

# Apartment Market Update

Greg Willett

MPF Research, a division of RealPage, Inc.

November 19, 2015



**Let's take a moment to look at the DFW performance in this cycle (starting in 2010)**



# Let's take a moment to look at the DFW performance in this cycle (starting in 2010)

- Net demand has totaled 99,810 units.



# Let's take a moment to look at the DFW performance in this cycle (starting in 2010)

- Net demand has totaled 99,810 units.
- That's the equivalent of absorbing every apartment in metros the size of Jacksonville, Providence, Memphis, Greensboro, or Hartford over the past six years.



# Let's take a moment to look at the DFW performance in this cycle (starting in 2010)

- Net demand has totaled 99,810 units.
- That's the equivalent of absorbing every apartment in metros the size of Jacksonville, Providence, Memphis, Greensboro, or Hartford over the past six years.
- The six-year demand tally tops the completion volume of 64,525 units by 55%.



# Let's take a moment to look at the DFW performance in this cycle (starting in 2010)

- Net demand has totaled 99,810 units.
- That's the equivalent of absorbing every apartment in metros the size of Jacksonville, Providence, Memphis, Greensboro, or Hartford over the past six years.
- The six-year demand tally tops the completion volume of 64,525 units by 55%.
- Occupancy has jumped 650 bps to 95.5% from 89.0%.

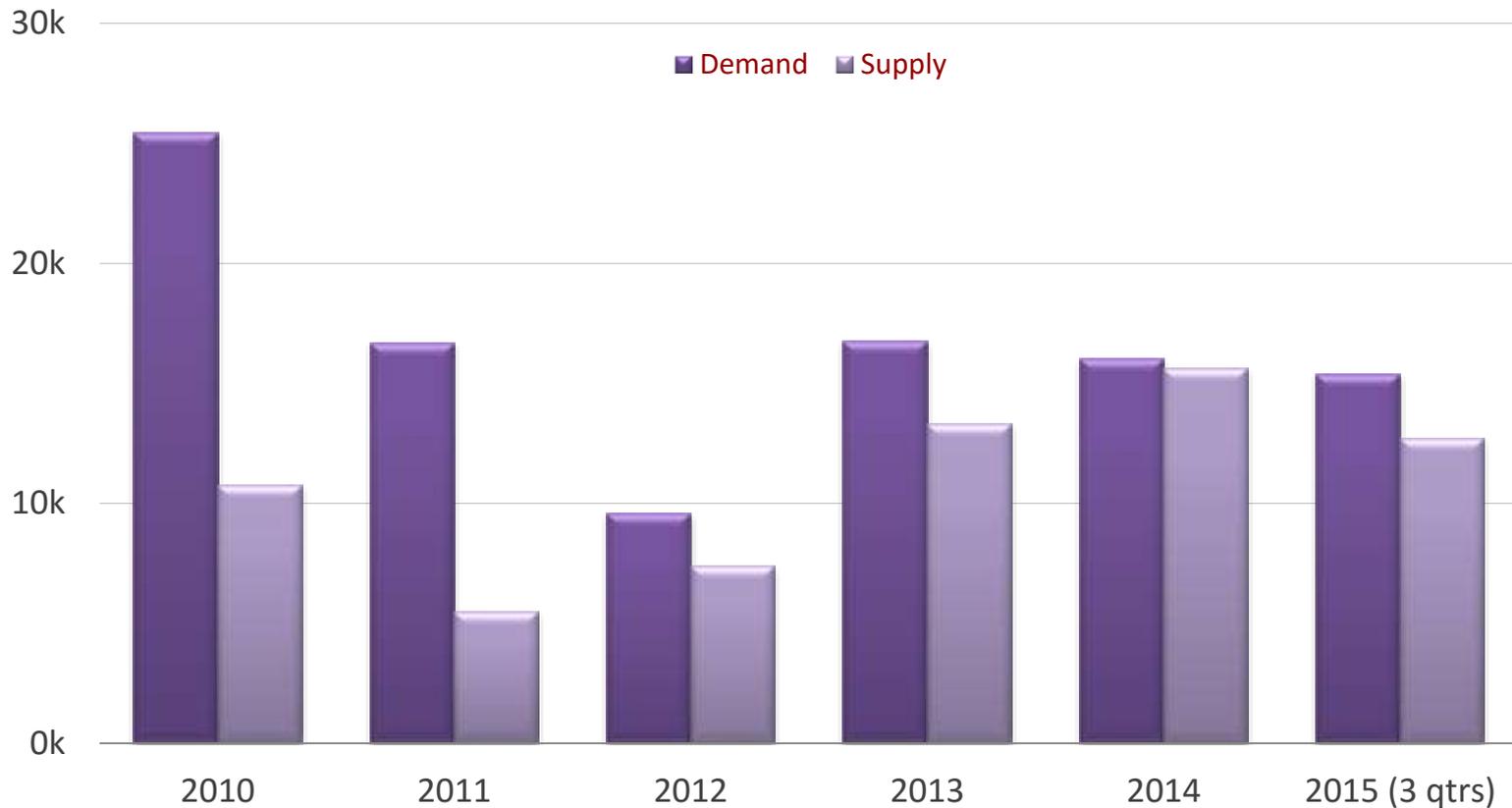


# Let's take a moment to look at the DFW performance in this cycle (starting in 2010)

- Net demand has totaled 99,810 units.
- That's the equivalent of absorbing every apartment in metros the size of Jacksonville, Providence, Memphis, Greensboro, or Hartford over the past six years.
- The six-year demand tally tops the completion volume of 64,525 units by 55%.
- Occupancy has jumped 650 bps to 95.5% from 89.0%.
- Effective rents for new residents have soared 22.4%. (That's measuring the same-store change from one quarter to another, so the number is not skewed by the prices for new units.)

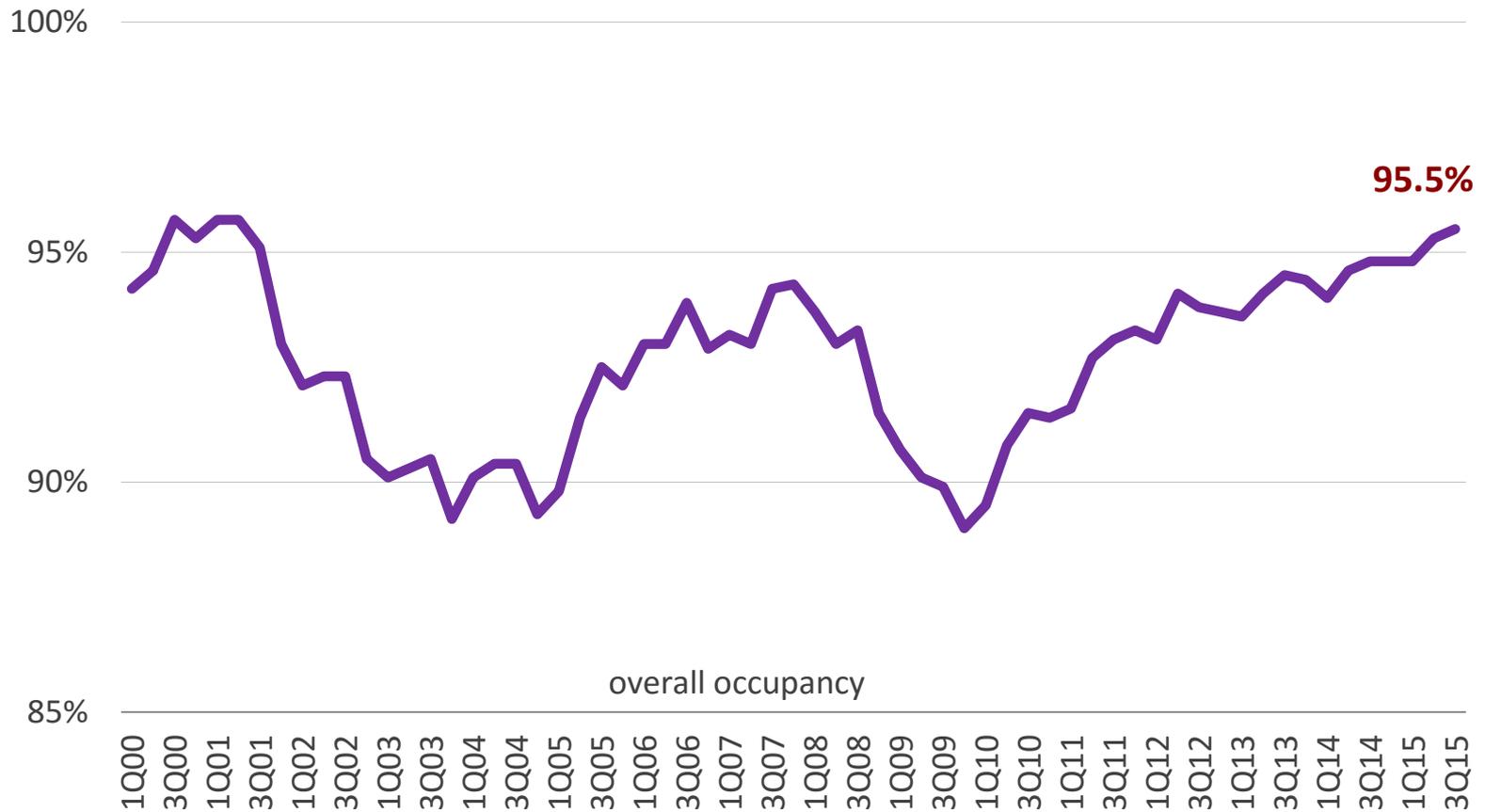


# DFW is on track to again rank as the nation's #1 apartment demand center in 2015



January-September demand in 2015 (15.4k units) tops absorption in the same period of 2014 by 21%.

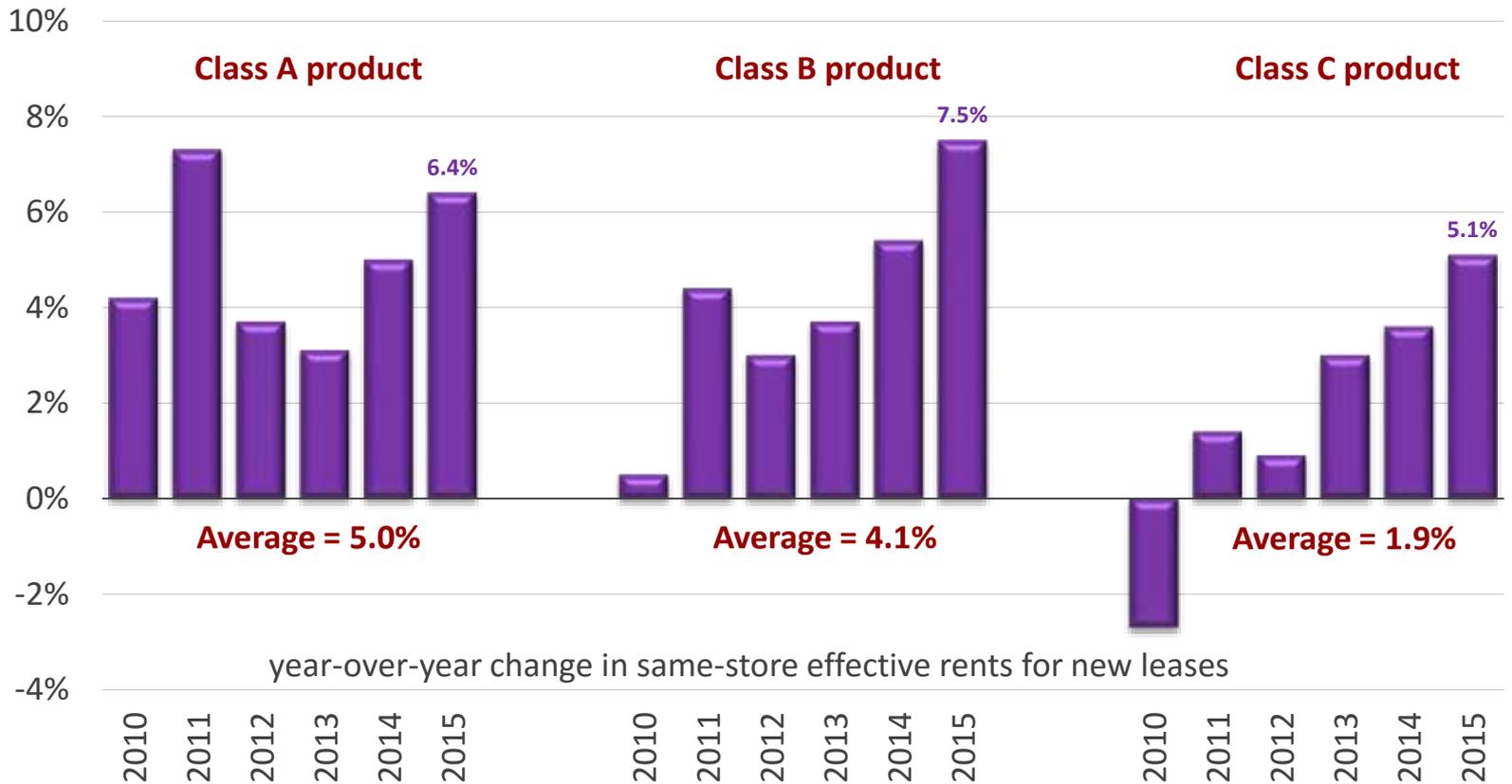
# DFW apartment occupancy, still continuing to trend upward, is in line with the all-time record



# Rent growth for new-resident leases has blown way past anything ever seen historically

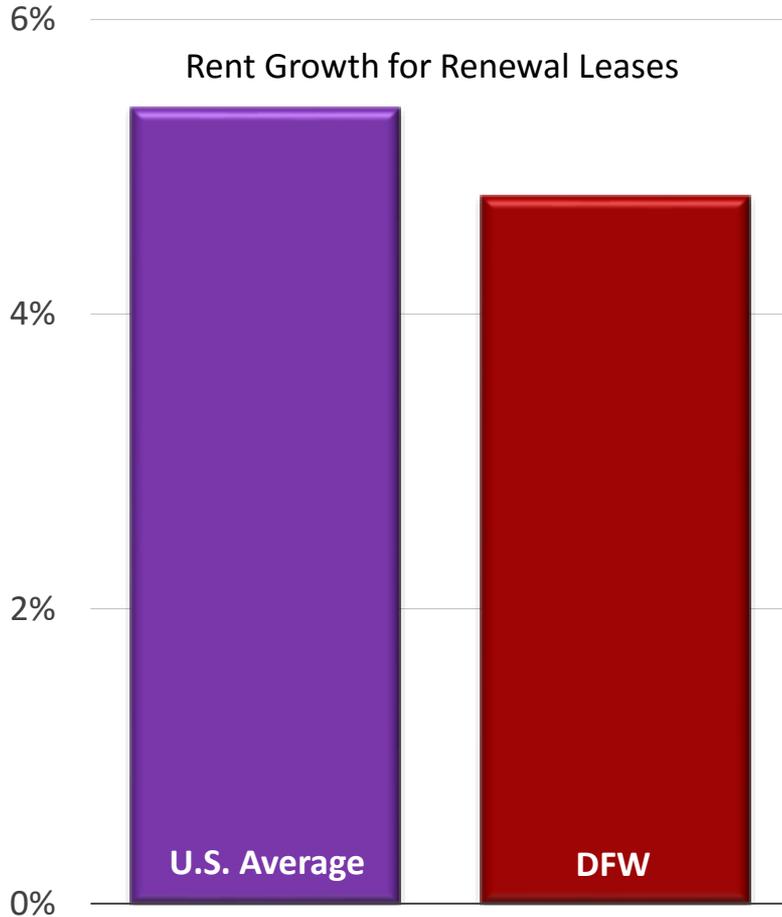


# Class B properties are rent growth leaders ... but should we complain about 5% to 6% growth in A and C projects?



As has been the case for the past couple of years, the one neighborhood with comparatively slow rent growth (now 2.4%) is Oak Lawn.

# Prices are growing for renewal leases, too ... but, maybe there's a little money left on the table there

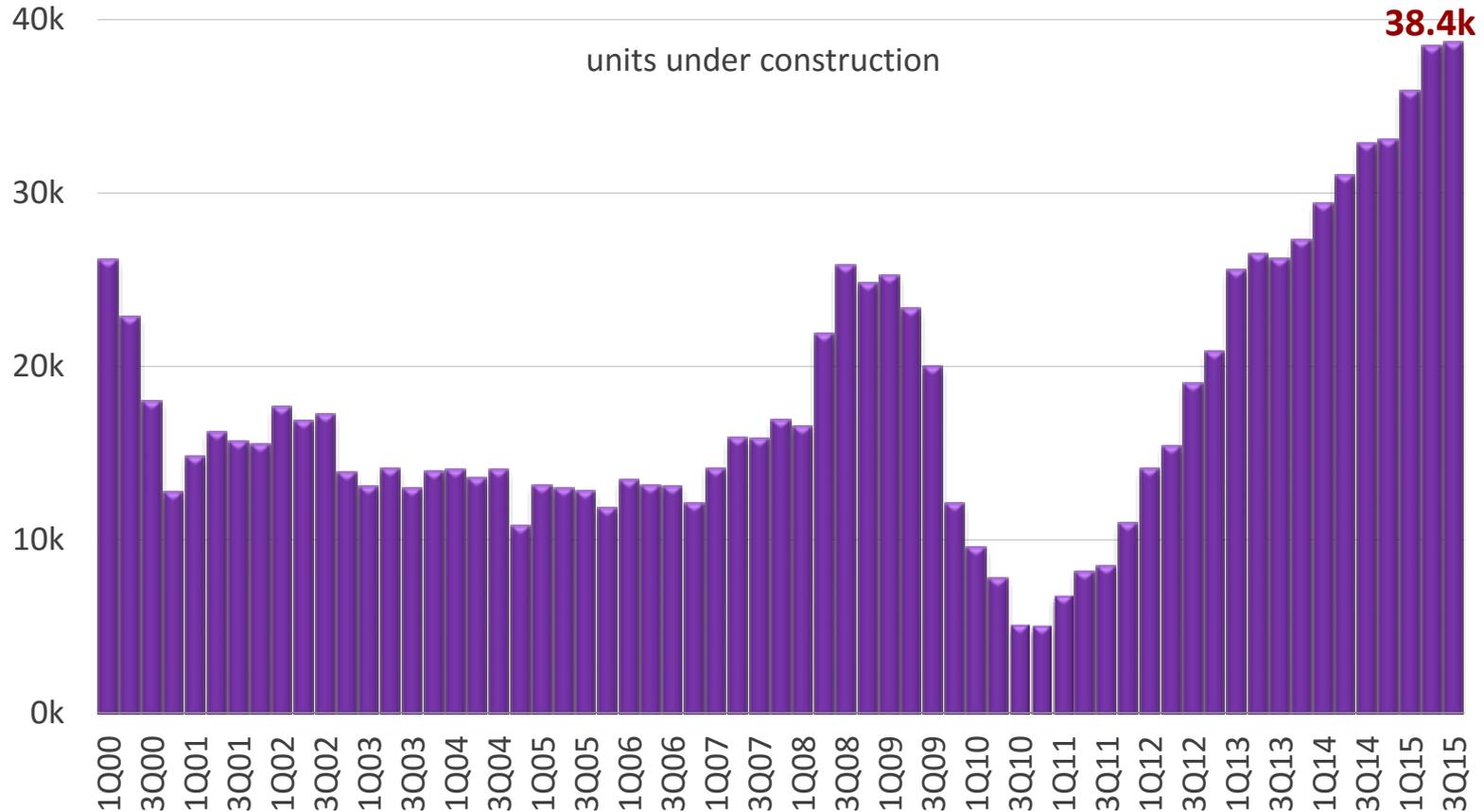


The perception that DFW tends to be a high turnover market may be holding back operators' willingness to push pricing on renewal leases.

But, in fact, renewal conversion of expiring leases in DFW during Q3 - 53.0% - slightly topped the national norm of 51.1%.

**With the current performance this strong, will aggressive building be DFW's key vulnerability over the near term?**

# Ongoing construction in DFW well surpasses the peak volumes seen in the past two cycles



# How much is too much near-term new supply across DFW's individual submarkets?

## Active Neighborhoods by Units

Rank	Neighborhood	Units
1	Intown Dallas	5,851
2	Frisco/Prosper	3,352
3	Intown FW/University	2,501
4	The Colony/Far N Carrollton	2,294
5	Allen/McKinney	2,183
6	Las Colinas/Coppell	2,000
7	Richardson	1,884
8	Central/East Plano	1,785
9	Oak Lawn	1,688
10	Lewisville/Flower Mound	1,363

## Active Neighborhoods by Growth Rate

Rank	Neighborhood	Growth Rate
1	Frisco/Prosper	27.7%
2	Rockwall/Rowlett	26.0%
3	The Colony/Far N Carrollton	10.0%
4	Intown Dallas	20.5%
5	Intown FW/University	18.2%
6	N Fort Worth/Keller	14.4%
7	Richardson	14.0%
8	Allen/McKinney	12.4%
9	Oak Lawn	12.1%
10	Central/East Plano	10.1%

# Urban core high-rise product is playing a big role in this cycle, but depth of demand is hard to calculate



- Thus far in this cycle (since the beginning of 2010), urban core high-rise completions total 13 properties with 3,455 units.
- Another dozen totaling 3,103 units are under construction now.
- Starts appear to lie just ahead for another 10 to 12 properties, adding some 3,000 additional units to that specific niche.

# Today's performance in DFW apartments will be hard to sustain, but the outlook remains positive



- With so much new supply on the way, the inflection point on occupancy movement appears to lie just ahead. Look for occupancy to decline 50 to 100 bps in 2016 and again in 2017.
- Rent growth should begin to come back to a more sustainable level. MPF Research anticipates 3.7% growth in new-resident pricing in 2016 and a similar uptick of 3.5% to 4% in 2017.



# Thanks!



MPF Research, a division of RealPage, Inc.  
[www.mpfresearch.com](http://www.mpfresearch.com)  
[www.realpage.com](http://www.realpage.com)  
[greg.willett@realpage.com](mailto:greg.willett@realpage.com)