

2022 MID-YEAR

HOUSTON TX

Multifamily Report



BERKADIA[®]
INSTITUTIONAL SOLUTIONS

a Berkshire Hathaway and Jefferies Financial Group company



Jobs Added / Lost

LAST 12 MONTHS

157,200

↑ 5.1%

NEXT 12 MONTHS*

70,200

↑ 2.2%

Unemployment

MID-YEAR 2022

4.4%

↓ 220 BPS YOY

MID-YEAR 2023*

3.8%

↓ 60 BPS YOY

*Projected

HOUSTON, TX EMPLOYMENT

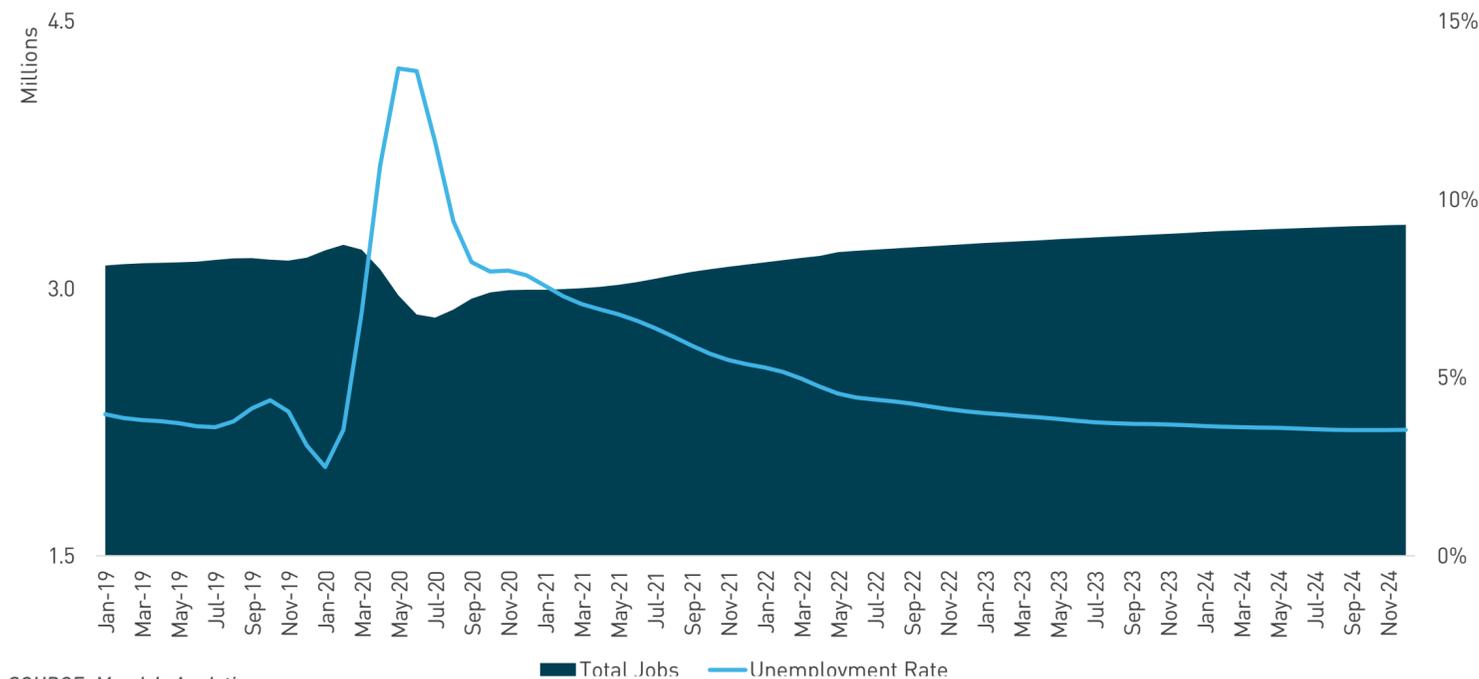
Houston's economic recovery continued through the first half of 2022 as payrolls replenish. By mid-year, total nonfarm employment was nearly on par with the pre-pandemic peak. Hiring within the trade, transportation, and utilities sector contributed to the metrowide rebound. With approximately 666,000 workers in June 2022, the sector is the largest in the metro and current headcounts exceeded the previous high.

Part of hiring came as the energy sector rebounded from a trough in oil prices during 2020. Energy companies occupy about 20% of all office space in Greater Houston, including Shell Oil's 259,000-square-foot lease downtown, the largest office lease signed in Houston last year. The sector

is expected to continue to grow in the near term as energy companies like Rystad Energy expand in the metro. The energy consult has doubled its headcount in Houston over the last two years, requiring additional space at its new office in Memorial City. Trade, transportation, and utilities employers are forecast to create 4,600 additional jobs over the second half of 2022, representing a 3.1% annual expansion.

Houston's total nonfarm employment is expected to grow 3.3% this year as payrolls surpass the pre-pandemic peak. At the same time, unemployment is projected to drop to the low-4% range, as the rate remains well above the previous low of 2.5% in January 2020.

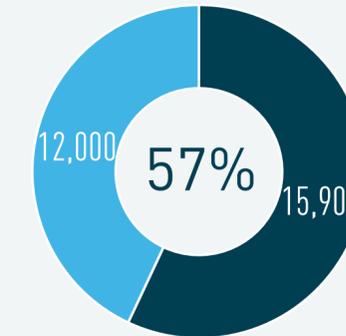
Employment Trends



SOURCE: Moody's Analytics

Who's Hiring?

MINING & LOGGING INDUSTRY



■ YTD ■ 2022 Forecast

3%
OF ALL JOBS IN THE METRO

\$51,700
AVERAGE ANNUAL SALARY

Top Mining & Logging Employers

ExxonMobil 13,000 JOBS

Schlumberger 11,700 JOBS



11,500 JOBS

In The News

[ExxonMobil to move HQ to Houston](#)

[Spirit Airlines brings 500 jobs to Houston](#)

[Houston Methodist The Woodlands Hospital opens Healing Tower](#)



HOUSTON, TX DELIVERIES & ABSORPTION

2022 Units*

DELIVERIES

16,455

ABSORPTION

9,077

2023 Units*

DELIVERIES

15,073

ABSORPTION

11,975

*Projected

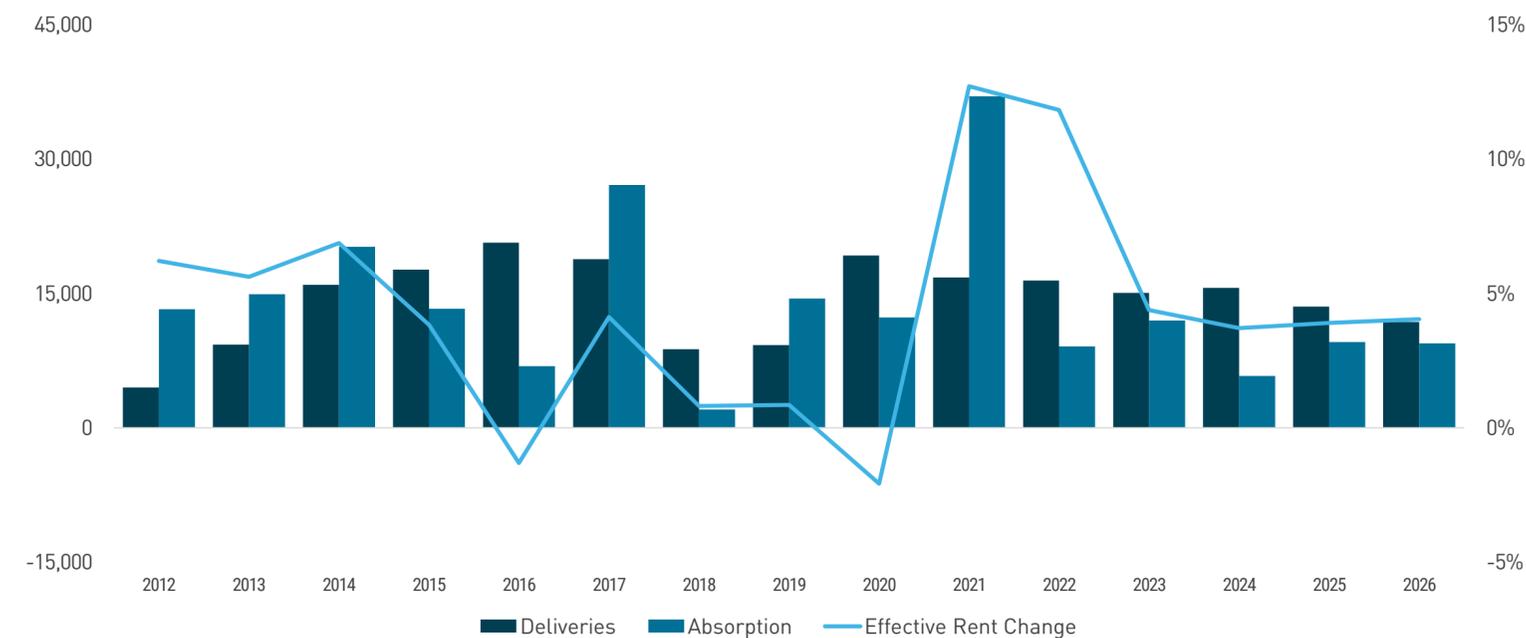
Apartment developers remained bullish on the Houston market with healthy apartment fundamentals and demographic trends recently. Builders brought approximately 9,100 market-rate units online in the first half of 2022, slightly below the pace of deliveries during the same time last year.

Additions during the first six months of 2022 were spread throughout the metro, with more than 2,500 combined units coming online in the Downtown/Montrose/River Oaks and the Greater Heights/Washington Avenue submarkets. Both submarkets represent highly sought residential locations, as apartment communities command premium rent compared to most other areas in the metro. In the

Downtown/Montrose/River Oaks submarket, deliveries were concentrated in the Montrose neighborhood, an area known for its culture, art scene, food scene, and nightlife.

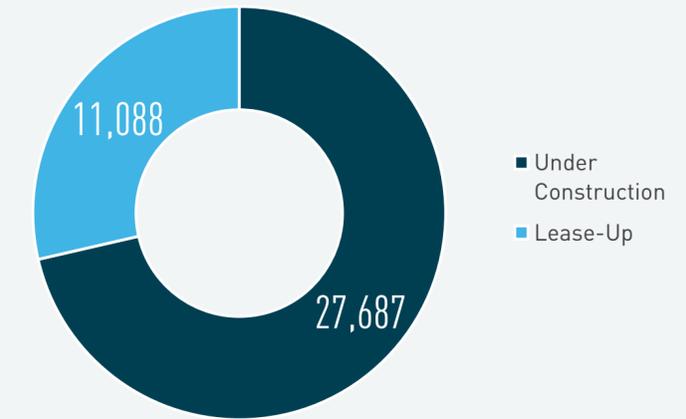
The submarket is expected to again lead additions for the metro, as more than 1,200 units are scheduled to come online during the second half of 2022. The mid-to high-rise communities range from 286 to 590 units, representing a significant increase in luxury housing options for residents. In the Greater Heights/Washington Avenue submarket, builders are focusing on mid-rise properties, with the communities coming online this year ranging from 100 to 408 units.

Deliveries, Absorption, & Effective Rent Change

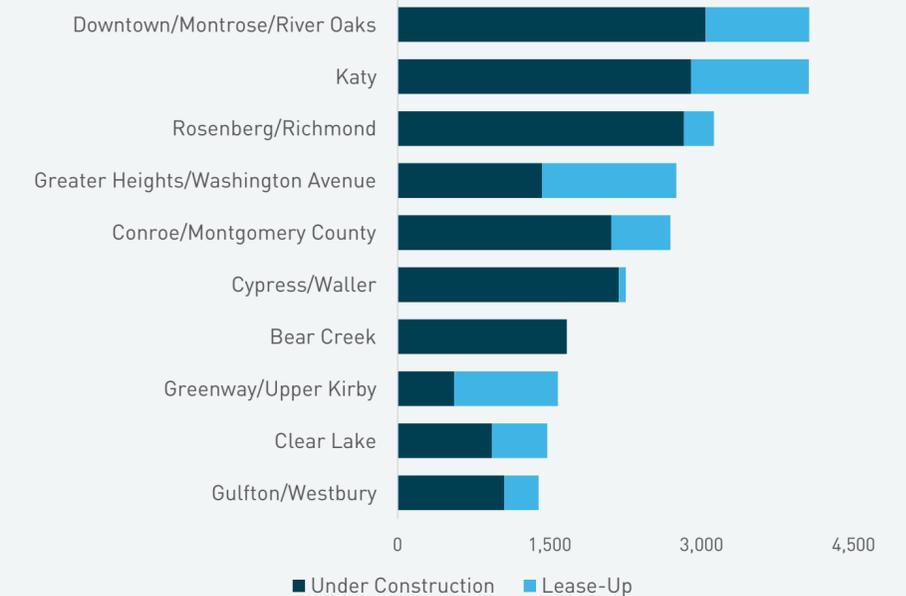


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines





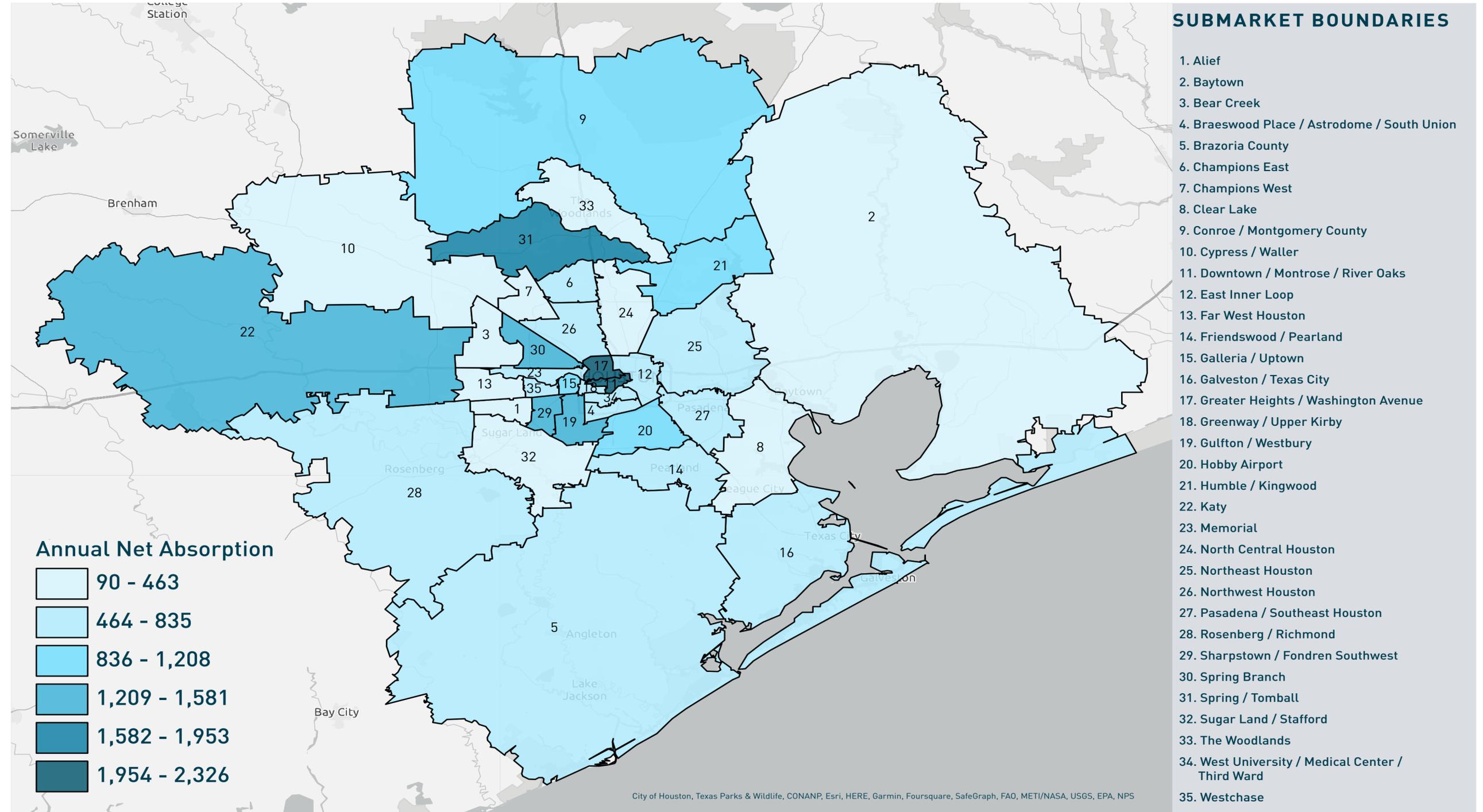
HOUSTON, TX

SUBMARKET ANNUAL ABSORPTION

After an exodus at the onset of the pandemic, renters returned to the core of Houston in the last year. More than 4,500 combined net units were absorbed in the Downtown/Montrose/River Oaks and the Greater Heights/Washington Avenue submarkets. Facilitating leasing activity was more than 3,800 units coming online at the same time.

Even with apartment rents on average running higher than other areas of the metro, renting remained 10% to 25% cheaper on average each month than the median mortgage payment for the city of Houston.

Beyond more housing options, Downtown Houston continued to provide more professional and personal options. Companies like Chevron and Shell Oil have expanded their physical presences in downtown. Leasing activity is forecast to remain robust in the Downtown/Montrose/River Oaks area in the second half of 2022, leading all submarkets.





HOUSTON, TX RENT & OCCUPANCY

Effective Rent

2Q 2022
\$1,277
↑ 12.8% YOY

Occupancy

2Q 2022
95.0%
↑ 170 BPS YOY

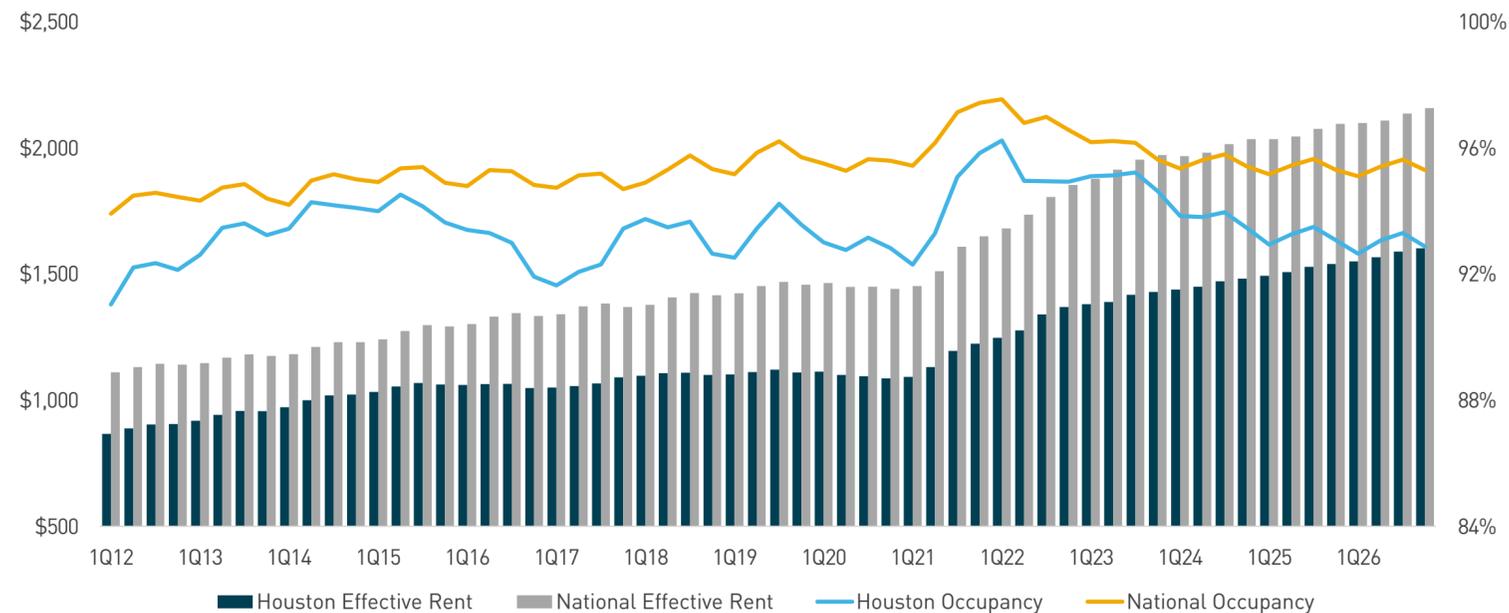
A surge in apartment leasing activity elevated apartment occupancy in Greater Houston during the last year. The net absorption of approximately 27,100 units in the last year, surpassed the approximately 16,400 units that came online at the same time. As a result, the apartment occupancy rate increased 170 basis points year over year to an average of 95.0% in the second quarter of 2022. The recent rate was 150 basis points higher than the preceding five-year average.

Nearly every submarket posted an annual increase in occupancy, providing apartment operators leeway to raise rent. Metrowide, monthly effective rent advanced 12.8% in the last year, significantly outpacing the 2.8% increase

during the preceding year. Accelerating rent growth in Houston reflected the national trend, which more than tripled year over year. At an average of \$1,277 per month in the second quarter of 2022, Greater Houston apartment effective rent was nearly \$1,000 lower than the median mortgage payment as metrowide existing single-family home prices grew 14.4% in the last year.

With rigorous leasing activity forecast in the second half of 2022 as home prices expect to remain near their current levels, apartment operators should have latitude to continue to raise rent. Effective rent is projected to rise more than 7% over the next two quarters.

Houston vs. National Effective Rent & Occupancy



Source: RealPage

Submarket Performance

SUBMARKET NAME	2Q22 OCCUPANCY	YOY (BPS)	2Q22 EFFECTIVE RENT	YOY
Alief	94.1%	90	\$951	7.4%
Baytown	94.8%	270	\$1,064	9.4%
Bear Creek	95.1%	100	\$1,300	15.6%
Braeswood Place/Astrodome/South Union	93.6%	170	\$1,340	15.4%
Brazoria County	92.4%	160	\$1,074	12.5%
Champions East	94.3%	160	\$1,037	12.5%
Champions West	95.4%	50	\$1,297	13.7%
Clear Lake	94.5%	-10	\$1,282	12.6%
Conroe/Montgomery County	95.5%	-10	\$1,253	13.3%
Cypress/Waller	95.6%	130	\$1,530	16.0%
Downtown/Montrose/River Oaks	94.5%	240	\$2,034	9.1%
East Inner Loop	94.7%	110	\$1,251	7.3%
Far West Houston	94.5%	110	\$1,218	13.7%
Friendswood/Pearland	94.5%	-30	\$1,404	10.9%
Galleria/Uptown	94.5%	250	\$1,427	10.4%
Galveston/Texas City	95.0%	190	\$1,189	10.0%
Greater Heights/Washington Avenue	94.6%	170	\$1,724	12.6%
Greenway/Upper Kirby	93.8%	80	\$1,904	10.6%
Gulfton/Westbury	96.1%	290	\$1,000	9.7%
Hobby Airport	94.4%	350	\$915	10.7%
Humble/Kingwood	95.3%	180	\$1,318	14.2%
Katy	96.1%	-20	\$1,523	16.7%
Memorial	94.7%	250	\$1,680	16.6%
North Central Houston	95.7%	160	\$901	8.1%
Northeast Houston	94.6%	300	\$1,106	11.5%
Northwest Houston	95.2%	160	\$998	12.0%
Pasadena/Southeast Houston	93.9%	170	\$999	11.4%
Rosenberg/Richmond	94.4%	-50	\$1,437	14.8%
Sharpstown/Fondren Southwest	96.8%	370	\$862	7.7%
Spring Branch	96.0%	380	\$1,219	13.9%
Spring/Tomball	96.0%	180	\$1,391	16.1%
Sugar Land/Stafford	95.8%	-10	\$1,464	13.4%
The Woodlands	95.4%	30	\$1,556	19.1%
West University/Medical Center/Third Ward	95.4%	250	\$1,964	14.9%
Westchase	94.8%	280	\$1,154	13.5%

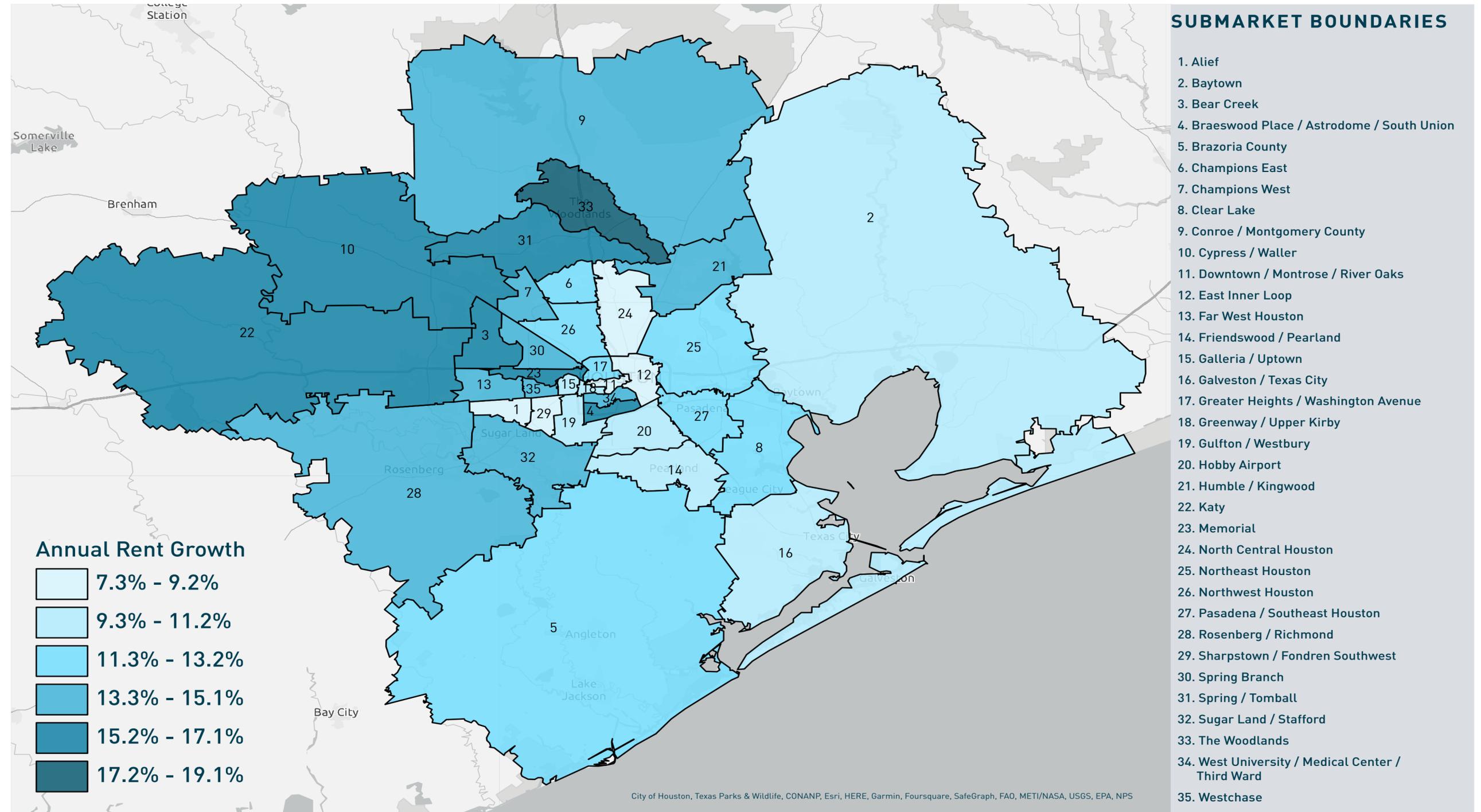


HOUSTON, TX

SUBMARKET ANNUAL RENT CHANGE

With effective rent rising on average 12.8% across Greater Houston in the last year, many apartment operators recorded stout increases. One of the strongest annual rent performances was in the Katy submarket. Even with apartments in the submarket historically posting higher rents than the metro average, the 16.7% rent growth in Katy was among the highest in the metro as more than 1,300 units came online to grow apartment inventory 6% in the last year.

New inventory has been necessary as the city's population essentially doubled from 2010 to 2020. Attracting people has been more job opportunities with more than 200 major corporate headquarters in and around Katy. The swelling population and more employment opportunities has also created a competitive homeownership environment as the median home price in Katy elevated 18.1% year over year to \$412,000 in June 2022.



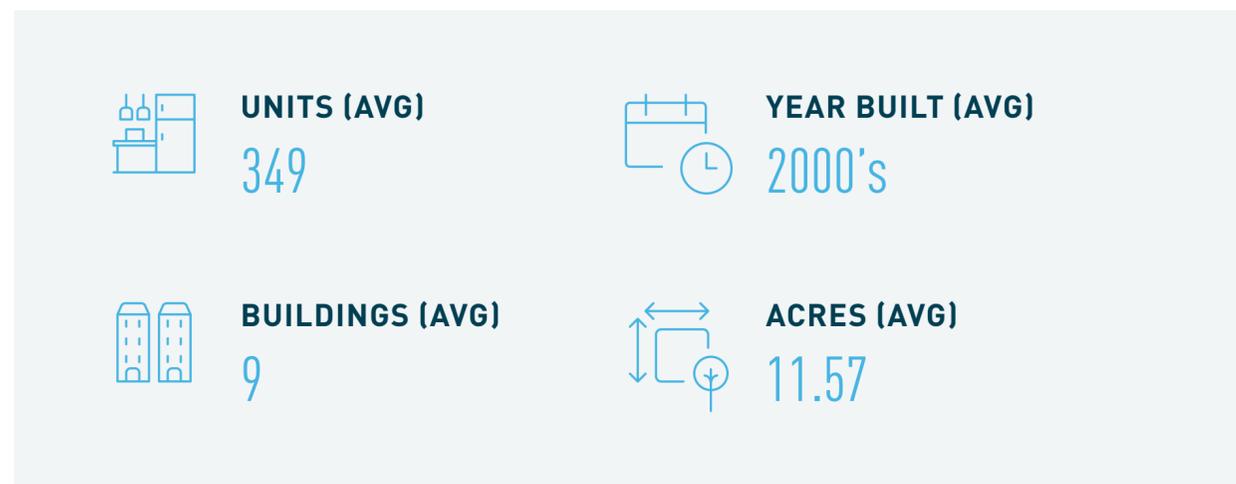


HOUSTON, TX SALES

2022 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$50m+

Top Buyers**

BUYER	LOCATION
Greystar	Charleston, SC
Madera Equity	Lubbock, TX
BREIT	New York, NY
Knightvest Capital	Dallas, TX
Independence Realty Trust	Chicago, IL

Top Sellers**

SELLER	LOCATION
Finger Companies	Houston, TX
Alliance Residential	Phoenix, AZ
AIG	New York, NY
Crow Holdings	Dallas, TX
Davis Development Inc	Stockbridge, GA

**Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

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