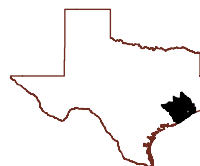
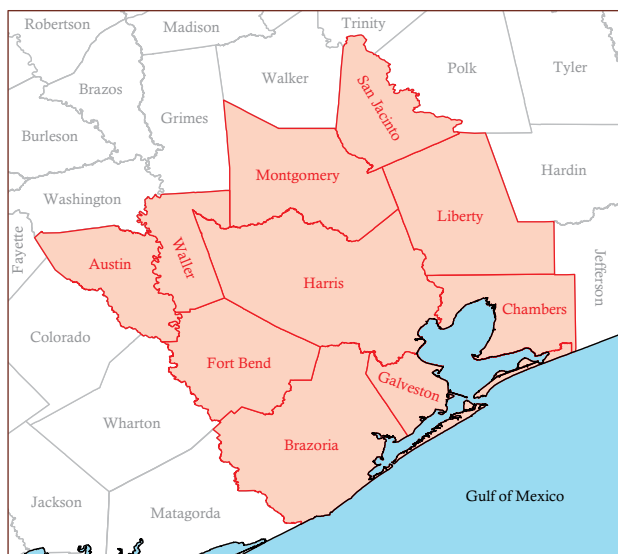




Houston, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2014

PD&R



Housing Market Area

The Houston Housing Market Area (HMA) is coterminous with the Houston-Sugar Land-Baytown, TX Metropolitan Statistical Area (MSA), which is the fourth largest MSA in the nation, with more than 6.4 million people. For purposes of this analysis, the HMA is divided into three submarkets: the Harris County submarket, which includes the central city of Houston; the Northeast submarket, which consists of Chambers, Liberty, Montgomery, and San Jacinto Counties; and the Southwest submarket, which consists of Austin, Brazoria, Fort Bend, Galveston, and Waller Counties.

Summary

Economy

The economy of the Houston HMA continued to expand and in 2013 recorded its third consecutive year of growth. Nonfarm payrolls increased by 94,900 jobs, or 3.5 percent, to 2.79 million during 2013, after increasing during 2012 and 2011 by 99,300 and 64,600 jobs, or 3.8 and 2.6 percent, respectively. Job growth is expected to continue but at a lower rate than during the past 3 years, at an average

of 2.4 percent annually during the next 3 years. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

The overall sales housing market in the HMA is currently balanced, with a 1.8-percent vacancy rate, down from 2.2 percent in April 2010. During 2013, 130,200 homes sold in the HMA, an increase of 8,700 sales, or 7 percent, from 2012. The average sales price of a home in the HMA during 2013 was \$262,500, an increase of \$23,900, or 10 percent, from 2012. Demand is expected for 103,650 new homes during the 3-year forecast period (Table 1). The 9,950 homes currently under construction and a portion of the estimated 83,000 other

vacant units currently in the HMA will satisfy some of the forecast demand.

Rental Market

The overall rental housing market in the HMA is balanced, with a vacancy rate of 8.2 percent, down from 13.4 percent in April 2010. Low levels of multifamily construction from 2009 through 2011, coupled with strong employment growth since 2011, allowed for 42,600 vacant units, or nearly 36 percent of the vacant units in 2010, to be absorbed, bringing the market into balance. Demand is estimated for 46,075 new rental units in the HMA during the forecast period, with the 21,575 units currently under construction satisfying a portion of this demand (Table 1).

Market Details

Economic Conditions	2
Population and Households	7
Housing Market Trends	10
Data Profiles	20

Table 1. Housing Demand in the Houston HMA, 3-Year Forecast, January 1, 2014, to January 1, 2017

	Houston HMA		Harris County Submarket		Northeast Submarket		Southwest Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	103,650	46,075	56,750	34,200	14,800	5,075	32,100	6,800
Under construction	9,950	21,575	4,575	18,250	1,675	1,775	3,700	1,550

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2014. A portion of the estimated 83,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

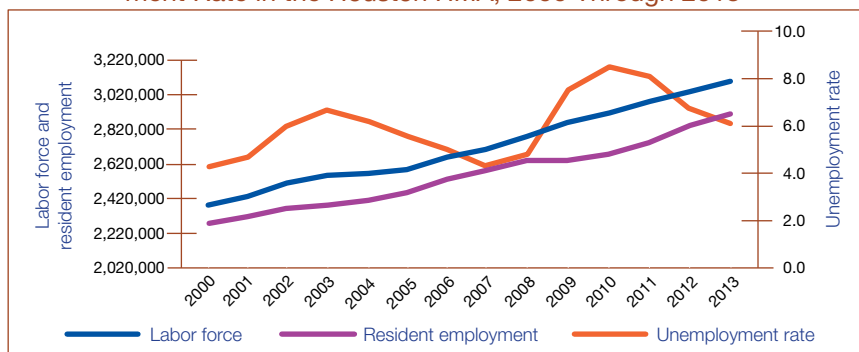
Economic Conditions

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

	12 Months Ending December 2012	12 Months Ending December 2013	Absolute Change	Percent Change
Total nonfarm payroll jobs	2,691,400	2,786,300	94,900	3.5
Goods-producing sectors	521,800	543,800	22,000	4.2
Mining, logging, & construction	278,600	292,900	14,300	5.1
Manufacturing	243,200	250,900	7,700	3.2
Service-providing sectors	2,169,600	2,242,500	72,900	3.4
Wholesale & retail trade	419,200	437,800	18,600	4.4
Transportation & utilities	128,300	132,600	4,300	3.4
Information	31,500	32,400	900	2.9
Financial activities	139,800	141,500	1,700	1.2
Professional & business services	405,900	420,500	14,600	3.6
Education & health services	327,600	342,200	14,600	4.5
Leisure & hospitality	257,300	269,400	12,100	4.7
Other services	95,500	94,900	-600	-0.6
Government	364,500	371,300	6,800	1.9

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through December 2012 and December 2013.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Houston HMA, 2000 Through 2013

Source: U.S. Bureau of Labor Statistics

Economic conditions improved in the Houston HMA for the third consecutive year, as nonfarm payrolls increased by 94,900 jobs, or 3.5 percent, during 2013 to reach a new all-time peak of 2,786,300 jobs (Table 2). Job growth in 2013 was slightly less than in 2012, when nonfarm payrolls increased by 99,300 jobs, or 3.8 percent. The unemployment rate is currently 6.1 percent, down from 6.8 percent in 2012 but still slightly above the average rate of 5.2 percent recorded from 2004 through 2008, before the economic downturn in 2009 and 2010. Figure 1 shows the trends in the labor force, resident employment, and the unemployment rate from 2000 through 2013.

The city of Houston is known as the “Energy Capital of the World.” The HMA is home to 26 Fortune 500 companies, the largest in terms of revenue being Phillips 66 Company, which is number 4 on the Fortune 500 list and reported \$170 billion in revenue in 2012. Waste Management, Inc., is the only Fortune 500 firm based in the HMA not involved in the energy industry. Of the 10 largest employers

in the HMA, 5 are involved in the energy industry, led by Exxon Mobil Corporation, the fourth largest employer in the HMA overall and, with 13,200 employees, the largest employer in energy-related industries. Table 3 lists the 10 largest employers in the HMA. More than 3,700 businesses involved in the energy industry have a presence in the HMA. Because of this high concentration of energy firms, the price of oil and natural gas greatly affects the economy of the HMA.

The location of the Houston HMA on the Gulf of Mexico makes it a prime hub for international trade. The Port of Houston is the second largest port in the United States as measured by cargo volume, with more than 238 million short tons of cargo passing

through the port. The Port of Houston is the largest U.S. port for international trade by volume, with more than 162 million short tons of international cargo moving through the port in 2012 (U.S. Army Corps of Engineers). Three other large port facilities are in the HMA—the Port of Texas City, Port Freeport, and the Port of Galveston, which are the 12th, 30th, and 46th largest ports in the United States and handle more than 56, 22, and 11 million short tons of cargo a year, respectively. These major ports contribute to employment in the wholesale and retail trade sector, which is the largest employment sector in the HMA, with 437,800 jobs, or 15.7 percent, of all nonfarm payroll jobs. Figure 2 shows current nonfarm payroll jobs by sector.

The HMA is also a major center in the healthcare industry. The Texas Medical Center is the largest medical center in the world, with 54 health-related institutions, including 21 hospitals and 290 buildings. The center receives more than 7 million patient visits a year and has more than 100,000 employees. The two largest employers in the HMA are Memorial Hermann Healthcare System, with 19,500 employees, and The University of Texas MD Anderson Cancer Center, with 19,300 employees. Since 2000, the education and health services sector has been the fastest growing employment sector in the HMA, increasing by 119,000 jobs, or slightly more than 53 percent, to a current 342,200 jobs (Figure 3).

Since 2000, nonfarm payrolls in the Houston HMA have increased by 535,700 jobs, an average increase of 41,200, or nearly 1.7 percent, annually. This growth has not been steady, as there were periods of job losses.

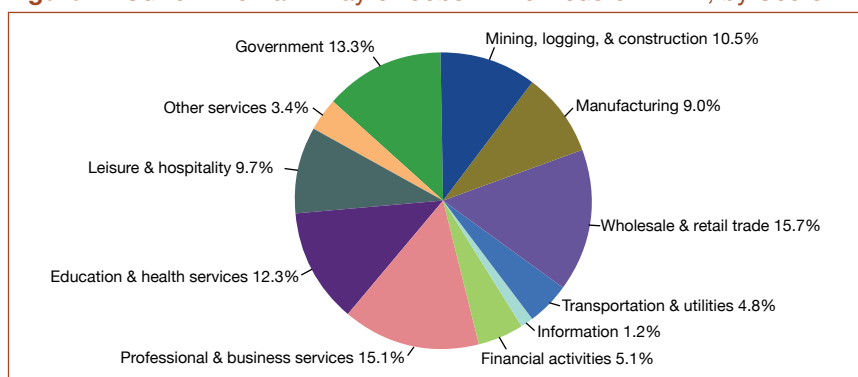
Table 3. Major Employers in the Houston HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Memorial Hermann Healthcare System	Education & health services	19,500
The University of Texas MD Anderson Cancer Center	Government	19,300
United Airlines	Transportation & utilities	17,000
Exxon Mobil Corporation	Manufacturing	13,200
Shell Oil Company	Manufacturing	13,000
The Methodist Hospital System®	Education & health services	13,000
The Kroger Co.	Wholesale & retail trade	12,000
National Oilwell Varco	Mining, logging, & construction	10,000
Schlumberger Limited	Mining, logging, & construction	10,000
BP America, Inc.	Manufacturing	9,550

Note: Excludes local school districts.

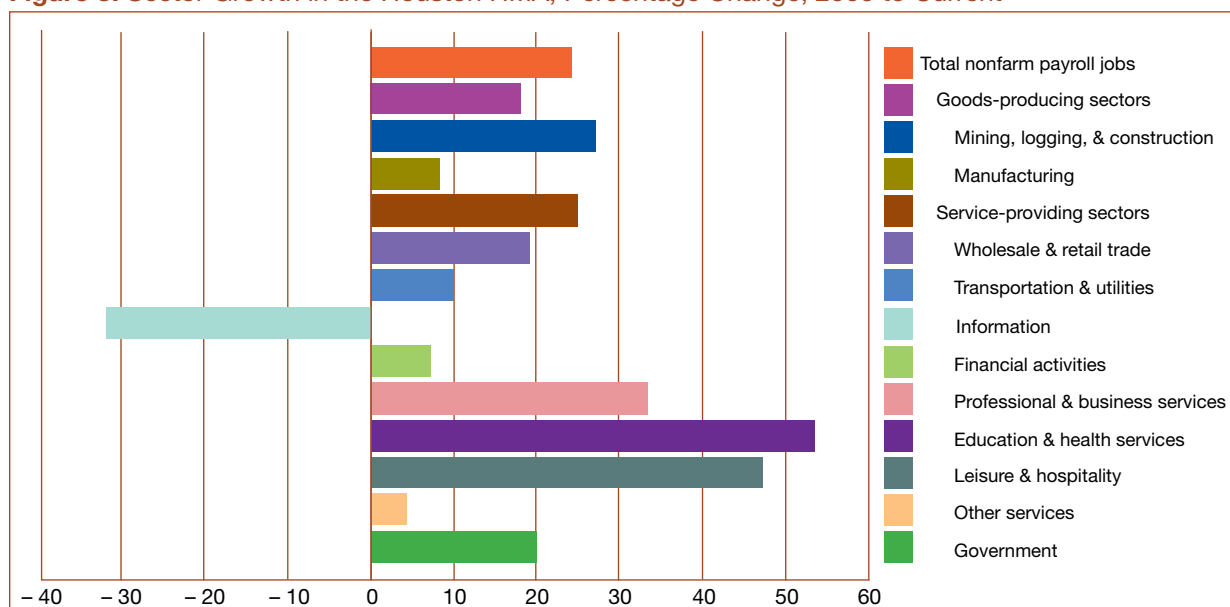
Source: Greater Houston Partnership

Figure 2. Current Nonfarm Payroll Jobs in the Houston HMA, by Sector



Note: Based on 12-month averages through December 2013.

Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Houston HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through December 2013.

Source: U.S. Bureau of Labor Statistics

The first period of declining employment occurred during 2002 and 2003, when nonfarm payrolls declined by an average of 9,650 jobs, or 0.4 percent, annually. Several major events occurred late in 2001 that led to the job losses in the HMA. During 2001, the price of oil dropped more than 40 percent, from more than \$31 a barrel at its peak in early February to slightly less than \$18 a barrel in November, severely hurting the local energy companies. In addition to feeling the effects of declining energy prices and the subsequent job losses, the HMA lost jobs in the airline industry. Continental Airlines, Inc., which was headquartered in the city of Houston, announced that it would reduce its flights 20 percent and lay off more than 2,000 people in the HMA immediately after the September 11, 2001 terrorist attacks caused a severe decline in air travel. Furthermore, in November 2001, Enron Corporation announced layoffs of more than 4,200 employees in the HMA when the company went into bankruptcy.

From 2004 through 2008, the economy of the HMA expanded by an average of 66,200 jobs, or nearly 2.8 percent, annually. Job growth during these years was broad based and led by the professional and business services sector, which increased by an average of 15,300, or nearly 4.6 percent, annually. Employment in the education and health services sector increased by 7,100 jobs, or 2.7 percent, annually. In 2007, the \$200 million, 30-story Memorial Hermann Medical Plaza was finished, and, in 2008, Memorial Hermann Heart & Vascular Institute opened as the Texas Medical Center continued to expand. Many energy-related companies relocated to the HMA during these years. In 2004, CITGO Petroleum Corporation moved its U.S. headquarters from Tulsa, Oklahoma, to the city of Houston and brought 700 employees. In 2007, BP America, Inc., consolidated its U.S. headquarters in the city of Houston from Chicago, bringing nearly 3,000 jobs to the HMA. During these years, employment in the mining and logging

subsector, which includes jobs in the oil and natural gas extraction industries, increased by an average of 5,000 jobs, or 7.1 percent, annually. During this time, the price of crude oil increased from approximately \$32 a barrel in December 2003 to a peak of more than \$142 a barrel during the summer of 2008.

In 2009, the economy of the Houston HMA began to contract as the nation entered into a recession, and from 2009 through 2010 nonfarm payrolls in the HMA declined by an average of 37,000, or 1.4 percent, annually. During this time, housing market conditions in the HMA worsened and employment in the construction subsector was the hardest hit, losing an average of 17,250 jobs, or 8.8 percent, annually. Energy-related industries in the HMA also declined during 2009 and 2010. After hitting \$142 a barrel, the price of crude oil dropped to less than \$33 a barrel by the end of 2008. The manufacturing base of the HMA is closely tied to the energy industry. The Houston HMA has 38 percent of the nation's petrochemical manufacturing capacity, and during the downturn from 2009 through 2010 manufacturing employment declined by an average of 12,500 jobs, or 5.3 percent, annually. As the price of crude oil dropped, exploration for oil also declined, causing job losses in the mining and logging subsector, which averaged losses of 2,500 jobs, or 3.0 percent, annually.

During 2011, the economy started to improve in both the Houston HMA and nationally, but recovery in the HMA was at a much faster pace. In 2011, nonfarm payrolls in the HMA increased by 64,600 jobs, or 2.6 percent, compared with the national

average growth of 1.2 percent in non-farm payrolls. Part of the reason for stronger growth in the HMA was that domestic oil production started to increase during this time. In 2008, oil drilling in the United States produced nearly 1.83 billion barrels of oil, the lowest level since 1946 and well below the domestic production peak in 1970 of 3.50 billion barrels. Domestic oil production again started to increase in 2009, but 2011 was the strongest growth year for the HMA, because the Eagle Ford Shale in south Texas started to increase production rapidly. In 2010, the Eagle Ford Shale produced slightly more than 15,000 barrels of oil per day, but, by 2011, this level had increased more than 750 percent, to more than 129,000 barrels per day. Many of the oilfield services companies based in the Houston HMA started to increase their presence in south Texas, and employment in the mining and logging subsector increased by 8,600 jobs, or 10.6 percent, during 2011. During 2012, domestic oil production in the United States increased to more than 2.37 billion barrels, nearly a 30-percent increase in production from 2008. This increased production further increased employment in the mining and logging subsector, which added 11,100 jobs, an increase of 12.4 percent, during 2012. Employment gains in the HMA during 2011 were not restricted to jobs directly related to energy. The professional and business services sector increased by 21,500 jobs, or nearly 6 percent, and the leisure and hospitality sector increased by 8,100 jobs, or 3.5 percent. In 2011, the HMA was named *Site Selection* magazine's top metropolitan area for securing 195 corporate facility expansions.

In 2012, the economic expansion continued, and the Houston HMA was the first large metropolitan area in the nation to fully recover all the nonfarm payrolls that were lost in the economic downturn. The professional and business services and the leisure and hospitality sectors, which increased by 23,900 and 14,700 jobs, or 6.3 and 6.0 percent, respectively, led job gains. Construction subsector jobs again started to increase, and this subsector grew by 7,100 jobs, or 4.2 percent. Growth in this subsector was because of the improving housing market and increasing commercial construction, in part related to the many facility expansions announced in 2011. In 2012, the HMA was again named *Site Selection's* top metropolitan area for securing 325 corporate facility expansions. The two largest deals announced were from Chevron Phillips Chemical Company and The Dow Chemical Company, which were capital investments of \$5.0 billion and \$1.7 billion, respectively.

During 2013, the economy of the Houston HMA continued to expand, with nonfarm payroll jobs increasing by 94,900, or 3.5 percent, to 2,786,300. The gains were broad based, with every sector except the other services sector recording growth during the past year. The education and health services and the professional and business services sectors recorded the greatest increase in total jobs; each sector added 14,600 jobs, representing gains of 4.5 and 3.6 percent, respectively. The professional and business services sector is the second largest employment sector in the HMA, with 420,500 nonfarm payroll jobs. The number of jobs increased in the leisure and hospitality sector and the construction subsector by 12,100 and

8,200 jobs, or 4.7 and 4.6 percent, respectively. Employment in the leisure and hospitality sector reached a new peak level of employment at 269,400 jobs, but employment in the construction subsector, which is currently 186,300, remains 19,700 jobs, or nearly 9.6 percent, below the peak level of employment recorded in 2008. The fastest rate of job growth in the HMA occurred in the mining and logging subsector, which increased 6.1 percent, or by 6,100 jobs, to 106,700 jobs. Despite rapid job growth in 2013, growth in this subsector slowed considerably from the previous 2 years, and gains in the subsector may be more limited during the next several years. The U.S. Energy Information Administration, in a report released December 16, 2013, forecast that domestic oil production would peak in 2016.

Several expansions were recently announced in the HMA, which are likely to contribute to employment growth during the next several years. Exxon Mobil is building a 345-acre, 20-building campus south of the Woodlands that will consolidate existing Houston HMA offices and relocate up to 2,100 employees from Virginia when it is finished in 2015. GEICO recently announced that it would open a new office in the HMA that will create 400 new jobs by 2015 and eventually employ 1,000 people. Chevron Corporation announced in July that it will undertake construction of a new office tower in Houston's Downtown District that will create 1,750 new jobs when it is complete. Southwest Airlines Co. recently broke ground on a terminal expansion at William P. Hobby Airport and will begin offering more international flights when this \$155 million capital project is complete in 2015.

During the 3-year forecast period, non-farm payrolls are expected to increase by an average of 67,600 jobs, or 2.4 percent, annually. Broad-based job growth is expected to continue during each of

the 3 years of the forecast period, but at a lower rate for each successive year as energy-related job gains begin to moderate.

Population and Households

The population of the Houston HMA was an estimated 6.4 million as of January 1, 2014, an average annual increase of 121,400, or 2.0 percent, since April 2010. Population growth is less than the average increase of 123,100 people, or 2.3 percent, annually from 2000 through 2010. The population of the HMA is forecast to increase by an average of 123,000, or 1.9 percent, annually during the next 3 years.

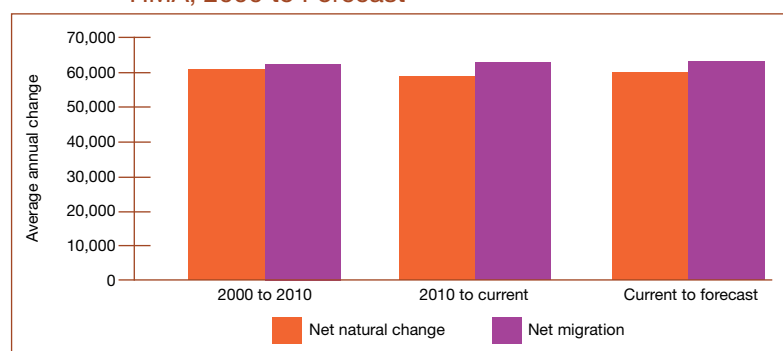
Net in-migration has accounted for nearly 52 percent of population growth since 2010, slightly higher than the 51 percent of population growth it represented from 2000 through 2010. After Hurricane Katrina made landfall in August 2005, significant in-migration to the Houston HMA occurred, when many evacuees, mostly from New Orleans, relocated to the city of Houston and surrounding areas. From 2000 to mid-2005, net in-migration to the

HMA averaged 46,650 people annually. From mid-2005 to mid-2006, after Hurricane Katrina destroyed many Gulf Coast communities, net in-migration to the HMA increased to 128,300 people annually. Net in-migration declined significantly the following year but remained at higher levels than before Hurricane Katrina occurred. Net in-migration averaged 67,400 people annually from mid-2006 to April 2010 because of the relative strength of the Houston HMA economy compared with the economy in other parts of the state and nation. Figure 4 shows the components of population change from 2000 to the forecast date.

The HMA currently includes 2.23 million households, an average annual increase of 42,050 households, or 2.0 percent, since 2010. From 2000 to 2010, the number of households increased by an average of 41,600, or 2.3 percent, annually. During the 3-year forecast period, the number of households in the HMA is expected to increase by 42,100, or 1.9 percent, annually. Figure 5 shows population and household growth in the HMA from 2000 to the forecast date.

The Harris County submarket, which includes the city of Houston, is the largest submarket in the HMA, comprising about 68 percent of the total

Figure 4. Components of Population Change in the Houston HMA, 2000 to Forecast



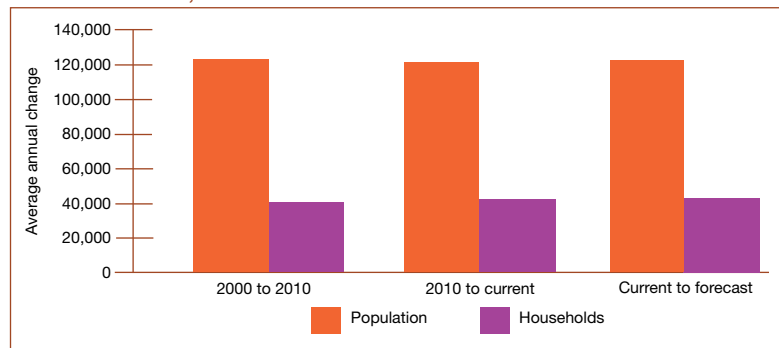
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

population. Harris County is the third most populous county in the nation, with a population estimated at nearly 4.37 million as of January 1, 2014. Population growth in the submarket has averaged 72,700 people, or 1.7 percent, annually since 2010, representing the lowest rate of growth of any submarket in the HMA. Net in-migration averaged 27,100 people annually during this time and accounted for 38 percent of the population growth in the submarket. From 2000 to 2010, the population of the Harris County submarket increased by an average of 69,200, or 1.9 percent, annually. Net in-migration averaged 21,850 people annually and accounted for 31 percent of the population growth in the submarket from 2000 to 2010. The submarket currently contains 1.53 million households, an

average annual increase of 25,050, or 1.7 percent, since 2010 compared with the household growth of 22,950, or 1.8 percent, annually from 2000 to 2010 (Table DP-2 at the end of this report). The Harris County submarket has the lowest homeownership rate of the three submarkets, with 55.2 percent of all households being owner households. The homeownership rate is currently down from 56.8 percent, recorded in April 2010. Figure 6 shows the number of households by tenure in the Harris County submarket. The rate of household and population growth in the submarket is forecast to decrease slightly during the next 3 years, with both growing by an average of 1.6 percent annually.

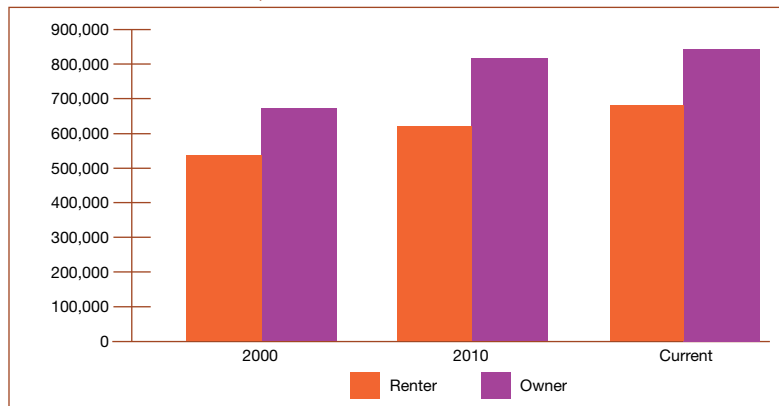
The Northeast submarket is the smallest submarket in the HMA but has been the fastest growing since 2010, because the employment base along the Interstate 45 (I-45) corridor through Montgomery County continues to expand. The population in this submarket is currently estimated at 652,700, an average annual increase 15,950, or 2.6 percent, since 2010. Net in-migration to this submarket has averaged nearly 12,000 people annually since 2010 and has accounted for nearly 75 percent of the population growth in this submarket. From 2000 through 2010, population growth averaged 18,050 people, or 3.7 percent, annually. During this time, net in-migration averaged 14,350 people annually and accounted for approximately 79 percent of the population growth in the submarket. The rate of population growth is forecast to decline slightly from the most recent levels and average 16,600 people, or 2.5 percent, annually during the next 3 years. The Northeast submarket has a 74.1-percent homeownership rate,

Figure 5. 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 6. Number of Households by Tenure in the Harris County Submarket, 2000 to Current



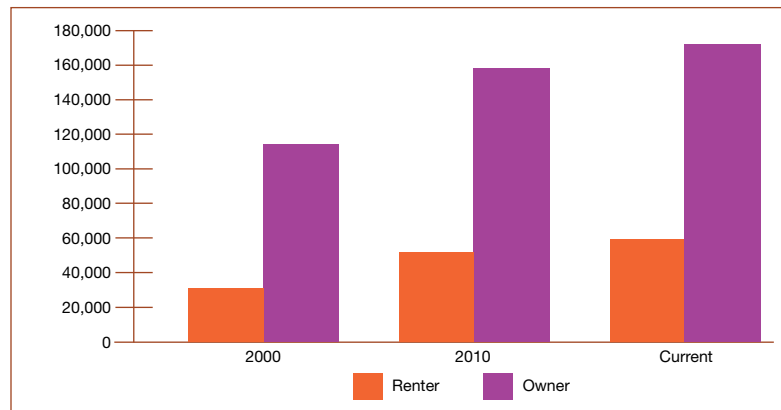
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

down from 75.4 percent in 2010 and 79.2 percent in 2000. As the urban core in the Harris County submarket spread north, the number of renter households moving into the Northeast submarket increased. Figure 7 shows the number of households by tenure in the Northeast submarket. The submarket currently contains 231,000 households, an average increase of 5,700, or 2.6 percent, annually since 2010. Household growth in the Northeast submarket from 2000 to 2010

averaged 6,525, or 3.8 percent, annually (Table DP-3 at the end of this report). An annual household growth of 5,975, or 2.5 percent, is forecast for this submarket.

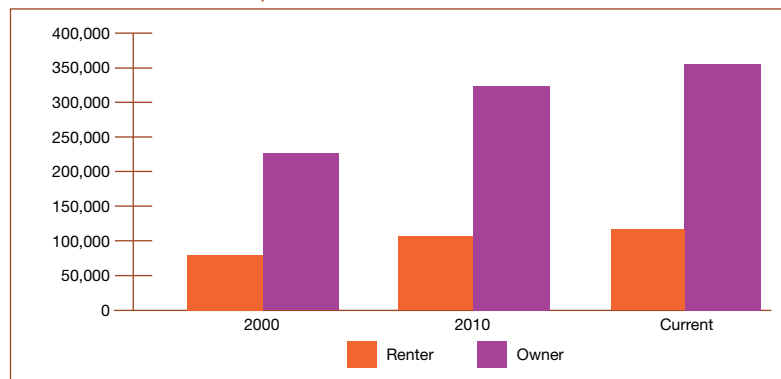
The Southwest submarket population is currently estimated at 1.39 million, an average annual increase 32,950, or 2.5 percent, since 2010. Net in-migration to this submarket has averaged 22,850 people annually since 2010 and has accounted for nearly 70 percent of the population growth in the submarket. From 2000 through 2010, population growth averaged 35,900 people, or 3.4 percent, annually. During this time, net in-migration averaged 26,450 people annually and accounted for approximately 74 percent of the population growth in the submarket. The rate of population growth is forecast to moderate from the most recent numbers and average 34,000 people, or 2.4 percent, annually during the next 3 years. The Southwest submarket has the highest homeownership rate of the three submarkets in the HMA, at 75.2 percent, down slightly from 75.3 percent in April 2010. The submarket currently has 470,100 households, an average annual increase of 11,300, or 2.5 percent, since 2010. Figure 8 shows the number of households by tenure in the Southwest submarket. From 2000 to 2010, household growth in the submarket averaged 12,100, or 3.4 percent, annually (Table DP-4 at the end of this report). Household growth of 11,650, or 2.4 percent, annually is forecast for this submarket.

Figure 7. Number of Households by Tenure in the Northeast 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 Southwest Submarket, 2000 to Current



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

Housing Market Trends

Sales Market—Harris County Submarket

The sales housing market in the Harris County submarket is currently balanced, with a 1.8-percent vacancy rate, down from 2.3 percent in April 2010. At the end of 2013, a 3.3-month inventory of unsold homes was on the market, down from 5.2- and 7.3-month inventories in 2012 and 2011, respectively (Real Estate Center at Texas A&M University). New and existing home sales totaled 73,500 in the Harris County submarket during 2013, an increase of 9,300 sales, or nearly 15 percent, from 2012 (Metrostudy, A Hanley Wood Company). This increase followed a nearly 16-percent increase in home sales from 2011 to 2012. The average sales price of new and existing homes in the submarket was \$263,300, an increase of \$28,850, or 12 percent, from 2012. Home prices increased by \$21,100, or 10 percent, from 2011 to 2012. Traditional market sales increased at a much faster pace than overall sales, as REO (Real Estate Owned) sales in this submarket declined by 3,425 sales, or nearly 29 percent, to 8,100 during 2013.

New single-family home sales in the submarket totaled 10,500 during 2013, an increase of 450 sales, or more than 4 percent, from 2012. By comparison, new single-family home sales increased by 1,650 sales, or 20 percent, during 2012 from the levels recorded during 2011. The average sales price of a new single-family home in the Harris County submarket was \$265,800 during 2013, an increase of \$32,100, or 14 percent, from 2012 after an increase of \$12,000, or more than 5 percent, from 2011 to 2012. Approximately 66 percent of all new single-family home sales occurred outside of the Houston city limits, with most of the new

construction occurring in the northern parts of the submarket. Despite 2 successive years of growth, new single-family home sales in the submarket remain much less than the average of 26,800 new single-family homes sold from 2005 through 2007.

The sales of existing single-family homes, excluding REO sales, improved in the Harris County submarket for the third consecutive year. The sales of existing single-family homes totaled 45,850 during 2013, an increase of 10,300 sales, or 29 percent, from 2012. During 2012, 35,500 existing single-family homes sold, an increase of 6,800 sales, or about 24 percent, from 2011. The average sales price of an existing single-family home during 2013 increased by \$9,725, or 4 percent, to \$263,500 after an increase of \$14,500, or 6 percent, in the average sales price during 2012.

Condominiums accounted for nearly 5 percent of all new home sales in 2013. In 2013, nearly 570 new-construction condominium units sold, an increase of 210 sales, or 58 percent, compared with the number sold during 2012. The average sales price of a new condominium unit was \$254,900, a decrease of \$16,700, or 6 percent, from the average sales price in 2012. Even with the recent improvement in the condominium market, the total sales volume and average sales price were much less than the averages of 910 sales annually and price of \$298,300 from 2005 through 2007. The vast majority of new condominium construction occurs within the Houston city limits. The sales of existing condominiums in the Harris County submarket also rebounded during the past 3 years,

Housing Market Trends

Sales Market—Harris County Submarket Continued

after 4 straight years of declining sales. During 2013, 8,550 existing condominiums sold in the submarket, an increase of 1,800 sales, or 26 percent, from 2012 after increases of 1,050 and 580, or 18 and 11 percent, in 2012 and 2011, respectively. The average sales price of an existing condominium increased by \$66,300, or more than 24 percent, during 2013 to \$336,600 after average annual increases of \$38,100, or 18 percent, during 2011 and 2012. The recent increase in sales of existing condominiums during 2013 resulted in sales being only 700 units, or 8 percent, less than the average of 8,900 units sold annually from 2005 through 2007.

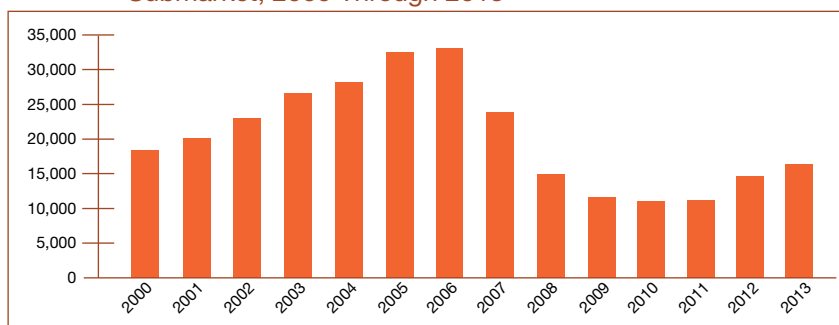
Homebuilding activity, as measured by the number of single-family homes permitted, increased during 2013. The number of single-family homes permitted increased by 1,850, or nearly 13 percent, to 16,400 compared with the number permitted during 2012 (preliminary data). Building activity averaged 29,350 homes annually from 2004 through 2007, leading to softening in the sales market despite continued population growth. Building activity declined to an average of 12,150 homes annually from 2008 through 2011 because of tightened

lending standards and because builders responded to soft sales market conditions by decreasing new home construction. Figure 9 shows the number of single-family homes permitted in the Harris County submarket since 2000.

Some of the newer developments in the submarket include Belfiore, a 26-story highrise building under construction in the city of Houston's Uptown District that will have 46 residential units. The sizes of the condominium units start at 4,650 square feet and will sell for an average price of about \$600 per square foot. The project is scheduled to break ground in early 2014 and be complete by 2016. Lakeland Heights, part of the Bridgeland master-planned community northwest of the city of Houston, is one of the more recent developments in the Harris County submarket. The development began construction in 2010 and, when finished, will contain more than 600 homes with prices ranging from \$180,000 to more than \$1 million.

During the next 3 years, demand is estimated for 56,750 new homes, including single-family homes, townhomes, and condominium units. The 4,575 homes currently under construction will meet a portion of the forecast demand (Table 1). In addition, some of the estimated 44,000 other vacant units may reenter the market and satisfy part of the forecast demand. Sales prices for new units will start at \$85,000. 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 3-year forecast period.

Figure 9. Single-Family Homes Permitted in the Harris County Submarket, 2000 Through 2013



Notes: Includes townhomes. Includes data through December 2013.

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, January 1, 2014, to January 1, 2017

Price Range (\$)		Units of Demand	Percent of Total
From	To		
85,000	149,999	6,775	12.0
150,000	199,999	10,150	18.0
200,000	249,999	14,150	25.0
250,000	299,999	9,600	17.0
300,000	349,999	4,525	8.0
350,000	399,999	3,400	6.0
400,000	499,999	3,950	7.0
500,000	and higher	3,950	7.0

Note: The 4,575 homes currently under construction and a portion of the estimated 44,000 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

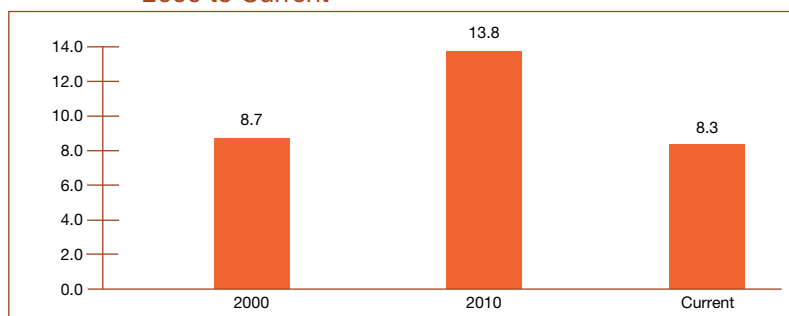
Rental Market—Harris County Submarket

The rental housing market in the Harris County submarket is currently balanced, with an 8.3-percent vacancy rate as of January 1, 2014, down from 13.8 percent during April 2010 (Figure 10). The apartment market in the submarket is also balanced, with an 8.2-percent vacancy rate as of January 1, 2014, down from 9.4 percent 1 year earlier (ALN Systems, Inc.). The average rent for an apartment in the submarket is \$875, up \$45, or nearly 6 percent, during the past year. Average rents in the submarket for one-, two-, and three-bedroom apartment units are \$770, \$965, and \$1,070, respectively.

Rental market conditions in the Harris County submarket improved during

the past 2 years because builders responded to soft market conditions that existed throughout much of the past decade by reducing production from 2009 through 2011. Building activity began to rise significantly during 2012 and 2013, however, because of increased demand from stronger population and employment growth and because the excess vacant units caused by previously high production levels had been absorbed. The number of multifamily units permitted increased by 1,400 units, or slightly more than 11 percent, to 14,000 during 2013 compared with the number permitted during 2012 (preliminary data). The level of building activity during 2013 was more than 200 percent higher than the average of 4,250 units permitted annually from 2009 through 2011 but was 250 units, or 2 percent, below the peak building years of 2006 through 2008, when an average of 14,250 units were permitted annually. Figure 11 shows the number of multifamily units permitted annually in the Harris County submarket since 2000.

Newer developments in the submarket include the AMLI Uptown in the

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

Housing Market Trends

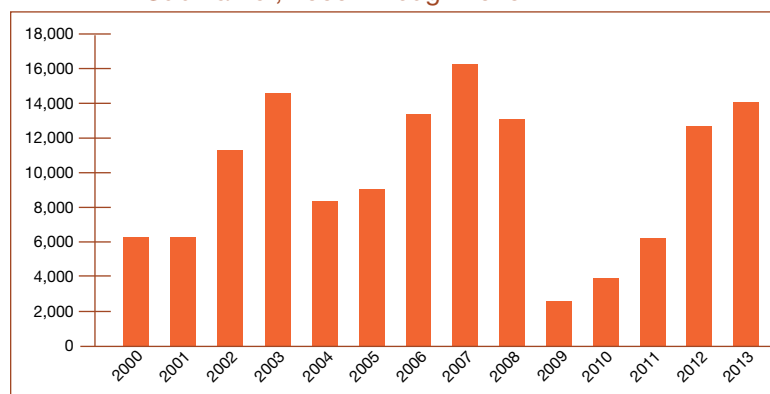
Rental Market—Harris County Submarket Continued

Uptown District of west Houston, which was completed in 2013. The 238 units include 111 one-bedroom units with rents ranging from \$1,460 to \$1,840, 84 two-bedroom units with rents ranging from \$2,190 to \$2,220, and 43 three-bedroom units with rents ranging from \$2,590 to \$2,950. The 319-unit District at Greenbriar, completed in 2013 in the Museum District

of west Houston, has 43 studio units with rents ranging from \$1,270 to \$1,355, 165 one-bedroom units with rents ranging from \$1,440 to \$1,760, and 111 two-bedroom units with rents ranging from \$1,995 to \$2,440.

During the next 3 years, demand is estimated for 34,200 additional market-rate rental units in the Harris County submarket (Table 1). Demand for new units is not expected until the second year of the 3-year forecast period because the 18,250 units currently under construction are expected to be sufficient to meet all the demand during the first year. Rents for new units are projected to start at \$750 for a one-bedroom unit, \$925 for a two-bedroom unit, and \$1,050 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.

Figure 11. Multifamily Units Permitted in the Harris County Submarket, 2000 Through 2013



Notes: Excludes townhomes. Includes data through December 2013.

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

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Harris County Submarket, January 1, 2014, to January 1, 2017

Zero Bedrooms		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	Monthly Gross Rent (\$)	Units of Demand
650 to 849	240	750 to 949	5,325	925 to 1,124	2,675	1,050 to 1,249	600
850 to 1,049	410	950 to 1,149	4,450	1,125 to 1,324	4,400	1,250 to 1,449	720
1,050 to 1,249	35	1,150 to 1,349	3,900	1,325 to 1,524	3,475	1,450 to 1,649	480
		1,350 to 1,549	2,675	1,525 to 1,724	1,725	1,650 to 1,849	360
		1,550 to 1,749	890	1,725 to 1,924	670	1,850 to 2,049	170
		1,750 or more	530	1,925 or more	400	2,050 or more	70
Total	680	Total	17,800	Total	13,350	Total	2,400

Notes: Numbers may not add to totals because of rounding. The 18,250 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Northeast Submarket

The sales housing market in the Northeast submarket is currently balanced, with a 1.6-percent vacancy rate, down from 1.9 percent in April 2010. New and existing home sales totaled 13,650 during 2013, an increase of 1,975 sales,

or 17 percent, from 2012 (Metrostudy, A Hanley Wood Company) after a nearly 22-percent increase in total homes sales from 2011 to 2012. The average sales price of new and existing homes in the submarket during

Housing Market Trends

Sales Market—Northeast Submarket Continued

2013 was \$258,400, an increase of \$15,300, or 6 percent, from 2012 compared with the home price increase of \$19,300, or nearly 9 percent, during 2012.

New single-family home sales increased to 3,125 in 2013, an increase of 800 sales, or 34 percent, from 2012. By comparison, new single-family home sales increased by 170, or 8 percent, during 2012 from the level recorded during 2011. The average sales price of a new single-family home in the Northeast submarket was \$264,000 during 2013, an increase of \$10,700, or 4 percent, from 2012, essentially the same price increase as during the previous year. Approximately 93 percent of all new single-family home sales in the submarket occurred in Montgomery County, which is developing an employment base along the I-45 corridor north of the city of Houston. Despite 2 successive years of growth, new single-family home sales in the submarket remain 49 percent less than the average of 6,100 new single-family home sales annually from 2005 through 2007.

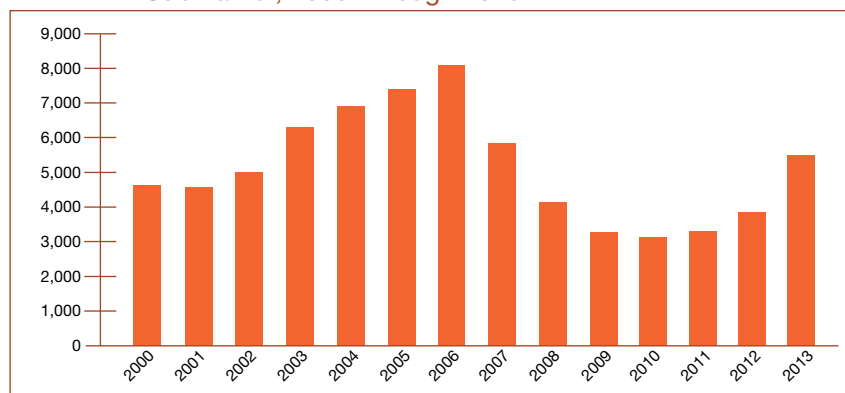
The sales of existing single-family homes, excluding REO sales, improved in the Northeast submarket for the second consecutive year. The

sale of existing single-family homes totaled 9,600 during 2013, an increase of 1,625 sales, or nearly 21 percent, from 2012. During 2012, 7,975 existing single-family homes sold, an increase of 1,875 sales, or 31 percent, compared with the number sold during 2011. The average sales price of an existing single-family home during 2013 increased by \$10,800, or 4 percent, to \$263,200 after an increase of \$20,700, or 9 percent, during 2012. Nearly 87 percent of all existing single-family home sales in the submarket occurred in Montgomery County during 2013.

Homebuilding activity, as measured by the number of single-family homes permitted, increased significantly during 2013. The number of single-family homes permitted increased by 1,650, or 43 percent, to 5,475 compared with the number permitted during 2012 (preliminary data). Building activity averaged 7,025 homes annually from 2004 through 2007, leading to softening in the sales market despite continued population growth, and then declined to an average of 3,450 homes annually from 2008 through 2011 because of tightened lending standards and because builders responded to soft sales market conditions by decreasing new home construction. Figure 12 shows the number of single-family homes permitted each year since 2000. About 95 percent of all single-family homes permitted in the Northeast submarket during 2013 were in Montgomery County, up from about 90 percent of all single-family homes permitted in this submarket during the 2000s.

Harper's Preserve, a new master-planned community south of Conroe in Montgomery County, is currently

Figure 12. Single-Family Homes Permitted in the Northeast Submarket, 2000 Through 2013



Notes: Includes townhomes. Includes data through December 2013.

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

Housing Market Trends

Sales Market—Northeast Submarket Continued

building the 500-home first phase of its development. During 2013, 137 new homes sold in this development, with sales prices ranging from \$100,000 to \$485,000. The Woodforest development, slightly north of the Woodlands in Montgomery County, is a master-planned community that, when

complete, will contain 5,500 homes. Bonterra, a subdivision of Woodforest, is set to begin construction in 2014 of 700 single-family homes for residents who are age 55 or older.

During the next 3 years, demand is estimated for 14,800 new homes, including single-family homes, townhomes, and condominium units. The 1,675 homes currently under construction will meet a portion of the forecast demand (Table 1). In addition, some of the estimated 13,500 other vacant units may reenter the market and satisfy part of the forecast demand. Sales prices for new units start at \$83,450. Table 6 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the Northeast submarket during the 3-year forecast period.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Northeast Submarket, January 1, 2014, to January 1, 2017

Price Range (\$)		Units of Demand	Percent of Total
From	To		
89,500	149,999	1,025	7.0
150,000	199,999	3,325	23.0
200,000	249,999	3,775	26.0
250,000	299,999	3,200	22.0
300,000	349,999	1,450	10.0
350,000	399,999	1,025	7.0
400,000	499,999	580	4.0
500,000	and higher	140	1.0

Note: The 1,675 homes currently under construction and a portion of the estimated 13,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

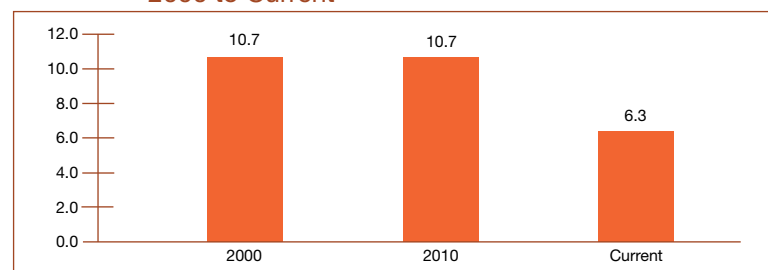
Rental Market—Northeast Submarket

The rental housing market in the Northeast submarket is currently balanced, with a 6.3-percent vacancy rate as of January 1, 2014, down from 10.7 percent during April 2010 (Figure 13). The apartment market in the submarket is slightly tight, with a 5.9-percent vacancy rate as of January 1, 2014, down from 7.0 percent 1 year earlier (ALN Systems, Inc.). The average rent for an apartment in the submarket is \$1,030, up \$35, or 3 percent, during

the past year after an average rent increase of \$80, or nearly 9 percent, during 2012. The rent increases during the past 2 years were driven, in part, by tightening market conditions and the many new units entering the market with higher rents than the existing apartment stock.

Building activity, based on the number of multifamily units permitted, increased during 2013 because builders responded to tightening market conditions and rising rents with increased production. The number of multifamily units permitted during 2013 increased by 200 units, or nearly 17 percent, to 1,375 compared with the 1,175 units permitted in 2012 (preliminary data). Multifamily construction is still about 75 units, or 5 percent, less than the average of 1,475 units permitted annually from 2004 through 2007. Multifamily

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



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

Housing Market Trends

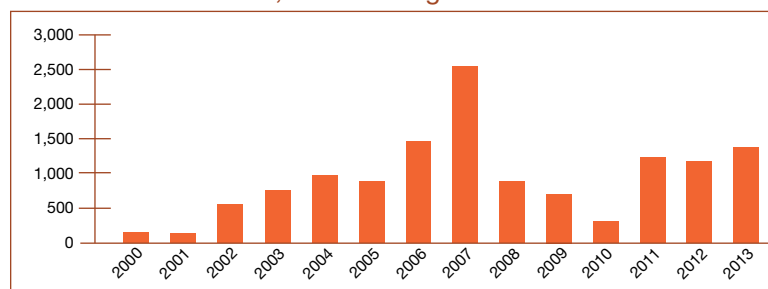
Rental Market—Northeast Submarket Continued

production began to decline in 2008 and averaged 770 units permitted annually during 2008 and 2009. Multifamily construction declined significantly, to 290 units permitted, in 2010 and then increased to 1,225 units permitted in 2011. From 2011 through 2013, multifamily permitting in the submarket exceeded 1,000 units for 3 consecutive years for the first time since at least 1980. Figure 14 shows the number of multifamily units permitted by year since 2000. This submarket is dominated by Montgomery County, which accounted for 1,200 units, or 90 percent of all multifamily units permitted in this submarket during 2013. From 2000 through 2012, Montgomery County averaged 870 multifamily units permitted annually and accounted for nearly 98 percent of the 890 multifamily units permitted annually in this submarket during this time.

Newer developments in the submarket include The Retreat Apartment Homes in the city of Conroe, which was completed in 2012. The 208 apartment units consist of 116 one-bedroom units with rents ranging from \$820 to \$999, 84 two-bedroom units with rents ranging from \$1,099 to \$1,445, and 8 three-bedroom units with rents ranging from \$1,450 to \$1,500. The 416-unit The Estates Woodland, completed in 2013 near the city of Magnolia, has 272 one-bedroom units with rents ranging from \$799 to \$939, 96 two-bedroom units with rents ranging from \$1,229 to \$1,379, and 48 three-bedroom units with rents ranging from \$1,519 to \$1,919.

During the next 3 years, demand is estimated for 5,075 additional market-rate rental units in the Northeast submarket. The 1,775 rental units under construction will satisfy part of this demand (Table 1). Rents for new units are projected to start at \$700 for a one-bedroom unit, \$895 for a two-bedroom unit, and \$965 for a three-bedroom unit. Table 7 provides the estimated demand for new market-rate rental housing, by number of bedrooms and rent level, during the 3-year forecast period.

Figure 14. Multifamily Units Permitted in the Northeast Submarket, 2000 Through 2013



Notes: Excludes townhomes. Includes data through December 2013.

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

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Northeast Submarket, January 1, 2014, to January 1, 2017

Zero Bedrooms		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	Monthly Gross Rent (\$)	Units of Demand
550 to 749	35	675 to 874	950	800 to 999	580	1,000 to 1,199	180
750 to 949	15	875 to 1,074	720	1,000 to 1,199	960	1,200 to 1,399	200
950 to 1,149	5	1,075 to 1,274	360	1,200 to 1,399	360	1,400 to 1,599	75
		1,275 to 1,474	260	1,400 to 1,599	170	1,600 to 1,799	25
		1,475 to 1,674	70	1,600 to 1,799	45	1,800 to 1,999	15
		1,675 or more	25	1,800 or more	20	2,000 or more	10
Total	50	Total	2,375	Total	2,125	Total	510

Notes: Numbers may not add to totals because of rounding. The 1,775 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Southwest Submarket

The sales housing market in the Southwest submarket is currently soft, with a 2.0-percent vacancy rate, down from 2.2 percent in April 2010. New and existing home sales totaled 32,600 in the submarket during 2013, an increase of 3,350 sales, or more than 11 percent, from 2012 (Metrostudy, A Hanley Wood Company) after a 21-percent increase in total homes sales from 2011 to 2012. The average sales price of new and existing homes in the submarket was \$246,900, an increase of \$17,500, or nearly 8 percent, from 2012. The average sales price for new and existing homes increased by \$12,400, or nearly 6 percent, during 2012 from the 2011 prices.

New single-family home sales increased in 2013 after robust growth in 2012. During 2013, new single-family home sales totaled 8,900, an increase of 1,400 sales, or 19 percent, from 2012. By comparison, new single-family home sales increased by 970 sales, or 15 percent, during 2012 from the levels recorded during 2011. The average sales price of a new single-family home in the Southwest submarket was \$301,000 during 2013, an increase of \$26,600, or nearly 10 percent, from 2012, nearly double the rate of increase from 2011 to 2012, when new single-family home prices increased by \$13,000, or 5 percent. Approximately 78 percent of all new single-family home sales occurred in Fort Bend County, which is home to many people who work in the city of Houston's Energy Corridor, along I-10 west of the Downtown District. Despite 2 successive years of growth, new single-family home sales in the submarket remain 33 percent less than the average of 13,300 new single-family home sales annually from 2005

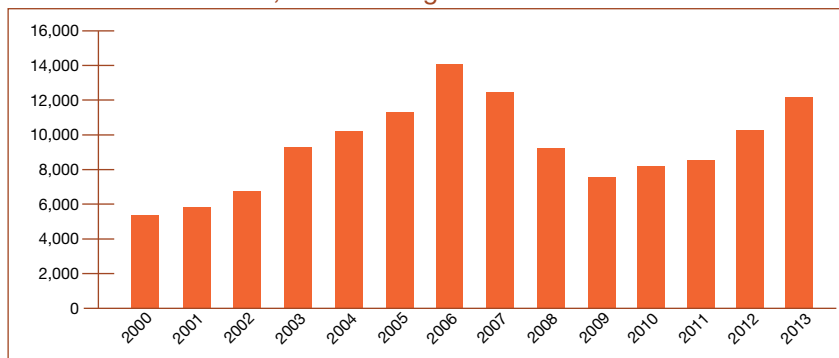
through 2007. The easier commute to employment centers in the Energy Corridor and the rapid increase in jobs in Fort Bend County are the primary reasons behind the increasing growth of Fort Bend County relative to the other counties in the submarket. The average sales price of a new single-family home in Fort Bend County was \$313,200, about 20 percent higher than the average of \$260,100 for new single-family homes in Galveston County, the county with the second most expensive sales prices in the submarket during 2013. Since 2005, Fort Bend County has consistently had a higher average sales price for new homes than the rest of the counties in the submarket, in part because of the close proximity of Fort Bend County to the Energy Corridor.

The sales of existing single-family homes, excluding REO sales, continued to improve in the Southwest submarket for the second consecutive year. The sales of existing single-family homes totaled 20,700 during 2013, an increase of 2,950 sales, or nearly 17 percent, from 2012. During 2012, 17,750 existing single-family homes sold, an increase of 4,025 sales, or about 29 percent, from 2011. The average sales price of an existing single-family home during 2013 increased by \$8,200, or nearly 4 percent, to \$233,600 after an increase of \$13,300, or more than 6 percent, during 2012. Fort Bend County accounts for nearly 50 percent of all sales in the submarket.

Homebuilding activity, as measured by the number of single-family homes permitted, increased during 2013. The number of single-family homes permitted increased by 1,850, or nearly

18 percent, to 12,100 compared with the number permitted during 2012 (preliminary data). Building activity is more than 53 percent higher than the average of 8,050 homes permitted annually from 2009 through 2011. Since 2000, the only years when more homes were permitted in this submarket were 2006 and 2007, when 14,050 and 12,450 homes were permitted, respectively. Figure 15 shows the number of single-family homes permitted in the Southwest submarket since 2000. About 65 percent of all single-family homes permitted in the submarket during 2013 were in Fort Bend County.

Figure 15. Single-Family Homes Permitted in the Southwest Submarket, 2000 Through 2013



Notes: Includes townhomes. Includes data through December 2013.

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

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Southwest Submarket, January 1, 2014, to January 1, 2017

Price Range (\$)		Units of Demand	Percent of Total
From	To		
83,450	149,999	1,275	4.0
150,000	199,999	4,775	15.0
200,000	249,999	8,600	27.0
250,000	299,999	7,000	22.0
300,000	349,999	3,175	10.0
350,000	399,999	2,550	8.0
400,000	499,999	2,875	9.0
500,000	and higher	1,600	5.0

Note: The 3,700 homes currently under construction and a portion of the estimated 25,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

By comparison, Fort Bend County averaged about 44 percent of all single-family homes permitted in this submarket from 2000 through 2009 and about 62 percent of all homes permitted in this submarket from 2010 through 2012. The most significant areas of recent development in Fort Bend County are west of the city of Houston along the I-10 corridor and south along Grand Parkway.

Among recent developments in the Southwest submarket is Grand Cay Harbour in Texas City, in Galveston County, which when complete will include 500 single-family homes with prices ranging from \$260,000 to \$600,000. The Lakes of Bella Terra is another recent development in the city of Richmond, in Fort Bend County. This development, which is currently 60 percent complete, includes more than 700 single-family lots with home prices ranging from \$220,000 to more than \$1,000,000.

During the next 3 years, demand is estimated for 32,100 new homes, including single-family homes, townhomes, and condominium units. The 3,700 homes currently under construction will meet a portion of the forecast demand (Table 1). In addition, some of the estimated 25,500 other vacant units may reenter the market and satisfy part of the forecast demand. Sales prices for new units start at \$89,500. Table 8 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the Southwest submarket during the 3-year forecast period.

Rental Market—Southwest Submarket

The rental housing market in the Southwest submarket is currently slightly soft, with a 9.0-percent vacancy rate as of January 1, 2014, down from 12.1 percent during April 2010 (Figure 16). The apartment market in the submarket is balanced, however, with a 7.0-percent vacancy rate as of January 1, 2014, down from 8.4 percent 1 year earlier and 9.9 percent 2 years earlier (ALN Systems, Inc.). The average rent for an apartment in the submarket is \$940, up \$60, or more than 6 percent, during the past year. Average rents in the submarket for one-, two-, and three-bedroom units are \$810, \$1,010, and \$1,220, respectively.

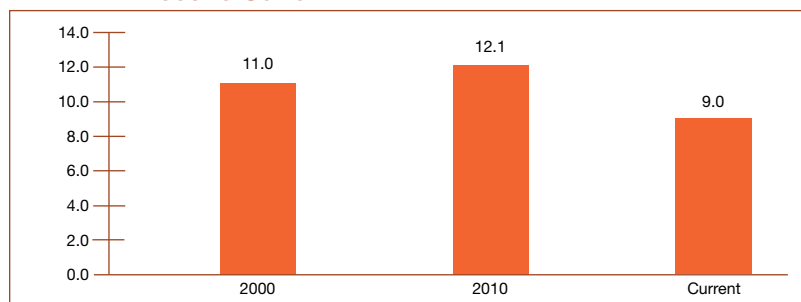
Building activity, based on the number of multifamily units permitted, increased during 2013 because builders responded to improving market conditions with increased production. The number of multifamily units

permitted during 2013 increased by 660, or 74 percent, to 1,550 units compared with the number permitted during 2012 (preliminary data). This permitting level was about 50 units, or 3 percent, less than the average of 1,600 multifamily units permitted annually during the peak construction years from 2003 through 2007. Multifamily construction began to decline after 2007 and averaged nearly 1,050 units annually from 2008 through 2011. Figure 17 shows the number of multifamily units permitted annually in the Southwest submarket since 2000. During 2013, most multifamily construction in the submarket occurred in Fort Bend County, which permitted 1,025 units, or nearly 77 percent of all multifamily units permitted in this submarket.

Newer apartment developments in the submarket include the 370-unit Retreat at Shadow Creek Ranch, completed in 2012 in the city of Pearland, in Brazoria County. The development includes 171 one-bedroom units with rents ranging from \$1,015 to \$1,275, 167 two-bedroom units with rents ranging from \$1,309 to \$1,690, and 32 three-bedroom units with rents ranging from \$1,725 to \$1,920. The 260-unit Echo at Katy Ranch, completed in 2013 in the city of Katy, in Fort Bend County, offers 112 one-bedroom units with rents ranging from \$875 to \$1,250, 126 two-bedroom units with rents ranging from \$1,350 to \$1,725, and 22 three-bedroom units with rents ranging from \$1,599 to \$2,060.

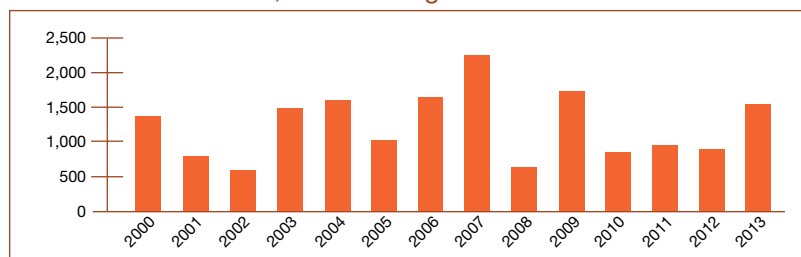
During the next 3 years, demand is estimated for 6,800 additional market-rate rental units in the Southwest submarket, after accounting for the

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



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

Figure 17. Multifamily Units Permitted in the Southwest Submarket, 2000 Through 2013



Notes: Excludes townhomes. Includes data through December 2013.

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

excess supply of vacant available units. The 1,550 rental units under construction will satisfy part of this demand (Table 1). Rents for new units are projected to start at \$675 for a one-bedroom unit, \$800 for

a two-bedroom unit, and \$1,000 for a three-bedroom unit. Table 9 provides the estimated demand for new market-rate rental housing, by number of bedrooms and rent level, during the 3-year forecast period.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Southwest Submarket, January 1, 2014, to January 1, 2017

Zero Bedrooms		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	Monthly Gross Rent (\$)	Units of Demand
545 to 744	120	700 to 899	1,975	895 to 1,094	1,575	965 to 1,164	180
745 to 944	20	900 to 1,099	890	1,095 to 1,294	600	1,165 to 1,364	140
		1,100 to 1,299	460	1,295 to 1,494	260	1,365 to 1,564	90
		1,300 to 1,499	180	1,495 to 1,694	100	1,565 to 1,764	30
		1,500 to 1,699	35	1,695 to 1,894	50	1,765 to 1,964	10
		1,700 or more	35	1,895 or more	25	1,965 or more	10
Total	140	Total	3,575	Total	2,625	Total	460

Notes: Numbers may not add to totals because of rounding. The 1,550 units currently under construction will likely 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	2,680,538	2,911,000	1.6	2.8
Unemployment rate	4.3%	8.5%	6.1%		
Nonfarm payroll jobs	2,250,600	2,527,500	2,786,000	1.2	3.3
Total population	4,715,407	5,946,800	6,402,000	2.3	2.0
Total households	1,656,799	2,072,625	2,230,300	2.3	2.0
Owner households	1,008,692	1,294,913	1,368,100	2.5	1.5
Percent owner	60.9%	62.5%	61.3%		
Renter households	648,107	777,712	862,200	1.8	2.8
Percent renter	39.1%	37.5%	38.7%		
Total housing units	1,799,627	2,308,205	2,416,000	2.5	1.2
Owner vacancy rate	1.7%	2.2%	1.8%		
Rental vacancy rate	9.1%	13.4%	8.2%		
Median Family Income	\$54,100	\$63,800	\$66,900	1.7	1.6

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2013. Median Family Incomes are for 1999, 2009, and 2012.

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	4,365,000	1.9	1.7
Total households	1,205,516	1,435,155	1,529,200	1.8	1.7
Owner households	666,940	814,810	843,600	2.0	0.9
Percent owner	55.3%	56.8%	55.2%		
Rental households	538,576	620,345	685,500	1.4	2.7
Percent renter	44.7%	43.2%	44.8%		
Total housing units	1,298,130	1,598,698	1,650,000	2.1	0.8
Owner vacancy rate	1.5%	2.3%	1.8%		
Rental vacancy rate	8.7%	13.8%	8.3%		

Note: Numbers may not add to totals because of rounding.

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

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	412,199	592,869	652,700	3.7	2.6
Total households	144,328	209,651	231,000	3.8	2.6
Owner households	114,276	158,028	171,200	3.3	2.2
Percent owner	79.2%	75.4%	74.1%		
Rental households	30,052	51,623	59,850	5.6	4.0
Percent renter	20.8%	24.6%	25.9%		
Total housing units	160,985	232,884	251,300	3.8	2.1
Owner vacancy rate	1.9%	1.9%	1.6%		
Rental vacancy rate	10.7%	10.7%	6.3%		

Note: Numbers may not add to totals because of rounding.

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

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	902,630	1,261,472	1,385,000	3.4	2.5
Total households	306,955	427,819	470,100	3.4	2.5
Owner households	227,476	322,075	353,300	3.5	2.5
Percent owner	74.1%	75.3%	75.2%		
Rental households	79,479	105,744	116,800	2.9	2.7
Percent renter	25.9%	24.7%	24.8%		
Total housing units	340,512	476,623	514,500	3.4	2.1
Owner vacancy rate	1.9%	2.2%	2.0%		
Rental vacancy rate	11.0%	12.1%	9.0%		

Note: Numbers may not add to totals because of rounding.

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: 1/1/2014—Analyst's estimates
 Forecast period: 1/1/2014–1/1/2017—Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated December 5, 2005, and does not reflect changes defined by the OMB Bulletin dated February 28, 2013.

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 the U.S. Department of Housing and Urban Development's (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_14.pdf.

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This analysis has been prepared for the assistance and guidance of 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/portal/ushmc/chma_archive.html