![Yardi Matrix logo]

MULTIFAMILY REPORT

DFW Faces Challenges

November 2023

Rent Movement Turns Negative

Investment Volume Slows Down

Employment Growth Outpaces US

Yardi Matrix

Fast-Growing Dallas Hits Speedbumps

With inflation continuing to impact the industry, Dallas-Fort Worth's rent movement turned negative through the first three quarters of 2023, at -0.1% as of September. At $1,563, the DFW metro's average rate was still lagging the $1,722 national figure. Meanwhile, the average occupancy rate in stabilized assets was down 10 basis points year-over-year as of August, to 93.7%.

Dallas-Fort Worth added 178,600 new jobs in the 12 months ending in June, up 4.7% year-over-year and 210 basis points above the U.S. figure. According to preliminary data from the Bureau of Labor Statistics, the metro's jobless rate climbed to 4.2% in August, the highest rate since October 2021. Professional and business services gained 39,100 jobs year-to-date through June, leading all sectors.

After registering $9 billion in the first three quarters of 2022, Dallas-Fort Worth's transaction volume fell significantly during the same time frame in 2023, to $2.5 billion across 110 deals. The Renter-by-Necessity segment accounted for 70 transactions, leading to a sliding per-unit price, at $152,902. Developers focused on upscale properties, with more than 94% of the properties under construction aimed at the Lifestyle segment.

Market Analysis | November 2023

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Recent Dallas Transactions

The Hendry

City: Dallas
Buyer: FCP
Purchase Price: $96 MM
Price per Unit: $241,086

Mustang Ridge

City: Fort Worth, Texas
Buyer: Darwin German Real Estate
Investments
Purchase Price: $50 MM
Price per Unit: $142,159

Rise Creekside

City: Northlake, Texas
Buyer: Rise48 Equity
Purchase Price: $45 MM
Price per Unit: $199,181

Lavera at Lake Highlands

City: Dallas
Buyer: ClearWorth Capital
Purchase Price: $36 MM
Price per Unit: $128,296

RENT TRENDS

➤ Rent growth in the DFW metro turned negative on a trailing three-month (T3) basis, at -0.1% as of September, in lockstep with the U.S. figure. The rate of growth had held consistently in the 0.1% to 0.2% band throughout the second and third quarters. On a year-over-year basis, rents in the metro were down 40 basis points. At $1,563, the DFW's average rent is still trailing the U.S. average of $1,722.

➤ Rates in the Lifestyle segment turned negative, down 0.1%, on a T3 basis through September, to $1787, while RBN units inched up 0.1%, to an average of $1,292. The occupancy rate in stabilized properties declined by 10 basis points on a year-over-year basis as of August, to 93.7%.

➤ Only four of the 117 submarkets tracked by Yardi Matrix had year-over-year rent growth in the double digits. The most expensive area was Uptown (up just 0.4% year-over-year, to $2,527), followed by Gastonwood/Junius Heights/Lake Park Estates (up 1.7% to $2,159) and Park Cities/Preston Hollow/West Oak Lawn (up 1.1% to $2,076).

➤ The SFR segment has also seen some effects of the slowing economy, with rents only up 1.9% year-over-year as of September and occupancy down 0.2% year-over-year as of August. These rates align with national average growth numbers—up 0.4% in rents, while occupancy in stabilized assets was down 0.1%.

Dallas vs. National Rent Growth (Trailing 3 Months)

Source: Yardi Matrix

Legend: Dallas — National
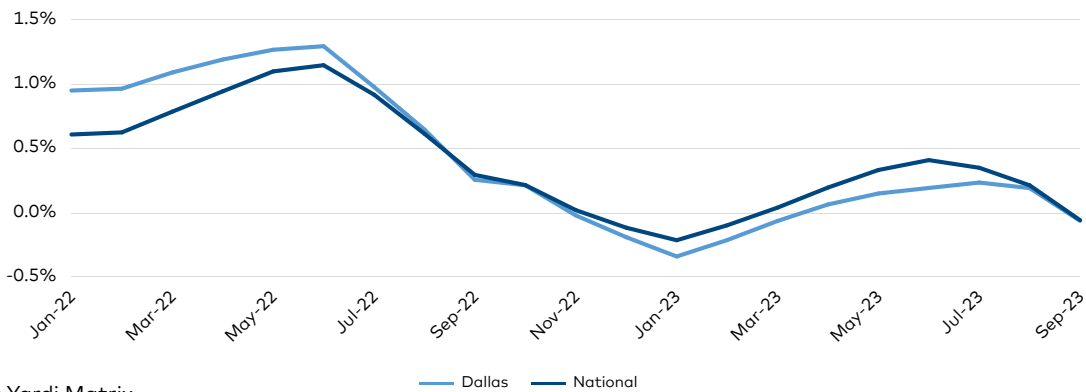
Dallas Rent Growth by Asset Class (Trailing 3 Months)

Source: Yardi Matrix

Legend: Renter-by-Necessity — Lifestyle
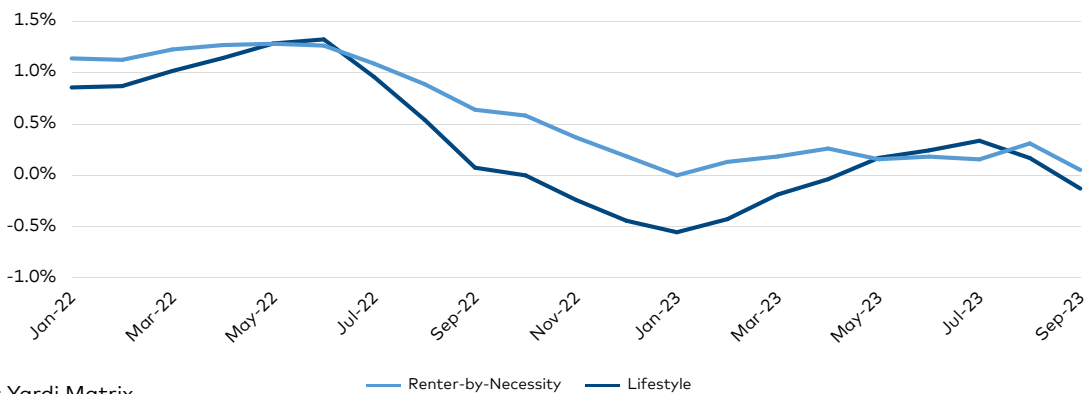
ECONOMIC SNAPSHOT

➤ The unemployment rate in Dallas-Fort Worth climbed to 4.2% in August, according to preliminary data from the Bureau of Labor Statistics, the highest unemployment rate for the metro since October 2021. The August jobless rate in DFW was 40 basis points higher than the U.S. figure and 10 basis points above the state average.

➤ The Metroplex added 178,600 jobs in the 12 months ending in June, a 4.7% year-over-year increase and 210 basis points above the national rate. However, employment growth is the slowest it has been in a long time, as it follows the lead of a softening national job market. Pro-

fessional and business services gained 39,100 jobs during this time, for a 5.1% year-over-year increase. Trade, transportation and utilities followed, with 23,200 positions added, while mining, logging and construction came in third with 22,300 new jobs year-to-date through June.

➤ In June, Amtrak applied for federal funding from the bipartisan Infrastructure Investment and Jobs Act to connect New York, Washington, D.C., and Atlanta to the Dallas-Fort Worth area via communities in central Mississippi, north Louisiana and east Texas. The project would also connect Dallas-Fort Worth with other metros.

Dallas Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
60	Professional and Business Services	813	19.0%
40	Trade, Transportation and Utilities	904	21.1%
15	Mining, Logging and Construction	257	6.0%
65	Education and Health Services	495	11.6%
55	Financial Activities	381	8.9%
90	Government	449	10.5%
70	Leisure and Hospitality	424	9.9%
80	Other Services	145	3.4%
30	Manufacturing	312	7.3%
50	Information	97	2.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ From 2010, DFW's population has grown 21.4%, three times the U.S. rate. The increase of around 200,000 people over just the past three years was likely driven by the robust job market and diverse culture.

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

➤ Development was still solid in the Metroplex, with some 65,451 rental units underway as of September. Developers broke ground on 22,311 units in the first three quarters of 2023, which is significantly less than the total groundbreakings during the same interval last year—27,965 units. This year through September, most construction starts were in north Dallas submarkets (11,926 units), followed by suburban Dallas (5,934) and Fort Worth (4,451).

➤ Deliveries amounted to 10,179 in 2023 through September, representing 1.2% of the existing stock, 30 basis points below the national supply pipeline and 45% lower than the total deliveries during the first three quarters of 2022 (18,664). More than 97% of recent deliveries were in Lifestyle units. The upscale segment was preferred by developers, as well, with more than 94% of the properties under construction in this segment.

➤ Of the 69 submarkets tracked by Yardi Matrix, 20 had at least 1,000 units underway. North Frisco/West McKinney led with 7,157 units, while East McKinney/Wylie/Princeton (4,526 units) and Lake Village/South Irving/West Dallas (4,075 units) rounded out the top three.

➤ The largest community delivered through September was the 672-unit Shannon Creek in Burleson/Joshua in April. The property was built by Gold Creek Homes. The largest completed property of the third quarter is the 475-unit The Lyric in Keller/Westlake. Greystar built the four-building property with aid from a $61.2 million construction loan originated by Santander Bank.

Dallas Completions (as of September 2023)
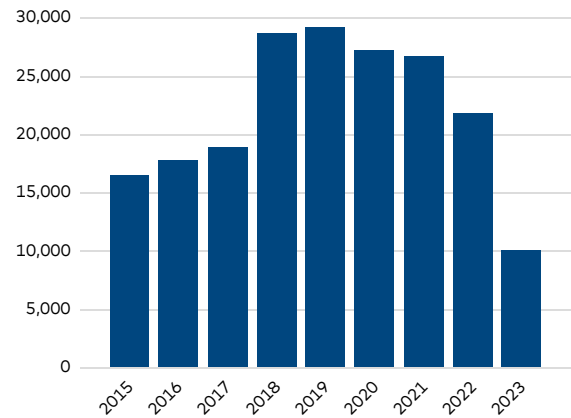
Source: Yardi Matrix

**Dallas vs. National Completions as a Percentage of Total Stock** (as of September 2023)
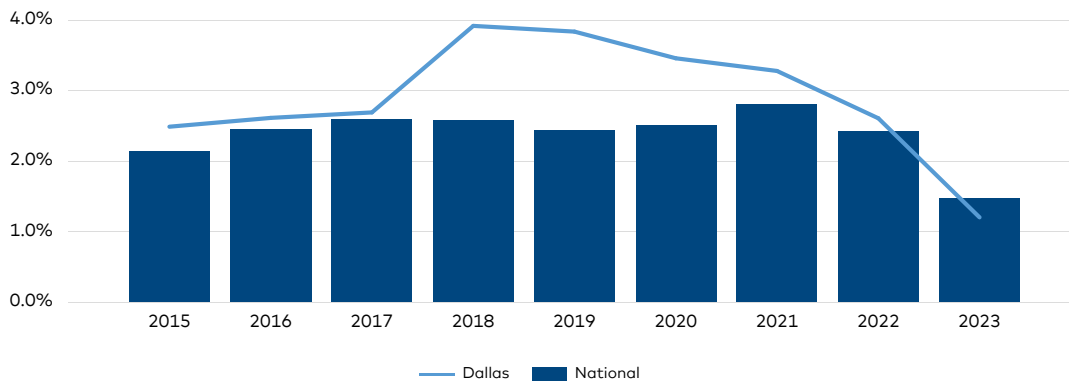
Source: Yardi Matrix

TRANSACTIONS

➤ Dallas-Fort Worth's transaction volume in the first three quarters of 2023 reached almost $2.6 billion, with 110 properties changing hands. This represents a 72% decrease from last year's $9 billion sales total during the same interval.

➤ The $152,902 average price per unit remained below the $189,597 national average, following $20,000 slides for both averages, compared to 2022 levels. The second quarter per-

formed the best so far this year, accounting for over $1.1 billion of the total sales volume.

➤ The RBN segment accounted for 70 of the 110 sales recorded through September, while the rest targeted upscale communities. The submarket in the lead, in the 12 months ending in September, was North Carrollton/The Colony ($232 million), followed by Coppell/South Lewisville ($226 million) and North Cedar Hill ($215 million).

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


Source: Yardi Matrix — Number of Properties ■ Volume in Millions
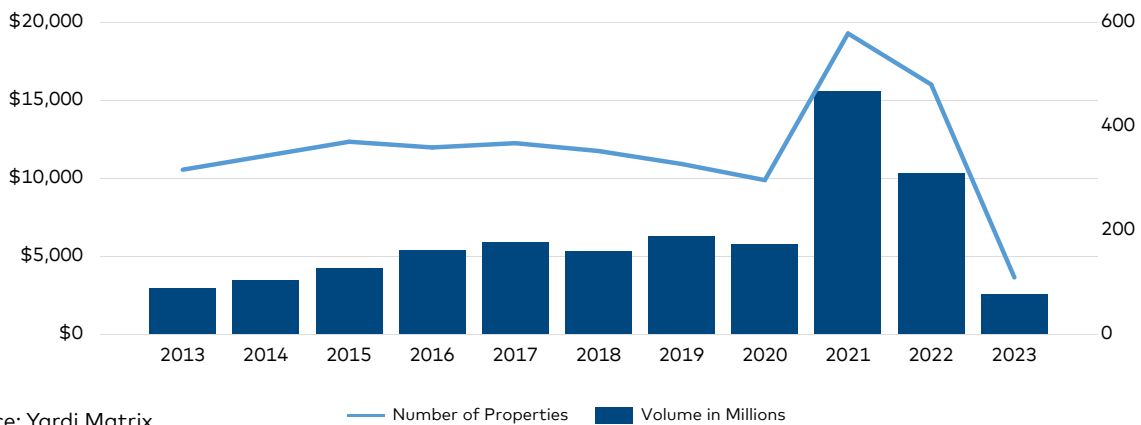
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
North Carrollton/The Colony	232
Coppell/South Lewisville	226
North Cedar Hill	215
Euless	177
North Garland/Rowlett/Sachse	166
North Frisco/West McKinney	139
North Grand Praire	114

Source: Yardi Matrix
[1] From October 2022 to September 2023

Dallas vs. National Sales Price per Unit

— Dallas — National

Source: Yardi Matrix
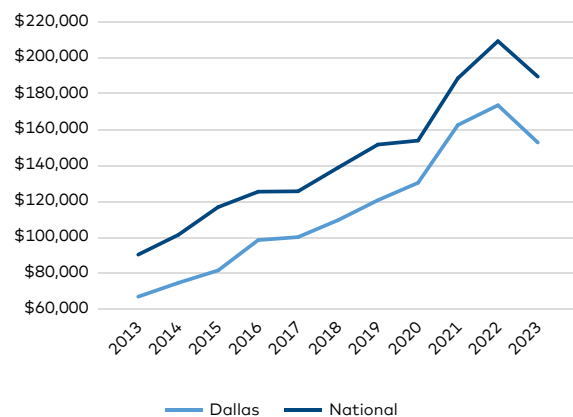
MHN
MULTI-HOUSING **NEWS**
data by
Yardi Matrix

Top 10 Markets for Multifamily Deliveries in H1 2023

By Anda Rosu

Multifamily demand stayed elevated in 2023 despite major economic head-winds, although overall the sector was underperforming during the first six months of the year, compared to 2022. According to Yardi Matrix data, 154,366 units came online nationwide between January and June 2023. The volume of multifamily deliveries accounts for a 60-basis-point increase from the 153,314 units that were delivered last year during the same period.

Rank	Metro	Projects Delivered 2023 H1	Number of Units Delivered 2023 H1	ConstructionStarts 2023 H1 Units
1	Phoenix	36	8,062	10,886
2	Washington, D.C.	25	6,333	5,288
3	Atlanta	29	6,178	10,380
4	Austin	23	5,473	11,220
5	Dallas	20	5,133	15,747
6	Miami Metro	22	5,109	9,969
7	Charlotte	21	4,595	6,441
8	Orlando	19	4,445	5,437
9	Denver	23	4,270	6,046
10	Houston	17	3,910	6,562

Dallas

Halfway through our list we find Dallas, a metro that has been leading the nation in this metric for years. However, the volume of deliveries has been on a downward trend. In 2023 through June, developers brought 5,133 units online in 20 properties, 1.6% of total stock. Deliveries decreased 48% from the same time frame in 2022, when 9,829 units were added. Meanwhile, another 71,207 units were underway in Dallas as of June, accounting for the largest construction pipeline in the U.S.

DALLAS SUBMARKETS
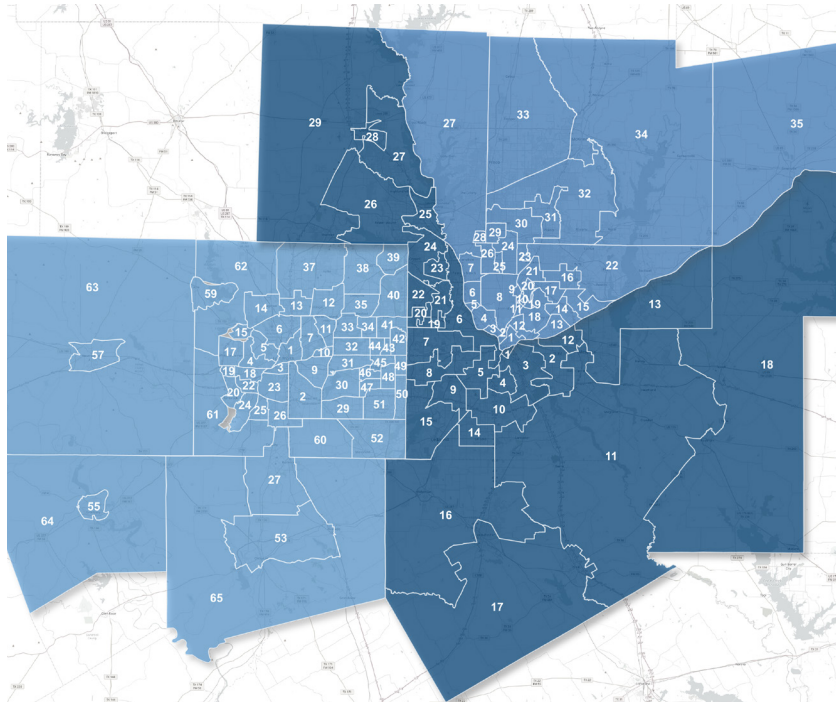
Area No.	Submarket
1	Cityscape/Downtown
2	Uptown
3	South Oak Lawn
4	North Oak Lawn
5	Bachman Lake/West Northwest Highway
6	Northwest Dallas
7	Carrollton/Farmers' Branch
8	Park Cities/Preston Hollow/West Oak Lawn
9	Telecom Corridor
10	West Vickery Park
11	Greenville Corridor/Ridgewood Park
12	Gastonwood/Junius 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.
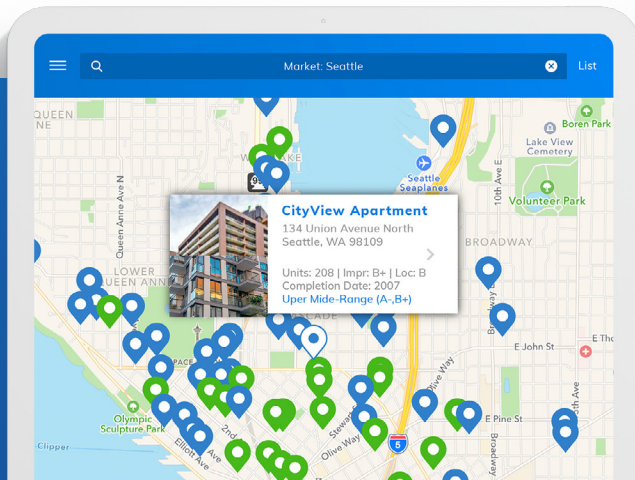
Yardi® Matrix

Power your business 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

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

Units: 208 | Impr: B+ | Loc: B
Completion Date: 2007
Uper Mide-Range (A-,B+)

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

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