

Multifamily Metro Outlook:

Dallas - Q1 2021

Overview:

- The economic recovery in the Dallas metro has gotten off to a torrid start and picked up where the metro left off at the end of 2019. Fortunately, due to the metro's highly diversified local economy the impact of the virus on the job economy has been minimal. The strength of the diversified local economy showed up in the year-over-year number of jobs recaptured from the economic disruption caused by the virus. As of Q1 2021, the metro has grown 4.2 percent compared to 2.6 percent nationally.
- The apartment supply in the Dallas/Fort Worth metro area will continue to thrive despite upticks in supply. There are approximately 29,000 units in the planning stages and an additional 24,000 units underway. However, the robust growth in supply should not present too much of an issue. According to Moody's Analytics, the prime renter cohort (ages 20-34) is expected to expand by 1.4 percent through 2025. The young demographic and the resiliency of the diverse economy should continue to keep demand high over the forecast.

Market Strengths:

- Dallas continues to serve the role as the financial capital of the Southwest. Dallas also accounts for nearly 8% of all the financial services jobs in the Southwestern region. Moody's Analytics attributes the Financial Services industry's emergence to the exceptional performance of the housing market and the high-profile relocations and expansion of top employers. The Financial Services sector was minimally impacted during 2020 when the virus was taking its toll. As of Q1 2021 the sector has expanded by 4.6 percent year-over-year compared to 2 percent nationally.
- Dallas does not receive much recognition for the presence of a local Tech industry, however according to Moody's Analytics, Dallas has two times the amount of tech jobs than neighboring Austin does. Furthermore, Tech industry heavyweight, Uber still plans to establish a new headquarters in the Dallas metro area once the virus subsides. Additionally, Facebook, Schwab, and Sunrider are also planning to expand their presences in the metro and take advantage of the lower costs of business in the area.
- Dallas has the demographic profile necessary to meet the incoming supply in the metro. Besides an above average population rate for the prime renter cohort going forward, the metro also has an overall population growth rate of 1.5 percent, which is nearly 3x the national rate of 0.5 percent.

Market Weaknesses:

- There is a lot of supply coming to the Dallas-Fort Worth metro area within the next two years. Combined, the underway and the planning stages are expected to bring an additional 53,000 units to the metro. The potential for oversupply is something to keep an eye on over the next few quarters, especially as the vacancy rate continues to steadily rise although rent growth has rebounded rather dramatically.
- The success of many Financial services and Professional Business services jobs pivoting to remote work could present the Dallas metro area with some long-term issues. Recently much of the success in these employment sectors had been attributed to many high-profile relocations to the area bringing thousands of jobs. The pivot to (successful) telework could cause many employers to decrease their physical footprint or ultimately no longer relocate to the area if employees will continue working remotely. One early consequence of the successful pivot to teleworking is the rising office vacancy rates. As of April 2021, office vacancies in the metro were approaching 25 percent, although the rate is expected to return to more stable levels within the next two years per Moody's Analytics.

Development:

- Apartment construction continues to be torrid. Approximately 77,000 apartment units have been completed since the beginning of 2016. An additional 24,000 units are underway.
- Since the beginning of 2006, more than 14,000 condo units were completed; fortunately, few condos are under construction through 2021.

Outlook:

- Multifamily Outlook: Steady. The recent uptick in supply has had a slight impact on apartment fundamentals. Vacancies continue to increase each quarter but on the contrary (positive) rent growth has returned as rent growth approached 1.25 percent during Q1 2021. Fortunately, the metro still has a very strong demographic profile which should help absorb incoming supply.
- Economic Outlook: More Stable. The metro has a very diverse economic profile which should continue to aid in the metro's recovery. Even though a quarter of the local economy is concentrated in the vulnerable Retail and Leisure/Hospitality sectors, the diversity of the economy and strength of the quality of jobs puts the metro in a good position to recover quickly. The rate of corporate relocations and pivot to telework for other employment sectors coupled with the (positive) growth of jobs in the Financial Services and Office sectors is something to keep an eye on as the metro continues its recovery.

Five Year Metro Area Growth Forecast

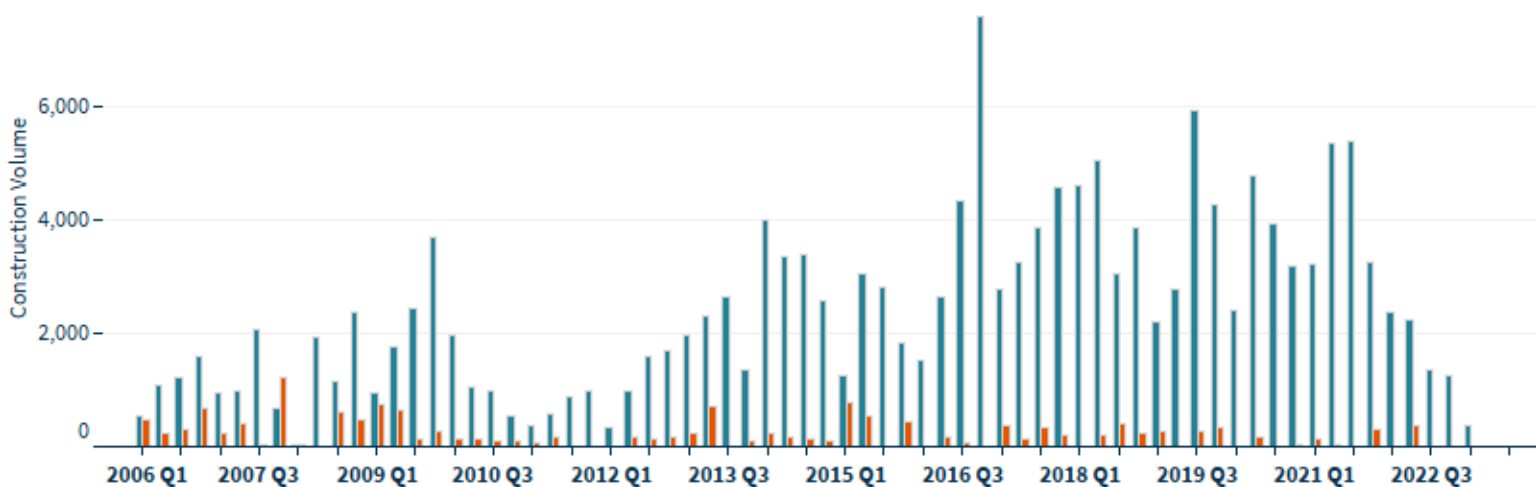
	Q4 2020	Q4 2025	Dallas (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	7,816	8,402	1.46%	0.52%
Households (000s)	2,818	3,163	2.34%	1.41%
Renting Cohort (Ages 20-34) (000s)	1,666	1,790	1.44%	-0.26%
Total Employment (000s)	3,743	4,278	2.71%	1.71%
Median Household Income	\$72,536	\$85,008	3.22%	2.83%
Median SF Home Price	\$304,809	\$334,836	1.90%	4.30%
Net Migration	55,908	67,802		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



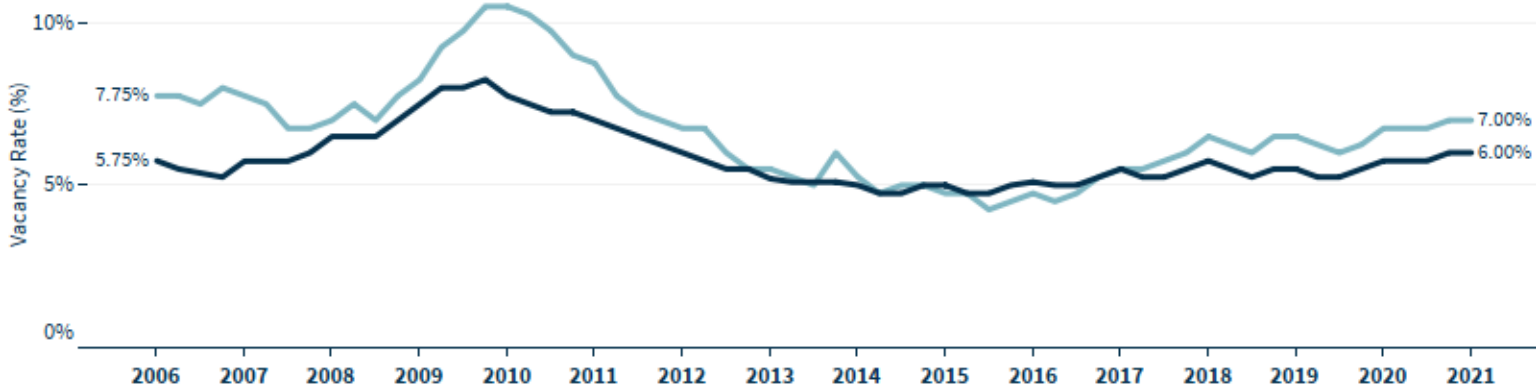
Vacancy & Rent Composite Estimates

Vacancy Rates

Dallas | National

Q1 2021 Vacancy Rate:

7.00%

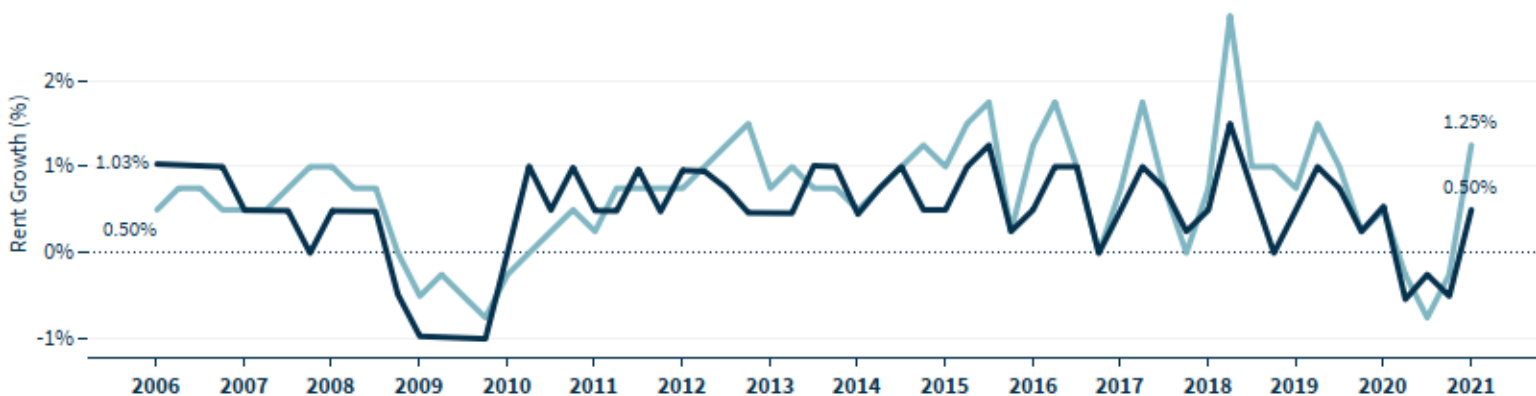


Asking Rent Growth

Dallas | National

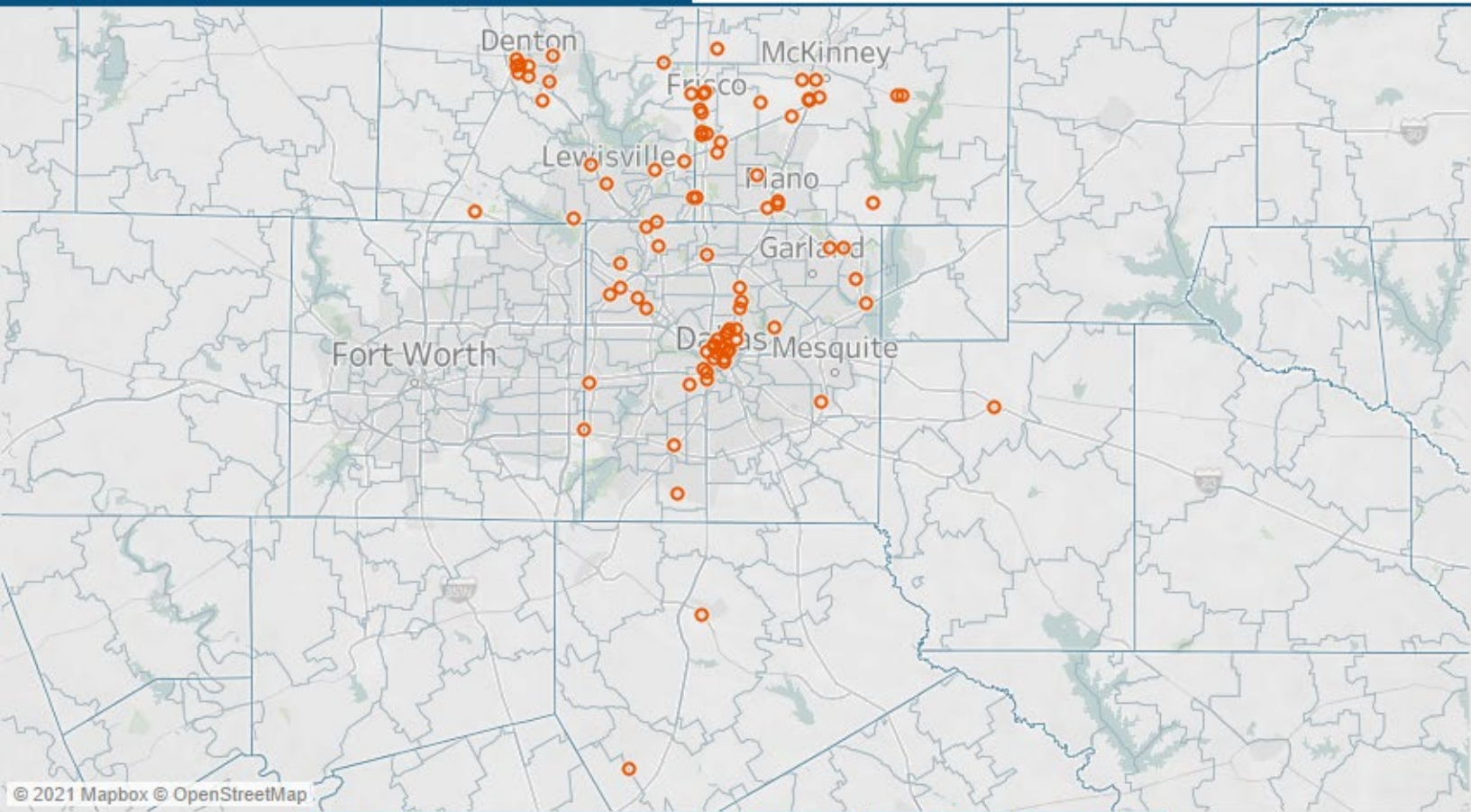
Q1 2021 Asking Rent:

\$1,240



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Addison/Bent Tree	1	390	0.40M
Allen/McKinney	9	2,351	2.76M
Carrollton/Farmers Branch	4	1,358	1.47M
Central/East Plano	4	1,051	1.37M
Denton	9	2,069	2.31M
East Dallas	3	880	1.45M
Ellis County	2	226	0.23M
Far East Dallas	1	220	0.21M
Frisco	11	4,506	6.16M
Garland	2	431	0.41M
Grand Prairie	2	590	0.63M
Intown Dallas	9	2,631	3.31M
Kaufman County	1	270	0.24M
Las Colinas/Coppell	3	1,111	1.13M
Lewisville/Flower Mound	4	964	1.19M
North Irving	2	288	0.44M
North Oak Cliff/West Dallas	2	347	0.43M
Northeast Dallas	2	557	0.71M
Oak Lawn/Park Cities	6	1,561	1.93M
Rockwall/Rowlett/Wylie	3	624	0.68M
Southeast Dallas	1	216	0.23M
Southern Dallas County	1	194	0.17M
Southwest Dallas	1	300	0.37M
The Colony/Far North Carrollton	2	352	0.43M
West Plano	2	282	0.51M
Zang Triangle/Cedars/Fair Park	2	411	0.38M
Grand Total	89	24,180	29.55M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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