

RAY'S BUZZ

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O'Connor & Associates Multi-Family Forecast

Speakers: Juan Cuevas, V.P. - Marcus & Millichap; Ash Kumar - Ashford Communities



JUAN CUEVAS, V.P.
MARCUS & MILLICHAP



ASH KUMAR
ASHFORD COMMUNITIES

Takeaway: Strong national and local economies, when coupled with strong inward migration into our state and the propensity for Millennials to wait longer to begin family formation, is resulting in a positive outlook for multi-family in Houston

- Absorption in Houston continues organically, not just Harvey-related; new construction slows
- National and local GDP, consumer confidence, and jobs growth create a healthy industry; international and national investors are looking for apartment projects in Houston to buy and upgrade; investment prices continue to rise as lots of dollars chase secondary and tertiary quality deals
- Houston is one of the most affordable large cities in the country; 700 people a day move to TX
- Much of the development in this sector is taking place in Houston's suburbs, as inner city infill sites become scarcer and more expensive
- It is still advantageous to college graduates to rent and to put off buying a home; 68% of Millennials have a propensity to rent
- Average age of 'first family' formation is 27-29; more Millennials moving out of 'Hotel Mamma' into their own apartments
- Construction of large petro-chemical projects near the ship channel drives rental demand on the East Side
- It is hard to find employees in Houston now and this is attracting new residents who become renters
- Apartment owners are finding labor costs increasing for sales and maintenance and management personnel
- Construction costs for new-builds are going up; some lenders are offering interest-only loans for up to five years
- "Headwinds" for the industry: higher interest rates; taxes up; hard to find older units for renovation; operational costs up

O'Connor Industrial Forecast Luncheon

Speaker Christen Hatfield Vestal - Vigavi



CHRISTEN HATFIELD
VESTAL

Takeaway: Industrial tenants in the East Houston-Port Area are increasingly likely to be distribution related, or chemical plant support-related, and less likely to be oil field service companies.

- East Houston is seeing more distribution warehouse occupancy related to the wider Panama Canal, and there are companies now choosing Houston over Dallas for their locations
- Walmart's total one million SF warehouse has given a signal to other distribution giants to, supplement their West Coast port facilities.
- Over 60% of U.S. population is on the east side of the continent so Gulf Coast ports can make more sense than California ports
- Other industrial tenants taking up the slack from shrinking oil field service company tenancies are chemical plant support operations
- Land prices for warehouse development are seeing big increases along Fairmont Parkway and elsewhere near the Ship Channel, in some cases doubling in three years
- Uncertainty about future tariffs on steel is complicating build to suit contracting