A long-exposure photograph of the Houston skyline at night. The city lights are visible against a dark sky, and the foreground shows light trails from traffic on a multi-lane highway. The text is overlaid on the top half of the image.

# Apartment Occupancy & Rental Survey

Houston/Harris County

**MID YEAR 2004**

**revac, inc**

revac's  
**HOUSTON/HARRIS COUNTY  
 APARTMENT OCCUPANCY AND RENTAL SURVEY**

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## **SERVICES OFFERED**

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## APARTMENT MARKET OVERVIEW HOUSTON/HARRIS COUNTY

**REVAC's** Mid Year 2004 APARTMENT OCCUPANCY AND RENTAL SURVEY includes over 467,581 units or approximately 90% of the 518,746 units in the Houston and surrounding areas of projects with 5 or more units. Data for the survey was obtained through a random sampling of projects in each of the 44 areas indicated by our map. (All figures include Harris, Ft. Bend, Brazoria, and Galveston Counties, in addition to The Woodlands and Conroe.)

units vs. the total operating units) plus the loss of rental income due to evictions from nonpayment of rent, discounts of rent for referrals and discounted or free rent to on site employees. The economic vacancy rate of 12.6% for survey area was up from the economic vacancy rate of 10.2% at Year End 2003. The highest economic vacancy rates were in Fringe Area CBD-N (2C) with 19.3%, Galveston County South (24) with 18.6%, and Katy NW (19C) with 18.5%.

### PHYSICAL VACANCY

PHYSICAL VACANCY		
CURRENT (Mid Year 2004)		10.5%
Previous survey (Year End 2003)	↑	7.8%
Previous year (Mid Year 2003)	↑	7.5%

The **overall physical vacancy rate** of operating units for the survey area as of Mid Year 2004 is 10.5% which is up 2.7 percentage points from the 7.8% level at Year End 2003. Broken down between owner-paid utilities and resident-paid utilities, owner-paid units had a 10.6% vacancy rate, up 1.9 percentage points from Year End 2003, and resident-paid units show a 10.5% vacancy rate, up 2.7 percentage points from the previous rate of 7.8%.

The **lowest physical vacancy rates** for operating units were recorded in Pasadena/Deer Park N (11B) with 4.7% followed by Galena Park E (13A) with 3.2%. The **highest physical vacancy rates** were recorded in Katy-NW (19C) with 17.0%, followed by West Loop (4) with 14.9% and the Near Northeast (14A) with 14.0%.

Only one (1) of the 44 survey areas showed a decrease in vacancy over the past six months. This is the largest overall increase in vacancy rates seen.

### ECONOMIC VACANCY

The **economic vacancy rate** takes into account the physical vacancy (the number of vacant operating

ECONOMIC VACANCY		
CURRENT (Mid Year 2004)		12.6%
Previous survey (Year End 2003)	↑	10.2%
Previous year (Mid Year 2003)	↑	9.4%

The margin between the Economic vacancy rate and the Physical vacancy rate increased for Mid Year 2004. Since peak levels in 1987, this difference gradually narrowed but beginning Year End 1992 and continuing through 1993, the gap began to widen somewhat. Then with Mid Year 1994 the margin began to close again with a span of 3.0 percentage points. The current difference for Mid Year 2004 is 2.1, which remained stable. The highest level was reached in 1987 with a 15.6 point difference.

### RENTAL RATES

Rental rates rose in 19 out of the 44 market areas for Mid Year 2004 with the overall rental rate of \$661 per month (\$.792/SF/month) which is a decrease of \$2 from Year End 2003 with \$663 per month but up \$4 from a year earlier with \$657 at Mid Year 2003. The remaining 20 areas dropped their rental rates while 5 areas remained the same.

RENTAL RATES		
CURRENT (Mid Year 2004)		\$661
Previous survey (Year End 2003)	↓	\$663
Previous year (Mid Year 2003)	↑	\$657

Rental rates for Owner-paid utility projects fell \$4 from \$646 to \$642. Resident-paid utility projects decreased \$1 with the current \$663 per month over the previous Year End 2003 figure of \$664 per month. While rental rates for resident-paid units, which make up the majority of the market, are at their highest level ever, this survey saw a significant decrease in the amount of rental increase. Overall, the CBD (1) had the highest rents at \$1194 followed by Greenway/Montrose (3) with \$985 per month and West Loop (4) with \$965. The lowest rental rates appeared in Galena Park E (13A) with \$405 and Pasadena/Deer Park North (11B) with \$485 per month.

## CONSTRUCTION

COMPLETED CONSTRUCTION		
CURRENT (Mid Year 2004)		7,885 units
Previous Survey (Year End 2003)	↑	5,685 units
Previous year (Mid Year 2003)	↓	8,516 units

Completed apartment construction increased moderately as compared to the previous six months for the Houston & surrounding areas with 7,885 units (30 projects) being constructed in the first 6 months of 2004. Average construction for the past 5½ years (1999 -2004) averaged 12,955 units per year with the majority being constructed in 1999 (25,079 units). Thus far, 2003 was the 2<sup>nd</sup> highest year for new construction since 1984 with 14,201 units constructed. If 2004 continues at its current pace, it will equal or surpass the 2003 levels.

The areas with **new construction** were:

Area	# Projects	# Units
CBD (1)	1	152
Fringe CBD -E (2A)	2	296
Fringe CBD -NW (2D)	1	331
Near West (5)	4	1,195
Far West (6)	2	636
Bellaire SW (8A)	2	677
Almeda SW (8B)	1	344
South (9)	1	80
Nasa-West (12A)	1	312
Near Northeast-E (14A)	1	248
Far NE-Airport (15A)	1	120

IH 45-North (16)	1	196
Champions W (17B)	2	642
Champions E (17C)	5	1,068
Tomball-NW (17D)	1	304
Bear Creek NW (19B)	3	1,134
Katy NW (19C)	1	150
<b>TOTAL</b>	<b>30</b>	<b>7,885</b>

Announcements of new construction and building permit activity for the first 6 months of 2004 reported 6,501 units. The total for 2003 was 15,203 preceded by 2002 with 17,779 units, and 2001 with 8,252 units. The previous years from 1999 back to 1996 had totals of 6,147 units in 1999, 24,939 units in 1998, 19,679 units in 1997 and 8,726 units in 1996. The average for the past 6 ½ years is 12,479 units per year while the average for the past 3 ½ yrs (2001-1st half of 2004) is 13,639.

YEAR	UNITS ANNOUNCED
1998	24,939
1999	6,147
2000	8,534
2001	8,252
2002	17,779
2003	15,203
2004 (1 <sup>st</sup> 6 mos)	6,501
<b>6 ½ YR AVG</b>	<b>12,479</b>

As of Mid Year 2004, there were 10,521 units in 43 projects under construction with an additional 9,448 units in 35 projects proposed. It is therefore anticipated that nearly 20,000 units could possibly be added to the supply in the next 12 to 18 months.

The areas with units **under construction** are:

Area	# Projects	# Units
CBD (1)	1	70
Fringe CBD E (2A)	1	133
Fringe CBD NW (2D)	1	387
Greenway/Montrose (3)	2	386
West Loop (4)	1	350
Near West (5)	2	494
Far West (6)	2	701
Sharpstown SW (7)	3	634
Bellaire SW (8A)	1	380
Almeda SW (8B)	1	280

South (9)	3	770
Gulf Frwy/SE (10)	2	532
Near NE-E (14A)	1	168
Near NE-W (14B)	1	176
Far NE-Airport (15A)	3	415
Far NE-Lk Hst (15B)	2	452
IH 45 North (16)	4	942
Champions W (17B)	1	324
Spring Branch NW (19A)	3	730
Bear Creek NW (19B)	1	300
Katy (19C)	2	924
The Woodlands (21)	1	254
Ft. Bend (23)	2	455
Galveston Island (26)	1	264
<b>TOTAL</b>	<b>42</b>	<b>10,521</b>

The areas with units **proposed** for construction are:

Area	# Projects	# Units
CBD (1)	3	712
Fringe CBD NW (2D)	1	330
Greenway/Montrose (3)	1	400
West Loop (4)	1	300
Far West (6)	2	618
Sharpstown SW (7)	2	798
Bellaire SW (8A)	1	290
South (9)	1	378
Gulf Frwy/SE (10)	1	264
Nasa West (12A)	1	204
Near East (13B)	1	264
Near Northeast-W (14B)	1	76
Far NE-Airport (15A)	3	892
Far NE-Lk Houston (15B)	1	240
Inwood NW (17A)	1	324
Champions West (17B)	2	400
Champions E (17C)	3	816
Brookhollow NW (18)	1	128
Spring Branch-NW (19A)	3	720
Bear Creek-NW (19B)	1	240
Katy NW (19C)	1	312
The Woodlands (21)	2	502
Ft. Bend County (23)	1	240
<b>TOTAL</b>	<b>35</b>	<b>9,448</b>

## ABSORPTION

ABSORPTION		
CURRENT (Mid Year 2004)		-9,642 units
Previous Survey (Year End 2003)	↑	-86 units
Previous year (Mid Year 2003)	↑	-5,978 units

The absorption rate at Mid Year 2004 improved slightly since the previous period with a reported a record-setting -9,642 units absorbed. The previous period saw an absorption rate of -86 units, which was up considerably from the earlier period of -5,978 units. Over the previous 5 year period, 1999 had the highest annual absorption of +13,776 units followed by 2001 with +10,671 units.

Fifteen (15) areas saw a positive absorption with CBD (1) seeing the largest absorption of +742 units, followed by the Katy NW (19C) with +344. Twenty-six (26) areas showed negative with Far West (6) leading the list with -352 units. This area was followed by Sharpstown SW (7) with -307 units.

## NON-OPERATING

For the past several years, the non-operating market has been a relatively insignificant factor affecting the Houston area apartment market as units are demolished or removed from the market for renovation or speculation.

NON OPERATING UNITS		
CURRENT (Mid Year 2004)		2,137 units
Previous Survey (Year End 2003)	↓	2,193 units
Previous year (Mid Year 2003)	↑	1,367 units

The number of units closed or non-operating has remained mostly stable while long-shuttered apartments have been slowly demolished. Current figures indicate that approximately 32,666 units have been demolished or converted to condos since 1987 and another 2,137 units are currently closed for renovation or speculation. The current number of non-operating units make up less than 1% of the total market, which is down from the Year End 2003 figure of 2,193 units. Of the current non-operating units, 61% (1,312 units) are under renovation. The

typical age of the non-operating projects is 33 years old or constructed in 1971.

Near East (13B) leads with the greatest number of non-operating units (458 units) followed by Champions East (17C) with 402 non-operating units. The current non operating market will have a minor effect on future vacancies. In the past 6 months, 392 units were torndown or converted to condos.

UNITS UNDER RENOVATION		
CURRENT (Mid Year 2004)		1,312 units
Previous Survey (Year End 2003)	↓	1,428 units
Previous year (Mid Year 2003)	↑	1,114 units

## APARTMENT SALES PRICES

AVERAGE SALES PRICES (Garden Apartments-All Classes)		
CURRENT (Mid Year 2004)		\$34,000/unit
Previous Survey (Year End 2003)	↑	\$37,820/unit
Previous year (Mid Year 2003)	↑	\$33,404/unit

Current average sales price for Houston area garden-style apartment complexes (all classes) was \$34,000/unit. This was an 11% decrease from the previous period when the price was \$37,820/unit. A year ago, the average sales price stood at \$33,404/unit.

## EXPENSES

Overall expenses for Houston area apartment complexes have risen 1.8% for resident- paid projects. The current expenses stand at \$4.59 for resident-paid projects. Expenses categories include administration, taxes/insurance, utilities, contract services, maintenance, miscellaneous and reserves for replacement.

EXPENSES		
		RESIDENT
CURRENT (Mid Year 2004)		\$4.59
Previous Survey (Year End 2003)	↑	\$4.51
Previous Year (Mid Year 2003)	↑	\$4.46

## NEW CONSTRUCTION FEASIBILITY

In analyzing the feasibility of new apartment construction, this study found that 13 areas out of the total 44 market areas are economically feasible for new construction. Of the 13 areas, 7 areas (or over half) are considered to be only marginally feasible. Factors used to determine the feasibility of an area include operating expenses, an adjustment for units under construction or proposed for the area, new construction costs and loan costs. While the overall market is not feasible for new construction, it is important to study each area individually.

The areas most feasible for construction are Near West (5), Bellaire SW (8A), Greenway/Montrose (3), and West Loop (4).

AREAS FEASIBLE FOR NEW CONSTRUCTION		
CURRENT (Mid Year 2004)		13 areas
Previous Survey (Year End 2003)	↑	9 areas
Previous year (Mid Year 2003)	↓	13 areas

## DEFINITION OF TERMS

APARTMENT - A dwelling unit comprising of one or more rooms designed to provide complete living facilities for a family or an individual.

COLLECTION LOSS - Loss of rental income due to non payment.

CONCESSIONS - Includes free rent for moving in and signing a 7 to 13 month lease, free apartments for on-site management personnel, and free rent for bringing in a new tenant. Non-monetary items are not included.

EXPENSE CATEGORIES the following categories include the following:

Administrative - Management Fee; Other Administrative Costs such as wages of administrative personnel only, leasing, rental or renewal fees paid in addition to management fee.

Taxes & Insurance - Real estate taxes; Other taxes, fees and permits; Insurance.

Operating - Supplies; Heating expense; Electricity; Water and Sewer; Gas; Building Services; Other operating expenses.

Maintenance - Security; Grounds Maintenance; Maintenance and repairs; Painting and decorating.

Miscellaneous - Other miscellaneous expenses not covered above.

Reserve For Replacements - An allowance in the annual operating statement to provide for the replacement of shorter life items (e.g. stoves, refrigerators, carpeting, air-conditioning units), which is necessary in order to sustain a projected level of income.

MARKET RENT - The rental income that a property would most probably command on the open market as indicated by current rentals being paid for comparable space.

MEAN - A measure of central tendency of data; a calculated average.

MEDIAN - The value of the middle item where an odd number of items are arranged (arrayed) according to size, or the arithmetic average of the central items if there is an even number of items. It is a positional average and is not affected by the size of the extreme values.

MODE - The most frequent value in an array of numbers.

NET UNIT ABSORPTION - Sum of the net new units absorbed plus the older units absorbed. If net old units absorbed is a minus, it means that vacancy rates have increased over the last survey. In this case, subtract the increase in vacancies from the new units, to obtain the net unit absorbed. If the net units absorbed is a plus, it indicates a positive growth and demand for new units. A negative sign indicates a decrease in demand or a negative growth.

OWNER-PAID - Monthly utility bills are included in the monthly rent. Utilities paid by apartment projects from rentals collected.

RESIDENT-PAID - Tenant pays separately his/her monthly electric bill (not included in the monthly rent charge).

TYPICAL - The word typical is used to refer to frequency of items. Each group of data for an area was assembled in an array and data was grouped based on the number of times a certain item appeared. The word typical as used in this report can also be called the mode.

UNITS, TOTAL - Both operating and non-operating units that physically exist on the market.

UNITS, NEW - Those units constructed and added to the market within the previous 6 month period.

UNITS, NON-OPERATING - Those units on the market that are unavailable to be leased whether for an indefinite period of time or temporarily for rehabilitation or renovation. Sometimes these units are referred to as being "closed".

UNITS, EXISTING OPERATING - Existing units which have been on the market for 6 months or longer and are considered to be operating units.

UNITS, OPERATING - Those units on the market that are available to be leased or are occupied.

UNITS, REMOVED - Those units that have been physically removed (demolished) or are no longer being utilized as lease units.

VACANCY, ECONOMIC - Physical vacancy plus rental concessions and collection loss.

VACANCY, PHYSICAL - The relationship which exists between the number of units on the market and the number of those units that are not occupied by tenants.

WEIGHTED AVERAGE - An average where each item in a series is adjusted by a judgement factor which reflects its relative importance. It is obtained by multiplying each item by its assigned weight, adding each product and then dividing the sum of the products by the sum of the weights.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

All facts and data set forth in this study are true and accurate to the best of the researcher's knowledge and belief.

The publisher has no interest in the outcome of the data other than to report the data and conclusions as gathered.

All observations and conclusions are presented as the researcher's considered opinion, based upon the facts and data obtained during the investigation.

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The publisher believes that the information in the report which has been furnished to him by others is reliable, but he assumes no responsibility for its accuracy.

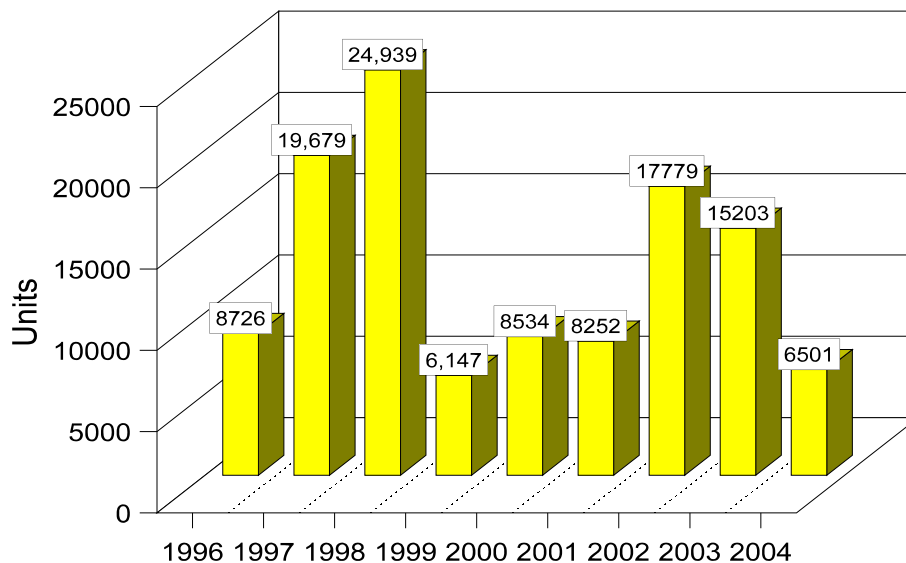


<p><b><u>AREA 14B - NEAR NORTHEAST</u></b></p> <p>KEY MAPS INCLUDED: 413,414,453,454  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - GREENS BAYOU                      WEST - HARDY ROAD  SOUTH - LOOP 610                              EAST - US 59</p>	<p><b><u>AREA 15A - FAR NORTHEAST/AIRPORT</u></b></p> <p>KEY MAPS INCLUDED: 292,293,332-335; 373-375  MAJOR THOROUGHFARE BOUNDARIES:                      WEST - IH 45 &amp; HARDY ROAD  NORTH - HARRIS COUNTY LINE                      EAST - US 59  SOUTH - GREENS BAYOU</p>
<p><b><u>AREA 15B - FAR NORTHEAST/LAKE HOUSTON</u></b></p> <p>KEY MAPS INCLUDED: 297-299;336-340;375-380;  416-419;456,457  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - HARRIS COUNTY LINE                      WEST - US 59 &amp; GREENS BAYOU  SOUTH - BEAUMONT HIGHWAY                      EAST - HARRIS COUNTY LINE</p>	<p><b><u>AREA 16 - INTERSTATE 45 NORTH</u></b></p> <p>KEY MAPS INCLUDED: 370-373;411-413;452,453  MAJOR THOROUGHFARE BOUNDARIES:                      WEST - W. MONTGOMERY &amp; N. MAIN  NORTH - GREENS BAYOU                      EAST - HARDY ROAD  SOUTH - LOOP 610</p>
<p><b><u>AREA 17A - INWOOD/NORTHWEST</u></b></p> <p>KEY MAPS INCLUDED: 370,410,411  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - NORTH BELT                      WEST - WEST BELT  SOUTH - WEST LITTLE YORK                      EAST - W. MONTGOMERY</p>	<p><b><u>AREA 17B - CHAMPIONS WEST</u></b></p> <p>KEY MAPS INCLUDED: 328,329,367-369; 408,409  MAJOR THOROUGHFARE BOUNDARIES:                      WEST - US 290  NORTH - SPRING CYPRESS                      EAST - W. MONTGOMERY  SOUTH - WEST BELT</p>
<p><b><u>AREA 17C - CHAMPIONS EAST</u></b></p> <p>KEY MAPS INCLUDED: 329-332; 370-373  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - SPRING CYPRESS                      WEST - W. MONTGOMERY  SOUTH - GREENS BAYOU                      EAST - IH 45</p>	<p><b><u>AREA 17D - TOMBALL/NORTHWEST</u></b></p> <p>KEY MAPS INCLUDED: 248-252; 288-292; 329,330  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - HARRIS COUNTY LINE                      WEST - W. MONTGOMERY  SOUTH - SPRING CYPRESS                      EAST - IH 45</p>
<p><b><u>AREA 17E - FAR NORTHWEST</u></b></p> <p>KEY MAPS INCLUDED: 242-247; 282-288; 324-328  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - HARRIS COUNTY LINE                      WEST - US 290  SOUTH - SPRING CYPRESS                      EAST - W. MONTGOMERY</p>	<p><b><u>AREA 18 - BROOKHOLLOW/NORTHWEST</u></b></p> <p>KEY MAPS INCLUDED: 410-412; 450-452  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - WEST LITTLE YORK                      WEST - US 290  SOUTH - LOOP 610                              EAST - W. MONTGOMERY</p>
<p><b><u>AREA 19A - SPRING BRANCH/NORTHWEST</u></b></p> <p>KEY MAPS INCLUDED: 409,410,449-451  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - US 290                      WEST - WEST BELT  SOUTH - IH 10                              EAST - LOOP 610</p>	<p><b><u>AREA 19B - BEAR CREEK NORTHWEST</u></b></p> <p>KEY MAPS INCLUDED: 367,368,407-409; 447-449  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - US 290                      WEST - BARKER CYPRESS  SOUTH - IH 10                              EAST - WEST BELT</p>
<p><b><u>AREA 19C - KATY/NORTHWEST</u></b></p> <p>KEY MAPS INCLUDED: 322-325; 363-366; 404-406  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - US 290                      WEST - HARRIS COUNTY, GRAND PKWY  SOUTH - FM 1093                      EAST - BARKER CYPRESS</p>	<p><b><u>AREA 20 - BAYTOWN</u></b></p> <p>KEY MAPS INCLUDED: 460-462; 499-502; 540-542  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - IH 10                      WEST - HOUSTON SHIP CHANNEL  SOUTH - HOUSTON SHIP CHANNEL                      EAST - HARRIS COUNTY</p>
<p><b><u>AREA 21 - THE WOODLANDS (Montg. Co.)</u></b></p> <p>KEY MAPS INCLUDED: 216-217; 250-252 219-292  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - FM 1488                      WEST - SPRING CREEK, KUYKENDAHL RD  SOUTH - SPRING CREEK                      EAST - IH 45 N</p>	<p><b><u>AREA 22 - CONROE (Montg. Co.)</u></b></p> <p>KEY MAPS INCLUDED: 156-158; 187-188  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - TEAS NURSERY RD                      WEST -FM 3374,LAKE CONROE  SOUTH - CRIGHTON RD                      EAST -FM 3083</p>
<p><b><u>AREA 23 - FT.BEND CO.</u></b></p> <p>KEY MAPS INCLUDED: 520-746 (Ft. Bend Co only)  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - FM 1093                      WEST -COUNTY LINE  SOUTH - COUNTY LINE                      EAST -COUNTY LINE</p>	<p><b><u>AREA 24 - GALVESTON COUNTY (SOUTH)</u></b></p> <p>KEY MAPS INCLUDED: 697-702; 733-739; 768-772; 803-804  MAJOR THOROUGHFARE BOUNDARIES:                      WEST -COUNTY LINE  NORTH - FM 517                      EAST MAINLAND COASTLINE  SOUTH - MAINLAND COASTLINE</p>
<p><b><u>AREA 25 - GALVESTON COUNTY (NORTH)</u></b></p> <p>KEY MAPS INCLUDED: 656-662; 696-700  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - COUNTY LINE                      WEST - COUNTY LINE  SOUTH - FM 517                              EAST - COUNTY LINE</p>	<p><b><u>AREA 26 - GALVESTON ISLAND</u></b></p> <p>KEY MAPS INCLUDED: 773,774,807, 806, 806 836, 837, 864, 865  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - ISLAND BOUNDARY                      WEST - ISLAND BOUNDARY  SOUTH - ISLAND BOUNDARY                      EAST - ISLAND BOUNDARY</p>
<p><b><u>AREA 27 - BRAZORIA COUNTY (NORTH)</u></b></p> <p>KEY MAPS INCLUDED: 612-616; 651-656; 725-732  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - COUNTY LINE                      WEST - COUNTY LINE  SOUTH - FM 1462                              EAST - COUNTY LINE</p>	<p><b><u>AREA 28 - BRAZORIA COUNTY (SOUTH)</u></b></p> <p>KEY MAPS INCLUDED: 734-935 (Braz. Co Only)  MAJOR THOROUGHFARE BOUNDARIES:  NORTH - FM 1462                      WEST -COUNTY LINE  SOUTH - COUNTY LINE                      EAST - COUNTY LINE</p>

# HARRIS COUNTY BUILDING PERMIT ACTIVITY\*

	1996	1997	1998	1999	2000	2001	2002	2003	2004
JANUARY	84	160	892	1,064	1,202	1,139	446	2,343	2,153
FEBRUARY	0	1,036	2,022	1,557	232	212	746	2,032	1,166
MARCH	0	2,278	4,683	550	407	701	2,246	240	1,228
APRIL	228	1,166	4,224	353	1,004	571	2,070	1,666	1,224
MAY	396	1,450	1,089	966	704	990	424	1,180	430
JUNE	1,202	2,135	3,197	0	81	606	3,300	1,782	300
JULY	1,574	2,127	1,407	240	508	414	2,907	1,492	
AUGUST	1,118	1,692	566	0	618	240	990	1,260	
SEPTEMBER	30	1,321	2,229	455	1,245	640	1,264	1,492	
OCTOBER	1,704	1,383	1,132	312	864	1,247	535	666	
NOVEMBER	863	994	558	490	530	0	2,299	240	
DECEMBER	1,527	3,937	2,940	160	1,139	1,492	552	810	
<b>TOTAL</b>	<b>8,726</b>	<b>19,679</b>	<b>24,939</b>	<b>6,147</b>	<b>8,534</b>	<b>8,252</b>	<b>17,779</b>	<b>15,203</b>	<b>6,501</b>

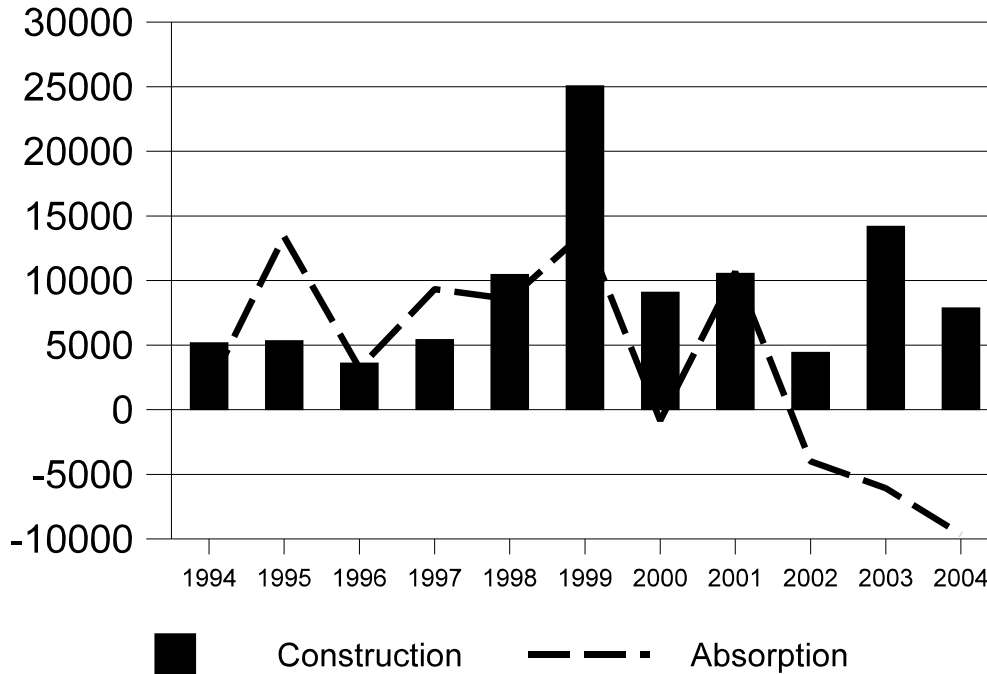
## APARTMENT BUILDING PERMITS



(\* ) Figures are derived from building permits, announcements in media, and personal interviews.

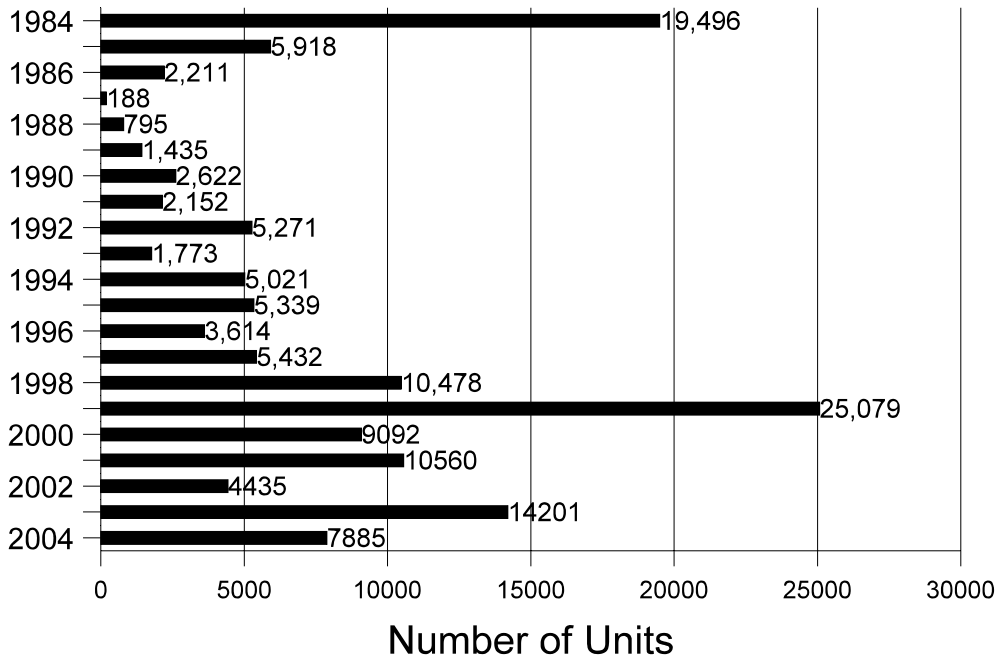
# Historical Construction & Absorption

1994 - 2004



# Apartment Construction

1984 - 2004



# FIVE YEAR HISTORY OF CONSTRUCTION AND ABSORPTION

<b>Market Area</b>		<b>UNIT CONSTRUCTION 1999-2004</b>	<b>AVG ANNUAL CONSTR. 1999-2004</b>	<b>CONSTRUCTION FIRST 6 MOS. 2004</b>	<b>UNIT ABSORPTION YR END 1999- MID YR 2004</b>	<b>AVG ANNUAL ABSORPTION 1999-2004</b>	<b>UNIT ABSORPTION YR END 2003- MID YR 2004</b>
TOTAL AREA		71,252	12,955	7,885	687	137	(9,642)
C.B.D.	1	4,288	780	152	1,200	240	(567)
Fringe Area E	2a	576	105	296	(189)	(38)	2
Fringe Area NE	2b	96	17	0	(13)	(3)	50
Fringe Area N	2c	108	20	0	(100)	(20)	(29)
Fringe Area NW	2d	1,355	246	331	320	64	(99)
Greenway/Montrose	3	2,608	474	0	720	144	(8)
West Loop	4	789	143	0	(116)	(23)	(347)
Near West	5	4,205	765	1,195	(1,657)	(331)	(869)
Far West	6	7,401	1,346	636	(29)	(6)	(1,151)
Sharpstown SW	7	805	146	0	(3,694)	(739)	(1,375)
Bellaire SW	8a	3,528	641	677	(3)	(1)	(394)
Almeda SW	8b	664	121	344	276	55	93
South	9	2,388	434	80	657	131	(186)
Gulf Freeway SE	10	1,359	247	0	(956)	(191)	(585)
Pasadena/Deer Park South	11a	856	156	0	(657)	(131)	(582)
Pasadena/Deer Park North	11b	0	0	0	2	0	(7)
Nasa West	12a	1,644	299	312	403	81	(97)
Nasa East	12b	1,080	196	0	(233)	(47)	(363)
Galena Park E	13a	0	0	0	(2)	0	(9)
Near East	13b	538	98	0	(416)	(83)	(133)
Far East	13c	0	0	0	(25)	(5)	(8)
Near Northeast E	14a	556	101	248	244	49	124
Near Northeast W	14b	119	22	0	20	4	(39)
Far NE (Airport)	15a	2,022	368	120	758	152	(160)
Far NE (Lk Hst)	15b	2,942	535	0	987	197	(374)
H 45 North	16	1,546	281	196	304	61	(245)
Inwood NW	17a	1,153	210	0	(54)	(11)	(155)
Champions W	17b	5,712	1,039	642	1,144	229	(229)
Champions E	17c	4,773	868	1,068	688	138	418
Tomball NW	17d	784	143	304	476	95	190
Far Northwest	17e	152	28	0	85	17	(2)
Brookhollow NW	18	728	132	0	(471)	(94)	(274)
Spring Branch NW	19a	281	51	0	(1,166)	(233)	(617)
Bear Creek NW	19b	3,008	547	1,134	625	125	48
Katy NW	19c	3,934	715	150	745	149	(543)
Baytown	20	760	138	0	(325)	(65)	(54)
The Woodlands	21	1,380	251	0	258	52	(111)
Conroe	22	404	73	0	(207)	(41)	(153)
Ft Bend	23	3,268	594	0	1,580	316	(303)
Galveston County (South)	24	810	147	0	(378)	(76)	(132)
Galveston County (North)	25	1,120	204	0	101	20	(73)
Galveston Island	26	28	5	0	(260)	(52)	(146)
Brazoria County (North)	27	1,252	228	0	139	28	(94)
Brazoria County (South)	28	232	42	0	(94)	(19)	(54)

Annual figures are derived by combining Mid Year & Year End figures for a given year

## Area 5 - Near West



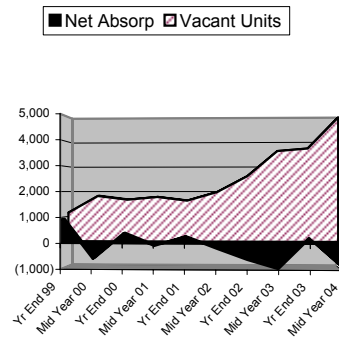
### Unit Status

Total Units as of Year End 2003	47,826
Adjust: ( 1,195 New Units Added)-( 233 Units Removed) +	962
Total Units as of Mid Year 2004	48,788
Less Total Units Non-Operating as of Mid Year 2004 -	90
Total Operating Units as of Mid Year 2004	48,698
 Total Units Removed since 1987	 2,908

### Unit History

Survey Period	Under Const Units	Proj	Proposed Units	Proj	Vacant Units	Net Absorp
Mid Year 04	494	2	0	0	4,936	(864)
Yr End 03	1,737	0	0	0	3,709	194
Mid Year 03	2,401	8	0	0	3,611	(989)
Yr End 02	1,405	5	892	3	2,613	(635)
Mid Year 02	346	1	858	4	1,978	(202)
Yr End 01	587	2	312	1	1,634	252
Mid Year 01	641	3	699	2	1,779	(106)
Yr End 00	641	3	593	2	1,673	383
Mid Year 00	929	3	387	1	1,821	(613)
Yr End 99	841	3	737	2	1,146	928
Total Absorption (5 Years)						(1,652)
Avg Annual Absorption						(330)

### Supply & Demand



Absorption calculations are based on the 6 month difference of existing vacant operating units, plus any newly constructed occupied units.

Note: Due to data corrections of total units, vacant unit and absorption figures may vary.

## Area 5 - Near West

**Construction and Permit Information**

Year	# of Units	# of Projects
Prior 1960	28	1
1960-1969	14,348	75
1970-1979	24,873	98
1980-1989	1,231	11
1990-1994	2,776	10
1995	0	0
1996	0	0
1997	887	4
1998	440	2
1999	1,381	8
2000	540	2
2001	179	1
2002	200	1
2003	710	3
2004	1195	4
<b>Total Existing</b>	<b>48,788</b>	<b>220</b>

**CONSTRUCTED since Year End 2003**

# of New Projects - 4  
 # of New Units - 1,195

**PROJECT LOCATIONS:**  
 2660 Augusta (312 units)  
 3000 Sage (324 units)  
 3363 McCue (223 units)  
 3030 Dunvale (336 units)

**ANNOUNCED since Year End 2003**

# of New Projects - 0  
 # of New Units - 0  
**PROJECT LOCATIONS:**

**Overall Area Description - Owner and Resident**

	Vacancy Rates			Rental Rates	
	Phys. Oper.	Econ Oper.	Phys Oper. & Non Oper.	Rent/Mo.	Rent/SF
Mid Year 04	10.4	12.1	10.6	710	0.851
Yr End 03	7.8	9.9	8.0	708	0.841
Mid Year 03	7.6	9.4	7.8	707	0.850
Yr End 02	5.5	7.2	5.7	731	0.867
Mid Year 02	4.3	6.0	5.6	703	0.844
Yr End 01	3.5	4.7	3.5	684	0.828
Mid Year 01	3.8	5.1	4.0	671	0.813
Yr End 00	3.6	4.4	3.8	655	0.790
Mid Year 00	3.9	4.4	4.1	649	0.788
Yr End 99	2.5	2.9	3.0	668	0.794

Security Deposits:	
Efficiency	\$ 153.00
1 Bedroom	\$ 207.00
2 Bedroom	\$ 278.00
3 Bedroom	\$ 349.00
4 Bedroom	\$ 350.00

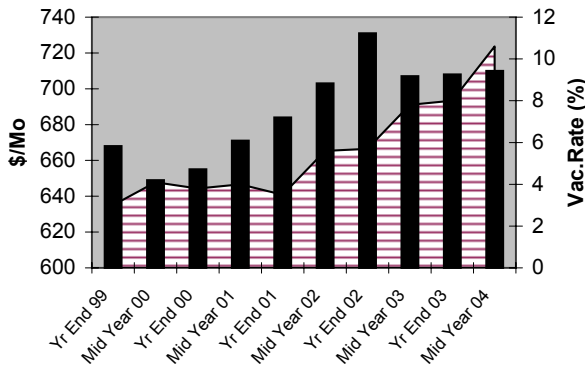
Pets Accepted	89.4%
Avg Pet Deposit	\$ 362.00

Age Synopsis (YOC)	
Wgtd Avg. of Projects	1975
Wgtd Avg of Units	1976
Range	1955-2004

Project Size	
Avg Size Project	222
Avg Units/Bldg	17
Avg Unit Size (SF)	839
Project Size Range	6-1793
Avg Parking Spaces/Unit	1.6

### Rent Vs Vacancy

□ Phys Oper. & Non Oper. ■ Rent/Mo.

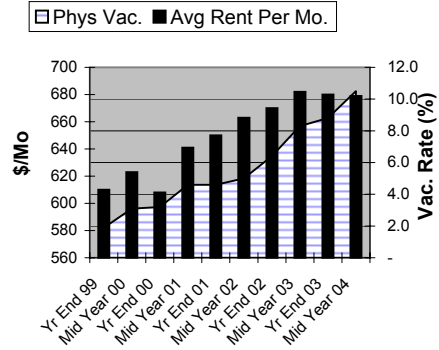


## Area 5 - Near West

### Owner Paid

	Phys Vac.	Avg Rent Per Mo.	% Chg 6 mos.	Avg SF Size	Turn over rate
Mid Year 04	10.5	679	-0.1	790	13.9
Yr End 03	8.8	680	-0.3	789	13.9
Mid Year 03	8.3	682	1.8	789	14.1
Yr End 02	6.4	670	1.0	795	13.9
Mid Year 02	5.0	663	2.0	796	11.0
Yr End 01	4.6	650	1.4	796	10.4
Mid Year 01	4.6	641	5.1	792	12.7
Yr End 00	3.2	608	-2.5	791	10.6
Mid Year 00	3.1	623	2.1	791	10.0
Yr End 99	1.9	610	1.1	792	14.7
<b>5 Yr Avg Annual Change</b>			<b>11.3</b>		

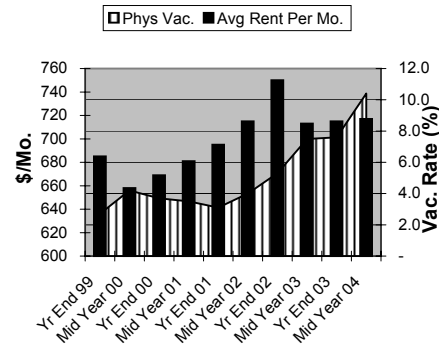
#### Rent Vs Vacancy



### Resident Paid

	Phys Vac.	Avg Rent Per Mo.	% Chg 6 mos.	Avg SF Size	Turn over rate	Avg Exp Per SF	% Chg 6 mos
Mid Year 04	10.4	717	0.3	851	15.70	4.67	1.9
Yr End 03	7.6	715	0.3	855	15.5	4.58	1.7
Mid Year 03	7.5	713	-5.2	850	15.0	4.50	1.1
Yr End 02	5.3	750	4.7	850	13.4	4.45	1.6
Mid Year 02	4.0	715	2.8	853	13.9	4.38	0.0
Yr End 01	3.1	695	2.0	841	13.4	4.38	1.8
Mid Year 01	3.5	681	1.8	841	14.2	4.30	1.2
Yr End 00	3.7	669	1.6	841	13.1	4.25	0.5
Mid Year 00	4.2	658	(4.1)	840	12.8	4.23	1.4
Yr End 99	2.7	685	3.1	840	12.1	4.17	0.7
<b>5 Yr Avg Annual Change</b>			<b>4.7</b>				<b>12.0</b>

#### Rent Vs. Vacancy



### Expenses: Resident Paid

(All figures reflect \$/SF/YR)

Administration	\$	1.56	Contract Services	\$	0.24	<b>Economic Summary</b>	
Mgmt Fee	0.42	SubT	0.42	Security	0.04		
Othr Payroll	0.70			Grounds	0.1	Less Economic Vac.	12.0 1.21
Othr Admin.	0.44	SubT	1.14	Pest Control	0.03	Effective Gross	\$ 8.90
<b>Tax/Insurance</b>	<b>\$</b>	<b>1.08</b>		Trash	0.07	Less Expenses	4.67
AdVal Tax	0.80			<b>Maintenance</b>	<b>\$ 0.57</b>	Avg NOI Before Debt	\$ 4.23
Other	0.01			Supplies	0.02	Adj. to Highest Area Rate	6.69
Insurance	0.27			Repairs	0.40	Adj-NOI Before Debt Service	\$ 10.92
<b>Utilities</b>	<b>\$</b>	<b>0.93</b>		Paint/Decr	0.15	Less for U/C & Proposed	(0.19)
Electric	0.22			<b>Repl Reserve</b>	<b>\$ 0.27</b>		
Water/Sewer	0.50			<b>TOTAL EXP/SF/YR</b>	<b>\$ 4.67</b>		
Gas	0.21						
<b>Misc.</b>	<b>\$</b>	<b>0.02</b>		<b>New Class A Const Cost*</b>			
Rec/Amen	0.02			80% Loan Const @ 7.0%	0.079836299	NOI Necessary for Debt Coverage	(6.84)
				<b>New Construction: Feasible</b>		<b>Income After Debt Coverage</b>	<b>\$ 3.89</b>

\*Includes average land cost of \$10.00/SF for a density of 22 units per acre

\*\*Based on a 14% Equity Return and 1.30 Debt Coverage Ratio