

Yardi® Matrix

Houston: On Recovery Road

Multifamily Report Summer 2019

Occupancy Continues to Slide

Rent Growth Trails U.S. Average

Investment Activity Remains Solid

HOUSTON MULTIFAMILY

Yardi® Matrix

Market Analysis

Summer 2019

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Diversifying Economy Fuels Demand

Underpinned by favorable demographic trends and steady employment, Houston's economy has improved significantly. During the past four years, the metro's multifamily market has been through a lot.

Houston gained 82,900 jobs in the 12 months ending in June, of which 17,600 were in professional and business services. Additions in office-using sectors have prompted improvements in the metro's slowly recovering office market. Alight Solutions signed for 180,000 square feet in a new build-to-suit property in The Woodlands, while the 754,000-square-foot Bank of America Tower opened with an 88% preleasing rate. The construction and manufacturing sectors also gained a combined 25,300 jobs. Developments underway include Texas Medical Center's 37-acre expansion, as well as the airport's \$1.2 billion overhaul. Moreover, about half of the 239 projects under Harris County's \$2.5 billion flood bond package are underway.

More than \$5.1 billion in multifamily assets traded last year, a record level. The metro's rate of deliveries began its path to moderation in 2018, following two years of intense development activity. The uptick in completions has put downward pressure on occupancy in stabilized properties, leading to a drop of 90 basis points year-over-year, to 92.7% as of July. We expect the average Houston rent to advance 1.9% in 2019.

Recent Houston Transactions

Aventura on Briar Forest



City: Houston
Buyer: Boston Capital
Purchase Price: \$53 MM
Price per Unit: \$132,946

Urban Palms



City: Houston
Buyer: Turner Impact Capital
Purchase Price: \$51 MM
Price per Unit: \$76,834

Briarwest



City: Houston
Buyer: Ojala Holdings
Purchase Price: \$50 MM
Price per Unit: \$133,104

Vargos on the Lake



City: Houston
Buyer: Berkshire Property Advisors
Purchase Price: \$43 MM
Price per Unit: \$156,377