

Multifamily Metro Outlook: Dallas Winter 2018

Overview

The Dallas/Fort Worth metro continues to expand and is driven by healthy fundamentals, strong in-migration, a diversified economy, and strong job growth. The metro added over 67,100 jobs year over year, as of September 2017, and expanded by 2.7 percent, nearly double the national rate of 1.4 percent.

The apartment supply in the Dallas/Fort Worth metro area should continue to thrive. There are nearly 29,000 units in the planning stages and an additional 24,000 units underway. However, the robust growth in supply should not present much of an issue. According to CoStar, the prime renter cohort (ages 20-34) is expected to expand by 9 percent through 2022. The young demographic, healthy economy, and strong job growth should continue to keep demand high over that time period.

Dallas has emerged as the financial capital of the Southwest. As of September 2017, employment in this sector expanded by 3.9 percent, more than double the national rate of 1.7 percent. Dallas also accounts for nearly 8 percent 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 of employers such as State Farm, Liberty Mutual, and Toyota, among others.

Thanks to Dallas' diverse and broad economic job base, the metro has not been impacted by low crude oil prices. A few other Texas metros that rely heavily on oil to spur economic growth have been impacted by the low prices, but Dallas' job base remains a strong performer, expanding by 2.7 percent as of September 2017.

A lot of supply is coming to the Dallas-Fort Worth metro area within the next two years. Between units in the underway and planning stages, an additional 53,000 units are expected to be delivered to the metro. Typically any increase in supply over 2.0 percent of the existing base is considered abundant, and Dallas' metro features incoming supply of 4.70 percent. The potential for oversupply is something to keep an eye on over the next few quarters.

Development

Construction in the For-Rent market is picking up steam. Approximately 65,000 apartment units have been completed since the beginning of 2012. An additional 24,000 units are underway.

Since the beginning of 2006, nearly 13,000 condo units were completed; fewer than 1,000 are underway and expected through 2018.

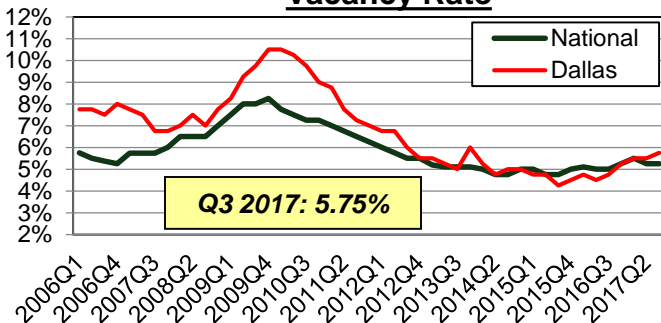
Outlook

Dallas' economy continues to expand. If its job growth continues, Dallas should benefit from strong positive net migration trends. Improvement in the single-family market is a viable threat to the rental market; however, the metro has one of the highest proportions of residents in the prime renter cohort, which should keep renter demand strong even as new residents come to the area.

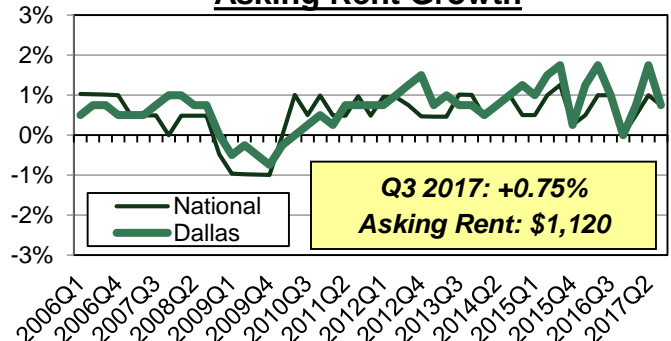
Over the long term, apartment supply should keep pace with demand due to favorable demographics driven by Dallas' healthy economy, strong in-migration trends, and healthy amounts of new supply. However, affordable housing and potential oversupply are worth keeping an eye on as they could hinder the metro's expansion.

Vacancy and Rent Composite Estimates

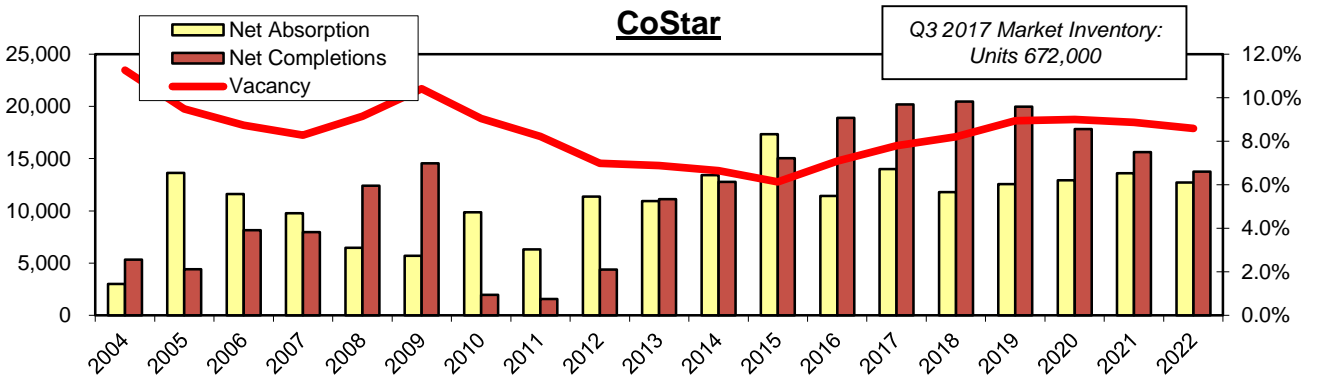
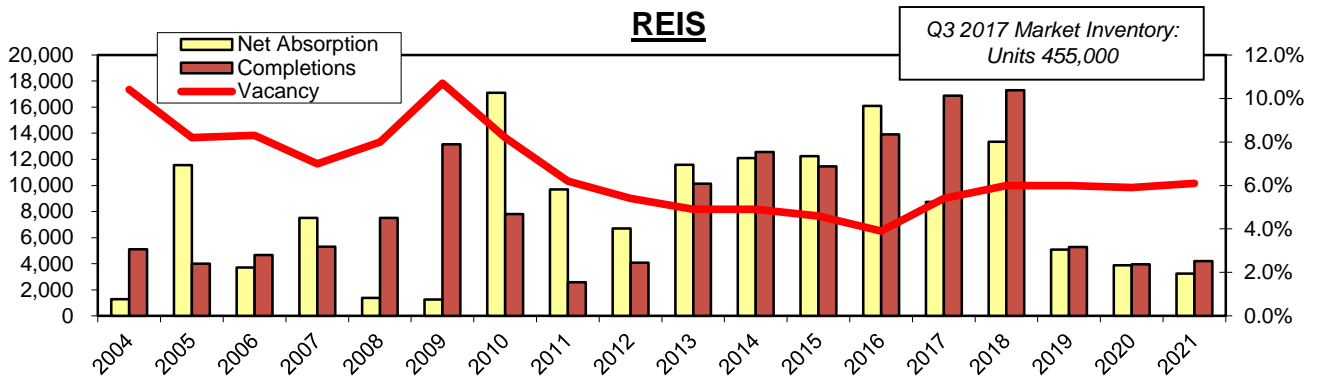
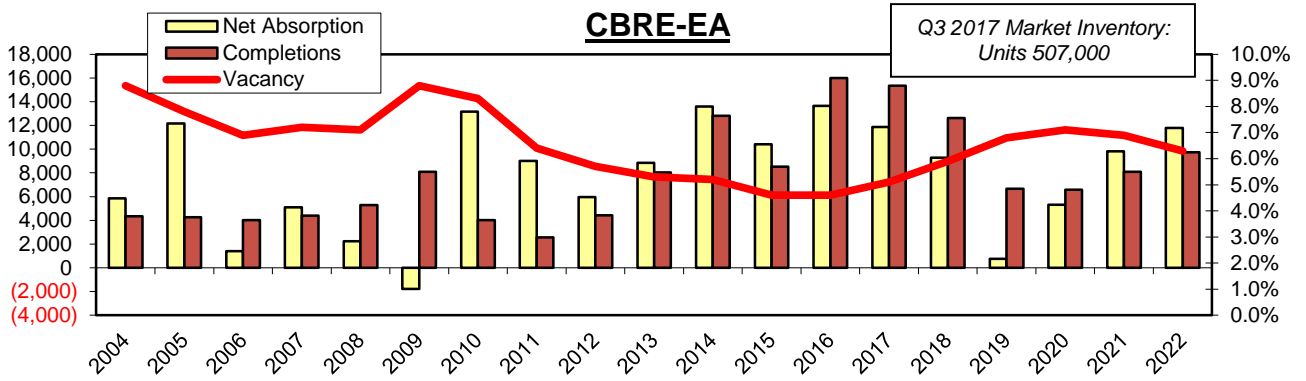
Vacancy Rate



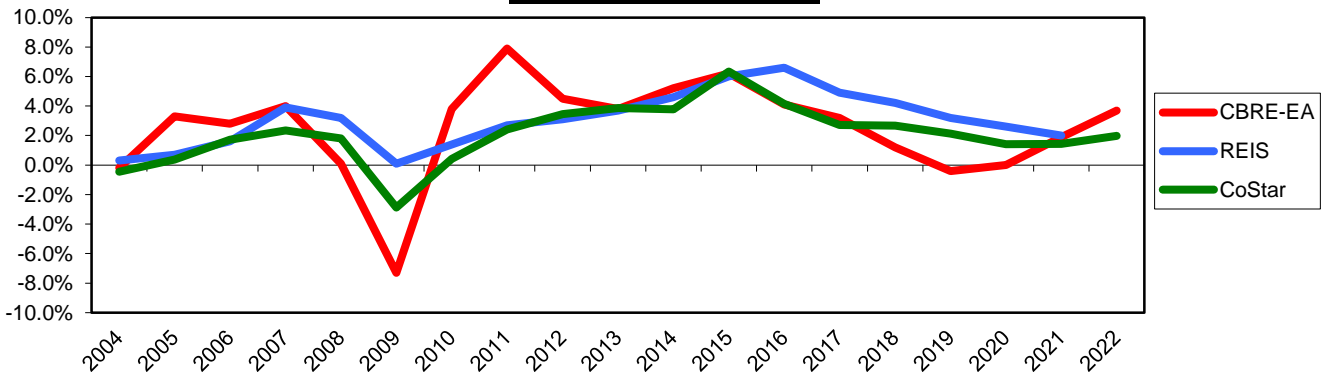
Asking Rent Growth



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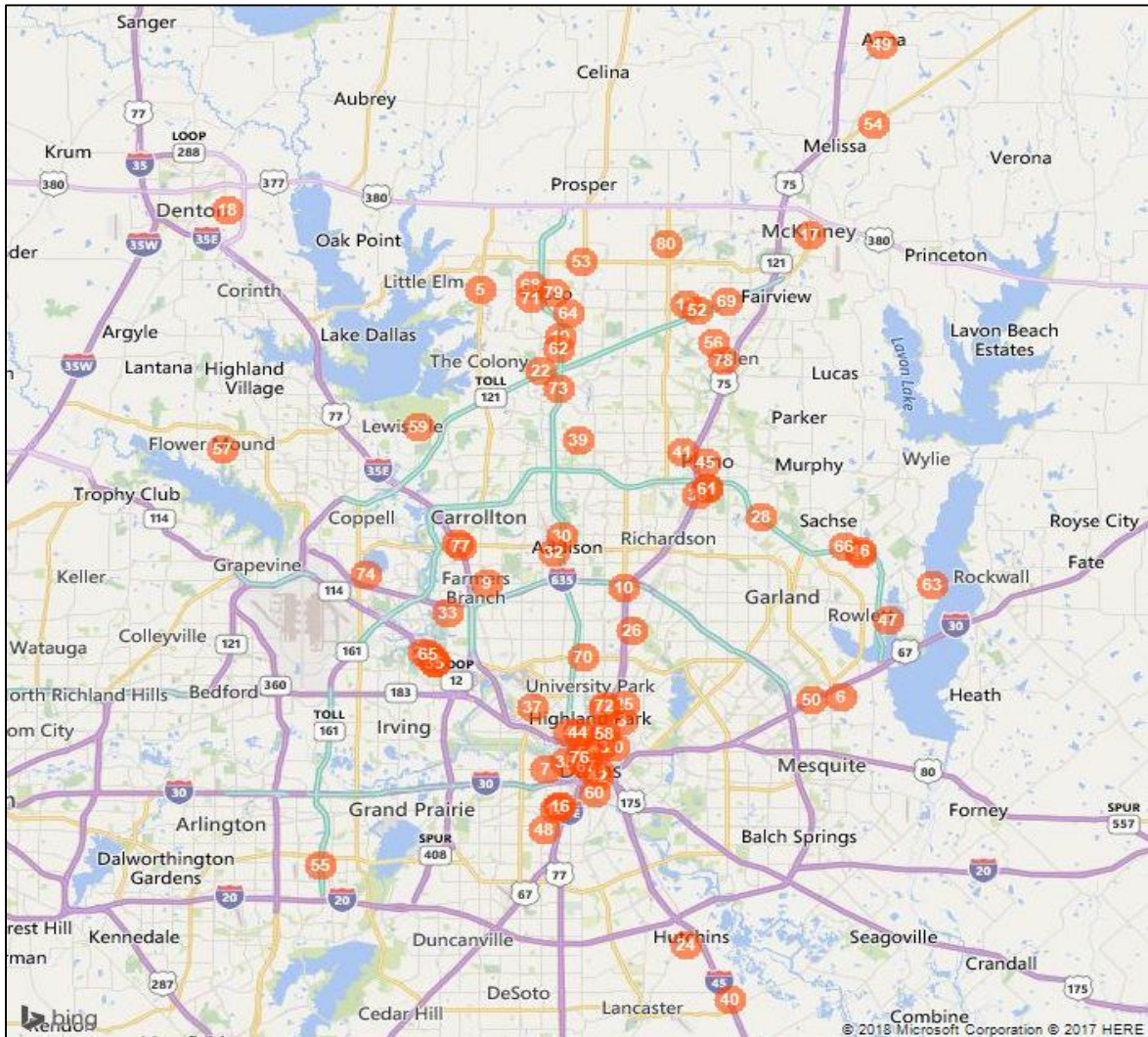


Annual Rent Growth



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Construction Bidding/Underway (80 projects/23,800 Units/29.2 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units	CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Carrollton/Addison/Coppell	3	942	910	North White Rock	1	435	422
Central Dallas	8	4731	2694	Northwest	3	1222	1153
Collin County/Other	2	321	308	Oak Lawn	3	936	647
Denton County/Other	5	1856	1482	Plano/Allen/McKinney	17	5319	4859
East Dallas	6	2025	1412	Richardson	3	1487	1354
Far North	1	439	439	Rockwall County	1	435	447
Far Northwest/Farmers Branch	2	1017	919	South	2	399	149
Garland	7	1658	1641	South County	2	550	496
Grand Prairie	1	253	337	Southwest Dallas	4	811	822
Lewisville	1	699	500				
North	2	730	486				
North Irving	6	2952	2281				

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Fannie Mae Multifamily Economics and Market Research

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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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