

The Cantrell Report

Pertinent Information for Apartment Owners
May 2018

PROPERTY TAX PROTEST TIME AGAIN IN TEXAS

By: Mark Cantrell

The majority of Texas appraisal districts have recently mailed their preliminary value notices and all districts' values should be sent by the first week of May.

In reviewing early releases of values in the major metro markets, once again multifamily increases are across the board, and significant. Both continued strong property economics as well as continued strong sales volume at record sale prices are the culprits. Appraisal districts are mandated by the State Comptroller's office to keep pace with market values. Every other year, each county across Texas must pass a ratio study and this year Dallas County is under the gun.

How can you attempt to minimize potential increases that go directly to your bottom line? In addition to the profit & loss statements and rent rolls, make sure you provide your tax consultant every possible negative piece of information that can be used when in front of the appraisal district (i.e. photos/bids of deferred maintenance, foundation and roof issues, crime, city citations/violations, down units, etc.). **And it is critical that you engage a seasoned professional with a thorough understanding of the entire appeals process and the various valuation methodologies and techniques to mitigate such increases, mainly Unequal Equity protests.**

Unlike the appraisal district's mass appraisal methodology used for determining the notice value and then reliance on an owner's actual operating statement to fine tune a final value, CMI refuses to allow the appraisal district to ignore other value remedies such as Section 42.26(d). In short, the plain language of the statute allows a protest based solely on comparable values and the subject's equitable value. **And if a conflict exists between taxation at market value and equal and uniform taxation, equal and uniform taxation prevails.** When a recent acquisition has occurred, the only avenue for a reduction below the sale price is this unequal appraisal protest. Although Texas is a nondisclosure state, appraisal districts watch for transactions and are skilled in ascertaining prices based on researching debt amounts. Using an unequal appraisal approach and withdrawing a market value protest, appraisal districts cannot use the sale price against an owner if the median value of comparable properties indicates a much lower value.

Note: Protest deadline has changed from May 31 to May 15 (or the 30th day after the date the notice of appraised value is delivered, whichever is later).

If you would like further information on this topic or other property tax related issues, contact Mark J. Cantrell at (214) 368-1295 or email mcantrell@cmi-tax.com. CMI represents 1,300+/- MF properties / 220,000+/- units across Texas and 20 states.

| JOB GROWTH ¹ | Area New Jobs | 1 Mo | 6 Mo | 12 Mo |
|------------------------------|---|---------------|---|----------------|
| | Estimate | End 2/28 | End 2/28 | End 2/28 |
| | Dallas/Plano/Irving | 7,700 | 38,800 | 78,400 |
| | Fort Worth/Arlington | 3,400 | 6,700 | 22,800 |
| | | 11,100 | 45,500 | 101,200 |
| INTEREST RATES ² | Rates | END 4/30 | Yr. Ago | |
| | 10 Year Treasury | | 2.95% | 2.33% |
| | 11th District COFI | | 0.82% | 0.59% |
| | 1 Mo. LIBOR | | 1.90% | 0.99% |
| SUPPLY/ DEMAND ³ | Units Added/ Absorbed | 6 Mo End 4/30 | 12 Mo End 4/30 | 24 Mo End 4/30 |
| | Dallas County | | | |
| | Added | 5,259 | 12,036 | 22,536 |
| | Absorbed | 4,417 | 7,999 | 14,483 |
| | Tarrant County | | | |
| | Added | 2,782 | 8,048 | 13,514 |
| | Absorbed | 2,924 | 4,207 | 7,186 |
| OCCUPANCY RATES ³ | Dallas County | 4/30/2018 | 6 Mo Ago | 12 Mo Ago |
| | 2010's | 75.7% | 75.3% | 74.5% |
| | 2000's | 93.2% | 93.9% | 94.3% |
| | 1990's | 93.4% | 93.8% | 94.4% |
| | 1980's | 94.3% | 94.3% | 95.3% |
| | 1970's or Older | 94.0% | 93.5% | 94.2% |
| | Tarrant County | | | |
| | 2010's | 70.3% | 68.6% | 73.7% |
| | 2000's | 95.0% | 94.9% | 95.9% |
| | 1990's | 94.7% | 95.0% | 95.4% |
| | 1980's | 95.1% | 94.5% | 95.5% |
| | 1970's or Older | 92.7% | 92.0% | 92.9% |
| RENTAL RATES ³ | Dallas County | 4/30/2018 | 6 Mo Ago | 12 Mo Ago |
| | 2010's | \$1,538 | \$1,530 | \$1,529 |
| | 2000's | \$1,375 | \$1,357 | \$1,354 |
| | 1990's | \$1,279 | \$1,293 | \$1,285 |
| | 1980's | \$946 | \$932 | \$922 |
| | 1970's or Older | \$900 | \$886 | \$871 |
| | Tarrant County | | | |
| | 2010's | \$1,363 | \$1,381 | \$1,408 |
| | 2000's | \$1,215 | \$1,202 | \$1,203 |
| | 1990's | \$1,188 | \$1,206 | \$1,185 |
| | 1980's | \$926 | \$909 | \$898 |
| | 1970's or Older | \$854 | \$837 | \$823 |
| HISTORICAL JOB GROWTH | Average year change of the combined DFW MSA's | | | |
| | 2017 | 91,700 | 1 Texas Workforce Commission | |
| | 2016 | 120,500 | 2 Banxquote.com | |
| | 2015 | 98,700 | 3 ALNsys.com - Rental rates are after concessions. | |
| | 2014 | 132,000 | Approximately 25% of 70's or older are all bills paid | |
| | 2013 | 95,600 | | |
| | 2012 | 79,200 | | |

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