



Dallas-Ft. Worth

MARKET INSIGHT REPORT



FALL
2023

Employment / Unemployment

The Dallas-Fort Worth-Arlington Metropolitan Statistical Area (MSA) is a national and international front-runner in economic and demographic growth, and the metro added the most jobs since the latest downturn with 345,000 jobs gained since the February 2020 peak. DFW is comprised of two metropolitan divisions with separately identifiable employment centers, and there were employment gains in both divisions over the year. The region's highly skilled workforce pool and low cost of doing business have lured companies from across industry sectors. North Texas has welcomed over 150 new corporate headquarters over the past 10 years including

financial industry giants Wells Fargo and Goldman Sachs, who announced the construction of regional campuses that will support 9,000 jobs combined, the relocation of Caterpillar to Irving from Illinois, and the global headquarters relocation of engineering company AECOM from Los Angeles to Dallas.

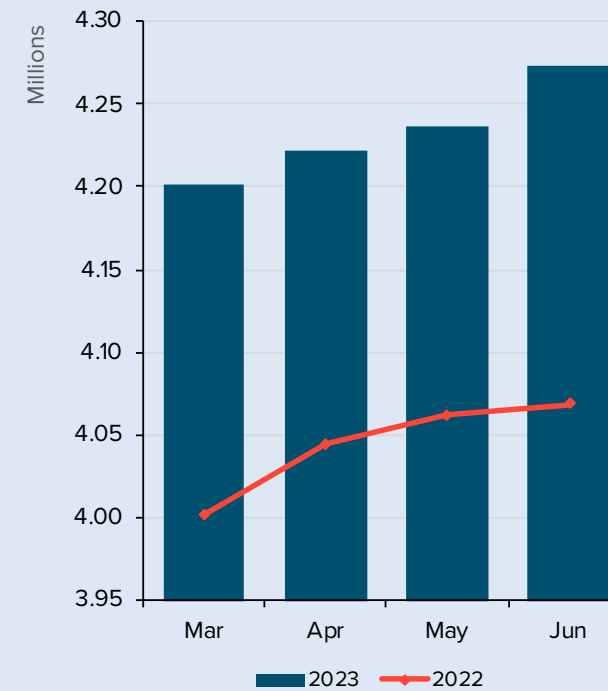


A total of 205,000 jobs were gained in the 12 months ending in June 2023, up 5.0% year-over-year compared to 2.4% nationally. The professional and business services industry supersector had the largest gain amongst private-industry sectors with 48,100 positions added, a 6.3% increase over the previous year. Comparatively, the professional and business services supersector had a 2.4% gain on a national level. The Dallas-Fort Worth private education and health services sector had the second-largest gain with 26,300 jobs added, representing a 5.6% net change over the previous 12 months. The trade, transportation and utilities sector followed with 26,100 jobs added and a 3.0% net increase year-over-year. The sector is expected to continue to perform well as Dallas Fort Worth International Airport and American Airlines commence on a \$4.8 billion capital improvement program.

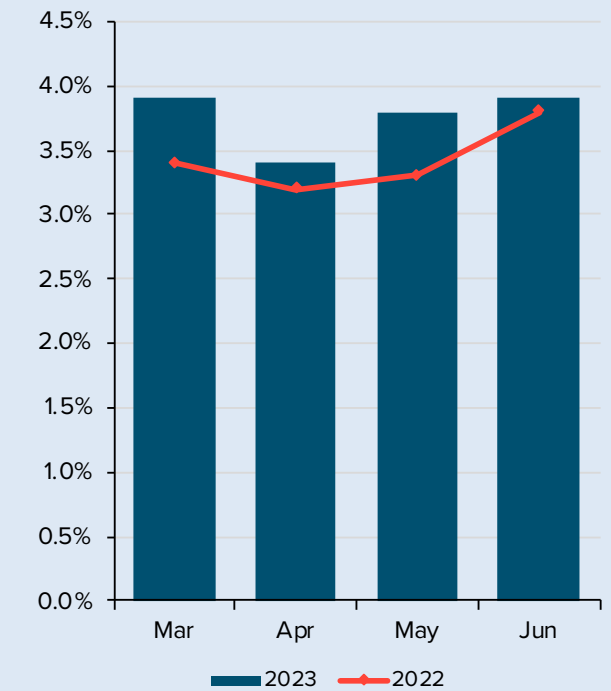
The average hourly earnings of all employees throughout the metro area in June was \$33.74, up 2.9% year-over-year.

The unemployment rate for the Metroplex dropped to its lowest level in April with a rate of 3.4%. The unemployment rate in June was 3.9%, up 10 basis points year-over-year.

Total Employment



Unemployment




Metro Area Employment (Thousands)	June 2023	% Δ from June 2022	
		DFW	National
Total Non-farm	4273.6	5.0%	2.4%
Mining, Logging, and Construction	253.6	8.8%	5.5*
Manufacturing	311	3.5%	1.2%
Trade, Transportation, and Utilities	901	3.0%	0.7%
Information	96.6	6.9%	0.1%
Financial Activities	377.2	5.7%	1.1%
Professional and Business Services	805.8	6.3%	2.1%
Private Education and Health Services	437.8	5.6%	4.2%
Leisure and Hospitality	423.7	4.3%	4.7%
Other Services	143.8	11.6%	3.2%
Government	464.7	3.3%	2.8%

Sources: U.S. BLS, Current Employment Statistics, GREAA Research
 *Construction is separated in BLS employment supersector, but not unemployment

Dallas Rental Market

- Multifamily demand in Dallas-Fort Worth is gradually recovering amid inflation and economic uncertainties, resulting in tightened household formation. Overall rent growth in the Metroplex declined to -0.4% over the past year. However, healthy demand persists in high-quality suburban areas like Collin and Denton Counties, driven by steady migration flow.
- In-migration, corporate relocations, and expansions will continue to fuel apartment demand through 2023. Entry-level home purchases face challenges due to high demand, low inventory, increased home values, and rising mortgage payments with high-interest rates. This keeps many renters in the apartment market until more supply becomes available. New Metroplex residents will contribute to sustained demand.
- Rent growth in 2023 will mainly be driven by mid-tier, 3-star properties, as renters opt to renew current leases, ensuring more stable rent growth compared to other Sunbelt markets.
- The 4- and 5-star property segments that drove the rapid run-up of rents in 2021 are now on the decline and currently trending at -1.6%, with new leases on recently delivered properties reporting an increase in concessions.
- The market vacancy rate has increased from 4.9% at the end of 2021 to an 8.8% year-to-date rate, which aligns with pre-pandemic norms.





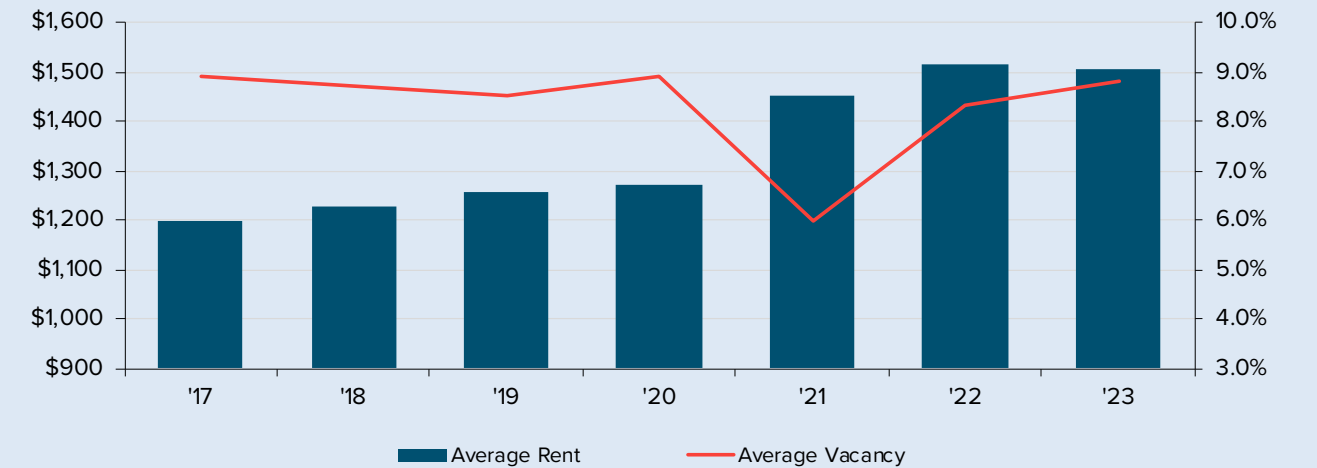
+ 0.13%

New lease asking rents are at \$1,502, up 0.13% from the previous year.

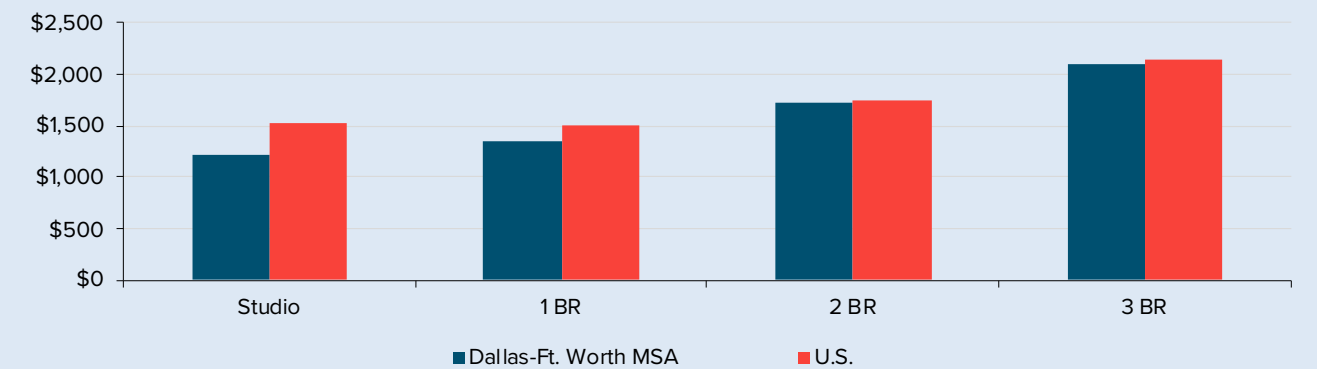
Year Built	Asking Rent	Occ. Rate
1800-1949	\$1,176	88.2%
1950-1969	\$1,189	90.4%
1970-1979	\$1,243	91.7%
1980-1989	\$1,311	91.1%
1990-1999	\$1,529	94.0%
2000-2019	\$1,795	92.5%
2020-2023*	\$2,045	96.6%
All	\$1,502	91.2%

Source: ALN
*vs. 6 mos end of Jan 2023; Includes Properties in Lease-Up

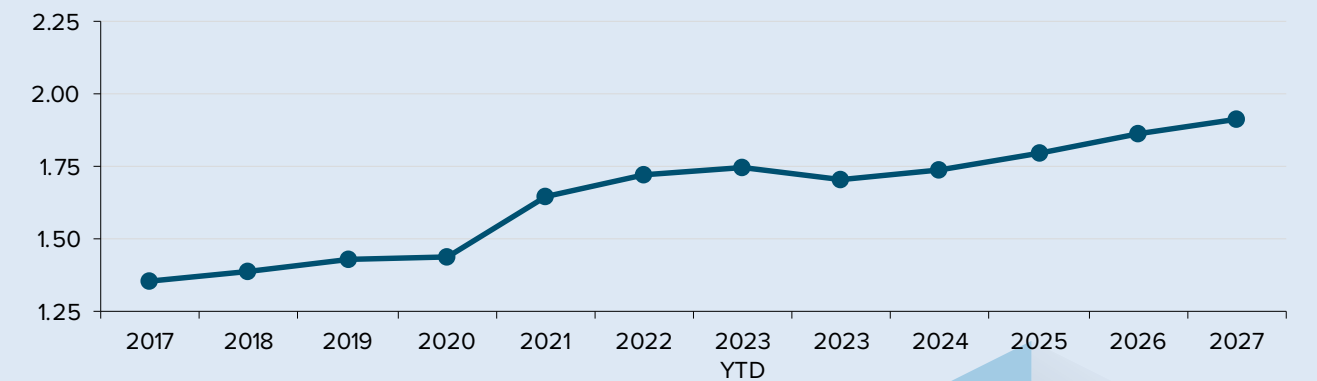
Average Rent / Vacancy



Asking Rent Comparison



Asking Rent / SF



Source: CoStar, GRE Research, *Projected

Multifamily Construction

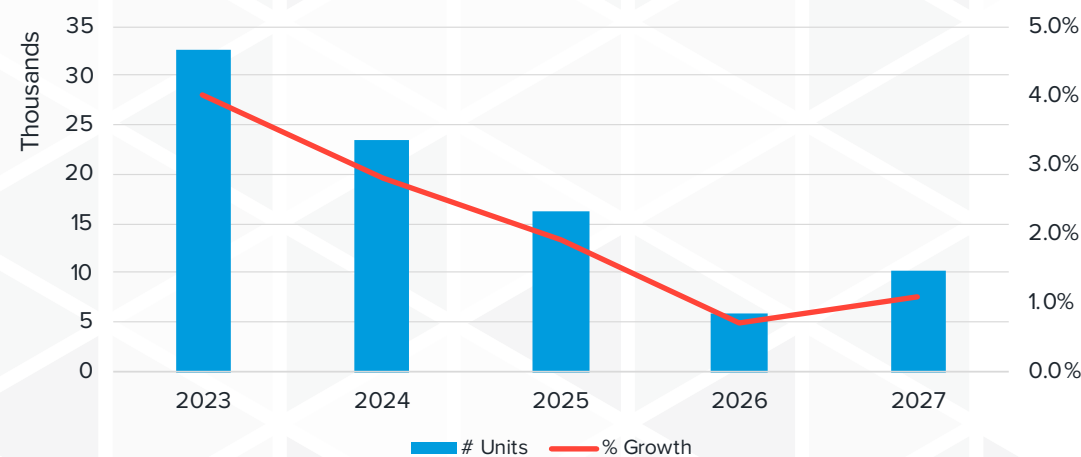
- Dallas-Fort Worth ranks number one in the nation for multifamily construction activity with over 74,000 units under construction, representing 8.2% of the current inventory. The construction flow is steady and manageable.
- Northern Collin and Denton Counties are leading in demographic growth in North Texas, with the Frisco/Prosper submarket reporting an increase in construction starts over the past year. Suburbs in Collin County have seen rapid population growth, attracting corporations, especially in the North Platinum Corridor of Frisco. Economic growth and in-migration have also extended to parts of Denton and Tarrant Counties, including Plano, Allen, and McKinney, which will drive demand throughout 2023.
- Fort Worth's construction activity is expected to remain steady, as renters prefer lower-density suburban options with more affordable rents.
- CoStar reports that Downtown Dallas and Uptown/Park Cities submarkets have added a significant amount of new inventory in the past decade, and supply in these areas has likely reached its peak. In 22Q2, approximately 4,800 units were under construction within a 4-mile radius of Downtown Dallas, down from around 9,000 units in 2016.
- While vacancy rates are increasing across submarkets, the influx of new businesses and relocations to the metro due to favorable economic conditions and demographic growth will sustain multifamily demand in 2023.
- As net absorption accelerates, vacancy rates are expected to decline and keep the multifamily market stable in the second half of 2023.



32,669 New Units

2023 Expected Completions
23,577 New Units Will Follow in 2024

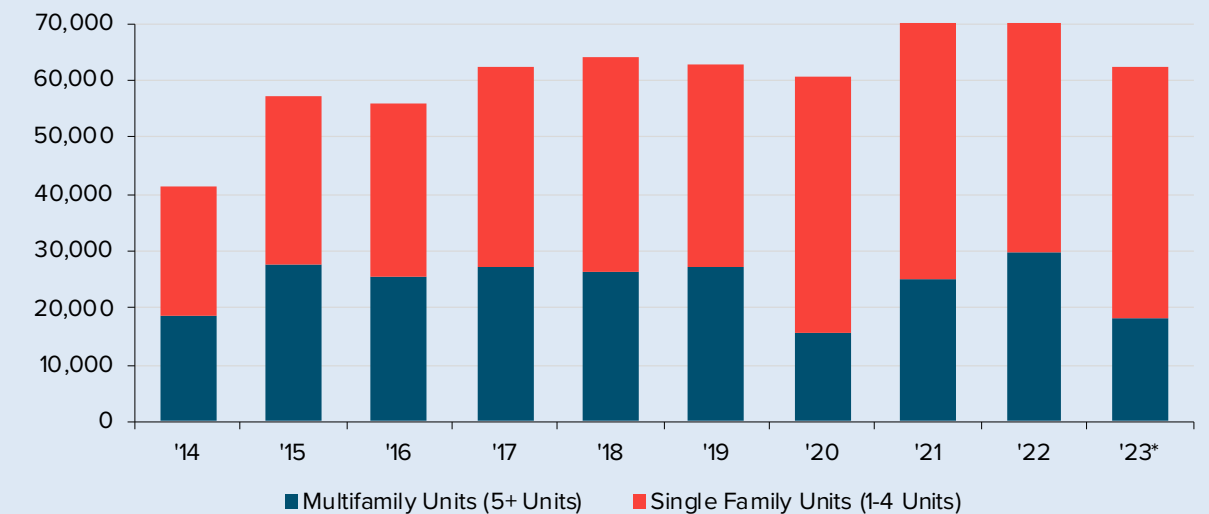
Supply & Demand Forecast



Source: YARDI, CoStar, All Figures are Annual Totals, *Projected

Permits

Total Residential Building Permits



Source: U.S. Census, Texas A&M University Texas Real Estate Research Center, GREA Research, Multifamily Includes Condos



44,173
Single Family Permits
+3.93% YoY

18,227*
Multifamily Permits (5+ Units)
-38.74% YoY

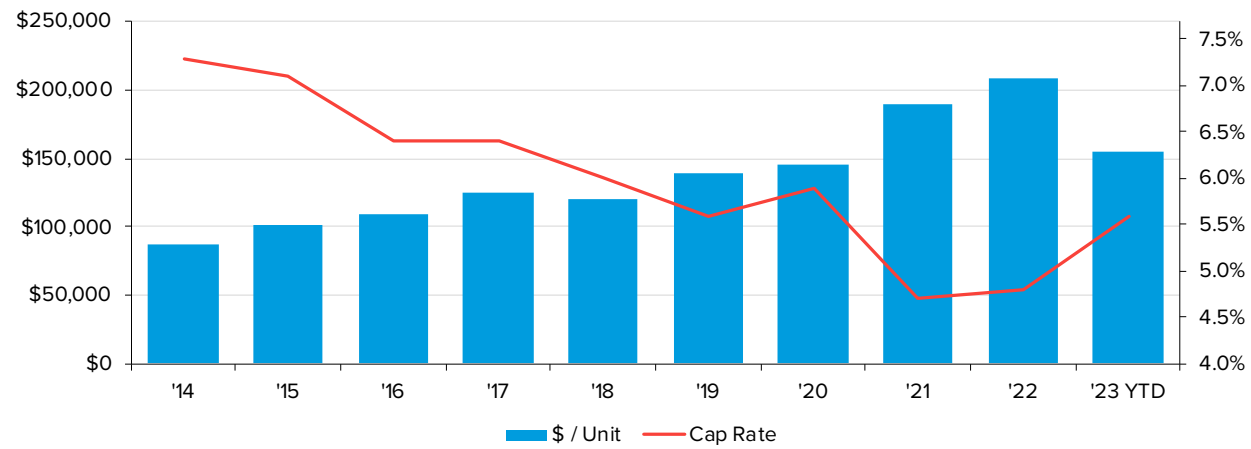


\$410K
Median Single Family Price
+5.67% YoY

* 2023 projections based on average # permits for April, May & June which is 1,122 for 5+ units used for monthly projects through the year plus YTD number of U.S. Census

Multifamily Sales

Average Sales PPU / Cap Rate



Source: CoStar

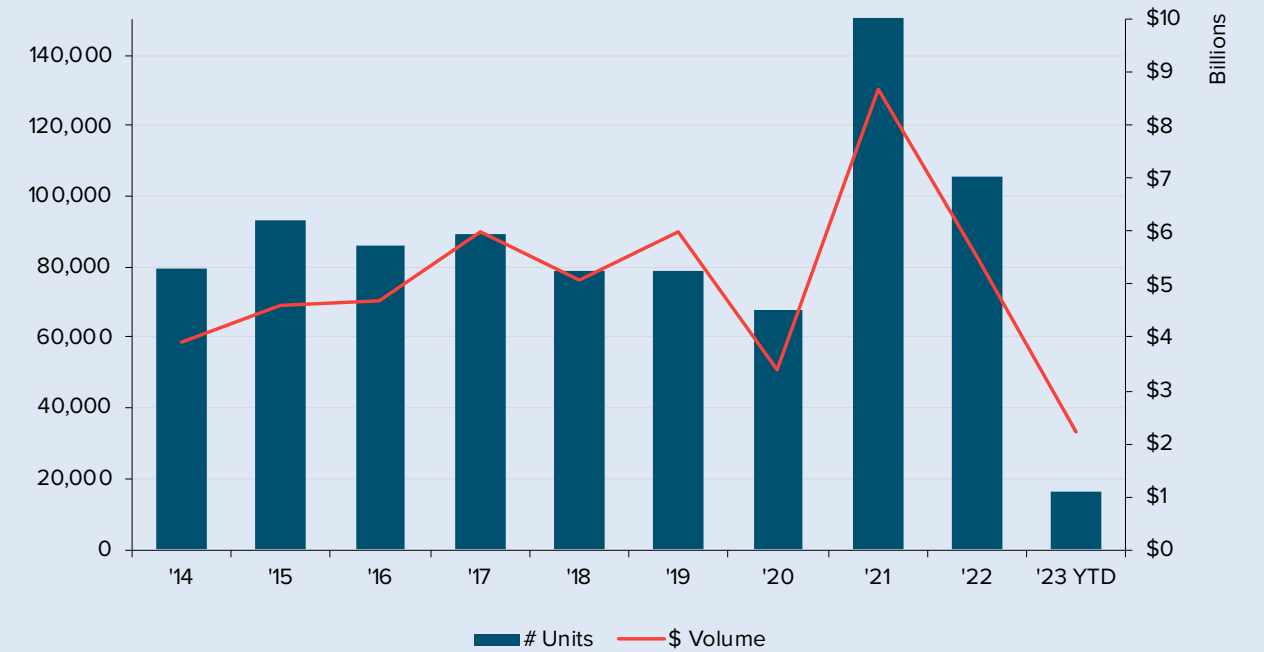


\$2.2B
Sales Volume YTD



104,587
Total # Units Sold

Apartment Sales Transactions



Source: CoStar, GREA Research



\$154,781

Avg. Sold Price / Unit*

-25.8% YoY



5.6%

Avg. Cap Rate*

+80 bps YoY



• **NOTE:** With Texas being a nondisclosure state and cap rates among various asset classes differing so much; it appears that it's likely newer properties with lower cap rates reported more sales which isn't unusual in the DFW market. REITs are required to report their sales data, and they own a heavier share of the institutional assets. Broadly, we're seeing cap rates in the 4.5% - 6.5% range depending on the asset quality, location, and upside in NOI.

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Sources: GREAA Research; National Multifamily Housing Council; Yardi; CoStar

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