



# Southern Markets Stage a Comeback

The multifamily markets in Houston, Dallas, and Atlanta heat up.

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Washington, D.C., and Southern California have been making headlines as the first of the recovering housing markets. But a crop of Southern cities also are poised for a comeback. The housing markets in Houston, Dallas, and Atlanta, as well as their various submarkets, are quickly heating up.

They say everything is bigger in Texas. While that cliché may be true in some respects, it never applied to the city's multifamily housing market. And according to Todd McCulloch, a director at Atlanta-based Wood Partners, that lack of over-saturation is one of the reasons why the Dallas market is recovering now.

"We didn't have the condo craze like the coastal markets," McCulloch says. "What benefits Texas as a whole is month over month we've been creating jobs. The recession here is a lot shallower than the rest of country. We're in a bubble, but a good kind of bubble."

A shining example of the burgeoning recovery of the Dallas market is Glass House Dallas, developed by Wood Partners. Located in the Uptown area submarket, which has traditionally been an upscale, desirable locale for urban professionals, the project has been well-received by the Dallas community. "We were leased-up in 12 months," McCulloch says.

One reason for this quick lease-up is the project's lower absolute rents. In general, the apartments have a lower average square footage than competitors' projects. "We put a lot of thought into the floor plan; the units are smaller than average, which allows us to bring down the absolute rent. It's like a math problem," McCulloch explains. "We have floor-to-ceiling windows, which let in a lot of light and so you don't feel like you're living in a smaller apartment." Additionally, Glass House is LEED certified, which McCulloch sees as one important aspect of the future of multifamily, as well as a trend in the recovery markets.

Meanwhile, Camden, a Houston-based REIT, recently made several acquisitions in both Houston and Atlanta. "Generally speaking, when you're looking to acquire assets, you are looking for stable areas with good surrounding employment," says Bill Sengelmann, senior vice president of real estate investments at Camden. The properties recently purchased by Camden fit that bill.

The Atlanta property is a high-end apartment building, adjacent to another Camden property. "In Atlanta, in the Midtown area, there were lots of units dumped and competing for the same residents. The rents had been driven down, but there's great hope for those rents to recover, to stabilize the base," Sengelmann says."

Wood Partners also is developing a property in Atlanta—a mixed-use venture. Located in a neighborhood just north of the city proper, it's near the largest office market, as well as three hospitals—places with stable employment to encourage long-term renters.

"If you check the box on all the things you want in an apartment complex, it's here," says Bennett Sands, Wood Partner's director of development for the Southeast.

The hope for recovery also comes from the expectation of a new generation of apartment renters, contends Sengelmann. He says the so-called Echo Boom generation is close to the majority of their renters; currently, approximately 41 percent of Camden's renters are under 30. "Everyone wants their own place," Sengelmann adds. "So, when everyone feels better about the world, they take more risks and spend more money ... this wave of young people is going to be very beneficial to the market. We want to be positioned to take advantage of it."