

Yardi® Matrix

Houston's Balancing Act

Multifamily Report Spring 2018

Rent Growth Continues

Home Values Reach Cycle Peak

Development Targets Core Submarkets

HOUSTON MULTIFAMILY

Yardi® Matrix

Market Analysis

Spring 2018

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Bayou City Makes Buoyancy Its Brand

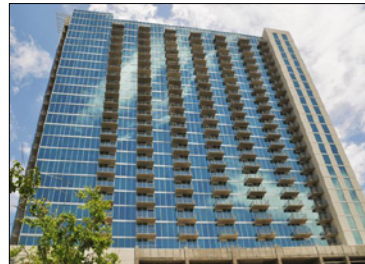
Houston's housing market has been resilient, despite the natural disasters that have severely affected parts of the metro. During the first months of last year, the city struggled with overbuilding and limited rent growth, but the fourth quarter of 2017 displayed stronger performance for the sector, as Hurricane Harvey pushed the multifamily market closer to an equilibrium.

Employment growth was led by professional and business services, a sector that added almost 15,000 jobs. Houston has established itself as a distribution hub, and the need for warehouse product has spiked. Amazon, FedEx, Ikea and Best Buy are among the largest companies that either opened major distribution sites in the metro or plan to do so. Moreover, Houston Airports' five-year, \$2 billion capital improvement program might attract more investors to the area. The construction industry is expected to improve steadily, thanks to rebuilding efforts and the development of large-scale projects, including the \$820 million Houston Ship Channel marine terminal in Pasadena, Texas.

Despite worries about investing in areas with high flooding risk, interest in local assets has been fairly strong. As construction remains active—with 3,600 units delivered year-to-date, 14,000 underway—rents will likely improve at a moderate clip. We expect rents to rise by 2.3% in 2018.

Recent Houston Transactions

Hanover Hermann Park



City: Houston
Buyer: The Hanover Co.
Purchase Price: \$80 MM
Price per Unit: \$202,020

The Vista on Genner



City: Houston
Buyer: Dalcor
Purchase Price: \$70 MM
Price per Unit: \$86,420

Remington Park



City: Houston
Buyer: American Realty Investors
Purchase Price: \$57 MM
Price per Unit: \$132,399

Knox at Westchase



City: Houston
Buyer: Knightwest Capital
Purchase Price: \$55 MM
Price per Unit: \$105,818