

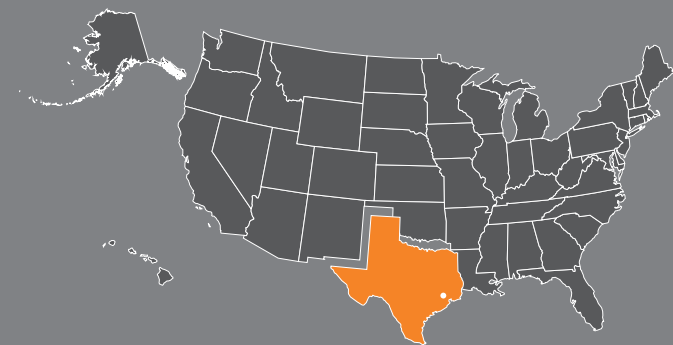
HUD PD&R Housing Market Profiles

Houston-The Woodlands-Sugar Land, Texas



Quick Facts About Houston-The Woodlands-Sugar Land

- **Current sales market conditions: slightly tight.**
- **Current apartment market conditions: slightly tight.**
- **The metropolitan area is the headquarters of 26 Fortune 500 companies, the third most of any metropolitan area in the nation.**



By Tim McDonald | As of May 1, 2015

Overview

The Houston-The Woodlands-Sugar Land (hereafter, Houston) metropolitan area, which encompasses nine counties in the Gulf Coast region of southeastern Texas, is the fifth largest metropolitan area in the United States. Harris County, which includes the principal city of Houston, is home to nearly 70 percent of the metropolitan area population. Houston added the most population of any metropolitan area in the nation from 2013 to 2014 (U.S. Census Bureau population estimates as of July 1).

- As of May 1, 2015, the estimated population of the metropolitan area was more than 6.6 million, representing an increase of 134,700, or 2.2 percent, annually since April 2010.
- From 2010 to 2012, an estimated 50 percent of population growth was a result of net in-migration. A high rate of job growth relative to other parts of the nation has attracted more people to the metropolitan area and increased net in-migration to more than 60 percent of population growth since 2013.
- From 2005 through 2009, the population of the Houston metropolitan area increased by an average of 148,100, or 2.7 percent, annually.



Job growth occurred in every employment sector in the Houston area during the past 12 months.

	3 Months Ending		Year-Over-Year Change	
	April 2014 (thousands)	April 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	2,887.3	2,970.5	83.2	2.9
Goods-producing sectors	558.6	573.1	14.5	2.6
Mining, logging, and construction	306.6	319.4	12.8	4.2
Manufacturing	252.0	253.7	1.7	0.7
Service-providing sectors	2,328.7	2,397.4	68.7	3.0
Wholesale and retail trade	454.0	468.1	14.1	3.1
Transportation and utilities	132.1	134.7	2.6	2.0
Information	33.1	33.3	0.2	0.6
Financial activities	146.1	147.7	1.6	1.1
Professional and business services	455.2	464.8	9.6	2.1
Education and health services	346.0	362.4	16.4	4.7
Leisure and hospitality	280.4	296.2	15.8	5.6
Other services	102.9	103.7	0.8	0.8
Government	379.0	386.5	7.5	2.0
	(percent)	(percent)		
Unemployment rate	5.1	4.2		

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

Economic Conditions

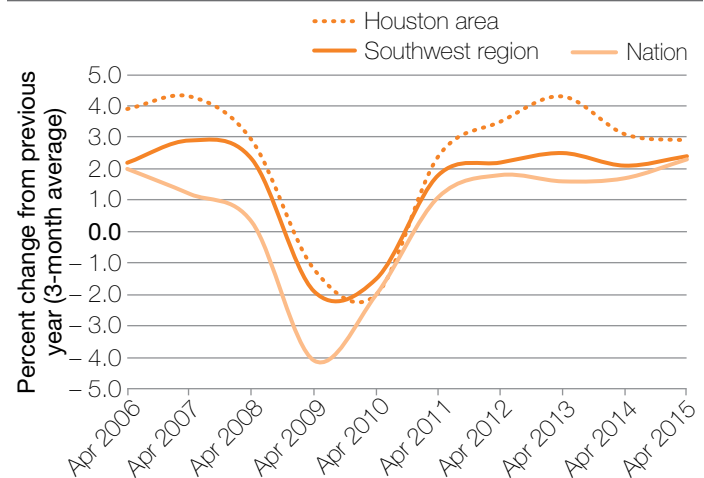
Since the beginning of the economic recovery in mid-2010, nonfarm payrolls in the Houston metropolitan area have increased by an average of 84,800, or 3.1 percent, annually, which is among the highest rates of payroll growth in the nation.

During the 3 months ending April 2015—

- Nonfarm payrolls increased by 83,200, or 2.9 percent, to 2.97 million jobs, marking the 58th consecutive month of expansion.
- The education and health services sector led employment gains, increasing by 16,400 jobs, or 4.7 percent, due in part to \$1.6 billion of recent expansions at the Texas Medical Center, which with 21 hospitals is the world's largest medical center.
- The leisure and hospitality sector increased by 5.6 percent, the greatest percentage gain of any sector, adding 15,800 jobs.
- The unemployment rate declined from 5.1 to 4.2 percent, which is the lowest rate since 2008.

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Since 2011, nonfarm payroll growth in the Houston area has been among the strongest in the nation.



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
The University of Texas MD Anderson Cancer Center	Government	19,300
United Airlines Inc.	Transportation and utilities	17,000

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

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The Houston metropolitan area is known as the “Energy Capital of the World” and, of the 26 Fortune 500 companies headquartered in Houston, 23 are involved in energy production. ExxonMobil Corporation, although not headquartered in Houston, is building a \$1 billion campus in Houston for 10,000 employees, with 2,100 of those

employees relocating from outside of the Houston metropolitan area when it is complete in mid-2015. Sasol Limited, a South African energy company, is building its North American headquarters in the energy corridor section of Houston, which will add 700 jobs when complete in 2016.

Sales Market Conditions

The sales housing market in the Houston metropolitan area is currently slightly tight, an improvement from the soft conditions that prevailed through 2011 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.

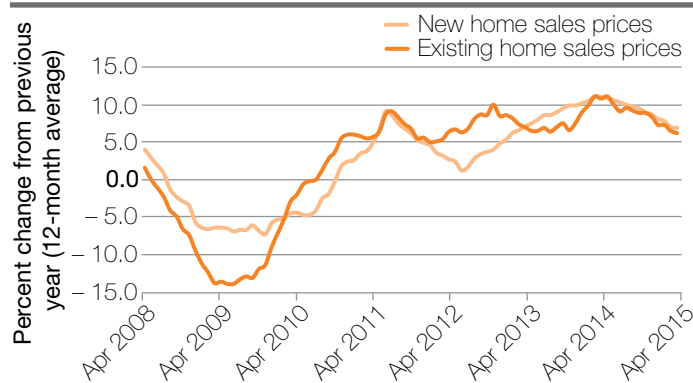
- During the 12 months ending April 2015, sales of existing homes totaled 109,000, unchanged from the previous 12 months, and the average existing home sales price increased by \$15,600, or more than 6 percent, to \$268,700 (Metrostudy, A Hanley Wood Company).
- Real estate owned (REO) sales, which are included in the existing home sales numbers, totaled 9,200 during the 12 months ending April 2015, a decline of 2,550, or slightly more than 21 percent, from the previous 12 months. REO sales accounted for 8.5 percent of all existing home sales, which is down significantly from the peak in 2011, when REO sales accounted for 23.7 percent of all existing home sales.
- During the 12 months ending April 2015, new home sales totaled 25,900, an increase of 1,200, or more than 5 percent, from the previous 12 months, and the average new home sales price increased by \$19,700, or nearly 7 percent, to \$305,000.
- In April 2015, 2.9 months of inventory were on the market, up slightly from 2.7 months during April 2014 (Real Estate Center at Texas A&M University).
- In April 2015, 2.9 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, a significant improvement from the peak rate of 6.3 percent in January 2010 (Black Knight Financial Services, Inc.).

New home construction has been increasing since 2011, but is still well below the levels of construction in the mid-2000s.

- Single-family construction activity, as measured by the number of homes permitted, totaled 38,425 during the 12 months ending April 2015, an increase of 3,000 homes, or nearly 9 percent, from the 12 months ending April 2014 (preliminary data). The recent decline in permitting in the Houston metropolitan area is in part because of an unusually rainy spring that delayed construction in the HMA.

- Harris County accounted for 45 percent of all single-family homes permitted in the metropolitan area during the 3 months ending April 2015.
- From 2004 through 2007, an average of 48,400 single-family homes were permitted annually. This figure declined more than 50 percent to an average of 23,950 homes permitted annually from 2008 through 2011 before increasing to an average of 33,850 homes permitted annually from 2012 through 2014.

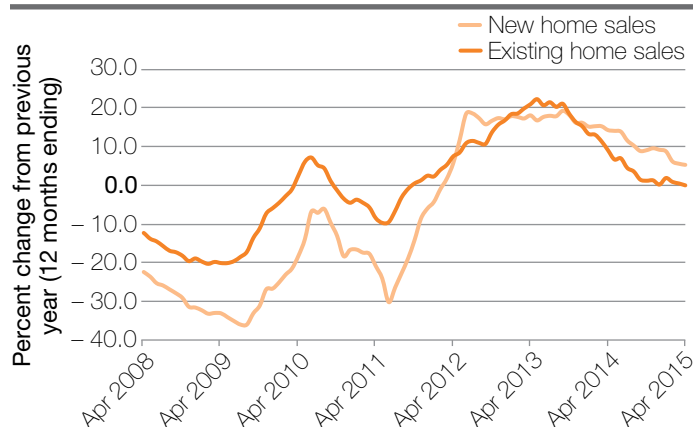
Home sales prices in the Houston area have been increasing since the end of 2010.



Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

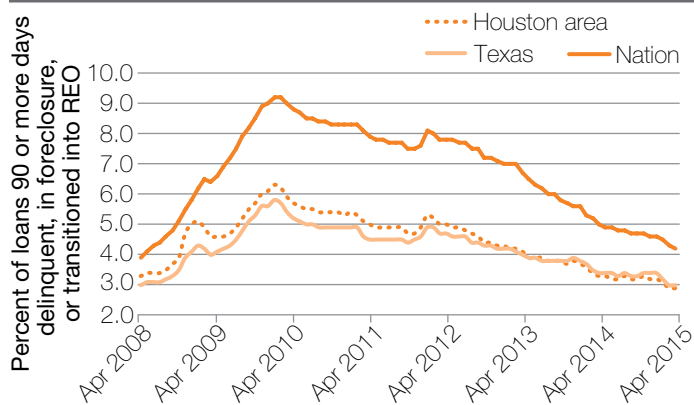
After double-digit percentage increases in home sales during 2012 and 2013, the rate of home sales growth slowed in 2014 and 2015 in the Houston area.



Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

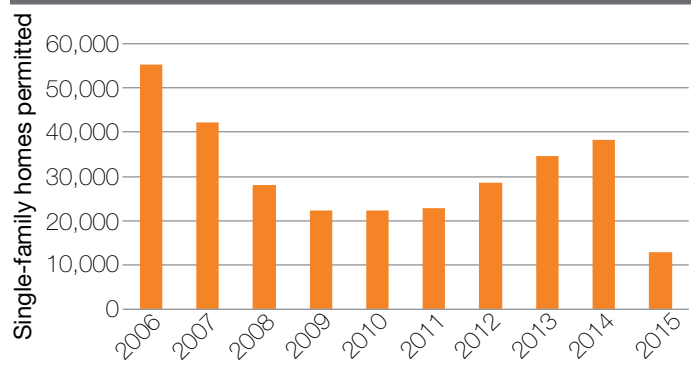
The housing crisis did not affect the Houston area as severely as the rest of the nation, and the percentage of seriously delinquent loans and REO properties has been consistently below the national average.



REO = real estate owned.

Source: Black Knight Financial Services, Inc.

The permitting of new single-family homes in the Houston area has started to increase but remained well below previous peak levels.



Note: Includes preliminary data from January 2015 through April 2015.

Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Houston metropolitan area is slightly tight, with an 8.1-percent vacancy rate as of the first quarter of 2015, which is unchanged from the first quarter of 2014 but well below the most recent peak of 15.0 percent during the first quarter of 2010 (ALN Apartment Data, Inc.). Strong employment growth and increasing in-migration to the Houston metropolitan area since 2012 have contributed to a significant decline in the apartment vacancy rate.

Since the apartment vacancy rate fell below 10 percent in the fourth quarter of 2012, year-over-year rent increases generally have exceeded 6 percent in the Houston area.



Source: ALN Apartment Data, Inc.

- The apartment vacancy rate dropped to less than 10 percent during the second quarter of 2010, the first time the vacancy rate in the metropolitan area had fallen to this level since the second quarter of 2006, when a large number of Hurricane Katrina evacuees relocated to the metropolitan area and temporarily caused the apartment market to tighten.
- The average rent for an apartment in the first quarter of 2015 was \$987, an increase of \$74, or more than 8 percent, from the first quarter of 2014. Average year-over-year rent growth in the metropolitan area has exceeded 5 percent since the third quarter of 2012.
- Rents for one-, two-, and three-bedroom units in the metropolitan area averaged \$872, \$1,083, and \$1,231 respectively, during the first quarter of 2015.
- During the same period, the vacancy rate in the city of Houston's downtown area was 6.2 percent, down from 10.1 percent during the first quarter of 2014. The average rent in downtown Houston was \$1,807, an increase of \$112, or 6.5 percent, from the first quarter of 2014.

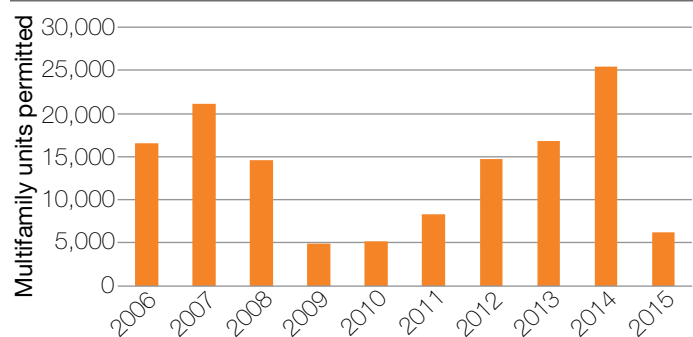
More than 25,000 multifamily units were permitted in the Houston metropolitan area during 2014, the highest annual level of production since 1983, in part because of increased demand generated by strong employment and population growth since 2012 that significantly tightened the apartment market.

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- During the 12 months ending April 2015, the number of multifamily units permitted totaled 24,850, an increase of 6,400 units, or nearly 35 percent, from the same 12 months in 2014 (preliminary data).
- During the 12 months ending April 2015, Harris County accounted for 17,800 units permitted, or nearly 72 percent of all multifamily units permitted in the metropolitan area.
- Multifamily construction averaged 6,150 units annually in the metropolitan area from 2009 through 2011 before increasing each successive year to a record high of 25,450 units in 2014.
- Downtown Houston has 17,400 apartment units, 5,200, or nearly 30 percent, of which were constructed since 2011 as living in the central city became more desirable (ALN Apartment Data, Inc.).
- In downtown Houston, 4,050 apartment units are currently under construction.

The number of multifamily units permitted during 2014 was the most in the Houston area since 1983.



Note: Includes preliminary data from January 2015 through April 2015.
Source: U.S. Census Bureau, Building Permits Survey