

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

Dallas/Fort Worth Metro Area

2020

Companies Expand Footprint in Dallas, Fueling Housing 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.

Revitalization in East Dallas continuing to draw interest from collection of buyers. Dallas/Fort Worth's strong demographics and healthy fundamentals will continue to keep buyers active in the market. The Metroplex's strong bidding environment has compressed the metro's average cap rate 260 basis points to 5.8 percent since the end of 2009. East Dallas remains among the most highly targeted areas as a variety of smaller Class B/C complexes garner attention from value-add buyers. Cap rates for these properties average in the low-6 percent range, although assets requiring considerably more rehab may produce yields up to 8 percent. Fort Worth is also gaining traction with investors as increased employment growth has expanded the renter pool, strengthening bidding climates and pushing cap rates into the mid-5 percent band.

2020 Market Forecast

- Employment up 2.2%**

Following an average of roughly 100,000 jobs created each of the previous five years, 85,000 positions will be added in 2020 as tight unemployment restrains some hiring activity.
- Construction 21,400 units**

Developers will surpass the 20,000-unit mark for the fifth consecutive year as they try to keep pace with the sustained wave of new households.
- Vacancy down 10 bps**

Strong leasing activity will push market vacancy down to 4.9 percent, building on the 50-basis-point drop in 2019.
- Rent up 3.6%**

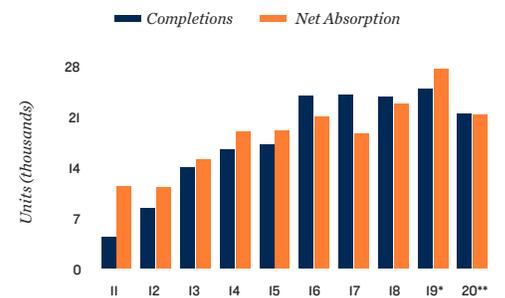
After a 5.9 percent boost last year, rent growth will moderate in 2020 as the average effective rent rises to \$1,232 per month.
- Investment**

Tight conditions across the Mid-Cities will keep investors interested in communities such as Irving and Lewisville, where cap rates average 6 percent for stabilized Class C properties.

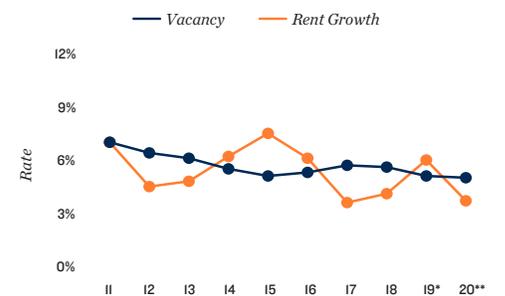
Economic Trends



Completions vs. Absorption



Vacancy and Rents



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of November 2019. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.