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Multifamily developer poised to begin building in Houston again after year hiatus

By Paul Takahashi
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All year long, The Hanover Co. has held off on starting new luxury apartments in Houston.

However, its year-long hiatus seems to be coming to a close. The Houston multifamily developer is gearing up to build new projects in Houston next year.

“Hanover is interested in continuing to develop in Houston when



Brandt Bowden

we believe fundamental performance improves or will likely improve,” Brandt Bowden, Hanover’s managing partner of capital markets, said in an email. “We are hopeful that we can start a project or two in late 2016, but that will be highly dependent on the capital markets.”

Hanover is under contract to purchase a parcel of land just south of its Hanover Post Oak luxury apartment tower, located at 1750 Sky Lark Lane near San Felipe Street and Post Oak Boulevard. The deal for the land, located off South Post Oak Lane, is expected to close by Jan. 15.

Hanover declined to comment about its plans for the land at this time. However, Ed Wulfe — the



developer of the nearby Blvd Place luxury retail center — told the Houston Business Journal that “there will probably be another high-rise apartment built on the land next to the Hanover tower.” If true, the new Hanover project would come as Wulfe kicks off the third phase of Blvd Place’s development next year.

Hanover, like so many other developers, has struggled to find capital financing for new projects amid the oil slump. The developer had planned to buy land in Upper Kirby for a 30-story, 300-unit luxury apartment tower in January. However, amid the oil downturn, Hanover’s capital partners pulled their support, leaving the company scrambling to find new investors. The deal, which had been postponed to August, is now expected to close

in February.

“Capital has been the issue,” Bowden said. “Several groups have reviewed the River Oaks project, but internal committees have had a hard time making a commitment to Houston in this environment.”

Hanover plans to once again start construction on two new projects a year in Houston. The Bayou City remains “one of the most challenging markets to raise capital in the United States” and fundamentals have weakened in several submarkets, but rents and absorption rates were generally positive this year, Bowden said.

“Development takes several years to bring homes to market; therefore, we will have to start working on projects before recovery is obvious,” Bowden said.