



MULTIFAMILY REPORT

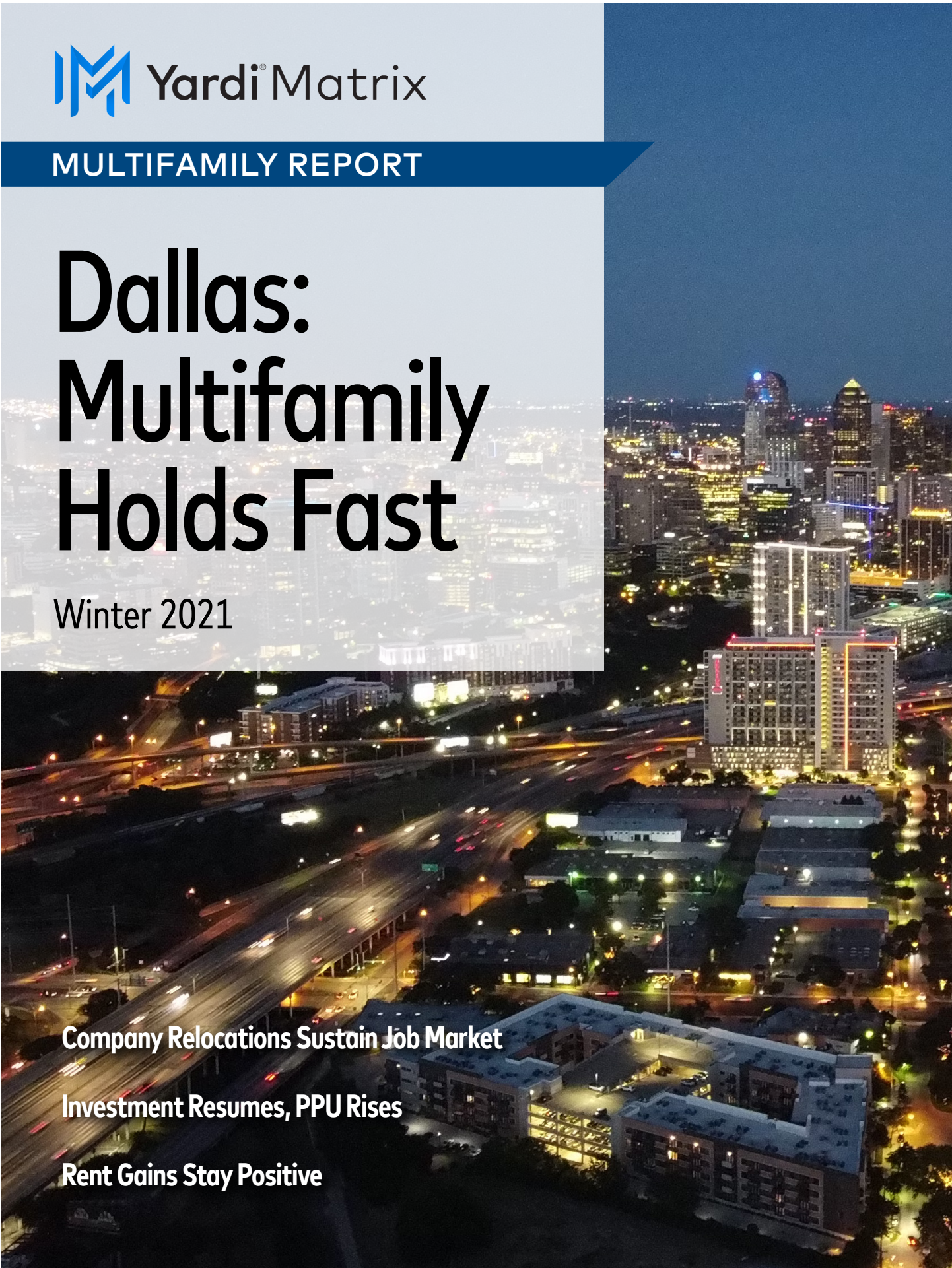
Dallas: Multifamily Holds Fast

Winter 2021

Company Relocations Sustain Job Market

Investment Resumes, PPU Rises

Rent Gains Stay Positive



DALLAS MULTIFAMILY



Diverse Economy Shields Multifamily Market

The health crisis accelerated trends that were already in place in the Metroplex. Texas' economy continues to benefit from its attractiveness to companies headquartered in gateway cities that are interested in relocation. This has supported the multifamily market in maintaining solid fundamentals. The average rent rose 0.2% on a trailing three-month basis through January, to an average of \$1,225. The average overall occupancy rate in stabilized properties inched down just 10 basis points to 93.8% year-over-year as of December.

The unemployment rate settled on an improving trend, clocking in at 7.2% in November, with preliminary data pointing to 6.3% in December. Employment marked a 3.3% contraction in the 12 months ending in November, with two sectors gaining jobs—professional and business services (12,900 jobs) and financial activities (14,700). Numerous announcements of company relocations and expansions will help speed up the recovery in DFW—relocations include CBRE, Charles Schwab, Incora and DZS, while Facebook, Uber and Sunrider have reported plans to expand their operations in the metro.

Developers delivered 4,246 units in January 2021 and had 48,919 underway. Meanwhile, more than \$358 million in multifamily assets traded, for a price per unit that rose to \$174,582.

Market Analysis | Winter 2021

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Recent Dallas Transactions

Aura Castle Hills



City: Lewisville, Texas
Buyer: BSR Trust
Purchase Price: \$52 MM
Price per Unit: \$187,681

Rosemont of Lancaster

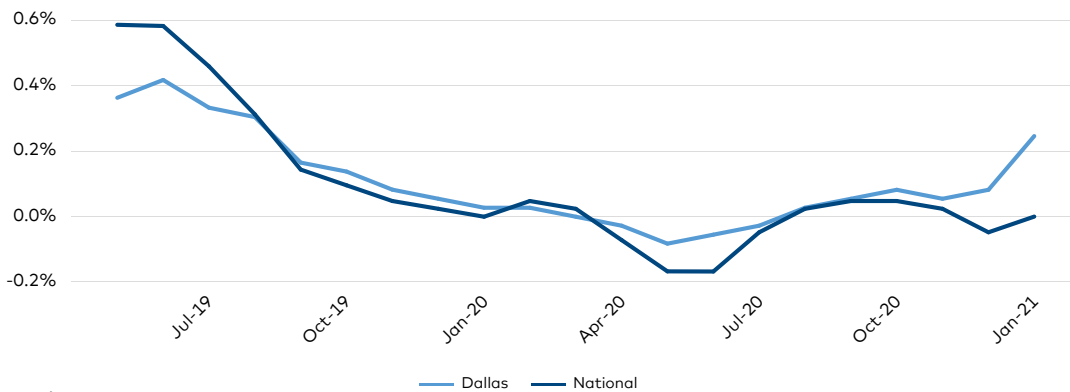


City: Lancaster, Texas
Buyer: Pinnacle
Purchase Price: \$30 MM
Price per Unit: \$106,838

RENT TRENDS

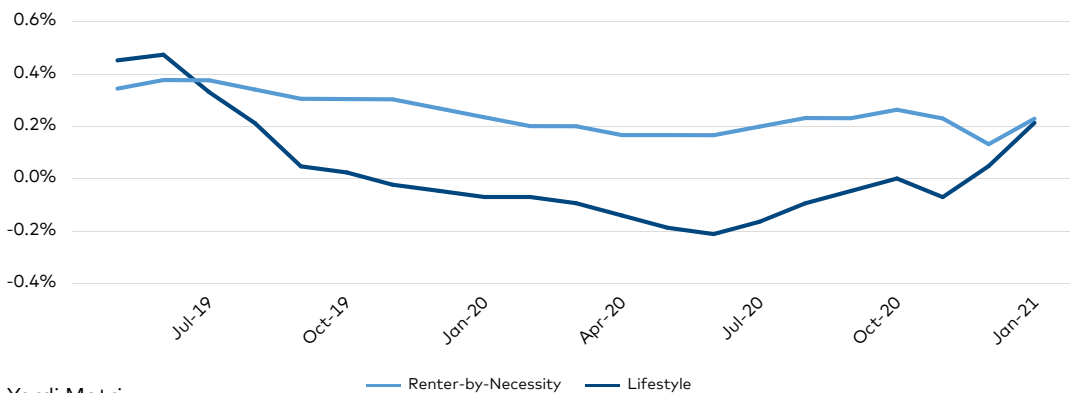
- ▶ Rents in Dallas-Fort Worth marked the fifth month of appreciation, with the average rent rising 0.2% on a trailing three-month basis through January to an average of \$1,225. Meanwhile the national figure remained flat at \$1,392. The metro's occupancy rate in stabilized properties slid only 10 basis points in the year ending in December, to 93.8%.
- ▶ Robust inventory expansion in recent years contributed to a softening of rent growth that started in mid-2019. Amid the pandemic, property owners and managers offered concessions last year to keep rents in check, with about 22.5% of upscale communities in the Metroplex presenting such allowances.
- ▶ Renter-by-Necessity and Lifestyle units saw rates rise 0.2% on a T3 basis to averages of \$1,026 and \$1,417, respectively.
- ▶ At the submarket level, rents in the Fort Worth subregion held up best, with prices contracting in only one area, while the figures in its most expensive submarket, Hemphill, rose 1.3% to \$1,506 year-over-year through January. In suburban Dallas, South Downtown—the most sought-after area—posted the worst performance in the sub-region, marking a 4.1% contraction, to \$1,796. In North Dallas' most expensive area, Uptown, rents also fell, dipping 1.6% to \$2,027.
- ▶ By year-end, we expect the average rent in DFW to rise 2.3%.

Dallas vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Dallas Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ DFW's unemployment rate stood at 7.2% in November and preliminary data for December (6.3%) pointed to sustained recovery. The metro continued to witness expansion, with job growth sliding to -3.3% year-over-year through November, outperforming the U.S. rate, which marked a 7.2% contraction.
- ▶ Two sectors added jobs in the 12 months ending in November: professional and business services (up 12,900 jobs) and financial activities (up 14,700). The largest sector—trade, transportation and utilities—shrank by 0.3% during the period. Mirroring the nation, the worst-hit sectors were leisure and hospitality (-16%) and education and health services (-7.0%). Economic recovery will likely remain bifurcated but will be boosted by companies that are less impacted by remote work.
- ▶ Dallas offers a good mix of qualities sought by companies—workforce, infrastructure and a business-friendly climate—which has propelled it into one of the preferred destinations for relocations and expansions of California-based companies. A flurry of recent announcements will likely help its economy recover faster: CBRE, Charles Schwab, Incora and DZS will relocate their headquarters here, while Facebook, Uber and Sunrider announced expansions of their existing local footprints.

Dallas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
55	Financial Activities	336	8.9%
60	Professional and Business Services	664	17.6%
15	Mining, Logging and Construction	234	6.2%
40	Trade, Transportation and Utilities	824	21.9%
50	Information	81	2.2%
80	Other Services	126	3.3%
90	Government	448	11.9%
30	Manufacturing	280	7.4%
65	Education and Health Services	438	11.6%
70	Leisure and Hospitality	335	8.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Although the demographic expansion is moderating, the metro gained 104,196 people in 2019, up 1.4% and well above the 0.3% national figure.
- ▶ Dallas-Fort Worth's population expanded by 18.5% between 2010 and 2019; the metro gained 1,191,879 residents.

Dallas vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Dallas Metro	7,262,951	7,407,944	7,539,711	7,643,907

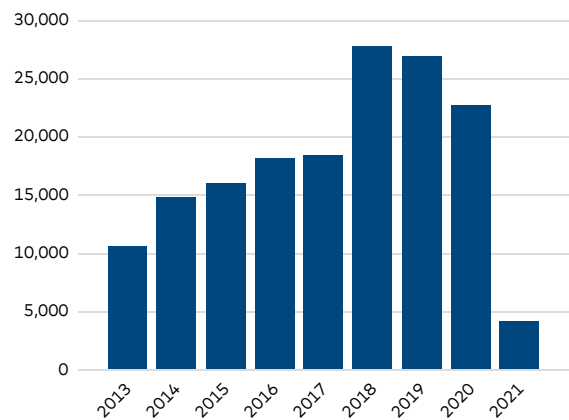
Sources: U.S. Census, Moody's Analytics

SUPPLY

- ▶ There were 48,919 multifamily units under construction in DFW as of January, as the metro continues to expand its rental housing stock. Expansion moderated slightly in 2020, mainly due to pandemic restrictions. Even so, 22,689 units, or 2.9% of total stock, came online, equal to 60 basis points above the national average. More than 100,000 units were in the planning and permitting stages in Dallas in January.
- ▶ Developers' focused on Lifestyle assets in 2020, with the bulk of deliveries geared toward the upscale segment. Affordable housing was scarce—only four fully affordable communities came online last year, totaling 557 units.
- ▶ North Dallas ranked first in deliveries with 9,910 new units, followed by suburban Dallas (8,285 units) and Fort Worth (4,818 units). The under-construction landscape looks slightly different—North Dallas continues to lead for number of units underway (26,426 units), but Fort Worth's 12,925-unit pipeline is larger than that of suburban Dallas, where 8,587 units were under construction. At the submarket level, North Frisco/West McKinney and North Carrollton/The Colony led the list with 5,536 and 3,329 units underway, respectively.

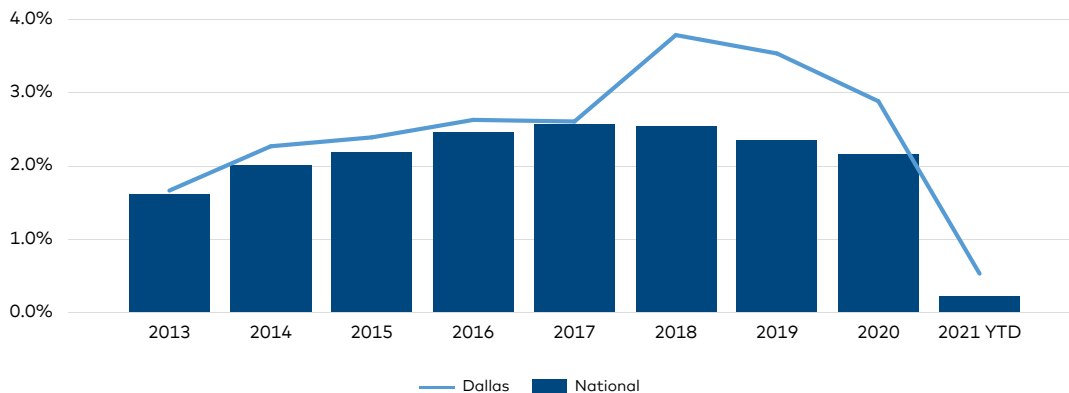
- ▶ The largest project under construction was Billingsley Co.'s Thousand Oaks at Austin Ranch, which will add 708 units to North Dallas' stock. The largest project delivered so far this year was also in North Dallas—the 483-unit One90 Firewheel, owned by Integrated Real Estate Group.

Dallas Completions (as of January 2021)



Source: Yardi Matrix

Dallas vs. National Completions as a Percentage of Total Stock (as of January 2021)

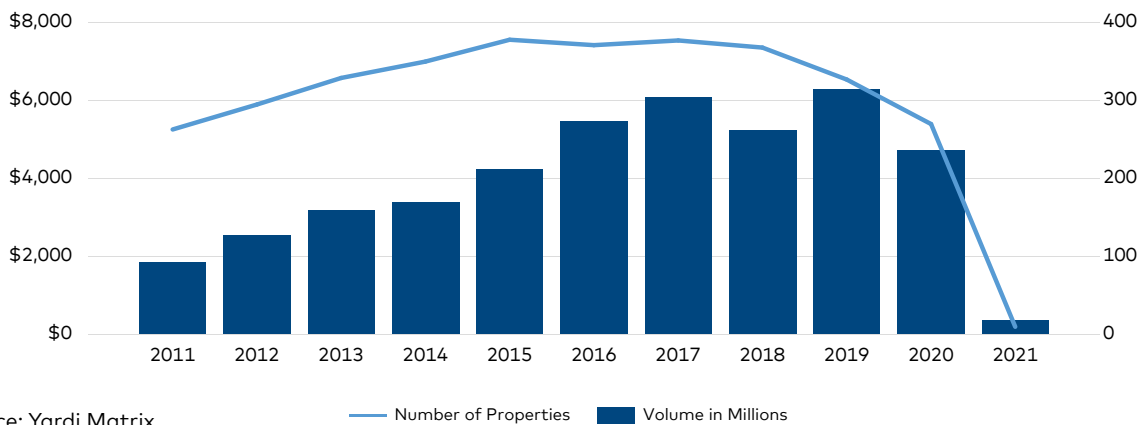


Source: Yardi Matrix

TRANSACTIONS

- Transaction activity softened in Dallas-Fort Worth in 2020, but the metro still saw some \$4.7 billion in multifamily sales. Property values still increased—although 60% of the assets that traded were working-class Renter-by-Necessity communities, the price per unit still rose 6.2% to \$128,591. That still trailed the U.S. average, which appreciated 2.2%, to \$157,900.
- In 2020, investor interest was evenly distributed between DFW's subregions by dollar volume:
 - urban Dallas, \$1.6 billion; Fort Worth, \$1.5 billion; and suburban Dallas, \$1.4 billion.
- January 2021 marked the start of a promising year in investment sales, with more than \$358 million in multifamily properties changing ownership. Eight of the 10 sales involved Lifestyle communities, leading the per-unit price to rise 35.8% from last year's average, to \$174,582. Meanwhile, the national price per unit rose 28.3% to \$202,554.

Dallas Sales Volume and Number of Properties Sold (as of January 2021)



Source: Yardi Matrix

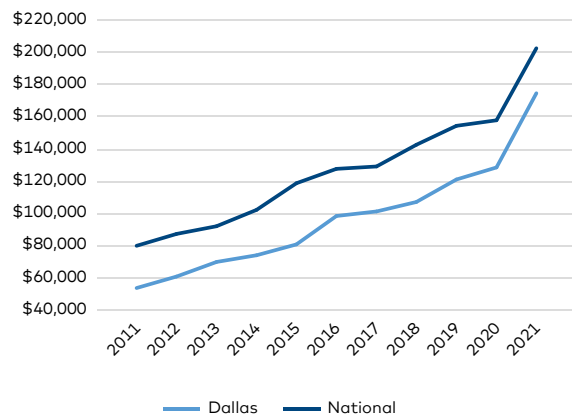
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
North Frisco/West McKinney	175
Espanita/Timberlake	171
North Oak Cliff/Irving	164
East Plano/Allen	160
Las Colinas	154
Kiest	123

Source: Yardi Matrix

¹ From February 2020 to January 2021

Dallas vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Markets for Transaction Activity in 2020

By Razvan Cimpean

The majority of investment activity has remained focused on established urban multifamily markets, but that too has been affected. The number and the dollar amount of deals changed, with most assets trading for less than \$100 million. As a result, sales volume dropped 32.1 percent in 2020 from the previous year, according to Yardi Matrix data. The 10 metros on this list accounted for almost half of last year's transaction volume, at \$39.1 billion.

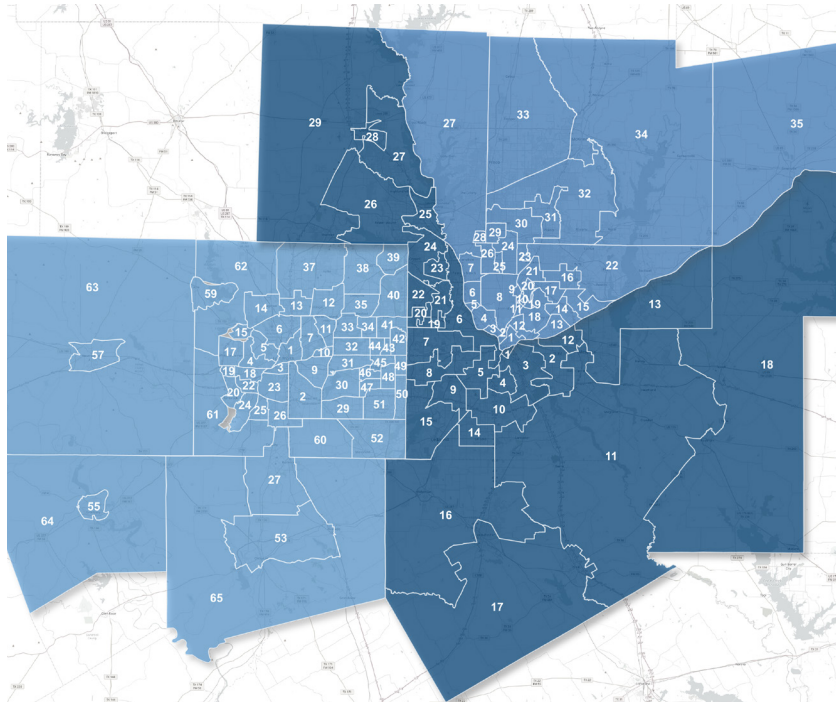
Rank	Market	Transaction Volume (MM)	Price Per Unit
1	Phoenix	\$5,879.7	\$187,251
2	Dallas	\$5,501.8	\$128,712
3	Washington, D.C.	\$5,468.2	\$235,076
4	Atlanta	\$5,253.5	\$142,429
5	Denver	\$4,435.8	\$247,160
6	Charlotte	\$2,959.3	\$158,235
7	Tampa	\$2,518.9	\$155,874
8	Austin	\$2,387.3	\$160,872
9	Miami	\$2,333.2	\$224,266
10	Houston	\$2,328.2	\$113,460

DALLAS

As a result of its consistent efforts to diversify its economy, Dallas has seen significant demographic growth and the expansion of several office-using employment sectors, which were more resilient in the face of economic uncertainty. That strategy paid off in 2020, as both financial activities and professional and business services jobs were up in the 12 months ending in November by at least 1.9 percent and as much as 4.4 percent. Transaction activity was also down last year, but by only 12.5 percent, to \$5.5 billion.



DALLAS SUBMARKETS



Area No.	Submarket
1	Cityscape/Downtown
2	Uptown
3	South Oak Lawn
4	North Oak Lawn
5	Bachman Lake/West Northwest Highway
6	Northwest Dallas
7	Carrollton/Farmers' Branch
8	Park Cities/Preston Hollow/West Oak Lawn
9	Telecom Corridor
10	West Vickery Park
11	Greenville Corridor/Ridgewood Park
12	Gastonwood/Junius Heights/Lake Park Estates
13	Forest Hills
14	Dixon Branch
15	South Garland
16	Central Garland
17	South Lake Highlands
18	Casa Linda Estates/Cloisters/Lakewood
19	East Vickery Park
20	North Vickery Park
21	North Lake Highlands
22	North Garland/Rowlett/Sachse
23	Richardson
24	Northwood Hills/Valley View
25	Prestonwood/Galleria
26	Addison
27	North Carrollton/The Colony
28	Rosemeade
29	North Preston Corridor
30	West Plano
31	East Plano/Allen
32	South Frisco/Parker
33	North Frisco/West McKinney
34	East McKinney/Wylie/Princeton
35	North Hunt County/Greenville/Commerce

Area No.	Submarket
1	Downtown
2	Fairmount/Morningside/Worth Heights
3	Medical District
4	Westover Hills
5	Crestwood/River Oaks/Sansom Park
6	Tanglewood/Westcliff
7	Highland Hills/Southland Terrace
9	Stop Six
10	Meadowbrook
11	Richland Hills
12	Watauga
13	Blue Mound
14	Saginaw
15	Lake Worth
17	White Settlement
18	Ridgelea
19	Western Hills
20	Benbrook
22	Colonial/TCU
23	Hemphill
24	Wedgewood
25	Edgecliff Village
26	Sycamore
27	Burleson/Joshua
29	Kennedale
30	Dalworthington Gardens/Pantego
31	Handley
32	Randol Mill
33	Hurst

Area No.	Submarket
34	Bedford
35	Colleyville
37	Keller/Westlake
38	Southlake
39	Grapevine
40	Euless
41	Tarrant
42	Riverside
43	Lamar
44	Green Oaks
45	North Arlington
46	Downtown Arlington
47	South Davis/Turtlerock
48	East Arlington
49	Great Southwest
50	Florence Hill
51	Fitzgerald
52	Mansfield
53	Cleburne/Alvarado
55	Granbury
57	Weatherford
59	Azle
60	Rendon
61	Southwest Tarrant County
62	Northwest Tarrant County
63	Outlying Parker County
64	Outlying Hood County
65	Outlying Johnson County

Area No.	Submarket
1	South Downtown
2	Pleasant Grove
3	Fair Park
4	South Oak Cliff
5	North Oak Cliff/Irving
6	Lake Village/South Irving/West Dallas
7	North Grand Praire
8	Kiest
9	Duncanville/South Grand Praire
10	Lancaster/Red Bird
11	Southeast Dallas County
12	Northwest Mesquite
13	Northeast Mesquite
14	DeSoto
15	North Cedar Hill
16	Midlothian/South Cedar Hill
17	Ennis/Waxahachie
18	Kaufman/Terrell
19	Barton Estates/Garden Oaks/Hospital District
20	Irving
21	Las Colinas
22	Espanita/Timberlake
23	Oaks
24	Valley Ranch
25	Coppell/South Lewisville
26	Central Lewisville
27	North Lewisville/Trophy Club
28	East Denton
29	Downtown Denton

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

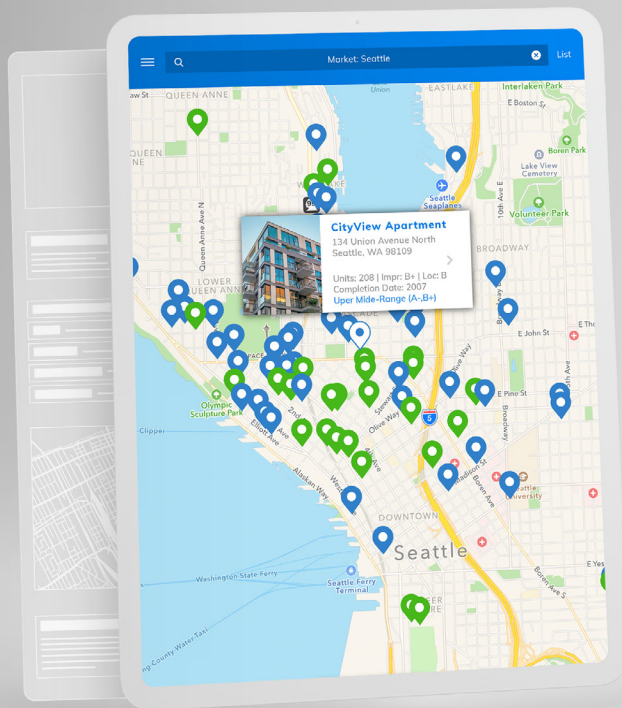
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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