

DFW Remains Steady

July 2023



Rent Growth at Standstill

Deliveries Concentrated in Lifestyle

Employment Gains Outperform US

DALLAS MULTIFAMILY



Dallas Records Steady Performance

In the first five months of 2023, Dallas-Fort Worth displayed solid, albeit slowing, fundamentals. After a decline that started in December 2022, rent growth plateaued on a trailing three-month basis through May, at \$1,553, while the U.S. rate rose 0.3%. Meanwhile, the average occupancy rate in stabilized properties dropped 150 basis points year-over-year as of April, to 93.7%.

Dallas-Fort Worth added 203,100 jobs in the 12 months ending in March, up 5.5% year-over-year. As recently as April, the metro's unemployment rate had dropped to 3.4%, its lowest rate since the beginning of 2023, according to preliminary data from the Bureau of Labor Statistics. The trade, transportation and utilities sector added 30,500 jobs, accounting for the most additions across the metro. This trend will likely continue, as Dallas Fort Worth International Airport, in partnership with American Airlines, will embark on a \$4.8 billion capital improvement program.

Developers had 57,142 units under construction in May. Of the projects underway, 9,956 broke ground this year. In the first five months of 2023, the market had a transaction volume of \$1.1 billion, as investment activity continues to remain very limited by the metro's standards. Three-quarters of assets that traded hands were in the Renter-by-Necessity segment.

Market Analysis | July 2023

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Recent Dallas Transactions

NeuRock of Westchester



City: Grand Prairie, Texas
Buyer: EB Real Estate Group
Purchase Price: \$80 MM
Price per Unit: \$252,321

Chatham Court Reflections



City: Dallas
Buyer: Uplift Capital Management
Purchase Price: \$71 MM
Price per Unit: \$142,731

Collin Creek



City: Plano, Texas
Buyer: Post Investment Group
Purchase Price: \$63 MM
Price per Unit: \$199,575

Cielo Azul

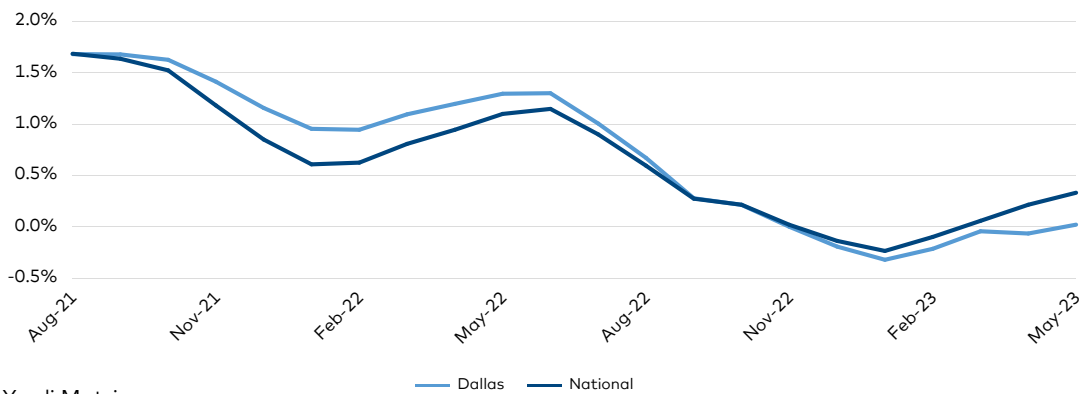


City: Irving, Texas
Buyer: BMG Real Estate
Investments
Purchase Price: \$39 MM
Price per Unit: \$122,592

RENT TRENDS

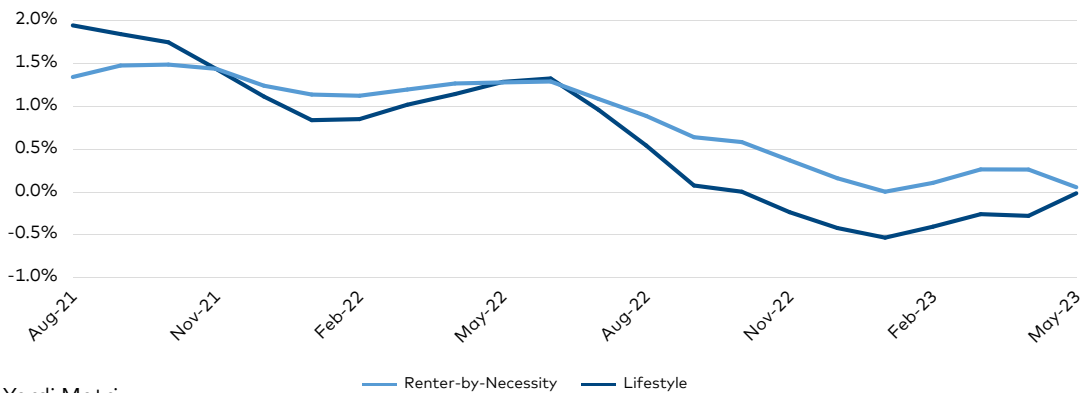
- Rents in the metro plateaued on a trailing three-month (T3) basis through May, 30 basis points lower than the national rate of improvement. Reaching an average of \$1,553, metro rents are still well below the national figure. In December 2022, rent movement turned negative, reaching as low as -0.3% in January. On a year-over-year basis, rates in the metro were down 1.3%.
- Growth between the quality segments progressed differently, with Renter-by-Necessity average rents up 0.1% through May, to \$1,285. Lifestyle figures plateaued, at an average of \$1,778. The upscale segment registered negative rate growth beginning in November 2022 and reached its lowest rate in January, when it decreased 0.5%.
- The metro's average overall occupancy rate in stabilized properties decreased 150 basis points year-over-year, to 93.7% as of April. RBN assets had a 93.4% average occupancy rate, a 200-basis-point decrease and the highest drop between the two quality segments. Meanwhile the rate for Lifestyle properties was down 120 basis points year-over-year, clocking in at 93.9%.
- Of the 117 submarkets tracked by Yardi Matrix, five had average year-over-year rent growth above 10%. Southwest Tarrant County led all submarkets for rent growth, at a 14.4% increase, followed by Pleasant Grove (12.5%) and Stop Six (12.3%). Despite a 1.5% decline in the last 12 months, the Uptown submarket recorded the leading average rent in the metro, at \$2,440.

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 added 203,100 jobs in the 12 months ending in March, a 5.5% increase and 240 basis points above the national average. The metro's unemployment reached its highest rate for the past year in February, at 4.1%, 50 basis points higher than the U.S. figure. As recently as April, the unemployment rate had dropped to 3.4%, its lowest point since the beginning of 2023, according to preliminary BLS data.
- ▶ All employment sectors registered an increase in the last 12 months ending in March. Professional and business services added 45,100 jobs in the interval, for a 6.5% increase year-over-year. The metro's largest sector—trade, transportation and utilities—added 30,500 jobs, accounting for a 3.5% increase and the largest expansion across DFW.
- ▶ The Dallas Fort Worth International Airport will undergo a massive capital improvement project. Plans call for a \$4.8 billion expansion, which will include the construction of a sixth terminal, the renovation of Terminal C and the upgrade of several other spaces. The project is in partnership with American Airlines, which renewed its lease for a 10-year period.

Dallas Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	788	18.7%
65	Education and Health Services	497	11.8%
40	Trade, Transportation and Utilities	897	21.3%
70	Leisure and Hospitality	408	9.7%
55	Financial Activities	368	8.8%
15	Mining, Logging and Construction	243	5.8%
90	Government	472	11.2%
80	Other Services	135	3.2%
30	Manufacturing	305	7.3%
50	Information	93	2.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Dallas-Fort Worth's gained 99,814 residents in 2021, a 1.3% increase from the previous year.
- ▶ According to the U.S. Census, the metro is leading the nation in terms of population growth.

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

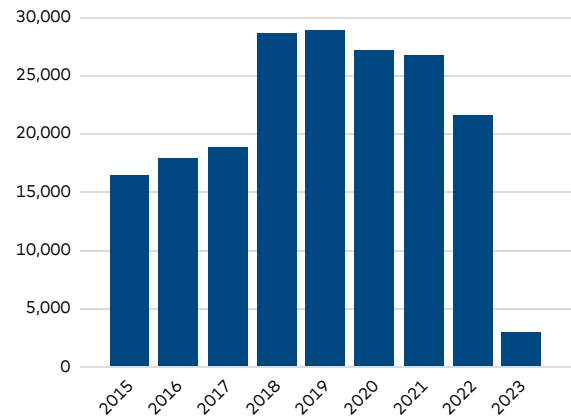
Source: U.S. Census

SUPPLY

- ▶ Developers brought 3,143 units online in 2023 through May, all of which were in upscale Lifestyle projects. Deliveries accounted for 0.4% of the existing stock, 20 basis points lower than the national supply pipeline. The number marked a significant decrease compared to the 6,697 units that were delivered in the first five months of 2022. This year, North Dallas delivered 1,166 units, followed by Fort Worth (1,090 units) and Suburban Dallas with 887 units.
- ▶ The market had 57,142 units under construction as of May. Another 155,800 were in the planning and permitting stages. Developers broke ground on 9,956 units in the first five months of 2023, reflecting a 19.5% increase, compared to the 8,013 units that started construction during the same period last year.
- ▶ Development was ongoing across several DFW submarkets. Of the 69 submarkets tracked by Yardi Matrix, 20 had more than 1,000 units under construction. North Frisco/West McKinney led with 5,343 units underway, followed by Lake Village/South Irving/West Dallas (3,660 units) and East McKinney/Wylie/Princeton (3,345 units). The highest under-construction pipeline in Fort Worth was in Northwest Tarrant County, which had 1,331 units underway.

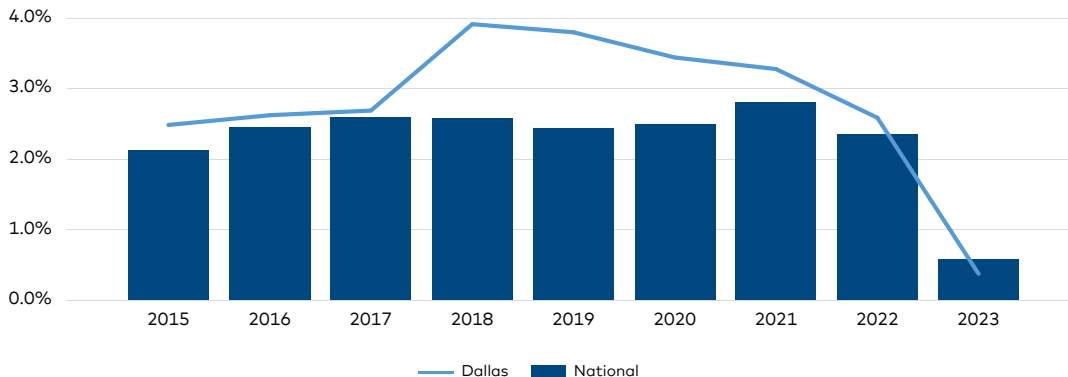
- ▶ The largest development taking shape in the metro is in the Lake Village/South Irving/West Dallas submarket. Urby is building Dallas Urby, a 747-unit Class A property that was subject to \$78 million in construction financing in 2021, provided by U.S. Bank. Delivery is slated for December 2024.

Dallas Completions (as of May 2023)



Source: Yardi Matrix

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

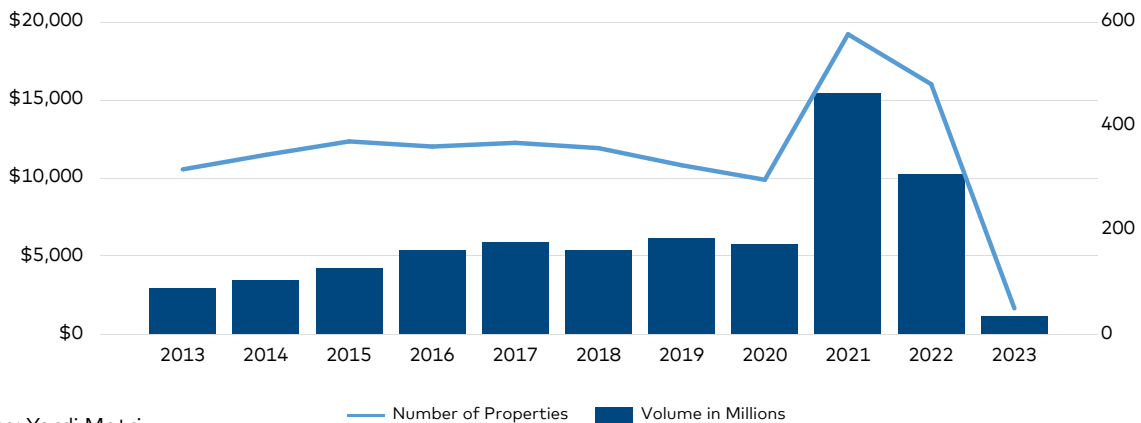


Source: Yardi Matrix

TRANSACTIONS

- ▶ In the first five months of this year, the transaction volume in Dallas rose to \$1.1 billion, with 50 properties changing hands. The largest transaction totals in the metroplex were recorded in the previous two years, with \$10.3 billion in sales registered in 2022 and a record-high \$15.5 billion recorded in 2021.
- ▶ The Renter-by-Necessity segment led activity, with 35 assets changing hands through May, while 15 sales involved upscale properties. The \$158,569 price-per-unit remained below the \$179,358 U.S. figure but above the \$100,000 mark. The segment has consistently registered above this price since 2017.
- ▶ The North Frisco/West McKinney submarket recorded the largest transaction volume in the 12 months ending in May, with a total value of \$351 million. Rounding out the top three were North Carrollton/The Colony (\$260 million) and Espanita/Timberlake (\$218 million).

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



Source: Yardi Matrix

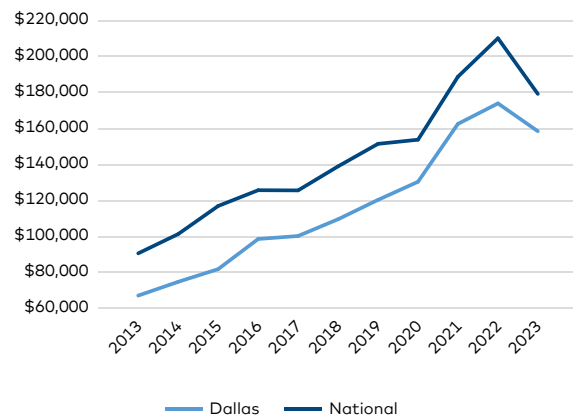
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
North Frisco/West McKinney	351
North Carrollton/The Colony	260
Espanita/Timberlake	218
Colleyville	205
North Cedar Hill	188
North Grand Prairie	185
Cityscape/Downtown	162

Source: Yardi Matrix

¹ From June 2022 to May 2023

Dallas vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Markets for Multifamily Construction

By Anca Gagiuc

U.S. multifamily construction was robust at the start of a new leasing season, with the pipeline amounting to nearly 1.1 million units underway across 4,910 properties, according to Yardi Matrix data. However, deliveries were slow, with just 73,506 units coming online this year through April. That's less than 7% of the national pipeline and accounts for 20% of last year's 369,827-unit total.

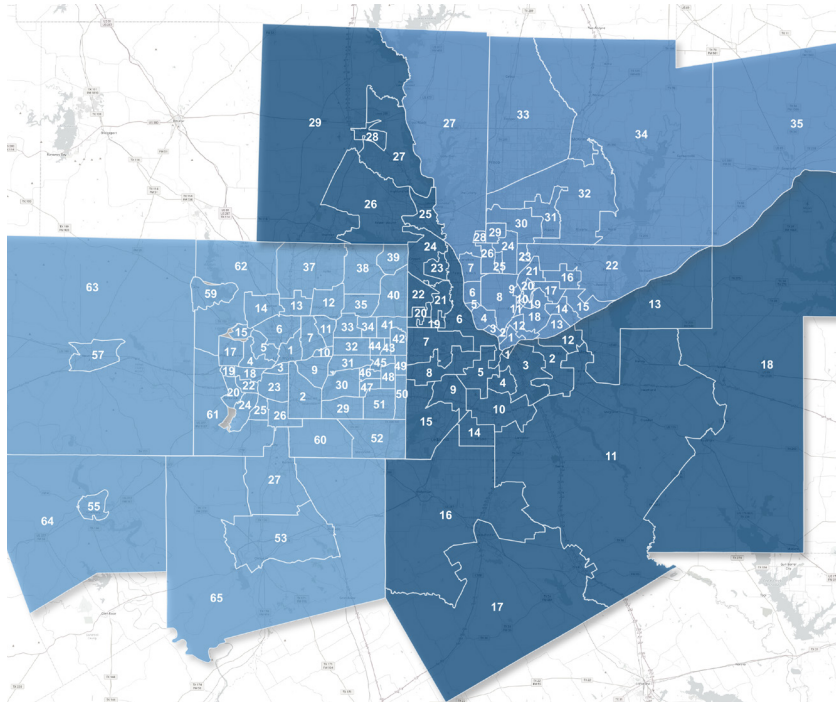
Metro	Units Under Construction	Units Completed Year-to-Date	Construction Starts/Units January - March 2023
Austin	61,873	2,547	6,013
Dallas	60,532	2,016	5,864
Miami	44,533	2,732	3,612
Atlanta	41,204	2,679	4,120
Phoenix	39,875	3,811	1,985
New York City	38,859	137	3,304
Denver	35,893	1,696	1,580
Houston	34,709	1,686	1,660
Los Angeles	32,306	1,926	814
Charlotte	32,188	1,538	1,459

Dallas

Dallas fell from its yearslong leading position in multifamily construction, but not by much. At the start of May, developers had 60,532 units under construction and another 163,000 units in the planning and permitting stages. Meanwhile, deliveries totaled 2,016 units (2.8% of existing stock), which placed Dallas in the middle of this ranking, behind Phoenix, Miami, Atlanta and 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.

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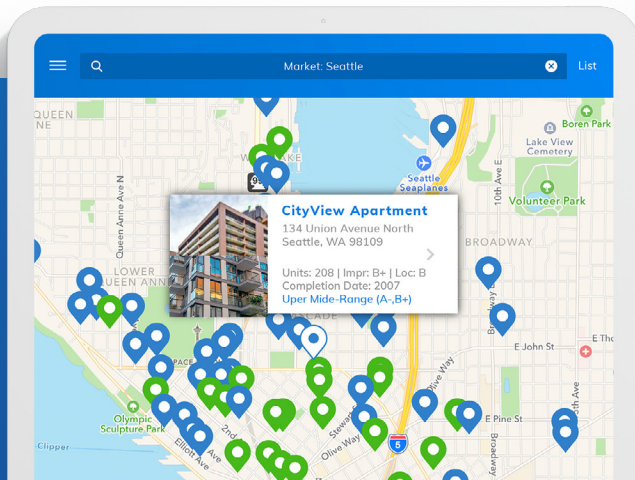
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