

Dallas-Fort Worth apartment renters will have to pay more in the year ahead

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North Texas apartment renters can expect to pay more in the year ahead.

The recent surge in rental housing construction won't bring large numbers of apartments to the market in Dallas-Fort Worth until late 2012 and 2013.

Until then, landlords hope to cash in on a tighter rental market.

"There is very little supply coming on line," Greg Willett, vice president of apartment analyst MPF Research, said Tuesday. "We are seeing permits and starts begin to inch up around the country.

"But we are not talking about much of that product being delivered until the middle of 2013."

In North Texas, apartment starts are up by more than 70 percent from last year. More than 7,000 units were under construction at the end of the third quarter.

MPF Research predicts that about 8,800 apartments will be under construction in D-FW at year end, the most of any U.S. market.

The jump in building is in large part because of higher rents and rising occupancy levels.

Landlords have seen their revenues grow by 5.9 percent in the last year.

At its annual outlook seminar on Tuesday, MPF Research predicted another 5.8 percent hike in D-FW apartment revenue through third quarter 2012.

Rents are rising

Annual rent increases are expected to average more than 4 percent for the next couple of years.

In some areas, the increase so far has been much higher.

Central Dallas neighborhoods, including Uptown and downtown, are seeing average annual rent increases of almost 9 percent. And average rents are up by more than 5 percent in [Plano](#).

North Texas apartment rents now average more than \$800 a month, a record high for the region.

Willett said the rent spikes could run some residents out of the market.

"We've gone through two years of pretty sizable rent growth and wages haven't gone up," he said. "You are going to have households who feel like they have reached the limit of what they can spend."

“You are going to have people moving down in unit quality,” Willett said. “You may have some people moving into smaller units or doubling up.”

Near record demand

Empty apartments will be more scarce until many of the units under construction make it onto the market. Overall apartment occupancy levels now top 96 percent in a handful of North Texas rental markets, including Plano (97 percent), Frisco-Prosper (96.5 percent), Las Colinas-Coppell (96.5 percent) and Central Dallas (96.2 percent).

Citywide apartment occupancy in the D-FW area was 93.3 percent in the third quarter and is forecast to rise to 94.7 percent by the end of 2012, according to MPF Research.

“We are back to what we would think of as the natural occupancy rate in most U.S. markets,” Willett said.

With the home purchase market still depressed, demand for apartments around the country is near record levels, including in Dallas-Fort Worth.

Net apartment leasing in North Texas has topped 40,000 units over the last couple of years.

“2010 was a stunningly strong year for apartment demand around the country,” Willett said. “The 2011 demand number is a little bit weaker than that, but still a very good story.”

Leasing hot in D-FW

During the 12-month period ending in September, net apartment leasing in North Texas totaled 12,710 units, according to MPF Research.

“There is probably no market in the country that has had stronger apartment demand,” said MPF Research analyst Jay Parsons. “D-FW is significantly above everywhere else in terms of total demand over the last few years.”

Higher-priced new apartments have done particularly well, he said.

“In D-FW, most of the recent construction went on in the higher-end product, and it leased up much quicker than we thought,” Parsons said.

Popular urban rental markets have also rebounded faster since the recession started.

“In-town Dallas [including downtown and Uptown] cut rents significantly in the downturn, but in the last two years they are up 16 percent,” Parsons said.