

The Cantrell Report

Pertinent Information for Apartment Owners
November 2017

For Multifamily Properties Across DFW & Texas

JOB GROWTH ¹	Area New Jobs				
	Estimate	1 Mo End 9/30	6 Mo End 9/30	12 Mo End 9/30	
	Dallas/Plano/Irving	9,600	25,400	67,100	
	Fort Worth/Arlington	<u>6,000</u>	<u>14,000</u>	<u>26,500</u>	
		15,600	39,400	93,600	
INTEREST RATES ²	Rates		END 10/31	Yr. Ago	
	10 Year Treasury		2.38%	1.84%	
	11th District COFI		0.73%	0.60%	
	1 Mo. LIBOR		1.24%	0.53%	
SUPPLY/ DEMAND ³	Units Added/ Absorbed		6 Mo End 10/31	12 Mo End 10/31	24 Mo End 10/31
	Dallas County				
	Added		5,674	11,288	21,411
	Absorbed		2,045	5,342	13,696
	Tarrant County				
	Added		4,123	7,214	11,889
Absorbed		1,132	3,090	8,131	
OCCUPANCY RATES ³	Dallas County		9/30/2017	6 Mo Ago	12 Mo Ago
	2010's		74.6%	74.4%	76.4%
	2000's		93.8%	94.3%	94.8%
	1990's		93.7%	94.4%	94.6%
	1980's		94.3%	95.3%	94.8%
	1970's or Older		93.5%	94.3%	94.2%
	Tarrant County				
	2010's		71.0%	73.7%	80.4%
	2000's		95.2%	95.8%	95.5%
	1990's		95.1%	95.5%	95.0%
	1980's		94.6%	95.5%	95.1%
	1970's or Older		92.0%	92.9%	92.4%
	RENTAL RATES ³	Dallas County		9/30/2017	6 Mo Ago
2010's		\$1,541	\$1,532	\$1,478	
2000's		\$1,368	\$1,359	\$1,344	
1990's		\$1,288	\$1,284	\$1,262	
1980's		\$929	\$920	\$887	
1970's or Older		\$886	\$869	\$839	
Tarrant County					
2010's		\$1,394	\$1,408	\$1,421	
2000's		\$1,206	\$1,198	\$1,158	
1990's		\$1,180	\$1,162	\$1,146	
1980's		\$908	\$898	\$859	
1970's or Older		\$836	\$824	\$794	
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			

- 2017 tax assessment values continued to escalate 10-15% on average with some property values 20%+.
- Further aggressive value increases anticipated to moderate in many counties with the possible exception of Dallas County because of upcoming 2018 comptroller's value study and the fact that cap rates used by DCAD were relatively high in 2017, particular for Class C Properties.
- Taxing entities are beginning to feel pressure to lower tax rates with some minimal decreases recently seen. Overall expected impact of -.5% to -1% total tax rate reduction with some rates decreasing as much as 2% to 3%.
- Assessment values post sale continue to be a key determinant when evaluating prospective properties. Value ranges between 50-85% are typical first year after sale and median value of the comparable properties adjusted for rents is the methodology used for successful Equal and Uniform protests.
- Binding arbitration continues to be used more frequently versus litigation due to minimal cost along with smoother process that often establishes the final value more timely than litigation. Effective as of September 1, 2017, the Texas legislature increased the arbitration value threshold to \$5 million from the previous cap of \$3 million.

Comparison of Major TX Cities Overall Tax Rates

	<u>2016 Rate</u>	<u>2017 Rate</u>
Austin	2.230141	2.213985
Dallas	2.720975	2.719223
Fort Worth	2.833027	2.784889
Houston	2.528563	2.526348
San Antonio	2.822495	2.837642

- Dallas tax rate has remained relatively unchanged over past 7 years.
- For 2017, Austin 1% decrease, Fort Worth a 2% decrease and Dallas, Houston and San Antonio relatively unchanged.

Ways to Assist Your Tax Consultant to Achieve Best Possible Results

- Provide requested data as soon as possible once year end P & L's are completed. Don't wait until preliminary notice values are released in late April to contact your tax consultant.
- Communicate issues that may not be apparent simply by reviewing your financials.
- Take photos and provide bids and reports whenever deferred maintenance items are needed. Remember, the appraised value is effective as of January 1st.
- Make sure your consultant always checks comparable property values and reviews your property based on fair and equal, not just how the property is performing.

If you would like further information on this topic or other property tax related issues, contact Mark J. Cantrell at (214) 368-1295 or email mcantrell@cmi-tax.com. In 2017, Cantrell McCulloch, Inc. (CMI) represented multifamily properties consisting of 200,000 +/- units valued at \$15 billion across Texas and 20 other states, saving multifamily clients roughly \$35 million in actual tax savings. Visit us at www.cmi-tax.com

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