

Multifamily Market Insight for Informed Investment Decisions.



MARKET OVERVIEW

DFW Remains Leader in Multifamily Development

Dallas continues to be among the nation’s leaders in multifamily development. Growth has been driven primarily by the private sector and the unemployment rate for DFW has remained stable at 3.7%. With so many apartments coming online, rents have flattened at the top of the market for existing assets. New construction is still abundant, but it is naturally beginning to slow as DFW has seen record numbers in previous periods. Occupancy rates have increased among all asset classes since the last quarter. Absorption has been aided by large numbers of new residents.

Job Creation Impact

Dallas leads the nation in job creation. Over 115,000 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. Job creation in DFW should continue to support the strong multifamily market and keep rents and occupancy figures stable.



Year over Year Occupancy Rate Comparison	
Vintage	Occupancy % Change
2000 & Newer	increased 9.1%
1990 - 1999	increased 1.8%
1980 - 1989	increased 0.1%
1970 - 1979	decreased 0.8%
1969 and older	decreased 0.5%

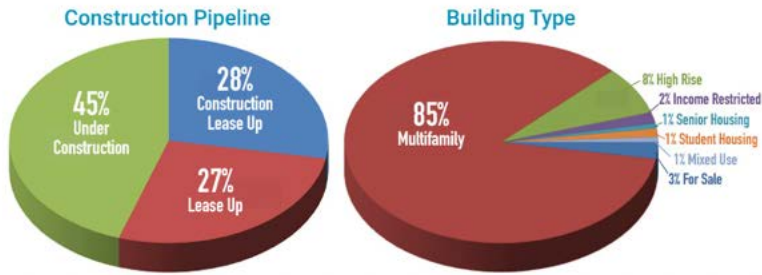
Decreased Cost of Borrowing

Effective rents decreased slightly over the past 12 months across all asset classes in DFW. However, the Fed’s interest rate adjustments have affected multifamily borrowing and should positively impact transaction volume over the next year. Interest rates are now between 4.0% and 4.5% on many loans, making it easier for investors to meet debt service coverage constraints and achieve 75% or greater leverage on their acquisitions. In addition, 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. Either way the cost of borrowing has decreased significantly since the beginning of 2019 when interest rates floated around 5%.

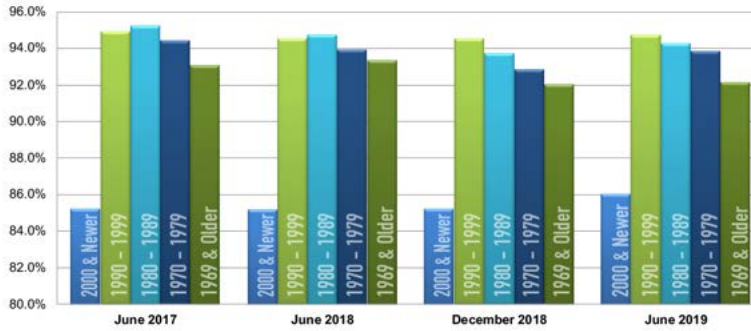
Cap Rates

Cap rates remain low across DFW and the estimated average cap rate for Dallas area multifamily is about 5.1%, which is just a 0.1% increase from last year. For B and C class properties, cap rates are slightly higher at about 5.25% and 6.1%, respectively. Given the recently lowered cost of debt and a very slight rise in cap rates, the spread is making this an attractive time for investors to participate in multifamily acquisitions.

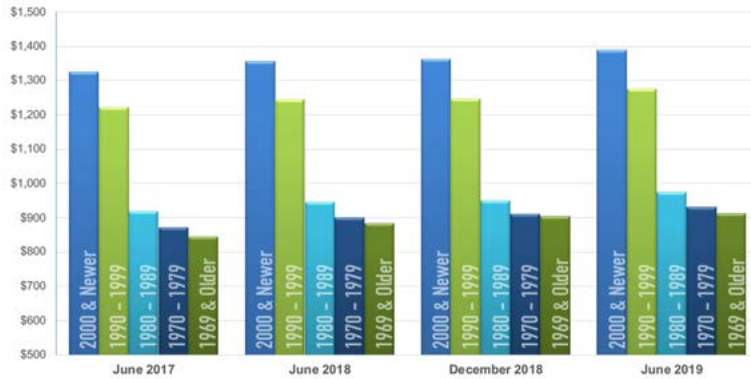
New Construction Trends



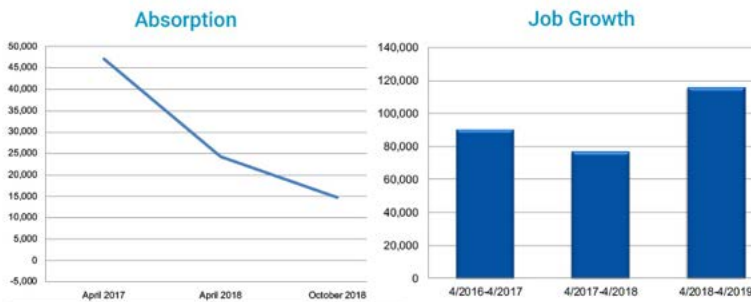
Occupancy Trends by Year of Construction



Effective Rent Trends by Year of Construction



Absorption and Job Growth



To discuss how current multifamily market trends will affect your investment portfolio, call 214-206-9559 and talk to one of our market experts.