



MARKET INSIGHT REPORT

DALLAS-FT WORTH
WINTER 2024



Employment / Unemployment

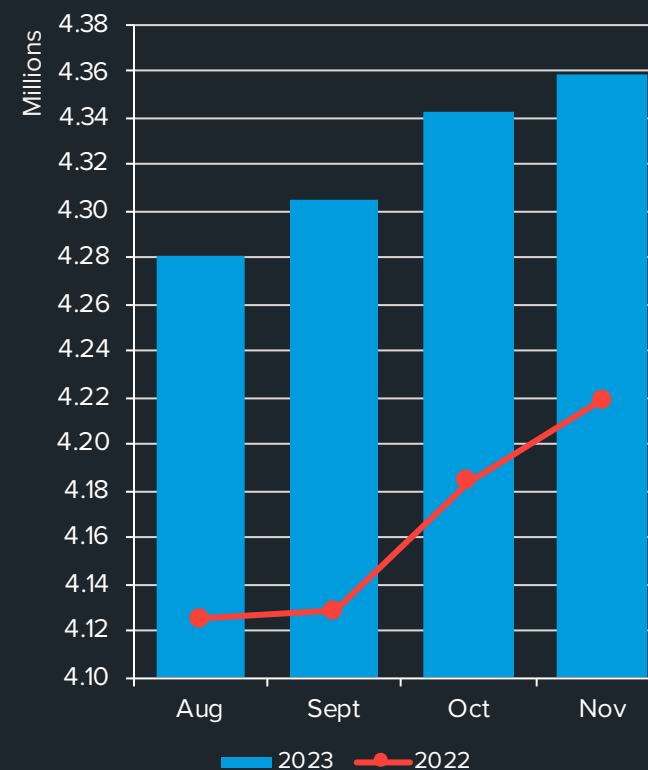
The Dallas-Fort Worth-Arlington Metropolitan Statistical Area is one of the 12 largest metro areas in the nation and was the No. 1 metro in the U.S. for total nonfarm employment gained as of November 2023. The metro added 139,700 positions over the year, a job rate gain of 3.3%. The Metroplex has been the nation's leader in nonfarm employment gain since February 2020 with 435,000 added positions.

Dallas-Fort Worth-Arlington, TX, is comprised of two metropolitan divisions—separately identifiable employment centers within the broader metropolitan area. Employment increased in both divisions over the year. The professional and business services industry supersector had the greatest employment gain among the private-industry supersectors with 32,400 jobs added, and 24,300 of those positions were in the professional, scientific, and technical services subsector. The job rate increase for the supersector was 4.1% compared to 0.9% employment growth nationwide.

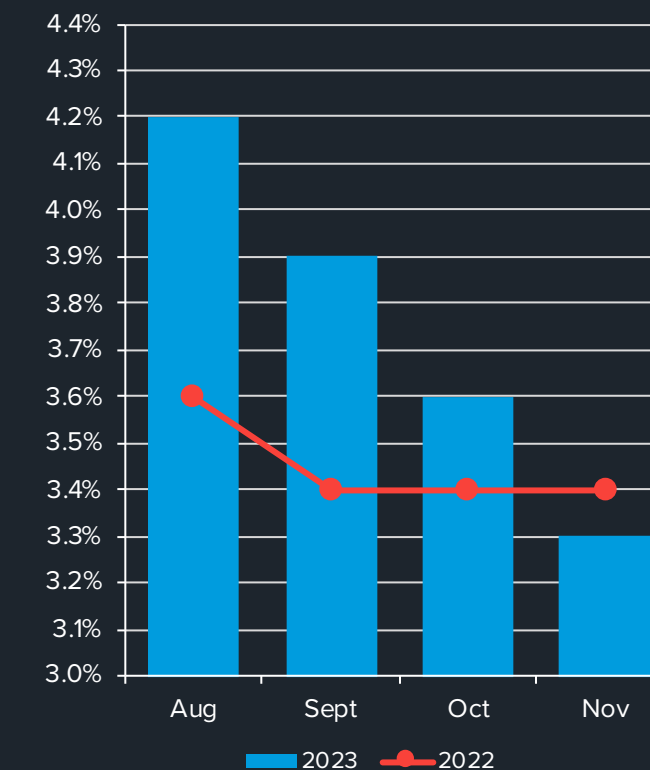
The region's highly skilled workforce pool and low cost of doing business have lured companies from across industry sectors. The largest corporate relocation of the year was Connecticut-based Frontier Communications which committed to the creation of up to 3,000 local jobs. The multibillion-dollar cable and internet provider is establishing roots in Dallas's Uptown district. There were 19 headquarter relocations from other states in 2023, and 11 were from California including Cacique Foods, Arcadia Biosciences, and Thermomix. North Texas has welcomed over 150 new corporate headquarters over the past 10 years including financial industry giants Wells Fargo and Goldman Sachs. The two companies will support up to 9,000 jobs combined, and construction commenced on Goldman Sachs's \$500 million, 14-story regional campus in Dallas in the fall of 2023.

- DFW was the #1 metro in the United States for total nonfarm employment gained.
- The average total private hourly earnings throughout the metro area in November was \$33.81, up 1.2% year-over-year.
- The unemployment rate for the Metroplex dropped to its lowest rate of the year in November at 3.3%, down 10 basis points year-over-year.
- Due to the region's low cost of doing business and highly skilled labor force, companies have relocated or expanded operations across various sectors.

Total Employment



Unemployment



Metro Area Employment (Thousands)	Nov 2023	% Δ from Nov 2022	
		DFW	National
Total Non-farm	4358.7	3.3%	1.8%
Mining, Logging, and Construction	255.9	6.6%	2.7%
Manufacturing	315.7	3.6%	0.1%
Trade, Transportation, and Utilities	929.7	1.4%	0.4%
Information	96.5	4.1%	-2.9%
Financial Activities	384.3	4.7%	0.5%
Professional and Business Services	826.7	4.1%	0.7%
Private Education and Health Services	502.6	1.8%	4.2%
Leisure and Hospitality	419.1	2.8%	3.0%
Other Services	146.1	11.0%	1.9%
Government	482.1	2.4%	2.7%

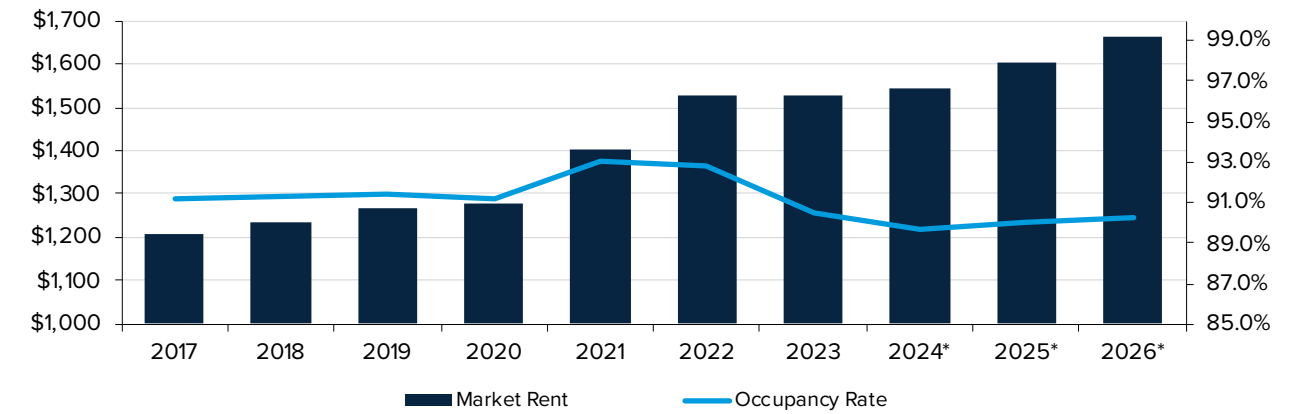
Sources: U.S. BLS, Current Employment Statistics, GREA Research
 *Construction is separated in BLS employment supersector, but not unemployment

Rental Market

In-migration, corporate relocations and expansions, and job growth will continue to fuel apartment demand in the Metroplex in 2024. The challenges for would-be first-time home purchasers of high demand, low inventory, increased home values, and rising mortgage costs persist and as such, many renters are choosing to stay in place until inflation quiets and more supply becomes available. New Metroplex residents will make a significant contribution to sustained demand.

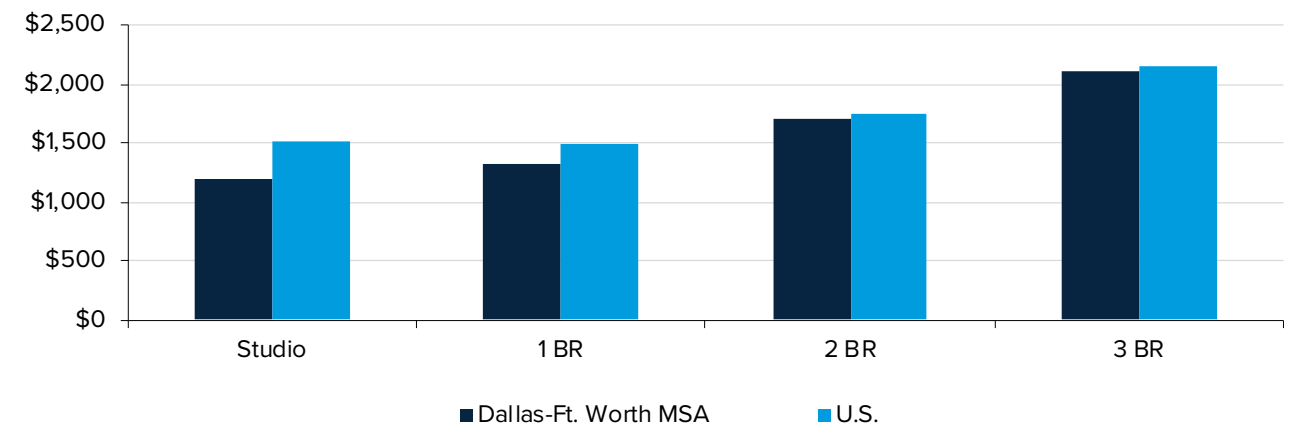
- Rent growth is expected to rebound in the first half of 2024 concurrently with the prime leasing season.
- The Class A properties that drove the rapid run-up of rents in 2021 are now on the decline and currently trending at -2.1%, with new leases on recently delivered properties reporting an increase in concessions.
- Overall, demand will outpace supply even with elevated supply over the next two years. The performance slowdown is expected due to the impact of inflation on renter affordability and the market adjustment to new delivery absorption.
- Rent growth in 2024 will be mainly driven by mid-tier, 3-star properties as renters opt to renew current leases, ensuring more stable rent growth compared to other Sunbelt markets.
- Healthy demand persists in high-quality suburban areas like Collin and Denton Counties, driven by population and business growth.

Average Rent / Occupancy



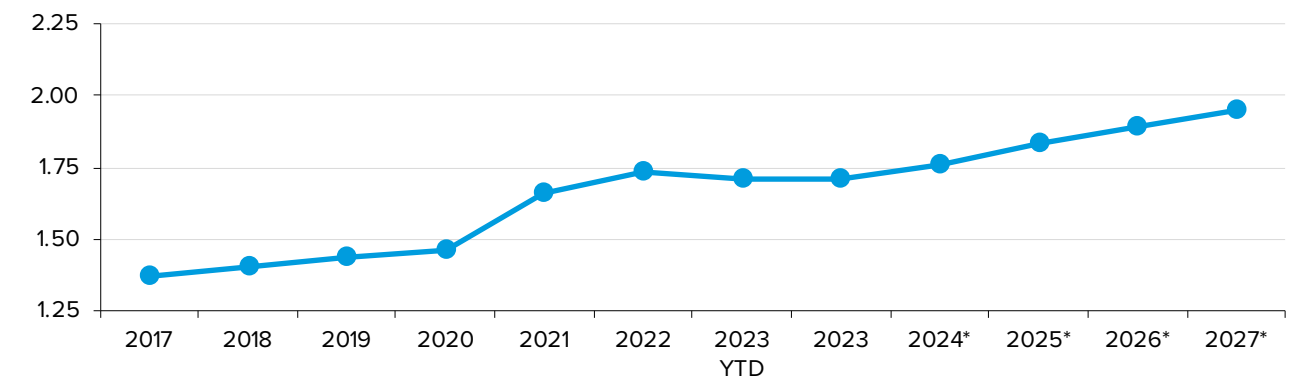
Source: CoStar; GREA Research | *Projected

Asking Rent Comparison



Source: CoStar; GREA Research

Asking Rent / SF



Source: CoStar; GREA Research | *Projected



-1.1%
 New lease asking rents are at \$1,509, down 1.1% from the previous year.

Year Built	Asking Rent	Occ. Rate
1800-1949	\$1,105	87.4%
1950-1969	\$1,194	86.5%
1970-1979	\$1,231	90.3%
1980-1989	\$1,297	90.0%
1990-1999	\$1,608	92.7%
2000-2019	\$1,737	91.6%
2020-2024*	\$1,666	72.5%
All	\$1,445	89.8%

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

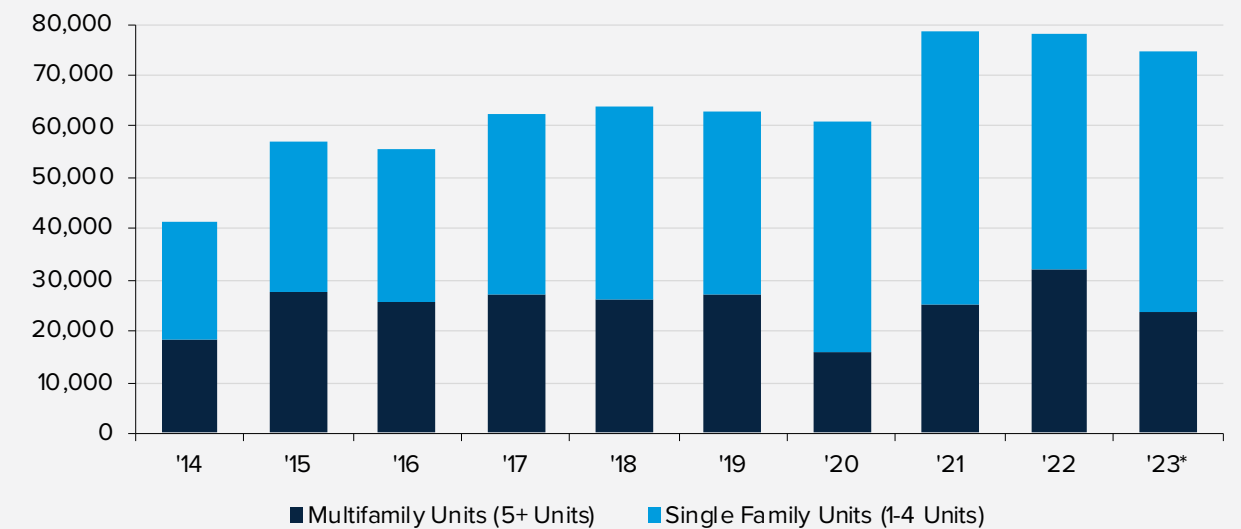
Multifamily Construction

Dallas has historically been a national leader in multifamily construction activity, and robust employment and business growth will sustain demand in 2024. 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 2024.

- Fort Worth’s construction activity is expected to remain steady as renters prefer lower-density suburban options with more affordable rents
- 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. Construction is focused on areas surrounding the Central Business District like Northwest and West Dallas. Approximately 6,600 units were under construction within a 4-mile radius of Downtown Dallas through the end of 2023, down from around 9,000 units in 2016.

- There are 55,000 units under construction in Dallas-Fort, representing 6.4% of inventory. Permitting activity also slowed from over 32,000 units in 2022 to roughly 24,000 by year’s end.
- While occupancy rates are decreasing 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 2024.
- As net absorption accelerates, occupancy rates are expected to increase and keep multifamily market fundamentals stable into 2024.

Total Residential Building Permits



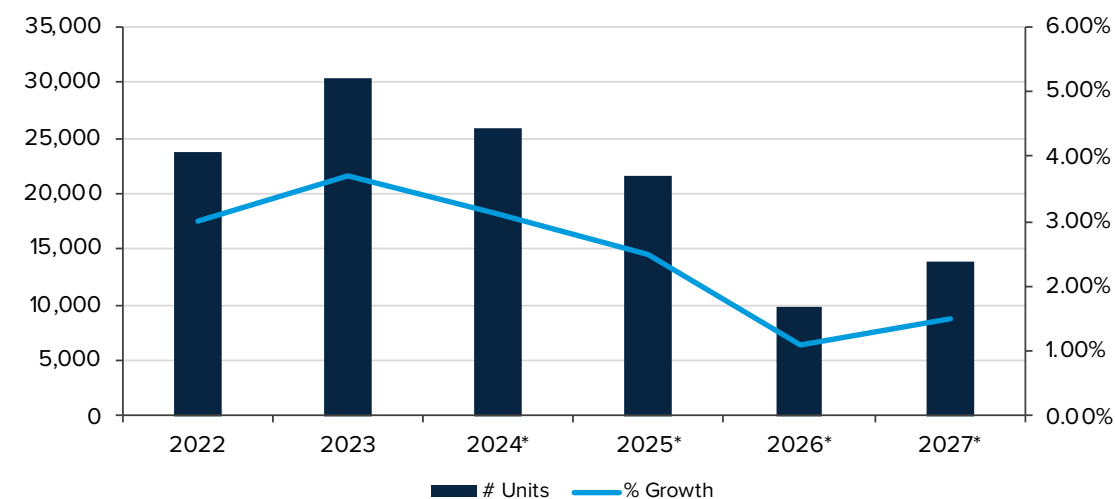
Sources: RealPage Analytics, November 2023 data based on seasonally adjusted annual rate (SAAR) for multifamily permits versus U.S. Census unadjusted data; GREA Research; Multifamily Includes Condos | *Projected



25,984 New Units

Expected Completions for 2024

Supply / Demand Forecast



Sources: CoStar; Freddie Mac; GREA Research | *Projected



51,122
Single Family Permits
(+12% YoY)

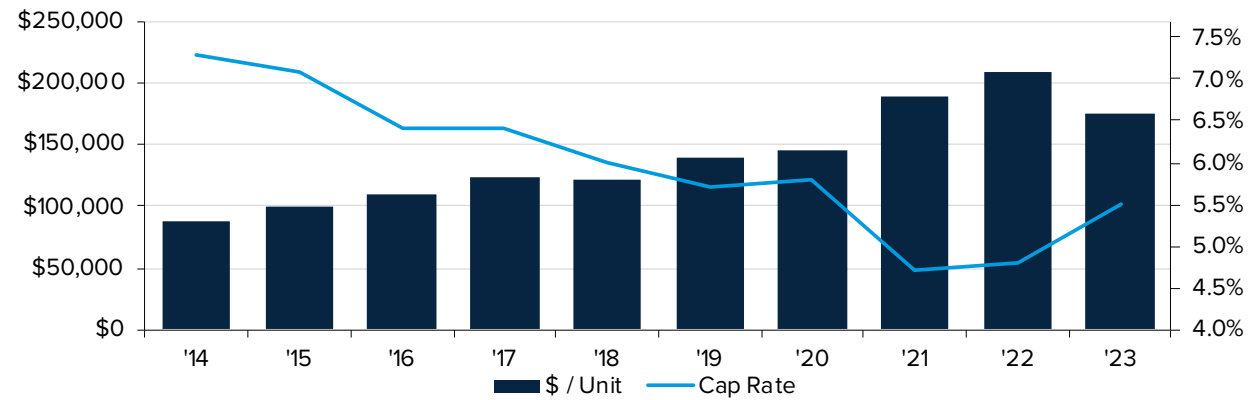
23,709
Multifamily Permits (5+ Units)
(-36.1% YoY)



\$389K
Median Sale Price for Single Family Home
(+1.3% YoY)

Multifamily Sales

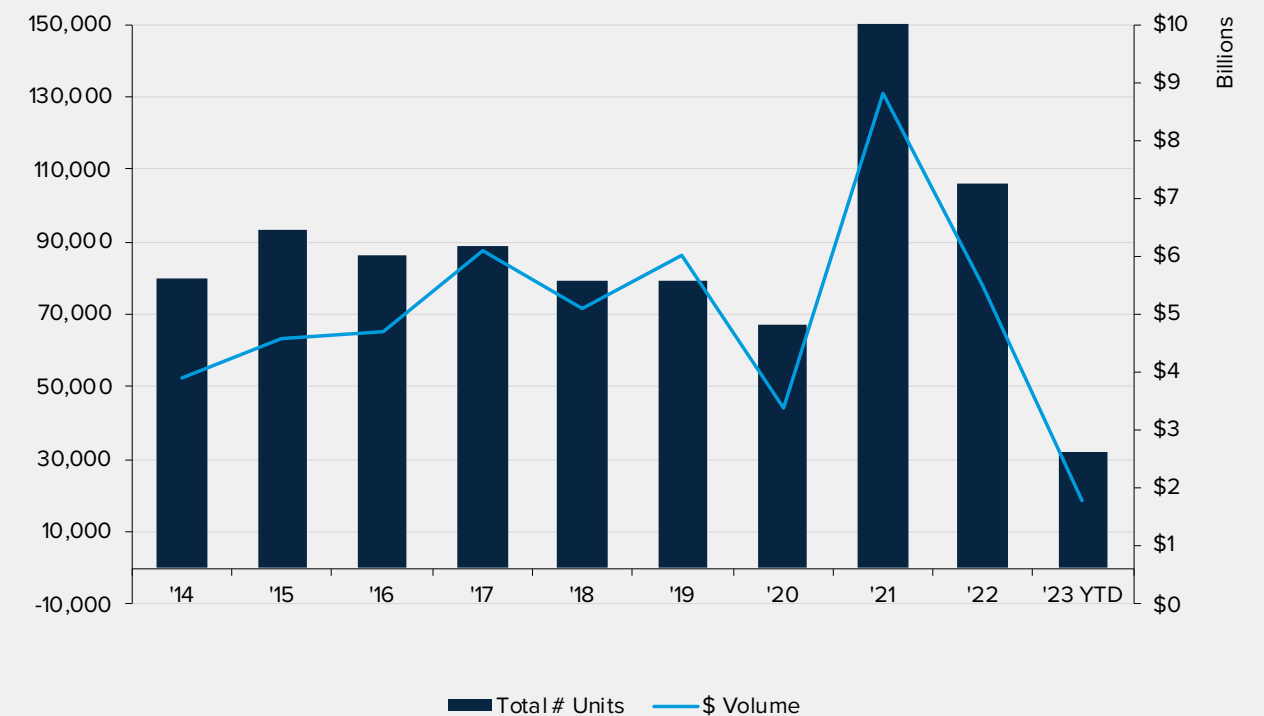
Average Sales PPU / Cap Rate




Source: CoStar; GREA Research | YTD as Reported by CoStar

- While Dallas-Fort Worth is at the nation's forefront in deal volume, transaction velocity curtailed in 2023. Interest rate volatility and the high cost of debt caused values to soften and an increase in capitalization rates. Investors acquired \$8 billion worth of assets over the past four quarters, down from the peak of \$28 billion reported at the end of 2021, according to CoStar.
- Interest rates are expected to stabilize in 2024 which should drive transaction volume with capital-ready investors who have been waiting on the sidelines for inflationary effects to normalize. Negotiation between buyers and sellers will become more fluid, and property values and cap rates will readjust accordingly. However, investment volume will be considerably lower than at the 2021 peak.
- Multifamily transactions of the pandemic years that were financed with short-term floating rate debt will continue to mature into the new year, also contributing to increased transaction volume.
- Strong multifamily fundamentals will continue to perform over the longer term, bolstered by the increasing need for workforce housing, an overall shortage of housing supply, the high cost of new home ownership, and the influx of a new generation approaching prime renter age.

Apartment Sales Transactions




Source: CoStar; GREA Research *through Nov 2023




\$189,973

Avg. Sold Price / Unit



5.7%

Avg. Cap Rate



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Sources: GREAA Research; RealPage; National Multifamily Housing Council; Federal Reserve Bank of St. Louis; Moody's; CoStar; Atlanta Board of REALTORS

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