

**2014 Mid-Year Viewpoint
Market Commentary**

Integra Realty Resources
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The Dallas multi-family market is well within the expansion phase of the market cycle, the result of factors such as strong population growth within the region, low unemployment, and expanding business across several key industry sectors. Overall vacancy has held steady at around five percent over the past year and will likely remain at that level throughout the remainder of 2014. Absorption remained positive for all classes, in both the suburban and urban setting, with this trend expected to continue for the next several years.

Over the next three years a total of nearly 28,000 new units are expected to be completed in the Dallas market. Rental rates for both A and B/C property classes continue to increase. The urban area of Dallas is seeing a considerable amount of multi-family development, yet market rents still continue to climb. The demand for Class A units featuring high-end finishes and an abundance of amenities appears to be driving redevelopment projects in downtown Dallas.

Examples are the mixed-use, \$170 million Elm Place project as well as the project at 500 S. Ervay Street, set to include residences, a hotel, and retail space. Development in the suburban areas of Dallas remains strong with numerous multi-family projects under construction and planned. Cap rates are steady across the metro area and will likely remain flat throughout the remainder of the year. Discount rates have not varied from the beginning of 2014 but will likely decrease slightly over the next year. The Dallas multi-family market should continue to expand over the next several quarters as demand remains strong, fueling high occupancy levels and increased market rents.

JOB GROWTH ¹	Area New Jobs	1 Mo	6 Mo	12 Mo
	Estimate	End 7/31	End 7/31	End 7/31
	Dallas/Plano/Irving	(2,700)	66,500	92,300
	Fort Worth/Arlington	(6,600)	17,000	28,500
		(9,300)	83,500	120,800
INTEREST RATES ²	Rates	END 8/30		Yr. Ago
	10 Year Treasury		2.35%	2.78%
	11th District COFI		0.67%	0.95%
	1 Mo. LIBOR		0.16%	0.18%
	Spreads over the above indexes have been increasing as rates have decreased. Best all in rates for the best properties are around 3.75%.			
SUPPLY/ DEMAND ³	Units Added/ Absorbed	6 Mo End 8/30	12 Mo End 8/30	24 Mo End 8/30
	Dallas County			
	Added	3,263	6,961	15,859
	Absorbed	7,392	8,475	17,739
	Tarrant County			
	Added	967	2,742	6,428
	Absorbed	2,527	3,847	7,966
OCCUPANCY RATES ³	Dallas County	8/30/2014	6 Mo Ago	12 Mo Ago
	2000's	90.5%	86.0%	88.6%
	1990's	95.5%	94.7%	95.0%
	1980's	94.3%	93.8%	93.9%
	1970's or Older	91.8%	91.1%	91.4%
	Tarrant County			
	2000's	93.0%	91.6%	92.6%
	1990's	94.9%	94.7%	94.0%
	1980's	94.3%	93.7%	93.5%
	1970's or Older	92.0%	90.8%	91.0%
RENTAL RATES ³	Dallas County	8/30/2014	6 Mo Ago	12 Mo Ago
	2000's	\$1,309	\$1,255	\$1,256
	1990's	\$1,166	\$1,126	\$1,127
	1980's	\$749	\$724	\$712
	1970's or Older	\$719	\$702	\$690
	Tarrant County			
	2000's	\$1,084	\$1,053	\$1,048
	1990's	\$1,026	\$982	\$979
	1980's	\$720	\$685	\$676
	1970's or Older	\$663	\$639	\$623
HISTORICAL JOB GROWTH	Average year change of the combined DFW MSA's	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.		
	2007	82,200		
	2008	2,500		
	2009	(94,900)		
	2010	50,800		
	2011	51,200		
	2012	79,200		
	2013	95,000		

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