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Houston Apartment Update Report Details Impact of Hurricane Katrina

Houston, TX (February 1, 2007) – In Houston, the remains of Hurricane Katrina are still being felt.

This is according to the fourth-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.

Mostly due to the end of FEMA rental assistance, absorption during the fourth quarter of 2006 seems to indicate many evacuees are leaving the area. Absorption for the metroplex fell across all property types but Class A, with a total of 4,706 fewer units absorbed compared to last quarter. Class B and C units, where most evacuees lived, showed the weakest absorption figures with 2,042 and 2,474 less units absorbed, respectively. Classes D properties showed 284 fewer units absorbed. Class A properties experienced the only increase in absorption with 74 more units than last quarter. The areas experiencing the most move-outs were the Sharpstown/Westwood, Alief, Inwood, Gulf Freeway and Champion East areas.

Houston area apartment occupancy also fell from last quarter, down 1.4 points overall. On average, apartments in Houston show an 88.46 percent occupancy rate. This is the fifth consecutive quarterly drop in occupancy levels. Class A properties fell 1.54 points to 90.48 percent; Class B fell 1.12 points to 89.47 percent; Class C fell 1.8 points to 86.06 percent and Class D fell 1.23 points to 83.40 percent. The highest occupancy level was in Sheldon at 96.55 percent. Brookhollow had the lowest occupancy rate at 82.99 percent.

Despite the overall decline in occupancy, rental rates increased slightly in the fourth quarter. On average, apartment rent is \$0.83 per square foot. Classes A properties increased \$.01 to \$1.10 per square foot. Class B, C and D properties remained unchanged at \$0.81, \$0.69 and \$0.59 per square foot, respectively. The highest overall rates by submarket were found in the Downtown area at \$1.54 per square foot. The lowest rents were in Sharpstown/Westwood at \$0.68 per square foot.

Houston has a total of 2,483 operating or under-construction projects greater than 25 units with a total of 505,052 units. Class A properties make up 23 percent, Class B make up 44 percent, Class C make up 28 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_apr_update_4Q06.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	90.48%	89.47%	86.06%	83.40%	88.46%	▼	▼
Rent/Unit	\$1,040	\$659	\$557	\$524	\$708	▲	▲
Rent/SF	\$1.099	\$0.812	\$0.688	\$0.594	\$0.831	▲	▲
Absorption	-74	-2,042	-2,474	-284	-4,706	▼	▼

Source: O'Connor & Associates fourth-quarter 2006 Houston Apartment Market Update

About O'Connor & Associates

O'Connor & Associates, a Texas-based national real estate service firm providing appraisals, market research, cost segregation studies and federal and ad valorem tax reduction services, has been in business since 1974 and has more than 40,000 clients. Patrick O'Connor, MAI, president of O'Connor & Associates since 1983, is frequently acknowledged by national publications as a respected source of information on real estate trends. Visit www.poconnor.com

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