The Cantrell Report

Pertinent Information for Apartment Owners

December 2018

JOB GROWTH [1]	Area New Jobs Estimate	1 Mo End 9/30	6 Mo End 9/30	12 Mo End 9/30
	Dallas/Plano/Irving	24,400	50,800	85,000
	Fort Worth/Arlington	3,700	16,100	24,100
		28,100	66,900	109,100

INTEREST RATES [2]	Rates	END 11/30	Yr. Ago
	10 Year Treasury	3.01%	2.42%
	11th District COFI	1.02%	0.73%
	1 Mo. LIBOR	2.35%	1.35%

SUPPLY/ DEMAND [3]	Units Added/ Absorbed	6 Mo End 11/30	12 Mo End 11/30	24 Mo End 11/30
	Dallas County			
	Added	4,025	10,465	23,169
	Absorbed	3,363	10,720	16,921
	Tarrant County			
	Added	4,230	7,780	16,539
	Absorbed	2,125	6,633	9,836

OCCUPANCY RATES [3]	**Dallas County**	11/30/2018	6 Mo Ago	12 Mo Ago
	2010's	81.6%	78.1%	75.2%
	2000's	93.4%	93.5%	93.6%
	1990's	94.4%	93.9%	93.7%
	1980's	93.2%	94.4%	94.1%
	1970's or Older	92.8%	94.0%	93.5%
	Tarrant County			
	2010's	74.1%	72.5%	68.5%
	2000's	94.6%	95.1%	94.7%
	1990's	95.3%	95.0%	94.6%
	1980's	93.9%	94.9%	94.3%
	1970's or Older	91.3%	92.3%	91.9%

RENTAL RATES [3]	**Dallas County**	11/30/2018	6 Mo Ago	12 Mo Ago
	2010's	$1,571	$1,571	$1,536
	2000's	$1,413	$1,404	$1,354
	1990's	$1,305	$1,313	$1,291
	1980's	$956	$952	$929
	1970's or Older	$921	$907	$885
	Tarrant County			
	2010's	$1,406	$1,356	$1,355
	2000's	$1,240	$1,237	$1,197
	1990's	$1,228	$1,198	$1,180
	1980's	$942	$935	$904
	1970's or Older	$880	$868	$840

HISTORICAL JOB GROWTH

Average year change of the combined DFW MSA's

2017	91,700
2016	120,500
2015	98,700
2014	132,000
2013	95,600
2012	79,200

1 Texas Workforce Commission
2 Banxquote.com
3 ALNsys.com - Rental rates are after concessions.
Approximately 25% of 70's or older are all bills paid

Five Steps to Smart Multifamily Investments

Opting for class-B and -C properties might be a smarter bet than investment in new luxury buildings.

Swapnil Agarwal | Oct 10, 2018

Home ownership rates have fallen in recent years due to rising home values and stricter underwriting standards. As a result of this and the increase in the number of people 34 and under—the prime rental age—more U.S. households are renting than at any point in 50 years, according to a study done by the Pew Research Center.

The signs all point to an excellent opportunity for investment in multifamily rental properties. But while the overall outlook may be favorable, it's important to dig a bit deeper to find the most profitable properties for long-term investment. Here are five things to consider before you make a decision:

A growing market. Who are the renters? Working-class individuals have traditionally been a mainstay of apartment living, but we now have to consider the millennial generation, consisting of 85 million U.S. citizens born between 1977 and 1996. Whether due to student debt or the delay in starting a family, this large segment of the population is a big factor in the increasing demand for apartments nationwide.

Investing in a new complex. In response to the growing number of people who prefer to rent rather than buy a home, new, shiny apartment communities are being built in cities across the nation. However, a survey done by RealPage found that retention rates for these upscale buildings tend to be low, with less than half of the tenants opting to stay when their lease expires. Such turnover results in high expenditures for marketing and unit make-ready in order to attract new tenants. In short, net operating income is low if vacancies are high.

Increased demand for class-B and -C apartments. With minimal investment in upgrades and amenities, the older class-B and -C complexes can attract a wide demographic, including working-class individuals and millennials. For one thing, they are generally located in established middle-income neighborhoods. In addition, these apartment complexes are essentially recession-proof, which is important for tenant retention when the economy heads south.

Lower initial costs lead to greater long-term returns. Older complexes are often undervalued or overlooked by institutional buyers due to the significant investment in time and resources required to reposition the property. A smart investor will see the opportunity here, since by investing in the right kinds of upgrades and addressing maintenance and safety issues, these buildings can yield greater returns, significant NOI growth and overall capital appreciation.

The importance of professional management. Many of these older units suffer from absentee ownership, misalignment between owner and property manager or unsophisticated owners/operators who lack professionalism and an institutional approach. Simply upgrading the units is not enough to improve value; professional property management is essential to protecting your investment. These days, that means more than simply keeping the property clean and attractive, although those things are important; it also means working to make your tenants feel like part of a community. That takes an experienced, professional management team.

Coupling an institutional investment approach with active, hands-on property management is what makes for a successful multifamily investment. Ultimately, if people feel safe and comfortable in their apartment community, they will want to stay—and that benefits everyone.

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