

April 27, 2007

Houston Apartment Market Update Report

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2007 In Like a Lion

Houston, TX (April 26, 2007) - In the Houston area, the apartment market saw impressive growth in absorption and new construction, which influenced the growth in rent per unit and rent per square foot as well. However, occupancy rates declined from last quarter, mostly due to more construction.

This is according to the first-quarter apartment update reported by O'Connor & Associates, the Houston-based real estate consulting firm and leader in apartment market research data in Texas. The report tracks the growth of apartment living in the Houston metropolitan area.

The market absorbed a robust 2,539 units over the first three months of 2007, with all classes posting positive figures. The Class A market fared the best over the first quarter, absorbing 1,592 units. After four quarters of negative absorption in 2006, the Class B market posted positive numbers in the first quarter of 2007, absorbing 619 units. Absorption in the Class C market was at 246 units, while Class D absorbed 82 units. The Gulfton and Gulf Freeway markets posted the highest absorption with 587 and 323 units, respectively. The areas experiencing the most move-outs were the Alief and Champion East areas.

Houston area apartment occupancy fell for the fifth consecutive quarter, down 0.04 points overall and down 2.59 points for the year. On average, apartments in Houston show an 88.49 percent occupancy rate. Class A properties gained 0.22 points to 90.96 percent; Class B gained 0.11 points to 89.58 percent; Class C was the only class to show a decline, losing 0.55 points to 85.54 percent and Class D was up 0.41 points to 83.81 percent. The highest occupancy level was in River Oaks at 95.42 percent. Tomball had the lowest occupancy rate at 78.63 percent.

As expected with increased occupancy, rental rates also increased in the first quarter. On average, apartment rent is \$0.833 per square foot. Class A was the only class to post a decrease in rental rates, down \$.002 to \$1.097 per square foot (psf). Class B rents rose \$.002 psf to \$0.814 psf; Class C rental rates rose \$.003 psf to \$0.691 psf; Class D properties also increase \$.003 psf to \$0.597 psf. The highest overall rates by submarket were found in the Downtown area at \$1.924 psf. The lowest rents were in Texas City/Dickinson at \$0.857 psf.

Houston has a total of 2,539 operating or under-construction projects greater than 25 units with a total of 520,361 units. Class A properties make up 25 percent, Class B make up 44 percent, Class C make up 27 percent and Class D make up four percent.

For a complete report on the Houston apartment market, visit http://www.poconnor.com/file_repository/houston_apartment_update_1Q07.pdf. The report measures demand (absorption), occupancy, rates and apartment inventory.

Houston Apartment Market at a Glance							
	Class A	Class B	Class C	Class D	Overall	Qtr	Yr
Occupancy	90.96%	89.58%	85.54%	83.81%	88.49%	+	-
Rent/Unit	\$1,038	\$660	\$559	\$526	\$711	+	+
Rent/SF	\$1.097	\$0.814	\$0.691	\$0.597	\$0.833	+	+
Absorption	1,592	619	246	82	2,539	+	+

Source: O'Connor & Associates first-quarter 2007 Houston Apartment Market Update