

Multifamily Metro Outlook:

Dallas - Q1 2022

Overview:

- The economic recovery in the Dallas metro continues its torrid pace. 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 2022, the metro has grown 5.5% compared to 4.4% nationally and has captured and expanded upon all of the jobs lost with the Hospitality being the lone exception.
- The apartment supply in the Dallas/Fort Worth metro area will continue to thrive despite upticks in supply. There are approximately 17,000 units in the planning stages and an additional 55,000 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 1.3% through 2026. 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 the tumultuous periods in which the virus was taking its toll. As a result of the lower business costs in the metro compared to other large metros such as New York, the Dallas metro is now the 2nd biggest financial center, surpassing Chicago, in the country.
- 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%, which is nearly 3x the national rate of 0.5%.

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 73,000 units to the metro. The potential for oversupply is something to keep an eye on over the next few quarters, however improving apartment fundamentals will continue to aid in absorption of new supply.
- 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 Q1 2022, office vacancies in the metro were approaching 25%, 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 107,000 apartment units have been completed since the beginning of 2017. An additional 55,000 units are underway.
- Since the beginning of 2006, more than 14,000 condo units were completed; fortunately, few condos are under construction through the first half of 2024.

Outlook:

- The recent uptick in supply has not had much of an impact on apartment fundamentals. Although the recovery of apartment fundamentals within the metro appear to be matching the pace of economic recovery. Vacancies continue to tighten and rent growth continues to expand at an above average rate compared to the same period last year. Furthermore, the metro still has a very strong demographic profile which should help absorb incoming supply.
- 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

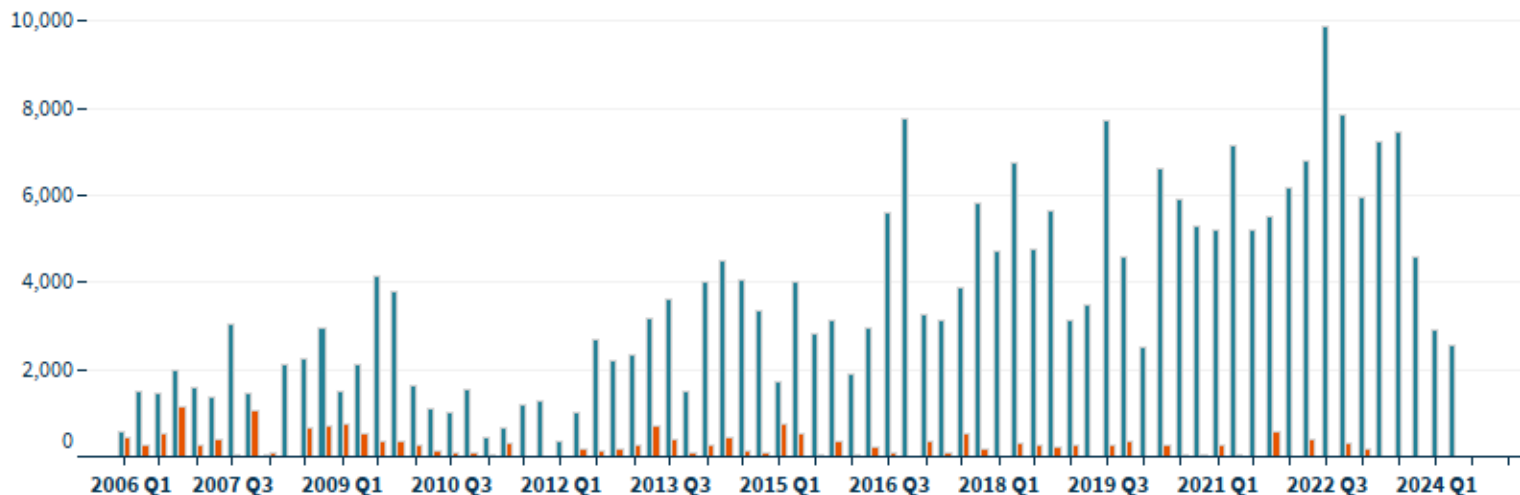
	Q4 2021	Q4 2026	Dallas (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	7,889	8,448	1.38%	0.47%
Households (000s)	2,895	3,166	1.81%	0.90%
Renting Cohort (Ages 20-34) (000s)	1,682	1,798	1.34%	-0.30%
Total Employment (000s)	3,866	4,247	1.90%	1.08%
Median Household Income	\$75,309	\$89,007	3.40%	3.30%
Median SF Home Price	\$349,493	\$348,822	-0.04%	1.93%
Net Migration	68,579	60,870		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



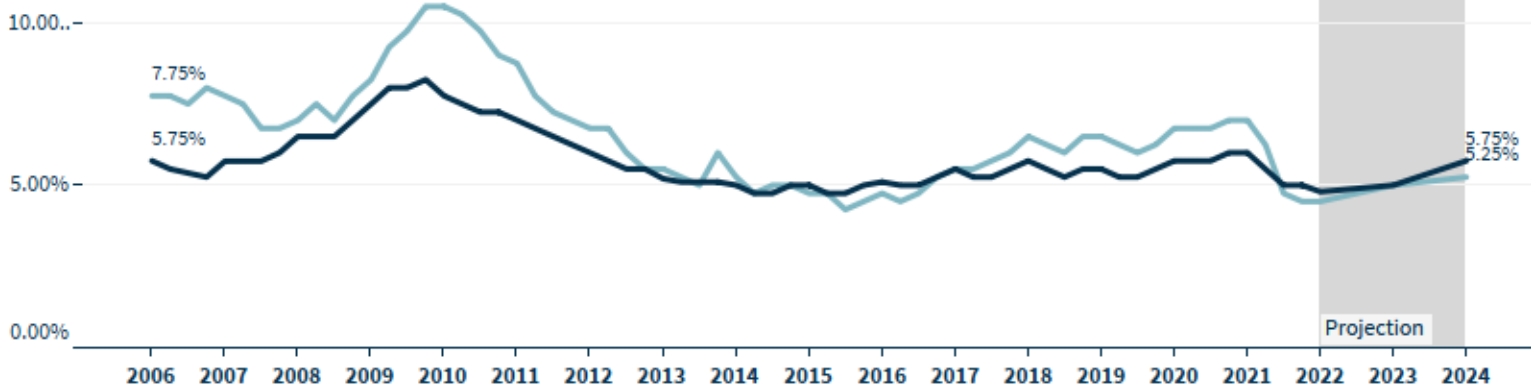
Vacancy & Rent Composite Estimates

Vacancy Rates

Dallas | National

Q1 2022 Vacancy Rate:

4.50%

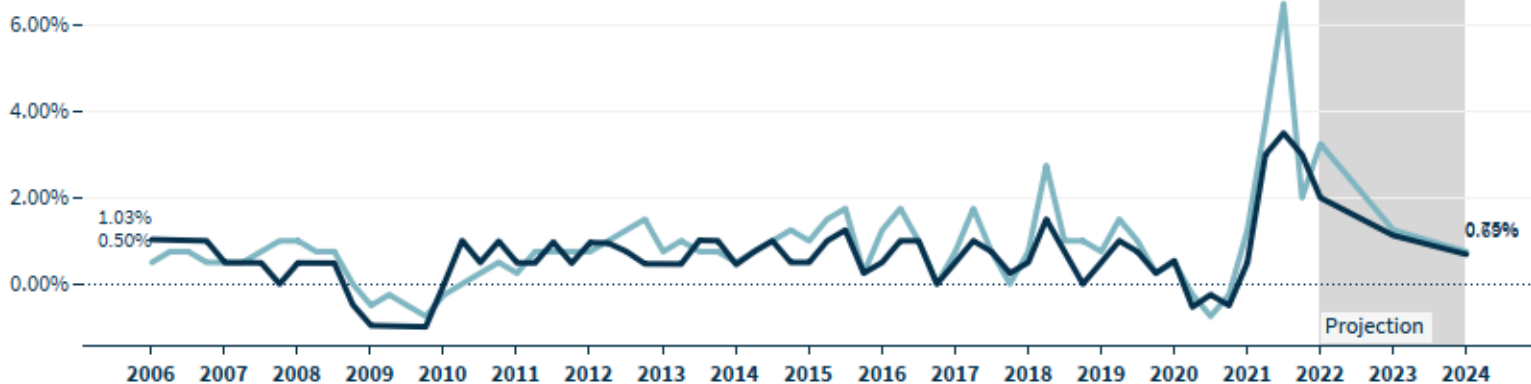


Asking Rent Growth

Dallas | National

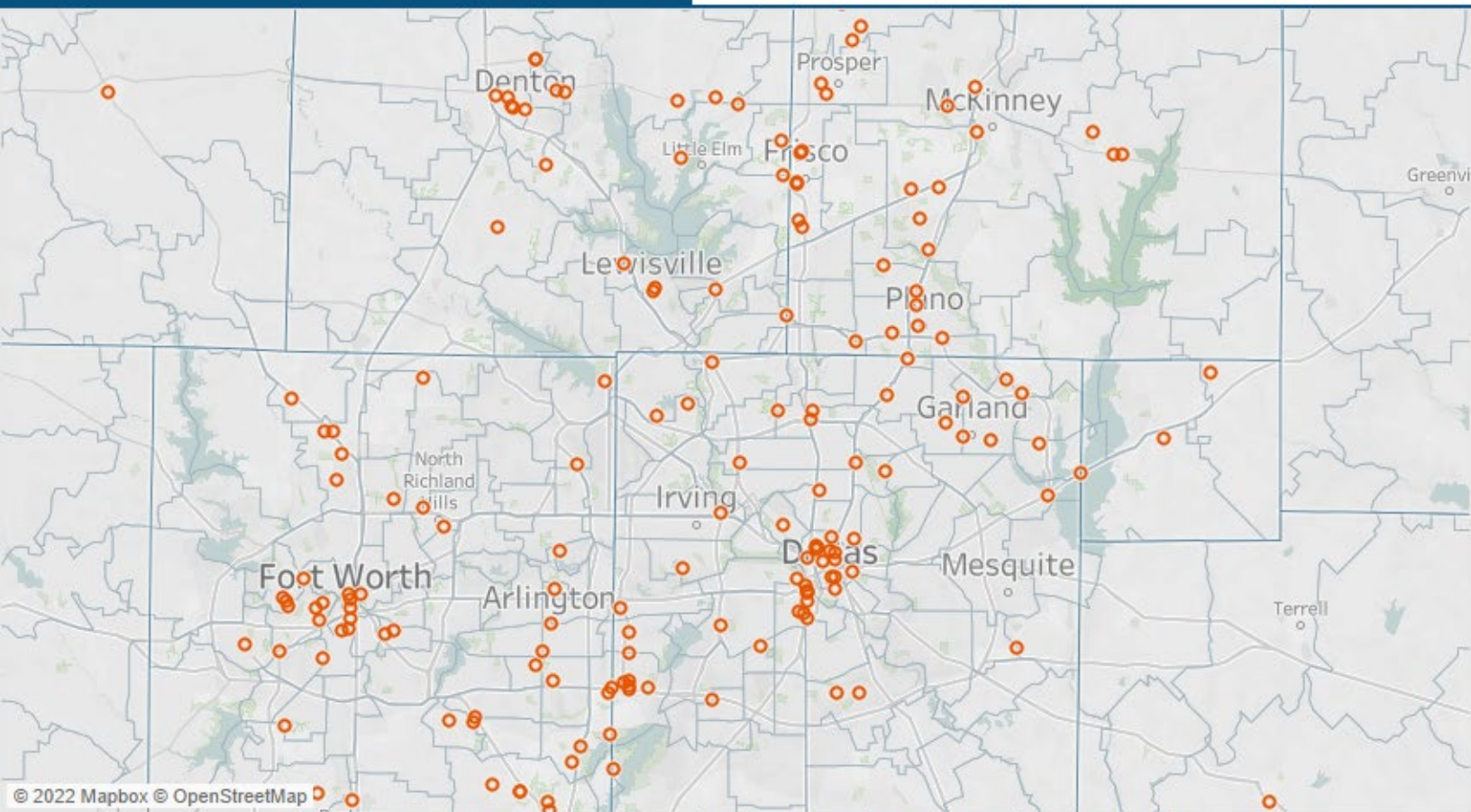
Q1 2022 Asking Rent:

\$1,460



Source: Multifamily Economics and Research

Construction: Bidding & Underway



TWR Submarket Name	Apartments	Building U..	Building Ar..
Addison/Bent Tree	1	406	0.56M
Allen/McKinney	10	3,350	3.68M
Burleson/Johnson County	8	2,278	2.46M
Carrollton/Farmers Branch	2	700	0.67M
Central Arlington	3	677	0.64M
Central/East Plano	7	2,518	3.46M
Denton	10	2,229	2.32M
East Dallas	1	236	0.22M
East Fort Worth	2	167	0.16M
Ellis County	5	1,210	1.31M
Frisco	17	6,126	8.29M
Garland	6	1,025	1.16M
Grand Prairie	24	7,002	8.67M
Grapevine/Southlake	2	550	0.75M
Haltom City/Meacham	4	981	1.02M
Hurst/Euless/Bedford	1	343	0.32M
Intown Dallas	8	2,291	2.82M
Intown Fort Worth/University	12	2,003	2.33M
Kaufman County	1	72	0.10M
Las Colinas/Coppell	2	735	0.80M
Lewisville/Flower Mound	4	1,203	1.50M
Love Field/Medical District	1	116	0.09M
n/a	1	425	0.49M
North Arlington	2	54	0.10M
North Dallas	2	518	0.44M
North Fort Worth/Keller	8	2,136	2.72M
North Irving	2	648	0.78M
North Oak Cliff/West Dallas	5	1,264	1.34M
Northeast Dallas	2	878	0.96M
Northeast Fort Worth/North Richland Hills	3	1,060	0.98M
Northwest Dallas	1	87	0.08M
Oak Lawn/Park Cities	5	733	1.52M
Richardson	2	701	0.90M
Rockwall/Rowlett/Wylie	5	1,588	2.02M
South Arlington/Mansfield	15	4,145	5.10M
South Fort Worth	1	56	0.06M
South Irving	2	409	0.41M
Southeast Dallas	3	770	0.91M
Southwest Dallas	2	608	0.66M
Southwest Fort Worth	1	32	0.03M
The Colony/Far North Carrollton	1	300	0.45M
West Fort Worth/Parker County	2	480	0.60M
Zang Triangle/Cedars/Fair Park	6	1,498	1.73M
Grand Total	202	54,608	65.59M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

Francisco Nicco-Annan, Economic and Strategic Research - Economics – Advisor

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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