

The Cantrell Report

Pertinent Information for Apartment Owners

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Quarterly Rent Growth Hits 14-Year High

By **Katie Hinderer** | Dallas/Fort Worth

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DALLAS—According to the latest report put out by **RealPage** MPF Research Division, effective rents for new leases in the 100 largest US apartment markets has increased by 1.9% in the second quarter. Quarterly apartment rent growth has reached a 14-year high.

For Q2, the annual effective rent growth pace came in at **3.5%**; an upward trend from 3.2% in the first quarter and 2.9% in the fourth quarter of 2013. According to the report, monthly rents now average **\$1,153**, across the nation.

“Apartment owners and operators continue to have strong pricing power right now,” says MPF Research VP **Greg Willett**. “Sizable rent hikes are occurring, especially in middle-market to bottom-tier properties, reflecting the especially tight occupancy rates seen for those units.”

In the top 100 markets studied, apartment occupancy rose just slightly to **95.6%** during the second quarter compared to 95% the quarter before. While this number is not abnormal considering the usual seasonal bump, the report points out that this number is slightly ahead of last year’s 95.3%.

“While the existing inventory has been very full in most locations for several years, metros that were economic recovery laggards are now realizing strong apartment demand,” Willett says. “Thus, the occupancy numbers are improving rapidly in spots like Atlanta, Jacksonville, Sacramento and Riverside. Even Las Vegas, which has one of the biggest holes in performance to fill anywhere across the country, is moving notably in the right direction.”

Demand for apartments more than doubled the completion volume; with **129,162 units** being absorbed while **55,561 units** entered the market.

“Units at brand new properties are being leased about as quickly as they can be delivered in most cases. Thus, new supply in lease-up isn’t dampening overall occupancy to the degree that is typical,” Willett says.

“If there’s a surprise in recent results, it’s that significant rent growth is also being generated at the very top of the apartment product spectrum. Even in projects finished just a year or so ago, higher rents are being realized when leases turn over, despite the fact that there’s competition from additional brand new developments just entering the market.”

RealPage Inc. is located in **Carrollton, TX**. The company provides property management software solutions for the multifamily, commercial, single-family and vacation rental housing markets.

JOB GROWTH ¹	Area New Jobs	1 Mo	6 Mo	12 Mo
	Estimate	End 6/30	End 6/30	End 6/30
	Dallas/Plano/Irving	11,700	82,600	88,000
	Fort Worth/Arlington	2,300	29,600	24,100
		14,000	112,200	112,100
INTEREST RATES ²	Rates	END 7/31	Yr. Ago	
	10 Year Treasury	2.57%	2.74%	
	11th District COFI	0.67%	0.95%	
	1 Mo. LIBOR	0.16%	0.19%	
	Spreads over the above indexes have been increasing as rates have decreased. Best all in rates for the best properties are around 3.75%.			
SUPPLY/ DEMAND ³	Units Added/ Absorbed	6 Mo End 7/31	12 Mo End 7/31	24 Mo End 7/31
	Dallas County			
	Added	4,241	8,631	16,540
	Absorbed	5,527	9,570	17,138
	Tarrant County			
	Added	958	2,586	7,050
	Absorbed	3,107	3,744	8,585
OCCUPANCY RATES ³	Dallas County	7/31/2014	6 Mo Ago	12 Mo Ago
	2000's	88.8%	88.8%	88.7%
	1990's	95.4%	94.7%	95.2%
	1980's	94.5%	93.3%	93.6%
	1970's or Older	91.5%	91.1%	90.6%
	Tarrant County			
	2000's	92.8%	91.5%	92.7%
	1990's	95.1%	94.4%	94.1%
	1980's	94.1%	92.8%	93.5%
	1970's or Older	92.1%	90.8%	90.6%
RENTAL RATES ³	Dallas County	7/31/2014	6 Mo Ago	12 Mo Ago
	2000's	\$1,301	\$1,247	\$1,262
	1990's	\$1,151	\$1,122	\$1,128
	1980's	\$744	\$715	\$704
	1970's or Older	\$716	\$698	\$683
	Tarrant County			
	2000's	\$1,078	\$1,051	\$1,040
	1990's	\$1,010	\$985	\$981
	1980's	\$715	\$682	\$673
	1970's or Older	\$657	\$633	\$617
HISTORICAL JOB GROWTH	Average year change of the combined DFW MSA's	1 Texas Workforce Commission 2 Banxquote.com 3 ALNsys.com - Rental rates are after concessions. Approx. 25% of 70's or older are all bills paid.		
	2007	82,200		
	2008	2,500		
	2009	(94,900)		
	2010	50,800		
	2011	51,200		
	2012	79,200		
	2013	95,000		

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