Nation-Leading Employment Growth Sparks Household Formation and Ignites Construction

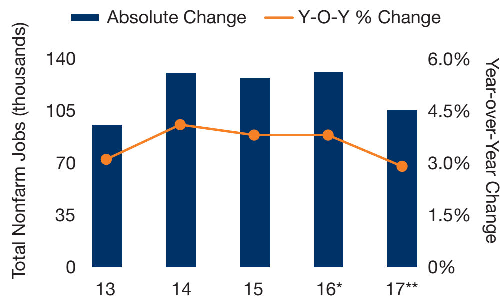
Broad-based hiring encourages household formation and construction. Another year of robust job creation will bolster housing demand in the Metroplex, supporting healthy net absorption and keeping apartment vacancy historically low. A highly educated and skilled labor force spurs a wide range of companies to relocate or expand, and hiring across a range of sectors supports demand for all apartment classes. Young professionals lured to the metro in search of jobs in financial services and other corporate-backed positions are creating intense demand for luxury apartments. Combined with last year, more than 40,000 new apartments have been built across the market. Job gains in service and consumer-driven sectors including education, healthcare and retail support pay wages more aligned with Class B and Class C rents. Growth in these segments could provide a steady stream of tenants. Tight vacancy at these complexes will keep the overall rate historically low as completions reach a new peak.

Healthy economy drives investment in Class B and C properties. Local parties are scouring the Metroplex for upside potential. Assets that need minor renovations to push rents or reduce vacancy, or those providing instant cash flows that may need enhancements to increase returns, are in high demand. Out-of-state buyers will focus on stabilized properties. Initial yields for these complexes have compressed and demand for these properties remains strong. Stabilized Class B deals change hands at average cap rates in the high-5 percent to low-6 percent range, while Class C complexes in favorable locations and in good condition are trading approximately 50 basis points higher. Investors are primarily targeting apartment assets inside the North Texas region, but increased buyer competition will encourage more investors to seek opportunities in nearby secondary and tertiary markets. Properties in these locations typically draw first-year returns 50 to 75 basis points higher than the Metroplex average.

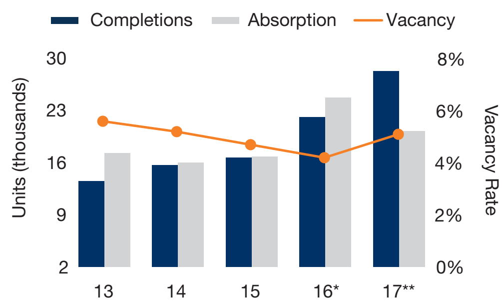
2017 Market Forecast

NMI Rank 26, down 8 places	Another year of substantial supply growth demoted Dallas/Fort Worth eight slots in this year's Index.
Employment up 2.9%	Staffing in the Metroplex will rise 2.9 percent this year as 105,000 workers are added. In 2016, employers created 130,500 jobs.
Construction 28,200 units	Apartment construction is at a record level, and builders will bring 28,200 apartments online during 2017. Nearly 22,100 units were placed in service last year.
Vacancy up 90 bps	The absorption of 20,200 apartments this year will fall short of supply additions, raising the vacancy rate 90 basis points to 5.1 percent. Last year, the vacancy rate fell 50 basis points.
Rent up 5.5%	Rent advanced 7.4 percent during 2016, and healthy gains will continue through this year. The average will rise 5.5 percent to $1,113 per month in 2017.
Investment	The majority of construction in the Metroplex is occurring in the Dallas area, and limited new supply in Fort Worth will encourage investors to seek opportunities here.

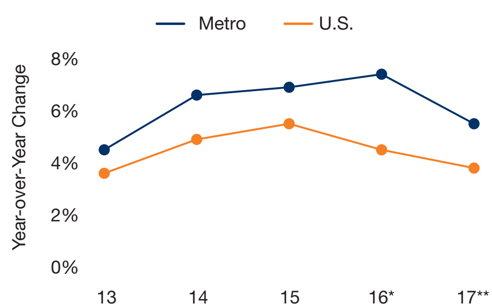
Employment Trends



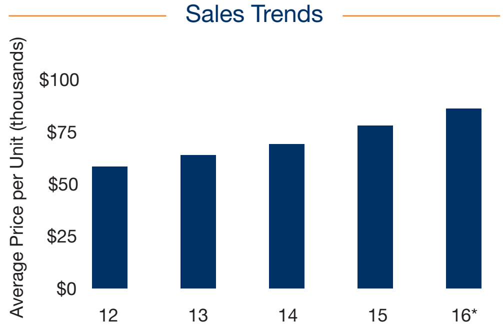
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics