

JOB GROWTH ¹	Area New Jobs Estimate		Mo of 2/03	6 Mo End 2/03	12 Mo End 2/03	
		Dallas MSA		4,600	(29,400)	(23,300)
	FW/Arlington MSA		3,200	(6,100)	2,600	
	Total		7,800	(35,500)	(20,700)	
INTEREST RATES ²	Rates		4/7/2003	Yr. Ago		
		10 Year Treasury		4.07%	5.24%	
		11th District COFI		2.26%	2.74%	
		1 Mo. LIBOR		1.31%	1.86%	
	FNMA, Freddie Mac & CMBS lenders' rates are fixed at approx 1.8-2.0% over the 10 year treasury. Other lenders' rates are adjustable at approx 3% over COFI or LIBOR.					
SUPPLY/ DEMAND ³	Units Added/ Absorbed		3 Mo End 3/03	6 Mo End 3/03	12 Mo End 3/03	
	Dallas County					
		Added	2,777	3,472	7,501	
		Absorbed	413	(2,128)	(624)	
	Tarrant County					
		Added	1,124	2,238	4,029	
		Absorbed	(297)	(1,665)	443	
OCCUPANCY RATES ³	Dallas County		3/03	6 Mo Ago	1 Yr Ago	
		1990's or Newer	87%	89%	88%	
		1980's	90%	92%	93%	
		1970's or Older	88%	90%	92%	
	Tarrant County					
		1990's or Newer	84%	88%	85%	
		1980's	90%	93%	92%	
		1970's or Older	89%	91%	92%	
RENTAL RATES ³	Dallas County		3/03	6 Mo Ago	1 Yr Ago	
		1990's or Newer	\$1,066	\$1,078	\$1,059	
		1980's	\$653	\$661	\$664	
		1970's or Older	\$632	\$633	\$633	
	Tarrant County					
		1990's or Newer	\$880	\$897	\$903	
		1980's	\$609	\$612	\$612	
		1970's or Older	\$562	\$562	\$555	
HOME OWNERSHIP ⁴	Homebuilder Price/Size	Mo P/I Tax/Ins	1 Tx Workforce Commission - calendar year totals (combined MSA's): '98 115,700; '99 95,300; '00 100,500; '01 8,300; '02 (62,800)			
	Choice Homes \$79,950 2-2-1	\$650	2 Banxquote.com			
			3 ALNsys.com - Rental rates are before any concessions. Approx. 25% of 70's or older are all bills paid.			
	Fox & Jacobs \$82,990 3-2-2	\$767	4 As advertised in 4-6-03 DMN			

Information obtained from sources deemed reliable, but not guaranteed.

DISADVANTAGES OF "FREE RENT"

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The very label, *free rent*, offers an oxymoronic silliness that can only occur in the ethereal world of marketing. Substitute the synonym *payment* for rent in the phrase and you see the illogical juxtaposition. The business criticism, unfortunately, revolves around serious financial dislocations rather than semantics. The argument in favor of free rent as an apartment marketing promotion seems to be that once you get a resident in place, they will forget the promotional months and get used to paying the ongoing regular rent. That assumes you front-end load the concession rather than prorating it over the term. That view holds only if the promotion ends after a short period and the residents are not reminded for the next year with banners each time they enter their property that the owner is still desperate.

A corollary argument is that this is a way of reducing rent for new customers without being forced to reduce the rent for existing residents. Both arguments would appear to be unrealistic. In the real world, both non-concessioned existing residents and those new residents who received a concession will be acutely aware of the current offerings when renewal time comes along. (Another reason not to chase renewal leases, but that's another essay.)

Our industry needs to eliminate this amateur approach to pricing. Apartment owners pay excessive locator and on-site commissions and bonuses due to an artificially inflated rental rate by not appropriately adjusting the street rent to match the effective rental rate. We also add tens of thousands of dollars to the property tax assessment because the appraisal district uses advertised rental rates in checking comparable assessments. How can we argue "effective rental rates" to the assessor when we act as though the concessions are only temporary? It would seem appropriate to offer concessions during initial lease-up to compensate for the noise and dirt of living in a construction zone. It's sheer nonsense for a twenty-year old property to be offering "free rent." Like many retailers, we are training an entire generation of customers not to buy unless there's a sale.

The final argument against the practice is that existing properties are artificially supporting the appraisals being used to finance additional competition. Rather than developers, lenders and appraisers "burning off" the concessions in the market, they would be forced to face actual advertised rents.

The Cantrell Company specializes in the brokerage of multi-family properties. Please contact the below apartment specialists for exclusive representation for the sale of your apartment property or for your next purchase.

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