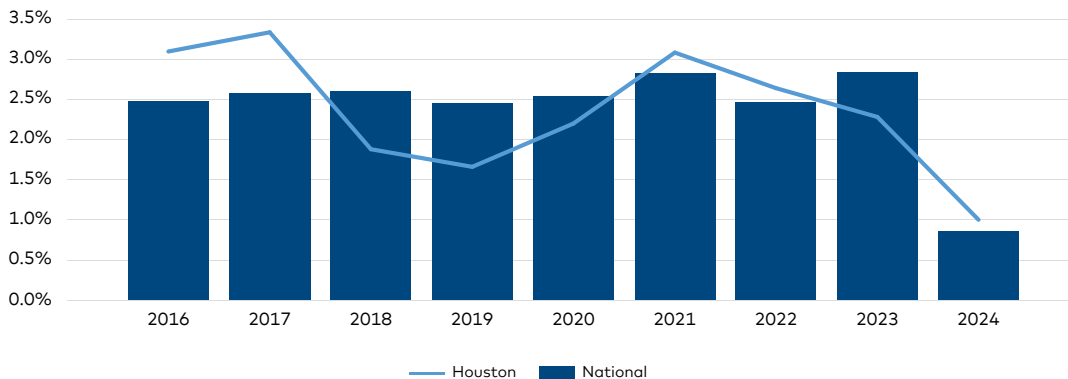
- ▶ Birchway Perry Road was the largest project completed in 2024 through May. Owned by Greystar, the 462-unit community is located in the Jersey Village/Satsuma submarket and includes 231 affordable units.

Houston Completions (as of May 2024)



Source: Yardi Matrix

Houston vs. National Completions as a Percentage of Total Stock (as of May 2024)



Source: Yardi Matrix

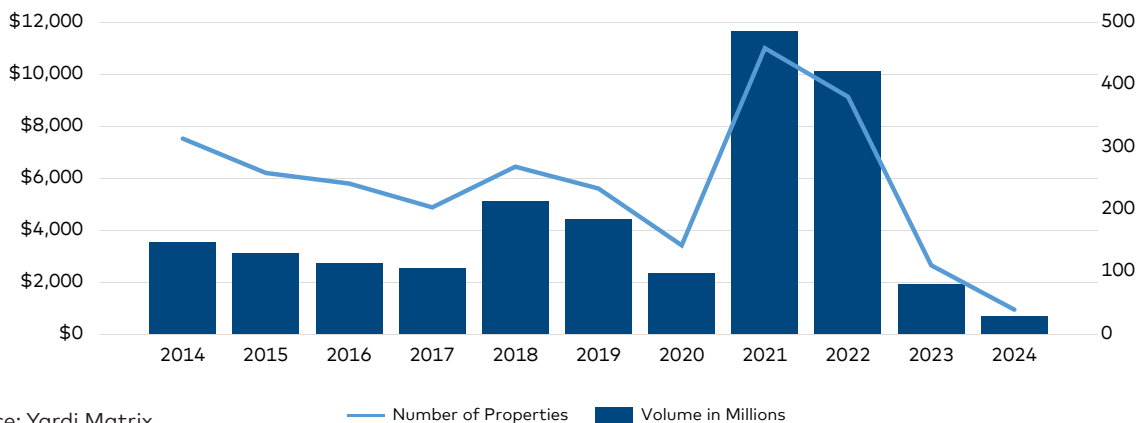
TRANSACTIONS

- ▶ Transaction activity remained moderated, with investors trading \$707 million in multifamily assets in 2024 through May. Deals involving properties on the western side of Houston accounted for \$617 million of this amount.
- ▶ Bucking the national trend, where the average price per unit decreased 4.3% year-to-date to \$176,968, Houston's average increased 5.9%,

to \$116,007. Investors were slightly more interested in acquiring upscale properties, which accounted for 55% of the sales composition.

- ▶ Notable recent sales included Tara Capital's acquisition of Park at Voss from Barvin Group. The 810-unit property, located in the Piney Point Village – North submarket, traded with aid from a \$55.5 million loan originated by Bridgelvest.

Houston Sales Volume and Number of Properties Sold (as of May 2024)



Source: Yardi Matrix

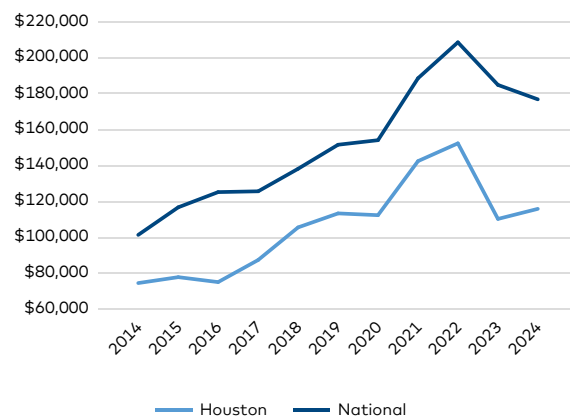
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Rosslyn	160
Piney Point Village–North	149
Missouri City	118
Richmond	109
Museum District	104
Jersey Village/Satsuma	103
League City/Dickenson	88

Source: Yardi Matrix

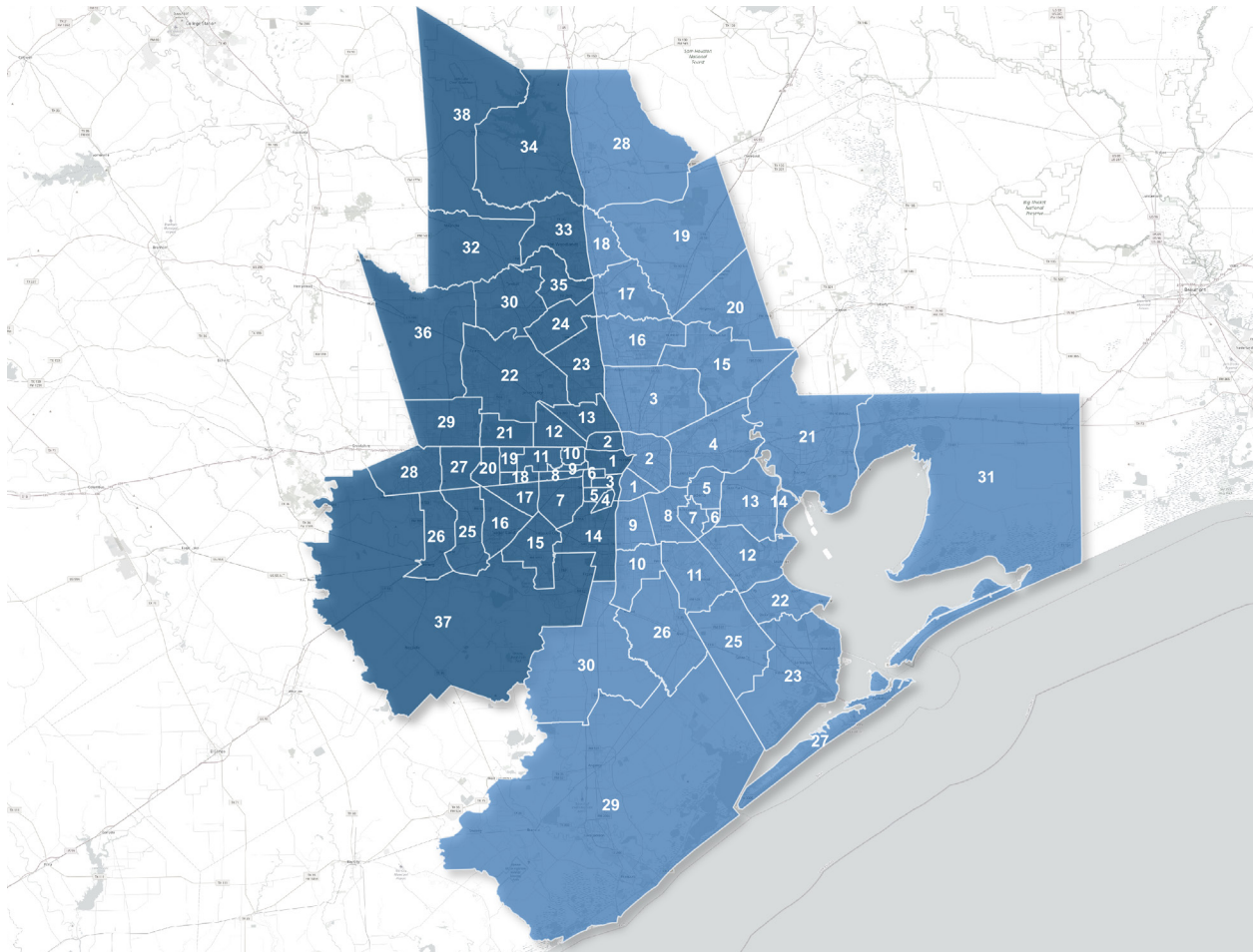
¹ From June 2023 to May 2024

Houston vs. National Sales Price per Unit



Source: Yardi Matrix

HOUSTON SUBMARKETS



Area No.	Submarket	Area No.	Submarket
1	West End/Downtown	20	George Bush Park
2	The Heights	21	Bear Creek Park
3	Museum District	22	Jersey Village/Satsuma
4	Reliant Park	23	Bammel
5	Bellaire	24	Louetta
6	River Oaks	25	Richmond
7	West Bellaire	26	Rosenberg
8	Piney Point Village–South	27	Cinco Ranch–South
9	Piney Point Village–North	28	Katy
10	Hunters Creek	29	Cinco Ranch–North
11	Bunker Hill Village	30	Tomball
12	Spring Valley	32	Magnolia
13	Rosslyn	33	The Woodlands
14	Missouri City	34	Conroe–West
15	Sugar Land–South	35	Avonak
16	Sugar Land–West	36	Northwest Harris County
17	Suger Land–North	37	Outlying Fort Bend County
18	Royal Oaks Country Club	38	West Montgomery County
19	Addicks		

Area No.	Submarket	Area No.	Submarket
1	Greater Third Ward	17	Spring
2	East End	18	The Woodlands–East
3	Mount Houston	19	Porter
4	Cloverleaf	20	Kingwood
5	Pasadena	21	Baytown
6	South Houston Crenshaw Park	22	League City/Dickenson
7	South Houston	23	Texas City
8	William P. Hobby Airport	25	League City–West
9	Pierce Junction	26	Alvin
10	Clear Creek	27	Galveston
11	Pearland/Friendswood	28	Conroe–East
12	Nassau Bay/Seabrook	29	Lake Jackson/Angleton
13	Deer Park	30	Northwest Brazoria County
14	La Porte	31	Outlying Chambers County
15	Atascocita		
16	Humble/Westfield		

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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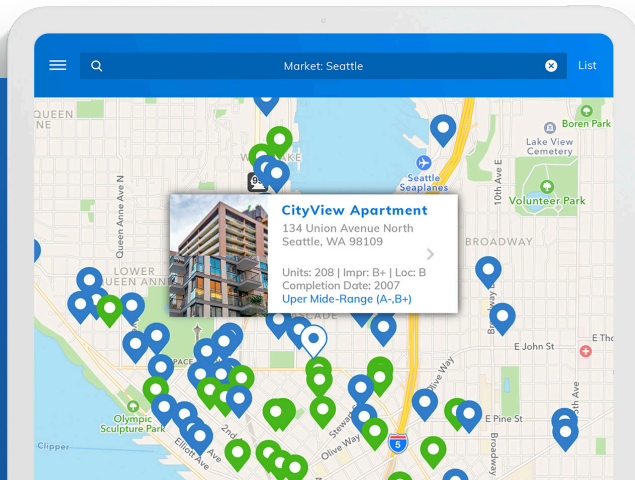
Yardi® Matrix

Power your business
with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
22.3+ million units, covering over
92% of the U.S. population.



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