

Are We at the Bottom?

In terms of occupancy and rents, many apartment owners have been asking the question, "Are we at the bottom?". A review of the key indicators (left column) as of the end of 2003 may provide some insight to this question.

Jobs - For the year (Nov '02 to Nov '03) 12,900 net jobs were lost; however the trend has turned positive for the last 6 months with an increase of 6,700 net jobs gained.

Interest Rates - Rates remain historically low which promotes new construction for both apartments and houses.

Supply/Demand - For the year 9,935 units were added with only 2,234 units of net absorption. The six month trend reveals an even greater imbalance. Approximately 10,000 units are in the pipeline for 2004.

Occupancy Rates - All product types have trended downward, with certain submarkets reporting an actual increase in occupancy in 1990's and newer product with older product's vacancy becoming higher. This trend is the result of the "move-up" by renters as the newer product eventually lowers their rent to levels that are affordable enough to allow such a move.

Rental Rates - Declining rates are across all product types even before concessions. As "rent specials" continue into their third and fourth year, more of these "specials" will actually be reported as lower rents.

Home Ownership - Because there is virtually no "home ownership premium" compared to renting (in the lower priced starter home category), the drain of renters to new homes continues. With sales of new homes of 38,389 in 2003 (following prior years' sales of 37,272 in 2002 and 35,261 in 2001) and with a two year supply of lots available to builders, this trend looks like it will continue. A recent visit to a Choice Home development revealed a \$99 move-in special. This wasn't a rent special, it was a purchase special.

Are we at the bottom? From the above indicators, the only positive trend that can be found is the recent end to net job losses.

JOB GROWTH ¹	Area New Jobs Estimate		Mo of	6 Mo	12 Mo
			11/03	End 11/03	End 11/03
	Dallas MSA		800	8,200	(8,300)
	FW/Arlington MSA		1,500	(1,500)	(4,600)
	Total		2,300	6,700	(12,900)
INTEREST RATES ²	Rates		1/21/2004	Yr. Ago	
	10 Year Treasury			4.02%	3.92%
	11th District COFI			1.82%	2.54%
	1 Mo. LIBOR			1.10%	1.36%
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	6 Mo	12 Mo
			End 1/04	End 1/04	End 1/04
	Dallas County				
	Added		1,665	3,070	6,257
	Absorbed		(811)	(1,439)	743
	Tarrant County				
	Added		506	1,469	3,678
	Absorbed		(576)	1,098	1,491
OCCUPANCY RATES ³	Dallas County		1/04	6 Mo Ago	1 Yr Ago
	1990's or Newer		89%	90%	90%
	1980's		89%	90%	90%
	1970's or Older		86%	88%	89%
	Tarrant County				
	1990's or Newer		88%	86%	87%
	1980's		89%	90%	91%
	1970's or Older		87%	88%	89%
RENTAL RATES ³	Dallas County		1/04	6 Mo Ago	1 Yr Ago
	1990's or Newer		\$1,046	\$1,047	\$1,070
	1980's		\$639	\$650	\$658
	1970's or Older		\$631	\$632	\$633
	Tarrant County				
	1990's or Newer		\$886	\$889	\$890
	1980's		\$603	\$607	\$612
	1970's or Older		\$566	\$562	\$564
HOME OWNERSHIP ⁴	Homebuilder	Mo P/I	¹ Tx Workforce Commission - average calendar yr. change (combined MSA's): '98 115,700; '99 95,300; '00 100,500; '01 8,300; '02 (62,800) ² Banxquote.com ³ ALNsys.com - Rental rates are <u>before</u> any concessions. Approx. 25% of 70's or older are all bills paid. ⁴ As advertised in 1-18-04 DMN		
	Price/Size	Tax/Ins			
	Choice Homes				
	\$79,950 2-1-1	\$680			
	Fox & Jacobs				
	\$86,490 3-2-2	\$808			

Information obtained from sources deemed reliable, but not guaranteed.

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.

Mark Cantrell
 214-368-4567 (ext. 12)
 mcantrell@cantrellcompany.com

Kevin Ward
 214-368-4567 (ext. 14)
 kward@cantrellcompany.com

Todd Franks
 214-368-4567 (ext. 17)
 tfranks@cantrellcompany.com