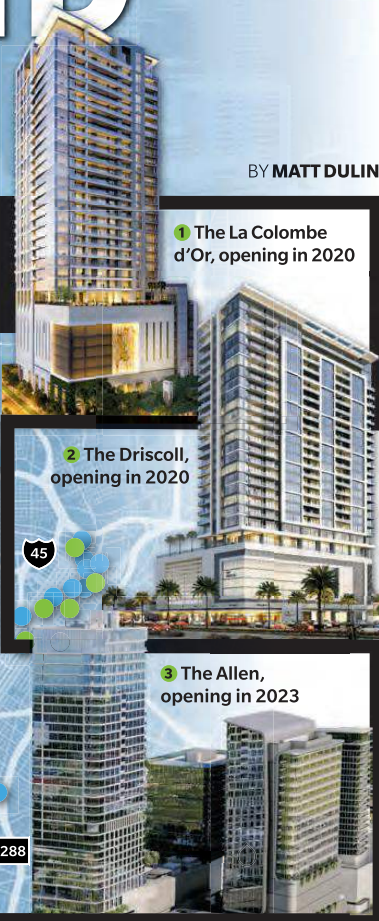
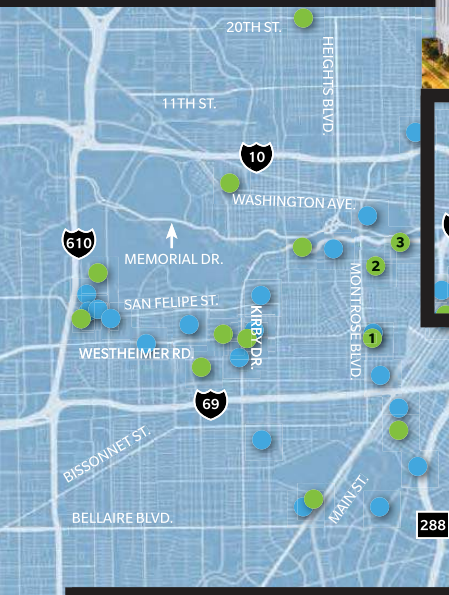


**HIGH-RISE DEVELOPMENT
SHOWS NO SIGN OF SLOWING**

RAPID RISE

Houston has added 31 residential high-rises—defined as nine stories or taller—inside the loop since 2009, and another 20 are in the works.

● Built since 2008 ● Proposed



BY **MATT DULIN**

1 The La Colombe d'Or, opening in 2020

2 The Driscoll, opening in 2020

3 The Allen, opening in 2023

Houston's Inner Loop high-rise residential market has had back-to-back years of rapid growth, and developers say the sky is the limit.

"It's an exciting time now, and it's going to be even more exciting over the next several years," said Jacob Sudhoff, CEO of Douglas Elliman Texas, which represents 85% of Houston's condominium development market.

Leading the high-rise wave are apartment towers. Of the 31 high rises—nine-stories or taller—built inside the Loop since 2008, 24 of them are apartments, most of them opening in the past four years. Eight more are in development or under construction over the next two years, and another eight are on the drawing board, according to Apartment Data Services. Add to that list two condo projects under construction and two more in preliminary planning.

The growth comes as an increasing number of residents say they prefer to live in dense communities, according to the Houston Area Survey, but with a surge of inventory—over 1,400 units added in the past two years alone—rental properties are not garnering full occupancy, and a lull may be approaching in high-rise condo construction.

MARKET FEATURES

The Allen, which broke ground in November along Allen Parkway, is representative of the latest approach to high-rises and is designed to win over former homeowners who do not want to sacrifice comfort when they opt for a condo lifestyle.

"We want to change how you think about high-rise living," said Roberto Contreras IV, a developer with DC Partners, the firm overseeing the project.

Whereas previous generations of high-rise condos had smaller units,

The Allen will offer more square footage with generous master bedrooms and large patios. And for residents who might miss having a backyard, Buffalo Bayou Park is directly across the street.

"We are really taking advantage of this great location. The park is an amenity, absolutely," Contreras said.

With the Allen's 6-acre site, developers are also building a retail plaza, which will provide another layer of amenities, including a resort-style pool deck and a rooftop bar. For the project's high-rise, about half of the floors will be occupied by a high-end Thompson Hotel. The site could also include office space, among other options, but those choices are still being weighed, Contreras said.

With The Revere, a nine-story high-rise in the River Oaks area slated to open in 2020, developers took a similar approach, offering large units and generous outdoor spaces.

"A home in the sky' is really what it is. In essence, you want the same size kitchen, master bedroom and closets you would have had in a home, and you can have that, but it's a more efficient way to live with a high-rise," Sudhoff said, adding that concierge services, being free from flood worries and other aspects can be equally appealing to buyers.

With high-rise rental properties continuing to crop up, the condo market appeals to buyers who want a building and community that will be well-maintained and grow in value. But the rental market is also attractive, Sudhoff said.

"Vertical living is coming in, both for rental and the for-sale side, and both are very compelling," he said.

That said, with the completion of The Revere next year, there will not be another high-rise condo on the market inside the Loop until The Allen completes construction in 2023.

COMING SOON

10 High-rises under or soon under construction

10 High-rises in planning stages

“WE WANT TO CHANGE HOW YOU THINK ABOUT HIGH-RISE LIVING.”

—ROBERTO CONTRERAS IV, DEVELOPER WITH DC PARTNERS

SOURCES: HOUSTON ASSOCIATION OF REALTORS, APARTMENT DATA SERVICES/COMMUNITY IMPACT NEWSPAPER


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DRIVING GROWTH

With recent and projected construction efforts, developers were betting on continued job growth and strong wages, Apartment Data Services President Bruce McClenny said.

“You need to have a salary upwards of \$75,000 to begin to qualify for some of these units,” he said. Those higher-paying jobs are slowly coming back after the 2016 oil slump, he said. “Overbuilt is a relative term, but I will say, with the inventory that’s out there, that’s why we’re still seeing two months, three months free on the properties. They find themselves in a market where the demand and the people able to qualify is very, very narrow.”

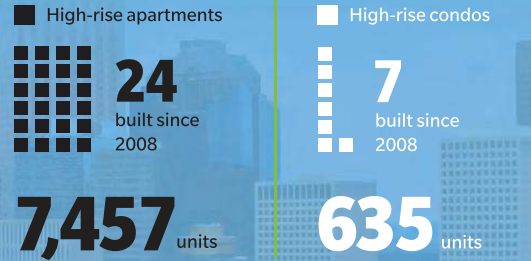
The occupancy rate for Inner Loop high-rises is around 85%, below the 90% that a developer ideally wants, McClenny said.

Nevertheless, Weingarten Realty Investors, which is building the Driscoll in River Oaks in conjunction with the developer Hanover, is forecasting much more capacity for high-rises in that area.

“It’s very clear that one could see four or five additional towers there over a long period of time,” Weingarten CEO Drew Alexander said in an

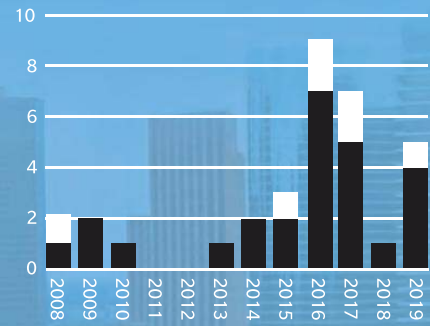
BUILDING WAVE

High-rise apartment and condo projects inside the loop have accelerated in recent years.



SOURCES: HOUSTON ASSOCIATION OF REALTORS, APARTMENT DATA SERVICES/COMMUNITY IMPACT NEWSPAPER

PROJECTS BUILT



Oct. 30 earnings report conference call. “Obviously, we’re going to digest the first one before we add the next.”

With property values already high and going higher, it only makes sense for future Inner Loop developments to favor going more vertical and offering mixed uses, McClenny said.

“That’s the only way to make the math work in terms of return on investment,” he said. “The land is so expensive, they’ve got to go vertical and charge premium rents.”

Demographics and preferences appear to favor that approach as well.

In the 2018 Houston Area Survey, the Kinder Institute’s annual report on residents’ perceptions and outlook, 54% of Harris County residents said they preferred to live around a mix of developments as opposed to a neighborhood of single-family homes.

With both empty-nesters and higher-earning millennials showing a preference for mid- and high-rise real estate, Sudhoff said, the market is popping up on investors’ radars around the country and internationally.

“What we’re starting to see is

people from around the world looking at Houston and Texas. They’re looking at the numbers, and see a good investment. We’re finally on an international platform,” Sudhoff said. “And with that, we’re at a tipping point where we’re attracting the best developers and designers as well. You’re going to see an influx of new groups and new ideas and visions, and we’re going to see some things we’ve never seen before.”

For more information visit communityimpact.com

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