COMPREHENSIVE HOUSING MARKET ANALYSIS

Houston-The Woodlands-Sugar Land, Texas

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of October 1, 2023

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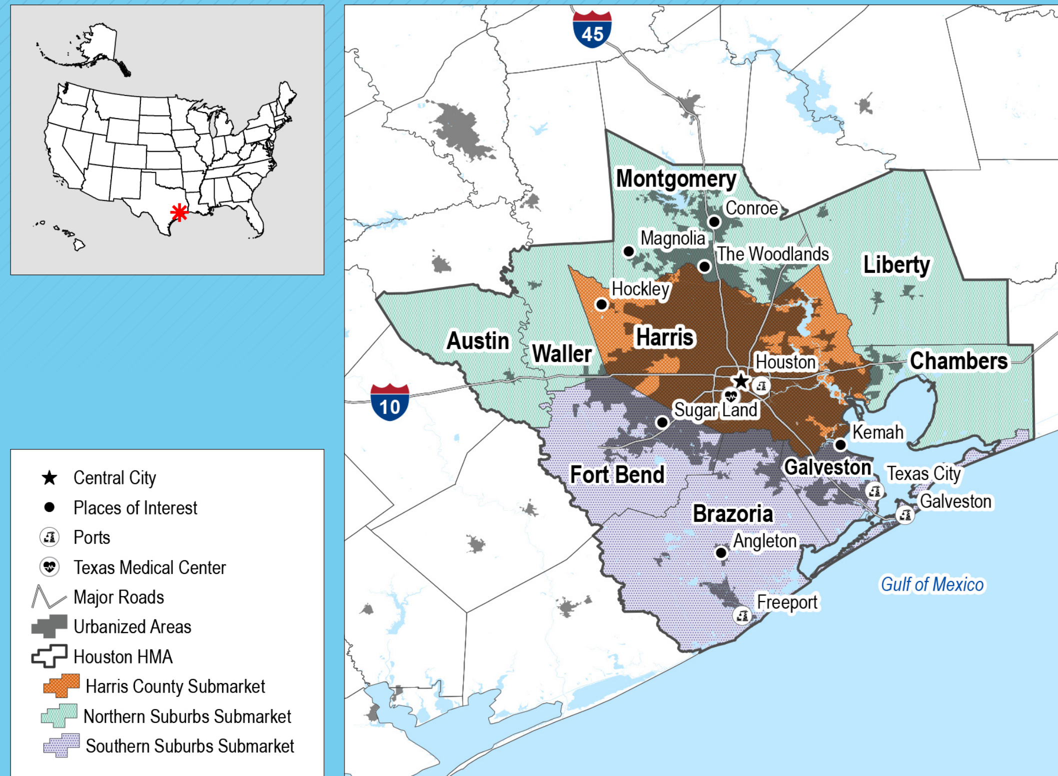
Executive Summary

Housing Market Area Description

The Houston-The Woodlands-Sugar Land Housing Market Area (hereafter, Houston HMA) is coterminous with the Metropolitan Statistical Area (MSA) of the same name—the fifth most populated MSA in the nation. For purposes of this analysis, the HMA is divided into three submarkets: the Central submarket, which is coterminous with Harris County and includes the principal city of Houston; the Southern submarket, which includes Brazoria, Galveston, and Fort Bend Counties; and the Northern submarket, which includes Austin, Chambers, Liberty, Montgomery, and Waller Counties.

The current population of the HMA is estimated at nearly 7.54 million.

The city of Houston is home to the NASA (National Aeronautics and Space Administration) Lyndon B. Johnson Space Center, where human spaceflight research, astronaut training, and flight control are conducted. Space Center Houston attracts more than 1 million visitors annually (Space Center Houston) and had an economic impact of $9.2 billion in 2022, according to a NASA economic impact study. The space center is home to the Astronaut Corps, and the facility has 100 buildings, including the Christopher C. Kraft Jr. Mission Control Center, which provides flight control for every NASA manned spaceflight.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: During the 12 months ending September 2023, 6 of the 11 nonfarm payroll sectors had year-over-year job growth above 4.0 percent.

Economic conditions in the Houston HMA are strong, and the nonfarm payroll jobs lost from the COVID-19 downturn were recovered by January 2022. During the 12 months ending September 2023, nonfarm payrolls totaled nearly 3.34 million, reflecting an increase of 126,700, or 3.9 percent, from the previous 12 months when nonfarm payrolls increased by 177,300, or 5.8 percent. During the past 12 months, all 11 nonfarm payroll sectors added jobs. During the 3-year forecast period, nonfarm payroll growth is expected to average 2.3 percent annually.

Sales Market

Slightly Tight: The home sales market has a 1.7-percent vacancy rate, unchanged from 2020 but down from 2.2 percent in 2010 when conditions were slightly soft.

During the 12 months ending September 2023, home sales in the HMA totaled 126,700, down by 45,500, or 26 percent, from the previous 12 months (Zonda). Sales declined because rising interest rates made it more expensive to finance a home purchase, reducing demand. In addition, flat rent growth led to lower levels of investor home purchases. During the 3-year forecast period, demand is estimated for 134,250 sales units. The 21,250 sales units under construction will satisfy a small portion of that demand during the first year of the forecast period.

Rental Market

Balanced: The overall rental market currently has a 10.5-percent vacancy rate, unchanged from 2020 but well below the 13.4-percent rate in 2010.

Apartment market conditions are also currently balanced. As of the third quarter of 2023, the apartment vacancy rate was 10.6 percent, up from 8.9 percent a year earlier (CoStar Group). The average HMA apartment rent as of the third quarter of 2023 was $1,319, representing an increase of $6, or less than 1 percent, from a year earlier. Nearly 22,700 apartment units were delivered in the HMA during the 12 months ending September 2023, up from 19,150 units during the previous 12 months. During the 3-year forecast period, demand is estimated for 63,975 rental units in the HMA, a large portion of which will be satisfied by the 44,900 rental units under construction.

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3-Year Housing Demand Forecast

	Sales Units				Rental Units			
	Houston HMA Total	Central Submarket	Southern Submarket	Northern Submarket	Houston HMA Total	Central Submarket	Southern Submarket	Northern Submarket
Total Demand	134,250	53,300	44,700	36,250	63,975	42,900	11,200	9,875
Under Construction	21,250	8,200	6,350	6,700	44,900	34,500	6,300	4,100

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, 2023. The forecast period is October 1, 2023, to October 1, 2026.
Source: Estimates by the analyst

Economic Conditions

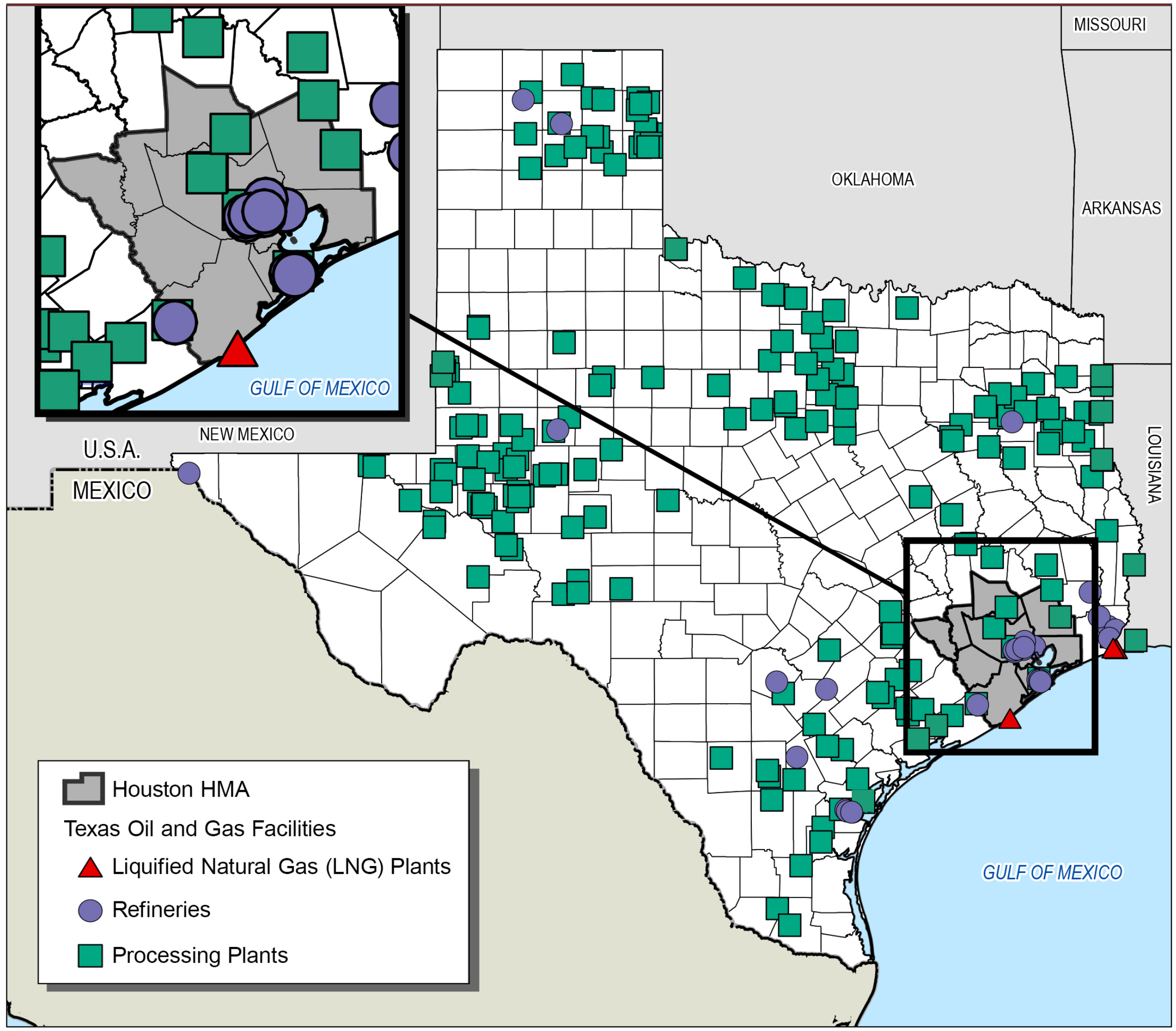
Largest Sector: Professional and Business Services

> The Houston HMA has more engineers—who are included in the professional and business services sector—than any other metropolitan area in the nation (Houston Regional Chamber).

Primary Local Economic Factors

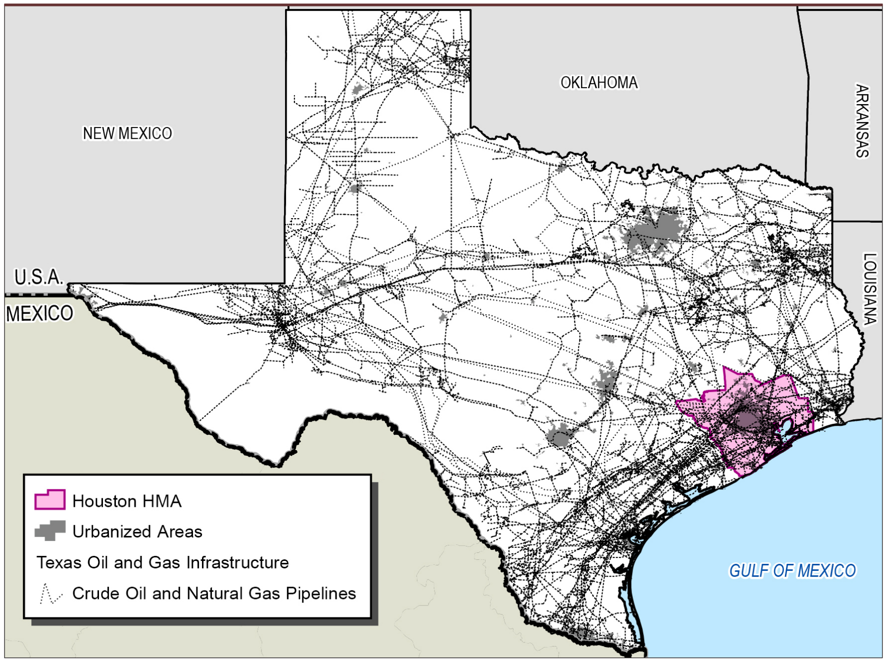
The city of Houston is known as the energy capital of the world. The Houston HMA includes the headquarters of 26 companies on the Fortune 500 list, with 23 of these being energy-related firms. ExxonMobil ranked 3rd on the list, Phillips 66 ranked 17th, and ConocoPhillips ranked 49th. According to the Greater Houston Partnership, 4,700 firms located in the HMA are involved in every facet of the energy industry, including exploration, production, distribution, and the development of new energy technology. Much of the oil and natural gas extracted in the state of Texas and the nation moves through the Houston HMA before being refined and distributed elsewhere in the nation. The 12 oil refineries located in the HMA account for 15 percent of total national capacity. Maps 1 and 2 show oil and gas facilities and pipelines in the state of Texas and the Houston HMA. With so many energy firms in the HMA, the price of oil has a tremendous impact on job growth locally. Figure 1 shows the spot price of Cushing West Texas Intermediate crude oil. Map 3 shows crude oil production by county in the state of Texas. Although very little oil extraction occurs in the Houston HMA, the area is still heavily impacted by activity elsewhere in the state of Texas.

Map 1. Texas Oil and Natural Gas Facilities



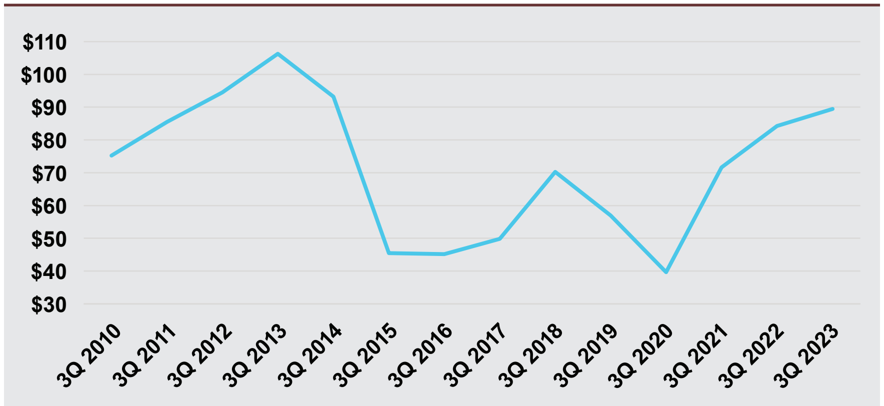
Source: U.S. Energy Information Administration

Map 2. Texas Pipeline Infrastructure



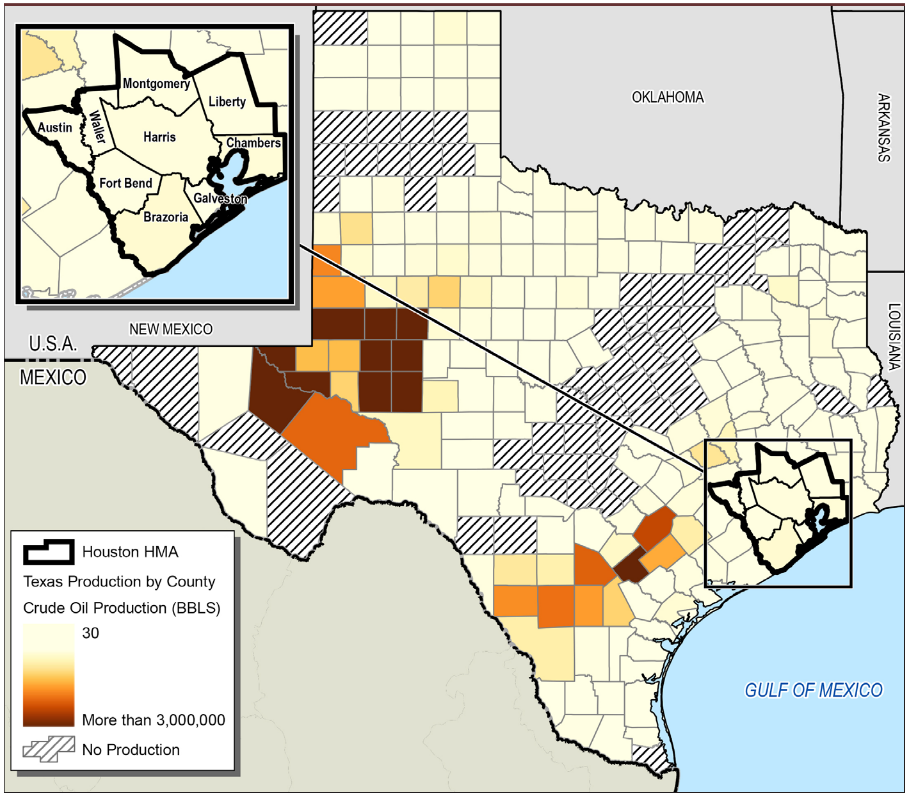
Source: U.S. Energy Information Administration

Figure 1. Spot Price of Barrel of Cushing West Texas Intermediate Crude Oil



3Q = third quarter.
Source: Energy Information Agency

Map 3. Texas Crude Oil Production by County



Source: Texas Railroad Commission

In addition to fossil fuel energy activities, the Houston HMA is a leader in renewable energy research and production. The HMA is home to more than 150 solar power firms, more than 40 wind power-related firms, and an additional 15 firms working on battery storage energy. International trade is also important to the economy, with four major ports in the HMA. The port of Houston is the largest port by tonnage in the nation. The ports of Freeport, Texas City, and Galveston are also located in the HMA and rank as the 16th, 20th, and 46th largest ports in the nation, contributing to the HMA being the top-ranked for volume of exports in the nation.

The city of Houston is also home to the Texas Medical Center, the largest medical complex in the world, which spans 2.1 square miles and includes more than 60 medical institutions providing approximately 106,000 jobs. The Texas Medical Center is home to The University of Texas MD Anderson Cancer Center and the Texas Children's Hospital, which are the fifth and eighth largest employers in the HMA, respectively (Table 1). The University of Texas MD Anderson Cancer Center is the top-ranked and largest cancer hospital in the world, and Texas Children's Hospital is the largest hospital for children in the world. The Texas Heart Institute, where the first heart transplant and first total artificial heart transplant were performed, is also located in the Texas Medical Center. The high level of medical care available in the HMA contributes to 5 of the 10 largest employers in the Houston HMA being in the education and health services sector. The Texas Medical Center has more than 10 million patient encounters annually, and more heart surgeries are performed at the campus than anywhere else in the world.

With most of the major employers located in the city of Houston, the Harris County submarket has the vast majority of nonfarm payroll jobs in the HMA. Approximately 72 percent of all nonfarm payroll jobs are located in this submarket, down from an estimated 77 percent in 2010 because the suburban counties with faster population growth continue to add more jobs. Table 2 shows the share of nonfarm payrolls in the Houston HMA by submarket.

Table 1. Major Employers in the Houston-The Woodlands-Sugar Land HMA

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
Houston Methodist	Education & Health Services	28,304
The University of Texas MD Anderson Cancer Center	Education & Health Services	22,088
Amazon.com, Inc.	Wholesale & Retail Trade	20,000
The Kroger Co.	Wholesale & Retail Trade	15,000
Texas Children's Hospital	Education & Health Services	14,378
HCA Houston Healthcare	Education & Health Services	12,614
United Airlines, Inc.	Transportation & Utilities	11,834

Note: Excludes local school districts
Source: *Houston Chronicle*

Table 2. Current Estimated Percent Share of Nonfarm Payrolls in the Houston-The Woodlands-Sugar Land HMA, by Submarket

Central	72
Southern	18
Northern	10

Source: U.S. Bureau of Labor Statistics, with estimates by the analyst

Current Conditions—Nonfarm Payrolls

During the 12 months ending September 2023, nonfarm payrolls in the Houston HMA totaled nearly 3.34 million, up by 126,700, or 3.9 percent, from the previous 12 months (Table 3). All of the nonfarm payroll sectors increased, led by the professional and business services sector, which increased by 24,500 jobs,

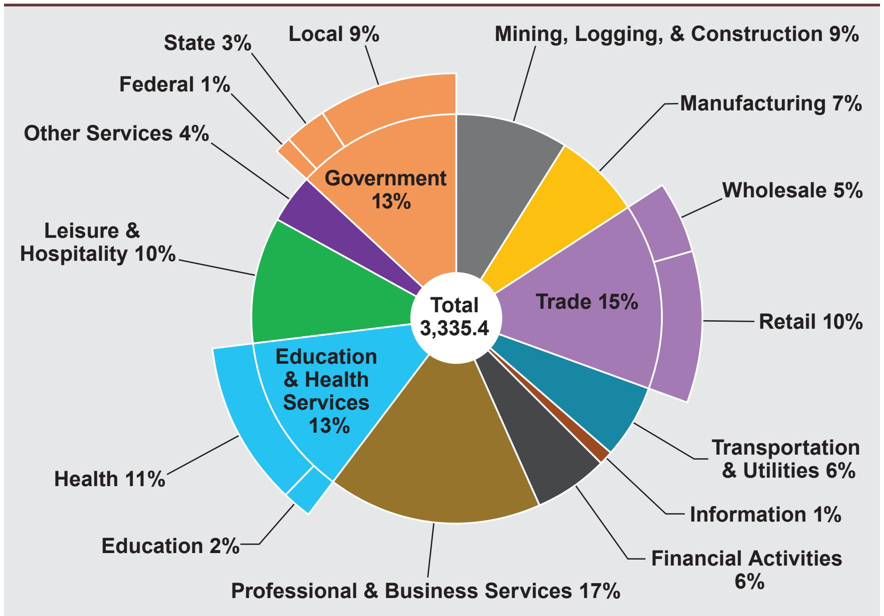
Table 3. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Houston-The Woodlands-Sugar Land HMA, by Sector

	12 Months Ending September 2022	12 Months Ending September 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**3,208.7**	**3,335.4**	**126.7**	**3.9**
Goods-Producing Sectors	504.7	520.2	15.5	3.1
Mining, Logging, & Construction	283.8	290.1	6.3	2.2
Manufacturing	220.9	230.1	9.2	4.2
Service-Providing Sectors	2,704.0	2,815.2	111.2	4.1
Wholesale & Retail Trade	480.9	495.7	14.8	3.1
Transportation & Utilities	181.8	193.0	11.2	6.2
Information	32.3	33.2	0.9	2.8
Financial Activities	176.5	184.5	8.0	4.5
Professional & Business Services	531.9	556.4	24.5	4.6
Education & Health Services	420.8	443.7	22.9	5.4
Leisure & Hospitality	334.0	347.4	13.4	4.0
Other Services	117.4	118.1	0.7	0.6
Government	428.4	443.2	14.8	3.5

Notes: Based on 12-month averages through September 2022 and September 2023. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

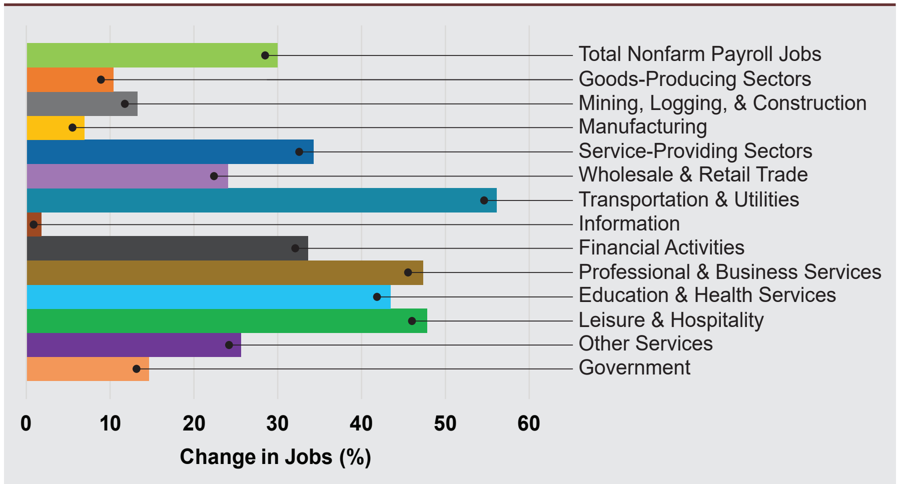
or 4.6 percent. This recent growth is partly due to increased hiring of engineers by energy firms as exploration and production activities globally continue to recover from pandemic-induced shocks. The professional and business services sector has added more jobs than any other sector since 2020. That sector is the largest in the HMA, with 556,400 jobs, and accounts for 17 percent of all nonfarm payroll jobs (Figure 2). During the 12 months ending September 2023, the transportation and utilities sector had the largest percentage increase, up by 6.2 percent, or 11,200 jobs. Part of this increase is due to the addition of warehouses and e-commerce fulfillment centers in the HMA, continuing a longer trend since 2011. The transportation and utilities sector has been the fastest growing sector during the period (Figure 3).

Figure 2. Share of Nonfarm Payroll Jobs in the Houston-The Woodlands-Sugar Land HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through September 2023.
Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Houston-The Woodlands-Sugar Land HMA, 2011 to Current



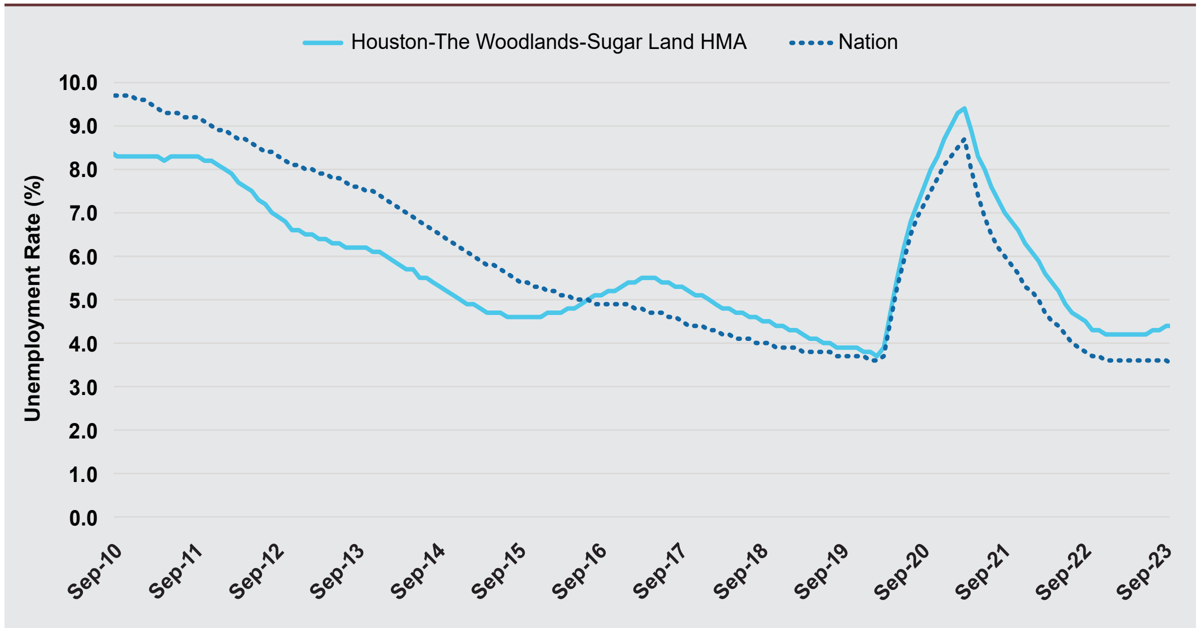
Note: The current date is October 1, 2023.
Source: U.S. Bureau of Labor Statistics

As of the 12 months ending September 2023, nonfarm payroll jobs matched or surpassed their prepandemic levels in 9 of the 11 employment sectors. The two sectors that have not recovered are the manufacturing and the mining, logging, and construction sectors. This trend is mainly due to U.S. firms not quickly returning to oil and gas exploration and manufacturing following the collapse in prices twice in the previous decade. The nationwide count of active drilling rigs was 805 during the last week of 2019 before dropping to a low of 244 in August 2020, followed by an increase to 623 by September 2023 (Baker Hughes). The mining, logging, and construction sector, although up by 6,300 jobs, or 2.2 percent, during the most recent 12 months, is still 26,000 jobs, or 8.2 percent, below 2019 levels. This slow return to prepandemic payroll levels is entirely due to slow growth in the mining and logging subsector. During the 12 months ending September 2023, the mining and logging subsector increased by 5,000 jobs, or 7.9 percent, to 68,800 (most recent data available). However, the number of jobs in this subsector is 11,200, or 14.0 percent, below the prepandemic level of 80,000 jobs in 2019. Slow growth in the manufacturing sector is also tied to the oil and natural gas industry, which makes up a large percentage of manufacturing jobs in the HMA. During the 12 months ending September 2023, the manufacturing sector added 9,200 jobs, reflecting an increase of 4.2 percent to 230,100 jobs compared with the previous 12 months. This level is still 5,900 jobs, or 2.5 percent, below the 2019 level.

Current Conditions—Unemployment

The unemployment rate in the Houston HMA during the 12 months ending September 2023 averaged 4.4 percent, down from 4.5 percent a year earlier. The unemployment rate in the Houston HMA is currently above the national rate of 3.6 percent. From 2010 through 2015, the unemployment rate in the HMA was below the national rate, partly because of the rising price of oil, which contributed to strong job growth in the HMA. As the price of a barrel of oil declined from a peak of $107 in August 2013 to $30 by February 2016, the unemployment rate climbed to 5.3 percent during 2016, surpassing the national unemployment rate of 4.9 percent. Since 2016, the unemployment rate in the Houston HMA has been above the national average. Figure 4 shows the 12-month average unemployment rate in the Houston HMA and the nation.

Figure 4. 12-Month Average Unemployment Rate in the Houston-The Woodlands-Sugar Land HMA and the Nation



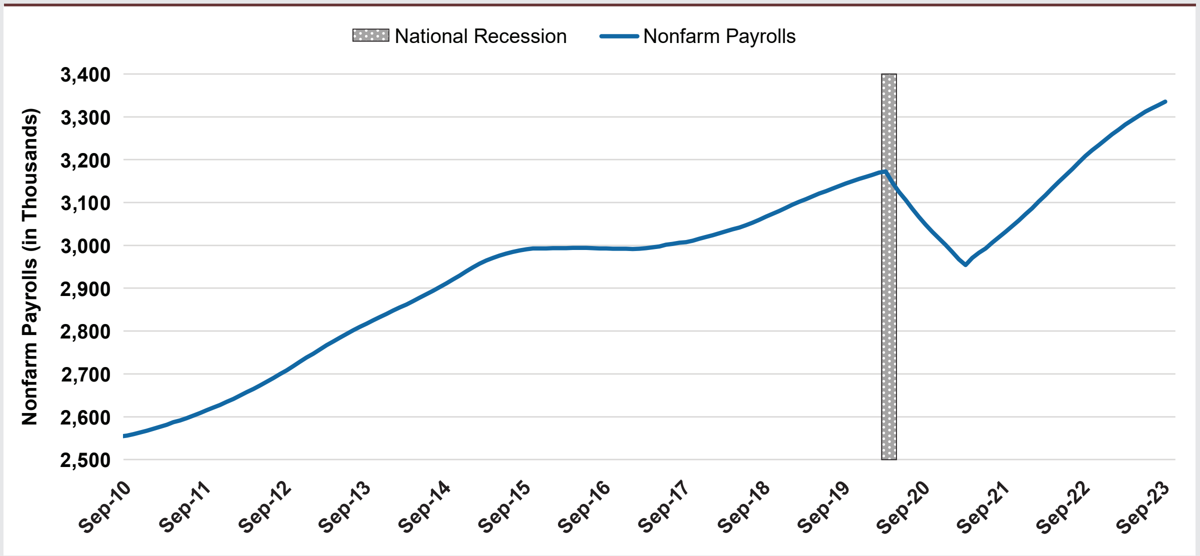
Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2011 Through 2014

Strong economic growth prevailed in the HMA from 2011 through 2014 as the national economy recovered from the Great Recession, leading to an increased demand for energy. During 2010, U.S. domestic oil production averaged nearly 5.5 million barrels a day, but by 2014, production was up 60 percent to an average of nearly 8.8 million barrels a day (U.S. Energy Information Administration, U.S. Field Production of Crude Oil Annual Data). The price of crude oil peaked at nearly $107 a barrel during August 2013, up from $39 a barrel at its previous low point during the Great Recession. The strong price increase and the use of new hydraulic fracturing (fracking) technology made much more oil accessible economically, and exploration firms expanded significantly during these years. This trend contributed to strong job growth, and nonfarm payrolls increased by an average of 93,000, or 3.4 percent, annually from 2011 through 2014. Figure 5 shows the 12-month average nonfarm payrolls in the Houston HMA. Job growth was led by the professional and business services sector, which increased by an average of 22,200 jobs, or 5.4 percent, annually. This growth was heavily influenced by the energy industry. Jobs in this sector include engineers, geologists, and petroleum landmen who play a large part in the decisionmaking process of where and how to drill. Job growth during these years was also

Figure 5. 12-Month Average Nonfarm Payrolls in the Houston-The Woodlands-Sugar Land HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

strong in the mining, logging, and construction sector, which increased by an average of 14,900 jobs, or 5.4 percent, annually. The mining, logging, and construction and the professional and business services sectors had the highest percentage growth of any sectors during these years. Job growth in the mining and logging subsector averaged 7,175, or 7.7 percent, annually during these years and reached a peak level of 111,500 jobs in 2014.

2015 Through 2017

Nonfarm payroll growth was subdued from 2015 through 2017 because of declining oil prices and the impacts of Hurricane Harvey. Nonfarm payrolls during this period increased by an average of 26,900, or 0.9 percent, annually. The manufacturing sector, which produces much of the equipment used for oil and natural gas extraction, production, and transport in the HMA, declined by an average of 11,800, or 4.8 percent, annually. Nonfarm payrolls in the mining, logging, and construction sector declined by an average of 8,100, or 2.6 percent, annually. All job losses in that sector occurred in the mining and logging subsector, which declined by an average of 11,350, or 11.5 percent, annually, as the drop in the price of oil made many oil fields economically unviable to drill in. Even with the declining price of oil, a new

ExxonMobil Corporation campus, built to house 10,000 employees, opened in the Northern submarket in 2015.

Although certain energy-related sectors were hit hard with job losses, job growth occurred in 8 of the 11 employment sectors, but only the financial activities sector had an increase in the rate of job growth from the previous period. From 2015 through 2017, jobs in the financial activities sector increased by an average of 2.7 percent annually, compared with growth of 1.8 percent annually from 2011 through 2014. The new corporate headquarters of Amegy Bank of Texas opened in the city of Houston, contributing to that stronger growth. The education and health services sector led job growth during these years, increasing by an average of 11,500 jobs, or 3.2 percent, annually. Several new hospitals opened during these years in the fast-growing Northern submarket, adding to job growth in the HMA.

2018 Through 2019

The period from 2018 through 2019 had stronger job growth in the HMA. The local economy recovered from the impacts of Hurricane Harvey, and oil prices rebounded slightly from the previous lows. Nonfarm payrolls increased during this period by an average of 69,800, or 2.3 percent, annually. Job growth was led by the professional and business services sector, which increased by an average of 12,700, or 2.6 percent, annually. The mining, logging, and construction sector added the second most jobs, increasing by an average of 12,200, or 4.1 percent, annually. This job growth was concentrated in the construction subsector, which increased by an average of 10,900, or 5.0 percent, annually. A major factor in this growth was the construction of the $1.1 billion Baylor College of Medicine at McNair Campus in the Texas Medical Center.

2020

During 2020, nonfarm payrolls declined precipitously by 159,000 jobs, or 5.0 percent, compared with the previous year because of the COVID-19 pandemic. Job losses were widespread, with 9 of the 11 employment sectors losing jobs. The leisure and hospitality sector accounted for more than 30 percent of all job losses, declining by 52,900 jobs, or 15.8 percent, as travel and visits to entertainment venues declined during the initial months of the pandemic. In percentage terms, the other services sector, which includes drycleaners and hairstylists, had the second largest decline during 2020, down by 12,200 jobs, or 10.5 percent, because people working from home had less demand for personal services. Not every sector suffered job losses during 2020 because the pandemic caused significant changes in the economy with increasing online purchases. The transportation and utilities sector added 4,500 jobs, reflecting an increase of 2.9 percent.

2021

Economic recovery following the COVID-19 pandemic occurred during 2021, when nonfarm payrolls increased by 72,300, or 2.4 percent, with 9 of the 11 sectors adding jobs. The leisure and hospitality sector led job growth in the HMA. That sector rebounded from steep job losses during the initial phases of the COVID-19 pandemic by adding 28,500 jobs, representing an increase of 10.1 percent. Although all of the service-providing sectors added jobs during 2021, the goods-producing sectors continued to lose jobs. The manufacturing and the mining, logging, and construction sectors declined by 3.0 and 4.8 percent, respectively, during 2021 as energy firms faced challenges caused by oil price declines in 2020. The weaker demand led to industry consolidation, with larger firms buying up smaller firms after the low price of oil caused financial difficulties for smaller firms. Notable deals included the $10 billion takeover of Concho Resources Inc. by ConocoPhillips Company and the $12 billion acquisition of Noble Energy, Inc. by Chevron Corporation. As oil firms consolidated, they removed the redundant workers in their now-combined operations.

Forecast

Nonfarm payroll growth is expected to remain strong during the 3-year forecast period. Job growth is expected to slow from the previous 2 years to average 2.3 percent annually and to be dispersed amongst all the employment sectors. Some announced expansions include the manufacturer SEG Solar Inc. expanding operations in Houston with 500 new workers. The $500 million Texas A&M Innovation Plaza is under construction near the Texas Medical Center, and when complete, it will house two medical research buildings and one medical student housing building.

Population and Households

Current Population: 7.54 Million

Population growth has accelerated in the Houston HMA since 2020 as net in-migration has increased along with oil prices.

Population Trends

The population of the Houston HMA is currently estimated at 7.54 million, reflecting an average increase of 119,900, or 1.6 percent, annually since April 2020 (Table 4). During this period of rising oil prices and strong job growth, net in-migration averaged 80,150 people annually, with net international in-migration accounting for an estimated 49 percent of the total. The recent population growth in the HMA was much stronger compared with 2015 to 2020, when population growth averaged 94,850, or 1.4 percent, annually, and net in-migration averaged just 38,650 people annually. Oil prices during this period globally were well below earlier peaks, which limited population growth in the HMA. Strong economic growth occurred during the 2010-through-2015 period as the nation recovered from the Great Recession, and rising oil prices contributed to strong job growth in the HMA. From 2010 to 2015, population growth in the HMA averaged 143,100, or 2.3 percent, annually, with net in-migration averaging 83,650 people a year, 42 percent of which was international net in-migration. Figure 6 shows the components of population change from 2010 through the forecast period.

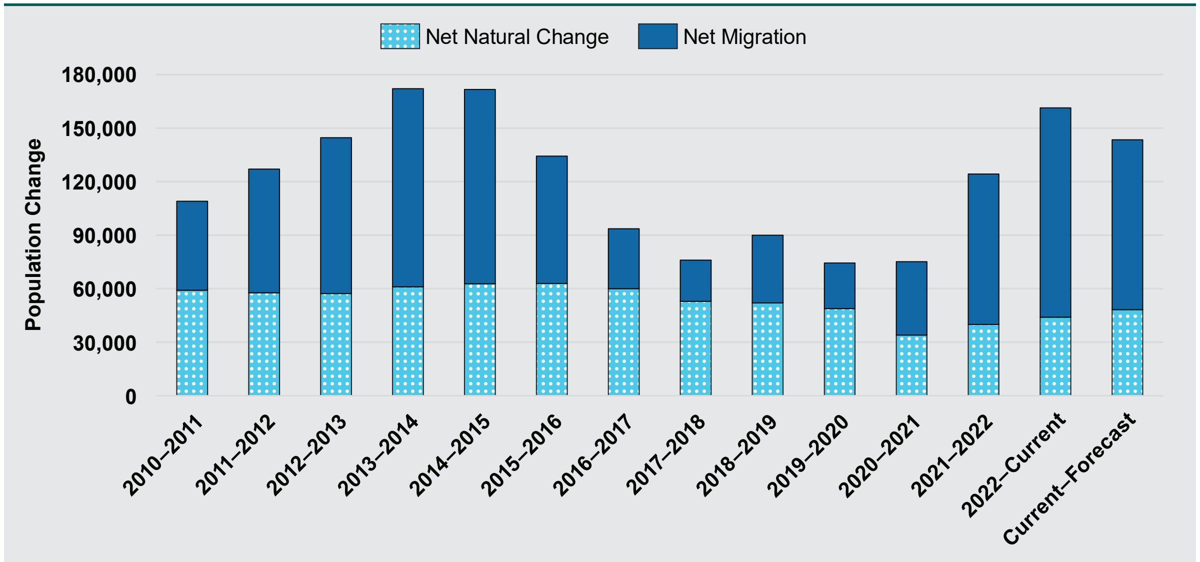
Table 4. Houston-The Woodlands-Sugar Land HMA Population and Household Quick Facts

		2020	Current	Forecast
Population Quick Facts	**Population**	7,122,240	7,541,600	7,972,000
	Average Annual Change	120,150	119,900	143,450
	Percentage Change	1.9	1.6	1.9

		2020	Current	Forecast
Household Quick Facts	**Households**	2,509,945	2,718,450	2,884,000
	Average Annual Change	44,725	59,600	55,150
	Percentage Change	2.0	2.3	2.0

Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is the current date (October 1, 2023) to October 1, 2026.
Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst

Figure 6. Components of Population Change in the Houston-The Woodlands-Sugar Land HMA, 2010 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (September 1, 2023) to September 1, 2026.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

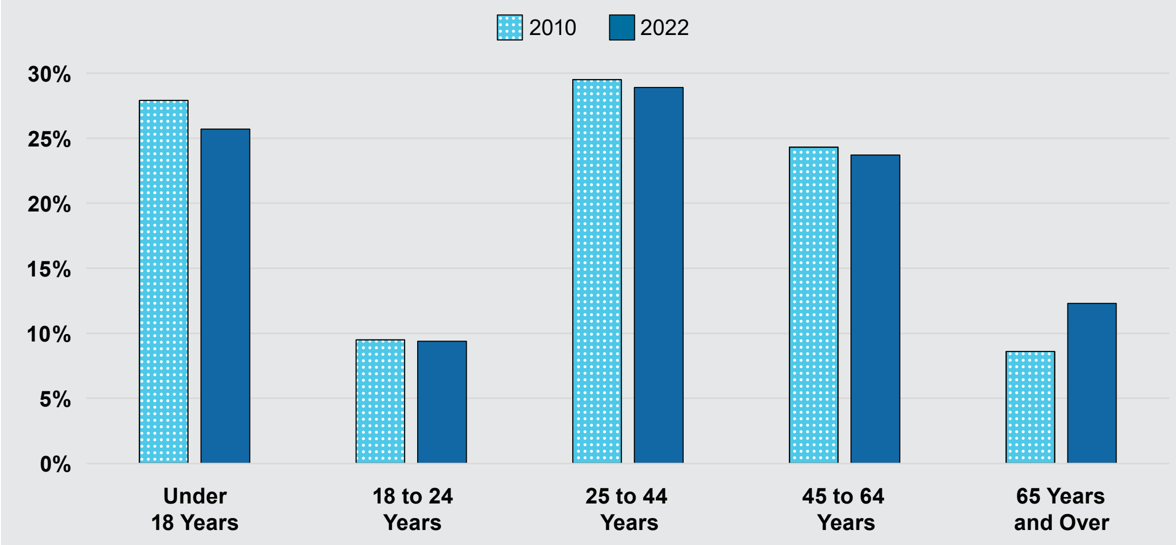
Demographic Trends

With an expanding economy attracting many working-age individuals, the HMA has a younger population compared with the nation. The median age in the HMA is 35.4 years, lower than the national median of 39.0 years (2022 American Community Survey [ACS] 1-year data). The HMA has a much lower percentage of residents aged 65 years and older, who account for 12.3 percent of the HMA population, compared with 17.3 percent nationally. Figure 7 shows population by age range in the Houston HMA. Foreign-born residents account for 23.9 percent of the HMA population, significantly higher than the 13.9-percent rate nationally (2022 ACS 1-year data; Table 5). The foreign-born residents in the HMA tend to be more recent arrivals than the national average, with 37.4 percent of them having entered the country in 2010 or later, compared with 31.4 percent nationally, as the energy industry continues to attract new workers from around the globe. Among the foreign-born, nearly 63 percent were from Latin America, 26 percent were from Asia, and almost 6 percent were from Africa.

Central Submarket

The population of Harris County is 4.87 million, accounting for 65 percent of the HMA population (Figure 8). The county is the third most populous county in the nation. Population growth in the Central submarket has averaged 40,050 people, or 0.8 percent, annually since 2020, with net in-migration of 10,450 people annually. By comparison, from 2015 to 2020, population growth in the Central submarket averaged 36,500 people, or 0.8 percent, annually, with net out-migration of 5,600 people annually. The price of oil dropped in 2015, negatively affecting the job market and population growth in the years that followed. The HMA was also impacted during

Figure 7. Population by Age Range in the Houston-The Woodlands-Sugar Land HMA



Source: 2022 American Community Survey 1-year data

Table 5. Selected Population and Household Demographics in the Houston-The Woodlands-Sugar Land HMA and the Nation

	Houston-The Woodlands-Sugar Land HMA	Nation
Population Age 18 and Under	25.7%	21.7%
Population Age 65 and Over	12.3%	17.3%
Median Age	35.4	39.0
Foreign-Born	23.9%	13.9%
English Only Language Spoken at Home	59.0%	78.0%
Population Age 25 or Over with a Bachelors Degree or Higher	36.0%	35.7%
Owner-Occupied Housing Unit Without a Mortgage	41.8%	39.3%
Living in Same Housing Unit as 1 Year Ago	86.3%	87.4%
Median Household Income	$74,863	$74,755
Households With One or More People Age 65 and Over	25.1%	31.7%
Households With One or More Children Under Age 18	35.7%	29.1%

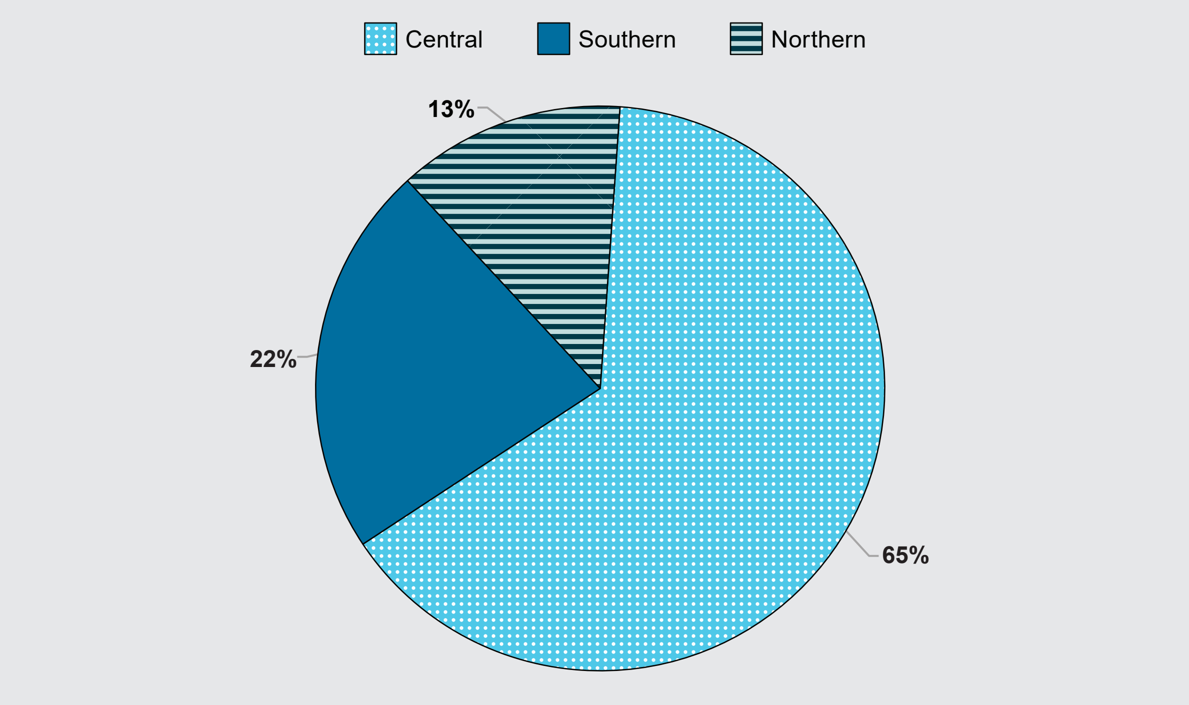
Source: 2022 American Community Survey 1-year data

2017 by Hurricane Harvey, which destroyed many homes and displaced numerous residents, some of whom left the HMA permanently. From 2010 to 2015, population growth averaged 88,650 people, or 2.1 percent, annually. The price of oil rose during most of this period, attracting many people to the submarket. Net in-migration during the period averaged 43,600 people annually. During these years, international in-migration averaged 27,900 people annually, accounting for 64 percent of all net in-migration to this submarket.

Southern Submarket

The Southern submarket is the second most populous submarket in the HMA, with a population currently estimated at 1.69 million. Since 2020, population growth in this submarket has averaged 42,400 people, or 2.7 percent, annually, with net in-migration averaging 35,850 people a year, or nearly 85 percent of the total. From 2010 to 2017, population growth in this submarket averaged 37,850 people, or 2.9 percent, a year, with net in-migration averaging 27,600 people and accounting for 73 percent of the population growth. Following Hurricane Harvey, population growth slowed in the submarket, averaging just 29,550 people, or 2.0 percent, a year from 2017 to 2020, with net in-migration averaging 20,550 and accounting for 70 percent of the population growth. This submarket is closer to the Gulf of Mexico and has considerably more flood-prone areas than other submarkets, limiting growth in the submarket after Hurricane Harvey when more people started to move further inland.

Figure 8. Current Population in the Houston-The Woodlands-Sugar Land HMA, by Submarket



Source: Estimates by the analyst

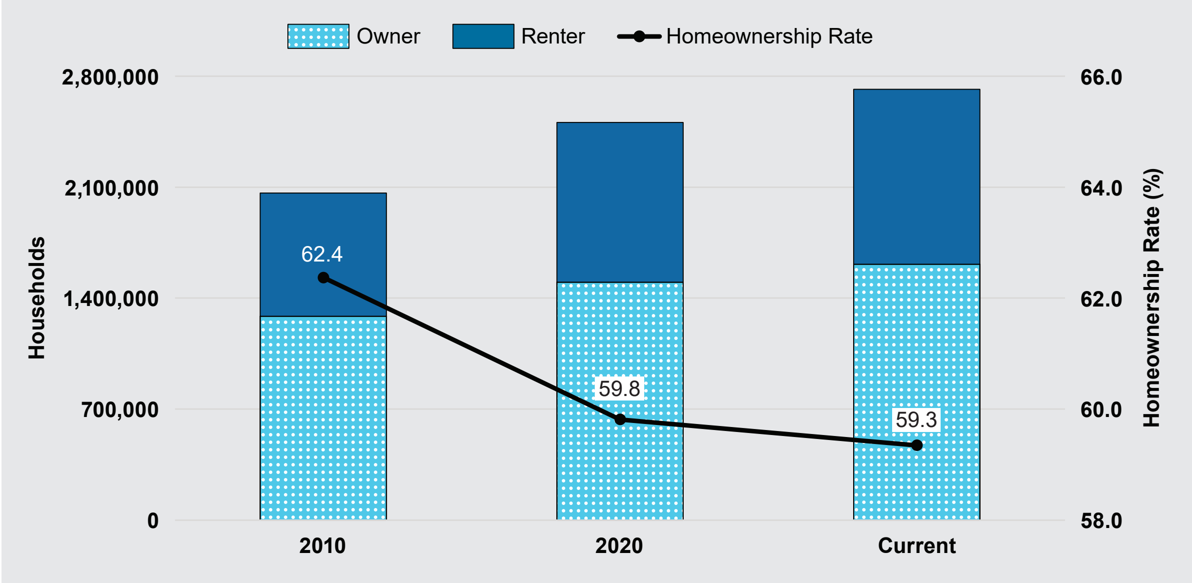
Northern Submarket

The Northern submarket has had the fastest rate of population growth of any submarket in the Houston HMA since 2010. Unlike the other two submarkets, where the rate of population growth was much stronger prior to Hurricane Harvey, this submarket has seen much stronger growth recently than in earlier periods as development in the HMA moves further away from the Gulf of Mexico. Since 2020, the population in the Northern submarket has increased by an average of 37,450, or 4.2 percent, annually, with net in-migration averaging 33,950 people and accounting for more than 90 percent of population growth. From 2010 to 2015, the Northern submarket had its period of slowest population growth, increasing by an average of 17,950 people, or 2.7 percent, annually. A major impetus for the rapid growth in the Northern submarket was the new ExxonMobil campus in Montgomery County that was completed in 2015. From 2015 to 2020, population growth in this submarket averaged 23,850, or 3.1 percent, annually.

Households

An estimated 2.72 million households reside in the Houston HMA as of October 1, 2023, reflecting an average increase of 59,600, or 2.3 percent, annually since April 2020. The rate of household formation since 2020 has been higher than from 2010 to 2020, when households increased by an average of 44,725, or 2.0 percent, annually. Although population growth has slowed since 2020, household growth has been faster due to the increasing rate of household formation among single people. In 2022, 25.5 percent of all households in the HMA were single-person households, up from 24.3 percent in 2019 (ACS 1-year data). By comparison, 23.9 percent of households in the HMA were single-person households in 2010. The trend of smaller average household sizes has been occurring for several years, but since 2019, the growth in single-person households has accelerated significantly. In conjunction with the increasing number of single-person households, a declining percentage of households in the HMA have a child under the age of 18. Households with a child under the age of 18 accounted for 35.7 percent of the households in the HMA in 2022, down from 40.2 percent in 2010 (2022 ACS 1-year data). This trend contributed to population growth lagging behind household growth recently in the HMA. Figure 9 shows households by tenure and the homeownership rate in the Houston HMA.

Figure 9. Households by Tenure and Homeownership Rate in the Houston-The Woodlands-Sugar Land HMA



Note: The current date is October 1, 2023.
Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst

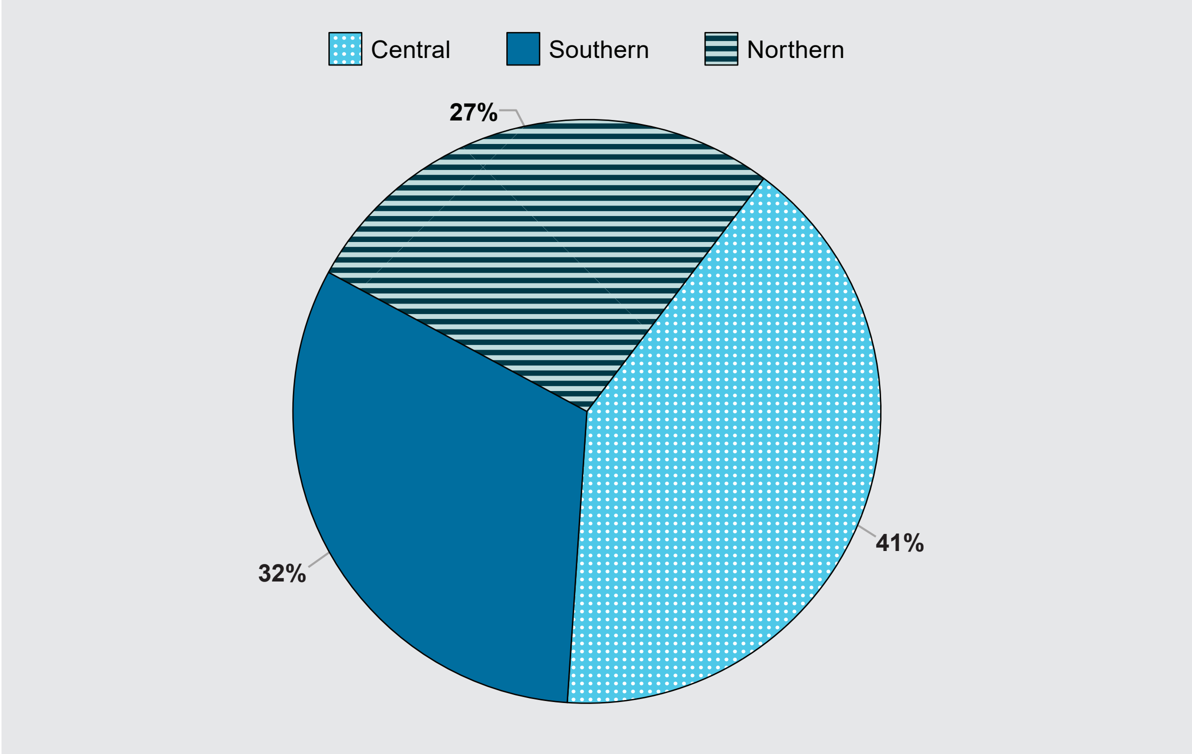
The Central submarket has an estimated 1.78 million households as of October 1, 2023, up by an average of 25,300, or 1.5 percent, annually since 2020. Household growth has declined slightly compared with the previous decade, when it averaged 25,750, or 1.7 percent, annually. Although household growth has recently slowed in this submarket, the rate of growth is still much faster than population growth due to an increasing number of smaller households, similar to the national trend. The recent increase in single-person households in this submarket has been especially pronounced, with 27.9 percent of all households being single-person households in 2022, up from 26.4 percent in 2019 and 26.0 percent in 2010 (ACS). This submarket has the lowest homeownership rate of any of the submarkets at 52.3 percent. Since 2010, more than 66 percent of all household growth in this submarket has been renter households.

The Southern submarket currently has an estimated 589,500 households, reflecting an increase of 18,900, or 3.5 percent, annually since 2020. Household growth in this submarket is up from the 2010s, when household growth averaged 12,050, or 2.7 percent, annually. The Southern submarket has the highest homeownership rate of any of the submarkets in the HMA at 72.9 percent. The current number of households in the Northern submarket is 347,750, up by an average of 15,400, or 4.9 percent, annually since 2020. Household growth in this submarket is well above the pace from 2010 to 2020, when growth averaged 6,925, or 2.7 percent, annually.

Forecast

Population growth in the Houston HMA is expected to average 143,500 people, or 1.9 percent, annually during the 3-year forecast period. The population of the Central submarket is expected to increase by 58,500, the largest numerical gain of the submarkets, but the annual growth rate is 1.2 percent, the slowest among the submarkets. The Northern submarket, which is currently the smallest submarket, is expected to have the highest growth rate, increasing an average of 3.9 percent annually. Household growth in the Houston HMA is expected to average 55,150, or 2.0 percent, annually during the next 3 years. The Northern submarket is expected to have the highest rate of household growth during the forecast period, whereas the Central submarket will have the lowest percentage change. This trend is similar to the population growth pattern in each respective submarket. Figure 10 illustrates the share of forecast population growth by submarket.

Figure 10. Share of Forecast Population Growth in the Houston-The Woodlands-Sugar Land HMA, by Submarket



Source: Estimates by the analyst

Home Sales Market

Sales Market—Houston HMA

Market Conditions: Slightly Tight

Home sales in the Houston HMA fell considerably during the past year, and sales price growth slowed substantially.

Current Conditions

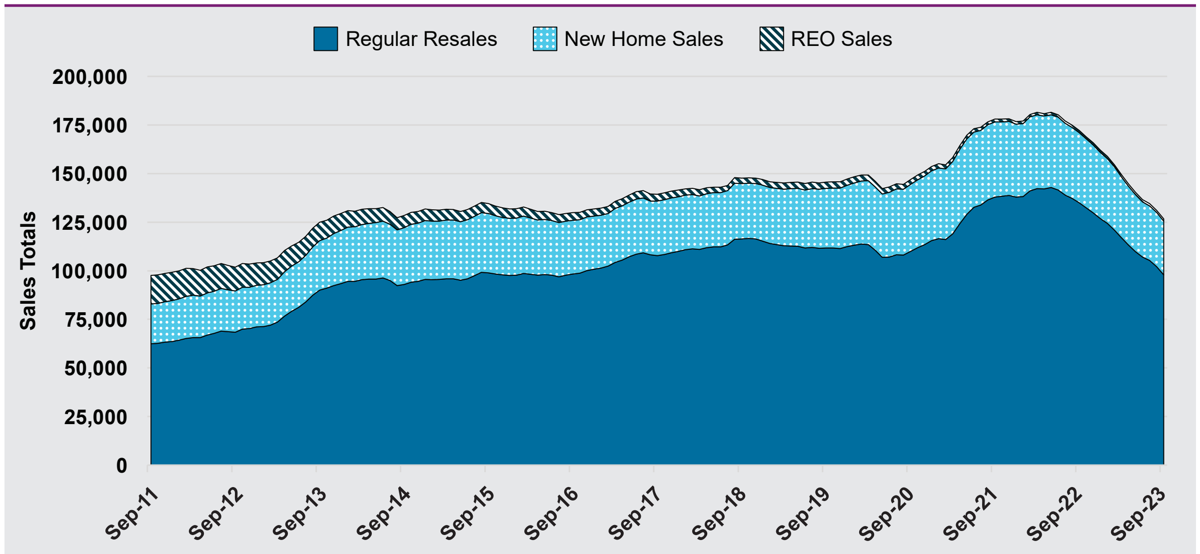
Sales housing market conditions in the HMA are currently slightly tight, with an estimated vacancy rate of 1.7 percent (Table 6), unchanged from April 2020 but down from 2.2 percent in April 2010. Market conditions eased from tight in 2021 after interest rates started to rise significantly in January 2022. During the 12 months ending September 2023, home sales in the Houston HMA totaled 126,700, down 26 percent from the previous 12 months (Zonda, with adjustments by analyst). Figure 11 shows 12-month sales totals by type in the Houston HMA. A 3.3-month supply of for-sale inventory is on the market as of September 2023, up from 2.5 months during September 2022, because home sales have declined, and homes are taking longer to sell. The largest percentage of home sales in the Houston HMA have been in the $200,000-to-$299,999 price range during the past 12 months (Figure 12). Although home sales are declining, the average sales price continues

Table 6. Home Sales Quick Facts in the Houston-The Woodlands-Sugar Land HMA

		Houston-The Woodlands-Sugar Land HMA	Nation
Home Sales Quick Facts	Vacancy Rate	1.7%	NA
	Months of Inventory	3.3	2.9
	Total Home Sales	126,700	5,135,000
	1-Year Change	-26%	-27%
	New Home Sales Price	$410,400	$494,100
	1-Year Change	3%	4%
	Existing Home Sales Price	$394,900	$391,900
	1-Year Change	7%	0%
	Mortgage Delinquency Rate	1.3%	1.0%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2023; and months of inventory and mortgage delinquency data are as of September 2023. The current date is October 1, 2023.
Sources: Vacancy rate—estimates by the analyst; national months of inventory and mortgage delinquency rate—CoreLogic, Inc.; HMA and submarket months of inventory data—Texas A&M Real Estate Center; home sales and prices—Zonda

Figure 11. 12-Month Sales Totals by Type in the Houston-The Woodlands-Sugar Land HMA



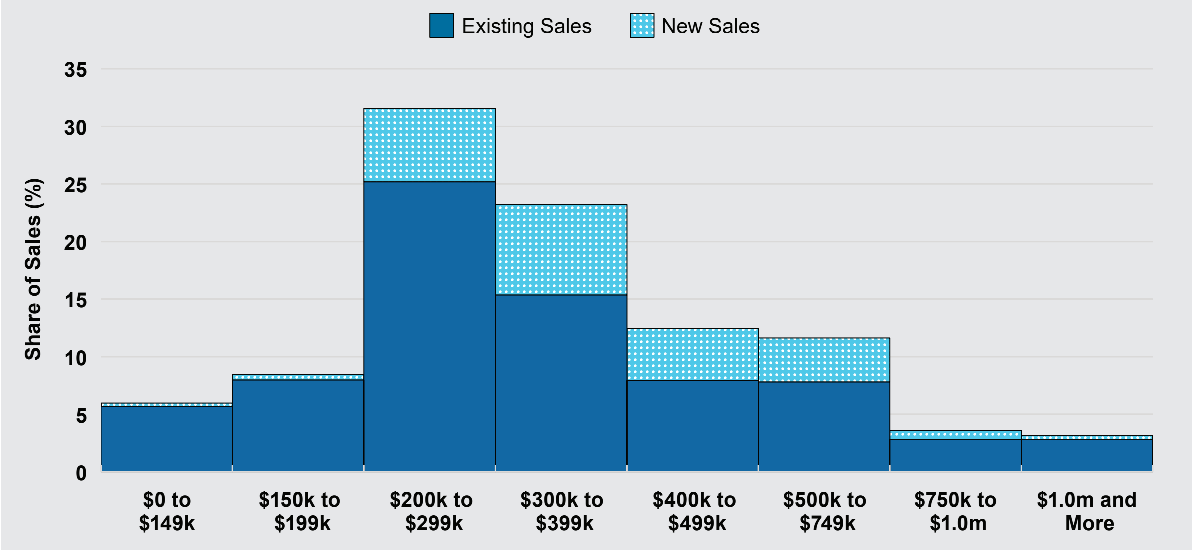
REO = real estate owned.
Source: Zonda

to rise, albeit at a slower pace than most recent trends. The average sales price of a home in the Houston HMA was $397,400 during the 12 months ending September 2023, up 6 percent from the previous 12 months when prices increased 13 percent year over year. Figure 13 shows the 12-month average sales price by type of sale in the Houston HMA. Cash sales, on which home mortgage interest rates have no impact, accounted for 32 percent of all home sales during the 12 months ending September 2023, up from 31 percent of all transactions during the previous 12 months.

As rising interest rates reduced demand, rising home prices and slowing rent growth also contributed to slowing demand for investor purchases of homes, which accounted for 26.4 percent of all home purchases in the HMA during the second quarter of 2023, down from 28.2 percent during the second quarter of 2022 but still up from 2020, when investor purchases accounted for 23.7 percent of all sales (John Burns Research and Consulting). Part of this increase since 2020 in the percentage of homes purchased by investors is the recent entrance into the market of large institutional investors purchasing homes to rent. Large institutional investors, firms that own more than 1,000 units nationally, own an estimated 9.9 percent of all single-family rental units in the Houston HMA, well above the national average of 3.0 percent.

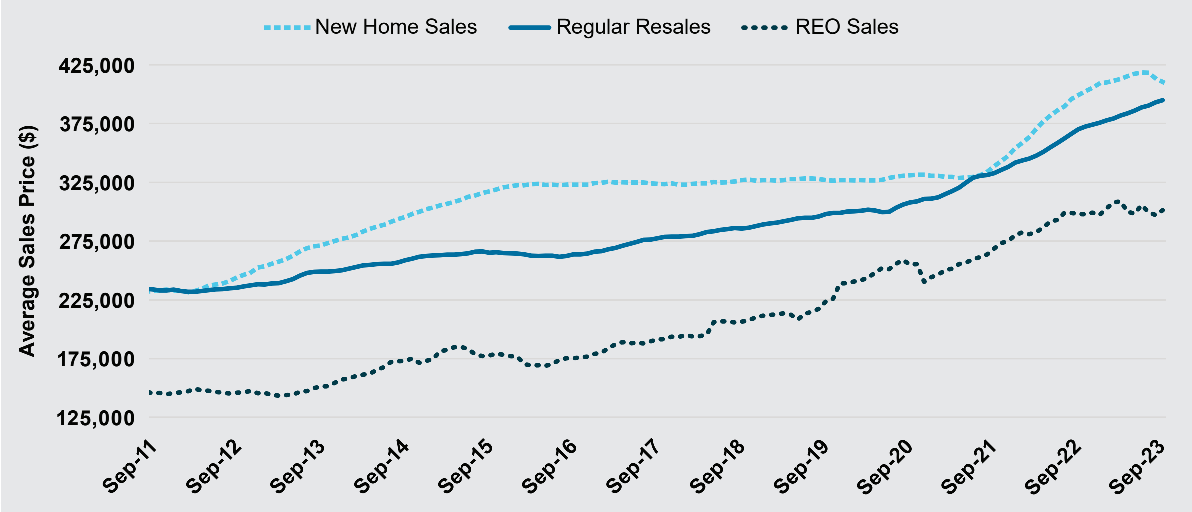
Although large institutional investors represent a growing share of the single-family rental market,

Figure 12. Share of Overall Sales by Price Range During the 12 Months Ending September 2023 in the Houston-The Woodlands-Sugar Land HMA



Note: New and existing sales include single-family homes, townhomes, and condominiums.
Source: Zonda

Figure 13. 12-Month Average Sales Price by Type of Sale in the Houston-The Woodlands-Sugar Land HMA



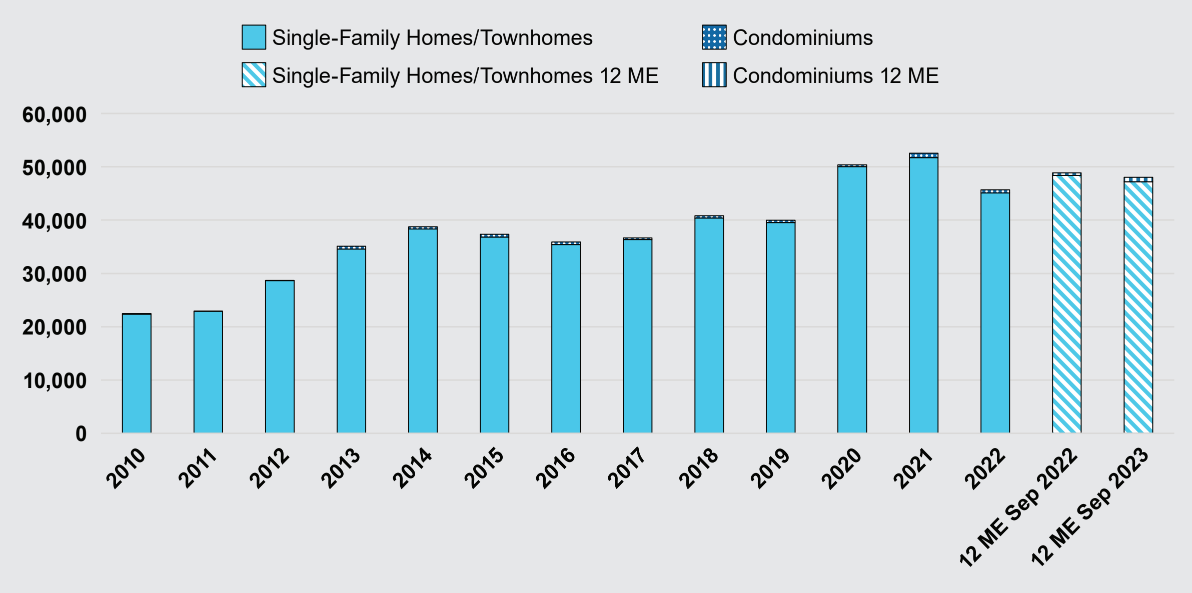
REO = real estate owned.
Source: Zonda

they are far from owning most of the properties. Investors who own fewer than 10 rental properties own 75 percent of all single-family rental properties in the Houston HMA. Compared with large institutional investors, who are more likely to make cash purchases, small-scale investors tend to be more sensitive to interest rate increases, especially those who purchase homes to fix up and resell. This segment of the market has cooled significantly in the past year. According to data from John Burns Research and Consulting, the number of fix and flip transactions, in which a property is sold twice during a 12-month period, totaled 12,650 during the 12 months ending September 2023, representing a decline of 5,700 transactions, or 32 percent, from the previous 12 months, when such transactions increased 42 percent from a year earlier.

Sales Construction

Building activity, as measured by the number of building permits issued for sales units, totaled 48,000 homes during the 12 months ending September 2023, reflecting a decline of 850, or slightly less than 2 percent, from the previous 12 months. With rising home mortgage interest rates slowing demand, building activity across the HMA has slowed from 2020 and 2021, when building activity reached all-time highs and exceeded 50,000 sales units permitted each year. Figure 14 shows annual sales permitting activity in the Houston HMA since 2010.

Figure 14. Annual Sales Permitting Activity in the Houston-The Woodlands-Sugar Land HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

Demand during the 3-year forecast period is estimated for 134,250 sales units (Table 7). The 21,250 units currently under construction will satisfy a portion of the demand in the first year. More than 60 percent of the total demand will be in the two suburban submarkets.

Table 7. Demand for New Sales Units in the Houston-The Woodlands-Sugar Land HMA During the Forecast Period

Sales Units	
Demand	134,250 Units
Under Construction	21,250 Units

Note: The forecast period is October 1, 2023, to October 1, 2026.
Source: Estimates by the analyst

Sales Market—Central Submarket

In the Central submarket, more than 3.0 percent of all owner-occupied units are in structures with two or more units. Although it has a relatively small percentage of owner-occupied units in buildings with two or more units, this submarket accounts for nearly 88 percent of owner-occupied units in the HMA in buildings with two or more units. The home sales market in the Central submarket is currently slightly tight, with a 1.7-percent vacancy rate, up from 1.6 percent in 2020. A 3.0-month supply of for-sale inventory is currently on the market, up from 2.2 months a year earlier (Texas A&M Real Estate Center). With rising home mortgage interest rates, home sales declined 27 percent during the 12 months ending September 2023 (Zonda, with adjustments by the analyst; Table 8). The largest percentage of sales in this submarket during the past 12 months occurred in the $200,000-to-$299,999 price range. Figure 15 shows the share of overall sales by price range during the 12 months ending September 2023.

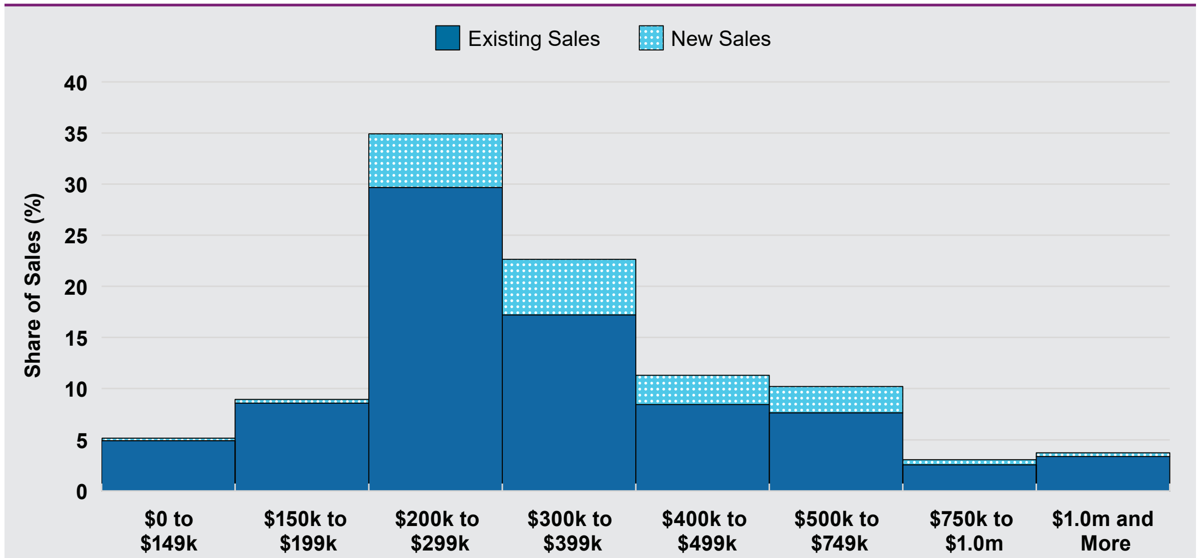
As the most populated submarket, the majority of regular resales of homes in the HMA occur in the Central submarket. During the 12 months ending September 2023, this submarket accounted for nearly 57 percent of all regular resales in the HMA. During the 12 months ending September 2023, regular resales totaled 55,700, down by 20,550, or 27 percent, from the previous 12 months. From

Table 8. Home Sales Quick Facts in the Central Submarket

		Central Submarket	Houston-The Woodlands-Sugar Land HMA
Home Sales Quick Facts	**Vacancy Rate**	1.7%	1.7%
	Months of Inventory	3.0	3.3
	Total Home Sales	65,550	126,700
	1-Year Change	-27%	-26%
	New Home Sales Price	$420,600	$410,400
	1-Year Change	8%	3%
	Existing Home Sales Price	$386,100	$394,900
	1-Year Change	6%	7%
	Mortgage Delinquency Rate	1.4%	1.3%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2023; and months of inventory and mortgage delinquency data are as of September 2023. The current date is October 1, 2023.
Sources: Vacancy rate—estimates by the analyst; national months of inventory and mortgage delinquency rate—CoreLogic, Inc.; HMA and submarket months of inventory data—Texas A&M Real Estate Center; home sales and prices—Zonda

Figure 15. Share of Overall Sales by Price Range During the 12 Months Ending September 2023 in the Central Submarket

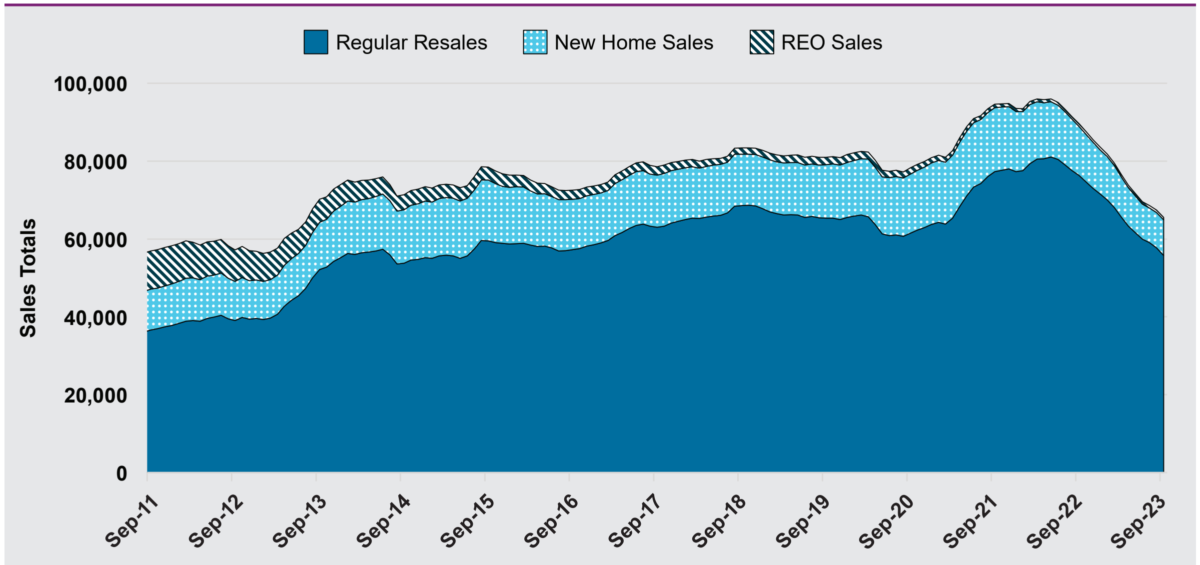


Note: New and existing sales include single-family homes, townhomes, and condominiums.
Source: Zonda

2011 through 2014, as the Central submarket was recovering from the downturn in the housing market due to the Great Recession, regular resales increased by an average of 4,925, or 12 percent, annually to 55,200 in 2014. As the price of oil began to decline, regular resales increased at a slower pace. From 2015 through 2016, regular resales increased by an average of 1,675, or 3 percent, annually to 58,500 sales. During 2017, the price of oil began to stabilize, which contributed to increased demand for sales housing as people began to feel more confident about the economic outlook. From 2017 through 2019, regular resales increased by an average of 2,350, or 4 percent, annually. From 2020 through 2021, regular resales of homes increased rapidly, partly because of low home mortgage interest rates. By 2021, regular resales totaled 77,300, reflecting an average increase of 5,875, or 9 percent, annually since 2019. Figure 16 shows the 12-month sales totals by type in the Central submarket.

The new home sales market in the Central submarket generally followed the same trend as the regular resale market since 2010. During the 12 months ending September 2023, new home sales totaled 9,225, representing a decline of 3,425, or 27 percent, from the previous 12 months and the lowest level of new home sales in the submarket since the Great Recession. During 2010, 12,500 new homes were sold, and

Figure 16. 12-Month Sales Totals by Type in the Central Submarket



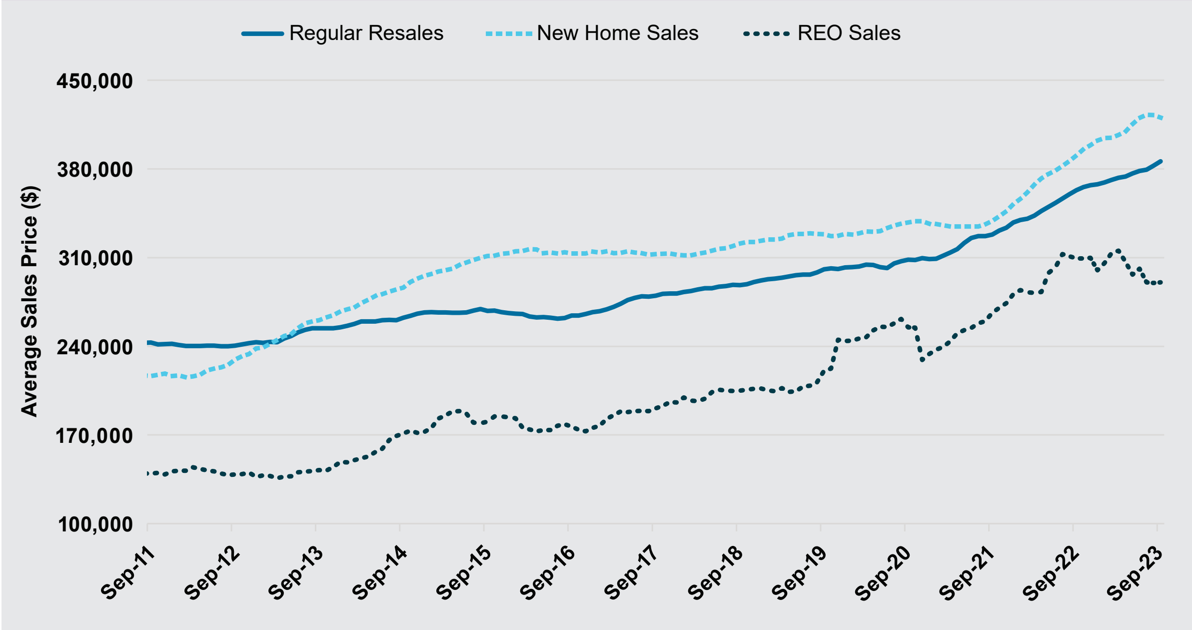
REO = real estate owned.
Source: Zonda

that number increased from 2011 through 2014 by an average of 520, or 4 percent, annually. From 2015 through 2016, with slumping energy prices, new home sales declined by an average of 820, or 6 percent, annually. Hurricane Harvey caused significant housing damage in 2017. As owners rebuilt or bought new homes and economic conditions improved during 2018 and 2019, new home sales rose again to 14,150 during 2019, reflecting an average increase of 400, or 3 percent, annually. From 2020 through 2021, new home sales increased by an average of 650, or 4 percent, annually.

The Central submarket has the lowest average sales price for regular resale homes of any submarket in the HMA. Many of these lower-priced sales are for older homes in industrial areas of the city of Houston. The average sales price of a regular resale home during the 12 months ending September 2023 was $386,100, representing an increase of $22,950, or 6 percent, from a year earlier (Figure 17). Sales price growth was strong but slowed significantly from the nearly 11-percent price increase during the previous 12 months. The current average sales price of a regular resale home is more than 75 percent above the $218,800 price during 2010. From 2011 through 2014, the average sales price of a regular resale home increased rapidly as rising oil prices contributed to strong demand. By 2014, the average sales price of a regular resale home was $266,600, representing an average increase of $11,950, or 5 percent, annually. After oil prices peaked, the average sales price of a regular resale home increased very slowly. From 2015 through 2016, the average sales price increased annually by just $200, or less than 1 percent, to $267,000. The impact of Hurricane Harvey during 2017 included significant damage to more than 150,000 homes in the Central submarket. As the area began to recover and demand was bolstered by a period of stronger economic growth, the average sales price of a home began to increase again. By 2019, the average sales price was $302,200, reflecting an increase of $11,750, or 4 percent, annually since 2017. From 2020 through 2021, the average sales price for a regular resale increased 6 percent a year because low interest rates increased demand for sales housing.

The average sales price of a new home during the 12 months ending September 2023 was $420,600, representing an increase of $29,900, or nearly 8 percent, from the previous 12 months, when the average sales price increased 15 percent. During the past 24 months, new home prices have increased faster in the Central submarket than the other two submarkets, partly because of higher land costs. Since 2010, new home prices have more than doubled from the average sales price of $205,200. From 2011 through 2014, the average sales price of a new home increased by an average of $22,600, or 10 percent, annually to $295,600 because demand was strong following the Great Recession amid rapidly improving economic conditions. With the downturn in oil prices limiting economic growth in the HMA, the average sales price growth slowed to just 3 percent annually from 2015 through 2016 and reached $314,600 during 2016. Hurricane Harvey caused flooding damage to many homes in the Central submarket in August 2017. The aftermath of the hurricane revealed that many homes were recently built in flood plains. This revelation limited price increases for new homes because of uncertainty about which locations in the updated flood maps would require flood insurance and because of increased costs for the required flood insurance. By 2019, the average sales price of a new home was $328,700, reflecting an average increase of $4,700, or just 1 percent, annually. From 2020 through 2021, the average sales price of new homes began to accelerate, with an average increase of $11,750, or 4 percent, annually.

Figure 17. 12-Month Average Sales Price by Type of Sale in the Central Submarket



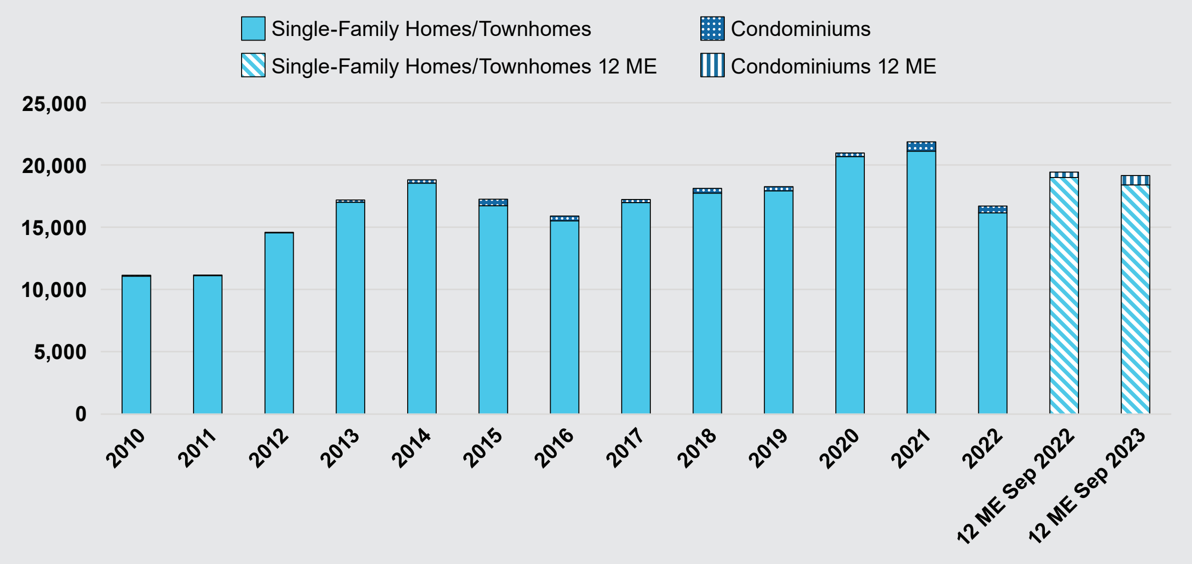
REO = real estate owned.
Source: Zonda

Sales Construction

Building activity, as measured by the number of sales units permitted, totaled 19,100 during the 12 months ending September 2023, representing a decline of 300, or nearly 2 percent, from the previous 12 months and accounting for nearly 40 percent of sales construction activity in the HMA (Figure 18). The most recent level of building activity is down slightly from the peak period of 2020 through 2021, when the number of sales units permitted averaged 21,400 annually, but it is high by historical standards. During 2010, as the HMA was recovering from the Great Recession, 11,150 housing units were built for sale. From 2011 through 2014, with the HMA going through a period of strong job growth, the number of sales units permitted increased by an average of 1,925, or 14 percent, annually to 18,800 as oil prices reached a peak. Following this peak, with job and population growth slowing, the number of permits for sales units declined by an average of 1,450, or 8 percent, annually to 15,900 by 2016. In the aftermath of Hurricane Harvey, with the need to rebuild and job growth starting to accelerate, building activity increased by an average of 790, or 5 percent, annually from 2017 through 2019.

Recent developments in the Central submarket include Cypress Green, a 138-home development in the city of Hockley. Prices in this subdivision start at $259,900 for a three-bedroom, two-bathroom, single-family home. This subdivision is about 50-percent complete, with anticipated completion in the summer of 2024. Balmoral East is a development with 225 single-family homes in the city of Humble that is about 30-percent complete. Home prices there start at $319,900.

Figure 18. Annual Sales Permitting Activity in the Central Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

Demand is estimated for 53,300 new sales units during the 3-year forecast period (Table 9). The 8,200 units under construction will satisfy a portion of that demand. Most of the new sales units will be built in the northern portion of this submarket, where developable land still exists. Most of the new sales units built within the city of Houston are likely to be infill development, including areas where existing homes would be demolished to build new units.

Table 9. Demand for New Sales Units in the Central Submarket During the Forecast Period

Sales Units	
Demand	53,300 Units
Under Construction	8,200 Units

Note: The forecast period is October 1, 2023, to October 1, 2026.
Source: Estimates by the analyst

Sales Market—Southern Submarket

The Southern submarket is large in size and stretches from the coast to the more rural sections in Brazoria County, which has housing units on larger tracts of land. The sales market in the Southern submarket is currently slightly tight, with a 1.8-percent vacancy rate, down from 2.0 percent in 2020. A 3.4-month supply of for-sale inventory is currently on the market, up from 2.6 months a year earlier but still below the 3.5-month supply in April 2020 (Texas A&M Real Estate Center). With rising home mortgage interest rates limiting demand, home sales have declined 29 percent, the largest decline of any submarket, to just 33,350 sales during the 12 months ending September 2023 (Table 10). During the same 12 months, the largest number of homes sold in this submarket were in the $200,000-to-$299,999 price range (Zonda, with adjustments by the analyst; Figure 19).

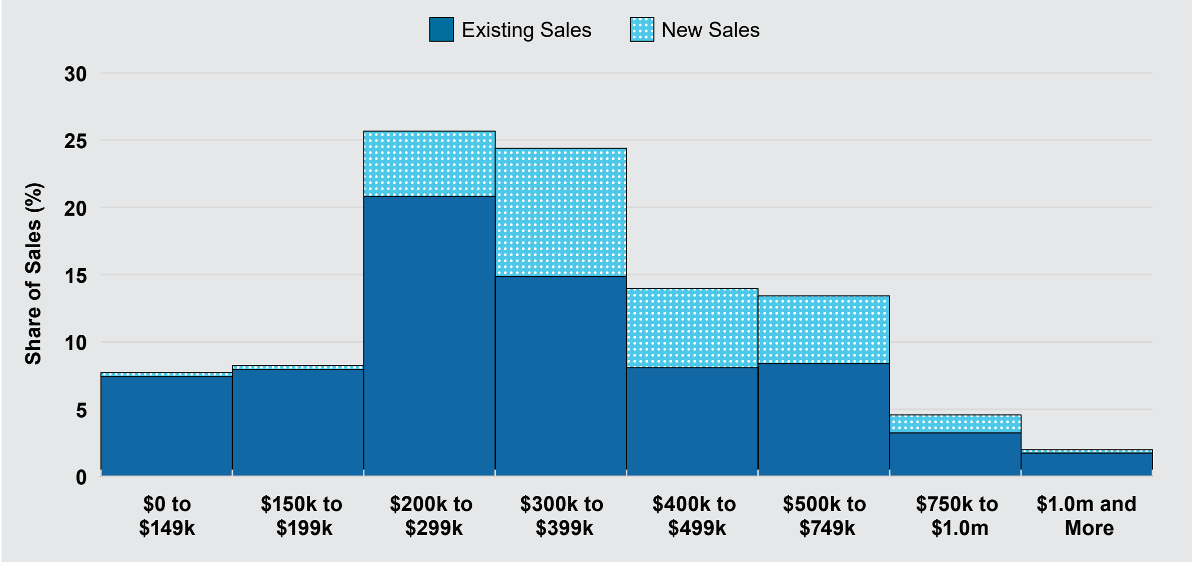
During the 12 months ending September 2023, the regular resales of homes totaled 24,000, down by 10,150, or nearly 30 percent, from the previous 12 months. This submarket had the largest percentage decline of regular resales of any submarket in the HMA (Figure 20). Before sales began declining during the 12 months ending September 2022, this submarket had continuous growth in sales due in part to sustained strong population growth. From

Table 10. Home Sales Quick Facts in the Southern Submarket

		Southern Submarket	Houston-The Woodlands-Sugar Land HMA
Home Sales Quick Facts	**Vacancy Rate**	1.8%	1.7%
	Months of Inventory	3.4	3.3
	Total Home Sales	33,350	126,700
	1-Year Change	-29%	-26%
	New Home Sales Price	$430,400	$410,400
	1-Year Change	1%	3%
	Existing Home Sales Price	$400,200	$394,900
	1-Year Change	8%	7%
	Mortgage Delinquency Rate	1.2%	1.3%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2023; and months of inventory and mortgage delinquency data are as of September 2023. The current date is October 1, 2023.
Sources: Vacancy rate—estimates by the analyst; national months of inventory and mortgage delinquency rate—CoreLogic, Inc.; HMA and submarket months of inventory data—Texas A&M Real Estate Center; home sales and prices—Zonda

Figure 19. Share of Overall Sales by Price Range During the 12 Months Ending September 2023 in the Southern Submarket



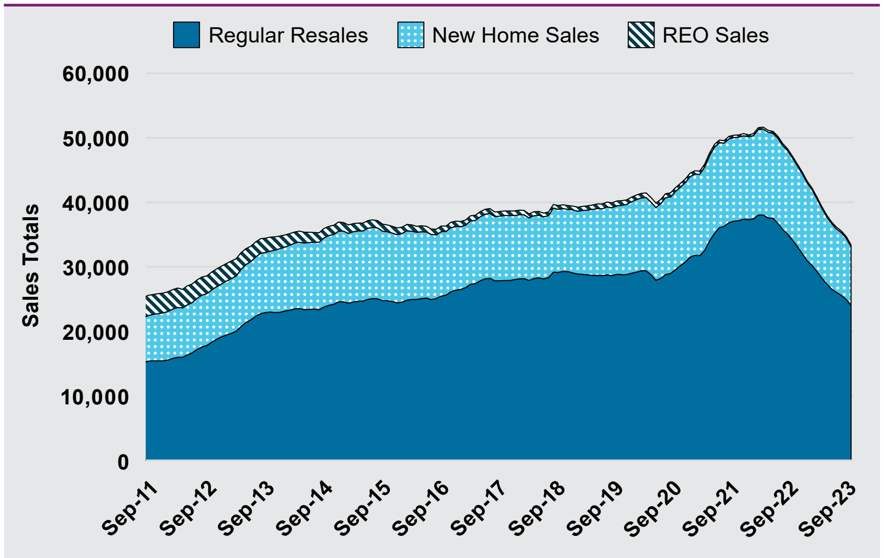
Note: New and existing sales include single-family homes, townhomes, and condominiums.
Source: Zonda

2011 through 2019, the number of regular resales of homes increased by an average of 1,550, or 8 percent, annually to 29,000. From 2020 through 2021, with low home mortgage interest rates and more workers telecommuting, many people sought larger living spaces, and the regular resale of homes increased by an average of 4,150, or 13 percent, annually to 37,300.

The new home sales market in the Southern submarket follows the overall trends in the HMA. During the 12 months ending September 2023, new home sales totaled 9,100, down by 3,650, or 29 percent, from the previous 12 months. Although new home sales have declined recently, they are still above the levels following the Great Recession. During 2010, 7,550 new homes were sold, and that number increased by an average of 860, or 10 percent, annually from 2011 through 2014 to 10,950 home sales. The declining price of oil in 2014 had a significant impact on new home sales, causing a slowdown in demand for new housing. New home sales totaled 9,750 during 2018, reflecting an average decline of 300 sales, or 3 percent, annually since 2014. New home sales then began to increase once more as population growth increased in this submarket. From 2019 through 2021, new home sales increased by an average of 1,025, or 10 percent, annually.

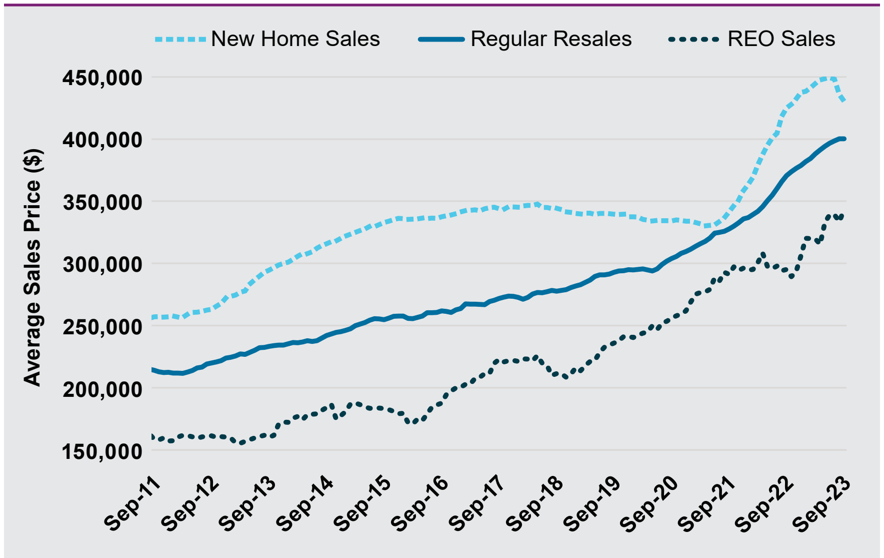
Although the regular resale of homes has declined during the past 12 months, the average sales price continued to increase. During the 12 months ending September 2023, the average sales price of a regular resale home was $400,200, up by $29,650, or 8 percent, from 12 months earlier, when the average sales price increased nearly 13 percent. During 2020, the average sales price for a regular resale home started to rise more rapidly. The average sales price rose to $358,500 in 2021, representing an average increase of $20,350, or 7 percent, annually since 2019. Price growth from 2020 to current has been well above previous periods. From 2011 through 2019, the average sales price of a regular resale home increased by $9,725, or 4 percent, annually to $295,000. Figure 21 shows the 12-month average sales prices by type of sale in the Southern submarket.

Figure 20. 12-Month Sales Totals by Type in the Southern Submarket



REO = real estate owned.
Source: Zonda

Figure 21. 12-Month Average Sales Price by Type of Sale in the Southern Submarket



REO = real estate owned.
Source: Zonda

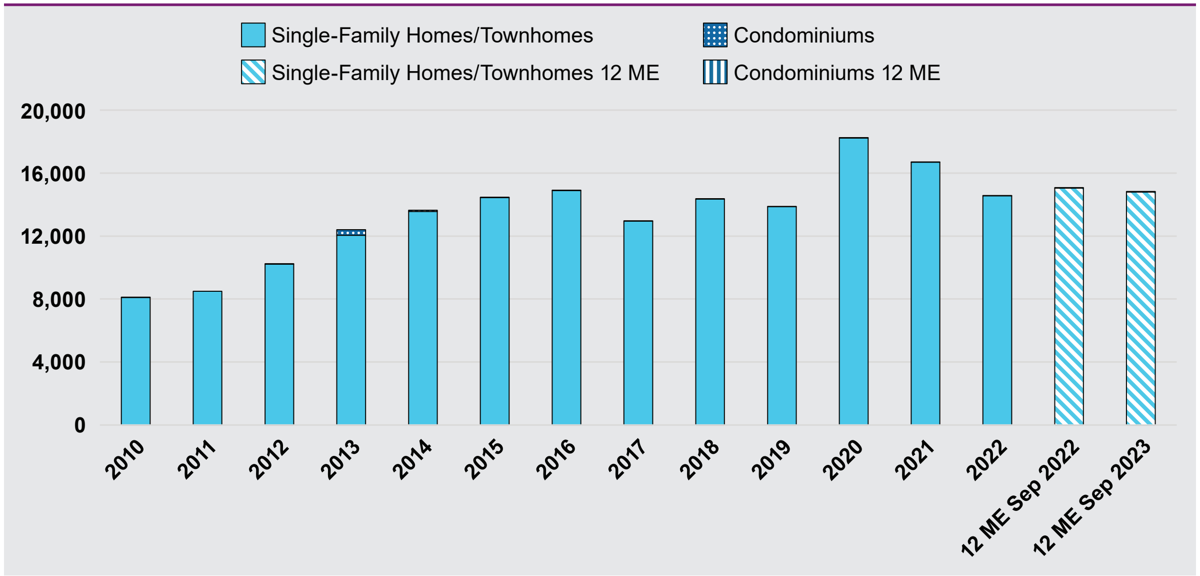
The rate of increase in the average sales price for a new home in the Southern submarket has decelerated much faster than regular resales in the past 12 months because rising home mortgage interest rates have had a more significant impact on new home sales. During the 12 months ending September 2023, the average sales price of a new home was $430,400, up by $5,400, or 1 percent, from the previous 12 months, when the average sales price increased 24 percent. This submarket has the highest average sales price for a new home, and this has been the case since 2010, when the average sales price was $250,800. The years 2011 through 2014 were a period of rapid growth in the price of new homes as strong in-migration and rising incomes from strong job growth contributed to high levels of demand for new housing. From 2011 through 2014, the average sales price of a new home in this submarket increased by an average of $17,350, or 6 percent, annually. With population growth in this submarket slowing after oil prices peaked in 2014, new home price growth slowed to an average of 1 percent annually from 2015 through 2019. During 2020 and 2021, as low home mortgage interest rates spurred demand, the average sales price of a new home in this submarket increased by an average of $10,450, or 3 percent, annually to $358,500.

Sales Construction

Homebuilding activity, as measured by the number of sales units permitted, totaled 14,800 during the 12 months ending September 2023, representing a decline of 250 homes, or nearly 2 percent, from the previous 12 months (Figure 22). The number of new sales units permitted has been declining by an average of 1,250, or more than 7 percent, annually since peaking in 2020, when 18,250 sales units were permitted. Even with the recent trend of declining construction activity, the number of sales units permitted during the most recent 12 months is still well above the 8,100 sales units permitted in 2010 because population growth has spurred demand for many new homes. From 2011 through 2016, the number of new sales units permitted increased by an average of 1,125, or 11 percent, annually, reflecting the many new people moving into this submarket. During 2017, with the impacts of Hurricane Harvey causing a slowdown in construction, permitting of sales units declined 13 percent to 12,950 units. Construction of new sales units increased to an average of 14,100 units during 2018 and 2019.

Gifford Meadows is a new subdivision in the city of Angleton with 85 lots. The single-family home community is nearly 40-percent complete, with buildout expected by fall of 2024. Home prices in this subdivision start at $219,990 for a three-bedroom home. Sunterra in Fort Bend County, with 151 homes, is currently under construction and 66-percent complete. Prices range from $306,000 for a three-bedroom home to $503,000 for a four-bedroom home.

Figure 22. Annual Sales Permitting Activity in the Southern Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 44,700 new sales units in the submarket (Table 11). The 6,350 units under construction will satisfy a portion of that demand during the first year. More than one-half of the new sales units are expected to be in Fort Bend County.

Sales Market—Northern Submarket

The home sales market in the Northern submarket is currently slightly tight, with a 1.7-percent vacancy rate, down from 1.8 percent in 2020. A 3.7-month supply of for-sale inventory is currently on the market, up from 3.0 months a year earlier (Texas A&M Real Estate Center). Rising home mortgage interest rates and fewer investor purchases of homes have caused sales to drop throughout the HMA. Total sales in the Northern submarket declined 22 percent during the past 12 months, the smallest percentage decline among the three submarkets (Table 12). This submarket also had the lowest share of home sales priced under $200,000 during the past 12 months of any of the submarkets in the HMA (Zonda, with adjustments by the analyst; Figure 23).

As the least populated submarket, the Northern submarket has consistently had the lowest level of regular resales among the submarkets. During the 12 months ending September 2023, regular resales totaled 18,250, down by 6,325, or 26 percent, from the previous 12 months. Even with

Table 11. Demand for New Sales Units in the Southern Submarket During the Forecast Period

	Sales Units
Demand	44,700 Units
Under Construction	6,350 Units

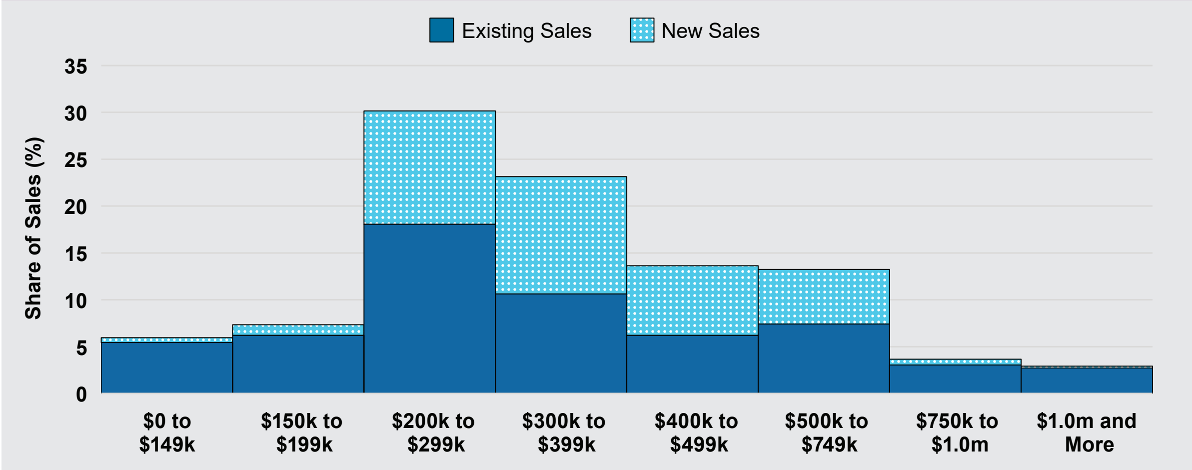
Note: The forecast period is October 1, 2023, to October 1, 2026.
Source: Estimates by the analyst

Table 12. Home Sales Quick Facts in the Northern Submarket

		Northern Submarket	Houston-The Woodlands-Sugar Land HMA
Home Sales Quick Facts	Vacancy Rate	1.7%	1.7%
	Months of Inventory	3.7	3.3
	Total Home Sales	27,750	126,700
	1-Year Change	-22%	-26%
	New Home Sales Price	$380,700	$410,400
	1-Year Change	0%	3%
	Existing Home Sales Price	$414,700	$394,900
	1-Year Change	6%	7%
	Mortgage Delinquency Rate	1.0%	1.3%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2023; and months of inventory and mortgage delinquency data are as of September 2023. The current date is October 1, 2023.
Sources: Vacancy rate—estimates by the analyst; national months of inventory and mortgage delinquency rate—CoreLogic, Inc.; HMA and submarket months of inventory data—Texas A&M Real Estate Center; home sales and prices—Zonda

Figure 23. Share of Sales by Price Range During the 12 Months Ending September 2023 in the Northern Submarket

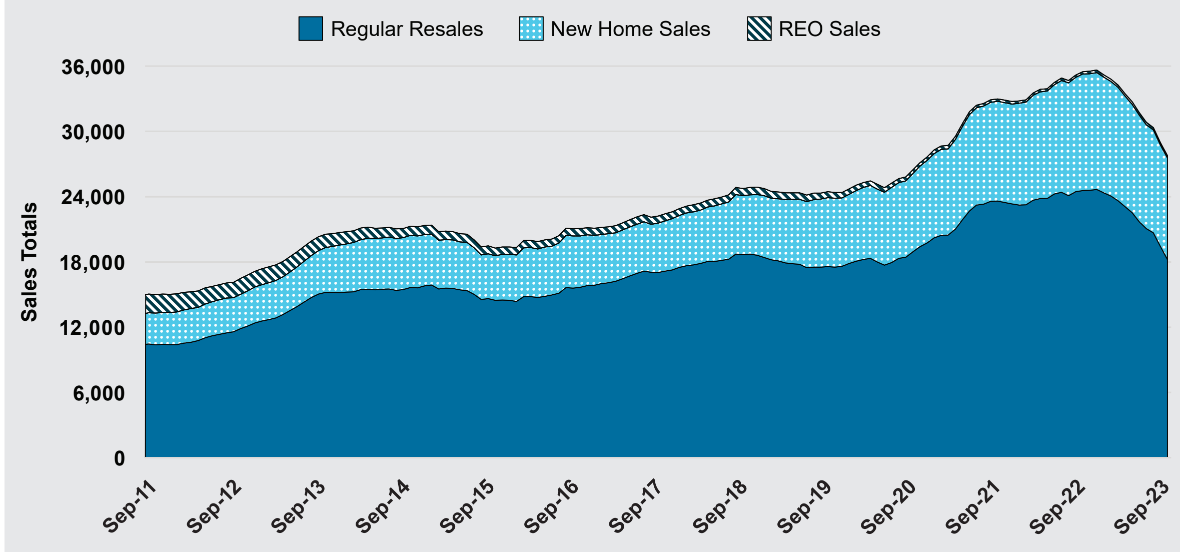


Note: New and existing sales include single-family homes, townhomes, and condominiums.
Source: Zonda

the large decrease, sales are above the 2010 total of 10,050. From 2011 through 2014, when the submarket had strong population growth, regular resales increased by an average of 1,450, or 12 percent, annually to 15,800. During 2015, after the price of oil peaked, regular resales slowed to 14,450, representing a decline of 1,350, or 9 percent, from the previous year. This decrease was temporary, and regular resales began to increase once more; by 2018, resales totaled 18,400, reflecting an average increase of 1,300, or 8 percent, annually. The regular resale of homes declined slightly during 2019 to 17,850 sales, a decrease of 550, or 3 percent, from 2018. Regular resales, including investor purchases of homes, surged in this submarket when mortgage interest rates dropped to record-low levels during 2020 and 2021. Regular resales increased by an average of 2,700, or 14 percent, annually to 23,250 during 2021. Figure 24 shows the 12-month sales totals by type in the Northern submarket.

The Northern submarket is the least populated but fastest growing submarket in the HMA. New home sales in the Northern submarket exceeded the number of new home sales in the Southern submarket during the past 12 months. During the 12 months ending September 2023, new home sales totaled 9,350, representing a decline of 1,350, or nearly 13 percent, from the previous 12 months, when sales were at near-record levels. Even with the recent drop, new home sales are still well above the 3,100 sales in 2010. During

Figure 24. 12-Month Sales Totals by Type in the Northern Submarket



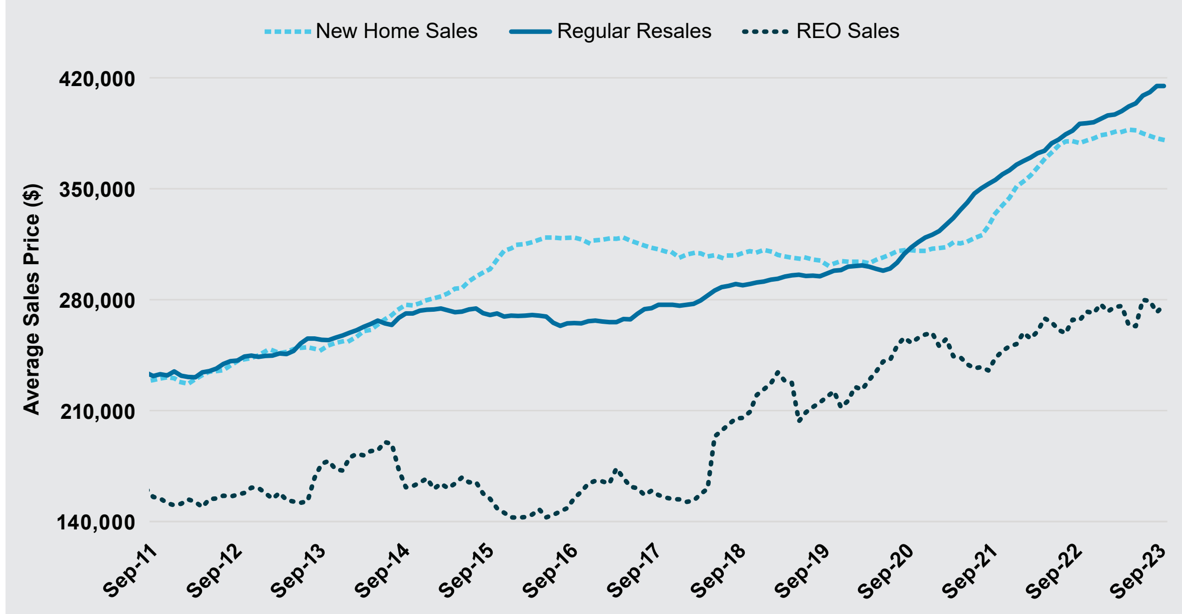
REO = real estate owned.
Source: Zonda

2011, new home sales declined by 130 sales, or 4 percent, from 2010. That decrease was partly due to developers shifting their efforts to securing developable tracts of land to build new homes in the coming years after ExxonMobil announced that they were building a large campus off Interstate 45 in Montgomery County. From 2012 through 2014, new home sales in this submarket increased by an average of 580, or 17 percent, annually to 4,700. During 2015, after oil prices peaked, new home sales declined 10 percent to 4,250. Following this temporary downturn, as the ExxonMobil campus was nearing completion, the rapidly growing Northern submarket had continuously increasing new home sales. By 2021, new home sales totaled 9,350, reflecting an average increase of 850, or 14 percent, annually.

With the Northern submarket having the fastest rate of population growth and the fewest existing homes, this submarket has the highest average sales price for regular resale of homes of any of the submarkets in the HMA. During the 12 months ending September 2023, the average sales price of a regular resale home was $414,700, reflecting an increase of $23,700, or 6 percent, from the previous 12 months. Since 2017, as the price of oil began to recover, the average sales price of a regular resale home increased by an average of $21,900, or nearly 7 percent, annually. During 2010, the average sales price of a regular resale home in this submarket was $221,300. From 2011 through 2014, the average sales price increased by an average of $13,100, or 5 percent, annually to $273,600. From 2015 through 2016, with the declining price of oil and after construction jobs declined following the completion of the large ExxonMobil campus, the average sales price of a regular resale home declined by an average of $3,350, or 1 percent, annually to $266,900. Figure 25 shows the 12-month sales prices by type of sale in the Northern submarket.

In contrast to the regular resale average price, the average price for a new home in the Northern submarket is the lowest among the three submarkets, due in part to lower land costs in some of the less populated counties of the submarket where development has increased recently. During the 12 months ending September 2023, the average sales price of a new home was $380,700, representing an increase of $1,850, or less than 1 percent, from the previous 12 months. The average sales price of a new home has dropped below the average sales price of a regular resale home since 2019 due to more new home construction taking place outside of the more expensive Montgomery County. The average sales price of a new home in the submarket during 2010 was $226,600. From 2011 through 2016, the average sales price of a new home increased by an average of $15,150, or 6 percent, annually, as population growth kept demand for new housing high.

Figure 25. 12-Month Average Sales Price by Type of Sale in the Northern Submarket



REO = real estate owned.
Source: Zonda

The average sales price of a new home during 2016 was $317,500, but from 2017 through 2019, as the number of new home sales were increasingly in the lower-priced counties outside of Montgomery County, the average sales price of a new home in the submarket declined by an average of $4,500, or 1 percent, annually to $304,000. During 2020, home mortgage interest rates plummeted, and demand for new housing increased. The average sales price of a new home rose to $351,200 in 2021, reflecting an average increase of $23,600, or 7 percent, annually compared with 2019.

Sales Construction

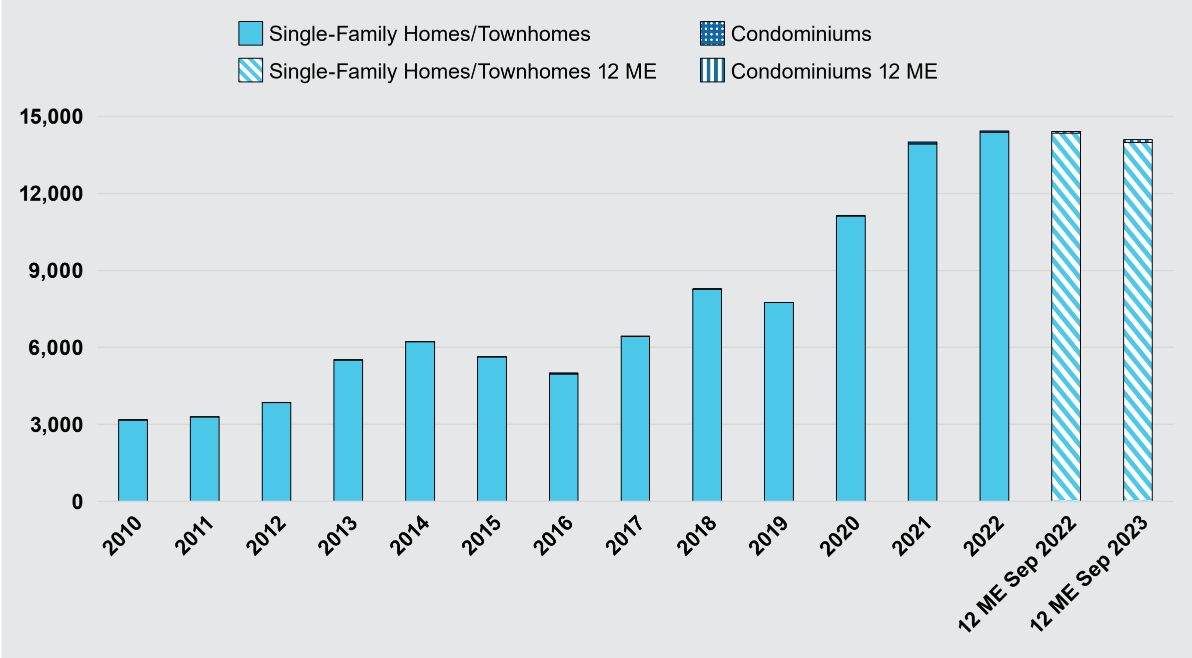
Building activity, as measured by the number of sales units permitted, totaled 14,100 during the 12 months ending September 2023, reflecting a decline of 300, or slightly more than 2 percent, from the previous 12 months (Figure 26). During the most recent 12 months, slightly more than 70 percent of all units for sale were permitted in Montgomery County, down from 80 percent in 2020 and 90 percent in 2010. Even with the recent decline, the level of permitting for sales units is still more than four times higher than the 3,175 sales units permitted in 2010. From 2011 through 2014, housing construction increased rapidly, with 6,225 sales units permitted in 2014, representing an average increase of 760, or 18 percent, annually. During 2015 and 2016, construction in this submarket slowed, and by 2016, just 5,000 sales units were permitted, reflecting an average decline of 620, or 10 percent, annually. From 2017 to 2019, permitting of sales units increased with improving economic conditions and averaged 7,475 annually. During 2020, as home mortgage interest rates hit record lows, building activity in this submarket increased rapidly to 11,150 units and averaged 14,200 new sales units permitted annually during 2021 and 2022.

Magnolia Ridge, in the city of Magnolia in Montgomery County, is currently under construction, with single-family home prices starting at $225,000. The current 125-home phase is about 30-percent complete, and an additional three phases are planned. The Meadows at Imperial Oaks, located in Montgomery County near The Woodlands, is an 86-home development with 18 lots left to sell. Home prices in this development range from $455,990 to $675,000 for three- to five-bedroom single-family homes.

Forecast

During the 3-year forecast period, demand is estimated for 36,250 new sales units in the submarket (Table 13). The 6,700 units under construction will satisfy a portion of that demand during the first year of the forecast. More than 70 percent of the new sales units are expected to be built in Montgomery County.

Figure 26. Annual Sales Permitting Activity in the Northern Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 13. Demand for New Sales Units in the Northern Submarket During the Forecast Period

	Sales Units
Demand	36,250 Units
Under Construction	6,700 Units

Note: The forecast period is October 1, 2023, to October 1, 2026.
Source: Estimates by the analyst

Rental Market
Rental Market—Houston HMA

Market Conditions: Balanced

As the delivery of new apartment units has outpaced absorption during the past 24 months, the rental market has returned to balanced conditions.

Current Conditions and Recent Trends

The rental market is currently balanced, with a 10.5-percent vacancy rate, unchanged from April 2020 but down from 13.4 percent in April 2010, when conditions were slightly soft (Table 14). The Houston HMA is a fast-growing metropolitan area that attracts many international migrants. The area also has surges in domestic in-migration that can exceed 100,000 people annually. The HMA has balanced market conditions at higher vacancy rates to accommodate the rapid rate of turnover in the market. Approximately 59 percent of all renter households in the HMA live in structures with five or more units, typically apartments, whereas nearly 27 percent of renter households live in single-family homes (2022 ACS 1-year data).

The apartment market in the Houston HMA is also currently balanced, with a 10.4-percent vacancy rate as of the third quarter of 2023, up from 8.9 and 7.3 percent as of the third quarters of 2022 and 2021, respectively, when market conditions were slightly tight (CoStar Group). As of the third quarter of 2020, the apartment market was balanced with a vacancy rate of 10.6 percent during the initial phases of the COVID-19 pandemic, when stay-at-home orders were in effect and the economy was still recovering from the sharp economic downturn earlier in 2020. During the early stages of the pandemic, net in-migration to the Houston HMA dropped significantly. International net in-migration was severely curtailed, and domestic net in-migration, normally of young professionals, declined. Many of those professionals were working remotely and not required to relocate to the Houston HMA. Net in-migration began to increase again in the HMA during 2021. Households had greater savings from rising wages, government stimulus payments, and suspension of student loan repayments. Demand for apartments surged to record levels because many people were able to form new households and no longer needed roommates to afford an apartment. During the 12 months ending September 2021, absorption of apartment units totaled nearly 36,900, more than triple the rate in the previous 12 months. Absorption of apartment units in the HMA was nearly double the previous peak during 2005, when many people relocated from Louisiana after Hurricane Katrina. This strong absorption contributed to the largest 12-month decline in the apartment vacancy rate in the Houston HMA, when the

Table 14. Rental and Apartment Market Quick Facts in the Houston-The Woodlands-Sugar Land HMA

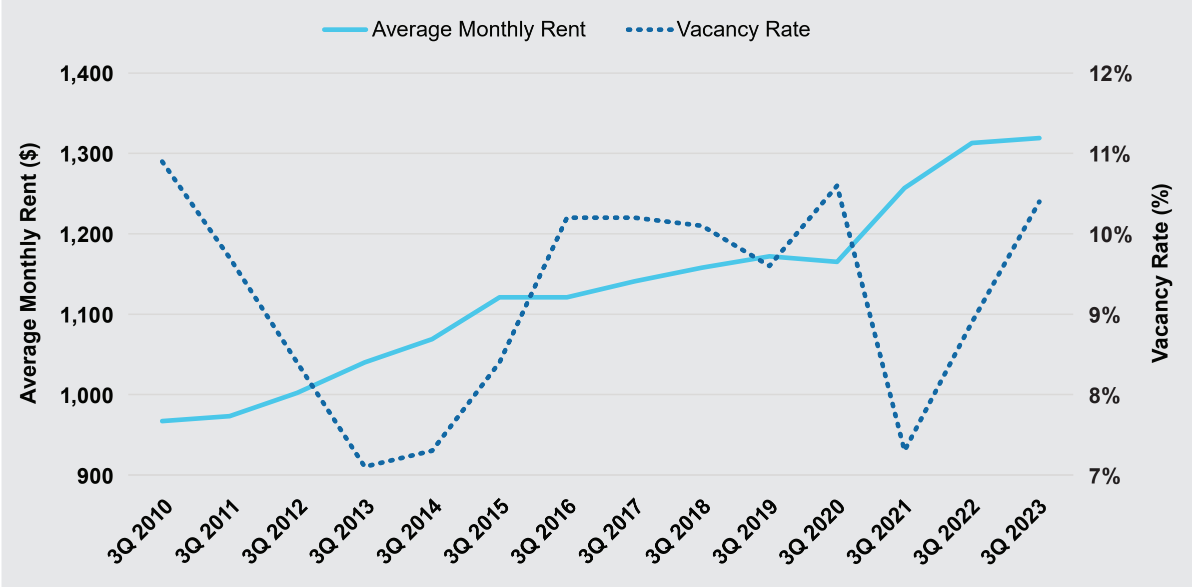
Rental Market Quick Facts		2020 (%)	Current (%)
	Rental Vacancy Rate	10.5	10.5
		2021 (%)	2022 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	28	27
	Multifamily (2–4 Units)	10	10
	Multifamily (5+ Units)	59	59
	Other (Including Mobile Homes)	3	4
Apartment Market Quick Facts		2023 3Q	YoY Change
	Apartment Vacancy Rate	10.4	1.5
	Average Rent	$1,319	0.4%
	Studio	$1,056	1.9%
	One-Bedroom	$1,162	0.0%
	Two-Bedroom	$1,464	0.4%
	Three-Bedroom	$1,814	1.6%

YoY= year-over-year. 3Q = third quarter.
Notes: The current date is October 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2021 and 2022 American Community Survey 1-year data; apartment data—CoStar Group

rate decreased 3.3 percentage points. The surge in renter household formation is partly attributed to roommates forming separate households and young professionals starting to move back into the urban core. Increased international net in-migration in the HMA, after pandemic-related restrictions were eased with the development of COVID-19 vaccines, also contributed to the rise of renter households. The surge in absorption, coupled with households having high levels of savings and earnings, also led to strong rent growth. Renters competed for the limited number of new units coming online. Supply chain issues and worker shortages in the construction industry led to delayed completions of apartment units. Following 2 years of rapidly rising rents, absorption plummeted to just 6,800 units during the 12 months ending September 2022.

The average rent for an apartment in the Houston HMA as of the third quarter of 2023 was $1,319, reflecting an increase of $6, or less than 1 percent, from a year earlier. Slowing absorption has resulted in rising vacancy rates and slower rent growth. During the initial phases of the COVID-19 pandemic, the Houston HMA lost jobs, and net in-migration slowed. As of the first quarter of 2020, the average rent declined $7, or less than 1 percent, to $1,165 when apartment operators cut rents slightly to maintain occupancy. As the economy began to recover and absorption increased, the average rent increased rapidly, rising 8 percent to $1,257 as of the third quarter of 2021. Even with slowing absorption as of the third quarter of 2022, rent growth was strong, increasing by $56, or more than 4 percent, from a year earlier. Figure 27 shows apartment rents and vacancy rates in the Houston HMA.

Figure 27. Apartment Rents and Vacancy Rates in the Houston-The Woodlands-Sugar Land HMA



3Q = third quarter.
Source: CoStar Group

Rental Construction

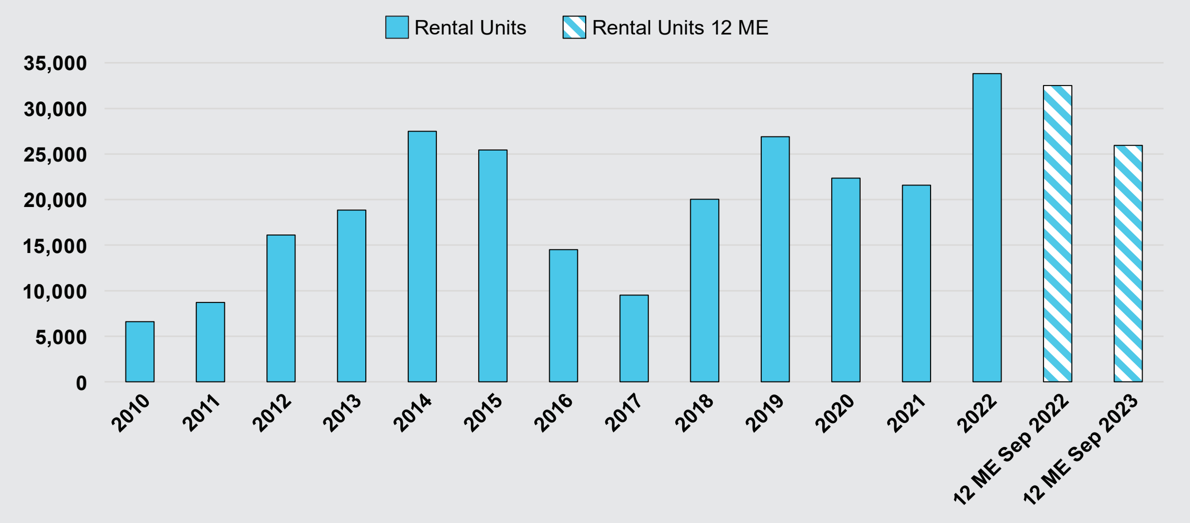
During the 12 months ending September 2023, rental construction in the Houston HMA totaled 25,950 units, representing a decline of 6,600 units, or 20 percent, from the previous 12 months. Rising interest rates and vacancy rates caused developers to slow production (Figure 28). To accommodate the trend of smaller household sizes, construction has been geared toward smaller units recently. Since 2020, 63.6 percent of all apartment units delivered have been one-bedroom or studio units, up from the historical average of 53.4 percent of all units before 2020 (ALN Apartment Data, Inc.). In addition to construction of smaller apartment units, another trend that emerged in the Houston HMA was single-family homes built for rent (BFR). From 2020 to current, 6,350 single-family BFR homes have been permitted in the Houston

HMA, accounting for more than 6 percent of all rental units permitted in the HMA. Before 2020, the HMA had one 175-unit single-family BFR development, which started construction in 2018.

Forecast

Demand is estimated for 63,975 rental units during the 3-year forecast period. The 44,900 rental units under construction in the Houston HMA will satisfy a significant portion of that demand (Table 15). As household savings from the pandemic era begin to deplete, the trend of smaller household sizes will likely slow, increasing demand for larger units as more renter households double up to help mitigate the higher housing costs caused by the previous rent increases.

Figure 28. Annual Rental Permitting in the Houston-The Woodlands-Sugar Land HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 15. Demand for New Rental Units in the Houston-The Woodlands-Sugar Land HMA During the Forecast Period

	Rental Units
Demand	63,975 Units
Under Construction	44,900 Units

Note: The forecast period is October 1, 2023, to October 1, 2026.
Source: Estimates by the analyst

Rental Market—Central Submarket

The overall rental market in the Central submarket is currently balanced, with a 10.3-percent vacancy rate, unchanged from April 2020 (Table 16). Just under 25 percent of all renter households reside in single-family homes, the smallest percentage of the three submarkets in the HMA (2022 ACS 1-year data). The Central submarket includes the city of Houston, a dense urban area with many high-rise buildings. Compared to the other submarkets, the Central submarket has a much higher concentration of rentals in structures with five or more units, typically apartments, which account for nearly 63 percent of all renter-occupied units.

The apartment market in this submarket is currently balanced, with a 10.0-percent vacancy rate as of the third quarter of 2023, up from 8.7 percent a year earlier, when conditions were slightly tight (CoStar Group). Absorption of apartment units totaled 5,525 during the 12 months ending September 2023, reflecting an increase of 43.0 percent from 3,875 units during the previous 12 months. The apartment vacancy rate is still below the previous high of 11.1 percent during the third quarter of 2010, when conditions were slightly soft. With an improving economy attracting many people to the submarket, the apartment vacancy rate reached a record low of 7.2 percent as of the third quarter of 2013. The tightening market spurred developers to increase production, and the apartment vacancy rate increased to 8.1 percent as of the third quarter of 2015. With slowing job growth and net in-migration, the apartment vacancy rate had increased to 10.4 percent by the third quarter of 2017. The apartment vacancy rate would have likely continued rising, but Hurricane Harvey impacted the greater Houston area during August 2017, causing significant damage and resulting in numerous apartment properties becoming unavailable for occupancy. As the HMA recovered from the impacts of Hurricane Harvey and the price of oil stabilized, job growth strengthened in the Houston HMA. The apartment vacancy rate declined in the Central submarket to 9.7 percent as of the third quarter of 2019. During 2020, with job losses related to the pandemic and a slowdown in international migration, the apartment vacancy rate climbed to 10.6 percent as of the third quarter of 2020. As the economy began to recover and personal savings increased, household growth surged, and the apartment vacancy rate declined to 7.3 percent as of the third quarter of 2021. During the 12 months ending September 2021, absorption of apartment units totaled nearly 28,900 units in the Central submarket, up from 10,100 the previous year.

Table 16. Rental and Apartment Market Quick Facts in the Central Submarket

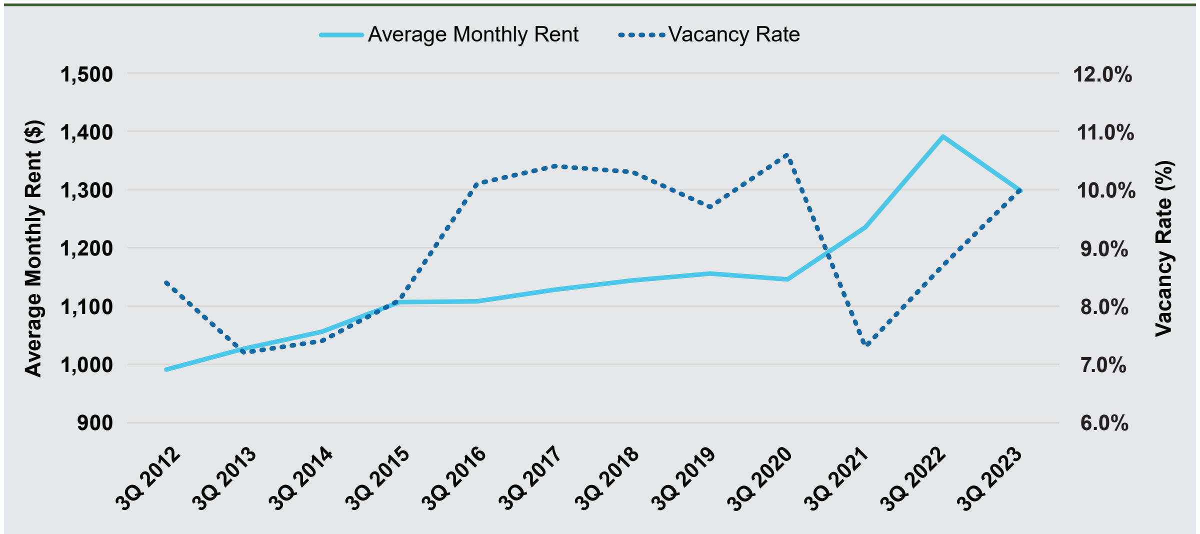
Rental Market Quick Facts		2020 (%)	Current (%)
	Rental Vacancy Rate	10.3	10.3
		2021 (%)	2022 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	25	25
	Multifamily (2–4 Units)	10	11
	Multifamily (5+ Units)	63	63
	Other (Including Mobile Homes)	2	1
Apartment Market Quick Facts		2023 3Q	YoY Change
	Apartment Vacancy Rate	10.0	1.3
	Average Rent	$1,298	-0.6%
	Studio	$1,056	1.9%
	One-Bedroom	$1,153	0.2%
	Two-Bedroom	$1,450	0.6%
	Three-Bedroom	$1,782	2.0%

YoY= year-over-year. 3Q = third quarter.
Notes: The current date is October 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2021 and 2022 American Community Survey 1-year data; apartment data—CoStar Group

The current average rent for an apartment in the Central submarket is $1,300, up by $7, or 1 percent, from a year earlier (CoStar Group; Figure 29). Rent growth slowed from the previous 2 years, when rents increased by an average of $74, or 6 percent, annually. From 2010 to 2014, the average rent for an apartment increased by an average of $25, or 3 percent, annually. The price of oil rose, contributing to strong net in-migration, and by the third quarter of 2015, the average rent increased from a year earlier by $51, or nearly 5 percent, to $1,107. As job growth slowed after oil prices peaked, rent growth also slowed. By the third quarter of 2019, the average rent was $1,156, representing an average increase of $12, or just 1 percent, annually since 2015. During 2020, the pandemic-induced economic downturn and the sharp drop in net in-migration reduced the demand for apartment units, and the average rent declined by $10, or less than 1 percent, to $1,146.

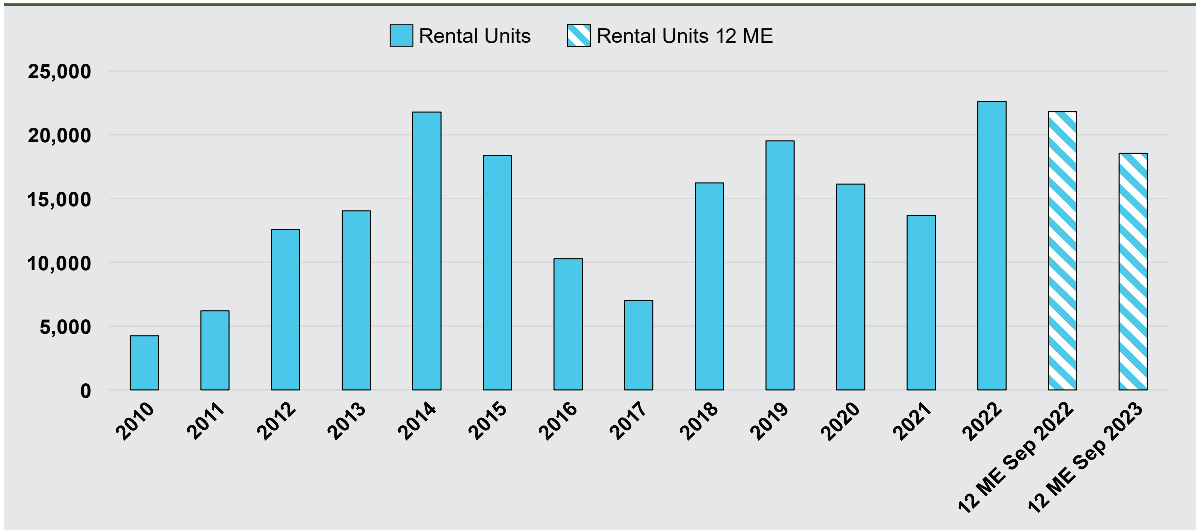
During the 12 months ending September 2023, building activity, as measured by the number of rental units permitted, totaled 18,400, reflecting a decline of 3,400, or 16 percent, from the previous 12 months. Rising vacancy rates caused developers to slow production (Figure 30). Building activity in the Central submarket tends to follow economic conditions in the HMA. During 2010, as the HMA was recovering from the Great Recession, only 4,250 rental units were permitted. With the economic recovery and rising energy prices

Figure 29. Apartment Rents and Vacancy Rates in the Central Submarket



3Q = third quarter.
Source: CoStar Group

Figure 30. Annual Rental Permitting Activity in the Central Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

creating many new jobs and attracting residents to the HMA, production reached 21,750 units in 2014. After the price of oil peaked in 2014, the production of rental units declined to 7,000 in 2017. With the impact of Hurricane Harvey in 2017 and rebounding oil prices, production began to increase again, averaging 16,400 units annually from 2018 through 2021. Since 2010, more than 57 percent of all apartment units have been built in either mid- or high-rise buildings (buildings with at least four floors), compared with just 7 percent of all units before 2010. This trend will likely continue because younger households often prefer higher-density urban environments.

Some recent developments include The McKinley, a 26-story, high-rise apartment building with 278 units located near Interstate 10 west of downtown Houston. Rents at this development range from $1,780 for a 737-square-foot, one-bedroom apartment to $11,450 for a 2,700-square-foot, three-bedroom penthouse unit. Another recent development in this submarket is the Life Tower, a 22-story, 483-unit building located next to the Texas Medical Center. Rents at this property range from $1,410 for a 345-square-foot studio to $4,600 for a 1,300-square-foot, four-bedroom apartment.

During the 3-year forecast period, demand is estimated for 42,900 new rental units in the Central submarket (Table 17). The 34,500 rental units under construction will satisfy most of that demand. Because this is the densest submarket in the HMA, much of the production will likely be geared toward mid- and high-rise apartment properties.

Table 17. Demand for New Rental Units in the Central Submarket During the Forecast Period

	Rental Units
Demand	42,900 Units
Under Construction	34,500 Units

Note: The forecast period is October 1, 2023, to October 1, 2026.
Source: Estimates by the analyst

Rental Market—Southern Submarket

The overall rental market in the Southern submarket is currently balanced, with an 11.7-percent vacancy rate, up from 11.5 percent as of April 2020 but down from 12.3 percent in April 2010 (Table 18). Geographically, this submarket is more than 3,350 square miles in size, which is larger than the state of Delaware. Although most of the rental units in the submarket are located close to the border with Harris County, a significant number of units built in the 1960s and 1970s are in the far southern coastal areas near various petrochemical facilities. These older units are less likely to have mortgage payments and are profitable at lower rents and much higher vacancy rates, contributing to this submarket having the highest vacancy rate.

The apartment market in the Southern submarket is also balanced, with an 11.9-percent vacancy rate, up from 9.0 percent a year earlier, when conditions were slightly tight (Figure 31). Absorption of apartment units during the

Table 18. Rental and Apartment Market Quick Facts in the Southern Submarket

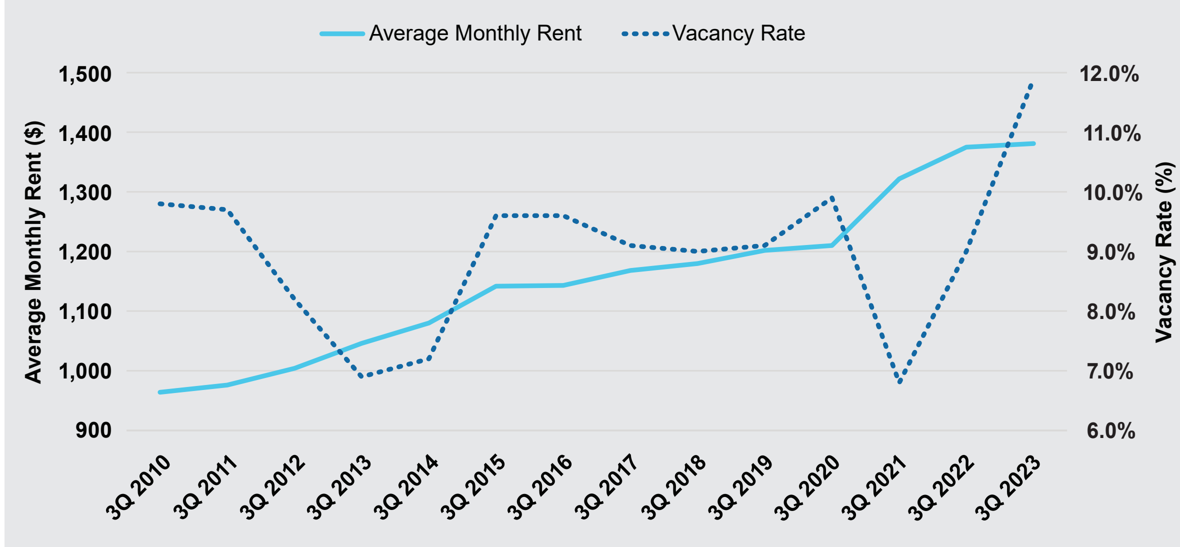
		2020 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	11.5	11.7
		2021 (%)	**2022 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	40	38
	Multifamily (2–4 Units)	10	10
	Multifamily (5+ Units)	43	47
	Other (Including Mobile Homes)	7	5
		2023 3Q	**YoY Change**
Apartment Market Quick Facts	**Apartment Vacancy Rate**	11.9	2.9
	Average Rent	$1,381	0.4%
	Studio	$1,065	0.2%
	One-Bedroom	$1,199	-0.1%
	Two-Bedroom	$1,518	0.3%
	Three-Bedroom	$1,873	1.2%

YoY= year-over-year. 3Q = third quarter.
Notes: The current date is October 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2021 and 2022 American Community Survey 1-year data; apartment data—CoStar Group

12 months ending September 2023 totaled more than 2,650 units, representing an increase from 1,100 units absorbed in the previous 12 months. Though absorption has increased recently, vacancy rates are increasing because the submarket had a record of 5,100 apartment units delivered during the past 12 months.

As the area was recovering from the Great Recession, the apartment market in the Southern submarket was balanced, with a 9.8-percent vacancy rate as of the third quarter of 2010. With increasing energy prices globally driving in-migration to the Houston HMA, the apartment market in the Southern submarket tightened, and as of the third quarter of 2013, the apartment vacancy rate was down to 6.9 percent. By the third quarter of 2014, the vacancy rate had increased slightly to 7.2 percent, partly because more than 2,000 apartment units entered the market during the preceding 12 months. During 2015, after oil prices started to drop and job growth in the HMA slowed, the vacancy rate rose to 9.6 percent as of the third quarter of 2015, but the market was balanced through 2016. With a slight recovery in energy prices beginning in 2017, the vacancy rate dipped to 9.1 percent by the third quarter of 2019. With the start of the pandemic-related economic downturn, the apartment vacancy rate climbed to 9.9 percent as job losses and increased use of remote work limited new apartment absorption. However, the vacancy rate plummeted to 6.8 percent during 2021 as household formation accelerated.

Figure 31. Apartment Rents and Vacancy Rates in the Southern Submarket



3Q = third quarter.
Source: CoStar Group

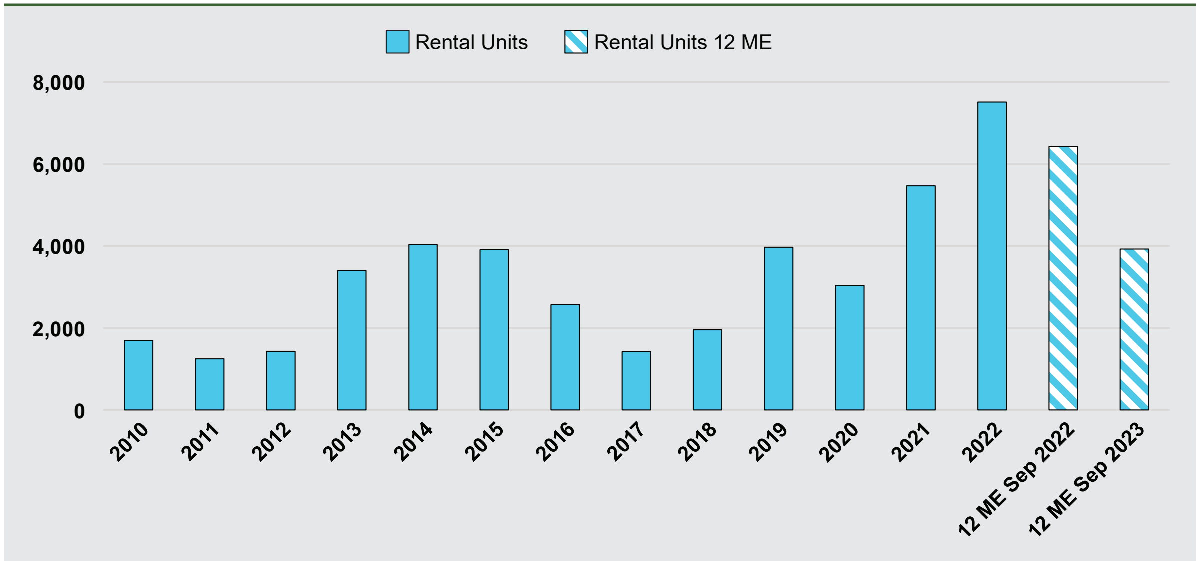
The average rent for an apartment in the Southern submarket as of the third quarter of 2023 was $1,381, up by $6, or less than 1 percent, compared with the third quarter of 2022. This slight increase represents a sharp slowdown from the previous 2 years, when the average rent increased by $83, or 7 percent, annually. From 2010 through 2015, the average rent for an apartment increased by $36, or 3 percent, annually. With slower economic growth in the second half of the decade, rent growth averaged just $14, or 1 percent, annually from the third quarter of 2015 to the third quarter of 2020.

During the 12 months ending September 2023, building activity, as measured by the number of rental units permitted, totaled 3,925, reflecting a decline of 2,500, or nearly 39 percent, from the previous 12 months. Slowing absorption and rising vacancy rates caused developers to reduce production during this period (Figure 32). Even with a large decline in permitting activity during the past year, rental building activity is still relatively high by historical standards. From 2010 through 2012, an average of 1,450 rental units were permitted annually; from 2013 through 2015, the number of rental units permitted more than doubled to an average of 3,775 annually. Because of slowing economic growth and a rising vacancy rate, developers pulled back on production, and from 2016 through 2018, an average of 1,975 rental units were permitted annually. Even as the vacancy rates increased during 2019, developers increased production because declining interest rates made more projects economically viable. An average of 4,150 rental units were permitted annually in the Southern submarket from 2019 through 2021.

Recent developments in this submarket include many new single-family BFR units, which are a new and fast-growing segment of the rental market. Pradera Oaks in Brazoria County is currently underway, with 71 percent of its 812 units completed. This development has three- and four-bedroom single-family homes with rents ranging from $1,900 to $2,199 a month. The Kippford at Kemah Crossing is a recently completed 360-unit, garden-style apartment development located in the city of Kemah in northern Galveston County. Rents at this property range from $1,383 for a one-bedroom unit to $3,015 for a three-bedroom unit.

Demand is estimated for 11,200 new rental units in this submarket during the 3-year forecast period (Table 19). The 6,300 units under construction will satisfy a portion of that demand. Most new apartment units in this submarket will be built near the Harris County line along major transportation routes, whereas the burgeoning market segment of single-family homes built for rent will likely be more dispersed throughout the submarket.

Figure 32. Annual Rental Permitting Activity in the Southern Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 19. Demand for New Rental Units in the Southern Submarket During the Forecast Period

	Rental Units
Demand	11,200 Units
Under Construction	6,300 Units

Note: The forecast period is October 1, 2023, to October 1, 2026.
Source: Estimates by the analyst

Rental Market—Northern Submarket

The overall rental market in the Northern submarket is currently balanced, with a 10.2-percent vacancy rate, down from 10.7 percent in April 2020, when conditions were also balanced (Table 20). Approximately 45 percent of all rental units in this submarket are in buildings with five or more units, typically apartments, the lowest percentage of any of the submarkets. More than 92 percent of all renter households who live in a building with five or more units reside in Montgomery County.

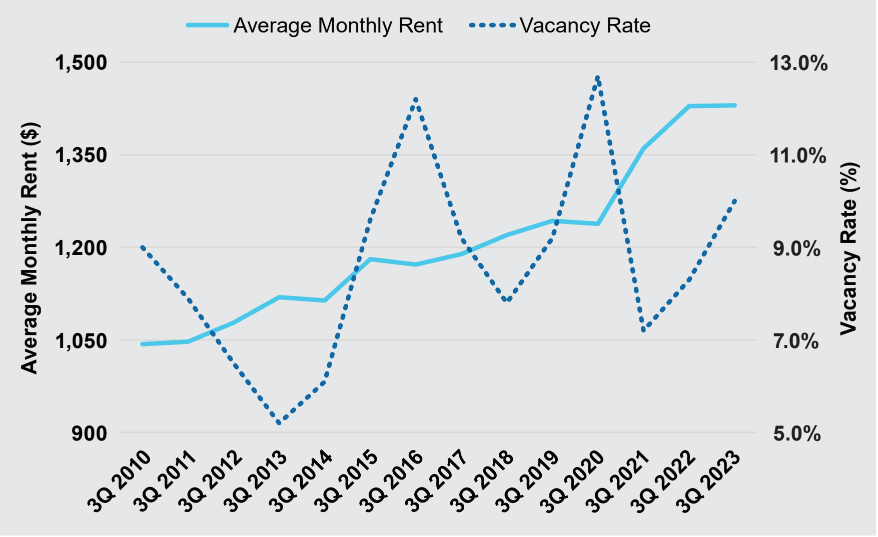
The apartment market in the Northern submarket is also balanced, with a 10.0-percent vacancy rate, up from 8.3 percent a year earlier, when conditions were slightly tight. Absorption of apartment units during the 12 months ending September 2023 totaled more than 1,550 units, representing an increase from the 1,450 units absorbed during the previous 12 months but below the 3,650 rental units absorbed during the 12 months ending September 2021. As rental demand was recovering from the Great Recession, the apartment market in the Northern submarket was balanced, with a vacancy rate of 9.0 percent as of the third quarter of 2010. With increasing energy prices contributing to net in-migration, the apartment market in the Northern submarket tightened significantly. By the third quarter of 2013, the apartment market was tight, with a 5.2-percent vacancy rate. As the local economy slowed, the apartment market turned slightly soft, and the vacancy rate increased to 12.2 percent as of the third quarter of 2016. The rising vacancy rates resulted in developers reducing production. The local economy began to recover, which caused the apartment market in this fast-growing submarket to become slightly tight, with a 7.8-percent vacancy rate as of the third quarter of 2018. As the apartment market tightened, developers began to increase production during 2019. Coupled with the onset of the pandemic during 2020 and a slowdown in new renter household formation, the apartment market in this submarket softened once again, with a 12.7-percent vacancy rate as of the third quarter of 2020. However, the soft apartment market conditions did not persist. Rapid renter household growth during the latter half of 2020 and early 2021 contributed to the apartment market tightening, and the apartment vacancy rate declined to 7.2 percent as of the third quarter of 2021. Figure 33 shows apartment rents and vacancy rates in the Northern submarket.

Table 20. Rental and Apartment Market Quick Facts in the Northern Submarket

Rental Market Quick Facts		2020 (%)	Current (%)
	Rental Vacancy Rate	10.7	10.2
		2021 (%)	2022 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	30	31
	Multifamily (2–4 Units)	7	8
	Multifamily (5+ Units)	43	45
	Other (Including Mobile Homes)	20	16
Apartment Market Quick Facts		2023 3Q	YoY Change
	Apartment Vacancy Rate	10.0	1.7
	Average Rent	$1,430	0.0%
	Studio	$1,054	8.0%
	One-Bedroom	$1,235	0.5%
	Two-Bedroom	$1,546	-0.5%
	Three-Bedroom	$1,989	-0.1%

YoY= year-over-year. 3Q = third quarter.
Notes: The current date is October 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2021 and 2022 American Community Survey 1-year data; apartment data—CoStar Group

Figure 33. Apartment Rents and Vacancy Rates in the Northern Submarket

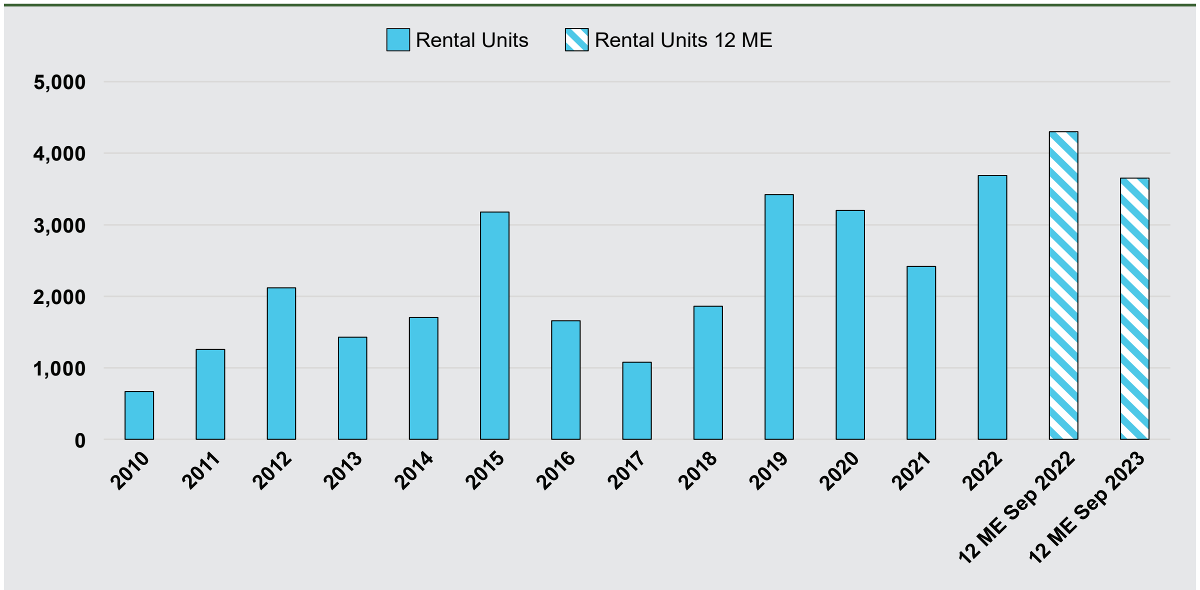


3Q = third quarter.
Source: CoStar Group

The average rent for an apartment in the Northern submarket as of the third quarter of 2023 was $1,430, up by $1, or essentially unchanged compared with the third quarter of 2022, when the average rent increased 5 percent. More than 56 percent of all apartment units in the Northern submarket have been built in the past 15 years, compared with 45 percent in the Southern submarket and less than 30 percent in the Central submarket. With such a high percentage of newer, higher-priced units coming on line, the Northern submarket has had the highest average rent among the three submarkets since the third quarter of 2010, when the average apartment rent was $1,043. By the third quarter of 2013, the average rent had increased by $25, or 2 percent, annually to $1,119. During the next 4 years, the general trend for apartment rents was upward, and by the third quarter of 2017, the average rent in this submarket had increased to $1,189, an overall increase of $18, or 2 percent, annually. During the next 2 years of improving economic growth, the average rent increased by $27, or 2 percent, annually to $1,243 as of the third quarter of 2019. A sharp increase in the apartment vacancy rate, caused by the onset of the pandemic, resulted in the average rent in this submarket declining by $5, or less than 1 percent, to $1,238 by the third quarter of 2020. As the local economy began to recover, rents rebounded sharply, and the apartment market tightened. As of the third quarter of 2021, the average rent for an apartment was up by $122, or nearly 10 percent, to $1,360.

During the 12 months ending September 2023, building activity, as measured by the number of rental units permitted, totaled 3,650, representing a decline of 650, or nearly 15 percent, from the previous 12 months. Rising vacancy rates caused developers to reduce production during this period (Figure 34). Even with the recent decline in rental unit construction, production levels are high by historical standards to accommodate the strong household growth in this submarket; however, owner households accounted for most of the household growth in this submarket during these years. From 2010 through 2014, an average of 1,425 rental units were permitted annually in the Northern submarket. During 2015, 3,175 rental units were permitted. The surge in production was to accommodate the development of large employment centers along the Interstate 45 corridor in this submarket due to the opening of the ExxonMobil corporate campus. Following this surge in production and the drop in the price of oil that impacted the local economy, production declined to an average of 1,525 units annually from 2016 through 2018. With improving economic conditions and increasing rates of renter household growth, developers increased production once more, and from 2019 through 2021, the number of rental units permitted averaged 3,025 units annually.

Figure 34. Annual Rental Permitting Activity in the Northern Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

The Northern submarket has also had numerous single-family BFR developments recently. In the city of Conroe, the 120-home Village at Granger Pines is nearing completion. This development has three- and four-bedroom single-family homes with rents ranging from $1,850 to $2,345 a month. Near The Woodlands, which has a large concentration of employment, many dense, walkable developments have been built, similar to areas in the Central submarket. One of the newer apartment buildings in this area is the eight-story, 429-unit Modera Six Pines. Rents at this property range from $1,595 for a studio unit to $9,600 for a 3,675-square-foot, three-bedroom unit.

During the 3-year forecast period, demand is estimated for 9,875 new rental units in the Northern submarket (Table 21). The 4,100 units under construction will satisfy a portion of that demand. Most new apartment units in this submarket will continue to be built in Montgomery County.

Table 21. Demand for New Rental Units in the Northern Submarket During the Forecast Period

	Rental Units
Demand	9,875 Units
Under Construction	4,100 Units

Note: The forecast period is October 1, 2023, to October 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
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.
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.
Forecast Period	October 1, 2023–October 1, 2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.

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.
2.	Urbanized areas are defined using the U.S. Census Bureau 2020 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.

D. Photo/Map Credits

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