

# The Cantrell Report

## Pertinent Information for Apartment Owners

### January 1, 2016

### 2015 totals show North Texas real estate market is near an all-time high

By Steve Brown

Recession? What recession?

As 2015 winds down, real estate activity in North Texas is near an all-time high.

Looking at the latest statistics, there's almost no sign that the Great Recession ever happened.

You couldn't say that five years ago when the market was coming out of the economic crash.

While Dallas-Fort Worth fared much better than most U.S. urban markets, the housing crash and financial sector shakedown were certainly felt in these parts. That's easy to forget in these halcyon days of Toyota, soaring job gains and rocketing real estate values.

Remember back in 2009, when local home foreclosures were jumping and commercial property projects were getting put on hold? Those days are long past.

The 2015 snapshot of D-FW's real estate market takes things to a new level.

At the end of the year, almost 9 million square feet of office space is under construction in North Texas — about 40 percent more than at the top of the last building cycle in 2007.

With 38,000 units in the pipeline, apartment construction in the D-FW area is at the highest point since the 1980s boom. Apartment building is about 80 percent greater than it was before the recession.

More than 15 million square feet of warehouse and industrial buildings are going up around the D-FW area — one of the top industrial building volumes in the country and enough to push warehouse development past the previous cycle peak.

Even retail building, which has lagged other commercial real estate sectors thanks to Internet buying, has recovered to close to where it was in 2007.

The biggest gains have come in the housing market.

Preowned home sales are set to hit a new high in North Texas in 2015, with more than 90,000 single-family houses sold by real estate agents.

And median home sales prices are at an all-time high of more than \$200,000 in the Dallas-Fort Worth area. Prices are about 20 percent above where they were at the peak of the market in 2007.

The only real estate sector that's still lagging pre-recession days is the homebuilding business. A shortage of labor and building lots along with rising material prices have kept a lid on single-family home construction in North Texas.

This year builders will start about 28,000 houses — the best showing in eight years. But that still doesn't stack up to the roughly 50,000 houses the industry was churning out in North Texas before the recession.

Given the constraints on builders, it's unlikely that the homebuilding market in the D-FW area will match previous records in the current building cycle. That record will remain for some future building boom.

So where do we go from here?

The modest interest rate increases just enacted by the Federal Reserve won't be enough to pull down North Texas' hot property markets. Neither will the energy industry slowdown caused by oil price declines.

But together those factors are a drag on the local economy. Job growth has already subsided from last year's record level.

I'm betting that 2015 was the peak year for this property market boom. Next year will still be a great time for real estate — just not at the level of 2015.

We're five years into the current rebound in North Texas real estate. Typically, five years is a pretty good run.

The strong local economy will keep the property markets perking longer this time.

But the clock is still ticking.

North Texas' real estate market hit a new high in 2015, but the pressure of higher interest rates and slowing job growth will cool things next year.

JOB GROWTH <sup>1</sup>	Area New Jobs	1 Mo	6 Mo	12 Mo
	Estimate	End 11/30	End 11/30	End 11/30
	Dallas/Plano/Irving	12,200	41,300	88,900
	Fort Worth/Arlington	3,200	(1,600)	12,300
		15,400	39,700	101,200
INTEREST RATES <sup>2</sup>	Rates	END 12/31		Yr. Ago
	10 Year Treasury	2.24%		2.12%
	11th District COFI	0.64%		0.69%
	1 Mo. LIBOR	0.42%		0.17%
	Best all in rates for the best properties are around 3.50%.			
SUPPLY/ DEMAND <sup>3</sup>	Units Added/ Absorbed	6 Mo	12 Mo	24 Mo
		End 12/31	End 12/31	End 12/31
	<b>Dallas County</b>			
	Added	3,681	8,903	19,196
	Absorbed	3,143	11,623	20,547
	<b>Tarrant County</b>			
	Added	1,978	4,358	7,758
	Absorbed	2,078	5,249	9,375
OCCUPANCY RATES <sup>3</sup>	Dallas County	12/31/2015	6 Mo Ago	12 Mo Ago
	2000's	87.3%	86.4%	84.6%
	1990's	95.6%	96.0%	94.7%
	1980's	94.4%	95.0%	94.0%
	1970's or Older	93.0%	93.0%	92.0%
	<b>Tarrant County</b>			
	2000's	90.1%	89.6%	90.8%
	1990's	95.4%	95.6%	95.2%
	1980's	94.9%	95.2%	94.0%
	1970's or Older	93.4%	93.0%	91.3%
RENTAL RATES <sup>3</sup>	Dallas County	12/31/2015	6 Mo Ago	12 Mo Ago
	2000's	\$1,382	\$1,370	\$1,313
	1990's	\$1,211	\$1,214	\$1,158
	1980's	\$830	\$811	\$764
	1970's or Older	\$778	\$762	\$734
	<b>Tarrant County</b>			
	2000's	\$1,166	\$1,156	\$1,102
	1990's	\$1,103	\$1,095	\$1,035
	1980's	\$808	\$773	\$731
	1970's or Older	\$733	\$708	\$678
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		
	2013	95,000		
	2014	141,300		

Sam Pettigrew, Partner

972-630-6691

spettigrew@cantrellcompany.com

Thomas Hooke, Associate

972-630-6696

thooke@cantrellcompany.com

Jessica Erdmier

972-630-6697

jerdmier@cantrellcompany.com