

Houston Real Estate Investing Trends



*Houston Market Trends, Neighborhoods
with the Highest Appreciation, Best Projects
for Renovating Your Home*

January 2008

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Executive Summary

Over the past year, the media has sensationalized the fall of the national real estate market with headlines like “Housing Crash Continues,” “Home Prices Plummet” and the “Housing Boom Bursts.”

With all of the hype, many are wondering what it all means for Houston & how the Bayou City’s real estate market is performing.

Despite the “bad news” that has plagued the headlines, data indicates that while much of the nation wrestles with the effects of the real estate market drop, the Houston real estate market is holding its own.

In an effort to provide a more in-depth look into certain market segments of Houston, this report analyzes over 10,000 single family home sales in the Houston area since 2002. Specifically, this study encompasses much of Houston’s Inner Loop, as well as parts inside the Beltway, such as [Tanglewood](#), [Memorial](#) & the [Memorial Villages](#).

As any investment advisor will tell you, past data is no guarantee of future results. However the information provides some interesting statistics for people looking to purchase real estate in the most sought-after areas of Houston, Texas.

Findings of this report include:

How is the Houston real estate market faring to the rest of the country?

- Houston Association of Realtors (HAR) has reported that 2007 was Houston’s second best real estate year ever;
- Local real estate markets are closely tied to the region’s economy and job growth. Houston’s economy has been & is being recognized for growth:
 - #1 Job Growth (source US Bureau of Labor Statistics – March 2007)
 - #1 Lowest Cost of Living among 24 MSAs with population greater than 2M (source ACCRA Cost of Living Index 2006)
- As of November 2007, HAR reported single family homes and townhomes/condos are still in a [Seller’s Market](#) – signaling continued growth.

How are people making money in [Houston real estate](#)?

- Location, location, location.
- Neighborhoods with the highest appreciation include¹:
 - From 2002 – 2007
 - [Collegetree / College Court](#) (72% appreciation)
 - [Braeswood](#) (68% appreciation)
 - [Rice Military](#) (63% appreciation)
 - [Tanglewood](#) (59% appreciation)

¹ Based on data from HAR MLS system for single family homes sold from 2002-2007 based on median sales price per square foot from data compiled from seventeen Houston market areas.

- From 2004 – 2007
 - [Tanglewood](#) (53% appreciation)
 - [Braeswood](#) (46% appreciation)
 - [Collegeview/ College Court](#) (41% appreciation)

What are some of the best things we can do to improve the value of our homes?

- Top renovation projects (and the expected “cost recouped” at sale) for Houston and the southwest region include:
 - Fiber-cement siding replacement (93%)
 - Bathroom remodeling (91%)
 - Minor kitchen remodeling (88%)
- For people looking to sell their home, quality [Home Staging](#) can shorten the average time to sell a home and often provide an opportunity for an increase in the sales price.

As a [Houston Realtor](#) specializing in Inner Loop homes, if I can be of any assistance to you, your family, or your friends - please don't hesitate to contact me with any Houston Real Estate questions or needs at Paige@HoustonProperties.com.

Free Offer: In addition, if you're looking to buy or sell a Houston home in the Inner Loop area (see the map on page eleven of this report) I'd be happy to provide you with a [Free Comprehensive Market Analysis \(CMA\)](#) detailing specific transactions within the immediate area around your home to provide you with insights on how to best price your home for sale or determine the right price for a new home purchase.

If you're interested in receiving future updates and Houston real estate market statistics, please sign up for my Houston Real Estate Newsletter at <http://www.HoustonProperties.com/houston-real-estate-newsletter.html>.

City of Houston Overview

Houston is the fourth largest city in the United States. The oil and gas industry is a major contributor to the economy of the area, and the city is known for an outstanding skyline, defined by the remarkable skyscrapers housing some of the largest corporations in the United States (and the world). The city is also home to a number of highly-acclaimed research and medical centers, such as MD Anderson, NASA, Baylor College of Medicine, among many others.



Houstonians enjoy a wide, year-round variety of various activities & cultural events. The city has some of the best museums in the nation, and is home to a number of excellent opera, theatre, symphony & ballet productions. Many other entertainment options are available, from a tour of the famous Johnson Space Center to the annual Houston Livestock Show and Rodeo.

Houston has many lodging choices and is a major destination of choice for conventions. With literally thousands of excellent restaurants abounding in all parts of the city, visitors are delighted to find a remarkably wide assortment of dining options.

Houston Economy

While during the 1980's the Houston area economy was pre-dominantly reliant upon the energy industry, currently the energy sector contributes for about 40% of the region's GDP.

Today, the Houston economy is based on a broad spectrum of industries including: Oil and gas exploration, basic petroleum refining, petrochemical production, Medical research, health care delivery and high-technology (computer, aerospace, environmental, etc.) The Houston economy is highly diversified, with many of the workforce employed in sectors that are marginally, if at all, affected by changing energy prices.

The most widely followed series on the Houston economy is the establishment employment data, released monthly along with the unemployment rate. The Houston economy is strong and particularly tied to trade. Houston's economy has a global reach

with its world renowned energy business, medical center, sea port, and the NASA Space Center.

Recent economic data shows that Houston has an incredible healthy job market. Strength of a local economy can be measured by the number of new jobs created. According to the US Bureau of Labor Statistics, Houston has added over 75,000 jobs in the last year and is the #1 city in the nation for job growth.

Many of these jobs are being created in energy related industries, medical and professional services fields.



Additionally, Houston has recently scored as the top city in the country on several key growth metrics including:

- #1 Job Growth (source US Bureau of Labor Statistics – March 2007)
- #1 Lowest Cost of Living among 24 MSAs with population greater than 2M (source ACCRA Cost of Living Index 2006)
- #1 Most Affordable Housing among 24 MSAs with population greater than 2M (source ACCRA Cost of Living Index 2006)
- #1 Largest Immigrant Communities in the US (source Center for an Urban Future April 2007)

Houston Real Estate Market Trends

In late 2007, the Greater Houston Partnership released an overview of the Houston economy, marking a bright spot during the midst of turmoil in the US economy has experienced during the second half of the year.

As nationwide problems with sub-prime mortgages continue to make front page news while depressing stocks of major financial organizations, Houston area residents question: How is the Houston area market faring?

Better than many other parts of the US is the answer, thanks in part to strong oil prices, a robust and diversified job market and a housing market that continues along a growth path. In addition, Houston area real estate continues to be a good investment option with strong job growth and a fast-growing economy.

According to the Houston Association of Realtors, 2007 was the second-best year in Houston for the Houston Real Estate market.

According to the data, Houston has experienced a 5.93% annual housing price increase in first quarter 2007, which is a .41% appreciation over the same period last year.

This contrasts with some of the highest risk markets, where homeowners are facing severe difficulties (and their annual price declines over the same period), including:

- San-Bernardino-Ontario, CA (-17.5%);
- Phoenix-Mesa-Scottsdale, AZ (-32.8%);
- Las Vegas-Paradise, NV (-14.4%),
- West Palm Beach-Boca Raton, FL (-30.3%).

In addition, according to the PMI (United States Market Risk Index, Winter 2008, *Economic Real Estate Trends*) the Houston-Sugarland-Baytown, Texas area is identified as one of the least risky areas for housing prices, with a less than 1 percent chance of price decline during the next two years.

Real Estate Statistics for Houston, Texas

The Houston, Texas Real Estate market has also been experiencing gains, while much of the rest of the US has been suffering. This is thanks, in part, to the balance between supply and demand, as well as the near absence of the speculative excess in real estate prices that were seen on both coasts of the US over the past 10 years. The number of Houston home sales pending at the end of July 2007 and expected to close within 30 days was up 8.1% from a year earlier – a good sign for the market.

For current Houston Real Estate Market Statistics, including current months of inventory for each single family homes, townhomes/condos and highrise/condos, please visit http://www.HoustonProperties.com/houston_resource.html. (Note: This includes all areas covered by the Houston Multiple Listing Service & Houston Association of Realtors.)

What Does This Mean For the Houston Housing Market?

Real estate trends (in absence of a market bubble) closely follow the movement of the local population and job growth.

Houston has not experienced the same “real estate bubble” price run-up that the East Coast or West Coast experienced in the past decade and is still creating new jobs at the fastest rate in the country. This translates to positive trends for the Houston real estate market and increasing housing prices.

Statistics from the Houston Association of Realtors (HAR) show the year to date median housing price continues to increase and that 2007 is expected to be the second best year ever for the residential housing market.

HAR data from November 2007 shows that Single Family Homes and Townhomes/Condos are a Seller's Market, while High-rises are in a Buyer's market based upon months of available housing inventory.

The increasing scarcity of available land in Houston's Inner Loop combined with population, job and household growth in the entire city, make the fundamentals for residential housing in the Inner Loop very positive.

Neighborhoods & Subdivisions with the Highest Home Price Appreciation

Many Houston real estate buyers are curious about which neighborhoods and market areas have gained the most value in the past few years. While historical price trends are no guarantee of future growth, the data tells an interesting story and provides insights into potential Houston real estate investments.

Home Price Analysis

For this comparison, over 10,000 single family home sales completed between 2002 and 2007, primarily in the Inner Loop, and [Tanglewood](#) and [Memorial](#) areas of Houston, Texas. This area included HAR MLS areas of 4, 9, 16, 17, 22 and 23, and Houston area zip codes of 77002, 77003, 77004, 77005, 77006, 77007, 77008, 77018, 77019, 77024, 77027, 77030, 77042, 77056, 77401. The data is reported by the Houston Area Realtors HARMLS system, with data provided by the Houston Realtors Information Service, Inc.

The analysis included [Houston Neighborhoods](#) and subdivisions that provided a statistically significant number of home sales for each calendar year between 2002 and 2007. The specific neighborhoods and their corresponding zip codes are listed in the Houston Real Estate Market Data and Analysis table located below.

Fastest Appreciating Neighborhoods

2002 – 2007 Appreciation

From 2002 – 2007, the fastest appreciating neighborhood for single family homes in Houston was [Collegeview / College Court](#), with a 72% appreciation based on the median sale price per square foot.

Following close behind were:

- [Braeswood](#) (68% appreciation)
- [Rice Military](#) (63% appreciation)
- [Tanglewood](#) (59% appreciation)

The average median sale price per square foot of the seventeen compiled areas increased 43% from 2002 – 2007.

Collegeview Neighborhood Profile

Collegeview is a subdivision in Houston located near [West University](#), [Fairhaven](#), [Southampton](#), [Pemberton](#), [Southside Place](#), east of [Bellaire](#) and south of Highway 59, that has approximately 710 home sites and is one of the most expensive neighborhoods in the City of Houston.

Collegeview is located in the 77005 zip code.

The average Collegeview neighborhood home has over three bedrooms, has a median appraised value of over \$500,000 and is over 2,800 sq feet. Collegeview Houston is in close proximity to [Downtown Houston](#) and [River Oaks](#).

2004 – 2007 Appreciation

From 2004 – 2007, the fastest appreciating neighborhood for single family homes in Houston was [Tanglewood](#), with a 53% appreciation based on the median sale price per square foot.

Following close behind were:

- [Braeswood](#) (46% appreciation)
- [Collegeview/ College Court](#) (41% appreciation)
- [Southampton](#) (40% appreciation)

The average median sale price per square foot of the seventeen compiled area increased 28% from 2004 – 2007.

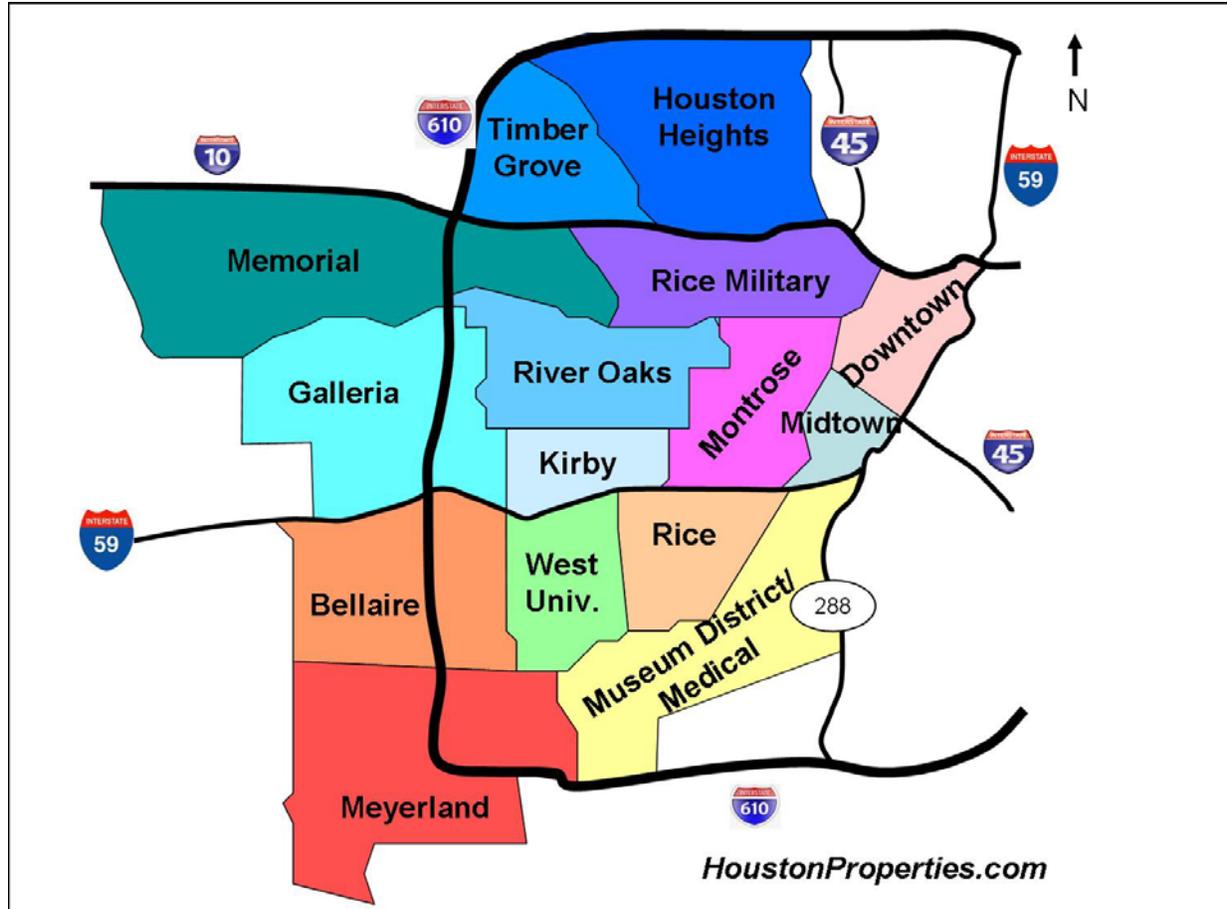
2006 – 2007 Appreciation

From 2006 – 2007, the fastest appreciating neighborhood for single family homes in Houston was [Tanglewood](#), with a 23% appreciation based on the median sale price per square foot.

Following close behind were:

- [Montrose](#) (20% appreciation)
- [Braeswood](#) (18% appreciation)
- [Memorial](#) (15% appreciation)

The average median sale price per square foot of the seventeen compiled area increased 11% from 2004 – 2007.



Inner Loop Real Estate

Location, location, location. That's what Inner Loop Houston has to offer. The Inner Loop, defined by the area inside the 610 Loop, has appreciated at some of the highest rates in the city. Offering a high quality of living with easy access to [Downtown Houston](#), [Medical Center](#), the Galleria and all major Houston freeways, the popularity of the area continues to grow. Known for museums, theatre, sports arenas, historic landmarks, exceptional medical facilities, a 1,466 acre park, renowned restaurants, and world-class shopping, it's easy to understand why it's such a sought-after area.

Whether you're into historic bungalows, newly built/remodeled traditional homes, a high-rise condo or a 3-story [Houston Townhomes](#), the Inner Loop real estate market offers a wide range of diversity. In addition to the areas noted on the map, the Inner Loop also includes city of [West University](#) and parts of the City of [Bellaire TX](#).

Meander through a neighborhood of tree-lined streets; shop at a trendy, local boutique; wander through one of many galleries; enjoy the miles of park lands at Memorial Park; ride the Light Rail to the Houston Zoo; catch a fly ball at an afternoon Astros game; dine at a sidewalk café or a fine restaurant...The Inner Loop allows you to live & enjoy life at your own pace – whatever that may be.

Houston Real Estate Market Data & Analysis

Neighborhood	Zip Code(s)	2002-2007 Appreciation	2004-2007 Apprec.	2006-2007 Apprec.	2007 Median Sale Price/SF	2006 Median Sale Price/SF	2005 Median SP/SF	2004 Median SP/SF	2003 Median SP/SF	2002 Median SP/SF
Collegeview/ College Court	77005	72%	41%	13%	\$244	\$216	\$192	\$173	\$177	\$142
Braeswood	77030	68%	46%	18%	\$219	\$186	\$159	\$150	\$139	\$130
Rice Military	77007	63%	10%	4%	\$158	\$151	\$143	\$144	\$100	\$97
Tanglewood	77056	59%	53%	23%	\$314	\$255	246	\$206	\$204	\$198
Southampton	77005	54%	40%	15%	\$283	\$246	\$247	\$202	\$200	\$184
West University	77005	51%	33%	11%	\$276	\$249	\$214	\$207	\$188	\$184
Sunset Terrace/ Sunset Court	77005	49%	35%	11%	\$267	\$242	\$174	\$198	\$186	\$179
Memorial	77024, 77007	47%	21%	15%	\$172	\$149	\$143	\$142	\$123	\$118
Montrose	77006	42%	17%	20%	\$188	\$156	\$164	\$161	\$152	\$132
River Oaks										
Neighbors (Highland Village, Afon, Royden Oaks)	77027	42%	31%	15%	\$237	\$206	\$189	\$182	\$173	\$167
River Oaks	77019	35%	31%	8%	\$360	\$332	\$303	\$275	\$271	\$266
Garden Oaks	77018	35%	19%	6%	\$156	\$147	\$134	\$131	\$125	\$115
Bellaire	77401	30%	21%	9%	\$194	\$178	\$168	\$160	\$155	\$150
Timbergrove	77008	26%	18%	9%	\$145	\$134	\$126	\$123	\$122	\$115
Midtown Houston	77003, 77004	25%	20%	-2%	\$89	\$91	\$ 81	\$ 75	\$ 65	\$ 72
Briargrove Park	77042	21%	19%	5%	\$146	\$139	\$127	\$122	\$122	\$120
Houston Heights	77008	20%	13%	3%	\$157	\$152	\$146	\$139	\$149	\$131
Average		43%	28%	11%	\$212	\$190	\$174	\$164	\$156	\$147

Data based on sale price per square foot for single family homes sold in each market area per calendar year from the Houston HAR MLS system.

For additional neighborhood information or a custom detailed [Houston Comparative Market Analysis](#) contact Paige Martin, [Houston Realtor](#).

Best Value Home Improvement Projects

One of the other important components to making a smart investment in the Houston real estate market includes home renovation projects – knowing which ones offer a good return on investment, and which ones you may consider avoiding.

For people looking to move frequently (every 2 – 5 years) it's especially important to understand what home improvement projects are valued by the market in order to provide for the best marketing, showing and [Home Staging](#) it's time for selling your home.

Leading Home Renovation Projects

You may be wondering how much of your renovation expenses you will recoup when you sell your home. For the last 20 years, in an effort to help homeowners answer that question, *Remodeling* magazine has produced an annual "Cost vs. Value" Report.

The 2007 report has just been released, and key highlights include:

- Focusing on exterior upgrades as the "best value" projects.
- Highest value home enhancements across the country include: upscale siding replacement using fiber cement materials, wood deck addition, and a mid-range vinyl siding replacement;
- The best interior home project nationwide is a minor kitchen remodel
- For Houston, Texas, and the West South Central Region, average costs recouped are 6% higher than the national average and "best value" projects differed slightly from national project list.



The National Association of Realtors and Specpan collected information from nearly 3,000 responses to a web-based survey. This year's report found that due to the national housing market slump, the percentage of recovered construction costs was lower across all projects as compared to 2006.

Despite the lower return, over 60% of 2007 projects are still projected to return between 65% and 80% at a home's resale. This means your real cost is just 20 cents to 35 cents on the dollar for most home improvements.

Nationally, projects that are at the bottom of the “value” ladder include a home office remodel, a mid-range sunroom addition, installation of a back up generator and garage additions.

Location Dependant

As you might expect, the amount of investment you recoup at a sale varies depending on your location. While the percentage of costs returned in Mid-Atlantic and New England cities is fairly constant year to year, within California, Oregon, and Washington, remodeling costs recouped at resale are over 10% greater than the national average.

Houston Texas - Best Renovation Projects

According to the study, West South Central Region (which includes Houston) of the US differed slightly from national averages.

Top renovation projects (and the expected “cost recouped” at sale) include:

- Fiber-cement siding replacement (93%)
- Bathroom remodeling (91%)
- Minor kitchen remodeling (88%)
- Basement remodeling (87%)
- Wood deck addition (86%)

Lowest value renovation projects (and the expected “cost recouped” at sale) include:

- Sunroom addition (59%)
- Home office remodeling (64%)
- Installation of a back up power generator (68%)
- Roofing replacement (69%)
- Garage addition (71%)

As fluctuations in the US housing market continue and impact home buyers and sellers nationwide, it is important to stay current on factors that impact your home’s value.

Just like investing in stocks and mutual funds, your decision to remodel your home should begin with considered evaluation of your current circumstances and future goals.

About Paige Martin, Houston Realtor



A member of the prestigious Martha Turner Properties' Circle of Excellence, Paige Martin is an experienced, successful Realtor. Upon graduation from Baylor University, Paige launched a lengthy career as a marketing consultant, developing customized marketing plans and strategies for her clients. She now uses those professional marketing skills to help her real estate clients find and sell their homes.

When working with home sellers, Paige employs individually-tailored, cutting-edge techniques to gain her clients the most value in the shortest time. She is also an ideal partner for buyers, helping them make smart home-buying decisions with the least amount of stress. Paige is passionate about her work, her clients and her city. Her attention to detail and excellent communication skills make her the perfect choice for those looking to buy or sell a home in Houston.

Her website, <http://www.houstonproperties.com> features over 500 pages of Houston real estate information and the ability to search over 40,000 [Houston TX Homes For Sale](#).

For more information on Paige Martin and Houston real estate services, please visit http://www.houstonproperties.com/about_us.html

About Martha Turner Properties

Martha Turner Properties is a Houston-based residential real estate company doing business on a national and international level, as well as serving the entire greater Houston area. Martha Turner Properties completed over \$1.1 billion of real estate transactions in 2007.

With five offices in the Houston area, Martha Turner Properties represent buyers and sellers in all phases of their transactions. As the local affiliate of Christie's Great Estates, the company is also involved with truly exclusive properties in Houston, the United States and abroad.

Known as *The Company of Top Producers*™, Martha Turner Properties enjoys an outstanding reputation in the industry. Last year, our agents averaged sales of \$9.5 million, and the total sales volume exceeded that of many much larger companies. Every agent selected for the Company has a proven record of achievement. They are supported by an experienced staff and exceptional technological advantages.

Martha Turner Properties ranks in the top tier of independent real estate companies in the United States & is recognized within that group as a leader and an innovator.

Houston Real Estate Resources

Produced by Paige Martin of Martha Turner Properties, HoustonProperties.com is a comprehensive real estate guide for Houston, Texas, featuring the ability to search over 40,000 homes for sale. It also hosts over 500 pages of Houston real estate information, and dozens of free Houston area resources.

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