

THE CANTRELL REPORT™

Pertinent Information for Apartment Owners

July 2007

JOB GROWTH ¹	Area New Jobs		Mo of	6 Mo	12 Mo
	Estimate		5/07	End 5/07	End 5/07
	Dallas/Plano/Irving		5,700	25,500	69,200
	Fort Worth/Arlington		5,200	11,300	22,800
			10,900	36,800	92,000
INTEREST RATES ²	Rates		7/25/2007	Yr. Ago	
	10 Year Treasury			4.92%	5.03%
	11th District COFI			4.29%	3.88%
	1 Mo. LIBOR			5.32%	5.40%
	FNMA, Freddie Mac & CMBS lenders' rates are fixed at approx 1.0-1.5% over the 10 year treasury. Other lenders' rates are adjustable at approx 3% over COFI or LIBOR.				
SUPPLY/ DEMAND ³	Units Added/ Absorbed		6 Mo	12 Mo	24 Mo
			End 7/07	End 7/07	End 7/07
	Dallas County				
	Added		2,144	6,483	13,203
	Absorbed		4,297	5,807	17,106
	Tarrant County				
	Added		1,730	3,206	7,511
	Absorbed		4,033	3,408	9,800
OCCUPANCY RATES ³	Dallas County		7/07	6 Mo Ago	12 Mo Ago
	1990's or Newer		90%	91%	90%
	1980's		90%	89%	91%
	1970's or Older		90%	88%	90%
	Tarrant County				
	1990's or Newer		92%	89%	89%
	1980's		90%	89%	91%
	1970's or Older		87%	86%	87%
RENTAL RATES ³	Dallas County		7/07	6 Mo Ago	12 Mo Ago
	1990's or Newer		\$1,097	\$1,082	\$1,049
	1980's		\$649	\$639	\$628
	1970's or Older		\$651	\$641	\$626
	Tarrant County				
	1990's or Newer		\$925	\$902	\$878
	1980's		\$620	\$609	\$601
	1970's or Older		\$590	\$577	\$566
HOME OWNERSHIP ⁴	Homebuilder	Mo P/ Price/Size	Tax/Ins		
	Choice Homes	\$79,950 3-2-1	\$729	¹ Tx Workforce Commission - average calendar yr. change (combined MSA's): '99 95,300; '00 100,500; '01 11,800 '02 (70,000); '03 (39,400); '04 32,600 '05 68,300; '06 94,300 ² Banxquote.com ³ ALNsys.com - Rental rates are before any concessions. Approx. 25% of 70's or older are all bills paid. ⁴ From corporate office of builder.	
Fox & Jacobs	\$90,990 3-2-2	\$817			

Information obtained from sources deemed reliable, but not guaranteed.

The following excerpts from the Texas Apartments Magazine, Summer 2007 (publication of the Texas Apartment Association), addresses both the new margins tax for apartment properties and also provides an update on sales price disclosure. The margins tax will start in 2008 and replaces the franchise tax that many taxpayers previously paid. This new margins tax was enacted when the Texas legislature reduced the school property tax rate a combined \$.50 per 100 valuation over the 2006 & 2007 period.

Tax Corrections Bill Approved

The Legislature approved HB 3928, which is the corrections bill to the margins tax. The bill assists small businesses by providing relief for more small business owners and offering those companies a simpler method to calculate their taxes. As approved, HB 3928 provides a stairstep approach to help businesses with less than \$900,000 in revenues receive some relief from the tax. Under this approach, entities with \$300,000 or less in gross revenue still have a 100 percent exemption from the tax, and the exemption decreases as revenues increase. For example, an entity with gross revenues between \$800,000 and \$900,000 would have a 20 percent exemption.

The bill also allows an entity with less than \$10 million in revenues to choose a simplified "EZ" computation method, under which the entity could just pay a tax of 0.575 percent on the entity's gross revenue rather than calculating either the deductions for cost of goods or personnel-related costs, or taking the deduction of 30 percent of revenues. This alternative is an improvement for many in the rental housing industry, as nearly all will only qualify for the current margins tax maximum tax rate of 0.7 percent. The alternative also would be much simpler to calculate and administer.

Mandatory Sales Price Disclosure and Appraisal Reform

With the end of the session came the official death of efforts to require mandatory sales price disclosure for now. In all, five House bills and two Senate bills were offered, and one of the bills was approved by the Senate Intergovernmental Relations Committee but was never considered by the full Senate. While the issue was defeated this session, there is no doubt that it will be back on the agenda in 2009. Although there were hopes for major changes to the property tax appraisal system, few bills ultimately passed.

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

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