

INVESTMENT FORECAST

Multifamily
Dallas/Fort Worth

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2020

Expanding Companies Fuel Rental Demand; Area Remains Top of Mind for Buyers

Job creation keeping apartment developers active. The building boom will continue in the Metroplex this year as more than 21,000 units will be delivered. Dallas' urban core will receive nearly 2,000 of those apartments as developers look to capitalize on the area's growing employment hub, headlined by Uber's new campus. Corporate expansions and relocations to downtown Dallas have become an increasingly popular trend; however, the northern suburbs remain the top target for many high-profile firms seeking a presence within the Metroplex. Fueled by employment growth, strong household formation in communities like Frisco and Richardson will provide a boost to construction efforts this year and help alleviate some relatively tight conditions. South Irving and Northwest Dallas boast even lower vacancy rates, although apartment availability will stay limited in these areas as new development remains sparse, giving rents some room to grow. This will support stable marketwide rent growth in 2020 as Dallas/Fort Worth's average effective rent surpasses \$1,200 per month.

Investors' acquisition appetite showing no sign of waning. Dallas appears poised to pick up in 2020 right where it left off in 2019 as one of the most active transaction markets for sales above \$20 million in the nation. Investors focus remains on the demographic and economic metrics typically at two or three times the national average, driving the highest yearly multifamily absorption totals in the country. The deep inventory of property types available for purchase allows multiple investment strategies to be deployed and maintains the high level of liquidity. The market has deep pools of inventory playing directly into the two main capital deployment strategies: value-add and newly developed core assets. Supply additions from the 1990s and early 2000s in many cases sit today in built-out well-located locations primed for renovation and repositioning. While not as numerous as earlier in the investment cycle, private capital buyers will keep the search up for all value-add opportunities given the strong upside to their investment yields these assets provide. Furthermore, the renowned Dallas construction pipeline over the past five years has produced numerous mid- and high-rise properties in both the urban core and suburban town center locations strongly favored by institutional capital. The lofty levels of capital wanting to be deployed into the Metroplex should maintain valuations and keep owners motivated, filling the disposition pipeline.

21.3%  2019 share of local population between 20 and 34 years old

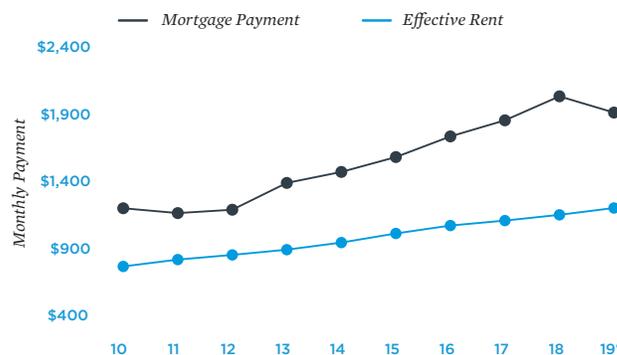
33.3%  of local population hold bachelor's degree or higher*

\$266,320  2019 median home price

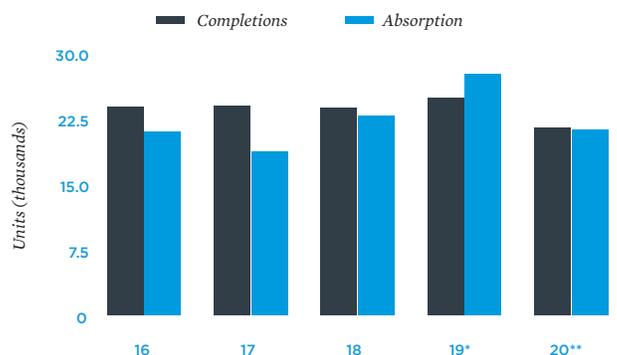
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast * Through 3Q
* 2019: 25+ years old

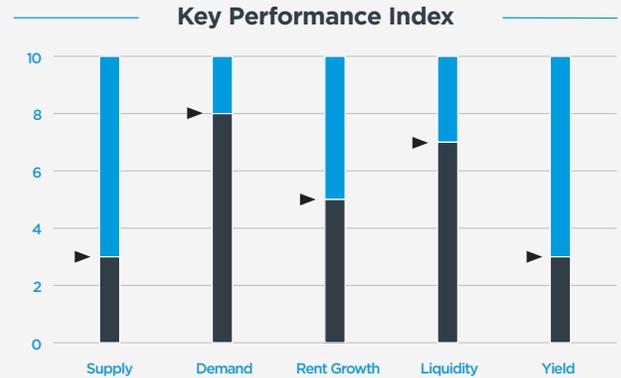
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2020 Investment Outlook

The second half of the year saw positive upward movement in both the supply and demand indexes by one point. The improvement in the supply index points to a moderation in deliveries in the coming year and with the rent growth index holding firm at 5, fundamentals look solid.

Liquidity remains stable at 7 as Dallas/Fort Worth remains one of the most active transaction markets in the nation. The high investor activity levels pushed the yield index down one point, reflecting the positive investment outlook for acquiring firms.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2020 Market Forecast

Employment
85,000 jobs



Metro **2.2%**
U.S. **1.0%**

Construction
as % of inventory*



Metro **2.6%**
U.S. **1.7%**

Class A Vacancy
Up 20 bps



Metro **6.0%**
U.S. **5.3%**

Class A Rent
\$1,533 per month



Metro **3.1%**
U.S. **3.3%**

Investment
3-yr. avg. activity
\$20+ million



Deals: **161**
Volume: **\$6.5 billion**



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* Estimate ** Forecast
* Arrow reflects completions trend compared with 2019
Sources: Marcus & Millichap Research Services;
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics