



City Of FARMERS BRANCH

DEPTH OF DEMAND ANALYSIS

West Farmers Branch, Texas

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MEYERS RESEARCH
a Kennedy Wilson Company

Supply and Demand – Farmers Branch

The table below illustrates historical and forecast absorption and completions for the Farmers Branch apartment market. The market's inventory has grown by 1.5x the base multifamily inventory reported in 2007. Historically, occupancy has been strongly correlated to the metro's job growth. The metro is expected to experience strong job growth throughout the forecast period. Meyers' interviews with the most recent lease-up properties in the city indicate that new properties are absorbing an average of 31 units per month.

Year	Employment Growth	Total Stock	Occupancy Rate	Occupied Stock	Completions	Net Absorption	Avg. Employment Growth	Average Completions	Average Absorption	Difference (Absorption less Completions)
2007	2.7%	2,928	93.0%	2,723	555	n.a.	2.7%	555	n.a.	n.a.
2008	-1.2%	3,295	91.2%	3,005	367	282	-2.4%	184	68	(115)
2009	-3.7%	3,295	86.8%	2,860	0	(145)				
2010	2.1%	3,295	90.1%	2,968	0	108				
2011	2.0%	3,295	91.5%	3,016	0	48				
2012	2.9%	3,625	94.3%	3,419	330	403	3.0%	194	228	34
2013	3.6%	3,625	95.4%	3,457	0	38				
2014	4.3%	4,205	93.5%	3,931	580	474				
2015	3.2%	4,461	94.8%	4,231	256	299				
2016	2.9%	5,069	95.9%	4,859	608	629				
2017	2.7%	5,759	96.5%	5,557	690	697	2.8%	980	890	(89)
2018	3.0%	7,293	94.0%	6,859	1,534	1,302				
2019	2.4%	8,379	93.0%	7,791	1,086	932				

Going forward, the average annual pace of new completions is expected to exceed historical standards averaging 980 units per year. The majority of the identified pipeline is in two distinct areas: East Farmers Branch and West Farmers Branch. The highest rents are being achieved within the West Farmers Branch neighborhood as of December 2015.

Absorption is expected to be consistent with pipeline deliveries in the early years of the forecast and taper off as job growth in the metro moderates (2.4% in 2019 and expected to be 1.7% in 2020, according to Economy.com). **During the forecast period, absorption is expected to average 890 units per year.**

Absorption Pace of New Units is Strong

The table illustrates absorption data for four properties located in the city of Farmers Branch. These properties are the most recent to be delivered in the area and total 1,166 units.

Property Name	# Units	Date Leasing Began	Stabilized Date (or current)	Occupancy at Stabilization (or current)	Months to Stabilization (or current)	Absorption/ Mo.
Mustang Station	256	Mar-15	Dec-15	68%	9	19
Mercer Crossing I	299	Feb-15	Dec-15	82%	10	24
Lincoln Water's Edge	281	Apr-14	Sep-14	96%	5	54
Elan City Centre	330	Jun-13	Jul-14	90%	11	27
Avg.					9	31
Stabilized					8	40

Overall, the average absorption per month in the sample is 31 units per month. The stabilized properties reported absorption of 40 units per month with lease-up periods spanning 8 months.

This absorption of new units is strong compared to other submarkets in the Dallas-Fort Worth area where a general rule of thumb is 22 to 25 units absorbed per month.

Supply and Demand Conclusions

Metro Economy is Growing

Year-over-year job growth (November 2015) in the Dallas-Plano-Irving, TX MDA is in line with current forecasts for the creation of 89,100 jobs by year-end 2015. The MDA is noted as one of the fastest growing in the nation as measured by total population and households. The economy is growing in all super sectors especially high paying jobs in the professional and business services and financial activities sectors. Farmers Branch is conveniently located near major transportation arteries leading to strong job centers in North Dallas, Far North Dallas/Plano, and Las Colinas. Employment opportunities in Farmers Branch are expanding with the addition of Mercer Business Park in West Farmers Branch.

Farmers Branch's Apartment Market is Growing and Strongly Tied to Metro's Job Growth

The Farmers Branch apartment market has grown its base of unit inventory by 1.5x from 2007 to present. The market's performance has been closely tied to the metro's economy which has been outperforming the nation since 2010. Properties that have opened and leased up over the past two and a half years have moved in new residents at an average rate of 31 units per month which is considered extremely robust by industry leasing standards. From 2010 to 2015, the apartment market absorbed 1,371 units, while delivering a total of 1,166 units resulting in a market penetration rate of 1.2. During the same time period, job growth averaged 3.0% per year. Rent growth has been strong averaging 4.7% per year since 2007 and over 6% per year in 2015.

Farmers Branch's Multifamily Pipeline is Concentrated in Two Geographic Areas

Occupancy is reported in excess of 94%+ in all neighborhoods in Farmers Branch with the strongest rental rates being achieved in East Farmers Branch and West Farmers Branch where the newest inventory is located. Currently, the East Farmers Branch area contains the largest inventory of multifamily units followed by West Farmers Branch. Over the next few years, the new deliveries will shift the bulk of the new offerings in favor of West Farmers Branch where several large newly developed mixed-use projects are under construction or planned.

Farmers Branch will Absorb Units and Occupancy will Remain Strong

In anticipation of four years of solid job growth (2.8% per year per Economy.com), Meyers expects the Farmers Branch apartment market to add an average of 980 units per year with occupancy averaging 94.8%. Absorption will average 890 units per year. Rent growth will moderate to 2.8% per year as the new units are added. This rent growth forecast is lower than recent performance, but is expected as the pipeline competes with other popular apartment submarkets to attract new residents.