



Houston, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2011



Housing Market Area



The Houston Housing Market Area (HMA) is coterminous with the Houston-Sugar Land-Baytown Metropolitan Statistical Area (MSA). For purposes of this analysis, the HMA is divided into three submarkets: the Harris County submarket, which includes the central city of Houston; the Galveston County submarket; and the Remainder submarket, which consists of Austin, Brazoria, Chambers, Fort Bend, Liberty, Montgomery, San Jacinto, and Waller Counties.

Summary

Economy

Nonfarm payrolls in the Houston HMA increased during the most recent 12 months after 2 years of job declines. During the 12 months ending September 2011, nonfarm payrolls grew by 2.1 percent after a decline of 1.6 percent during the previous 12 months. Modest job growth is expected to occur during the 3-year forecast period, when nonfarm payrolls are estimated to grow by approximately 1.8 percent annually. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

The sales housing markets in the submarkets of Harris and Galveston Counties are currently soft, whereas the Remainder submarket is balanced. The current sales housing vacancy rate for the HMA is estimated at 1.9 percent,

down from 2.2 percent in 2010. Demand is expected for 105,000 new homes during the forecast period, as shown in Table 1. A portion of the estimated 78,000 other vacant units currently in the HMA may satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is soft. The overall rental vacancy rate for the HMA is currently estimated at 10.7 percent, down from 13.4 percent in 2010. The market began to improve during the past year as builders responded to soft market conditions by reducing production levels. During the forecast period, demand for additional units, which is expected only in the Harris County and Remainder submarkets, is estimated at 13,450 units (see Table 1).

Market Details

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Table 1. Housing Demand in the Houston HMA, 3-Year Forecast, October 1, 2011 to October 1, 2014

	Houston HMA		Harris County Submarket		Galveston County Submarket		Remainder Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	105,000	13,450	63,100	5,225	3,600	0	38,350	8,225
Under Construction	7,725	7,300	3,775	4,850	600	100	3,350	2,350

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2011. A portion of the estimated 78,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

On September 13, 2008, Hurricane Ike made initial landfall in Texas at Galveston before making final landfall near Baytown. The most significant damage occurred along the coast in Galveston, Harris, and Chambers Counties. According to the National Climatic Data Center, Hurricane Ike dealt nearly \$14 billion in property damage to the Greater Houston area. According to Federal Emergency Management Agency

(FEMA) estimates, approximately 3,300 owner-occupied and 1,425 renter-occupied dwellings were severely damaged by the storm. These figures represent an estimated 0.2 percent of both the owner- and renter-occupied housing stock in the metropolitan area at the time of the disaster.

After declining in 2009 and 2010, total nonfarm payrolls in the Houston HMA grew by 52,000 jobs, or 2.1 percent, during the 12 months ending September 2011 to 2.57 million (see Table 2). The unemployment rate increased from 8.4 to 8.5 percent during the same period because growth in the labor force outpaced employment growth (see Figure 1). The HMA still needs to add 30,000 jobs to recover to prerecession levels. During the most recent 12 months, losses of 2,100 jobs, or 6.6 percent, and 1,100 jobs, or 0.8 percent, in the information and financial activities sectors, respectively, were more than offset by gains in all other sectors. The information sector has sustained a long period of job losses and has declined by 47,400 jobs, or 36 percent, since 2000 (see Figure 2),

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Houston HMA, by Sector

	12 Months Ending September 2010	12 Months Ending September 2011	Percent Change
Total Nonfarm Payroll Jobs	2,519,000	2,571,000	2.1
Goods Producing	468,700	485,500	3.6
Mining, Logging, & Construction	251,500	262,400	4.3
Manufacturing	217,200	223,100	2.7
Service Providing	2,050,000	2,086,000	1.7
Wholesale & Retail Trade	392,200	400,100	2.0
Transportation & Utilities	122,000	123,200	0.9
Information	32,500	30,350	-6.6
Financial Activities	135,900	134,800	-0.8
Professional & Business Services	357,500	370,600	3.7
Education & Health Services	306,100	313,900	2.6
Leisure & Hospitality	233,400	238,800	2.3
Other Services	91,300	94,100	3.1
Government	379,000	379,800	0.2

Notes: Based on 12-month averages through September 2010 and September 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

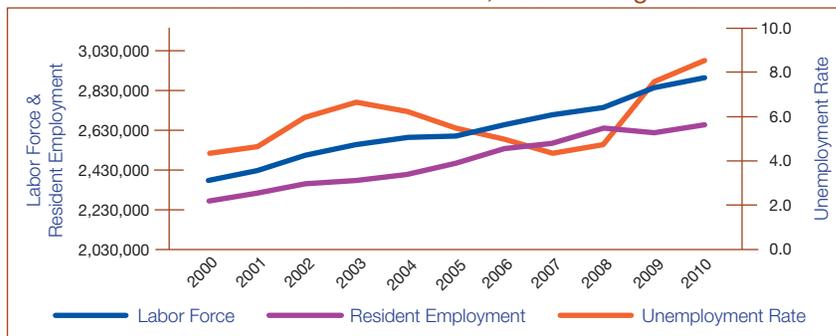
primarily due to weakness in the telecommunications industry, and the financial activities sector continues to be affected by the soft housing market.

During the 12 months ending September 2011, the fastest growing subsector was mining and logging, which increased by 7,200 jobs, or 9.1 percent, and accounted for nearly 17 percent of the \$395.4 billion gross area product in the HMA, according to data produced by The Perryman Group for the Greater Houston Partnership. Oil and gas extraction and support activities for mining account for virtually all

jobs in the subsector. Several major energy sector companies are headquartered or have significant operations in the area, including BP America Inc., Chevron Corporation, CITGO Petroleum Corporation, ConocoPhillips Company, Exxon Mobil Corporation, and Royal Dutch Shell PLC. In addition, 3 out of the 10 largest employers in the HMA are included in this subsector (see Table 3).

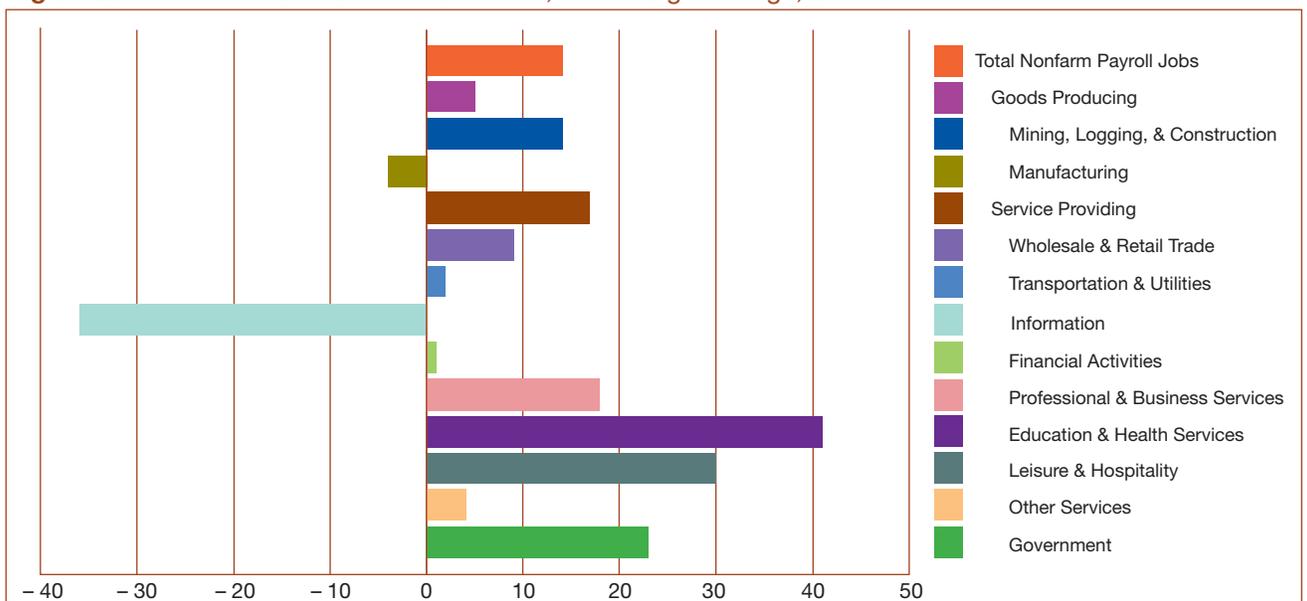
The professional and business services sector, which accounts for more than 14 percent of nonfarm payrolls in the HMA (see Figure 3), added the most jobs during the 12 months ending September 2011, increasing by 13,100 jobs, or 3.7 percent. Most of the growth occurred in the administrative and support services subsector, which grew by 9,300 jobs, or 6 percent. Employment services, which includes temporary workers and accounts for the largest number of jobs in this subsector, gained 6,200 jobs, or 11 percent, during this time. Demand for temporary help services often leads business

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Houston HMA, 2000 Through 2010



Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Houston HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through September 2011.

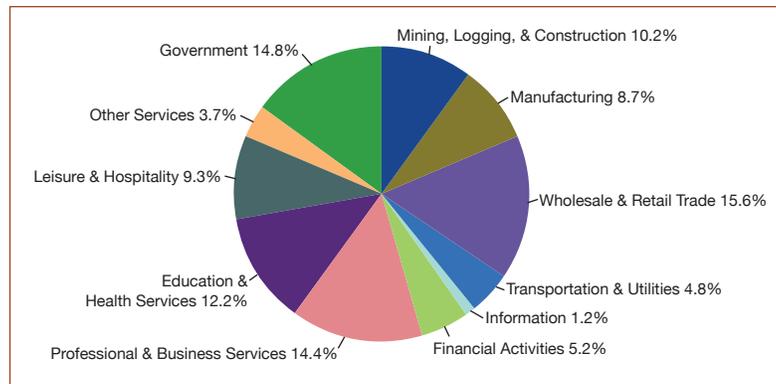
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Houston HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Memorial Hermann Texas Medical Center	Education & Health Services	19,500
Continental Airlines, Inc.	Transportation & Utilities	16,000
The University of Texas: M.D. Anderson Cancer Center	Education & Health Services	15,000
Exxon Mobil Corporation	Mining, Logging, & Construction	13,000
Royal Dutch Shell PLC	Mining, Logging, & Construction	13,000
The Kroger Co.	Wholesale & Retail Trade	12,000
National Oilwell Varco	Mining, Logging, & Construction	10,000
The Methodist Hospital System®	Education & Health Services	9,991
The University of Texas Medical Branch at Galveston	Education & Health Services	9,318
Baylor College of Medicine®	Education & Health Services	9,232

Note: Excludes local school districts.

Source: Greater Houston Partnership

Figure 3. Current Nonfarm Payroll Jobs in the Houston HMA, by Sector

Note: Based on 12-month averages through September 2011.

Source: U.S. Bureau of Labor Statistics

cycles because, through such services, firms can adjust their workforces quickly to react to changes in demand that may be short lived. Other employment sectors that added a significant number of jobs during the 12 months ending September 2011 were the education and health services, trade, manufacturing, and leisure and hospitality sectors, which grew by 7,900, 7,900, 5,900, and 5,400 jobs, respectively.

During the forecast period, nonfarm payrolls are expected to increase by an average of 47,700 jobs, or 1.8 percent, annually. Modest job growth is expected to continue during each of the 3 years of the forecast period as gains occur in most sectors. The overall growth rate, however, is expected to remain well below the nearly 3-percent average annual rate from 2003 through 2008.

Population and Households

The population of the Houston HMA has increased by an estimated 103,500, or 1.7 percent, annually since 2010 to 6,102,000 (see Figure 4) as of the current date compared with growth averaging 123,100 people, or 2.3 percent, annually between 2000 and 2010. Net in-migration has accounted for approximately 40 percent of the population increase since 2010 (see Figure 5) compared with approximately 50 percent of the population increase from 2000 to 2010. Following

Hurricane Katrina, which made land-fall in southeast Louisiana in August 2005, significant migration into the HMA occurred as many evacuees, mostly from New Orleans, relocated to Houston and surrounding areas. Between 2000 and mid-2005, net in-migration to the HMA averaged 55,050 people annually. Between mid-2005 and mid-2006, following the Hurricane Katrina disaster, net in-migration to the HMA increased to 116,200 people. Since that time,

Population and Households *Continued*

net in-migration has tapered off as the economy has slowed and some hurricane evacuees have left the area. From mid-2006 through 2010, net in-migration to the HMA averaged 61,700 people a year.

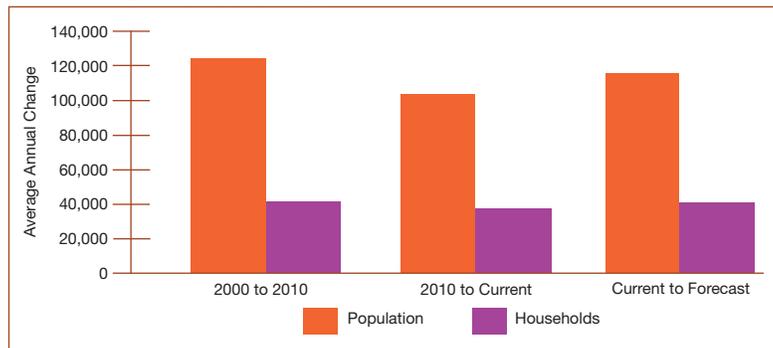
The fastest growing portion of the HMA is the Remainder submarket, which has grown by an average of 45,300 people, or 2.9 percent, annually since 2010 to a population of 1,631,000. Population growth slowed from an average of 3.9 percent annually during the 2000s. Most of the growth in this submarket since 2000 has occurred in parts of Fort Bend, Montgomery, and Brazoria Counties abutting Houston. The Harris County submarket added the most people since 2010, increasing by an average of 53,700 people, or 1.3 percent, annually to a population of 4,173,000. Harris County

absorbed an estimated 85 percent of the Hurricane Katrina evacuees who migrated to the HMA. This large influx of residents, coupled with strong employment growth during the mid-2000s, led to an average population growth of 1.9 percent a year in the submarket during the 2000s.

Since 2010, the population of the Galveston County submarket has grown by an average of 4,600, or 1.6 percent, annually to 298,200. In contrast with other parts of the HMA, population growth increased slightly from an average of 1.5 percent annually during the 2000s. Galveston County was affected less by Hurricane Katrina evacuees than were other parts of the HMA. Galveston County has a large second-home market, with a number of vacation homes on and near the coast. Most Hurricane Katrina evacuees were able to find housing in areas closer to downtown Houston and the surrounding suburbs; however, Galveston County was significantly affected by Hurricane Ike in 2008. From mid-2008 through mid-2009, a net out-migration of 3,500 people occurred, because more than 4,700 residences were damaged and many residents relocated, at least temporarily, to other areas. A portion of the recent increase in population in the submarket is likely attributable to the return of many of these families to the area.

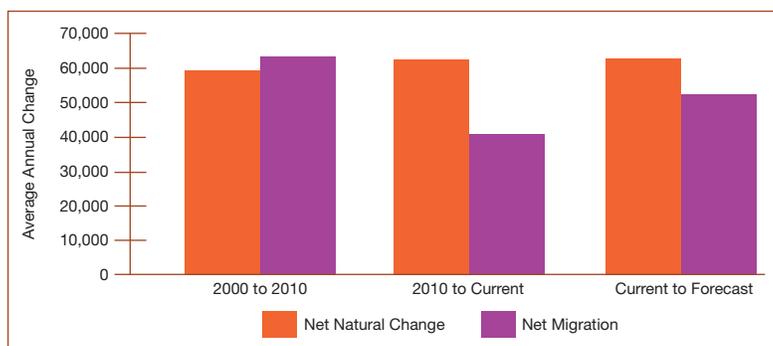
As the economy continues to recover, net in-migration is expected to increase and the population of the HMA is expected to grow at a faster rate when compared with the past 2 years. Population growth in the HMA is forecast to increase to 1.9 percent annually during the 3-year forecast period, with approximately 45.0 percent of the increase due to net in-migration. The submarkets of Harris and Galveston

Figure 4. Population and Household Growth in the Houston HMA, 2000 to Forecast

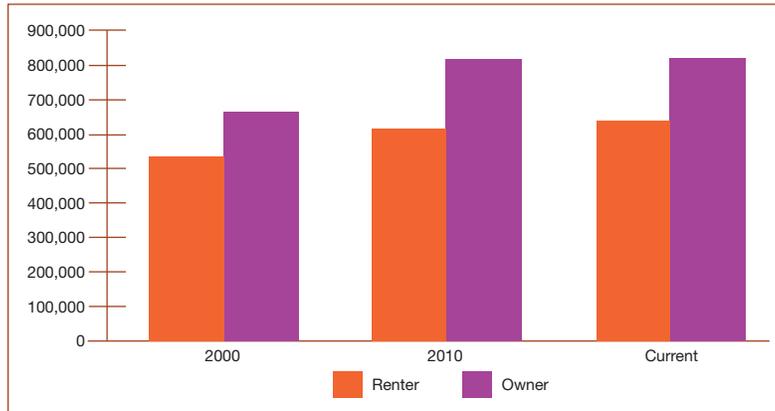


Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Houston HMA, 2000 to Forecast



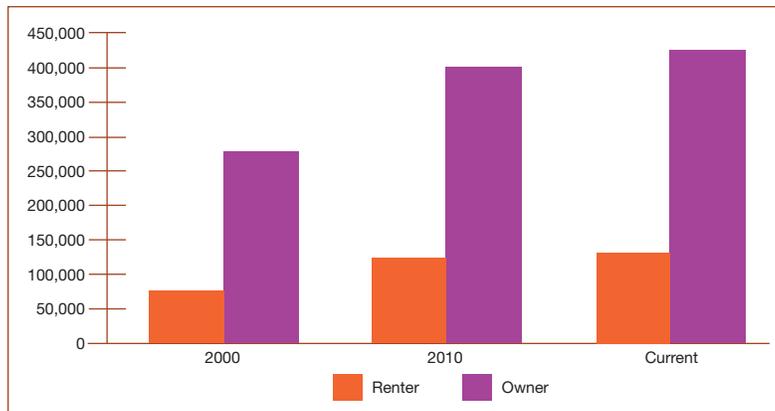
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Population and Households *Continued***Figure 6.** Number of Households by Tenure in the Harris County Submarket, 2000 to Current

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Galveston County Submarket, 2000 to Current

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Remainder Submarket, 2000 to Current

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Counties are expected to grow by an average of 1.7 and 1.3 percent annually, respectively. Population growth is expected to remain strongest in the Remainder submarket, which is forecast to increase by 2.3 percent annually.

Household growth, which has averaged 1.8 percent annually since 2010, is expected to continue to increase at a relatively constant rate during the forecast period. Figures 6, 7, and 8 show the number of households by tenure in each of the submarkets from 2000 to the current date. From 2010 to the current date, the homeownership rate in the HMA decreased from 62.5 to 62.0 percent, with declines recorded in each of the three submarkets. During the 2000s, the homeownership rate in the HMA increased by 1.6 percentage points due to gains in the submarkets of Harris and Galveston Counties that were partially offset by a decline in the Remainder submarket.

Housing Market Trends

Sales Market—Harris County Submarket

The sales housing market in the Harris County submarket is soft, with a current estimated vacancy rate of 2.0 percent, down slightly from 2.3 percent as reported in the 2010 Census as shown in Table DP-2 (at the end of this report). Despite the slight improvement in the vacancy rate, the inventory of unsold homes remains high. The number of months of unsold inventory averaged 7.6 months during the 12 months ending September 2011, up from 7.0 months during the previous 12 months. From 2006 through 2008, unsold inventories averaged a 6-month supply, according to the Real Estate Center at Texas A&M University.

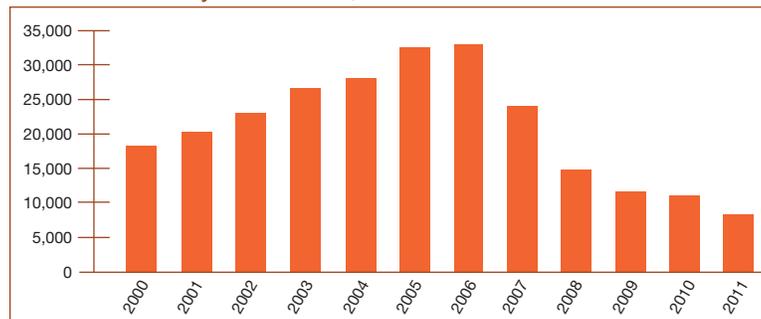
Home sales have slowed significantly during the past 4 years due to a combination of stricter lending requirements and a sluggish local economy. According to the Real Estate Center at Texas A&M University, the number of new and existing homes sold declined by 3 percent to 57,850 homes during the 12 months ending September 2011. Home sales averaged more than 74,850 homes sold annually from 2005 through 2007. The average sales price of a new

or existing home increased by nearly 3 percent to \$211,300 during the most recent 12 months, following an increase of approximately 4 percent during the previous 12 months. Home sales prices declined briefly in 2009 by less than 3 percent but have since fully recovered.

In response to the slowdown in home sales, single-family homebuilding activity, as measured by the number of single-family building permits issued, declined significantly during the past 4 years. During the 12 months ending September 2011, the number of single-family building permits issued declined by 1,600 homes, or 8 percent, to 18,850 homes compared with the number issued during the previous 12-month period, based on preliminary data. Building activity peaked in 2005 and 2006 at an average of 32,750 homes permitted annually; however, single-family building activity has declined each year since that time (see Figure 9). In addition to the number of single-family permits issued, approximately 11 percent of the number of multi-family units permitted in Harris County since 2000 were intended for owner occupancy.

During the next 3 years, demand is estimated for 63,100 new homes, including single-family homes, townhomes, and condominium units. Because of the current supply of vacant units and relatively slower employment growth, demand for new units is expected to remain below the levels of construction recorded in the mid-2000s. The 3,775 homes currently under construction will meet a portion

Figure 9. Single-Family Building Permits Issued in the Harris County Submarket, 2000 to 2011



Notes: Includes townhomes. Includes data through September 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market—Harris County Submarket *Continued*

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Harris County Submarket, October 1, 2011 to October 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
80,000	149,999	16,100	26
150,000	199,999	11,150	18
200,000	249,999	10,550	17
250,000	299,999	6,825	11
300,000	349,999	5,575	9
350,000	449,999	4,350	7
450,000	499,999	3,100	5
500,000	and higher	4,350	7

Note: The 3,775 homes currently under construction and a portion of the estimated 40,000 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

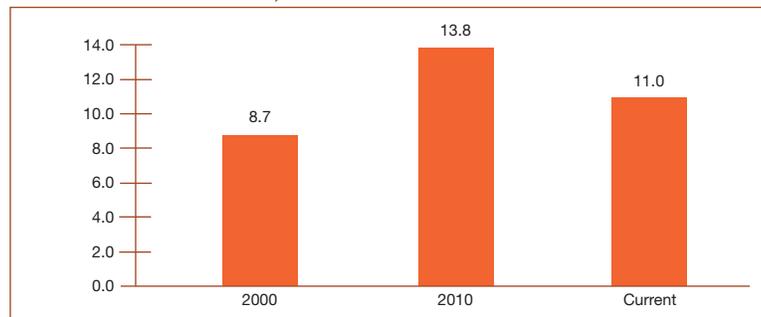
of the forecast demand (see Table 1). In addition, some of the estimated 40,000 other vacant units will likely come back on the market and satisfy part of the forecast demand. Sales prices for new units currently start at \$80,000. Table 4 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the Harris County submarket during the forecast period.

Rental Market—Harris County Submarket

The rental housing market in the Harris County submarket is soft, with an estimated current overall vacancy

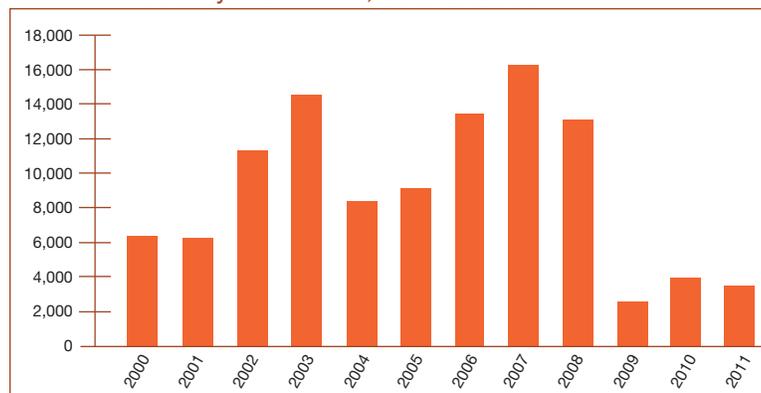
rate of 11 percent (see Figure 10), up from 8.7 percent reported in the 2000 Census, but down from 13.8 percent reported in the 2010 Census. The apartment market in Harris County is also soft, with an average vacancy rate of 11.4 percent during the third quarter of 2011, down from 13.4 percent during the third quarter of 2010, according to ALN Systems, Inc. Average apartment rents remained unchanged at \$780 during the third quarter of 2011.

Figure 10. Rental Vacancy Rates in the Harris County Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 11. Multifamily Building Permits Issued in the Harris County Submarket, 2000 to 2011



Notes: Excludes townhomes. Includes data through September 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Although the Harris County rental housing market is soft, it has improved during the past year as builders responded to soft housing market conditions by reducing production. Since 2009, multifamily building activity, as measured by the number of units permitted, has averaged 3,625 units annually. In comparison, permits were issued for an average of 14,250 units annually from 2006 through 2008, when builders responded to the large number of evacuees who migrated into the area following the Hurricane Katrina disaster in August 2005 (see Figure 11). Building activity has begun to increase

Housing Market Trends

Rental Market—Harris County Submarket *Continued*

slightly in recent months. Based on preliminary data for the 12 months ending September 2011, the number of multifamily building permits issued increased by 1,075 units, or 28 percent, to 4,925 compared with the number issued during the previous 12-month period.

During the next 3 years, after accounting for the current excess supply of vacant available units, demand is expected for 5,225 additional market-rate rental units in the Harris County submarket. Demand for new units is

not expected until the third year of the forecast period, because the 4,850 units currently under construction and the large number of excess vacant units should be sufficient to meet demand during the next 2 years (see Table 1). Rents for new units are projected to start at \$800 for a one-bedroom unit, \$950 for a two-bedroom unit, and \$1,250 for a three-bedroom unit. Table 5 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Harris County Submarket, October 1, 2011 to October 1, 2014

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
800 to 999	820	950 to 1,149	940	1,250 to 1,449	210
1,000 to 1,199	700	1,150 to 1,349	590	1,450 to 1,649	130
1,200 to 1,399	350	1,350 to 1,549	470	1,650 to 1,849	80
1,400 to 1,599	230	1,550 to 1,749	230	1,850 to 2,049	50
1,600 or more	230	1,750 or more	120	2,050 or more	50
Total	2,350	Total	2,350	Total	520

Notes: Numbers may not add to totals because of rounding. The 4,850 units currently under construction will satisfy some of the forecast demand.

Source: Estimates by analyst

Sales Market—Galveston County Submarket

The sales housing market in the Galveston County submarket is soft, with a current estimated vacancy rate of 3.0 percent, down slightly from 3.1 percent reported in the 2010 Census, as shown in Table DP-3 (at the end of this report). The inventory of unsold homes remains high despite the slight improvement in the vacancy rate. The number of months of unsold inventory was at 15.1 months during the 12 months ending August 2011, down from 19.8 months during the previous 12 months. The average unsold inventory in Galveston County was high well before Hurricane Ike made landfall in 2008 and has remained in excess of 12 months since 2007.

Home sales in the Galveston County submarket began to increase during recent months as the economy started to improve. The number of new and existing homes sold increased by 14 percent to 880 homes during the 12 months ending September 2011, according to the Real Estate Center at Texas A&M University, following a decline of 5 percent during the previous 12 months. Home sales averaged more than 1,175 homes sold annually from 2005 through 2008. The average sales price of a new or existing home sold increased by nearly 3 percent to \$215,300 during the most recent 12 months. Average home sales prices declined significantly in 2009 in

Housing Market Trends

Sales Market—Galveston County Submarket *Continued*

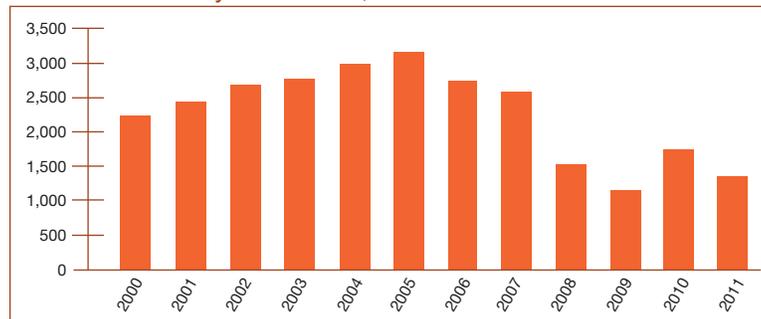
response to the Hurricane Ike disaster and the weakening economy and still remain approximately 8 percent below the peak level recorded during the 12 months ending August 2008.

In response to the improvement in home sales, single-family homebuilding activity, as measured by the number of single-family building permits issued, increased during the past year. Based on preliminary data for the 12 months ending September 2011, the number of single-family building permits issued increased by 275 homes, or 19 percent,

to 1,725 homes permitted compared with the number permitted during the previous 12-month period. Building activity peaked in 2004 and 2005 at an average of 3,075 homes permitted annually and declined steadily until 2010, when building activity began to increase as the units destroyed by Hurricane Ike were rebuilt (see Figure 12). According to FEMA estimates, approximately 2,175 owner-occupied units in Galveston County were severely damaged by the storm and another 5,775 units received heavy damage, representing approximately 10 percent of the total owner-occupied housing stock in the county. In addition to the single-family permits issued, approximately 18 percent of multifamily units permitted since 2000 in Galveston County were intended for owner occupancy.

During the next 3 years, demand is estimated for 3,600 new homes, including single-family homes, townhomes, and condominium units. Demand is expected to be concentrated in the last 2 years of the forecast period, after the current supply of vacant units is absorbed. The 600 homes currently under construction will meet a portion of the forecast demand (see Table 1). In addition, a portion of the estimated 14,000 other vacant units will likely come back on the market and satisfy part of the forecast demand. Sales prices for new units are expected to start at \$100,000. Table 6 presents detailed information on the estimated demand for new market-rate sales housing in the Galveston County submarket, by price range, during the forecast period.

Figure 12. Single-Family Building Permits Issued in the Galveston County Submarket, 2000 to 2011



Notes: Includes townhomes. Includes data through September 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Galveston County Submarket, October 1, 2011 to October 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	199,999	630	18
200,000	249,999	630	18
250,000	299,999	600	17
300,000	349,999	490	14
350,000	399,999	460	13
400,000	449,999	250	7
450,000	549,999	250	7
550,000	and higher	210	6

Note: The 600 homes currently under construction and a portion of the estimated 14,000 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

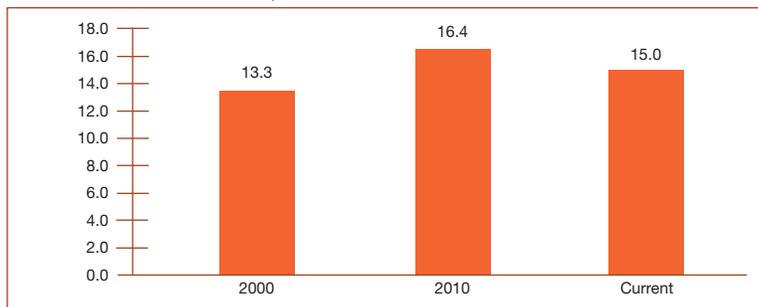
Rental Market—Galveston County Submarket

The rental housing market in the Galveston County submarket is very soft, with an estimated current overall vacancy rate of 15.0 percent (see Figure 13), up from the 13.3-percent rate reported in the 2000 Census, but down from the 16.4-percent rate reported in the 2010 Census. The apartment market in Galveston County is also soft, with an average vacancy rate of 13.4 percent during the third quarter of 2011, up from 12.5 percent during the third quarter of 2010, according to ALN Systems, Inc. Average apartment rents remained unchanged at \$810 during the same time. Average effective rents for all apartment units in the submarket are currently estimated to be \$650 for a one-bedroom unit, \$840 for a two-bedroom unit, and \$1,000 for a three-bedroom unit.

Although the Galveston County rental housing market remains soft, it has begun to improve slightly during the past year as builders responded to soft market conditions by reducing production. During the 12 months ending September 2011, the number of multifamily building permits issued declined by 170 units, or 70 percent, to 80 units compared with the number of permits issued during the previous 12-month period, based on preliminary data. All permitting activity during the most recent 12 months occurred in late 2010 and no permits have been issued thus far in 2011 (see Figure 14). Despite temporary net out-migration from the county in the year following Hurricane Ike's landfall in September 2008, permitting activity remained relatively high in 2009 and 2010 as the units that were destroyed by the hurricane were rebuilt. According to FEMA estimates, approximately 890 renter-occupied units in Galveston County were severely damaged by the storm and another 4,750 units received heavy damage, together representing approximately 16 percent of the total renter-occupied housing stock in the county.

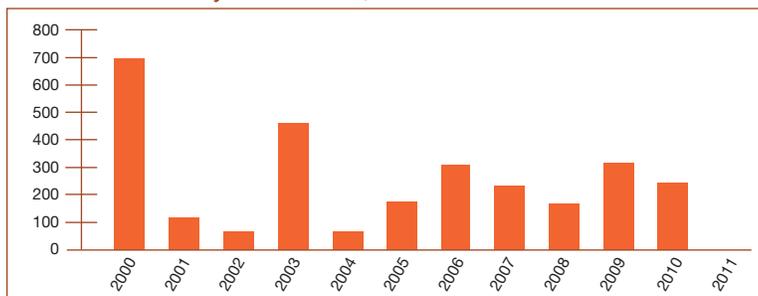
During the next 3 years, after accounting for the current excess supply of vacant available units, no demand is expected for new market-rate rental units in the Galveston County submarket (see Table 1). The 100 units currently under construction and the large number of excess vacant units should be more than sufficient to meet the demand for rental units in Galveston County for the foreseeable future. The construction of additional units will only contribute to prolonging soft housing market conditions.

Figure 13. Rental Vacancy Rates in the Galveston County Submarket, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 14. Multifamily Building Permits Issued in the Galveston County Submarket, 2000 to 2011



Notes: Excludes townhomes. Includes data through September 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Sales Market—Remainder Submarket

The sales housing market in the remaining eight counties of the HMA is balanced, with a current estimated vacancy rate of 1.5 percent, down from the 1.9-percent rate reported in the 2010 Census, as shown in Table DP-4 (at the end of this report). Since 2000, most of the growth in this submarket has occurred in Brazoria, Fort Bend, and Montgomery Counties. These counties border Harris County to the south, southwest, and north, respectively, and have grown because of commercial and residential development around Houston.

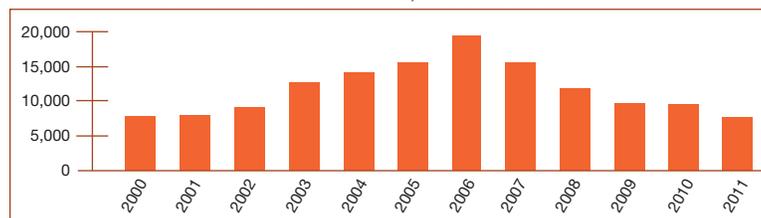
Home sales have slowed significantly during the past 4 years in these three counties (the only county-level data available in the Remainder submarket) due to a combination of stricter lending requirements and a sluggish local economy. The number of new and existing homes sold declined by 4 percent to 15,400 during the 12 months ending September 2011, according to the Real Estate Center at Texas A&M University. Home sales peaked from 2007 through 2008 at an average of 20,350 homes sold annually. The average sales price of a new or existing home increased by 3 percent to \$233,200 during the most recent 12 months, following a similar increase of approximately

3 percent during the previous 12 months. Home sales prices in these three counties avoided the declines recorded in other parts of the HMA during the late 2000s and have either increased or remained unchanged each year since at least 2006, the earliest data available.

In response to the slowdown in home sales, single-family homebuilding activity, as measured by the number of single-family building permits issued, declined significantly in the Remainder submarket during the past 4 years. Building activity peaked from 2005 through 2007 at an average of 16,900 homes permitted annually; however, single-family building activity has declined each year since that time (see Figure 15). During the 12 months ending September 2011, the number of single-family building permits issued declined by 275 homes, or 4 percent, to 6,775 homes permitted compared with the number permitted during the previous 12-month period, based on preliminary data. Less than 5 percent of multifamily units permitted since 2000 in the Remainder submarket were intended for owner occupancy.

During the next 3 years, demand is estimated for 38,350 new homes, including single-family homes, townhomes, and condominium units. The 3,350 homes currently under construction will meet a portion of the forecast demand (see Table 1). In addition, a portion of the estimated 24,000 other vacant units will likely come back on the market and satisfy some of the forecast demand. Most of the growth in this submarket is expected to continue to occur in Brazoria, Fort Bend, and Montgomery

Figure 15. Single-Family Building Permits Issued in the Remainder Submarket, 2000 to 2011



Notes: Includes townhomes. Includes data through September 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market—Remainder Submarket *Continued*

Table 7. Estimated Demand for New Market-Rate Sales Housing in the Remainder Submarket, October 1, 2011 to October 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
90,000	199,999	9,125	24
200,000	249,999	5,700	15
250,000	299,999	4,950	13
300,000	349,999	5,325	14
350,000	399,999	4,950	13
400,000	499,999	5,325	14
500,000	and higher	2,650	7

Note: The 3,350 homes currently under construction and a portion of the estimated 24,000 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

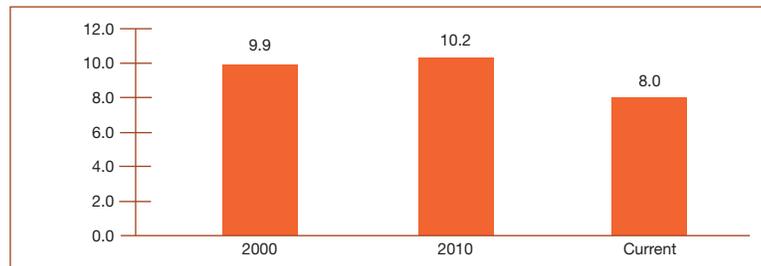
Counties. Sales prices for new units are expected to start at \$90,000. Table 7 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the Remainder submarket during the forecast period.

Rental Market—Remainder Submarket

The rental housing market in the Remainder submarket is slightly soft, with an estimated current overall vacancy rate of 8.0 percent (see Figure 16), down from the 9.9-percent rate reported in the 2000 Census and the 10.2-percent rate reported in the 2010 Census. The apartment market in the Remainder submarket, in

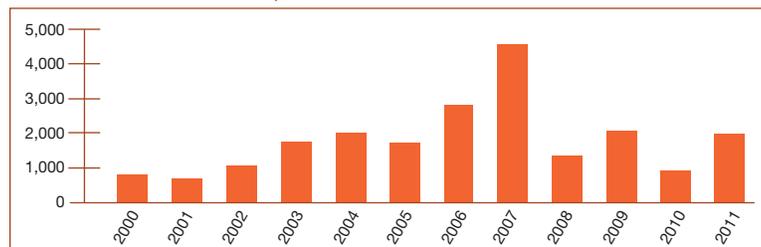
general, is also soft, with estimated current vacancy rates in the three primary counties of Brazoria, Fort Bend, and Montgomery at 10, 7, and 9 percent, respectively. Despite strong economic and household growth in the submarket for much of the decade, the rental vacancy rate has remained high in recent years because demand for new rental units has been outpaced by the large supply of new units being constructed.

Figure 16. Rental Vacancy Rates in the Remainder Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Building Permits Issued in the Remainder Submarket, 2000 to 2011



Notes: Excludes townhomes. Includes data through September 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

The rental housing market in the Remainder submarket has begun to improve somewhat during the past year as builders responded to soft housing market conditions by reducing production levels. During the 12 months ending September 2011, the number of multifamily building permits issued declined by 460 units, or 44 percent, to 570 units permitted compared with the number of permits issued during the previous 12-month period, based on preliminary data. Building activity peaked in 2006 and 2007 at an average of 3,700 units permitted annually; however, multifamily building activity has declined significantly since that time (see Figure 17).

Housing Market Trends

Rental Market—Remainder Submarket *Continued*

During the next 3 years, after accounting for the current excess supply of vacant available units, demand is expected for 8,225 additional new market-rate rental units in the Remainder submarket. Demand for new units is expected to be strongest in Brazoria, Fort Bend, and Montgomery Counties, which abut Houston. The 2,350 units currently under construction and the excess vacant units should be sufficient to meet rental demand

during the first year of the forecast period, with new units not needed until the second year (see Table 1). Rents for new units are projected to start at \$700 for a one-bedroom unit, \$900 for a two-bedroom unit, and \$1,050 for a three-bedroom unit. Table 8 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period.

Table 8. Estimated Demand for New Market-Rate Rental Housing in the Remainder Submarket, October 1, 2011 to October 1, 2014

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
700 to 899	1,300	900 to 1,099	1,475	1,050 to 1,249	330
900 to 1,099	1,100	1,100 to 1,299	930	1,250 to 1,449	210
1,100 to 1,299	560	1,300 to 1,499	740	1,450 to 1,649	120
1,300 to 1,499	370	1,500 to 1,699	370	1,650 to 1,849	80
1,500 or more	370	1,700 or more	190	1,850 or more	80
Total	3,700	Total	3,700	Total	820

Notes: Numbers may not add to totals because of rounding. The 2,350 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profiles

Table DP-1. Houston HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	2,283,609	2,650,608	2,682,000	1.5	1.6
Unemployment Rate	4.3%	8.5%	8.5%		
Nonfarm Payroll Jobs	2,250,600	2,529,200	2,571,000	1.2	2.2
Total Population	4,715,407	5,946,800	6,102,000	2.3	1.7
Total Households	1,656,799	2,072,625	2,129,000	2.3	1.8
Owner Households	1,008,692	1,294,913	1,320,000	2.5	1.3
Percent Owner	60.9 %	62.5%	62.0%		
Renter Households	648,107	777,712	808,600	1.8	2.6
Percent Renter	39.1%	37.5%	38.0%		
Total Housing Units	1,799,627	2,308,205	2,330,000	2.5	0.6
Owner Vacancy Rate	1.7%	2.2%	1.9%		
Rental Vacancy Rate	9.1%	13.4%	10.7%		
Median Family Income	NA	\$63,800	\$65,100	NA	2.0

NA = data are not available.

Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through September 2011. Median family incomes are for 1999, 2009, and 2010.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Harris County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	3,400,578	4,092,459	4,173,000	1.9	1.3
Total Households	1,205,516	1,435,155	1,461,800	1.8	1.2
Owner Households	666,940	814,810	819,600	2.0	0.4
Percent Owner	55.3%	56.8%	56.1%		
Rental Households	538,576	620,345	642,200	1.4	2.3
Percent Renter	44.7%	43.2%	43.9%		
Total Housing Units	1,298,130	1,598,698	1,598,000	2.1	0.0
Owner Vacancy Rate	1.5%	2.3%	2.0%		
Rental Vacancy Rate	8.7%	13.8%	11.0%		

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Galveston County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	250,158	291,309	298,200	1.5	1.6
Total Households	94,782	108,969	111,500	1.4	1.5
Owner Households	62,742	74,944	76,500	1.8	1.4
Percent Owner	66.2%	68.8%	68.6%		
Rental Households	32,040	34,025	34,950	0.6	1.8
Percent Renter	33.8%	31.2%	31.4%		
Total Housing Units	111,733	132,492	134,000	1.7	0.8
Owner Vacancy Rate	2.3%	3.1%	3.0%		
Rental Vacancy Rate	13.3%	16.4%	15.0%		

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Remainder Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	1,064,671	1,563,032	1,631,000	3.9	2.9
Total Households	356,501	528,501	555,800	4.0	3.4
Owner Households	279,010	405,159	424,280	3.8	3.1
Percent Owner	78.3%	76.7%	76.3%		
Rental Households	77,491	123,342	131,490	4.8	4.4
Percent Renter	21.7%	23.3%	23.7%		
Total Housing Units	389,764	577,015	597,700	4.0	2.4
Owner Vacancy Rate	1.8%	1.9%	1.5%		
Rental Vacancy Rate	9.9%	10.2%	8.0%		

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 10/1/2011—Analyst's estimates

Forecast period: 10/1/2011–10/1/2014—
Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_HoustonTX_12.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to
www.huduser.org/publications/econdev/mkt_analysis.html.