The Cantrell Report

Pertinent Information for Apartment Owners

July 1, 2012

JOB GROWTH [1]

Area New Jobs Estimate	1 Mo End 5/31	6 Mo End 5/31	12 Mo End 5/31
Dallas/Plano/Irving	7,800	12,500	36,200
Fort Worth/Arlington	5,500	6,000	16,400
	13,300	18,500	52,600

INTEREST RATES [2]

Rates	END 6/30	Yr. Ago
10 Year Treasury	1.61%	3.22%
11th District COFI	1.14%	1.36%
1 Mo. LIBOR	0.24%	0.19%

Spreads over the above indexes have been increasing as rates have decreased. Best all in rates for the best properties are around 4.0%.

SUPPLY/ DEMAND [3]

Units Added/ Absorbed	6 Mo End 6/30	12 Mo End 6/30	24 Mo End 6/30
Dallas County			
Added	2,699	5,165	8,973
Absorbed	6,836	7,791	18,264
Tarrant County			
Added	1,092	2,104	4,666
Absorbed	3,926	3,614	9,651

OCCUPANCY RATES [3]

Dallas County	6/30/2012	6 Mo Ago	12 Mo Ago
2000's	92.4%	90.7%	93.2%
1990's	95.4%	94.5%	95.7%
1980's	92.8%	90.9%	90.9%
1970's or Older	90.5%	89.3%	89.0%
Tarrant County			
2000's	93.6%	92.3%	93.6%
1990's	95.1%	94.4%	95.6%
1980's	93.1%	91.2%	91.6%
1970's or Older	88.6%	86.3%	87.0%

RENTAL RATES [3]

Dallas County	6/30/2012	6 Mo Ago	12 Mo Ago
2000's	$1,244	$1,194	$1,185
1990's	$1,087	$1,071	$1,046
1980's	$672	$652	$645
1970's or Older	$666	$652	$646
Tarrant County			
2000's	$1,026	$989	$961
1990's	$947	$916	$919
1980's	$637	$614	$612
1970's or Older	$599	$586	$574

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.

Future Exposure and Occupancy Drive Rent Pricing Decisions

By Les Shaver

In its first-quarter 2012 conference call, Chicago-based Equity Residential told analysts and investors that turnover was up in its properties—almost 100 basis points versus the first quarter of 2011, coming in at 94.9 percent (the same as the first quarter of 2011). A few years ago, that figure would have set off alarms. This year? Not so much.

"The occupancy in our key markets actually declined throughout the quarter as we held on to our higher rates," said EQR president of property management Fred Tuomi in a transcript provided by seekingalpha.com. "And we believe that making a trade right now in our strong markets, trading some occupancy or holding those higher rates is actually a good strategy at this point in the cycle. Now, as we enter the leasing season, we fully expect and are beginning to see a recapture of that occupancy at those higher rates that we held onto as we enter the leasing season."

EQR's dialogue on its conference call raises an interesting question—how much occupancy should an apartment owner let bleed out in an effort to raise rents? With rents continuing to move up, it's something every apartment owner and manager deals with.

Andrew R. Livingstone, an executive director for Charleston, S.C.–based manager Greystar, says EQR's 94.9 percent is in the range most owners look to have to push rents.

"Most owners feel comfortable in the 93 and 94 percent [range]," he says. "The lower 90s set off red flags, but 95, 96 is a red flag."

Other companies, like Atlanta-based Gables Residential, deal with the occupancy question on a market-by-market basis. "In some markets, we're looking for 93 to 94 percent occupancy, and in others we might forgo a little of the rental revenue and maybe be more towards 95 [percent occupied]," says Gail Ruggles, vice president of operations at Gables.

About 25 percent of Greystar's managed portfolio is on revenue management, which allows the firm to time its expirations. Mark Fogelman, president of Memphis, Tenn.–based Fogelman Management Group, measures 30 - and 60-day exposure.

"We look at vacant units plus what you have on notice coming in," he says. "Thirty-day exposure below 5 percent is a major green light to push pricing."

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