

# Houston Multifamily Market Report





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# 01 | Newmark Houston Overview

**NEWMARK**





# Over a Century of Combined Experience



**PURVESH GOSALIA**  
Vice Chairman



**RUSSELL JONES**  
Vice Chairman



**DAVID MITCHELL**  
Vice Chairman



**DAVID SCHWARZ**  
Vice Chairman



**MATT SAUNDERS**  
Vice Chairman



**TIP STRICKLAND**  
Vice Chairman



**BRANDON MILLER**  
Executive Managing Director



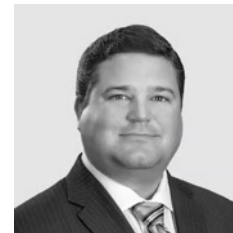
**BRAD SHAFFER**  
Executive Managing Director



**BEN JOHNSON**  
Managing Director



**THOMAS ALLEMAN**  
Senior Managing Director



**DILLON MILLS**  
Director



**CARTER MIZELL**  
Director

# 150+

Newmark Houston's Investment Sales and Capital Markets Brokers Have 150+ Years of Combined Experience Selling and Financing Multifamily in Houston

# Newmark Houston Multifamily Capital Markets Team

## Institutional Sales

**DAVID MITCHELL**  
Vice Chairman

**THOMAS ALLEMAN**  
Senior Managing Director

## Private Client Group

**RUSSELL JONES**  
Vice Chairman

**MATT SAUNDERS**  
Vice Chairman

**CARTER MIZELL**  
Director

## Equity

**BEN JOHNSON**  
Managing Director

## Land

**DILLON MILLS**  
Director

## Transaction Team

**JONATHAN POWELL**  
Transaction Manager

**ANTHONY LUKEFAHR**  
Transaction Manager

**CHIRAG BATAVIA**  
Senior Financial Analyst

**PRESTON HEARD**  
Senior Financial Analyst

**REESE ELLER**  
Senior Financial Analyst

**DUNCAN GUINN**  
Financial Analyst

## Debt & Structured Finance

**TIP STRICKLAND**  
Vice Chairman

**DAVID SCHWARZ**  
Vice Chairman

**PURVESH GOSALIA**  
Vice Chairman

**KEVIN AMEND**  
Vice President

**ANDY CAREY**  
Vice President

**JOHN YOUNG**  
Senior Financial Analyst

**HAYDEN HEDRICK**  
Financial Analyst

**MORGAN MYERS**  
Administrative Assistant

## Secondary Markets

**BRAD SHAFFER**  
Executive Managing Director

**BRANDON MILLER**  
Executive Managing Director

**TAYLOR GASPARD**  
Transaction Manager

## Marketing

**ELIZABETH AHOW**  
Senior Marketing Coordinator

**CLAUDIA VILLA**  
Senior Marketing Coordinator

**SEAN SONNIER**  
Senior Marketing Coordinator

## Operations

**AIMEE HAWTHORNE**  
Senior Business Operations Manager

**MELANIE WHATLEY**  
Transaction Services Coordinator

**RAMONA VOLOVIK**  
Transaction Coordinator

**SYDNEY LITTLE**  
Transaction Service Coordinator

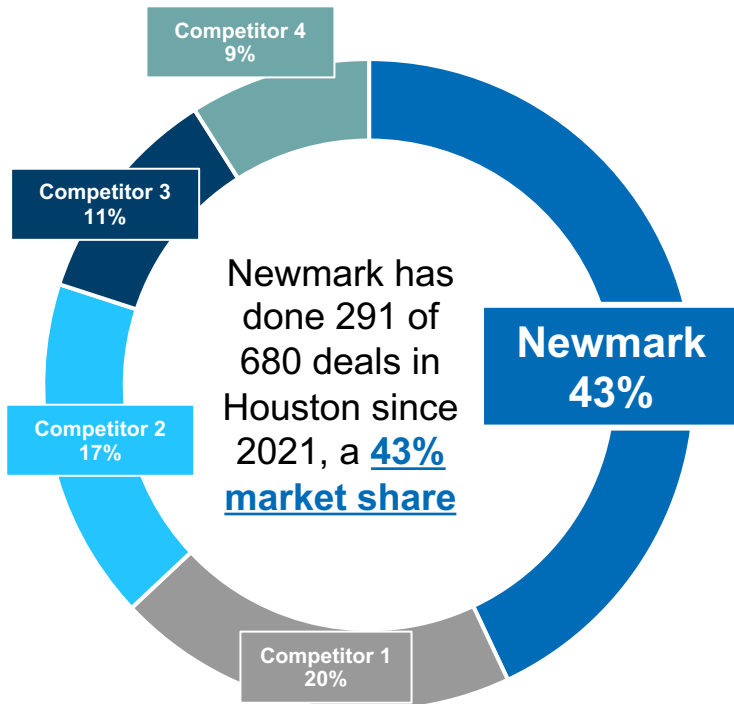
**MEREDITH KNIGHT**  
Administrative Assistant

**KATE PATTERSON**  
Administrative Assistant

# Newmark Houston Market Share

## Market Share 2021 to Present

291 Deals Closed  
 83,820 Units  
 \$12.8B Sales Volume  
 169 Class A Transactions  
 122 Class B/C Transactions



## Notable Q4 Transactions

### Class A Sales



**Cortland  
Cinco Ranch**  
 2016 YOC  
 186 Units

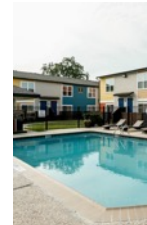


**Advenir at  
Milan**  
 2006 YOC  
 360 Units



**Meritage**  
 2009 YOC  
 240 Units

### Class B/C Sales



**Landings at  
Northpoint**  
 1971 YOC  
 321 Units



**Central Park**  
 1977 YOC  
 424 Units

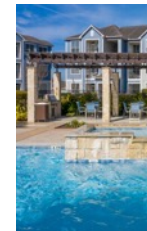


**Stonecreek &  
Waterstone Place**  
 1997/2001 YOC  
 376 Units

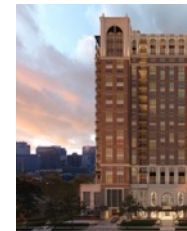
### Financing & Equity Placement



**Standard at  
Eastpoint**  
 Debt Fund  
 Execution  
 2016 YOC  
 283 Units



**Generation  
Grove**  
 Debt Fund  
 Execution  
 2013 YOC  
 257 Units



**The Langley**  
 JV Equity &  
 Construction Loan  
 2025 YOC  
 134 Units

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## 02 | Houston Economic Overview

**NEWMARK**



# Houston Highlights

## Economy

- Already the fourth largest metropolitan statistical area (MSA) in the U.S., Moody’s Analytics data shows that Houston is projected to gain 389,000 residents by 2028.
- The U.S. Census Bureau and Moody’s rank the Houston region as among the top five nationally for employment growth, with Moody’s Analytics **ranking Houston 1st among the 20 largest metros from 2024 – 2028, at an average annual job gain of over 35,000 per year, for the next five years.**
- Moody’s Analytics projects **Houston to have the highest population growth for any U.S. city from 2024 – 2028.**
- The Texas Medical Center recently announced plans for a new 500-acre development, TMC BioPort, which will focus on cell and gene therapy, as well as biomanufacturing and medical supplies distribution. CEO Bill McKeon anticipates that BioPort will create 100,000 jobs and have an annual economic impact of \$54 billion.
- With near record home values as well as elevated mortgage rates, the average monthly PITI payment in Houston is \$3,670, nearly triple the average multifamily rent of \$1,261 and over double the average Class A rent of \$1,720.

## Multifamily

- Average effective rents across all property types are up 1.5% in the trailing 12 months (T12); **Houston is the only major metropolitan area in Texas with positive T12 rent growth.** Houston’s average occupancy rate is 90.2%, in line with its 10-year average of 89.7%.
- Class A absorption has remained strong with 15,039 units absorbed over the last 12 months, exceeding its 10-year historical average of 13,136.
- Effective rents have increased 6.3% in the past 24 months. Houston’s exceptional population and employment growth, coupled with an undersupply of new construction, have put upward pricing pressure on rents.
- Houston currently has 25,394 units under construction, representing 3.4% of total inventory in the MSA (745,377 units). **Houston leads other major Texas metropolitan areas in this category** with Dallas at 4.9% and Austin at 12.0%.



# Houston Is Set Up For Continued Growth

The nation's fourth largest city is home to one of the world's youngest, fastest-growing and most diverse populations, creating a cultural identity and way of life that is uniquely "Houston." Houston has been a center for world-changing innovations in energy, aerospace and life sciences for decades. Science and engineering breakthroughs are ingrained in the fabric of Houston's economy, and the region is fast-becoming a hub for high-tech companies, entrepreneurship, and talent.

## STRONG, DIVERSE ECONOMY

**4<sup>th</sup>** Largest U.S. City

**3.36M** Jobs

**\$490B** Gross Domestic Product

## GLOBAL CITY

**90+** Foreign Consulates

**2** International Airports

**#1** U.S. Exporting Port

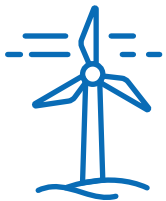
## HOME TO:

- WORLD'S LARGEST MEDICAL CENTER
- NASA'S JOHNSON SPACE CENTER AND HOUSTON SPACEPORT
- 26 FORTUNE 500 HEADQUARTERS

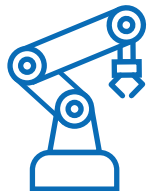
## FASTEST GROWING MAJOR U.S. METRO

## MOST DIVERSE CITY IN AMERICA

## INDUSTRY CONVERGENCE



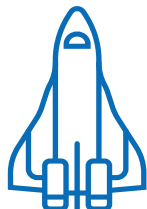
Energy 2.0



Advanced Manufacturing



Life Sciences



Aerospace

### BUSINESS CLIMATE

#### LOW COST OF LIVING

**NO PERSONAL & CORPORATE INCOME TAX**

**#7** Global City of the Future

### POPULATION

**7.3M**

Residents

**1 in 4**

Houstonians are foreign-born

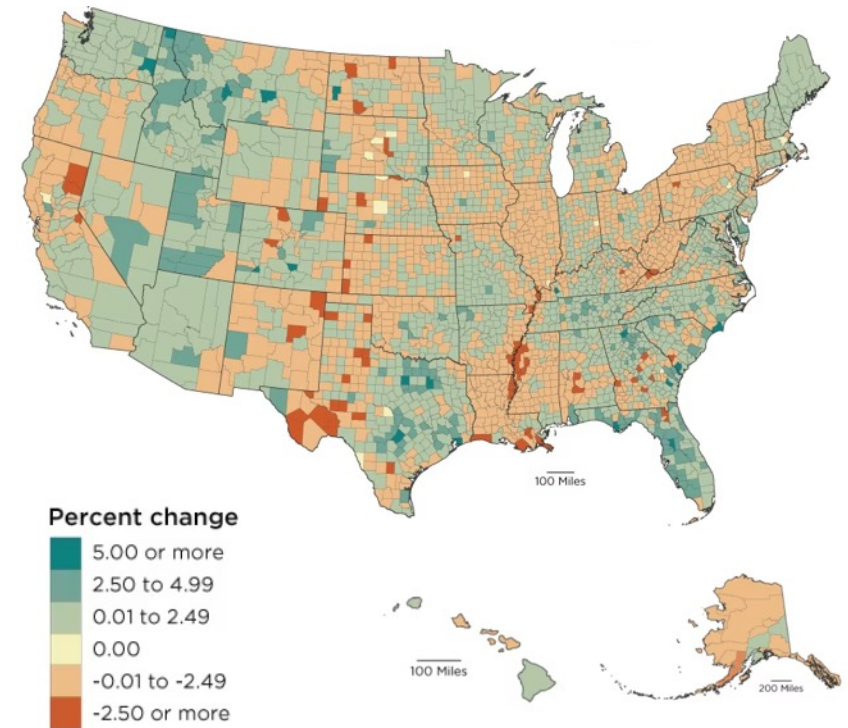
# Nation-Leading Projected Population Growth

Metro (2024-2028)	Population Growth (ths)	Population Growth	Average Annual Gain/Loss <sup>1</sup>
<b>1 Houston</b>	<b>389.4</b>	<b>5.1%</b>	<b>97.4</b>
2 Phoenix	328.0	6.3%	82.0
3 Dallas	293.2	5.3%	73.3
4 Atlanta	243.8	3.8%	61.0
5 Seattle	128.6	4.1%	32.1
6 Denver	119.9	3.9%	30.0
7 Tampa	114.6	3.4%	28.7
8 Riverside	108.3	2.3%	27.1
9 Minneapolis	100.7	2.7%	25.2
10 Washington D.C.	93.5	1.8%	23.4
11 Miami	75.5	2.7%	18.9
12 San Francisco	33.8	2.1%	8.5
13 New York	26.8	0.2%	6.7
14 San Diego	16.7	0.5%	4.2
15 Los Angeles	16.6	0.2%	4.1
16 Boston	14.9	0.7%	3.7
17 Baltimore	6.8	0.2%	1.7
18 Philadelphia	-2.6	-0.1%	-0.6
19 Detroit	-63.5	-3.7%	-15.9
20 Chicago	-103.5	-1.4%	-25.9

- According to Moody’s Analytics, **Houston ranks first** among the 20 largest U.S. metros for projected total population increase (2024-2028).
- With over 7.3 million residents, Houston is the fourth largest metro area in the US.
- Houston has averaged 1.13% annual population growth since 2017 and is projected to grow at an average annual rate of 1.01% over the next five years.

# Counties With Highest Population Growth in the Nation

Rank	State	County	July 2021	July 2022	Numeric Growth	Percent Growth
1	Arizona	Maricopa County	4,494,693	4,551,524	56,831	1.3%
2	Texas	Harris County	4,735,287	4,780,913	45,626	1.0%
3	Texas	Collin County	1,114,450	1,158,696	44,246	4.0%
4	Texas	Denton County	943,857	977,281	33,424	3.5%
5	Florida	Polk County	755,179	787,404	32,225	4.3%
6	Florida	Lee County	790,676	822,453	31,777	4.0%
7	Texas	Fort Bend County	860,124	889,146	29,022	3.4%
8	Florida	Hillsborough County	1,484,455	1,513,301	28,846	1.9%
9	Texas	Bexar County	2,030,895	2,059,530	28,635	1.4%
10	Texas	Montgomery County	650,261	678,490	28,229	4.3%

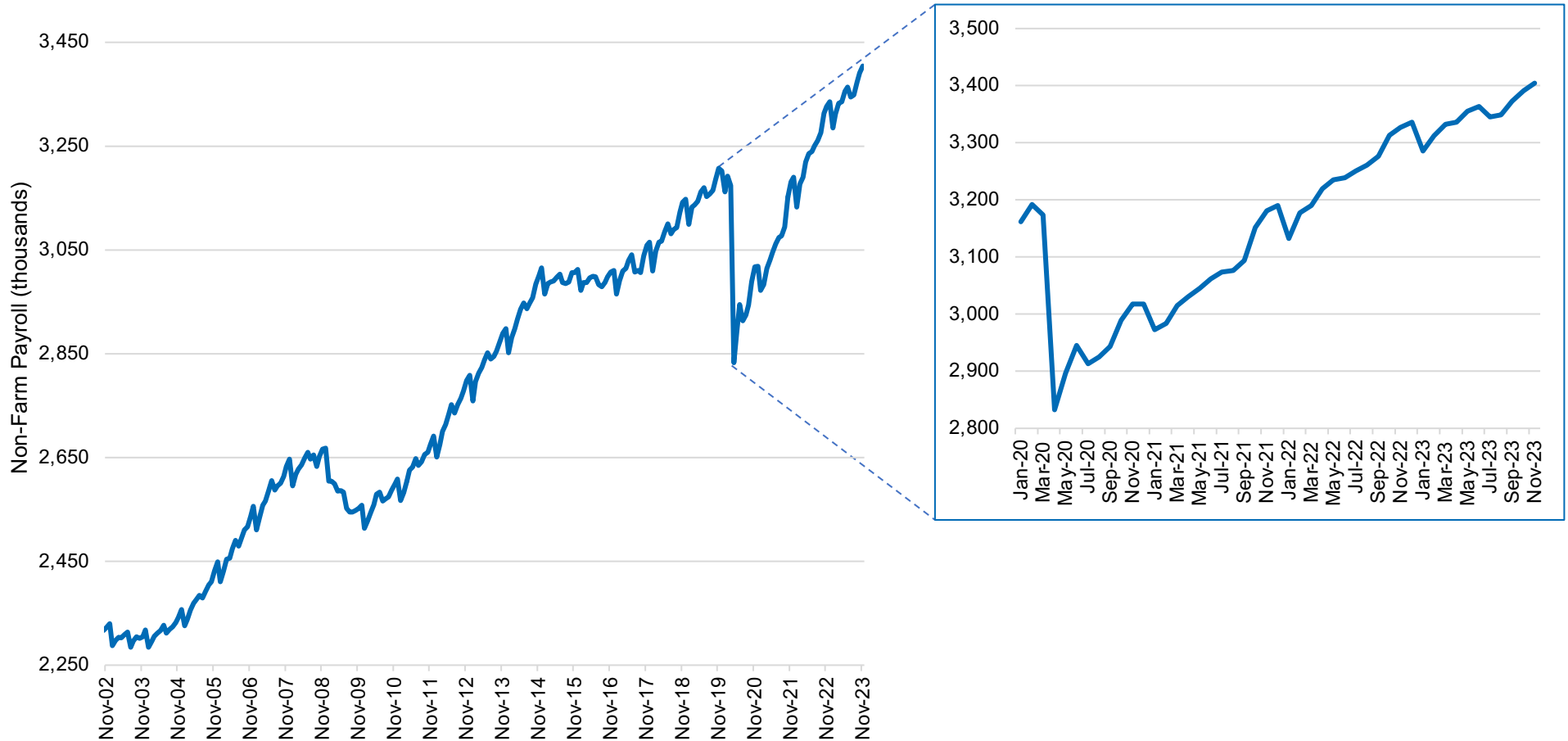


- Texas is home to six of the top ten highest-growth counties in the country, **with three in the Houston area**, two in Dallas-Fort Worth and one in San Antonio.
- Harris County grew 1.0% from July 2021 to July 2022. Nearby Montgomery and Fort Bend counties grew 4.3% and 3.4% respectively.



# Metro Employment Update

## Houston Historical Non-Farm Payroll



- In November 2023, the U.S. Bureau of Labor Statistics reported a monthly gain of 13,300 jobs in Houston, resulting in the highest recorded non-farm payroll numbers in the city's history.
- Houston lost 359,000 jobs during the pandemic, but as of November 2023 had added back 571,900 jobs, over 159% of the number lost.
- **Houston gained over 172,000 and 145,000 jobs in 2021 and 2022, respectively. This marks the best annual job growth for the region since 1990. Over the last 12 months, Houston has gained over 77,000 jobs.**

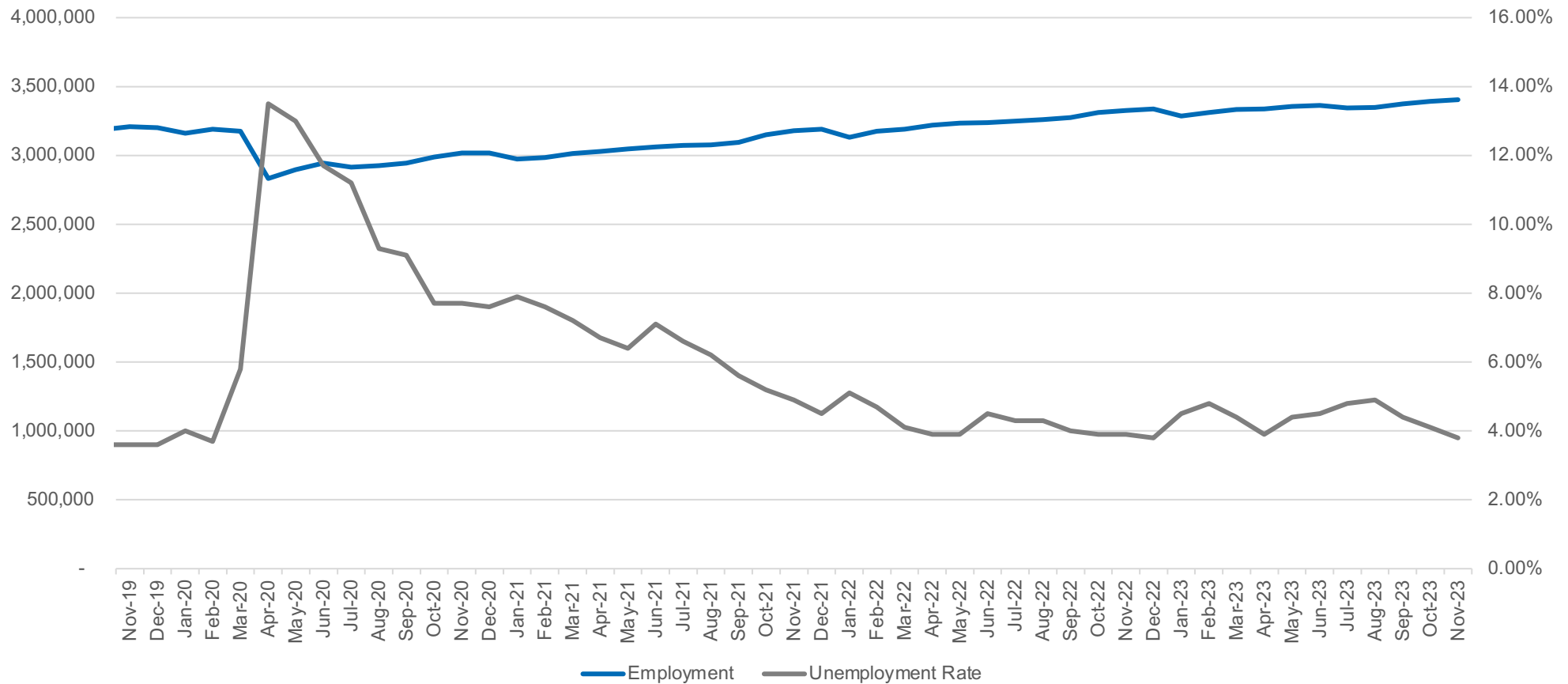
# Metro Employment Update

	Metro (2024-2028)	Employment Growth (ths)	Employment Growth	Average Annual Job Growth <sup>1</sup>
1	<b>Houston</b>	<b>141.7</b>	<b>4.2%</b>	<b>35.4</b>
2	Phoenix	140.6	5.9%	35.2
3	Dallas	137.7	4.5%	34.4
4	Atlanta	105.1	3.4%	26.3
5	Los Angeles	79.9	1.7%	20.0
6	Tampa	64.1	4.1%	16.0
7	Seattle	63.6	3.4%	15.9
8	Denver	59.8	3.7%	15.0
9	Washington D.C.	58.1	2.1%	14.5
10	Riverside	56.5	3.3%	14.1
11	Miami	50.0	3.8%	12.5
12	Minneapolis	38.1	1.9%	9.5
13	San Diego	34.7	2.2%	8.7
14	San Francisco	33.7	2.7%	8.4
15	Boston	32.4	2.4%	8.1
16	New York	15.8	0.2%	3.9
17	Baltimore	13.9	1.0%	3.5
18	Chicago	9.8	0.3%	2.5
19	Philadelphia	8.4	0.8%	2.1
20	Detroit	-5.0	-0.7%	-1.3

**Moody's Analytics projects that from 2024 to 2028, Houston will add 142,000 jobs and show the highest employment growth in the U.S. In addition, Greater Houston Partnership projects 2024 Houston employment gains of 57,600 jobs.**

# Metro Employment Update

## Houston Labor Force & Unemployment Rate

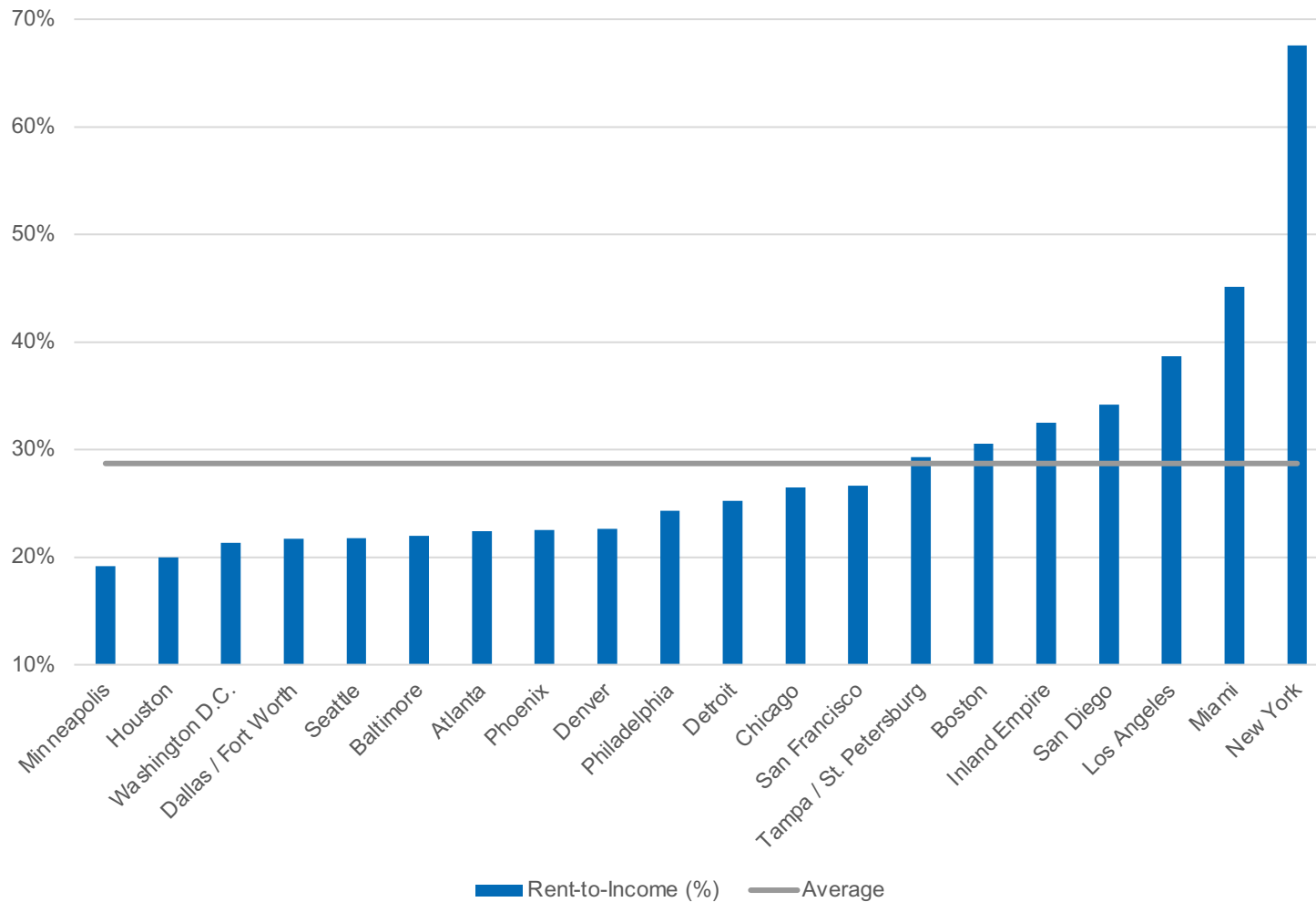


- The Houston MSA unemployment rate was 3.8% in November 2023, nearly 2.25% lower than the monthly average since the pandemic began.
- **State-wide unemployment was 4.1% in November 2023** (Texas unemployment peaked at 12.8% in April 2020).
- U.S. unemployment was 3.7% in November 2023 (U.S. unemployment peaked at 14.7% in April 2020).



# Affordability Metrics

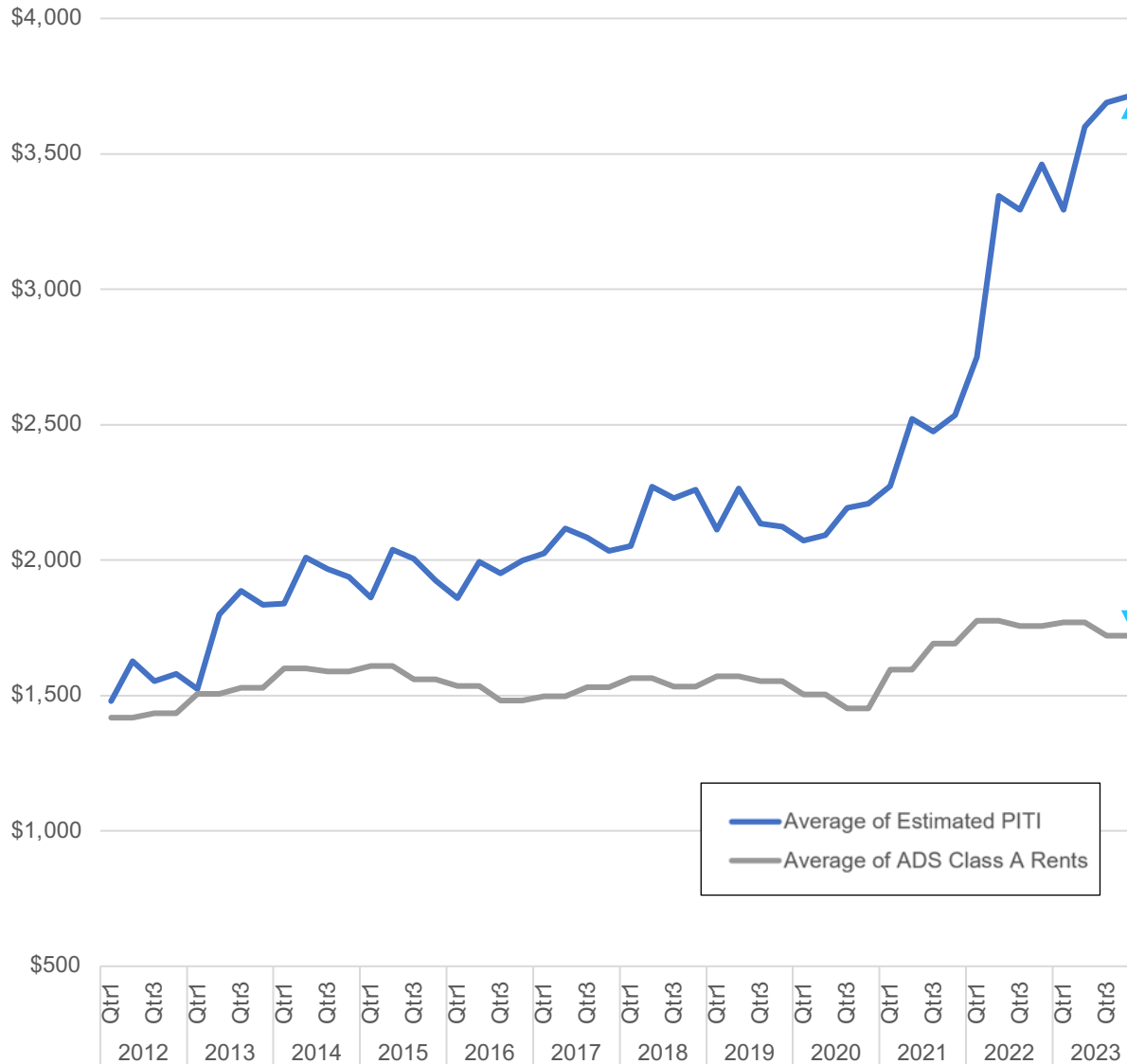
## 20 U.S. Metro Rent-to-Income Ratio



**Houston ranks second nationwide in rental affordability**, with a 19.9% rent-to-income ratio compared to an average of 28.7% across the 20 largest metro areas.

# Single-Family Market

Houston Metro – Rent vs. Own



- As of mid-December 2023, the 30-year fixed rate mortgage average is 6.95%, an increase of 430 bps from the Covid-era interest rate bottom.
- Despite the higher rate environment, the average Houston home value of \$403,500 is near historical highs, according to the latest data from the Texas Real Estate Research Center.
- Nearly record home values, coupled with high interest rates, have resulted in average mortgage payments that are significantly higher than average multifamily rents, reinforcing the relative affordability of renting over home ownership.
- As of 4Q23, the average monthly PITI payment in Houston is \$3,670, nearly triple the average multifamily rent of \$1,265 and over double the average Class A rent of \$1,727. **The gap between Class A average rents and today's estimated PITI payment for a new homebuyer is the widest it has been in recent history.**

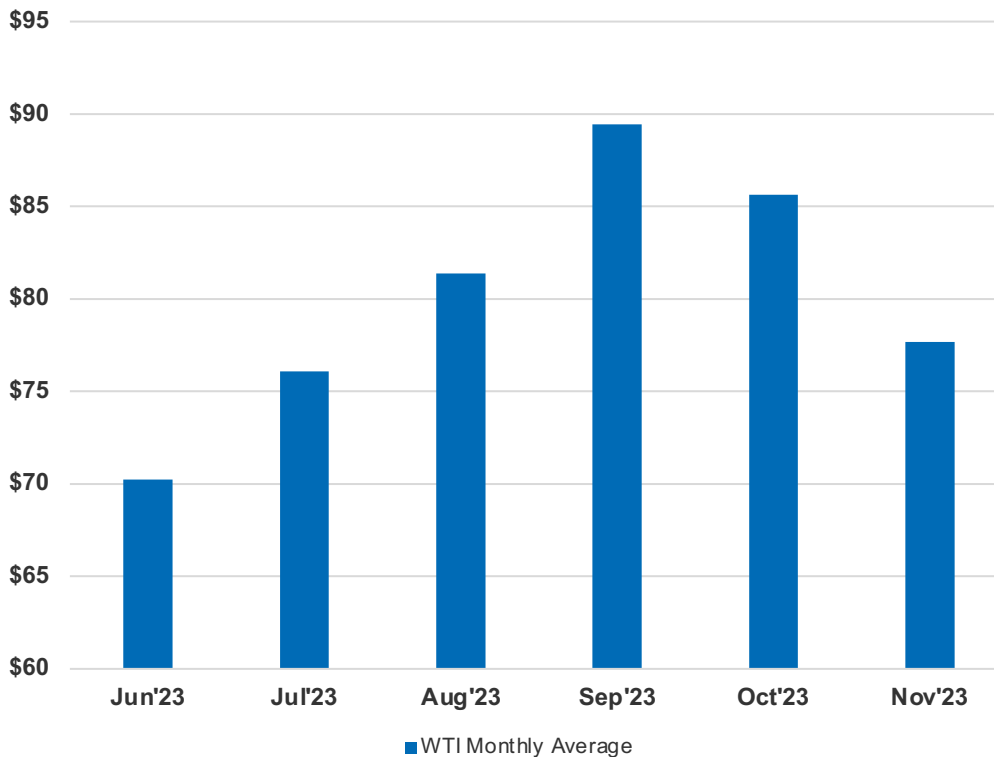
SOURCE: Texas Real Estate Research Center, Freddie Mac, Apartment Data Services

PITI ESTIMATE ASSUMPTIONS: 10% down payment, homeowner's insurance at 1% of home value, mill rate of 2.25%, PMI of \$50/month

# Booming Oil And Gas Industry

The energy capital of the world<sup>1</sup>, Houston, has benefited greatly from rising oil prices. Over the last 24 months, the West Texas Intermediate (WTI) average oil price was over \$86/bbl. Over the past 6 months, average oil prices have increased nearly 10.6%. The U.S. Energy Information Administration forecasts WTI to average \$78.07/bbl in 2024.

West Texas Intermediate (WTI) - T12 - Price per Barrel



“[The increase in prices] makes exploration for oil very profitable. It makes production of oil profitable, and in turn, that makes the production of the equipment, supplies, and so forth necessary to do exploration profitable. And **that is where Houston really benefits.**”

– Edward Friedman, Moody’s Analytics

1: <https://www.houston.org/why-houston/industries/energy>

SOURCE: U.S. Energy Information Administration, Houston Chronicle, Houston Business Journal



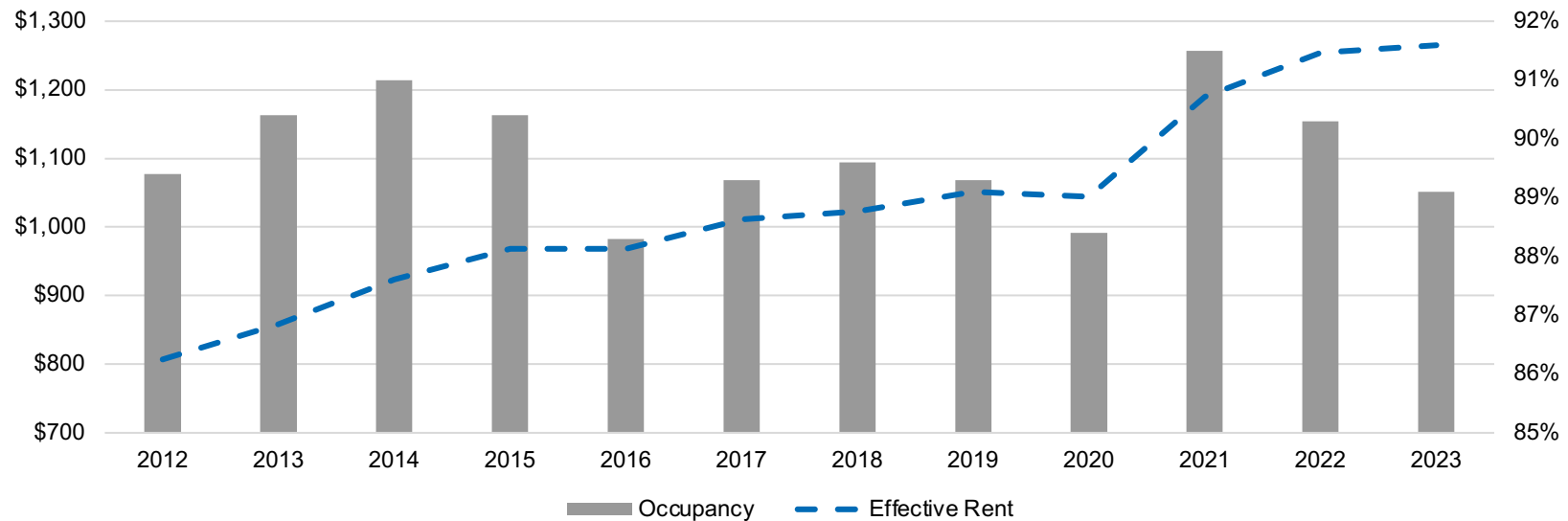
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## 03 | Houston Multifamily Overview

**NEWMARK**



# Historic Houston Multifamily Fundamentals



Year	Total Units	New Supply	Class A Units Absorbed	Occupancy	Effective Rent	Effective Rent Trend
2012	567,022	5,954	2,298	89.4%	\$807	5.5%
2013	578,257	12,314	3,745	90.4%	\$858	6.3%
2014	591,782	17,472	7,055	91.0%	\$924	7.7%
2015	610,560	20,679	11,005	90.4%	\$968	4.8%
2016	630,722	21,704	12,998	88.3%	\$968	0.0%
2017	643,163	14,093	17,905	89.3%	\$1,011	4.4%
2018	651,212	5,656	8,355	89.6%	\$1,023	1.2%
2019	669,349	17,209	9,104	89.3%	\$1,051	2.7%
2020	690,102	22,675	12,270	88.4%	\$1,044	-0.7%
2021	708,754	19,370	24,689	91.5%	\$1,190	14.0%
2022	722,857	15,511	12,938	90.3%	\$1,254	5.4%
2023	745,377	19,901	15,039	91.2%*	\$1,261	1.5%
<b>10-Year Avg.</b>	<b>666,274</b>	<b>17,427</b>	<b>13,136</b>	<b>89.8%</b>	<b>\$1,069</b>	<b>4.1%</b>

\* Stabilized occupancy

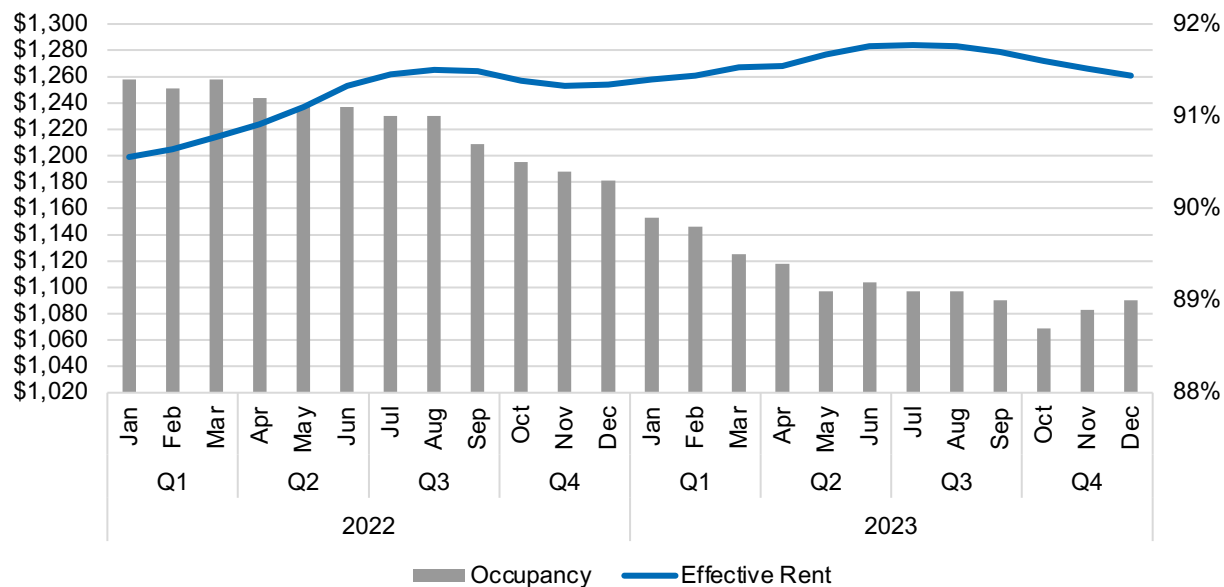
# All Classes Multifamily Market Performance

## Market Snapshot

Average Rent	\$1,261
Average Rent per SF	\$1.41
Average Occupancy	91.2%*
T12 Rent Growth	1.5%
2021 to Present: New Supply	54,782
2021 to Present: Units Absorbed	53,793

\* Stabilized occupancy

## All Classes Effective Rent & Occupancy



- Effective rents for all classes grew 1.0% in 2023, while occupancy has remained steady at around 90%.
- Rents have fully recovered from pandemic-era lows, and the demand for multifamily has reached unprecedented levels. Houston absorbed 53,793 units since the start of 2021, well above the previous high of 30,000 units in 2017-2018 after Hurricane Harvey.
- Across the MSA, current effective rents have increased 5.2% from January 2022. Houston's exceptional population and employment growth, coupled with an undersupply of new construction, have put upward pricing pressure on rents.

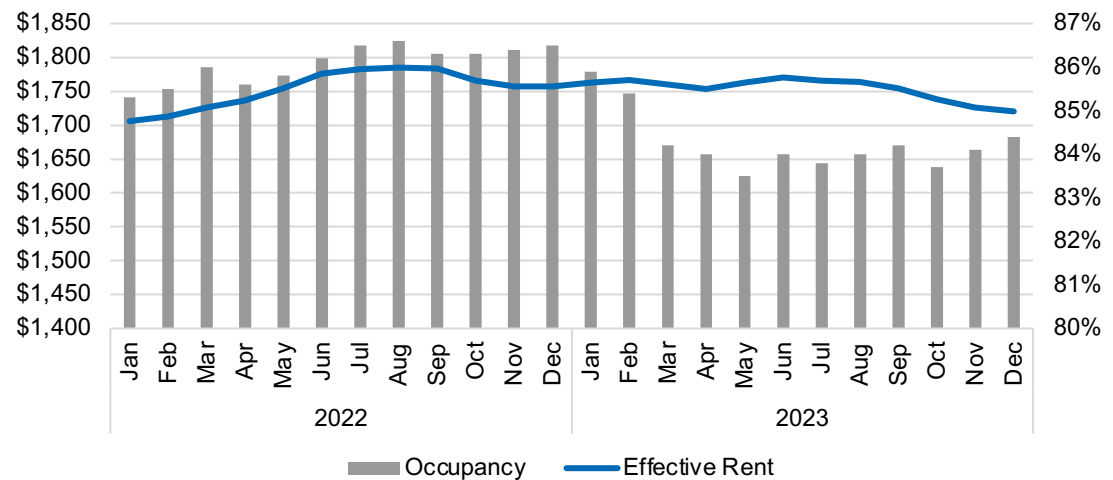
# Class A Multifamily Market Performance

## Market Snapshot

# of Properties	756
# of Units	201,428
Average Rent	\$1,720
Average Rent PSF	\$1.81
Average Occupancy*	91.8%

\*Occupancy based on stabilized properties

## Class A Effective Rent and Occupancy

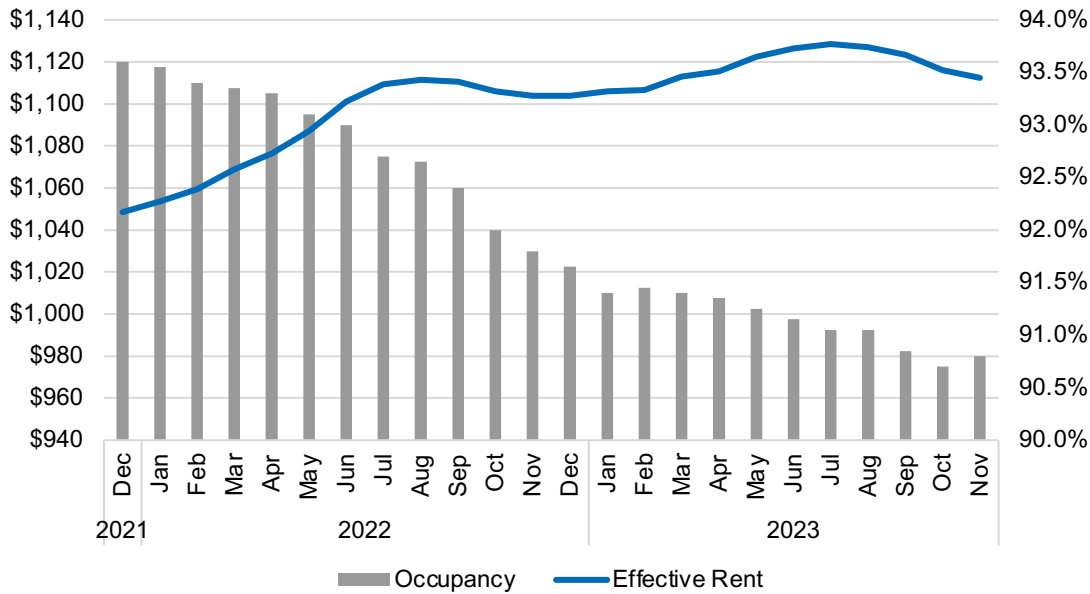


- Demand for Class A properties has been fueled by a pandemic-era pause on new construction and rising single-family home prices. Class A assets have absorbed 15,039 of all 201,428 units over the trailing 12 months, approximately 7.5%.



# Class B/C Multifamily Market Performance

**Class B/C Effective Rent & Occupancy**



Market Snapshot	Class B	Class C
# of Properties	1,169	858
# of Units	280,481	208,764
Average Rent	\$1,244	\$973
Average Rent PSF	\$1.40	\$1.14
Average Occupancy	91.5%	90.2%
T24 Rent Growth	3.6%	7.0%

- Class B effective rents grew 3.6% in 2023, while Class C effective rents increased 7.0%.
- Class B and C rents saw the most stability during the pandemic, falling only 1.42% and 0.24%, respectively.
- Class B and Class C occupancy has remained above 90% over the past year.

## 4Q 2023 Effective Rent Growth and 2024–2027 Projections

– According to AxioMetrics, 17 of 35 submarkets saw positive rent growth in Q4 2023, with continued strong growth forecasted for the next several years.

Axio Submarket	Q4 2023	2024-2027	Axio Submarket	Q4 2023	2024-2027
Alief	6.3%	4.0%	Galveston/Texas City	0.0%	4.4%
Sharpstown/Fondren Southwest	5.3%	4.2%	Greenway/Upper Kirby	-0.2%	0.2%
Hobby Airport	4.3%	3.4%	Spring Branch	-0.2%	2.3%
Northwest Houston	3.3%	4.2%	Clear Lake	-0.3%	2.5%
Gulfton/Westbury	2.8%	3.0%	The Woodlands	-0.3%	0.5%
North Central Houston	2.3%	4.3%	Brazoria County	-0.5%	1.0%
Northeast Houston	2.2%	4.3%	Westchase	-0.9%	1.5%
West University/Medical Center/Third Ward	2.1%	0.3%	Spring/Tomball	-1.0%	2.5%
Champions East	2.0%	3.6%	Cypress/Waller	-1.0%	1.0%
Baytown	1.6%	2.3%	Rosenberg/Richmond	-1.1%	1.1%
East Inner Loop	1.1%	0.8%	Downtown/Montrose/River Oaks	-1.2%	0.0%
Memorial	1.0%	0.0%	Sugar Land/Stafford	-1.3%	0.8%
Pasadena/Southeast Houston	0.9%	4.2%	Greater Heights/Washington Avenue	-1.5%	0.0%
Champions West	0.7%	2.0%	Conroe/Montgomery County	-1.5%	1.3%
<b>Houston MSA</b>	<b>0.5%</b>	<b>2.0%</b>	Katy	-1.5%	0.9%
Braeswood Place/Astrodome/South Union	0.1%	0.9%	Galleria/Uptown	-1.6%	0.3%
Friendswood/Pearland	0.1%	2.0%	Humble/Kingwood	-1.7%	2.5%
Bear Creek	0.0%	2.3%	Far West Houston	-2.0%	1.6%

# Submarket Construction Pipeline

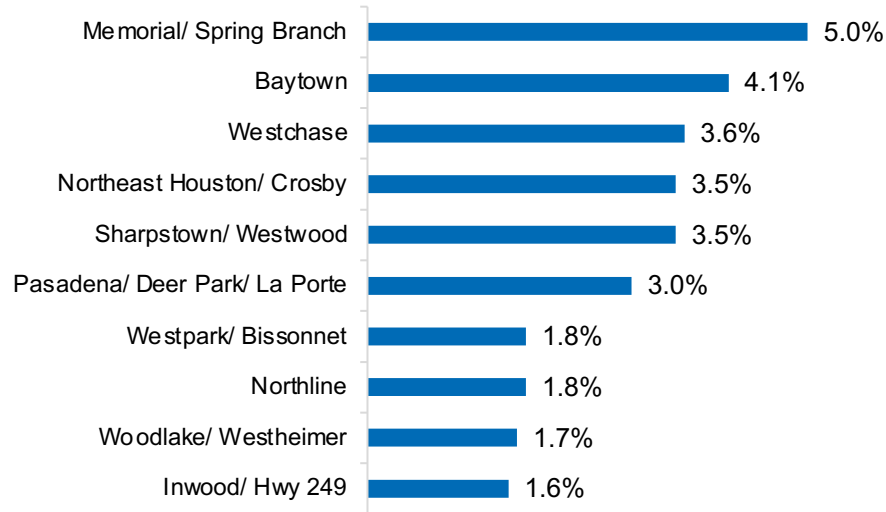
Submarket	Current Occupancy	UNITS DELIVERED			UNITS UNDER CONSTRUCTION		
		2021	2022	2023	2024 Deliveries	2025 Deliveries	Total Deliveries
<b>Infill</b>							
Heights / Washington Ave.	90.0%	1,841	1,573	812	2,083	350	2,433
Montrose/ Museum/ Midtown	90.1%	1,603	669	667	935	791	1,726
Downtown	82.7%	293	910	655	1,216	0	1,216
Highland Village/ Upper Kirby/ West U	93.5%	1,013	559	0	0	209	209
Galleria/ Uptown	90.9%	383	0	0	0	172	172
<b>Infill Total</b>		<b>5,133</b>	<b>3,711</b>	<b>2,134</b>	<b>4,234</b>	<b>1,522</b>	<b>5,756</b>
<b>Non-Infill</b>							
Katy/ Cinco Ranch/ Waterside	84.1%	1,895	1,411	3,799	3,067	1,068	4,135
Sugar Land/ Stafford/ Sienna	86.9%	1,376	476	970	1,082	661	1,743
Conroe North/ Montgomery	85.6%	115	1,055	846	925	656	1,581
Tomball/ Spring	89.4%	706	0	1,984	1,078	360	1,438
Energy Corridor/ CityCentre/ Briar Forest	85.3%	1,210	317	0	1,422	0	1,422
Memorial/ Spring Branch	90.2%	0	648	0	1,105	260	1,365
Bear Creek/ Copperfield/ Fairfield	90.0%	888	361	2,104	1,251	0	1,251
Woodlands/ Conroe South	90.8%	0	429	264	494	568	1,062
Clear Lake/ Webster/ League City	88.5%	0	516	675	702	0	702
Lake Houston/ Kingwood	90.4%	805	447	596	611	0	611
Beltway 8 / I-45 South	90.1%	254	625	0	579	0	579
Hwy 288 South/ Pearland West	80.0%	309	0	570	576	0	576
Northline	82.6%	0	0	243	477	0	477
Alief	90.4%	0	0	0	120	341	461
U of H/ I-45 South	90.4%	206	0	0	409	0	409
I-69 North	92.1%	0	0	0	376	0	376
Dickinson/ Galveston	89.5%	300	384	0	296	0	296
Pasadena/ Deer Park/ La Porte	85.9%	352	0	854	291	0	291
Inwood/ Hwy 249	91.9%	234	0	300	0	272	272
Willowbrook/ Champions/ Ella	86.7%	294	0	798	250	0	250
Almeda/ South Main	90.4%	0	0	378	230	0	230
Friendswood/ Pearland East	88.5%	360	239	0	0	111	111
<b>Non-Infill Total</b>		<b>9,889</b>	<b>7,199</b>	<b>14,381</b>	<b>15,341</b>	<b>4,297</b>	<b>19,638</b>
<b>Grand Total</b>		<b>15,022*</b>	<b>10,910*</b>	<b>16,515*</b>	<b>19,575</b>	<b>5,819</b>	<b>25,394</b>

\*Units delivered include data from submarkets with units currently under construction. Additional submarkets with 2021, 2022, and 2023 deliveries were not included.

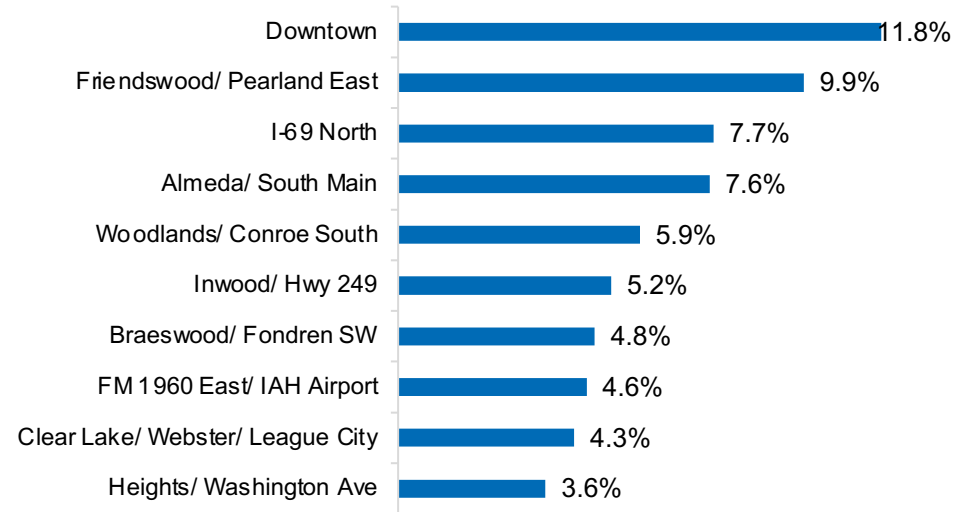
**Non-infill submarkets account for 77.3% of all upcoming supply; the remainder are infill.**

# Houston Submarket Rankings

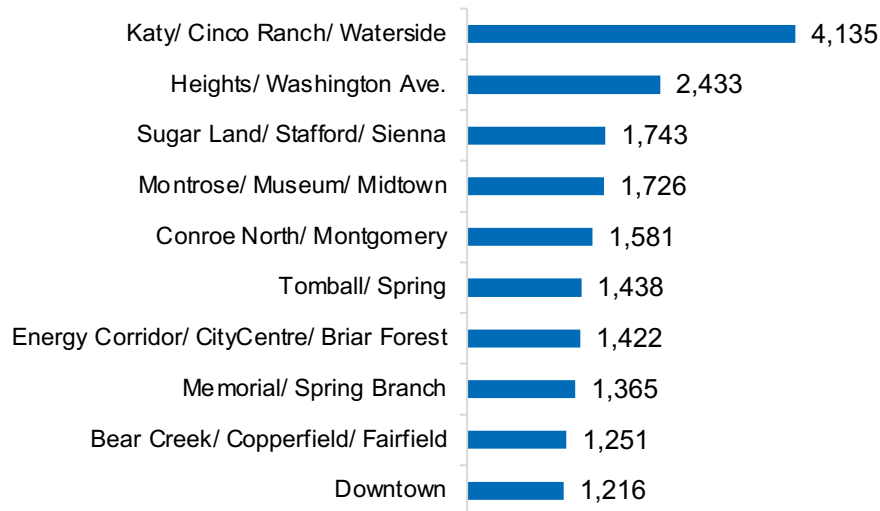
**Rental Rate Growth (Trailing 3 Months)**



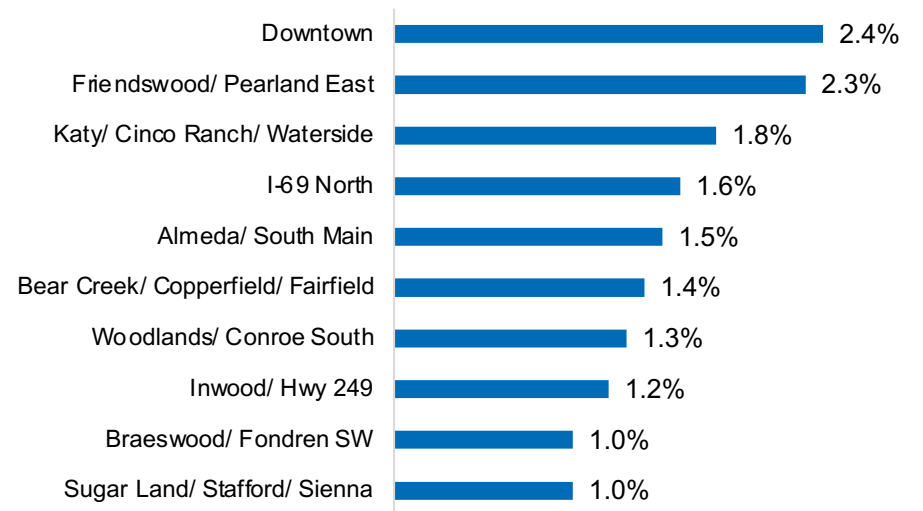
**Occupancy Growth (Trailing 3 Months)**



**Units Under Construction**



**Percent of Market Absorbed (Trailing 3 Months)**





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## 04 | Houston Transaction Trends

**NEWMARK**



# Newmark Houston Stats

## 2023 Most Active Houston Buyers & Sellers

### Buyers

#### Top 3 in # of Transactions

- 1) Zimmerman Properties – 7 transactions
- 2) Michaels Organization – 5 transactions
- 3) Lone Star Capital – 4 transactions

#### Top 3 in Transaction Volume

- 1) MLG Capital – \$171M
- 2) Hamilton Pointe – \$128M
- 3) Lone Star Capital – \$117.5M

### Sellers

#### Top 3 in # of Transactions

- 1) Knightvest Capital – 3 transactions
- 2) NRP Group – 3 transactions
- 3) Western Wealth – 3 transactions

#### Top 3 in Transaction Volume

- 1) Southstar Properties – \$171M
- 2) Knightvest Capital – \$108.8M
- 3) Cortland – \$92.5M

## Houston Class A Deal Stats

59

Sales in 2023

\$2.0B

Total Transaction Volume

4.9%

Average Cap Rate

\$163K

Average Price per Unit

\$177

Average Price per SF

## Houston Class B/C Deal Stats

44

Sales in 2023

\$879M

Total Transaction Volume

5.2%

Average Cap Rate

\$90K

Average Price per Unit

\$112

Average Price per SF

# Newmark Houston Stats

## 2023 BOV Stats

**401**  
Total BOVs

**218**

Private Equity/JV Structure

**146**

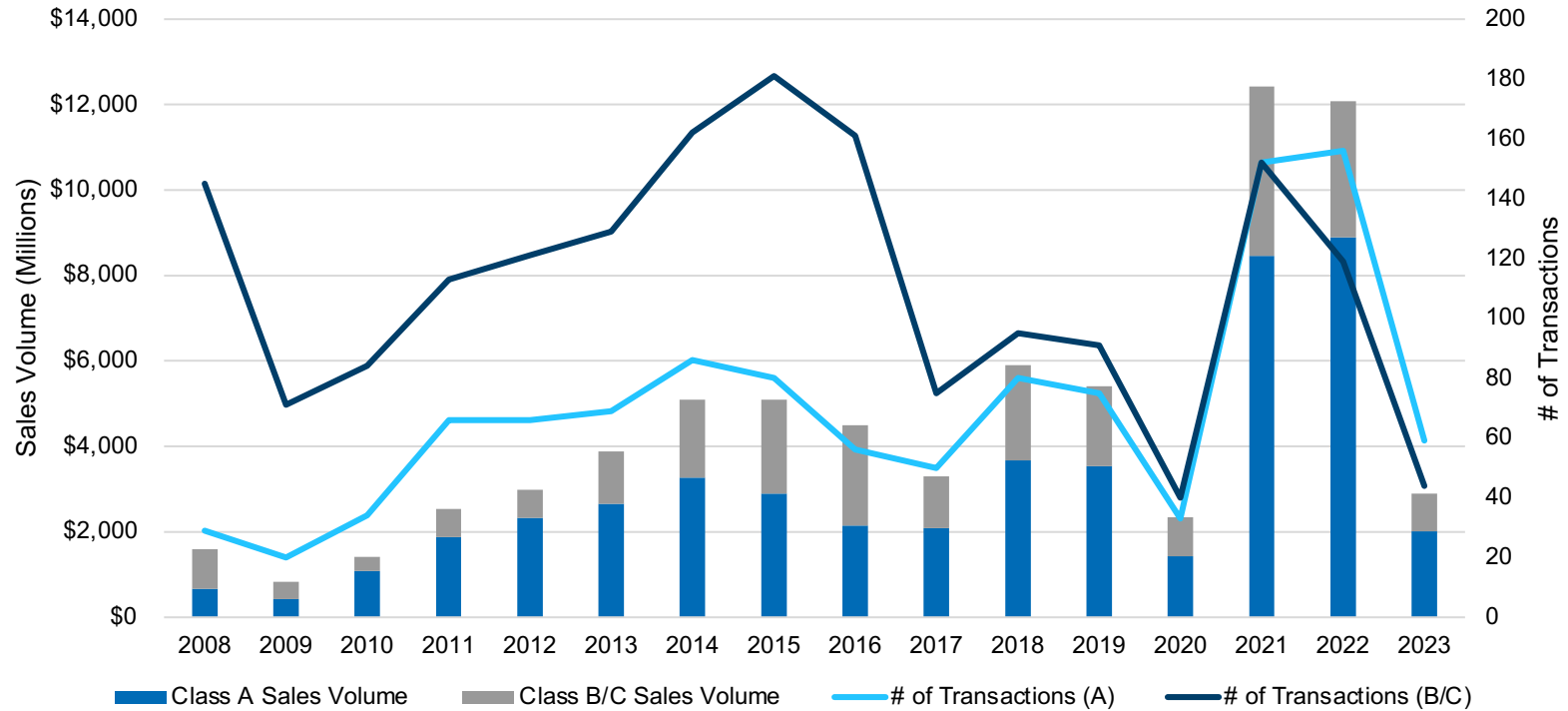
Syndicator/ Private Individual

**37**

Institutional

Up from 370 BOVs in 2022, an increase of 8.4%

# Multifamily Transaction Activity

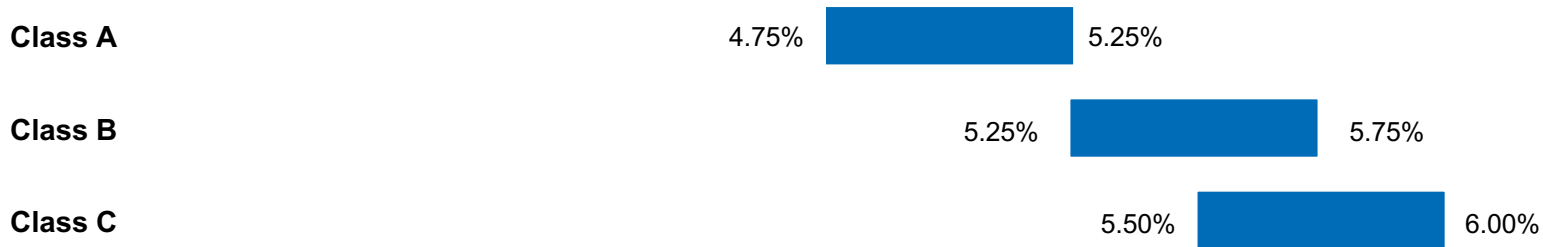


Year (volume in millions)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Volume	\$1,598	\$837	\$1,416	\$2,540	\$2,984	\$3,880	\$5,093	\$5,101	\$4,491	\$3,298	\$5,904	\$5,414	\$2,346	\$12,423	\$12,086	\$2,890
# of Transactions (Total)	174	91	118	179	187	198	248	261	217	125	175	166	73	304	275	103
Class A Sales Volume	\$660	\$432	\$1,081	\$1,883	\$2,326	\$2,652	\$3,271	\$2,892	\$2,150	\$2,084	\$3,668	\$3,536	\$1,435	\$8,460	\$8,898	\$2,011
# of Transactions (A)	29	20	34	66	66	69	86	80	56	50	80	75	33	152	156	59
Class B/C Sales Volume	\$938	\$405	\$334	\$657	\$658	\$1,228	\$1,822	\$2,209	\$2,341	\$1,214	\$2,236	\$1,878	\$911	\$3,963	\$3,188	\$879
# of Transactions (B/C)	145	71	84	113	121	129	162	181	161	75	95	91	40	152	119	44

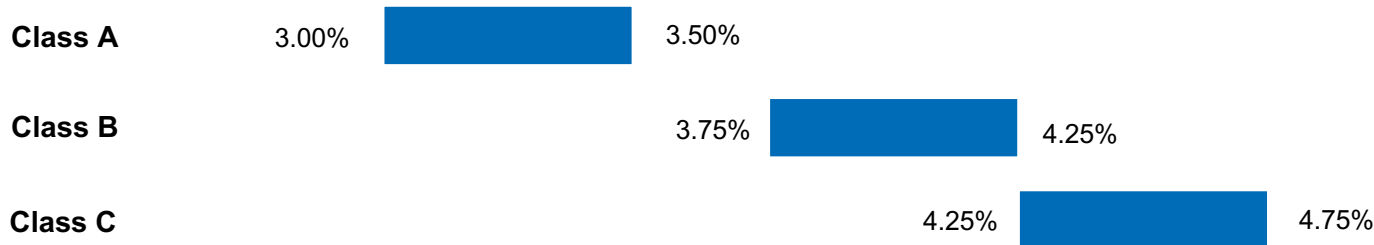


# Newmark's Current Estimate Of Houston Cap Rates (As of 4Q23)

## Q1 2023 Cap Rates



## Market Peak Cap Rates



## Current Cap Rates (As of 4Q23)



# Replacement Cost By Product Type

<b>Workforce   WF</b>	Per SF	Per Unit
Land	\$8 - \$10	\$10K - \$15K
Hard Costs	\$140 - \$150	\$125K - \$150K
Soft Costs	15% - 20%	\$20K - \$35K
<b>ALL-IN COST</b>		<b>\$170K - \$185K</b>

<b>Mid-Rise Stick Podium   MP</b>	Per SF	Per Unit
Land	\$100 - \$175	\$50K - \$75K
Hard Costs	\$240 - \$280	\$190K - \$250K
Soft Costs	15% - 20%	\$35K - \$65K
<b>ALL-IN COST</b>		<b>\$300K - \$350K</b>

<b>Garden   G</b>	Per SF	Per Unit
Land	\$8 - \$15	\$12K - \$18K
Hard Costs	\$150 - \$170	\$135K - \$155K
Soft Costs	15% - 20%	\$25K - \$40K
<b>ALL-IN COST</b>		<b>\$185K - \$200K</b>

<b>Mid-Rise Concrete Podium   MCP</b>	Per SF	Per Unit
Land	\$150 - \$225	\$50K - \$70K
Hard Costs	\$300 - \$325	\$240K - \$295K
Soft Costs	15% - 20%	\$45K - \$75K
<b>ALL-IN COST</b>		<b>\$375K - \$400K</b>

<b>4-Story Surface Park   4S</b>	Per SF	Per Unit
Land	\$15 - \$40	\$15K - \$30K
Hard Costs	\$175 - \$190	\$150K - \$180K
Soft Costs	15% - 20%	\$25K - \$40K
<b>ALL-IN COST</b>		<b>\$205K - \$235K</b>

<b>High Rise   HR</b>	Per SF	Per Unit
Land	\$175 - \$300	\$30K - \$60K
Hard Costs	\$375 - \$400	\$340K - \$520K
Soft Costs	15% - 20%	\$55K - \$115K
<b>ALL-IN COST</b>		<b>\$450K - \$650K</b>

<b>Mid-Rise Stick Wrap   MW</b>	Per SF	Per Unit
Land	\$50 - \$150	\$40K - \$60K
Hard Costs	\$200 - \$230	\$165K - \$215K
Soft Costs	15% - 20%	\$30K - \$55K
<b>ALL-IN COST</b>		<b>\$250K - \$290K</b>

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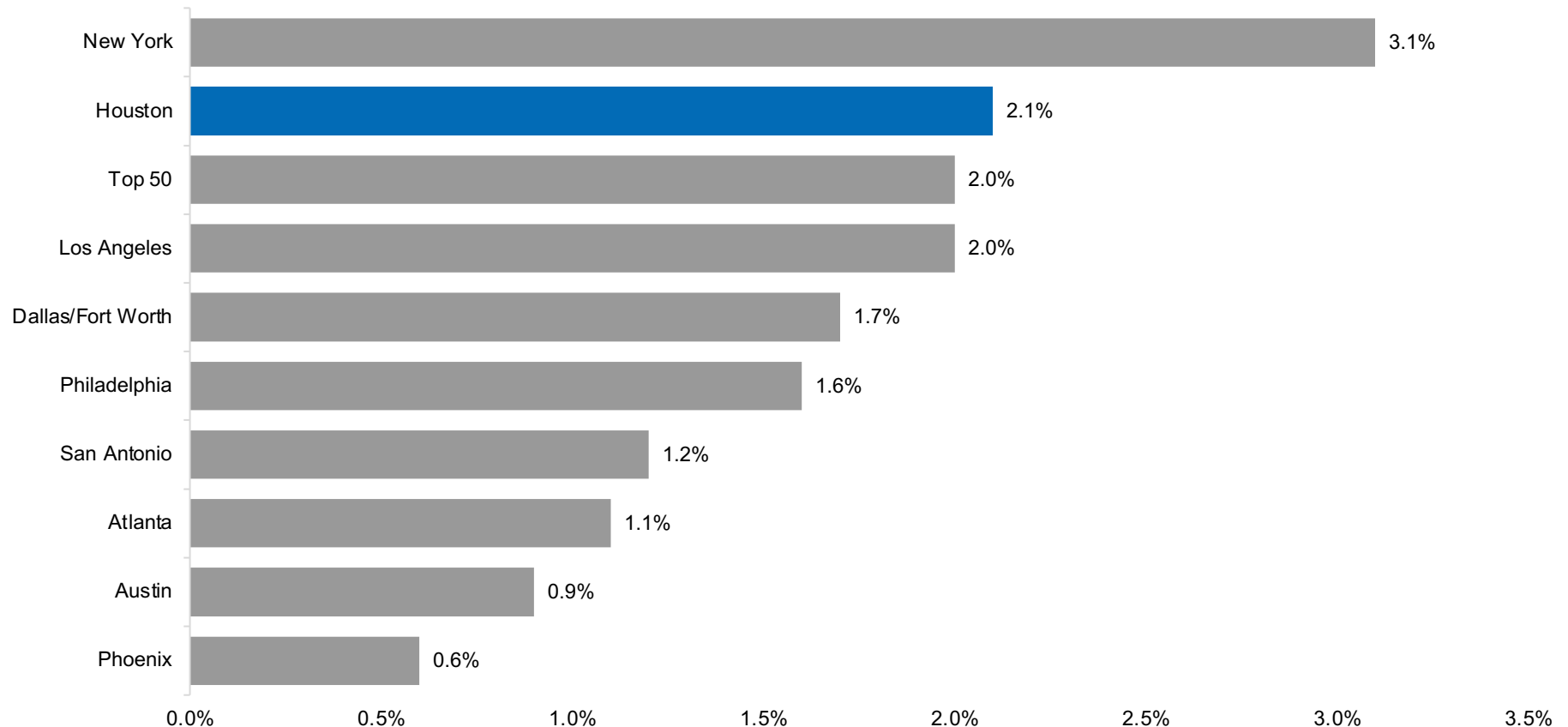
# 05 | Appendix

**NEWMARK**



# Strong Future Rent Outlook

## Average Effective Rent Growth Forecast



- Green Street is projecting Houston to have the **2nd highest average rent growth** over the next 4 years (2024 - 2028) among major markets. Houston is forecasted to have higher effective rent growth than the top 50 markets combined.
- RealPage is calling Houston a market with “surprising upside” in 2024: “In Houston, the supply to demand ratio has been relatively balanced recently, with supply ratios ranking below the national average. In fact, Houston could top the other Texas markets in the near term.”

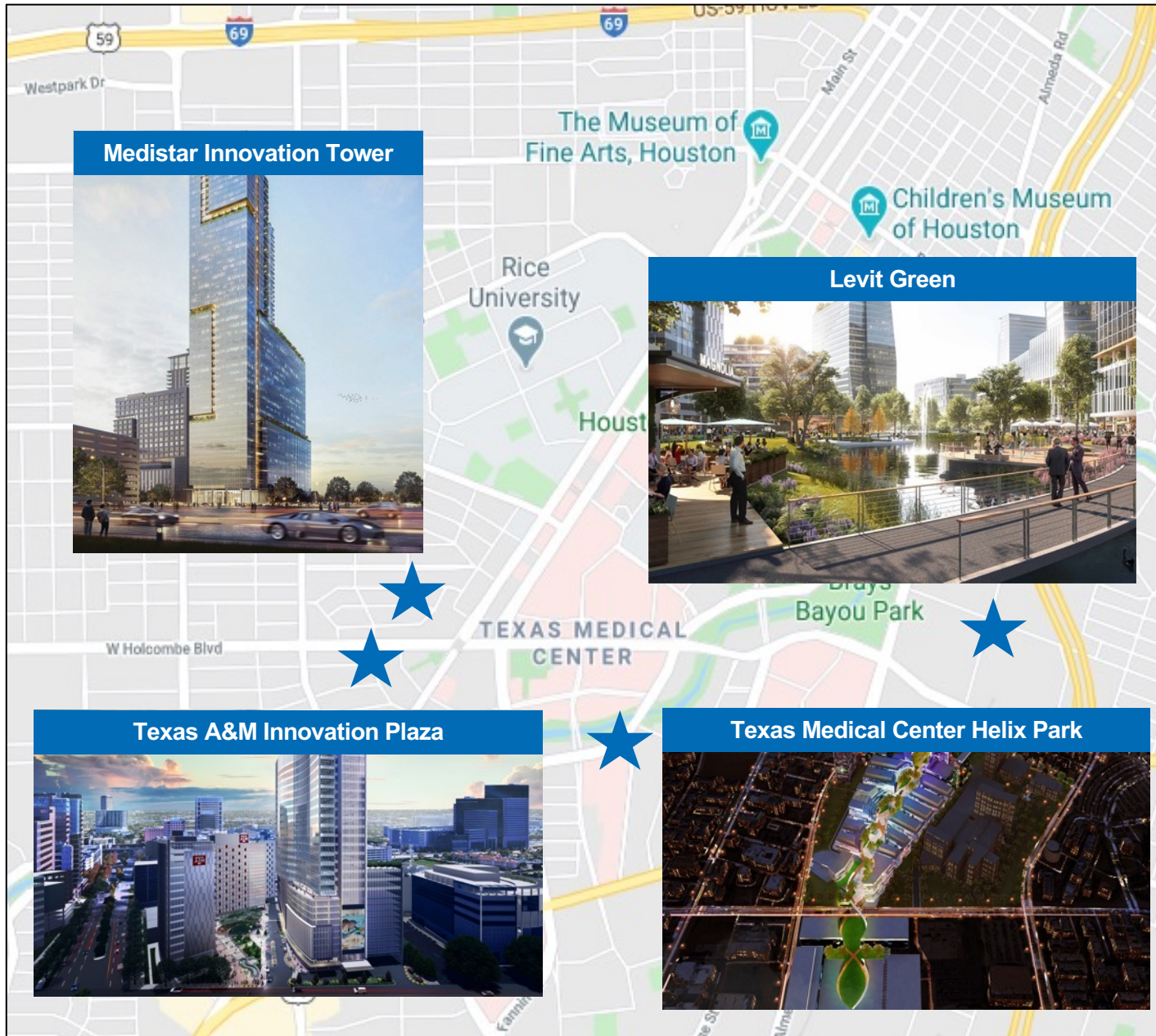
# Top Projected Net Migration

Metro (2024-2028)	2024-2028 Net Migration (ths)	2024-2028 Average Annual Net Migration (ths) <sup>1</sup>
1 Phoenix	331.5	66.3
<b>2 Houston</b>	<b>258.6</b>	<b>51.7</b>
3 Dallas	207.7	41.5
4 Atlanta	179.1	35.8
5 Tampa	170.8	34.2
6 Seattle	100.2	20.0
7 Denver	91.1	18.2
8 Miami	76.9	15.4
9 Riverside	47.5	9.5
10 Minneapolis	47.2	9.4
11 San Francisco	18.4	3.7
12 Boston	5.9	1.2
13 Baltimore	-5.9	-1.2
14 Washington D.C.	-16.5	-3.3
15 Philadelphia	-30.4	-6.1
16 San Diego	-51.2	-10.2
17 Detroit	-89.7	-17.9
18 Los Angeles	-117.9	-23.6
19 Chicago	-218.5	-43.7
20 New York	-234.6	-46.9

- According to Moody’s Analytics, **Houston ranks second** among the 20 largest U.S. metros for projected net migration (2024-2028).
- Moody’s estimates 259,000 people will move to the Houston metro over the next four years, averaging nearly 52,000 new residents per year.



# Continued Growth Of A World-Class Healthcare Industry



**Medistar Innovation Tower**



**Levit Green**



**Texas A&M Innovation Plaza**



**Texas Medical Center Helix Park**



Houston is moving forward with major developments in the commercial life sciences sector, aiming to compete with hubs like Boston and San Francisco.

- **Levit Green** will provide laboratory and research facilities to the sector; construction began in Q3 2021. This development will also feature multifamily housing and retail space.
- **Texas A&M Innovation Plaza** is a five-acre, \$546 million development including three towers. The first tower was built in 2021; all three are projected to be complete by 2024.
- **Medistar Innovation Tower** is a mixed-use project featuring a 50-story, 1.7 million-square-foot tower with office space, 410 luxury apartments, and retail & dining amenities.



# Continued Growth Of A World-Class Healthcare Industry



With an estimated annual impact of \$5.4 billion, TMC Helix Park’s Bioresearch Campus (formerly TMC3) will spark extraordinary economic activity across both the city and state. This development will create 23,000 new permanent positions across various industries, pay scales, tax levels and educational backgrounds, not to mention more than 19,000 jobs during the construction phase. Baylor College of Medicine, with 114,000 square feet, will be the anchor tenant for the first of four industrial buildings on campus. The first phase of development will be complete in 4Q 2023.

**Economic Impact:**  
TMC Helix Park Bioresearch Campus

	City of Houston & Harris County	State of Texas
Construction Impacts	\$3,251.1M	\$3,742.5M
Ongoing Annual Impacts	\$4,795.4M	\$5,409.8M
Construction Jobs	17,167	19,097
Total Permanent Jobs	22,958	26,540

TMC Helix Park will enable innovators from healthcare, science, academia, government, industry, manufacturing and the not-for-profit sector to collaborate on new medicines, medical devices, diagnostic and digital health platforms and treatment solutions. A world-class life sciences complex spanning 37 acres, TMC Helix Park will offer:

37 **Acres**

6.0 million **Developed SF**

1 **Collaborative Research Mixed-Use Building**

6 **Future Industry and Institutional Research Buildings**

18.7 **Acres of Public Green Space**





# Continued Growth Of A World-Class Healthcare Industry



The Texas Medical Center recently announced plans for a 500-acre development, TMC BioPort. Per Bill McKeon, CEO of TMC, [this development will double the medical center's size within five to ten years](#). The development will be roughly two miles southwest of NRG Stadium, slightly outside of the 610 Loop.

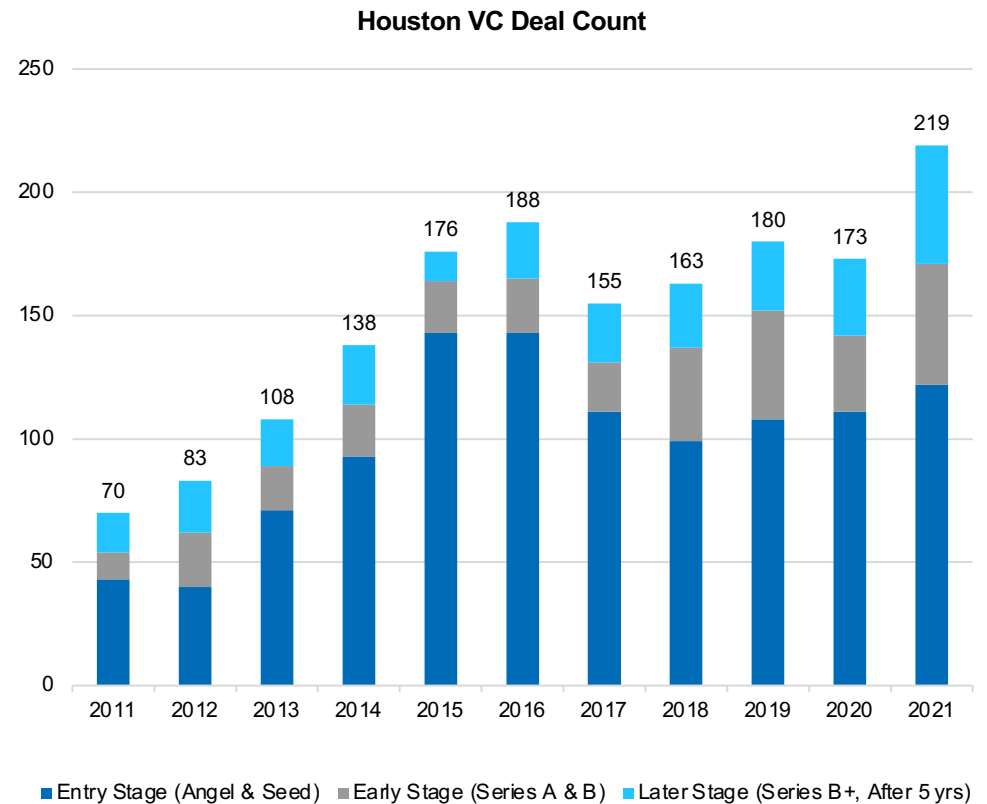
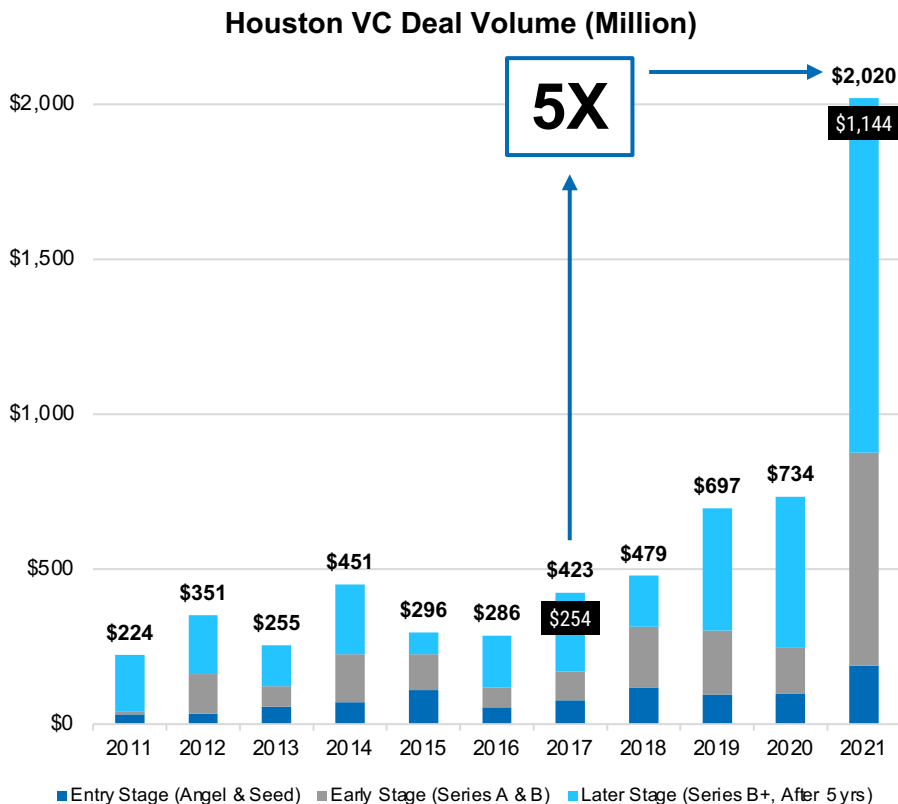
TMC BioPort will focus on cell and gene therapy, as well as biomanufacturing and the distribution of medical supplies. Approximately \$100 million will need to be invested in local infrastructure before the project breaks ground as early as 2025. McKeon anticipates the [BioPort will create 100,000 jobs and have an annual economic impact of \\$54 billion](#).



# Investment in Technology

Six years ago, Houston ranked 19th nationally in venture capital investment. Since then, a citywide effort has transformed the tech sector and helped to channel investment capital into startups like never before. VC investment has grown from \$423 million in 2017 to \$2.02 billion in 2021, a nearly five-fold increase.

HOUSTON COMPANIES HAVE SECURED **\$4.35 BILLION** IN VENTURE CAPITAL FUNDING OVER THE LAST **FIVE YEARS**, INCLUDING **\$2.02 BILLION** IN 2021 ALONE, A RECORD HIGH FOR THE REGION.



# Investment in Technology

Tech startups in the Houston ecosystem are signing more lucrative deals than ever before. From 2017 to 2021, Houston-based companies secured \$4.353 billion in venture capital funding. Regional VC investment has nearly tripled over this time period, with average deal size increasing from \$4.0 million to \$11.6 million.

All industries in Houston's innovation economy have grown, but VC investment is most pronounced in the following sectors:

- 1. HEALTHCARE** was the first-most funded between 2016-2019, the second-most funded in 2021 and the third-most funded industry in 2015. Health tech, life sciences, and biotechnology companies have thrived in recent years, anchored by the Texas Medical Center and the TMC Innovation Institute. Healthcare companies accounted for 26% of all VC investment in 2021.
- 2. INFORMATION TECHNOLOGY** funding increased from \$73 million in 2015 to \$632.1 million in 2021.
- 3. ENERGY**, the most funded industry in 2015, fell to fifth place in 2021 with \$79.2 million of VC investment, down from a 2019 peak of \$129 million.

Houston Venture Capital Funding by Industry (\$ million)

Primary Sector	2017	2018	2019	2020	2021	Total
Information Technology	156.1	122.7	162.7	217.9	632.1	1,291.5
Healthcare	208.7	193.5	262.3	314.5	518.4	1,497.4
Materials and Resources	1.7	27.3	32.4	58.6	426.5	546.5
Business Products and Services (B2B)	35.6	62.1	54.2	35.8	302.5	490.2
Energy	12.1	63.3	128.5	44.6	79.2	327.7
Financial Services	0.0	1.5	2.2	25.5	48.4	77.6
Consumer Products and Services (B2C)	9.2	8.2	54.7	37.4	13.3	122.8
Total	423.4	478.6	697.0	734.3	2,020.4	4,353.7

**\$4.3B**

VC Raised in Houston since 2017

**4X**

Information Technology funding quadrupled from 2017 to 2021

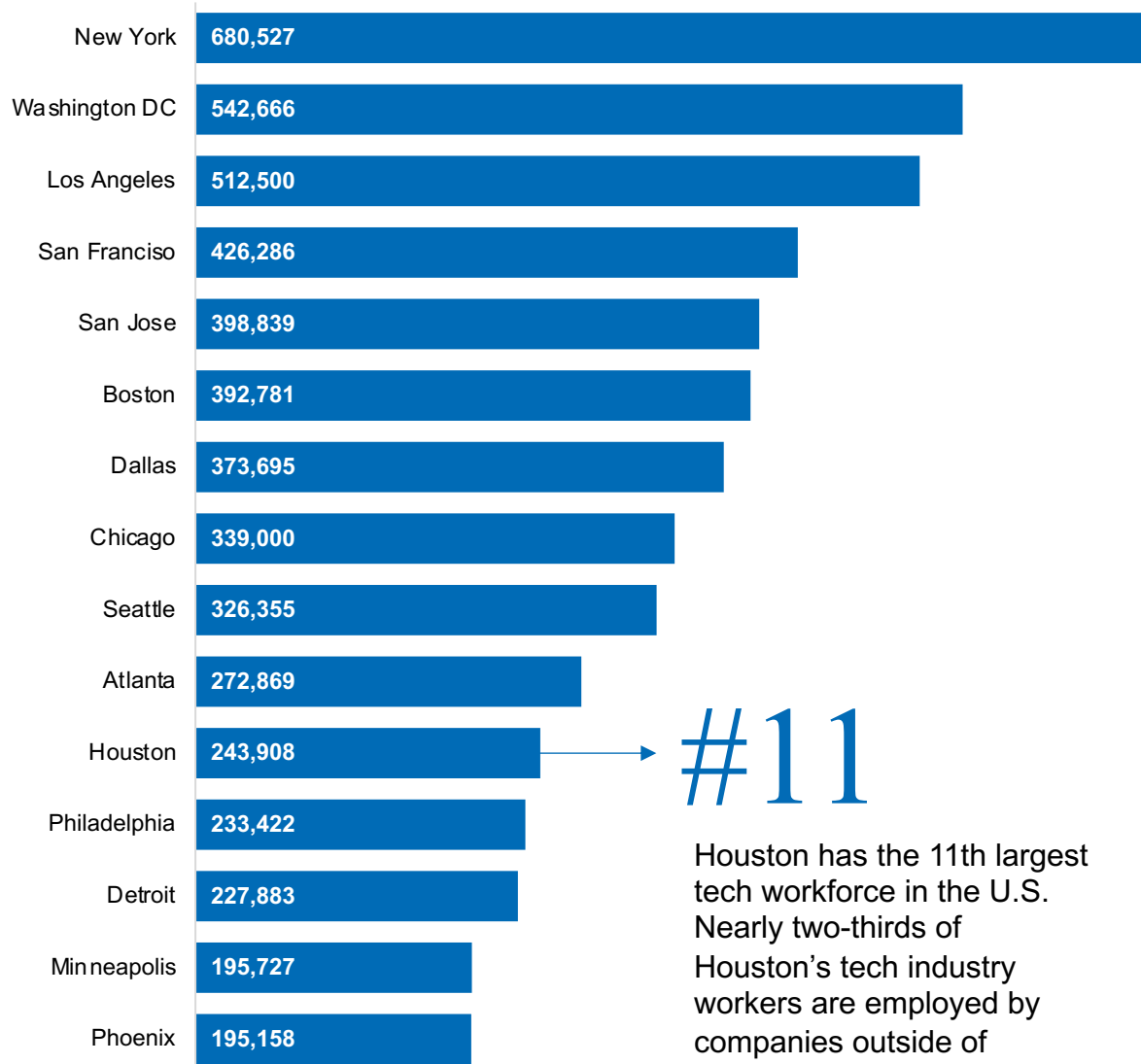
**1 in 4**

VC Dollars went to Health Care in 2021



# Investment in Technology

## Metro Comparison: Net Tech Workforce, 2020



# #11

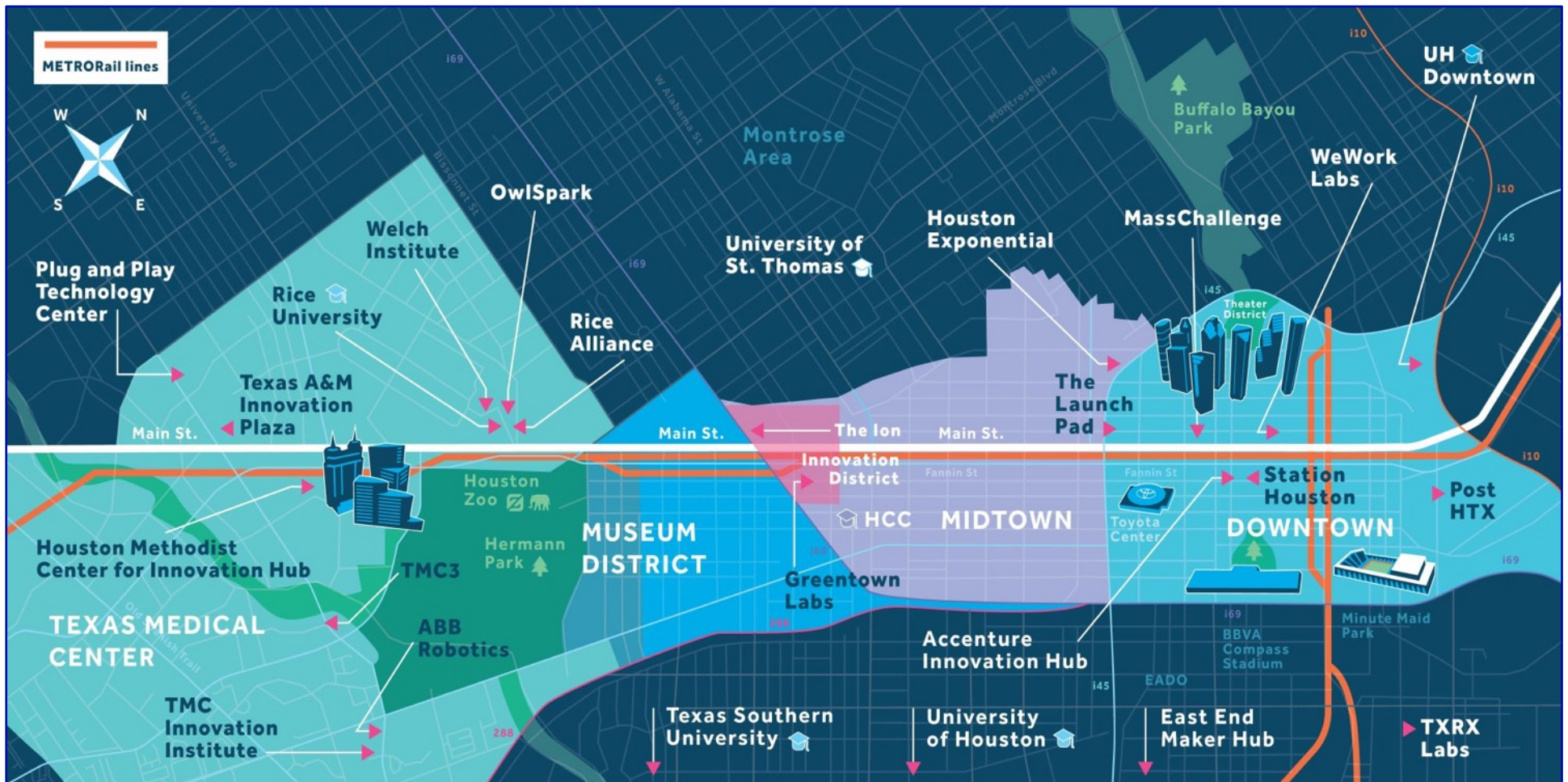
Houston has the 11th largest tech workforce in the U.S. Nearly two-thirds of Houston's tech industry workers are employed by companies outside of computing and software.

## Largest Tech Employers

Company	Employees
HP Enterprise	3,050
NASA - Johnson Space Center	2,950
HP Inc.	2,663
Boeing	2,500
IBM	1,700
Honeywell	1,400
Siemens	1,300
Dell	1,000
Microsoft	974
Lockheed Martin	971
BMC Software	861
Oracle	763
AWS	738
Google	701
Pros	637
Quorum Software	387
HCSS Software	362
Highradius	302
Ion Geophysical	271
Alert Logic	220

# Technology & Innovation

**Houston's Innovation Corridor** is the center of a dynamic social and economic convergence, a four-mile-long corridor interspersed by light rail transit, bike lanes and pedestrian thoroughfares, the Corridor offers easy access to key industry and institutional organizations alongside an unparalleled array of amenities. Dozens of new startups support pending or ongoing operations and infrastructure projects along the Corridor, including tech incubators and accelerators and a life sciences research campus. Anchored in the south by the Texas Medical Center—the world's largest medical complex—and top-ranked Rice University, the Corridor runs north through the verdant 700-acre Hermann Park and past the oak-lined boulevards of the Museum District towards downtown.



# A Top Three US City for Fortune 500 Companies

Houston is currently home to 26 Fortune 500 companies, **ranking third** among all U.S. metro areas behind only New York and Chicago. The city offers countless business development opportunities, spurred on by a low cost of living, a favorable tax climate, and a skilled and plentiful workforce.

Companies that recently moved to Houston include **ExxonMobil** in 2023, and **Par Pacific Holdings** in 2022. **Hewlett Packard Enterprise** relocated its world headquarters from California to Houston in 2021. In 2019, **Amazon** opened one of its largest tech hubs in Houston. Additionally, **Tesla** recently expanded their Houston footprint. **Tesla** recently leased 1.039 million square feet of industrial space in the Empire West Business Park, and **United Airlines** plans on adding 1,800 employees to their Houston-area workforce.

- **26** Fortune 500 headquarters in Houston, with revenues of **\$1.23 trillion**.
- **Texas** is home to the most Fortune 500 companies in the nation.
- **Houston** has more Fortune 500 headquarters than any other city in Texas.





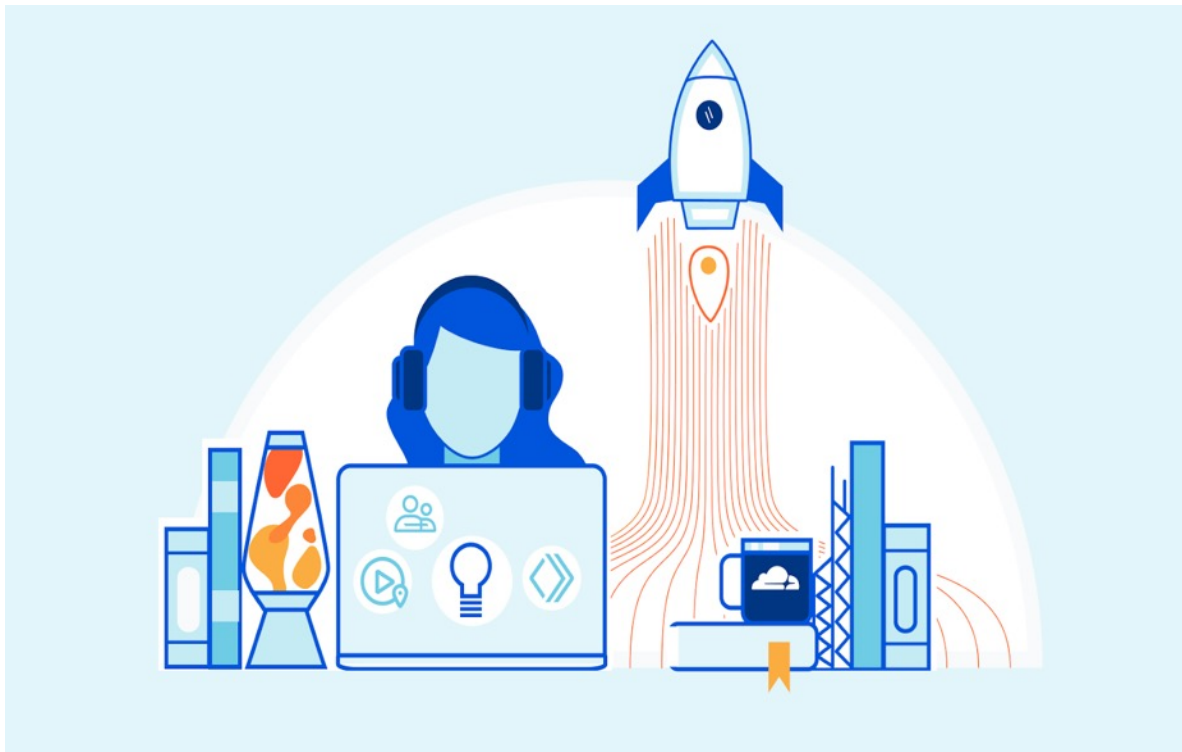
# The Startup Capital Of Texas

A 2021 study shows that **Houston reigns as the startup capital of Texas.**

The Smartest Dollar website looked at data from the U.S. Census Bureau, to determine cities with the most new businesses per capita in 2021. Houston had the most of any city in Texas, with 21.2 new business applications per 1,000 residents last year. **Houston ranks 10th for startups among the country's major metros areas.**

The study found 150,971 new business applications were filed last year in Houston, a 27.5% increase versus 2020 and a 75.2% increase versus 2019.

Houston continues to gain traction as a startup hub. **Startup Genome, an advisory and research group, ranks Houston as #5 among the world's top emerging ecosystems for startups.**



- New-business applications per 1,000 residents: **21.2**
- Total new business applications in 2021: **190,971**
- One-year increase in new business applications: **27.5%**
- Two-year increase in new business applications: **75.2%**

# Notable New Houston Developments



## East River

The 150-acre mixed-use development on the banks of the Buffalo Bayou, East River will transform East Downtown with multifamily, office space, retail, restaurants and entertainment spaces. Once completed, the development will offer more than 500 miles of bike lanes crossing bayou trails and natural waterfront areas. The first phase, 26 acres, is expected to be completed by 2024.

## Autry Park

Autry Park is an urban village and culinary destination for those visiting Buffalo Bayou Park. Located on 14 acres along Allen Parkway in Montrose, the first two apartment buildings in this mixed-use development opened in the spring of 2022. In all, this three-phase masterplan will feature five towers, 1,450 residential units, and 350,000 square feet of Class A office space, as well as 100,000 square feet of retail space near a central park.





# Notable New Houston Developments

## Memorial Town Square

This 27-acre mixed use center in West Houston's Memorial Villages has broken ground. The development will introduce dozens of new restaurants, boutiques, national retail brands, apartments and office space, and feature a lush, open-air town center and urban park.

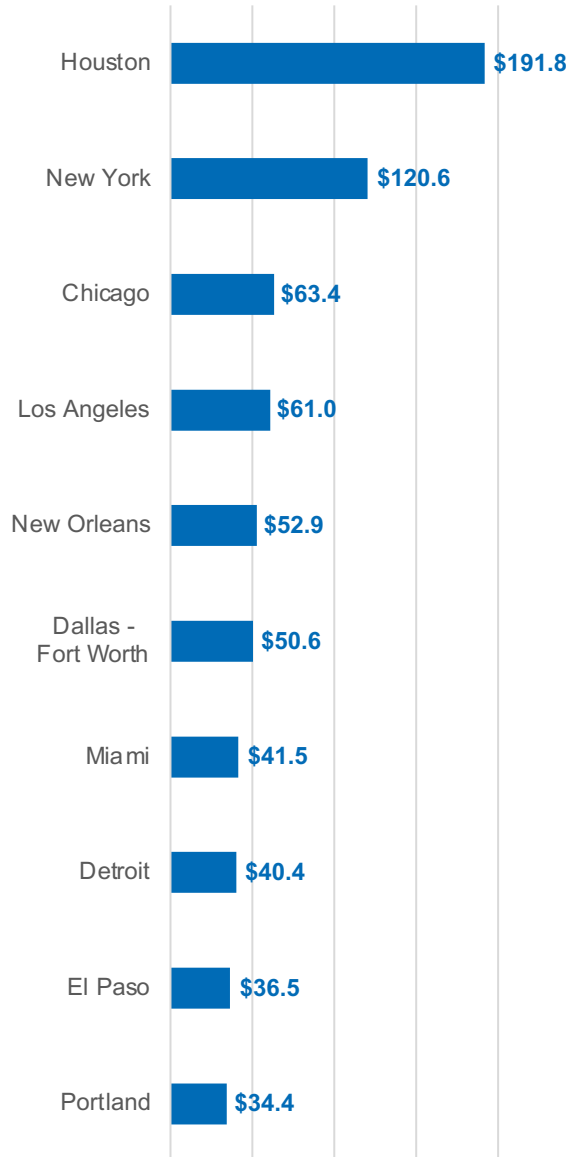


## Port of Galveston Cruise Terminal 3

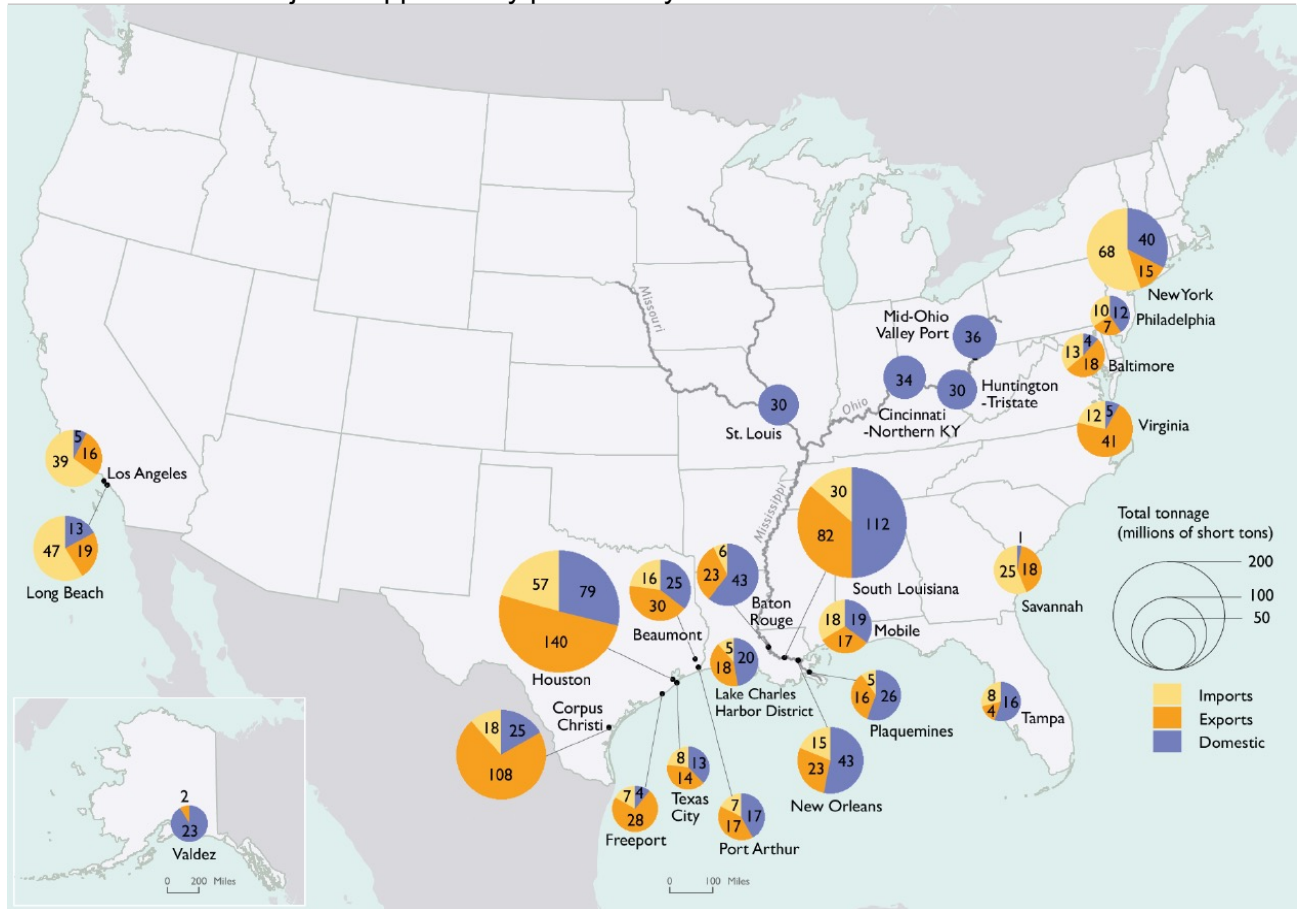
Spanning 162,000 square feet, Royal Caribbean's new \$126 million terminal at the Port of Galveston boasts a modern, sleek design that is expected to transform cruise travel for years to come. Opening in the late fall of 2022, the terminal is set to boost tourism in Houston with capabilities to disembark and reboard 6,000 passengers per day.

# Port Of Houston

Export Volume (Billions)



- #1** port in the nation for domestic & foreign waterborne tonnage
- #2** port in total foreign cargo value
- LARGEST** container port in the Gulf Coast, handling 73% of coast traffic
- 97%** of container market share in Texas
- LARGEST** U.S metro exporter
- \$439 BILLION** contribution to state economic value
- 1.54 MILLION** jobs supported by port activity



# Houston Rankings By The Press

#1

**TEXAS CITY FOR NUMBER OF NEW MOVE-INS**

PODS Enterprises – May 2023

**MOST ACTIVE PLACES FOR REAL ESTATE DEVELOPERS (2013-2022)**

StorageCafe (as reported by Houston Chronicle) – May 2023

**RELOCATION DESTINATION IN U.S.**

Penske Truck Rental (as reported by Houston Chronicle) – April 2023

**HOUSTON LEADS MAJOR U.S. CITIES IN TECH JOB POSTINGS**

Dice.com – December 2022

**AMERICA'S 50 BEST CITIES TO LIVE – THE WOODLANDS**

Niche (as reported by Travel+Leisure) – December 2022

**HOUSTON REIGNS AS STARTUP CAPITAL OF TEXAS**

Smartest Dollar – October 2022

**BEST HOSPITAL FOR CANCER - MD ANDERSON CANCER CENTER**

U.S. News and World Report – July 2021

**MOST BUSINESS-SAVVY CITIES IN AMERICA – SUGAR LAND**

CultureMap – June 2021

**2021'S MOST DIVERSE CITIES IN AMERICA – HOUSTON**

Wallet Hub – April 2021

**HIGHEST IN DIVERSITY FOR SOUTHERN SCHOOLS- UH-DOWNTOWN**

Times Higher Education College Rankings (as reported by HBJ) – April 2021

**TOP CORPORATE DESTINATION CITY IN 2020 – HOUSTON**

Allied Van Line (as reported by HBJ) – Jan 2021

**BEST UNIVERSITY FOR ENTREPRENEURS – RICE UNIVERSITY**

Princeton Review (as reported by the HBJ) – November 2020

#2

**FASTEST GROWING U.S. METRO**

U.S. Census Bureau – May 2023

**FASTEST GROWING TECH HUBS AMID THE PANDEMIC – HOUSTON**

Axios (as reported by InnovationMap) – May 2021

**BEST CITY FOR CONSTRUCTION WORKERS IN 2021 – HOUSTON**

IPP Magazine (as reported by HBJ) – April 2021

**U.S. METRO FOR CORPORATE RELOCATION AND EXPANSION IN 2019 – HOUSTON**

Site Selection – May 2020

#3

**BEST CHILDREN'S HOSPITAL IN THE U.S. – TEXAS CHILDREN'S HOSPITAL**

U.S. News & World Report (as reported by InnovationMap) – July 2021

**U.S. METRO FOR CORPORATE RELOCATION AND EXPANSION IN 2020 – HOUSTON**

Site Selection – May 2021

**TIER 2 CITIES OF THE FUTURE – HOUSTON**

fDI Intelligence – August 2020





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