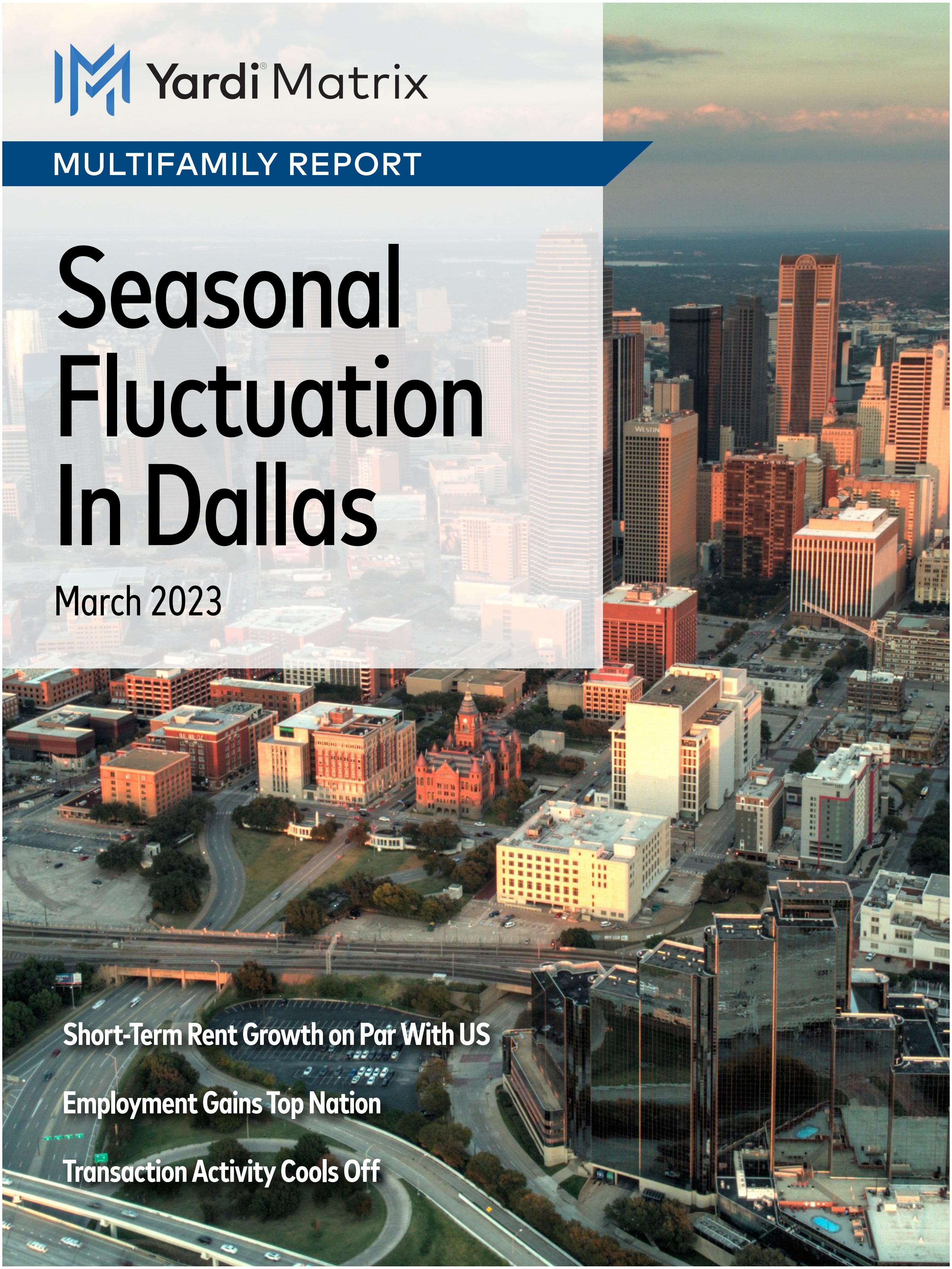

Yardi® Matrix

MULTIFAMILY REPORT

Seasonal Fluctuation In Dallas

March 2023

Short-Term Rent Growth on Par With US

Employment Gains Top Nation

Transaction Activity Cools Off

Yardi Matrix

Softening Demand Affects Rents, Occupancy

Dallas-Fort Worth performed well during the pandemic and continues to display healthy fundamentals fueled by strong demographic growth, even as demand softened. Following last year's 2.4% stock expansion, occupancy in stabilized properties declined 1.1% in 12 months, to 94.5%. Meanwhile, the average asking rent held up well, down by only 0.3% on a trailing three-month basis, on par with the national rate. At $1,556 in January, Dallas' average rent was still behind the $1,701 U.S. figure.

DFW unemployment was down to 3.2% in December, trailing Austin (2.7%) but ahead of the state (3.8%), the U.S. (3.5%) and other major Texas metros, according to data from the Bureau of Labor Statistics. Employment expanded by 6.8%, or 242,200 positions, in the 12 months ending in November 2022. That placed the Metroplex first among the country's major markets, while the national average hit 3.9%. Professional and business services led gains (51,700 jobs), followed by leisure and hospitality (47,900 jobs). Meanwhile, 61.6 million square feet of industrial space was underway in January, fueling the development boom.

As of January, developers had 50,482 units underway, heavily favoring the upscale Lifestyle segment. Meanwhile, transaction activity slowed down at the beginning of the year, on the heels of $10.1 billion in assets trading in 2022, which marked the second-best year in a decade.

Market Analysis | March 2023

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Recent Dallas Transactions

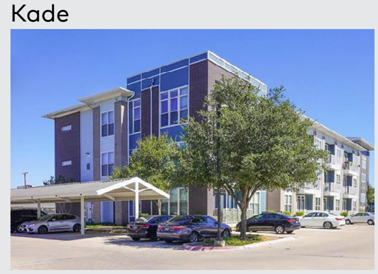
Landmark at Gleneagles

City: Dallas
Buyer: GVA Real Estate Investments
Purchase Price: $100 MM
Price per Unit: $169,153

Oaks of Lewisville

City: Lewisville, Texas
Buyer: NexPoint Residential Trust
Purchase Price: $87 MM
Price per Unit: $179,012

Kade



City: Dallas
Buyer: Knightvest Capital
Purchase Price: $74 MM
Price per Unit: $213,586

Firestone at West 7th

City: Fort Worth, Texas
Buyer: Weidner Investment Services
Purchase Price: $67 MM
Price per Unit: $191,227

RENT TRENDS

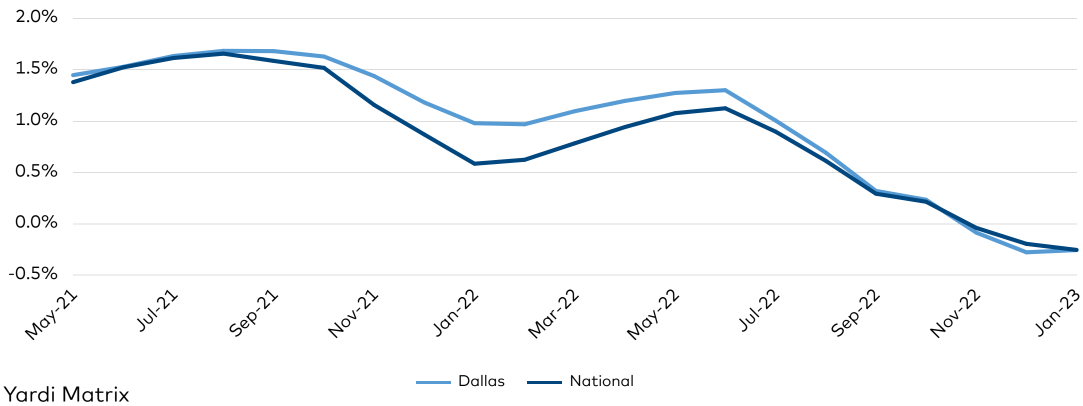
- DFW rents posted a third consecutive month of negative growth, down 0.3% on a (T3) basis through January, on par with the U.S. average. Year-over-year, DFW ranked in the top third among larger metros, posting a 6.7% increase, above the 5.5% U.S. rate. Yet, the metro's $1,556 average asking rent still has room to catch up to the national rate, which stood at $1,701 in January.

- Expectedly, Lifestyle rents led declines, with a 0.3% drop on a T3 basis, to $1,796, while working-class Renter-by-Necessity figures inched down just 0.1%, to $1,274. Demand has moderated, as reflected by Yardi Matrix's absorption numbers—last year, new additions accounted for 2.4% of existing stock, and the absorption rate was 1.6%. Consequently, the occupancy rate in stabilized properties declined 1.1% in 2022, to 94.5%. Occupancy in both segments decreased to 94.5%—down by 1.1% for RBN assets and 1.0% for Lifestyle properties.

- Year-over-year as of January, rents declined only in South Downtown (-0.5% to $1,969), while in another 27 of the 117 submarkets tracked by Yardi Matrix, the growth rate remained in the double digits. In January, the average rent was above the $2,000 mark in four submarkets, from just one a year ago. Uptown (6.9% to $2,474) and Gastonwood/Junius Heights/Lake Park Estate (12.1% to $2,086) were the most expensive areas.

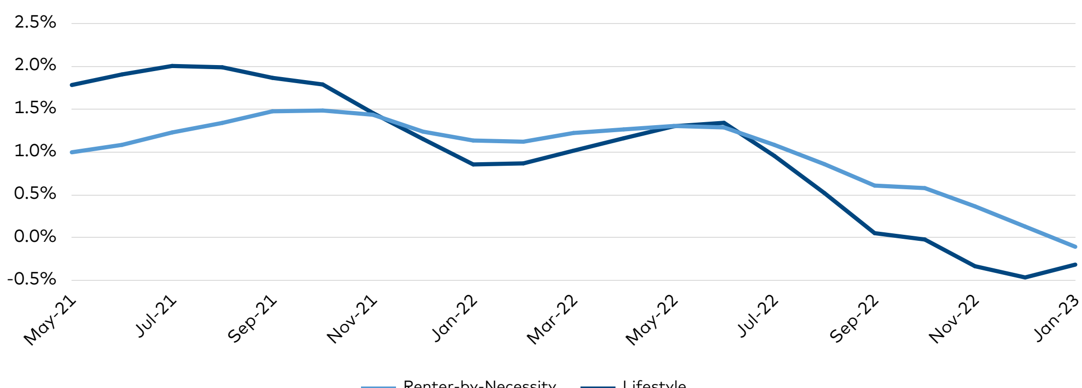
- The performance of single-family rentals also moderated in metro Dallas. Year-over-year, rent growth decelerated to 3.5% as of January, while occupancy decreased 2.2% in 2022.

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 unemployment dropped to 3.2% in December, the same rate recorded right before the pandemic started, according to BLS data. The Metroplex led the state (3.8%), the U.S. (3.5%), as well as Houston (3.9%) and San Antonio (3.3%), but trailed Austin (2.7%).

- Mirroring the national trend, Dallas' economy is moderating. Even so, employment expanded by 6.8%, or 242,200 jobs, in the 12 months ending in November, ranking first among major U.S. metros and well ahead of the 3.9% national rate. Professional and business services led gains with the addition of 51,700 positions during the period, followed by leisure and hospitality (47,900 jobs). Dallas might not be exempt from the threats looming over the economy, but it is well positioned to withstand the job cuts and hiring freezes announced in the tech sector. Meanwhile, tourism continued to recover, with employment in the leisure and hospitality sector reaching pre-pandemic levels in April 2022. That can still be considered late, considering total employment in DFW had returned to February 2020 levels in June 2021. Visitation was anticipated to reach 95% of 2019 levels at the end of 2022, according to Visit Dallas, with full recovery expected in 2023.

- DFW also remained the country's busiest industrial market, with 31.5 million square feet completed last year and an additional 61.6 million square feet underway in January.

Dallas Employment Share by Sector

Code	Employment Sector	Current Employment (000)	Current Employment % Share
60	Professional and Business Services	777	18.3%
70	Leisure and Hospitality	432	10.2%
65	Education and Health Services	506	11.9%
40	Trade, Transportation and Utilities	922	21.8%
55	Financial Activities	372	8.8%
30	Manufacturing	306	7.2%
15	Mining, Logging and Construction	238	5.6%
80	Other Services	136	3.2%
90	Government	459	10.8%
50	Information	88	2.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Dallas gained 99,814 residents in 2021, representing a 1.3% growth in population, while the U.S. posted a mere 0.1% expansion.

- Although in-migration slowed, the Metroplex remained one of the fastest-growing metros in the nation.

Dallas vs. National Population

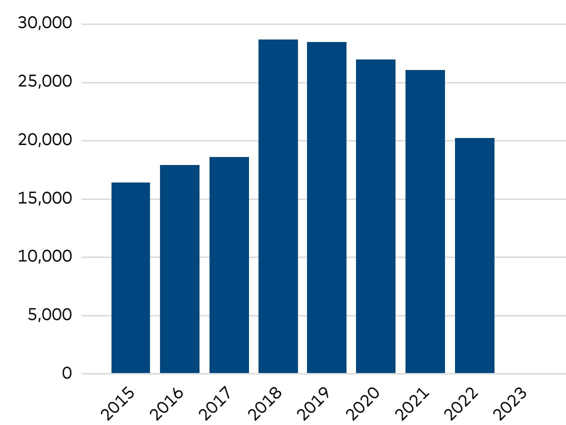
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Dallas	7,526,852	7,645,275	7,733,492	7,833,306

Source: U.S. Census

SUPPLY

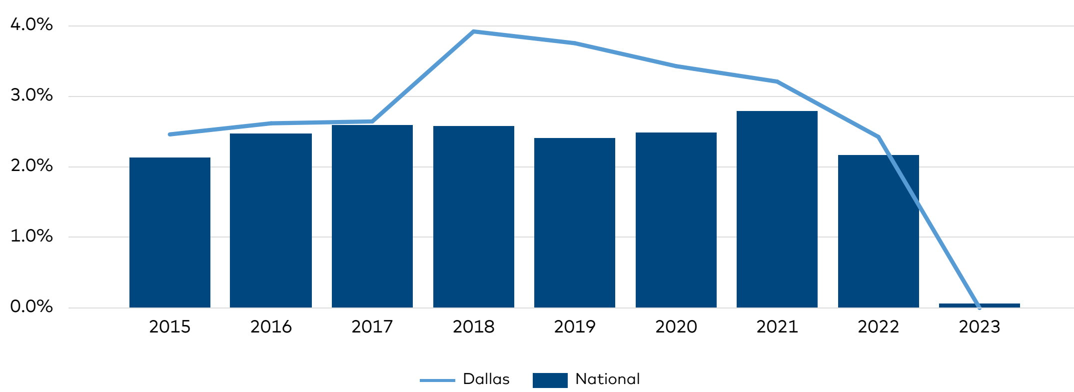
- Dallas-Fort Worth's stock expansion remained on a decelerating path that started one year before the onset of the pandemic. Even so, DFW led the country for deliveries last year, with 20,217 units brought online, followed by Houston and Austin. This volume is the equivalent of 2.4% of existing stock, 20 basis points above the U.S. rate. The number of construction starts, however, increased significantly in 2022, to 30,527 units in 120 properties, from 20,061 units in 73 properties in 2021.
- As of January, the construction pipeline had 50,482 units underway and 146,000 units in the planning and permitting stages. North Dallas led with 21,169 units underway, the suburbs followed with 16,270 units, and Fort Worth's pipeline totaled 13,043 units. Yardi Matrix expects Dallas to top the national list for deliveries in 2023 as well, with 28,039 units completed. That would account for a 3.3% expansion of stock.
- More than 90% of units under construction are in Lifestyle projects, while the Renter-by-Necessity segment accounted for less than 10%. Moreover, most of the RBN deliveries—the equivalent of 7% of the overall pipeline—were units in fully affordable communities.
- Of the 117 submarkets tracked by Yardi Matrix, 14 had more than 1,000 units underway as of January, led by North Frisco/West McKinney (4,981 units) and Lake Village/South Irving/West Dallas (3,584 units). The latter also houses the largest project underway, the 747-unit Dallas Urby. Owned by Urby, the asset has been subjected to two construction loans issued by U.S. Bank, totaling $78.1 million.

Dallas Completions (as of January 2023)



Source: Yardi Matrix

Dallas vs. National Completions as a Percentage of Total Stock (as of January 2023)

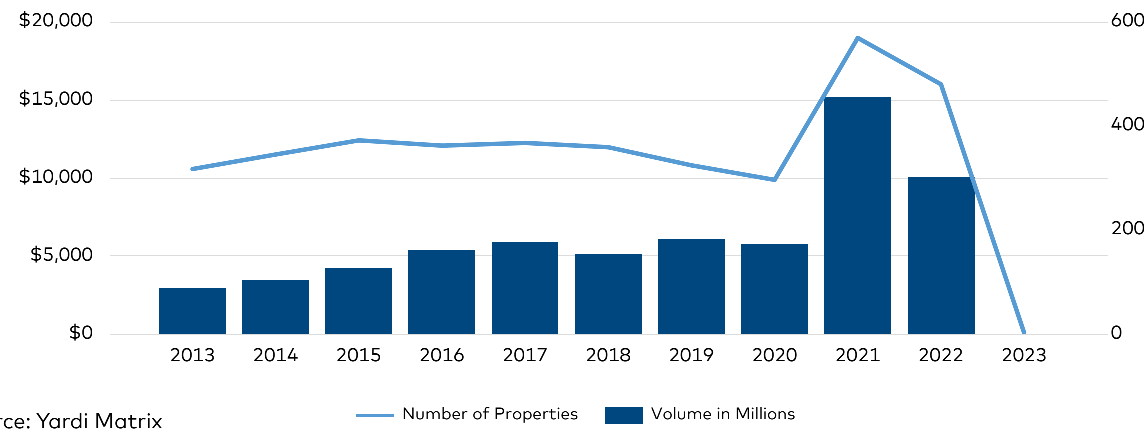


Source: Yardi Matrix

TRANSACTIONS

- Transaction volumes have been decreasing from quarter to quarter as of late, to as low as $1.4 billion in the last three months of 2022, according to Yardi Matrix data. Still, all in all, 2022 was a good year for the Metroplex, with $10.1 billion in multifamily assets trading. That placed it second only to 2021, when a whopping $15.2 billion was recorded.
- The price per unit rose 6.6% year-over-year in 2022, to $173,239, lagging the $211,873 U.S. rate. In January, DFW's per-unit figure dropped to $118,259, as all properties that traded were in the RBN segment.
- In the 12 months ending in January, transaction volume distribution kept North Dallas in the lead with nearly $4.5 billion in multifamily sales, followed by Fort Worth with $2.5 billion and finally, suburban Dallas with $2.1 billion.

Dallas Sales Volume and Number of Properties Sold (as of January 2023)



Source: Yardi Matrix

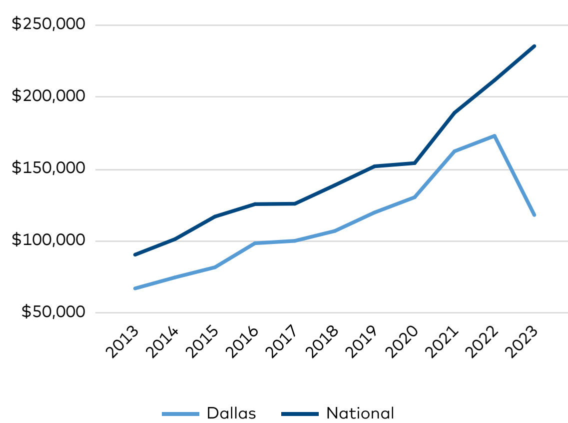
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
North Frisco/West McKinney	420
Uptown	364
North Carrollton/The Colony	328
North Garland/Rowlett/Sachse	305
South Frisco/Parker	273
North Oak Cliff/Irving	216
Tarrant	207

Source: Yardi Matrix

[1] From February 2022 to January 2023

Dallas vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

MULTI-HOUSING NEWS

data by Yardi Matrix

Top Markets for Multifamily Deliveries 2022

By Anca Gagiuc

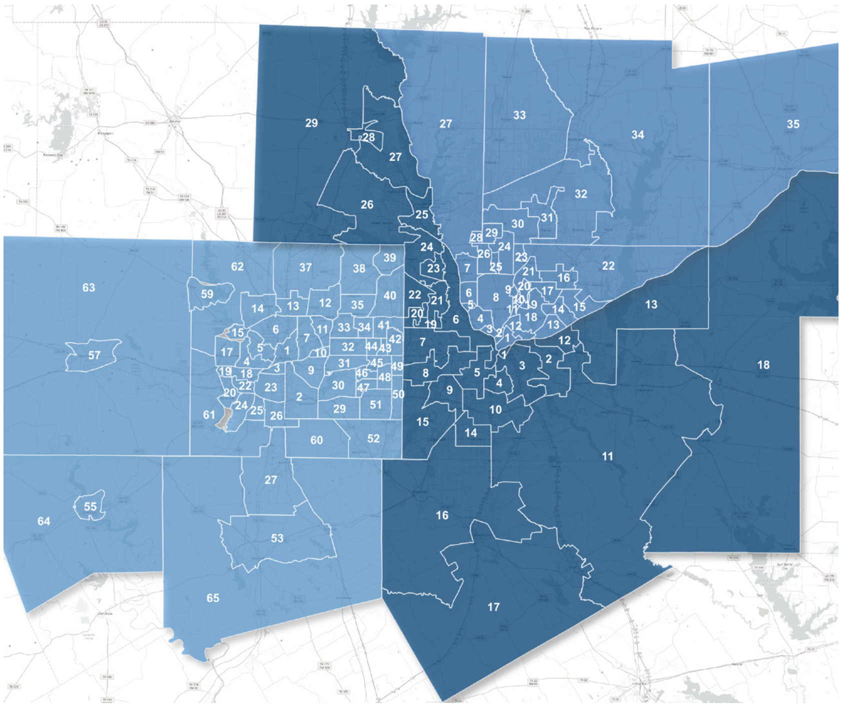
Rising inflation and interest rates have softened the amount of incoming multifamily stock in 2022. The record amount delivered in 2021—when 433,838 units were brought online—was always going to be tough to outdo, but few expected the drop-off to be as significant in 2022, which ended with 348,714 units delivered nationally, Yardi Matrix data shows.

Rank	Metro	Units Delivered 2022	Properties Delivered 2022	2022 Unit Deliveries as % of Inventory
1	Dallas	23,137	89	2.7%
2	Houston	18,450	71	2.6%
3	Austin	15,002	58	5.3%
4	Miami	13,325	56	3.9%
5	Seattle	13,301	58	4.6%
6	Washington, D.C.	12,357	48	2.1%
7	Phoenix	12,355	52	3.6%
8	Atlanta	11,808	56	2.3%
9	Denver	11,726	55	3.7%
10	Twin Cities	11,439	77	4.7%

Dallas

Dallas has been leading the nation in this metric for years, even though the volume of multifamily deliveries has been on a downward trend in recent years. In 2022, developers brought online 23,137 units, down from 27,132 in 2021 and 27,692 in 2020. Last year's inventory expansion is the equivalent of 2.7 percent of stock, which places the metro 40 basis points ahead of the U.S. rate.

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 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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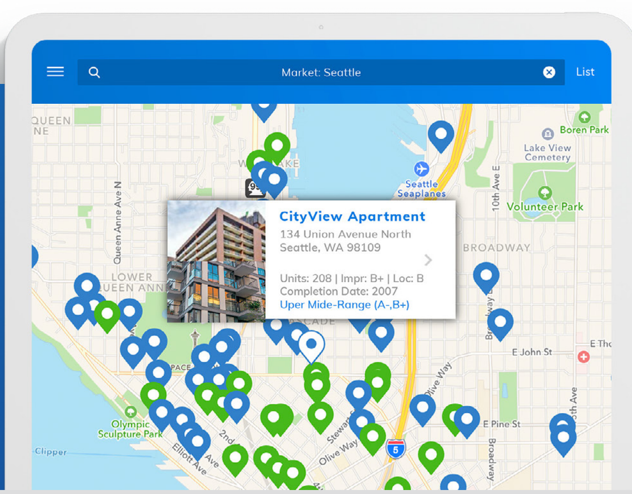
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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

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