



## Dallas-Fort Worth apartment leasing, rents rise

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An unexpected boost in apartment leasing gave Dallas-Fort Worth landlords something to smile about as they enter the new year.

Rents also edged to a record high – another positive sign for the local rental market.

Thanks to total net leasing of about 1,000 units in the fourth quarter, 2007 ended up with an overall increase of 8,240 apartment rentals for the year. That's about 10 percent below leasing in 2006 but higher than had been anticipated, according to a report Wednesday by apartment analyst M/PF YieldStar.

The fourth quarter is typically a slow leasing period, said M/PF vice president Greg Willett. But not this year.

"Demand is proving solid, helped by still healthy growth in the local economy and the fact that lenders remain hesitant to approve mortgages for would-be first-time home buyers," Mr. Willett said.

Net rentals were strong enough to easily outpace the 7,155 apartment units added to the market in Dallas-Fort Worth last year.

Indeed, because of the record apartment teardowns – 6,668 units – the market size increased by fewer than 500 units.

"Such tiny growth in the apartment base has happened only once before over the course of the past three decades," Mr. Willett said.

During the regional real estate recession in 1990, only 243 units were added to the market.

The 2007 market was tight enough that developers were able to increase average rents 4 percent. Rents were up in every area of the city.

"Recent increases pushed the average monthly rent for an apartment to \$741 as of December," he said.

No doubt that was because apartment vacancy levels have dwindled to less than 6 percent. At the end of September, overall occupancy in North Texas was 94.1 percent.

"Occupancy climbed 1.3 points during the past year, finishing at the highest year-end rate recorded since 2000," Mr. Willett said.

Looking ahead, a lot will depend on how the housing market slump plays out.

"Lenders at some point are going to relax the temporarily too-stringent standards required for first-time home purchase," Mr. Willett said.

"Loss of renters to home purchase then could come back into play as an influence on apartment market fundamentals in a big way."

That would be bad news for apartment developers, who had almost 14,000 additional units under construction in the Dallas-Fort Worth area at the start of 2008.

"That's the second-biggest block of new product on the way anywhere in the country, only trailing the 15,123 apartments under construction in Houston," Mr. Willett said.

"By far the biggest chunk of ongoing building in North Texas is in the Dallas urban core, where construction of 3,142 apartments is occurring."

#### **APARTMENT MARKET**

Apartment completions	1,795 units
Net leasing	1,000 units
Average monthly rent	\$741
Average occupancy	94.1%
Units under construction	15,123

SOURCE: M/PF YieldStar