



TRANSWESTERN

HOUSTON MULTIFAMILY MARKET

Q3 2024



TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE (%)	4.8	4.7	↓	5.5	↑
NET ABSORPTION (Units)	3,996	3,026	↑	3,886	↑
OCCUPANCY RATE (%)	88.6%	89.2%	↓	89.7%	↔
UNITS (Total)	766,851	740,430	↑	711,554	↑
EFFECTIVE RENT (Unit)	\$1,284	\$1,277	↓	\$1,176	↔
SALES VOLUME (Millions)	\$480	\$350	↓	\$1,431	↑

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 DRIVES NEW Q3 DEMAND, OVERALL RENTS RECEIVE SMALL BUMP UP

Q3 2024 House View

Houston’s multifamily sector experienced its seventh quarter of metro wide demand gains as area residents moved into 3,996 units, with Class A being the sole property class to experience positive gains during the 90-day period. The lopsided gains from the Class A category meant the remaining ones saw negative outcomes, resulting in overall occupancy remaining flat at 88.6 percent during the third quarter. Regardless, overall metro rents went up, averaging \$1,284/unit, a quarter-over-quarter and a year-over-year bump, each measuring 50 basis points.

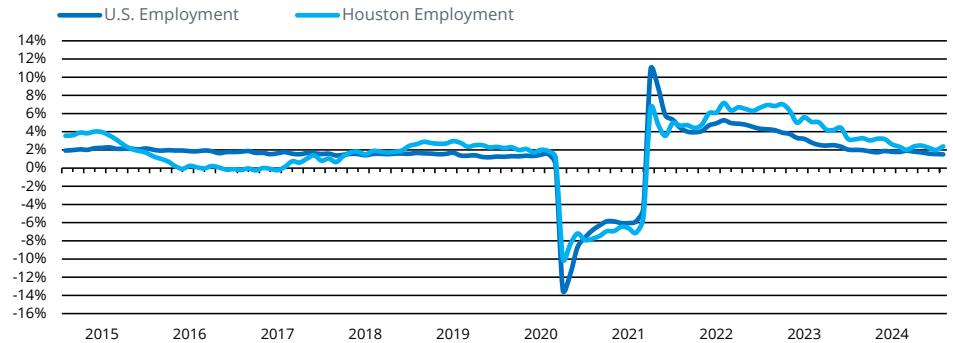
Houston’s overall construction pipeline totaled just over 17,340 units at the quarter’s close, edging down from 18,775 units in Q2 2024. Completions, or newly delivered product, totaling 6,240 units, decreased from the 8,514 units delivered during the previous quarter. Both sustained population and job growth throughout Houston continue to drive new development. Specifically with new jobs, Houston has already created an estimated 75,100 payrolls over the past 12 months, further illustrating steady demand particularly for newly built multifamily product.

ECONOMY

Public Sector Job Growth in September While Inflation Cools and City Chooses to Expand the 1.8M SF George R. Brown Convention Center

- Metro Houston created 11,700 jobs in September, according to data released in October. The growth mainly occurred in the public sector, primarily at schools, community colleges, and state-funded universities. Two industries in the private sector, construction, and private schools, also logged job gains. It is important to note that since the economy reopened in May 2020, the region has created over 626,000 jobs, recouping 174.3 percent of its losses. Houston now has 266,900 more jobs than it did prior to the pandemic, according to the Greater Houston Partnership. The metro economy does give some indication that future growth will be on the slower side as other economic indicators, such as the Purchasing Managers Index, home sales, and sales tax collections have pulled back in recent measures.
- In its first rate cut in four years, the Federal Reserve lowered interest rates by a half percentage point in mid-September, choosing a bolder start in making its long-anticipated pivot followed an all-out fight against inflation launched two years ago. Inflation rose a slight 0.10 percent in August and 2.5 percent nationwide in the past year as measured by the Consumer Price Index for all Urban Consumers (CPI-U). Core inflation, which excludes the volatile food and energy categories, rose 0.3 percent from last month and 3.2 percent over the year. Meanwhile, Houston’s inflation rate was 1.7 percent. Housing and groceries experienced some of the largest local increases with electricity and gasoline falling around the Houston region.
- Houston First Corp., the metro’s destination, tourism and marketing organization, selected Houston-based global real estate developer, Hines, to lead a major 500,000 square foot expansion of the 1.8 million square foot George R. Brown Convention Center and the surrounding downtown district in what could be one of the most influential projects in decades. Phase 1 of the project, to commence in 2025, will center around developing new meeting space south of the existing structure and laying the groundwork for new development and entertainment venues.

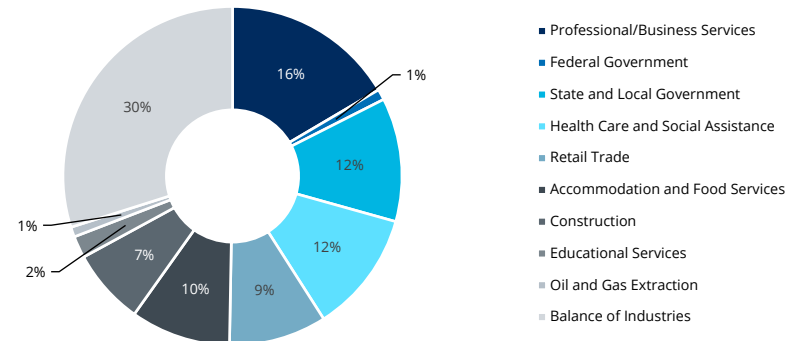
Y-O-Y CHANGE IN JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

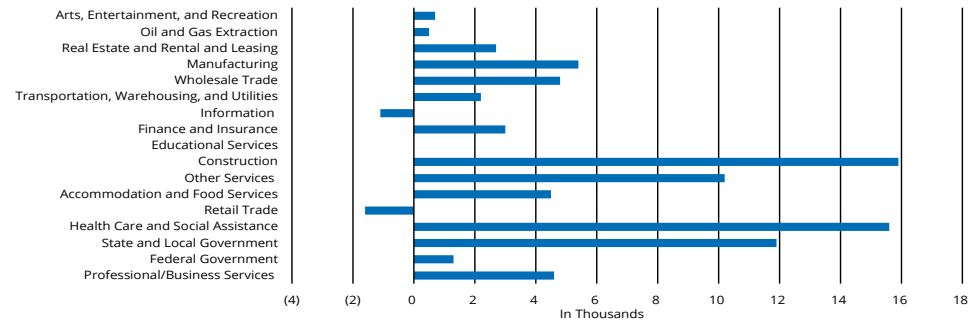
Houston | September 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Houston | September 2024



Source: Bureau of Labor Statistics, Transwestern

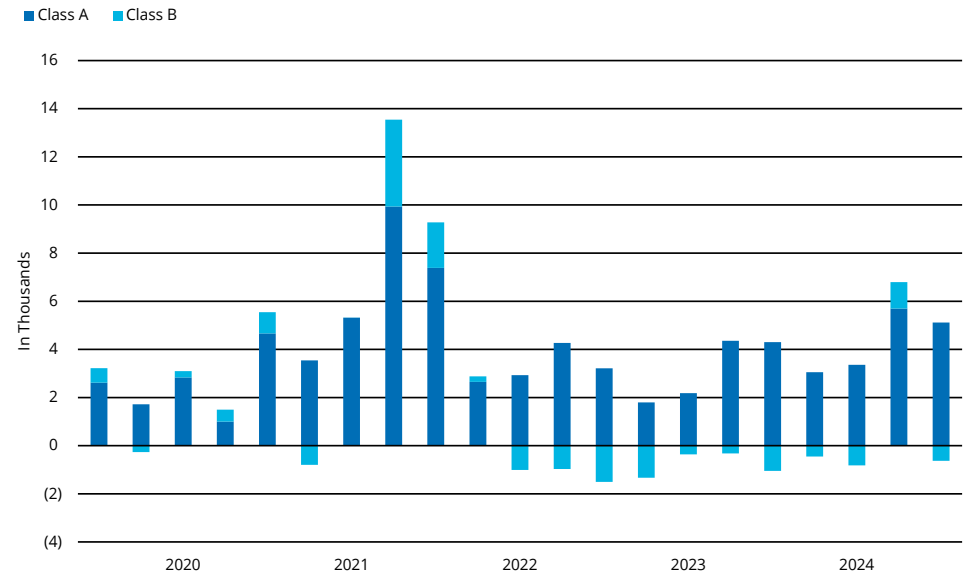


NET ABSORPTION

Class A Sector Sees Demand Exceeding 5,000 Units, Takes All Positive Quarterly Growth

- Metro Houston renters absorbed 3,996 units during Q3 2024, stepping down from an 11-quarter peak of 7,880 units last quarter. Regardless, the year-over-year performance still showed improvements and tallied up to 970 more units from the same period last year. Among the other Texas metros, Houston ranks third in total 12-month demand with 16,183 units absorbed, trailing behind Dallas-Fort Worth’s 24,886 units absorbed and Austin’s 18,894 units absorbed. San Antonio trailed the other major markets with 7,679 units absorbed.
- Three submarkets experienced notable growth this quarter by surpassing more than 300 units in new renters over the previous 90-day period. The three submarkets are considered suburban communities, and in descending order by absorption include Katy/ Cinco Ranch/ Waterside (1,286 units), Bear Creek/ Copperfield/ Fairfield (375 units), and Tomball/ Spring (322 units).
- Negative absorption affected 15 submarkets this period with three submarkets giving back units in the triple digits: Brookhollow/ Northwest Crossing (219 units), Galleria/ Uptown (195 units), and Westchase (156 units).
- Positive absorption was accounted for only by Class A properties with 5,115 units absorbed during the quarter. Class B, Class C, and Class D buildings gave back 631 units, 414 units, and 74 units, respectively.

NET ABSORPTION BY CLASS



Source: MRI Software, Transwestern

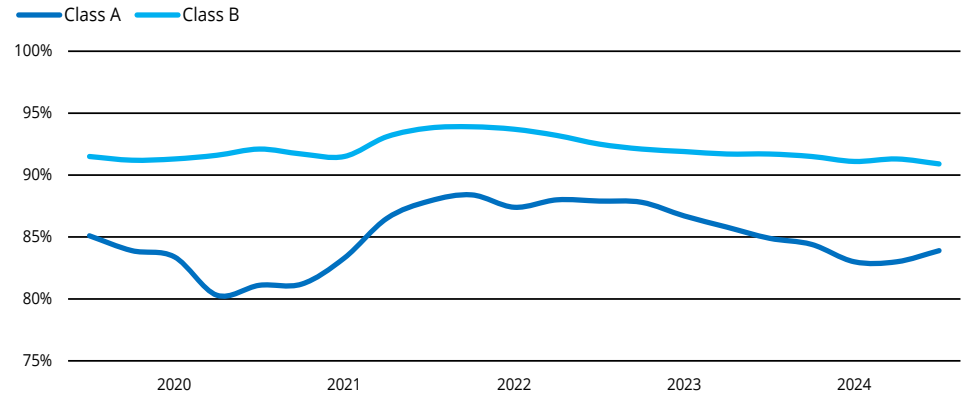


OCCUPANCY

Occupancy Remains Flat During the Quarter

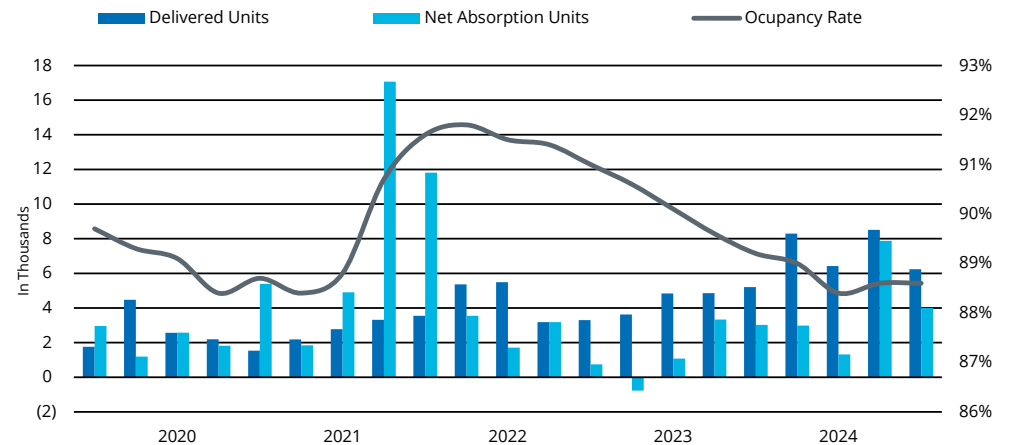
- Houston’s overall metro occupancy came in at 88.6 percent for the third quarter, remaining even quarter-over-quarter and declining 60 basis points year-over-year.
- Class A properties finished with 83.9 percent occupancy, bumping the asset type’s occupancy up 90 basis points quarter-over-quarter, while Class B properties’ occupancy stepped down 40 basis points to 90.9 percent.
- Out of the 42 submarkets, just over half, or 23 submarkets, experienced declines in occupancy at the close of the third quarter, increasing from 14 submarkets in Q2 2024. Three submarkets experienced quarter-over-quarter declines of more than 2 percent: Heights/ Washington Ave (2.8%), Brookhollow/ Northwest Crossing (2.7%), I-10 East/ Woodforest/ Channelview (2.1%). It should be noted that Heights/ Washington Ave delivered 408 units during the quarter, though the direct impact on occupancy will not be fully seen until the approximate 2,024 units still in the submarkets pipeline are delivered.
- On the other side of the aisle sits the 18 submarkets - less Hwy 288 South/ Pearland West which remained flat - with elevated occupancy over the 90-day period. Three submarkets experienced positive gains over 1.5 percent: Richmond/ Rosenberg (3.7%), Katy/ Cinco Ranch/ Waterside (1.9%), and Conroe North/ Montgomery (1.6%). Both Katy/ Cinco Ranch/ Waterside and Conroe North/ Montgomery currently have active development projects with 1,506 units under construction and 886 units under construction, respectively.

OVERALL OCCUPANCY RATE BY CLASS



Source: MRI Software, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



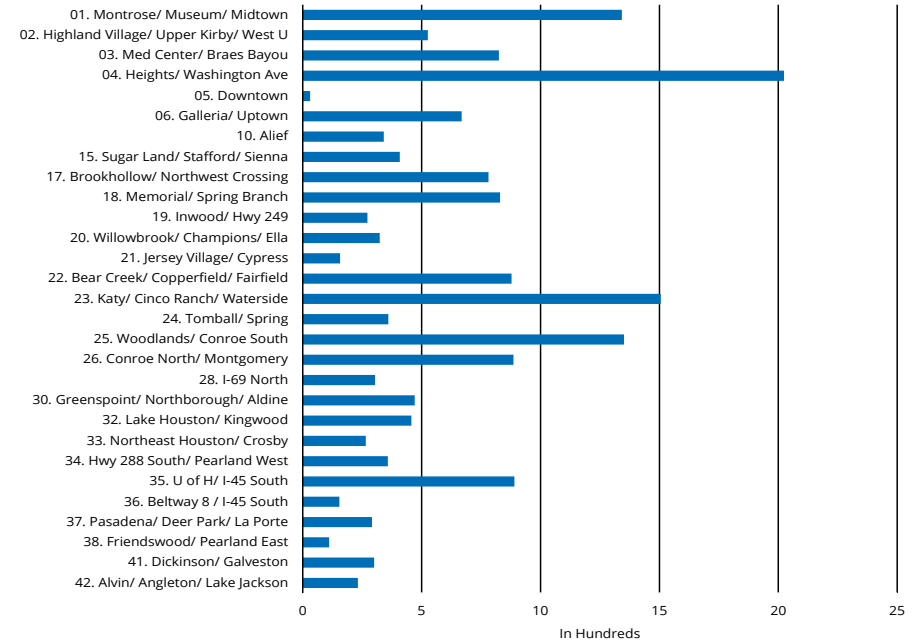
Source: MRI Software, Transwestern

UNDER CONSTRUCTION

Deliveries, Construction Both Experience 90-Day Decline

- Construction completions came in at 6,240 new operating units during the third quarter of 2024. This is down approximately 2,274 units from the 8,514 units completed during Q2 2024. Notable properties which began move-ins during the quarter include the 365-unit Broadstone Amelia in the Memorial/ Spring Branch submarket, the 325-unit Summit At Renaissance Park in the Greenpoint/ Northborough/ Aldine submarket, and the 324-unit Lively At Cypress Creek in the Willow brook/ Champions/ Ella submarket.
- Meanwhile, 67 communities are currently under construction with just over 17,343 units in the pipeline coming down from its Q2 2024 volume of 18,775 units in 74 properties. The construction pipeline continues to subside when compared to the previous 12 months, but as the financial lending markets loosen, interest rates decrease, and existing properties lease up, there will be increased incentive for developers and investors to underwrite new projects.
- The submarkets with the highest concentrations of new construction, which also feature over 1,000 units under construction, include Heights/ Washington Ave featuring 2,024 units under construction, Katy/ Cinco Ranch/ Waterside with 1,506 units under construction, Woodlands/ Conroe South with 1,351 units underway, and Montrose/ Museum/ Midtown with 1,342 units under development. These four submarkets reiterate a trend seen throughout metro Houston: a clear demand for both urban and suburban multi-residential housing.

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
Landmark At Ninety Nine	Sugar Land/ Stafford/ Sienna	408	Q4 2024
Standard At Winrock	Galleria/ Uptown	398	Q2 2025
West 11th & Maxroy Street Site	Brookhollow/ Northwest Crossing	371	Q1 2025
Saxon Pond Flats	Tomball/ Spring	360	Q4 2024

Source: MRI Software, Transwestern

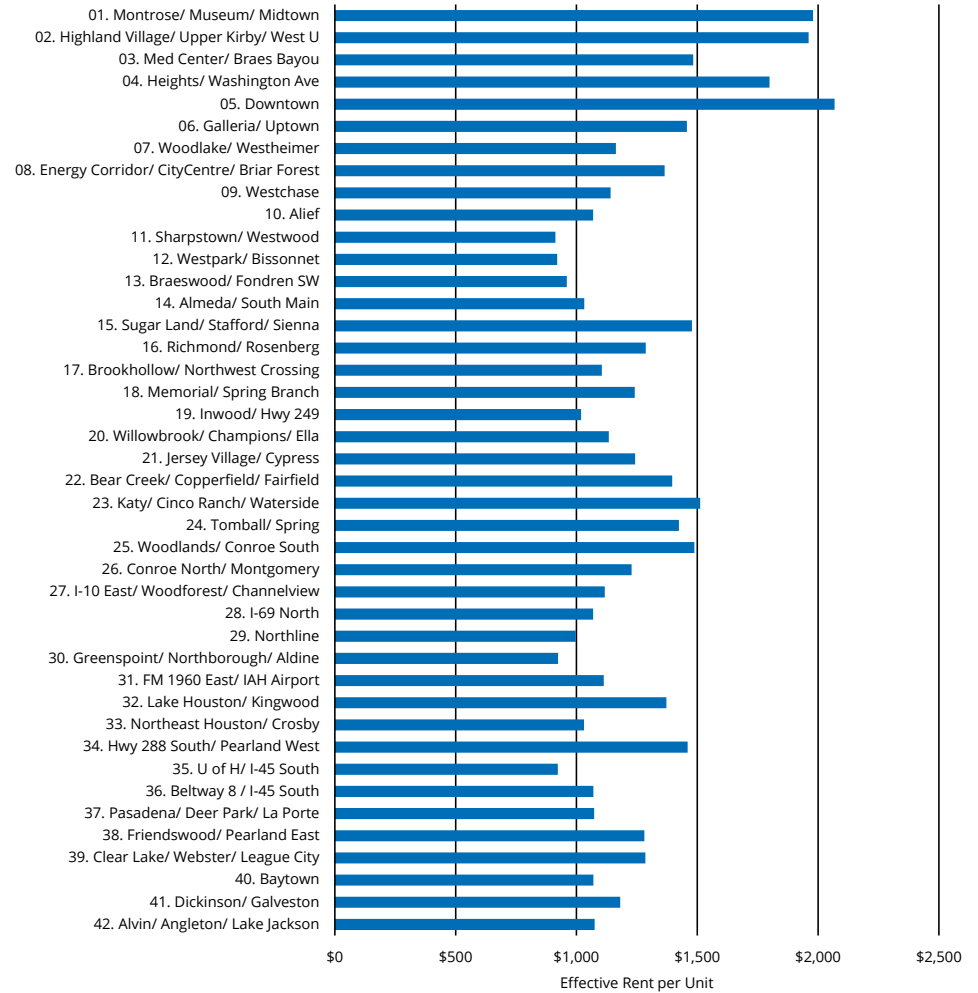


RENTAL RATES

Houston Area Rents Outperform Other Texas Metros

- Annual apartment rents averaged \$1,284 per month throughout metro Houston during Q3 2024, up 50 basis points quarter-over-quarter and year-over-year, or \$7/MO. Houston was the only major Texas metro to experience positive 12-month gain, with Austin falling 4.6 percent, Dallas/Fort Worth declining 1.2 percent, and San Antonio decreasing 0.3 percent, according to MRI's ApartmentData.com.
- No submarkets in Houston experienced double-digit gains year-over-year, which was a frequent occurrence before midyear 2024, but five showed gains exceeding 3 percent: I-10 East/ Woodforest/ Channelview (7.2%), Northline (3.9%), Friendswood/ Pearland East (3.8%), U of H/ I-45 South (3.2%), and Pasadena/ Deer Park/ La Porte (3.1%). The U of H/I-45 submarket is also home to new deliveries, cutting the ribbon on 186 units over the 90-day period.
- In addition to these five performing submarkets, 20 additional one experienced some level of positive year-over-year rental growth. This is the second quarter in a row with 25 submarkets experiencing gains over a 90-day period.
- The remaining 17 submarkets, except for Woodlake/ Westheimer which experienced no movement up or down, measured some form of negative rental rate growth year-over-year. Downtown recorded the largest annual loss of 6.2 percent, marking the second quarter in a row when the submarket recorded the largest decrease, while Conroe North/ Montgomery (3.8%) and Jersey Village/ Cypress (2.6%) experienced declines more than 2.5 percent.

ASKING RENT



Source: MRI Software, Transwestern

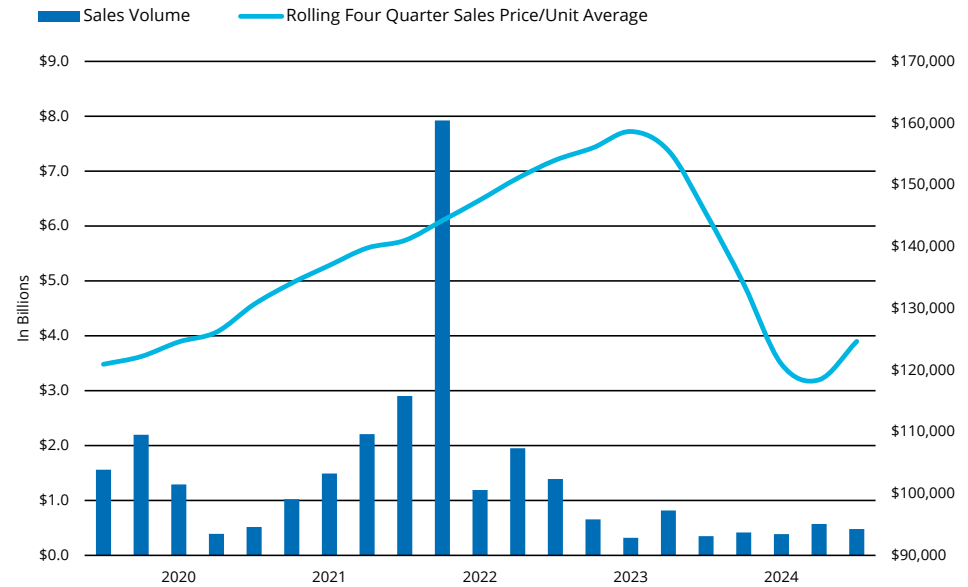


SALES

Institutional Investors Stand Alone as the Only Net Buyers in Q3 2024

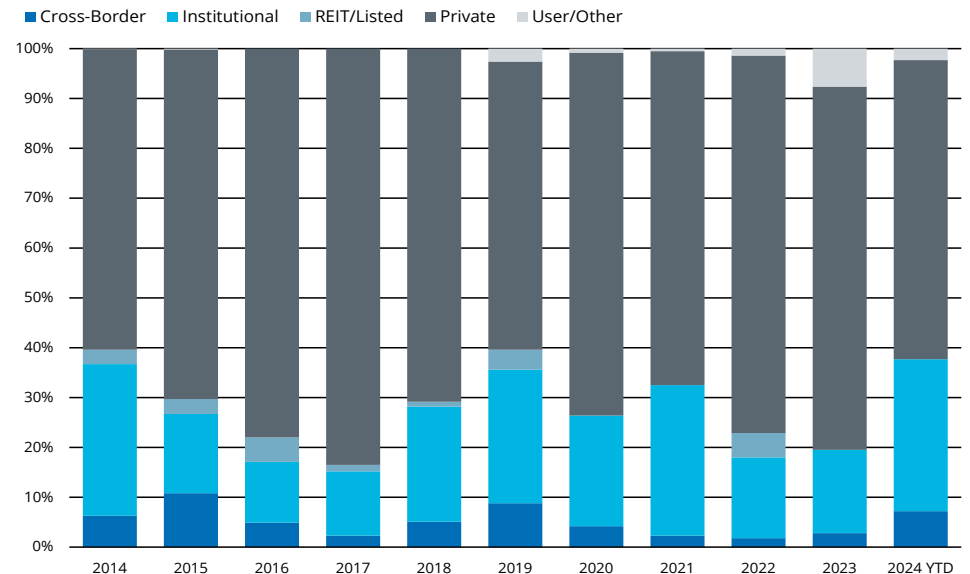
- Investors completed 15 Houston area multifamily property trades during the third quarter with acquisitions averaging \$138,945 per unit, a 4.8 percent increase over Q2 2024 and an incredible 21.8 percent increase from \$114,082 per unit during the same period in 2023.
- Institutional investors acquired a total of \$137.5 million in Houston multi-residential assets during the quarter, which brings their 2024 YTD net transaction activity up to a positive \$59.8 million.
- International and private sellers came in as net sellers for the quarter with international investors selling off \$82.4 million while the private investment sector disposed of \$18.4 million during the 90-day period. Their respective portfolios by Q3 2024 are hitting net negative \$77.6 million and \$40.6 million.
- REITs remained on the sideline during the quarter with no investment activity. As such, the investment groups portfolio remained at negative \$97.9 million.
- A notable property trade announced during the quarter came from Connecticut-based Hamilton Point Investments, a real estate investment firm, acquiring a four-property portfolio spread throughout the Houston market. The portfolio exclusively features Class A buildings constructed in the 2020s, and 1,174 units.
- Also announced during the quarter, Dallas-based Momentum Multifamily, a multifamily investment firm, acquiring The Henry at Ranchstone in the Jersey Village/ Cypress submarket. The Class B, garden-style, 148-unit property is located at 10990 West Rd, and had an estimated 99 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

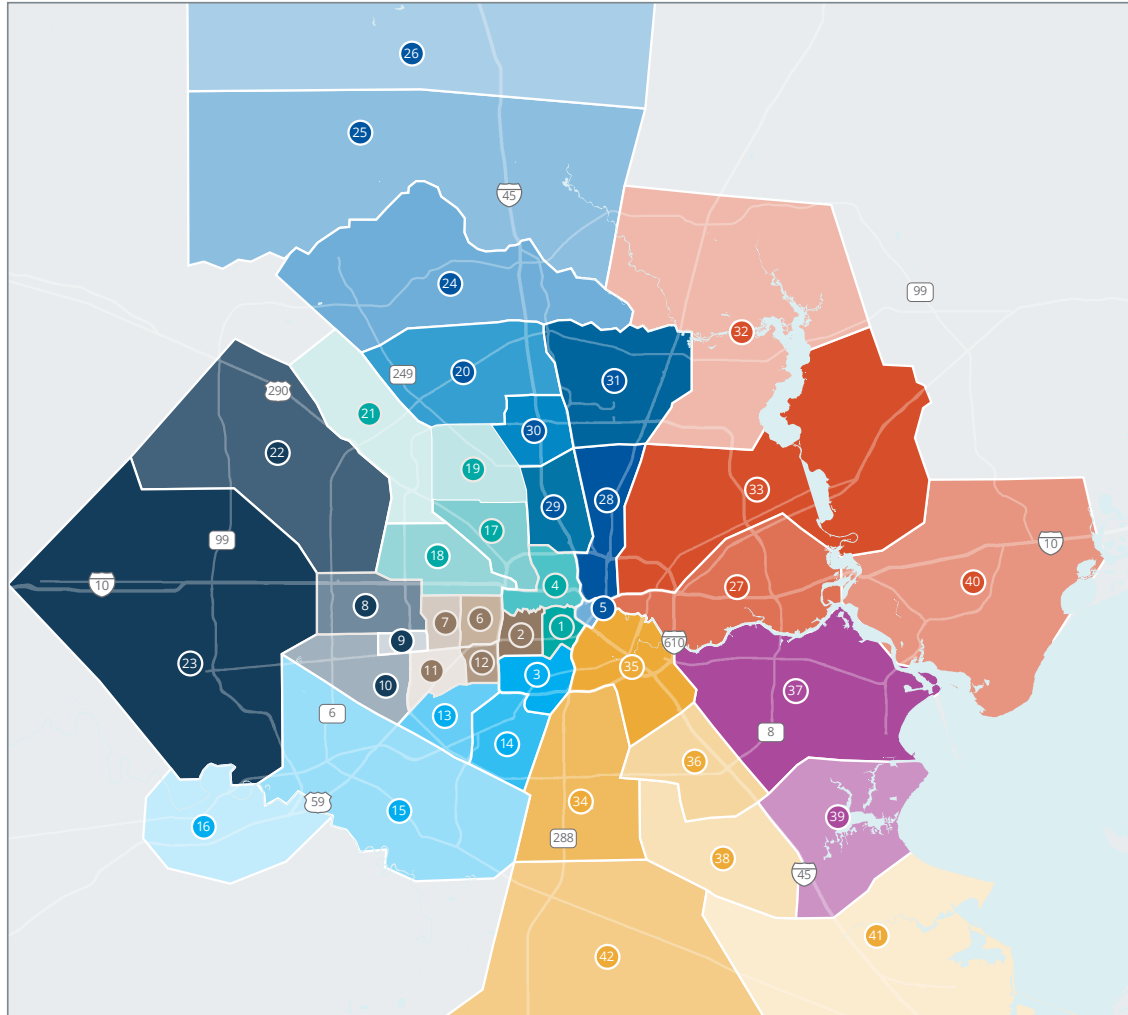
SUBMARKET (# CORRESPONDS TO MAP, PG 10)	# OF APT. COMMUNITIES	# OF APT. UNITS	OCCUPANCY	NET ABSORPTION UNITS	AVERAGE EFFECTIVE RENT	RENT % CHANGE YOY	UNITS UNDER CONSTRUCTION
1. MONTROSE/ MUSEUM/ MIDTOWN	74	19,300	89.1%	35	\$1,979	2.6%	1,342
2. HIGHLAND VILLAGE/ UPPER KIRBY/ WEST U	69	19,394	92.7%	(13)	\$1,961	0.5%	526
3. MED CENTER/ BRAES BAYOU	88	26,147	92.8%	230	\$1,483	(0.8%)	825
4. HEIGHTS/ WASHINGTON AVE	79	19,689	88.1%	79	\$1,799	1.0%	2,024
5. DOWNTOWN	32	8,737	81.2%	294	\$2,068	(6.2%)	31
6. GALLERIA/ UPTOWN	105	24,912	90.2%	(195)	\$1,457	0.8%	668
7. WOODLAKE/ WESTHEIMER	38	12,361	88.6%	18	\$1,163	-	-
8. ENERGY CORRIDOR/ CITYCENTRE/ BRIAR FOREST	113	34,825	88.4%	(64)	\$1,365	(0.1%)	-
9. WESTCHASE	49	14,928	87.0%	(156)	\$1,141	(0.3%)	-
10. ALIEF	114	27,699	89.7%	160	\$1,069	(0.3%)	341
11. SHARPSTOWN/ WESTWOOD	106	25,539	93.1%	(65)	\$913	1.0%	-
12. WESTPARK/ BISSONNET	58	16,903	92.5%	(58)	\$920	2.1%	-
13. BRAESWOOD/ FONDREN SW	84	22,335	87.7%	(45)	\$960	0.7%	-
14. ALMEDA/ SOUTH MAIN	27	5,351	91.3%	(67)	\$1,032	0.5%	-
15. SUGAR LAND/ STAFFORD/ SIENNA	73	17,574	88.6%	203	\$1,478	1.6%	408
16. RICHMOND/ ROSENBERG	38	6,895	87.4%	206	\$1,287	0.6%	-
17. BROOKHOLLOW/ NORTHWEST CROSSING	100	22,391	89.3%	(219)	\$1,105	1.2%	781
18. MEMORIAL/ SPRING BRANCH	125	25,639	91.3%	278	\$1,241	0.8%	830
19. INWOOD/ HWY 249	31	6,030	92.8%	(12)	\$1,019	0.9%	272
20. WILLOWBROOK/ CHAMPIONS/ ELLA	166	42,387	88.2%	156	\$1,134	(1.3%)	324
21. JERSEY VILLAGE/ CYPRESS	70	16,942	92.6%	3	\$1,243	(2.6%)	157
22. BEAR CREEK/ COPPERFIELD/ FAIRFIELD	84	23,065	85.2%	375	\$1,396	(0.9%)	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	163	46,460	84.3%	1,286	\$1,512	(0.3%)	1,506
24. TOMBALL/ SPRING	92	22,864	83.5%	322	\$1,424	0.7%	360
25. WOODLANDS/ CONROE SOUTH	87	23,996	89.9%	109	\$1,488	(1.6%)	1,351
26. CONROE NORTH/ MONTGOMERY	69	13,610	84.1%	216	\$1,228	(3.8%)	886
27. I-10 EAST/ WOODFOREST/ CHANNELVIEW	65	13,704	84.7%	121	\$1,117	7.2%	-
28. I-69 NORTH	31	4,999	92.2%	35	\$1,069	(0.3%)	304
29. NORTHLINE	54	7,399	87.1%	17	\$997	3.9%	-
30. GREENSPPOINT/ NORTHBOROUGH/ ALDINE	71	18,048	86.2%	94	\$924	2.4%	471
31. FM 1960 EAST/ IAH AIRPORT	49	9,610	90.7%	(28)	\$1,113	(0.4%)	-
32. LAKE HOUSTON/ KINGWOOD	78	18,997	90.0%	67	\$1,372	0.2%	457
33. NORTHEAST HOUSTON/ CROSBY	23	3,477	88.9%	(46)	\$1,031	0.5%	265
34. HWY 288 SOUTH/ PEARLAND WEST	58	14,747	88.1%	109	\$1,460	1.4%	358
35. U OF H/ I-45 SOUTH	126	19,761	90.5%	47	\$923	3.2%	890
36. BELTWAY 8 / I-45 SOUTH	51	14,155	80.7%	187	\$1,070	(1.9%)	154
37. PASADENA/ DEER PARK/ LA PORTE	128	24,748	89.1%	286	\$1,073	3.1%	291
38. FRIENDSWOOD/ PEARLAND EAST	33	6,405	93.7%	29	\$1,281	3.8%	111
39. CLEAR LAKE/ WEBSTER/ LEAGUE CITY	106	27,182	90.0%	141	\$1,285	(1.1%)	-
40. BAYTOWN	60	11,450	88.3%	(27)	\$1,070	0.1%	-
41. DICKINSON/ GALVESTON	84	13,352	89.7%	(76)	\$1,181	(0.1%)	300
42. ALVIN/ ANGLETON/ LAKE JACKSON	79	12,844	83.4%	(36)	\$1,075	1.1%	232
GREATER HOUSTON TOTALS	3,230	766,851	88.6%	3,996	\$1,284	0.5%	17,343

Source: MRI Software, Transwestern



- | | | | |
|---|-------------------------------------|--------------------------------------|------------------------------------|
| 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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