Q3 2018

Multifamily Insight

Multifamily occupancy reaches 90 percent

- Class A occupancy is at its highest level in nearly six years, helping elevate overall market occupancy to 90.0%
- Over 100,000 jobs in the Houston metro have been created in the 12 months ending July 2018, driving demand
- The gap between Class A and Class B rents has narrowed in recent years and there remains room for continued growth in Class B rental rates

The Houston multifamily market continues to see occupancy steadily increase. For four consecutive quarters, overall occupancy has climbed and now stands at 90% for the first time since March 2016. It is no coincidence this comes at a time when demand is now exceeding the current dwindling apartment delivery supply. Roughly 5,400 units have delivered year-to-date.

Today, occupancy in Class A properties is up to 87.8%, the highest its been since March 2013 – when the inventory was less than half of its size today. Robust job growth (101,800 jobs created in the 12 months ending July 2018), especially in the professional, scientific, and tech services realm (17,600 jobs), has been key in leasing the higher-end product. The recent boom in Class A construction (2012-2017) left the market with a great number of units to be occupied, though sustained demand has managed to catch up.

While balance is being discovered in the market for Class A multifamily, the Class B market has been a pillar of consistency with over six years of 90% average occupancy or greater. The gap between Class A and Class B rents has recently narrowed due to accelerated rental growth in the Class B market, yet there remains plenty of room for the Class B rental rates to further increase. Over $500.00 separates average asking rents between the two classes, providing a distinct marketplace and opportunity for upscale Class B apartment complexes.

Outlook

The sustained volume of in-migration and local job creation will continue to positively impact Houston's multifamily market. Stabilizing oil prices will further benefit the local economy in the form of job creation, fueling multifamily demand. As the market tightens, we can expect a subsequent wave of construction to rise to match the apartment appetite in the coming years.

Source: JLL Research, Apartment Data Services

Fundamentals	Forecast
Total inventory	646,059 units ▲
Q3 net absorption	2,241 units ▲
Total occupancy	90.0% ▲
Under construction	10,955 units ▶
Average asking rents	$1,030 per unit ▶

Occupancy (%)
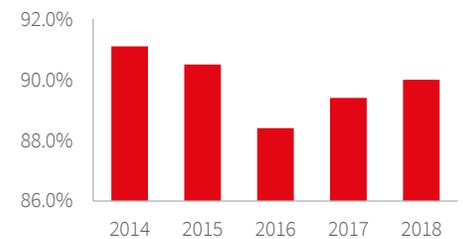
Rents (all classes)

Supply and demand (units) ■ Net absorption ■ Deliveries