

# HOUSTON, TX MULTIFAMILY REPORT

2024 | MID-YEAR

**BERKADIA**<sup>®</sup>





## Jobs Added / Lost\*

LAST 12 MONTHS

80,400

↑ 2.4%

## Unemployment\*

JUNE 2024

4.3%

↑ 10 BPS YOY

\*Seasonally Adjusted

# HOUSTON, TX EMPLOYMENT

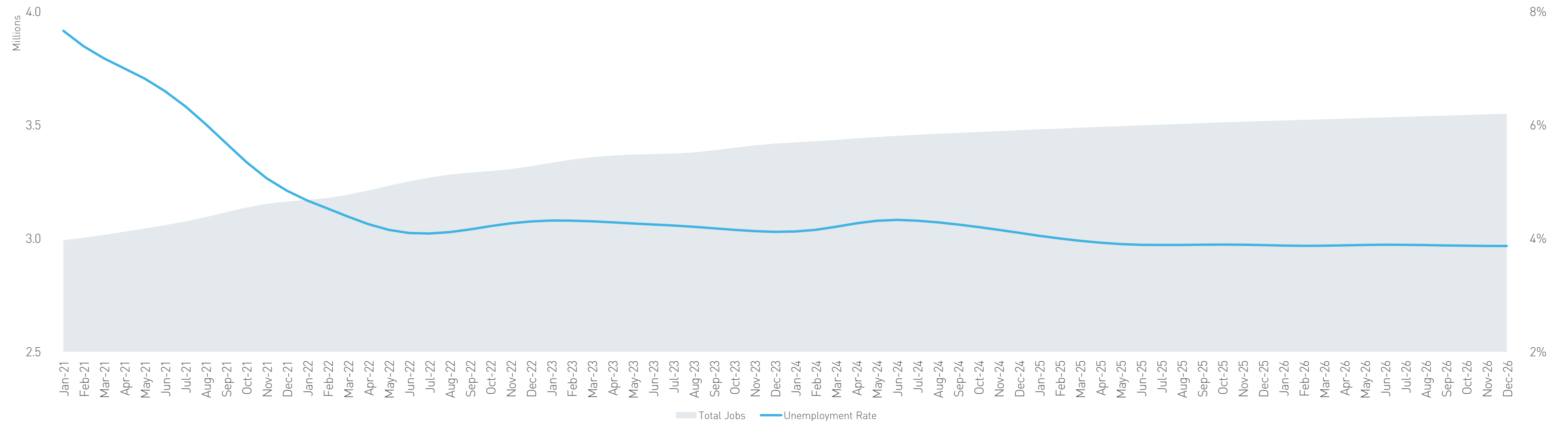
Over the 12 months that ended in June 2024, Houston employers added 80,400 net new jobs that equated to a 2.4% total nonfarm employment increase. In terms of both overall job gains and growth percentage, Houston outpaced both Dallas-Fort Worth and Austin. Growth in the private education and healthcare sector encompassed approximately 26.5% of total employment growth with the addition of 21,300 net positions. Government agencies created 18,400 jobs during the same period, with many jobs likely a result of public healthcare institution expansion, as providers grow along with the population. In fact, Houston had the highest medical office building net absorption and the largest concentration of medical office projects slated for completion

in 2023 of any U.S. metro, with major projects including Houston Methodist Sugar Land, Baylor College of Medicine at Dynamic One in the developing Helix Park Campus of the Texas Medical Center (TMC), and Kelsey Seybold Springwoods Village Campus. Additionally, in October 2023, TMC celebrated the opening of TMC3, the first TMC collaborative research hub. The 250,000-square-foot facility is in Helix Park, with founding institutions such as Texas MD Cancer Center, Texas A&M University Health Science Center, and the University of Texas Health Science Center at Houston. Texas Children's Hospital completed the \$245 million expansion of their Pavilion for Women as well in the past year.

## In the News

- 🔗 [TMC3 Collaborative Building opens in 37-acre Helix Park campus](#)
- 🔗 [Memorial Hermann Cypress expansion to yield 400 permanent jobs](#)
- 🔗 [Imperial Star Solar factory opens in fall 2024, will create 350 jobs](#)

## Employment Trends



Source: Moody's Analytics



# HOUSTON, TX DELIVERIES & ABSORPTION

## 2024 YEAR TO DATE

**DELIVERIES**  
13,503 UNITS

**ABSORPTION**  
10,644 UNITS

## 2024 TOTAL\*

**DELIVERIES**  
25,239 UNITS

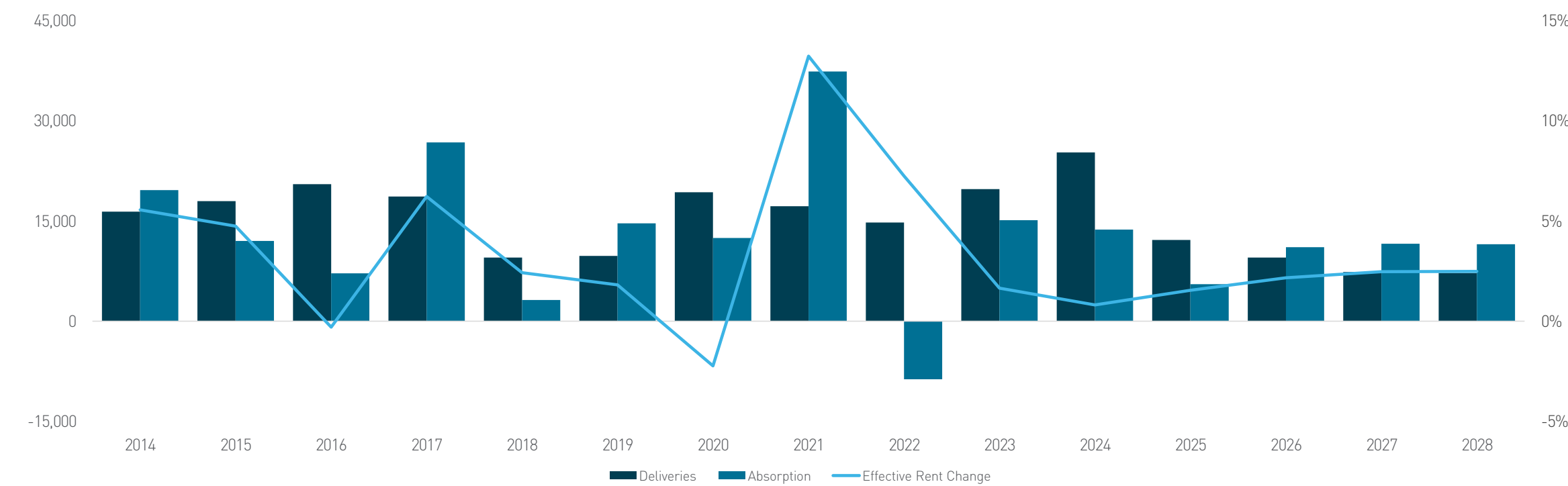
**ABSORPTION**  
13,710 UNITS

\*Projected

Houston developers brought 25,906 units to market over the 12 months ending in the second quarter of 2024, with 13,503 of those units delivered in the first six months of 2024, showing an increased rate of delivery to start the year. The annualized deliveries outpaced the mid-year annual average from the past 10 years by 65.8%, and the increase landed Houston in the No. 2 spot for the volume of new units over this period, outranked only by Dallas-Fort Worth. However, in terms of inventory expansion, Houston did not even make the top five markets. Permit activity in Houston is down 58% year-over-year, reinforcing the projected decline in deliveries for the next four years. Annualized absorption was 51.4% higher than the mid-year average from the past 10 years with 20,046 net

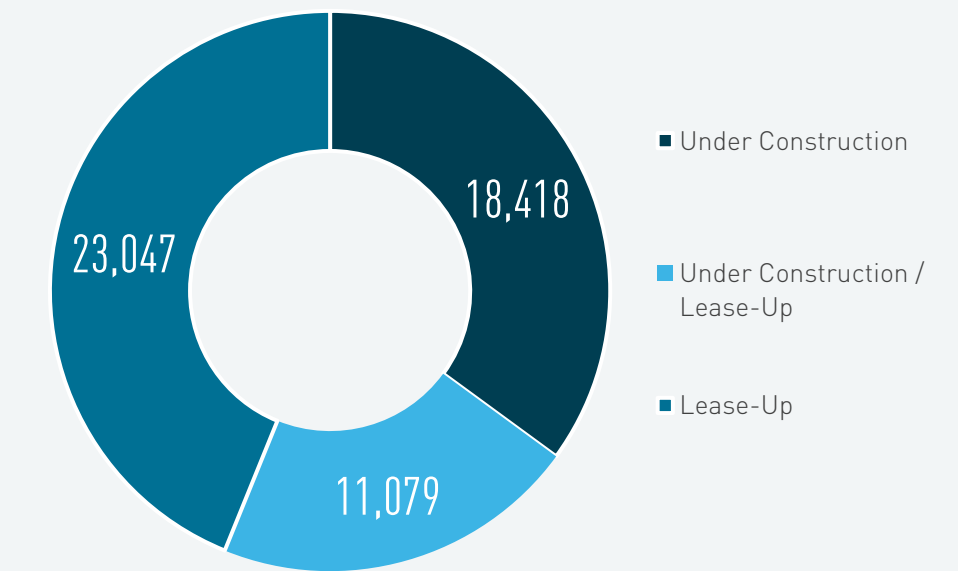
move-ins. The 10,046 net units absorbed in the first six months of 2024 comprised 53% of that annualized total. Over the past year, the west and northwest Houston area's suburban submarkets, along with the Downtown/Montrose/River Oaks submarket saw the most multifamily activity. The west and northwest suburban submarkets knocked Downtown/Montrose/River Oaks out of the top five ranking for both 12 and six-month net absorption and completions in the second quarter of 2024. Submarkets in this area, which include the Katy, Spring/Tomball, Rosenberg/Richmond, Conroe/Montgomery, and Cypress/Waller, have become desirable places to live over the past few years, and have cultivated new mixed-use developments, healthcare locations, and employer growth.

## Deliveries, Absorption, & Effective Rent Change

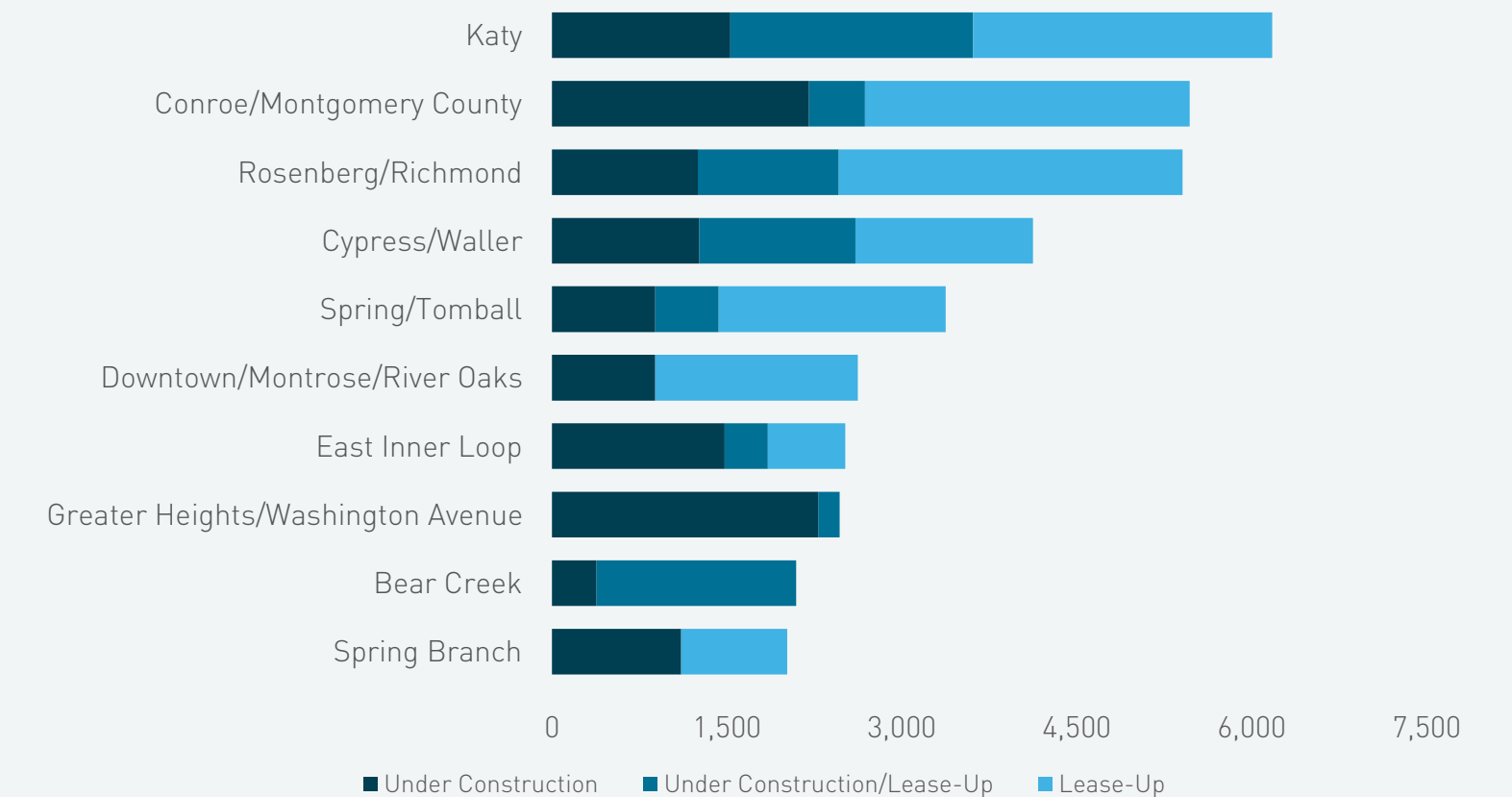


Source: RealPage

## Market Pipeline



## Top Submarket Pipelines

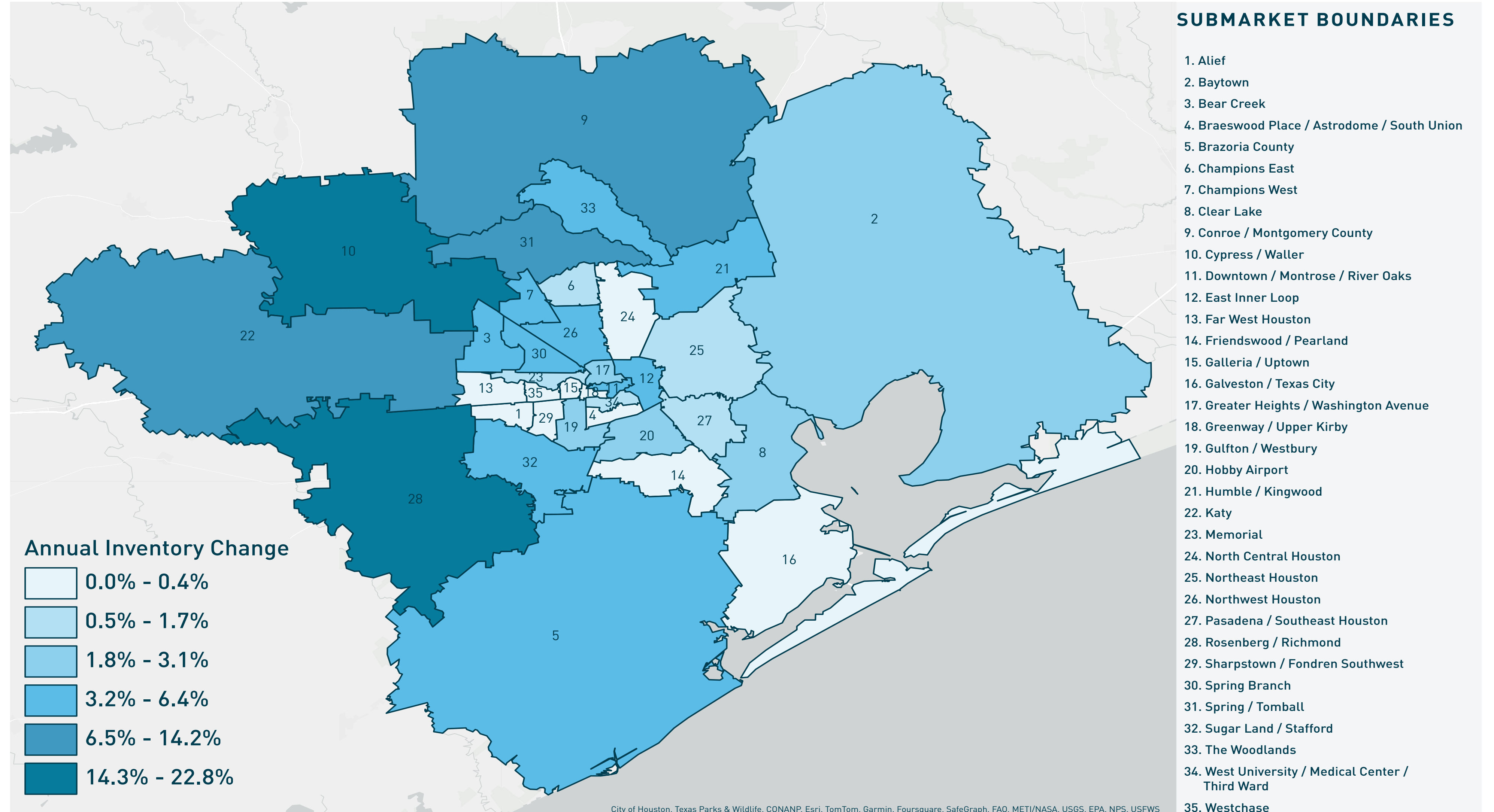




## HOUSTON, TX

# SUBMARKET MID-YEAR 2024 ANNUAL INVENTORY CHANGE

With a 22.8% increase in inventory, the Rosenberg/ Richmond submarket outpaced sister submarkets in year-over-year growth by at least 440 basis points. In terms of the actual volume of units added during the 12 months preceding the second quarter of 2024, Rosenberg/Richmond's 3,075 new units fell just short of the leader position to Katy's 3,084 deliveries. These two submarkets accounted for nearly 24% of the total number of new units added to the Houston market over the past year. Based on these adjoining submarkets' pipelines, they should continue to dominate market growth rankings into 2025. In the second quarter of 2024, Katy had 6,177 and Rosenberg/Richmond had 5,409 units under construction or in lease-up. Fort Bend County, where the submarkets are located, is attractive to developers as it is one of the fastest growing counties in the nation and has the third highest household income in Texas, leading the Houston region.



City of Houston, Texas Parks & Wildlife, CONANP, Esri, TomTom, Garmin, Foursquare, SafeGraph, FAO, METI/NASA, USGS, EPA, NPS, USFWS



# HOUSTON, TX RENT & OCCUPANCY

## Effective Rent

**Q2 2024**  
\$1,360  
↓ 4.2% YOY

## Occupancy

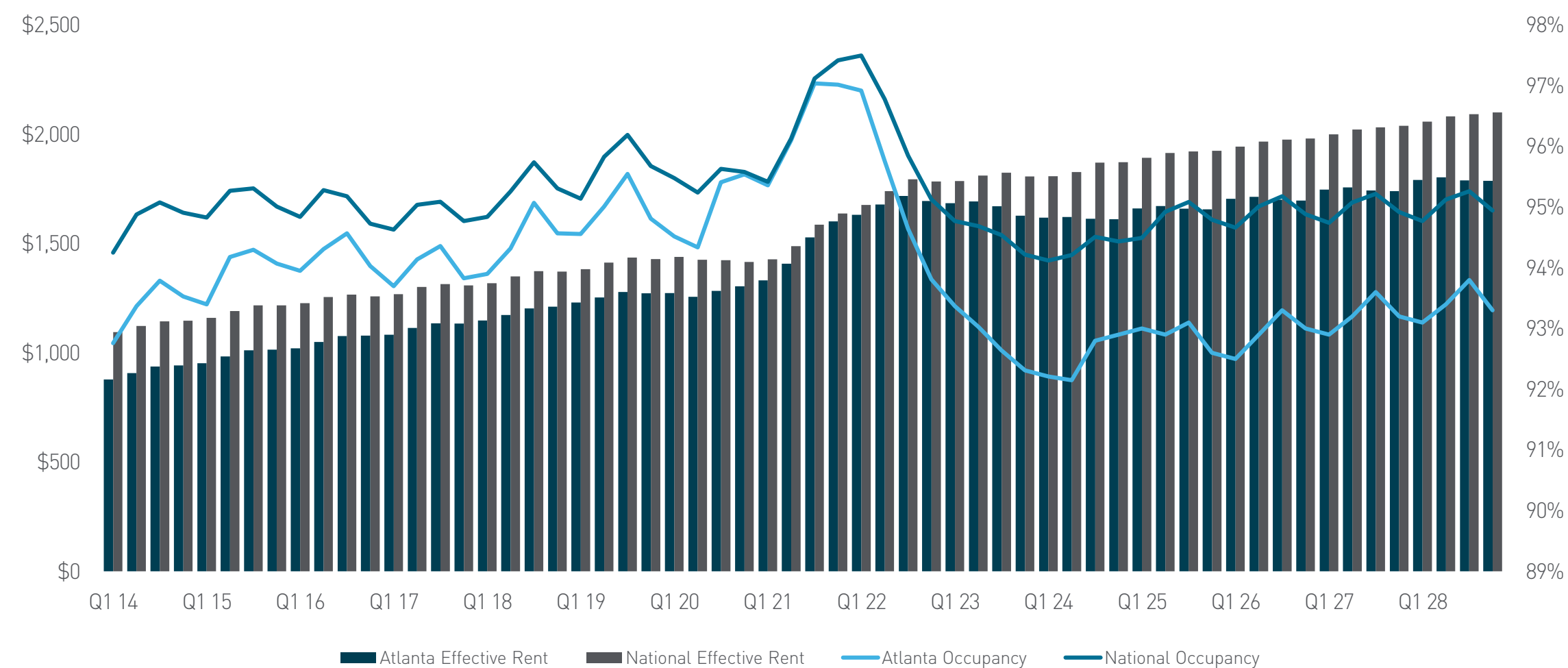
**Q2 2024**  
92.5%  
↓ 50 BPS YOY

Metro multifamily occupancy dropped 50 basis points annually to 92.5% in the second quarter of 2024 as deliveries outpaced absorption for the past 12 months. However, the pipeline of incoming units is projected to max out in 2024 before receding over the next four years, the lower-than-average occupancy rate should be short lived. Additionally, average occupancy rates in the mid-92% range in the second quarter of 2024 are in line with the three other largest apartment markets in Texas, with Houston falling just 10 basis points below Dallas-Fort Worth and above Austin and San Antonio.

Smaller submarkets with less development fared better

and tended to experience occupancy increases compared to markets with higher inventory increases over the past year. The average occupancy rate decreased across all classes, with Class C properties falling the most at 0.7% to 91.7%, followed by Class B with a 0.6% decrease to 92.6%, and then Class A with a 0.4% reduction to 93.1%. The metro's average effective rent for multifamily properties remained as it was 12 months prior at \$1,360 per month. Class C property rents increased the most year over year, at 3.4% which brought the average effective rent to \$1,067; Class A rents increased 1.7% annually to \$1,869, and Class B rents decreased 0.2% annually to \$1,320 in the second quarter.

## Houston vs. National Effective Rent & Occupancy



Source: RealPage Note: Effective rent and occupancy reflect stabilized properties and does not include preleased units or properties in lease-up. A newly constructed property is considered stabilized once it becomes 85% occupied.

## Submarket Performance

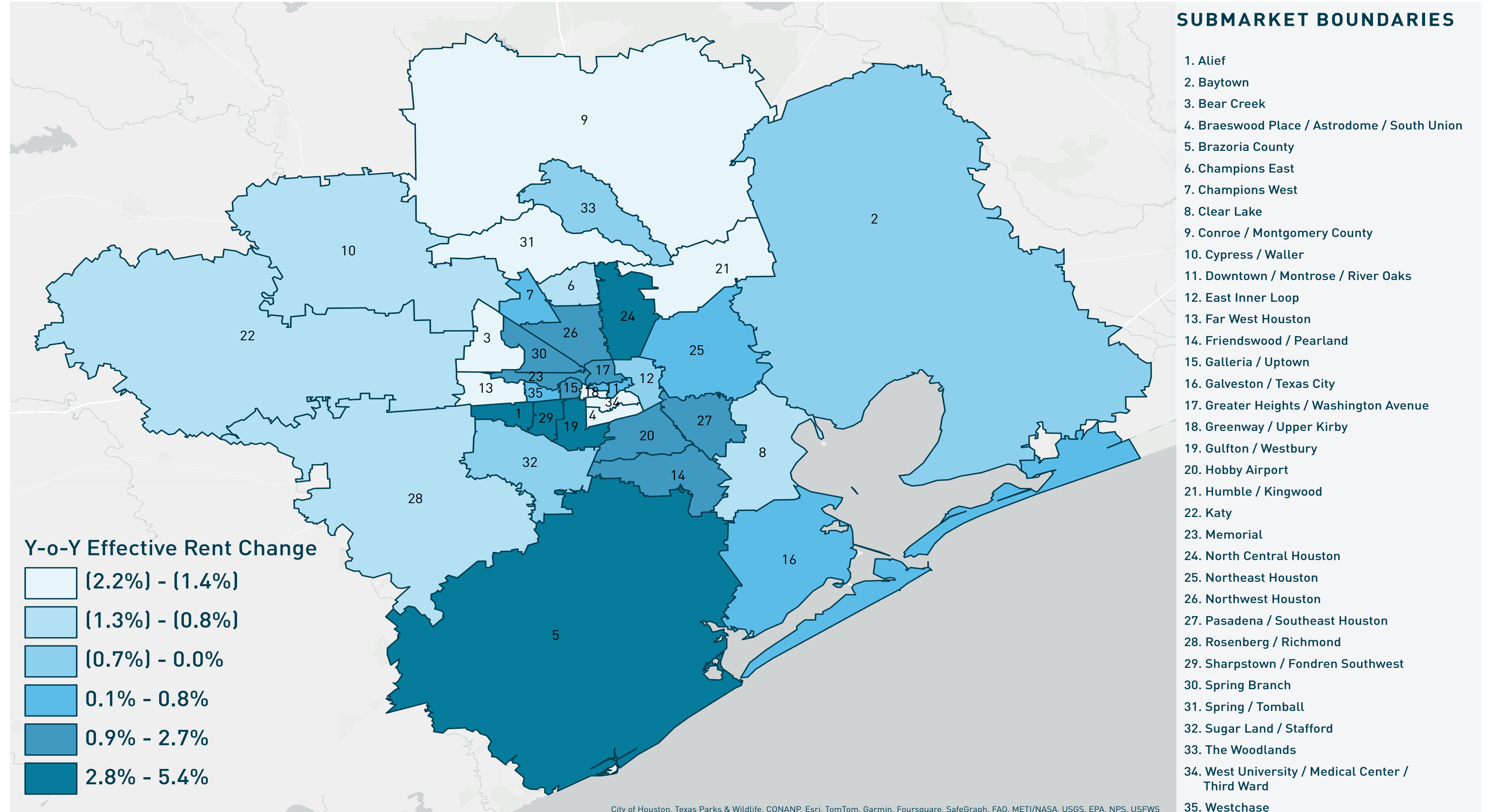
SUBMARKET NAME	Q2 2024 OCCUPANCY	YOY (BPS)	Q2 2024 EFFECTIVE RENT	YOY
Alief	93.6%	-70	\$1,096	5.4%
Baytown	90.8%	-200	\$1,098	-0.5%
Bear Creek	92.4%	-90	\$1,307	-1.8%
Braeswood Place/Astrodome/South Union	91.3%	-70	\$1,328	-2.1%
Brazoria County	91.6%	30	\$1,106	3.3%
Champions East	90.3%	-180	\$1,079	-0.9%
Champions West	92.0%	-120	\$1,306	0.1%
Clear Lake	92.6%	-50	\$1,289	-1.2%
Conroe/Montgomery County	92.4%	-90	\$1,260	-1.6%
Cypress/Waller	91.5%	-10	\$1,513	-0.8%
Downtown/Montrose/River Oaks	92.9%	30	\$2,123	0.5%
East Inner Loop	93.8%	-20	\$1,442	-0.1%
Far West Houston	91.3%	-40	\$1,224	-2.2%
Friendswood/Pearland	93.6%	0	\$1,483	1.3%
Galleria/Uptown	92.1%	-10	\$1,520	1.3%
Galveston/Texas City	91.4%	-140	\$1,273	0.8%
Greater Heights/Washington Avenue	92.9%	30	\$1,826	2.2%
Greenway/Upper Kirby	93.3%	80	\$2,025	-1.4%
Hobby Airport	94.3%	20	\$1,087	4.6%
Humble/Kingwood	90.3%	-260	\$960	2.7%
Katy	92.7%	-50	\$1,333	-1.6%
Katy	93.7%	-10	\$1,525	-1.0%
Memorial	93.7%	40	\$1,764	1.2%
North Central Houston	91.1%	-80	\$994	3.2%
Northeast Houston	91.1%	-110	\$1,184	0.3%
Northwest Houston	91.9%	-180	\$1,069	1.3%
Pasadena/Southeast Houston	92.5%	-20	\$1,077	2.4%
Rosenberg/Richmond	91.8%	-90	\$1,431	-1.1%
Sharpstown/Fondren Southwest	93.3%	-120	\$964	3.3%
Spring Branch	92.3%	40	\$1,276	1.2%
Spring/Tomball	93.1%	-20	\$1,397	-1.6%
Sugar Land/Stafford	94.4%	-20	\$1,496	-0.4%
The Woodlands	93.2%	-60	\$1,557	-0.4%
West University/Medical Center/Third Ward	93.7%	-70	\$1,993	-1.5%
Westchase	91.9%	10	\$1,186	0.4%



## HOUSTON, TX

# SUBMARKET MID-YEAR 2024 ANNUAL RENT CHANGE





Bucking the metro trend, a few small submarkets saw annual rent gains in the second quarter of 2024, but none higher than Alief at 5.4%, which brought the average effective rent to \$1,096 per month. Additionally, the Gulfton/Westbury submarket posted a 4.6% increase annually, with the monthly effective rent landing at \$1,087. Even still, the two submarkets fall at \$264 and \$273 below the Houston market average. Alief has the advantage of proximity to the U.S.'s top performing office submarket, West Houston, anchored by a resurgent energy industry. Gulfton/Westbury has a similar geographic advantage, as it is just outside the desirable Stafford/Sugar Land area, yet also closer to jobs and entertainment opportunities within Houston's CBD. Landlords in smaller submarkets were often able to raise rents because of their proximity to more higher rent submarkets that had healthy demand over the past year.




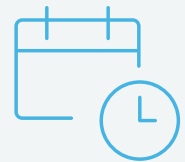
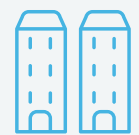
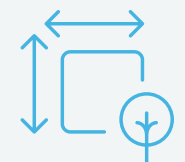


# HOUSTON, TX SALES

2024 Year to Date\*

	<b>VOLUME</b> \$651.0M		<b>PRICE PER UNIT (AVG)</b> \$137,518
	<b>TRANSACTIONS</b> 9		<b>CAP RATE (AVG)</b> N/A

What's Trading?\*

	<b>UNITS (AVG)</b> 383		<b>YEAR BUILT (AVG)</b> 2000s
	<b>BUILDINGS (AVG)</b> 9		<b>ACRES (AVG)</b> 13.07

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

Top Buyers\*

BUYER	LOCATION
Tilman J. Fertitta	Houston, TX
Berkshire Group	Boston, MA
Lionstone Investments	Houston, TX
Venterra Properties	Richmond Hill, ONT
Aggarwal Investments	Sugarland, TX

Top Sellers\*

SELLER	LOCATION
Baupost Group	Boston, MA
Brookfield AM	Toronto, ONT
JP Morgan	New York, NY
Hines	Houston, TX
Stonelake Capital Partners	Austin, TX

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

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