

Multifamily Metro Outlook:

Dallas - Q4 2023

Overview:

- Job growth in the Dallas metro is continuing to expand at a rate much faster than that of the national rate. For 2023 job growth in the metro was approximately 2.6% compared to 1.4% nationally. The local job market is still expanding at an above-average pace; however, growth is no longer in the 4-5% range as it was during the peak of the metro's recovery.
- Apartment fundamentals this quarter are feeling the impacts of increased supply coupled with the current economic landscape. As a result of all those variables, vacancies during the Q4 2023 period continued their softening to 8%, up 50 bps from the previous quarter and 175 bps year-over-year. Furthermore, rent growth is also moving in the wrong direction as it contracted to -1% during the same period.

Market Strengths:

- Dallas has a very strong demographic profile that will help absorb some of the elevated amounts of supply being delivered. Besides an above average population rate for the prime renter cohort going forward, the metro also has an overall population growth rate of nearly 1.3%, which is nearly three times the national rate of 0.4%. Furthermore, according to CoStar, the metro added more than 173,000 new residents between 2021 and 2022 as people looked to take advantage of the cheaper costs of living coupled with the above-average job market in the metro.
- Dallas continues to serve the role as the financial capital of the Southwest. Despite the current levels of uncertainty regarding the current economic environment, the Financial Services sector continues to perform well expanding by 3.2% during 2023 compared to 0.5% nationally. 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 in the country, surpassing Chicago. Financial companies continue to expand into the metro, recently Goldman Sachs and Wells Fargo announced construction of regional campuses that would employ over 9,000 employees whereas TD Ameritrade and Charles Schwab also completed large projects nearby recently.

Market Weaknesses:

- Elevated levels of supply have delivered to the metro over the last few years and will continue to do so in the near-term. Despite the above-average levels of job growth and strong demographic profile, the metro is in a period of oversupply as the vacancy rate is up nearly 175 bps year-over-year.
- Even though the Financial Activities sector is still doing well despite the current economic environment, there are some aspects within the sector that are not performing as well as they previously had been. According to Moody's Analytics, the (mortgage) banking industry has taken a few steps back as the decline in mortgage lending continues to trend in the wrong direction as financing becomes more costly due to elevated rates and higher levels of inflation.

Development:

- Apartment construction continues to be torrid. Approximately 116,000 apartment units have been completed since the beginning of 2017. An additional 47,000 units are underway with an extra 40,000 units in the planning stages.

Outlook:

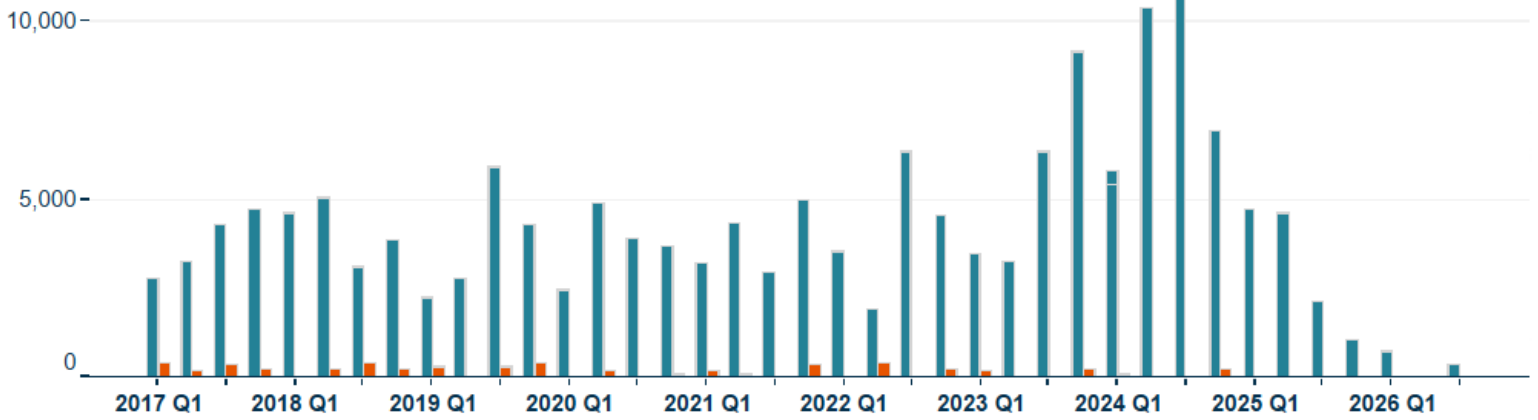
- Dallas' apartment fundamentals are currently being impacted by the current economic environment coupled with the increased amounts of supply being delivered. Due to the relative affordability in the metro, above-average employment growth, and presence of corporations that are moving or expanding into the metro, Dallas will continue to lure young professionals. Furthermore, a strong demographic profile should provide the demand necessary to absorb the incoming supply.
- Dallas had exceptional employment growth and steady migration trends over the past couple years with major gains across the board. A plethora of corporations are in the process of moving or expanding into the metro. Although the effects of inflation are beginning to slow down economic growth in the metro, particularly in banking segment of the Financial Activities sector, Dallas is well cushioned because of its diverse economy.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

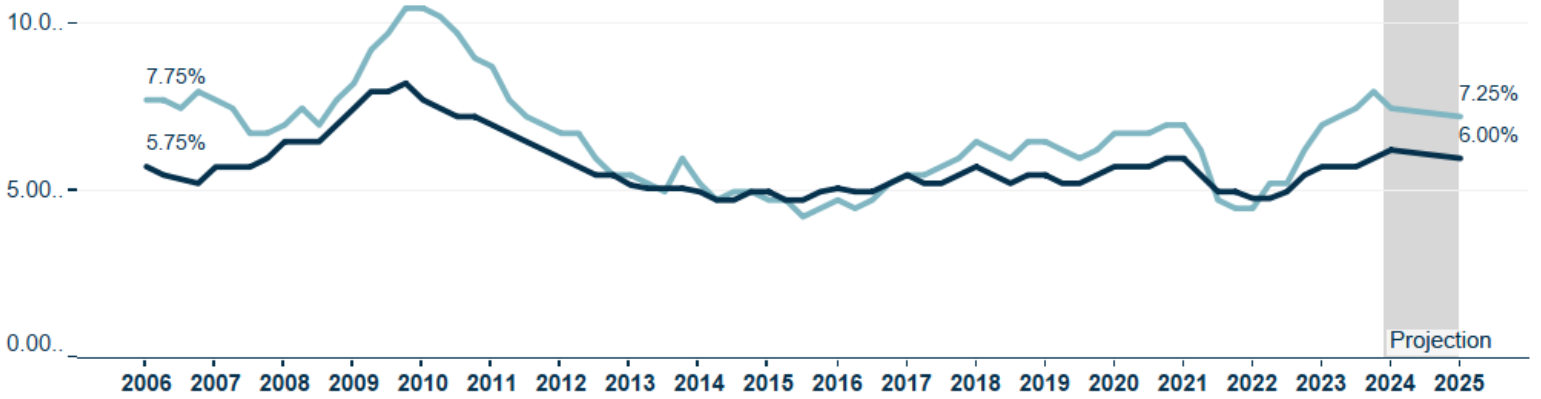
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Dallas | National

Q4 2023 Vacancy Rate:

8.00%

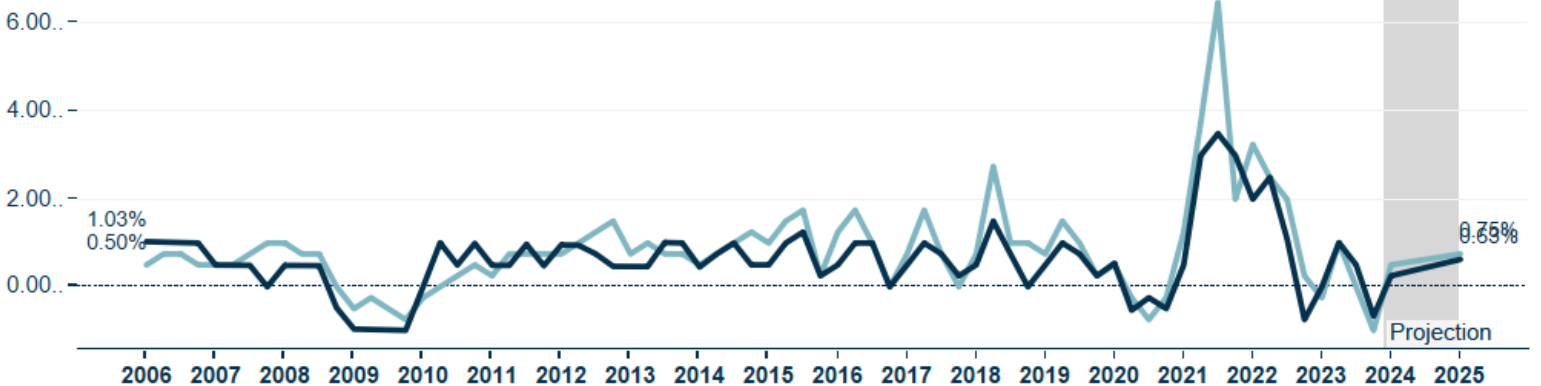


Asking Rent Growth

Dallas | National

Q4 2023 Asking Rent:

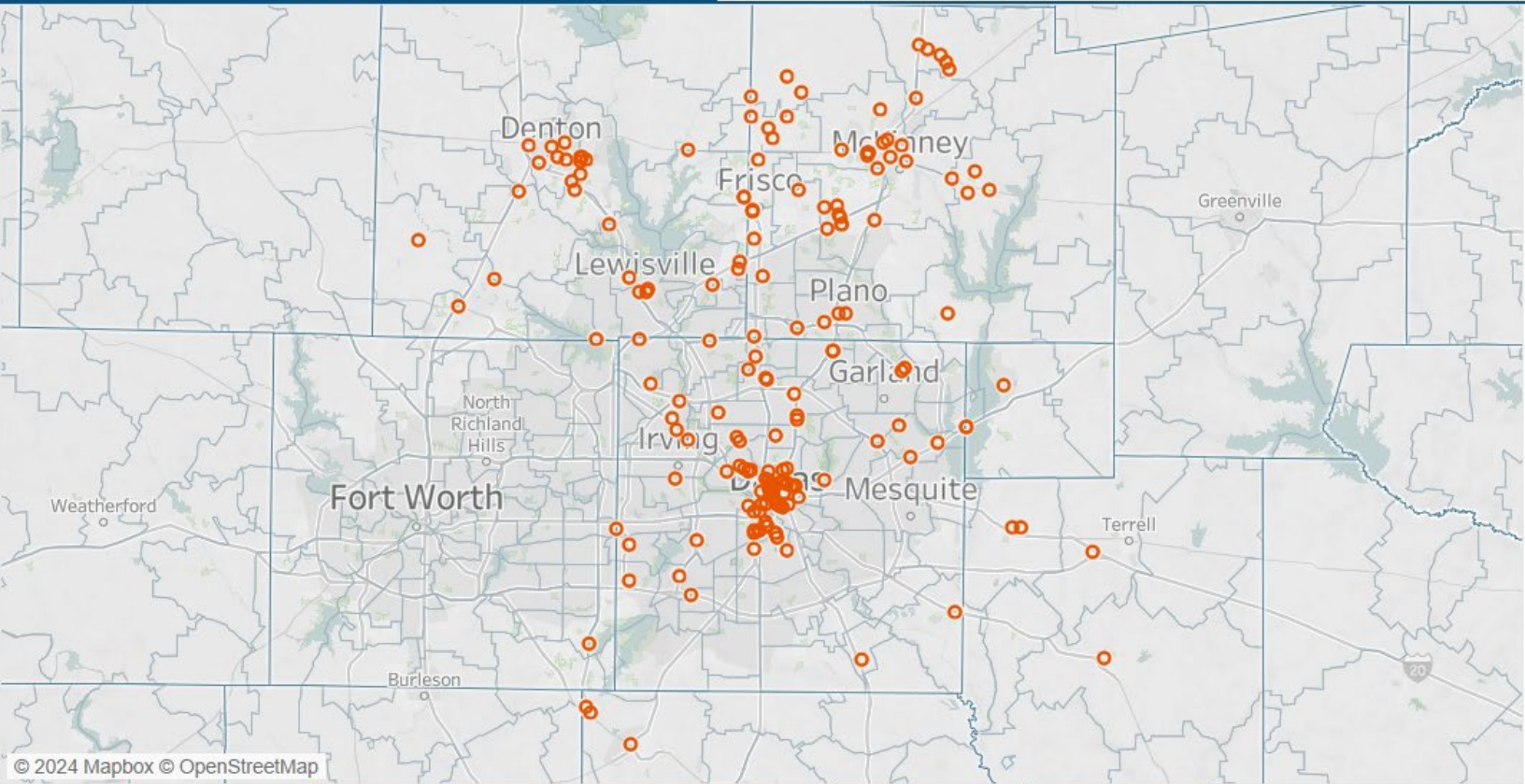
\$1,550



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Addison/Bent Tree	2	739
Allen/McKinney	29	9,135
Carrollton/Farmers Branch	1	436
Central/East Plano	4	1,470
Denton	14	3,589
East Dallas	2	632
Ellis County	3	869
Far North Dallas	1	334
Frisco	16	5,250
Garland	6	1,622
Grand Prairie	4	1,180
Intown Dallas	21	4,335
Kaufman County	5	1,676
Las Colinas/Coppell	5	1,718
Lewisville/Flower Mound	9	2,410
Love Field/Medical District	6	1,031
North Dallas	3	607
North Irving	1	370
North Oak Cliff/West Dallas	8	2,019
Northeast Dallas	2	828
Northwest Dallas	3	520
Oak Lawn/Park Cities	9	1,358
Richardson	2	768
Rockwall/Rowlett/Wylie	4	1,012
South Irving	1	194
Southeast Dallas	2	425
Southwest Dallas	3	904
The Colony/Far North Carrollton	2	501
West Plano	1	355
Zang Triangle/Cedars/Fair Park	7	876
Grand Total	176	47,163

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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