

YARDI® Matrix

Houston's Energy Angst

Multifamily Winter Report 2016

**Rent Growth Decelerates;
Future Uncertain**

**New Development
Nearly Halved**

**Investors Sour on
Once Favored Locale**

HOUSTON MULTIFAMILY

YARDI® Matrix

Market Analysis

Winter 2016

Contacts

Paul Fiorilla

Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Dana Seeley

Associate Director of Research
Dana.Seeley@Yardi.com
(800) 866-1124 x2035

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Author

Adelina Osan

Associate Editor

Energy Price Slump Weighs on Houston

After years of outperforming its peers, Houston's energy-driven economy is being shaken by low oil prices. Although the economy has diversified in recent years, the precipitous drop in the price of crude oil has dealt a reverberating blow that has flattened job growth and dampened the apartment market.

The news isn't all bad: The metro has a first-rate healthcare system that is adding skilled workers and there is growth in the hospitality, education and government sectors. The metro remains a target for international investment, healthcare expansion, international trade and industrial investment. Projects such as the Texas 288 tollway, a \$2.1 billion public-private partnership between the Texas Department of Transportation and Blueridge Transportation Group, will offer easy access to major employment centers such as the Texas Medical Center, covering a 10-mile stretch from U.S. 59 to the Harris County line. Still, the energy sector will continue to challenge Houston's economy, as recovery is not expected to begin until 2017.

The outlook for multifamily fundamentals is uncertain, as the metro recorded negative growth on a trailing three-month basis, caused by a dip in Lifestyle rents. The large amount of construction will pressure rent growth, although YardiMatrix forecasts 4.7% growth. Meanwhile, the investment market is beginning to sour on Houston, with deal flow and pricing starting to slip.

Recent Houston Transactions

The Ranch at Shadow Lake



City: Houston
Buyer: Olympus Property
Purchase Price: \$66 MM
Price per Unit: \$105,289

Town Center



City: Kingwood, Texas
Buyer: Cortland Partners
Purchase Price: \$64 MM
Price per Unit: \$122,780

Village at Piney Point



City: Houston
Buyer: Nitya Capital
Purchase Price: \$63 MM
Price per Unit: \$57,861

Park at Research Forest



City: The Woodlands, Texas
Buyer: South Star Properties
Purchase Price: \$59 MM
Price per Unit: \$149,619