

Dallas-Fort Worth Multifamily

Job Gains Push Absorption Totals to New Heights

Highlights

- > The Dallas-Fort Worth multifamily market benefitted from robust levels of job growth and a spike in the net absorption of apartment units during the second quarter. The outlook for the remainder of the year remains positive.
- > Net absorption totaled more than 11,600 units in the second quarter, driving the vacancy rate down 90 basis points to 4.9 percent. Year over year, vacancy is down 30 basis points.
- > Rent growth accelerated during the second quarter. Asking rents reached \$1,155 per month, rising 4.7 percent from one year ago.
- > Investment activity picked up during the second quarter, while prices rose and cap rates compressed. Through the first half of this year, the average cap rate in transactions where pricing data was available was 5.2 percent, while the median price had risen to \$118,800 per unit.

Q2 Snapshot

Dallas-Fort Worth Market



Market Fundamentals

Vacancy	4.9%
- Year Over Year Change	-30 bps
Asking Rent	\$1,155
- Year Over Year Change	+4.7%



Transaction Activity*

Median Sales Price Per Unit (YTD)	\$118,800
Cap Rates (Avg YTD)	5.2%



Construction Activity

Units Under Construction	37,735
Units Delivered YTD	12,800

* In transactions where pricing is available

Dallas-Fort Worth Multifamily Market Overview

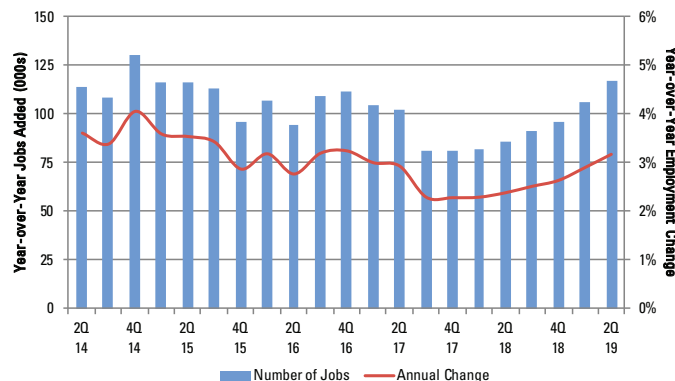
The Dallas-Fort Worth multifamily market continues to be fueled by robust renter demand for apartments. During the second quarter, job growth accelerated, providing the fuel for the region's strongest single quarter of apartment absorption in more than a decade. Dallas-Fort Worth also posted the highest absorption totals for the entire country during the second quarter. This strong demand drove the vacancy rate down by nearly a full percentage point, even as developers continued to bring new units to the market.

The local investment market strengthened during the second quarter, reflecting the improving property fundamentals. Sales velocity gained momentum, prices rose, and cap rates compressed. Dallas-Fort Worth is on pace to once again be among the leading markets for total multifamily transaction volume, due to the market's consistently strong performance and large inventory of apartment properties. With the market performing, the average cap rate is expected to remain around 5 percent for the remainder of 2019.

Employment

- > The pace of employment growth in Dallas-Fort Worth accelerated in the second quarter, building on gains from the past several years. During the past 12 months, employers have expanded payrolls 3.2 percent, adding more than 116,000 new jobs. One year ago, the growth rate was 2.4 percent.
- > While growth is spread across nearly every industry in the Metroplex, high-wage professional industries have been a considerable source of gains. The professional and business services sector has added nearly 30,000 jobs in the past year, representing a 4.8 percent gain. The financial activities sector added more than 10,000 jobs in that time, a 3.3 percent expansion.
- > Trade, transportation, and utilities, which includes warehousing and retail employment, is the largest employment sector in Dallas-Fort Worth, accounting for nearly 800,000 jobs. The sector added 20,500 workers in the past year, growing 2.6 percent.
- > **Forecast:** The Dallas-Fort Worth area is forecast to lead the country in the number of new jobs added this year. Employers are on pace to add 120,000 net new jobs in 2019, a 3.2 percent expansion.

Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

Employment growth in Dallas-Fort Worth has led the nation during the past 12 months with 116,000 new jobs added

Vacancy

- > Vacancy in the combined Dallas-Fort Worth area posted its largest quarterly decline in more than four years during the second quarter. The rate fell 90 basis points from the first quarter, dipping to 4.9 percent.
- > Vacancy in the Metroplex is down 30 basis points from one year ago. This is the second time in the past eight quarters where the vacancy rate has dipped below 5 percent.
- > Renter demand for apartments spiked in the second quarter, mirroring local employment trends and driving the local vacancy rate lower. Net absorption topped 11,600 units in the second quarter, up nearly 40 percent from the same period one year ago.
- > **Forecast:** Vacancy is forecast to end 2019 at 5.2 percent, 30 basis points lower than the year-end 2018 figure. This would mark the second consecutive calendar year where the vacancy rate improved.

Vacancy Trends



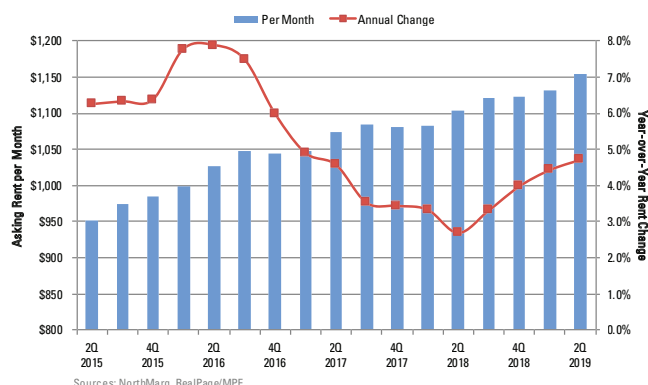
Sources: NorthMarq, RealPage/MPF

Vacancy posted its largest quarterly decline in four years as renter demand spiked

Rents

- > With renter demand elevated, rents surged in the second quarter. Asking rents rose 2.1 percent in just the past three months and are up 2.8 percent from the end of 2018.
- > Asking rents reached \$1,155 per month during the second quarter, up 4.7 percent from one year ago. One year ago, growth was more modest, having posting an annual gain of 2.7 percent.
- > Rents in the Dallas-Plano-Irving segment of the market ended the second quarter at \$1,186 per month, 4.5 percent higher than one year earlier. In the Fort Worth-Arlington region, rents have advanced 5.1 percent year over year, rising to \$1,058 per month.
- > **Forecast:** Asking rents are forecast to rise 4.5 percent in 2019, ending the year at \$1,174 per month. Rent growth has averaged 4.5 percent annually since 2016.

Rent Trends

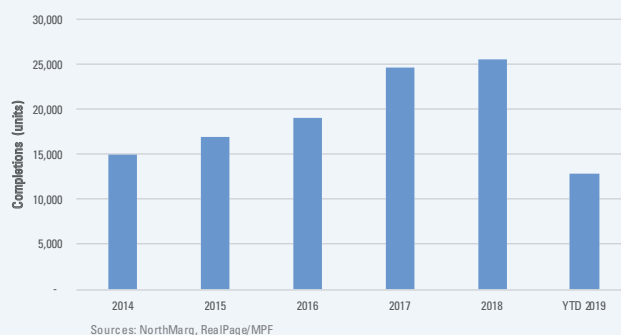


Year over year, asking rents in Fort Worth-Arlington have gained 5.5 percent; in Dallas-Plano-Irving, asking rents are up 4.5 percent

Development and Permitting

- > The pace of deliveries accelerated during the second quarter, with nearly 6,800 apartment units coming online, up from approximately 6,000 units delivered in the first quarter. The pace of deliveries in the first half of this year is up slightly from the same period in 2018. More than 25,000 have been delivered during the past 12 months.
- > Projects totaling more than 37,000 units were under construction at the end of the second quarter, with these properties set to deliver in the coming quarters. Several projects, totaling more than 5,000 units, are under construction in the Plano/Allen/McKinney area.
- > Developers pulled permits for approximately 7,200 multifamily units during the second quarter, up roughly 35 percent from the total in the first quarter. In the first half, nearly 12,500 multifamily permits were issued, down 15 percent from the same period last year.
- > **Forecast:** Developers are on pace to deliver approximately 25,000 apartment units in Dallas-Fort Worth in 2019, down slightly from the number of units that came online in 2018.

Development Trends

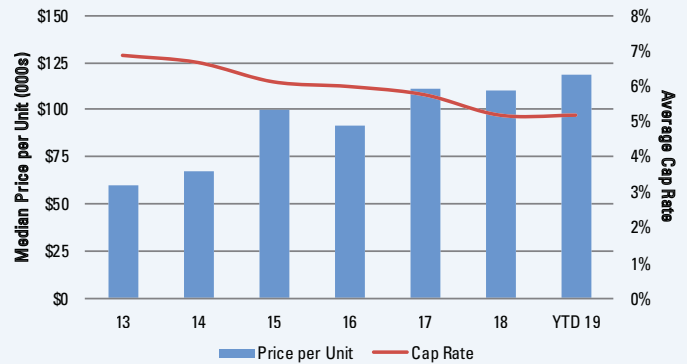


Permits were pulled for approximately 7,200 units during the second quarter

Multifamily Sales

- > Sales velocity in the second quarter was up nearly 15 percent from the first quarter. Transaction activity through the first half of 2019 is up slightly when compared to the same period in 2018.
- > In transactions where sales prices are available, the median price during the second quarter was nearly \$124,000 per unit, up approximately 10 percent from the median price in the first quarter. Through the first half of the year, the median price in transactions where pricing data were available was approximately \$118,800 per unit, up 8 percent from last year.
- > Cap rates compressed during the second quarter, averaging approximately 5 percent in recent deals. The average cap rate in the first half of this year has been 5.2 percent, similar to rates recorded in 2018.

Investment Trends



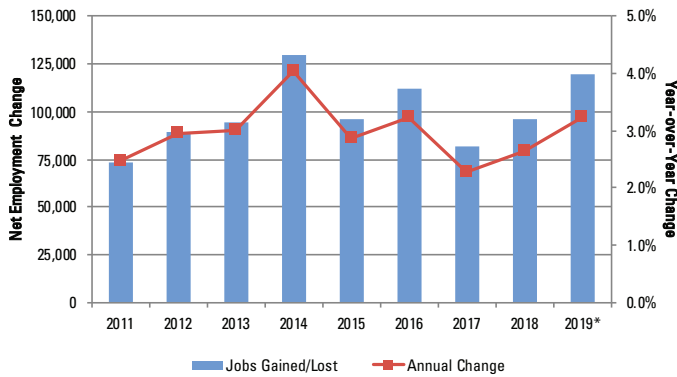
The average cap rate in the first half of 2019 has been 5.2 percent, similar to rates recorded in 2018

Looking Ahead

Dallas-Fort Worth is likely to remain in growth mode for the next several years. The market has consistently been among the top few markets in the country for job growth over the past several years, and the region continues to attract high-profile companies bringing thousands of new jobs. Ride sharing company Uber has announced plans to bring approximately 3,000 jobs to Deep Ellum. The current timeline calls for the company to move into the new facility in 2022. The proven track record of attracting businesses to the market will continue to support local apartment property performance.

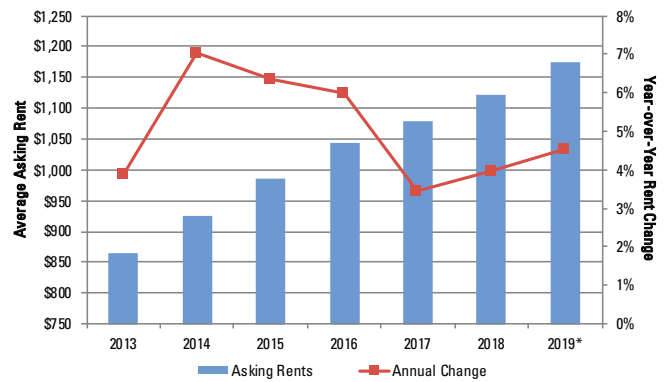
The Dallas-Fort Worth multifamily investment market remains quite active and there are no apparent obstacles to slow sales velocity in the coming quarters. The robust absorption that has been recorded in recent quarters, coupled with accelerating employment growth, is expected to continue to motivate investors to acquire local multifamily properties. Interest rates remain low and cap rates compressed during the second quarter; if cap rates change at all in the second half of 2019, the most likely scenario would be for a modest decline.

Employment Forecast



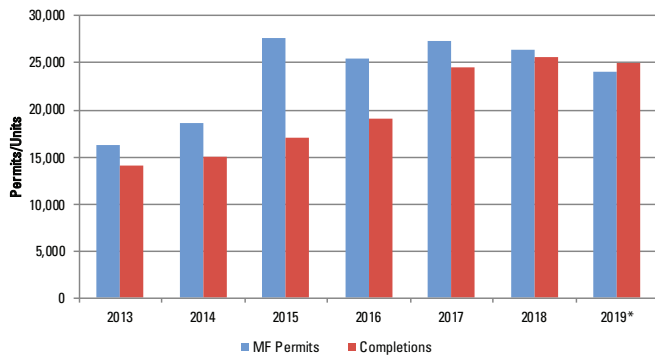
* Year End Forecast
Sources: NorthMarq, Bureau of Labor Statistics

Rent Forecast



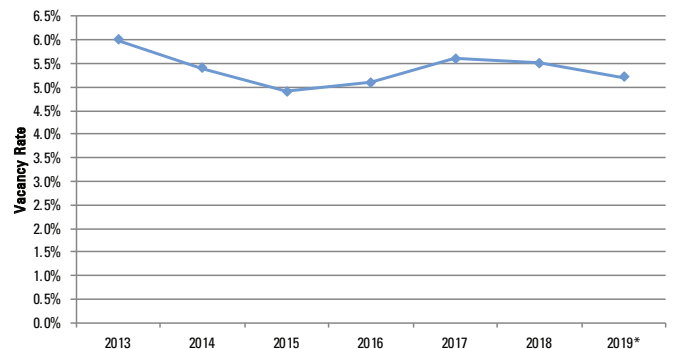
* Year End Forecast
Sources: NorthMarq, RealPage/MPF

Construction & Permitting Forecast



* Year End Forecast
Sources: NorthMarq, Census Bureau, RealPage/MPF

Vacancy Forecast



* Year End Forecast
Sources: NorthMarq, RealPage/MPF

About NorthMarq

As a capital markets leader, NorthMarq offers commercial real estate investors access to experts in debt, equity, investment sales, and loan servicing to protect and add value to their assets. For capital sources, we offer partnership and financial acumen that support long- and short-term investment goals. Our culture of integrity and innovation is evident in our 60-year history, annual transaction volume of \$13 billion, loan servicing portfolio of more than \$55 billion and the multi-year tenure of our more than 500 people.

For more information, contact:

Taylor Snoddy

MANAGING DIRECTOR – INVESTMENT SALES
972.455.4928 | tsnoddy@northmarq.com

James Roberts

SENIOR VICE PRESIDENT – INVESTMENT SALES
972.455.1942 | jroberts@northmarq.com

Philip Wiegand

SENIOR VICE PRESIDENT – INVESTMENT SALES
972.455.1933 | pwiegand@northmarq.com

Eric Stockley

ASSOCIATE – INVESTMENT SALES
T 972.455.4911 | estockley@northmarq.com

Stephen Whitehead

SVP, MANAGING DIRECTOR – DEBT & EQUITY
972.788.3423 | swhitehead@northmarq.com

Lauren Bresky

SENIOR VICE PRESIDENT – DEBT & EQUITY
972.455.4912 | lbresky@northmarq.com

Jeffrey Erxleben

EVP, REGIONAL MANAGING DIRECTOR – DEBT & EQUITY
972.455.1934 | jerxleben@northmarq.com

Trevor Koskovich

PRESIDENT – INVESTMENT SALES
T 602.952.4040 | tkoskovich@northmarq.com

Pete O'Neil

DIRECTOR OF RESEARCH
602.508.2212 | poneil@northmarq.com

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