


HOUSTON 2024

A wide-angle photograph of the Houston skyline at sunset. The sky transitions from a deep blue at the top to a warm orange and pink near the horizon. Numerous skyscrapers are visible, some with lights reflecting off their glass facades. In the foreground, there are green trees and a road with a few cars. A large, semi-transparent blue triangle is overlaid on the right side of the image, containing the text 'Houston Metro Overview'.

Houston
Metro
Overview

HOUSTON

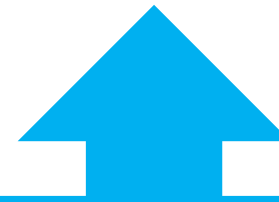
Over the last two decades, there has been a remarkable transformation in Houston. Today, the nation's fourth largest city has become a diverse, vibrant metro filled with talented people who have an undeniable spirit. The economy is strong, the city is made up of many different cultures, and the quality of life is second to none. Houston has one of the youngest, fastest-growing and most diverse populations anywhere in the world. One in four of the region's 7.3 million residents is foreign born. From 2010 to 2018, Houston added 1.1 million new residents, an 18.2 percent increase, the fastest rate of population growth among the 10 most populous U.S. Metros.

In addition to Houston's diversity as a community, Houston offers a well-developed suite of key global industries – including energy, life science, manufacturing, logistics and aerospace. As these industries digitize, Houston is a hotbed of rapid technological development thanks to its access to customers and expertise.

A thriving international city, Houston's ties stretch to all corners of the world. The region's geographic location makes it easy to move both goods and people around the globe. With one of the largest ports in the country and two international airports, Houston connects companies to the world.

Since emerging from the pandemic, metro Houston has gained well over half a million jobs. That's a decade's worth of growth in just 42 months. As of October '23, Houston added nearly 200,000 more jobs than it did before COVID. Over the past three-plus years, Houston also set records for home sales (440,00 closings), witnessed a surge in commercial construction (\$40+ billion), and handled record container traffic at the port (12.5 million TEUs). But Houston can't maintain that pace indefinitely. Like a distance runner, Houston was quick out of the blocks, but now must find a more sustainable pace. Growth will slow in '24, it may even seem sluggish, but that's only because we've watched Houston sprint through the last three years. The region needs time to catch its breath, which is what will happen in '24. Growth will pick up again in '25, not back to the rapid pace of recent years, but to a more moderate pace, one that can be maintained for the long run.

Source: Greater Houston Partnership 2024



Growth will slow in '24, but that's only because we've watched Houston sprint through the last three years. The region needs time to catch its breath in '24. Growth will pick up again in '25, not back to the rapid pace of recent years, but to a more moderate pace, one that can be maintained for the long run.

Looking ahead, here are a few developments that will impact Houston's economy in 2024

Click on a name below for a link to Greater Houston Partnership's Expanded Article



- Arco del Tiempo
- Austin Point
- Autry Park
- BioHub II at Generation Park
- East Blocks
- The Allen
- The Commons at Hermann Park
- The Houston Astros Entertainment District
- The Grand at 249

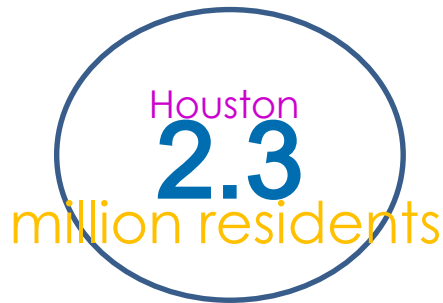
HOUSTON

quick facts

4th
Largest
U.S. City

140,000
Residents Added
in 2023

102,900 vs 70,100
Jobs Created vs Jobs Projected
in 2023 for 2023

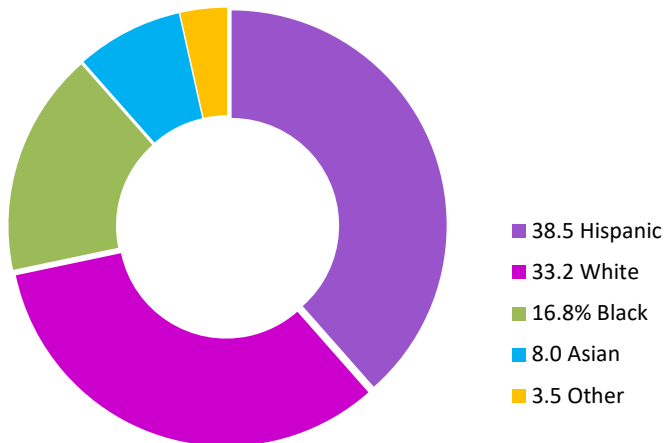


- **3.4 Million** Houston MSA Jobs
- **1.9%** ↗ Houston Population Growth since 2022
- **35.30** Houston Median Age

OVER 1.7 M HOUSTONIANS or
ROUGHLY 1 IN 4
were born outside the U.S.

Metro Houston has the **THIRD LARGEST**
number of **FORTUNE 500**
COMPANIES in the nation

If Houston were a country, it would rank as the **25th**
LARGEST ECONOMY IN THE
WORLD, exceeding Thailand and Ireland



- 26** Fortune 500 Headquarters
- 48** Fortune 1,000 Headquarters
- 5** Fortune Global 500
- 26** Forbes Global 2,000
- 87** Inc. 1,000
- 4** Fortune 100 Best Companies to Work For

Houston's **TEXAS MEDICAL CENTER** is
the **WORLD'S LARGEST** medical complex

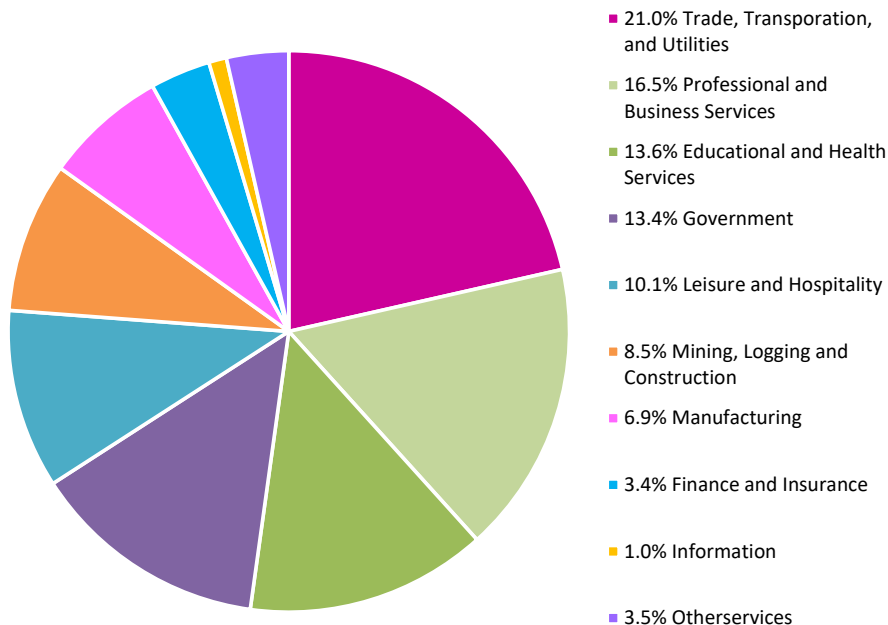
Houston is home to more than **9,100 TECH-RELATED FIRMS** including more than 1,000 venture backed startups

Source: U.S. Census Bureau, 2022 American Community Survey & The Greater Houston Partnership 2024

HOUSTON quick facts

- There are **3.4 million jobs** in the Houston MSA
- The Health, Education, and Business & Professional Services industries account for over **1 in 4** jobs in the region
- The goods-producing sector accounts for nearly **1 in 6** jobs

Industry Share of
Houston MSA Employment



Source: Greater Houston Partnership 2024; Texas Workforce Commission December '23

Houstonians can expect the following in 2024

- Job growth below the current pace
- More vehicles on the freeways
- Record passenger volumes at the region's airports
- Fewer housing starts
- Energy prices high enough to spur an uptick in drilling
- Minor reductions in inflation
- No relief on interest rates until mid-year
- And a slump in commercial construction

The Greater Houston Partnership's forecast calls for growth in admin services, arts, entertainment, recreation, energy, government, health care, hotels, manufacturing, other services, private education, professional services, restaurants and bars, retail, transportation, and wholesale trade. Job losses will occur in construction, finance and insurance, information, and real estate.

The region is projected to add 57,600 jobs on net in '24, a subpar performance compared to recent years but still a healthy gain. Houston should finish the year with total employment surpassing 3.4 million, a new record for the region.

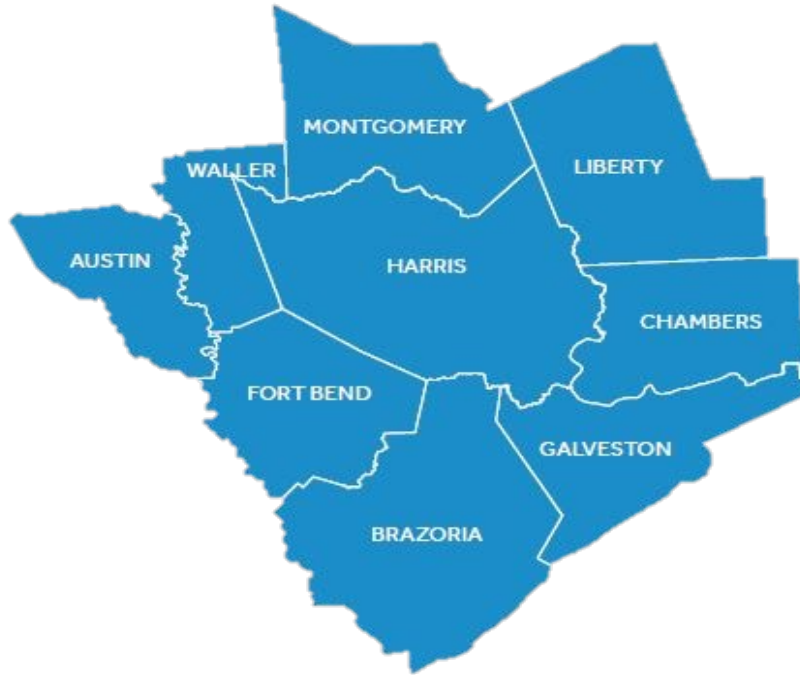
The Houston - The Woodlands - Sugar Land Metropolitan Statistical Area (MSA)

The county seat or administrative center of Harris County is the City of Houston. The nine-county Houston-The Woodlands-Sugar Land MSA covers 9,444 square miles, is the nation's 5th largest metro area. An area larger than five states: New Hampshire, New Jersey, Connecticut, Delaware and Rhode Island. [The 9-county Houston MSA had a population of 7,340,118 residents as of July, 2022, according to estimates by the U.S. Census Bureau.]



REGION IN PERSPECTIVE

THE HOUSTON-THE WOODLANDS-SUGAR LAND
METROPOLITAN STATISTICAL AREA (MSA) CONTAINS
NINE TEXAS COUNTIES:



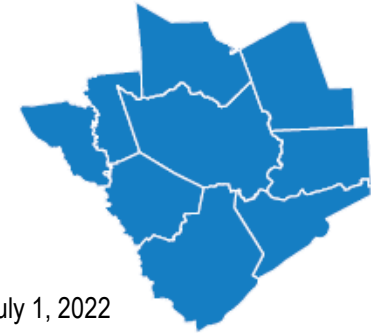
Within these nine counties are 124 incorporated cities and 33 Census Designated Places (CDP)

The county seat or administrative center of Harris County is the City of Houston

Harris County contains the bulk of the city in addition to all or part of 33 incorporated cities and 12 CDPs

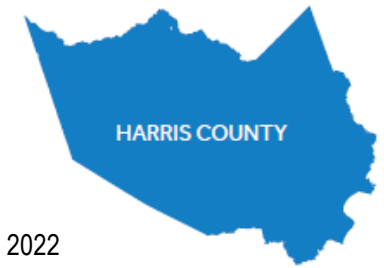
Small portions of Houston spread into adjacent Montgomery and Fort Bend counties

Population



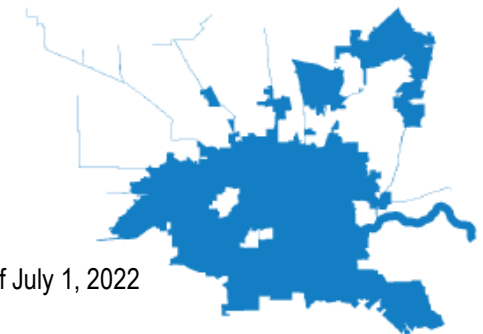
7,340,118

Nine-County Houston MSA, as of July 1, 2022



4,780,913

Harris County Population, as of July 1, 2022



2,302,878

City of Houston Population, as of July 1, 2022



KEY INDUSTRIES IN HOUSTON

ECONOMIC DRIVERS

Houston, Texas, stands as a global leader in both aerospace and energy sectors, earning its nickname "Space City" through the pivotal NASA Johnson Space Center and a thriving aerospace industry known for innovations in spacecraft and satellite technology. Simultaneously, it fortifies its reputation as the world's energy capital, with a strong foundation in oil and gas, yet progressively pivoting towards renewable energy sources. This dynamic blend of industries underscores Houston's significant contributions to advancing space exploration, energy sustainability, and technological innovation on a global scale.

The city shines as a multifaceted metropolis, excelling in healthcare, biotechnology, financial services, tourism, and hospitality. Its Texas Medical Center leads in global medical advancements, while a thriving financial sector supports diverse economic activities.

The city's appeal as a tourist destination is boasted by its rich cultural scene, renowned museums, and the Space Center Houston, complemented by a world-class culinary landscape and diverse accommodations.

ECONOMIC DRIVERS

LARGEST EMPLOYERS

CITY OF HOUSTON

Employer	Employees
Memorial Hermann Health System	35,360
Walmart	29,797
HEB	29,657
Houston Methodist	26,098
Univ. of Texas MD Anderson Cancer Center	21,576
HCA Houston Healthcare	15,000
Kroger	14,868
ExxonMobil	13,000
United Airlines	11,900
Schlumberger Limited	11,700



ECONOMIC DRIVERS

HEALTHCARE and BIOTECHNOLOGY

MEMORIAL HERMANN-MEDICAL CITY

The nationally recognized, state-of-the-art hospital offers comprehensive and specialized care with 1,500 affiliated physicians on staff. The Medical City campus houses the health system's headquarters.

# BEDS	# EMPLOYEES
444	1,800+

TEXAS MEDICAL CENTER (TMC)

TMC is the largest medical center in the world and is home to over 60 non-profit institutions including Baylor College of Medicine, CHI St. Luke's Health, and Memorial Hermann.

# BEDS	# INSTITUTIONS
9,200	63



\$3 billion
in construction projects

50 million
developed square feet

10 million
patient visits per year

8th largest
business district in the U.S.

750,000
ER visits per year

106,000+
total employees

13,600+
total heart surgeries

180,000+
annual surgeries

ECONOMIC DRIVERS

PETROCHEMICAL and REFINING

The Houston region is home to 672 chemical plants employing 40,982, or 18.2 percent of Greater Houston's total manufacturing workforce in '22, according to the Texas Workforce Commission. The region has 44.4 percent of the nation's overall base petrochemicals manufacturing capacity. Base petrochemicals are the raw materials for producing some of the more important plastics and resins. The Houston MSA also dominates U.S. production of three major resins, producing 51.6 percent of the country's polypropylene, 41.7 percent of polyethylene and 30.6 percent of polyvinyl chloride.

#CHEMICAL PLANTS

672

EMPLOYEES

6,948

METRIC TONS BASE CHEMICAL PER YEAR

44 metric tons

% OF US TOTAL

46.8%





ECONOMIC DRIVERS

PROFESSIONAL and TECHNICAL SERVICES

Metro Houston employed 249,532 professional, scientific and technical service workers in Q4/22. Architectural and engineering, with 68,944 workers, represents just over one-fourth of the sector's total employment. The second and third largest industry subsectors include 47,481 management and technical consulting employees and computer systems design services (37,215 employees). Houston has 44,540 engineers of all disciplines, the most numerous being civil, mechanical, petroleum, industrial, electrical and chemical. Houston has one of the highest concentrations of engineering talent in the nation.

INDUSTRY	EMPLOYMENT	PERCENT %	ESTABLISHMENTS	PERCENT %	AVG. ANNUAL WAGE (\$)
Architectural, Engineering, and Related Services	69,944	27.6	3,628	13.5	134,784
Management, Scientific, and Technical Consulting Services	47,481	19.0	6,747	25.2	130,104
Computer Systems Design and Related Services	37,215	14.9	5,481	20.4	131,508
Legal Services	30,839	12.4	4,198	15.6	177,528
Accounting, Tax Preparation, Bookkeeping, and Payroll Services	27,523	11.0	3,312	12.3	101,816
Other Professional, Scientific and Technical Services	19,108	7.7	1,463	5.5	71,760
Scientific Research and Development Services	10,828	4.3	623	2.3	142,948
Advertising, Public Relations, and Related Services	5,056	2.0	729	2.7	89,232
Specialized Design Services	2,538	1.0	644	2.4	73,996

ECONOMIC DRIVERS

OIL & GAS ENERGY AND RELATED INDUSTRIES

Houston is the leading domestic and international center for virtually every segment of the energy industry—exploration and production, transmission, marketing, service, trading, supply, offshore drilling and technology.

More than 4,700 energy-related firms are located within the Houston metro area, including over 430 exploration and production firms, 760 oilfield service companies, nearly 90 pipeline transportation firms, and hundreds of manufacturers and wholesalers of energy-sector products.

Houston is home to 38 of the nation's 85 publicly traded oil and gas exploration and production firms – including 10 of the top 25.

The 10 refineries in the Houston region process 2.6 million barrels of crude oil per calendar day—approximately 45.4 percent of the state's total capacity and 14.9 percent of total U.S. capacity.

The logistics for moving much of the nation's petroleum and natural gas across the country are controlled from Houston.

Fifteen of the nation's top 20 natural gas transmission pipelines are operated by companies with corporate or divisional headquarters in Houston, controlling 112,619 miles of U.S. pipeline, which is 58.2 percent of the total U.S. natural gas pipeline capacity.

In June '22, the Houston MSA held 23.8 percent of the nation's jobs in oil and gas extraction (33,400 of 140,200) 17.0 percent of jobs in oil field services (33,600 of 198,100), and 9.6 percent of jobs in manufacturing of agricultural, construction and mining equipment (20,400 of 212,000), according to the U.S. Bureau of Labor Statistics.

ENERGY RELATED FIRMS

4,700+

#EXPLORATION/PRODUCTION FIRMS

430+

OILFIELD SERVICE CO

760+

#PIPELINE MANUFACTURERS AND FIRMS

90+



58.2%
COMPANIES

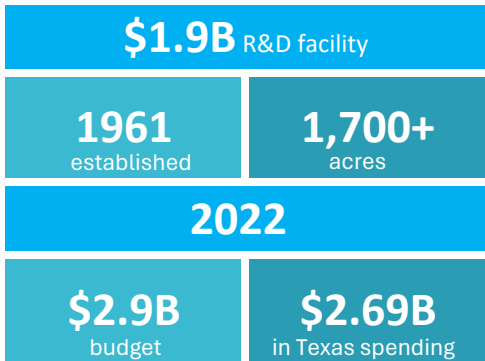
OF US NATURAL GAS PIPELINE CAPACITY OPERATED BY HOUSTON

HOUSTON IS HOME TO 10 OF THE TOP 25 PUBLICLY TRADED OIL AND GAS EXPLORATION AND PRODUCTION FIRMS

ECONOMIC DRIVERS

NASA and AEROSPACE

NASA’s Johnson Space Center (JSC), located 25 miles southeast of downtown Houston, has served as mission control for U.S. space exploration and astronaut training since 1961. **NASA EMPLOYS OVER 10,000 CIVIL AND CONTRACT WORKERS IN TEXAS.**



PROGRAMS AND MISSIONS JSC is known as NASA’s human spaceflight center – home to the NASA astronaut corps, several major NASA programs and organizations such as The Orion, Gateway, and Human Landing System programs, which will each play a part in future lunar plans.

ORION: According to JSC, the Orion spacecraft is the safest, most capable vehicle for deep space travel and will take astronauts farther in space than a spacecraft built for humans has gone before.

GATEWAY: The Gateway Program is an international collaboration to establish humanity’s first space station in orbit around the Moon as a vital component of NASA’s Artemis missions.

ARTEMIS: In November ’22, Artemis I blasted off, sending the Orion spacecraft on a 25-day mission to capture images of the Lunar surface. With Artemis missions, NASA will land the first woman and first person of color on the Moon collaborating with commercial and international partners and establishing the first long-term presence on the Moon.

Ellington Airport, located 18 miles southeast of downtown Houston, became a Federal Aviation Administration (FAA) designated spaceport in ’15. One of only 10 spaceports in the U.S., the project is intended to help attract aerospace companies.

With the construction of multiple new facilities, major aerospace companies began operations or expanded their footprint at the Houston Spaceport in ’23:

Axiom Space broke ground on Phase I of its 22- acre campus. The campus will be used to train future astronauts and develop Axiom Station – a commercial module that will attach to the ISS.

Houston-based **Intuitive Machines** broke ground on its 12.5-acre campus. Intuitive will build lunar landers, operate its mission control center, and make guidance, navigation, and make guidance, navigation, and control products at its site.

Collins Aerospace began operations at their eight-acre campus where it will develop systems for NASA’s human spaceflight programs. The company, and Axiom Space, will create the next generation of NASA spacesuits – a contract valued at up to \$3.5 billion over a 15-year period.



MANUFACTURING

Manufacturing employed 233,100 workers, 6.9 percent of all jobs in the region, as of September ’23. It’s the single largest contributor to Houston’s GDP, accounting for \$1 in every \$8 of Houston’s economic output.

Durables account for 30 percent of the region’s manufacturing output but 62 percent of its jobs; nondurables account for 70 percent of output and 38 percent of the jobs. Chemicals and refining, highly capital-intensive industries, dominate nondurables, thus the higher output per worker.

ECONOMIC DRIVERS



CONSTRUCTION

Construction employed 218,500 workers as of September '23, accounting for 6.5 percent of all jobs in the region.

Activity has slowed significantly from its recent peak. It may seem like the industry is sliding into recession, but the last two years were an aberration. What's happening now is the industry resetting to a new normal. Houston construction benefited from an enormous release of pent-up demand in '21 and '22. Projects placed on hold early in the pandemic finally broke ground while a surge in overall growth fueled demand for housing and industrial space.

Prior to the pandemic, apartment construction was erratic, with some years seeing as few as 6,000 units built and others as many as 21,000, ultimately averaging 14,000/year over the decade. Developers delivered 25,000 units in the 12 months ending October '23 but should only deliver 13,000 in all of '24.



WHOLESALE TRADE

Wholesalers are a key link in the region's economy. They buy goods in bulk, store them in warehouses, and sell them to retailers, manufacturers, and other businesses. For grocers, this includes produce, meat, and canned goods; for manufacturers, parts and components; for service industries, office supplies and equipment. The sector employed 180,000 workers as of September '23, accounting for 5.3 percent of all jobs in the region.

In Houston, wholesale activity is likely to remain flat in the first half of '24, but pick up mid-year in line with expectations for the overall economy. Job growth will lag, however, as employers hesitate to bring on new workers until Q4 after they've seen several months of growth. The forecast calls for wholesale trade to add 4,300 jobs in '24.



RETAIL TRADE

Retail employs nearly 320,000 Houstonians, accounting for one in 10 jobs in the region. It plays a key role in meeting the region's workforce needs.

Nationwide, retail sales were up 3.7 percent in the 12 months ending September '23. Given the inflation rate was 3.7 percent over the same period, sales in real terms were essentially flat. But sales tax collections, which include consumer and business purchases, are a good proxy. Through August '23, they were up roughly 1.7 percent after adjusting for inflation.

SIX FACTORS DRIVE RETAIL IN HOUSTON:

JOB CREATION: Houston will easily top 3.4M payroll jobs in 2024, a new record for the region.

POPULATION GAINS: Houston should add 110,000 to 120,000 residents through births

HOME CONSTRUCTION: The John Burns Real Estate Consulting firm forecasts that developers will close on approximately 37,000 new homes in '24, about the same level as '23.

CONSUMER CONFIDENCE: According to the Greater Houston Partnership survey 85% of respondents expected their financial situations to remain stable or improve in the coming months.

INCOME GROWTH: Houston's median household income was \$74,863 in '22. Adjusted for inflation, average annual household income slipped by over \$8,000 due to loss of stimulus payments, not a decline in wages.

ACCESS TO CREDIT: Over 1/3 respondents to the Fed's Senior Loan Officer Opinion Survey indicated they tightened credit standards for credit card applications and personal loans.

According to The Partnership, it believes that factors supporting growth outweigh those constraining it. Sales will grow, and with them employment, but at subpar rates. The forecast calls for the sector to add 6,500 jobs in '24.

ECONOMIC DRIVERS



TRANSPORTATION/WAREHOUSING

This sector includes airlines, trucking firms, barge companies, bus companies, taxis, limousines, pipelines, sightseeing services, messengers, couriers, freight services, and warehousing. It employed 196,000 workers as of September '23, or 5.8 percent of all jobs in the region.

THE HOUSTON AIRPORT SYSTEM ranks as one of the largest multi-airport systems in North America. Scheduled and charter passenger carriers fly directly to approximately 180+ domestic and international destinations from Houston. The system is comprised of:

- ✓ George Bush Intercontinental Airport (IAH)
- ✓ William P. Hobby Airport (HOU)
- ✓ Ellington Airport (EFD)

THE PORT OF HOUSTON

- ✓ 5th ranked U.S. container port by total TEUS
- ✓ Largest Gulf Coast container port, handling 73% of U.S. Gulf Coast container traffic
- ✓ Largest Texas port with 97% market share in containers

THE HOUSTON SHIP CHANNEL COMPLEX

- ✓ 1st ranked U.S. port in foreign waterborne tonnage - **220.5 million short tons (2022)**
- ✓ 1st ranked U.S. port in total foreign and domestic waterborne tonnage **266 million short tons (2021)**
- ✓ 2nd ranked U.S. port in terms of total foreign cargo value (**\$240.1 billion**) **2022**
- ✓ Largest Texas port with **38%** of market share by tonnage
Sources: USACE Navigation Data Center (facts 1,2), U.S. Dept. of Commerce Bureau of Census, Customs Data from Census Bureau (fact 3), Journal of Commerce PIERS (facts 4 and 5), American Association of Port Authorities (fact 6). <https://porthouston.com/about/our-port/statistics>

HIGHWAYS HOUSTON'S MAJOR THOROUGHFARES

Houston's highway system is well integrated with the Port of Houston, Houston Intercontinental Airport (IAH), Hobby Airport, Ellington Airport, and the mainline railroads serving the city. Houston is at the crossroads of Interstate Highways 10, 45 and 69. When connections are complete, I-69 will link Canada, the U.S. industrial Midwest, Texas and Mexico.

- | | | |
|---------------------|----------|--------------------|
| • Fort Bend Tollway | • I-45 | • SH 288 |
| • Beltway 8 | • I-610 | • US 59/I-69 |
| • Grand Parkway 99 | • SH 6 | • US 90 |
| • Hardy Tollway | • SH 146 | • US 290 |
| • I-10 | • SH 225 | • Westpark Tollway |

Source: Greater Houston Partnership 2024

MOTOR FREIGHT LINES

The region's extensive highway system is well-integrated with the Houston Airport System, four deep water seaports and the mainline railroads serving the city. Houston is at the crossroads of Interstate Highways 10, 45 and 69. I-69 is known as the "NAFTA superhighway" that will link Canada, the U.S. industrial Midwest, Texas and Mexico once complete.

RAILROADS

The Houston area is served by BNSF Railway Company, Kansas City Southern Railway Company and Union Pacific Railroad Company. Businesses along the Houston ship channel are served by the Galveston Railroad, Port Terminal Railroad Association and Texas City Terminal Railway Company. Amtrak provides passenger service three times per week in Houston via the Sunset Limited route that travels from New Orleans to San Antonio and Los Angeles.

ECONOMIC DRIVERS

HIGHER EDUCATION



The Houston region has more than 40 two-year community colleges and four-year universities, including three Tier 1 universities:

- Rice University
- University of Houston
- Texas A&M University in College Station.

Houston has seven 4-year universities:

- Rice University
- University of Houston
- Texas Southern University
- Art Institute of Houston
- Houston Christian University
- University of Houston Downtown
- University of St. Thomas

Houston-area colleges and universities educate nearly 430,000 students and graduate more than 100,000 students annually.

The region also has 50 trade, vocational and business schools specializing in law, healthcare, welding, process technology and various other disciplines that enroll an additional 20,000 students, according to the National Center for Education Statistics




- Houston's downtown is home to a number of clubs, musical entertainment venues, and three of Houston's four professional sports franchises: Major League Baseball's Houston Astros, who play at Minute Maid Park, Major League Soccer's Houston Dynamo, who play at BBVA Compass Stadium, and National Basketball Association's Houston Rockets, who play 41 regular-season home games per year at the Toyota Center.
- South Houston is home to NRG Park, a 350 acre entertainment complex comprising the Houston Texans' 67,925 seat NRG Stadium; the Astrodome; NRG Arena; and the NRG Center. NRG Park serves as the primary entertainment center for a number of Houston's large events, including the Houston Livestock and Rodeo Show and two Super Bowls.
- Situated between Downtown Houston and NRG Park, adjacent to the Texas Medical Center, Houston's Museum District is one of the most walkable areas in Houston. The 19 museums, galleries, cultural centers, and community organizations in the district help showcase art, history, and culture from around the world.
- One of the 10 largest malls in the country, The Galleria is a mixed-use shopping center featuring 2.4 million square feet of retail space and over 375 retail establishments and is ranked as one of the world's best shopping malls by Forbes.
- Houston is home to the Alley Theatre, Hobby Center for the Performing Arts, the Houston Ballet, the Wortham Theater Center, Jesse H. Hones Hall for the Performing Arts and the Bayou Music Center.
- Houston contains 44,480 acres of parkland and 699 parks, according to The Trust for Public Land's '22 City Parks report. There are 18.5 acres of total parkland per 1,000 residents, well above the Median of 15.1 acres per 1,000 residents for cities of similar density



THE ECONOMY

Houston Economic Overview 2024

[optimism for future market conditions hint at a cautious yet hopeful outlook among investors]

- 
- Houston's surging population and economic growth has triggered a flood of multifamily construction.
 - Houston ranked among the top three metros in the U.S. for new supply growth over the past 10 years, adding roughly 160,000 units.
 - Over 88% of those units were in the higher-tier / 4- and 5-star asset categories.
 - The pace of construction in 2023 decelerated to its lowest levels since 2017, a primary contributing factor for steady absorption throughout 2024.



U. S. Multifamily - 2024 Outlook

Real Estate Investors Grapple with Higher Interest Rates and Escalating Insurance Costs

In the Spring 2024 Investor Sentiment Survey conducted by RCN Capital, insurance challenges have emerged as a significant worry for real estate investors, hampering deals and diminishing opportunities.

Firms are increasingly compelled to relinquish deals due to soaring insurance costs. Insurance rate volatility has significantly impacted their deals, both new and existings.

Sean Kent, Senior Vice President at FS Insurance Brokers, pointed out the unpredictability with underwriting in states like Florida, Georgia, and California, where natural disasters like hurricanes and wildfires are prevalent.

Alan R. Hammer, Esq., of Brach Eichler, acknowledged a noticeable uptick in insurance costs, though he suggested it was not alarmingly high.

The survey indicated fewer respondents viewing current conditions favorably compared to the previous year. However, optimism for future market conditions prevailed, hinting at a cautious yet hopeful outlook among investors. (Source: www.privatelendersdirectory.com/private-lending-and-investor-news 4/16/24)

234,000

Units absorbed in 2023

53%

Surge in Annual New Supply expected in 2024

34%

Increase in Insurance Costs Year-over-Year

Source: Newmark Fourth Quarter 2023 United States Multifamily Capital Markets Report

Demand Drivers



\$1,066

Spread between Renting and Homeownership

Debt Capital Market



\$645B

in Loans mature between 2024 and 2026

Investment Sales



\$119B

Total Sales Volume in 2023 down 61% Year-over-Year

Pricing and Returns



\$245B

Dry powder with leverage targeting residential

Source: Newmark Fourth Quarter 2023 United States Multifamily Capital Markets Report

Houston Multifamily - 2024 Outlook

Why Houston Metro's population spiked in recent years, outpacing, NYC, LA and Chicago



- Many moving away from large metropolitan areas.
- Houston's growth rate translates to a new resident approximately every four minutes.
- Country's three largest metros—New York, Los Angeles, and Chicago—experienced population losses.
- The Houston area has regained over 150% of the jobs lost during the pandemic - a recovery plus a 50% increase in pre-pandemic job numbers.
- Primary driver of population - international migration. Accounting for nearly 40% of its total growth last year.
- Harris County had largest natural population increase in the U.S., with approximately 35,000 more births than deaths.

(Source: HAR Insights April 2024 by President & CEO Bob Hale)

MULTIFAMILY SALES



\$119,536

Average Sold Price per unit 2023



6.9%

Average Cap Rate YTD



\$1.9B

Sales Volume 2023



22,786

Total Units Sold 2023

1 & 2-star properties had a growth rate of 2.2%, followed by 3-star properties at 1.3%. The 4 & 5-star assets decreased by 1.0%.

Year-over-year rent growth decelerated significantly from its peak of 8.9% in the fourth quarter of 2021, the Houston MSA is outperforming Austin, Dallas-Fort Worth, and San Antonio. The trend is expected to continue through 2024.

of properties offering concessions has increased from 25% in January 2023 to 37% in November 2023.

Vacancy rates have increased over the past two years from a 7 year low of 7.0% in the third quarter of 2021 to a current rate of 11.0%. Indicators point to a peak at 11.0%.

Rising interest rates in 2023 declined construction to a 6 year low, indicating decompression of the supply-heavy construction pipeline throughout 2024.

Multifamily is expected to adjust closer to prepandemic norms, resulting in lowered vacancy rates and increased rent growth beginning in 2025.

MULTIFAMILY CONSTRUCTION

24,344 New Units

12,246 New Units to Follow in 2024

AVERAGE RENT

\$1,268

as of April 25, 2024

RENT GROWTH

-1.3%

as of April 25, 2024