



LATEST NEWS

Dallas-Fort Worth apartment outlook upbeat

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By **STEVE BROWN** / The Dallas Morning News
stevebrown@dallasnews.com

The North Texas apartment market is benefiting from the crunch in the homebuying market, and that should continue in 2008, industry analysts predict.

Many potential homebuyers are now locked out of the mortgage market and thousands of homeowners are losing their properties to foreclosure.

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That's already boosted apartment rentals.

"The third-quarter [net leasing] was very strong and we tie it back into people having difficulty getting loans," Greg Willett, vice president of apartment analyst M/PF YieldStar said at the company's annual apartment forecast seminar on Wednesday.

"Would-be first-time buyers are really shut out."

M/PF YieldStar predicts that apartment occupancy levels in the Dallas-Fort Worth area will continue to rise during the next 12 months.

But not all of the homeowners who are now losing their houses to foreclosure will opt for apartments, he said.

"We don't think they actually end up in apartments," Mr. Willett said. Many of them he said "are renters, but not apartment renters.

"These people are going to go to the excess single-family home inventory of which so much is offered for rent."

Hessam Nadji, an economist with real estate broker Marcus & Millichap, said he still expects an eventual wave of new renters because of the current housing market woes.

"I'm not hearing that people are coming back to the rental market from homeownership in droves yet," Mr. Nadji said. "But we are seeing signs of it and we expect it will be there."

And landlords are already getting a boost, he said.

"Renters are staying renters longer," Mr. Nadji said. "We are losing fewer people to homeownership because financing is harder to get."

Regardless of whether apartment landlords see a windfall, they can look forward to a pretty solid market during the rest of 2007 and into 2008.

"Right now, D-FW and Houston are the No. 1 and No. 2 job production centers in the country," Mr. Willett said. "There is good underlying support for housing demand in general."

Over the next four quarters M/PF YieldsStar predicts that net apartment leasing will total about 8,300 units. That's close to demand for the previous year.

Dallas-Fort Worth is the second busiest apartment building market in the country behind Houston.

Even though there are more than 10,000 apartment units in the development pipeline, market analysts aren't concerned.

"Teardowns are becoming so frequent they are helping to limit inventory growth," said M/PF YieldStar analyst Chandra Gajjar. "On net in D-FW we have actually lost 100 apartments in 2007."

That's because developers have knocked down about 5,500 rental units in the last year to make way for future construction.

The teardowns have also helped boost overall apartment occupancy rates to 94.3 percent. And occupancy levels are even higher in some areas of the city.

"This is actually the strongest occupancy rate D-FW has seen in six years," Ms. Gajjar said.

Landlords feel good enough about the market that they have raised average rents by more than 2 percent in the last year.

Ms. Gajjar said that apartment construction is centered in a few key neighborhoods.

More than 3,000 units are going up in Dallas' downtown and Uptown districts.

About 900 units under way are in the old financial district. "Most of these are high-rise off-buildings being converted into apartments," she said.

Another big pocket of building is in Dallas' northern suburbs.

"We have about 3,300 units being built there," Ms. Gajjar said. "A large portion of those are in West Plano."

Timing of the development could be a challenge in some neighborhoods.

"If all these projects come online at once, there is some potential danger lurking in the future," she said.

WHAT'S GOING UP

Dallas-Fort Worth apartment construction by area:

Central Dallas	2,941
Las Colinas-Valley Ranch	1,167
North Fort Worth	1,128

Southwest Fort Worth	912
West Plano	903
Carrollton-Farmers Branch	747
Richardson	718
Top occupancy areas	
North Ellis County	97.4%
Near North Dallas	96.3%
Oak Lawn-Park Cities	96.3%
Richardson	96.1%
Lewisville	96.0%
Lowest occupancies	
South Dallas	89.5%
Far Northeast Dallas	89.8%
Northeast Dallas	91.2%
Citywide	94.3%
Market Forecast	
Expected performance over next 12 months:	
New units added	10,439
Net leasing	8,300
Average occupancy	93.9%
Source: M/PF YieldStar Inc.	