

O'Connor Apartment Forecast Luncheon

Speakers: Jennifer Campbell, IPA, and Jim Humphries, Colliers

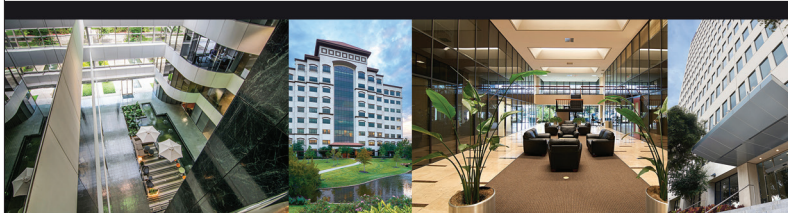
BY RAY HANKAMER
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Takeaway: Between now and the end of 2017 there will be some softness in rent growth in Class A. and even flatness and some rent and other concessions, but then absorption will resume as proposed projects are put on hold. Class B is effectively at full occupancy with some rent growth.

- Houston has had 57 months steady employment growth, while losing some higher paid jobs and gaining some lower paid jobs
- The falling rig count may have bottomed out
- Lots of Millennials living with parents and seeking to move out are providing a welcome demand for rentals, as are splitting families and empty nesters selling their single family homes and moving to rentals in the urban core-these three sources of demand will help fill vacant rental units
- Shortage of lots and single family home inventories push people into renting
- Investment property-wise, lots of international funds and countries' sovereign funds are seeking yield through investments in multi-family in Houston and other Texas cities, with strong sovereign funds pushing aside private funds in some instances
- Investment prices are at an all-time high; however, this is driven by underlying fundamentals and not a feeding frenzy of demand, so this pricing is sustainable
- The major Texas cities are at the top of investor interest, in part because of our long prospective population / rent growth
- No big distress opportunities yet-private money which has built many of our multi-family projects is patient and can wait to sell until occupancies and rates reach originally projected levels; these investors have invested for the long term
- For the time being, rents have peaked in Houston, although the properties with the best locations are filling up faster and maintaining higher rents
- Texas is at "full employment" statewide: 95.6%
- Long term demand scenario for Houston multi-family: "favorable"
- Have backlog of jobs



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