



DFW Rental Market 2007

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Supply and Demand Are Alive And Well in DFW

- “The Good News”
- “The Bad News”
- “Looking Forward”

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“The Good News”

- Land costs and hard costs will continue to rise; single family homes will be sold at higher prices
- The lending environment has changed dramatically, and a federal regulator is coming to a lender near you
- Households that you would not rent to will have a harder time buying a home



“The Good News”

- New multifamily construction is down and will remain down for the foreseeable future
- As a result of rising land and hard costs, new apartment construction will be forced to target average rents of \$1.50 per sf and \$1,500 per month for at least the next five years

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“The Good News”



- The Potential is improving for Demand driven rent increases to come to a market near you
- DFW is projected to have GOOD employment growth for the Foreseeable Future
- Typically, 10% to 20% of DFW employment creates renters of mid-priced apartments relative to the type of job and the cost of housing

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“The Good News”

- The average new **town home** will sell from \$200,000 to \$300,000 and will target household incomes of more than \$100,000
- The average new **condominium** will sell from \$500,000 to \$800,000 and will target household incomes of more than \$200,000

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“The Good News”



Dallas, TX – 2011 Estimated Household Incomes

Dallas County Segment	Average Household Income	Dallas Average Monthly Rent	% HH Income Spent on Housing
\$20,000 - \$50,000	\$35,600	\$722	24.3%

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The Rental Target Market is Deep and Growing



Dallas, TX – 2011 Estimated Household Incomes of \$20,000 to \$50,000

Market Segment	Dallas County HH Incomes	Projected HH #'s in 2006	Household % in 2006	Estimated HH #'s in 2011	Household % in 2011
Ages 25-34	\$35,324	59,962	29.26%	73,657	33.07%
Ages 35-44	\$35,751	61,091	29.81%	67,778	30.43%
Ages 45-54	\$35,790	46,830	22.85%	48,149	21.62%
Ages 55-59	\$35,812	19,900	9.71%	18,503	8.31%
Ages 60-64	\$35,569	17,170	8.38%	14,658	6.58%
TOTAL	\$35,626	204,953	100%	222,745	100%

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“The Bad News”

- **New single family homes** targeting first-time home buyers that were previously renters have been the most oversupplied product in DFW; some of these have been and will be foreclosed and turned into poorly managed rentals and the builders are still building
- We have had a 3 or 4 year expanding economy – **Old trends die hard - There will be a change**
- The huge inventory of 1990 and better product has strong competitive advantages over the 70's and 80's product



Looking Forward



- One solution to low rent increases and high turnover is to understand and manage the rent to income pressure on your customers
- Understand the unit mix of your property - if you have oversupplied a unit type you will have a diminishing return on the rent structure - to lower your turn, diversify your product and the target markets for the various unit types
- If you match your product lines and unit type rents with the incomes of your renters they will better afford the rent increases

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Looking Forward

- Please do not overdevelop unit finishes, unit amenities or property amenities; to be successful, match the product with the needs, wants, and their ability to afford the rent

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