

The Cantrell Report

Pertinent Information for Apartment Owners

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Dallas-area apartment construction expands to new heights

By STEVE BROWN

The first tenant has already moved into Uptown's newest apartment community, even though the 17-story Taylor high-rise on Carlisle Street doesn't formally open for a few weeks.

"We have 600 people on our lead list who have contacted us and are interested in the building," said Jessica Humphreys, a market analyst with project developer StreetLights Residential LLC.

With 308 units, the Taylor is one of the largest apartment complexes under construction in Dallas.

Thousands more rental units are on the way, their construction fueled by North Texas' booming job market and changing demographics.

In just the last month, developers have detailed plans for almost 2,000 apartments.

"We've had some questions relating to how much is in the pipeline, but there has not been any evidence of it not leasing up," said Ryan Reid, executive vice president of CBRE Group's multi-housing division. "The projects so far have all been ahead of expectations.

"And the local economic numbers certainly support more apartments."

With annual job gains expected to cruise around 100,000 in the Dallas-Fort Worth area for the next couple of years, housing construction has trailed the economic expansion.

StreetLights Residential and other apartment builders have increased the size and height of their new rental projects in Dallas' hot Uptown district.

At least a half-dozen high-rise apartment developments are under construction or on the drawing board there.

The Taylor project, which has midrise and tower units, will be the first to open in the current wave of posh projects. The Taylor's luxury amenities include a bar and grill, exercise facilities, lounges and a swimming pool.

Most of the Taylor's units will be open by November, at least a year ahead of similar projects.

"We think our timing is pretty good with the other high-rises that are planned," said Tom Bakewell, one of StreetLights' founders.

Units in the new building will average 850 square feet and rent for more than \$2.30 per square foot monthly.

Luxury towers

Other builders including JLB Partners, Forest City Enterprises, Novare Group and Stoneleigh Cos. are developing luxury apartment towers in Uptown.

And four- to six-story rental projects are going up all over the D-FW area.

At the end of the second quarter, almost 24,000 apartments were under construction in North Texas — more than any other market in the country.

"We are certainly bullish on the Dallas market, and we have some more runway to go there," said Bay Miltenberger, chief executive of JLB Partners. "As long as population growth and job growth continue, the market looks good.

"We may have some small bumps along the way, but we didn't deliver almost any new apartments in Dallas for two or three years during the recession, and we are a little bit behind," he said.

Greg Willett, vice president of Carrollton-based apartment analyst MPF Research, said North Texas apartment construction totals are back to about what they were before the economic crash.

"Our forecast is for it to stay about this volume," Willett said. "And while we have a lot getting under construction, we have a lot that is completing, too."

Willett agrees that the newest apartments to hit the market have outperformed even the most optimistic developers' expectations.

Local apartment rents are at record levels, and most new projects have leased up quickly.

"The product coming on now is doing incredibly well and leasing at levels I've never seen," Willett said. "We think this building cycle lasts longer."

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[http://www.dallasnews.com/business/commercial-real-estate/headlines/20130822-dallas-area-apartment-construction-expands-to-new-heights.ece\[8/26/2013 3:45:11 PM\]](http://www.dallasnews.com/business/commercial-real-estate/headlines/20130822-dallas-area-apartment-construction-expands-to-new-heights.ece[8/26/2013 3:45:11 PM])

"At some point, the construction is going to be too much, but we are OK with it right now."

"I'd be afraid of too many big projects and too much high-rise," said Mike Puls of apartment and condo consultant Foley & Puls. "Some of these buildings are pushing it.

"That many high-rises is pretty scary."

Although Puls estimates that probably half of the apartments under construction are already leased based on current demand, he has advised some developers to pull back with their plans.

"They had better be careful what they are building," he said. "We've told people they will have a hard time getting the rents they want to get."

JOB GROWTH	Area New Jobs	1 Mo	6 Mo	12 Mo	
	Estimate	End 12/31	End 12/31	End 12/31	
	Dallas/Plano/Irving	7,200	20,000	56,300	
	Fort Worth/Arlington	7,500	9,800	27,400	
		14,700	29,800	83,700	
INTEREST RATES	Rates	END 12/31		Yr. Ago	
	10 Year Treasury		3.04%	1.78%	
	11th District COFI		0.96%	1.00%	
	1 Mo. LIBOR		0.17%	0.21%	
Best all in fixed rates for the best properties are around 4.14% (10 year maturity - Fannie Mae).					
SUPPLY/ DEMAND	Units Added/ Absorbed	6 Mo	12 Mo	24 Mo	
		End 12/31	End 12/31	End 12/31	
	Dallas County				
	Added	3,452	6,448	14,701	
	Absorbed	3,112	7,490	17,578	
	Tarrant County				
Added	1,035	2,709	6,682		
Absorbed	729	3,785	9,452		
OCCUPANCY RATES	Dallas County		12/31/2013	6 Mo Ago	12 Mo Ago
	2000's		87.5%	88.7%	90.5%
	1990's		94.9%	95.1%	94.5%
	1980's		93.6%	93.6%	92.5%
	1970's or Older		91.6%	90.7%	89.3%
	Tarrant County				
	2000's		91.9%	92.7%	92.5%
	1990's		94.5%	94.1%	94.3%
	1980's		93.4%	93.7%	92.5%
	1970's or Older		90.6%	90.1%	88.7%
RENTAL RATES	Dallas County		12/31/2013	6 Mo Ago	12 Mo Ago
	2000's		\$1,251	\$1,265	\$1,227
	1990's		\$1,129	\$1,132	\$1,094
	1980's		\$713	\$704	\$679
	1970's or Older		\$691	\$679	\$650
	Tarrant County				
	2000's		\$1,056	\$1,048	\$1,021
	1990's		\$971	\$981	\$955
	1980's		\$680	\$675	\$645
	1970's or Older		\$628	\$615	\$603
HISTORICAL JOB GROWTH	Average year change of the combined DFW MSA's		1 Texas Workforce Commission		
	2007	82,200	2 Banxquote.com		
	2008	2,500	3 ALNsys.com - Rental rates are after concessions.		
	2009	(94,900)	Approx. 25% of 70's or older are all bills paid.		
	2010	50,800			
	2011	51,200			
	2012	79,200			

Todd Franks, CCIM, Partner
972-630-6692

Sam Pettigrew, Partner
972-630-6691

Thomas Hooke, Associate
972-630-6696

Sean Reynolds, Associate
972-630-6660

tfranks@cantrellcompany.com

spettigrew@cantrellcompany.com

thooke@cantrellcompany.com

sreynolds@cantrellcompany.com