

# THE CANTRELL REPORT™

Pertinent Information for Apartment Owners

May 2007

JOB GROWTH <sup>1</sup>	Area New Jobs		Mo of	6 Mo	12 Mo	
	Estimate		3/07	End 3/07	End 3/07	
	Dallas/Plano/Irving		11,100	22,400	73,600	
	Fort Worth/Arlington		8,400	3,200	16,600	
			19,500	25,600	90,200	
INTEREST RATES <sup>2</sup>	Rates		5/1/2007	5/22/2007	Yr. Ago	
	10 Year Treasury		4.64%	4.79%	5.02%	
	11th District COFI			4.30%	3.62%	
	1 Mo. LIBOR			5.32%	5.08%	
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 <sup>3</sup>	Units Added/ Absorbed		6 Mo	12 Mo	24 Mo	
			End 5/07	End 5/07	End 5/07	
	<u>Dallas County</u>					
	Added		3,225	6,579	13,893	
	Absorbed		3,932	6,070	17,618	
	<u>Tarrant County</u>					
Added		1,075	3,162	7,490		
Absorbed		1,458	1,620	9,411		
OCCUPANCY RATES <sup>3</sup>	<u>Dallas County</u>		5/07	6 Mo Ago	12 Mo Ago	
	1990's or Newer		90%	91%	89%	
	1980's		90%	90%	91%	
	1970's or Older		89%	89%	89%	
	<u>Tarrant County</u>					
	1990's or Newer		90%	90%	91%	
1980's		90%	90%	91%		
1970's or Older		86%	85%	87%		
RENTAL RATES <sup>3</sup>	<u>Dallas County</u>		5/07	6 Mo Ago	12 Mo Ago	
	1990's or Newer		\$1,083	\$1,068	\$1,036	
	1980's		\$647	\$630	\$623	
	1970's or Older		\$645	\$636	\$626	
	<u>Tarrant County</u>					
	1990's or Newer		\$905	\$888	\$866	
1980's		\$613	\$606	\$595		
1970's or Older		\$582	\$576	\$564		
HOME OWNERSHIP <sup>4</sup>	Homebuilder	Mo P/I				
	Price/Size	Tax/Ins				
	Choice Homes		1 Tx Workforce Commission - average calendar yr. change (combined MSA's):			
	\$79,950 3-2-1	\$729	'99 95,300; '00 100,500; '01 11,800			
			'02 (70,000); '03 (39,400); '04 32,600			
			2 Banxquote.com   '05 68,300; '06 94,300			
			3 ALNsys.com - Rental rates are before any concessions. Approx. 25% of 70's or older are all bills paid.			
	Fox & Jacobs		4 From corporate office of builder.			
	\$90,990 3-2-2	\$817				

Information obtained from sources deemed reliable, but not guaranteed.

## Sub-Prime Fallout Brings Change to the Capital Markets

By: William Elliott Carpenter, The Cantrell Company

The effects of the recent sub-prime residential fallout are becoming more apparent in the commercial sector of lending. The last few weeks have brought considerable change to the capital markets. Investors utilizing debt to acquire or refinance commercial properties are noticing big changes in the programs available. The shakeup of the Commercial Mortgage Backed Securities (CMBS) market has resulted in higher interest rates and tougher underwriting on commercial loans.

Across the board, interest rates on commercial loans are up. This recent increase in interest rates can be attributed to two factors: increased rates and widening spreads. B-piece buyers have been requiring higher yields this year. 10 year treasury rates are approximately 25 basis points (bps) higher than in early May. Lenders are also increasing their spreads to borrowers by 10 to 25 bps in reaction to the CMBS shake-up. **Both of these factors contribute to interest rates that are up as much as 50 bps from just 3 weeks ago.**

Not only have interest rates been affected, lenders underwriting standards have toughened. Quotes and programs offered by lenders just in the last couple of weeks may no longer be honored. Longer term interest only programs, for example, are becoming less prevalent with securitized loans.

Higher interest rates coupled with tougher underwriting are indicators of the changes going on within the CMBS market. The effects are very prevalent to current investors as they look to add new debt to a property. While these changes are occurring, Fannie Mae and Freddie Mac are less affected and in position to seize back more of the market share. Many feel that these changes will bring more stabilization to the market as loan programs adapt to changes in the CMBS market in 2007.

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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