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Dallas-Fort Worth apartment rents will rise over next two years, research firm says

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Low mortgage rates and bargain prices have cut homeownership costs in most Dallas-[Fort Worth](#) neighborhoods. But North Texas renters can expect to pay more during the next two years, according to the latest forecast.

A surge in demand for apartments this year has come at the same time supply is tightening. That is prompting landlords to reach for the biggest rent increases in several years.

"We think apartment rent growth in the coming year is going to be really strong," Greg Willett, vice president of MPF Research, said Tuesday at the company's annual forecast seminar. "It's a really different environment today than a year ago.

"Apartment performance has way exceeded the expectations of everyone."

MPF Research is predicting that apartment rents in D-FW will rise about 2 percent this year from 2009. And rents will go up 3.5 percent on average in 2011 and even more – 4.6 percent – in 2012.

Willett said that between the low economy and rising costs, apartment renters will get squeezed in some markets.

"As you start to raise rents and incomes aren't going up, affordability is going to be a factor," he said.

D-FW apartment rents fell in 2009 but bounced back this year to an average of \$762, near an all-time high.

More demand

Apartment demand has soared in North Texas this year, with tenants leasing more than twice as many rental units as were added to the market.

Almost 23,000 apartments have been leased in the D-FW area so far in 2010 – the strongest demand in almost a decade.

No wonder, then, that apartment owners and managers think it's time to ask tenants for more money.

"There is some excitement at being able to raise those rents," said Sheri Thomas, senior vice president of operations with Alliance Communities, which has 13,000 apartments in Texas. "We haven't had that in a long time, and we are going to be pushing rents.

"We have to retrain our associates; they were so used to giving it away," she said. "The gimmicks are drying up."

Rather than offer free rent and prizes to lure new tenants, landlords have been concentrating on keeping the residents they have and getting more income.

MPF Research predicts that average apartment revenue on D-FW properties will rise 5.6 percent next year and almost 7 percent in 2012.

91% occupancy

Donna Summers, vice president of operations for apartment developer Gables Residential, said Dallas and Austin are two of her company's strongest markets.

"We are ahead of our forecast numbers pretty significantly," said Summers, who has noticed that renters are ponying up for units with more frills. "They are paying for the views again."

Citywide, occupancy is at about 91 percent and is expected to top 95 percent by 2012.

In some areas of town, apartment occupancy rates are reaching levels not seen in years: 96 percent in Uptown, 95.4 percent in [Plano](#) and 94.5 percent in [Las Colinas](#).

"These are areas that got a ton of new apartment supply in the last few years," said Jay Parsons of MPF Research. "We did not expect these areas to bounce back so quickly."

New wave in 2012

MPF Research predicts that apartment building in North Texas will lag in 2011, with only about 2,800 new units. But starting in 2012, expect a wave of new units.

Architect Mark Humphreys said his business is already picking up.

"It's been increasing since the summer," Humphreys said.

"And apartment development sites are going to be picked up pretty fast."

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