TRANSWESTERN

HOUSTON MULTIFAMILY MARKET

Q2 2024

TRENDLINES

	Q2 2024	Q2 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE (%)	4.0	4.3	↓	5.5	↔
NET ABSORPTION (Units)	7,880	3,337	↑	3,987	↑
OCCUPANCY RATE (%)	88.6%	89.6%	↓	89.8%	↔
UNITS (Total)	760,840	732,968	↑	706,447	↑
EFFECTIVE RENT (Unit)	$1,277	$1,279	↓	$1,165	↑
SALES VOLUME (Millions)	$572	$817	↓	$1,490	↑

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.

SUMMER'S SEASONAL LEASING BOOSTS OCCUPANCY, RENT GAINS METROWIDE

Q2 2024 House View

Houston's multifamily sector experienced its sixth quarter of citywide demand gains as area residents took occupancy of more than 7,880 units, with all classes of properties (A, B, C and D) experiencing net positive leasing activity. As a result, overall market occupancy increased by 20 basis points during the quarter. One of the key factors into the elevated occupancy is the seasonal summer leasing velocity, which was seen market wide, and interestingly, throughout all classes of buildings. As a result of these net positive gains, annual apartment rents received a 70 basis point bump year-over-year with 25 submarkets being a direct beneficiary of rebounding leasing activity fueled in part by steady population gains and an increased supply of new, competitive product.

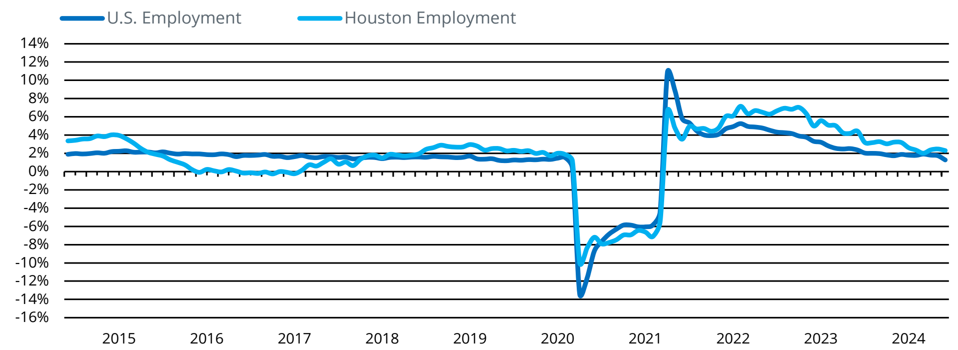
Houston's overall construction pipeline, one of the largest in the U.S., totaled just over 18,775 units at the close of the quarter, coming down from 21,700 units at the end of Q1 2024 while completions measured 8,514 units. Increased population and new job growth helps explain the positive gains seen throughout the metro with the 10-county Houston metro area adding more than 265,000 new residents since 2021, the second largest gain in the U.S. The Texas Workforce Commission's latest data shows metro Houston created 6,500 jobs in June, and over the past 12 months, the region has created 78,000 jobs and total area employment topped 3,460,900, an all-time high for Houston.

ECONOMY

Employment and Population Post Strong Gains. Summer Travel Season Starts as Passenger Counts Rise Along with Auto Sales

- Metro Houston created 6,500 jobs in June, according to the latest release by the Texas Workforce Commission. In the past 12 months, the region created 78,000 jobs while total area employment hit 3,460,900, an all-time high for the Houston MSA. Even as growth tempers compared to the bold numbers seen over the past two years, the region is on track to top 3.5 million payroll jobs by December and finish the 2024 with a record number of jobs.
- The 10-county Houston metro area added more than 265,000 new residents since 2021, the second largest gain in the U.S. according to 2023 estimates provided by the Census Bureau early this summer. Two-thirds of the growth occurred in the outlying suburbs beyond Harris County.
- Meanwhile, Dodge Data & Analytics reported that nearly $20 billion in construction contracts were awarded in the Houston area through the first five months of this year. Thet number is up 64.3 percent from the $11.8 billion awarded over the comparable period last year. Residential, non-residential, and non-building (i.e.,streets, highways, utilities, etc.) awards were all up compared to last year.
- As the summer travel season kicks off, the Houston Airport System (HAS) stated it handled 61.4 million passengers in the 12 months ending May, a surge of 7.3 percent from 57.2 million handled over the comparable period last year. Also hitting the road, Houston-area dealers sold more than 345,000 cars, trucks, and SUVs in the last year ending in May, a 1.5 percent increase, according to TexAutoFacts, published by InfoNation, Inc. Car sales rose 1.2 percent and truck and SUV sales 1.6 percent with trucks and SUVs accounting for nearly 80 percent of all new vehicles sold.

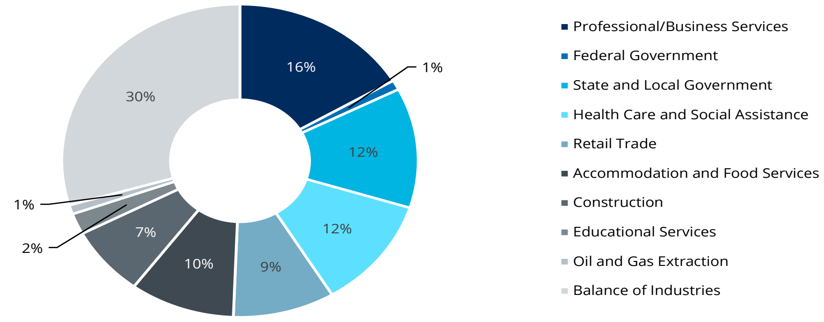
Y-O-Y CHANGE IN JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

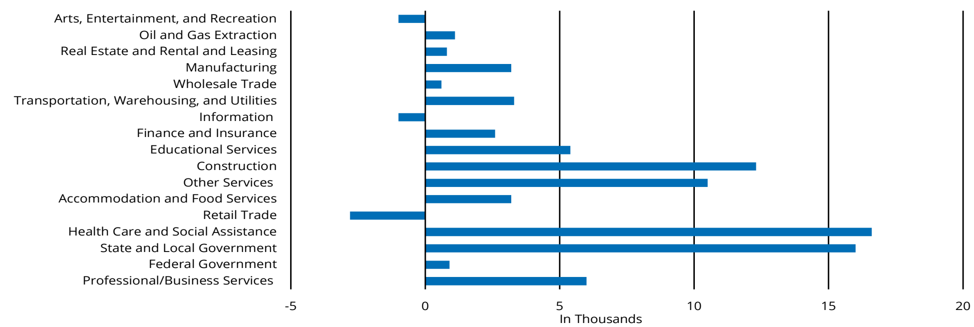
Houston | June 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Houston | June 2024



Source: Bureau of Labor Statistics, Transwestern

NET ABSORPTION

Positive Net Leasing Citywide in All Building Classes

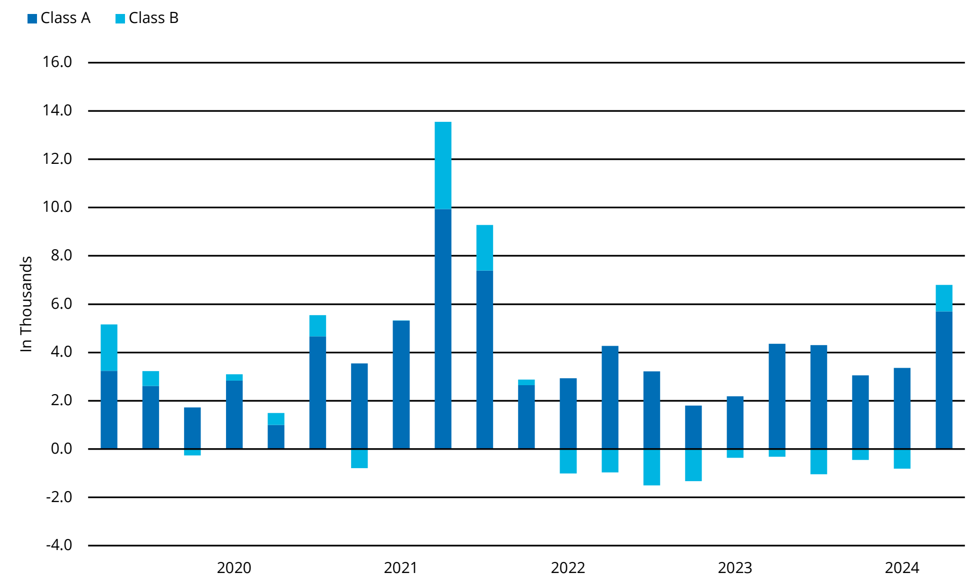
- Metro Houston renters took down an additional 7,880 units during Q2 2024, outperforming by 4,543 units when comparing to the same period in 2023. It should be noted, though, the quarter-over-quarter performance was nearly seven times higher when compared to the 1,322 units in Q1 2024. Among the major Texas metros, Houston ranks second in total 12-month demand with 15,213 units absorbed, trailing behind the larger Dallas-Fort Worth market (which saw 19,056 units being newly occupied). Austin followed Houston closely with 13,192 units with San Antonio following Austin with 7,124 units.

- Four submarkets experienced notable growth this quarter by surpassing more than 400 units in new renters over the previous 90 days. The four submarkets are considered suburban communities, and in descending order by absorption include Katy/ Cinco Ranch/ Waterside (1,285 units), Willowbrook/ Champions/ Ella (616 units), Bear Creek/ Copperfield/ Fairfield (481 units), and Tomball/ Spring (447 units).

- Approximately five submarkets saw negative growth in leasing demand this quarter: Sharpstown/ Westwood (78 units), Westchase (64 units), U of H/ I-45 South (56 units), Alief (51 units), and Alvin/ Angleton/ Lake Jackson (13 units).

- All classes of buildings witnessed net leasing gains this quarter with Class A taking down 5,698 units, Class B securing 1,096 units in net leasing, Class C signing 1,001 units, and rounding it out Class D saw 85 units of new absorption.

NET ABSORPTION BY CLASS



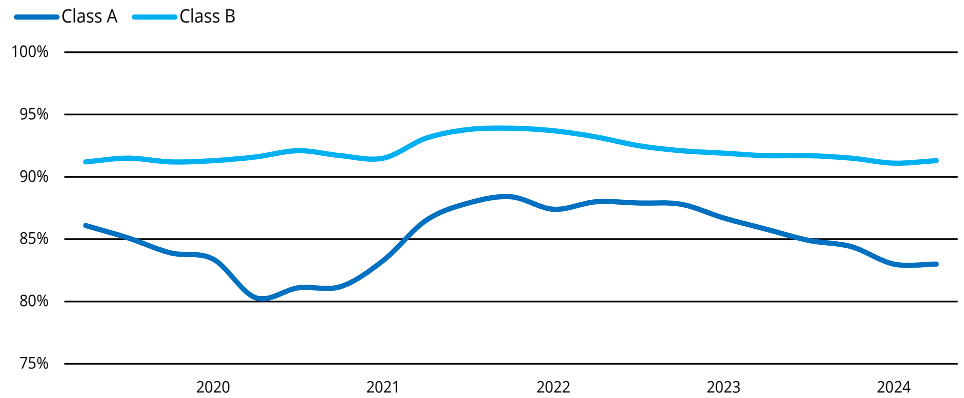
Source: MRI Software, Transwestern

OCCUPANCY

Citywide Occupancy Sees Summer Seasonal Boost

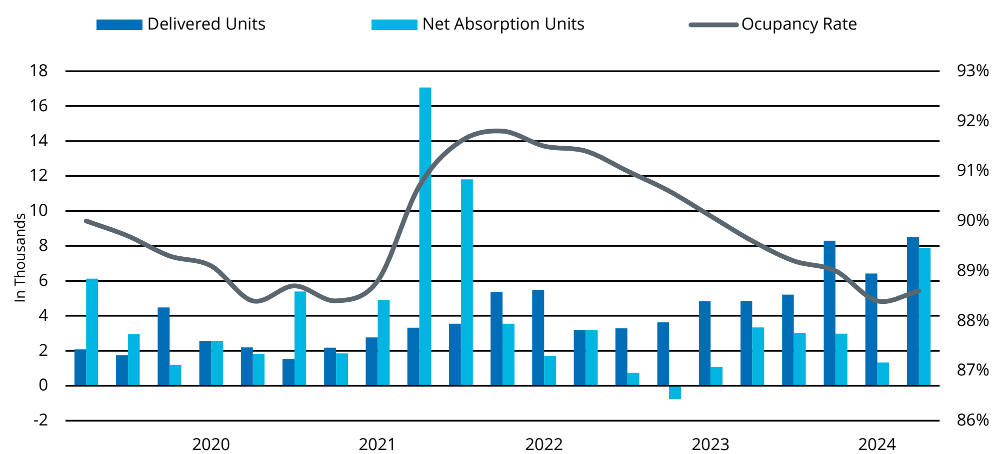
- Houston's overall metro occupancy for the second quarter increased 20 basis points to 88.6 percent but also saw a 12-month decline of 1.0 percent. The quarterly absorption was boosted by expected seasonal summer leasing which was seen through all building classes market wide.
- Class A properties finished with an 83 percent occupancy rate which keeps it completely flat quarter-over-quarter, while Class B properties also increased over the same period, concluding the second quarter up 20 basis points at 91.3 percent.
- Out of the 42 submarkets, more than two-thirds, or 28 submarkets, experienced elevated occupancy at the close of Q2, doubling those that had higher quarterly occupancy gains during Q1 2024. The largest were in Richmond/ Rosenberg where occupancy rose 2.4 percent, I-10 East/ Woodforest/ Channelview gained 2.3 percent, Inwood/ Hwy 249, I-69 North, Lake Houston/ Kingwood, and Baytown increasing 0.9 percent. Out of the six top performers, three of these currently have new units under construction: 457 units under development in Lake Houston/ Kingwood, 430 units under construction in I-10 East/ Woodforest/ Channelview, and 304 units currently underway in I-69 North.
- As the delivery of new inventory does outpace 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 (which have long been a feature in the local landscape) while opting to upgrade their space options. The net result is that Class A properties saw positive absorption of the new apartment units while overall occupancy pulled back in the 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



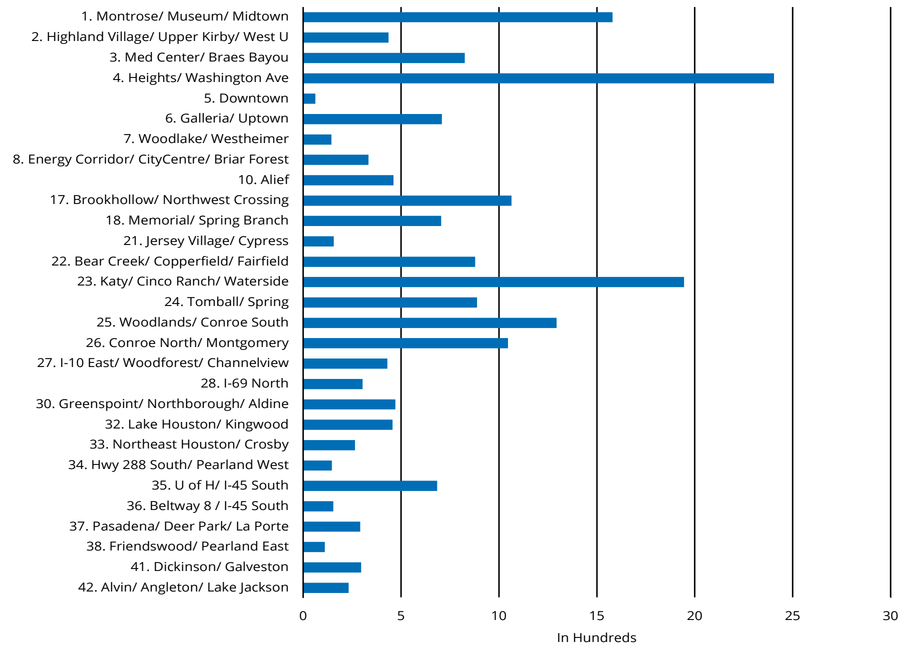
Source: MRI Software, Transwestern

UNDER CONSTRUCTION

Deliveries Only Barely Outpace New Demand

- Construction completions reached 8,514 operating units during the second quarter of 2024. This is up approximately 2,100 units over the 6,422 units completed during Q1 2024. Notable properties which began move-ins during the quarter include the 430-unit Standard On The Rive at 91 Jensen Dr in the I-10 East/ Woodforest/ Channelview submarket, the 408-unit Lenox Katy Creek in the Katy/ Cinco Ranch/ Waterside submarket, and the Modera Waugh in Montrose/ Museum/ Midtown submarket featuring 370 units.
- Two properties which stand out due to their current lease-up status and high unit count this quarter include Vic On Park Row containing 361 units with 31 percent occupancy in Katy/ Cinco Ranch/ Waterside and the Ascend Ventana Lakes's 303 units with 21 percent occupancy also in the Katy/ Cinco Ranch/ Waterside submarket.
- Meanwhile, 74 communities are currently under construction with just over 18,775 units in the pipeline coming down from its Q1 2024 volume of nearly 21,700 new units in 81 properties. The construction pipeline is subsiding if it continues the trajectory shown in the previous nine months, this year will see a trendline of lower levels of new development coupled with gathering velocity in lease-up of delivered inventory. As a result, occupancies will tighten.
- The submarkets with the highest concentration of new construction include Heights/ Washington Ave featuring 2,405 units under construction, Katy/ Cinco Ranch/ Waterside with 1,945 units under development, and Montrose/ Museum/ Midtown with 1,580 units underway. These three submarkets represent the leading demand in both urban and suburban submarkets. Katy/ Cinco Ranch/ Waterside is near one of the strongest performing ones and attracts many area workers to the high quality of the new multifamily product from the nearby office buildings. At the same time, Heights/ Washington Ave, and Montrose/ Museum/ Midtown command just over a 21 percent of all development throughout Houston, a signal that demand persists in established urban markets and the ever-expanding suburban ones such the previously mentioned Katy/ Cinco Ranch/ Waterside.

UNDER CONSTRUCTION



Source: MRI Software, Transwestern

UPCOMING CLASS A PROPERTY DELIVERIES

PROJECT NAME	SUBMARKET	# OF UNITS	EST. COMPLETION
Beckett West Fork	Conroe North/ Montgomery	408	Q4 2024
Artistry Design District	Brookhollow/ Northwest Crossing	400	Q3 2024
Standard At Winrock	Galleria/ Uptown	398	Q2 2025
Alta Sunset Heights	Heights/ Washington Ave	378	Q3 2024
West 11th & Maxroy Street Site	Brookhollow/ Northwest Crossing	371	Q1 2025

Source: MRI Software, Transwestern

RENTAL RATES

Rents Show Positive Q2 Bump With More Than Half of Submarkets Seeing Gains

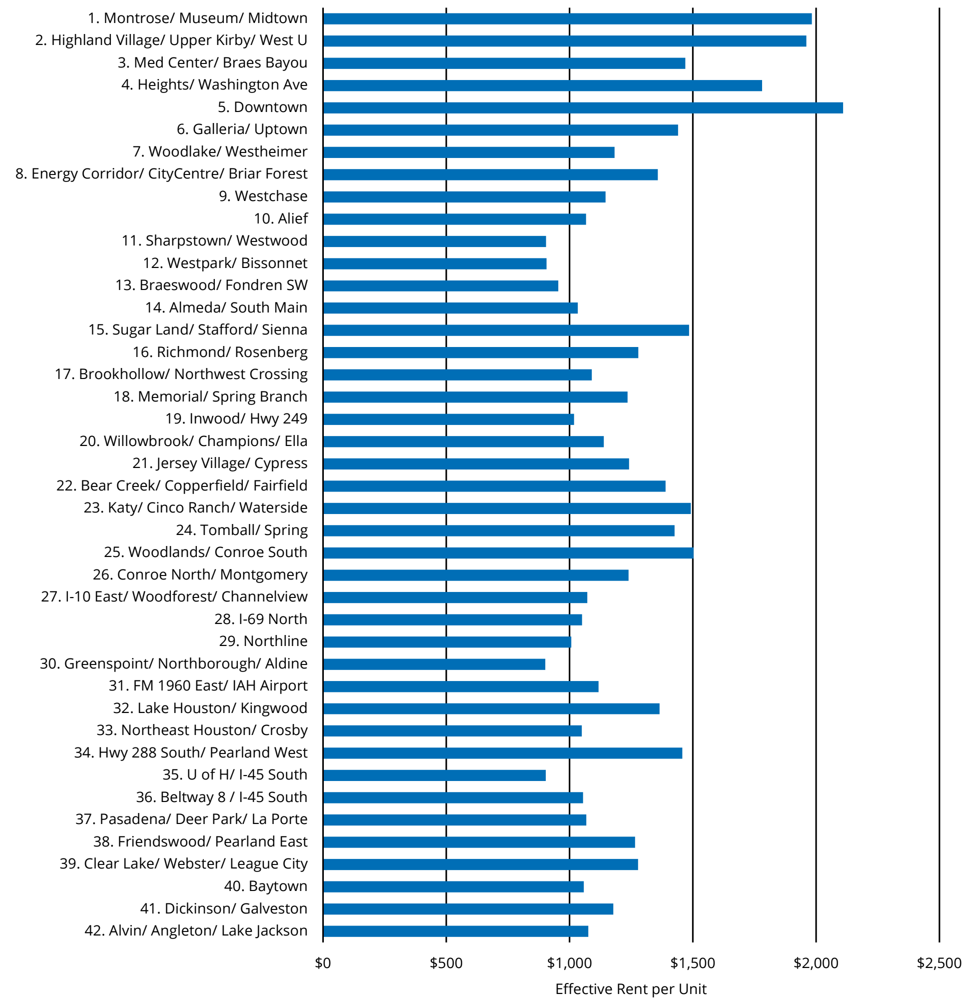
- Annual apartment rents averaged $1,277 per month throughout Houston in Q2 2024, up 70 basis points quarter-over-quarter (or $9/MO) and down 20 basis points year-over-year (from $1,279/MO). As seen in other Texas major markets, Houston experienced a negligible rent decrease over the 12-month period, although Houston's area rents did not pull back nearly as much as with other markets. According to MRI's ApartmentData.com: Austin dropped 7.8 percent, Dallas/Fort Worth declined 4.1 percent, and San Antonio landlords experienced a retreat in their area rents of 3.7 percent.

- No area submarkets recorded any double-digit gains year-over-year, but three showed gains exceeding three percent: Almeda/ South Main (7.0%), Northline (6.6%), and Alvin/ Angleton/ Lake Jackson (3.3%). Interestingly, Northline recently opened 136 units during the quarter with the new construction lifting the submarket from an average of $973 per month to $1,007 per month, or a gain of nearly 3.5 percent.

- In addition to these three top performing submarkets, 22 additionally experienced some level of positive year-over-year rental growth. Consequently, 25 of 42 submarkets saw rents increase in the past 90 days.

- The remaining 17 submarkets measured some form of negative rental rate growth year-over-year. Downtown recording the largest annual loss of 4.8 percent while Clear Lake/ Webster/ League City (3.7%), Energy Corridor/ City Centre/ Briar Forest (3.0%), Katy/ Cinco Ranch/ Waterside (2.7%) recorded above 2.5 percent.

ASKING RENT



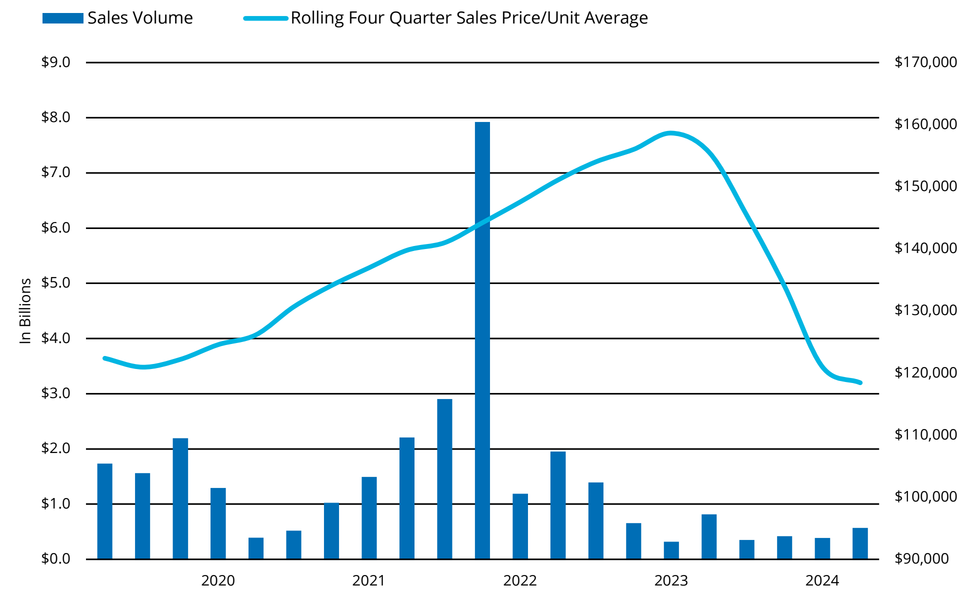
Source: MRI Software, Transwestern

SALES

International, Institutions Primary Houston Area Buyers in Q2

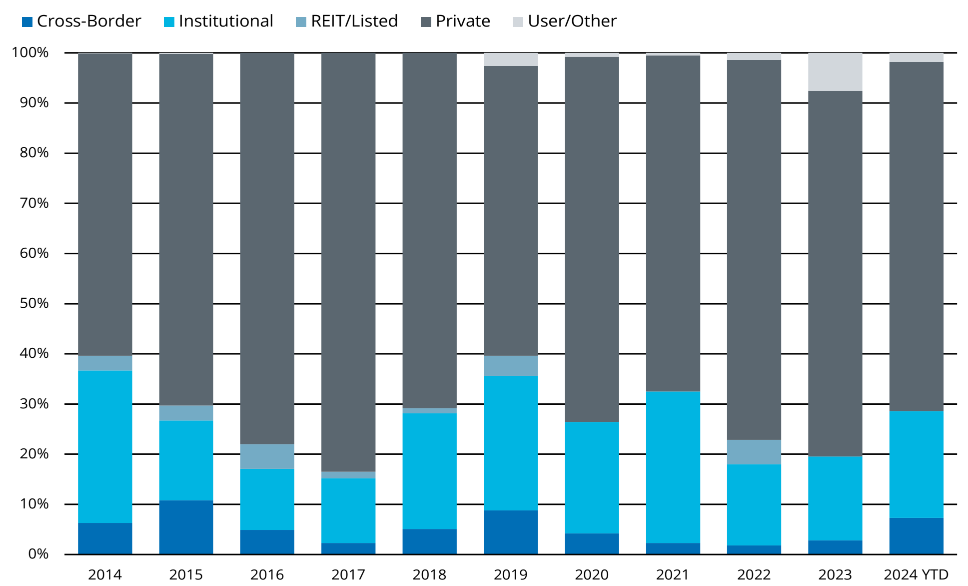
- Investors completed 16 Houston area multifamily property trades during the second quarter with acquisitions averaging $132,535 per unit, a double-digit increase of 17.4 percent over Q1 2024, and a 7.1 percent decrease from $142,733 per unit during the same period in 2023.
- International investors acquired a net total of $75.7 million in Houston multifamily assets during the quarter, which bring their net holdings up to positive $4.9 million so far this year. Institutional investors also finished the period in the black with a net total of $6.3 million in acquisitions, but the group remains net sellers with a year-to-date total of $77.7 million in dispositions.
- The private sector and REITs came in as net sellers for the quarter with private investors trading off a net $230.7 million and REITs disposing of a net total of $44.2 million during the 90-day period. Their respective portfolios by midyear are hitting net negative $22.2 million and $97.9 million.
- A notable property trade announced during the quarter came from Houston-based Barvin Group, a multifamily real estate investment and management company, selling Park At Voss in the Galleria/ Uptown submarket. The Class B, 810-unit property, renovated in 2009, is located at 2424 S Voss Rd, and had an estimated 93 percent occupancy at the close of the quarter.
- Also announced during the quarter, California-based Berkshire, a multifamily real estate investment and management company, acquiring Tinsley On The Park in the Montrose/ Museum/ Midtown submarket. The Class A, 365-unit property, built in 2017, is located at 919 Gillette St, and had an estimated 93 percent occupancy at the close of the quarter.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern

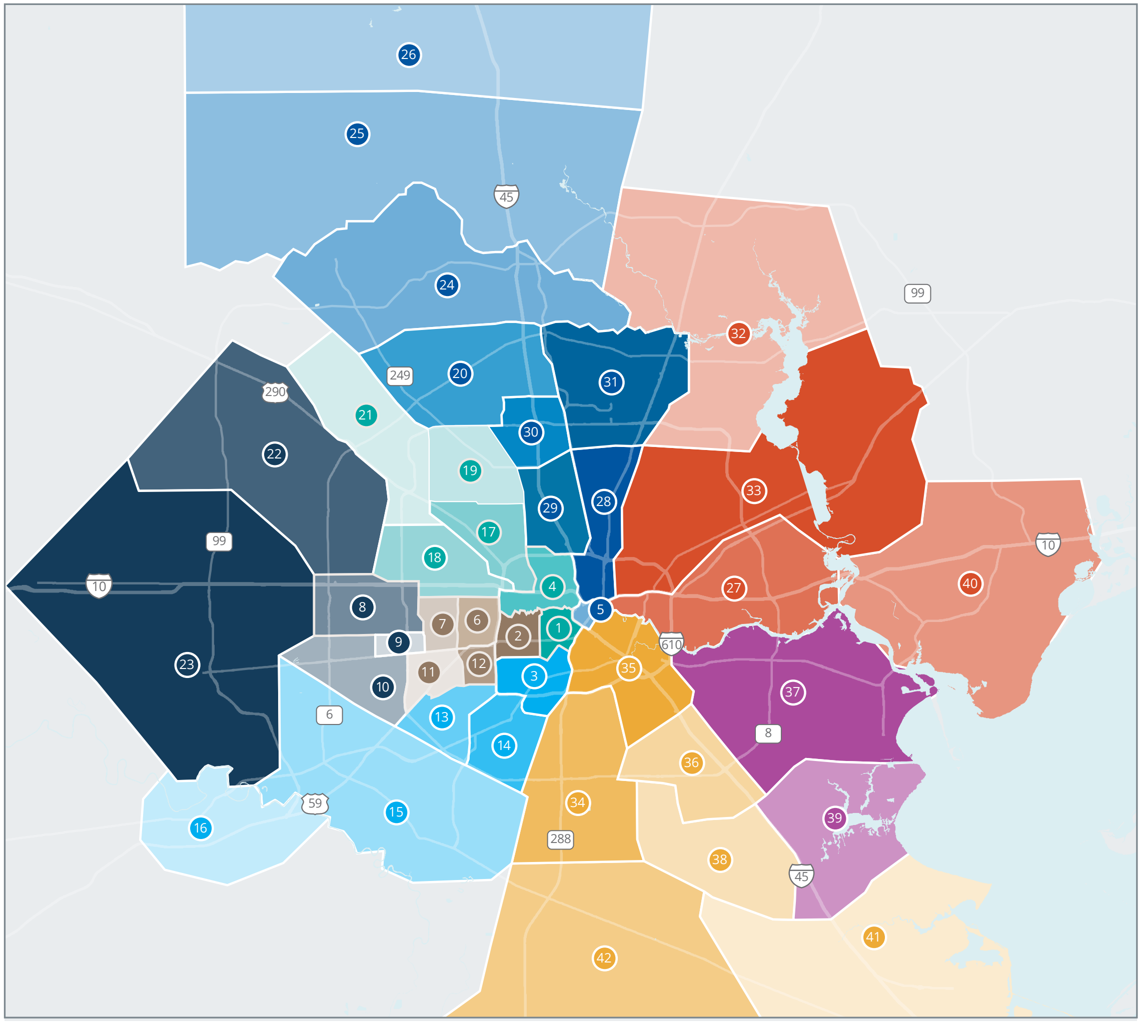
HOUSTON MULTIFAMILY MARKET INDICATORS

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	73	19,062	89.7%	89	$1,983	0.3%	1,580
2. HIGHLAND VILLAGE/ UPPER KIRBY/ WEST U	68	19,167	93.8%	38	$1,960	(2.0%)	436
3. MED CENTER/ BRAES BAYOU	88	26,147	91.5%	229	$1,469	(2.0%)	825
4. HEIGHTS/ WASHINGTON AVE	78	18,978	90.9%	123	$1,781	(2.3%)	2,405
5. DOWNTOWN	31	8,395	80.9%	245	$2,109	(4.8%)	62
6. GALLERIA/ UPTOWN	104	24,787	91.5%	182	$1,440	(0.7%)	708
7. WOODLAKE/ WESTHEIMER	37	12,233	89.4%	78	$1,182	1.4%	145
8. ENERGY CORRIDOR/ CITYCENTRE/ BRIAR FOREST	112	34,491	89.5%	315	$1,358	(3.0%)	334
9. WESTCHASE	49	14,928	88.0%	(64)	$1,146	(2.4%)	-
10. ALIEF	113	27,589	89.4%	(51)	$1,067	0.6%	461
11. SHARPSTOWN/ WESTWOOD	106	25,539	93.4%	(78)	$904	1.9%	-
12. WESTPARK/ BISSONNET	58	16,903	92.9%	15	$906	1.3%	-
13. BRAESWOOD/ FONDREN SW	84	22,335	88.0%	94	$954	1.5%	-
14. ALMEDA/ SOUTH MAIN	27	5,351	92.8%	35	$1,033	7.0%	-
15. SUGAR LAND/ STAFFORD/ SIENNA	73	17,574	87.4%	212	$1,485	0.3%	-
16. RICHMOND/ ROSENBERG	38	6,895	83.7%	162	$1,279	(1.3%)	-
17. BROOKHOLLOW/ NORTHWEST CROSSING	99	21,991	92.0%	138	$1,090	0.5%	1,064
18. MEMORIAL/ SPRING BRANCH	124	25,399	90.7%	302	$1,235	1.6%	705
19. INWOOD/ HWY 249	31	6,030	93.2%	132	$1,018	2.0%	-
20. WILLOWBROOK/ CHAMPIONS/ ELLA	165	42,107	88.1%	616	$1,139	0.2%	-
21. JERSEY VILLAGE/ CYPRESS	70	16,942	92.7%	28	$1,241	(1.6%)	157
22. BEAR CREEK/ COPPERFIELD/ FAIRFIELD	84	23,065	83.9%	481	$1,389	1.8%	878

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	160	45,861	82.4%	1,285	$1,492	(2.7%)	1,945
24. TOMBALL/ SPRING	90	22,334	83.7%	477	$1,426	(0.7%)	888
25. WOODLANDS/ CONROE SOUTH	85	23,561	91.0%	338	$1,503	(1.2%)	1,294
26. CONROE NORTH/ MONTGOMERY	68	13,496	82.5%	304	$1,239	(2.0%)	1,046
27. I-10 EAST/ WOODFOREST/ CHANNELVIEW	64	13,272	86.8%	280	$1,072	1.9%	430
28. I-69 NORTH	31	4,999	91.5%	81	$1,050	0.2%	304
29. NORTHLINE	54	7,399	86.1%	117	$1,007	6.6%	-
30. GREENSPOINT/ NORTHBOROUGH/ ALDINE	70	17,760	85.7%	52	$901	2.6%	471
31. FM 1960 EAST/ IAH AIRPORT	49	9,610	91.0%	38	$1,117	0.3%	-
32. LAKE HOUSTON/ KINGWOOD	78	18,997	89.1%	252	$1,365	(1.7%)	457
33. NORTHEAST HOUSTON/ CROSBY	23	3,477	90.1%	9	$1,049	1.6%	265
34. HWY 288 SOUTH/ PEARLAND WEST	57	14,600	88.1%	306	$1,457	0.1%	147
35. U OF H/ I-45 SOUTH	124	19,575	91.4%	(56)	$903	2.3%	684
36. BELTWAY 8 / I-45 SOUTH	51	14,155	79.6%	159	$1,055	(1.7%)	154
37. PASADENA/ DEER PARK/ LA PORTE	128	24,748	87.8%	208	$1,068	2.9%	291
38. FRIENDSWOOD/ PEARLAND EAST	33	6,405	93.2%	1	$1,265	0.6%	111
39. CLEAR LAKE/ WEBSTER/ LEAGUE CITY	106	27,182	89.8%	383	$1,278	(3.7%)	-
40. BAYTOWN	60	11,445	88.6%	198	$1,058	0.2%	-
41. DICKINSON/ GALVESTON	84	13,352	90.3%	140	$1,177	(0.4%)	296
42. ALVIN/ ANGLETON/ LAKE JACKSON	78	12,704	83.7%	(13)	$1,076	3.3%	232
GREATER HOUSTON TOTALS	**3,205**	**760,840**	**88.6%**	**7,880**	**$1,277**	**(0.2%)**	**18,775**

Source: MRI Software, Transwestern



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

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 multifamly properties and analyzes all leasing and representative investment sales activity.

FOR MORE INFORMATION

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