

Dallas-Fort Worth's Sunny Skies

November 2022



YoY Rent Gains Still in Double Digits

Development High, Starts Increase

Investment Volume Nears \$8B

DALLAS MULTIFAMILY



Substantial Supply Outpaces Demand

Dallas-Fort Worth's robust economy has kept its multifamily market running in high gear for most of 2022, with strong development and investment activities. However, inflation is impacting renters, and rate growth softened to a 0.2% increase on a trailing three-month basis through September, to \$1,566. In addition, substantial stock expansion surpassed demand, and the occupancy rate in stabilized properties slid 40 basis points in the 12 months ending in August, to 95.2%.

DFW's unemployment rate stood at 3.7% in August, on par with the national rate, according to preliminary data from the Bureau of Labor Statistics. This placed the metro above the state (4.1%) and behind Austin (3.0%). The job market expanded 7.5%, or 277,600 jobs, in the 12 months ending in July, well above the 4.5% national rate. Professional and business services—DFW's main economic driver—led growth with 71,400 jobs. The sector is poised to continue growing, boosted by companies such as Wells Fargo, which announced a new 4,000-worker campus.

Development remained elevated, with 51,621 units under construction and 16,117 units delivered in 2022 through September. Construction starts increased from the same period last year. Meanwhile, investment volume surpassed \$7.7 billion, although a softening was evident from one quarter to the next. The per-unit price continued to rise, up 16.5% annually, to \$184,307.

Market Analysis | November 2022

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Recent Dallas Transactions

Moda



City: Dallas
Buyer: Bader Development
Purchase Price: \$63 MM
Price per Unit: \$238,276

Atlantica at Burleson



City: Burleson, Texas
Buyer: The Jacobson Co.
Purchase Price: \$57 MM
Price per Unit: \$262,673

Mission Eagle Pointe



City: Allen, Texas
Buyer: GVA Real Estate
Investments
Purchase Price: \$54 MM
Price per Unit: \$215,286

Pecan Creek

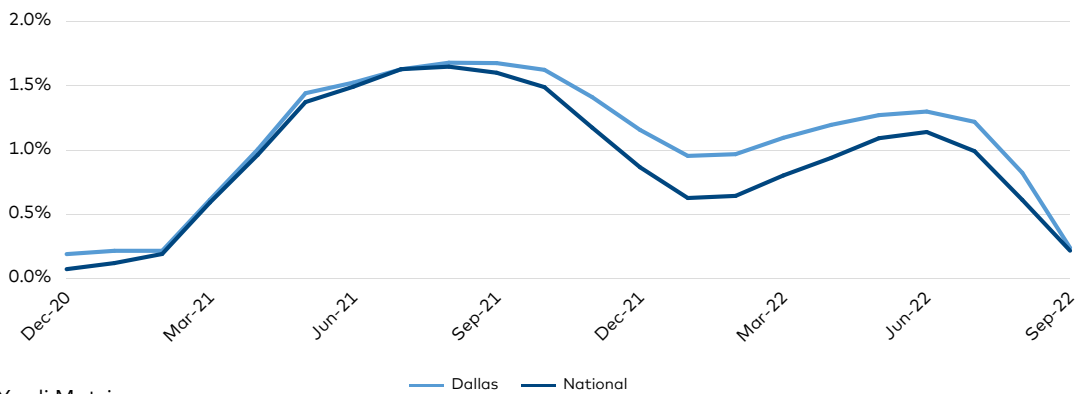


City: Bedford, Texas
Buyer: RedHill Realty Investors
Purchase Price: \$52 MM
Price per Unit: \$192,157

RENT TRENDS

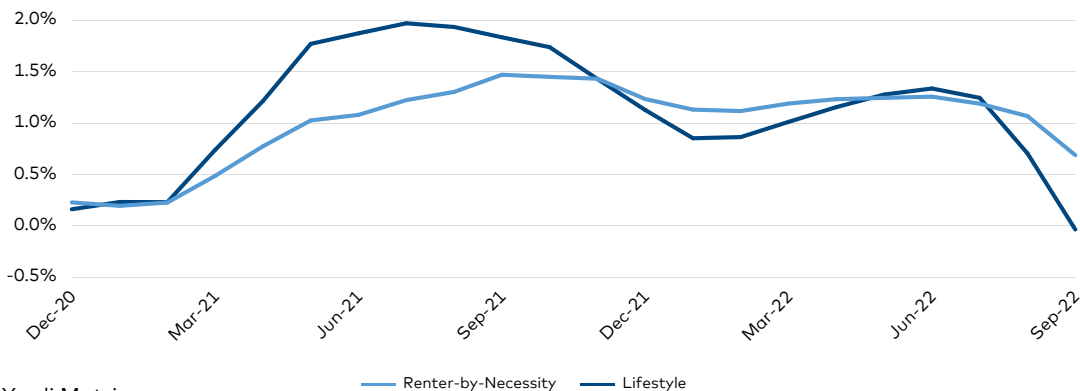
- ▶ Mirroring the national trend, rent gains softened in Dallas-Fort Worth, rising just 0.2% on a trailing three-month (T3) basis through September, on par with the U.S. rate. On a year-over-year basis, Dallas posted an 11.9% increase, the fourth largest among major metros, while the national rate fell below the 10% mark, to 9.4%. Even so, at \$1,566, the average asking rent in DFW stayed below the \$1,718 U.S. rate.
- ▶ Rent growth kept its upward trend due to sustained demand for Renter-by-Necessity units, where the asking average rate rose 0.7% on a T3 basis through September, to \$1,275. Meanwhile, substantial Lifestyle inventory increases kept the segment's average at \$1,814. The occupancy rate in stabilized properties responded to recent stock expansion and declined by 40 basis points in the 12 months ending in August, to 95.2%. The descent was led by Lifestyle units, where occupancy slid 50 basis points to 95.2%, while RBN occupancy decreased 30 basis points, also to 95.2%.
- ▶ Just 26 of the 117 submarkets tracked by Yardi Matrix had an annual asking rent growth below the 10% mark. This slashed the number of submarkets with the rate below \$1,000 to just one, from 12 a year ago. Moreover, three submarkets surpassed the \$2,000 threshold: Uptown (11.2% to \$2,534), Park Cities/Preston Hollow/West Oak Lawn (10.3% to \$2,151) and Gastonwood/Junius Heights/Lake Park Estates (18.9% to \$2,137).
- ▶ The SFR market continued to thrive, with rents up 8.5% year-over-year in September, and occupancy up 0.4% year-over-year through August.

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 The Metroplex stood at 3.7% in August, according to preliminary data from the Bureau of Labor Statistics, on par with the national rate. By comparison, the jobless rate across the state averaged 4.1%. Among other major Texas metros, DFW trailed only Austin (3.0%), outperforming Houston (4.6%) and San Antonio (3.8%).
- ▶ While the national economy softened, Dallas-Fort Worth's economy continued to show resilience and maintained a steady upward trend. The job market was up 7.5% in the 12 months ending in July, having started the year at 6.4%. This is the equivalent of 277,600 jobs added year-over-year through July, when it also marked its 13th expansion month since it recovered all the jobs lost during the pandemic.
- ▶ Bucking the national trend, the sector leading job gains in Dallas was not leisure and hospitality—which only came in third with 52,100 jobs—but its strongest sector, professional and business services, up by 71,400 jobs. The landscape continues to show sunny skies, with Wells Fargo planning a campus for 4,000 workers in Irving.
- ▶ Trade, transportation and utilities came in second with 56,800 jobs added and will continue to perform well as DFW held the largest industrial pipeline, with 61.4 million square feet of industrial space under construction as of July.

Dallas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	762	18.5%
40	Trade, Transportation and Utilities	890	21.6%
70	Leisure and Hospitality	432	10.5%
65	Education and Health Services	488	11.8%
55	Financial Activities	371	9.0%
30	Manufacturing	301	7.3%
80	Other Services	134	3.2%
15	Mining, Logging and Construction	232	5.6%
50	Information	88	2.1%
90	Government	427	10.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ The Metroplex gained 99,814 residents in 2021, the equivalent of a 1.3% demographic expansion. The growth rate declined 30 basis points from 2020 but was still well above the 0.1% U.S. rate.
- ▶ Since 2010, DFW's population has grown 21.4%, triple the 7.3% U.S. rate.

Dallas vs. National Population

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

Source: U.S. Census

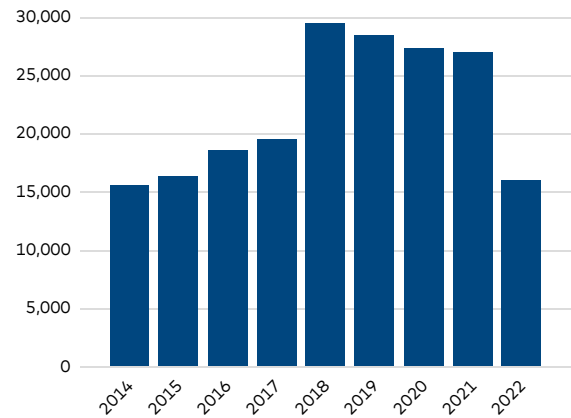
SUPPLY

- ▶ Development was robust in DFW, with a pipeline comprising 51,631 units under construction as of September and 134,000 units in the planning and permitting stages. Of the projects underway, 20,685 units broke ground this year, surpassing the volume recorded during the same period last year when 18,235 units entered construction.
- ▶ Submarkets in suburban Dallas picked up developer interest, as this year, the number of construction starts rose to 8,229 units from just 3,873 units last year through September. In core areas, 7,835 units broke ground during the interval (down from 8,754 units), while in Fort Worth new projects totaled 4,621 units, slightly below the 5,608 units reported during the corresponding period last year.
- ▶ Deliveries amounted to 16,117 units through September, or 1.9% of existing stock, and 40 basis points above the U.S. rate, but lagged the 19,545 units registered during the first three quarters of last year. Despite the decline, the metro still led all other major markets by volume.
- ▶ The metro's bustling corporate landscape—which helped power the massive demographic expansion—has prompted developers to remain

focused on delivering upscale projects—more than 95% of recent deliveries were Lifestyle units. Similarly, the construction pipeline had 90% of units in Lifestyle properties.

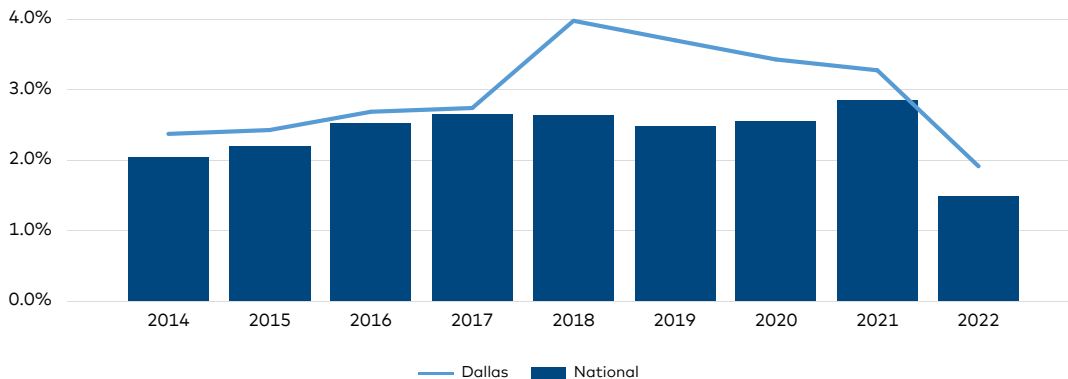
- ▶ The largest project delivered through September was Cole Park, a 547-unit Lifestyle property in McKinney. The asset was built by Westwood Residential with aid from a \$56.6 million construction loan funded by CrossFirst Bank.

Dallas Completions (as of September 2022)



Source: Yardi Matrix

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



Source: Yardi Matrix

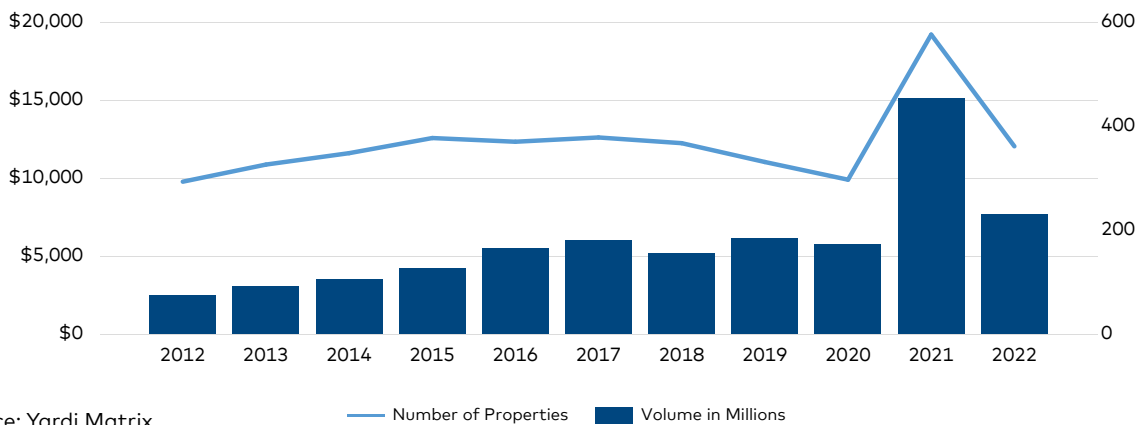
TRANSACTIONS

- ▶ Dallas-Fort Worth's magnetism continued in 2022, with the investment volume surpassing \$7.7 billion at the end of the third quarter. Even though the amount through September was below the record-high recorded during the same period in 2021—\$9.6 billion—the metro still performed remarkably well, especially considering the current economic woes.
- ▶ Unlike last year, when the sales volume increased progressively quarter over the quarter,

this year the volume dwindled from the first quarter (\$3.9 billion), to \$2.7 billion in the second quarter and down to \$1.1 billion during the third quarter. By region, North Dallas led (\$4.2 billion), followed by Suburban Dallas (\$1.8 billion) and Fort Worth (\$1.7 billion).

- ▶ Nearly two-thirds of total sales were Renter-by-Necessity assets, but strong investor competition pushed the price per unit up 16.5% year-over-year, to \$184,307 in September. The rate remained below the \$216,578 national average.

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



Source: Yardi Matrix

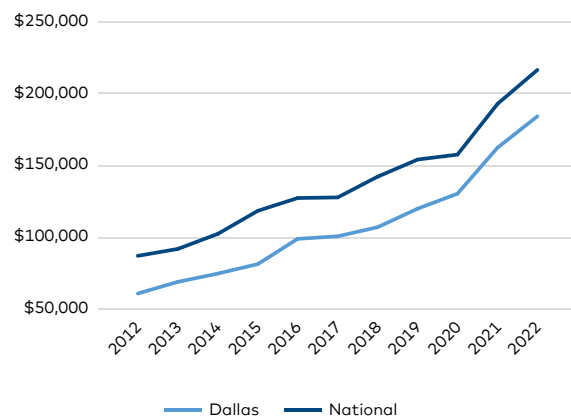
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
North Garland/Rowlett/Sachse	556
North Frisco/West McKinney	513
South Frisco/Parker	500
North Carrollton/The Colony	465
Rosemeade	388
Uptown	364
North Cedar Hill	309

Source: Yardi Matrix

¹ From October 2021 to September 2022

Dallas vs. National Sales Price per Unit



Source: Yardi Matrix

Top 5 Markets for Multifamily Deliveries

By Corina Stef

Multifamily demand still runs hot despite major economic headwinds, and experts predict that the sector will continue to outperform throughout 2022. According to Yardi Matrix data, 153,314 units came online nationwide between January and June 2022, representing 1.0 percent of total stock. The volume of units delivered accounts for a 21.3 percent decrease from the 194,885 units that were delivered last year during the same period.

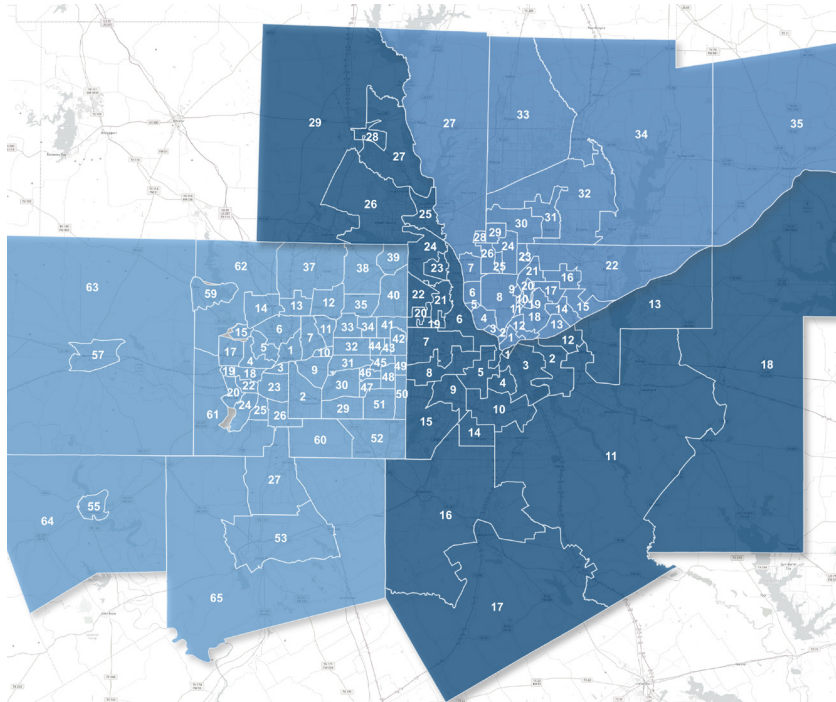
Metro	Units Delivered H1 2022	Units Delivered H1 2021
Dallas	9,829	13,597
Houston	8,038	11,196
Washington, D.C.	6,975	6,341
Miami	6,852	8,036
Phoenix	6,398	4,780

Dallas

Multifamily deliveries in Dallas totaled 9,829 units in the first half of 2022, or 1.2 percent of total stock. This represents a 27.7 percent decrease from the same period last year, when 13,587 units came online. Meanwhile, another 49,670 units were underway in the metro as of June. According to Yardi Matrix data, Dallas has the second-largest under-construction pipeline in Texas, right after Austin.



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

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.



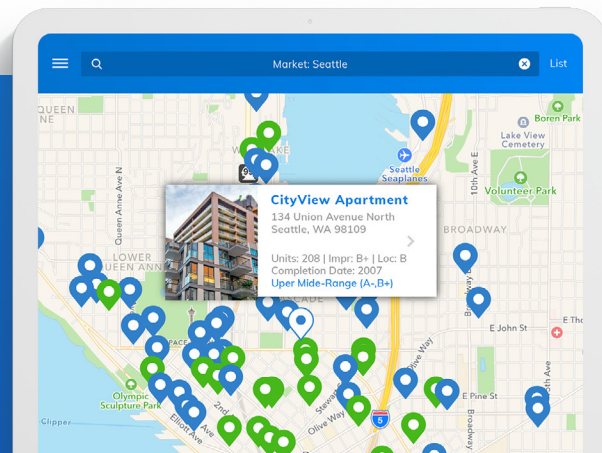
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with the industry's
leading data provider



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
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
**19.7+ million units, covering over
92% of the U.S. population.**



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