

# North Texas leads the nation in apartment leasing

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The Dallas-Fort Worth area led the country in apartment rentals in 2014.

And rents and occupancy levels in local apartments rose at a feverish pace.

Net apartment leasing in North Texas totaled 15,226 units, according to year-end data from MPF Research Inc. Rental activity in the fourth quarter was about 15 percent higher than in the same period last year.

Local vacancy levels are at a 13-year low. Only about 5 percent of rental units are empty.

And average apartment rents in the D-FW area grew by a record 4.9 percent last year. That was slightly higher than the nationwide increase of 4.7 percent.

“Annual increases above 4 percent are rare in this market,” MPF Research vice president Greg Willett said in the report. “Because we’re such a construction hot spot, the flow of new product moving through initial lease-up normally holds rent growth below the national norm.”

Average apartment rents in the D-FW area are now \$919 a month. Apartments in Dallas’ more popular, close-in urban markets go for even more — averaging \$1,700 to \$1,800 for recently built rental communities.

Developers completed 15,575 North Texas apartments last year. And at the end of the fourth quarter, 30,196 units were still under construction in the area. “For ongoing construction, D-FW is in the No. 2 spot, just behind Houston at 33,586 units,” Willett said.

That’s the largest D-FW apartment building volume since 1999, according to Carrollton-based MPF.

Almost 8,200 apartments are being built in central Dallas neighborhoods including Uptown, Oak Cliff, Oak Lawn, West Dallas and East Dallas.

“The leasing environment is about to get much more competitive in Uptown, downtown and Oak Lawn,” Willett said. “Rent cuts to help move a huge block of new supply through the system could be on the way, especially given the number of renter households who can afford the high prices commanded by new apartments there is somewhat limited.”

More than 22,000 apartments are scheduled to open in North Texas this year. MPF Research is predicting that overall vacancy rates will increase about 1 percentage point and rent increases won't be as large for 2015.

“Rents should rise roughly 3.6 percent, still above the historical growth pace but well under 2014's record-setting jump,” the apartment analyst predicts.

Apartment developers are optimistic that 2015 will be another strong year for North Texas. But they worry about the economic impact of a decline in the energy sector.

“We are not immune, but I don't know how much we will feel it, so it really clouds the picture,” said apartment builder Robert Shaw.

With so many new apartments opening their doors this year, some landlords will be offering concessions to lure tenants, he said. “I agree with MPF's expectations for this year — a lot of free rent,” Shaw said.

Ryan Miller with developer Wood Partners said the final numbers for the 2014 market had some unexpected data.

“I guess I'm not surprised by the volume but did not think rents would have grown at almost 5 percent again last year,” Miller said. “I'm glad to hear vacancy is still low given what we have already supplied.

“We're looking forward to another big year, but no doubt the deals are getting tougher to build,” he said.

StreetLights Residential CEO Doug Chesnut believes said that D-FW apartment construction peaked in 2014.

“My thought is that we will see a moderate slowdown in construction starts for 2015,” Chesnut said. “The primary reason will have little to do with traditional supply and demand economics but rather construction cost and rental affordability.

“Even after the incredible rent growth across the city, the increases in construction costs are making new projects harder to underwrite,” said the Dallas apartment builder.

“Even with tremendous demand for product, units will not lease if the monthly check written for rent is out of reach.”