

GREYSTONE



HOUSTON

TEXAS, MSA

MARKET INSIGHT REPORT

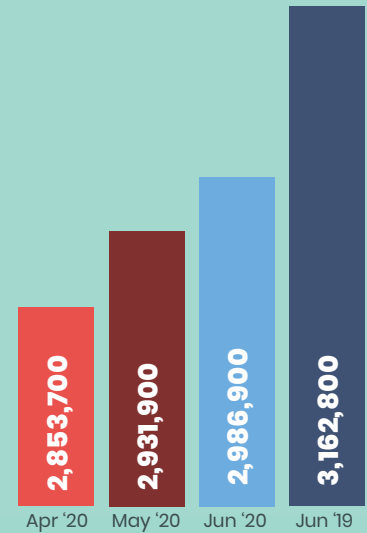
FALL **2020**

Total nonfarm employment for the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area stood at 2,986,900 in June 2020, down 175,900 over the year, the U.S. Bureau of Labor Statistics has reported. Houston's 5.6% rate of job loss was less than the national decline of 8.7%. The Houston metro unemployment rate of 9.9% in June was also below the U.S. unemployment rate of 11.1% and placed Houston at no. 24 of the 51 largest metro areas for lowest unemployment.

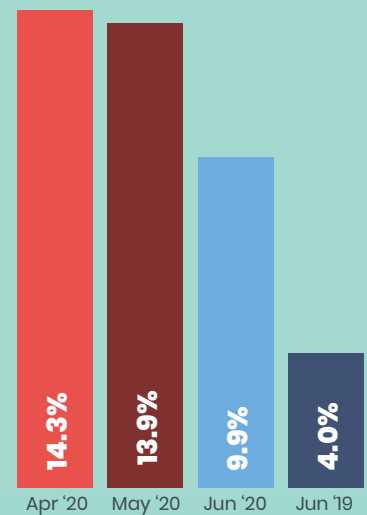
Employment in Houston's leisure and hospitality super-sector fell by 16.5% (-56,500) for the 12 months ending in June, the largest loss of jobs among local major industry sectors. This over-the-year rate of job loss was significantly lower than the national rate of -27.1%, likely due to the less restrictive policies of state and local officials than in other cities to deal with the COVID-19 pandemic. However, with the early "re-opening" of the Houston economy, as well as other Texas metro areas, the state has become a hot spot nationally for reported COVID-19 cases, and more restrictive measures for residents and businesses are now in place. This will likely show negatively in economic data in the weeks to come.

Nationwide, as of June, almost half (49%) of workers experienced a loss in employment income because of the pandemic, according to the Household Pulse Survey from the U.S. Census Bureau. In Texas, 54% of workers reported having lost income. The effect was even more widespread in the Houston area, where nearly 64% of workers reported having had a loss in employment income.

Total Employment



Unemployment



Metro Area Employment (Thousands)	June 2020	Change from June 2019	
		Number	Percent
Total Nonfarm	2,986.9	-175.9	-5.6
Mining and Logging	61.5	-19.1	-23.7
Construction	223.2	-12.0	-5.1
Manufacturing	219.4	-18.3	-7.7
Trade, Transportation, and Utilities	609.8	-15.1	-2.4
Information	29.4	-3.7	-11.2
Financial Activities	164.7	-2.0	-1.2
Professional and Business Services	500.1	-7.6	-1.5
Education and Health Services	397.1	-4.9	-1.2
Leisure and Hospitality	285.0	-56.5	-16.5
Other Services	99.1	-18.8	-15.9
Government	397.6	-17.9	-4.3

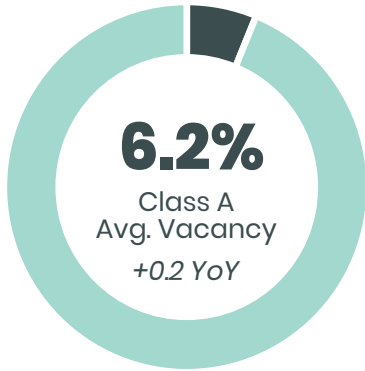
Source: U.S. BLS, Current Employment Statistics

RENTAL MARKET



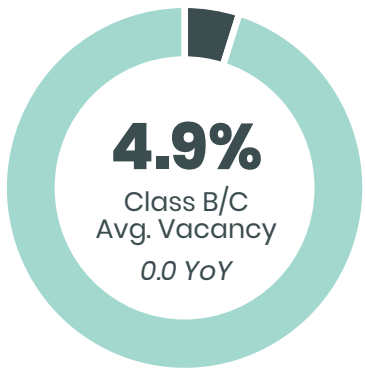
\$1,332

Class A Avg. Rent
+1.0% YoY



\$844

Class B/C Avg. Rent
+2.5% YoY



Mean Unit Prices 2Q 2020

\$815

Studios

\$960

One Bedrooms

\$1,226

Two Bedrooms

\$1,547

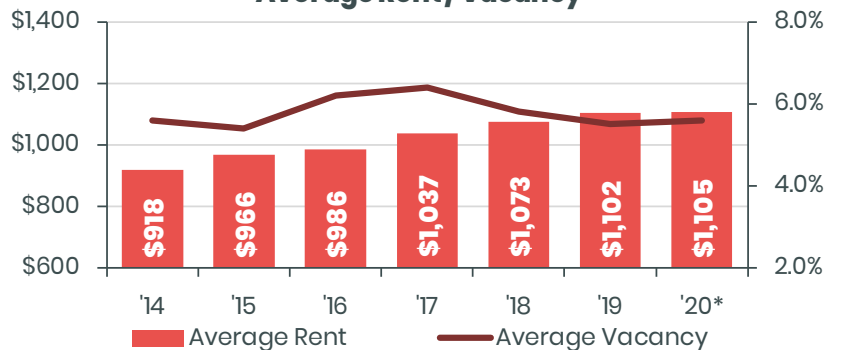
Three Bedrooms

+1.7% YoY 2Q

Average Rent Increase
From \$1,086 to \$1,105

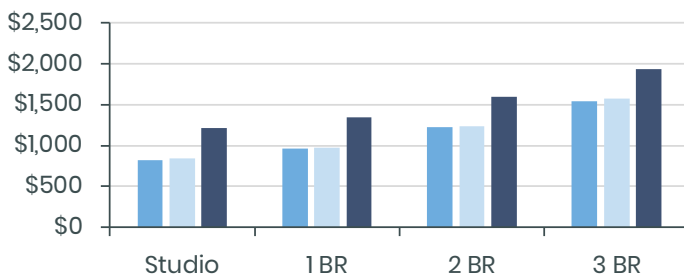
- The second quarter brought a 0.1% increase in rent from first quarter
- Average rent is expected to retrace for 2020, down by 1.3% YoY to \$1,087 and remain unchanged through 2021
- Vacancy rate of 5.6% in 2Q expected to rise to 7.7% by year end and to 8.4% in 2021

Average Rent / Vacancy



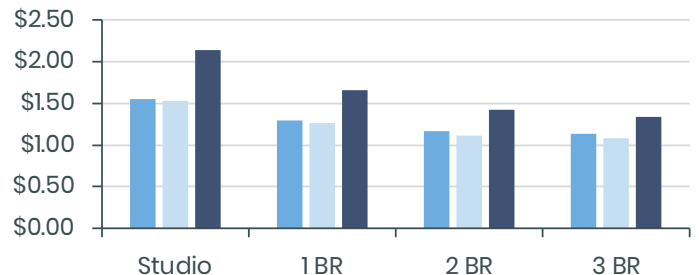
Source: Reis, *2Q 2020

Asking Rent Comparison



Source: Reis, 2Q 2020

Asking Rent PSF



Source: Reis, 2Q 2020

■ Houston MSA ■ Southwest ■ U.S.

MULTIFAMILY CONSTRUCTION

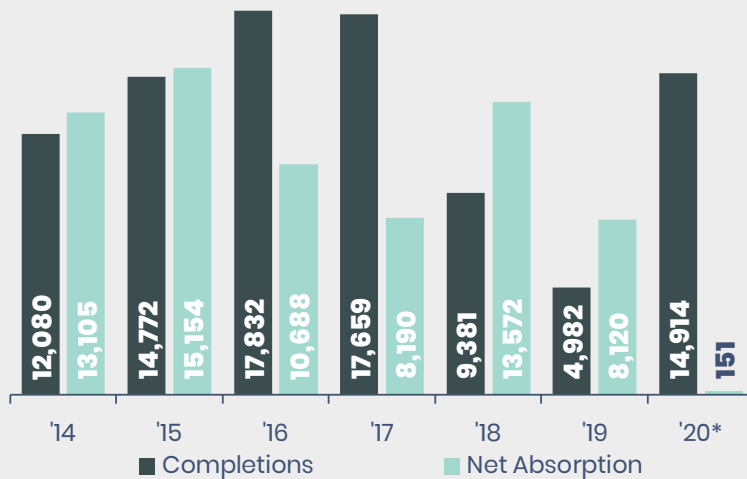
2020: Expected completions of 14,914 new units

9,394 new units will follow in 2021

Apartment demand is expected to buckle in 2020 under the weight of the pandemic, to just 151 units net. Demand as of 2Q was showing the effects of the pandemic with just 328 units absorbed. This was one of the lowest quarterly totals in recent history.

Not until 2022 will absorption return to a strong pace to exceed new deliveries. With 2020 set to have the largest delivery total since 2017, the timing of the completions will prove challenging to the Class A sector, which has already recorded a slight rental rate decline as of 2Q from the prior quarter.

Completions / Net Absorption



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

PERMITS



20,814

Single Family Permits
+5.5% YoY



10,480

Multifamily Permits
(5+ Units)
+1.4% YoY

YTD Through 2Q 2020

\$261,200

Median Single Family Price
+3.7% YoY

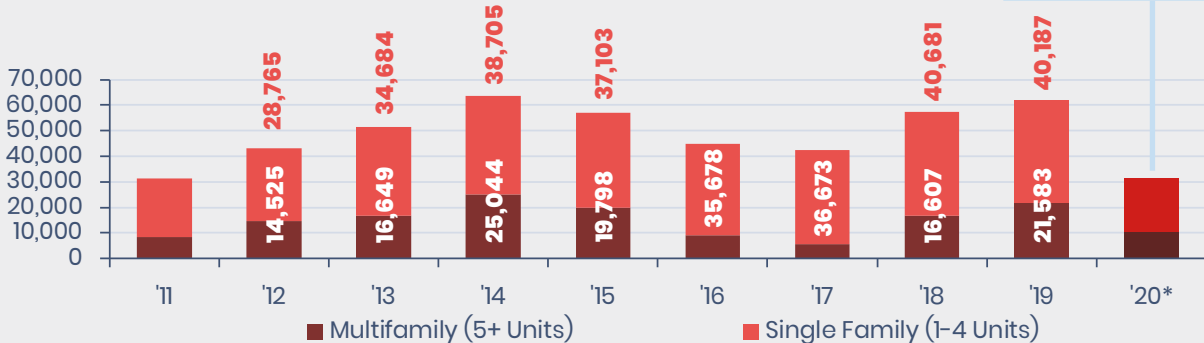
June 2020

- Active for-sale inventory was down 22% in June as compared to one year prior to 3.2 months supply.
- Though total residential units sold were down 2.4% for the first six months of the year as compared to one year ago, June sales climbed 13.7% above sales for June 2019 as interest rates fell to their lowest levels in history.

Mid-Year Permit Volume

10,480 Multifamily **20,814** Single Family

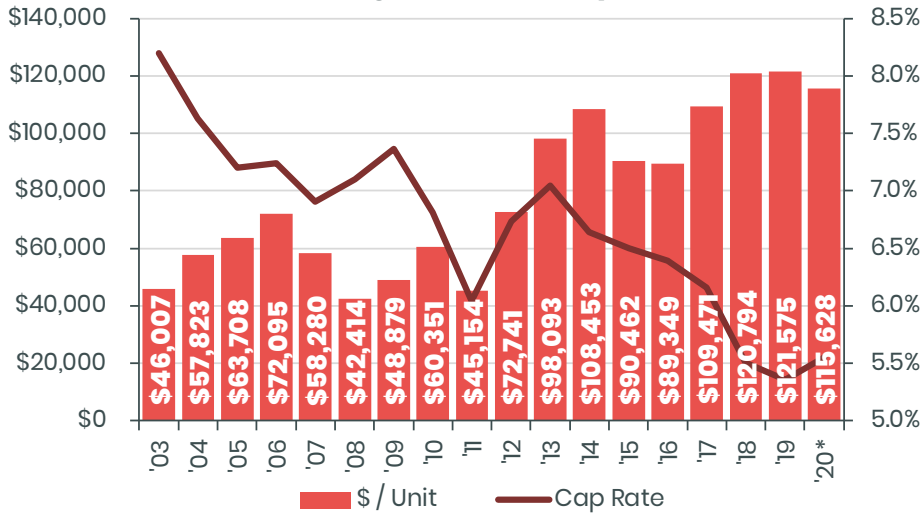
Total Residential Building Permits



Source: U.S. Census, *Through June, Multifamily Includes Condos

MULTIFAMILY SALES

Average Sales PPU / Cap Rate



\$2.0B

Sales Volume YTD
-40.9% YoY



\$115,628

Avg. Sold Price / Unit YTD
-4.2% YoY



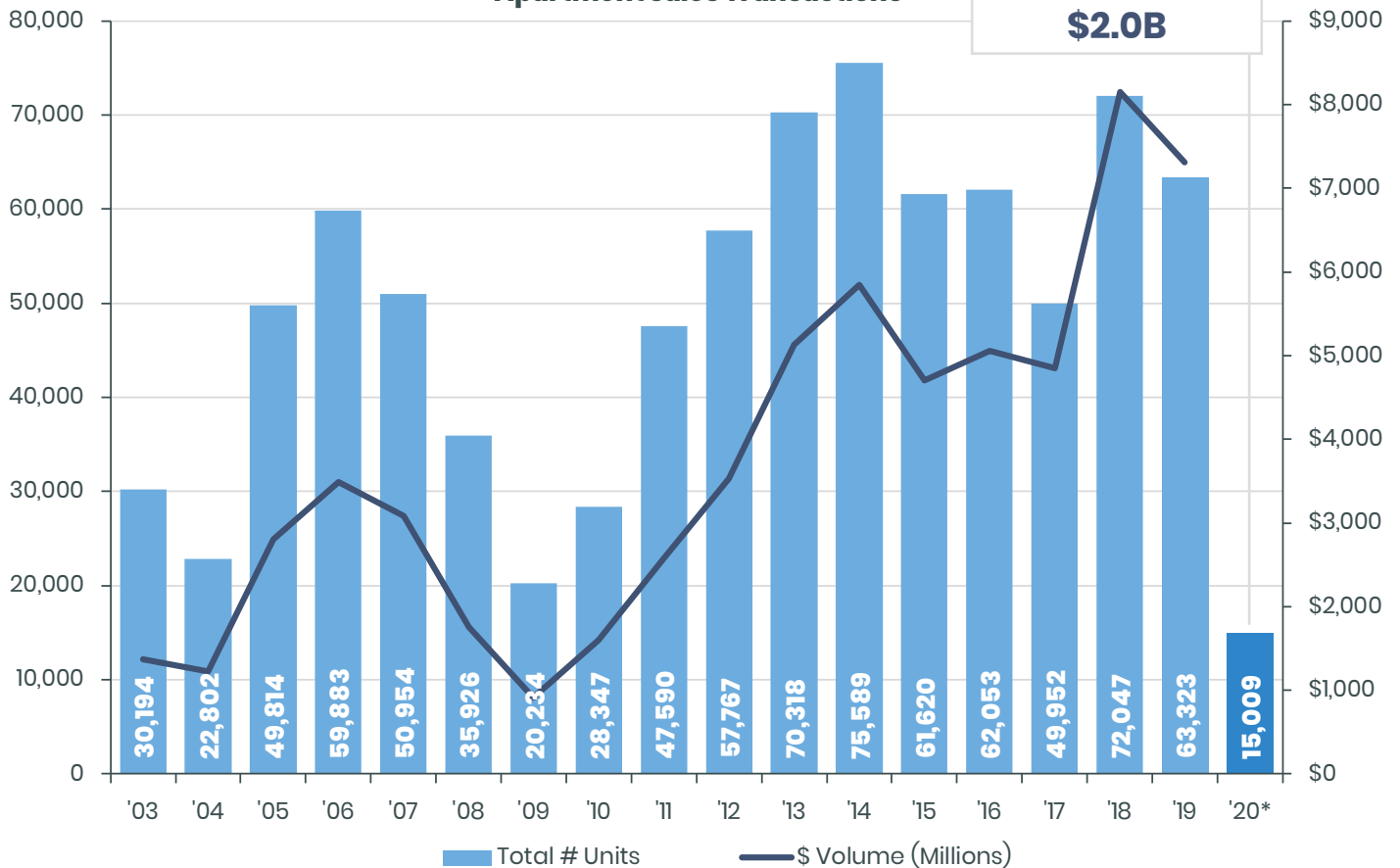
5.5%

Avg. Cap Rate YTD
+10 bps YoY

Source: Real Capital Analytics, Based on sales of \$2.5 million and greater, *YTD through June 30

Apartment Sales Transactions

Mid-Year Sales Volume
\$2.0B



Source: Real Capital Analytics, Based on sales of \$2.5 million and greater, YTD through June 30

To learn more about Greystone Real ETexas Advisors and our capabilities please visit www.greycoadvisors.com

Abraham Garza III
Executive Managing
Director
713.595.9582
ag@naa-usa.com

Jordon Emmott
Executive Managing
Director
713.595.9584
je@naa-usa.com

Shayan Hasnain
Executive Managing
Director
713.595.9580
sh@naa-usa.com

Ryan Armstrong
Director
713.595.9586
ra@naa-usa.com

Sterling Curry
Director
713.595.9585
sc@naa-usa.com

Jamie Harrington
Director
713.595.9581
jh@naa-usa.com

Ryan Mendez
Director
713.595.9587
rm@naa-usa.com

Travis Clark
Associate
713.595.9583
tc@naa-usa.com

Charles Emmott
Associate
214.453.5833
ce@naa-usa.com

Greystone National Apartment Advisors
5373 W Alabama Street, Suite 605
Houston, TX 77056
www.naa-usa.com

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Sources: Greystone; Reis; RealCapitalAnalytics; CoStar; U.S. Census; Bureau of Labor; Texas A&M

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