

The Sky is the Limit: Apartment developers going UP in urban downtown markets

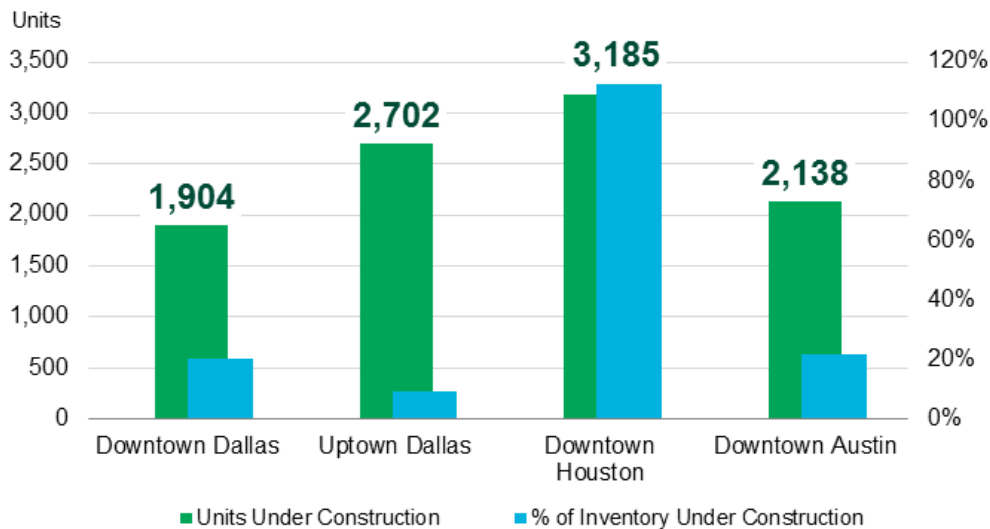
- Skylines are changing as apartment developers plan more projects in urban infill markets across the region. Multifamily development in the urban cores of Dallas, Houston and Austin is on the rise, literally, with an increasing number of new apartment high-rises planned and under construction particularly in Dallas and Houston.
- Urban residents are increasingly focused on live/work/play environments and, even in the Texas heat, walkability. The shift from suburban sprawl to downtown living is making its way into the region, as seen by the growing downtown development.

Uptown/Downtown Dallas sees multifamily go vertical

Over 4,600 multifamily units are under construction in this popular area of Big D—29% of all apartment construction in town. Moreover, the development pipeline is full of high-rises; 65% of the Uptown/Downtown construction pipeline consists of high-rise or high-rise conversion projects. Dallas has yet to be a high-rise market, but by 2019, Dallas will boast a much different skyline. Prime multifamily projects like the Brady, Jordan Uptown and Gables McKinney Avenue are fetching sky high rents as well, averaging around \$3.00/sq. ft.

This new crop of multifamily developments, particularly in Victory Park, has influenced investments in street and sidewalk improvements and street-level retail and mixed-use projects to foster a more walkable environment, which is one of the most desired amenities of urban living.

Urban Apartment Markets Set To Grow Over Next Two Years



Source: CBRE Research, 2016.

Residential power play in downtown H-town — the number of apartments will double by 2017

As Houston's urban multifamily construction cycle is winding down, downtown residential continues to change rapidly. Once a submarket struggling to stay alive after five, the Downtown Living Initiative along with key quality of life projects (like the 12-acre park, Discovery Green) have changed the way Houstonians utilize the Central Business District. The Downtown Living Initiative (TIRZ #3) granted apartment developers \$15,000 per unit in tax abatements to facilitate residential construction. As a result, there are more units under construction downtown than existing units, which means the market size will double by 2017. Market Square Tower, a 40-story, 463-unit high-rise apartment building, will be the tallest multifamily building in downtown when it is completed next year.

The changing environment extends beyond residential and retail/restaurant growth; the 1,000-key Marriott Marquis spurred hotel development, which will enable the George R. Brown Convention Center (also underway with updates) to attract bigger conventions. Additionally, the High School for the Performing and Visual Arts has selected a downtown site for its new campus, truly highlighting the evolving demographics linked to Houston's urban core.

The downtown Austin work/play dynamic

As tech companies flock to Austin's CBD, the increase in young talent has created opportunity for multifamily developers, who have doubled the number of units in the CBD in the last 11 years, with the most dramatic growth taking place in 2014. Class A properties downtown have more than tripled since 2004 and rents have jumped 35% in five years.

Shifting demographics continue to make a dramatic impact on urban cores throughout the region. The next generation of Texans (millennials) currently make up 40% of CBD residents—a number projected to increase to 53% by 2020.

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