

# HOUSTON, TX MULTIFAMILY REPORT

2023 | MIDYEAR



**BERKADIA**<sup>®</sup>  
INSTITUTIONAL SOLUTIONS



# HOUSTON, TX EMPLOYMENT

## Jobs Added / Lost

### LAST 12 MONTHS

98,200

↑ 3.0%

### NEXT 12 MONTHS\*

38,200

↑ 1.1%

## Unemployment

### MIDYEAR 2023

4.3%

↑ 20 BPS YOY

### MIDYEAR 2024\*

3.8%

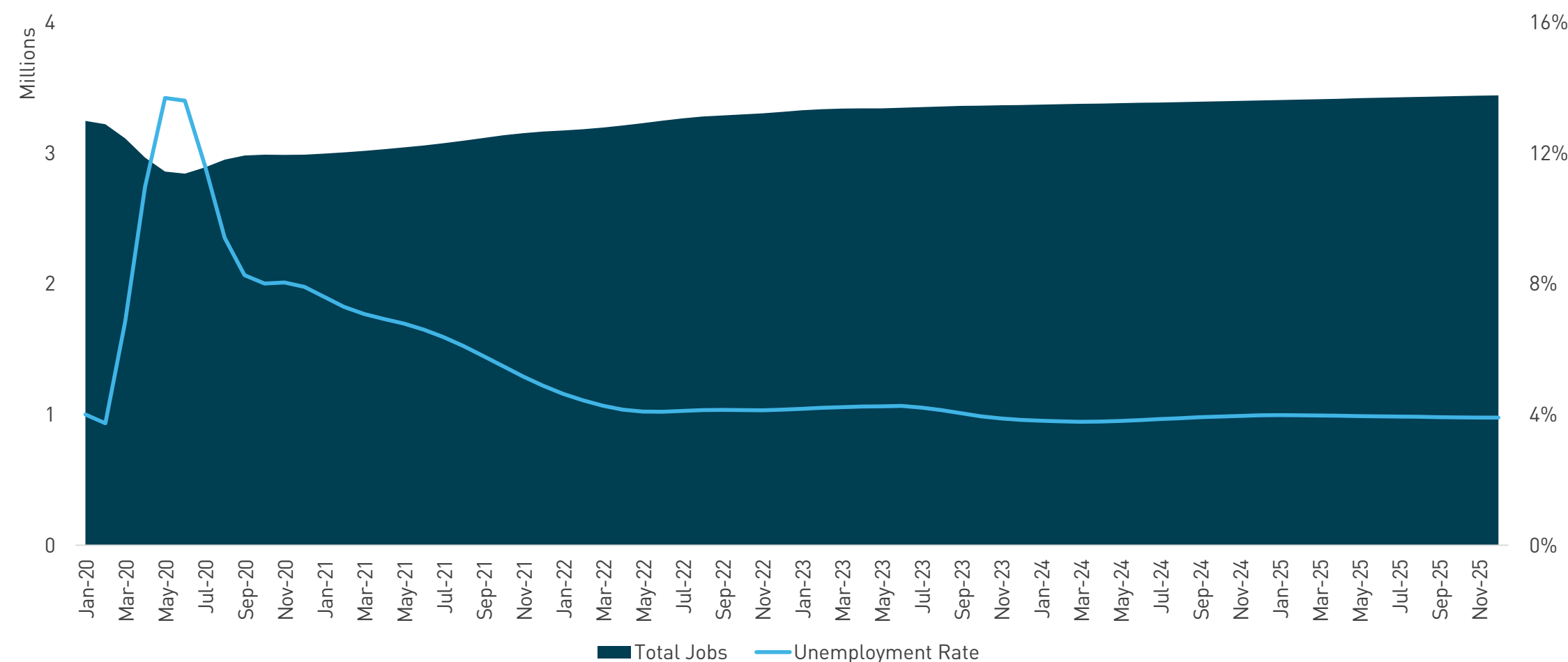
↓ 50 BPS YOY

\*Projected

The Houston metro area added the fifth-most new residents among the nation's most populous metros last year and ranked second in net in-migration. The robust growth represented the highest surge for the metro since 2016 and contributed heavily to economic prosperity and employment gains going into the first half of 2023. With a plentiful labor pool, employers added 98,200 jobs over the past 12 months ending in June 2023, which represented a 3.0% gain in total nonfarm labor. During this period, the trade, transportation, and utilities sector narrowly outranked the private education and healthcare sector for added jobs, at 20,100 compared to 19,900. The Port of Houston is the fifth-busiest container port in the U.S.,

and last year, it led the nation in both exports and total trade value. Moreover, the recent, \$1 billion first phase of expansion of the Houston Ship Channel further cemented the metro's position as the nation's busiest waterway. Further illustrating the diversity of the economy, ExxonMobil completed the relocation of its global headquarters to Houston from Dallas, giving the city its 26th Fortune 500 headquarters. The Texas Medical Center, already the world's largest, has over 3 million square feet and \$3 billion in new development underway, including two large-scale, mixed-use developments—Helix Park and Levit Green—that will add tens of thousands of new jobs upon completion.

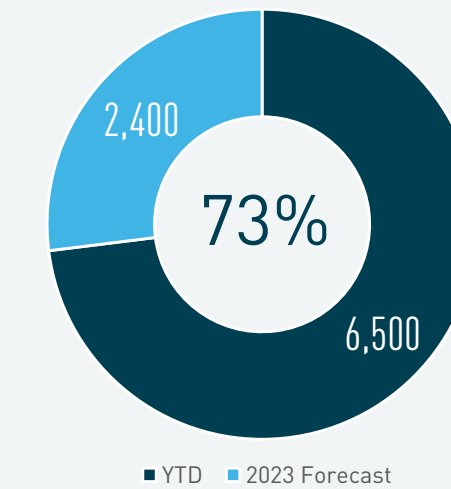
## Employment Trends



Source: Moody's Analytics

## Who's Hiring?

### PRIVATE EDUCATION & HEALTHCARE INDUSTRY



13%  
OF ALL JOBS IN THE METRO

\$96,500  
AVERAGE ANNUAL SALARY

## Top Private Education & Healthcare Employers

MEMORIAL  
HERMANN

30,000 JOBS

HOUSTON  
Methodist  
LEADING MEDICINE

29,700 JOBS

THE UNIVERSITY OF TEXAS  
MDAnderson  
Cancer Center  
Making Cancer History®

23,000 JOBS

## In The News

- SEG Solar creating 500 jobs with new manufacturing base
- Chevron shifting 200 employees to Houston in late 2023
- RS Technologies Inc. will hire 400 workers for manufacturing facility



# HOUSTON, TX DELIVERIES & ABSORPTION

2023 Units\*

**DELIVERIES**

21,718

**ABSORPTION**

13,106

2024 Units\*

**DELIVERIES**

23,684

**ABSORPTION**

8,067

\*Projected

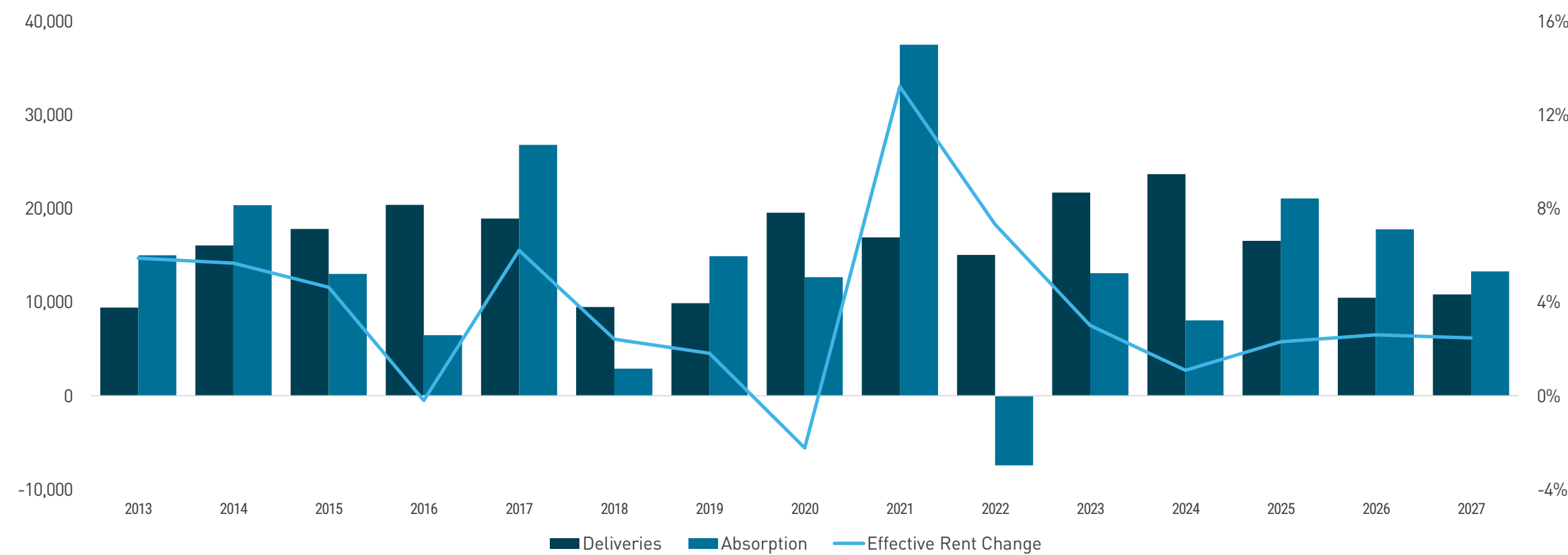
Apartment leasing activity surged across Greater Houston in the second quarter, contributing to Houston ranking among the top markets in the national for net absorption. Contributing to robust housing demand was continued hiring, as seasonally adjusted nonfarm employment expanded 0.2% in the last three months. A significant share of these new jobs was in the typically higher-wage occupations of the professional and business services and the private education and healthcare sectors. Combined, businesses and institutions added 3,100 personnel to payrolls since the start of April 2023.

Apartment developers are targeting these affluent renters with more Class A, amenity rich stock. In total, nearly

4,700 market-rate units came online across Greater Houston in the last three months. At 0.6% during the second quarter of 2023, Houston's apartment inventory expansion aligned with the national average and trailed growth in other major markets that included other Texas markets of Austin and Dallas-Fort Worth.

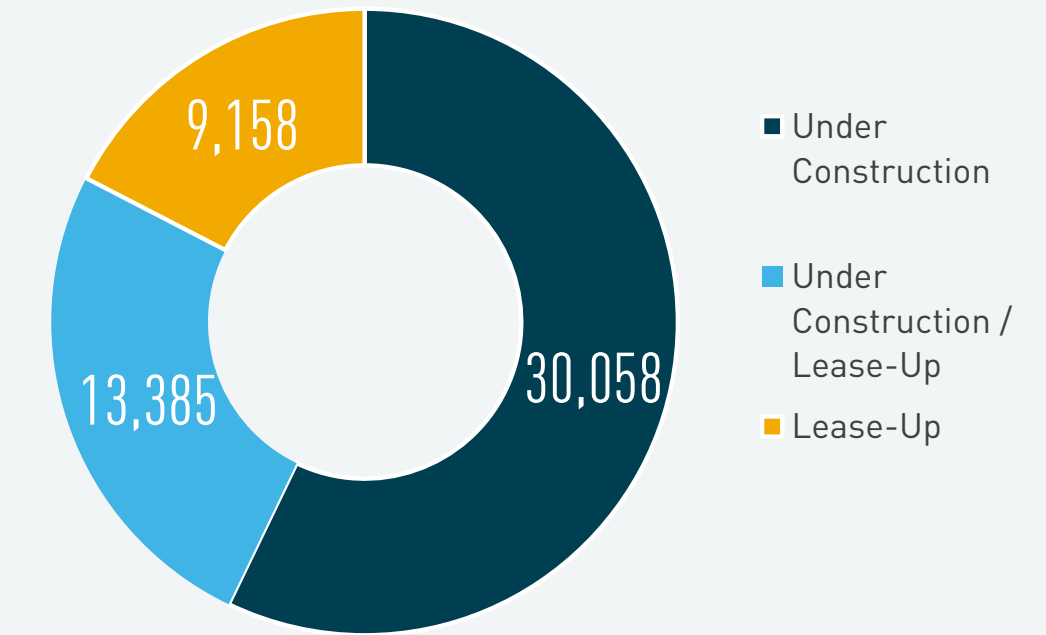
Construction activity will remain steady in the Houston metropolitan area over the second half of 2023. At midyear, nearly 13,400 units were in under construction/lease-up status and approximately 30,100 units were in the construction status. The new inventory will be needed as more than 6,900 net units are forecast to be absorbed over the next two quarters.

## Deliveries, Absorption, & Effective Rent Change

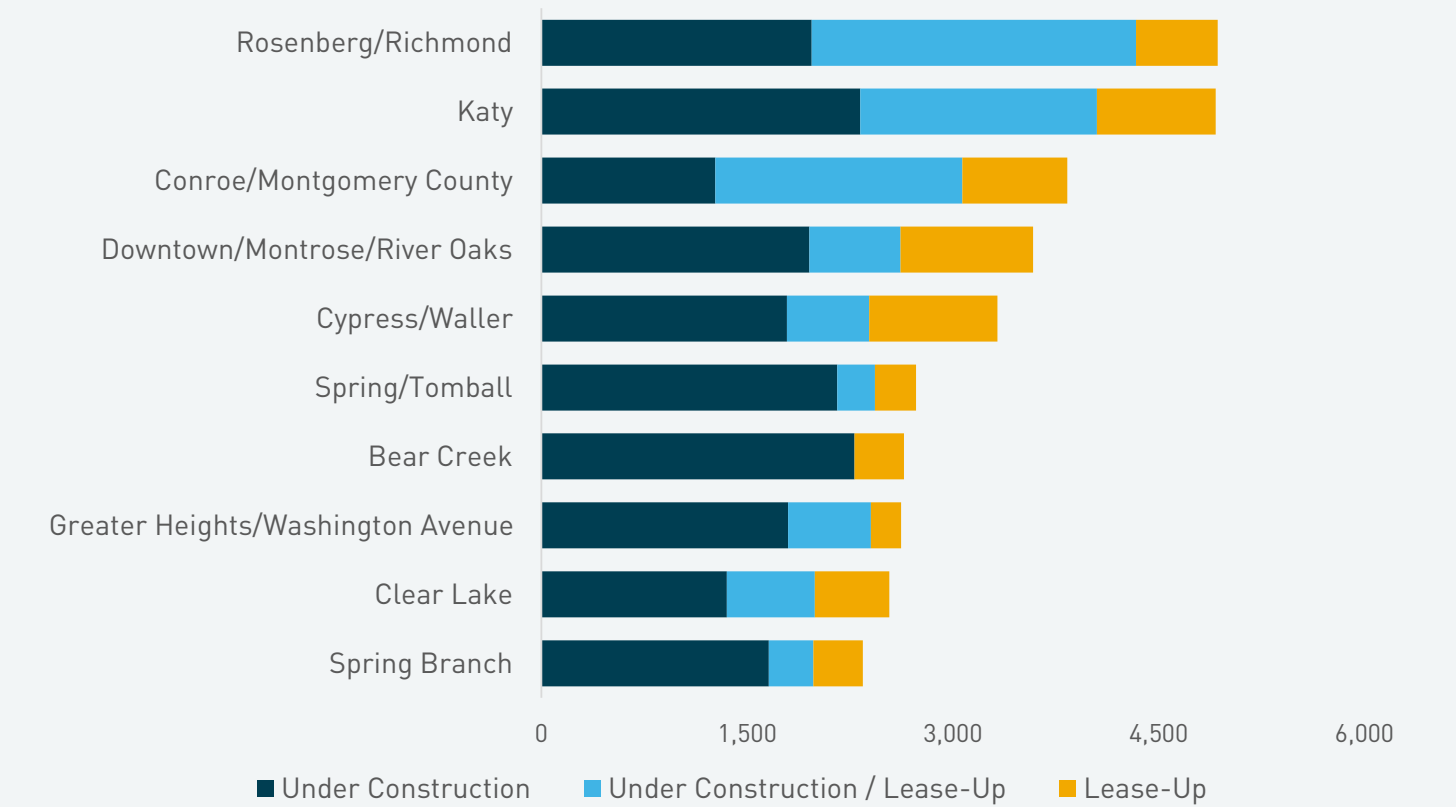


Source: RealPage

## Market Pipeline



## Top 10 Submarket Pipelines

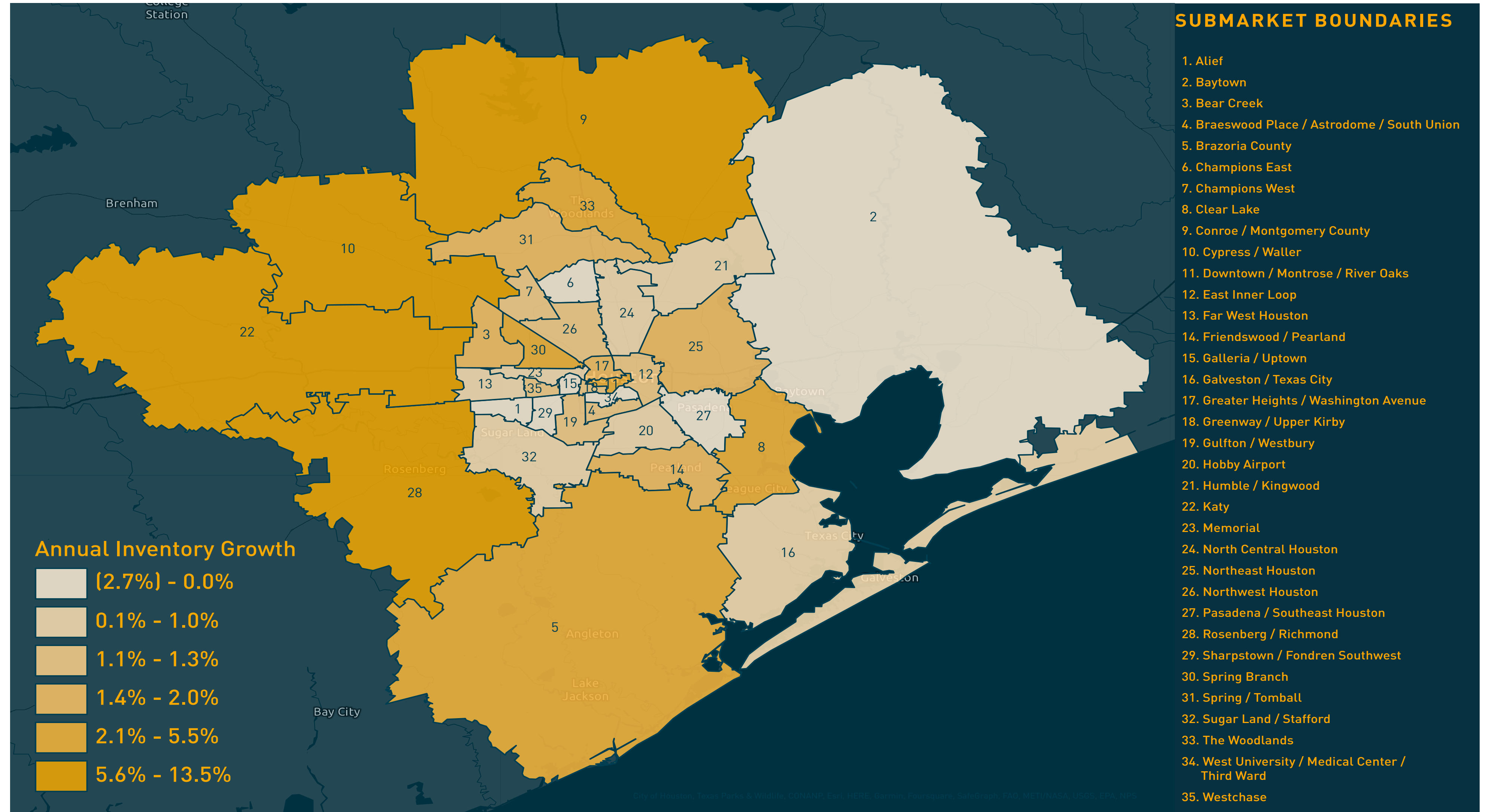




## HOUSTON, TX

# SUBMARKET ANNUAL INVENTORY CHANGE

Two submarkets posted double digit annual gains in apartment inventory: Rosenberg / Richmond increased by 13.5% with 1,638 units and Cypress/ Waller by 12.4% with 1,097 units. Rosenberg/Richmond is in central Fort Bend County, one of the fastest growing in Houston. Developers in Rosenberg/Richmond hope to capitalize on the success of Brazos Town Center, the No. 2 most-visited shopping center in Texas, and are banking on the success of the Fort Bend Epicenter, a future event venue with a 10,000-person capacity that delivers in late 2023. Additionally, new apartments will capture overflow from the popular Sugar Land/ Stafford submarket and create space for anyone unable to afford homes in Fort Bend County. Cypress/ Waller has similarly exciting developments, including the opening of Hewlett-Packard's global headquarters last year, Daikin Texas Technology Park, and two new medical centers currently under construction.





# HOUSTON, TX RENT & OCCUPANCY

## Effective Rent

**Q2 2023**  
\$1,358  
↑ 4.4% YOY

## Occupancy

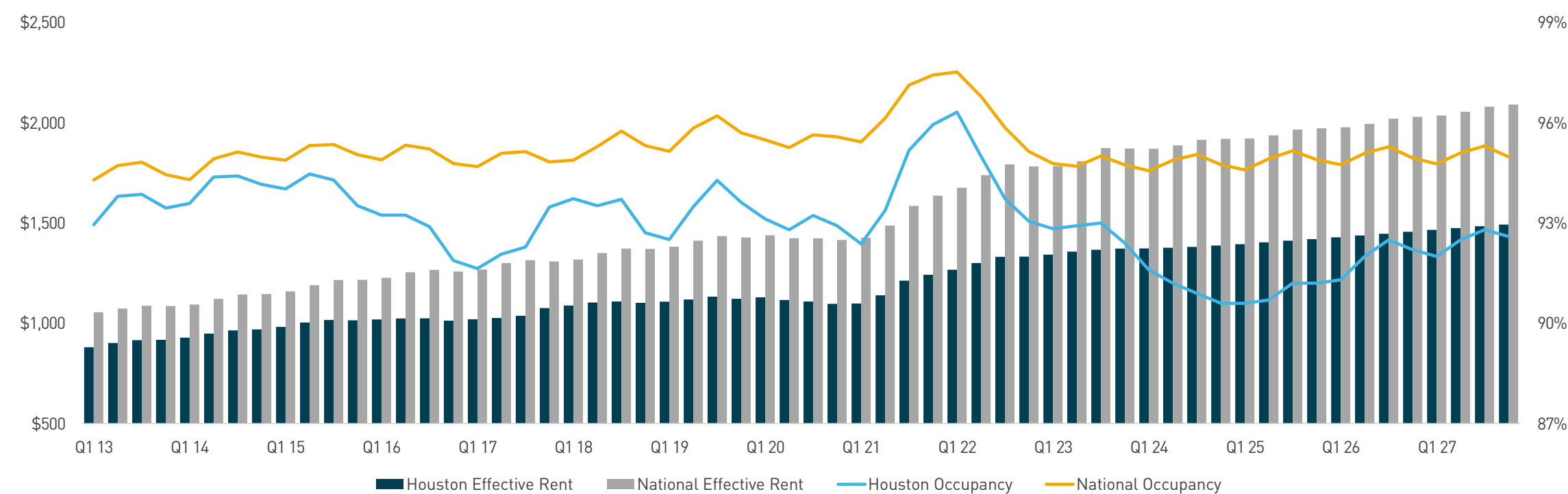
**Q2 2023**  
92.9%  
↓ 210 BPS YOY

Metro Houston's 4.4% annual rent growth outpaced the nation's by 40 basis points, including fellow Texas markets Dallas-Fort Worth and Austin as well as nearly every major Sunbelt market. Despite the higher-than-national increase over the past 12 months, Houston maintained its reputation as the more affordable of large multifamily markets with an average monthly effective rent of \$1,358 in the second quarter of 2023, which is 33.2% lower than the national average, 13.7% lower than Dallas-Fort Worth, and 22.8% lower than Austin. Rents remained highest in the central business district submarkets, followed by the more affluent suburban submarkets like The Woodlands and Katy. These submarkets' population growth and popularity among renters creates an ecosystem of newer

builds with a greater tendency for supply-side pressure compared to submarkets with older inventory. However, the submarkets with more Class B and C inventory posted higher-than-average rent growth, regardless of occupancy rate and demand over the past year, most notably the East Inner Loop (15.8%), Alief (8.9%), and Sharpstown/Fondren Southwest (8.4%).

The metro's average occupancy declined by 210 basis points year over year to 92.9% during the second quarter of 2023, a result of lagging absorption in late 2022 and elevated deliveries. This trend will continue as the pipeline comes to fruition, but remain above 90% over the next several quarters, helped by diminished new home starts.

## Houston vs. National Effective Rent & Occupancy



Source: RealPage

## Submarket Performance

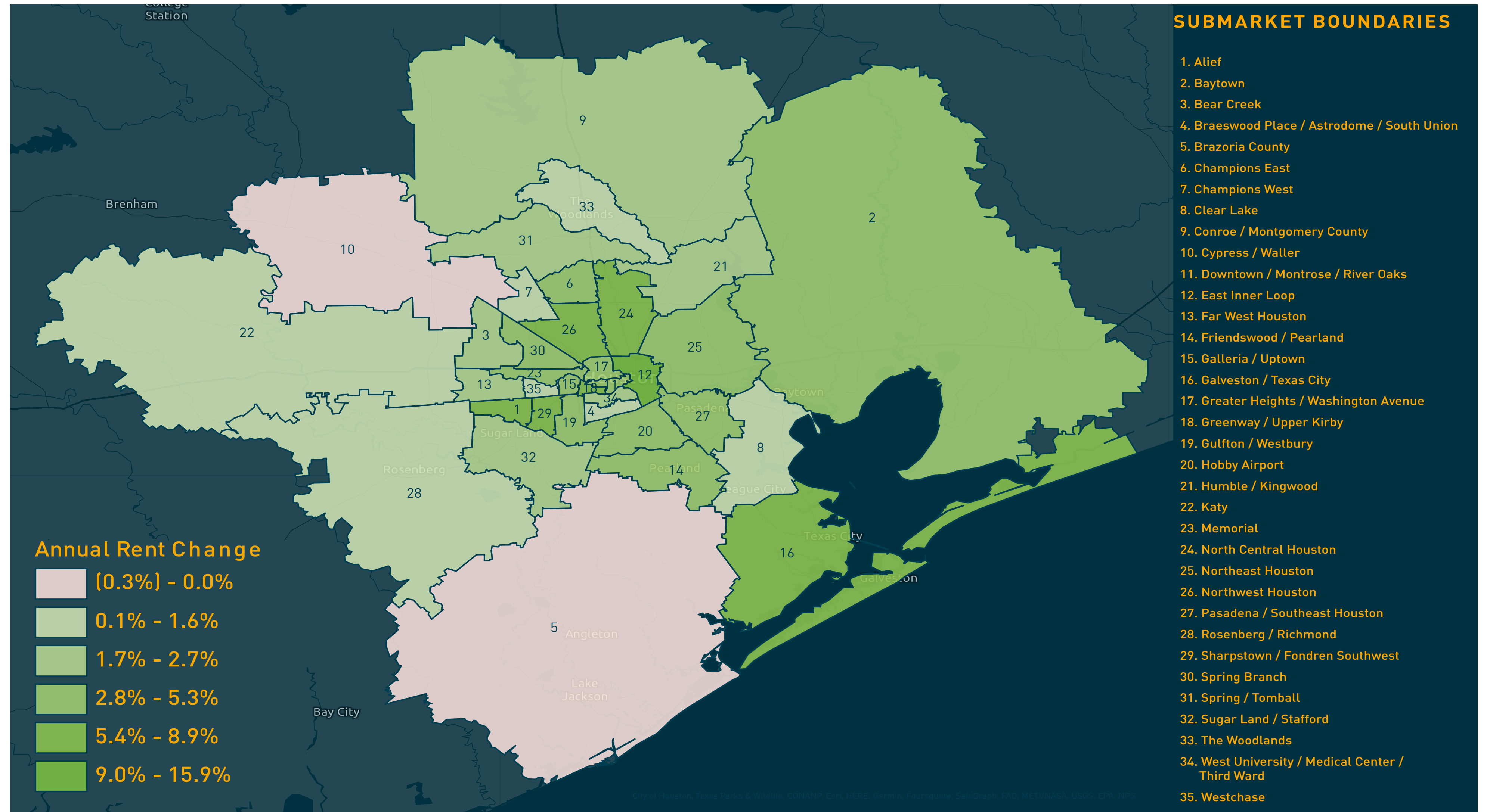
SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Alief	94.3%	0	\$1,039	8.9%
Baytown	92.9%	-180	\$1,108	4.1%
Bear Creek	93.2%	-190	\$1,331	2.7%
Braeswood Place/Astrodome/South Union	92.1%	-150	\$1,360	1.5%
Brazoria County	91.3%	-120	\$1,072	-0.2%
Champions East	92.1%	-230	\$1,089	5.3%
Champions West	93.2%	-220	\$1,305	0.5%
Clear Lake	93.1%	-140	\$1,302	1.6%
Conroe/Montgomery County	93.2%	-270	\$1,281	2.4%
Cypress/Waller	91.6%	-400	\$1,525	-0.3%
Downtown/Montrose/River Oaks	92.7%	-190	\$2,114	3.9%
East Inner Loop	94.1%	-60	\$1,440	15.8%
Far West Houston	91.7%	-310	\$1,256	2.6%
Friendswood/Pearland	93.7%	-80	\$1,455	3.6%
Galleria/Uptown	92.1%	-250	\$1,482	4.1%
Galveston/Texas City	92.8%	-220	\$1,260	6.2%
Greater Heights/Washington Avenue	92.6%	-200	\$1,792	4.1%
Greenway/Upper Kirby	92.6%	-120	\$2,047	6.4%
Gulfton/Westbury	94.1%	-220	\$1,041	3.9%
Hobby Airport	92.9%	-160	\$955	4.7%
Humble/Kingwood	93.1%	-230	\$1,355	2.7%
Katy	93.9%	-220	\$1,540	1.2%
Memorial	93.3%	-140	\$1,743	3.7%
North Central Houston	91.7%	-430	\$966	7.1%
Northeast Houston	92.0%	-310	\$1,173	5.0%
Northwest Houston	93.7%	-150	\$1,058	5.8%
Pasadena/Southeast Houston	92.3%	-150	\$1,052	5.1%
Rosenberg/Richmond	92.7%	-170	\$1,446	0.8%
Sharpstown/Fondren Southwest	94.6%	-210	\$931	8.4%
Spring Branch	92.1%	-390	\$1,261	3.5%
Spring/Tomball	93.3%	-270	\$1,421	2.3%
Sugar Land/Stafford	94.6%	-120	\$1,502	1.9%
The Woodlands	93.8%	-160	\$1,561	0.3%
Westchase	91.7%	-330	\$1,177	1.7%
West University/Medical Center/Third Ward	94.4%	-90	\$2,021	2.3%



## HOUSTON, TX

# SUBMARKET ANNUAL RENT CHANGE

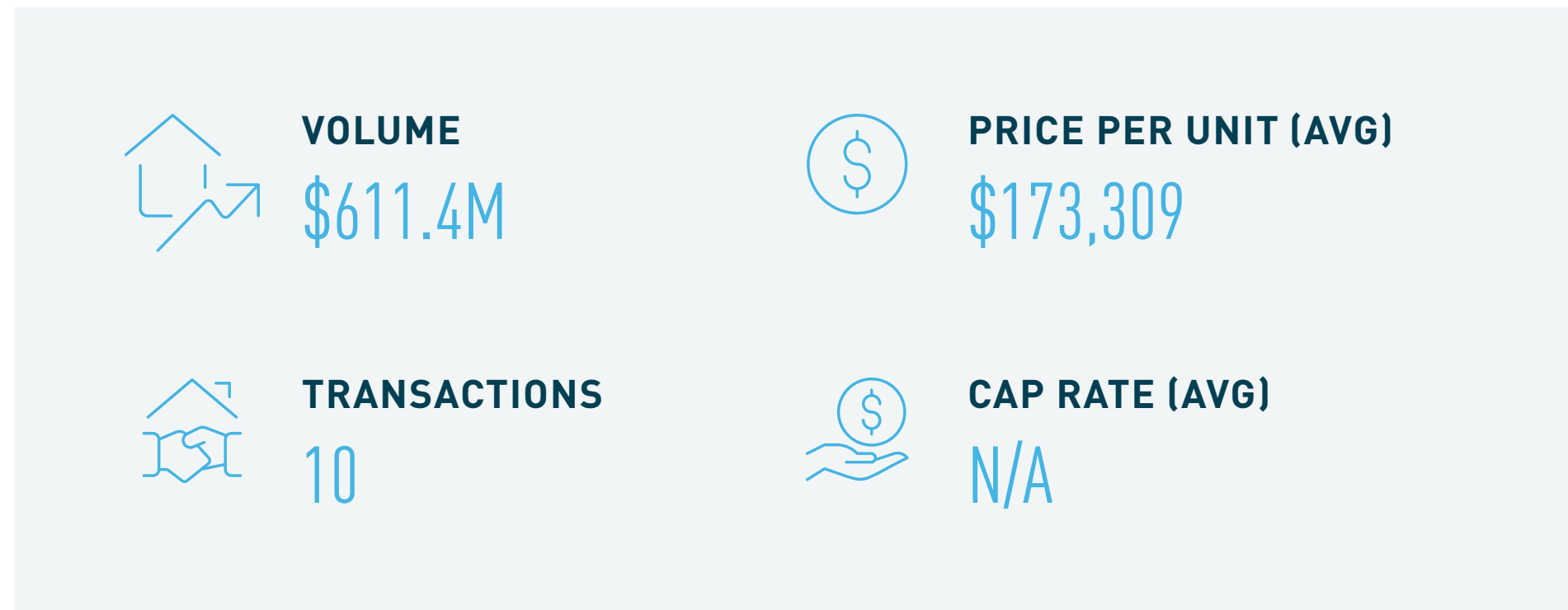
The East Inner Loop Submarket, located northeast of downtown Houston displayed the largest annual growth in effective rent, at 15.8%, which is nearly four times the metro's average increase. Despite housing the stadiums for Houston's MLB, MLS, and NBA franchises, and the proximity to Downtown Houston and The University of Houston, the submarket maintains an affordable rate, with the average monthly effective rent at \$1,440, at least 27% below that of its western neighbors in the Downtown/Montrose/River Oaks, West University/Medical Center/Third Ward, and Greater Heights/Washington Avenue. This fact, combined with a higher-than-metro-average occupancy rate of 94.1% and the forthcoming \$2.5 billion East River development, empowered landlords to bullishly increase rents. The East River development's 28-acre, first phase will 300,000 square feet of office and 110,000 square feet of retail space later this year.



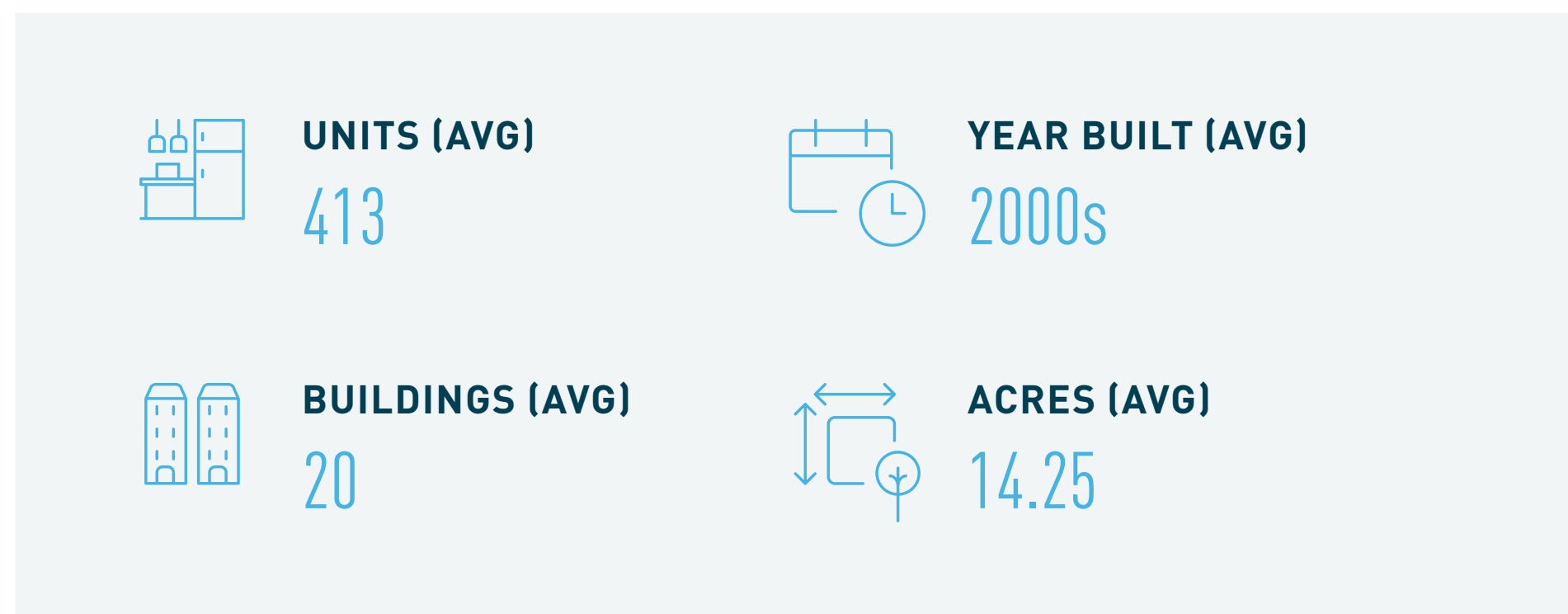


# HOUSTON, TX SALES

2023 Year to Date\*



What's Trading?\*



Source: Real Capital Analytics  
\*\$50m+

Top Buyers\*\*

BUYER	LOCATION
Greystar	Charleston, SC
Blackstone	New York
29th Street Capital	Chicago
Applesway Investment Group	Irving, TX
Westdale Asset Management	Dallas

Top Sellers\*\*

SELLER	LOCATION
The Finger Companies	Houston
Alliance Residential	Phoenix
Wood Parnters	Atlanta
AIG	New York
Hines	Houston

\*\*Past 24 Months



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

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