

Multifamily Market Insight for Informed Investment Decisions

DALLAS | FORT WORTH
2019 Q1
MULTIFAMILY MARKET REPORT

INVESTMENT OVERVIEW

Dallas has continued to be among the nation's leaders in multifamily development. According to the Wall Street Journal, Dallas has had the second-strongest annual increase in employment of any metropolitan area in the country. Growth has been primarily driven by the private sector and the unemployment rate for DFW has lowered to 3.6%.

With so many apartments coming online rents have flattened at the top of the market for existing assets. 32,000 additional deliveries are expected by the end of the year which will set an all-time high for DFW this year. Despite the large number of deliveries occupancy numbers have remained strong and absorption has been aided by large numbers of new residents.

Dallas has continued to lead the nation in job creation. Over 100,000 jobs have been created in the last 12 months in DFW with most filled by transplants. Dallas continues to be mentioned in several conversations as a potential relocation target for businesses drawn to the area's low cost of living and pro-business climate. Continued job creation should continue to support the strong multifamily market and keep rents and occupancy figures stable.

1Q 2019 compared to 1Q 2018:

2000 & Newer:

Occupancy increased 0.2% | Effective Rents increased 2.6%

1990 - 1999:

Occupancy increased 0.5% | Effective Rents increased 3%

1980 - 1989:

Occupancy decreased 1% | Effective Rents increased 2.6%

1970 - 1979:

Occupancy decreased 1.3% | Effective Rents increased 3.4%

1969 & Older:

Occupancy decreased 1.6% | Effective Rents increased 3.8%

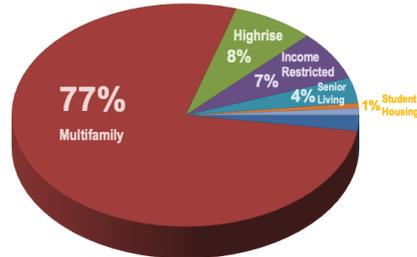
Rents have increased over the past twelve months across asset classes in DFW with the bulk of the rental increases coming from apartments constructed in the 1990's. The Fed's interest rate adjustments will impact multifamily borrowing which could impact transaction volume over the next year. Interest rates have increased to above 5% on many loans and debt service coverage constraints have made it increasingly difficult for buyers to achieve 75% or greater leverage on their acquisitions. There are green and affordable programs available that can help reduce loan interest rates on agency debt; however, these options are limited to properties that meet specific criteria and are subject to approval by

underwriters. The reality for most buyers is that debt will cost 5% or more.

For properties built after 2000, cap rates have decreased across DFW and the estimated average cap rate for Dallas area multifamily is about 4.8%, which is a 0.1% decrease from last year. Contrarily, for properties built prior to 1990s, cap rates are currently around 5.9%. Given the increasing cost of debt, cap rates may have to rise to produce enough spread for multifamily acquisitions to be attractive to buyers.

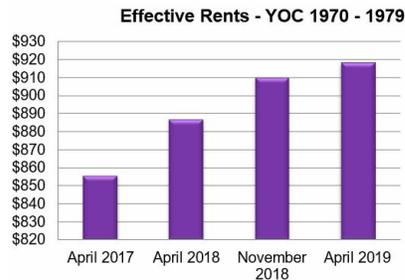
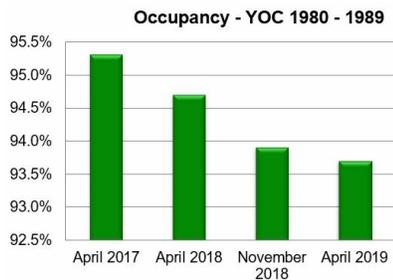
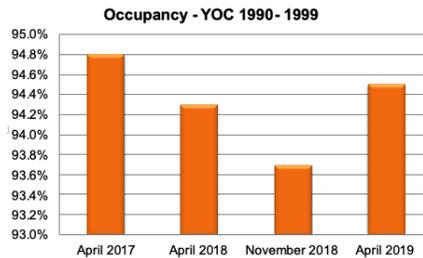
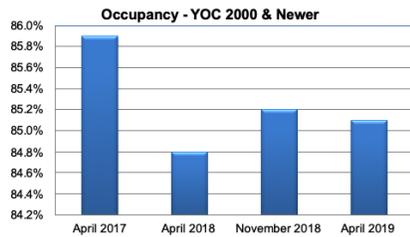
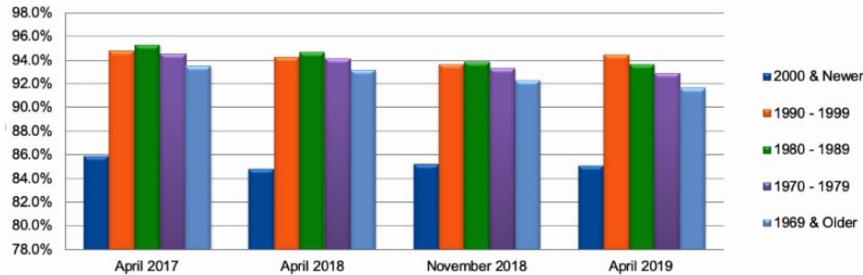


New Construction Trends

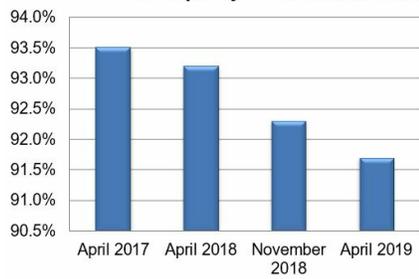


APARTMENT OCCUPANCY TRENDS

Market Occupancy

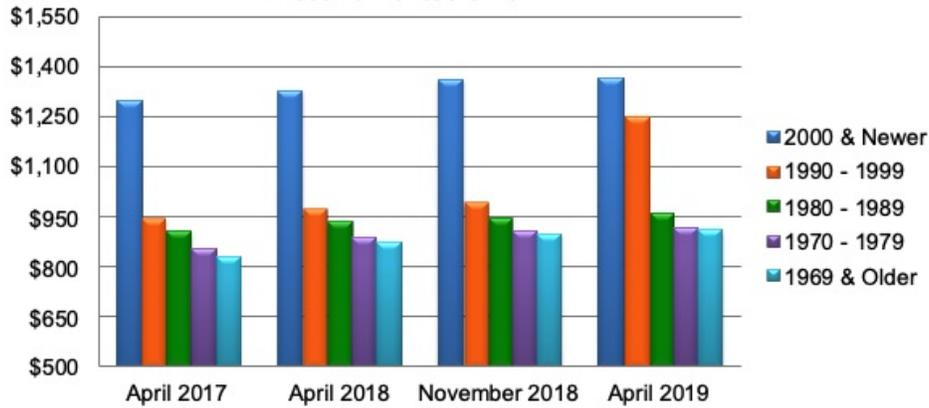


Occupancy - YOC 1969 & Older

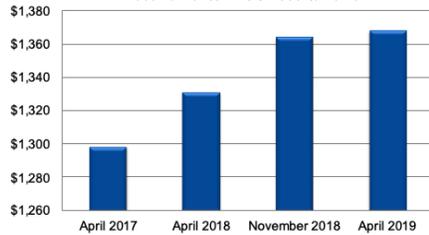


APARTMENT RENTAL TRENDS

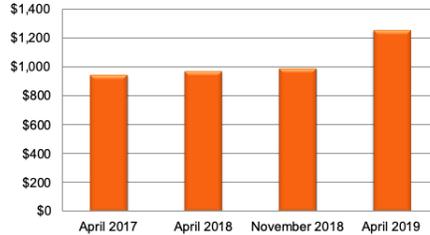
Effective Rents / Unit



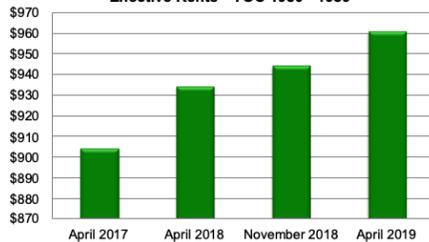
Effective Rents - YOC 2000 & Newer



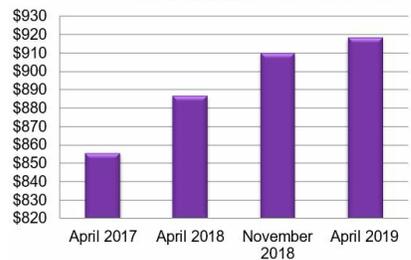
Effective Rents - YOC 1990 - 1999



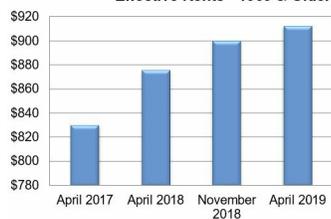
Effective Rents - YOC 1980 - 1989



Effective Rents - YOC 1970 - 1979

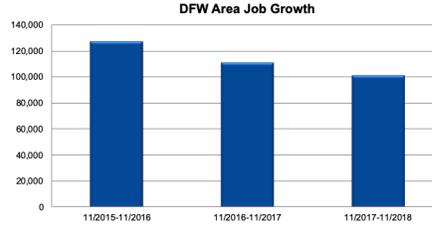
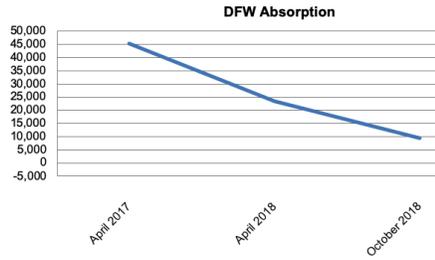


Effective Rents - 1969 & Older





ABSORPTION AND JOB GROWTH



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