

Dallas-Fort Worth Apartment Leasing, Rents Rise

By: Steve Brown, Dallas Morning News

An unexpected boost in recent apartment leasing gave Dallas-Fort Worth landlords something to smile about entering the new year. Rents also edged to a record high - another positive sign for the local rental market. Thanks to a total of about 1,000 net leasing in the fourth quarter, 2007 ended up with an overall increase of 8,240 apartment rentals for the year. That's about 10 percent below leasing in 2006 but higher than had been anticipated, according to the latest report out Wednesday by apartment analyst M/PF YieldStar. The fourth quarter is typically a slow leasing period, said M/PF vice president Gregg Willett. But not this year. "Demand is proving solid, helped by still healthy growth in the local economy and the fact that lenders remain hesitant to approve mortgages for would-be first-time home buyers," Mr. Willett said. Net rentals were strong enough to easily outpace the 7,155 new apartment units added to the market in Dallas-Fort Worth last year.

Indeed, because of the record apartment tear downs - 6,668 units - the apartment market size actually increased by less than 500 units. "Such tiny growth in the apartment base has happened only once before over the course of the past three decades," Mr. Willett said. The market was strong enough that developers were able to increase average rents by 4 percent in 2007. Rents were up in every area of the city. "Recent increases pushed the average monthly rent for an apartment to \$741 as of December," he said. No doubt that was because apartment vacancy levels have dwindled to less than 6 percent. At the end of September, overall occupancy in North Texas was 94.1 percent. "Occupancy climbed 1.3 points during the past year, finishing at the highest year-end rate recorded since 2000," Mr. Willett said. Looking ahead, a lot will depend on how the current housing market slump plays out.

"Lenders at some point are going to relax the temporarily too-stringent standards required for first-time home purchase," Mr. Willett said. "Loss of renters to home purchase, then, could come back into play as an influence on apartment market fundamentals in a big way." That would be bad news for apartment developers, who had almost 14,000 additional units under construction in the Dallas-Fort Worth area at the start of 2008. "That's the second biggest block of new product on the way anywhere in the country, only trailing the 15,123 apartments under construction in Houston," Mr. Willett. "By far the biggest chunk of ongoing building in North Texas is in the Dallas urban core, where construction of 3,142 apartments is occurring."

For additional information, please contact Steve Brown with the Dallas Morning News at stevebrown@dallasnews.com.

JOB GROWTH¹	Area New Jobs	Mo of	6 Mo	12 Mo
	Estimate	10/07	End 10/07	End 10/07
	Dallas/Plano/Irving	8,400	14,400	47,400
	Fort Worth/Arlington	1,000	2,100	17,200
		9,400	16,500	64,600
INTEREST RATES²	Rates	12/18/2007	Yr. Ago	
	10 Year Treasury		4.13%	4.59%
	11th District COFI		4.23%	4.35%
	1 Mo. LIBOR		4.95%	5.35%
	FNMA, Freddie Mac & CMBS lenders' rates are fixed at approx 1.75-2.75% over the 10 year treasury. Other lenders' rates are adjustable at approx 3% over COFI or LIBOR.			
SUPPLY/ DEMAND³	Units Added/ Absorbed	6 Mo	12 Mo	24 Mo
		End 12/07	End 12/07	End 12/07
	Dallas County			
	Added	(915)	4,101	9,095
	Absorbed	(109)	6,427	9,572
	Tarrant County			
Added	1,994	2,646	7,360	
Absorbed	1,154	2,864	5,685	
OCCUPANCY RATES³	Dallas County	12/07	6 Mo Ago	12 Mo Ago
	1990's or Newer	91%	91%	91%
	1980's	91%	90%	89%
	1970's or Older	90%	89%	89%
	Tarrant County			
	1990's or Newer	90%	91%	89%
	1980's	90%	90%	90%
1970's or Older	86%	86%	86%	
RENTAL RATES³	Dallas County	12/07	6 Mo Ago	12 Mo Ago
	1990's or Newer	\$1,098	\$1,087	\$1,076
	1980's	\$660	\$647	\$642
	1970's or Older	\$657	\$649	\$644
	Tarrant County			
	1990's or Newer	\$936	\$913	\$898
	1980's	\$629	\$616	\$609
1970's or Older	\$597	\$588	\$577	
HISTORICAL JOB GROWTH	Average year change of the combined MSA's			
	1999	95,300	1 Texas Workforce Commission	
	2000	100,500	2 Banxquote.com	
	2001	11,800		
	2002	(70,000)	3 ALNsys.com - Rental rates are before any concessions.	
	2003	(39,400)	Approx. 25% of 70's or older are all bills paid.	
	2004	32,600		
	2005	68,300		
2006	94,300			

Information obtained from sources deemed reliable, but not guaranteed.

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