

Residential Market

Downtown Houston

The Houston Market

Houston's residential market represents one of the best values in the United States. The city ranks third in the 2010 Forbes list of best housing markets, and second in the largest population gain among metro areas according to a U.S. Census Bureau report published in March, 2010. Economists predict a strong increase in job growth over the next several years resulting in an even more robust economy for the Houston area.

The Houston region has experienced a considerable amount of new growth and construction in and around downtown in terms of office, residential, and retail over the last few years.

Downtown's Residential Market

During the 1980s, downtown Houston's population increased only slightly. In the 1990s, however, downtown's population nearly doubled, specifically due to loft renovation projects in the Historic District spurred by the renovation of the Rice Hotel. The area has experienced a 200% increase in units since 1995. There are currently 27 market rate residential developments in downtown Houston containing 2,688 housing units that range in size from two units at the Foley Building, 214 Travis Street, to 394 units at Houston House.



One Park Place

Responding to the dramatic change in residential market demand, a significant number of new residential units have recently been completed: Tennison Lofts, Kirby Lofts, and the newly renovated Four Seasons Private Residences. Residents started moving into downtown's first new high-rise luxury apartment residence in over 40 years, One Park Place, in March 2009; the building is currently over 80% leased.

Centered on Discovery Green, downtown's 12-acre urban park, the 37-story property contains 346 rental units, 5 levels of parking and over

20,000 square-feet of retail space on the pedestrian level. Phoenicia Specialty Foods will open a gourmet market on the ground level of One Park Place in early 2011.

While highly desired, the development of more residential units in downtown has been more difficult in the past five years with only two small projects (Eller Wagon Works and Kirby Lofts) completed before the opening of One Park Place in March. Tennison Lofts, a 32-unit redevelopment of an historic 1922 hotel building, opened in August 2009 and is 75% occupied. Several other residential projects were in discussion, but with the economic crisis these projects have been put on hold. Several factors affected the overall slowdown:

- Unlike many other cities, the remaining stock of older/ historic structures suitable for rehab is nearly exhausted. This is significant because a number of the projects developed in the 1995-2005 period involved historic structures that qualified for public incentives.
- Land prices downtown accelerated as demand for new office buildings grew, making the economics unworkable at that point for new residential construction.
- Purchasers or renters desiring housing in the core are choosing areas that traditionally have had little new residential construction such as East Downtown, East End, Fifth Ward, Near North Side and First Ward. Land prices in these locations are an order of magnitude lower than well-located downtown sites. Anecdotal evidence indicates that these households believe that they are living “downtown.”
- While there have been more new projects than ever recently near or



Downtown loft-style living

within Loop 610, the market for high rise living in Houston is traditionally small. Related risk makes these projects difficult to finance, especially when lending is tight.

Economic Viability

There is strong evidence of continued unmet demand for downtown residences, if the right product is available for the right price. This is supported by nearly one-quarter million jobs within walking distance or light rail commute. The number will grow as Texas Southern University and the main University of Houston campuses are connected to light rail. Downtown living is further supported by recent amenities including Discovery Green, the Houston Pavilions (a three-block dining, retail, office, and entertainment complex), Buffalo Bayou waterfront improvements and significant streetscape enhancements. Market Square Park is currently under re-development to become a true neighborhood park. There is one corner grocer, Byrd’s Market, in the heart of the Historic District and Phoenicia Specialty Foods will open a one-of-a-kind 28,000-square-foot international gourmet food market on the ground floor of One Park Place in December 2010.

Central Houston, Inc. estimates that approximately 12,300 residential units have been or are being built within a 2-mile radius of downtown within the past ten years. This includes the new units that lie within the downtown residential boundaries which encompass the area within the

freeway ring as well as an adjacent two-block radius. While most of the new units in the area are market rate, we estimate that over 1,400 units are affordable or very affordable. The air

photo montage attached illustrates major new residential within the two-mile radius since 1995. This year was chosen as it represents the beginning of the downtown residential boom with the opening of Hogg Palace. The graphic illustrates single family, townhomes, low rise high density up to 75-feet and high rise. It does not illustrate single infill units, of which there are many.

Separately, demand survey analysis was conducted in 1993, 1998 and 2003 by the Downtown District, Central Houston, Inc. and others. The data and conclusions were similar in all three studies, demonstrating a demand for approximately 16,000 households willing to pay more than \$1,300 per month to live in downtown and Midtown. The survey findings over an eleven-year period closely match residential units actually developed. Since the 2003 survey, enhancements such as Discovery Green, light rail, Market Square Park and Byrd's Market would support demand remaining at the surveyed level if not even higher.



Market Square Park

Monthly rents for market rate units in downtown range from \$1.25 to \$3.00 per square foot with the average at \$1.33 before the entry of One Park Place into the market. This luxury rental project has monthly rents ranging from \$1.90 to above \$3.00 with an average of \$2.00. Asking prices of owned residential units in downtown range from \$100 to \$350 per square foot with an average at \$223. Units tend to be in the mid to upper income level range.

Developments completed or that are currently underway have created more favorable quality of life amenities that have been an extra drawing card to entice people to move to the area. Since



Hogg Palace

2000, \$3.8 billion has been invested here in parks, residential developments, infrastructure, hotels, office buildings, and more. Demonstrating downtown's continued strength, there is currently \$1 billion in development under construction, with \$760 million in pre-development or design. Increasingly a diverse active downtown urban environment with a variety of amenities, downtown is now a place to live, visit, enjoy the arts, learn, worship and recreate.

Resident Profile

Participating in a national trend, more and more people are choosing to live downtown or in the immediate downtown area. Downtown residents attracted to loft and condominium units tend to be young professionals working downtown or The Medical Center, empty nesters, retirees, and reverse commuters; families with small children are a small but growing trend in the urban core. The convenience of walking to work, the theater, to the grocery, to dinner or the park makes the city core a unique place to live. There is a wide range of dwellings from which to choose including studio apartments, loft-style condominiums and everything between.

Downtown/Intown Residential Development since 1995

