



SPRING 2020
**MARKET INSIGHT
REPORT**

HOUSTON
TEXAS, MSA

GREYSTONE

EMPLOYMENT / UNEMPLOYMENT

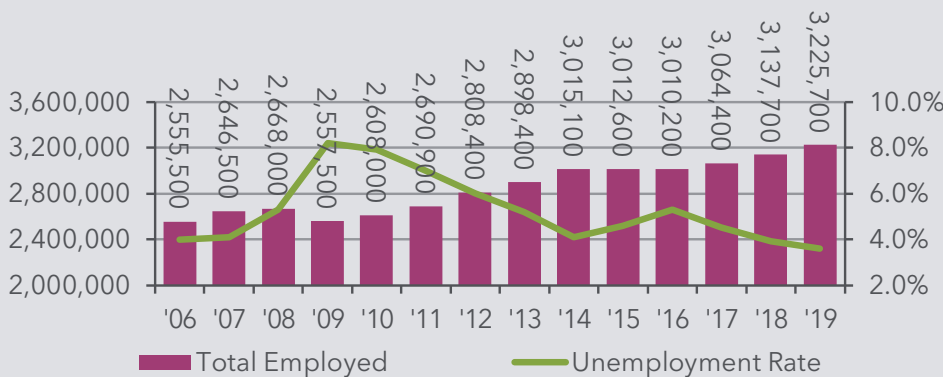
The Houston economy accelerated in 2019, capturing an economic growth rate of 2.8% on the creation of 88,000 jobs, up from 2.4% in 2018 and the metro’s best performance since 2014. All sectors expanded, except for information, which contracted by 6.0% YoY. Notable gains were measured in construction employment (+4.2%); manufacturing (+2.8%); professional and business services (+5.3%); financial activities (+2.4%); education and health services (+2.6%); leisure and hospitality (+1.5%); and government (+1.0%), among others.

Though a recent report from Oxford Economics forecasts Houston to be one of only a few major U.S. cities expected to see economic growth over the next three years, the new all-out OPEC oil price war, as well as unknown economic impacts of COVID - 19 on Houston’s world economy, bears watching. The GDP of both Houston and Dallas are forecasted to grow at an average annual rate of 2.4% between now and 2023, behind only San Francisco. The report cites Texas’ reasonable cost of living and minimal government regulation which are

enticing businesses from around the country to move to Texas cities such as Houston. In addition, Houston startups received \$543.9 million in venture capital (VC) funding in 2019, a 42.2% increase from 2018 and the highest on record for the Houston region, according to a Partnership analysis of Pitchbook data. This marks a third-straight year of growth for VC funding in Houston.

Houston is a top convention destination, but is also a top-rated leisure destination, earning accolades from New York Times, Condé Nast Traveler, and others for its diverse culinary scene, performing and visual art offerings, and other attractions. Some of the major projects recently completed or underway across Houston that will increase its standing among tourist destinations include The Museum of Fine Arts campus expansion, new Grand Texas Theme Park, new Airline Farmers Market, new Railway Heights Market, Space Center Houston expansion, Lynn Wyatt Square for the Performing Arts renovation, Astrodome renovation to an event center, and Memorial Park Golf Course renovation, among others.

**HOUSTON MSA
EMPLOYMENT / UNEMPLOYMENT**



Source: Bureau of Labor. All annual figures through December.

7,289,710 EST.
+1.6% ANNUAL GROWTH

HOUSTON MSA
2020 POPULATION

\$69,715 EST.

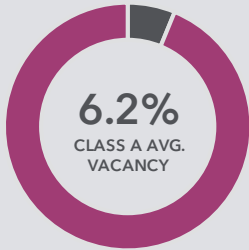
HOUSTON MSA
MEDIAN HOUSEHOLD INCOME

100.6

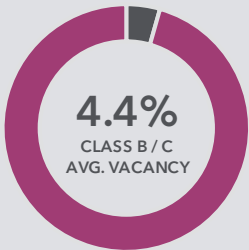
HOUSTON MSA
COST OF LIVING INDEX

U.S. Avg. = 100.0

 **\$1,337**
CLASS A AVG. RENT



 **\$826**
CLASS B / C AVG. RENT



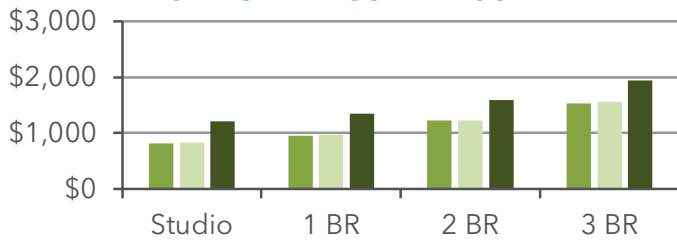
RENTAL MARKET

Houston metro average asking rent advanced 2.9% to \$1,105 in 2019, with a 0.8% increase in the fourth quarter. Houston’s rental growth rate was below that of the Southwest at 3.8% and below the U.S. average of 3.7% over the same period. Rent growth across the Houston metro is expected to advance at a stronger clip in 2020, at 3.2%, and into 2021 with a 3.1% gain as Houston continues to create jobs at a faster-than-average pace. Indicative of this trend, effective rents, which exclude the value of concessions offered to prospective tenants, also advanced 3.4% in 2019, to \$1,040.

Mean unit prices in the metro as of 4Q 2019 are as follows: studios \$814, one bedrooms \$960, two bedrooms \$1,233, and three bedrooms \$1,531.

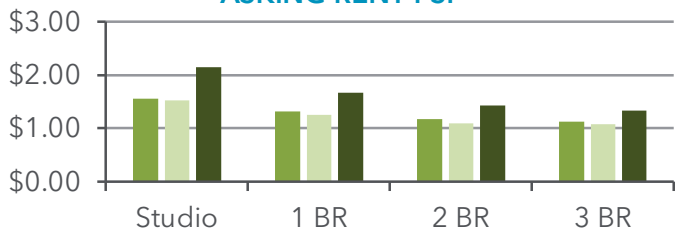
The Houston market’s overall vacancy rate tightened 40 basis points to 5.4% in 2019, and is projected to remain steady in 2020, with only a slight uptick thereafter, to 5.5% in 2021 and 5.6% in 2022.

ASKING RENT COMPARISON



Source: Reis, 4Q 2019

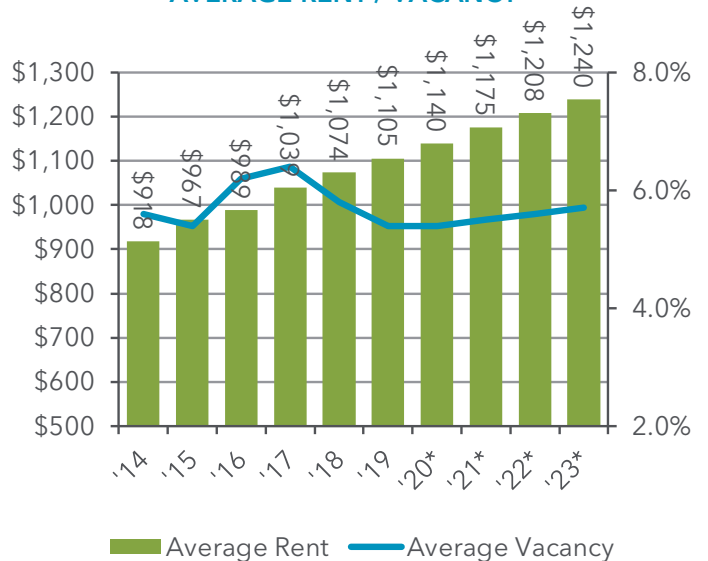
ASKING RENT PSF



Source: Reis, 4Q 2019

 Houston MSA  Southwest  U.S.

HOUSTON MSA APARTMENT MARKET AVERAGE RENT / VACANCY



Source: Reis, All annual figures year end, *Projected

SUBMARKET CONSTRUCTION



TWO LAKES EDGE

Two Lakes Edge is a new apartment development by Howard Hughes Corporation currently under construction at Hughes Landing Boulevard, The Woodlands. Pre-leasing is underway, and the development is scheduled to complete in May 2020. The eight-story property features 386 units, a sky lounge, yoga room, resort-style pool, fitness center, wine storage, and more. All units come with Dwelo, a home automation device that allows residents to control their door lock, thermostat, and lights through their smartphone or Alexa.

Completed construction volume across the Houston metro was light in 2019 (4,722 units), which helped operators as concessions declined and vacancy dropped. Recently completed was the Morgan Group's Pearl Marketplace in Midtown, which includes Whole Foods Market on the ground floor that will cater to residents and the neighborhood overall. Midway Companies' St. Andrie at Buffalo Heights, located at Washington Avenue and Studemont, also completed and boasts H-E-B's first mixed-use grocery store. These two properties are Houston's first apartment properties to offer grocery on site.

For 2020, a sizeable pipeline of projects will wrap up construction and begin leasing. All total, 15,295 new units are scheduled for completion in 2020. Construction includes: the 285-unit Residences at La Colombe D'Or high-rise in Montrose, scheduled for a 4Q 2020 delivery. The list also includes the 271-unit Camden Downtown high-rise; the 370-unit Hanover River Oaks high-rise; DLC Residential's 201-unit mid-rise Dolce Midtown; and the 300-unit Gables Westcreek high-rise in River Oaks, all of which are set to deliver 1Q 2020. Other notable developments include The Howard Hughes Corporation's 386-unit mid-rise Two Lakes Edge in The Woodlands and The Dinerstein Companies' 351-unit Aspire Post Oak high-rise.

SUBMARKET	COMPLETED	UNDER CONSTRUCTION	PLANNED / PROPOSED
Far NW / Montgomery	307	1,639	6,925
Cypress / Fairbanks	0	1,717	2,503
Champions / FM 1960	612	330	992
Spring / Humble	0	1,215	463
Inwood / Near NW	293	342	170
North / NE Houston	472	2,948	1,904
Cloverleaf	0	0	1,730
Clear Lake / NASA	0	731	350
Interloop / S HO	484	445	1,501
Montrose / River Oak	1,057	4,877	6,220
Bear Creek / Katy	691	3,425	2,859
Spring Ranch	0	357	546
Braeswood / Bellaire	276	338	1,059
Briar Forest	0	0	387
Briar Grove	334	278	280
Ft Bend County	300	1,315	274
Non-Submarket Areas	168	513	234

Source: Reis, 4Q 2019, Partial Submarket List, *Completed Construction 3Q 2018 - 4Q 2019

PERMITS

The multifamily permit count for 2019 increased 30% from the previous year's total, to 21,583 units. This was the highest annual count since 2014. The Houston market did have a greatly pared down count in 2017, largely attributed to Hurricane Harvey that made landfall in August of that year. Scheduled completion is set to taper off significantly in 2021-2023, and the market's overall vacancy remains historically low, thus developers are responding. This is in addition to population growth at twice the national rate and a vibrant economy that is outpacing most metro areas.

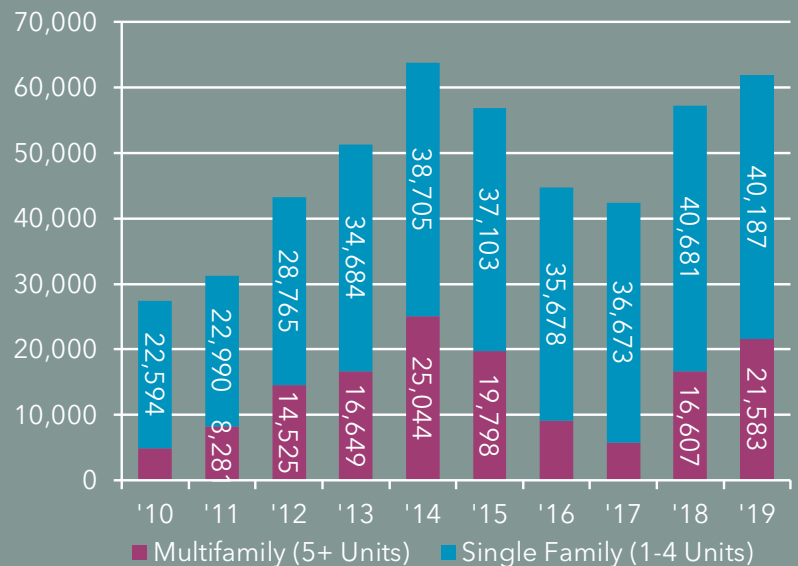
Single-family permits for 40,187 homes were issued in 2019, nearly a mirror tally of 2018's count. Houston, as with many other metros, is trying to catch up on supplying new housing stock to the market given the broad retreat of development during the Great Recession.

The median sold price rose 5.0% YoY from \$240,000 to \$251,900, while the median price per square foot also rose from \$110.91 to \$115.25. Months inventory for single-unit residential housing did not change from the December 2018 supply level of 3.4 months, and days to sell declined from 98 to 97.

The breakdown of all single-unit housing in December 2019 is as follows:

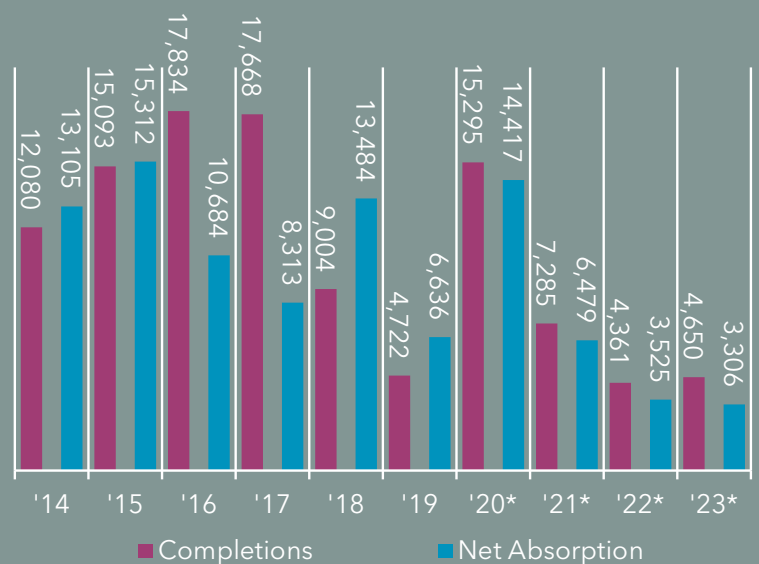
- The single family detached median sold price was \$255,000, up 4.5%
- The condo median sold price rose 13.11% YoY from \$133,500 to \$151,000
- The townhome median sold price was up 11.3% to \$239,350

**TOTAL RESIDENTIAL BUILDING PERMITS
HOUSTON METRO AREA**



Source: U.S. Census, Multifamily Includes Condos

**HOUSTON MSA APARTMENT MARKET
COMPLETIONS / NET ABSORPTION**



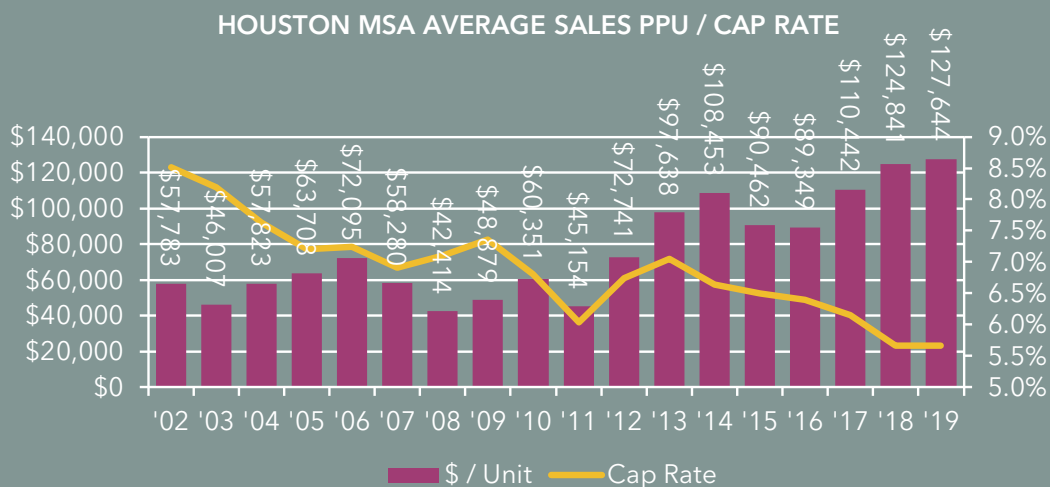
Source: Reis. All figures are annual totals. *Projected

AVERAGE SALES

Houston multifamily transaction volume topped out at \$6.65 billion in 2019. While this was down nearly 18% compared to 2018's volume, it was nearly 17% above Houston's five-year annual average. In all, 231 deals of \$2.5 million and above traded in 2019 versus 288 deals in 2018. The total unit count slid to 59,280 from 71,487, and the average price per unit was up from \$124,841 to \$127,644.

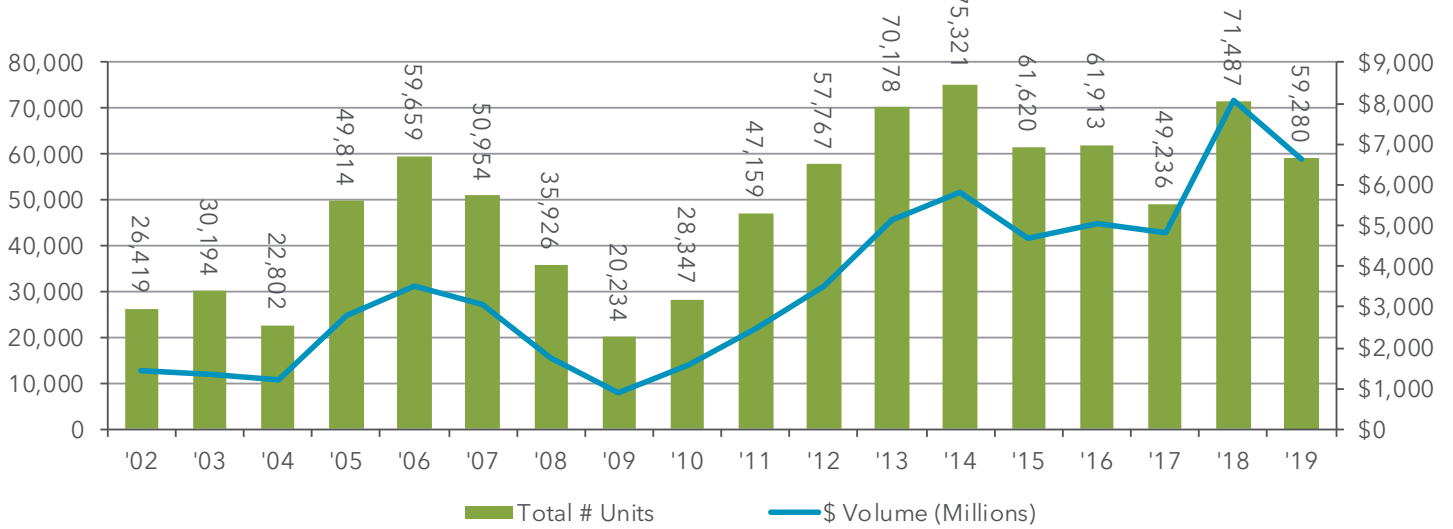
The tremendous interest in value-add and core-plus multifamily has held cap rates down, to 5.6% for the second-consecutive year. Buyers and sellers of recorded transactions in 2019 were both about two-thirds private and one-third institutional capital, with growing institutional interest in Houston multifamily assets. Institutional players were net buyers at 5.0% above dispositions, a reversal of 2018's trend.

Investors continue to seek core-plus and value-add deals, as indicated by the latest data. More than 80% of all deals within the year were Class C rated properties, despite Class B and Class A comprising over 50% of the market inventory. In many cases, the properties have not undergone renovation since initial construction, which presents significant opportunity to push rental rates higher. Renovating has proved to be a viable alternative to building, given rising land, borrowing, and construction costs. Construction costs are expected to rise 5% locally in 2020.



Source: Real Capital Analytics. Based on sales of \$2.5 million and greater.

APARTMENT SALES TRANSACTIONS
HOUSTON METRO AREA

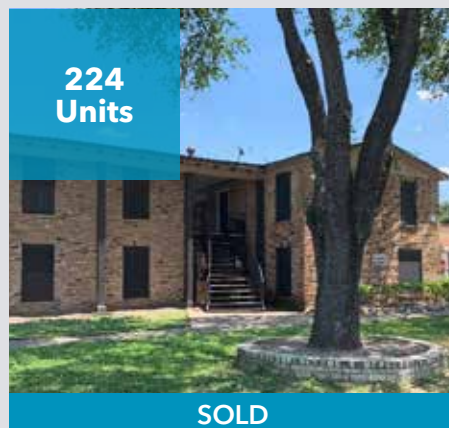


Source: Real Capital Analytics. Based on sales of \$2.5 million and greater.

GREYSTONE TRANSACTION ACTIVITY



TOWN PARC AT SHERWOOD
Houston, TX



BROADWAY PARK
Houston, TX



THE FAIRMONT ON SAN FELIPE
Houston, TX

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Sources: Greystone; Reis; RealCapitalAnalytics; CoStar; U.S. Census; Bureau of Labor; Censusreporter.org; Houston Chronicle; Greater Houston Partnership; Houston Association of Realtors; Visit Houston

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