



# MARKET REPORT

# HOUSTON, TX

## CAPITAL MARKETS

### HOW IS HOUSTON PERFORMING?

Individuals and businesses interested in purchasing, selling, or renting commercial properties are gravitating toward Houston for their CRE investments. They are drawn to the city's thriving and robust market that continues to experience rapid growth. Its strategic location, extensive transportation infrastructure, and robust economy

make the market a prime destination for businesses looking to establish or expand their presence. Furthermore, Houston's resilient market has weathered various economic fluctuations, making it an enticing option for buyers, sellers, and tenants seeking stability and long-term growth.

# HOUSTON

# MULTIFAMILY

## CAPITAL MARKETS

Houston's multifamily market sales activity has slowed significantly in recent quarters as the impact of increasing borrowing costs becomes apparent. From Q3 2022 to Q1 2023, total sales volume had been on a gradual decline, while sales in Q1 2023 fell to the lowest Q1 since 2017. As of Q3 2023, there has been a shift in the composition of the buyer pool compared to 2022. Institutional capital and private equity have become more cautious and mainly observe from the sidelines. On the other hand, private capital has emerged as the primary driving force behind investment activity in Houston, accounting for more than 60% of the buyer volume in the past four quarters.

### 12 MONTH SALES VOLUME

Source: CoStar Group

	TOTAL	LOWEST	HIGHEST
Transactions	261	-	-
Sales Volume	\$1.6B	\$360K	\$143.6M
Properties Sold	243	-	-
Transacted Units	38.2K	5	776
Average Units	145	5	776

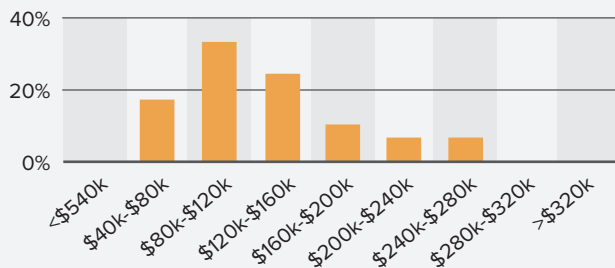
### 12 MONTH SALES PRICE

Source: CoStar Group

	AVG	LOWEST	HIGHEST
Cap Rate	6.5%	3.9%	11.9%
Sale Price/Unit	\$41.5K	\$52.9K	\$258.5K
Sale Price	\$27.7M	\$360K	\$143.6M
Sale vs. Asking Price	-3.8%	-11.8%	2.3%
% Leased at Sale	98.1%	79.0%	100%

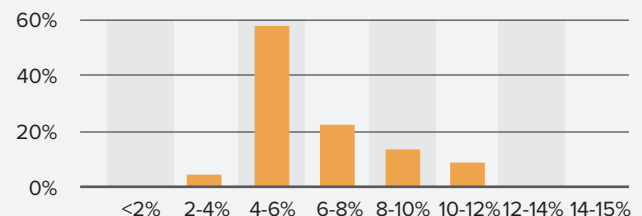
### SALE PRICE PER UNIT DISTRIBUTION PAST 12 MONTHS

Source: CoStar Group



### CAP RATE DISTRIBUTION PAST 12 MONTHS

Source: CoStar Group



### MULTIFAMILY AT A GLANCE

Source: CoStar Group

ASSET  
VALUE  
**\$113.2B**

SALES  
VOLUME  
**\$1.6B**  
12 MONTH

MARKET  
CAP RATE  
**5.8%**

MARKET SALE  
PRICE/UNIT CHANGE  
**-7.9%**  
YOY

# HOUSTON

# HOSPITALITY

## CAPITAL MARKETS

Sales activity in the hotel industry has remained high in 2023, with 43 transactions taking place since January. Keep in mind that the state of Texas is an undisclosed state, leading to limited availability of pricing information for the Houston market. Year-to-date (YTD) hotel sales have mainly involved upscale to upper midscale properties. The majority of these transactions occurred in the George Bush Airport Area submarket, while other significant sales occurred in the Houston Hobby Airport/NASA submarket.

### 12 MONTH SALES VOLUME

Source: CoStar Group

	TOTAL	LOWEST	HIGHEST
Transactions	109	-	-
Sales Volume	\$312M	\$2.4M	\$26.2M
Properties Sold	104	-	-
Transacted Rooms	11.2K	16	328
Average Rooms	103	16	328

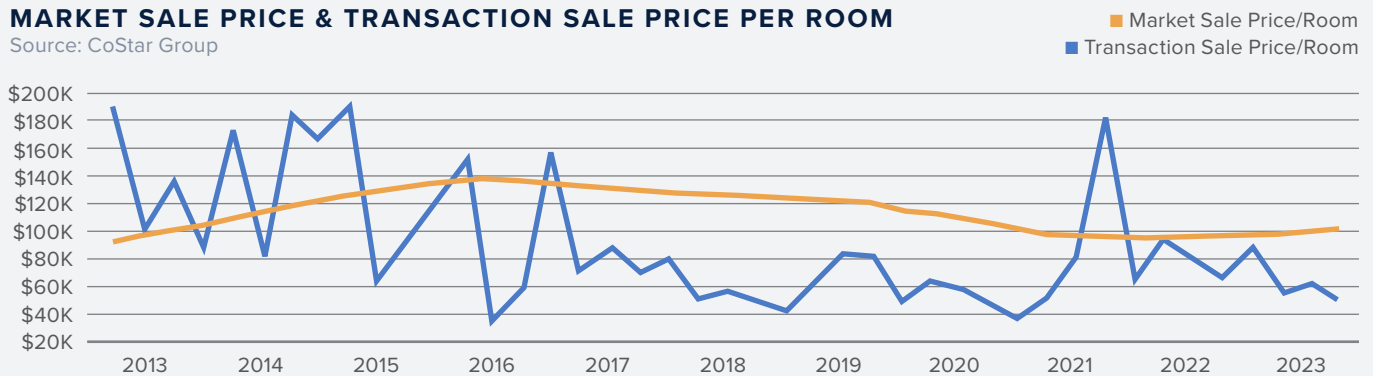
### 12 MONTH SALES PRICE

Source: CoStar Group

	AVG	LOWEST	HIGHEST
Cap Rate	7.2%	5.0%	9.4%
Sale Price/Room	\$66.8K	\$35.1K	\$153.3K
Sale Price	8M	\$2.4M	\$26.2M
Sale vs. Asking Price	-9.5%	-22.2%	-4.6%
Months to Sale	5.8	3.3	11.4

### MARKET SALE PRICE & TRANSACTION SALE PRICE PER ROOM

Source: CoStar Group



### HOSPITALITY AT A GLANCE

Source: CoStar Group

ASSET  
VALUE  
**\$11.2B**

SALES  
VOLUME  
**\$312M**  
12 MONTH

MARKET  
CAP RATE  
**10.6%**

MARKET SALE  
PRICE/UNIT CHANGE  
**3.3%**  
YOY

# HOUSTON RETAIL

## CAPITAL MARKETS

Despite higher borrowing costs and a widening bid-ask spread, Houston's retail investment market remains highly active. Although transaction volumes have decreased in the past three consecutive quarters leading up to Q2 2023, H1 2023 still demonstrated remarkable strength. CoStar Group estimates that retail property sales during H1 2023 exceeded \$1.7 billion, making it the second-highest total ever recorded, only surpassed by the \$2.8 billion achieved in H1 2022.

As of Q3 2023, the average pricing in Houston aligns with the national standard, standing at \$250 per square foot. Despite the influence of increasing interest rates on pricing, Houston's retail market has managed to maintain record-high prices due to robust growth in net operating income (NOI) and the prevalence of high-quality deals attracting investors.

### 12 MONTH SALES VOLUME

Source: CoStar Group

	TOTAL	LOWEST	HIGHEST
Transactions	1,435	-	-
Sales Volume	\$703.9M	\$150K	\$32.3M
Properties Sold	1,344	-	-
Transacted SF	16.2M	240	198.6K
Average SF	11.3K	240	198.6K

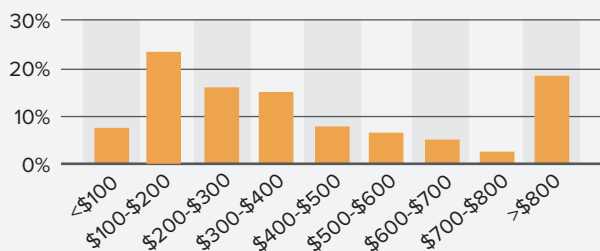
### 12 MONTH SALES PRICE

Source: CoStar Group

	AVG	LOWEST	HIGHEST
Cap Rate	5.9%	2.6%	15.3%
Sale Price/SF	\$271	\$44	\$3.3K
Sale Price	\$3M	\$150K	\$32.3M
Sale vs. Asking Price	-3.7%	-35.1%	221.0%
% Leased at Sale	96.6%	0%	100%

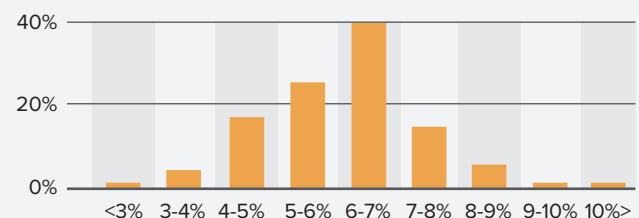
### SALE PRICE PER UNIT DISTRIBUTION PAST 12 MONTHS

Source: CoStar Group



### CAP RATE DISTRIBUTION PAST 12 MONTHS

Source: CoStar Group



### MULTIFAMILY AT A GLANCE

Source: CoStar Group

ASSET  
VALUE  
**\$107.8B**

SALES  
VOLUME  
**\$703.9B**  
12 MONTH

MARKET  
CAP RATE  
**6.7%**

MARKET SALE  
PRICE/UNIT CHANGE  
**2.9%**  
YOY

# HOUSTON INDUSTRIAL CAPITAL MARKETS

Houston's industrial investment market is experiencing a slowdown in Q3 2023 following a solid performance in 2022. In Q1 2023, the disclosed sales of industrial properties amounted to \$100 million, marking the weakest first-quarter outcome since 2016. However, after estimating the prices of properties sold without disclosure, CoStar Group approximates that the total industrial property sales in Q1 2023 reached \$640 million, roughly half of the average first-quarter sales volume observed over the past three years. The slowdown in investment activity can be attributed to higher interest rates, widening bid-ask spreads, and stricter lending criteria, all of which are impacting the market.

Institutional, public REIT, and private equity investors have been the most prominent buyers in the market, representing nearly 66% of the total sales activity in the past three years. This trend has continued consistently over the past 12 months as well.

## 12 MONTH SALES VOLUME

Source: CoStar Group

	TOTAL	LOWEST	HIGHEST
Transactions	1,141	-	-
Sales Volume	\$928.6M	\$125K	\$49.5M
Properties Sold	1,075	-	-
Transacted SF	41M	548	1.1M
Average SF	35.9K	548	1.1M

## 12 MONTH SALES PRICE

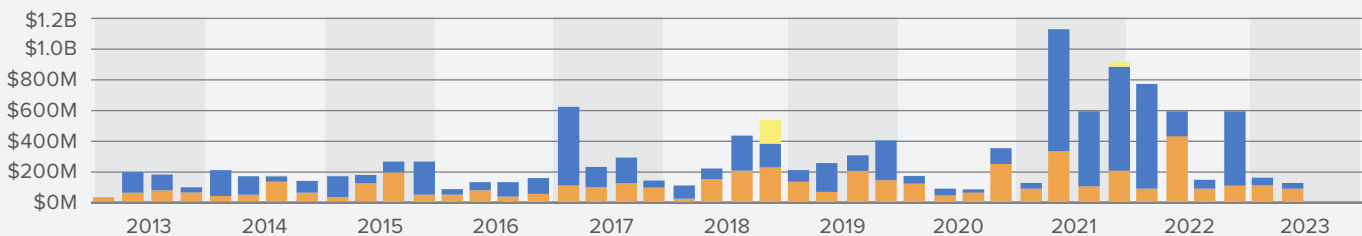
Source: CoStar Group

	AVG	LOWEST	HIGHEST
Cap Rate	7.9%	1.2%	25%
Sale Price/Unit	\$95	\$14	\$427
Sale Price	\$4.9M	\$125K	\$49.5M
Sale vs. Asking Price	-7.1%	-52.4%	13.9%
% Leased at Sale	92.7%	0%	100%

## SALES VOLUME BY TRANSACTION TYPE

Source: CoStar Group

Industrial Portfolio Entity



## INDUSTRIAL AT A GLANCE

Source: CoStar Group

ASSET  
VALUE  
**\$78.4B**

SALES  
VOLUME  
**\$928.6M**  
12 MONTH

MARKET  
CAP RATE  
**7.4%**

MARKET SALE  
PRICE/UNIT CHANGE  
**-5.3%**  
YOY

# HOUSTON OFFICE

## CAPITAL MARKETS

The volume of transactions in Houston's office market has significantly slowed since H2 2022, reaching a level similar to the beginning of 2020. Investment sales activity is expected to continue to decrease soon due to anticipated interest rate hikes throughout the year. The higher borrowing costs will result in increased equity requirements for borrowers, further contributing to the deceleration of deal flow. As of Q3 2023, the average pricing in the market is estimated to be \$210 per square foot, which is significantly lower than the national average of \$300 per square foot.

### 12 MONTH SALES VOLUME

Source: CoStar Group

	TOTAL	LOWEST	HIGHEST
Transactions	786	-	-
Sales Volume	\$525.6M	\$115K	\$145M
Properties Sold	637	-	-
Transacted SF	21.9M	288	1.3M
Average SF	27.9K	288	1.3M

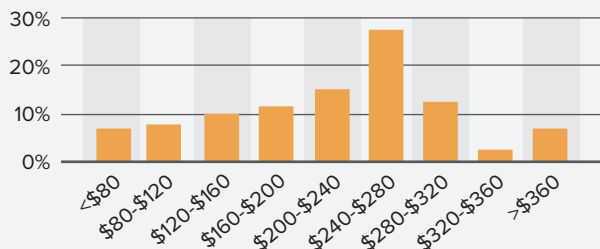
### 12 MONTH SALES PRICE

Source: CoStar Group

	AVG	LOWEST	HIGHEST
Cap Rate	7.5%	3.9%	11.5%
Sale Price/SF	\$178	\$29	\$897
Sale Price	\$3.5M	\$115K	\$145M
Sale vs. Asking Price	-3.8%	-20.0%	37.7%
% Leased at Sale	88.9%	0%	100%

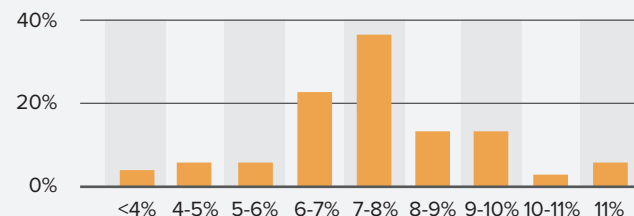
### SALE PRICE PER SF DISTRIBUTION PAST 12 MONTHS

Source: CoStar Group



### CAP RATE DISTRIBUTION PAST 12 MONTHS

Source: CoStar Group



### OFFICE AT A GLANCE

Source: CoStar Group

ASSET  
VALUE  
**\$73.7B**

SALES  
VOLUME  
**\$525.6M**  
12 MONTH

MARKET  
CAP RATE  
**8.9%**

MARKET SALE  
PRICE/UNIT CHANGE  
**-6.2%**  
YOY

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