

HUD PD&R Housing Market Profiles

Houston-Sugar Land-Baytown, Texas



Quick Facts About Houston-Sugar Land-Baytown

- **Current sales market conditions: slightly tight.**
- **Current apartment market conditions: balanced.**
- **The inventory of homes for sale and the apartment vacancy rate in the metropolitan area are at their lowest levels in more than a decade, except for a brief period after the Hurricane Katrina disaster in 2005.**



By Robert Stephens | As of September 1, 2013

Overview

The Houston-Sugar Land-Baytown (hereafter, Houston) metropolitan area, which encompasses 10 counties in the Gulf Coast region of southeastern Texas, is the fifth largest metropolitan area in the United States. Harris County, which includes the primary city of Houston, is home to nearly 70 percent of the metropolitan area population.

- As of September 1, 2013, the estimated population of the metropolitan area was 6.36 million, which represents an average annual increase of 120,000, or 2.0 percent, since the 2010 Census.
- Approximately 50 percent of the population growth in the metropolitan area since 2010 resulted from net in-migration, with approximately one-half of the net in-migration occurring in Harris County.
- From 2000 through 2010, the metropolitan area population grew by more than 1.2 million, the most growth of any metropolitan area in the country during that period.



Nonfarm payrolls in the Houston area grew in every sector except other services.

	3 Months Ending		Year-Over-Year Change	
	August 2012 (thousands)	August 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	2,696.7	2,787.1	90.4	3.4
Goods-producing sectors	525.8	548.2	22.4	4.3
Mining, logging, and construction	280.7	296.5	15.8	5.6
Manufacturing	245.1	251.7	6.6	2.7
Service-providing sectors	2,170.9	2,238.9	68.0	3.1
Wholesale and retail trade	420.3	437.0	16.7	4.0
Transportation and utilities	128.7	133.0	4.3	3.3
Information	31.7	32.5	0.8	2.5
Financial activities	140.8	143.6	2.8	2.0
Professional and business services	412.5	424.5	12.0	2.9
Education and health services	327.3	341.2	13.9	4.2
Leisure and hospitality	262.0	276.3	14.3	5.5
Other services	96.7	95.0	- 1.7	- 1.8
Government	350.9	355.8	4.9	1.4
	(percent)	(percent)		
Unemployment rate	7.2	6.4		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

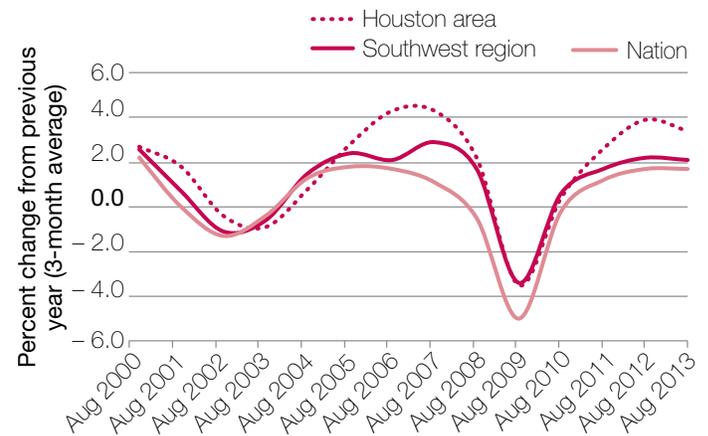
Economic Conditions

Strong nonfarm payroll growth continued in the Houston metropolitan area during the 3 months ending August 2013, when nearly one-half of nonfarm payroll sectors increased by more than 10,000 jobs. The metropolitan area has recorded annual job growth in excess of 3.0 percent since December 2011.

During the 3 months ending August 2013—

- Total nonfarm payrolls increased by 90,400 jobs, or 3.4 percent, compared with nonfarm payrolls during the 3 months ending August 2012, which follows an increase of 3.9 percent a year earlier.
- The largest increase and the greatest growth rate in nonfarm payrolls occurred in the mining, logging, and construction sector, which increased by 15,800 jobs, or 5.6 percent, a result of continued strong demand for oil and natural gas and increased new home construction.
- Strong payroll growth also occurred in the wholesale and retail trade, leisure and hospitality, and education and health services sectors, which grew by 16,400, 14,300, and 13,900 jobs, or 4.0, 5.5, and 4.2 percent, respectively; 5 of the 10 largest employers in the metropolitan area are in healthcare-related industries.
- Reflecting continued strong job growth, the unemployment rate declined to 6.4 percent compared with the rate of 7.2 percent recorded during the 3 months ending August 2012.

Among the 12 largest metropolitan areas in the country, the Houston area ranked first in the rate of job growth and third in the number of jobs added.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Houston area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Memorial Hermann Healthcare System	Education and health services	19,500
Continental Airlines, Inc.	Transportation and utilities	16,000
The University of Texas MD Anderson Cancer Center	Government	15,000

Note: Excludes local school districts.
Source: Greater Houston Partnership



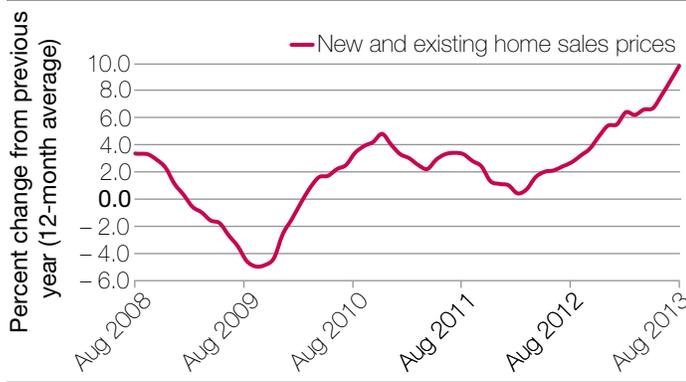
Sales Market Conditions

The sales housing market in the Houston metropolitan area is currently slightly tight, an improvement from the soft conditions that prevailed until 2012 because of overbuilding in the mid-2000s to late 2000s. Recent strong employment and population growth in the metropolitan area contributed to increased sales demand for single-family homes. New and existing home sales and home sales prices increased and the inventory of homes for sale declined significantly during the 12 months ending August 2013 (Real Estate Center at Texas A&M University).

During the 12 months ending August 2013—

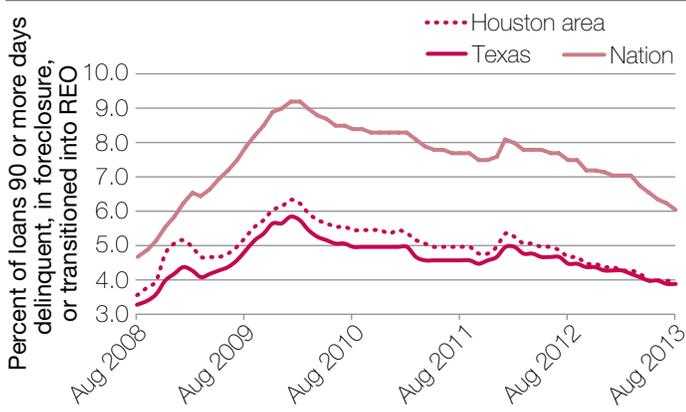
- Home sales increased 20 percent from the 12 months ending August 2012, to 78,000 homes sold, and surpassed the peak from the previous decade, when an average of 74,600 homes sold annually from 2006 through 2008.

Home sales price increases reached 10 percent in the Houston area for the first time since 2000.



Note: Includes single-family homes, townhomes, and condominiums. Source: Real Estate Center at Texas A&M University

The distressed mortgage rate in the Houston area continued to decline and remained much less than the national average.

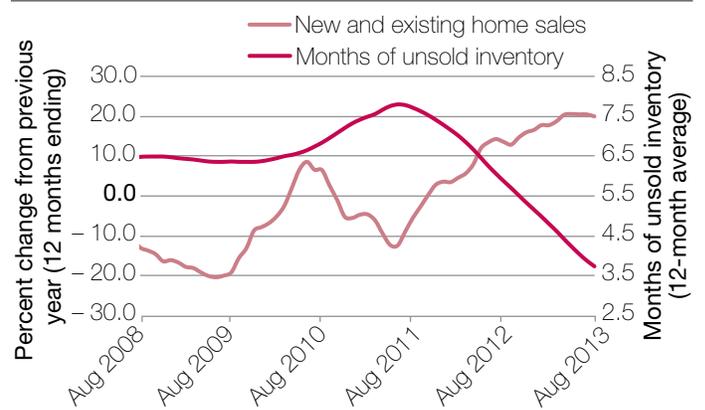


REO = Real Estate Owned. Source: LPS Applied Analytics

- The average home sales price increased 10 percent from a year earlier, to \$238,900, after increasing 3 percent during the previous 12 months; home sales prices increased an average of 5 percent annually from a low of \$197,600 during the 12 months ending September 2009.
- The recent increases in home sales and sales prices in the metropolitan area represented the greatest growth rates in more than a decade.
- The inventory of homes for sale declined significantly, to a 3.7-month supply, compared with the 5.9-month supply recorded during the previous 12 months and is the lowest level of inventory in nearly 20 years.

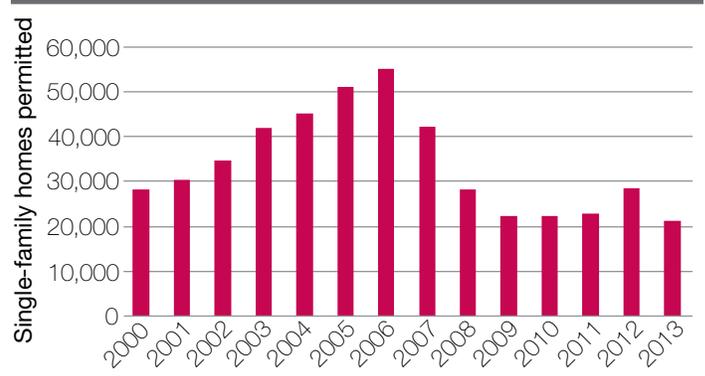
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Home sales continued to increase in the Houston area as the inventory of homes for sale reached a nearly 20-year low.



Note: Includes single-family homes, townhomes, and condominiums. Source: Real Estate Center at Texas A&M University

Builders responded to improved sales market conditions by increasing single-family construction in the Houston area.



Note: Includes preliminary data from January 2013 through July 2013. Source: U.S. Census Bureau, Building Permits Survey



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As of August 2013, 3.8 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 4.6 percent in August 2012 (LPS Applied Analytics). The distressed mortgage rate, which peaked at 6.3 percent in January 2010, was not as severe in the metropolitan area as in many parts of the nation, because of comparatively strong employment and population growth and because the sales market did not experience the substantial price gains recorded in many other parts of the country during the early 2000s to mid-2000s.

Single-family construction activity, as measured by the number of single-family homes permitted, continued to increase during the most recent 12 months as builders responded to increasing demand and improving sales market conditions in the Houston metropolitan area.

- During the 12 months ending August 2013, permits were issued for approximately 33,350 single-family homes, an increase of 25

percent compared with the 26,700 homes permitted during the previous 12 months (preliminary data).

- Single-family permitting averaged 47,150 homes a year from 2003 through 2007 before declining to an average of 24,900 homes a year from 2008 through 2012, a result of soft sales market conditions that were caused, in part, by overbuilding and a brief local economic downturn.
- As of mid-2013, 8 of the 20 fastest growing master-planned communities (MPCs) in the country, as measured by the number of new homes started, were in the metropolitan area (Metrostudy, A Hanley Wood Company).
- Of those 8 MPCs, 6 were in Fort Bend County, including Cinco Ranch, the fourth fastest growing MPC in the country. These 6 communities, combined, started approximately 3,100 new homes during the 12 months ending June 2013, nearly 40 percent more than a year earlier.

Apartment Market Conditions

Apartment market conditions in the Houston metropolitan area are currently balanced. The market improved significantly during the past 4 years because of increased demand for rental units and reduced multifamily building activity from 2009 through 2011.

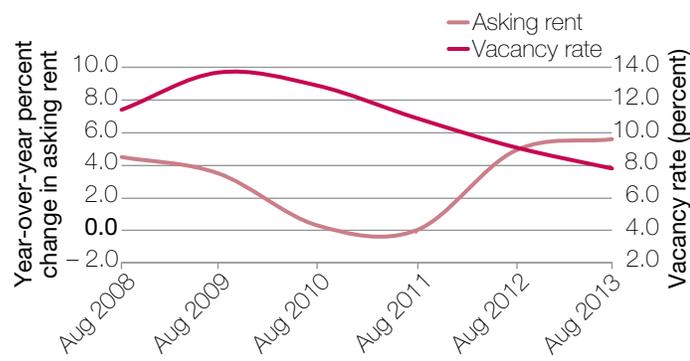
During August 2013—

- The apartment vacancy rate was 7.8 percent, down from 9.1 percent in August 2012 (ALN Systems, Inc.).

- The average vacancy rate declined steadily from a peak of 13.7 percent in August 2009 and is currently at its lowest level since immediately after Hurricane Katrina in late 2005, when many evacuees relocated to the metropolitan area.
- The average monthly rent increased nearly 6 percent from a year earlier, to approximately \$880, after increasing 5 percent from August 2011 to August 2012, the strongest 2-year period of rent growth in the metropolitan area in at least a decade.

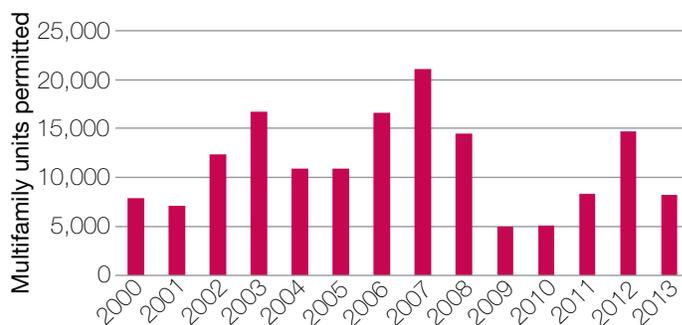
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Vacancy rates in the Houston area declined by nearly one-half during the past 4 years.



Source: ALN Systems, Inc.

Multifamily permitting activity increased from the low levels recorded from 2009 through 2011 in the Houston area.



Note: Includes preliminary data from January 2013 through July 2013.
Source: U.S. Census Bureau, Building Permits Survey



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- Approximately one-third of properties in the metropolitan area are offering concessions, which average less than 5 percent of total rents. Both the percentage of properties offering concessions and the amount of concessions offered declined from the previous year.

After remaining at low levels from 2009 through 2011, multifamily construction activity in the Houston metropolitan area increased during the past year because of improving apartment market conditions.

- Permits were issued for approximately 13,950 multifamily units during the 12 months ending August 2013, an increase of 16 percent compared with the 12,000 units permitted during the previous 12 months (preliminary data).
- Multifamily permitting averaged 17,400 units a year from 2006 through 2008 before declining to average 6,150 units a year from 2009 through 2011, when builders responded to soft apartment market conditions by reducing multifamily construction activity.
- Much of the recent apartment construction in the metropolitan area occurred inside the Interstate 610 loop and in the Galleria area of western Houston, where a number of upscale properties recently completed construction.
- Rents at newly constructed, market-rate properties in the metropolitan area average approximately \$1,250, \$1,600, and \$1,700 for one-, two-, and three-bedroom apartments, respectively (ALN Systems, Inc.).
- Several apartment projects are under construction or in planning in the metropolitan area, including WaterWall Place, a 322-unit complex under construction in the Galleria area that is expected to be complete in December 2013, and 21 Eleven, a 215-unit complex in planning in the inner-loop area that is expected to be complete by the summer of 2015.

