The Cantrell Report

Pertinent Information for Apartment Owners

February 1, 2013

	Area New Jobs Estimate	1 Mo End 12/31	6 Mo End 12/31	12 Mo End 12/31
JOB GROWTH 1	Dallas/Plano/Irving	5,300	42,300	51,400
	Fort Worth/Arlington	1,800	21,400	27,800
		7,100	63,700	79,200

	Rates	END 1/31	Yr. Ago
INTEREST RATES 2	10 Year Treasury	1.86%	1.97%
	11th District COFI	1.00%	1.20%
	1 Mo. LIBOR	0.20%	0.27%

Spreads over the above indexes have been increasing as rates have decreased. Best all in rates for the best properties are around 3.75%.

	Units Added/ Absorbed	6 Mo End 1/31	12 Mo End 1/31	24 Mo End 1/31
SUPPLY/ DEMAND 3	**Dallas County**			
	Added	4,901	8,185	12,370
	Absorbed	3,787	10,213	17,143
	Tarrant County			
	Added	2,614	4,033	6,176
	Absorbed	1,713	5,084	9,051

	Dallas County	1/31/2012	6 Mo Ago	12 Mo Ago
OCCUPANCY RATES 3	*2000's*	90.4%	90.7%	90.7%
	1990's	94.6%	95.3%	94.7%
	1980's	92.5%	92.3%	91.1%
	1970's or Older	89.6%	90.0%	88.1%
	Tarrant County			
	2000's	92.5%	92.9%	92.8%
	1990's	94.3%	95.3%	94.2%
	1980's	92.8%	93.2%	91.5%
	1970's or Older	88.8%	89.0%	87.5%

	Dallas County	1/31/2012	6 Mo Ago	12 Mo Ago
RENTAL RATES 3	*2000's*	$1,235	$1,244	$1,215
	1990's	$1,104	$1,101	$1,073
	1980's	$681	$681	$653
	1970's or Older	$669	$665	$650
	Tarrant County			
	2000's	$1,022	$1,017	$990
	1990's	$957	$950	$925
	1980's	$647	$646	$620
	1970's or Older	$606	$595	$581

HISTORICAL JOB GROWTH

Average year change of the combined DFW MSA's

2007	82,200
2008	2,500
2009	(94,900)
2010	50,800
2011	51,200

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

Investors Turn to New Markets in Search of Yield

The long runway for fundamental apartment demand is driving investment activity in the industry. While new development activity has increased significantly, the transaction market also remains strong as firms opt to grow unit count or top grade portfolio holdings. Apartment investment in 2012 hit the $90 billion mark, marking not only an increase from $65 billion in 2011 but also a move toward pre-recession investment levels.

However, there's a feeling in the market that much of the low hanging fruit has been picked over during the past few years and as cap rates have continued to compress, investors are becoming frustrated with finding good yields on Class A properties in preferred markets. This frustration is beginning to drive activity in lower class product and alternative markets, firming up the notion that a capital rotation is in play.

Industry executives debated whether the next big investment trend would be for value-add deals, where a firm would be looking to acquire a Class B or C property, upgrade or renovate it and ultimately reposition it at a higher rent rate. Some executives said those deals are looking more attractive because, compared with ground-up development, there's less capital in play and less risk. However, others said the attractiveness of a value-add deal would be contingent on a prime location and questioned whether traditional capital would have much appetite for such a deal.

Similarly, many industry players are looking more seriously at secondary and even tertiary geographic markets. Executives saw opportunities in markets such as Charlotte, N.C., Minneapolis, Pittsburgh and Tampa, FL.

Sarah Yaussi

National Multi Housing Council.

Sam Pettigrew, Partner
972-630-6691
spettigrew@cantrellcompany.com

Todd Franks, CCIM, Partner
972-630-6692
tfranks@cantrellcompany.com

Thomas Hooke, Associate
972-630-6696
thooke@cantrellcompany.com

Sean Reynolds, Associate
972-630-6660
sreynolds@cantrellcompany.com

12750 Merit Drive, Suite 400 * Dallas, TX 75251 * (214) 368-4567 * (214) 368-2120 (fax) * www.cantrellcompany.com