



GREAA

Houston

MARKET
INSIGHT
REPORT



WINTER

2024

Employment / Unemployment

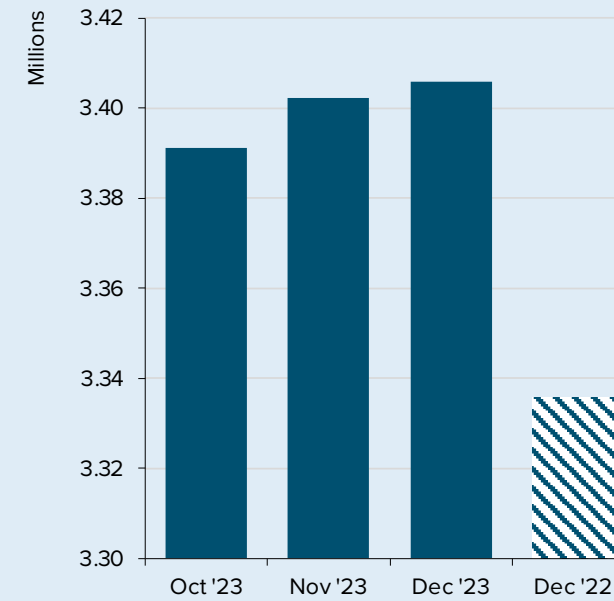
Greater Houston is the fifth-largest and the second-fastest-growing metropolitan area in the nation. Houston's population is one of the youngest and most diverse in the world, and its economy ranks among the top largest in the U.S. Houston's economy contains a broad base in the industries of energy, business, technology, international trade, manufacturing, aeronautics, transportation, education, medicine, and research. Houston is home to two international airports, the Ellington Space Port, and the Port of Houston, the nation's largest port for waterborne tonnage. Houston led the nation in exports in 2022, shipping nearly \$192 billion in commodities and goods abroad. Greater Houston is experiencing rapid population growth and a surge in construction, particularly in commercial, multifamily, manufacturing, hospital, and infrastructure projects.



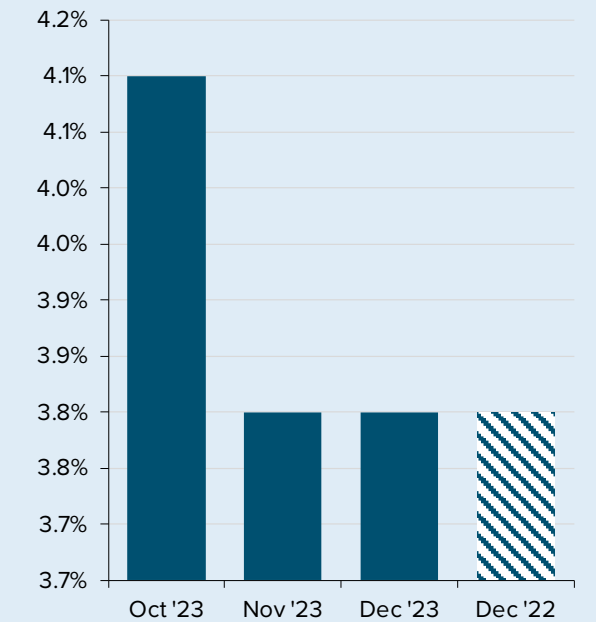
Texas Medical (TMC) is the largest medical center in the world and over 106,000 area residents are employed there. The new TMC3 Collaborative Building debuted in October 2023. The 250,000-square-foot life sciences and research facility is the first building to be completed within the first phase of the 37-acre Helic Park campus megaproject. The development is backed by \$1.8 billion in financing from leading life science investment and property development teams and is expected to create 26,000 permanent jobs and generate an economic impact of \$5.4 billion for the region. The Texas Medical Center welcomes patients from across the globe and is also a significant contributor to the local tourism industry. The campus will include a hotel, conference center, restaurant, commercial space, and a residential tower at full build-out.

- Total nonfarm payroll employment increased by 70,100 jobs in December 2023, an increase of 2.1% over the previous year.
- The education and health services supersector had the largest 12-month job gain with 24,700 added and a growth rate increase of 5.6%, followed by the trade, transportation and utilities sector with 20,200 new positions and a job growth rate of 2.9%.
- 2022 ranked as the best job growth year on record for Houston with 179,000 jobs added, exceeding the previous record set in 2021 when nearly 160,000 jobs were gained.
- The Houston MSA has averaged 65,000 new jobs annually from 2010 to 2019.
- The health care industry will remain strong regardless of potential recession depth and duration.
- Downturns in industries that are most susceptible to rising inflation will be offset by the overall job growth across all sectors.

Total Employment



Unemployment



Metro Area Employment (Thousands)	Dec 2023	Change from Dec 2022	
		Houston	National
Total Non-farm	3405.9	2.1%	2.0%
Mining and Logging	70.2	4.2%	2.4%
Construction	218.7	-2.6%	3.4%
Manufacturing	233.6	1.7%	1.2%
Trade, Transportation, and Utilities	716.9	2.9%	0.6%
Information	33.2	-0.6%	-2.6%
Financial Activities	188.2	2.6%	1.0%
Professional and Business Services	560.8	1.1%	0.6%
Education and Health Services	463.6	5.6%	4.2%
Leisure and Hospitality	344.8	0.3%	3.5%
Other Services	118.3	1.4%	1.8%
Government	457.6	2.5%	3.2%

Houston Rental Market

- At the end of 2023, year-over-year average asking rent was \$1,320, and year-over-year rent growth was 0.2%.
- 1- and 2-star properties had the largest rent gains with a 12-month rent growth rate of 2.2%, followed by 3-star properties at 1.3%.
- 12-month rent growth in the 4- and 5-star asset class decreased by -1.0%.
- While year-over-year rent growth decelerated significantly from its peak of 8.9% in the fourth quarter of 2021, the Houston MSA is outperforming Austin, Dallas-Fort Worth, and San Antonio. The trend is expected to continue through 2024.
- The number of multifamily properties offering concessions has increased across the metro area from 25% in January 2023 to 37% in November 2023.
- While vacancy rates have increased over the past two years from a seven-year low of 7.0% in the third quarter of 2021 to a current rate of 11.0%,
- Indicators point to a peak in the vacancy rate which is currently 11.0%.
- Construction starts were directly affected by rising interest rates in 2023 and declined to a six-year low, indicating decompression of the supply-heavy construction pipeline throughout 2024.
- As new supply is absorbed throughout 2024, multifamily market performance is expected to adjust closer to pre-pandemic historic norms, resulting in lowered vacancy rates and increased rent growth beginning in 2025.

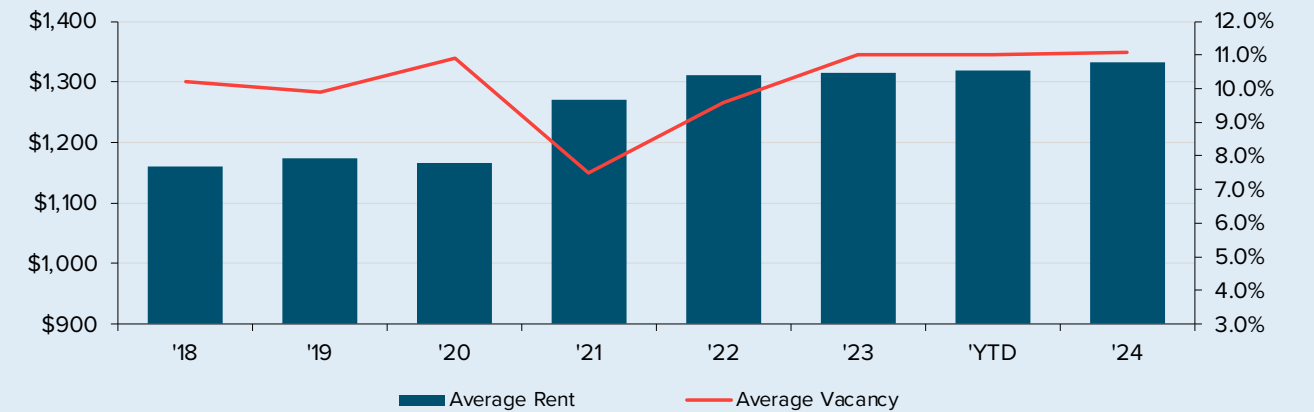
Source: CoStar



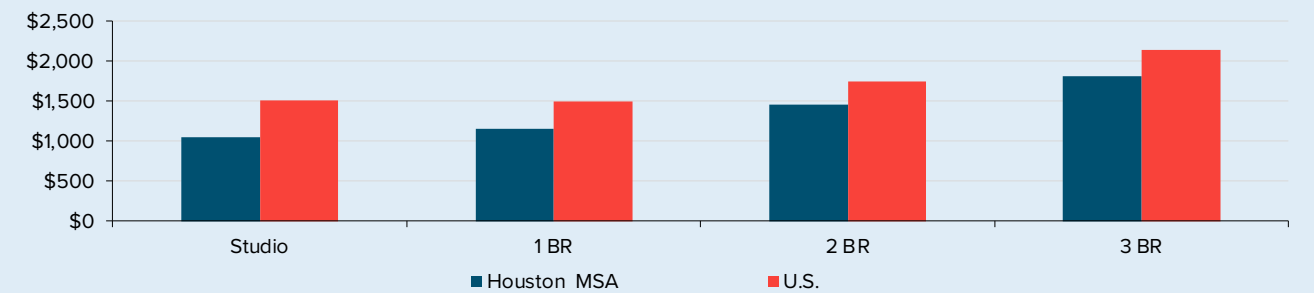
+0.2%

Average new lease asking rents are at \$1,320, up 0.2% from the previous year

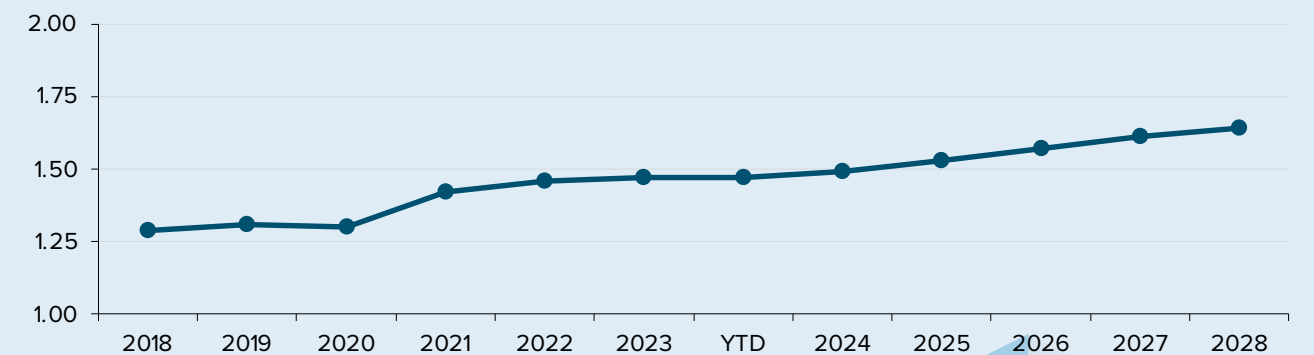
Average Rent / Vacancy



Asking Rent Comparison



Asking Rent / SF



Source: Reis, *Projected

Multifamily Construction

Houston's surging population and economic growth have triggered a flurry of construction, particularly in the multifamily market. Houston ranked among the top three metros in the U.S. for new supply growth over the past 10 years, adding roughly 160,000 units. Over 88% of those units were in the higher-tier / 4- and 5-star asset categories. The pace of construction in 2023 decelerated to its lowest levels since 2017, a primary contributing factor for steady absorption throughout 2024.

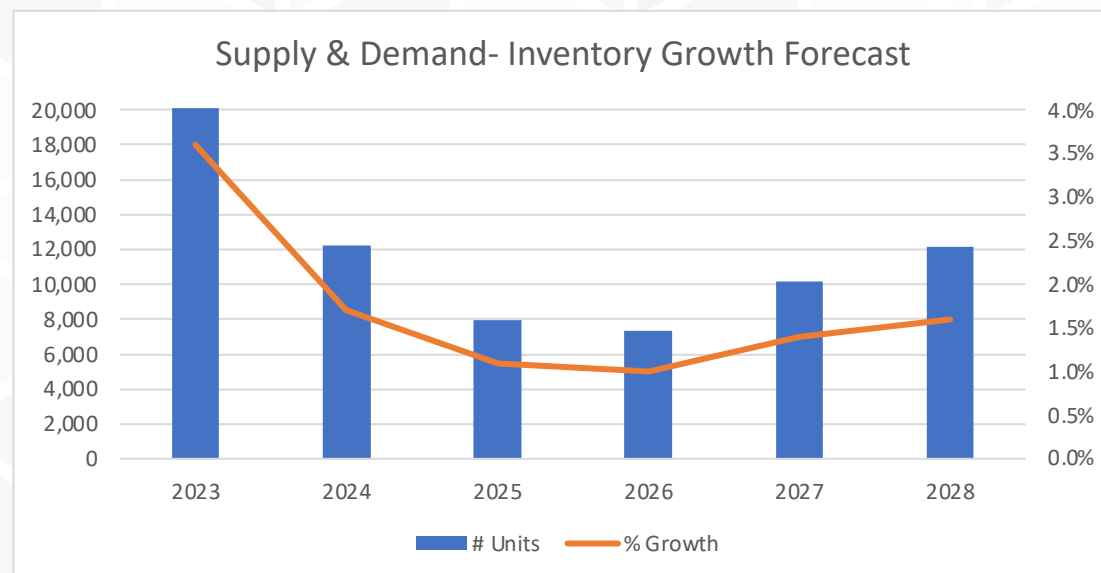
- Over 24,200 units are currently under construction compared to the Houston market's five-year historic average of 30,000 units.
- New construction starts in 2023 decreased to its lowest level since 2017.
- Rapidly expanding, affluent suburban areas like Northwest Houston, Bear Creek / Copperfield, and Richmond / Rosenberg are the primary drivers of construction demand.
- Mixed-use development in the multifamily market is trending in dominant retail areas including Neartown / River Oaks.
- Single-family build-to-rent development is making a notable appearance with 3,000 opened in 2023, representing about 15% of greater Houston's total new supply. Demand for this asset class is expected to continue due to affordability, elevated interest rates, and low inventory.



24,344 New Units

2023 Net Deliveries

12,246 New Units Will Follow in 2024



Source: CoStar, All Figures are Annual Totals, *Projected

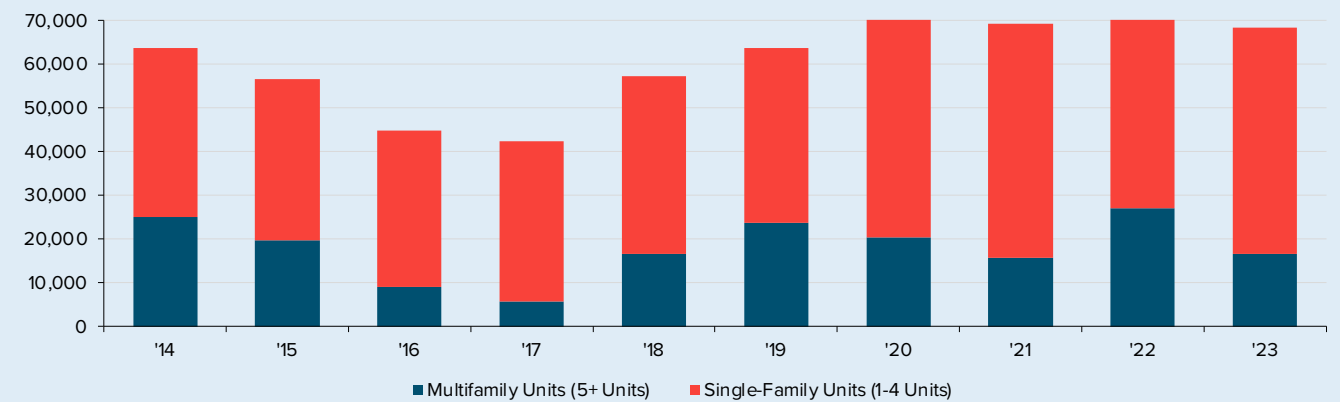
Permits

In December 2023:

- The median sales price for single-family homes was \$330,000, on par with December 2022.
- There were 38,028 single-family active listings, an increase of 13.9% over December 2022
- 7,395 properties were sold, a -4.9% change over the previous 12-month period.
- The months of Inventory was 3.3, a change of 0.7 months since December 2022.

Source: HAR

Total Residential Building Permits



Source: U.S. Census, Multifamily Includes Condos



21,191

Single Family Permits (1-4 Units)
-56.97% YoY

16,558

Multifamily Permits (5+ Units)
-38.57% YoY

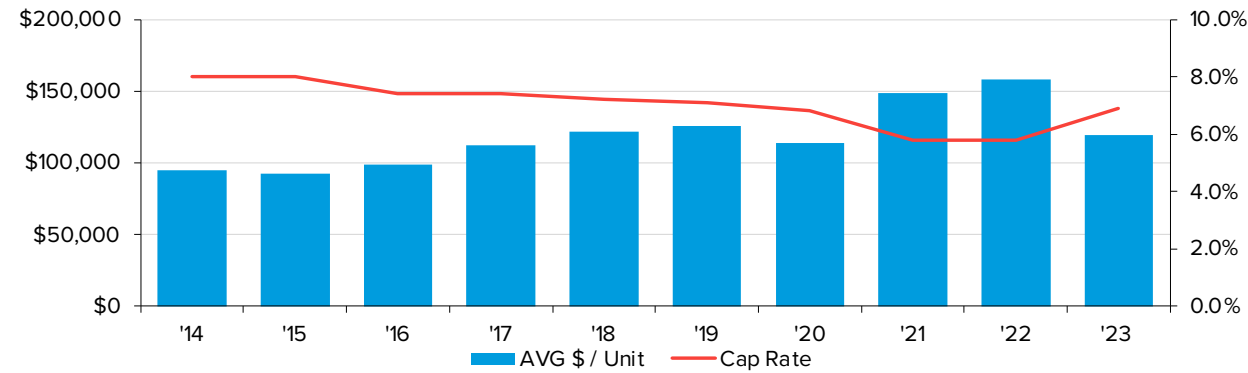


\$330K

Median Single Family Price
-2.37% YoY

Multifamily Sales

Average Sales PPU / Cap Rate



Source: CoStar

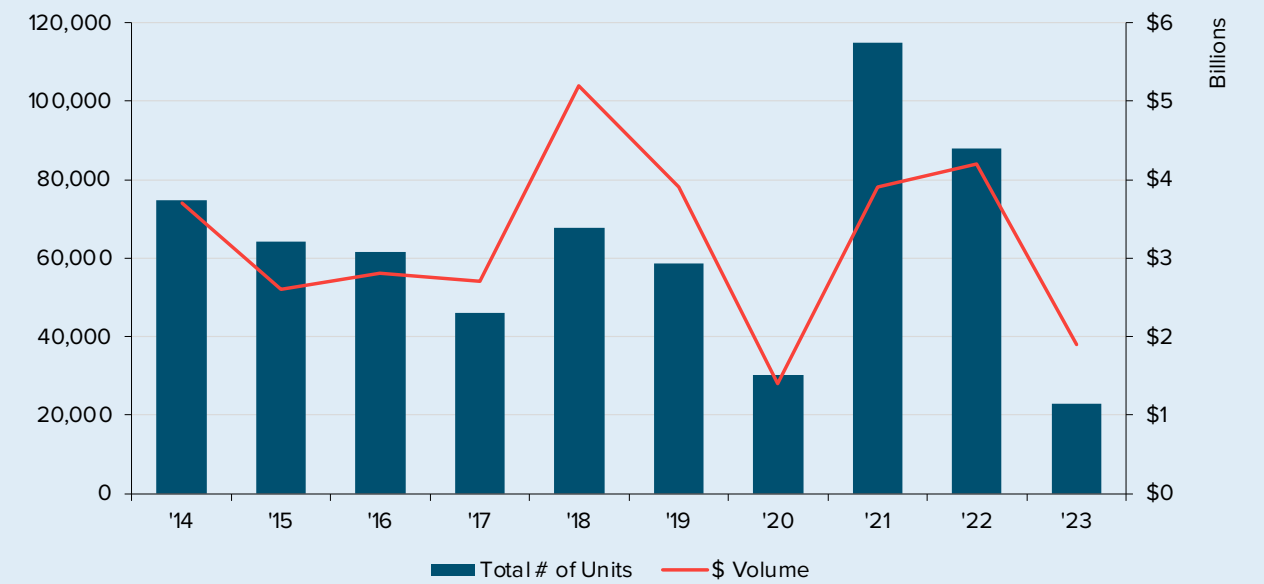


\$1.9B
Sales Volume



22,786
Total # Units Sold

Apartment Sales Transactions



Source: CoStar, GRE Research



\$119,536
Avg. Sold Price / Unit 2023



6.9%
Avg. Cap Rate YTD



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