



# 2010

## **Marcus & Millichap** Houston Market Trends

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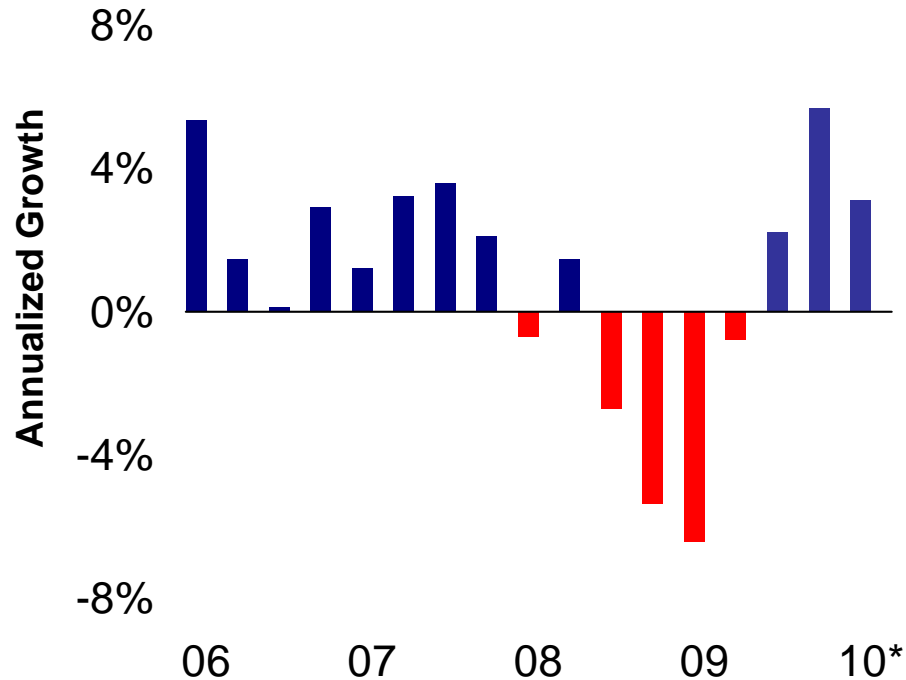
The Most Informative Overview of the Real Estate Market

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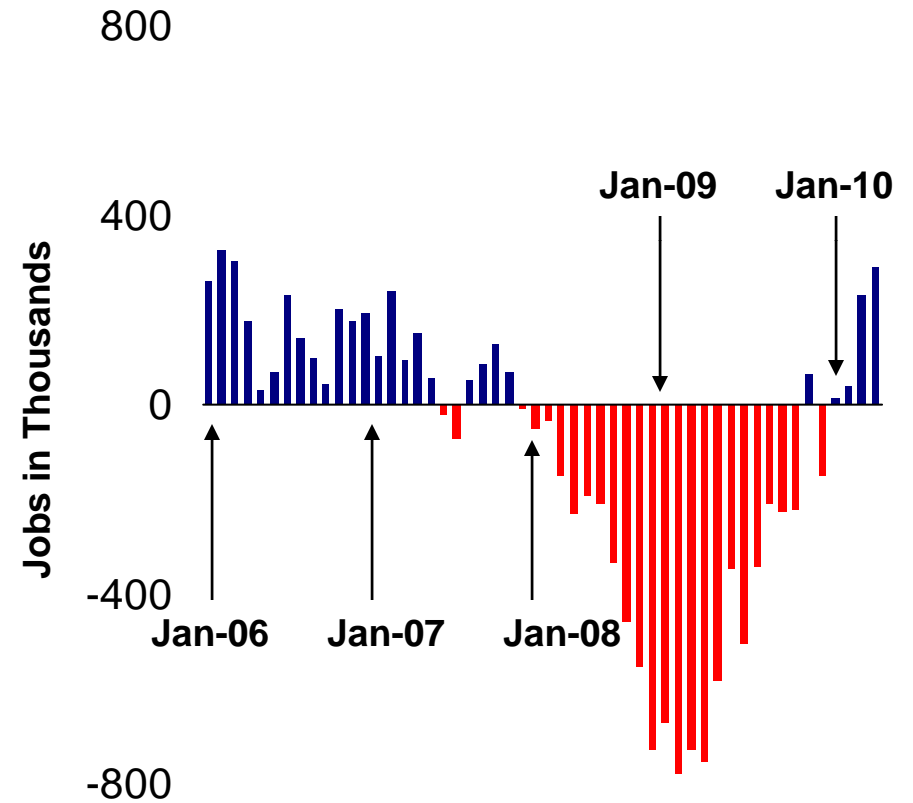
# Economy Gaining Traction; Risk Levels Remain Elevated

## Gross Domestic Product

2005: 3.1%    2007: 2.1%    2009: -2.4%  
 2006: 2.7%    2008: 0.4%    2010\*: 3.1%



## Monthly Employment

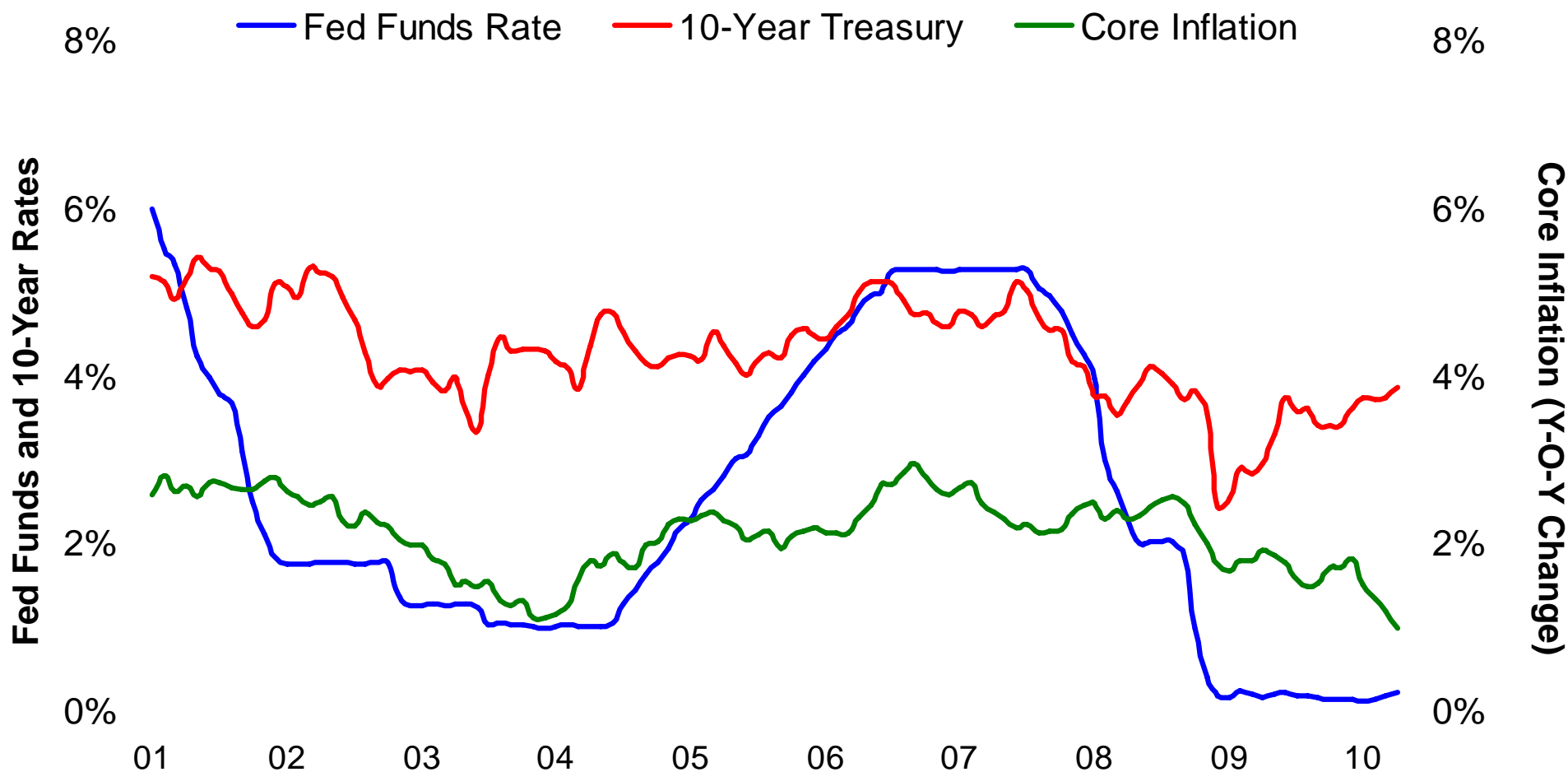


\* Forecast

Note: Technical recession defined as two consecutive quarters of GDP contraction.

Sources: Marcus & Millichap Research Services, BLS, Economy.com

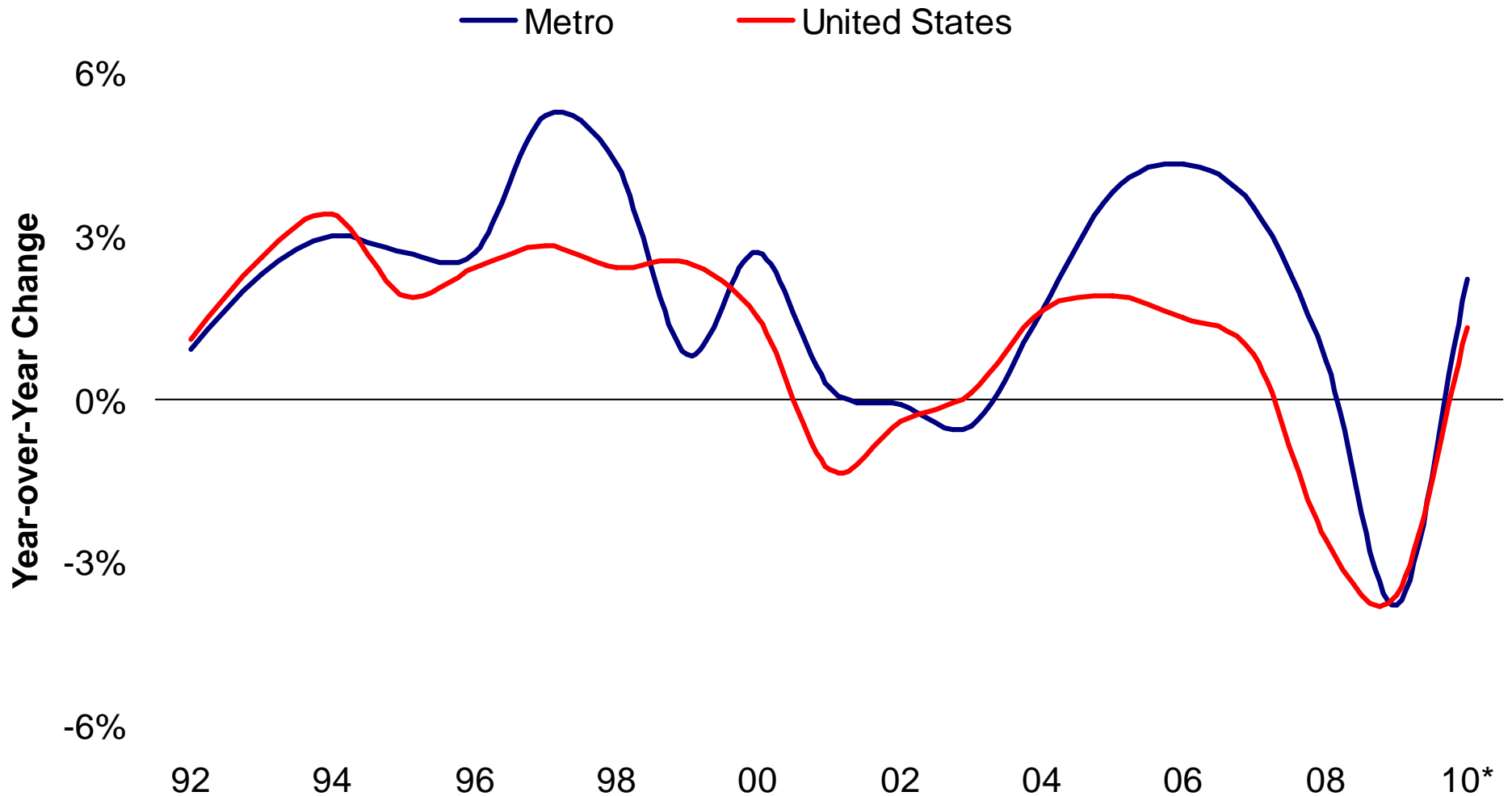
# The Fed Has Pulled All Stops – Inflation Focus Unlikely to Emerge Until Sustainable Growth is Achieved



Sources: Marcus & Millichap Research Services, Economy.com, Federal Reserve

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# Total Nonfarm Employment Change Houston vs. United States

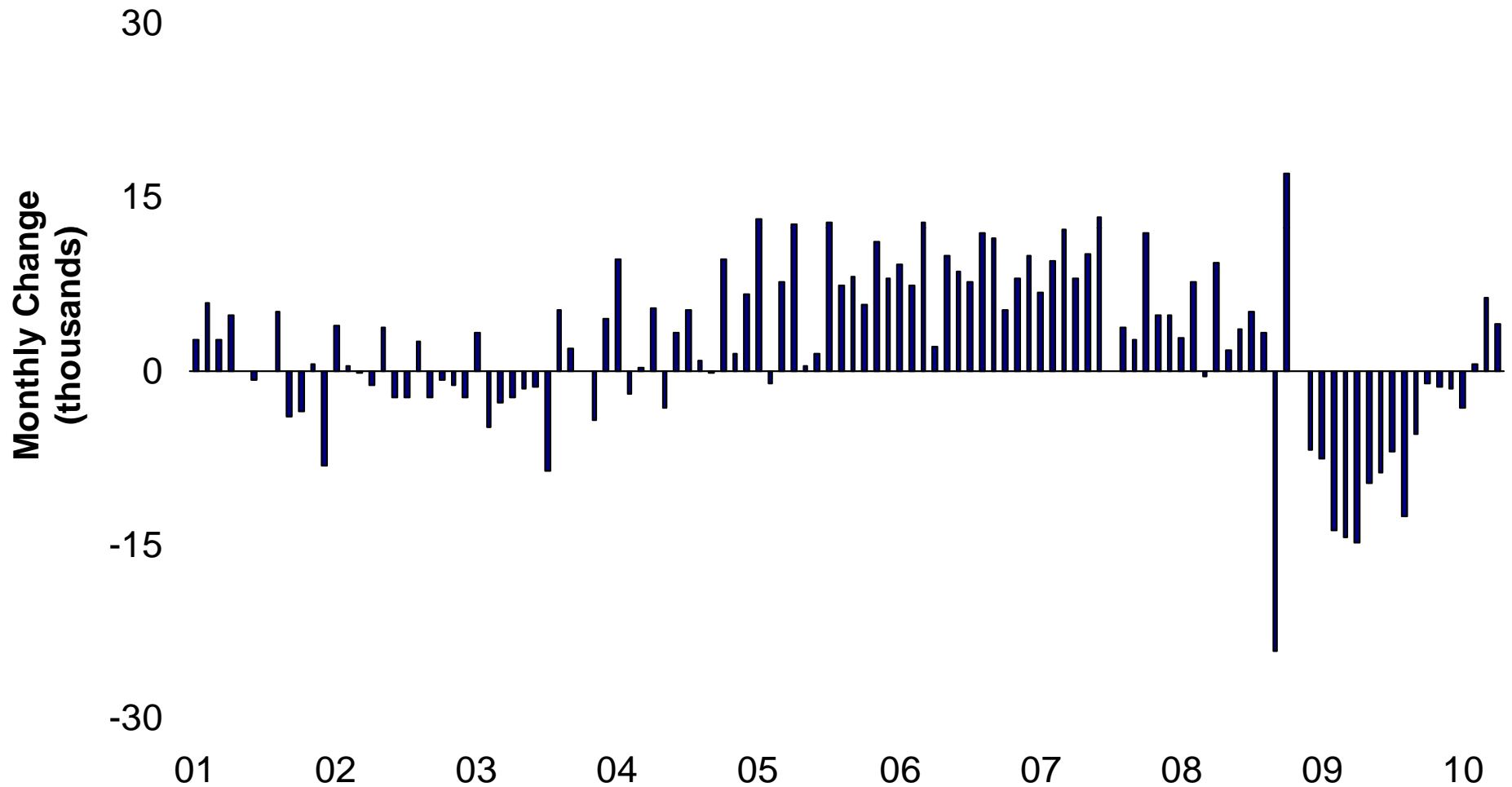


\* Forecast

Sources: Marcus & Millichap Research Services, Economy.com

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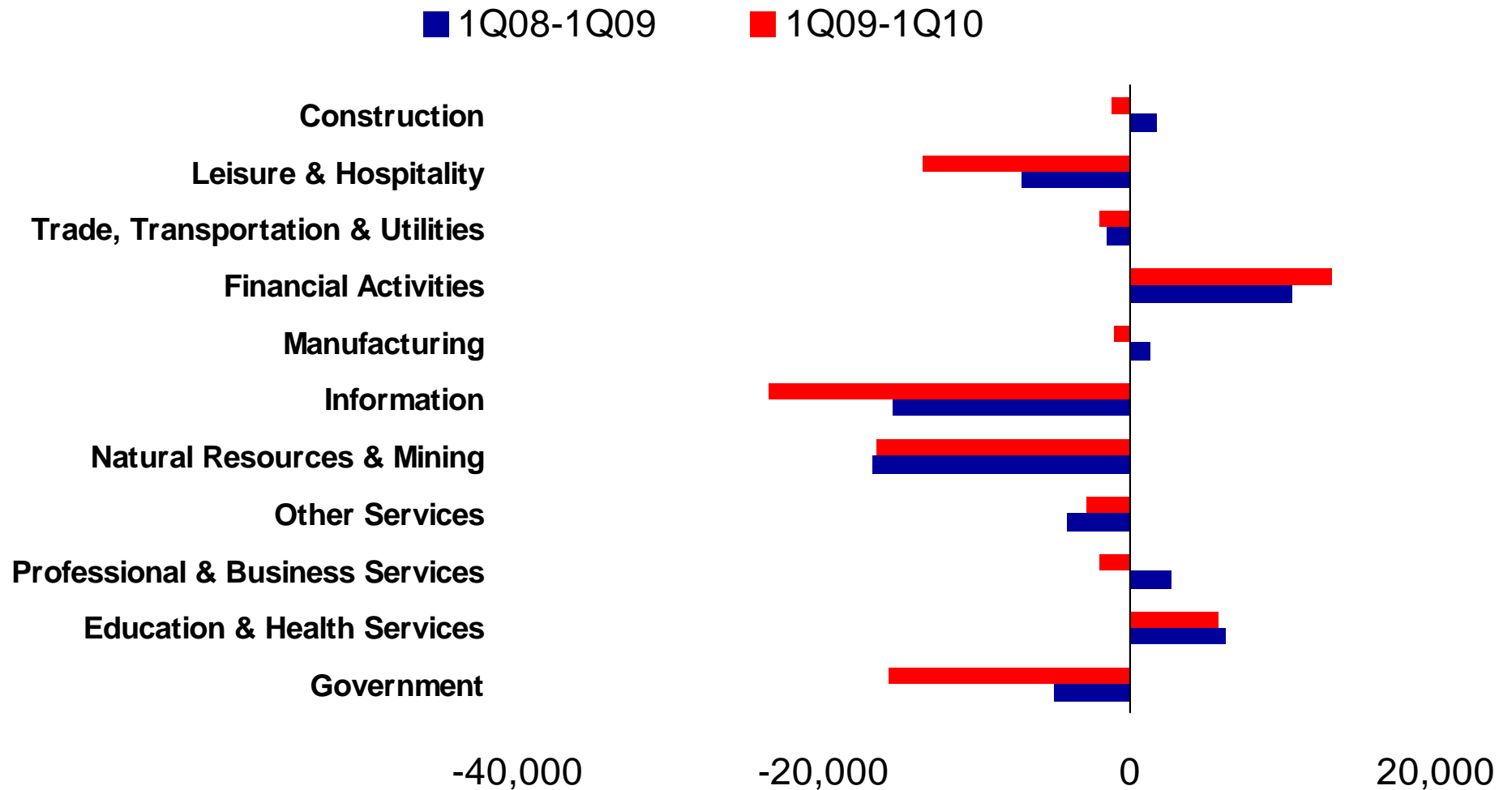
# Total Employment Houston



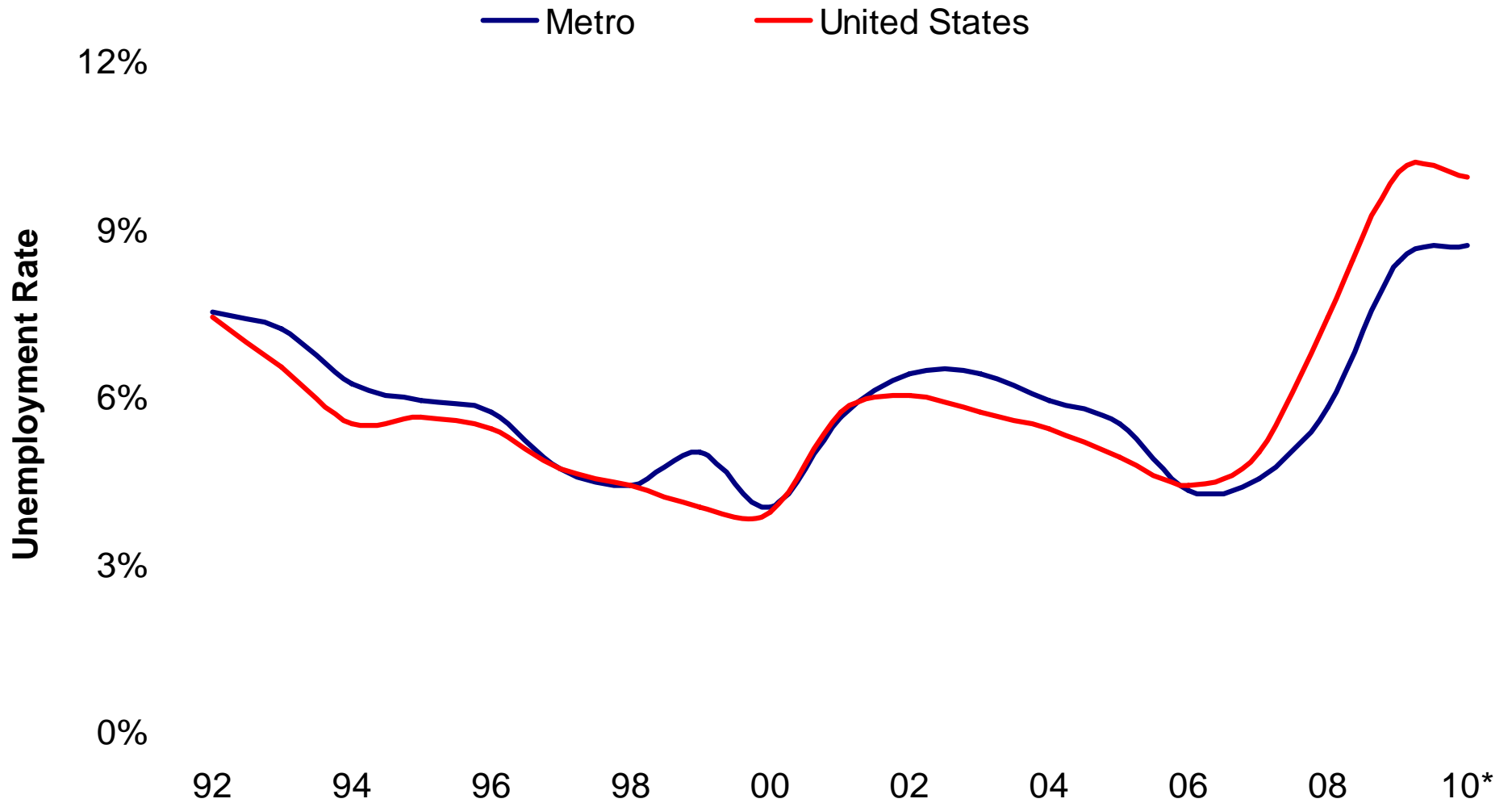
Sources: Marcus & Millichap Research Services, BLS, Economy.com

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# Houston Sector Employment Year-over-Year Absolute Growth



# Unemployment Rate Houston vs. United States

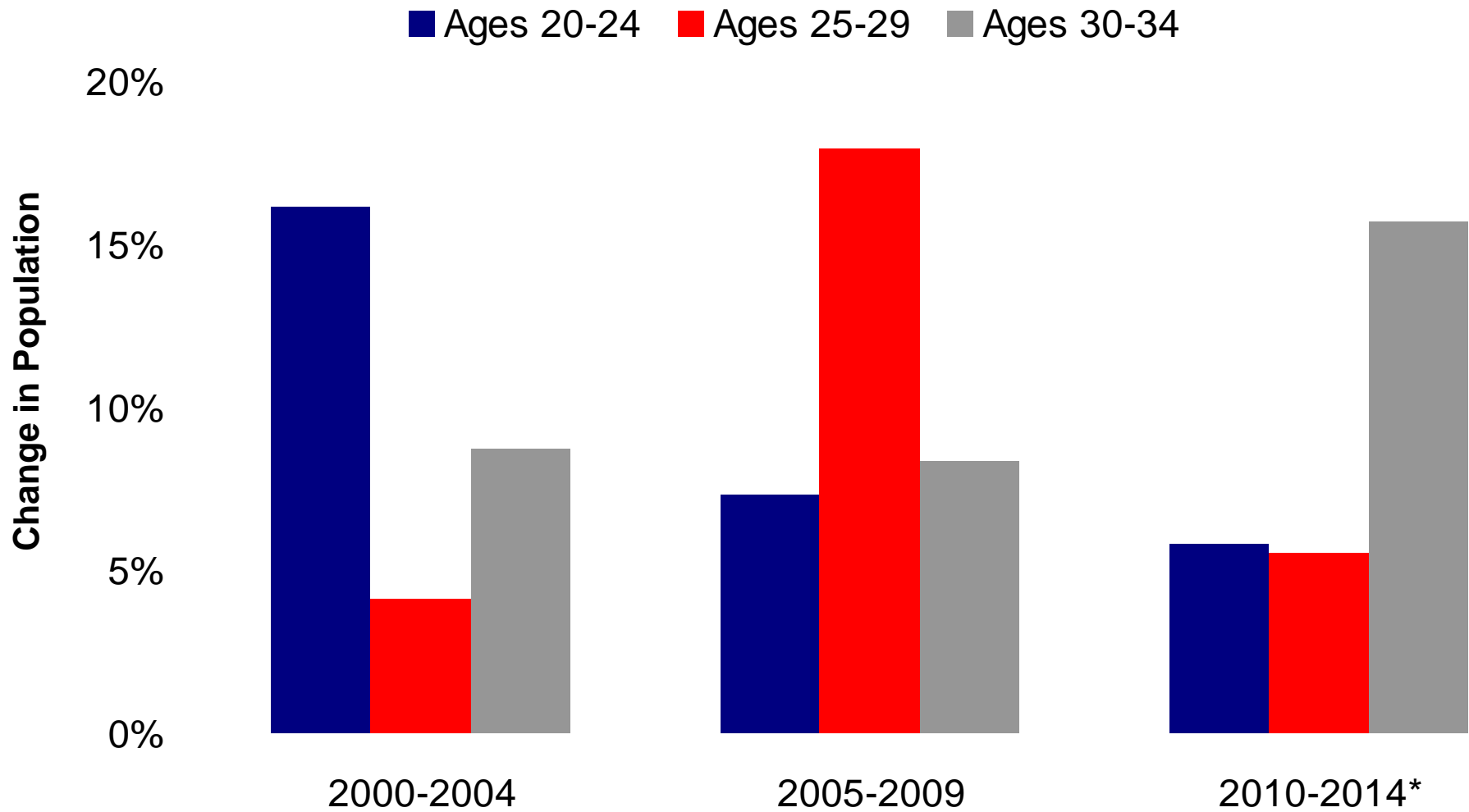


\* Through 1Q

Sources: Marcus & Millichap Research Services, BLS, Economy.com

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# Renter Demographics Houston

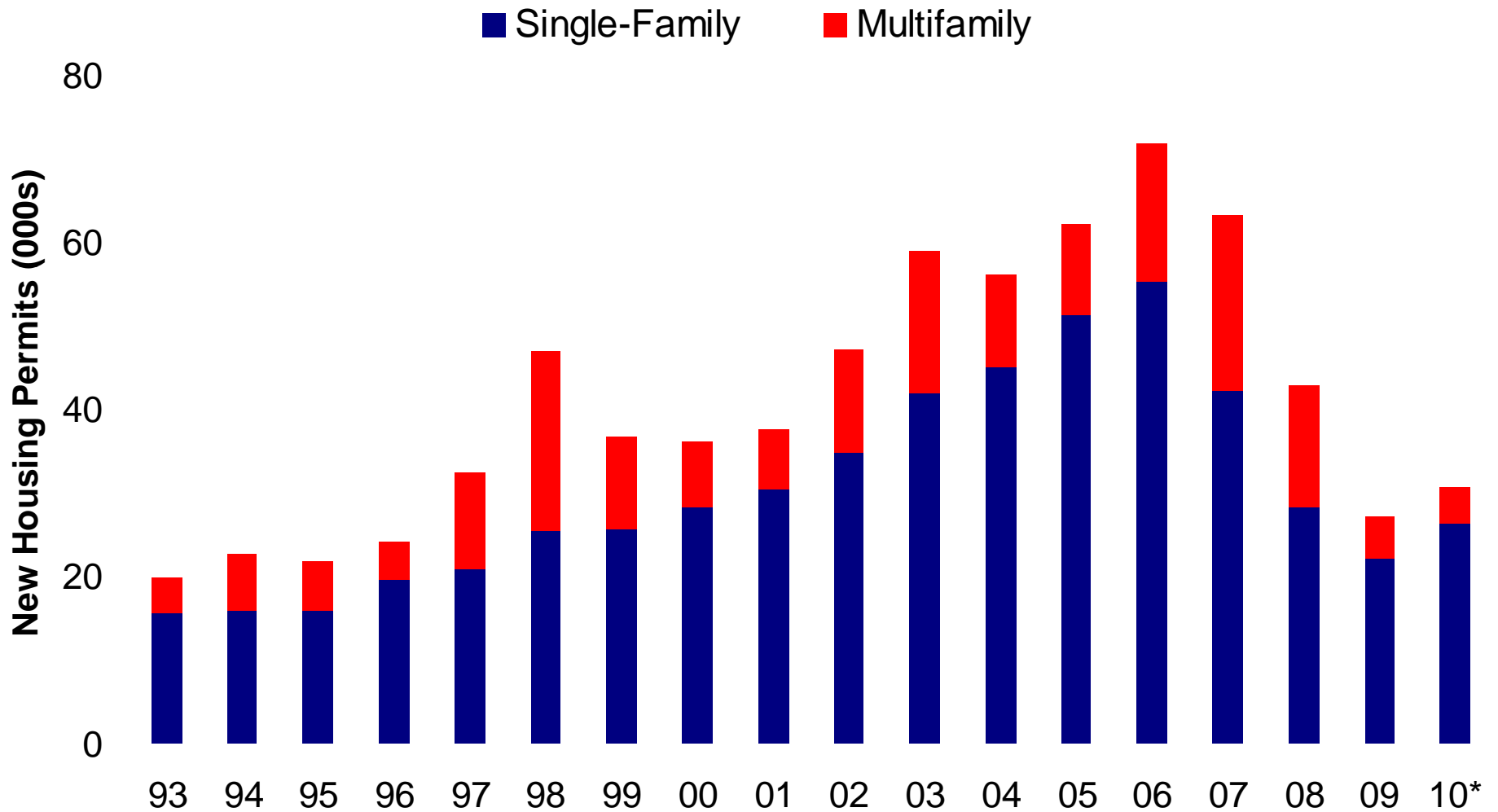


\* Forecast

Sources: Marcus & Millichap Research Services, U.S. Census Bureau

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# New Housing Permits Houston

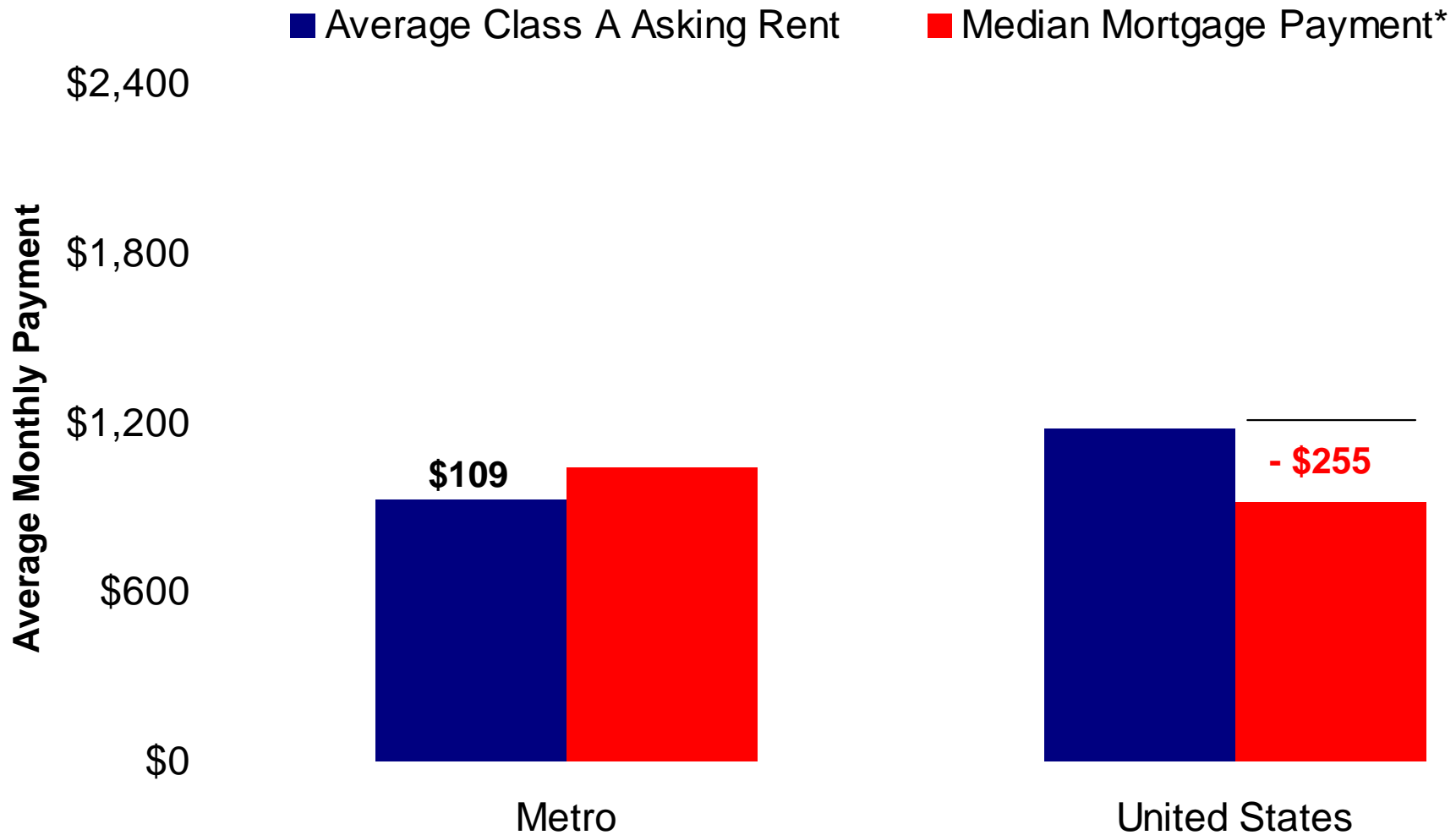


\* Forecast

Sources: Marcus & Millichap Research Services, Economy.com

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# 1Q Housing Affordability Gap Houston



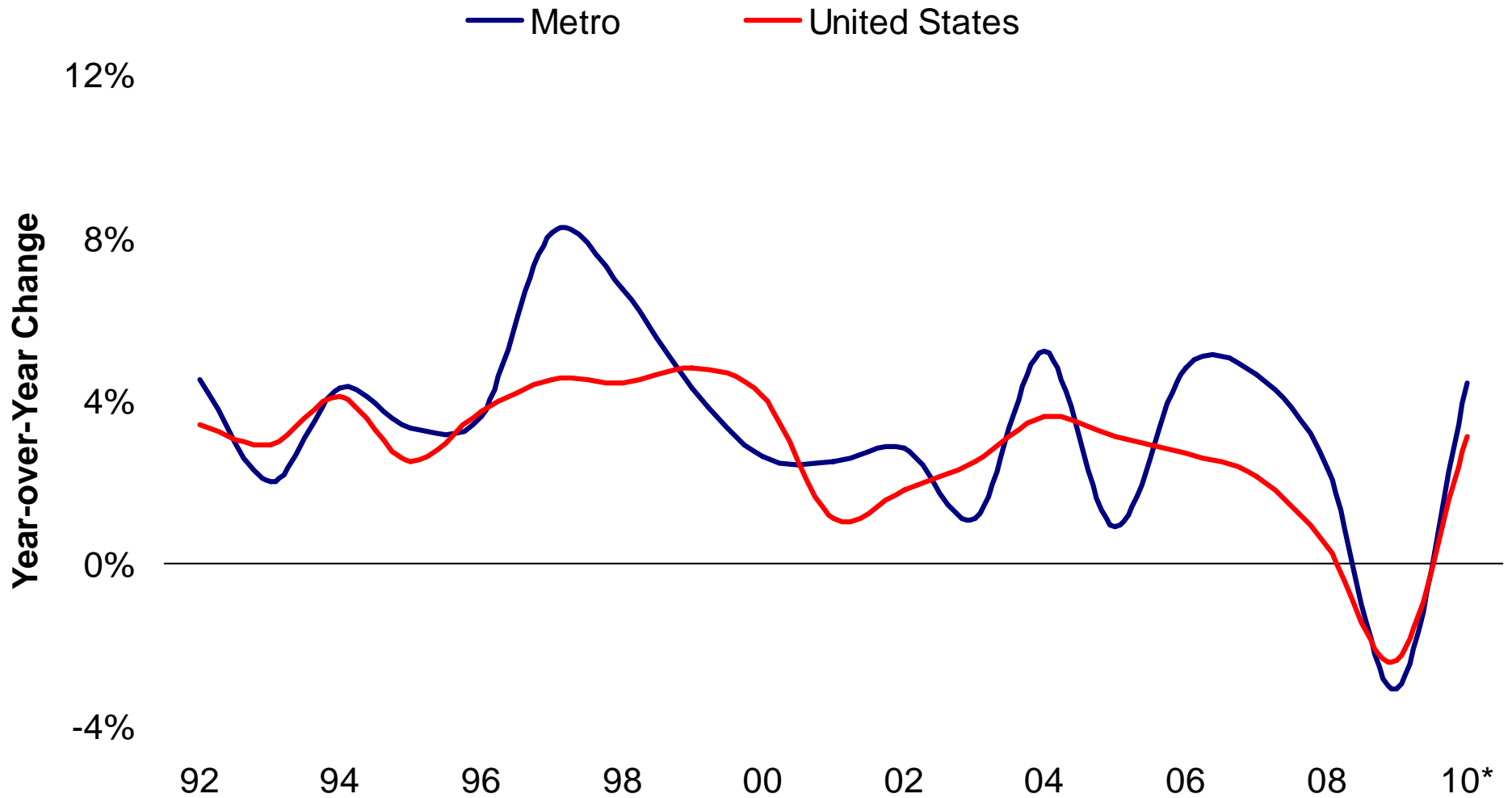
\* Mortgage payment amortized over 30 years at a 5.1 percent interest rate and estimated tax/ins., assuming 20 percent downpayment

Sources: Marcus & Millichap Research Services, Reis

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# Economic Growth

## Houston GMP vs. United States GDP

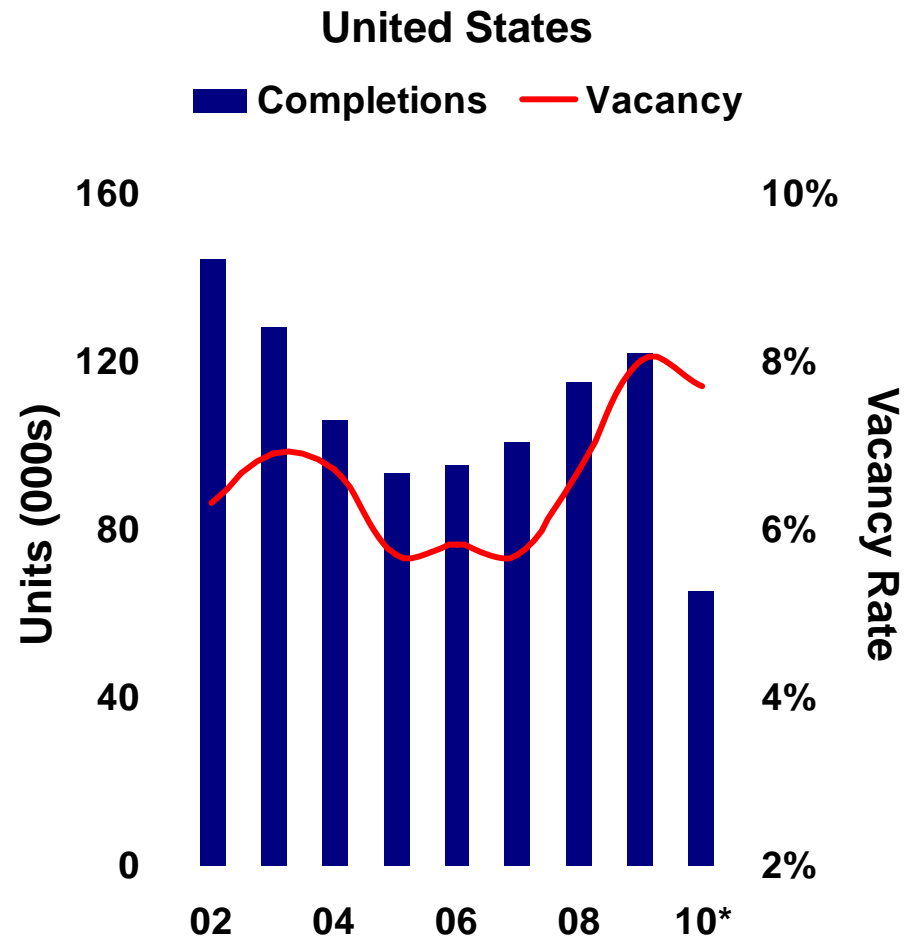
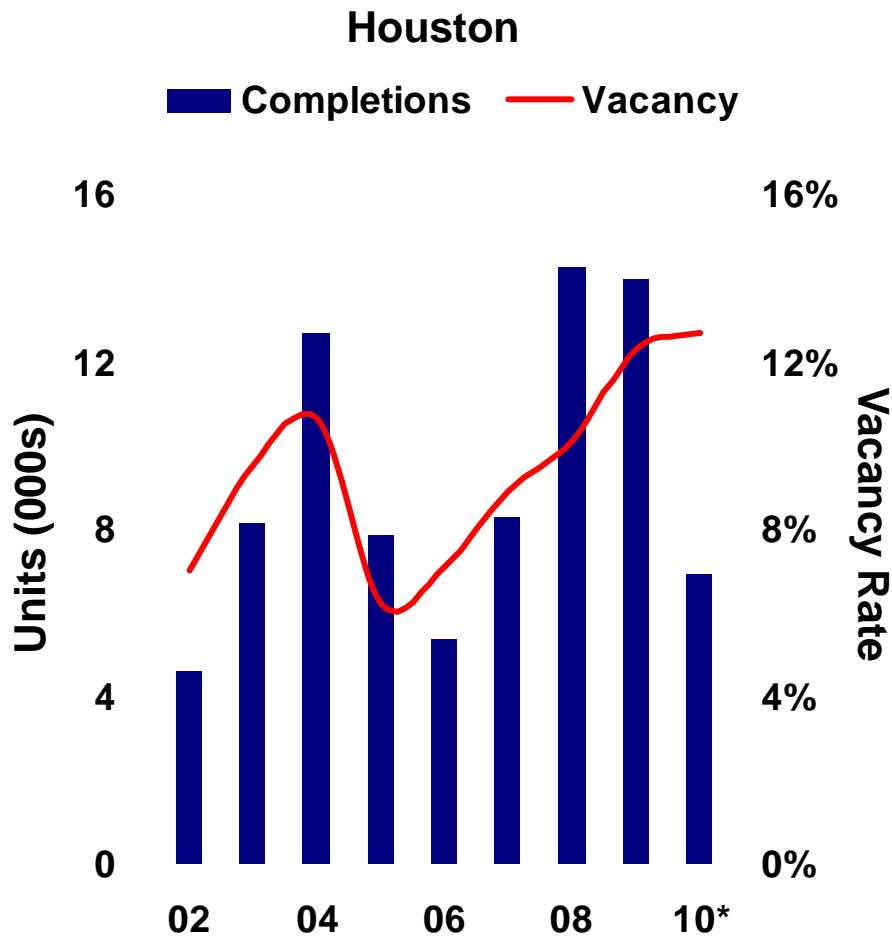


\* Forecast

Sources: Marcus & Millichap Research Services, Economy.com

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# Supply and Demand Apartment



\* Forecast

Sources: Marcus & Millichap Research Services, Reis

# Apartment Metro Vacancy Ranking 1Q 2010

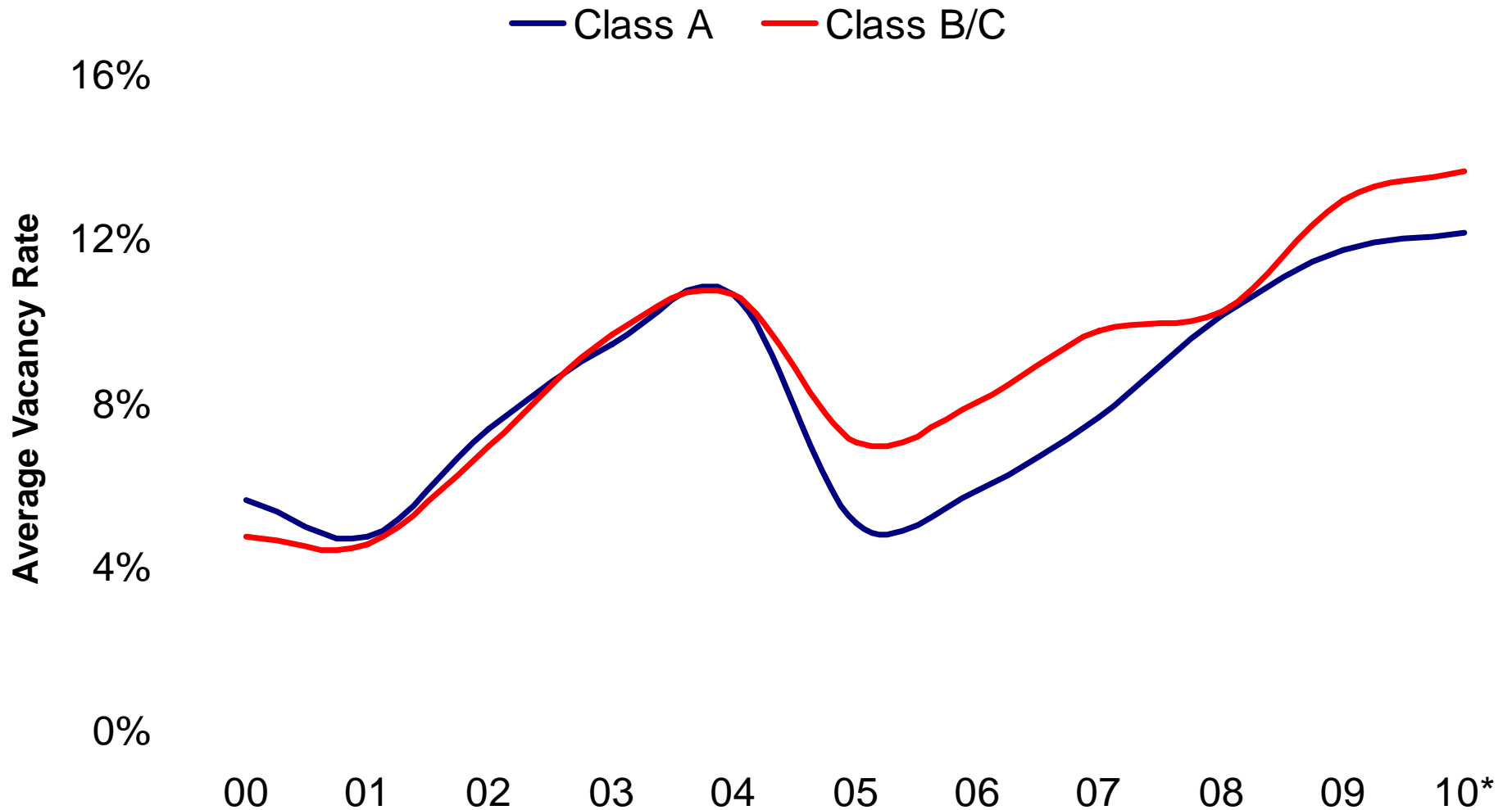
Top 15 Markets	1Q 2010 Vacancy	Y-O-Y Bps Change
New Haven-Fairfield County	4.7%	-60
New York City	2.8%	-60
San Jose	4.7%	-60
Denver	8.3%	-30
Tucson	11.4%	-30
Oakland	5.5%	-20
Washington, D.C.	6.0%	-10
Philadelphia	6.3%	-
Boston	6.5%	10
San Diego	4.8%	10
Los Angeles	5.5%	20
Cleveland	7.0%	40
Jacksonville	13.8%	40
Orange County	6.4%	40
Riverside-San Bernardino	8.0%	40
<b>U.S. Average</b>	<b>8.0%</b>	<b>60</b>

Bottom 15 Markets	1Q 2010 Vacancy	Y-O-Y Bps Change
Las Vegas	11.5%	270
<b>Houston</b>	<b>12.9%</b>	<b>240</b>
Charlotte	10.6%	170
Kansas City	10.3%	170
Indianapolis	10.0%	160
Salt Lake City	7.0%	160
Dallas/Fort Worth	9.3%	140
Columbus	9.5%	120
Oklahoma City	10.1%	120
Orlando	11.5%	120
Fort Lauderdale	8.5%	110
West Palm Beach	8.8%	100
Atlanta	11.5%	90
Milwaukee	5.2%	90
St. Louis	9.0%	80
<b>U.S. Average</b>	<b>8.0%</b>	<b>60</b>

Sources: Marcus & Millichap Research Services, Reis

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# Apartment Vacancy by Class Houston



\* Through 1Q  
Sources: Marcus & Millichap Research Services, Reis

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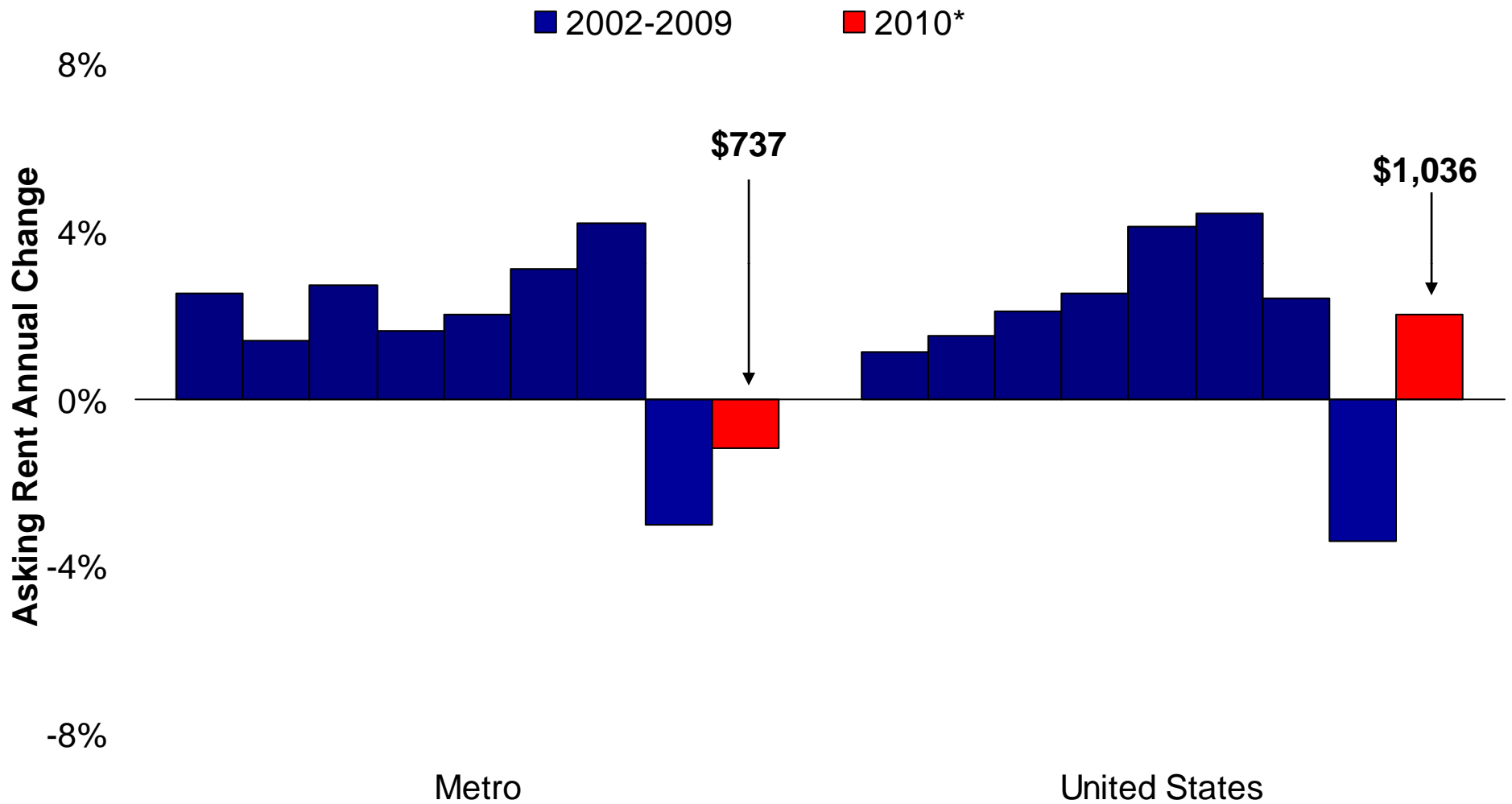
# Apartment Vacancy Ranking by Submarket Houston

Top Submarkets	1Q 2009	1Q 2010	Bps Change
Cypress/Fairbanks	12.1%	11.9%	-20
Katy/Bear Creek	11.2%	11.3%	10
Medical Center/Museum District	11.3%	11.9%	60
Spring/Champions	15.6%	16.8%	120
Energy Corridor	10.6%	11.9%	130
North Loop East/Sheldon	8.3%	10.0%	170
Clear Lake	9.3%	11.1%	180
Montgomery County	13.0%	14.8%	180
Braeswood/Meyerland	11.4%	13.3%	190
Sugar Land/Fort Bend County	6.2%	8.4%	220
Sharpstown	9.7%	12.2%	250
Pasadena/Deer Park	9.7%	12.3%	260
Kingwood/Lake Houston	11.8%	14.4%	260
Montrose/River Oaks	9.4%	12.1%	270
Alief	11.4%	14.2%	280
<b>Metro Average</b>	<b>10.5%</b>	<b>12.9%</b>	<b>240</b>

Sources: Marcus & Millichap Research Services, Reis

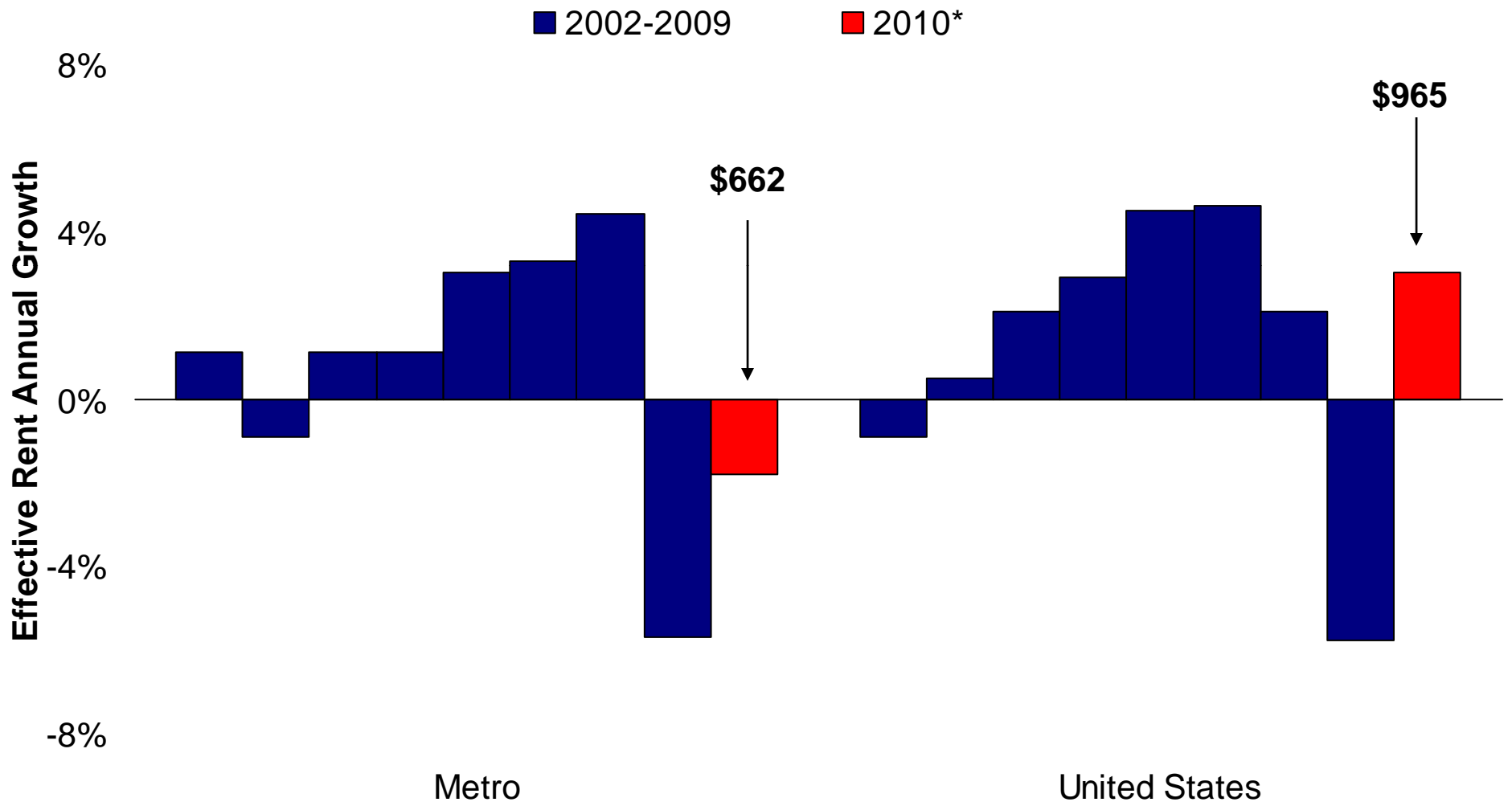
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# Apartment Asking Rent Trends Houston



\* Forecast  
Sources: Marcus & Millichap Research Services, Reis

# Apartment Effective Rent Trends Houston



\* Forecast  
Sources: Marcus & Millichap Research Services, Reis

# Apartment Metro Effective Rent Growth Ranking 1Q 2010

Top 15 Markets	1Q 2010 Eff. Rent	Y-O-Y % Change
Northern New Jersey	\$1,465	-0.2%
Tucson	\$595	-1.0%
Oklahoma City	\$513	-1.2%
San Diego	\$1,243	-1.2%
Chicago	\$956	-1.5%
Austin	\$763	-1.5%
San Antonio	\$641	-1.7%
Kansas City	\$637	-1.8%
Cleveland	\$680	-1.9%
Cincinnati	\$648	-2.1%
Minneapolis	\$873	-2.2%
St. Louis	\$662	-2.4%
Jacksonville	\$731	-2.5%
Columbus	\$613	-2.5%
Denver	\$764	-2.6%
<b>U.S. Average</b>	<b>\$940</b>	<b>-3.6%</b>

Bottom 15 Markets	1Q 2010 Eff. Rent	Y-O-Y % Change
San Jose	\$1,371	-10.5%
Oakland	\$1,195	-7.5%
Las Vegas	\$754	-7.4%
San Francisco	\$1,659	-6.5%
Orange County	\$1,399	-5.9%
Sacramento	\$850	-5.7%
Tampa	\$749	-5.5%
<b>Houston</b>	<b>\$682</b>	<b>-5.5%</b>
Orlando	\$775	-5.4%
Boston	\$1,569	-4.7%
Los Angeles	\$1,309	-4.7%
West Palm Beach	\$992	-4.7%
Seattle-Tacoma	\$895	-4.3%
Phoenix	\$677	-4.2%
Miami	\$985	-4.2%
<b>U.S. Average</b>	<b>\$940</b>	<b>-3.6%</b>

Sources: Marcus & Millichap Research Services, Reis

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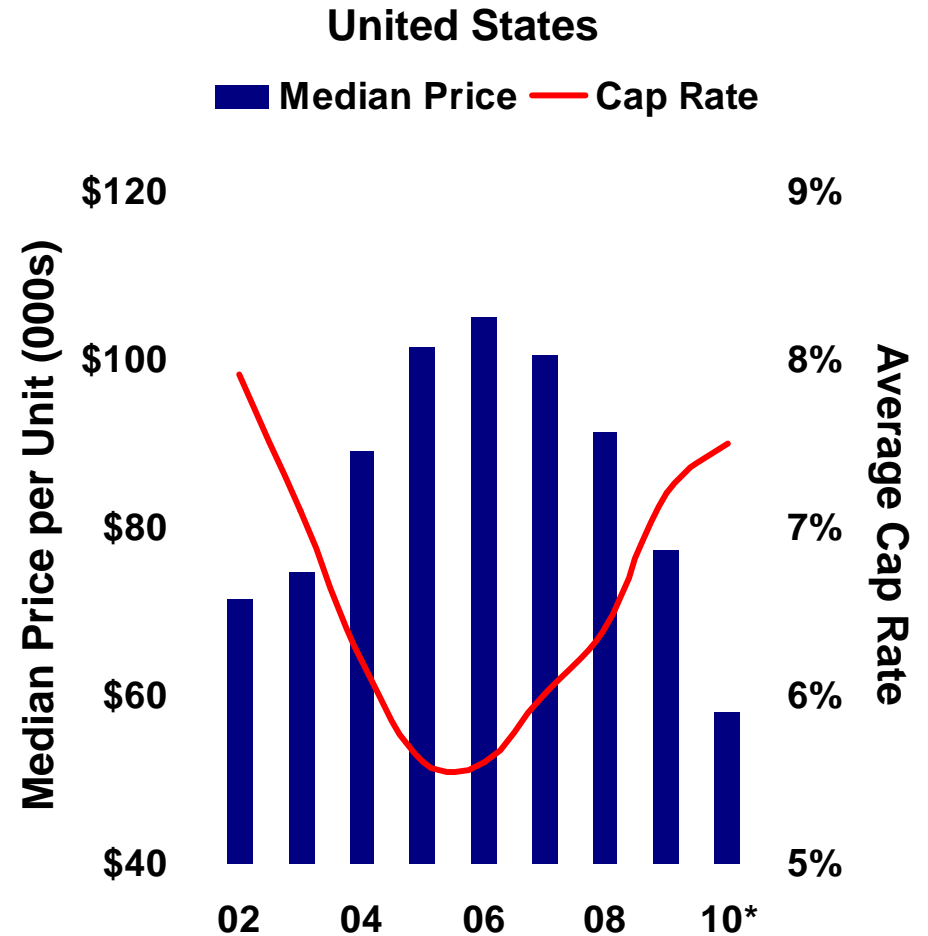
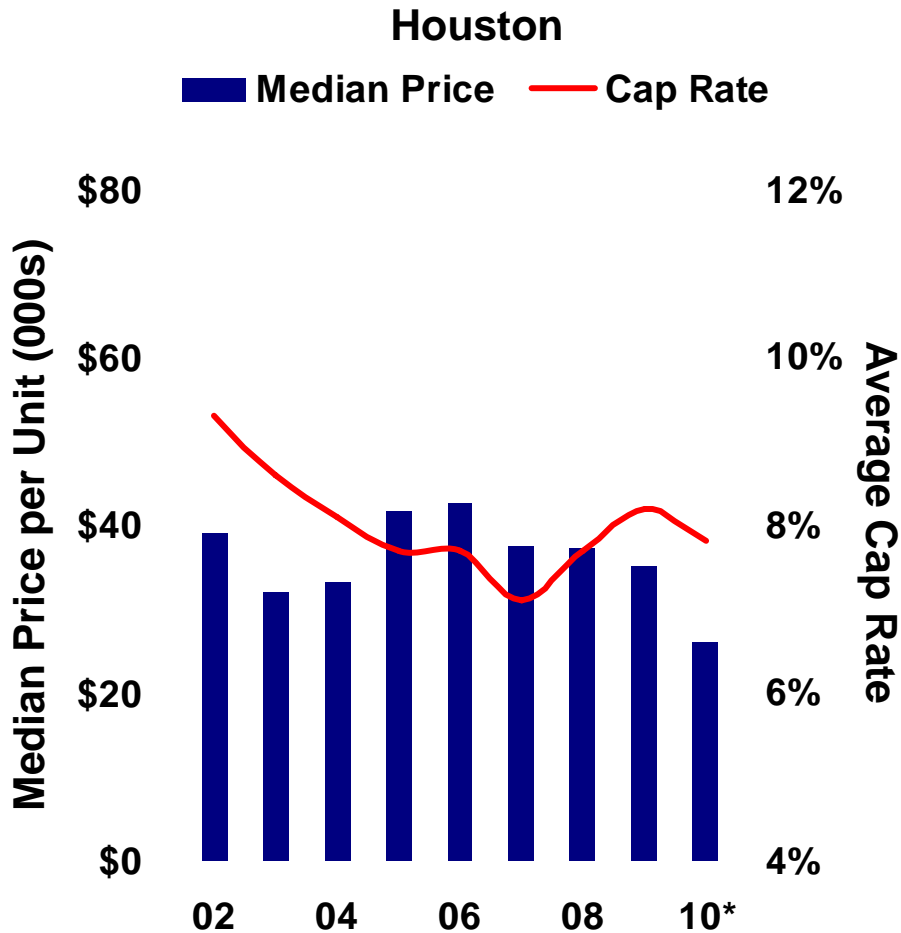
# Apartment Effective Rent Ranking by Submarket Houston

Top Submarkets	1Q 2009	1Q 2010	Percent Change
Kingwood/Lake Houston	\$734	\$725	-1.2%
North Loop East/Sheldon	\$625	\$605	-3.2%
San Jacinto/Galena Park	\$573	\$554	-3.3%
Braeswood/Meyerland	\$565	\$544	-3.7%
Spring Branch	\$639	\$614	-3.9%
Sharpstown	\$561	\$536	-4.5%
Medical Center/Museum District	\$646	\$616	-4.6%
Alief	\$580	\$552	-4.8%
Montgomery County	\$757	\$720	-4.9%
Spring/Champions	\$661	\$628	-5.0%
Bellaire/West University	\$987	\$930	-5.8%
Katy/Bear Creek	\$781	\$735	-5.9%
Pasadena/Deer Park	\$593	\$558	-5.9%
Sugar Land/Fort Bend County	\$890	\$837	-6.0%
Cypress/Fairbanks	\$791	\$741	-6.3%
<b>Metro Average</b>	<b>\$722</b>	<b>\$682</b>	<b>-5.5%</b>

Sources: Marcus & Millichap Research Services, Reis

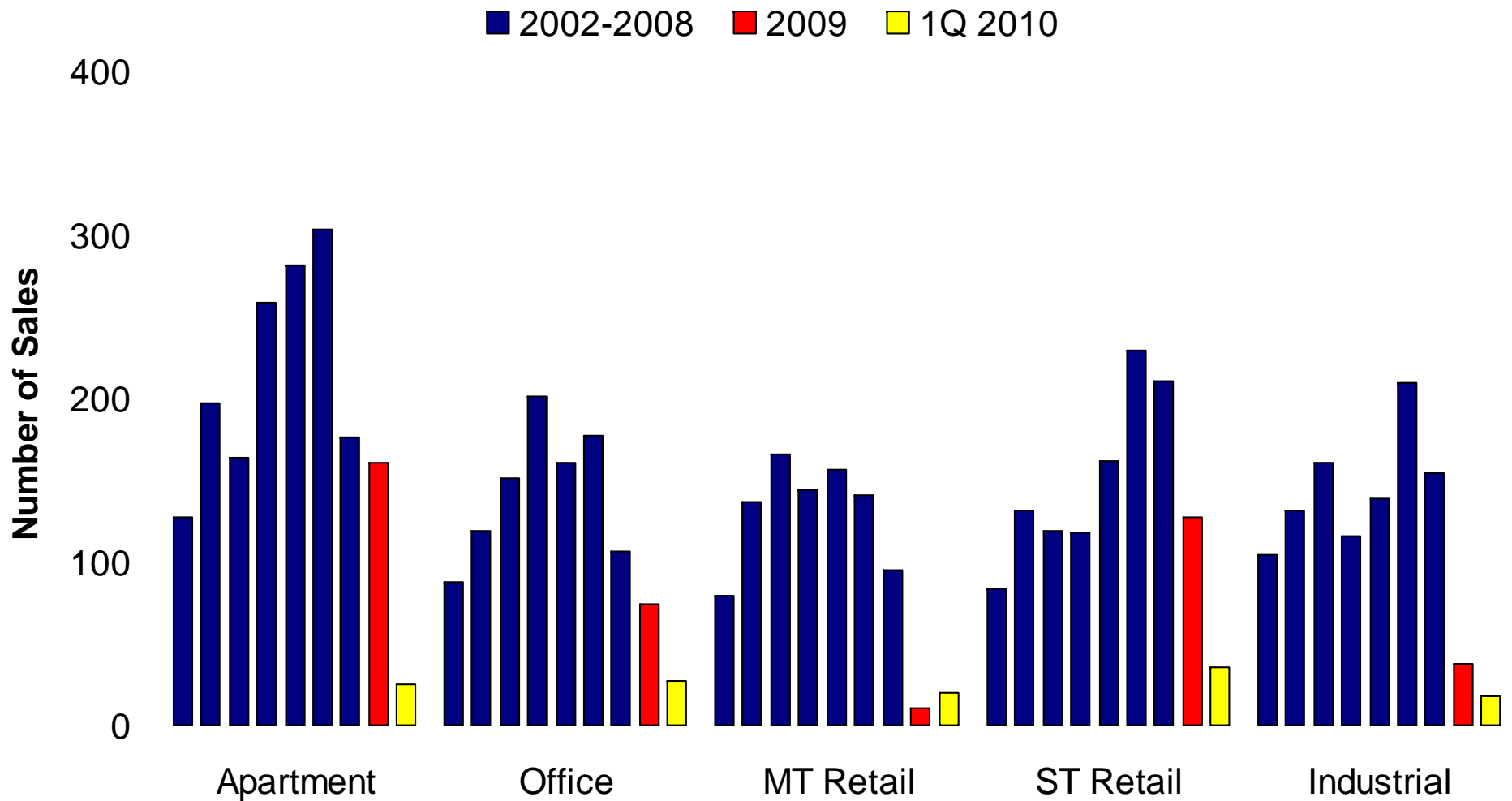
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# Investment Trends Apartment



\* Through 1Q  
 Sales \$500,000 and greater  
 Sources: Marcus & Millichap Research Services, CoStar Group, Inc.

# Sales Velocity by Property Type Houston



Sales \$500,000 and greater  
Sources: Marcus & Millichap Research Services, CoStar Group, Inc.

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