

D-FW apartment demand falls for first time since 2009

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The North Texas apartment boom hit a bump in the first quarter.

Net apartment leasing fell by 270 units in the first three months of 2012.

It was the first such decline in more than two years.

The drop in apartment demand came as sales of preowned homes in the area rose by about 20 percent.

"I don't think one quarter of slight resident loss should be viewed as a big deal, especially when demand in first quarter usually is pretty mild anyway," said Greg Willett, vice president with apartment analyst MPF Research. "The job numbers still look good, and a comeback for the for-sale housing sector actually could drive them higher."

The first quarter decline in apartment rentals ends a long streak of strong demand for rental housing in the D-FW area.

Since the start of 2010, net apartment leasing in North Texas has added up to almost 40,000 units, according to Carrollton-based MPF Research.

And in the fourth quarter of 2011 alone, apartment occupancies in the D-FW were up by almost 3,000 rental units.

Willett said most of the first quarter declines in leasing occurred in the northern suburbs.

"That would suggest that the loss of renters to purchase is beginning to pick up, and the pretty sizable upturn in home sales numbers so far this year suggests that, too," he said. "We think there's adequate total housing demand for both the apartment and single-family markets to register strong demand in the coming peak demand season for both products."

There had better be.

Currently there are more than 12,000 new apartments in the construction pipeline in North Texas – more than double the number a year earlier. And developers are rushing to start more projects.

"We're not overbuilding yet," Willett said. "If there's a red flag there anywhere, it's that the new construction shouldn't be built assuming that we're going to sustain 5 percent to 6 percent annual rent growth."

Apartment rents in the D-FW area were up by an average of 4.5 percent in the first quarter compared to a year earlier, MPF Research reports.

The average North Texas apartment goes for a record \$806 a month. Most new units are fetching more than \$1,000.

"We already were saying that this year would be the peak period for rent growth, with increases slowing to around 3 percent once we get to 2013 and later years," Willett said.

Overall occupancy is currently 93.1 percent – up one and a half percentage points from first quarter 2011.

Only 1,300 new apartments opened their doors in the D-FW area during the first quarter.

