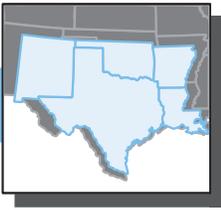


# Housing Market Profile

Southwest • HUD Region VI



## Houston-Sugar Land-Baytown, Texas

The Houston-Sugar Land-Baytown metropolitan area, which encompasses 10 counties in the Gulf Coast region of southeastern Texas, is the fifth largest metropolitan area in the United States. As of January 1, 2013, the population of the metropolitan area was estimated at 6.27 million, which represents an average annual increase of 118,600, or 2.0 percent, since the 2010 Census. Approximately 45 percent of this population increase was from net in-migration. Harris County, which contains the principal city of Houston, is home to nearly 70 percent of the metropolitan area population.

Nonfarm payrolls continued to grow in the metropolitan area after declining during 2009 and 2010. Total nonfarm payrolls increased by 88,300 jobs, or 3.4 percent, during the 12 months ending November 2012 after increasing 2.5 percent a year earlier. Job gains were widespread during the most recent 12 months, with the largest increase occurring in the education and health services sector, which grew by 20,100 jobs, or 6.3 percent. Of the 10 largest employers in the metropolitan area, 5 are healthcare related, including Memorial Hermann Healthcare System, the largest employer, with 19,500 workers. The leisure and hospitality sector, which added 16,400 jobs, a 6.4-percent increase, and the trade sector, which added 13,600 jobs, a 3.4-percent increase, also experienced significant growth. The mining, logging, and construction sector added 13,600 jobs, a 5.3-percent increase, and benefitted from both continued strong demand for oil and natural gas and increased new home construction. The only sectors to decline during the most recent 12 months, the government and information sectors, lost 6,200 and 500 jobs, or 1.6 and 1.4 percent, respectively. Reflecting continued strong private sector job growth, the unemployment rate declined from 8.2 to 5.9 percent during the 12 months ending November 2012.

The sales housing market in the Houston-Sugar Land-Baytown metropolitan area returned to a balanced condition in 2012 after remaining soft throughout most of 2010 and 2011. As of January 2013, the sales vacancy rate was estimated at 2.0 percent, down from 2.2 percent in April 2010. Recent strong employment and population growth in the metropolitan area contributed to increased demand for single-family homes. According to the Real

Estate Center at Texas A&M University, 67,950 homes sold during the 12 months ending November 2012, a 16-percent increase compared with the 58,600 homes sold a year earlier. Home sales remain 10 percent less than the decade-high average of 74,600 homes sold annually from 2006 through 2008. During the 12 months ending November 2012, the level of unsold housing inventory declined significantly, from a 7.4-month to a 5.3-month supply. From 2006 through 2008, the unsold housing inventory averaged a 6.0-month supply. The average home sales price increased 4 percent, to \$218,300, during the 12 months ending November 2012 after increasing 1 percent during the previous 12 months. According to LPS Applied Analytics, as of December 2012, 4.3 percent of the total home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 4.9 percent in December 2011.

Single-family home construction activity, as measured by the number of single-family homes permitted, continued to increase in 2012 as builders responded to increasing demand and improving sales housing market conditions in the metropolitan area. During the 12 months ending November 2012, permits were issued for 28,100 single-family homes, a 24-percent increase compared with the 22,600 homes permitted during the previous 12 months, according to preliminary data. During the preceding 4 years, permitting levels declined nearly 60 percent, from a high of 55,150 in 2006 to a low of 22,350 in 2010 because of soft sales housing market conditions throughout the metropolitan area that were caused, in part, by overbuilding and the economic downturn.

Construction is currently under way at several subdivisions in the Houston-Sugar Land-Baytown metropolitan area. According to a mid-year 2012 report by Metrostudy, 7 of the 20 fastest growing master-planned communities (MPCs) in the country were in the metropolitan area. The second and third fastest growing MPCs according to this report were The Woodlands, about 30 miles north of downtown Houston in Montgomery County, and Cinco Ranch, a 7,600-acre, mixed-use MPC in the Greater Katy area, approximately 40 miles west of Houston. These two communities started more than 1,000 homes during the 12 months ending June 2012. Cinco Ranch, The Woodlands, and Telfair, a 2,000-acre MPC in Sugarland, about 20 miles southwest of Houston, are each nearly complete. Typical starting home sales prices in these communities range from \$100,000 to \$250,000.



Rental housing market conditions in the metropolitan area remain slightly soft but improved from the past 4 years, in part, because of reduced multifamily building activity. The overall rental vacancy rate was estimated to be 9.5 percent in January 2013, down from 13.4 percent in April 2010. According to ALN Systems, Inc., the apartment vacancy rate was 9.1 percent during the fourth quarter of 2012, down from 11.2 percent during the fourth quarter of 2011. The apartment vacancy rate averaged 12.9 percent from 2008 through 2010. During the fourth quarter of 2012, average monthly rents increased 6 percent, to \$840, after increasing less than 1 percent during the fourth quarter of 2011. The fourth quarter 2012 increase represents the largest quarterly average rent growth in more than 3 years.

Multifamily construction activity increased significantly during the past year. Based on preliminary data, permits were issued for approximately 14,300 units during the 12 months ending November 2012, approximately twice the number of units permitted during the previous 12 months. Multifamily permitting activity in the metropolitan area averaged 14,250 units permitted annually from 2006 through 2008 before declining to average 4,250 units permitted annually from 2009 through 2011, when builders responded to soft housing market conditions by reducing construction levels. Much of the recent apartment construction in the metropolitan area occurred inside the Interstate 610 loop, which encircles the city of Houston, and in the Galleria area of western Houston, where a number of upscale properties are in development or were recently completed.