

# INVESTMENT FORECAST

IPA

INSTITUTIONAL  
PROPERTY  
ADVISORS

Multifamily  
Dallas-Fort Worth

2022


## Metroplex Construction Eases Amid Robust In-Migration


**Construction pace slowdown, strong migration trends to aid operations.**

Dallas-Fort Worth led all major U.S. metros in terms of annual delivery volume in each of the past four years, and it was not particularly close. During that span, the Metroplex added over 100,000 rentals; that's 24,000 units more than New York City, which was the second-highest-ranking market in that period. This year, Dallas-Fort Worth once again lays claim to the nation's largest pipeline, though the pace of building has retreated. Projected inventory growth of 2.5 percent in 2022 will be the slowest expansion in eight years. The moderation in development comes at a time when the market is adding new residents at an expedited clip, boding well for owners of existing complexes. In-migration to Dallas-Fort Worth is expected to surpass 70,000 net new residents this year, a total that will lead all markets by a sizable margin. As a result of the new people and the households they create, apartment absorption will exceed deliveries in 2022, producing downward pressure on vacancy and providing a tailwind for sustained rent growth.

**Suburban household formation, metro price appreciation delight buyers.**

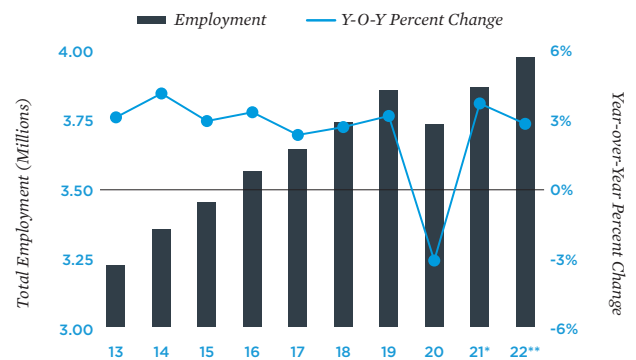
Amid rapid population and household growth, assets in Dallas-Fort Worth are attractive to a number of institutions. The expansive field of buyers eager to acquire properties here is pushing up sale prices and compressing yields. From 2013-2020, the mean sale price elevated by an average of more than 10 percent per year, a trajectory sustained in 2021. Meanwhile, Class A and B cap rates in the Metroplex have abated into the 3 percent band. Many institutions are following household formation trends to North Dallas suburbs, with deal velocity ramping up in locations beyond Interstate 635 like Carrollton, Frisco and Garland. Sub-3 percent first-year returns are being recorded for some luxury trades here as 200-plus-unit buildings completed within the past 20 years exchange frequently. Entry costs for these types of properties in the fast-growing North Dallas suburbs often exceed \$200,000 per unit as well. Institutions chasing higher yields are concentrating on East Dallas, Arlington and North Fort Worth. Upper-tier complexes occasionally trade with cap rates above 4 percent in these areas, but sub-4 percent initial yields are more common. Meanwhile, deal flow has been slower to return to Downtown Dallas and Downtown Fort Worth. Competition in the suburbs and a broader return to offices could encourage more institutional buyers to target the urban cores in 2022.

**21.4%**  2021 share of local population between 20 and 34 years old

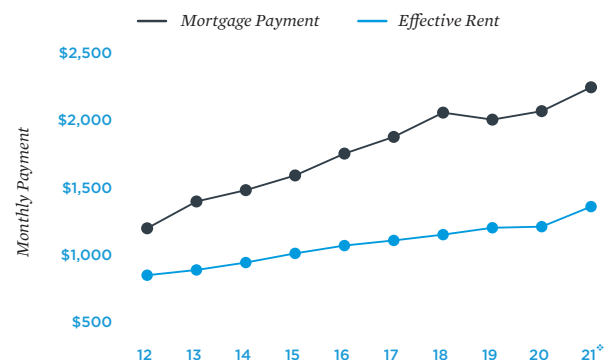
**32.7%**  of local population hold bachelor's degree or higher\*

**\$329,900**  2021 median home price

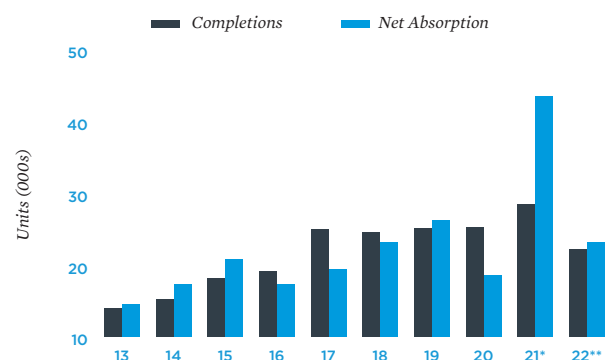
## Employment Trends



## Housing Affordability Gap



## Supply and Demand



\* Estimate \*\* Forecast \* Through 3Q

\*\*2021: 25+ years old

Sources: Marcus & Millichap Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

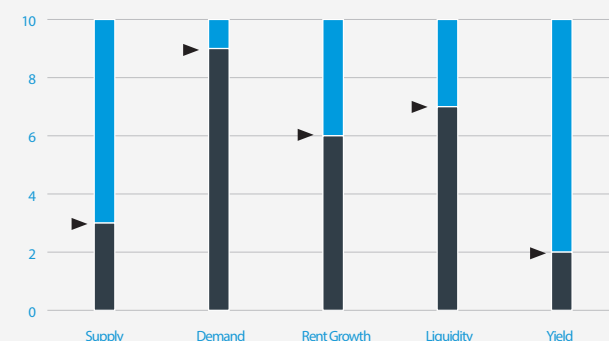
## 2022 Investment Outlook

The Metroplex is in a good position to sustain momentum in 2022 as construction slows while demand trends persist. Robust in-migration and household formation catalyze the need for rentals, lifting the demand ranking to a 9, which is up from where it was prior to the pandemic.

Dallas-Fort Worth is appealing to multifamily investors throughout the world, and a high level of trading activity produces a very solid liquidity score of 7 on the Key Performance Index. Strong demand for Metroplex assets results in a relatively low yield ranking, however.

*Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.*

### Key Performance Index



## 2022 Market Forecast

### Employment

106,000 jobs



Metro **2.7%**  
U.S. **2.5%**

### Construction

as % of inventory\*



Metro **2.5%**  
U.S. **2.2%**

### Class A Vacancy

Down 20 bps



Metro **3.4%**  
U.S. **3.6%**

### Class A Rent

\$1,753  
per month



Metro **7.6%**  
U.S. **7.5%**

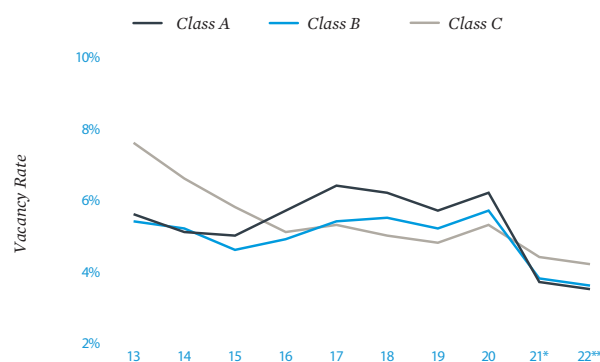
### Investment

3-yr. avg. activity  
\$20+ million

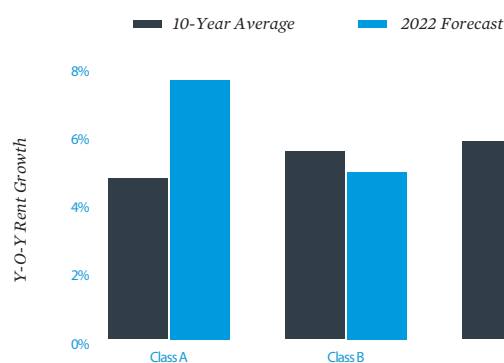


Deals: **84**  
Volume: **\$3.9 Billion**

### Vacancy By Class



### Rent Growth By Class



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\* Estimate \*\* Forecast

† Arrow reflects completions trend compared with 2021  
Sources: Marcus & Millichap Research Services;  
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics