

Flipping the Switch: Multifamily experts see market bounce back

BY BRANDI SMITH

Ric Campo rode out a number of storms in his career. He cofounded Camden back in 1982, then helped take it public 11 years later. Anyone who's worked in commercial real estate since the early '80s has seen the effects of a recession, Campo included, which is why his evaluation of the past 18 months is so good to hear.

"This is the best recovery out of a recession that I've ever seen in my business career," says Campo, Camden's Chairman of the Board and CEO.

The multifamily firm has developed dozens of luxury apartment communities all over the country -- from Atlanta to Los Angeles. Campo says at the beginning of the pandemic, occupancy dropped about 100 basis points.

"When you get down to it, that's not awful," he says. "But what happened then was we rebuilt that occupancy in the summer of 2020 and now our national occupancy levels are in the 97 percent range."

Campo says the turning point really seems to be March 2021. That's when Camden noticed the biggest bump, especially in its Texas properties. Between Houston,

Dallas and Austin, Camden operates nearly 50 multifamily communities in the Lone Star State.

"We were still weak coming out of 2020, then all of a sudden came March. You had more people getting vaccinated, the mask mandates being released and jobs were being added back in Texas overall," explains Campo.

He says the impact is clear when you compare Q1 occupancy rates to those in Q2. Every single Texas market saw a bump for Camden. Austin went from 96.3 percent to 97.3 percent. Dallas got a boost from 96 percent to 96.6 percent. Houston grew from 94 percent to 95.7 percent. Quarter-over-quarter revenue is up too: 3.6 percent for Austin, 2.7 percent for Dallas and 3.3 percent for Houston.



Ric Campo



Phillip Morgan

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“Austin is leading the way in terms of rent growth and investor appetite, but we are seeing positive rent trends continue in San Antonio, Dallas and suburban Houston.”

“The way I describe it is that there’s a switch that was flipped. We switched from ‘OK, we’re not moving around much, but I can lease apartments,’ then boom! We started leasing apartments big time,” Campo says.

Houston made the biggest surprise comeback for Campo, based solely on how much softer the job market was because of the oil and gas market. While the other Texas metro areas have added back around 90 percent of jobs lost, Houston is still hovering in the low 60s. Still, Camden is notching wins in the multifamily market there.

“We just had a lease up at Camden Cypress II, which was probably one of the fastest and best lease ups we’ve had in a long time,” says Campo.

Houston may not be the strongest multifamily market in Texas, as it lags behind Austin and Dallas, but Campo describes the Texas market as a whole as a “very, very strong market.”

“As a whole, Texas is one of the best markets in the country. Populations continue to grow in each of the four major metros,” echoes Philip Morgan, CEO of the Morgan Group, a third-generation family business that invests in multifamily via development and acquisitions.

He says Morgan has started seeing strengthening fundamentals, which is supporting strong interest from buyers, investors and lenders.

“Austin is leading the way in terms of rent growth and investor appetite, but we are seeing positive rent trends continue in San Antonio, Dallas and suburban Houston,” Morgan adds. “Over the past two months, we have also seen urban Houston trending positively as well.”

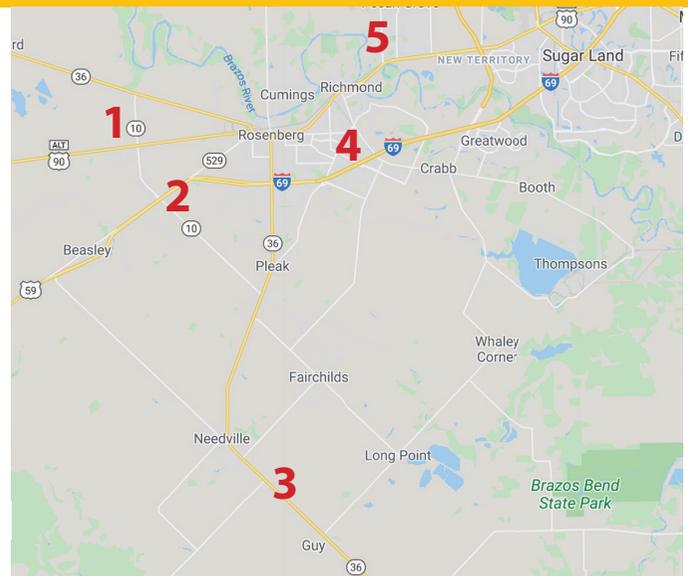
Campo says there is some talk within the industry about whether multifamily is on a kind of sugar high, buoyed by the government’s stimulus efforts. He believes the market will stay strong for at least a couple of years.

“We’ll get to a more normal situation, but we’re still going to have high demand because consumers have a lot of income and personal savings. That’s going to continue to drive demand,” explains Campo. “We have a shortage of housing in America -- for single-family and multifamily -- which is putting pressure on prices. We need to build more and create the product that the customer wants.”

Camden is working on doing just that, creating new communities and expanding its multifamily footprint across the country, just as it’s done since the early ‘80s.

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