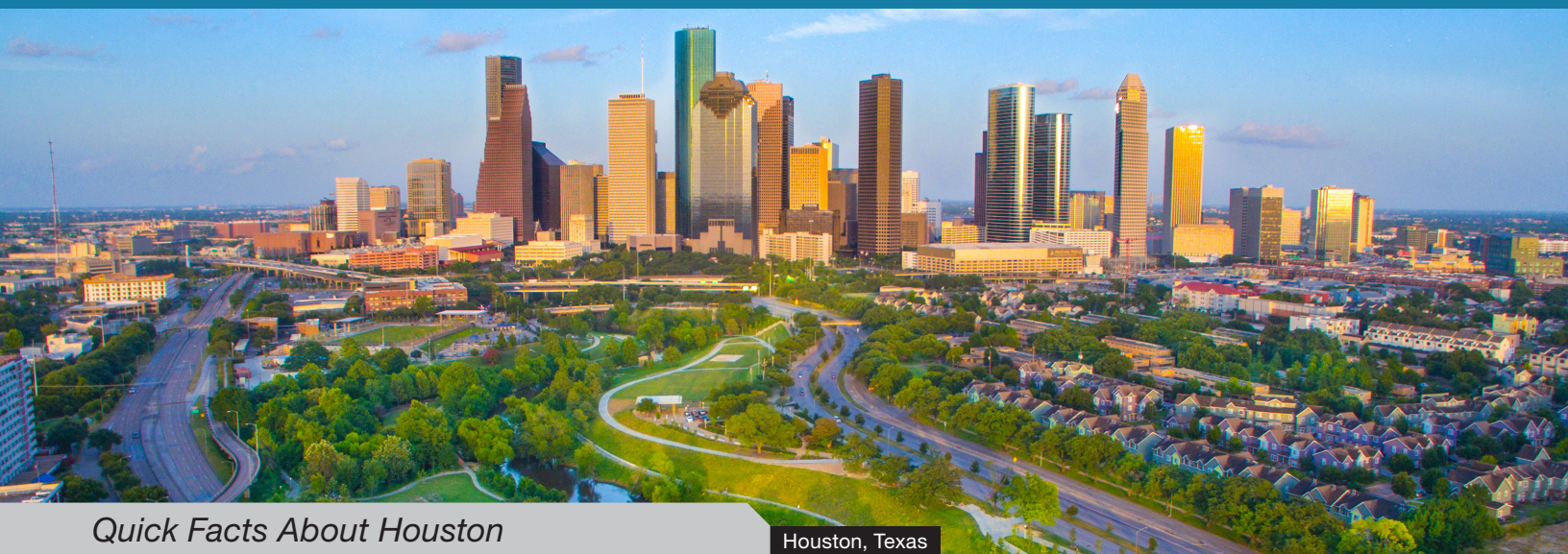


HUD PD&R Housing Market Profiles

Houston-The Woodlands-Sugar Land, Texas



Quick Facts About Houston

Houston, Texas

By [Tim McDonald](#) | As of January 1, 2024

- **Current sales market conditions: balanced**
- **Current apartment market conditions: balanced**
- **The Texas Medical Center in the city of Houston is the largest medical complex in the world and has more than 106,000 employees at the 56 institutions in the center.**



Overview

The Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA; hereafter, Houston metropolitan area) is the fifth largest MSA in the nation and is on the Gulf of Mexico in southeastern Texas. The metropolitan area includes the nine counties of Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller. With many domestic and international energy companies having a presence in the area, the metropolitan area is an international center for global energy markets. The city of Houston is also home to the Lyndon B. Johnson Space Center, the National Aeronautics and Space Administration human spaceflight facility that attracts more than 1 million visitors annually (Space Center Houston).

- As of January 1, 2024, the population of the metropolitan area was estimated at slightly more than 7.58 million, reflecting an average increase of 122,600 people, or 1.7 percent, annually since 2020, with net in-migration accounting for nearly 68 percent of population growth.
- The metropolitan area is an international center for the energy industry, and people migrate from across the globe to live and work in the MSA. International migration has

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accounted for 49 percent of all net in-migration to the metropolitan area since 2020.

- Foreign-born residents account for 23.9 percent of the metropolitan area population, significantly higher

than the national average of 13.9 percent (2022 American Community Survey [ACS] 1-year data).

Economic Conditions

Economic conditions in the Houston metropolitan area remain strong, partly because energy prices have recovered since 2020. The metropolitan area includes the headquarters of 26 companies on the Fortune 500 list, with 23 being energy-related firms. In the metropolitan area, 4,700 firms are involved in every facet of the energy industry, including the exploration, production, and distribution of energy and the development of new energy technology (Greater Houston Partnership). The price of crude oil has remained above \$68 per barrel since 2021, contributing to nonfarm payroll growth averaging 130,600, or 4.2 percent, annually. That payroll growth is the strongest since the period from 2011 through 2014, when oil prices remained above \$90 per barrel, and nonfarm payroll growth averaged 93,000 jobs, or 3.4 percent, annually. The price of West Texas Intermediate (WTI) oil dropped below \$55 per barrel in 2015, leading to a slowdown in job growth. Nonfarm payrolls increased by an average of 26,900 jobs, or 0.9 percent, annually from 2015 through 2017. In 2018, as the price of WTI oil climbed above \$55 a barrel, the rate of nonfarm payroll growth in the metropolitan area accelerated, averaging 69,850, or 2.3 percent, annually from 2018 through 2019.

As of the 3 months ending December 2023—

- Nonfarm payrolls increased by 74,700, or 2.2 percent, compared with the same period a year ago to nearly 3.4 million jobs.
- The unemployment rate was 3.9 percent, unchanged from 1 year earlier.
- The education and health services sector, which increased by 24,000, or 5.5 percent, from a year earlier, led job growth. Texas Children's Hospital opened a new \$245 million medical tower in the Texas Medical Center that contributed to growth in this sector.
- The only employment sector that lost jobs was the mining, logging, and construction sector. Job losses were concentrated in the construction subsector, partly because the number of housing units under construction declined during the past year.

The manufacturer SEG Solar Inc. announced operation expansion in the city of Houston, with 500 new workers.

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As of the fourth quarter of 2023, nonfarm payrolls increased from a year ago in 9 of the 11 employment sectors in the Houston metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	December 2022 (Thousands)	December 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	3,325.1	3,399.8	74.7	2.2
Goods-Producing Sectors	521.2	523.0	1.8	0.3
Mining, Logging, & Construction	292.9	288.6	-4.3	-1.5
Manufacturing	228.3	234.3	6.0	2.6
Service-Providing Sectors	2,803.9	2,876.8	72.9	2.6
Wholesale & Retail Trade	496.5	509.3	12.8	2.6
Transportation & Utilities	193.4	200.5	7.1	3.7
Information	33.1	33.1	0.0	0.0
Financial Activities	183.0	188.6	5.6	3.1
Professional & Business Services	553.6	562.2	8.6	1.6
Education & Health Services	437.6	461.6	24.0	5.5
Leisure & Hospitality	342.6	346.4	3.8	1.1
Other Services	117.8	118.8	1.0	0.8
Government	446.4	456.2	9.8	2.2
Unemployment Rate	3.9%	3.9%		

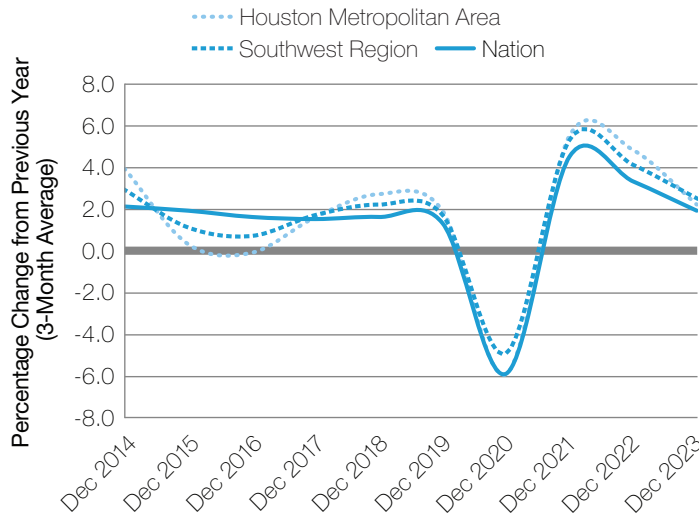
Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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The rate of job growth in the Houston metropolitan area has been above the national average since the end of 2021.



Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The home sales market is currently balanced in the Houston metropolitan area with a 1.7-percent vacancy rate, unchanged from 2020. Home sales during 2023 totaled 128,500, representing a decline of 37,300, or more than 22 percent, from 2022 because rising interest rates slowed demand (Zonda). The inventory of homes for sale is currently a 3.4-month supply, up from 2.5 months a year earlier but at the same level as April 2020 (Texas A&M Real Estate Center). The home sales market has returned to balanced conditions, similar to the period in April 2020 after the market tightened. Home sales surged during 2021 and 2022 because record-low interest rates increased demand. The percentage of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the metropolitan area decreased during the past year. As of November 2023, 1.3 percent of home loans in the Houston metropolitan area were seriously delinquent or had transitioned into REO status. That share is below the 1.6-percent rate a year ago and down from 6.0 percent in November 2020. The high percentage in 2020 was a result of the COVID-19 downturn (CoreLogic, Inc.). By comparison, the percentage of seriously delinquent home loans in the metropolitan area is above the national rate of 1.0 percent as of November 2023.

During 2023—

- New home sales declined from 2022 by 6,300, or nearly 16 percent, to 33,600.

John Cockerill Hydrogen announced the launch of the first alkaline electrolyzer gigafactory in the United States that uses hydrogen to produce inputs for, among other things, battery fuel cells. The gigafactory is in the city of Baytown and will employ 200 people. The \$500 million Texas A&M Innovation Plaza is currently under construction near the Texas Medical Center. It will house two medical research buildings and one medical student housing building when complete.

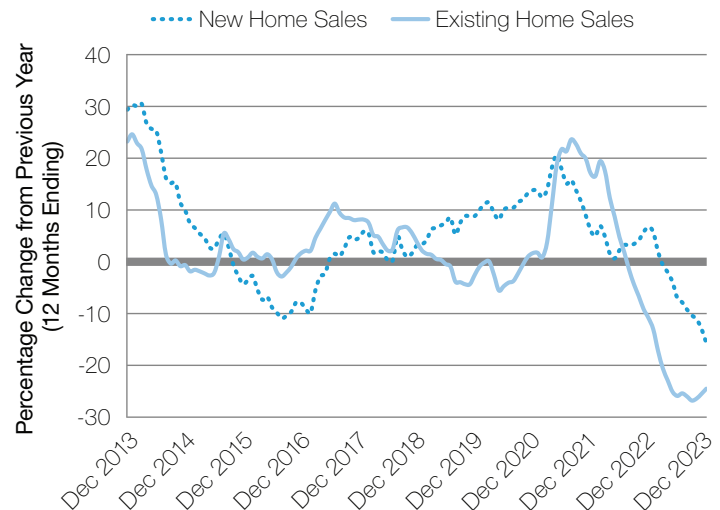
Largest Employers in the Houston Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Walmart Inc.	Wholesale & Retail Trade	34,000
H-E-B Grocery Company, LP	Wholesale & Retail Trade	32,635
Memorial Hermann Health System	Education & Health Services	29,130

Note: Excludes local school districts.

Source: *Houston Chronicle*

The decline in existing home sales preceded the decline in new home sales because investors slowed purchases when rent growth slowed and home prices escalated.



Note: Sales include single-family homes, townhomes, and condominiums.

Source: Zonda

- The average sales price of a new home was \$396,800, reflecting a decline of \$14,200, or more than 3 percent, from 2022. The decrease in new home prices is partly due to an increase in new home sales in the smaller, more affordable outlying counties of the metropolitan area.

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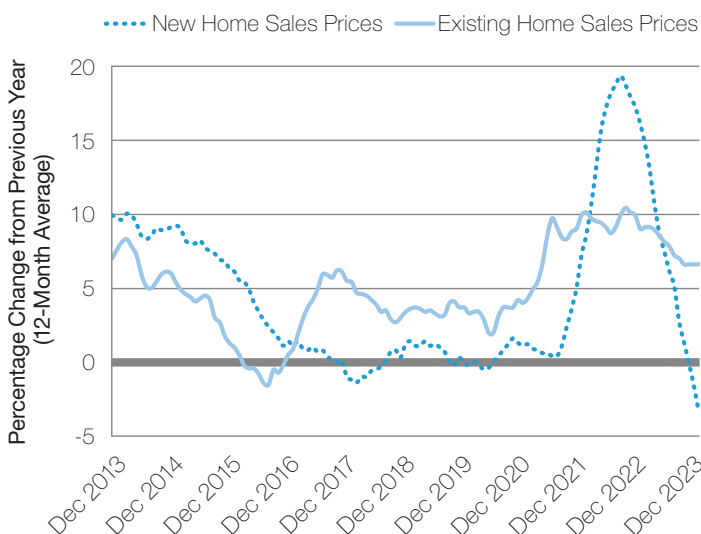
- Existing home sales declined from 2022 by 31,000, or nearly 25 percent, to 94,950, partly because of a decline in investor purchases of homes due to rising prices and stagnant rents.
- The average sales price of an existing home was \$396,900, representing an increase of \$24,500, or nearly 7 percent, from 2022.

Permitting of new housing units intended for owner occupancy rebounded slightly during 2023 because the initial shock from rising home mortgage interest rates during 2022 waned. Even with increases in the home mortgage interest rate during the past year, production remains near record levels during 2020 and 2021, when significantly lower interest rates prevailed.

During 2023—

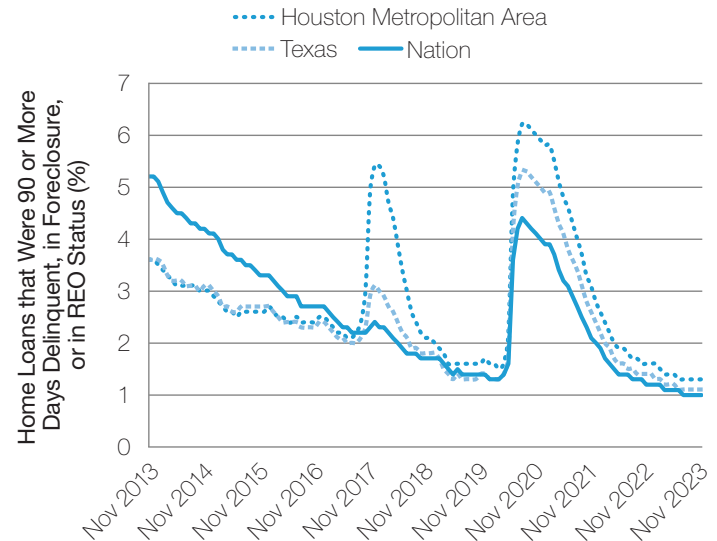
- The number of homes permitted for owner occupancy increased from 2022 by 3,900, or nearly 9 percent, to 49,150.
- Harris County permitted the most sales units, totaling 21,100, which accounted for nearly 43 percent of all sales units permitted in the metropolitan area.
- The second most sales units permitted in any county of the metropolitan area was 11,100 in Montgomery County, accounting for nearly 23 percent of all sales units permitted. The production of units intended for owner occupancy has surged in Montgomery County since 2020, averaging 10,700 annually, well above the average of 4,700 per year from 2010 through 2019. Montgomery County surpassed Fort Bend County as the second most active county in the metropolitan area for new sales unit construction.

The average sales price of a new home increased much faster than the average sales price of an existing home during 2022.



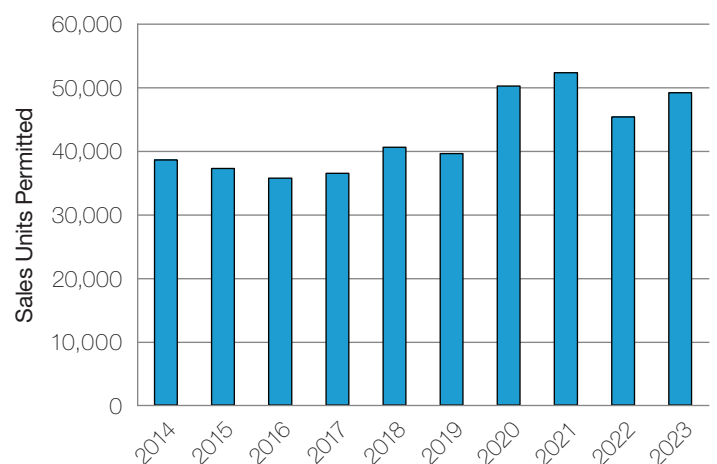
Note: Prices include single-family homes, townhomes, and condominiums.
Source: Zonda

The percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status increased much more rapidly in the Houston metropolitan area than in the nation following the initial COVID-19 downturn.



REO = real estate owned.
Source: CoreLogic, Inc.

Permitting of for-sale units increased slightly during 2023 because builders regained some confidence following the interest rate increases in 2022, and consumers adjusted expectations to the higher rates.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Apartment Market Conditions

The apartment market is balanced in the Houston metropolitan area, with an 11.1-percent vacancy rate as of the fourth quarter of 2023, up from 9.6 percent as of the fourth quarter of 2022 (Costar Group). The apartment vacancy rate increased during the past year as a record level of new apartment units entered the market in 2023. The large number of deliveries during the past year was the result of developers responding to the record-setting levels of absorption during 2021, which totaled more than 38,250 units. The number of single-person households increased from 24.3 percent of all households in 2019 to 25.5 percent in 2022 (2022 ACS 1-year data). Absorption of apartment units dropped to slightly less than 1,100 units during 2022 because strong rent increases during the past year limited demand. Absorption rebounded to 12,400 units during 2023, which was above the historical average of 11,100 units absorbed annually from 2014 through 2020.

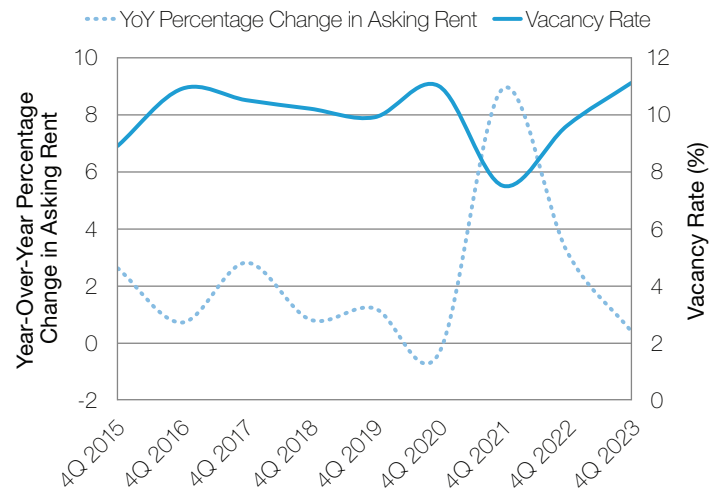
As of the fourth quarter of 2023—

- The average rent for an apartment was \$1,323, up by \$5, or less than 1 percent, from the fourth quarter of 2022.
- The average rents in the metropolitan area were \$1,057, \$1,166, \$1,455, and \$1,821 for studio, one-, two-, and three-bedroom units, respectively.
- The CoStar Group-defined market area with the highest vacancy rate was the South Brazoria County market area, where the vacancy rate was 17.7 percent, down from 18.9 percent during 2022 and 20.3 percent during 2020. This area is 60 miles south of the central business district of the city of Houston. It is the location of many large petrochemical plants and where most apartment units were built before 1980.
- The Pearland market area, which is just north of the South Brazoria County submarket and a commuter suburb for the city of Houston, had the lowest vacancy rate. The apartment vacancy rate in this market area was 6.6 percent as of the fourth quarter of 2023, down from 7.0 percent 1 year earlier.

The number of rental units permitted had its largest ever 1-year decline during 2023 after reaching an all-time record high during 2022. Nearly 22,200 units were permitted during 2023, reflecting a 12,050 decline, or 35 percent, from 2022. Rising vacancy rates and slowing rent growth caused developers to scale back production during this period. The decline in permitting was widespread across the metropolitan area, and all counties individually had declines during 2023.

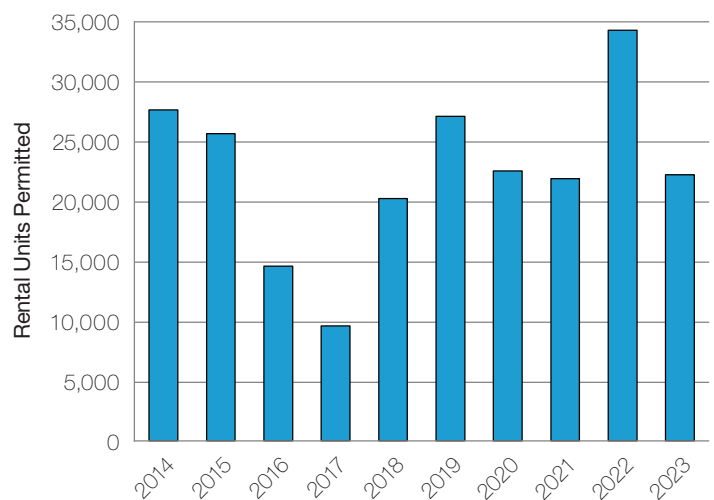
- During 2023, nearly 24,300 rental units were delivered in the metropolitan area, which was an all-time record and an increase of 7,500 units, or nearly 45 percent, from 2022.

The apartment vacancy rate reached its lowest rate of 7.5 percent as of the fourth quarter of 2021 after a period of rapid new household formation during 2021.



4Q = fourth quarter. YoY = year-over-year.
Source: CoStar Group

Rental unit permitting moderated during 2023, following a large increase during 2022, when builders responded to record low vacancy rates and very strong rent growth.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

- During the fourth quarter of 2023, 24,900 rental units were under construction in the metropolitan area, down from 35,200 during the fourth quarter of 2022 and the fewest number of rental units under construction since the fourth quarter of 2018.

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- During 2023, more than 73 percent of all rental units permitted in the metropolitan area were permitted in Harris County, up from 66 percent during 2022 and 62 percent during 2021. Rental construction was increasing in the smaller outlying counties during those years.
- During 2023, single-family build-for-rent properties totaled 1,200, down significantly from 3,950 during 2022.

Single-family build-for-rent property construction is more concentrated in the outlying counties as opposed to Harris County, which tends to have more densely built rental units, with many mid- and highrise units.

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease-up.
Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Existing Home Sales	Include regular resales and real estate owned sales.
Home Sales/Home Sales Prices	Include single-family home, townhome, and condominium sales.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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