

The Cantrell Report

Pertinent Information for Apartment Owners
December 2019

D-FW apartment rents, occupancy expected to rise in 2020

Steve Brown Nov. 7th, 2019

Despite widespread construction, Dallas-Fort Worth apartment vacancy rates will dip during the year ahead, according to a new 2020 forecast.

With fewer empty apartments, rents should rise about 3% in North Texas, according to the new report from the Real Estate Center at Texas A&M University.

The forecast looked at apartment conditions in all of Texas' major markets.

Austin and D-FW are expected to have the lowest apartment vacancies among the state's biggest metros, according to the study.

"Overall market trends for the majority of Texans show a combination of positive occupancy and positive rent growth," research economist Luis Torres said in the report.

"The popularity of apartments among young Texans means tighter apartment vacancy rates and higher rents in 2020."

North Texas apartment rents are projected to increase about 3% next year, which is stronger than this year's 2.2% rise.

And the apartment vacancy in the area will average about 7.7%.

The Real Estate Center expects that apartment construction in the D-FW area — which is currently leading the country — will slow in the year ahead.

"Despite relatively robust construction starts, the units under construction have generally declined over the past several years, " the researchers said. "Units under construction peaked in third-quarter 2018 after climbing substantially since the recovery from the Great Recession.

"Net absorption has remained positive amidst the strong deliveries in recent years, indicating that population growth has proven sufficient to maintain pace with the increased supply."

Austin and San Antonio are expected to have the greatest percentage average rent gains.

Table 1. Overall Apartment Forecasted Vacancy Rates, Effective Rents

MSA	Natural Apartment Vacancy Rate	Vacancy Rates (%)			Effective Rent Growth (y-o-y %)		
		2018	2019	2020	2018	2019	2020
Austin	8.3	8.1	7.4	7.2	3.0	3.5	3.4
DFW	8.5	8.1	8.0	7.7	2.6	2.2	3.0
Houston	9.2	9.7	9.1	9.0	3.5	1.2	1.6
San Antonio	8.5	9.3	8.8	8.5	2.8	2.8	3.4

Note: Annual numbers are the four-quarter average of the seasonally adjusted data. The rent growth is nominal, estimated from the previous year's average.

Source: Real Estate Center at Texas A&M University

The Houston area is forecast to have the highest apartment vacancy rates and the smallest rent increases next year, according to the Real Estate Center.

JOB GROWTH	Area New Jobs				
	1 Mo	6 Mo	12 Mo		
	Estimate	End 10/31	End 10/31	End 10/31	
	Dallas/Plano/Irving	(2,600)	51,000	97,500	
	Fort Worth/Arlington	1,700	10,200	14,900	
		(900)	61,200	112,400	
INTEREST RATES	Rates		END 11/30	Yr. Ago	
	10 Year Treasury		1.83%	2.89%	
	11th District COFI		1.13%	1.02%	
	1 Mo. LIBOR		1.70%	2.35%	
SUPPLY/ DEMAND	Units Added/ Absorbed		6 Mo	12 Mo	24 Mo
			End 11/30	End 11/30	End 11/30
	<u>Dallas County</u>				
	Added		4,962	12,051	23,228
	Absorbed		2,784	9,925	21,525
	<u>Tarrant County</u>				
Added		2,313	5,114	13,393	
Absorbed		1,441	5,501	11,745	
OCCUPANCY RATES	<u>Dallas County</u>		11/30/2019	6 Mo Ago	12 Mo Ago
	2010's		82.6%	80.5%	81.5%
	2000's		93.2%	94.1%	93.3%
	1990's		94.9%	95.0%	94.4%
	1980's		93.0%	94.3%	93.6%
	1970's or Older		92.9%	93.5%	92.9%
	<u>Tarrant County</u>				
	2010's		80.4%	76.9%	73.7%
	2000's		93.6%	94.1%	93.9%
	1990's		94.0%	95.0%	95.2%
	1980's		93.3%	94.3%	93.8%
	1970's or Older		90.6%	91.8%	90.8%
RENTAL RATES	<u>Dallas County</u>		11/30/2019	6 Mo Ago	12 Mo Ago
	2010's		\$1,614	\$1,603	\$1,573
	2000's		\$1,424	\$1,440	\$1,406
	1990's		\$1,352	\$1,344	\$1,312
	1980's		\$996	\$988	\$956
	1970's or Older		\$957	\$941	\$921
	<u>Tarrant County</u>				
	2010's		\$1,394	\$1,419	\$1,395
	2000's		\$1,248	\$1,270	\$1,236
	1990's		\$1,230	\$1,231	\$1,224
	1980's		\$975	\$969	\$941
	1970's or Older		\$909	\$904	\$881
HISTORICAL JOB GROWTH	Average year change of the combined DFW MSA's				
	2018	102,200	1 Texas Workforce Commission		
	2017	91,700	2 Banxquote.com		
	2016	120,500	3 ALNsys.com - Rental rates are after concessions.		
	2015	98,700	Approximately 25% of 70's or older are all bills paid		
	2014	132,000			
	2013	95,600			
	2012	79,200			

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