



TRANSWESTERN

# HOUSTON MULTIFAMILY MARKET

## Q1 2024



### TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE (%)	4.0	4.4	↓	5.5	↓
NET ABSORPTION (Units)	1,322	1,077	↑	3,815	↑
OCCUPANCY RATE (%)	88.4%	90.1%	↓	89.8%	↔
UNITS (Total)	753,050	725,463	↑	701,453	↑
EFFECTIVE RENT (Unit)	\$1,268	\$1,263	↑	\$1,153	↑
SALES VOLUME (Millions)	\$388	\$320	↑	\$1,543	↔

Source: Bureau of Labor Statistics, MRI Software , Real Capital Analytics, Transwestern. Arrow color palette indicates property sector agency leasing, management and investor trending assessment(s).

\*Net Absorption calculated as Net Leasing. See definition on page 13.

## CLASS A RENTERS DOMINATE QUARTERLY LEASING, BOOSTED BY NEW METRO POPULATION & JOB GAINS

### Q1 2024 House View

Houston’s multifamily sector experienced its fifth consecutive quarter of citywide demand gains as area residents took occupancy of more than 1,300 Class A units, the only property class to see positive leasing this quarter. Overall market occupancy dipped by 60 basis points as Classes B-D had more move-outs than move-ins. Also factoring into the softer occupancy rate is that new property units coming online outweighed net leasing gains even though the rate of new construction is tapering, and the pipeline is subsiding. The overall construction pipeline now totals just over 21,700 units at the close of the quarter, down slightly from 21,850 units at the end of 2023. Meanwhile, completions also saw a slowdown quarter-over-quarter as 6,422 units came online compared to 8,295 in Q4 2023.

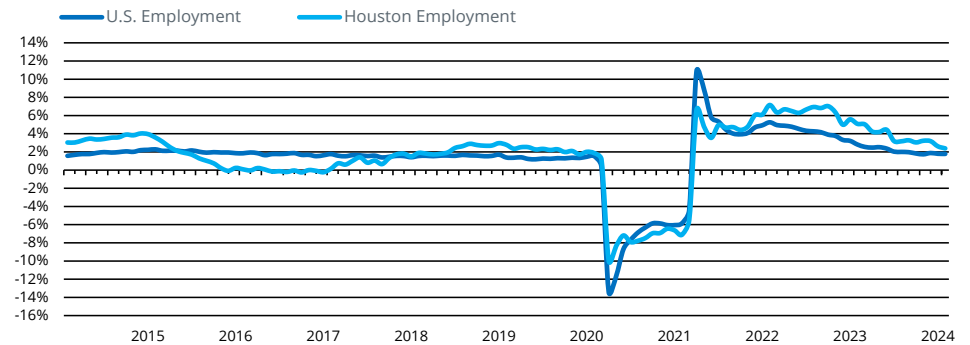
The supply/demand balance for Houston’s multifamily sector is expected to improve during the year ahead and into the next aided by two factors: first, tightening citywide new development – albeit a gradual one – and second, robust organic population and job growth. The U.S. Census Bureau recently announced in mid-March that the Houston MSA ranked second for the largest numeric population growth in the U.S. between 2022 and 2023. In addition, the Houston region created 24,600 new jobs most recently in February, according to the Texas Workforce Commission (TWC) and another 102,900 jobs during 2023, which the agency revised up sharply in March from its previous estimates of 70,100 that had been released in December.

**ECONOMY**

**Robust Population Gains, Strong Tourism, Stabilized Home Sales During Q1 2024; Houston Inflation Outpaces U.S. in February**

- The Houston metro area had the second largest numeric population growth in the U.S. between 2022 and 2023, according to the most recent data released in mid-March by the U.S. Census Bureau. Metro Houston added nearly 140,000 new residents in total or a 1.9 percent increase, which equates to one new resident every 3.8 minutes. Population in the 10-county region now exceeds that of 37 states and the District of Columbia.
- Houston’s travel and hospitality sector posted significant gains in 2023, according to Houston First Corp., the region’s destination marketing organization. Approximately 51 million people visited Houston last year, an increase of more than 5 percent from the 48.7 million Houston welcomed in 2022, itself a busy year. The data suggests that tourism in Houston is fully recovered from the pandemic. For example, business travel is foundational for the metro’s industry and over the course of 2023, Houston hosted 560 conventions booked by Houston First, up from 414 in 2022 while nearly 350,000 workers are employed in the leisure and hospitality sector. In addition, more than 23 million hotel room nights were booked last year, helping to push up the city’s hotel occupancy tax collections to an all-time high and more than 60 million people traveled through Houston Airports, an annual increase of 11 percent, also a record.
- Houston’s housing market showed rising sales in February. Inventory improved significantly and days-on-market adjusted to a more typical rate, reported the Houston Association of Realtors. February home sales were 7.0 percent above last year’s level and mark the second-best February on record.
- Inflation rose 3.2 percent nationwide in the 12 months ending February as measured by the Consumer Price Index for all Urban Consumers (CPI-U). Houston’s rate measured higher at 3.5 percent over the year. Houstonians saw sizeable increases of 4.0 percent or more for prices of apparel, housing, restaurant meals, and utility gas while costs declined for electricity, gasoline, and recreation expenses. New vehicle prices were flat.

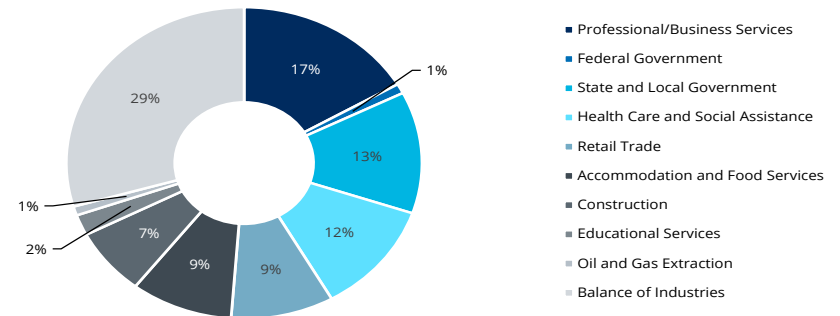
**Y-O-Y CHANGE IN JOBS**



Source: Bureau of Labor Statistics, Transwestern

**SHARE OF EMPLOYEES BY INDUSTRY**

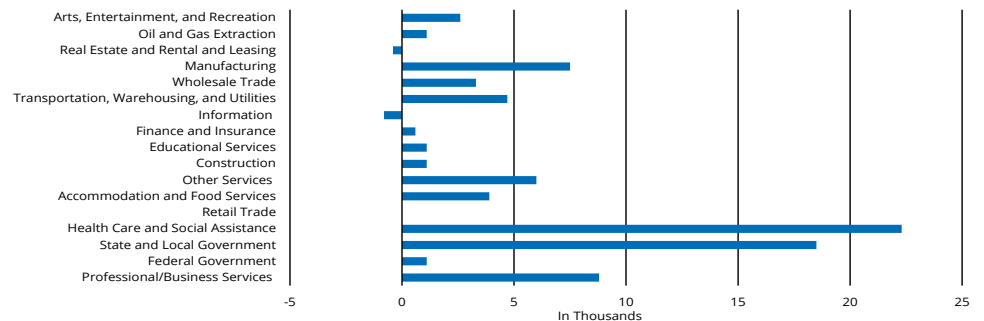
Houston | February 2024



Source: Bureau of Labor Statistics, Transwestern

**Y-O-Y CHANGE IN JOBS BY INDUSTRY**

Houston | February 2024



Source: Bureau of Labor Statistics, Transwestern

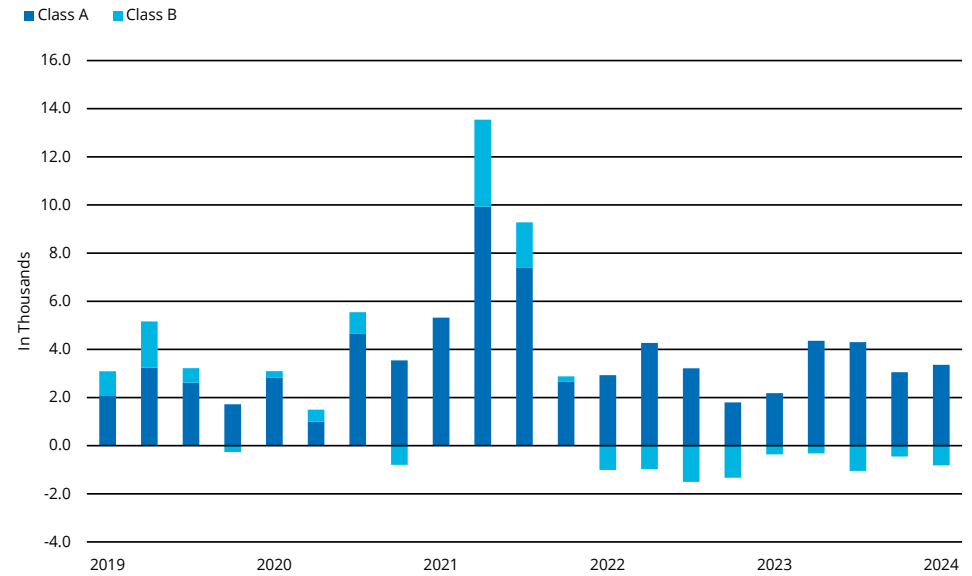


### NET ABSORPTION

#### Class A Sector Posts All Positive Demand; Suburban Markets Account for 90% of Leasing

- Metro Houston renters took down an additional 1,322 units during Q1 2024, outperforming by 245 units when comparing to the same period in 2023. It should be noted, though, the quarter-over-quarter performance was less than half of Q4 2023 when Houston absorbed nearly 3,000 units. Among the major Texas metros, Houston ranks second in total 12-month demand with 10,670 units absorbed, trailing behind Dallas-Fort Worth’s 15,506 units. Austin followed Houston closely with 10,017 units and San Antonio with 5,060 units.
- Four submarkets experienced notable growth this quarter with absorption surpassing more than 200 units over the previous 90 days. The four submarkets are considered suburban communities, and in descending order by absorption include Katy/ Cinco Ranch/ Waterside (768 units), Bear Creek/ Copperfield/ Fairfield (323 units), Sugar Land/ Stafford/ Sienna (266 units), and Tomball/ Spring (240 units).
- Approximately 16 submarkets saw negative growth in leasing demand this quarter, six of which posted triple-digit negative absorption, and of those six submarkets, Beltway 8/ I-45 South, gave back nearly 470 units, which were mainly Class C properties.
- Class A properties witnessed all net leasing gains this quarter where residents moved into more than 3,350 units. Class B, C, and D properties had leasing in the red as renters gave back 2,034 units during the quarter with Class C properties experiencing the largest contraction of more than 1,000 units.

### NET ABSORPTION BY CLASS



Source: MRI Software, Transwestern

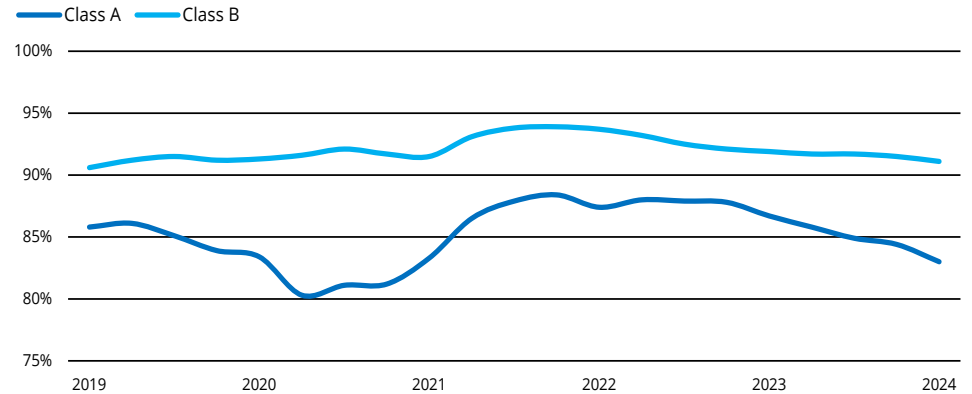


### OCCUPANCY

#### Citywide Occupancy Softens to 88.4% Led by Small Losses in Class B & C Properties

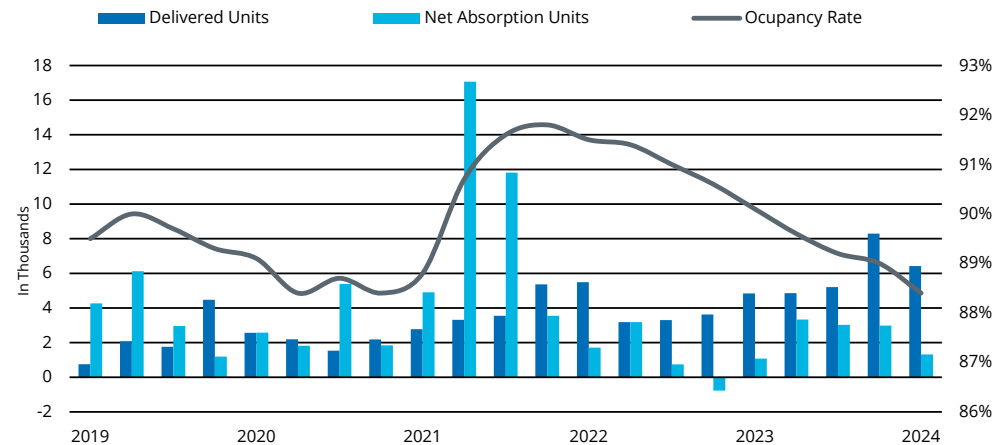
- Houston’s overall metro occupancy for the first quarter of 2024 registered 88.4 percent, decreasing 60 basis points from Q4 2023 and year-over-year decline of 1.7 percent. The unit givebacks were primarily in Class B, C, and D which accounted for negative net demand totaling a combined 2,034 units.
- Class A properties finished with an 83 percent occupancy, decreasing 1.4 percent during the period, while Class B properties also decreased over the same period, concluding the first quarter down 40 basis points at 91.1 percent.
- Out of the 42 submarkets, only 15 submarkets experienced elevated occupancy at the close of Q1, though, this quarter-over-quarter positive occupancy gain is an improvement of six submarkets compared to Q4 2023. The largest gains were seen in Almeda/ South Main where occupancy rose 4.8 percent, Montrose/ Museum/ Midtown gained 1.0 percent, Brookhollow/ Northwest Crossing and Richmond/ Rosenberg both increasing 0.9 percent. Out of the four top performers, two of those submarkets currently have new units under construction: 1,972 units under development in Montrose/ Museum/ Midtown, and 1,064 units currently underway in Brookhollow/ Northwest Crossing.
- As the delivery of new inventory outpaces demand, Houston will continue to see market spot softness where construction has been most active. As new units come online, area renters are taking advantage of leasing concessions while opting to upgrade their space options. As a result, Class A properties saw positive absorption of the new apartment units while overall occupancy pulled back in that class category, but also in nearby Class B and C locations.

### OVERALL OCCUPANCY RATE BY CLASS



Source: MRI Software, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: MRI Software, Transwestern

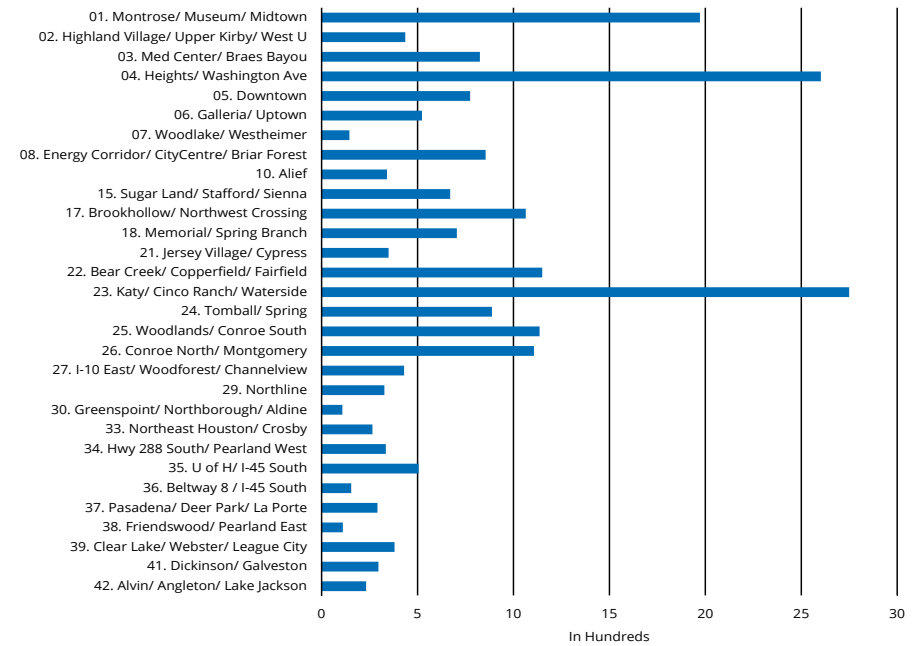


### UNDER CONSTRUCTION

#### Pipeline Holds 20,000+ Units; Deliveries Taper from End of Year 2023

- Construction completions reached 6,422 operating units during the first quarter of 2024. This is down from the 8,295 units completed during Q4 2023 further tapering the prior gradual seven quarter streak of increased deliveries quarter-over-quarter. Notable properties which began move-ins during the first quarter include the 576-unit Resia Ten Oaks at 18036 Park Row Dr, a 12-story high-rise, and the 372-unit Silos Harvest Green, both of which are in the Katy/ Cinco Ranch/ Waterside submarket, and the San Palmas in Bear Creek/ Copperfield/ Fairfield featuring 370 units.
- Three properties which stand out due to their current lease-up status and high unit count this quarter include Lenox Grand West containing 388 units and 51 percent occupancy in Katy/ Cinco Ranch/ Waterside, Prose District West's 360 units holding 46 percent occupancy in Sugar Land/ Stafford/ Sienna, and the Evolve Champions comprising 336 units having 33 percent occupancy.
- Meanwhile, 81 communities are currently under construction with just over 21,700 units in the pipeline coming down slightly from its Q4 2023 volume of nearly 21,850 new units. The construction pipeline has started to slow, and if the construction pipeline continues its trajectory as seen in the previous six months, 2024 will see a trendline of lower levels of new development coupled with gathering velocity in lease-up of delivered inventory.
- The submarkets with the highest concentration of new construction include Katy/ Cinco Ranch/ Waterside with 2,750 units under development, Heights/ Washington Ave featuring 2,602 units under construction, and Montrose/ Museum/ Midtown with 1,972 units under construction. These three submarkets represent the leading demand in both urban and suburban submarkets. Katy/ Cinco Ranch/ Waterside is near one of the strongest performing office locations, the Katy Fwy/Energy Corridor, and attracts many area workers to the high quality of the new multifamily product. At the same time, Heights/ Washington Ave, and Montrose/ Museum/ Midtown command just over a 20 percent of all development, signaling demand persists in established urban submarkets.

### UNDER CONSTRUCTION



Source: MRI Software, Transwestern

### UPCOMING CLASS A PROPERTY DELIVERIES

PROJECT NAME	SUBMARKET	# OF UNITS	EST. COMPLETION
Resia Ten Oaks	Katy/ Cinco Ranch/ Waterside	576	Q2 2024
X Houston	Med Center/ Braes Bayou	475	Q3 2024
Standard on the River	I-10 East/ Woodforest/ Channelview	430	Q2 2024
Beckett West Fork	Brookhollow/ Northwest Crossing	400	Q4 2024
Artistry Design District	Brookhollow/ Northwest Crossing	400	Q4 2024

Source: MRI Software, Transwestern

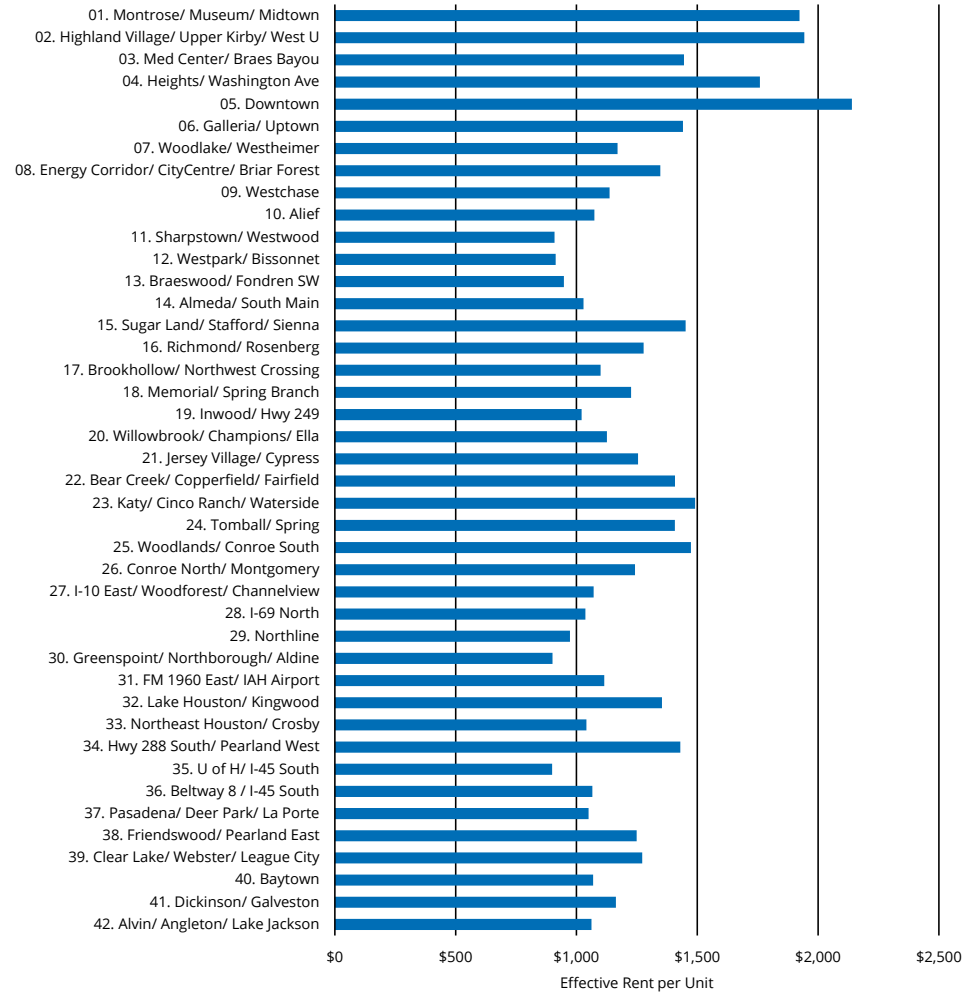


### RENTAL RATES

#### Following 2023 Trends, Suburban Markets Continue High Growth Streak

- Annual apartment rents averaged \$1,268 per month throughout Houston in the first 90 days of 2024, up 40 basis points year-over-year. Houston was the only primary Texas market in Q1 2024 to see positive rent gains over the prior 12-month period, according to MRI Apartment Data, and mirrors the sole positive rental rate growth experienced in Q4 2023.
- No submarkets recorded any double-digit gains year-over-year, as previously reported when applicable, but three submarkets: Northline (7.6%), Westpark/ Bissonnet (5.9%), and Bear Creek/ Copperfield/ Fairfield (5.7%) reported rent gains exceeding 5 percent. Bear Creek/ Copperfield/ Fairfield and Northline have recently opened 2,587 units over the past 12 months, though, it should be noted that Bear Creek/ Copperfield/ Fairfield controls the lion share of that figure.
- In addition to these three top performing submarkets for rental rate growth, 25 more submarkets experienced some level of positive year-over-year rental rate growth. Although, the total figure of 28 submarkets is down from the previous quarter which had 33 submarkets record positive year-over-year rental rate growth.
- The remaining 13 submarkets clocked in negative rental rate growth year-over-year. All but one submarket, Lake Houston/ Kingwood, that experienced negative rental rate growth currently have a combined total of just over 13,500 units, or 62.5 percent of all new construction. Downtown recorded the largest loss to year-over-year rental growth coming in at 5.1 percent along with an additional four submarkets recording losses greater than 2.5 percent: Woodlake/ Westheimer (3.0%), Energy Corridor/ City Centre/ Briar Forest (2.9%), Woodlands/ Conroe South (2.8%), and Montrose/ Museum/ Midtown (2.7%).

### ASKING RENT



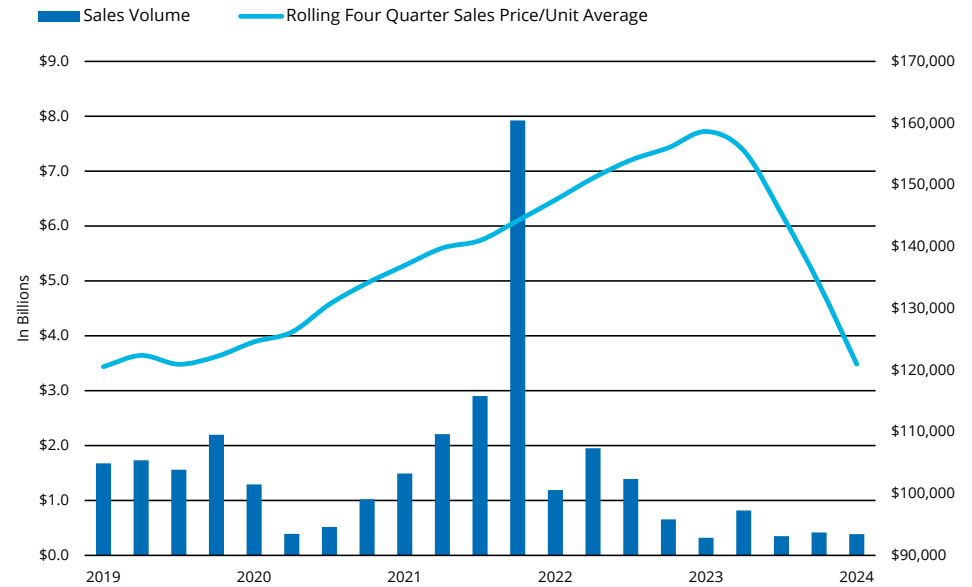
Source: MRI Software, Transwestern

**SALES**

**Private Sector Leads Net Acquisitions, All Other Investors Groups Sell During Q1 2024**

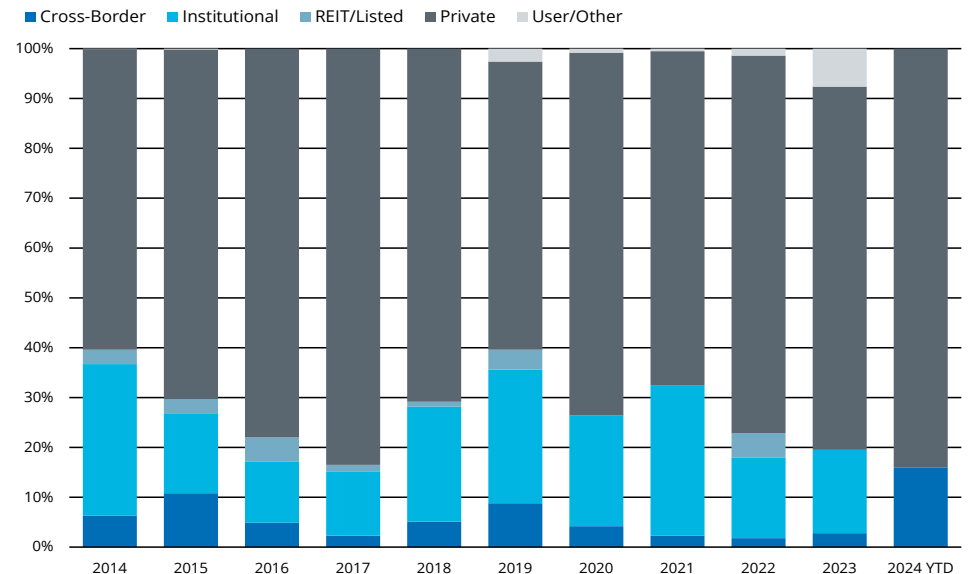
- Investors completed nine Houston area multifamily property trades during the first quarter with acquisitions averaging \$112,885 per unit, a slight decrease of 1.2 percent from Q4 2023, and a substantial 31.5 percent decrease from \$164,726 per unit from the same period in 2023.
- Private investors acquired a net total of \$208.5 million in Houston multifamily assets during the quarter and was the only investment group to post net positive gains in this quarter. This activity continues the buying pattern from Q4 2023 when the investment group acquired a net total of \$246.9 million.
- Institutional, international, and REITs reported net dispositions for Q1 2024. Institutional investors led sales with dispositions reaching \$83.9 million during the period. Offshore investors accounted for the second largest net sales activity with \$70.8 million of assets disposed. REITs rounded out sales activity for the quarter with a net total of \$53.7 million in dispositions.
- A notable property trade announced during the quarter came from Houston-based Venterra Realty, a multifamily real estate investment and management company, acquiring the Cendana District West in the Katy/ Cinco Ranch/ Waterside submarket. The Class A, 349-unit property, built in 2023, is located at 7303 South Peek Rd, and had an estimated 71.3 percent occupancy at the close of the quarter.
- Also announced during the quarter, Dallas-based Knightvest Capital, a multifamily real estate investment and management company, acquiring Barron Park in the Hwy 288 South/ Pearland West submarket. The Class B, 347-unit property, built in 2010, is located at 2526 Business Center Dr, and had an estimated 91.9 percent occupancy at the close of the quarter.

**SALES VOLUME**



Source: Real Capital Analytics, Transwestern

**BUYER CAPITAL COMPOSITION**



Source: Real Capital Analytics, Transwestern



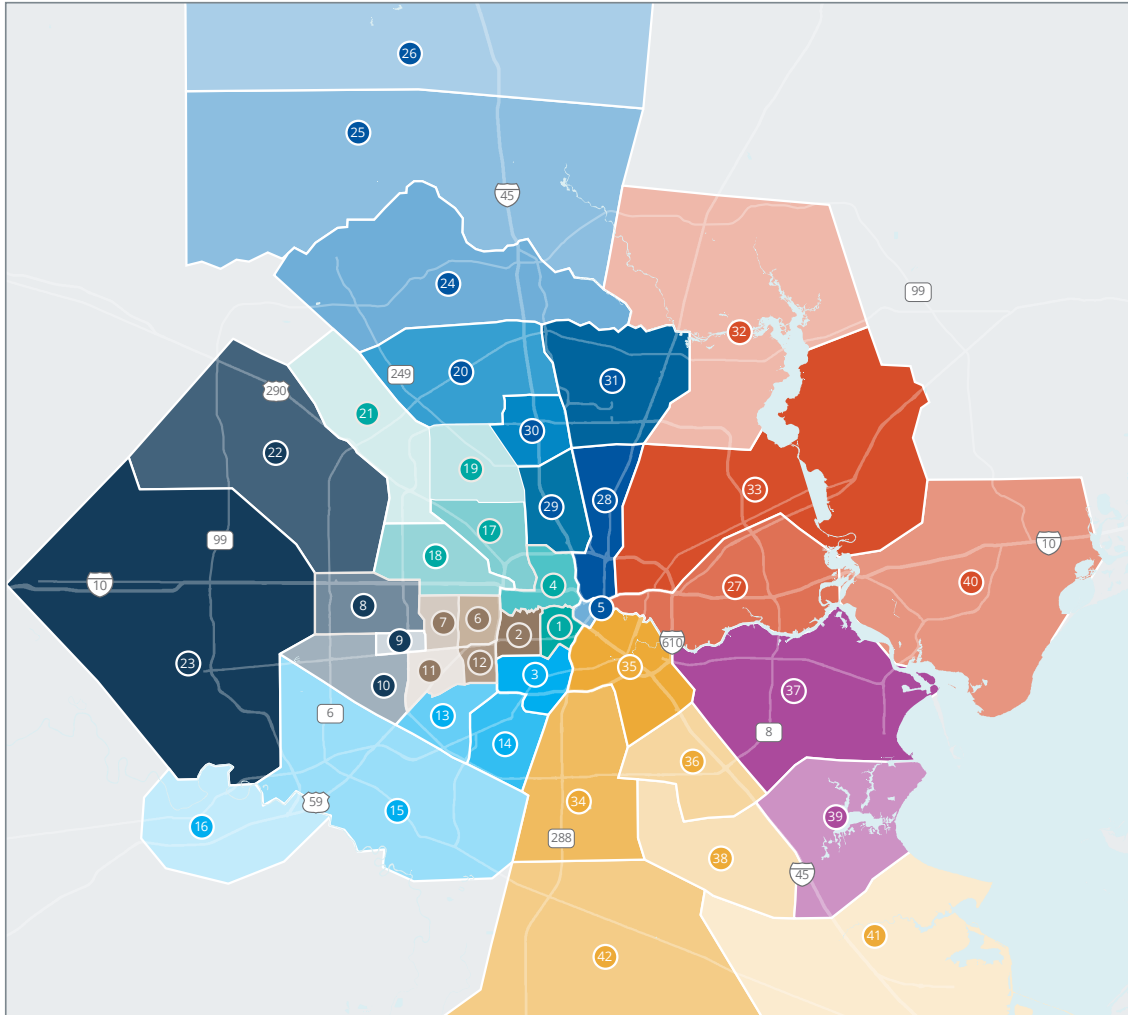
HOUSTON MULTIFAMILY MARKET INDICATORS

SUBMARKET (# CORRESPONDS TO MAP, PG 10)	# OF APT. COMMUNITIES	# OF APT. UNITS	OCCUPANCY	NET ABSORPTION UNITS	AVERAGE EFFECTIVE RENT	RENT % CHANGE YOY	UNITS UNDER CONSTRUCTION
1. MONTROSE/ MUSEUM/ MIDTOWN	76	18,818	91.2%	148	\$1,923	(2.7%)	1,972
2. HIGHLAND VILLAGE/ UPPER KIRBY/ WEST U	68	19,167	93.6%	115	\$1,943	(1.0%)	436
3. MED CENTER/ BRAES BAYOU	88	26,147	90.6%	(128)	\$1,445	(1.4%)	825
4. HEIGHTS/ WASHINGTON AVE	77	18,781	91.0%	92	\$1,759	(1.3%)	2,602
5. DOWNTOWN	30	8,024	81.4%	33	\$2,140	(5.1%)	774
6. GALLERIA/ UPTOWN	104	24,787	90.7%	(85)	\$1,441	(1.4%)	523
7. WOODLAKE/ WESTHEIMER	37	12,233	89.0%	(52)	\$1,170	(3.0%)	145
8. ENERGY CORRIDOR/ CITYCENTRE/ BRIAR FOREST	110	33,973	90.0%	(156)	\$1,347	(2.9%)	855
9. WESTCHASE	49	14,928	88.6%	(111)	\$1,137	0.4%	-
10. ALIEF	113	27,589	90.0%	(117)	\$1,074	2.7%	341
11. SHARPSTOWN/ WESTWOOD	106	25,539	93.7%	(36)	\$909	4.6%	-
12. WESTPARK/ BISSONNET	57	16,881	92.8%	68	\$914	5.9%	-
13. BRAESWOOD/ FONDREN SW	84	22,335	87.6%	(232)	\$948	1.3%	-
14. ALMEDA/ SOUTH MAIN	27	5,351	92.2%	115	\$1,029	2.8%	-
15. SUGAR LAND/ STAFFORD/ SIENNA	72	17,264	89.0%	266	\$1,452	0.4%	670
16. RICHMOND/ ROSENBERG	38	6,895	81.3%	71	\$1,278	0.8%	-
17. BROOKHOLLOW/ NORTHWEST CROSSING	99	21,991	91.2%	21	\$1,100	0.7%	1,064
18. MEMORIAL/ SPRING BRANCH	123	25,314	89.4%	78	\$1,226	2.1%	705
19. INWOOD/ HWY 249	31	6,030	91.4%	27	\$1,021	4.1%	-
20. WILLOWBROOK/ CHAMPIONS/ ELLA	164	42,030	86.7%	(14)	\$1,126	-	-
21. JERSEY VILLAGE/ CYPRESS	69	16,750	92.5%	45	\$1,255	1.0%	349
22. BEAR CREEK/ COPPERFIELD/ FAIRFIELD	81	22,096	85.4%	323	\$1,408	5.7%	1,150



## HOUSTON MULTIFAMILY MARKET INDICATORS

SUBMARKET (# CORRESPONDS TO MAP, PG 10)	# OF APT. COMMUNITIES	# OF APT. UNITS	OCCUPANCY	NET ABSORPTION UNITS	AVERAGE EFFECTIVE RENT	RENT % CHANGE YOY	UNITS UNDER CONSTRUCTION
23. KATY/ CINCO RANCH/ WATERSIDE	153	43,369	83.4%	768	\$1,491	(2.0%)	2,750
24. TOMBALL/ SPRING	87	21,919	83.0%	240	\$1,407	0.4%	888
25. WOODLANDS/ CONROE SOUTH	84	23,415	90.2%	45	\$1,474	(2.8%)	1,136
26. CONROE NORTH/ MONTGOMERY	66	13,184	82.1%	135	\$1,242	(0.1%)	1,107
27. I-10 EAST/ WOODFOREST/ CHANNELVIEW	64	13,272	84.5%	14	\$1,071	2.9%	430
28. I-69 NORTH	31	4,999	89.7%	4	\$1,037	1.2%	-
29. NORTHLINE	52	6,936	89.7%	(14)	\$973	7.6%	327
30. GREENSPPOINT/ NORTHBOROUGH/ ALDINE	70	17,760	85.4%	(94)	\$901	2.2%	108
31. FM 1960 EAST/ IAH AIRPORT	49	9,610	90.6%	41	\$1,115	0.8%	-
32. LAKE HOUSTON/ KINGWOOD	78	18,997	87.3%	-	\$1,354	(2.5%)	-
33. NORTHEAST HOUSTON/ CROSBY	23	3,477	90.6%	50	\$1,041	4.3%	265
34. HWY 288 SOUTH/ PEARLAND WEST	56	14,265	88.0%	161	\$1,430	0.1%	335
35. U OF H/ I-45 SOUTH	122	19,389	91.7%	(78)	\$899	3.1%	506
36. BELTWAY 8 / I-45 SOUTH	51	14,155	78.0%	(469)	\$1,066	0.1%	154
37. PASADENA/ DEER PARK/ LA PORTE	128	24,748	87.0%	80	\$1,050	2.3%	291
38. FRIENDSWOOD/ PEARLAND EAST	33	6,405	93.6%	40	\$1,249	1.5%	111
39. CLEAR LAKE/ WEBSTER/ LEAGUE CITY	105	26,802	89.6%	(44)	\$1,272	(0.8%)	380
40. BAYTOWN	60	11,445	86.8%	(18)	\$1,069	1.1%	-
41. DICKINSON/ GALVESTON	83	13,276	89.7%	16	\$1,163	0.1%	296
42. ALVIN/ ANGLETON/ LAKE JACKSON	78	12,704	83.2%	(26)	\$1,062	3.7%	232
<b>GREATER HOUSTON TOTALS</b>	<b>3,176</b>	<b>753,050</b>	<b>88.4%</b>	<b>1,322</b>	<b>\$1,268</b>	<b>0.4%</b>	<b>21,727</b>



- |   |                                     |                                      |                                    |
|---|-------------------------------------|--------------------------------------|------------------------------------|
| 1 Montrose/Museum/Midtown                 | 12 Westpark/Bissonnet               | 23 Katy/Cinco Ranch/Waterside        | 34 Hwy 288 South/Pearland West     |
| 2 Highland Vlg/Upper Kirby/West U         | 13 Braeswood/Fondren SW             | 24 Tomball/Spring                    | 35 U of H/I-45 South               |
| 3 Med Center/Braes Bayou                  | 14 Almeda/South Main                | 25 Woodlands/Conroe South            | 36 Beltway 8/I-45 South            |
| 4 Heights/Washington Ave                  | 15 Sugar Land/Stafford/Sienna       | 26 Conroe North/Montgomery           | 37 Pasadena/Deer Park/La Porte     |
| 5 Downtown                                | 16 Richmond/Rosenberg               | 27 I-10 East/ Woodforest/Channelview | 38 Friendswood/Pearland East       |
| 6 Galleria/Uptown                         | 17 Brookhollow/Northwest Crossing   | 28 I-69 North                        | 39 Clear Lake/ Webster/League City |
| 7 Woodlake/Westheimer                     | 18 Memorial/Spring Branch           | 29 Northline                         | 40 Baytown                         |
| 8 Energy Corridor/CityCentre/Briar Forest | 19 Inwood/Hwy 249                   | 30 Greenspoint/Northborough/Aldine   | 41 Dickinson/Galveston             |
| 9 Westchase                               | 20 Willowbrook/Champions/Ella       | 31 FM 1960 East/IAH Airport          | 42 Alvin/ Angleton/Lake Jackson    |
| 10 Alief                                  | 21 Jersey Village/Cypress           | 32 Lake Houston/Kingwood             |                                    |
| 11 Sharpstown/Westwood                    | 22 Bear Creek/Copperfield/Fairfield | 33 Northeast Houston/Crosby          |                                    |

### RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the Houston metropolitan area. This report includes all classifications of space for multifamily properties and analyzes all leasing and representative investment sales activity.

### FOR MORE INFORMATION

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