

INVESTMENT FORECAST

Multifamily
Dallas-Fort Worth

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

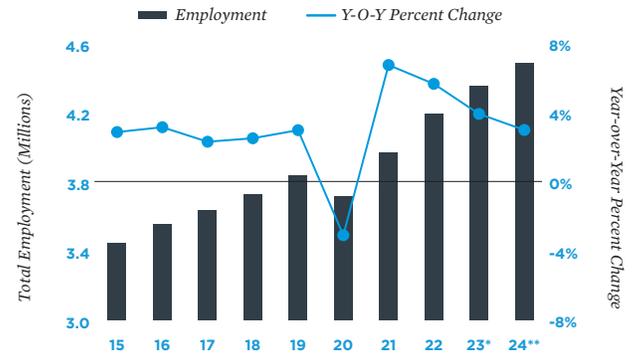
2024

Nation-Leading Job Growth Stimulates Historic Construction in Several Suburbs

Record development visible in neighboring northern submarkets. The suburban trio of Allen, McKinney and Frisco have more rentals underway with scheduled completion dates between 2024-2026 than at least 35 major U.S. metros, with 18,800 units slated to finalize in the next three years here. Other local submarkets — Ellis County, Kaufman County, South Fort Worth and West Fort Worth-Parker County — are on pace for 25-plus percent inventory growth by the end of 2026 as well. In total, more than 20 separate areas have over 1,000 rentals underway, creating the nation's largest active pipeline. The Metroplex is likely nearing peak construction, however, as elevated debt costs, persistent labor pressures, hiking operating expenses and softer absorption have decelerated permit activity. Looking beyond the ongoing supply wave that is poised to lift vacancy and challenge rent growth, a drop in development would brighten the long-term outlook amid nation-leading employment gains. By the end of this year, the Metroplex workforce is expected to approach 4.5 million, inching within 210,000 jobs of Los Angeles — currently the nation's third-largest employment base. For context, that gap was no closer than 750,000 prior to the pandemic. Aiding luxury rental demand, Dallas-Fort Worth's professional and business services sector, which includes a variety of higher wage industries, grew by over 160,000 positions from 2020-2023, the largest bump among job segments.

Local multifamily investment still ranks near top of the nation. Despite a sharp reduction in deal flow relative to what was common during 2020-2022, the trading count and sales volume in Dallas-Fort Worth were each among the top five nationally last year. The Metroplex also ranked in the top three major U.S. metros for \$20 million-plus velocity, indicating that institutions remain comparatively active. While capital markets hurdles, alongside operational cost hikes from insurance and property taxes, remain headwinds, nation-leading job growth will continue to generate institutional attention. Investors may nevertheless increasingly steer clear of supply pressure. Carrollton-Farmers Branch, Grapevine-Southlake, Southeast Dallas and West Plano represent areas with mild development relative to recent demand. Conversely, Rockwall-Rowlett-Wylie and Kaufman County stand out as locations with above-average vacancy and considerable new supply incoming.

Employment Trends



Housing Affordability Gap



Supply and Demand



21.2%

2023 share of local population between 20 and 34 years old



34.2%

of local population hold bachelor's degree or higher*



\$383,000

2023 median home price*

* Estimate ** Forecast * Through 3Q

**2023: 25+ years old

Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

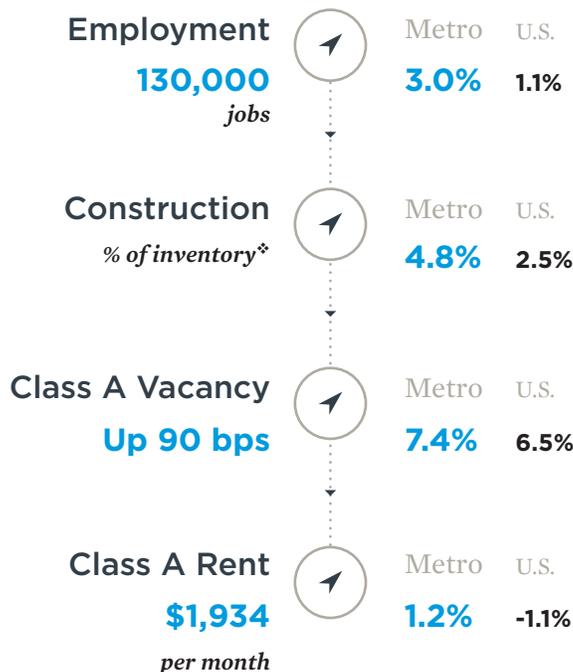
The Metroplex's demand and rent growth scores each fall one spot relative to the 2023 Key Performance Index, influenced by historic construction during a period of softer economic conditions. Dallas-Fort Worth, nevertheless, leads the country in job gains and ranks in the top 10 for household creation, supporting this new supply.

Dallas-Fort Worth ties for the highest liquidity score on the 2024 Index as the metro continues to rank among national leaders for multifamily transactions, despite a slowdown. A yield score of 2, however, is the lowest among the state's four major markets.

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



2024 MARKET FORECAST



John Sebree

Senior Vice President
 Director IPA Multifamily
 (312) 327-5400 | jsebree@ipausa.com

* Estimate ** Forecast
 † Arrow reflects completions trend compared with 2023
 Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics