



## The State of Commercial Real Estate – Multi-Family

Houston Business Journal (HBJ) held a [dynamic virtual roundtable session](#) with a panel of commercial real estate experts on August 13, sponsored by Andrews Myers, P.C. This follow up to June's State of Real Estate webinar, specifically examined the multi-family sector's changing development landscape and response strategies in the wake of COVID-19.

HBJ's editor-in-chief, Giselle Greenwood, moderated a lively discussion with panelists Swapnil Agarwal (Founder and Managing Principal, Nitya Capital), Yewande Fapohunda (Senior Vice President, High Street Residential /Trammel Crow Co.), and Michael Vaughn (Senior Vice President – Multifamily, Arch-Con Corp.), who each shared their observations and insights on Houston's multi-family market from development, management and construction perspectives.

The following are our major takeaways from the insightful conversation:

### **Houston is relatively well positioned to weather the COVID-19 storm**

Yewande Fapohunda reported that effective rent growth year-over-year in Houston, while down, has outperformed other markets such as Denver, Los Angeles, and San Francisco. Citing the diversity of Houston's economy, the growth of the population (3rd in the nation in 2019) and the City's quick recovery following the Great Recession, she was optimistic of Houston's ability to bounce back from the upheaval that Houston is experiencing in 2020.

In addition, although the thought of oversupply often comes to mind when driving by all of the new apartment communities around town, Yewande noted that Houston is surprisingly better positioned than its fellow Texas metropolitan rivals (San Antonio, Dallas and Austin) in regards to apartment stock being delivered as a percentage of its existing inventory. Swapnil Agarwal also had an optimistic view of the multifamily sector, explaining that he anticipates pricing in multifamily will "far exceed pre-Covid levels" once the institutional investors get back into the market. Further, he reminded listeners that the multifamily sector has always fared better in times of turmoil than other asset classes.

### **Construction has continued strong through COVID, but indications are that early 2021 will slow**

Construction has remained steady throughout 2020 despite the pandemic according to Michael Vaughn, who cited that construction remained an "essential business" in Texas. Supply chain issues were reportedly the main disruption to construction during the pandemic according to a poll taken of the audience during the presentation. For projects already started or in progress in 2020, he reported that many multifamily projects were not adversely impacted due to the success of owners, contractors, and subcontractors working together to mitigate issues. Despite the strength of the industry through the pandemic, projects in the pipeline for the first quarter of 2021 have slowed. Vaughn noted that many variables will contribute to

construction projections in 2021, including availability of financing for owners and uncertainty of market growth.

Although right now, the industrial sector of the construction industry is the “belle of the ball,” according to Fapohunda, who stated that multifamily should not be underestimated. For example, the struggling hospitality industry may provide some opportunities for multifamily developers due to similar structural and architectural layouts of hotels.

**Do not expect real estate needs to change too drastically in light of the pandemic**

While there has been a great deal of speculation as to the impact “work from home” will have on the needs of the real estate market, particularly the Class A office market, the panel challenged those assumptions. Citing the need for interaction and culture in the workplace, Agarwal opined that it is unlikely we will see permanent work-from-home scenarios for companies. Additionally, mixed-use developments remain on the forefront of many development plans in 2021.

Thank you to the Houston Business Journal for continuing to host virtual events. Although events such as this have changed considerably due to the pandemic, Andrews Myers continues to look for opportunities to keep apprised of market trends and new developments from industry experts. The full recorded presentation of the webinar is available [here](#).

**For more information please contact [Sara McEown](#) and [Jack P.Turano, III](#).**