

**Slowdown in Rent Growth
Working its Way Through the
Price Tiers in 2017**

ALN Apartment Data, Inc.

Overall, 2017 was a 'good' year for the Dallas multifamily industry, but somewhat underwhelming by recent standards. As always, there was some variance in performance between price classes, but a general trend is starting to emerge when looking at year-over-year developments.

The Class A price tier had a particularly good year in 2017 for absorption and occupancy. About 2,000 more net units were absorbed than delivered, resulting in an average occupancy gain of 7%. As usual, most of these gains were realized in the 2nd and 3rd quarters. Less reassuring is the performance of rents for the Class A price tier in 2017. While an average effective rent per unit gain of 2.9% for the year is better than the flat growth of 2016, it was half of 2015's growth.

The Class B price tier saw a reduction in new units coming into the segment compared to the 2016, and responded with the highest annual occupancy gain in more than five years. After adding about 2,400 units and absorbing about double that, average occupancy rose to 88.9% overall of the class. As with the top price tier though, average effective rent gains in this price class were modest when compared to the last couple of years. Granted, those were banner years for the greater Dallas market. Effective Rents rose 2% in 2017, after gains twice that in both 2015 and 2016.

The bottom two price tiers in Dallas both suffered negative occupancy gains in 2017. Class C properties saw an average occupancy decline of just under 0.5%. Even with the attrition of about 300 units, the Class D properties experienced an equal decline in average occupancy and ended 2017 at just over 94%. While the bottom two price tiers had the highest percentage gain in average effective rent for the year in Dallas, their gains also fell short of previous years. Neither tier had seen annual rent gains below the 5% threshold since 2012, but 2017 increases totaled 3.4% for the Class C properties, and 4.6% for the Class D properties.

2017 showed that while absorption continues to remain healthy for most price tiers, Dallas is experiencing increasing competition for the new renters at the top end of the market. With more properties set to be delivered in 2018 than in 2017, we may be seeing some warning signs in the slowing of rent growth. If we continue to see more price softening at the lower end of the spectrum, then we may have crossed an inflection point toward a new business cycle.

JOB GROWTH ¹	Area New Jobs	1 Mo	6 Mo	12 Mo
	Estimate	End 1/31	End 1/31	End 1/31
	Dallas/Plano/Irving	15,900	31,200	70,400
	Fort Worth/Arlington	7,000	6,800	25,600
		22,900	38,000	96,000
INTEREST RATES ²	Rates	END 3/31		Yr. Ago
	10 Year Treasury		2.73%	2.39%
	11th District COFI		0.78%	0.62%
	1 Mo. LIBOR		1.88%	0.98%
SUPPLY/ DEMAND ³	Units Added/ Absorbed	6 Mo End 3/31	12 Mo End 3/31	24 Mo End 3/31
	Dallas County			
	Added	4,843	13,302	22,244
	Absorbed	4,788	7,356	15,150
	Tarrant County			
	Added	3,254	9,041	13,565
	Absorbed	2,047	3,132	7,002
OCCUPANCY RATES ³	Dallas County	3/31/2018	6 Mo Ago	12 Mo Ago
	2010's	76.3%	74.8%	78.2%
	2000's	93.2%	93.8%	94.3%
	1990's	93.5%	93.6%	94.1%
	1980's	94.1%	94.4%	95.3%
	1970's or Older	94.0%	93.4%	94.2%
	Tarrant County			
	2010's	68.6%	69.5%	78.9%
	2000's	94.6%	95.2%	95.7%
	1990's	94.5%	95.0%	95.1%
	1980's	94.6%	94.6%	95.4%
	1970's or Older	92.3%	92.0%	93.3%
RENTAL RATES ³	Dallas County	3/31/2018	6 Mo Ago	12 Mo Ago
	2010's	\$1,539	\$1,536	\$1,486
	2000's	\$1,374	\$1,362	\$1,348
	1990's	\$1,280	\$1,290	\$1,281
	1980's	\$943	\$930	\$914
	1970's or Older	\$899	\$888	\$862
	Tarrant County			
	2010's	\$1,363	\$1,388	\$1,394
	2000's	\$1,207	\$1,212	\$1,187
	1990's	\$1,184	\$1,203	\$1,178
	1980's	\$921	\$908	\$893
	1970's or Older	\$850	\$834	\$817
HISTORICAL JOB GROWTH	Average year change of the combined DFW MSA's			
	2017	91,700		
	2016	120,500		
	2015	98,700		
	2014	132,000		
	2013	95,600		
	2012	79,200		

1 Texas Workforce Commission
2 Banxquote.com
3 ALNsys.com - Rental rates are after concessions. Approximately 25% of 70's or older are all bills paid

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