

1Q24

Houston Multifamily Market Report



NEWMARK

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01 | Newmark Houston Overview

NEWMARK



Over a Century of Combined Experience



PURVESH GOSALIA
Vice Chairman



RUSSELL JONES
Vice Chairman



DAVID MITCHELL
Vice Chairman



DAVID SCHWARZ
Vice Chairman



MATT SAUNDERS
Vice Chairman



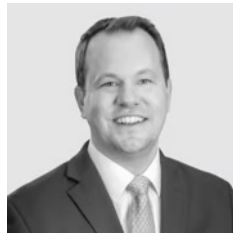
TIP STRICKLAND
Vice Chairman



BRANDON MILLER
Executive Managing Director



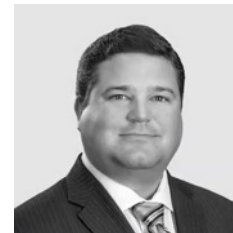
BRAD SHAFFER
Executive Managing Director



BEN JOHNSON
Managing Director



THOMAS ALLEMAN
Senior Managing Director



DILLON MILLS
Managing Director



CARTER MIZELL
Director

160+

Newmark Houston's Investment Sales and Capital Markets Brokers Have 160+ Years of Combined Experience Selling and Financing Multifamily in Houston

Newmark Houston Multifamily Capital Markets Team

Institutional Sales

DAVID MITCHELL
Vice Chairman

THOMAS ALLEMAN
Senior Managing Director

Private Client Group

RUSSELL JONES
Vice Chairman

MATT SAUNDERS
Vice Chairman

CARTER MIZELL
Director

Equity

BEN JOHNSON
Managing Director

Land

DILLON MILLS
Director

Transaction Team

JONATHAN POWELL
Transaction Manager

ANTHONY LUKEFAHR
Transaction Manager

CHIRAG BATAVIA
Senior Financial Analyst

REESE ELLER
Senior Financial Analyst

DUNCAN GUINN
Financial Analyst

Debt & Structured Finance

TIP STRICKLAND
Vice Chairman

DAVID SCHWARZ
Vice Chairman

PURVESH GOSALIA
Vice Chairman

KEVIN AMEND
Vice President

ANDY CAREY
Vice President

JOHN YOUNG
Senior Financial Analyst

HAYDEN HEDRICK
Financial Analyst

MORGAN MYERS
Administrative Assistant

Secondary Markets

BRAD SHAFFER
Executive Managing Director

BRANDON MILLER
Executive Managing Director

TAYLOR GASPARD
Transaction Manager

Marketing

ELIZABETH AHOW
Senior Marketing Coordinator

CLAUDIA VILLA
Senior Marketing Coordinator

SEAN SONNIER
Senior Marketing Coordinator

Operations

AIMEE HAWTHORNE
Senior Business Operations Manager

MELANIE WHATLEY
Transaction Services Coordinator

RAMONA VOLOVIK
Transaction Coordinator

SYDNEY LITTLE
Transaction Service Coordinator

MEREDITH KNIGHT
Administrative Assistant

KATE PATTERSON
Administrative Assistant

Newmark Houston Market Share

Market Share 2021 to Present

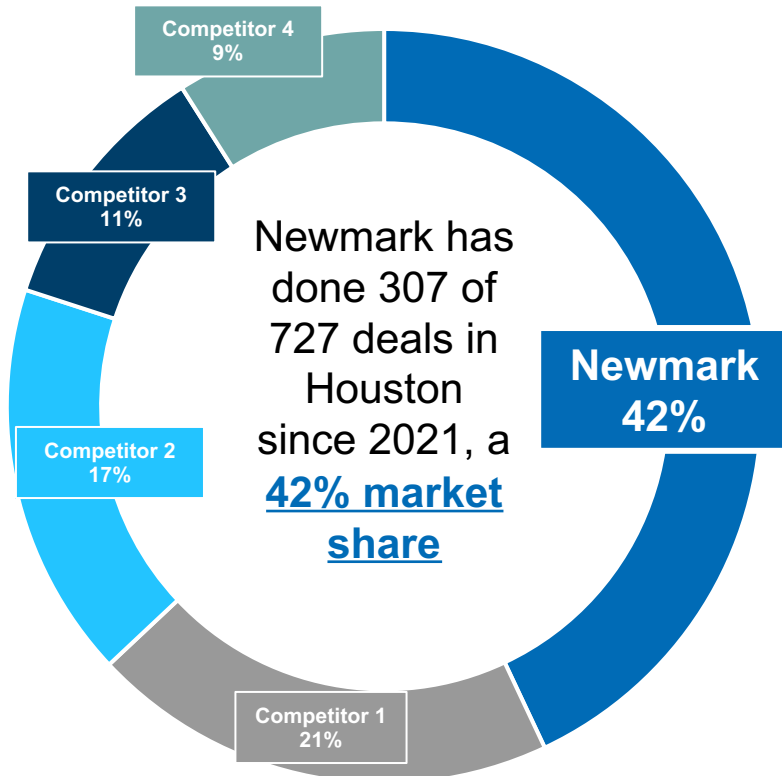
307 Deals Closed

87,670 Units Sold

\$13.3B Sales Volume

171 Class A Transactions

136 Class B/C Transactions



Notable Q1 Transactions

Class A Sales



Bayou on the Bend
2006 YOC
242 Units



Allora Bella Terra
2015 YOC
342 Units



Trestles
1999 YOC
188 Units

Class B/C Sales



Elle Collection Portfolio
1989/1994 YOC
470 Units



Park at Voss
1971 YOC
810 Units

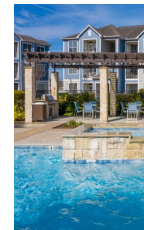


The Lodge
1983 YOC
340 Units

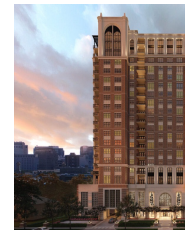
Financing & Equity Placement



Standard at Eastpoint
Debt Fund Execution
2016 YOC
283 Units



Generation Grove
Debt Fund Execution
2013 YOC
257 Units



The Langley
JV Equity & Construction Loan
2025 YOC
134 Units

02 | Houston Economic Overview

NEWMARK



Houston Highlights

Economy

- Already the fourth largest metropolitan statistical area (MSA) in the U.S., Moody's Analytics data shows that Houston is projected to gain 401,000 residents by 2028. Texas is home to eight of the top ten highest-growth counties in the country, with three in the Houston MSA. Harris County led the nation in population growth for 2023, according to the U.S. Census Bureau.
- The U.S. Census Bureau and Moody's rank the Houston region as among the top five nationally for employment growth, with Moody's Analytics **ranking Houston 1st among the 20 largest metros from 2024–2028, at an average annual job gain of nearly 37,000 per year.**
- Moody's Analytics projects **Houston to have the highest population growth for any U.S. city from 2024–2028.**
- The Texas Medical Center's 500-acre development, TMC BioPort, which will focus on cell and gene therapy, biomanufacturing and medical supplies distribution, is anticipated to create 100,000 jobs and have an annual economic impact of \$54 billion.
- With near record home values as well as elevated mortgage rates, the average monthly PITI payment in Houston is \$3,470, nearly triple the average multifamily rent of \$1,264 and double the average Class A rent of \$1,731.

Multifamily

- Class A absorption has remained strong with 17,020 units absorbed over the last 12 months, exceeding its 10-year historical average of 13,136. Through Q1 2024, 3,642 Class A units have been absorbed, an 18.9% increase over the average Q1 Class A absorption from the previous 5 years.
- Effective rents have increased 3.6% in the past 24 months, with Class A rents up around 2.0% annualized through 1Q24. Houston's exceptional population and employment growth, coupled with an undersupply of new construction, have put upward pricing pressure on rents.
- Houston currently has 22,623 units under construction, representing 3.0% of total inventory in the MSA (753,050 units). **Houston leads other major Texas metropolitan areas in this category** with Dallas at 4.1% and Austin at 9.3%.

Houston Is Set Up For Continued Growth

The nation's fourth largest city is home to one of the world's youngest, fastest-growing and most diverse populations, creating a cultural identity and way of life that is uniquely "Houston." Houston has been a center for world-changing innovations in energy, aerospace and life sciences for decades. Science and engineering breakthroughs are ingrained in the fabric of Houston's economy, and the region is fast-becoming a hub for high-tech companies, entrepreneurship, and talent.

STRONG, DIVERSE ECONOMY

4th Largest U.S. City

3.4M Jobs

\$513B Gross Domestic Product

GLOBAL CITY

90+ Foreign Consulates

2 International Airports

#1 U.S. Exporting Port

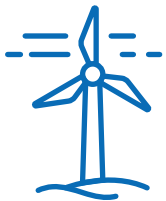
HOME TO:

- WORLD'S LARGEST MEDICAL CENTER
- NASA'S JOHNSON SPACE CENTER AND HOUSTON SPACEPORT
- 26 FORTUNE 500 HEADQUARTERS

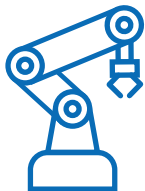
FASTEST GROWING MAJOR U.S. METRO

MOST DIVERSE CITY IN AMERICA

INDUSTRY CONVERGENCE



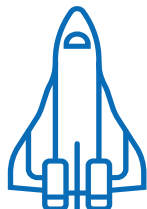
Energy 2.0



Advanced Manufacturing



Life Sciences



Aerospace

BUSINESS CLIMATE

LOW COST OF LIVING

NO PERSONAL & CORPORATE INCOME TAX

#7 Global City of the Future

POPULATION

7.5M

Residents

1 in 4

Houstonians are foreign-born

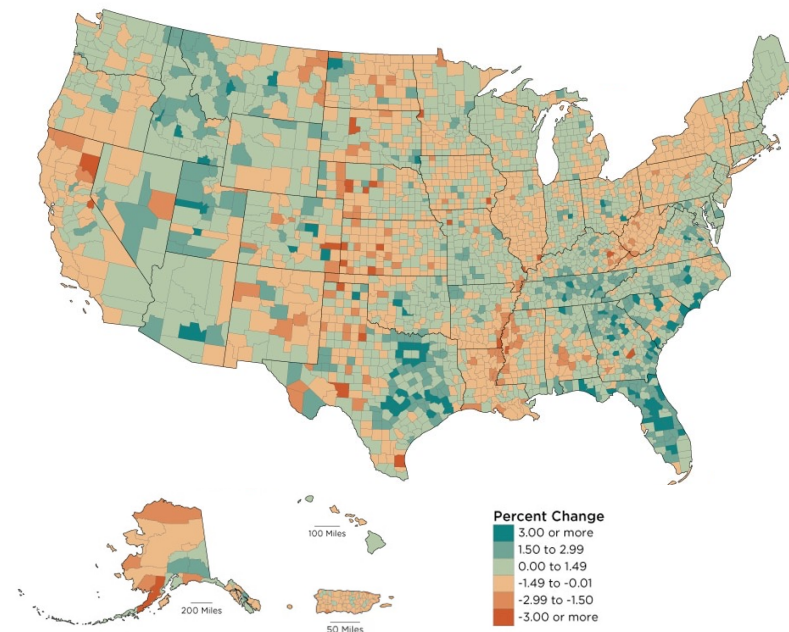
Nation-Leading Projected Population Growth

Metro (2024-2028)	Population Growth (ths)	Population Growth	Average Annual Gain/Loss ¹
1 Houston	401.3	5.3%	100.3
2 Phoenix	332.5	6.5%	83.1
3 Dallas	302.2	5.5%	75.5
4 Atlanta	250.1	3.9%	62.5
5 Seattle	121.0	3.9%	30.2
6 Tampa	115.8	3.5%	28.9
7 Denver	113.4	3.7%	28.3
8 Minneapolis	101.5	2.7%	25.4
9 Riverside	98.4	2.1%	24.6
10 Washington D.C.	94.6	1.9%	23.7
11 Miami	74.2	2.7%	18.6
12 San Francisco	31.6	2.0%	7.9
13 New York	26.6	0.2%	6.6
14 Boston	14.6	0.7%	3.6
15 Baltimore	7.6	0.3%	1.9
16 Los Angeles	6.9	0.1%	1.7
17 San Diego	3.4	0.1%	0.8
18 Philadelphia	-2.3	-0.1%	-0.6
19 Detroit	-62.9	-3.6%	-15.7
20 Chicago	-103.4	-1.4%	-25.8

- According to Moody’s Analytics, **Houston ranks first** among the 20 largest U.S. metros for projected total population increase (2024–2028).
- With over 7.5 million residents, Houston is the fourth largest metro area in the US.
- Houston has averaged 1.16% annual population growth since 2017 and is projected to grow at an average annual rate of 1.04% over the next five years.

Counties With Highest Population Growth in The Nation

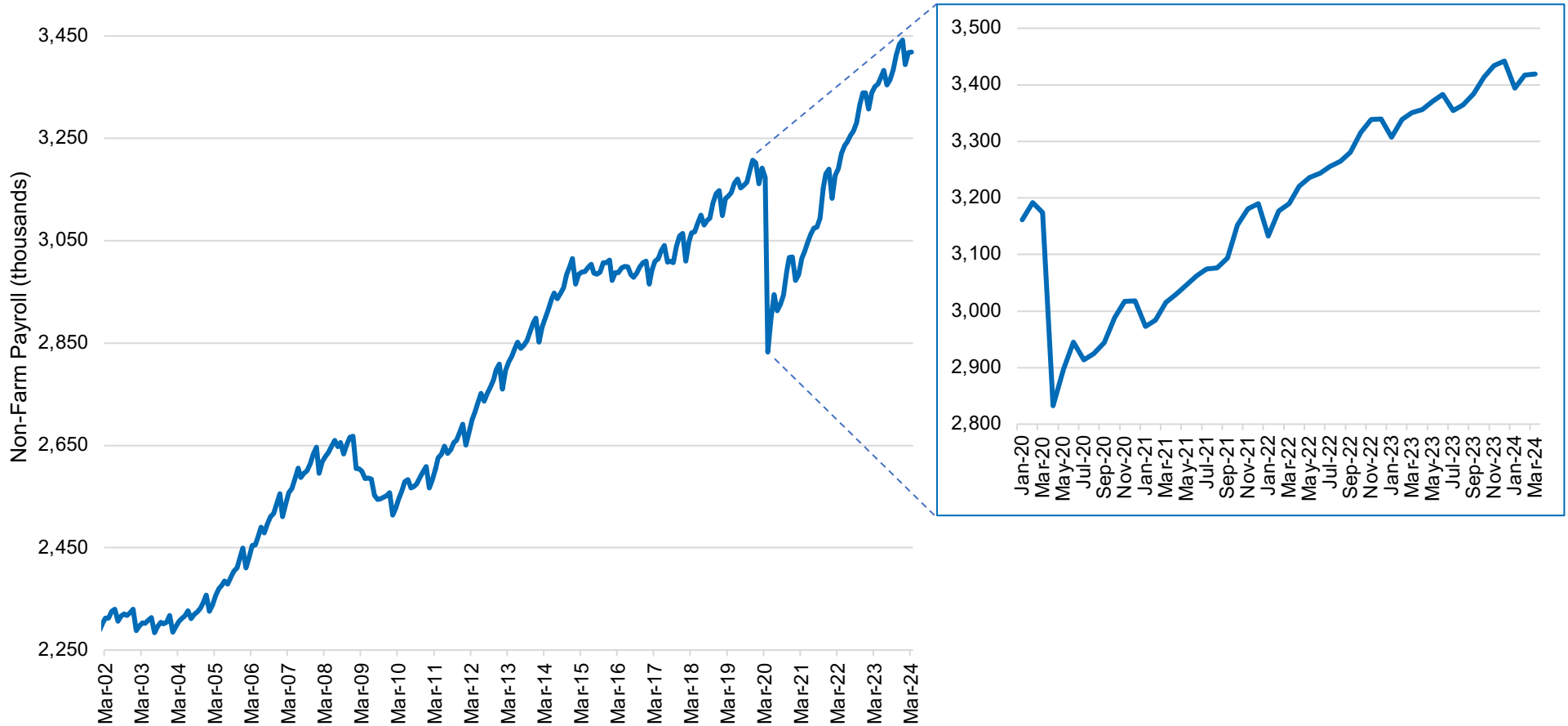
Rank	State	County	Jul-22	Jul-23	Numeric Growth	Percent Growth
1	Texas	Harris County	4,781,337	4,835,125	53,788	1.12%
2	Texas	Collin County	1,158,995	1,195,359	36,364	3.14%
3	Texas	Montgomery County	679,554	711,354	31,800	4.68%
4	Arizona	Maricopa County	4,555,833	4,585,871	30,038	0.66%
5	Florida	Polk County	788,382	818,330	29,948	3.80%
6	Texas	Denton County	977,760	1,007,703	29,943	3.06%
7	Texas	Fort Bend County	888,919	916,778	27,859	3.13%
8	Texas	Bexar County	2,060,191	2,087,679	27,488	1.33%
9	Texas	Tarrant County	2,155,646	2,182,947	27,301	1.27%
10	Texas	Williamson County	672,273	697,191	24,918	3.71%



- Texas is home to eight of the top ten highest-growth counties in the country, **with three in the Houston MSA**, three in Dallas-Fort Worth, one in San Antonio, and one in the greater Austin area.
- Harris County added 53,788 residents from July 2022 to July 2023, more than any other county in the U.S. Nearby Montgomery and Fort Bend counties also had significant gains, ranking #3 and #7 in numeric growth, respectively.

Metro Employment Update

Houston Historical Non-Farm Payroll



- In February 2024, the U.S. Bureau of Labor Statistics reported a monthly gain of 23,400 jobs in Houston, resulting in the third highest recorded non-farm payroll numbers in the city's history.
- Houston lost 359,000 jobs during the /Pandemic, but as of February 2024 had added back 585,100 jobs, nearly 163% of the number lost.
- **Houston gained over 172,000 and 145,000 jobs in 2021 and 2022, respectively. This marks the best annual job growth for the region since 1990. Over the last 12 months, Houston has gained over 78,000 jobs.**

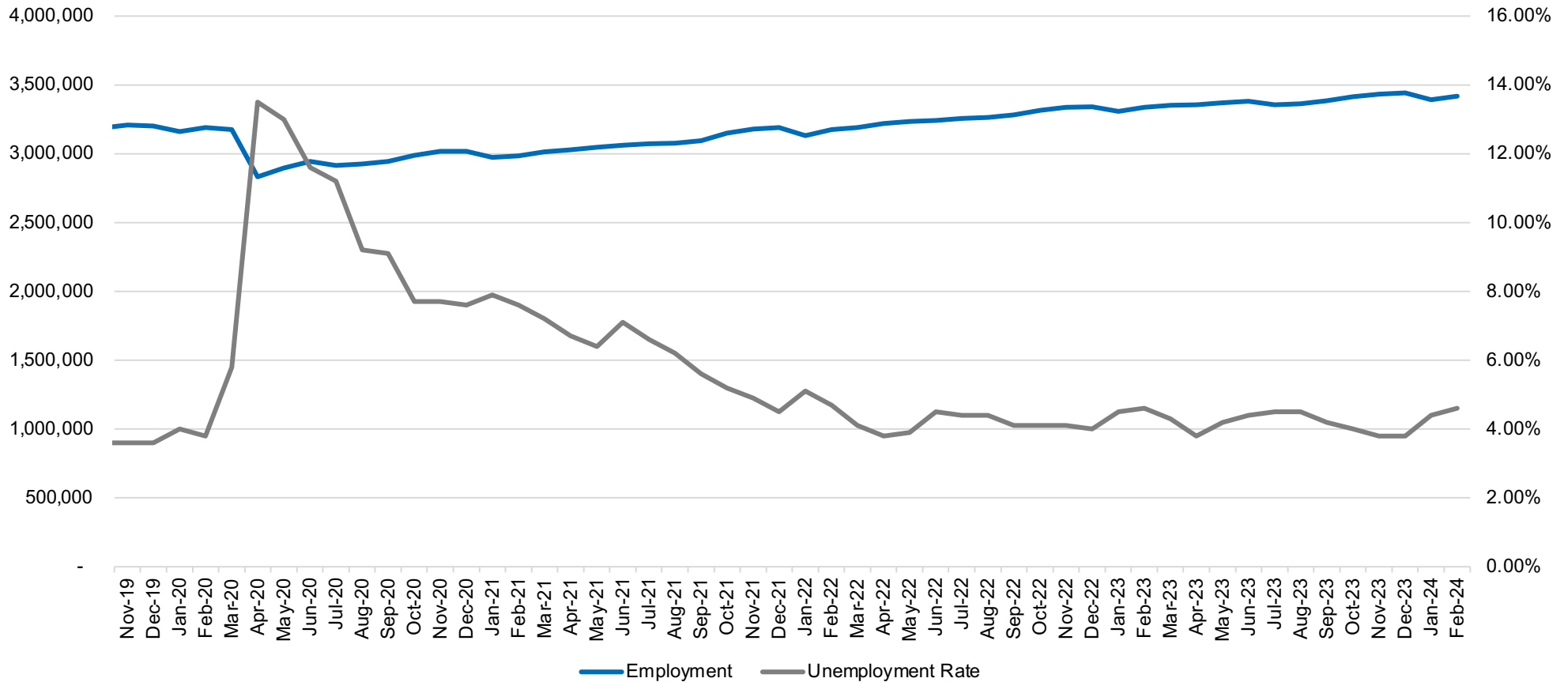
Metro Employment Update

Metro (2024–2028)	Employment Growth (ths)	Employment Growth	Average Annual Job Growth
1 Houston	147.3	4.3%	36.8
2 Phoenix	131.0	5.4%	32.8
3 Dallas	123.3	3.9%	30.8
4 Atlanta	95.3	3.1%	23.8
5 Denver	58.4	3.7%	14.6
6 Seattle	51.3	2.8%	12.8
7 Los Angeles	49.6	1.1%	12.4
8 Tampa	49.1	3.2%	12.3
9 Miami	48.0	3.6%	12.0
10 Washington D.C.	46.4	1.7%	11.6
11 Riverside	39.4	2.3%	9.9
12 Minneapolis	35.0	1.7%	8.8
13 San Francisco	30.1	2.5%	7.5
14 Boston	27.8	2.1%	6.9
15 San Diego	19.6	1.2%	4.9
16 Chicago	10.2	0.3%	2.6
17 Baltimore	10.1	0.7%	2.5
18 Philadelphia	8.4	0.8%	2.1
19 New York	8.3	0.1%	2.1
20 Detroit	-11.5	-1.5%	-2.9

Moody’s Analytics projects that from 2024 to 2028, Houston will add 147,000 jobs and show the highest employment growth in the U.S. In addition, Greater Houston Partnership projects 2024 Houston employment gains of 57,600 jobs.

Metro Employment Update

Houston Labor Force & Unemployment Rate



- The Houston MSA unemployment rate was 4.6% in February 2024, 1.3% lower than the monthly average since the pandemic began.
- **State-wide unemployment was 3.9% in February 2024** (Texas unemployment peaked at 12.8% in April 2020).
- U.S. unemployment was 3.9% in February 2024 (U.S. unemployment peaked at 14.7% in April 2020).

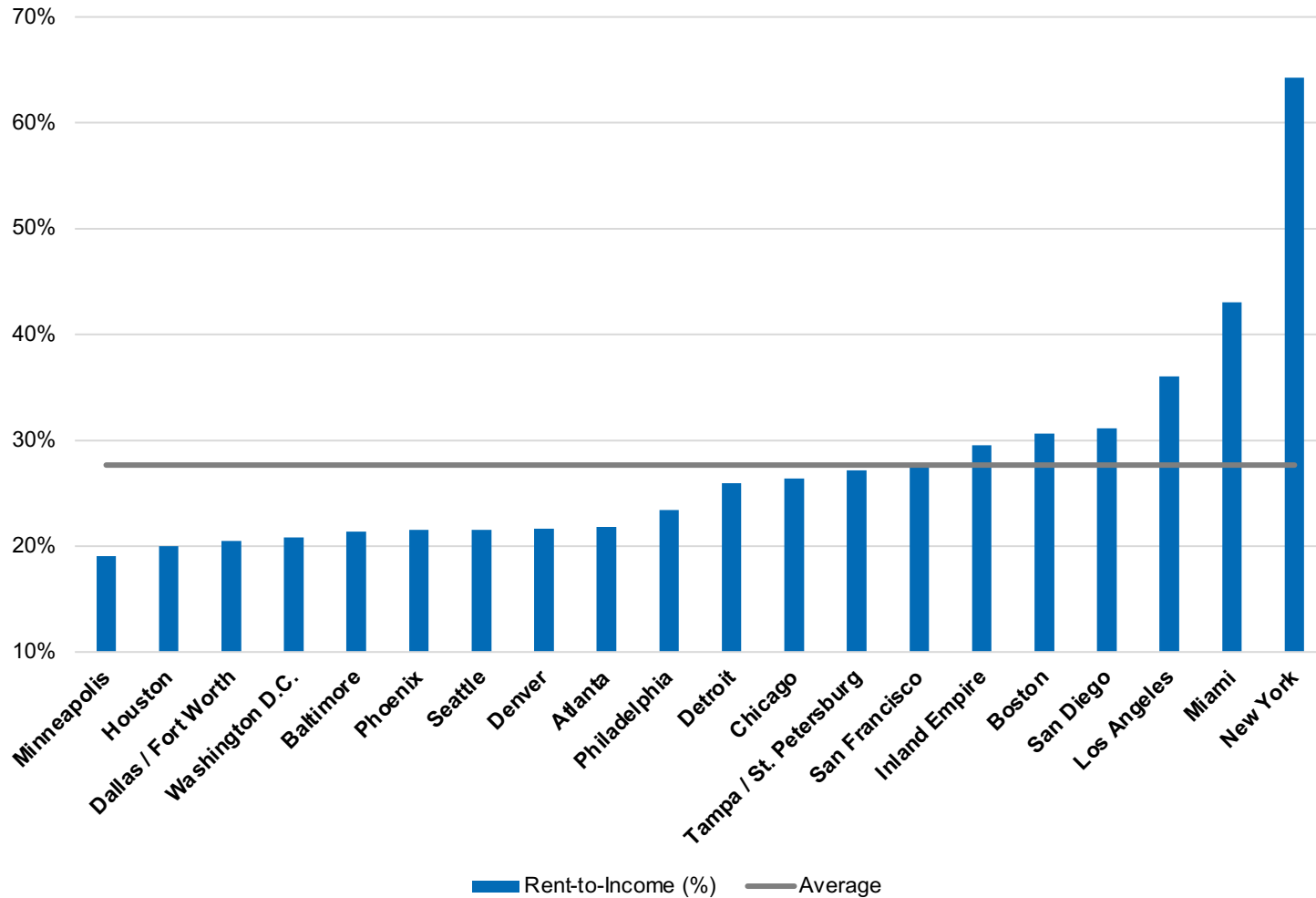
Houston Wages Growing Faster Than Rents

	Metro Area	Increase in Wages (2022-2023)	Increase in Rents (2022-2023)	Percentage Point Difference
1	San Jose, CA	6.6%	0.8%	5.8
2	Houston, TX	8.0%	2.7%	5.3
3	Salt Lake City, UT	5.5%	0.8%	4.7
4	Austin, TX	2.4%	-2.3%	4.7
5	Raleigh, NC	4.9%	1.1%	3.8
6	San Antonio, TX	3.6%	0.3%	3.3
7	Portland, OR	2.9%	-0.2%	3.1
8	Minneapolis, MN	5.6%	2.7%	2.9
9	Riverside, CA	5.9%	3.1%	2.8
10	Charlotte, NC	4.5%	1.7%	2.8
	United States	4.3%	3.4%	0.9

Houston saw the greatest annual wage growth of any metro — nearly double the national average — and was one of only four markets where wages outperformed rents consistently both year-over-year and since before the pandemic. Wage growth above the pace of rent growth, in addition to strong job gains, helped the Houston metro area rank second in the nation for population growth in 2023, according to U.S. Census Bureau data.

Affordability Metrics

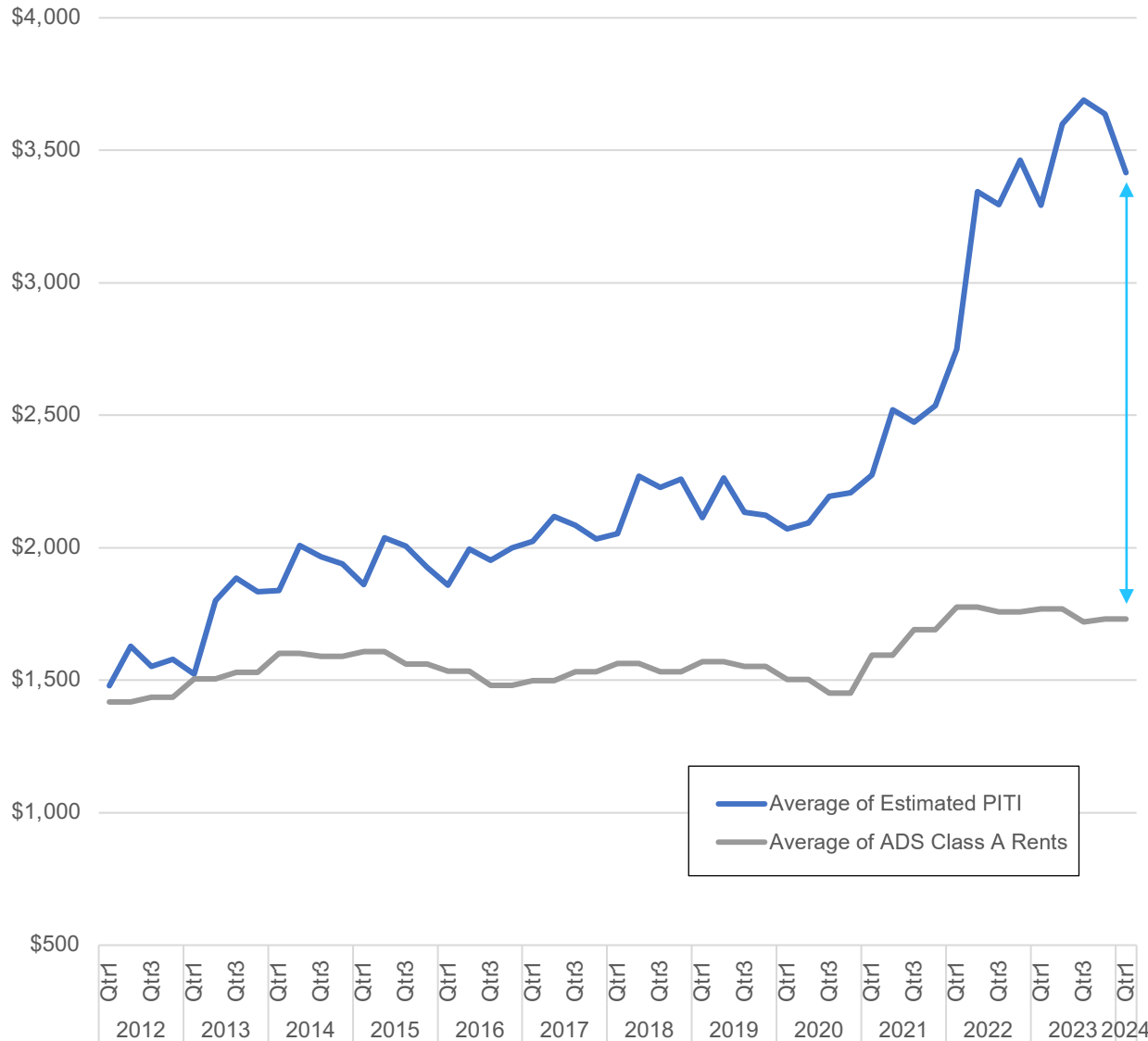
20 U.S. Metro Rent-to-Income Ratio



Houston ranks second nationwide in rental affordability, with a 19.9% rent-to-income ratio compared to an average of 27.7% across the 20 largest metro areas.

Single-Family Market

Houston Metro – Rent vs. Own



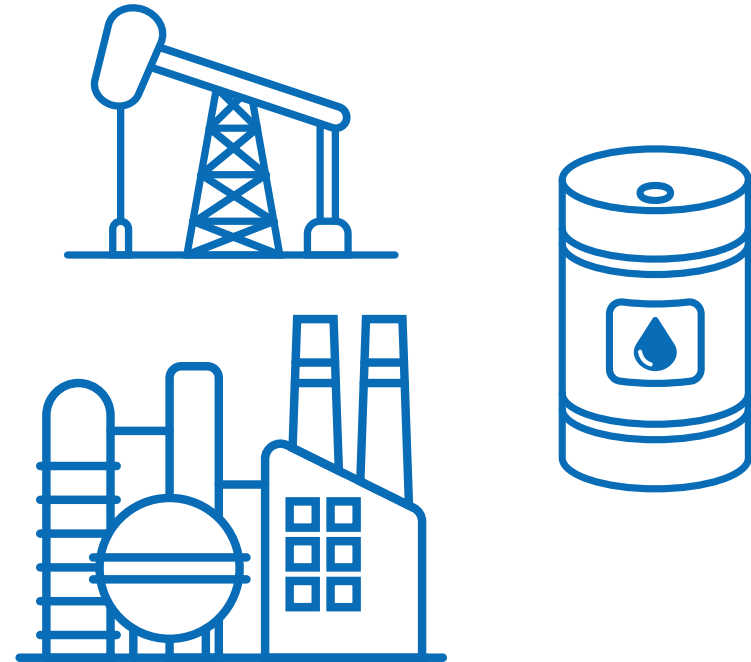
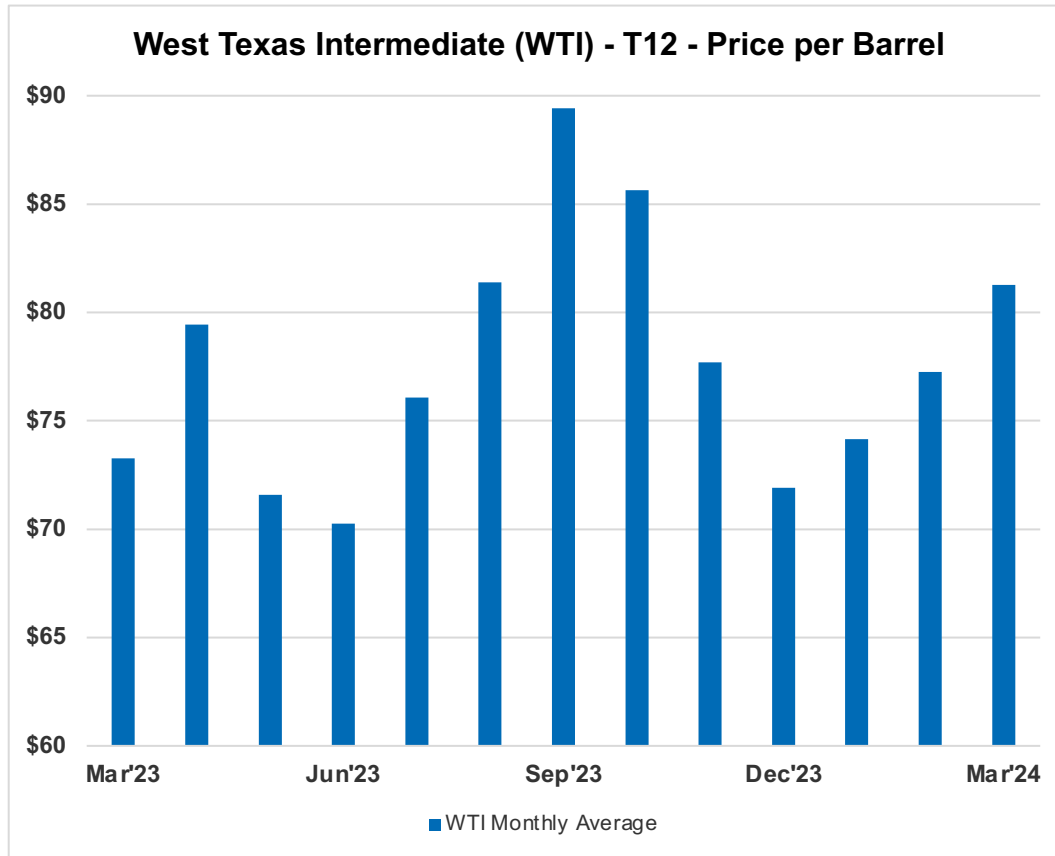
- As of March 2024, the 30-year fixed rate mortgage average was 6.79%, an increase of 414 bps from the Covid-era interest rate bottom.
- Despite the higher rate environment, the average Houston home value of \$399,300 is near historical highs, according to the latest data from the Texas Real Estate Research Center.
- Nearly record home values, coupled with high interest rates, have resulted in average mortgage payments that are significantly higher than average multifamily rents, reinforcing the relative affordability of renting over home ownership.
- Today, the average monthly PITI payment in Houston is \$3,470, nearly triple the average multifamily rent of \$1,264 and double the average Class A rent of \$1,731. **The gap between current Class A rents and estimated PITI for a new homebuyer is nearly the widest it has been in recent history.**

SOURCE: Texas Real Estate Research Center, Freddie Mac, Apartment Data Services

PITI ESTIMATE ASSUMPTIONS: 10% down payment, homeowner’s insurance at 1% of home value, mill rate of 2.25%, PMI of \$50/month

Booming Oil And Gas Industry

The energy capital of the world¹, Houston has benefited greatly from rising oil prices. Over the last 24 months, the West Texas Intermediate (WTI) average oil price was over \$84/bbl. In 1Q24, average oil prices have increased 9.6%. The U.S. Energy Information Administration forecasts WTI to average \$83.78/bbl and \$82.48/bbl in 2024 and 2025, respectively.



“[The increase in prices] makes exploration for oil very profitable. It makes production of oil profitable, and in turn, that makes the production of the equipment, supplies, and so forth necessary to do exploration profitable. And **that is where Houston really benefits.**”

– Edward Friedman, Moody’s Analytics

1: <https://www.houston.org/why-houston/industries/energy>

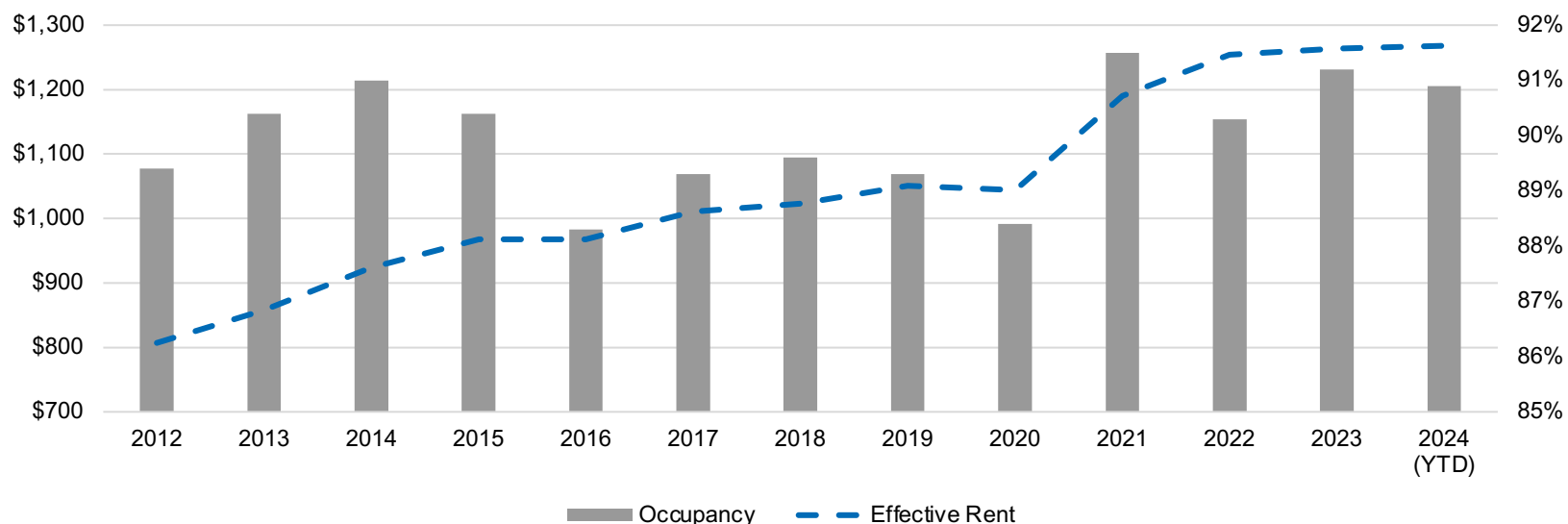
SOURCE: U.S. Energy Information Administration, Houston Chronicle, Houston Business Journal

03 | Houston Multifamily Overview

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Historic Houston Multifamily Fundamentals



Year	Total Units	New Supply	Class A Units Absorbed	Occupancy	Effective Rent
2012	567,022	5,954	2,298	89.4%	\$807
2013	578,257	12,314	3,745	90.4%	\$858
2014	591,782	17,472	7,055	91.0%	\$924
2015	610,560	20,679	11,005	90.4%	\$968
2016	630,722	21,704	12,998	88.3%	\$968
2017	643,163	14,094	17,905	89.3%	\$1,011
2018	651,212	5,656	8,355	89.6%	\$1,023
2019	669,373	17,233	9,104	89.3%	\$1,051
2020	690,126	22,675	12,270	88.4%	\$1,044
2021	709,349	19,941	24,689	91.5%	\$1,190
2022	723,637	15,987	12,938	90.3%	\$1,254
2023	749,981	25,562	16,050	91.2%*	\$1,264
2024 YTD	754,494	16,724**	14,568**	90.9%*	\$1,268
10-Year Avg.	666,991	18,100	13,237	89.8%	\$1,070

* Stabilized occupancy

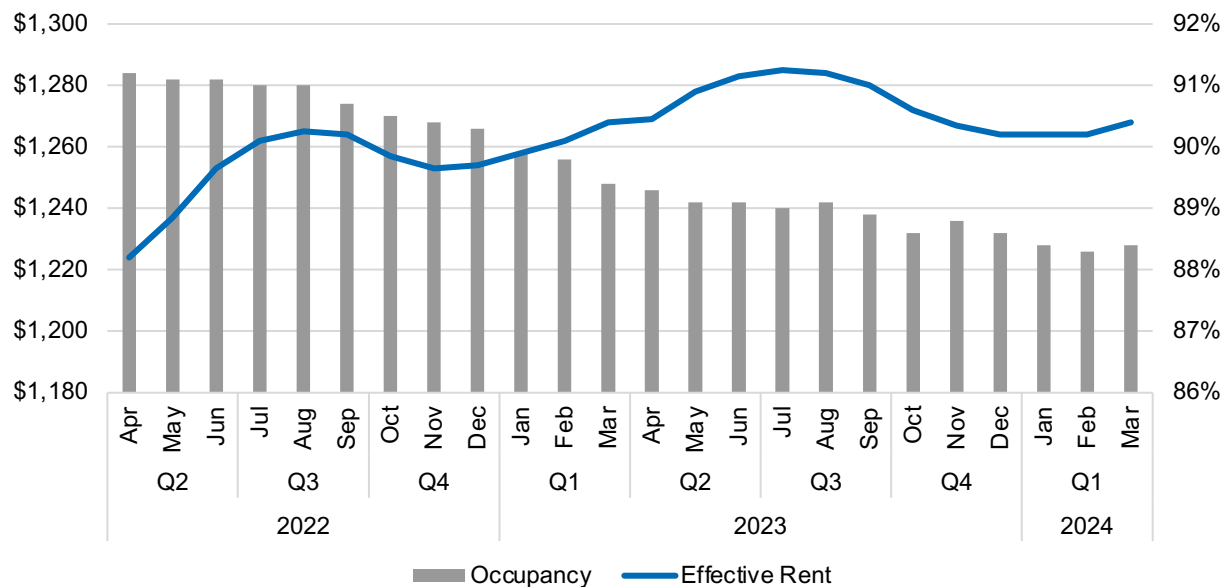
** Annualized

All Classes Multifamily Market Performance

Market Snapshot

Average Rent	\$1,268
Average Rent per SF	\$1.42
Average Occupancy	88.4%
2021 to Present: New Units Supply	51,427
2021 to Present: Units Absorbed	55,883

All Classes Effective Rent & Occupancy



- Effective rents for all classes grew 1.0% in 2023, while occupancy remained steady around 90%.
- Rents have fully recovered from pandemic-era lows, and the demand for multifamily has reached unprecedented levels. Houston absorbed 55,883 units since the start of 2021, well above the previous high of 30,000 units in 2017-2018 after Hurricane Harvey.
- Across the MSA, current effective rents have increased 3.6% from Q1 2022. Houston's exceptional population and employment growth, coupled with an undersupply of new construction, have put upward pricing pressure on rents.

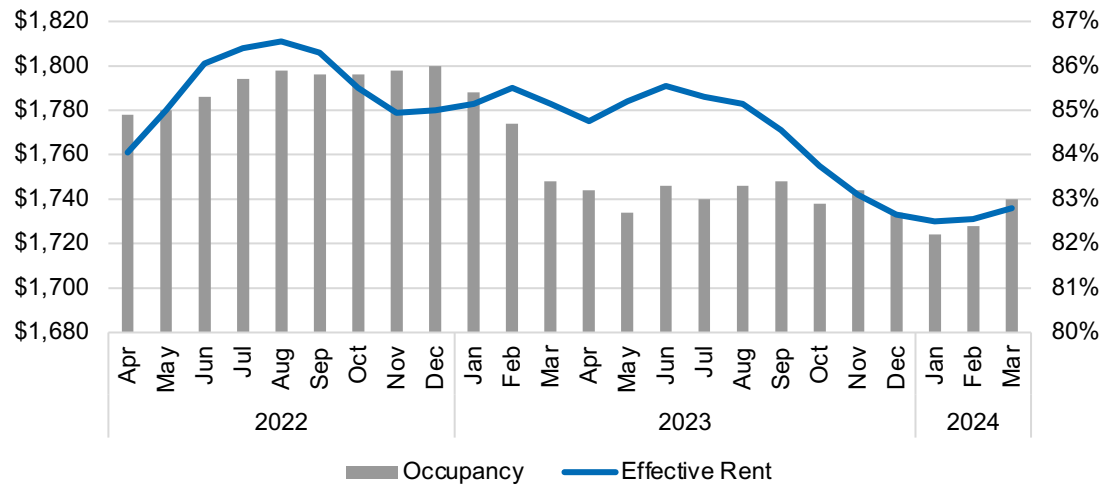
Class A Multifamily Market Performance

Market Snapshot

# of Properties	750
# of Units	197,502
Average Rent	\$1,736
Average Rent PSF	\$1.82
Average Occupancy*	90.9%

*Occupancy based on stabilized properties

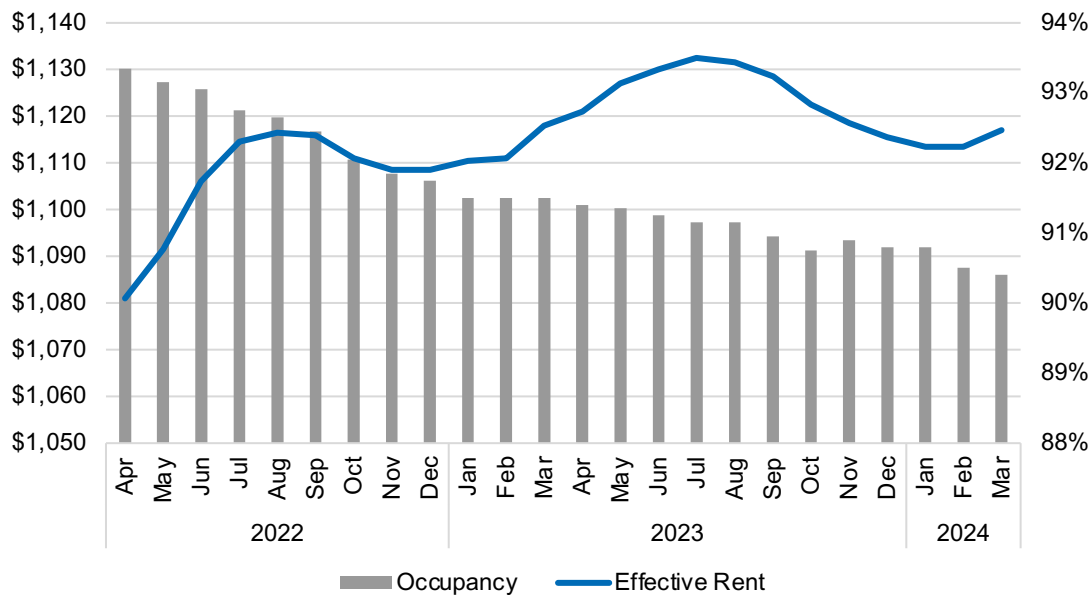
Class A Effective Rent and Occupancy



- Demand for Class A properties has been fueled by a dwindling number of new constructions and rising single family home prices. Class A assets have absorbed 16,846 of all 197,502 units over the trailing 12 months, approximately 8.5%.

Class B/C Multifamily Market Performance

Class B/C Effective Rent & Occupancy



Market Snapshot	Class B	Class C
# of Properties	1,190	859
# of Units	291,420	206,143
Average Rent	\$1,254	\$980
Average Rent PSF	\$1.41	\$1.15
Average Occupancy	91.1%	89.7%
T24 Rent Growth	2.0%	5.0%

- Class B and C rents saw the most stability during the pandemic, falling only 1.42% and 0.24%, respectively.
- Class B occupancy has remained above 91% over the past year.

1Q24 Effective Rent Growth and 2025–2028 Projections

– According to AxioMetrics, 15 of 35 submarkets saw positive rent growth in 1Q24, with even stronger growth forecasted for the next several years.

Axio Submarket	1Q24	2024	2025-2028	Axio Submarket	1Q24	2024	2025-2028
Alief	5.8%	4.8%	4.2%	Galveston/Texas City	-0.2%	4.5%	4.0%
Sharpstown/Fondren Southwest	4.6%	4.8%	4.3%	Sugar Land/Stafford	-0.2%	-2.2%	0.3%
Gulfton/Westbury	3.0%	2.3%	3.5%	Westchase	-0.6%	0.3%	1.1%
Pasadena/Southeast Houston	2.2%	4.1%	4.1%	Cypress/Waller	-0.7%	-2.6%	0.5%
Northwest Houston	2.2%	3.6%	4.0%	The Woodlands	-0.7%	-3.0%	0.0%
Hobby Airport	2.0%	2.3%	3.3%	Greenway/Upper Kirby	-0.8%	-1.8%	-0.1%
Baytown	1.1%	1.1%	2.3%	Bear Creek	-0.9%	-0.4%	1.7%
North Central Houston	1.1%	3.9%	4.1%	Spring/Tomball	-1.1%	0.4%	1.8%
Champions East	0.6%	2.6%	3.3%	Katy	-1.4%	-2.3%	0.2%
Clear Lake	0.4%	0.9%	2.0%	East Inner Loop	-1.4%	-1.4%	0.6%
Memorial	0.4%	-2.0%	-0.1%	Galleria/Uptown	-1.5%	-0.9%	0.5%
Champions West	0.3%	0.1%	1.5%	Humble/Kingwood	-1.5%	0.7%	1.8%
Brazoria County	0.3%	-0.9%	0.4%	Rosenberg/Richmond	-1.8%	-2.2%	0.7%
Northeast Houston	0.3%	3.6%	3.9%	Conroe/Montgomery County	-1.9%	-2.2%	0.3%
Spring Branch	0.2%	0.2%	2.0%	Far West Houston	-1.9%	-0.2%	0.7%
West University/Medical Center/Third Ward	0.0%	-1.7%	0.2%	Downtown/Montrose/River Oaks	-2.0%	-2.4%	0.0%
Friendswood/Pearland	-0.1%	0.7%	1.6%	Greater Heights/Washington Avenue	-2.5%	-2.2%	-0.2%
Houston MSA	-0.1%	0.3%	1.7%	Braeswood Place/Astrodome/South Union	-7.6%	-2.7%	-0.4%

Submarket Construction Pipeline

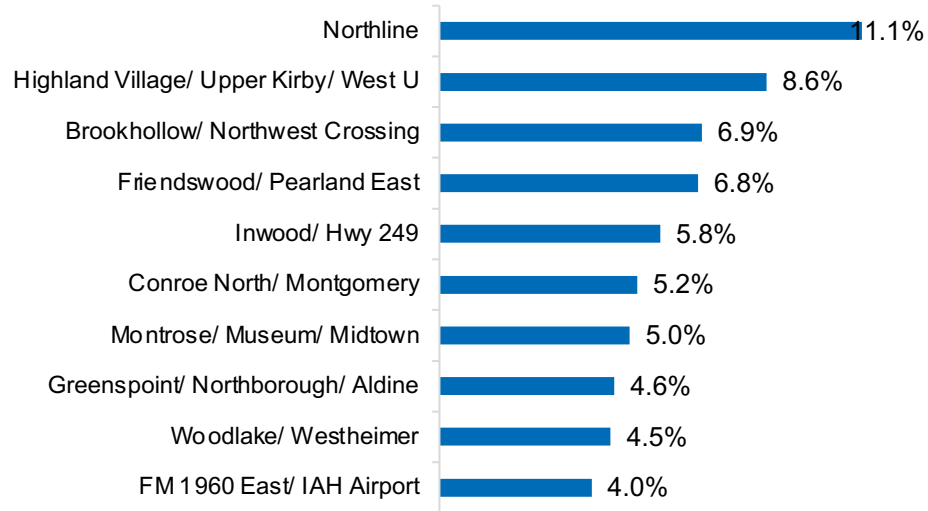
Submarket	Current Occupancy	UNITS DELIVERED			UNITS UNDER CONSTRUCTION			
		2022	2023	2024 (YTD)	2024 Deliveries	2025 Deliveries	2026 Deliveries	Total Deliveries
Infill								
Heights / Washington Ave.	91.2%	1,573	812	0	2,083	350	0	2,433
Montrose/ Museum/ Midtown	89.2%	669	667	395	935	791	0	1,331
Downtown	78.4%	910	655	304	1,216	0	0	912
Highland Village/ Upper Kirby/ West U	93.4%	559	0	0	0	209	0	209
Galleria/ Uptown	90.7%	0	0	0	0	172	0	172
Infill Total		3,711	2,134	699	3,535	1,522	0	5,057
Non-Infill								
Katy/ Cinco Ranch/ Waterside	83.9%	1,411	3,799	714	2,353	1,314	353	4,020
Bear Creek/ Copperfield/ Fairfield	85.8%	1,055	1,780	324	1,251	292	0	1,543
Sugar Land/ Stafford/ Sienna	87.2%	0	970	264	818	661	0	1,479
Energy Corridor/ CityCentre/ Briar Forest	90.3%	648	0	0	1,422	0	0	1,422
Memorial/ Spring Branch	90.0%	361	0	0	1,105	260	0	1,365
Conroe North/ Montgomery	82.7%	317	846	276	649	656	0	1,305
Woodlands/ Conroe South	90.3%	429	264	0	494	568	0	1,062
Clear Lake/ Webster/ League City	89.9%	625	675	0	702	0	0	702
Tomball/ Spring	83.8%	476	1,984	847	231	360	0	591
Beltway 8 / I-45 South	79.0%	0	0	90	489	0	0	489
Northline	89.6%	0	243	0	477	0	0	477
I-69 North	89.6%	384	0	0	376	0	0	376
Brookhollow/ Northwest Crossing	91.6%	0	0	0	0	374	0	374
Alief	89.9%	0	0	120	0	341	0	341
U of H/ I-45 South	91.6%	0	0	106	303	0	0	303
Dickinson/ Galveston	89.7%	0	0	0	296	0	0	296
Pasadena/ Deer Park/ La Porte	87.2%	0	854	0	291	0	0	291
Inwood/ Hwy 249	91.8%	0	300	0	0	272	0	272
Almeda/ South Main	92.5%	0	378	0	230	0	0	230
Hwy 288 South/ Pearland West	87.9%	516	570	0	216	0	0	216
Lake Houston/ Kingwood	87.7%	447	596	611	0	0	181	181
Friendswood/ Pearland East	92.1%	291	0	0	0	111	0	111
		6,960	13,259	3,352	11,703	5,209	534	17,566
Grand Total		10,671*	15,393*	4,051*	15,238	6,731	534	22,503

*Units delivered include data from submarkets with units currently under construction. Additional submarkets with 2022, 2023, and 2024 deliveries were not included.

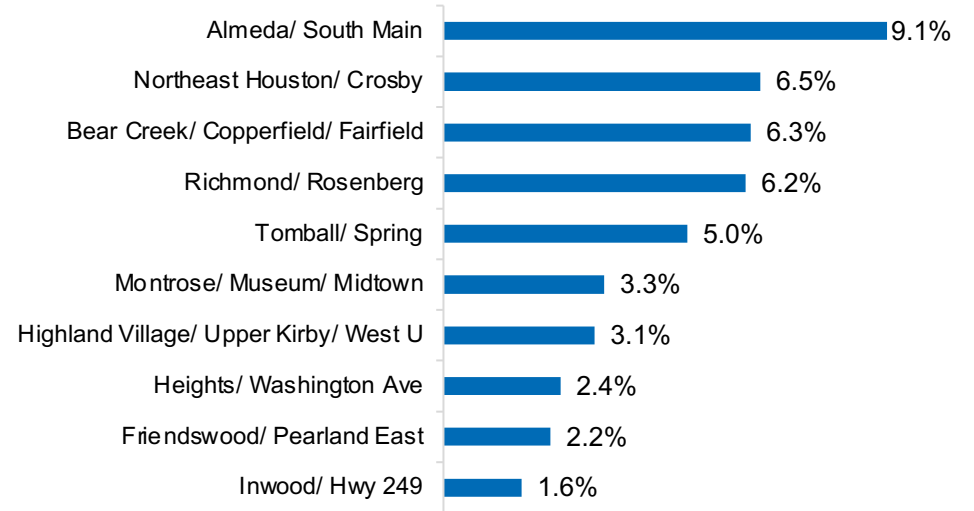
Non-infill submarkets account for 77.6% of all upcoming supply; the remainder are infill.

Houston Submarket Rankings

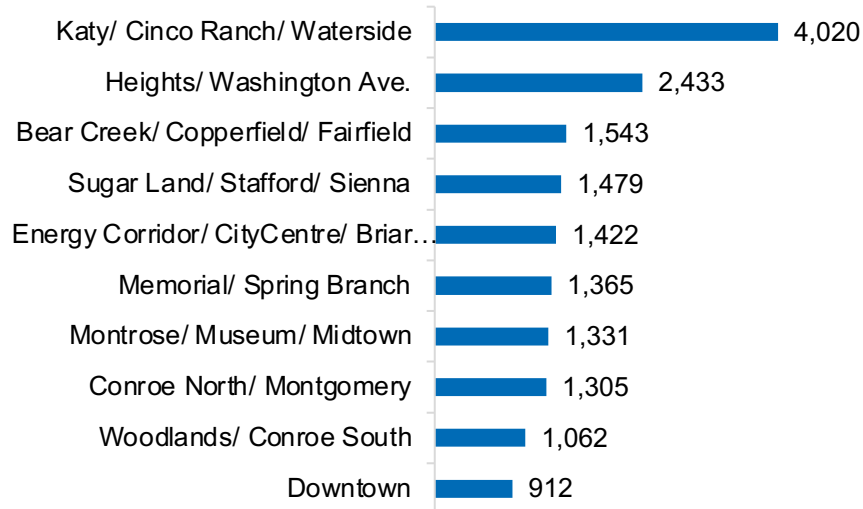
Rental Rate Growth (Trailing 3 Months)



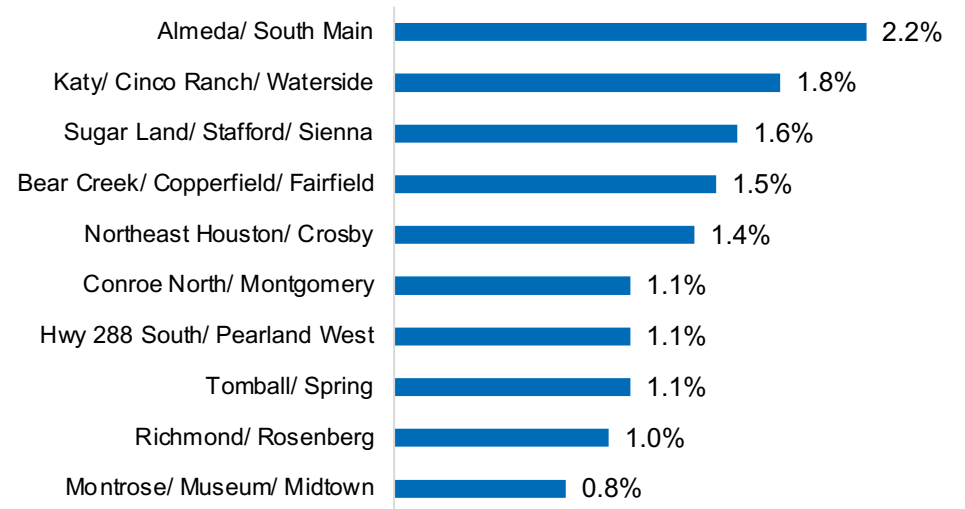
Occupancy Growth (Trailing 3 Months)



Units Under Construction



Percent of Market Absorbed (Trailing 3 Months)

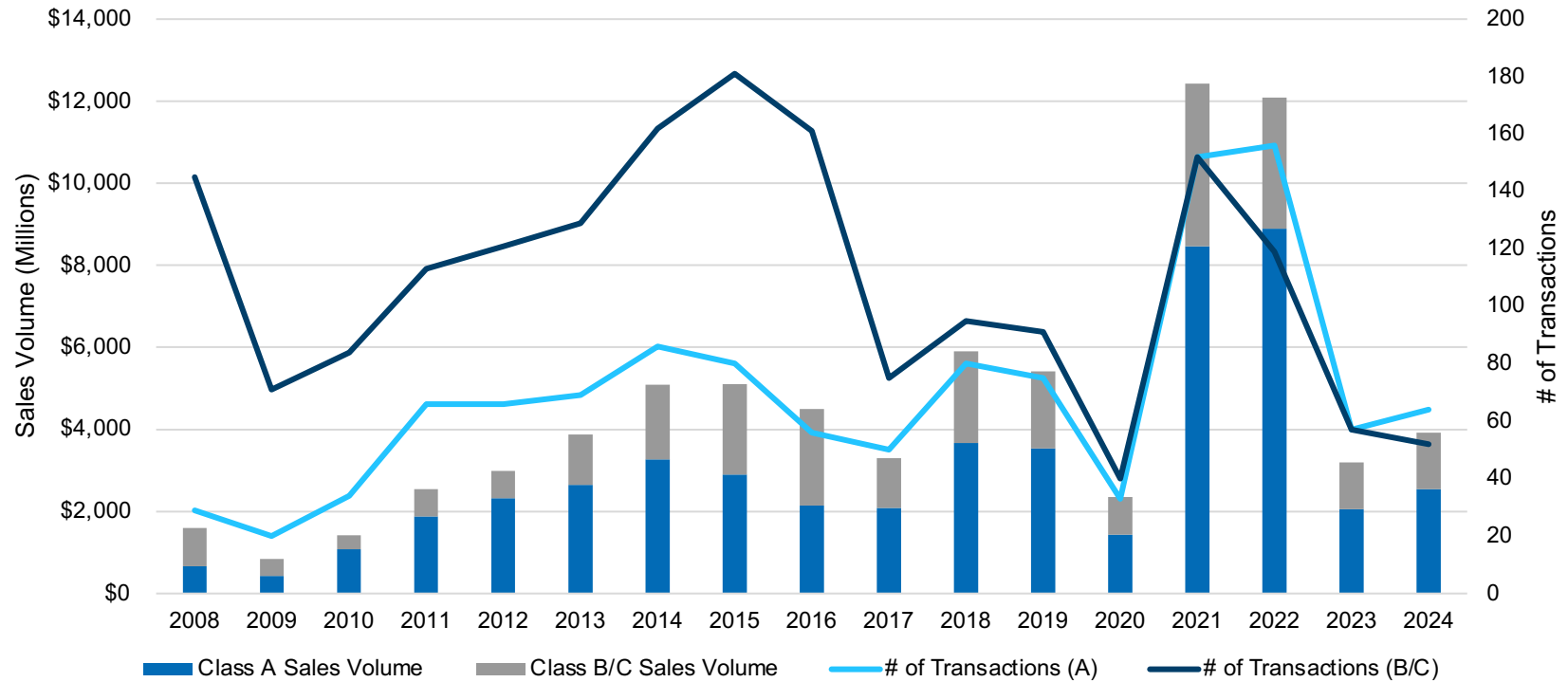


04 | Houston Transaction Trends

NEWMARK



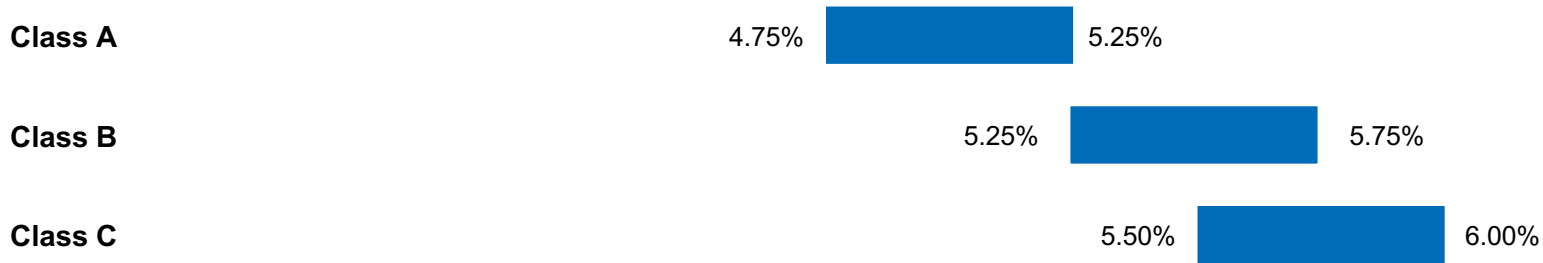
Multifamily Transaction Activity



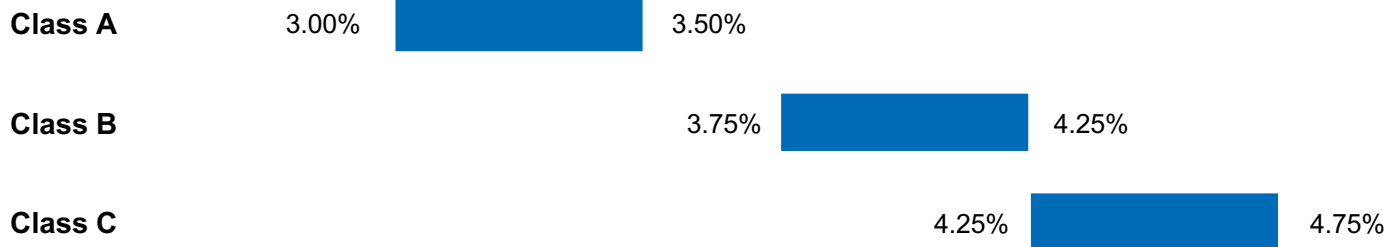
Year (volume in millions)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (ann.)
Total Volume	\$1,598	\$837	\$1,416	\$2,540	\$2,984	\$3,880	\$5,093	\$5,101	\$4,491	\$3,298	\$5,904	\$5,414	\$2,346	\$12,423	\$12,086	\$3,195	\$3,920
# of Transactions (Total)	174	91	118	179	187	198	248	261	217	125	175	166	73	304	275	114	116
Class A Sales Volume	\$660	\$432	\$1,081	\$1,883	\$2,326	\$2,652	\$3,271	\$2,892	\$2,150	\$2,084	\$3,668	\$3,536	\$1,435	\$8,460	\$8,898	\$2,049	\$2,544
# of Transactions (A)	29	20	34	66	66	69	86	80	56	50	80	75	33	152	156	57	64
Class B/C Sales Volume	\$938	\$405	\$334	\$657	\$658	\$1,228	\$1,822	\$2,209	\$2,341	\$1,214	\$2,236	\$1,878	\$911	\$3,963	\$3,188	\$1,146	\$1,376
# of Transactions (B/C)	145	71	84	113	121	129	162	181	161	75	95	91	40	152	119	57	52

Newmark's Current Estimate Of Houston Cap Rates as of 1Q24

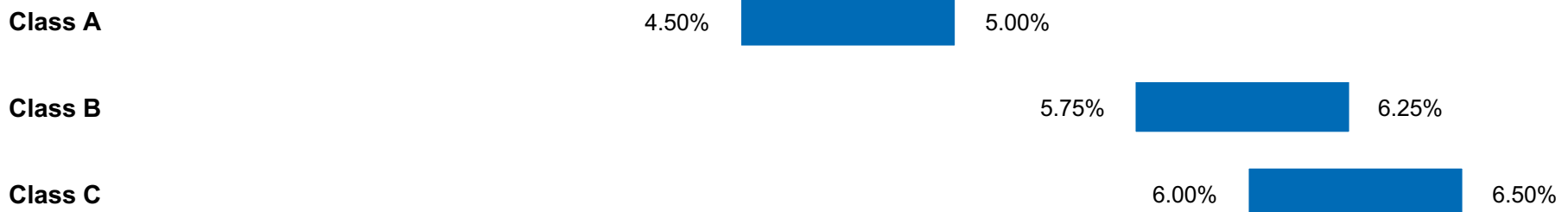
1Q23 Cap Rates



Market Peak Cap Rates



Current 1Q24 Cap Rates



Replacement Cost Tracker

Workforce WF		Per SF	Per Unit
Land	WF	\$8 - \$10	\$10K - \$15K
Hard Costs		\$135 - \$145	\$125K - \$150K
Soft Costs		15% - 20%	\$20K - \$35K
ALL-IN COST			\$165K - \$180K

Mid-Rise Stick Podium MP		Per SF	Per Unit
Land	MP	\$100 - \$175	\$50K - \$75K
Hard Costs		\$240 - \$280	\$190K - \$250K
Soft Costs		15% - 20%	\$35K - \$65K
ALL-IN COST			\$300K - \$340K

Garden G		Per SF	Per Unit
Land	G	\$8 - \$15	\$12K - \$18K
Hard Costs		\$145 - \$155	\$135K - \$155K
Soft Costs		15% - 20%	\$25K - \$40K
ALL-IN COST			\$185K - \$200K

Mid-Rise Concrete Podium MCP		Per SF	Per Unit
Land	MCP	\$150 - \$225	\$50K - \$70K
Hard Costs		\$300 - \$325	\$240K - \$295K
Soft Costs		15% - 20%	\$45K - \$75K
ALL-IN COST			\$350K - \$400K

4-Story Surface Park 4S		Per SF	Per Unit
Land	4S	\$15 - \$40	\$15K - \$30K
Hard Costs		\$155 - \$165	\$150K - \$180K
Soft Costs		15% - 20%	\$25K - \$40K
ALL-IN COST			\$200K - \$225K

High Rise HR		Per SF	Per Unit
Land	HR	\$175 - \$300	\$30K - \$60K
Hard Costs		\$375 - \$400	\$340K - \$520K
Soft Costs		15% - 20%	\$55K - \$115K
ALL-IN COST			\$450K - \$650K

Mid-Rise Stick Wrap MW		Per SF	Per Unit
Land	MW	\$50 - \$150	\$40K - \$60K
Hard Costs		\$200 - \$220	\$165K - \$215K
Soft Costs		15% - 20%	\$30K - \$55K
ALL-IN COST			\$250K - \$290K

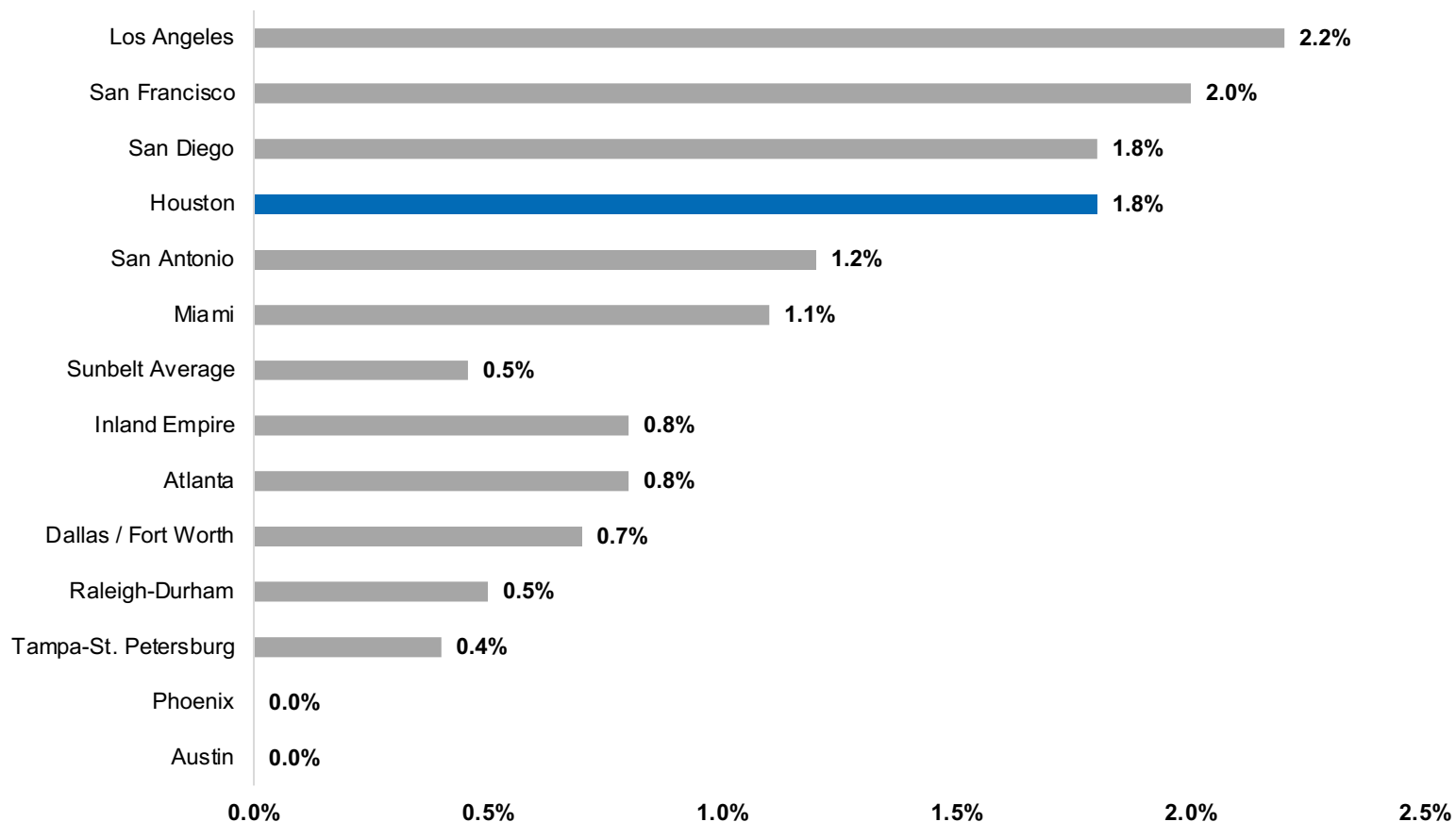
05 | Appendix



NEWMARK

Strong Future Rent Outlook

Average Effective Rent Growth Forecast - Major Sunbelt Markets



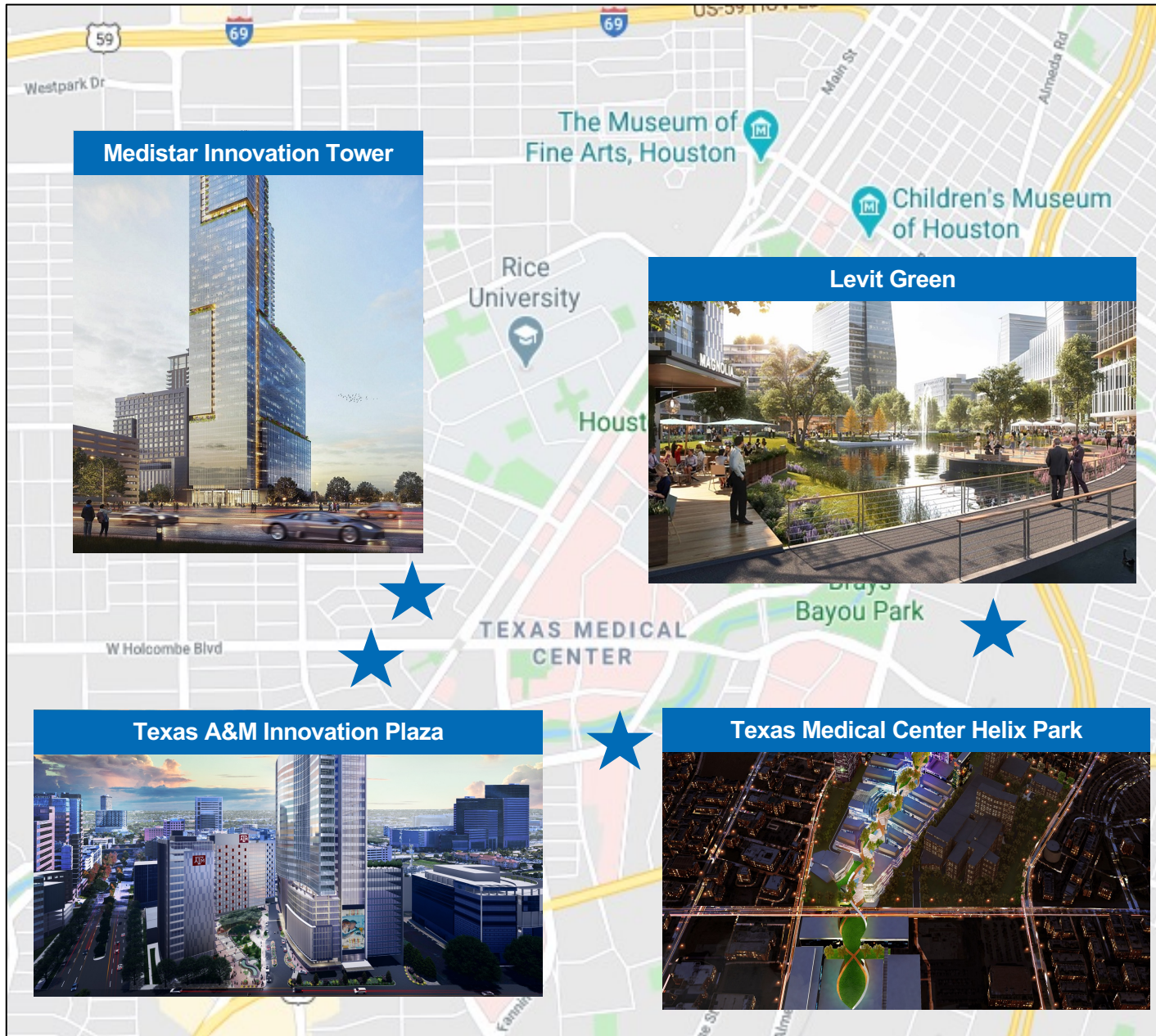
- Green Street is projecting **Houston to lead Texas markets in average rent growth** over the next 4 years (2024–2028).
- RealPage is calling Houston a market with “surprising upside” in 2024: “In Houston, the supply to demand ratio has been relatively balanced recently, with supply ratios ranking below the national average. In fact, Houston could top the other Texas markets in the near term.”

Top Projected Net Migration

Metro (2024-2028)	2024-2028 Net Migration (ths)	2024-2028 Average Annual Net Migration (ths) ¹
1 Phoenix	333.1	66.6
2 Houston	285.0	57.0
3 Dallas	227.6	45.5
4 Atlanta	190.3	38.1
5 Tampa	172.4	34.5
6 Denver	81.8	16.4
7 Seattle	74.2	14.8
8 Miami	71.7	14.3
9 Minneapolis	50.3	10.1
10 Riverside	30.6	6.1
11 San Francisco	14.2	2.8
12 Boston	4.9	1.0
13 Baltimore	-3.8	-0.8
14 Washington D.C.	-17.3	-3.5
15 Philadelphia	-28.7	-5.7
16 San Diego	-81.3	-16.3
17 Detroit	-88.3	-17.7
18 Los Angeles	-133.9	-26.8
19 Chicago	-213.8	-42.8
20 New York	-239.5	-47.9

- According to Moody’s Analytics, **Houston ranks second** among the 20 largest U.S. metros for projected net migration (2024–2028).
- Moody’s estimates 285,000 people will move to the Houston metro over the next four years, averaging 57,000 new residents per year.

Continued Growth Of A World-Class Healthcare Industry



Houston is moving forward with major developments in the commercial life sciences sector, aiming to compete with hubs like Boston and San Francisco.

- **Levit Green** will provide laboratory and research facilities to the sector; construction began in Q3 2021. This development will also feature multifamily housing and retail space.
- **Texas A&M Innovation Plaza** is a five-acre, \$546 million development including three towers. The first tower was built in 2021; all three are projected to be complete by 2024.
- **Medistar Innovation Tower** is a mixed-use project featuring a 50-story, 1.7 million-square-foot tower with office space, 410 luxury apartments, and retail & dining amenities.

Continued Growth Of A World-Class Healthcare Industry



With an estimated annual impact of \$5.4 billion, TMC Helix Park’s Bioresearch Campus (formerly TMC3) will spark extraordinary economic activity across both the city and state. This development will create 23,000 new permanent positions across various industries, pay scales, tax levels and educational backgrounds, not to mention more than 19,000 jobs during the construction phase. Baylor College of Medicine, with 114,000 square feet, is the anchor tenant for the first of four industrial buildings on campus. The building opened in 4Q 2023.

Economic Impact:
TMC Helix Park Bioresearch Campus

	City of Houston & Harris County	State of Texas
Construction Impacts	\$3,251.1M	\$3,742.5M
Ongoing Annual Impacts	\$4,795.4M	\$5,409.8M
Construction Jobs	17,167	19,097
Total Permanent Jobs	22,958	26,540

TMC Helix Park will enable innovators from healthcare, science, academia, government, industry, manufacturing and the not-for-profit sector to collaborate on new medicines, medical devices, diagnostic and digital health platforms and treatment solutions. A world-class life sciences complex spanning 37 acres, TMC Helix Park will offer:

37 **Acres**

5.0 million **Developed SF**

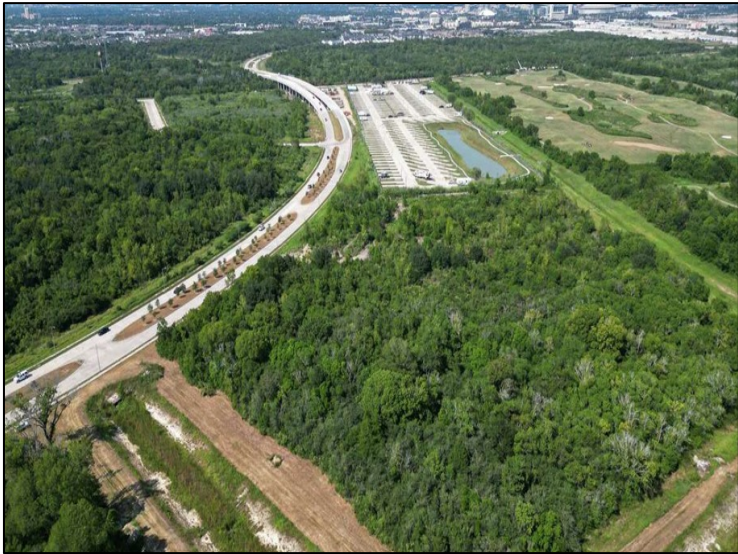
1 **Collaborative Research Mixed-Use Building**

6 **Future Industry and Institutional Research Buildings**

18.7 **Acres of Public Green Space**



Continued Growth Of A World-Class Healthcare Industry



The Texas Medical Center recently announced plans for a 500-acre development, TMC BioPort. Per Bill McKeon, CEO of TMC, [this development will double the medical center's size within five to ten years](#). The development will be roughly two miles southwest of NRG Stadium, slightly outside of the 610 Loop.

TMC BioPort will focus on cell and gene therapy, as well as biomanufacturing and the distribution of medical supplies. Approximately \$100 million will need to be invested in local infrastructure before the project breaks ground as early as 2025. McKeon anticipates the [BioPort will create 100,000 jobs and have an annual economic impact of \\$54 billion](#).



A Top Three US City for Fortune 500 Companies

Houston is currently home to 26 Fortune 500 companies, **ranking third** among all U.S. metro areas behind only New York and Chicago. The city offers countless business development opportunities, spurred on by a low cost of living, a favorable tax climate, and a skilled and plentiful workforce.

Companies that recently moved to Houston include **ExxonMobil** in 2023 and **Par Pacific Holdings** in 2022. **Hewlett Packard Enterprise** relocated its world headquarters from California to Houston in 2021. In 2019, **Amazon** opened one of its largest tech hubs in Houston. Additionally, **Tesla** recently expanded their Houston footprint, leasing 1.039 million square feet of industrial space in the Empire West Business Park.

- **26** Fortune 500 headquarters in Houston, with revenues of **\$1.23 trillion**.
- **Texas** is home to the most Fortune 500 companies in the nation.
- **Houston** has more Fortune 500 headquarters than any other city in Texas.



Notable New Houston Developments



East River

The 150-acre mixed-use development on the banks of the Buffalo Bayou, East River will transform East Downtown with multifamily, office space, retail, restaurants and entertainment spaces. Once completed, the development will offer more than 500 miles of bike lanes crossing bayou trails and natural waterfront areas. East River's 359-unit multifamily complex is currently in lease-up while the remaining office and retail in phase one are expected to be fully completed by 2024.

Autry Park

Autry Park is an urban village and culinary destination for those visiting Buffalo Bayou Park. Located on 14 acres along Allen Parkway in Montrose, the first two apartment buildings in this mixed-use development opened in the spring of 2022. In all, this three-phase masterplan will feature five towers, 1,450 residential units, and 350,000 square feet of Class A office space, as well as 100,000 square feet of retail space near a central park.



Notable New Houston Developments

Memorial Town Square

This 27-acre mixed use center in West Houston's Memorial Villages has broken ground. The development will introduce dozens of new restaurants, boutiques, national retail brands, apartments and office space, and feature a lush, open-air town center and urban park.

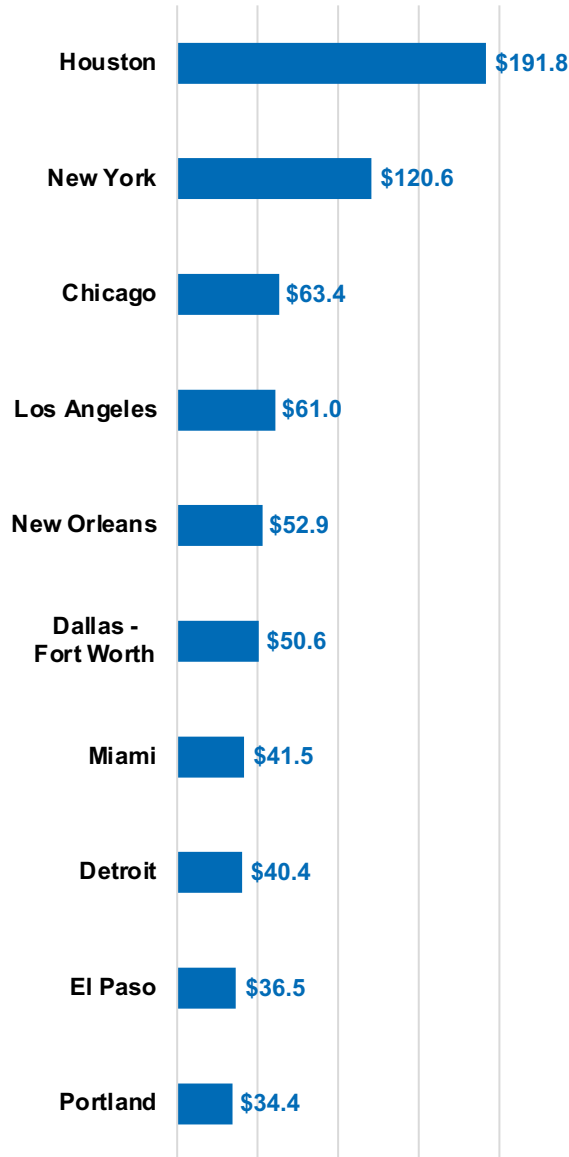


Port of Galveston Cruise Terminal 3

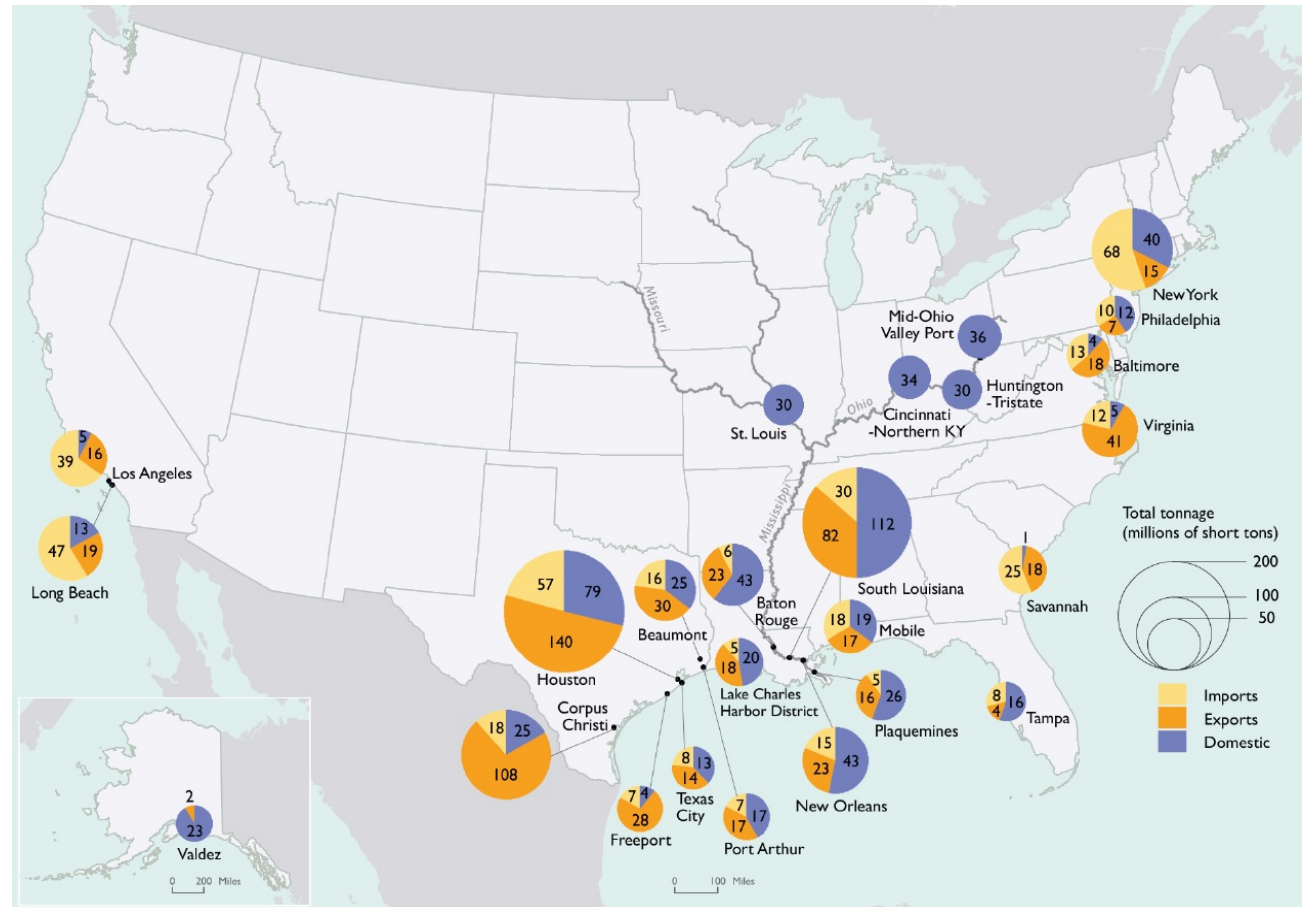
Spanning 162,000 square feet, Royal Caribbean's new \$126 million terminal at the Port of Galveston boasts a modern, sleek design that is expected to transform cruise travel for years to come. The terminal opened in late 2022 and is set to boost tourism in Houston with capabilities to disembark and reboard 6,000 passengers per day.

Port Of Houston

Export Volume (Billions)



- #1** Port in the nation for domestic & foreign waterborne tonnage
- #2** Port in total foreign cargo value
- LARGEST** Container port in the Gulf Coast, handling 73% of coast traffic
- 97%** of container market share in Texas
- LARGEST** U.S metro exporter
- \$439 BILLION** Contribution to state economic value
- 1.54 MILLION** Jobs supported by port activity



SOURCE: The Port of Houston, Greater Houston Partnership YE 2022

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, based upon 2020 data provided by U.S. Army Corps of Engineers, Waterborne Commerce Statistics Center. Special tabulation as of December 2021.

Houston Rankings By The Press

#1

MOST ACTIVE PLACES FOR REAL ESTATE DEVELOPERS (2013-2022)

StorageCafe (as reported by Houston Chronicle) – May 2023

MOST NEW CONSTRUCTION HOMES SOLD

SmartAsset.com – May 2024

BEST PLACE FOR FOREIGN BUSINESS

Financial Times & Nikkei – November 2023

HOUSTON REIGNS AS STARTUP CAPITAL OF TEXAS

Smartest Dollar – October 2022

BEST HOSPITAL FOR CANCER - MD ANDERSON CANCER CENTER

U.S. News and World Report – 2023–2024

2024'S MOST DIVERSE CITIES IN AMERICA – HOUSTON

Wallet Hub – April 2024

HIGHEST IN DIVERSITY FOR SOUTHERN SCHOOLS- UH-DOWNTOWN

WSJ/College Pulse 2024 Best Colleges in the U.S. – November 2023

TOP TEXAS MARKET FOR LIFE SCIENCE TALENT

CBRE (via Houston Business Journal) – June 2023

#2

U.S. METRO HOME TO FORTUNE 500 COMPANIES

Fortune (via Houston Chronicle) – June 2023

FASTEST GROWING U.S. METRO

U.S. Census Bureau – May 2023

CITY FOR CORPORATE HEADQUARTERS

BusinessFacilities.com – August 2023

#3

BEST CHILDREN'S HOSPITAL IN THE U.S. – TEXAS CHILDREN'S HOSPITAL

U.S. News & World Report – 2023–2024

10 BEST CITIES FOR ENTREPRENEURS

The Zebra – April 2024

U.S. METRO FOR CORPORATE RELOCATION AND EXPANSION IN 2022 – HOUSTON

Site Selection – May 2022



PREPARED BY

Multifamily Investment Sales

DAVID MITCHELL

m 713-503-2513
david.mitchell@nmrk.com

THOMAS ALLEMAN

m 713-305-3827
thomas.alleman@nmrk.com

RUSSELL JONES

m 832-541-1499
russell.jones@nmrk.com

MATT SAUNDERS

m 281-300-1468
matt.saunders@nmrk.com

BEN JOHNSON

m 713-253-5054
ben.johnson@nmrk.com

BRAD SHAFFER

m 713-775-6888
brad.shaffer@nmrk.com

BRANDON MILLER

m 956-533-4237
brandon.miller@nmrk.com

TAYLOR GASPARD

m 979-709-8554
taylor.gaspard@nmrk.com

DILLON MILLS

m 713-254-3824
dillon.mills@nmrk.com

CARTER MIZELL

m 832-457-7843
carter.mizell@nmrk.com

JONATHAN POWELL

m 512-810-1555
jonathan.powell@nmrk.com

ANTHONY LUKEFAHR

m 713-823-8648
anthony.lukefahr@nmrk.com

CHIRAG BATAVIA

m 281-546-8532
chirag.batavia@nmrk.com

DUNCAN GUINN

m 832-748-8801
duncan.guinn@nmrk.com

REESE ELLER

m 817-718-4505
reese.eller@nmrk.com

Debt & Structured Finance

TIP STRICKLAND

m 832-724-4288
tip.strickland@nmrk.com

DAVID SCHWARZ, CCIM

m 713-412-9055
david.schwarz@nmrk.com

PURVESH GOSALIA

m 313-570-5221
purvesh.gosalia@nmrk.com

KEVIN AMEND

m 832-387-7620
kevin.amend@nmrk.com

JOHN YOUNG

m 806-392-2700
john.young@nmrk.com

HAYDEN HEDRICK

m 918-640-6071
hayden.hedrick@nmrk.com

For more information:

Multifamily Capital Markets | Houston

1700 Post Oak Boulevard
2 BLVD Place, Suite 400
Houston, TX 77056
t 713-599-1800

nmrk.com

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