YTD Rent Growth: What It Tells Us About Apartment Demand

Across the nation, rents have increased 1.9% YTD.

In real estate, staying updated on rent changes is vital. While annual rent changes offer insights, they lag behind current market conditions. Enter Year-to-Date (YTD) rent growth, providing a more recent and dynamic perspective.

As of June 2023, YTD rents grew by 1.9% nationwide, indicating robust rental demand. Stability is evident with a marginal 10-basis point fluctuation in occupancy since January, reaching an impressive 94.7% in June.

While YTD figures show solid growth in 2023, they are the second weakest since 2010, including post-Great Recession and pandemic years. The slowdown began in late 2022. Prior to that, 2021 and 2022 had strong YTD growth rates.

Notably, rents contracted by 0.3% between July and December 2022, an uncommon seasonal slowdown. The fourth quarter of 2022 was weaker than expected, with rents declining by over 1%.However, the slowdown in 2023 shouldn't alarm us. The influx of 375,000 new apartment units in Q2 2023 and 1.038 million under construction offer exciting investment opportunities.

Focusing on YTD rent growth helps us gain valuable insights into recent market dynamics. Armed with this knowledge, we can optimize investment strategies and navigate the ever-changing rental market.

Regional Variations in Rent Trends

The South and West regions, with greater supply and more new construction, are experiencing slower Year-to-Date (YTD) rent growth momentum compared to the Midwest and Northeast. The Midwest and Northeast have YTD rent growth numbers of 3.1% and 3.2%, respectively, and fewer units under construction, around 109,000 each.

Despite slower momentum, the South remains strong with positive absorption on an annual basis and stronger quarterly absorption than the other regions combined. However, the West, especially cities like Phoenix, Las Vegas, and Salt Lake City, is facing the weakest YTD rent growth. For instance, Phoenix rents declined by 1.1% YTD in 2023 due to migration trends and an influx of new units.

Looking ahead, rent growth may drop further and even turn negative between August and October due to annualized calculations, which could be a common trend across many markets. However, the overall report remains optimistic, stating that demand appears to have rebounded from the bearish figures of 2022. The rental market continues to show robust demand, bringing a positive outlook for the future.

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Fort Worth: Sleeping Giant of D/FW Apartment Demand

Fort Worth's apartment demand has experienced a significant surge in the 2nd quarter of 2023, defying the typical trend. Despite having only about one-third of the apartment inventory compared to Dallas, Fort Worth accounted for nearly half (46%) of the Dallas/Fort Worth total absorption during this period. This performance is remarkable as it marks the highest quarterly ratio on record, second only to the previous quarter.

In contrast to previous years where Fort Worth's demand for apartments represented just a small fraction of the metroplex's total demand, the situation changed in 2022 when it consistently accounted for around 24% of the D/FW demand. This upward trend continued into 2023, with Fort Worth absorbing an impressive 2,560 units in the 2nd quarter, surpassing the pre-COVID average and matching Dallas's absorption rate.

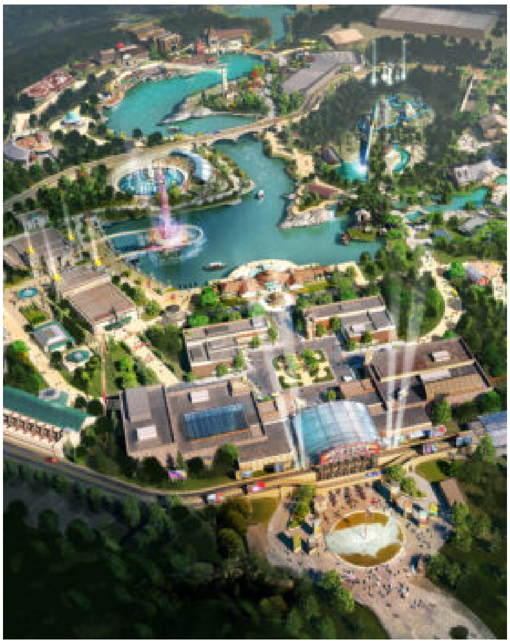
Fort Worth's apartment market was boosted by strong demand in specific submarkets, such as North Fort Worth/Keller and Burleson/Johnson County, which received over 1,600 new units of supply concurrently. However, East Fort Worth and Southwest Fort Worth experienced weaker demand, with net move-outs recorded from about 700 units in each submarket.

This shift in demand dynamics presents an interesting opportunity for real estate investors. The recent surge in Fort Worth's apartment demand, combined with its relatively smaller market size compared to Dallas, indicates potential for favorable investment prospects in the area.

Oklahoma to be home to a $2 billion theme park, designed by over 20 former Disney builders and Imagineers

The American Heartland Theme Park and Resort has been announced for northeastern Oklahoma. The theme park is a $2 billion project, aimed to attract more than 4.9 million guests per year to the state. Executive Producer Steve Hedrick will lead a design team that includes over 20 former Disney park builders and Disney Imagineers.

The American Heartland Theme Park will reside in a 1000-acre development, with the park its self stretching 125 acres and themed after classic Americana. This puts its size roughly the same as Disney's Magic Kingdom. The theme park will contain six themed different "lands," each designed to showcase a different element of America: Great Plains, Bayou Bay, Big Timber Falls, Stony Point Harbor, Liberty Village and Electropolis. In addition to family attractions, live shows, and themed restaurants, the development will include the 320-acre Three Ponies RV Park and Campground, a 300-room hotel, and an indoor water park.



The theme park is scheduled to open in 2026

"We are pleased that American Heartland Theme Park has taken the first step and chosen Oklahoma to build a world-class entertainment destination," said Hopper Smith, interim director of the Oklahoma Department of Commerce. "We look forward to assisting with this project as it develops."

"We are thrilled to make Oklahoma the home of American Heartland Theme Park and Resort," American Heartland CEO Larry Wilhite said. "At the crossroads of the heartland, Oklahoma is an attractive location for a family entertainment destination. The state's business-friendly approach and innovative partnership efforts have helped make this possible. We look forward to bringing unforgettable generational experiences to Oklahoma.

Investment Opportunity Spotted:

Investing in apartments around the upcoming Oklahoma Themed Park could lead to substantial gains for your portfolio. The highly anticipated theme park is expected to create a surge in jobs and opportunities, driving a higher demand for housing from residents and tourists alike. As a result, apartments around the park are likely to experience increased rents and property values.

Now is the perfect time to consider expanding your real estate investment portfolio. With the growing demand for housing near the thriving Oklahoma Themed Park, investing in apartments could yield higher rental yields and long-term returns.

The increased competition in the rental market creates a favorable environment for building a new commercial real estate venture for apartments. A well-planned apartment complex could become a lucrative income stream for years to come.

To navigate this significant investment opportunity wisely, partner with a reputable firm like Evergreen Capital. Their proven track record in implementing successful strategies and conducting thorough due diligence will give you the confidence to make informed investment decisions.

Don't miss out on the potential impact of Oklahoma Themed Park on the surrounding real estate market. Evergreen Capital is constantly monitoring market dynamics and expanding our network to get access to the best investment opportunities.