Houston

Q2 2018

Multifamily Insight

Economic momentum bolsters multifamily market

- Almost one year after Hurricane Harvey, multifamily occupancy inches upward to 89.9 percent market-wide, up 20 basis points from last quarter
- At its current pace, 2018 projects to have around 16,000 units absorbed and less than 9,000 units delivered to market
- The increase in oil prices has energy firms stabilizing and hiring; if prices remain steady, more jobs will be created with return of offshore drilling

Fundamentals	Forecast
Total inventory	643,906 units ▲
Q2 net absorption	3,907 units ▲
Total occupancy	89.9% ▲
Under construction	9,686 units ▼
Average asking rents	$1,032 per unit ▲

The Houston multifamily market is continuing to display a variety of characteristics of a healthy market. Average monthly rents increased by $10.00 quarter-over-quarter and are up 5.2 percent year-over-year. At the midyear, absorption is outpacing new deliveries to market at a rate of 1.8:1 and projections indicate that by the end of 2018, total absorption could very well double the number of new units added to the market, a feat not seen in Houston since 2012. Notably, the Downtown submarket saw over 500 units absorbed in the second quarter, a sharp increase from the trailing 12-month average of 248 units.

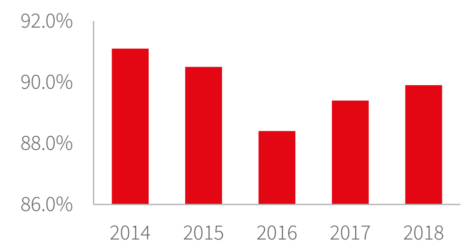
Total nonfarm employment in the Houston metro in April 2018 is up 84,500 jobs over the last 12 months, or 2.8 percent (the national job count increased 1.6 percent). With the price of WTI safely above $70.00 and steadily climbing, energy firms are stabilizing and more jobs will be created as a result. Meanwhile, Houston was recently named the number 1 U.S. destination city for the ninth consecutive year according to the latest U-Haul migration trend report.

Despite rising interest rates, occupancy increases and escalating rents position the capital markets to remain both steady and attractive to investors. In the same vein, there are a number of high-end, institutional developments on the market which are set to trade hands in the near future.

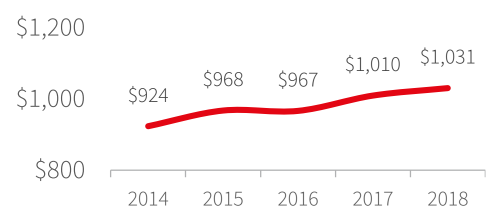
Outlook

The sheer volume of migration and job creation will undoubtedly have implications on Houston's multifamily market. Increased demand should push occupancy to over 90 percent for the first time since 2015, creating a tighter market. A subsequent wave of construction will likely ensue to match the apartment appetite.

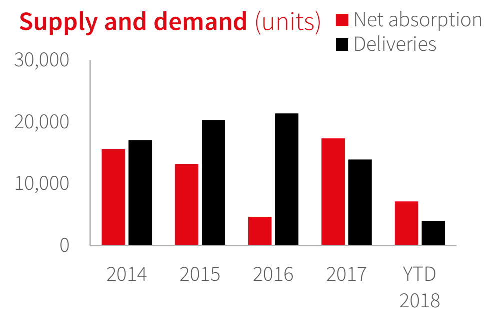
Occupancy (%)



Rents (all classes)



Supply and demand (units)



Source: JLL Research, Apartment Data Services

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