

## 2007: Year in Review

After a 2006 in which post-Katrina re-alignment created annual absorption totaling only 384 units, strong absorption figures in 2007 were an indicator of the strength gained in the multi-family market throughout Dallas/Fort Worth. The market absorbed 6,757 units over the year, with Class A and B markets doing the heavy lifting. The Class A market fared the best over the year, absorbing 4,148 units, doubling absorption levels reported in 2006. The Class B market strengthened significantly, posting 2,942 units absorbed in 2007 compared to only 146 units absorbed in 2006. The Class C and D markets didn't fare as well with absorption figures totaling -262 units and -71 units, respectively.

Despite the strong absorption for the year, overall Dallas/Fort Worth occupancy stayed relatively stable with 0.18% increase to 89.86% to close out 2007. Class A occupancy witnessed the largest decrease in occupancy in 2007, decreasing from 92.58% to 91.42% over the last quarter of 2007. In contrast, Class B occupancy enjoyed the largest gain, increasing from 91.08% to 92.09%. Occupancy in the Class C market gained 0.17 points (89.02%), while Class D occupancy fell 0.06 points to 85.19% in 2007.

2007 saw rise to overall rents in the Dallas/Fort Worth apartment markets. A 1.1% overall increase placed the market at \$0.881 per square foot to end 2007. All Classes reported yearly increases in rental rates, with the Class A and D markets enjoying the largest monetary increases. Average rents in the Class A market closed out the year at \$1.081 psf, Class B rents at \$0.862, Class C rents at \$0.780 psf, and Class D rents finished at \$0.719 psf.

In 2007, 34 projects totaling 7,127 units consisting of Class A and tax-credit units were delivered to the market, while an additional 58 projects consisting of 14,291 units are currently under-construction. With another 15,764 units on the drawing board, it is evident that developers are high on the Dallas/Fort Worth apartment market and construction activity will remain elevated for the near term. With the sub-prime fallout still being worked through, it is apparent that 2008 will continue to witness strong absorption and rent growth as tightening lending practices convert would-be buyers to renters.

By: [Stuart Showers](#)

### Dallas / Fort Worth Apartment Market at a Glance

	Class A	Class B	Class C	Class D	Overall	Qtr	Yr
Occupancy	91.42%	92.09%	87.02%	85.19%	89.86%	▼	▲
Rent/Unit	\$1,025	\$701	\$621	\$556	\$748	▲	▲
Rent/SF	\$1.081	\$0.862	\$0.780	\$0.719	\$0.881	▲	▲
Absorption	305	-535	-1,099	-237	-1,566	▼	▲

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## ApartmentLink

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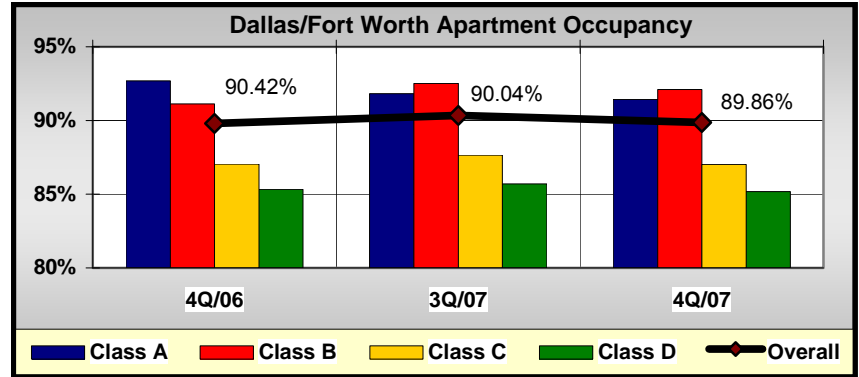
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## Metro Occupancy Overview

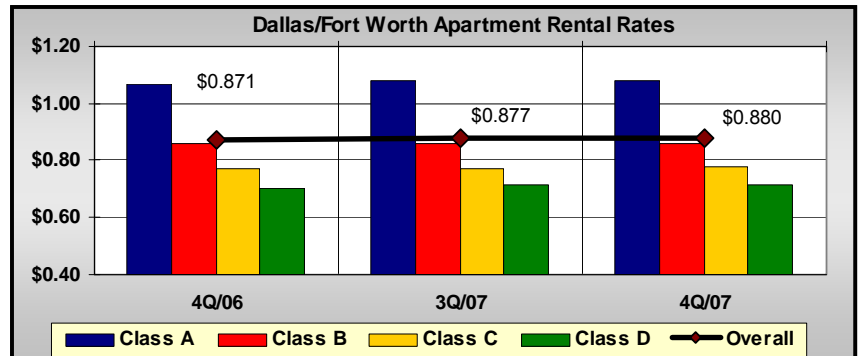
Overall occupancy decreased for the first time in five quarters, losing 0.47 points to 89.86% over the fourth quarter. All classes posted quarterly declining figures. Despite the overall quarterly decrease in occupancy, occupancy remains 0.06 points above last year's level. **Class A** occupancy fell 0.39 points over the quarter, and is down 1.27 points over the year to 91.42%. The **Class B** market recorded a 0.42 quarterly loss in occupancy, to 92.09%. Class B occupancy is up 0.98 points since this time last year. **Class C** market recorded the largest quarterly loss in occupancy, decreasing 0.63 points to 87.02%, which is 0.02 points below last year's figure. **Class D** occupancy was down 0.52 points over the quarter to 85.19% and is still down 0.15 points over the last twelve months.



Quarter	Class A	Class B	Class C	Class D	Overall
4Q/06	92.69%	91.11%	87.04%	85.34%	89.80%
3Q/07	91.81%	92.51%	87.65%	85.71%	90.33%
4Q/07	91.42%	92.09%	87.02%	85.19%	89.86%

## Metro Rent Overview

Overall rental rates inched up \$0.001 per square foot (psf) during the fourth quarter to \$0.881 psf. Quarterly rental rate gains were recorded in three markets, with Classes C and D enjoying the largest gains. Overall rents are up \$0.010 psf since this time last year. At \$1.081 psf, **Class A** rents remained the same over the quarter and are up \$0.012 psf over the year. **Class B** rents reported the lowest quarterly increase, gaining \$0.001 psf to \$0.862 psf. Class B rents are \$0.007 psf higher than they were one year ago. **Class C** rents rose \$0.004 over the quarter to \$0.780 psf, and are up \$0.008 psf over the year. **Class D** rents also increased \$0.004 psf over the quarter. At \$0.719 psf, Class D rents are \$0.012 psf above last year's level.



Quarter	Class A	Class B	Class C	Class D	Overall
4Q/06	\$1.069	\$0.855	\$0.772	\$0.707	\$0.871
3Q/07	\$1.081	\$0.861	\$0.776	\$0.715	\$0.880
4Q/07	\$1.081	\$0.862	\$0.780	\$0.719	\$0.881

## Submarket Performance

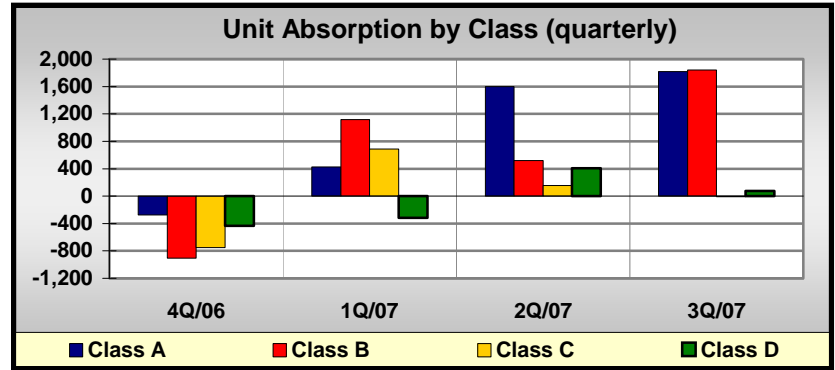
Of the 51 D/FW submarkets, overall occupancy was highest in **Granbury** 100%, followed by **Burelson** at 95.75%. The lowest occupancy was found in **Greenville Ave./Lake Highlands** at 81.53%. The highest overall rental rates were found in the **Uptown/Knox/Henderson** submarket at \$1.417 psf, followed by **Downtown Dallas** at \$1.289 psf. The lowest rents were found in **Azle** at \$0.680 psf.

Of the submarkets with more than one property, **Rockwall** reported the highest Class A occupancy at 97.00%, while the lowest Class A occupancy was reported in **Tyler** at 41.77%. In the Class B market, **Park Cities** reported the highest occupancy at 99.16%, while **Richardson** posted the lowest occupancy at 87.39%. In the Class C market, **Tyler** recorded the highest occupancy at 95.31%, while **Greenville Avenue/Lake Highlands** reported the lowest occupancy at 74.32%. In the Class D market, **Allen/McKinney** reported the highest occupancy at 97.37%, while **White Settlement** posted the lowest occupancy at 73.36%.

Of the submarkets with more than one property, **Uptown/Knox/Henderson** reported the highest Class A rents at \$1.454 psf, while the lowest Class A rents were found in **Duncanville/Cedar Hill** at \$0.895 psf. In the Class B market, rental rates were the highest in **Park Cities** at \$1.144 psf, while the lowest rents were found in **Waxahachie/Ennis** at \$0.607 psf. Class C rents were the highest in **Uptown/Knox/Henderson** at \$1.114 psf and the lowest in **White Settlement** at \$0.641 psf. In the Class D market, **Park Cities** reported the highest rents at \$0.872 psf, while the lowest rents were found in **North Richland Hills/Haltom City** at \$0.627 psf.

## Metro Absorption Overview

Overall absorption was in the red for the first time since the fourth quarter 2006, as -1,566 units were absorbed. The majority of the negative absorption was recorded in the Class B and C markets. Overall annual absorption stands at 6,757 units. **Class A** absorption was positive for the fourth consecutive quarter, at 305 units. The quarterly figure brings Class A absorption over the last twelve months to 4,148 units, the strongest of all classes. The **Class B** market registered absorption of -535 units over the quarter. The quarterly figure still leaves annual Class B absorption at 2,942 units. With -1,099 units absorbed, **Class C** posted the weakest absorption of all classes during the fourth quarter. Annual Class C absorption has dipped into the red at -262 units. The **Class D** market absorbed -237 units over the quarter. Class D absorption over the last twelve months, at -71 units, is the second weakest of all classes.



12-Month Ending	Class A	Class B	Class C	Class D	Overall
4Q/05	3,148	4,320	2,707	856	11,031
4Q/06	2,172	185	-1130	-471	756
<b>4Q/07</b>	<b>4,148</b>	<b>2,942</b>	<b>-262</b>	<b>-71</b>	<b>6,757</b>

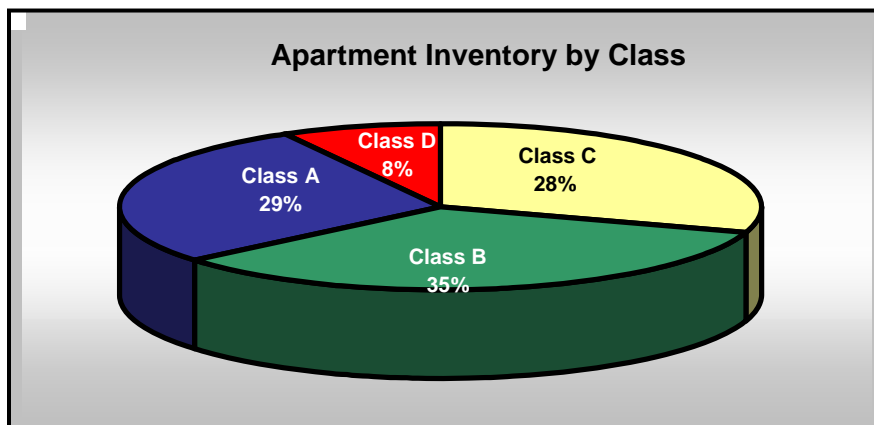
## Submarket Performance

Of the 51 D/FW submarkets, **South Dallas** reported the highest absorption over the quarter with 244 units absorbed, followed by **Fort Worth**, where 211 units were absorbed over the quarter. Demand was weakest in **Greenville Ave./Lake Highlands**, where -693 units were absorbed, followed by **Las Colinas/Valley Ranch/Coppell**, which recorded absorption of -295 units.

Within each of the classes, **Irving** reported the highest Class A absorption over the quarter with 230 units absorbed, while **Lower Greenville/White Rock Lake** reported the weakest absorption with -108 units absorbed. Absorption in the Class B market over the quarter was highest in **Fort Worth** at 124 units and lowest in the **Las Colinas/Valley Ranch/Coppell** submarket at -221 units. In the Class C market, **Fort Worth** posted the highest absorption, as 184 units were absorbed over the quarter. The weakest Class C absorption was posted by the **Greenville Avenue/Lake Highlands** submarket, with -798 units absorbed. Class D absorption was strongest in **South Dallas**, with 86 units absorbed, and weakest in **Fort Worth**, with -172 units absorbed.

## Apartment Inventory

There are a total of 2,578 operating or under-construction projects in the Dallas/Ft. Worth metro market (greater than 25 units) with a total of 576,608 units. Approximately 30% of the total units are Class A, 34% are Class B, 28% are Class C, and 8% are Class D. The chart below displays market inventory by class.



Operating	Projects	Units
Class A	562	158,106
Class B	822	197,533
Class C	825	161,648
Class D	312	46,030
<b>TOTAL</b>	<b>2,521</b>	<b>562,317</b>

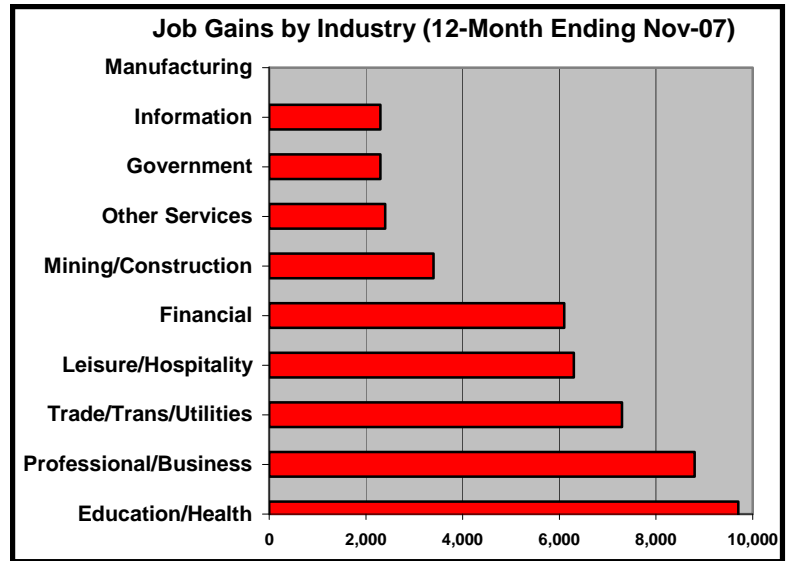
Under Cons.	Projects	Units
Class A	47	12,593
Class B *	10	1,698
<b>TOTAL</b>	<b>57</b>	<b>14,291</b>

\* Class B includes primarily Affordable Housing developments

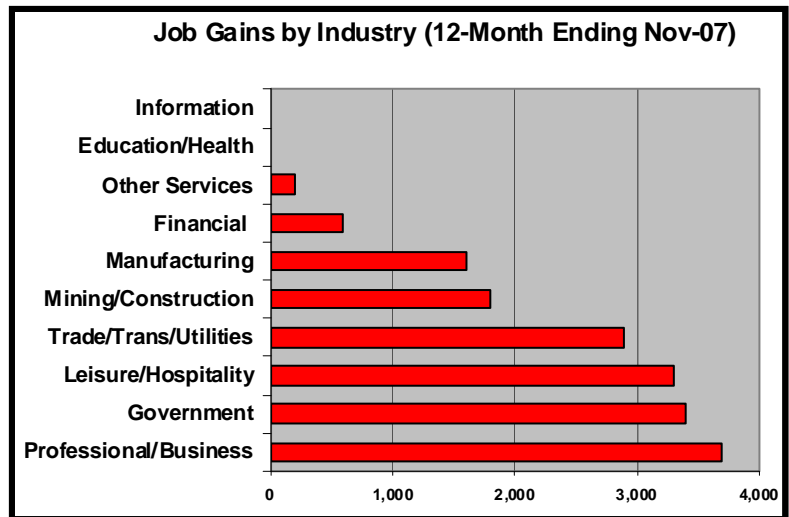
\*\* There are additional Unclassified (Class U) projects

## Job Growth

The civilian labor force unemployment rate in the eight-county **Dallas-Plano-Irving Metropolitan District** increased to 4.1%, while the total number of nonagricultural wage and salary jobs increased to 2,110,800 in November 2007, according to the **Texas Workforce Commission**. This month's total is 46,800 jobs more than at this time last year. Of the nonagricultural employers, Education & Health Services employment is up 9,700 jobs; Professional & Business services gained 8,800 jobs over the previous 12 months; Trade, Transportation, & Utilities added 7,300 jobs; Leisure & Hospitality gained 6,300 jobs; Financial Activities added 6,100 jobs; Mining & Construction gained 3,400 jobs over the year; Other Services employment increased by 2,400 jobs; Government employment is up 2,300 jobs; Information added 2,300 jobs; and Manufacturing lost 1,800 jobs over the year.



The civilian labor force unemployment rate in the four-county **Forth Worth-Arlington Metropolitan District** increased to 4.0%, while the total number of nonagricultural wage and salary jobs increased to 865,700 in December 2007, according to the **Texas Workforce Commission**. This month's total is 16,700 jobs more than at this time last year. Of the nonagricultural employers, Professional & Business Services added 3,700 jobs; Government employment is up 3,400 jobs; Leisure & Hospitality added 3,300 jobs; Trade, Transportation, & Utilities added 2,900 jobs; Mining & Construction gained 1,800 jobs over the previous 12 months; Manufacturing added 1,600 jobs; Financial Activities gained 600 jobs; Other Services employment increased by 200 jobs; while Education & Health Services lost 100 jobs over the last year; and Information lost 700 jobs.

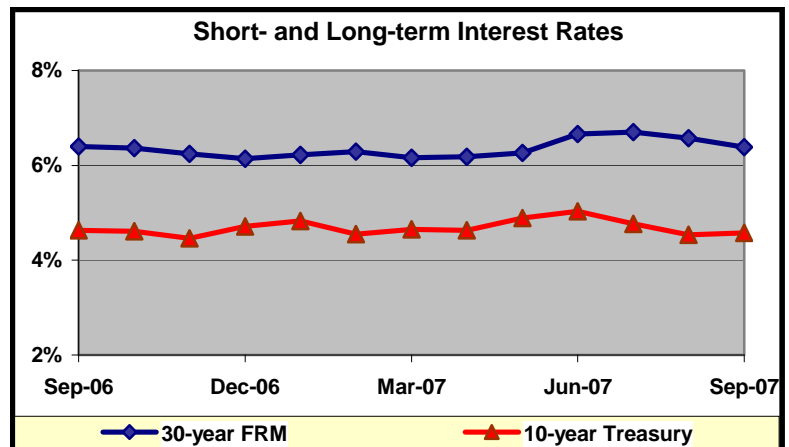


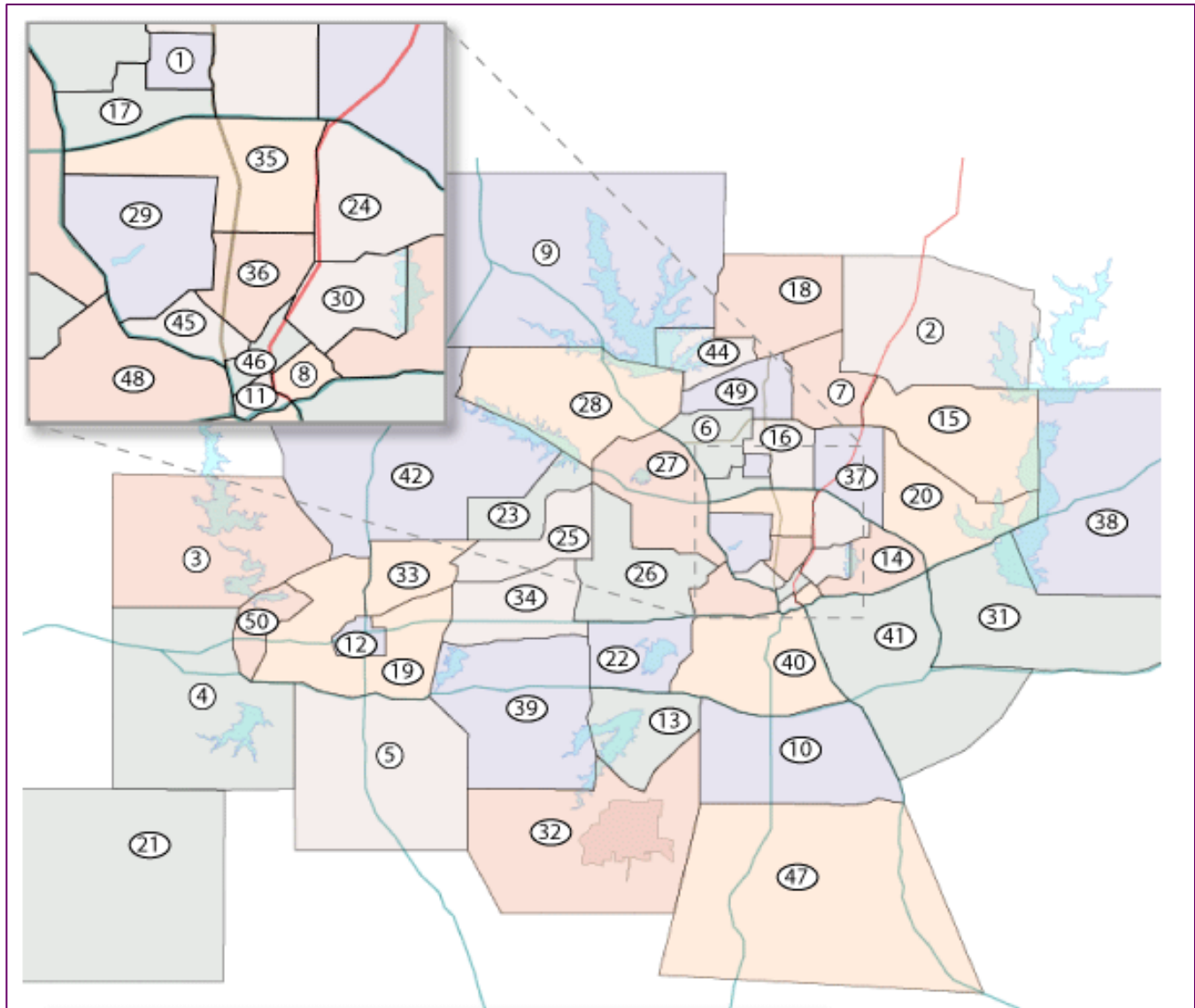
## Interest Rates

The yield on the **10-year Treasury** note fell to 4.03% in December 2007, up 0.68 points from its 4.71% yield one year ago.

The **30-year fixed-rate mortgage (FRM)** averaged 6.10% in December 2007. One year ago, the 30-year FRM was at 6.14%. The average for the **15-year FRM** in December was 5.75%, down 0.13 points from a year ago.

The **Prime Rate** in December was reported in the Wall Street Journal at 7.25%, the same level from a year ago.





## Dallas/Ft Worth Submarkets

- |                             |  |                                       |                                 |
|-----------------------------|--|---------------------------------------|---------------------------------|
| 1 Addison                   | 16 Far North Dallas                      | 29 Love Field / Bachman Lake          | 43 Stephenville                 |
| 2 Allen / McKinney          | 17 Farmers Branch                        | 30 Lower Greenville / White Rock Lake | 44 The Colony                   |
| 3 Azle                      | 18 Frisco                                | 31 Mesquite / Sunnyvale               | 45 Turtle Creek / Cedar Springs |
| 4 Benbrook                  | 19 Ft. Worth                             | 32 Midlothian                         | 46 Uptown / Knox / Henderson    |
| 5 Burleson                  | 20 Garland / Rowlett                     | 33 N. Richland Hills / Haltom City    | 47 Waxahachie / Ennis           |
| 6 Carrollton                | 21 Granbury                              | 34 North Arlington                    | 48 West Dallas                  |
| 7 Central Plano             | 22 Grand Prairie                         | 35 North Dallas                       | 49 West Plano                   |
| 8 Deep Ellum                | 23 Grapevine / Colleyville               | 36 Park Cities                        | 50 White Settlement             |
| 9 Denton                    | 24 Greenville Ave / Lake Highlands       | 37 Richardson                         |                                 |
| 10 Desoto / Lancaster       | 25 Hurst/Eules / Bedford                 | 38 Rockwall                           |                                 |
| 11 Downtown Dallas          | 26 Irving                                | 39 South Arlington                    |                                 |
| 12 Downtown Ft. Worth       | 27 Las Collinas / Valley Ranch / Coppell | 40 South Dallas                       |                                 |
| 13 Duncanville / Cedar Hill | 28 Lewisville / FlowerMound              | 41 Southeast Dallas                   |                                 |
| 14 East Dallas              |  | 42 Southlake/Keller                   |                                 |
| 15 East Plano / Sachse      |  |                                       |                                 |

## Data Collection

Our in-house research team continuously updates over 100 fields of data for nearly 6,000 apartment complexes in our database. We update at least 90% of properties on a monthly basis to generate accurate market trend reports on rents, concessions, occupancy, etc. Our monthly surveys also update other property-specific data such as fees, policies, management, and owner information. On a less-frequent basis we update amenities, schools, and other data fields that change rarely. We perform current and historical data audit after we close each month's survey to identify any data inconsistencies or incorrectly keyed values.

## Research

We monitor various news media, press releases, marketing materials, web-sites, CAD records, permit issuance, and other sources to capture new construction, planned projects, financing, and sales. Our researchers conduct phone interviews with relevant developers, brokers, or lenders to gather information on new construction and sales. We add properties to our database on a regular basis to ensure we offer the most up-to-date and complete apartment database.

## Market Coverage

Our online apartment database covers all four major Texas metro markets – Austin, Dallas-Fort Worth, Houston, and San Antonio. The **Austin** market includes Caldwell, Hays, Travis, Bastrop, and Williamson counties. The **D/FW** market covers Dallas, Tarrant, Wise, Denton, Collin, Hunt, Rockwall, Kaufman, Ellis, Johnson, Parker, and Erath counties. The **Houston** market includes Harris, Montgomery, Fort Bend, Brazoria, and Galveston counties (Brazos county is also included in the database but excluded from the trend reports). **San Antonio** includes Bexar, Comal, Guadalupe, Kendall, and Kerr counties.

We subdivide each market into submarkets (see map on previous page): Austin has 23 submarkets, D/FW has 50 submarkets, Houston has 53 submarkets, and San Antonio has 26 submarkets. The submarkets are based on neighborhood-style areas with defining boundaries such as major roads and other factors that establish a neighborhood. This approach allows the user to view distinct areas of properties that have evolved into their own sections of town and can be identified together.

## Glossary

**Absorption** = Change of Occupied Units, including new construction. Absorption is a proxy for demand.

**Occupancy** = Percentage of physically occupied units on property.

**Pre-leased** = Net of percentage of units that have been pre-leased but not yet occupied and units on notice to be vacated.

**Rents** = Market rents (excluding concessions).

**Class** = Properties are classified as A, B, C, D, or Unclassified (U) based on various factors, such as age, location, amenities, curb appeal, overall condition, rents, etc. Class A properties are generally less than 10 years old, have excellent amenities, prime location, and great appeal, thus they tend to have the highest rents. Older properties built in early 1900s that were converted from warehouses or office buildings, or older apartment projects that have had major renovations may also be classified as A. Class B properties are generally 10 to 20 years old, have good locations, good level of amenities, are somewhat less appealing than Class A projects, and are in overall good condition. New affordable projects are also classified as B. Class C projects are usually 20 to 30 years old, have few amenities, are in poor locations, and are not well maintained. Class D projects are generally more than 30 years old, in poor condition, have no or limited amenities, are in poor locations, and have poor curb appeal. They tend to have the lowest rents per unit (although per-square-foot rents may be high since the units are usually small). Unclassified or Class U projects are senior housing, student housing, or other properties that have unusual lease terms, include meals with the rent, or other services, so their rents and occupancies are not representative of the actual market. We exclude these from our statistical reports as they skew the averages for the other classes.

## Reporting

Occupancy, Rent, and Absorption trend data is based on Operating, Under-construction, and Under-renovation projects, Classes A, B, C, and D (excluding Class U).