HOUSTON MULTIFAMILY

YARDI MATRIX
Data provided by Pierce-Eislen

Market Analysis

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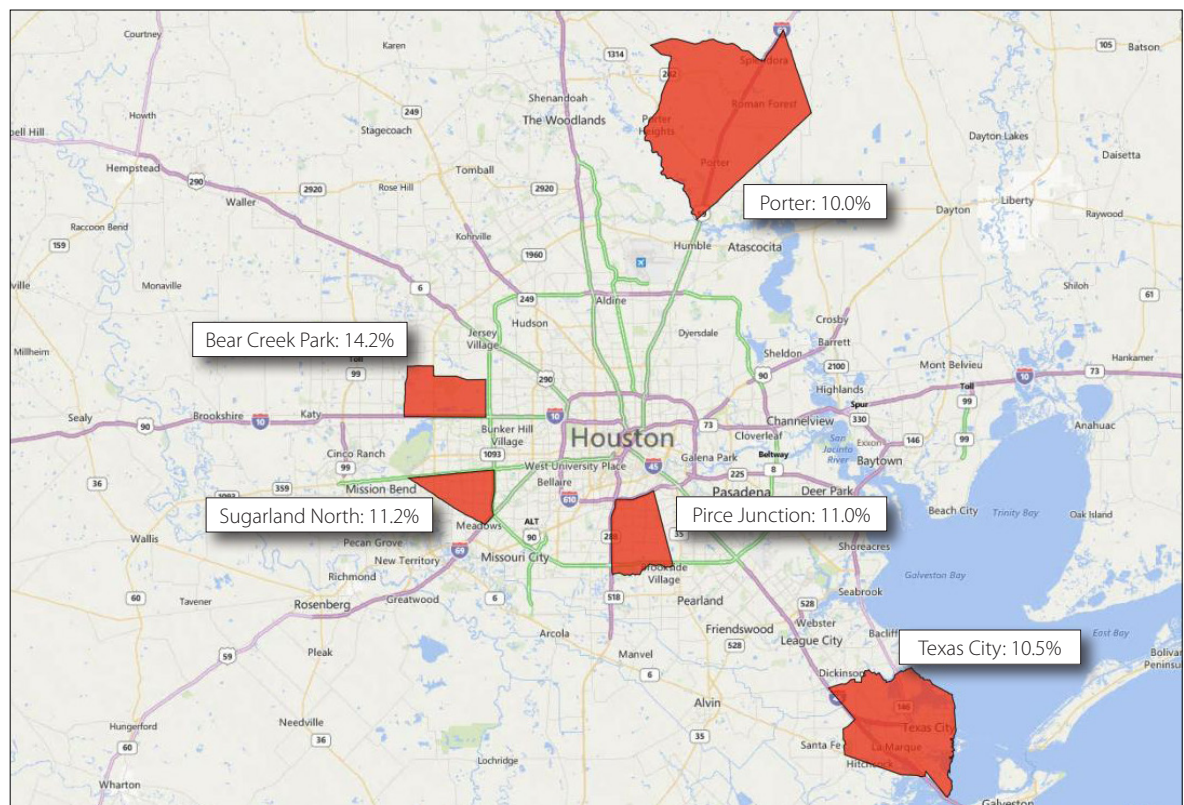Jack.Kern@Yardi.com
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Houston's Growth to be Tested in 2015

After several fat years stemming from robust economic growth, Houston's multifamily market will be tested this year by the precipitous drop in oil prices. The question isn't whether the metro's growth will be stalled, it is by how much. The answer will determine how successfully Houston has diversified its economy since the 1980s, when a drop in oil prices caused a recession that had repercussions on growth for many years.

The comparisons to the '80s only go so far, though. Houston's economic base is much broader than it was then, making advances in sectors such as medical, pharmaceutical and biotechnology. The Texas Medical Center research facility, for example, employs more than 100,000 workers with an annual budget of $15 billion. Unemployment remains very low and mining is a small part of Houston's job base. Another difference is that the national economy is strong and should help the metro withstand oil price shocks.

Houston's multifamily market has performed much better than the national average in recent years, with rents growing by 23.5% over the last three years due to the robust job growth of nearly 4% and population growth of three times the national average. With success comes cranes, and the market is on pace to add 22,000 units (4.4% of stock) in 2015 alone. We expect some growth in rents in 2015, but the combination of added supply and disruption in the energy industry is likely to mitigate the amount more than we would have anticipated at the beginning of the year.

Top 5 Submarkets for Rent Growth (Fall 2014 to Spring 2015[1])

Porter: 10.0%
Bear Creek Park: 14.2%
Sugarland North: 11.2%
Pirce Junction: 11.0%
Texas City: 10.5%

[1] YardiMatrix™ surveys over 1,000 properties in Houston, three times a year during the Spring, Summer & Fall.

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