

Yardi® Matrix

Houston Brings The Energy

Multifamily Report Spring 2019

Rent Growth Decelerates

Deliveries Begin to Slow Down

Investment Sales Remain Elevated

HOUSTON MULTIFAMILY

Yardi® Matrix

Market Analysis

Spring 2019

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Job Growth Outperforms Nation

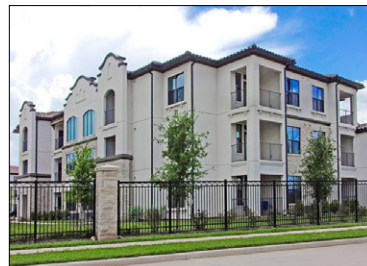
Underpinned by rebounding employment gains and a robust demographic expansion, Houston's multifamily market preserves its potential. Following three years of substantial deliveries, the metro's rent growth is on a downward trajectory. At 92.4% as of February, down 140 basis points year-over-year, Houston's occupancy in stabilized properties as of February reflected a sluggish demand, leading to remounting fears of overbuilding.

Houston added 72,600 jobs in the 12 months ending in February, with manufacturing and professional and business services accounting for almost half of the gains. A NextDecade liquefied natural gas export project might create 5,000 jobs in Cameron County, which could lead to a shortage of skilled workers. Education and health services added 11,800 positions and the sector is likely to perform well going forward, as Medistar plans to develop a 48-story mixed-use tower in the Texas Medical Center.

A cycle peak of \$5 billion in multifamily assets traded last year in the metro. Investors had a slight preference for Renter-by-Necessity assets, with rents increasing by 1.7%. Roughly 14,000 units were under construction as of March, with more than 85% of them geared toward high-income residents. As deliveries are likely to top out at 6,150 units for the year, we expect the metro's average rent to rise 2.2% in 2019.

Recent Houston Transactions

Stella at Riverstone



City: Sugar Land, Texas
Buyer: Cardone Enterprises
Purchase Price: \$56 MM
Price per Unit: \$159,544

Sandridge



City: Pasadena, Texas
Buyer: GVA Real Estate Investments
Purchase Price: \$52 MM
Price per Unit: \$102,778

Alexan Ashford



City: Houston
Buyer: Allied Orion Group
Purchase Price: \$49 MM
Price per Unit: \$157,440

Limestone



City: Houston
Buyer: 29th Street Capital
Purchase Price: \$49 MM
Price per Unit: \$111,844