MARKET REPORT

Multifamily

Dallas-Fort Worth Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

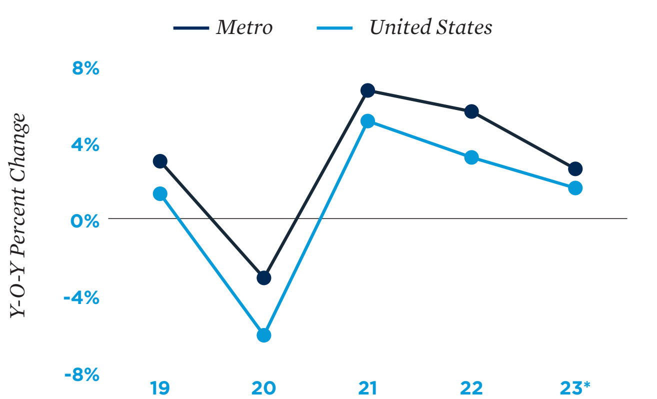
3Q/23

More Renters Gravitating to Fort Worth; Supply-Based Headwinds Evident, but in Pockets

Western portion of the Metroplex fostering stronger demand. Greater Fort Worth registered a larger net absorption total than Greater Dallas during the opening six months of 2023, despite having an apartment inventory that is about one-third of its size. North Fort Worth-Keller, in particular, spearheaded this performance by accounting for 1,170 units of net absorption, or 40 percent of the Greater Fort Worth total. Sustained demand here will be crucial in the near term as the area's construction pipeline remains very sizable, with units underway in August accounting for more than 15 percent of current inventory. Other Fort Worth submarkets that exhibited notable apartment demand in the opening half of 2023 included Burleson-Johnson County, Intown Fort Worth-University and Northeast Fort Worth-North Richland Hills. Among these locations, the latter is the most insulated from near-term supply pressure.

Collection of submarkets absent from record-setting pipeline. Dallas-Fort Worth was the national leader for units underway in August, with at least 2,000 apartments being developed in 14 different submarkets. Allen-McKinney and Plano-Frisco alone combined for more than 20,000 rentals, a total that exceeds entire Metroplex delivery totals in any year prior to 2017. Eight submarkets, however, are notably missing from the active pipeline. East and Southwest Fort Worth, Northwest and Southeast Dallas, North and South Irving, as well as West Plano and Mesquite, have mild development. Among these locations, Class A vacancy is the tightest in North Irving.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2023 Outlook

110,000 JOBS
will be created

EMPLOYMENT:

Dallas-Fort Worth added 90,600 jobs during the first seven months of 2023, the nation's largest increase. Roughly one-fourth of the positions generated were in professional and business services fields. In total, the market's job tally rises by 2.6 percent this year.

25,400 UNITS
will be completed

CONSTRUCTION:

The Metroplex will once again top the country in completions as local supply grows by 2.8 percent. Dallas-Fort Worth also remains a national leader in the coming years, with about 81,000 units underway in August as well.

110 BASIS POINT
increase in vacancy

VACANCY:

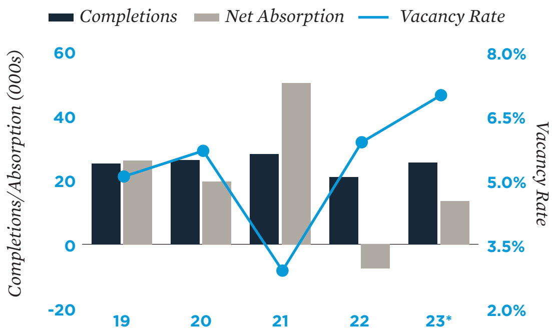
Vacancy edges up to 7.0 percent by year-end, rising at a pace that exceeds the U.S. equivalent by 30 basis points. Net absorption will rank second nationally; however, the measure trails new supply by almost 12,000 units.

2.4% INCREASE
in effective rent

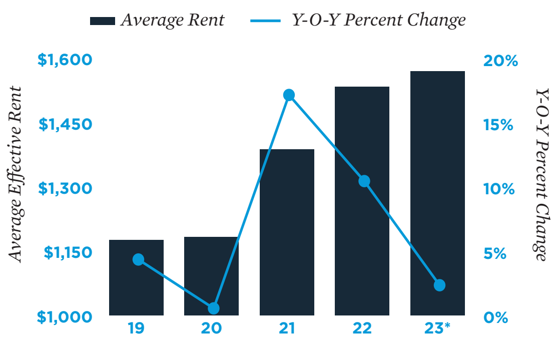
RENT:

Rent growth in Dallas-Fort Worth outpaces central Texas' counterparts Austin and San Antonio, while falling short of Houston's gain. The Metroplex's average effective rent will tick up to $1,570 per month in 2023.

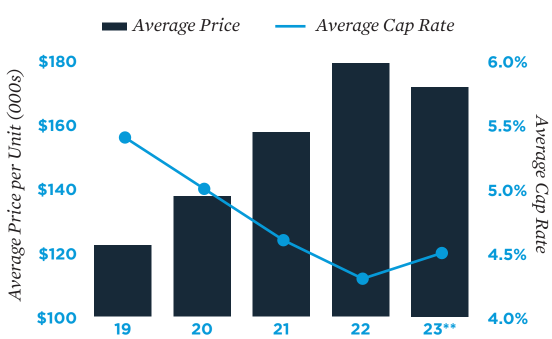
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 2Q*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

IPA Multifamily
John Sebree
Senior Vice President, Director
Tel: (312) 327-5400 | jsebree@ipausa.com

IPA Multifamily Research
Greg Willett
First Vice President
Tel: (972) 755-5200 | gwillett@ipausa.com

Price: $250

2Q 2023 - 12-Month Period

CONSTRUCTION

24,231 units completed

- Three submarkets had annual supply growth of at least 14 percent in June: Burleson-Johnson County, North Fort Worth-Keller and Frisco-Prosper. These locations heavily feature on the forward-looking pipeline as well.
- Hurst-Euless-Bedford, Far North Dallas and Northeast Dallas represent the spots where development was mild relative to similarly-sized areas.

VACANCY

270 basis point increase in vacancy Y-O-Y

- One year ago in the second quarter of 2022, Class C vacancy was the lowest, followed by Class B and then Class A. Now, those rankings have inverted with the Class A rate at 6.3 percent and Class C at 6.9 percent.
- Among the 20 largest submarkets by inventory, vacancy is the tightest in Carrollton-Farmers Branch, South Irving and Lewisville-Flower Mound.

RENT

3.6% increase in the average effective rent Y-O-Y

- Only four of Dallas-Fort Worth's 48 submarkets had year-over-year effective rent declines on average. The most sizable of these areas was Allen-McKinney, normalizing after a 22 percent surge in the prior year here.
- Southeast and Northwest Dallas, as well as Hunt County, led the market in growth, but retained $250-plus per month discounts to the overall mean.

Investment Highlights

- Conservative lending amid higher interest rates has notably cooled trading velocity from the robust pace it had been on in 2021 and 2022. Nevertheless, Dallas-Fort Worth remained among the most active major U.S. markets for multifamily investment during the opening half of this year. Greater Dallas captured the majority of transactions at roughly 80 percent from January through June 2023, in-line with the equivalent span of last year. Greater Fort Worth's comparatively stronger apartment demand metrics in recent quarters could, however, shift some buyer attention west.
- Institutional capital remained sidelined both nationally and in Dallas-Fort Worth. Metroplex assets priced above $15 million traded about 85 percent less frequently during this year's first half than they did in the opening six months of 2022. Some investors, confident in the market's long-term prospects, have benefited from the reduction in buyer competition, however.
- Dallas-Fort Worth's nation-leading construction volume may keep active institutions hesitant near-term as they assess potential supply headwinds. The magnitude of development, however, supports diverse opportunities to acquire newly-built space in a market registering robust growth trends.