



Houston

Multifamily

22Q4

## Key Takeaways

- Occupancy dropped on a quarterly and annual basis
- Negative net absorption recorded in Q4, decreasing the total 2022 net absorption to 4,439 units
- Average rents rose on an annual basis and fell marginally over the quarter



Occupancy Rate

90.6%

YOY

FORECAST

Q4 2022  
Net Absorption

-767 Units

YOY

FORECAST

Under  
Construction

20.7K Units

YOY

FORECAST

Overall Class A Asking  
Monthly Rent

\$1,749

YOY

FORECAST

## Houston Highlights

Demand for multifamily housing slowed considerably due to negative absorption from Class B and C product (-4,961 and -2,863 units, respectively in 2022). Class A recorded positive absorption (12,424 units in 2022) which helped to counter the Class B and Class C negative absorption. The average monthly rent for multifamily units increased 5.1% annually from \$1,189 per month in Q4 2021 to \$1,250 per month in Q4 2022. There are more than 20,700 units under construction and another 33,666 units are proposed. Occupancy dropped 90 basis points over the year from 91.5% in Q4 2021 to 90.6% in Q4 2022.

## Market Indicators



3.9%

Houston  
Unemployment  
Rate

5.6%

Houston annual  
% change in  
employment

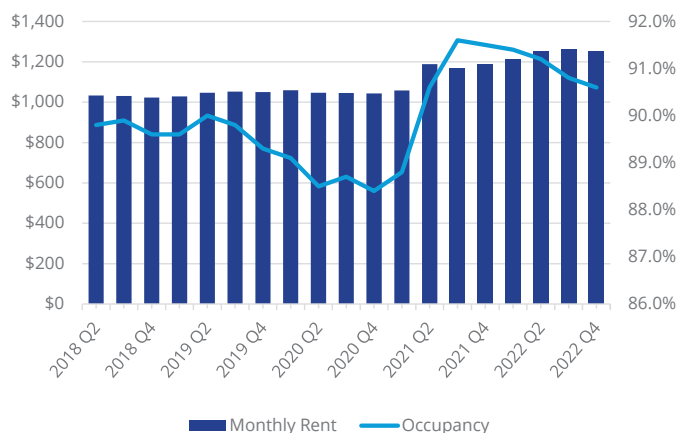
\$78.40

WTI Spot Price,  
U.S. benchmark  
for light sweet  
crude

## Historic Comparison

	21Q4	22Q3	22Q4
Total Inventory (Existing Units)	708,574	719,318	720,599
Supply (Units Delivered)	2,490	3,107	1,281
Demand (Units Absorbed)	3,548	63	-767
Occupancy	91.5%	90.8%	90.6%
Under Construction (Units)	15,013	17,599	20,700
Average Monthly Rent (Asking)	\$1,189	\$1,261	\$1,250

## Market Fundamentals



Houston's overall occupancy rate decreased 90 basis points over the year. The average monthly rent rose 5.1% annually from \$1,189 in Q4 2021 to \$1,250 in Q4 2022.

Source: Apartmentdata.com

## Recent Assignments

\*Colliers Transaction or Assignment



Listing\*

Domain Town Center | 352 Units  
I-10 East/Woodforest/Channelview



Listing\*

Clear Lake Apartment Homes | 244 Units  
Clear Lake/Webster/League City



Under Contract\*

Tiffany Bay | 45 Units  
Clear Lake/Webster/League City



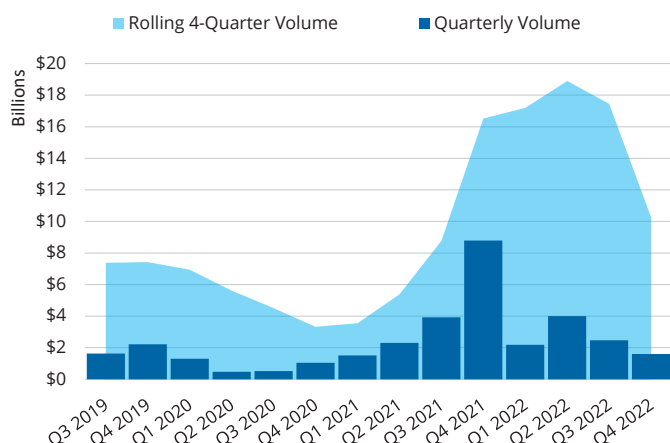
Listing\*

Azul | 90 Units  
Northwest Houston

## Pricing & Sales Volume

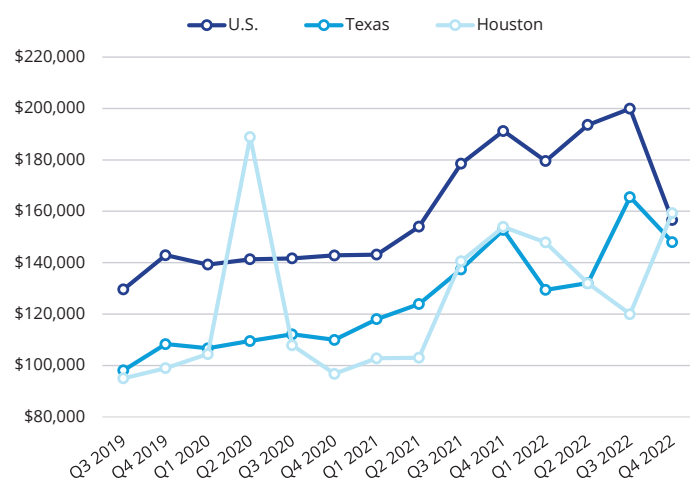
After reaching a historic high of \$8.8 billion in Q4 2021, Houston's multifamily investment sales volume dropped dramatically to \$2.2 billion in Q1 2022 and has decreased to \$1.6 billion in Q4 2022, according to our data provider, Real Capital Analytics.

### Houston Sales Volume (\$)



Houston's median sales price per unit increased 32.8% over the quarter from \$119,986 to \$159,312 and 3.5% on an annual basis. The Texas median price per unit decreased 10.6% from \$165,546 in Q3 2022 to \$148,011 in Q4 2022, and 3.1% annually. The U.S. median sales price per unit decreased 21.7% over the quarter and 18.1% annually.

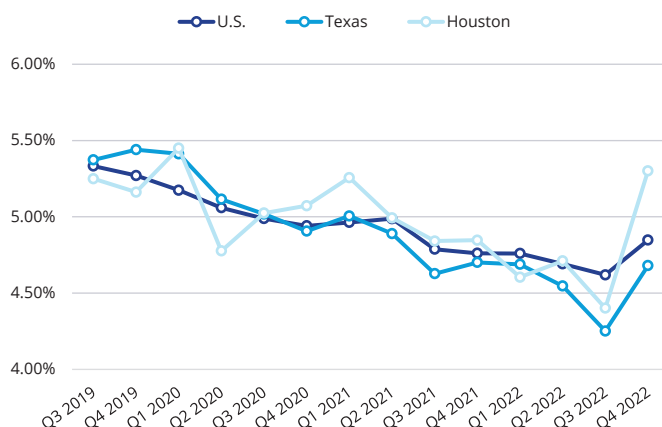
### Median Price per Unit



## Cap Rates

Houston's multifamily median cap rate jumped from 4.4% to 5.3% over the quarter. The Texas median cap rate rose from 4.3% to 4.7%, while the U.S. median cap rate increased from 4.6% to 4.8%. On an annual basis, Houston's median cap rate rose from 4.8% to 5.3%, while the Texas and U.S. median cap rates remained at 4.7% and 4.8%, respectively.

### Median Cap Rate



Houston	# of Units	Avg Monthly Rent per Unit	Absorption # of Units	Absorption # of Units (Previous)	Occupancy Rate (%)	Occupancy Rate (%) (Previous)
<b>Class A</b>	191,151	\$1,749	1,797	3,224	87.8%	87.3%
<b>Class B</b>	261,704	\$1,244	(1,335)	(1,560)	92.1%	92.7%
<b>Class C</b>	197,374	\$956	(1,203)	(1,392)	91.4%	92.0%
<b>Class D</b>	70,370	\$745	(26)	(209)	90.3%	90.3%
<b>Total Market</b>	720,599	\$1,250	(767)	63	90.6%	90.8%

Source: Apartmentdata.com



## Colliers finalizes sale of The Bay House Apartment Homes

Colliers has announced the sale of The Bay House Apartment Homes at 2041 San Sebastian Court in Houston, Texas. The buyer was CoVest Ventures. The seller, Dojo Bay House, LLC, was represented by Bob Heard, Chip Nash and Jaleel Adatia of Colliers.

This 190-unit property was built in 1967, has 9-foot ceilings and was partially upgraded in 2015. Property enhancements include new roofs, updated mechanical systems, renovated office and fitness centers as well as some light interior unit upgrades. The majority of the units are considered to be in "classic" condition by today's standards and present a substantial value-add opportunity for the new buyer. The Bay House Apartment Homes benefit from an incredible location, only steps away from the Houston Methodist Clear Lake Hospital (1,100+ employees) and within walking distance of NASA (18,600+ employees).

### FOR MORE INFORMATION

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