

# Q1 2020 | DALLAS+FORT WORTH MULTIFAMILY MARKET



## D+FW Multifamily Continues Momentum In First Quarter

### Strong Multifamily Performance Reflects Region's Sound Fundamentals

#### OVERVIEW

#### Taking Stock Of The Multifamily Market

Major market highlights include:

- D+FW led the nation in job growth yet again in February, adding 126,000 jobs over the last twelve months
- Both Dallas and Fort Worth report modest rent growth, with stronger growth continuing in suburban submarkets
- Occupancy showed slight declines of approximately 30 bps in both markets but remains well above long-term average
- Construction continues to lead the nation with 20,934 units delivered over the last twelve months

While multifamily is expected to experience the least disruption from COVID-19, we believe the Dallas+Fort Worth market is particularly well-positioned relative to other metros.

#### RENTAL RATES

#### Suburbs Continue Leading Rent Growth

Effective rents in Dallas are up 3.3% year-over-year. Strongest rent growths continue to occur in submarkets with high occupancy and value-add renovations such as Southwest Dallas (+6.0%) and South Irving (+4.7%). Elsewhere, North Dallas suburbs near major office employment centers have continued posting rent increases above 2% even with high construction levels.

In the Fort Worth market, effective rents are up 2.2% from last year with suburban submarkets continuing to lead. The Intown Fort Worth/University submarket reports a -4.2% decline as sustained deliveries have increased competition.

Over the last twelve months, properties in lease-up have fetched an asking rent of \$1,786 (\$1.85 PSF) in Dallas and \$1,622 (\$1.74 PSF) in Fort Worth. With concessions remaining stable at approximately 8%, properties are achieving effective rents of \$1,652 (\$1.71 PSF) in Dallas and \$1,492 (\$1.59 PSF) in Fort Worth.

#### TRENDLINES

| 5-YEAR TREND                  | CURRENT QUARTER  |
|-------------------------------|--|
| <b>DALLAS RENTS</b>           |  |
|                               | <b>\$1,219 PER UNIT</b><br>Up 3.3% from last year          |
| <b>FORT WORTH RENTS</b>       |  |
|                               | <b>\$1,079 PER UNIT</b><br>Up 2.2% from last year          |
| <b>OCCUPANCY</b>              |  |
|                               | <b>94.5 %</b><br>Down approximately 30bps in both markets  |
| <b>DEMAND</b>                 |  |
|                               | <b>2,306 UNITS</b><br>20,934 units over the last 12 months |
| <b>DELIVERIES</b>             |  |
|                               | <b>5,374 UNITS</b><br>In-line with recent averages         |
| <b>SALES PRICE (PER UNIT)</b> |  |
|                               | <b>\$153,435</b><br>\$147K with a 5.4% cap on a T-12 basis |

**DEMAND & OCCUPANCY**

**Job Growth Continues Propelling Demand**

Quarterly demand in Dallas registered 2,011 units—a robust increase of +8% compared to Q1 2019—while Fort Worth registered 295 units, a -36% decline but not unusual for the past few years. On a T-12 basis, both markets have shown positive growth in demand of +6-8%.

*Demand volumes in North Dallas suburbs continue to remain within striking distance of New York boroughs.*

Occupancy registered declines that are within the range of normal seasonality: -32 bps in Dallas and -25 bps in Fort Worth. Nevertheless, current occupancy in both markets show year-over-year improvements of +42 bps and +13 bps respectively.

The greatest occupancy gains occurred in Dallas occurred in Frisco (+2.3%), The Colony/Far North Carrollton (+1.6%), and Rockwall/Rowlett/Wylie (+1.5%). Fort Worth occupancy was led by Central Arlington (+1.0%) and Hurst/Eules/Bedford (+0.4%).

**SUPPLY AND DEVELOPMENT**

**D+FW Continues Leading The Nation In Supply**

5,374 units were delivered this quarter and 16,991 are expected to deliver over the next twelve months. The top three submarkets leading in inventory growth are Rockwall/Rowlett/Wylie (+21.2%), Carrollton/Farmers Branch (+12.2%), and Frisco (+9.3%).

*From 2018 to year-end 2020, the Dallas+Fort Worth region will have delivered as many units as the Los Angeles and Houston metros combined.*

At present, the risk of over-building is less than prior downturns. Even if all 26,610 units in the pipeline delivered and leasing activity dropped to zero, market-level occupancy would drop to 91.5%—**100 bps above** all-time lows during the Great Recession.

**OCCUPANCY & RENT GROWTH TRENDS**

Trailing 12 Month Averages



**National Rankings For Annual Demand**

| #  | SUBMARKET                        | METRO            | UNITS        |
|----|----------------------------------|------------------|--------------|
| 1  | Brooklyn                         | New York         | 7,788        |
| 2  | Queens                           | New York         | 3,475        |
| 3  | Bronx                            | New York         | 3,032        |
| 4  | The Loop                         | Chicago          | 2,831        |
| 5  | Oakland/Berkeley                 | Oakland/Berkeley | 2,643        |
| 6  | Harlem                           | New York         | 2,355        |
| 7  | <b>Frisco</b>                    | <b>Dallas</b>    | <b>2,330</b> |
| 8  | Jersey City                      | Newark           | 2,095        |
| 9  | Downtown Miami/South Beach       | Miami            | 1,984        |
| 10 | <b>Carrollton/Farmers Branch</b> | <b>Dallas</b>    | <b>1,984</b> |

**OCCUPANCY & DELIVERY TRENDS**

Dallas+Fort Worth Combined; 12-Month Average



**INVESTMENT SALES**

**Investment Sales Continue Setting Records**

Transaction volume in Q1 reached a record \$3.5 billion. Pricing registered at \$153,435 per unit—another record—or \$147,332 per unit at a 5.4% cap on a T-12 basis. Cap rates have remained in the range of 5.4-5.6% even as prices continued escalating.

**OUTLOOK**

**D+FW Will Remain A Prime Multifamily Market**

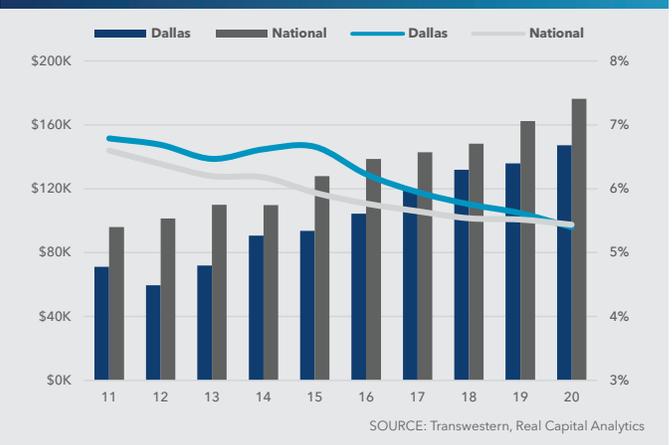
We expect Dallas+Fort Worth multifamily to perform better than most other metros for three main reasons:

- **Robust Household & Population Growth:** The region is expected to add 256,174 new households and 749,999 new residents by 2025.
- **Stronger Economic Fundamentals:** As we detail in our [Office and Retail Market Reports](#) ①, D+FW's economy grew more resilient over the last cycle. We expect this to translate to less severe job loss, a quicker recovery of jobs, and a shorter return to growth.
- **Diverse Lifestyle Choices:** The region will continue attracting both white and blue collar workers with a high quality of life and low cost of living

*Taken together, we believe the Dallas+Fort Worth multifamily sector is well-positioned for the months ahead.*

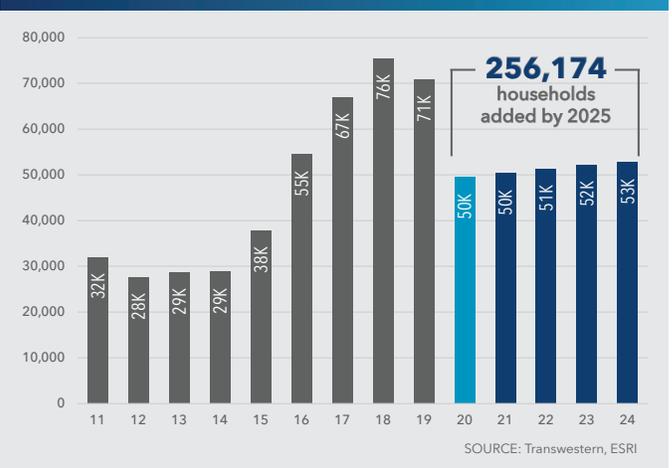
**INVESTMENT SALES TRENDS**

12-Month Average Price Per Unit & Cap Rate



**HOUSEHOLDS ADDED TO D+FW**

Historical Totals & Forecast



**Key Market Indicators**

| SUBMARKET                   | Inventory (Units) | Effective Rent | PSF           | Annual Growth | Occupancy    | 12 Month Change | 12 Month Deliveries | 12 Month Demand | Eff Rent Lease-Up Properties | PSF    | Deliveries Over Next 12 Months |
|-----------------------------|-------------------|----------------|---------------|---------------|--------------|-----------------|---------------------|-----------------|------------------------------|--------|--------------------------------|
| Dallas Market               | 617,431           | \$1,219        | \$1.39        | +3.3%         | 94.6%        | +0.4%           | 17,214              | 17,308          | \$1,786                      | \$1.85 | 20,179                         |
| Fort Worth Market           | 197,198           | \$1,079        | \$1.26        | +2.2%         | 94.4%        | +0.1%           | 3,720               | 2,968           | \$1,492                      | \$1.59 | 6,431                          |
| <b>D+FW MARKET COMBINED</b> | <b>815,327</b>    | <b>\$1,184</b> | <b>\$1.36</b> | <b>+2.7%</b>  | <b>94.5%</b> | <b>+0.3%</b>    | <b>20,934</b>       | <b>20,276</b>   | -                            | -      | <b>26,610</b>                  |

Market Indicators - Dallas

| SUBMARKET                       | Inventory (Units) | Effective Rent | PSF           | Annual Growth | Occupancy    | 12 Month Change | 12 Month Deliveries | 12 Month Demand | Eff Rent Lease-Up Properties | PSF           | Deliveries Over Next 12 Months |
|---------------------------------|-------------------|----------------|---------------|---------------|--------------|-----------------|---------------------|-----------------|------------------------------|---------------|--------------------------------|
| Intown Dallas                   | 39,182            | <b>\$1,783</b> | <b>\$1.87</b> | +1.8%         | 94.0%        | +0.8%           | <b>1,255</b>        | <b>1,402</b>    | <b>\$2,188</b>               | <b>\$2.28</b> | <b>2,172</b>                   |
| Oak Lawn/Park Cities            | 18,107            | <b>\$1,707</b> | <b>\$1.88</b> | +2.3%         | 94.1%        | +0.5%           | 351                 | 602             | <b>\$2,773</b>               | <b>\$2.42</b> | 365                            |
| East Dallas                     | 23,396            | \$1,357        | <b>\$1.62</b> | +2.2%         | 95.0%        | +0.4%           | 402                 | 457             | <b>\$1,825</b>               | <b>\$1.91</b> | 345                            |
| Love Field/Medical District     | 9,079             | \$1,317        | <b>\$1.56</b> | +1.4%         | 94.7%        | +1.0%           | 55                  | 132             | \$1,525                      | \$1.78        | 382                            |
| North Oak Cliff/West Dallas     | 12,871            | \$1,175        | \$1.39        | +2.6%         | 95.1%        | <b>+1.3%</b>    | 705                 | 600             | \$1,674                      | <b>\$1.86</b> | 775                            |
| Northwest Dallas                | 11,607            | \$970          | \$1.25        | +2.6%         | <b>96.2%</b> | +1.0%           | 473                 | 74              | \$1,527                      | \$1.60        | 0                              |
| North Dallas                    | 15,503            | \$1,112        | \$1.33        | +1.1%         | 93.1%        | +0.1%           | 98                  | 174             | \$1,560                      | \$1.68        | 535                            |
| Northeast Dallas                | 36,666            | \$992          | \$1.26        | +3.1%         | 93.1%        | +0.1%           | 0                   | 59              | \$1,472                      | \$1.67        | 0                              |
| Las Colinas/Coppell             | 27,783            | <b>\$1,381</b> | \$1.51        | +4.0%         | 94.7%        | -0.3%           | 933                 | 819             | \$1,644                      | \$1.83        | 620                            |
| Carrollton/Farmers Branch       | 18,066            | \$1,192        | \$1.34        | +4.0%         | 94.8%        | +0.7%           | <b>1,487</b>        | <b>1,308</b>    | \$1,421                      | \$1.54        | <b>2,289</b>                   |
| Addison/Bent Tree               | 28,688            | \$1,227        | \$1.38        | +3.4%         | <b>95.2%</b> | +0.5%           | 693                 | 834             | <b>\$1,879</b>               | \$1.83        | <b>1,492</b>                   |
| Far North Dallas                | 29,558            | \$1,056        | \$1.33        | +3.6%         | 95.1%        | +0.8%           | 0                   | 174             | -                            | -             | 0                              |
| Richardson                      | 18,398            | \$1,348        | \$1.40        | +3.7%         | 94.3%        | +0.1%           | 903                 | 854             | \$1,512                      | \$1.69        | 916                            |
| The Colony/Far North Carrollton | 17,414            | <b>\$1,398</b> | \$1.40        | <b>+5.6%</b>  | 94.8%        | <b>+1.6%</b>    | 871                 | <b>1,000</b>    | \$1,476                      | \$1.42        | 1,182                          |
| West Plano                      | 18,140            | <b>\$1,409</b> | <b>\$1.52</b> | <b>+5.4%</b>  | 95.0%        | +0.6%           | 132                 | 201             | <b>\$2,427</b>               | <b>\$2.23</b> | 520                            |
| Frisco                          | 22,819            | \$1,351        | \$1.40        | +4.3%         | 94.8%        | <b>+2.3%</b>    | <b>2,375</b>        | <b>2,529</b>    | \$1,506                      | \$1.53        | <b>2,134</b>                   |
| Central/East Plano              | 20,481            | \$1,242        | \$1.33        | +2.7%         | 93.6%        | -0.5%           | 541                 | 649             | \$1,551                      | \$1.64        | 53                             |
| Allen/McKinney                  | 24,059            | \$1,255        | \$1.34        | <b>+4.9%</b>  | 94.4%        | <b>+1.3%</b>    | <b>1,264</b>        | 923             | \$1,348                      | \$1.39        | <b>1,914</b>                   |
| Denton                          | 21,729            | \$1,048        | \$1.30        | +1.2%         | 94.8%        | -0.4%           | 1,185               | 733             | \$1,254                      | \$1.52        | 164                            |
| Lewisville/Flower Mound         | 26,330            | \$1,185        | \$1.33        | +3.1%         | 94.8%        | +0.6%           | 313                 | 467             | \$1,468                      | \$1.43        | 1,203                          |
| Rockwall/Rowlett/Wylie          | 7,984             | \$1,255        | \$1.41        | +3.5%         | 94.0%        | <b>+1.5%</b>    | <b>1,288</b>        | <b>1,261</b>    | \$1,272                      | \$1.32        | 1,178                          |
| Garland                         | 19,753            | \$1,068        | \$1.23        | +2.7%         | 94.9%        | +0.2%           | 523                 | 335             | \$1,384                      | \$1.38        | 451                            |
| Far East Dallas                 | 19,978            | \$949          | \$1.18        | +3.5%         | 93.4%        | -1.1%           | 0                   | (401)           | \$1,478                      | \$1.70        | 235                            |
| Mesquite                        | 12,869            | \$987          | \$1.19        | +2.7%         | 94.7%        | +0.0%           | 0                   | (163)           | -                            | -             | 0                              |
| Zang Triangle/Cedars/Fair Park  | 7,626             | \$1,159        | \$1.29        | -2.2%         | <b>95.4%</b> | -0.0%           | 0                   | (79)            | -                            | -             | 68                             |
| Southeast Dallas                | 15,427            | \$876          | \$1.05        | +4.0%         | 94.7%        | +0.4%           | 0                   | 179             | -                            | -             | 0                              |
| Southwest Dallas                | 18,544            | \$945          | \$1.15        | <b>+6.0%</b>  | 94.2%        | -1.0%           | 176                 | 88              | \$1,253                      | \$1.56        | 72                             |
| Grand Prairie                   | 18,772            | \$1,100        | \$1.29        | +3.1%         | <b>95.2%</b> | +0.6%           | 1,041               | 706             | \$1,405                      | \$1.48        | 470                            |
| South Irving                    | 21,049            | \$998          | \$1.22        | <b>+5.0%</b>  | <b>95.8%</b> | +0.2%           | 0                   | 67              | -                            | -             | 94                             |
| North Irving                    | 11,230            | \$1,103        | \$1.31        | +2.4%         | 95.1%        | <b>+1.3%</b>    | 0                   | 47              | -                            | -             | 144                            |
| Southern Dallas County          | 10,453            | \$1,069        | \$1.20        | +3.6%         | 94.7%        | -0.9%           | 165                 | 253             | \$1,389                      | \$1.49        | 135                            |
| <b>DALLAS MARKET</b>            | <b>409,693</b>    | <b>\$1,219</b> | <b>\$1.39</b> | <b>+3.3%</b>  | <b>94.6%</b> | <b>+0.4%</b>    | <b>17,214</b>       | <b>17,308</b>   | <b>\$1,652</b>               | <b>\$1.71</b> | <b>20,179</b>                  |

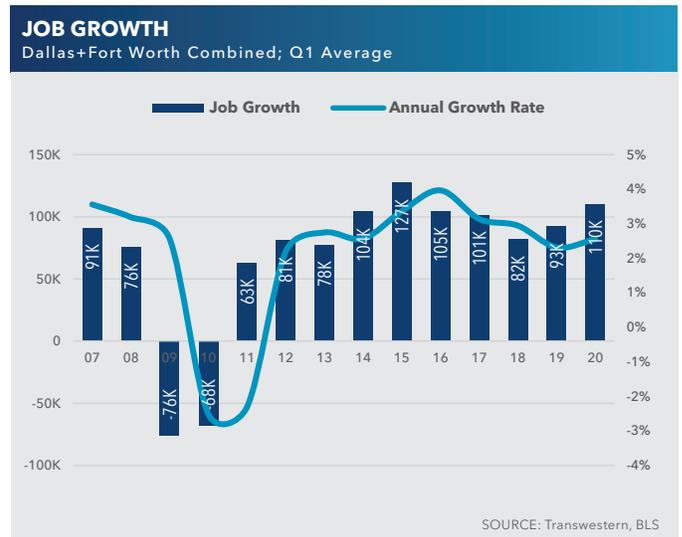
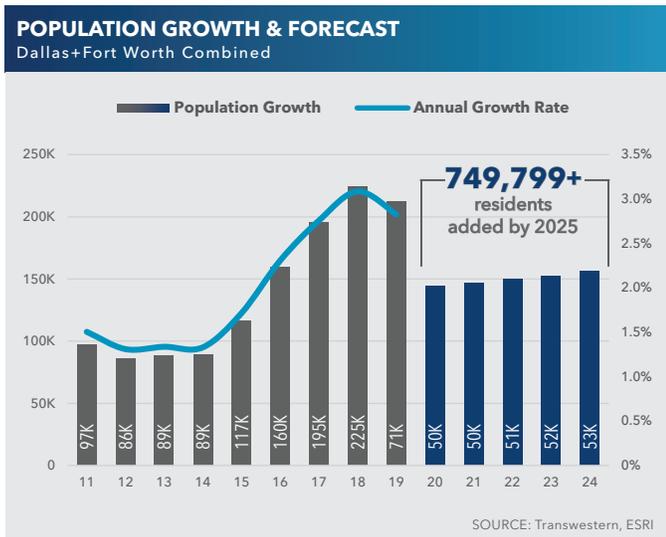
Top 5 submarkets in each metric are shown in bold

SOURCE: Transwestern, RealPage

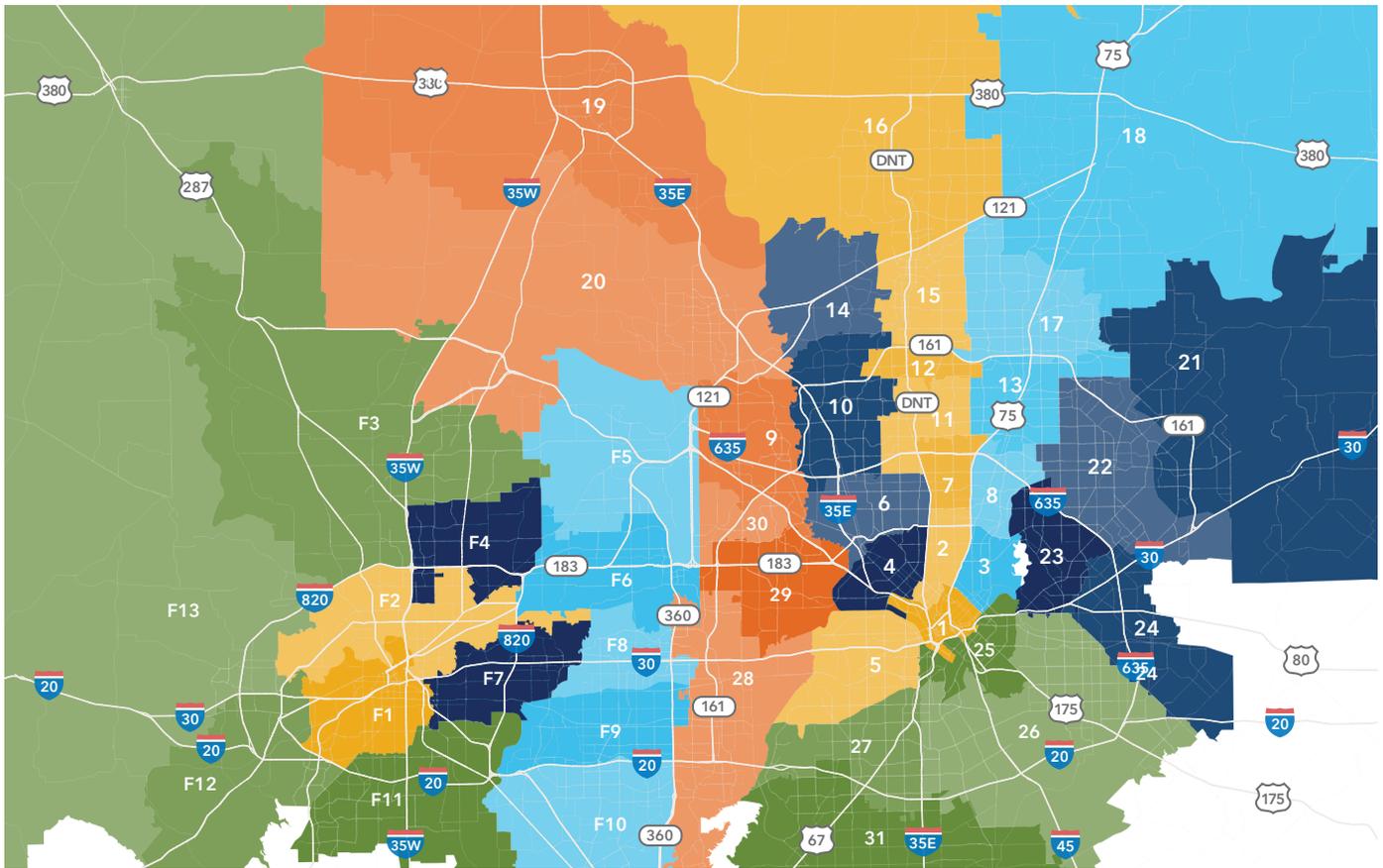
Market Indicators - Fort Worth

| SUBMARKET                        | Inventory (Units) | Effective Rent | PSF           | Annual Growth | Occupancy    | 12 Month Change | 12 Month Deliveries | 12 Month Demand | Eff Rent Lease-Up Properties | PSF           | Deliveries Over Next 12 Months |
|----------------------------------|-------------------|----------------|---------------|---------------|--------------|-----------------|---------------------|-----------------|------------------------------|---------------|--------------------------------|
| Intown Fort Worth/University     | 19,661            | \$1,315        | \$1.46        | -4.2%         | 91.9%        | -0.2%           | 1,673               | 1,493           | \$1,549                      | \$1.74        | 1,814                          |
| Haltom City/Meacham              | 7,815             | \$979          | \$1.25        | +1.9%         | 94.6%        | -0.4%           | 274                 | 226             | \$1,376                      | \$1.49        | 540                            |
| North Fort Worth/Keller          | 10,607            | \$1,273        | \$1.29        | -1.2%         | 94.4%        | -0.5%           | 855                 | 758             | \$1,436                      | \$1.37        | 1,298                          |
| NE Ft Worth/North Richland Hills | 14,838            | \$1,156        | \$1.26        | +1.8%         | 94.6%        | -1.4%           | 168                 | (40)            | \$1,409                      | \$1.39        | 576                            |
| Grapevine/Southlake              | 8,410             | \$1,342        | \$1.47        | +2.2%         | 95.0%        | +0.0%           | 403                 | 385             | \$1,763                      | \$1.58        | 779                            |
| Hurst/Euless/Bedford             | 32,452            | \$1,087        | \$1.29        | +3.3%         | 95.5%        | +0.7%           | 229                 | 432             | \$1,308                      | \$1.44        | 285                            |
| East Fort Worth                  | 12,837            | \$903          | \$1.10        | +4.7%         | 92.7%        | -0.1%           | 0                   | (219)           | -                            | -             | -                              |
| North Arlington                  | 20,689            | \$1,001        | \$1.25        | +3.5%         | 93.8%        | +0.2%           | 0                   | 40              | \$1,581                      | \$1.72        | 102                            |
| Central Arlington                | 23,131            | \$1,008        | \$1.19        | +4.2%         | 95.4%        | +1.0%           | 0                   | 187             | -                            | -             | -                              |
| South Arlington/Mansfield        | 9,492             | \$1,174        | \$1.37        | +4.1%         | 95.4%        | +0.9%           | 0                   | 89              | \$1,322                      | \$1.43        | -                              |
| South Fort Worth                 | 9,920             | \$874          | \$1.10        | +4.4%         | 94.1%        | -0.9%           | 118                 | (133)           | \$1,443                      | \$1.50        | 349                            |
| Southwest Fort Worth             | 21,515            | \$978          | \$1.15        | +4.1%         | 93.4%        | -0.4%           | 0                   | (274)           | -                            | -             | 688                            |
| West Fort Worth/Parker County    | 6,529             | \$985          | \$1.10        | +1.2%         | 95.1%        | +0.4%           | 0                   | 24              | -                            | -             | -                              |
| <b>FORT WORTH MARKET</b>         | <b>197,896</b>    | <b>\$1,079</b> | <b>\$1.26</b> | <b>+2.2%</b>  | <b>94.4%</b> | <b>+0.1%</b>    | <b>3,720</b>        | <b>2,968</b>    | <b>\$1,492</b>               | <b>\$1.59</b> | <b>6,431</b>                   |

SOURCE: Transwestern, RealPage



# Q1 2020 | DALLAS+FORT WORTH | MULTIFAMILY MARKET



## FORT WORTH SUBMARKETS

- |  |  |
|--|--|
| <b>F1</b> Intown Fort Worth/University       | <b>F8</b> North Arlington                |
| <b>F2</b> Haltom City/Meacham                | <b>F9</b> Central Arlington              |
| <b>F3</b> North Fort Worth/Keller            | <b>F10</b> South Arlington/Mansfield     |
| <b>F4</b> NE Fort Worth/North Richland Hills | <b>F11</b> South Fort Worth              |
| <b>F5</b> Grapevine/Southlake                | <b>F12</b> Southwest Fort Worth          |
| <b>F6</b> Hurst/Euless/Bedford               | <b>F13</b> West Fort Worth/Parker County |
| <b>F7</b> East Fort Worth                    |  |

## DALLAS SUBMARKETS

- |                                      |                                       |  |
|--------------------------------------|---------------------------------------|--|
| <b>1</b> Intown Dallas               | <b>12</b> Far North Dallas            | <b>23</b> Far East Dallas                |
| <b>2</b> Oak Lawn/Park Cities        | <b>13</b> Richardson                  | <b>24</b> Mesquite                       |
| <b>3</b> East Dallas                 | <b>14</b> The Colony/North Carrollton | <b>25</b> Zang Triangle/Cedars/Fair Park |
| <b>4</b> Love Field/Medical District | <b>15</b> West Plano                  | <b>26</b> Southeast Dallas               |
| <b>5</b> North Oak Cliff/West Dallas | <b>16</b> Frisco                      | <b>27</b> Southwest Dallas               |
| <b>6</b> Northwest Dallas            | <b>17</b> Central/East Plano          | <b>28</b> Grand Prairie                  |
| <b>7</b> North Dallas                | <b>18</b> Allen/McKinney              | <b>29</b> South Irving                   |
| <b>8</b> Northeast Dallas            | <b>19</b> Denton                      | <b>30</b> North Irving                   |
| <b>9</b> Las Colinas/Coppell         | <b>20</b> Lewisville/Flower Mound     | <b>31</b> Southern Dallas County         |
| <b>10</b> Carrollton/Farmers Branch  | <b>21</b> Rockwall/Rowlett/Wylie      |  |
| <b>11</b> Addison/Bent Tree          | <b>22</b> Garland                     |  |

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## METHODOLOGY

The information in this report is the result of a compilation of information on market-rate multifamily properties in the Dallas+Fort Worth metropolitan area. We exclude affordable, senior, and student housing properties from our statistics.



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