



MULTIFAMILY REPORT

Dallas: Magnate Magnet

March 2022

Rent Growth Remains in the Double Digits

Metro Leads Nation for Completions

Sales Volume Marks New High

DALLAS MULTIFAMILY



Fundamentals Drive Industry Optimism

Dallas-Fort Worth saw solid performance in 2021, sustained by strong in-migration and company expansions and relocations. The metro led the country for deliveries, but at a softened pace compared to previous years, which helped keep upward pressure on rents even during the seasonal slowdown. Rates were up 0.5% on a trailing three-month (T3) basis through January, to \$1,434. The occupancy rate in stabilized properties reflects healthy demand, up 1.8% last year, to 95.6%.

DFW's unemployment rate dropped to 3.6% in December, leading the state (5.0%) and the nation (3.9%), according to preliminary data from the Bureau of Labor Statistics. Employment expanded 5.5% in the 12 months ending in November, above the 4.6% U.S. rate but trailing nearby Austin (7.4%). Job expansion was led by professional and business services followed by trade, transportation and utilities, which combined accounted for more than half of the growth. The series of company relocations continued in 2021, with AECOM, First Foundation Inc. and Lion Real Estate Group among the latest to set their bases in the metro.

Developers delivered 24,635 units in 2021 and had 43,437 units under construction as of January 2022. Investors traded a record \$13.9 billion in multifamily assets in 2021, more than double the previous peak, and the per-unit price rose 22.4% year-over-year.

Market Analysis | March 2022

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Recent Dallas Transactions

The Heights at Park Lane



City: Dallas
Buyer: Sares-Regis Group
Purchase Price: \$120 MM
Price per Unit: \$369,079

Elan Crockett Row



City: Fort Worth, Texas
Buyer: Barvin Group
Purchase Price: \$102 MM
Price per Unit: \$267,105

Tides at Lewisville



City: Lewisville, Texas
Buyer: Tides Equities
Purchase Price: \$93 MM
Price per Unit: \$229,092

Lenox Crown

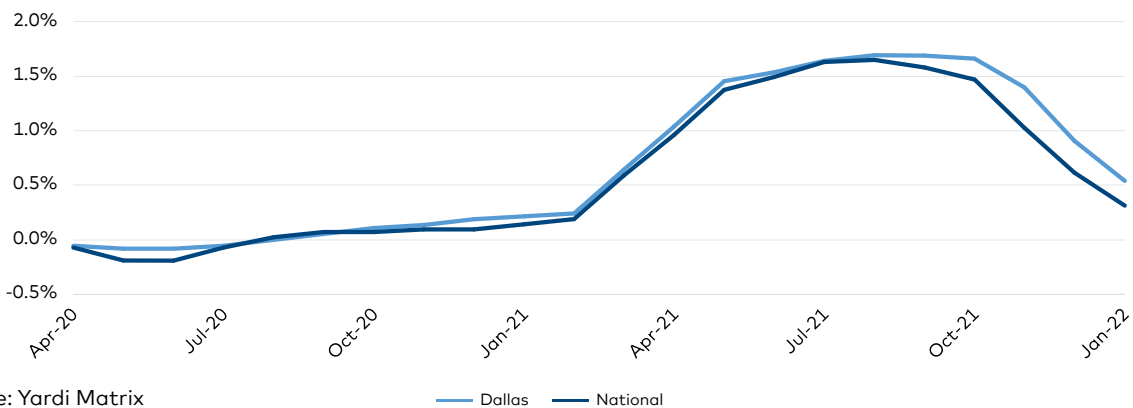


City: Garland, Texas
Buyer: Praedium Group
Purchase Price: \$91 MM
Price per Unit: \$209,042

RENT TRENDS

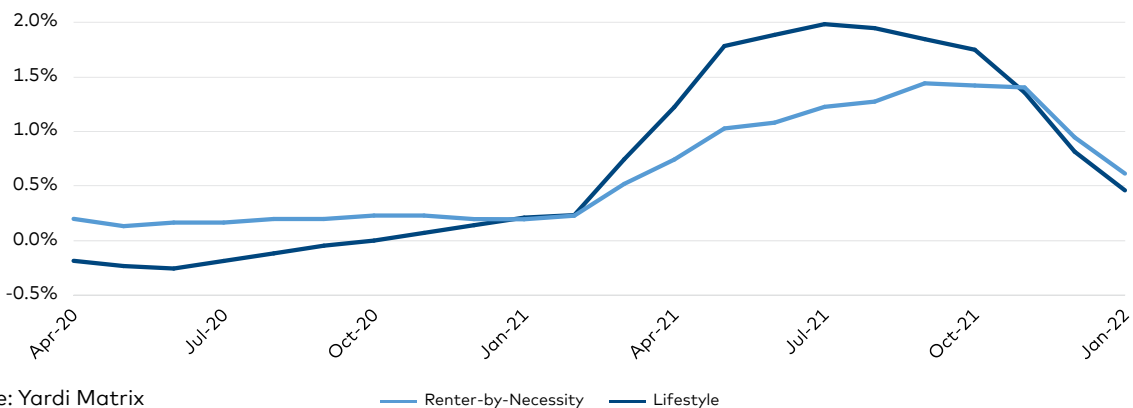
- ▶ The average DFW rate rose 0.5% on a trailing three-month (T3) basis through January, outperforming the U.S. figure by 20 basis points. Moreover, stock expansion has gradually softened since the 2019 peak, which contributed to keeping rent growth on a T3 basis above the 1.5% mark for six straight months in 2021. Even so, the Metroplex's prices are relatively affordable, as the \$1,434 January rate was still below the \$1,604 U.S. average. On a year-over-year basis, rents in the metro posted a 15.6% increase, above the already very rare 13.9% U.S. rate.
- ▶ Rent growth was slightly higher for working-class Renter-by-Necessity units—up 0.6% on a T3 basis through January to \$1,155—while Lifestyle rates were up 0.5%, to \$1,680.
- ▶ Strong rental demand was also mirrored by the occupancy rate in stabilized properties, which rose 180 basis points last year, to 95.6%. Lifestyle units were especially in demand, with occupancy increasing by 200 basis points to 95.7%. For RBN apartments, the rate rose to 95.4% following a 150-basis-point hike.
- ▶ Of the 118 submarkets tracked by Yardi Matrix, 86 posted double-digit increases on a year-over-year basis through January. Uptown remained DFW's most expensive area, with rents up 14.7% to \$2,319. On the Fort Worth side, Grapevine led the pack, with the average up 19.5% to \$1,722.

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

- ▶ Dallas-Fort Worth's unemployment rate dropped to 3.6% in December, a 290-basis-point improvement since January 2021. The local economy performed better than both the state (5.0% in December from 6.8% in January) and the U.S. (at 3.9% in December from 6.4% in January), according to preliminary data from the BLS.
- ▶ DFW had a mixed recovery, and expansion slowed slightly in the fall. Still, all sectors added jobs and the employment market—up 5.5%, or 210,200 jobs in the 12 months ending in November—continued to outperform the U.S. (4.6%), but trailed nearby Austin (7.4%). Professional and business services (82,100 jobs) and trade, transportation and utilities (42,400 jobs) remained leaders in employment growth.
- ▶ The economy's rebound continued to be fueled by a steady stream of corporate relocations. The list of moves last year included AECOM, First Foundation Inc. and Lion Real Estate Group. The Metroplex houses headquarters for 24 Fortune 500 companies.
- ▶ The expanding economy also has, however, its share of headwinds, including rising business costs, supply chain disruptions, labor shortages and inflation, as well as economic dynamics at a national and global level.

Dallas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	720	18.3%
40	Trade, Transportation and Utilities	870	22.1%
70	Leisure and Hospitality	376	9.5%
65	Education and Health Services	465	11.8%
80	Other Services	126	3.2%
30	Manufacturing	287	7.3%
55	Financial Activities	334	8.5%
90	Government	461	11.7%
50	Information	80	2.0%
15	Mining, Logging and Construction	222	5.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Dallas-Fort Worth gained 122,897 residents in 2020, for a 1.6% demographic expansion, four times the 0.4% U.S. average and above 2019's 1.4% rate.
- ▶ The Metroplex's population rose 20.4% in the past decade, well above the 6.5% U.S. rate during the period.

Dallas vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Metro Dallas	7,407,944	7,539,711	7,643,907	7,766,804

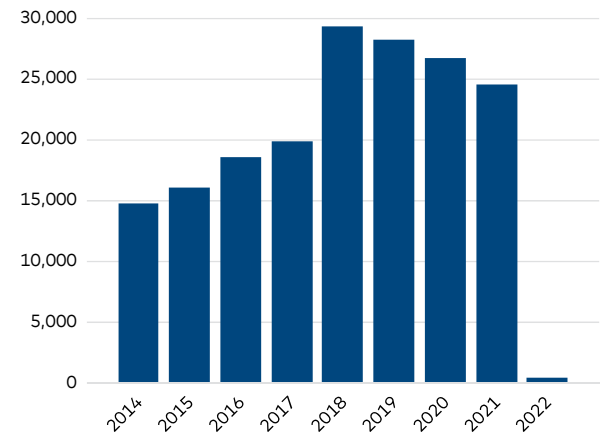
Sources: U.S. Census, Moody's Analytics

SUPPLY

- ▶ Once again, DFW set the standard for stock expansion, with developers bringing online 24,635 units in 2021, the highest among all metros in the country. More than half of these were in North Dallas (12,973 units), followed by Fort Worth (7,640 units) and suburban Dallas (4,455 units). Interestingly, the metro has been on a slow but steady downward trend since 2019, when 28,316 units came online.
- ▶ The metro's exceptional demand for rentals has kept developers focused on the Lifestyle segment, which expanded by 24,260 units in 2021. Meanwhile, the Renter-by-Necessity segment grew by just 808 units, 415 of which were in fully affordable communities.
- ▶ Developers had 43,437 units under construction as of January 2022, and another 138,000 in the planning and permitting stages. Similar to recent completions, North Dallas led in pipeline volume (20,043 units underway—17,900 Lifestyle and 1,844 RBN apartments, 1,147 of which are in fully affordable communities), followed by Fort Worth with 13,428 units under construction—11,448 Lifestyle units and 1,980 RBN apartments, 1,697 of which are within fully affordable properties. Suburban Dallas had 9,265 units underway, all in the Lifestyle segment.

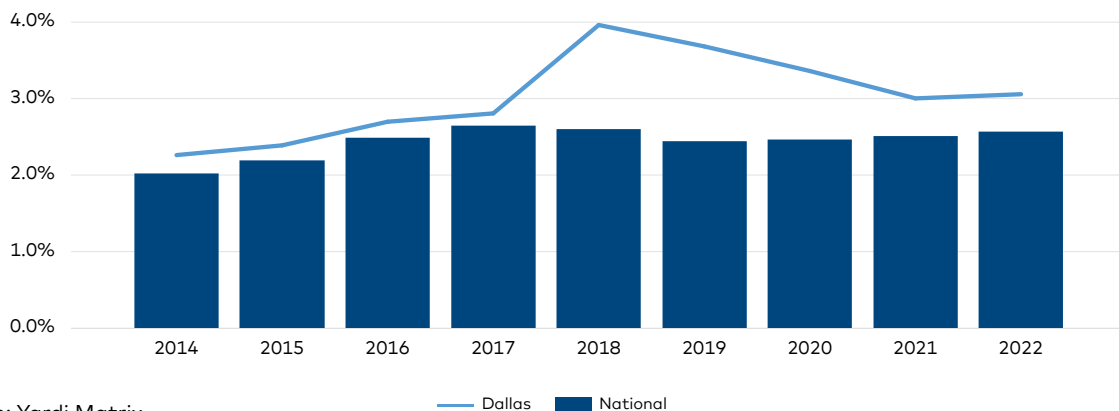
- ▶ As of January 2022, development activity was highest in the North Frisco/West McKinney submarket (5,189 units under construction) followed by North Carrollton/The Colony (2,839 units) and Lake Village/South Irving/West Dallas (2,209 units).

Dallas Completions (as of January 2022)



Source: Yardi Matrix

Dallas vs. National Completions as a Percentage of Total Stock (as of January 2022)

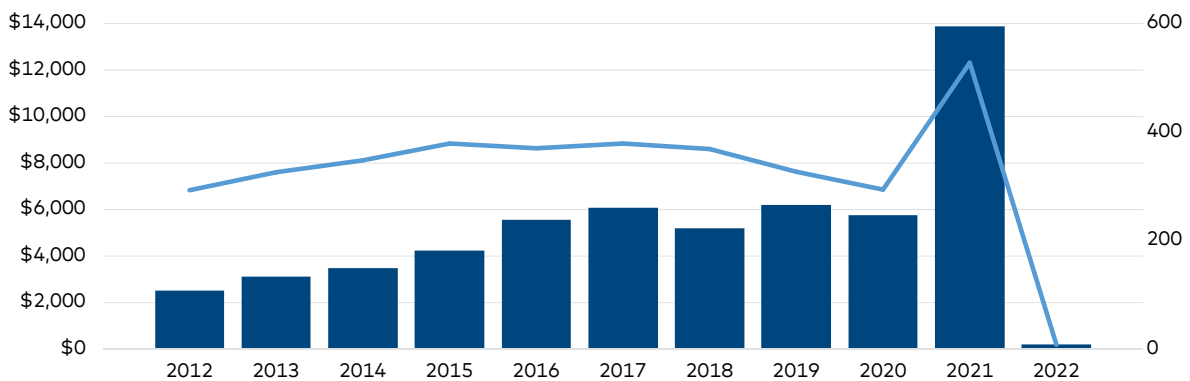


Source: Yardi Matrix

TRANSACTIONS

- ▶ Transaction activity reached a new all-time high in 2021, with investors trading a hefty \$13.9 billion in multifamily assets across the Metroplex, more than double the previous peak recorded in 2019 (\$6.2 billion). In January 2022, the sales volume was close to \$200 million.
- ▶ Company relocations from high-cost states such as California have amplified investor interest in DFW, and even though the sales composition was fairly equal between quality segments, the metro's average price per unit rose 22.4% year-over-year. However, DFW is still fairly affordable, as the new per-unit price of \$161,388 remained below the \$191,341 U.S. average.
- ▶ Transaction activity was intense across the metro, with sales recorded in 99 of the 118 submarkets tracked by Yardi Matrix. By dollar value, investor interest was highest in North Dallas (\$6.4 billion), followed by Fort Worth (\$4.3 billion) and suburban Dallas (\$3.2 billion).

Dallas Sales Volume and Number of Properties Sold (as of January 2022)



Source: Yardi Matrix

— Number of Properties ■ Volume in Millions

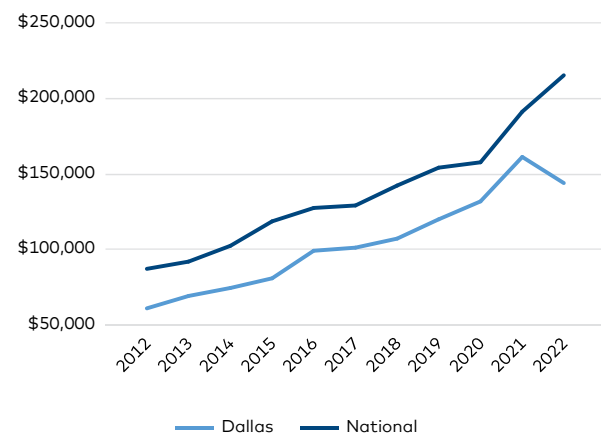
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
North Garland/Rowlett/Sachse	391
South Frisco/Parker	351
North Preston Corridor	340
Green Oaks	317
Downtown	317
Wedgewood	304
North Frisco/West McKinney	297

Source: Yardi Matrix

¹ From February 2021 to January 2022

Dallas vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Multifamily Markets by Units Delivered in 2021

By Anca Gagiuc

Multifamily development had an exceptional year in 2021, with more than 350,000 units delivered nationally. The volume was boosted in part by the projects initially slated to come online in 2020 and delayed by the onset of the pandemic, but mainly by mobility and job recovery-induced demand. Lingering concerns about overbuilding have largely dissipated thanks to this significant increase in demand, as even though deliveries have been consistent over the past few years, as the average occupancy rate was above 96 percent.

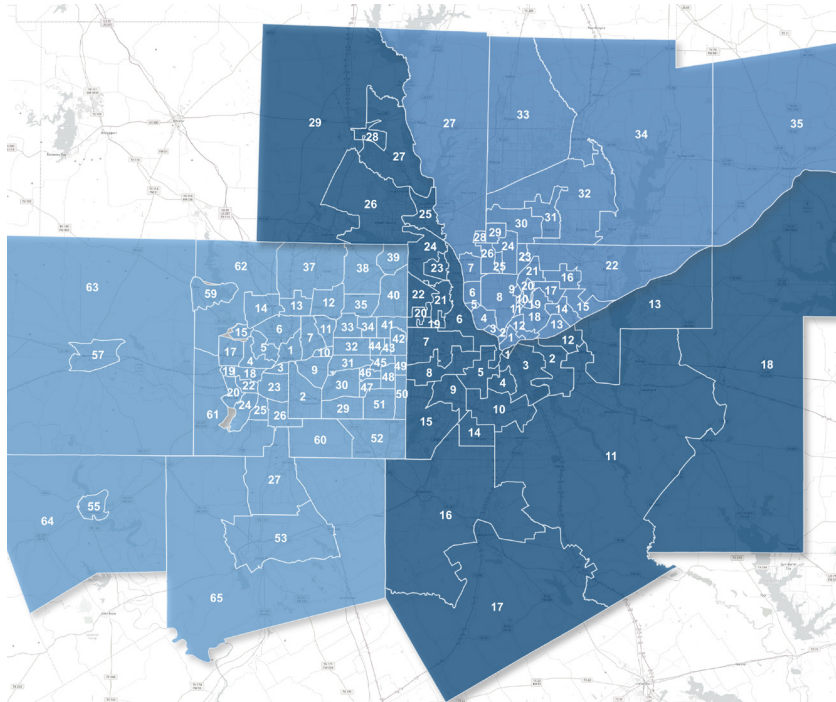
Rank	Metro	Units Delivered 2021	Percentage of Stock 2021	Units Delivered 2020	Percentage of Stock 2020
10	Phoenix	10,058	2.9	9,143	2.7
9	Charlotte	10,692	5.5	6,151	3.3
8	Los Angeles	10,883	2.4	11,369	2.6
7	Orlando	12,948	5.0	6,864	2.8
6	Washington DC	13,148	2.3	12,822	2.3
5	Atlanta	13,653	2.9	10,540	2.3
4	Austin	14,367	5.3	13,363	5.2
3	Miami Metro	16,221	4.7	11,132	3.4
2	Houston	19,878	2.9	14,403	2.2
1	Dallas	24,635	3.0	26,734	3.4

Dallas

Dallas-Fort Worth set the standard among all major markets in supply additions, but the metro's multifamily stock expansion is on a slow but steady downward trend. From the exceptional volume of 2019 when developers brought online 28,316 units (3.7 percent of total stock), the number of deliveries dwindled from one year to the next—from 26,734 units in 2020 (3.4 percent of total stock) to 24,635 units in 2021 (3.0 percent of total stock).



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/Turtle Rock
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 Prairie
8	Kiest
9	Duncanville/South Grand Prairie
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

OTHER PROPERTY SECTORS

Office

- ▶ Dallas- Fort Worth had more than [5.1 million square feet of office space](#) under construction as of December, according to CommercialEdge, the equivalent of 1.9% of total stock. Last year, more than 4.6 million square feet broke ground in the Metroplex, with the Platinum Corridor North (1 million square feet underway) and Las Colinas (880,000 square feet) submarkets leading in construction activity. Notable projects underway include the 420,000-square-foot [Granite Park Six in Plano](#), designed by BOKA Powell to achieve LEED and Fitwell certifications and the next phase of redevelopment of [HALL Park](#), a 9.5 million-square-foot, mixed-use development in Frisco.
- ▶ DFW's office sales volume totaled \$2.6 billion in 2021, at an average price of \$245 per square foot, 19.6% below the \$293 national average. Overall, 28.3 million square feet across 181 properties traded in the metro in 2021, more than double 2020's square footage, when some 13.9 million square feet changed hands. In 2020, sales totaled \$1.8 billion, at a slightly higher price of \$247 per square foot. Notable transactions in the metro included Crescent Real Estate's [re-acquisition of The Crescent](#) from JP Morgan Asset Management and The Moinian Group's sale of the 1.7 million-square-foot Renaissance Tower to Square Mile Capital Management.
- ▶ The vacancy rate stood at 17.6% in December, a 100-basis-point year-over-year decrease, and 90 basis points lower than in January. The average asking rent posted a 5.4% year-over-year jump as of December, to \$30.02 per square foot.

Industrial

- ▶ Dallas-Fort Worth's [industrial market had an exceptions 2021](#): In December, the metro had 37.8 million square feet of industrial space under construction, representing [4.6% of total stock](#), according to CommercialEdge data. The metro is seeing a surge of cold storage development, including the 403,000-square-foot DFW Freezer Warehouse in Burleson and the 375,000-square-foot CCS Denton, both under construction. In addition, Kroger has a 500,000-square-foot automated warehouse underway, set to fulfill online grocery orders. Other notable projects under construction include two of [Transwestern Development Co.'s distribution centers](#) in Fort Worth and McKinney, which also mark the company's debut in Dallas.
- ▶ The average industrial rent rose 3.6% last year, to \$4.79, and the vacancy rate stood at 4.9%. The industrial sector's transaction volume totaled \$871 million last year, for an average price of \$87 per square foot. Last summer, [Velocis kicked off its entry](#) into the industrial sector with the acquisition of two development sites in the Dallas area.

Self Storage

- ▶ Remote working has fueled migration and increased the need for self storage in Dallas. According to [Yardi Matrix data](#), the average rent for 10x10 climate- and non-climate-controlled units rose by 7.0% last year. The \$102 (non cc) rate places DFW behind Austin (\$110) and San Antonio (\$108), but ahead of Houston (\$94). Nationally, the rates for 10x10 non CC increased 6.7% in 2021, while rates for 10x10 CC units increased 7.4%.
- ▶ As of December 2021, self storage projects under construction accounted to 7.6% of total stock, 30 basis points above the November rate.

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.

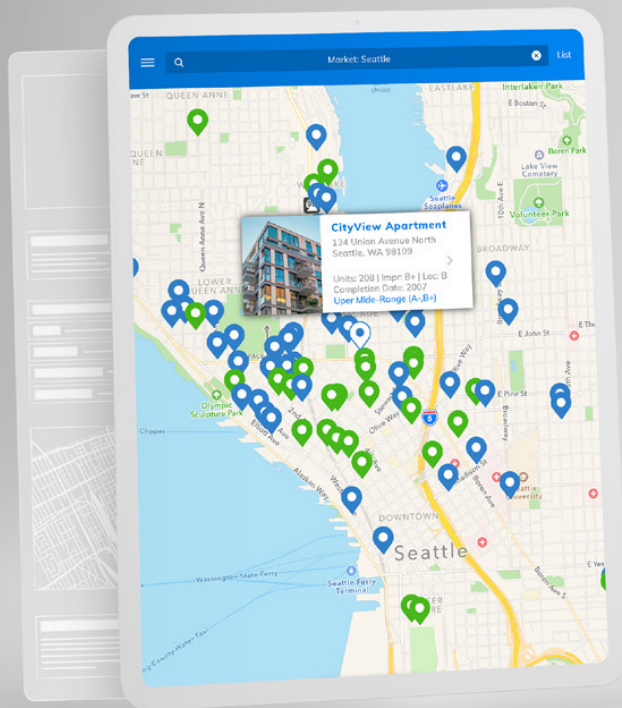
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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