



Ralph Bivins' Top Six Predictions for Houston Realty in 2013

Houston real estate had an excellent 2012 and outlook for 2013 looks very solid, as well.

The job growth may be down slightly. Houston led the nation in apartment rent growth last year and won't continue forever. The city's real estate markets are hitting on all cylinders – office, apartments, industrial, single-family. It's doubtful that 2013 could surpass 2012.

The Forecast: here are the top six predictions for real estate in the year ahead:

1. Empty office space will get harder to find and rental rates are going to shoot up “fairly dramatically” in 2013, having already surpassed \$30 per square foot Class A buildings, where vacancy rates are below 5 percent (all-time lows) in hot areas like the Energy Corridor, Westchase and The Woodlands, Stream Realty reports. Sanford Criner of CBRE says: “Where will we be at the end of 2013? We will be the envy of virtually every city in the country and most of the rest of the world.”
2. Houston home prices will increase as much as 5 percent in 2013, says Evert Crawford of the University of Houston's Institute for Regional Forecasting. Houston has a tight four-month supply of homes for sale, the lowest since December 2000, the Houston Association of Realtors association says. Increased demand limited supply mean values are going up quickly this year.
3. Land is purchased for master-planned communities. The inventory of existing homes is at a 12-year low and local home builders say there's a shortage of lots to build on. Exxon Mobil is building a 385-acre corporate campus near The Woodlands and a \$1 billion expansion of the Grand Parkway is being built nearby. “The Grand Parkway expansion will open up a wide swath of land for residential development in the next few years,” says Mark Sikes of Deal Sikes & Associates.
4. Apartments surge. After rents reportedly went up 16 percent in 2012 (the most in the nation, Trulia says) Houston apartment renters will receive no rent relief in 2013. Rents will rise some more this year. Construction is robust in the Inner Loop and deals are happening fast. Investors from around the country are hyper-focused on Houston right now, says Victoria Wood, principal of The MORE Group, an apartment development and management firm based in Delray Beach, Fla.
5. In retail real estate, grocery stores will dominate local retail construction in 2013, says retail center developer Ed Wulfe. Aldi, a discount grocer, is entering the Houston market with 15 stores, Wulfe & Co. reports. Other grocery stores for Houston: two new HEB stores, two Kroger's, one Whole Foods, one Trader Joe's, four Fresh Markets and four Sprouts. Plus, two new Costcos and two Sam's Club will be opening in 2013.
6. Inflationary pressure will push mortgage rates upward slightly. At year-end, the 30-year fixed-rate mortgage averaged a 3.35 percent, according to Freddie Mac. Mortgage interest rates are forecast to gradually rise and to average 4.0 percent in 2013, and 4.6 percent in 2014, the National Association of Realtors predicts. Mortgage rates were at record lows in 2012. The 2012 annual average of 3.66 percent was the lowest annual average in at least 65 years, Freddie Mac reports. Realty veterans can remember in 1981 — when inflation was at its worst — the average mortgage was 16.63 percent.