

MULTIFAMILY | HOUSTON INVESTMENT SALES MARKET REPORT

Investment volume surged to more than \$1.1 billion

Q1 2021

EXECUTIVE SUMMARY

SALES

Houston's total multifamily sales volume came in at about \$3.5 billion last year, about 45% below the 2017-2019 annual average. Sales volume rallied during Q4 2020, and that energy has carried into 2021, with investment volume standing at around \$1.1 billion during Q1 2021. First quarter volume was about 10% below the region's five-year first quarter average volume. Private and institutional buyers drive transaction volume. Meanwhile, REITs, which are typically more risk averse, have historically been much less active. Out-of-state buyers drove investment last year, and this, too, has carried into 2021. Value-add plays are common, and submarkets with a large amount of workforce housing inventory continue to reap plenty of sales activity.

MARKET CAP RATES

Houston's market cap rates are only slightly above the national benchmark of 5.5% and also a bit above Dallas, which stands at around 5.3%. Since 2010, cap rates in Houston have compressed at a similar pace to the national average by about 200 basis points.

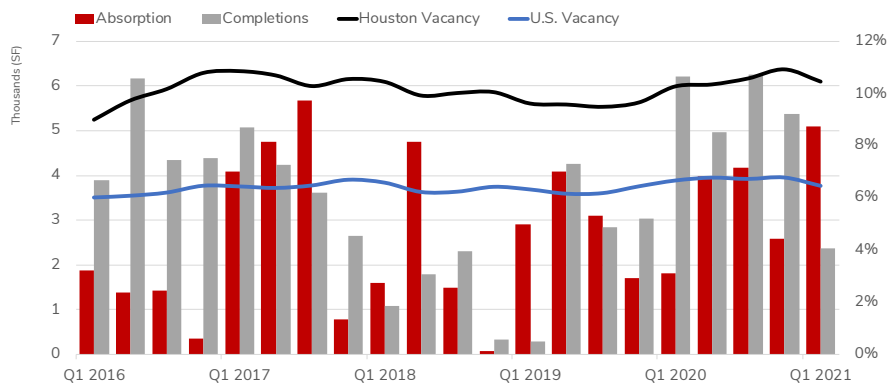
CONSTRUCTION

More than 22,000 units opened in 2020, the highest supply additions in a year on record, and the supply wave is not over. About 17,000 units are underway and, once completed, the market's inventory will expand by 2.7%. Developers are active in Downtown, as well as fast-growing suburban areas such as Northwest Houston and the Lake Houston Area. Strong demand for affordable living will probably result in stronger lease-ups in the suburbs than in pricier, supply-heavy areas like Downtown and Neartown/River Oaks—at least in the near-term.

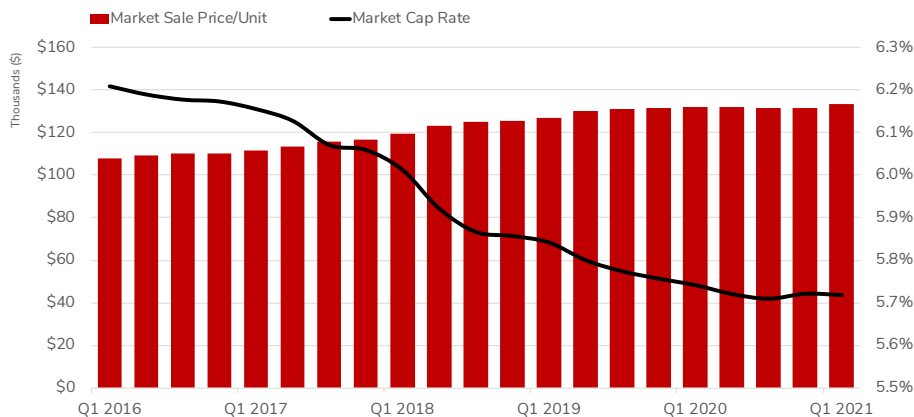
MARKET INDICATORS

	Houston Market		National Index	
Market Sale Price/Unit	\$134,000	▲	\$210,000	▲
12 Mo Asking Sale Price/Unit	\$93,100	▲	\$174,000	▲
Market Cap Rate	5.7%	▼	5.5%	▼
12 Mo Sales Volume	\$637 M	▼	\$109 B	▼
12 Mo Transactions	205	▼	15,263	▼
For Sale Listings	38	▲	5,466	▲

SUPPLY & DEMAND



MARKET SALES PRICE & CAP RATE



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