

Houston

Multifamily

23Q2

The Houston Multifamily market during the second quarter showed signs of stabilization. Occupancy rates remain unchanged from previous quarter, with rental rates staying relatively flat over the past year. **Investment activity noticeably increased from Q1 to Q2, however, the cost of capital continues to be the main driver hindering investment activity.** The light at the end of the interest rate hike tunnel looks to be glowing brighter signaling clarity for investors in the coming quarters.

**Danny Rice** | President

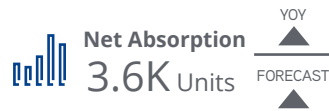
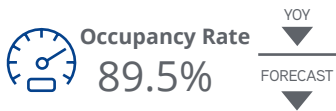


Houston

# Multifamily 23Q2

## Key Takeaways

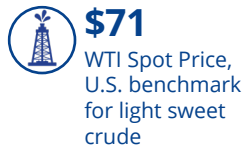
- Net absorption tripled from the previous quarter, with reported improvement in all classes
- Average rents rose 1.1% from the previous quarter and 2.2% year-over-year
- Occupancy stabilized in second quarter but decreased during the past year



## Houston Highlights

Demand for multifamily housing intensified during the second quarter, with Class A properties reporting positive absorption of 4,771 units, a 78.0% leap from the previous quarter. Increased demand was seen across all classes, with the three other classes reporting improved yet negative absorption. The average monthly rent for multifamily units marginally rose 1.1% to \$1,280 per month in Q2 2023. The construction pipeline also increased with 22,555 units under construction and 29,285 units proposed. At 89.5%, occupancy stabilized during the quarter, maintaining the same Q1 rate with 5,222 units being delivered.

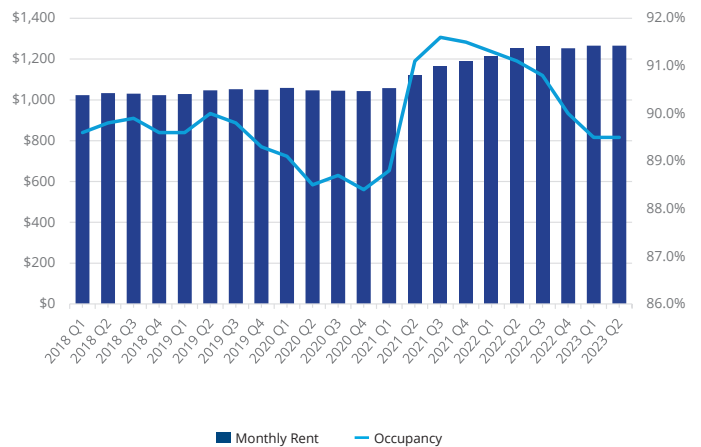
## Market Indicators



## Historic Comparison

	22Q2	23Q1	23Q2
<b>Total Inventory (Existing Units)</b>	717,042	730,211	734,748
<b>New Supply (Units Delivered)</b>	5,476	7,618	5,222
<b>Demand (Units Absorbed)</b>	3,403	1,156	3,628
<b>Occupancy</b>	91.1%	89.5%	89.5%
<b>Under Construction (Units)</b>	15,070	21,711	22,555
<b>Average Monthly Rent (Asking)</b>	\$1,252	\$1,266	\$1,280

## Market Fundamentals



Houston's overall occupancy rate decreased 160 basis points over the year. The average monthly rent rose 2.2% annually from \$1,252 in Q2 2022 to \$1,280 in Q2 2023.

Source: MRI ApartmentData

## Recent Transactions/ Assignments

\*Colliers' Assignment



**Listing\***  
Clear Lake Apartment Homes | 244 Units  
Clear Lake



**Sale\***  
Azul | 90 Units  
Northwest Houston

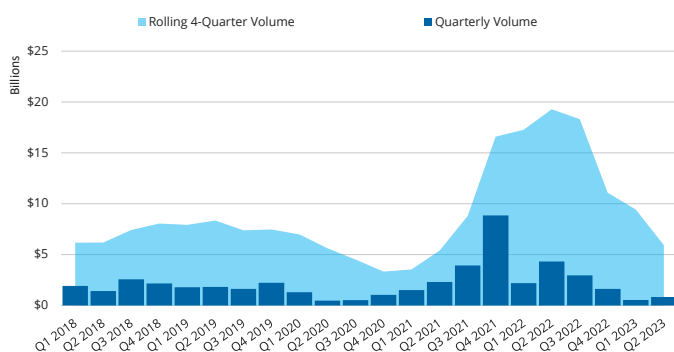


**Listing\***  
Driftwood Apartments | 238 Units  
Galveston

## Pricing & Sales Volume

Following a weak Q1 performance, Houston's multifamily investment sales volume jumped to \$825 million in Q2 2023, representing a nearly 55% increase on an adjusted, quarter-over-quarter basis. The rolling four-quarter sales volume dropped to \$5.9 billion during the second quarter from an all-time high of \$19.3 billion year-over-year.

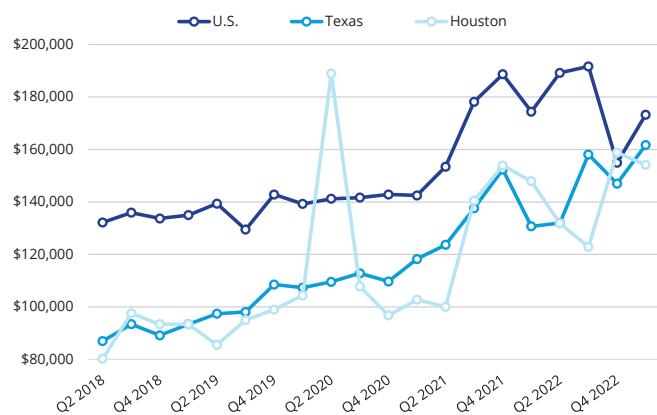
### Houston Sales Volume (\$)



Source: MSCI Real Capital Analytics

Houston's median sales price per unit declined 20.4% to \$122,652 from the previous quarter's \$154,167, but a lesser 7.0% decline year-over-year. Similarly, the Texas median price per unit declined by 6.0% year-over-year. The U.S. median sales price per unit declined more than twice as fast, posting a 14.8% drop since Q2 2022.

### Median Price per Unit

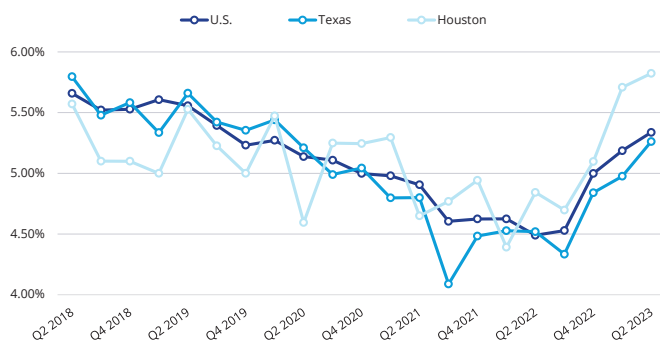


Source: MSCI Real Capital Analytics

## Cap Rates

Houston's multifamily median cap rate rose by 10 basis points to 5.8% in Q2 2023, while Texas and U.S. median cap rates also rose slightly from 5.0% to 5.3% and from 5.2% to 5.3%, respectively. On an annual basis, Houston's median cap rate rose from 4.8% to 5.8%, while median cap rates increased from 4.5% to 5.3% for both the state and the U.S. year-over-year.

### Median Cap Rate



Source: MSCI Real Capital Analytics



Houston	# of Units	Avg Monthly Rent per Unit	Absorption # of Units	Absorption # of Units (Previous)	Occupancy Rate (%)	Occupancy Rate (%) (Previous)
<b>Class A</b>	197,285	\$1,768	4,771	2,681	85.3%	84.8%
<b>Class B</b>	265,648	\$1,277	(172)	(265)	91.9%	92.0%
<b>Class C</b>	206,632	\$982	(890)	(932)	90.3%	90.7%
<b>Class D</b>	65,183	\$760	(81)	(328)	89.6%	89.7%
<b>Total Market</b>	734,748	\$1,280	3,628	1,156	89.5%	89.5%

Source: MRI ApartmentData



## Colliers negotiates sale of Azul Apartments

Colliers has announced the sale of Azul Apartments, a multifamily community located on TC Jester Boulevard in northwest Houston. The buyer, Lonestar Capital Group, and the seller, ZK Jester Inc., were represented by the Colliers’ team of Jaleel Adatia, Chip Nash and Bob Heard.

“Our team is pleased to get Azul Apartments across the finish line. Navigating the capital markets and rising taxes presented challenges, but both parties pushed through,” said Jaleel Adatia of Colliers. “Lone Star Capital Group acquired the property adjacent to Azul back in 2022, and this purchase will certainly prove to be a strength to their growing portfolio.”

Azul Apartments provides residents with a truly elevated living experience. This includes gourmet kitchens adorned with granite countertops and soft-close cabinetry and equipped with state-of-the-art appliances. Bathrooms are spacious and well-appointed. The 90-unit community is privately gated and offers convenient services such as a dedicated dog park. The community is located within the Spring Independent School District, whose schools rank in the top 20% of Texas public schools.

Residents at Azul Apartments have excellent proximity to amenities including a wide range of shopping, dining, and entertainment venues. Located near FM 1960, residents are just 15 minutes away from Lonestar College, Willowbrook Mall, Cypresswood Golf Club, and 20 minutes from George Bush Intercontinental Airport. Convenient commuting options provide easy access to public transportation.

FOR MORE INFORMATION  
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