



Admiral Callaghan <acpcllc2010@gmail.com>

Q4 2019 Multifamily Market Report

Greystone | Investment Sales Group <gisgadmin@greyco.com>
Reply-To: Greystone | Investment Sales Group <gisgadmin@greyco.com>
To: acpcllc2010@gmail.com

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MARKET OVERVIEW

Q4 2019

Happy New Year everyone! We hope everyone had a great holiday season and are excited to start the year off strong! The DFW commercial real estate market prospered on capital liquidity and a strong local economy in 2019. Now, 2020 is expected to bring even more commercial growth in DFW, with interest rates remaining low and demand for North Texas real estate going strong.

Looking Back:

- YardiMatrix recently revealed that 320,000 multifamily units were rented in 2019 within the U.S., leaving occupancy rates slim.
- Dallas has continued to show strong job growth throughout Q4.
- DFW YoY jobs Gained in Q4 was 120,700 (3.2% YoY increase), up from 2.3% one year ago.
- DFW November MSA jobs increased from 3,765,700 to 3,870,400, according to the latest figures published by the Texas Workforce Commission.
- This marks a 2.78% year-over-year (YOY) increase compared with November 2018, a net increase of 104,700 new jobs in DFW
- Over the past five years, the job growth rate has increased at an average annual rate of 3.00%.
- The unemployment rate decreased to 3.00% from 3.20% in 2018.
- 2019 Total & Q4 DFW Properties Sold with 20+ Units (See chart below).

Year Built	Properties Sold			
1800-1969	2019 Annual	YOY change	Q4 '19	YOY Change for Q4 '19
# Props	83	-30.80%	21	-41.00%
Units	10,124	-7.30%	2,228	-40.60%
Price Per Unit	\$81,057	\$83,189	\$77,806	\$77,543
Cap Rate	5.90%	6.20%	5.50%	6.30%
1970-1979	2019 Annual	YOY change	Q4 '19	YOY Change for Q4 '19
# Props	45	-42.30%	12	-29.40%
Units	9,198	-32.80%	2,594	-10.10%
Price Per Unit	\$66,780	\$83,742	NA	NA
Cap Rate	6.20%	6.10%	NA	NA
1980-1989	2019 Annual	YOY change	Q4 '19	YOY Change for Q4 '19
# Props	109	-1.80%	22	-26.60%
Units	26,602	13.10%	5,407	2.30%
Price Per Unit	\$104,762	\$92,564	NA	\$98,132
Cap Rate	5.50%	5.80%	NA	5.60%
1990-1999	2019 Annual	YOY change	Q4 '19	YOY Change for Q4 '19
# Props	32	-3.00%	5	-44.40%
Units	8,098	-24.70%	1,526	-58.80%
Price Per Unit	\$155,104	\$153,414	NA	NA
Cap Rate	4.70%	5.60%	NA	NA
2000-2019	2019 Annual	YOY change	Q4 '19	YOY Change for Q4 '19
# Props	97	-3.90%	18	-50.00%
Units	27,604	13.10%	4,888	-38.30%
Price Per Unit	\$181,119	\$142,763	\$141,963	\$118,393
Cap Rate	5.10%	5.70%	4.50%	5.80%

Source: ALN (rent-vacancy) and CoStar (sales, 20+ units) Counties entered into ALN: Collin, Cooke, Dallas, Denton,

Ellis, Hunt, Johnson, Kaufman, Parker, Tarrant, Wise

How's the Market 2020:

- Competition remains high for multifamily housing and occupancy; buyers should expect cap rates to stay low and pricing to stay high
- The first half of the year should see strong sales velocity, while the second half should slow down due to the election year.
- The slowdown is typically due to developers and investors waiting to see whether our nation's leadership will change and what that might mean for policies. (the uncertainty can cause them to wait)

Dallas-Fort Worth

YOC	OCCUPANCY RATE	T-12	ABSORPTION
1800-1969	91.70%	0.00%	359
1970-1979	93.00%	0.50%	401
1980-1989	93.20%	-0.40%	-865
1990-1999	94.50%	0.20%	209
*2000-2019	86.90%	2.30%	22,617
All	90.80%	0.70%	22,925
YOC	EFF. RENTAL RATE	T-12	YoY CHANGE
1800-1969	\$938	3.30%	\$30
1970-1979	\$947	3.50%	\$32
1980-1989	\$987	3.80%	\$36
1990-1999	\$1,282	2.90%	\$36
*2000-2019	\$1,396	2.50%	\$33
All	\$1,169	3.60%	\$40

*Source: ALN, 20+ units, excludes Senior and Student Counties entered into ALN: Collin, Cooke, Dallas, Denton,

Ellis, Hunt, Johnson, Kaufman, Parker, Tarrant, Wise

*Includes non-stabilized

Rent Control:

- As we mentioned before, rent control has already impacted Oregon, New York, and California. It also remains a possible issue for investments in some markets
- For example, Los Angeles saw a 9.8% drop in multifamily investing and New York has fallen 9.2% over the year (2019).
- Many of the 2020 Democratic candidates are talking about the subject on their campaign trails (some even on the national level), and it's clear that next year will be one of rent reform in some nature.
- According to Jim Lapides, VP of strategic communication at NMHC, "Rent control would freeze investment nationwide and eliminate property owners' ability to recoup costs and reinvest in maintenance and upgrades." He also says it would hurt renters, explaining, "Such policies would further stretch the imbalance between supply and demand and cause the housing we already have to fall into disrepair."

Recession Alert?

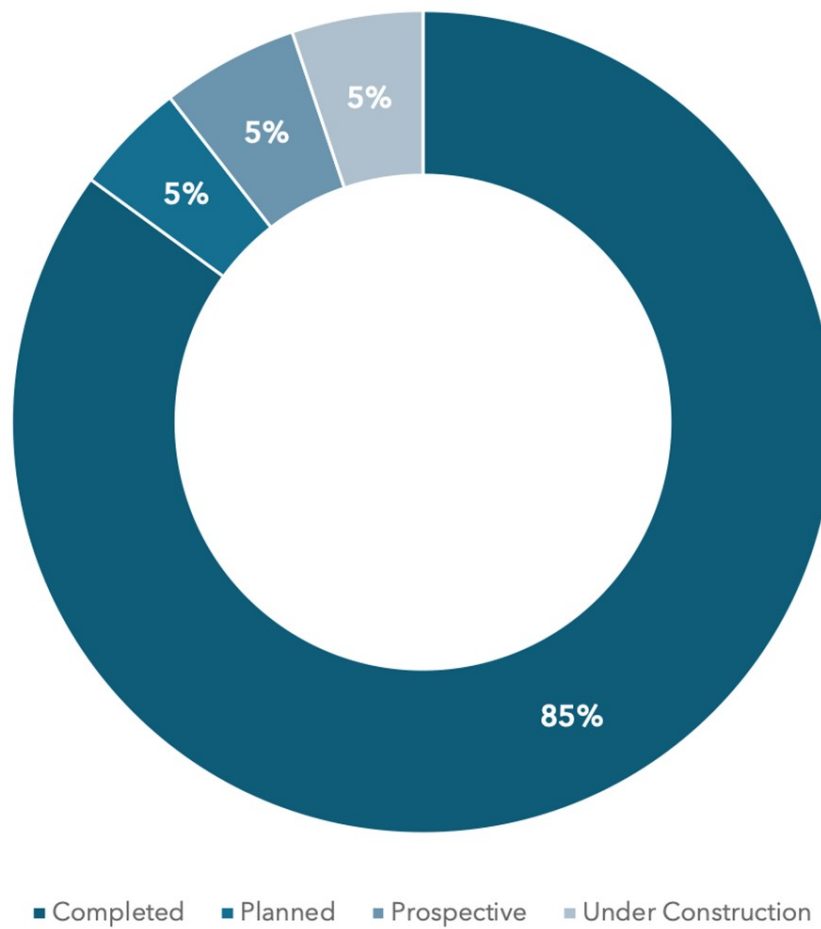
- A recession is among the biggest concern for multifamily investors in 2020
- However, the positive effects of the Fed's interest rate cuts in 2019 and lower Treasury yields could stop a recession from hitting in 2020.
- On the other hand, the economy could slow this year due to slowing global economic growth,

trade conflicts, and the upcoming elections.

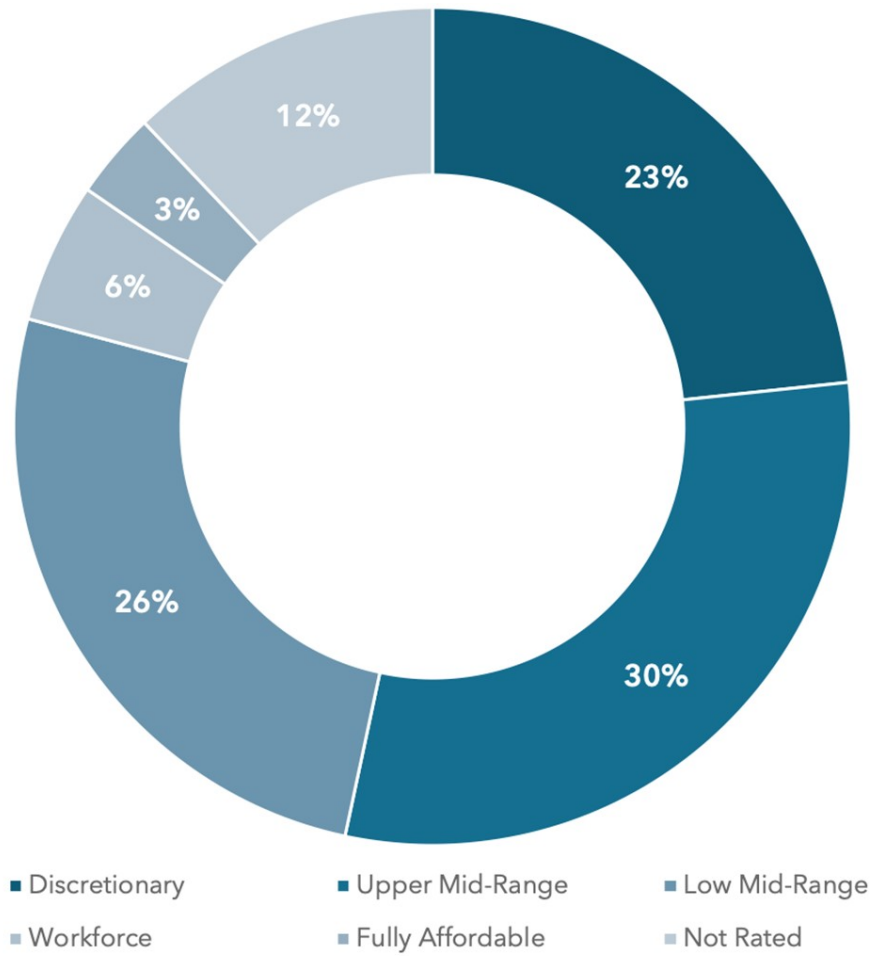
- Since the market will cycle at some point, investors should always make sure they are not overleveraged and have plenty of cash reserves available.

Sources: Greystone Research, Housingwire, GlobeSt, Fool.com, Bisnow

MARKET INVENTORY UNITS BY PROPERTY STATUS

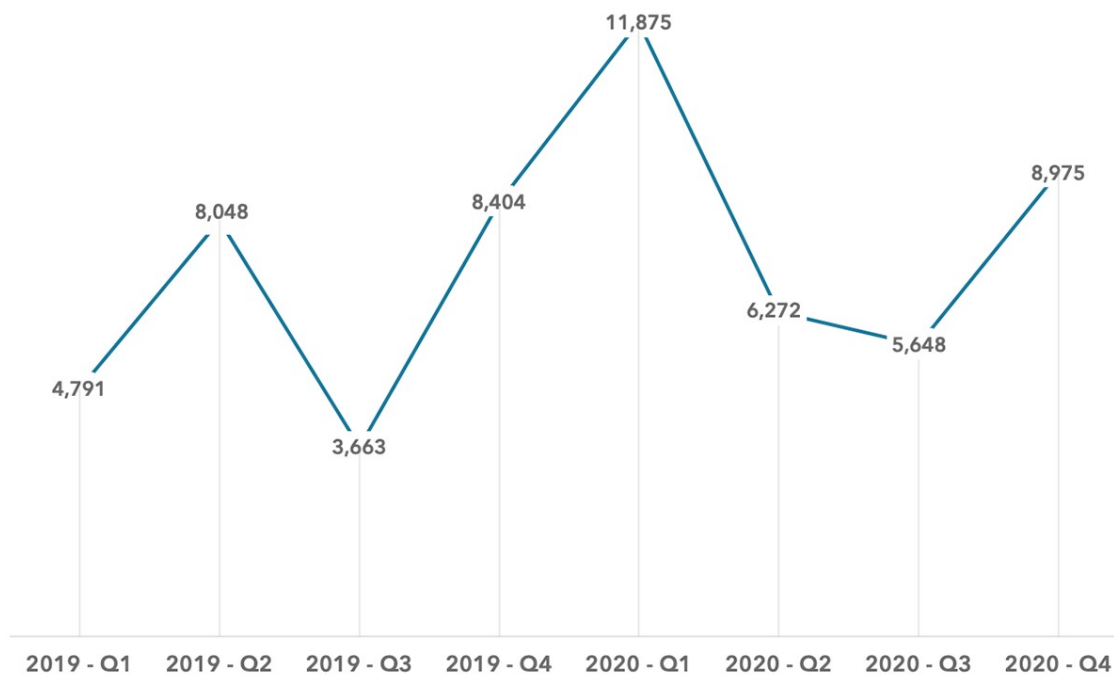


MARKET INVENTORY BY PROPERTY ASSET CLASS



COMPLETIONS TRENDS & FORECAST

OF UNITS BY QUARTER FOR DALLAS-FORT WORTH



THE TEAM

Todd Franks CCIM

Executive MD
972-916-9397

[Email Todd](#)

Sean Reynolds

Managing Director
972-961-7963

[Email Sean](#)

Byron Griffith

Director
972-432-7436

[Email Byron](#)

Angel Flores

Associate Director
972-232-2325

[Email Angel](#)

Mark Allen

Executive Managing Director
972-865-6328

[Email Mark](#)

Curtis Hawkins

Director
972-521-8211

[Email Curtis](#)

Nicholas Brown

Associate Director
972-532-6126

[Email Nicholas](#)

Shan Zaidi

Associate Director
972-402-5595

[Email Shan](#)

Jeff Burgfechtel
Associate Director
972-619-5007
[Email Jeff](#)

Armaan Premjee
Associate Director
972-916-9045
[Email Armaan](#)

Esther Cho
Associate Director
972-449-0440
[Email Esther](#)

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