

## New Units on the Ground at Decade Level Highs but the Pace of New Development is Slowing

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In the last few years we have been on the ground zero of the multifamily new construction explosion. Of the multifamily units currently under construction in the United States, one in seven is in Texas. Of the Texas units under construction, nearly one in three is in the North Texas metroplex.

From the end of 2014 through April of this year, the Dallas-Fort Worth metro area has added more than 66,000 units to the market. Fortunately, for the most part absorption has kept pace and average occupancy has consistently remained above 92% overall; and above 94% for stabilized (non lease-up) properties. However, we are starting to see some vulnerability at the top end of the market. Furthermore, it will take some time to absorb the new units coming online in the next several quarters.

If we managed to get the absorption rates of 2014 then those units could be absorbed over the next three years. At current rate of absorptions, however, it will take 4-5 years to absorb all those units. The good news is that new supply in the pipeline peaked in 2016. While properties under construction and in lease-up are at decade level highs in DFW, these were projects started more than 20 months ago for the most part. The pace of new additions is slowing and the number of units planned for future construction is at a four year low.

About 30,000 units are currently being planned for future projects—which is nearly half of the figure at this time last year. Perhaps developers are finally adopting a wait-and-see attitude to see how quickly current projects stabilize. That, or maybe just construction fatigue! Either way it should give the market a welcome respite to “catch up” to all the new product on the market.

JOB GROWTH <sup>1</sup>	Area New Jobs				
		1 Mo	6 Mo	12 Mo	
	Estimate	End 5/31	End 5/31	End 5/31	
	Dallas/Plano/Irving	19,700	22,400	90,400	
	Fort Worth/Arlington	5,600	10,400	25,400	
		25,300	32,800	115,800	
INTEREST RATES <sup>2</sup>	Rates		END 6/30	Yr. Ago	
	10 Year Treasury		2.31%	1.49%	
	11th District COFI		0.65%	0.69%	
	1 Mo. LIBOR		1.22%	0.47%	
SUPPLY/ DEMAND <sup>3</sup>	Units Added/ Absorbed		6 Mo	12 Mo	24 Mo
			End 6/30	End 6/30	End 6/30
	<b>Dallas County</b>				
	Added		6,074	9,613	20,909
	Absorbed		3,457	5,753	17,057
	<b>Tarrant County</b>				
Added		3,169	5,058	10,579	
Absorbed		2,587	3,062	9,417	
OCCUPANCY RATES <sup>3</sup>	<b>Dallas County</b>		6/30/2017	6 Mo Ago	12 Mo Ago
	2010's		75.6%	76.9%	74.2%
	2000's		94.5%	94.7%	95.4%
	1990's		94.5%	95.0%	96.0%
	1980's		95.2%	95.0%	95.3%
	1970's or Older		94.1%	94.3%	94.6%
	<b>Tarrant County</b>				
	2010's		75.8%	80.9%	82.6%
	2000's		96.0%	95.5%	95.7%
	1990's		95.6%	94.3%	95.4%
	1980's		95.4%	94.9%	95.6%
	1970's or Older		92.9%	92.5%	92.9%
RENTAL RATES <sup>3</sup>	<b>Dallas County</b>		6/30/2017	6 Mo Ago	12 Mo Ago
	2010's		\$1,542	\$1,484	\$1,527
	2000's		\$1,364	\$1,343	\$1,353
	1990's		\$1,296	\$1,249	\$1,264
	1980's		\$927	\$891	\$873
	1970's or Older		\$873	\$843	\$826
	<b>Tarrant County</b>				
	2010's		\$1,411	\$1,397	\$1,408
	2000's		\$1,203	\$1,151	\$1,149
	1990's		\$1,189	\$1,158	\$1,158
	1980's		\$905	\$864	\$842
	1970's or Older		\$830	\$797	\$776
HISTORICAL JOB GROWTH	Average year change of the combined DFW MSA's				
	2012	74,400	1 Texas Workforce Commission		
	2013	95,600	2 Banxquote.com		
	2014	132,000	3 ALNsys.com - Rental rates are after concessions.		
	2015	98,700	Approximately 25% of 70's or older are all bills paid		
	2016	120,500			

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