

# Houston Rents Hold Steady

December 2024



Job Market Outperforms

YoY Rent Growth Unchanged

Occupancy Low, But Stable

# HOUSTON MULTIFAMILY



## Fundamentals Steady Amid Slowdown

At the start of the fourth quarter of 2024, Houston's multifamily fundamentals remained healthy, but slowed in line with the seasonal trend. Despite significant stock growth, demand kept pace with supply, keeping advertised asking rents flat on a trailing three-month basis through October, at \$1,360. Additionally, occupancy endured, with the average rate in stabilized assets inching down just 10 basis points year-over-year in October, to 92.8%.

Houston's employment growth continued to moderate but the metro remained among the top performers in the country, up 2.3% year-over-year as of August, a 10-basis-point improvement from the previous month and above the 1.4% national average. More than half of the 80,500 jobs added during the period were registered across three sectors—construction (16,300 jobs), education and health services (15,600 jobs) and government (13,200 jobs). Meanwhile, information was the only sector to contract, down by 1,100 jobs. With unemployment at 4.4% in September, the metro trailed the U.S. and Texas (both at 4.1%).

Deliveries totaled 15,578 units in the first 10 months of 2024, when the pipeline had 28,752 units underway. However, new construction dropped to roughly half of the volume registered during the same period in 2023. Transaction activity amounted to \$1.8 billion, for a price per-unit that rose 12.1% year-to-date, to \$124,966, still well behind the \$190,509 U.S. average.

## Market Analysis | December 2024

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### Recent Houston Transactions

#### The Travis



City: Houston  
Buyer: Hasta Capital  
Purchase Price: \$80 MM  
Price per Unit: \$245,276

#### San Cierra



City: Houston  
Buyer: Knightvest Capital  
Purchase Price: \$69 MM  
Price per Unit: \$191,050

#### Remy on the Trails



City: Houston  
Buyer: Cantor Fitzgerald  
Purchase Price: \$66 MM  
Price per Unit: \$199,907

#### Bellrock Summer Street

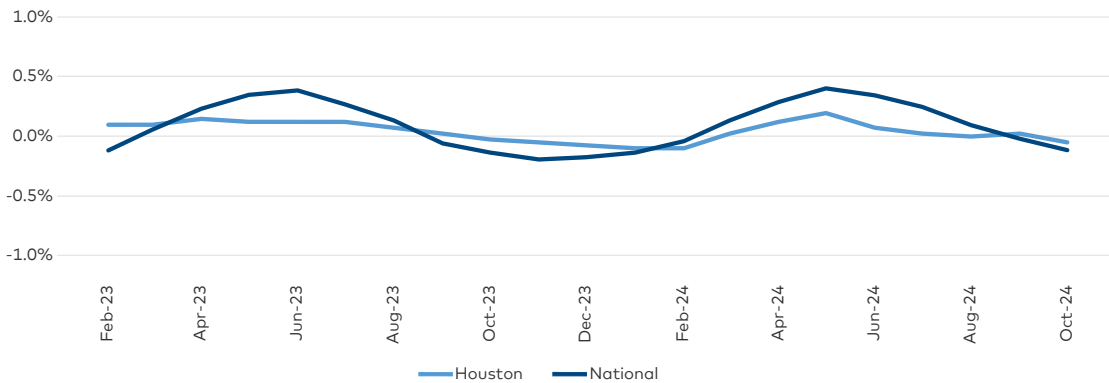


City: Houston  
Buyer: TriGate Capital  
Purchase Price: \$59 MM  
Price per Unit: \$158,425

## RENT TRENDS

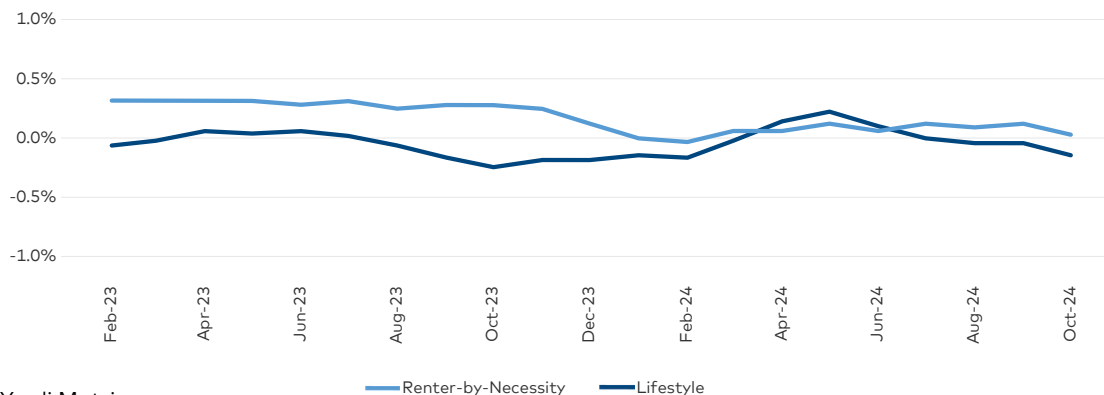
- ▶ Houston's advertised asking rents remained flat for the fourth consecutive month on a trailing three-month (T3) basis through October, at \$1,360. Meanwhile, the national average slid 10 basis points, to \$1,748, the second month this year with negative performance. Rent growth in Houston has been mostly flat throughout the year, including on a year-over-year basis, while the U.S. rate increased 0.9%.
- ▶ Rent growth in the Renter-by-Necessity segment maintained the fairly linear trend exhibited for most of the year, and stayed flat on a T3 basis through October, at \$1,082. Advertised asking rents in the Lifestyle segment fell 10 basis points, to \$1,625, marking the first contraction since February. The occupancy rate in stabilized properties declined 0.1% year-over-year in October, to 92.8%, despite steady incoming supply. In the Lifestyle segment, where most of the new supply came online, occupancy rose 0.1%, to 93.5%, while in the RBN segment the rate decreased 0.2%, to 92.1%.
- ▶ On a year-over-year basis, rents declined in 27 of the 85 submarkets tracked by Yardi Matrix. Museum District (1.2% to \$2,086) and West End/Downtown (1.0% to \$2,083) were the only submarkets with average rents above the \$2,000 mark, while the most sought-after submarket in East Houston was Clear Creek (0.4% to \$1,601).
- ▶ Rent growth in Houston's SFR segment outperformed multifamily, with year-over-year advertised asking rents up 1.4%, to \$2,132, in October. SFR occupancy declined 1.3%, to 93.6%.

### Houston vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

### Houston Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- ▶ Houston's job market grew 2.3% year-over-year as of August, up 10 basis points from the previous month and well ahead of the 1.4% national rate. Mirroring the national trend, growth has been decelerating, but the metro still ranked third nationally for job growth, on par with Phoenix and trailing Raleigh and Miami (both at 2.4%) and Las Vegas (3.6%).
- ▶ Houston gained 80,500 jobs during the period, with construction (16,300 jobs), education and health services (15,600 jobs) and government (13,200 jobs) in the lead. Information was the only sector that contracted, down 1,100 positions.
- ▶ Meanwhile, unemployment stood at 4.4% in September, according to preliminary data from the Bureau of Labor Statistics, marking a 30-basis-point improvement from August. At this level, Houston's jobless rate trailed the U.S. and Texas (both at 4.1%), as well as all other major metros in the state—Austin (3.4%), San Antonio (3.8%) and Dallas (3.9%).
- ▶ There are several large projects under construction across Houston, which account for the substantial job growth in the construction sector. Among them are the 150-acre East River mixed-use development on the north shore of Buffalo Bayou and the 4,700-acre master-planned town, Austin Point. Another notable project is the Football Operations Center slated for completion in 2025.

### Houston Employment Share by Sector

| Code | Employment Sector                   | Current Employment |         |
|------|-------------------------------------|--------------------|---------|
|      |                                     | (000)              | % Share |
| 15   | Mining, Logging and Construction    | 318.1              | 9.2%    |
| 65   | Education and Health Services       | 467.1              | 13.6%   |
| 90   | Government                          | 436.5              | 12.7%   |
| 80   | Other Services                      | 136.1              | 4.0%    |
| 55   | Financial Activities                | 193.4              | 5.6%    |
| 30   | Manufacturing                       | 239.6              | 7.0%    |
| 40   | Trade, Transportation and Utilities | 692.6              | 20.1%   |
| 70   | Leisure and Hospitality             | 366.8              | 10.6%   |
| 60   | Professional and Business Services  | 562.5              | 16.3%   |
| 50   | Information                         | 32                 | 0.9%    |

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Houston gained 93,649 residents in 2022, up 1.3% year-over-year. Population growth was 30 basis points higher than in 2021 and well above the 0.4% U.S. rate.
- ▶ Between the 2010 Census and 2022, Houston's population rose by 25.1%.

### Houston vs. National Population

|               | 2019        | 2020        | 2021        | 2022        |
|---------------|-------------|-------------|-------------|-------------|
| National      | 324,697,795 | 326,569,308 | 329,725,481 | 331,097,593 |
| Houston Metro | 6,884,138   | 6,979,613   | 7,048,954   | 7,142,603   |

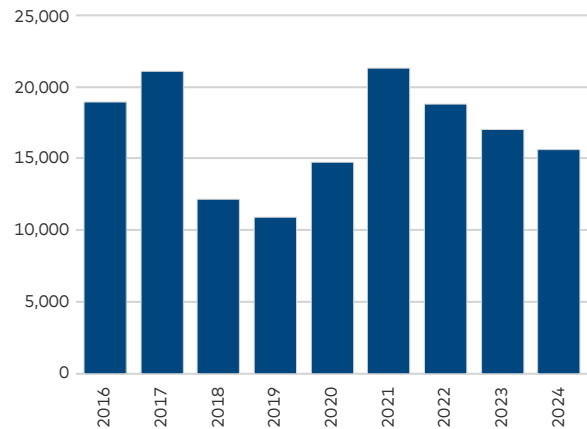
Source: U.S. Census

## SUPPLY

- ▶ Houston gained 15,578 units in 2024 through October, 2.1% of existing stock and 30 basis points lower than the national rate. Nearly 90%, or 13,780 units, were delivered in west Houston, while the eastern side of the metro counted just 1,798 new apartments. Furthermore, 86% of this year's deliveries were Lifestyle units, followed by RBN and fully affordable with 7.0% each.
- ▶ Developers had 28,752 units under construction as of October, and another 65,000 in the planning and permitting phases. The Lifestyle segment held a share nearly equal to this year's deliveries and, while fully affordable units accounted for slightly more, at 10.5%, RBN deliveries decreased to less than 4.0%. Construction activity remained high in the western end of the metro, where 21,050 units were underway as of October. In the eastern end, developers had 7,702 units under construction. Accounting for the projects expected to finish by year-end, 2024 is shaping up to be one of the strongest years for completions in the past decade.
- ▶ Meanwhile, construction starts this year totaled 8,688 units through October 2024, down from 15,526 units during the same period last year.

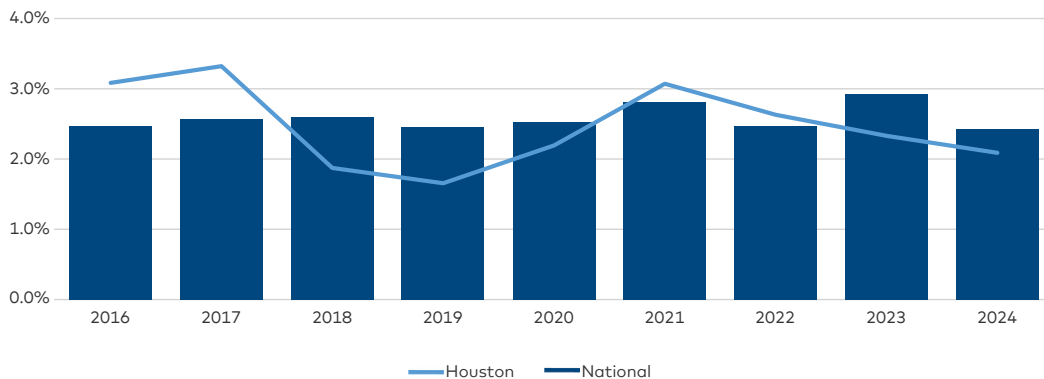
- ▶ Construction activity was highest in four submarkets, each with more than 2,000 units underway—Cinco Ranch–North (2,768 units), the East End (2,702 units), the West End/Downtown (2,530 units) and The Heights (2,020 units). Another three submarkets had more than 1,000 units under construction. Overall, developers were active in 44 of the 85 submarkets tracked by Yardi Matrix.

**Houston Completions** (as of October 2024)



Source: Yardi Matrix

**Houston vs. National Completions as a Percentage of Total Stock** (as of October 2024)



Source: Yardi Matrix

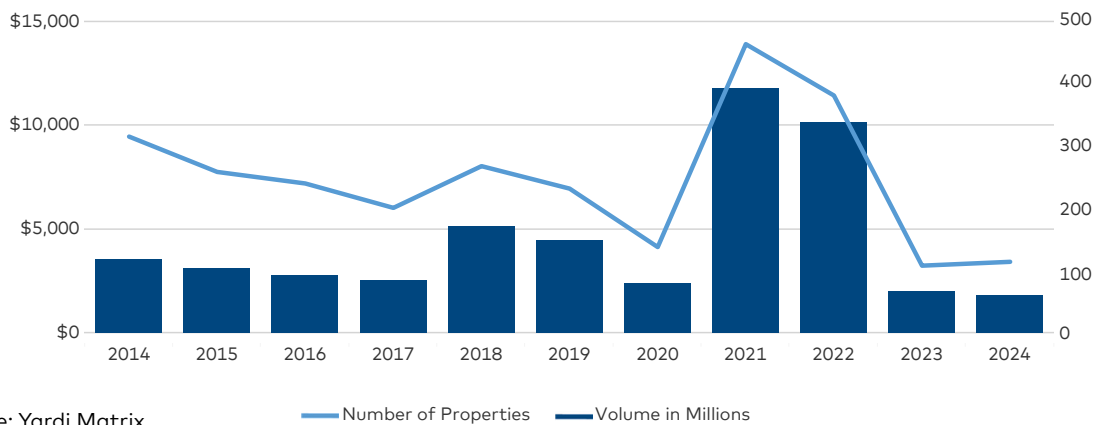
## TRANSACTIONS

- ▶ Investment activity remained moderate in Houston, with multifamily sales totaling \$1.8 billion in 2024 through October. West Houston led sales activity with nearly \$1.6 billion, while just \$266 million in multifamily assets changed hands on the eastern side. By the end of the year, Houston's overall sales volume might still surpass 2021's \$2 billion total.
- ▶ Sales composition was fairly balanced between asset classes but slightly higher for upscale

properties. Of the 120 properties that traded through October, 62 were Lifestyle assets. Houston's average price per unit rose 12.1% this year, to \$124,966, while the U.S. figure inched up 2.0%, to \$190,509.

- ▶ Notable recent sales include the transaction between buyer Hasta Capital and seller Madison Marquette for The Travis in the West End/Downtown. The sale involved a \$60 million GSE loan originated by Jones Lang LaSalle.

### Houston Sales Volume and Number of Properties Sold (as of October 2024)



Source: Yardi Matrix

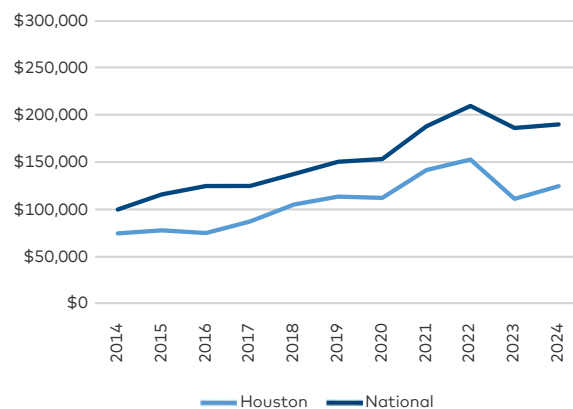
### Top Submarkets for Transaction Volume<sup>1</sup>

| Submarket                  | Volume (\$MM) |
|----------------------------|---------------|
| West End/Downtown          | 352           |
| Jersey Village/Satsuma     | 258           |
| Louetta                    | 144           |
| Piney Point Village–North  | 132           |
| Royal Oaks Country Club    | 119           |
| Missouri City              | 106           |
| Pinney Point Village–South | 95            |

Source: Yardi Matrix

<sup>1</sup> From November 2023 to October 2024

### Houston vs. National Sales Price per Unit



Source: Yardi Matrix

## Top 10 Markets for Multifamily Deliveries

By Tudor Scolca

With 2 million units expected to be completed across the U.S. from 2024 to 2028, multifamily development is peaking, the latest Yardi Matrix data shows. The supply surge is already in full swing, as these high-performing 10 cities had a combined 85,055 units delivered in the first half of the year, about 20,000 more than they did during the first half of 2023.

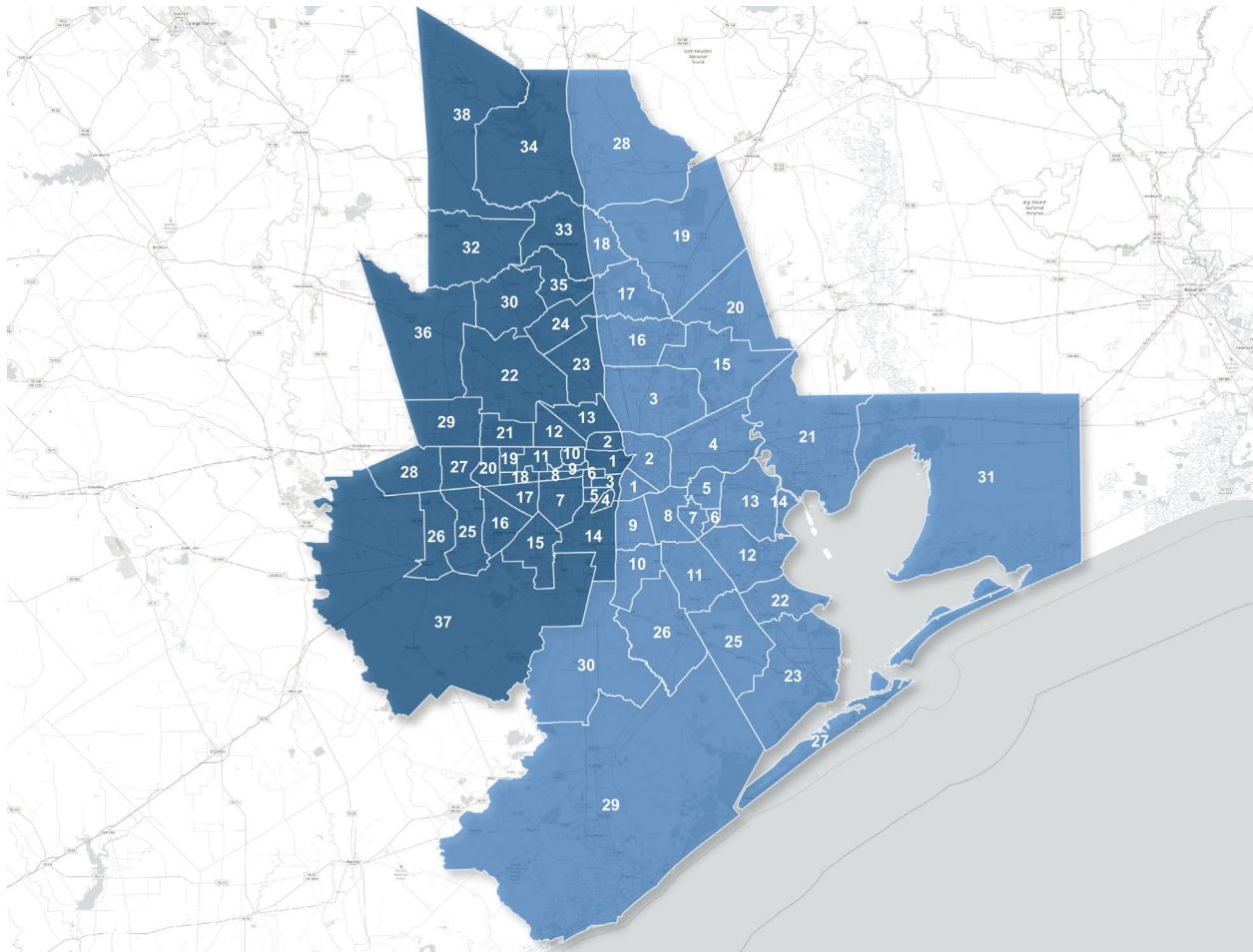
| Rank | Metro       | Properties Completed<br>H1 2024 | Units Completed<br>H1 2024 | Units Completed<br>H1 2023 |
|------|-------------|---------------------------------|----------------------------|----------------------------|
| 1    | Dallas      | 48                              | 12,830                     | 7,787                      |
| 2    | Phoenix     | 44                              | 10,048                     | 8,413                      |
| 3    | Houston     | 35                              | 9,258                      | 4,641                      |
| 4    | Atlanta     | 41                              | 8,857                      | 7,611                      |
| 5    | Orlando     | 33                              | 8,555                      | 5,642                      |
| 6    | Austin      | 32                              | 8,521                      | 6,904                      |
| 7    | Miami Metro | 31                              | 6,897                      | 7,913                      |
| 8    | Charlotte   | 31                              | 6,890                      | 5,803                      |
| 9    | Denver      | 34                              | 6,623                      | 5,522                      |
| 10   | Seattle     | 38                              | 6,576                      | 3,812                      |

### Houston

Rounding out the top three metros for multifamily deliveries was Houston with 9,258 rental units added to its inventory across 35 properties. Houston also saw the largest increase year-over-year, with completions up 99.5% from the 4,641 units delivered in 2023's first half. Yardi Matrix's latest Houston multifamily report shows that the metro continued its strong track record of good job growth and housing expansion. This latest boost in multifamily supply has, however, led to a drop in occupancy across the metro.



# HOUSTON SUBMARKETS



| Area No. | Submarket                 | Area No. | Submarket                 |
|----------|---------------------------|----------|---------------------------|
| 1        | West End/Downtown         | 20       | George Bush Park          |
| 2        | The Heights               | 21       | Bear Creek Park           |
| 3        | Museum District           | 22       | Jersey Village/Satsuma    |
| 4        | Reliant Park              | 23       | Bammel                    |
| 5        | Bellaire                  | 24       | Louetta                   |
| 6        | River Oaks                | 25       | Richmond                  |
| 7        | West Bellaire             | 26       | Rosenberg                 |
| 8        | Piney Point Village–South | 27       | Cinco Ranch–South         |
| 9        | Piney Point Village–North | 28       | Katy                      |
| 10       | Hunters Creek             | 29       | Cinco Ranch–North         |
| 11       | Bunker Hill Village       | 30       | Tomball                   |
| 12       | Spring Valley             | 32       | Magnolia                  |
| 13       | Rosslyn                   | 33       | The Woodlands             |
| 14       | Missouri City             | 34       | Conroe–West               |
| 15       | Sugar Land–South          | 35       | Avonak                    |
| 16       | Sugar Land–West           | 36       | Northwest Harris County   |
| 17       | Sugar Land–North          | 37       | Outlying Fort Bend County |
| 18       | Royal Oaks Country Club   | 38       | West Montgomery County    |
| 19       | Addicks                   |          |                           |

| Area No. | Submarket                   | Area No. | Submarket                 |
|----------|-----------------------------|----------|---------------------------|
| 1        | Greater Third Ward          | 17       | Spring                    |
| 2        | East End                    | 18       | The Woodlands–East        |
| 3        | Mount Houston               | 19       | Porter                    |
| 4        | Cloverleaf                  | 20       | Kingwood                  |
| 5        | Pasadena                    | 21       | Baytown                   |
| 6        | South Houston Crenshaw Park | 22       | League City/Dickenson     |
| 7        | South Houston               | 23       | Texas City                |
| 8        | William P. Hobby Airport    | 25       | League City–West          |
| 9        | Pierce Junction             | 26       | Alvin                     |
| 10       | Clear Creek                 | 27       | Galveston                 |
| 11       | Pearland/Friendswood        | 28       | Conroe–East               |
| 12       | Nassau Bay/Seabrook         | 29       | Lake Jackson/Angleton     |
| 13       | Deer Park                   | 30       | Northwest Brazoria County |
| 14       | La Porte                    | 31       | Outlying Chambers County  |
| 15       | Atascocita                  |          |                           |
| 16       | Humble/Westfield            |          |                           |

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

| Market Position | Improvements Ratings |
|-----------------|----------------------|
| Discretionary   | A+ / A               |
| High Mid-Range  | A- / B+              |
| Low Mid-Range   | B / B-               |
| Workforce       | C+ / C / C- / D      |

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x14006.



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