

DFW: Investor Haven

July 2022



Transactions Near \$5B Year-to-Date

Rent Growth Outperforms US Figure

Construction, Deliveries Remain Elevated

DALLAS MULTIFAMILY



Fundamentals Keep Strong Streak

Dallas-Fort Worth's robust performance of 2021 continued in 2022, bolstered by some of the same factors: in-migration and company expansions and relocations. This has driven expansion in the rental sector, where the average rent rose 1.2% on a trailing three-month basis through May, to \$1,525. The occupancy rate was up 90 basis points in the 12 months ending in April.

Unemployment in DFW improved to pre-pandemic levels, dropping to 3.2% in April, leading the nation (3.6%) and the state (4.3%), according to preliminary data from the Bureau of Labor Statistics. Employment expanded 6.7%, or 267,800 jobs, in the 12 months ending in March, 200 basis points above the U.S. rate, but still behind Austin (8.9%). All sectors added positions, with gains led by professional and business services (64,800 jobs) and trade, transportation and utilities (58,300 jobs). Growth in the latter is mainly driven by the industrial sector, which posted the largest under-construction pipeline in the country—52.7 million square feet as of May.

Developers delivered 6,697 units in 2022 through May and had another 47,011 apartments under construction, the country's largest pipeline. Meanwhile, transactions amounted to \$4.8 billion, surpassing the volume registered during the same period last year. The per-unit price rose 20.6% year-over-year to \$183,563, keeping Dallas-Fort Worth behind the national average, which reached \$213,724.

Market Analysis | July 2022

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Anca Gagiuc

Senior Associate Editor

Recent Dallas Transactions

Centreport Lake



City: Fort Worth, Texas
Buyer: Marlin Spring
Purchase Price: \$125 MM
Price per Unit: \$276,457

Harmony



City: Rowlett, Texas
Buyer: Weidner Investment
Services
Purchase Price: \$112 MM
Price per Unit: \$174,372

Seville Uptown



City: Dallas
Buyer: Crow Holdings
Purchase Price: \$94 MM
Price per Unit: \$260,051

The Cooper

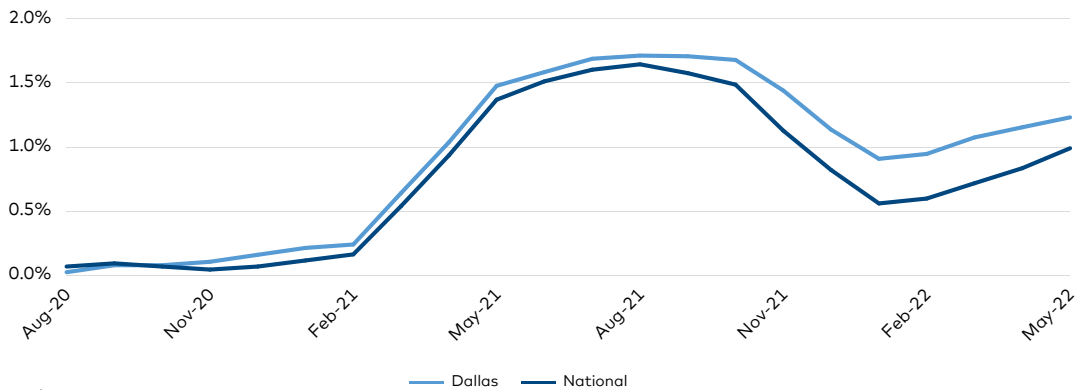


City: Fort Worth, Texas
Buyer: Regional Management
Purchase Price: \$93 MM
Price per Unit: \$237,334

RENT TRENDS

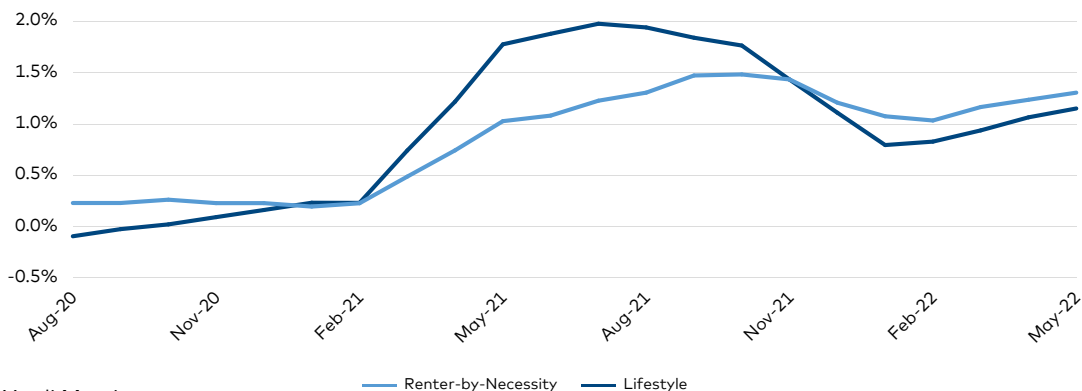
- ▶ Following a mild softening, rent growth picked up and has been on an upward trend since March, clocking in at 1.2% on a trailing three-month (T3) basis through May, 20 basis points above the U.S. rate. Despite the sustained gains, the \$1,525 average rate in DFW continues to lag the \$1,680 national average. On a year-over-year basis, rents rose 17.2%, above the 13.9% U.S. figure.
- ▶ Growth was balanced between segments, with working-class Renter-by-Necessity units leading Lifestyle rents by just 10 basis points: RBN rates rose 1.3% on a T3 basis through May, to \$1,232, while Lifestyle rents were up 1.2%, to \$1,779. Occupancy helps illustrate a clearer picture: The RBN rate rose 110 basis points in the 12 months ending in April, to 95.5%, while Lifestyle occupancy rose 70 basis points, to 95.4%. Overall, occupancy rose 90 basis points, to 95.5%.
- ▶ Of the 117 submarkets tracked by Yardi Matrix, just six had average year-over-year rent development below 10%, while 21 surpassed the 20% mark. Three submarkets registered averages above the \$2,000 threshold, from just one in May 2021: Uptown (\$2,408), Park Cities/Preston Hollow (\$2,095) and South Downtown (\$2,058).
- ▶ The single-family-rental sector continued to grow, with the average rent up 11.9% year-over-year through May. Although occupancy slid 1.5% in the 12 months ending in April, current fundamentals are favoring both the multifamily and SFR markets, as many potential homebuyers are being priced out due to higher prices and interest rates, as well as tightening mortgage conditions.

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

- ▶ The unemployment rate in Dallas-Fort Worth improved by 90 basis points since the start of the year, reaching pre-pandemic values in April (3.2%), leading the U.S. (3.6%), the state (4.3%) and Houston (4.1%), but trailing Austin (2.5%).
- ▶ DFW employment expanded by 6.7%, or 267,800 jobs, in the 12 months ending in March, 200 basis points above the U.S. rate. The metro trailed Las Vegas, Austin, Orlando and Los Angeles. All sectors gained jobs, with professional and business services (64,800 jobs) in the lead, which comes as no surprise since the metro has been a magnet for corporate relocations and expansions. The list includes AECOM, First Foundation Inc. and Lion Real Estate Group. The diverse characteristics

of the Metroplex's economy—lower tax rates, business-friendly regulations, relatively affordable housing costs and a strong talent pool, as well as renewable energy incentives—attracts businesses and residents alike. In 2021, 21 companies moved their headquarters to DFW, according to the Dallas Regional Chamber. Although relocations seem to have slowed in the first months of 2022, the market's prospects haven't changed much.

- ▶ Trade, transportation and utilities added 58,300 jobs, going hand in hand with the fast development of the industrial sector. The Metroplex boasts the largest industrial pipeline, with 52.7 million square feet under construction as of May.

Dallas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	722	18.0%
40	Trade, Transportation and Utilities	877	21.8%
70	Leisure and Hospitality	392	9.8%
65	Education and Health Services	484	12.0%
55	Financial Activities	361	9.0%
80	Other Services	127	3.2%
30	Manufacturing	293	7.3%
15	Mining, Logging and Construction	226	5.6%
50	Information	86	2.1%
90	Government	453	11.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Dallas-Fort Worth gained 99,814 residents in 2021, up 1.3%. That was well above the 0.1% U.S. rate, but slightly below 2020's 1.6% figure.
- ▶ During the 10 years ending in 2021, DFW's population expanded by 16.8%, three times the 5.7% U.S. rate.

Dallas vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Metro Dallas	7,526,852	7,645,275	7,733,492	7,833,306

Source: U.S. Census

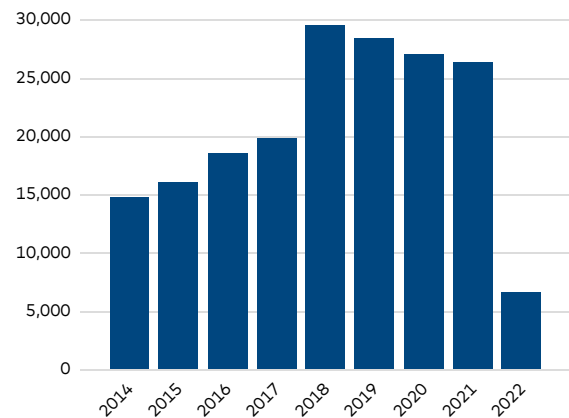
SUPPLY

- ▶ Multifamily development remained robust in the Metroplex, with the pipeline consisting of 47,011 units underway as of May, the most across the entire U.S. Of projects underway, 8,013 units broke ground during the first five months of the year, below the 9,016 units that started construction during the same period last year, but nearly double the 4,101 units in 2020.
- ▶ In 2022 through May, developers delivered 6,697 units, the equivalent of 0.8% of existing stock and 10 basis points above the U.S. rate. The number is below the 10,666 units delivered during the same period last year. Although DFW leads all metros in delivered units as well, the volume has been slowly decelerating since the peak recorded in 2018, when 29,585 units came online. North Dallas accounted for the bulk of deliveries this year (5,037 units), followed by suburban areas (1,520 units), while Fort Worth lagged with just one 140-unit Lifestyle community. All projects delivered through May are upscale Lifestyle communities.
- ▶ Multifamily development was spotty across the map, present in just 67 of the 117 submarkets tracked by Yardi Matrix. North Frisco/West McKinney led with 4,455 units underway, followed by North Carrollton/The Colony (3,653

units) and Lake Village/South Irving/West Dallas (2,699 units). In Fort Worth, Mansfield had the highest under-construction pipeline (2,090 units).

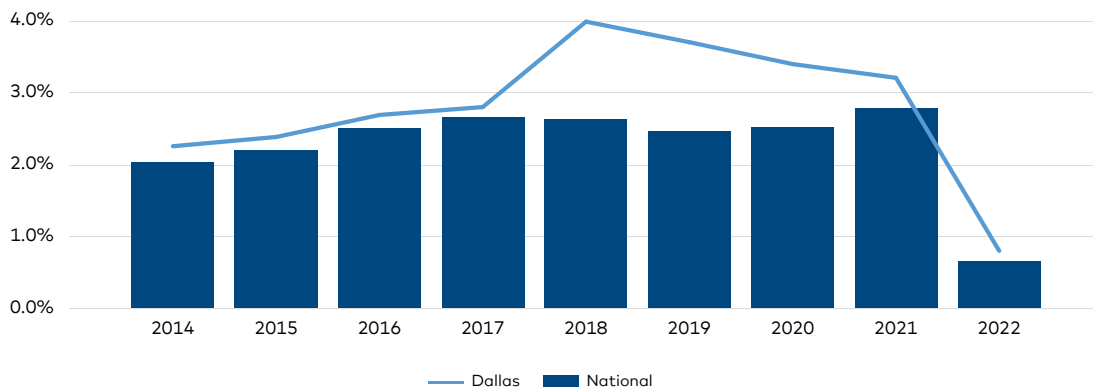
- ▶ The largest project delivered in 2022 through May was the 547-unit Cole Park. Westwood Residential's asset was built with aid from a \$56.6 million construction loan issued by CrossFirst Bank.

Dallas Completions (as of May 2022)



Source: Yardi Matrix

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

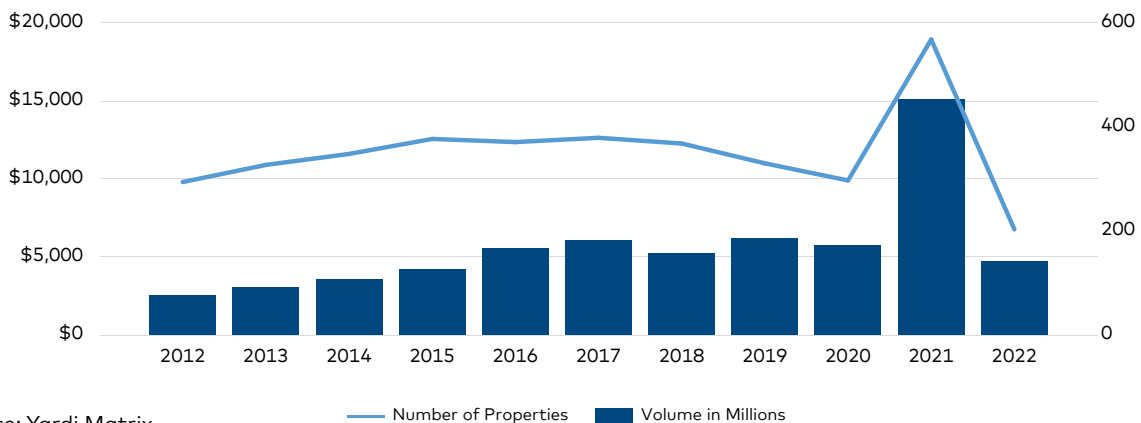


Source: Yardi Matrix

TRANSACTIONS

- ▶ Investor appetite remained robust in the Metroplex, with the transaction volume rising to \$4.8 billion during the first five months of the year, even surpassing the total registered during the same period last year (\$4.2 billion). Overall, 2021 marked an all-time high for multifamily deals, with the total reaching \$15.1 billion.
- ▶ Nearly two-thirds of the assets that traded this year through May were working-class Renter-by-Necessity properties. Even so, the price per unit rose 20.6% year-over-year through May, to \$183,563, but remained below the \$213,724 U.S. figure. Since 2019, the per-unit average in DFW appreciated by a solid 52.7%.
- ▶ The recent Federal Reserve interest rate hikes, including the 75-basis-point increase in June, will likely soften overall investor appetite. With the sector being influenced by debt cost, some deals may be renegotiated, delayed or even axed in response to the latest market conditions.

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



Source: Yardi Matrix

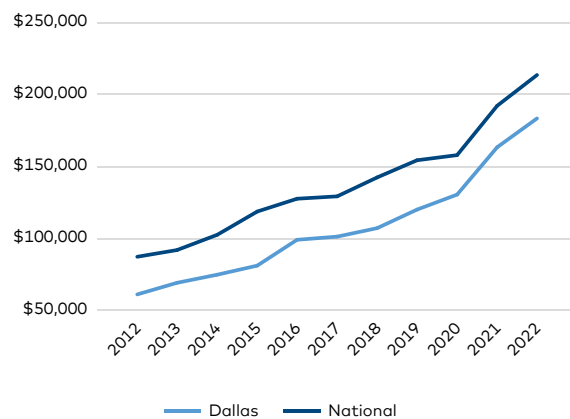
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
North Garland/Rowlett/Sachse	708
North Carrollton/The Colony	530
Uptown	420
North Frisco/West McKinney	415
South Frisco/Parker	410
Addison	402
Tarrant	397

Source: Yardi Matrix

¹ From June 2021 to May 2022

Dallas vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Multifamily Markets by Sales Volume in 2021

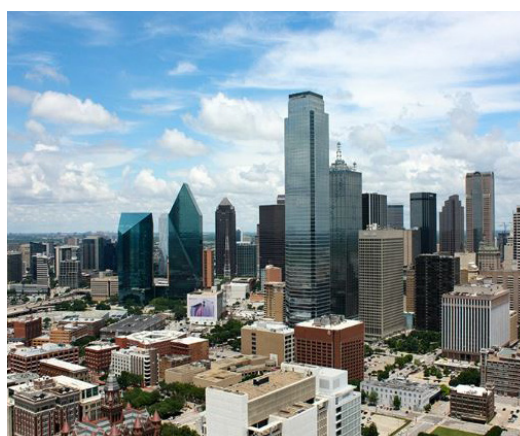
By Anca Gagiuc

The multifamily market had an exceptional year in 2021, exhibiting healthy fundamentals across the board. Behind the market's unpredicted expansion was demand, with the pandemic highlighting not just the essential feature of the multifamily market but also its resilient nature. In the ranking below, we present the top 10 markets by multifamily investment volume in 2021, based on Yardi Matrix data.

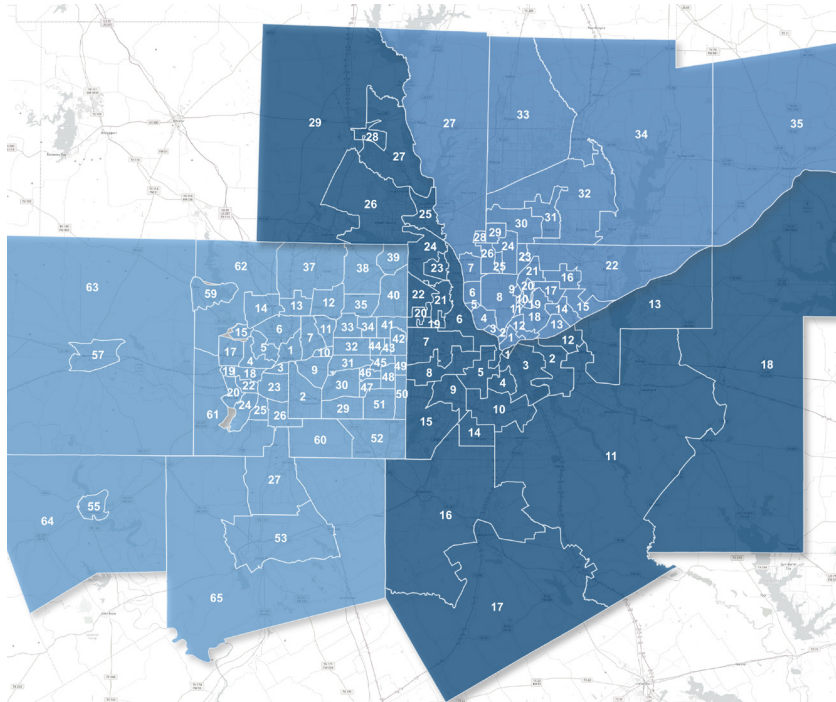
Metro	Sales Volume 2021	Properties Sold 2021	Units Sold 2021	Average Sale Price Per Unit 2021
Dallas-Fort Worth	\$14,638,381,314	551	140,640	\$171,005.13
Atlanta	\$14,462,137,683	325	83,765	\$192,369.38
Phoenix	\$14,412,674,811	270	56,789	\$258,166.74
Houston	\$11,059,042,386	426	115,011	\$146,827.43
Denver	\$9,771,559,229	143	32,630	\$322,238.47
Miami	\$9,310,892,009	201	45,806	\$254,904.37
Washington, D.C.	\$7,283,430,008	111	33,241	\$267,832.24
Orlando	\$5,736,315,365	128	33,434	\$215,675.28
Tampa	\$5,397,235,455	139	31,320	\$197,556.20
Raleigh	\$5,143,848,320	99	24,845	\$215,070.80

Dallas

Dallas led the nation for both investment and inventory expansion in 2021. Last year, \$14.6 billion in multifamily assets traded in the metro, surpassing the combined recorded volumes of 2020 (\$5.7 billion) and 2019 (\$6.2 billion). Moreover, the sales volume by quarter reflects gradually increasing investor activity: Q1 – \$2.2 billion, Q2 – \$3 billion, Q3 – \$4.4 billion and Q4 – \$5.1 billion. Specifically, 551 properties (140,640 units) changed ownership in 2021, well above the 294 properties (70,715 units) that traded in 2020 and the 328 properties (76,912 units) in 2019.



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

Office development remained elevated in Dallas-Fort Worth, with more than 8.8 million square feet of office space under construction as of May, according to [CommercialEdge](#). This places the metro behind only Manhattan and Boston, and represents 3.2% of total stock; another 8.0% was in the planning phases. Among the notable projects under construction is the four-building [business park Chisholm 20](#), located less than 10 miles from downtown Fort Worth. The 917,374-square-foot project is the result of a joint venture between Jackson-Shaw and Chief Partners and is slated for completion in 2023.

DFW's sales volume totaled \$1.8 billion in the first five months of 2022, at an average price of \$180 per square foot, well below the \$274 U.S. average. The sales volume was significantly higher than the one recorded during the same period of 2021. Recent transactions include Drawbridge Realty's [acquisition of HQ53](#), a newly built, 248,661-square-foot property in Plano. Forethought Life Insurance Co. facilitated the deal with an \$84.9 million acquisition loan.

The metro's office vacancy rose 20 basis points year-over-year, to 18.0% as of May, and 70 basis points above the April rate. Notable deals involved an upcoming development: Bank OZK signed a [110,029-square-foot lease](#) for its new regional headquarters at 23Springs, a 626,215-square-foot mixed-use project in Uptown Dallas. The lender will occupy four floors at the future 26-story building, slated for a March 2025 delivery.

Industrial

Dallas had the largest volume of under-construction industrial space as of May, with 52.7 million square feet underway, according to [CommercialEdge data](#). This represents 6.3% of existing stock, with an additional 10.9% in the planning stages. Notable projects underway include Stream Realty Partners' [3.4 million-square-foot industrial development](#) in Mesquite, east of Dallas, and Texas Instruments' [4.7 million-square-foot chip manufacturing plant](#) in Sherman.

Transaction activity amounted to \$866 million in 2022 through April, for an average price of \$97.1 per square foot, below the \$134.1 U.S. average. Examples of sales include Realterm's acquisition of two industrial facilities from Hillwood, each spanning 219,000 square feet—one in Fort Worth and the other in Roanoke. Hillwood also sold a three-building industrial park dubbed [Alliance Northport](#) encompassing 911,654 square feet, less than 4 miles north of Roanoke.

The average industrial rent rose 4.7% year-over-year through April, to \$4.83, trailing the \$6.47 national average, and the vacancy rate stood at 4.0%.

Self Storage

Dallas-Fort Worth' street rate for 10x10 units remained flat on a month-over-month basis, at \$113, well below the \$136 U.S. rate, as well as Austin's (\$123), but higher than Houston's (\$107), according to [Yardi Matrix data](#).

As of April, under construction self storage projects accounted for 7.8% of existing stock, a 60-basis-point increase from March.

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 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 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, 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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



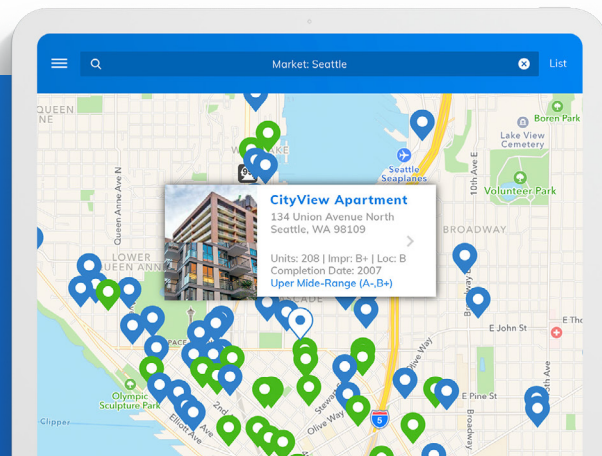
Yardi® Matrix

Power your business
with the industry's
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MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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