COMPREHENSIVE HOUSING MARKET ANALYSIS

Dallas-Plano-Irving, Texas

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of October 1, 2021

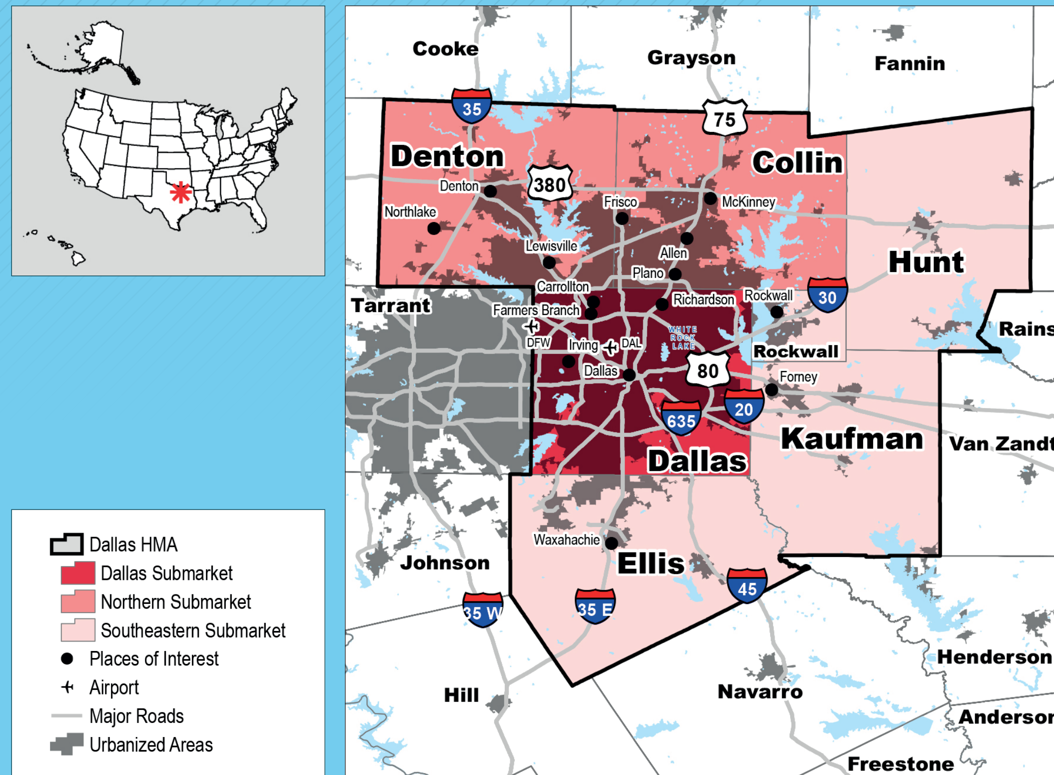
Executive Summary

Housing Market Area Description

The Dallas-Plano-Irving housing market area (hereafter, Dallas HMA) is coterminous with the Dallas-Plano-Irving, TX Metropolitan Division (MD). The HMA includes seven counties and is divided into three submarkets: the Dallas County submarket, which includes Dallas County; the Northern submarket, which includes the fast-growing Collin and Denton Counties; and the Southeastern submarket, which includes the smaller and more rural counties of Ellis, Hunt, Kaufman, and Rockwall. The city of Dallas is home to White Rock Lake, the largest urban lake in the United States and a popular recreation destination for the local residents.

The current population of the HMA is estimated at 5.26 million.

The Dallas MD is the larger of the two divisions that define the Dallas-Fort Worth-Arlington (hereafter, DFW) metropolitan area in northeast Texas. Since 2010, DFW has added more people than any other metropolitan area in the nation, with more than 70 percent of the growth occurring in the Dallas HMA. Of the 7 counties within the Dallas metropolitan division, 5 have been amongst the 30 fastest growing counties with populations of more than 100,000 in the United States since 2010. The city of Dallas, the largest city in the Dallas HMA, is the ninth largest city in the nation, with a population of more than 1.3 million people; there are an additional 12 cities in the Dallas metropolitan division with populations of more than 100,000.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: In September 2021, nonfarm payrolls matched the level reached in February 2020 before the COVID-19 pandemic began (monthly basis, nonseasonally adjusted).

The economy of the Dallas HMA has had a relatively strong recovery following the economic downturn caused by COVID-19 mitigation efforts. During the 12 months ending September 2021, nonfarm payrolls averaged more than 2.68 million, an increase of 43,800, or 1.7 percent, from the previous 12 months. The unemployment rate during the 12 months ending September 2021 was 5.7 percent, down from 6.2 percent a year earlier but still well above the 3.4 percent rate during the 12 months ending September 2019. During the 3-year forecast period, nonfarm payroll growth is expected to average 2.5 percent annually, with the strongest growth in the first year.

Sales Market

Tight: As of October 1, 2021, the home sales vacancy rate is 1.0 percent, down from 2.1 percent in April 2010.

Despite increased sales construction since 2019, the sales market remains tight, partly because low interest rates supported increased homeownership. New and existing home sales totaled 139,300 during the 12 months ending September 2021, an increase of 16,200 sales, or more than 13 percent, from the previous 12 months (Zonda). The average sales price of a home during the 12 months ending September 2021 was $354,400, up nearly 11 percent from the previous 12 months. Based on data from North Texas Real Estate Information Service (NTREIS) MLS for the period of September 2020 through September 2021, during September 2021, there was a 1.3-month supply of for-sale inventory on the market, down from 2.0 months during September 2020. During the 3-year forecast period, demand is estimated for 93,300 sales units. The 12,100 units currently under construction will satisfy a small portion of that demand.

Rental Market

Slightly Tight: The overall rental vacancy rate is currently estimated at 6.0 percent, down from 11.1 percent in 2010, when conditions were soft.

The rental market in the Dallas HMA consists largely of apartments. The apartment market is currently tight, with a 4.9-percent vacancy rate during the third quarter of 2021, down from 6.9 percent in the third quarter of 2020 (ALN Apartment Data, Inc.). The average apartment rent during the third quarter of 2021 was $1,436, an increase of $177, or 14 percent, from the third quarter of 2020. During the past 12 months, more than 41,100 apartment units were absorbed, up significantly from 18,600 during the previous 12 months. During the 3-year forecast, demand is estimated for an additional 70,525 rental units, nearly half of which will be satisfied by the 32,075 units currently under construction.

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3-Year Housing Demand Forecast

	Sales Units				Rental Units			
	Dallas HMA Total	Dallas County Submarket	Northern Submarket	Southeastern Submarket	Dallas HMA Total	Dallas County Submarket	Northern Submarket	Southeastern Submarket
Total Demand	93,300	20,100	52,600	20,600	70,525	38,750	28,250	3,525
Under Construction	12,100	3,200	6,700	2,200	32,075	15,200	15,050	1,825

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2021. The forecast period is October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Professional and Business Services

The professional and business services sector, with 528,000 jobs, accounts for 20 percent of all nonfarm payroll jobs in the Dallas HMA.

Primary Local Economic Factors

The Dallas HMA first began to develop as a trading location for cotton because many railroad lines intersect in the area. With the expansion of the interstate highway system, the HMA has remained an important center for logistics and trade due to its location in the middle of the country and along interstates that run from Mexico to Canada. The Dallas HMA is home to 19 Fortune 500 companies, including Exxon Mobil Corporation, McKesson Corporation, and AT&T Inc., the latter of which is one of the largest employers in the HMA (Table 1). Several notable telecommunication and computer technology firms, such as Metro by T-Mobile and Texas Instruments Incorporated, are also headquartered in the HMA. The Dallas HMA also has a large number of jobs in the finance and insurance industries, and financial institutions in the HMA have historically played an important role in financing the oil industry.

Table 1. Major Employers in the Dallas HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
AT&T Inc.	Professional & Business Services	10,000+
Bank of America Corporation	Financial Activities	10,000+
Baylor, Scott, & White Health	Education & Health Services	10,000+
JPMorgan Chase & Co.	Financial Activities	10,000+
The University of Texas Southwestern Medical Center	Government	10,000+
Southwest Airlines Co.	Transportation & Utilities	10,000+
Texas Instruments Incorporated	Manufacturing	10,000+
PepsiCo, Inc.	Manufacturing	5,000-9,999
Raytheon Technologies Corporation	Manufacturing	5,000-9,999
State Farm Mutual Automobile Insurance Company	Financial Activities	5,000-9,999

Note: Excludes local school districts.
Source: Dallas Regional Chamber

Current Conditions—Nonfarm Payrolls Nonseasonally Adjusted

The economy in the Dallas HMA has had one of the fastest recoveries in the nation from the COVID-19-related downturn, with all of the jobs lost recovered in September 2021. Nonfarm payrolls, on a nonseasonally adjusted basis, totaled 2.74 million jobs during September 2021, the same level reached during February 2020 before the pandemic began. During March and April 2020, nonfarm payrolls on a nonseasonally adjusted basis declined by 299,200 jobs, a loss of nearly 11 percent of all nonfarm payroll jobs. During the economic downturn, caused in part by stay-at-home orders issued as COVID-19 mitigation efforts, the leisure and hospitality sector had the most severe job loss of any sector because many people stopped going out to eat, and hotel stays declined significantly. Nonfarm payrolls in the leisure and hospitality sector, on a nonseasonally adjusted basis, went from 271,100 jobs during February 2020 to 161,000 jobs in April 2020, a decline of 110,000, or 40.6 percent, during those 2 months. During this period, every payroll sector lost jobs, but there was a wide disparity in the losses among sectors. The financial activities sector, which has a vast majority of jobs involving work on a computer and can be done remotely, went from 257,000 jobs in February 2020 to 252,000 jobs in April 2020, a decline of 5,000 jobs, or less than 2 percent, the least of any sector. Although overall nonfarm payrolls have returned to pre-COVID-19 levels, the recovery has not been strong in all sectors. As of the current date, only 3 of the 11 payroll sectors have returned to or surpassed the level of jobs that existed before the COVID-19 downturn.

Current Conditions—Nonfarm Payrolls Seasonally Adjusted

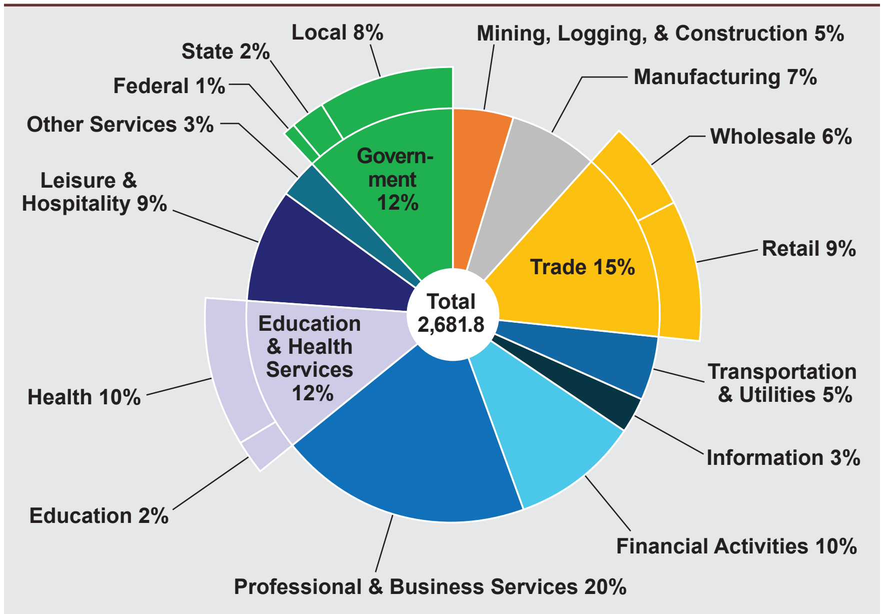
During the 12 months ending September 2021, nonfarm payroll jobs totaled more than 2.68 million, an increase of 43,800, or 1.7 percent, from the previous 12 months (Table 2). Job growth was led by the professional and business services sector, which increased by 14,600 jobs, or 2.8 percent, from the previous 12 months. One recent expansion in this sector includes MD7, LLC, a mobile infrastructure consultancy that relocated its corporate headquarters from San Diego to the city of Allen in Collin County, creating more than 200 jobs. Additionally, the Amazon.com, Inc. technology hub in the city of Dallas added 600 workers during the past year. The professional and business services sector is the largest payroll sector in the HMA, supporting 20 percent of all nonfarm payroll jobs (Figure 1). In percentage terms, the transportation and utilities sector had the largest job gains, increasing by 9.4 percent while adding 12,500 jobs. Several new Amazon.com, Inc. and Walmart Inc. distribution centers opened, helping to increase jobs in this sector during the past 12 months. The transportation and utilities sector has also been the fastest growing sector in the HMA since 2001, increasing by an average of 3,400, or 3.2 percent, annually during that period (Figure 2).

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Dallas HMA by Sector

	12 Months Ending September 2020	12 Months Ending September 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**2,638.0**	**2,681.8**	**43.8**	**1.7**
Goods-Producing Sectors	330.3	327.9	-2.4	-0.7
Mining, Logging, & Construction	147.6	145.1	-2.5	-1.7
Manufacturing	182.7	182.8	0.1	0.1
Service-Providing Sectors	2,307.7	2,353.9	46.2	2.0
Wholesale & Retail Trade	395.0	403.0	8.0	2.0
Transportation & Utilities	133.6	146.1	12.5	9.4
Information	69.9	69.5	-0.4	-0.6
Financial Activities	255.5	261.4	5.9	2.3
Professional & Business Services	513.4	528.0	14.6	2.8
Education & Health Services	313.8	313.5	-0.3	-0.1
Leisure & Hospitality	237.2	241.7	4.5	1.9
Other Services	78.6	77.6	-1.0	-1.3
Government	310.7	313.1	2.4	0.8

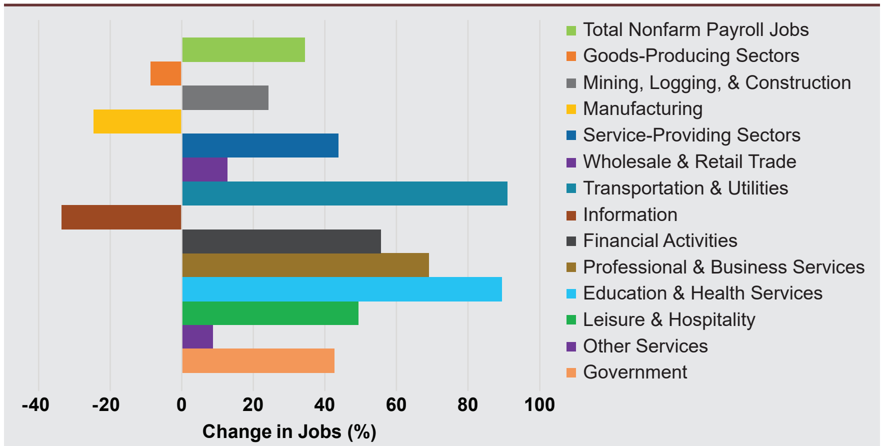
Notes: Based on 12-month averages through September 2020 and September 2021. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Figure 1. Share of Nonfarm Payroll Jobs in the Dallas HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through September 2021.
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Dallas HMA, 2001 to Current



Note: The current date is October 1, 2021.
Source: U.S. Bureau of Labor Statistics

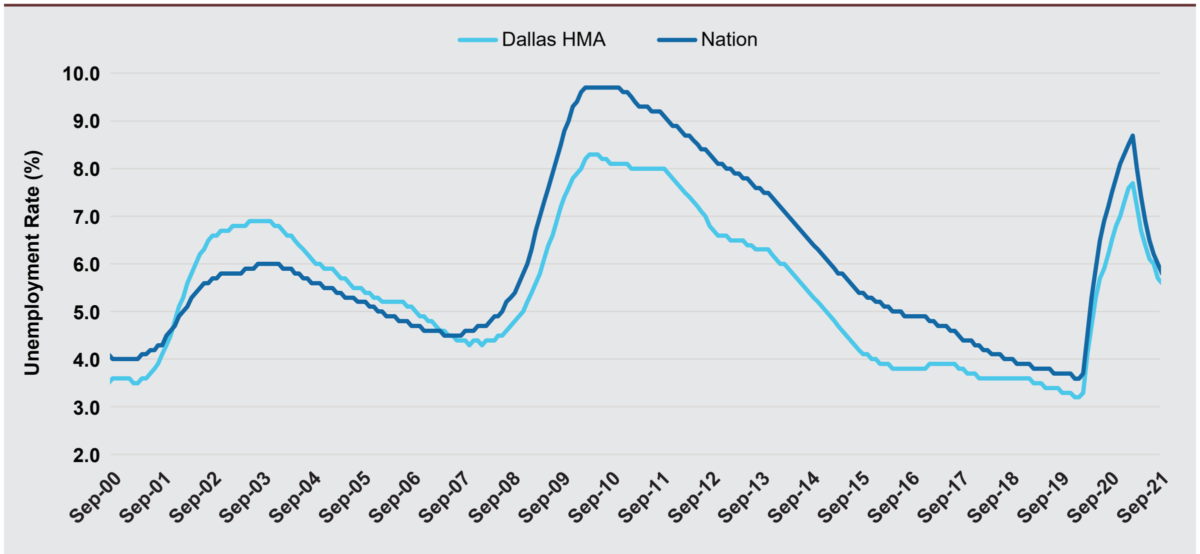
During the 12 months ending September 2021, the payroll sector with the largest job losses was the mining, logging, and construction sector, down by 2,500 jobs, or 1.7 percent, from the previous 12 months. The decline in jobs in this sector is attributable to a slowdown in the number of large-scale commercial construction projects in the HMA. Job losses were also significant in the other services sector, which was down by 1,000 jobs, or 1.3 percent, from 12 months earlier. The demand for many services that are included in this sector, such as laundry and dry cleaning, declined since the onset of the pandemic because of an increase in the number of people regularly working from home.

Current Conditions—Unemployment

The unemployment rate in the Dallas HMA averaged 5.7 percent during the 12 months ending September 2021, down from 6.2 percent 1 year earlier and a recent 12-month average peak of 7.7 percent during the 12 months ending March 2021 due to job losses from the COVID-19-related downturn. The Dallas HMA unemployment rate remained below the national average during the COVID-19 downturn; the national rate had peaked at 8.7 percent during the 12 months ending March 2021. The recent peak in the unemployment rate in the HMA remained below the Great Recession peak of 8.3 percent recorded during the 12 months ending June 2010. The Dallas HMA also had a much lower unemployment rate than the nation during the Great Recession, when the national rate peaked at 9.7 percent during the 12 months ending November 2010.

Although the 12-month average unemployment rate for the Dallas HMA remained below its Great Recession peak, the monthly nonadjusted unemployment rate peaked at 12.4 percent in April 2020, significantly higher than the monthly nonadjusted peak of 8.7 percent during July 2009 at the time of the Great Recession. The monthly nonadjusted unemployment rate peak of 12.4 percent in the HMA was also lower than the national peak of 14.7 percent during April 2020. The most recent spike in the unemployment rate on a nonadjusted basis was of a much shorter duration than the Great Recession. From the peak unemployment rate on a monthly nonadjusted basis during the Great Recession, it took 52 months for the unemployment rate to drop below 6.0 percent in the Dallas HMA, compared to just 9 months from the COVID related downturn. Figure 3 shows the trend in the 12-month average unemployment rate from 2000 to the current date.

Figure 3. 12-Month Average Unemployment Rate in the Dallas HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2002 Through 2003

After strong growth during the 1990s that lasted through 2001, the HMA experienced an economic downturn, due in part to the telecommunications industry crash that occurred during that year. From 2002 through 2003, nonfarm payrolls declined by an average of 47,300, or 2.4 percent, and the unemployment rate increased from 4.8 percent to 6.8 percent. Job losses were the most severe, in percentage terms, in the information sector, which declined by 10.5 percent, or an average of 10,100 jobs, annually. The information sector contains the telecommunications industry, which suffered significant job losses during this time.

2004 Through 2008

From 2004 through 2008, nonfarm payrolls in the HMA increased by an average of 45,300, or 2.3 percent, annually, led by growth in the professional and business services sector, which increased by an average of 16,300 jobs, or 5.3 percent, annually. During the same period, population growth in the HMA contributed to increased demand for healthcare services, which led to the education and health services sector increasing by an average of 8,400 jobs, or 4.2 percent, annually. Conversely, the manufacturing and information sectors during these years continued to lose jobs, declining by 0.7 and 2.2 percent annually, respectively, continuing a trend from the previous period.

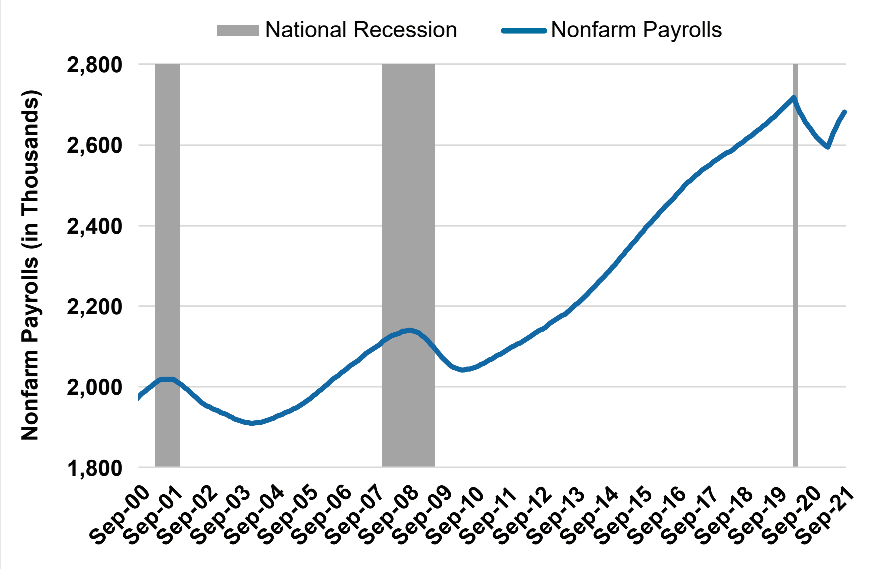
2009

During 2009, jobs declined due to the national economic downturn, with nonfarm payrolls down by 82,700, or 3.9 percent, to 2.05 million jobs. The hardest hit payroll sector was the professional and business services sector, which declined by 25,200 jobs, or 7.0 percent, to 336,500. The housing crisis caused a large decline in residential construction in the HMA as demand for new housing declined; many speculative built homes remained unsold. In percentage terms, the mining, logging, and construction sector had the largest drop, declining by 12.9 percent, or 16,500 jobs. The unemployment rate in the Dallas HMA climbed from 5.0 percent during 2008 to 7.8 percent during 2009. Even during this downturn, the education and health services sector added 10,900 jobs, or 4.8 percent.

2010 Through 2013

The economic downturn from the Great Recession was not as severe in the Dallas HMA as in the nation. The local economy began recovering fairly quickly, and this was the start of a long period of strong job growth in the HMA. Figure 4 shows 12-month average nonfarm payrolls in the Dallas HMA since 2000. From 2010 through 2013, nonfarm payrolls increased by an average of 42,300, or 2.0 percent, annually. Job growth during these years was led by the professional and business services sector, which increased by an average of 15,500, or 4.3 percent, annually. Some major expansions

Figure 4. 12-Month Average Nonfarm Payrolls in the Dallas HMA



Note: 12-month moving average.
Sources: National Bureau of Economic Research; U.S. Bureau of Labor Statistics

in this sector during these years include the relocation of Vendor Resource Management, Inc. to the city of Carrolton, which brought with it 339 jobs, and the HMS Holdings Corporation, which moved its headquarters to the master-planned mixed-use development of Las Colinas in the city of Irving, adding more than 400 jobs. Job growth also remained strong in the education and health services sector, which increased by an average of 6,900 jobs, or 2.8 percent, annually. Several new medical facilities opened in the rapidly growing Northern submarket during these years, adding to job growth in this sector. New health care facilities included the 50 bed Forest Park Medical Center in the city of Frisco and the 95-bed Baylor Scott & White Medical Center–McKinney, which opened in 2011 and 2012, respectively.

2014 Through 2016

From 2014 through 2016, nonfarm payrolls increased by an average of 92,300, or 4.0 percent, annually. Job growth in the Dallas HMA during the period was exceptionally strong, with many large-scale expansions and relocations to the HMA. Job growth was led by the professional and business services sector, which increased by an average of 23,900, or 5.7 percent, annually. Major expansions in this sector during these years include Associa, a Homeowners Association (HOA) management company, which expanded by 700 people in the city of Richardson. Also, CVE Technologies Group Inc. relocated its headquarters from New Jersey to the city of Allen, creating 1,200 new jobs in the HMA. In percentage terms, the transportation and utilities sector increased the most, up by 8.6 percent annually, adding an average of 7,800 jobs per year. Many distribution facilities, including Amazon.com, Inc. facilities, opened in the Dallas HMA, with many concentrated along Interstate 45, south of Dallas. Other major expansions during these years include the State Farm Mutual Automobile Insurance Company CityLine campus, which broke ground in 2013 and added more than 7,000 workers to the city of Plano by the end of 2016. Also in the city of Plano were new campuses completed in 2016 for Toyota Motor Corporation and Liberty Mutual Holding Company Inc, which added 4,000 jobs each.

2017 Through 2019

Job growth slowed from 2017 through 2019, with nonfarm payrolls expanding by an average of 66,200, or 2.6 percent, annually. The professional and business services sector led growth during this period, increasing by an average of 16,200, or 3.3 percent, annually. Major expansions or relocations in this sector from 2017 through 2019 included McKesson Corporation, which moved its corporate headquarters from San Francisco to Irving, creating 1,600 new jobs in the HMA, and Peloton Interactive, Inc., which opened a regional campus in Plano, adding 400 jobs. The transportation and utilities sector continued to have strong growth during these years, increasing by an average of 6,900, or 6.1 percent, annually. Major expansions in this sector included an Amazon.com, Inc. distribution center in west Dallas and a distribution center for The Home Depot, Inc. in south Dallas, each adding 1,500 jobs.

Locations of Jobs in the HMA by Submarket

The Dallas County submarket is the primary location for the majority of nonfarm payroll jobs in the HMA, with an estimated 66.0 percent of all nonfarm payroll jobs. The percentage of jobs in the Dallas County submarket has been declining over time due to a faster pace of job growth in the Northern submarket, accounting for 28.2 percent of all jobs in the HMA (Table 3). In 2001, the Northern submarket accounted for 15.6 percent of all jobs in the HMA, whereas the Dallas County submarket accounted for 79.6 percent; by 2010, this changed to 71.2 percent of all jobs being in the Dallas County submarket and 23.1 percent being in the Northern submarket.

Table 3. Current Estimated Percent Share of Nonfarm Payrolls in the Dallas HMA, by Submarket

Dallas County Submarket	66.0%
Northern Submarket	28.2%
Southeastern Submarket	5.8%

Source: U.S. Bureau of Labor Statistics, estimates by the analyst

Forecast

During the 3-year forecast period, nonfarm payroll growth is expected to average 2.2 percent annually. Job growth will continue in all 3 submarkets, but the Northern submarket is expected to continue to increase the fastest of any submarket. Announced expansions in the Northern submarket include Raytheon Technologies Corporation adding 500 new jobs to its McKinney campus by the end of 2024. In addition, Peloton Interactive, Inc. recently announced that they would add 1,600 new jobs over the next 5 years.

Population and Households

Current Population: 5.26 Million

Between the 2010 and 2020 Decennial Census, the three largest counties in the HMA, Collin, Dallas, and Denton, each added more than 240,000 people.

Population Trends

The population of the Dallas HMA as of October 1, 2021, is estimated at 5.26 million, reflecting an average increase of 89,800, or 1.9 percent, annually since 2010 (Table 4). Since 2010, net in-migration averaged 52,300 people per year, accounting for 58 percent of population growth, as strong economic growth, along with many company relocations to the HMA, continue to attract people. Map 1 shows the rate of population change by census tract in the Dallas HMA (2010 and 2019 5-year ACS data). Table 5 shows selected population and household demographics for the Dallas HMA. From 2000 through 2010, population growth averaged 78,450 people, or 2.1 percent, annually, with net in-migration averaging 31,950 people per year, accounting for nearly 41 percent of population growth in the HMA. Figure 5 shows the components of population change from 2000 through the forecast.

Demographic Trends

The Dallas HMA has a high proportion of foreign-born residents, with 21.4 percent of the population being foreign-born according to the 2019 ACS (1-year data), significantly higher than the 13.7 percent nationally. In addition to having a higher percentage of foreign-born residents than the nation as a whole, the Dallas HMA tends to be younger and more educated than the nation. During 2019, 38.3 percent of residents age 25 or older had a bachelor's degree or higher, compared to 33.1 percent nationally. The median age in the Dallas HMA is 35.1 years, below the national median age of 38.5. Even though the Dallas HMA has a lower median age than the nation, it follows larger

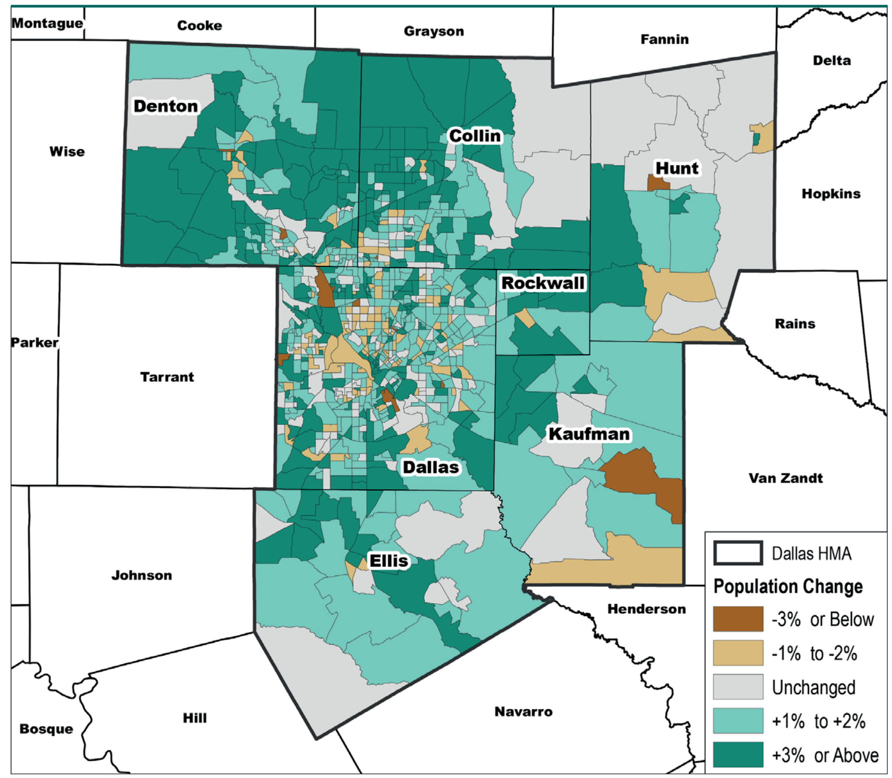
Table 4. Dallas HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	Population	4,230,520	5,263,000	5,572,000
	Average Annual Change	78,450	89,800	103,000
	Percentage Change	2.1	1.9	1.9

		2010	Current	Forecast
Household Quick Facts	Households	1,523,999	1,914,000	2,032,000
	Average Annual Change	27,100	33,900	39,400
	Percentage Change	2.0	2.0	2.0

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (October 1, 2021) to October 1, 2024.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Map 1. Average Annual Population Change by Census Tract in the Dallas HMA



Source: 2010 and 2019 American Community Survey, 5-year data national trends with an increasing percentage of the population being age 65 and older. Figure 6 shows the population by age range in 2010 and 2019.

Dallas County Submarket

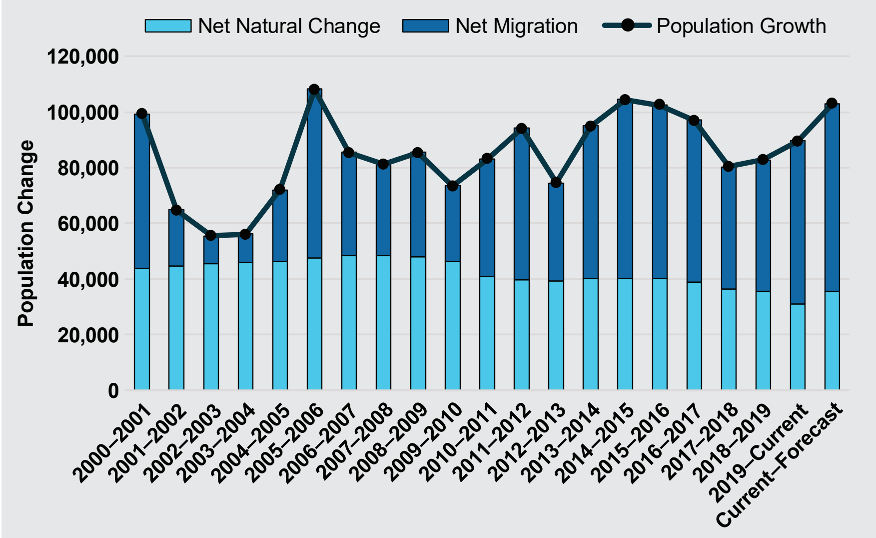
The Dallas County submarket is the largest submarket in the HMA, with a population estimated at nearly 2.64 million people, reflecting an average increase of 23,950, or 1.0 percent, annually since 2010. The Dallas County submarket accounts for 50 percent of the total population in the HMA (Figure 7). Population growth since 2010 has been much stronger than the period from 2000 through 2010, due in part to young professionals desiring to live in an urban environment close to cultural amenities. From 2000 through 2010, population growth in the Dallas County submarket averaged 14,900 people, or 0.7 percent, annually, with net out-migration that averaged 13,800 people per year. Though population growth since 2010 has been strong in the Dallas County submarket, it has been slowing recently from earlier periods as the rate of job growth in the HMA slows. From 2010 through 2016, population growth averaged 33,500 people, or 1.4 percent, annually, with net in-migration of 9,200 people per year. Since 2016, there

Table 5. Select Population and Household Demographics

	Dallas HMA	Nation
Population Age 18 and Under	25.6%	22.2%
Population Age 65 and Over	11.2%	16.5%
Median Age	35.1	38.5
Bachelor's Degree or Higher	38.3%	33.1%
Born in State of Residence	51.7%	58.0%
Foreign Born	21.4%	13.7%
Lived in Different Country 1 Year Earlier	6.3%	5.5%
Households With One or More Children Under Age 18	36.4%	29.9%
Householder Living Alone	11.8%	12.7%
Households With One or More People 65 Years and Older	22.5%	30.9%

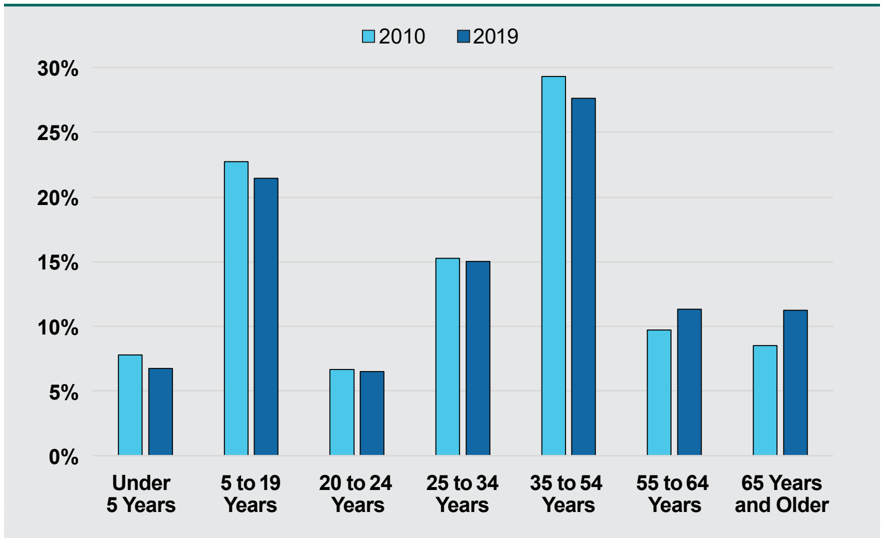
Source: American Community Survey, 1-year data

Figure 5. Components of Population Change in the Dallas HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (October 1, 2021) to October 1, 2024.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Figure 6. Population by Age Range in the Dallas HMA



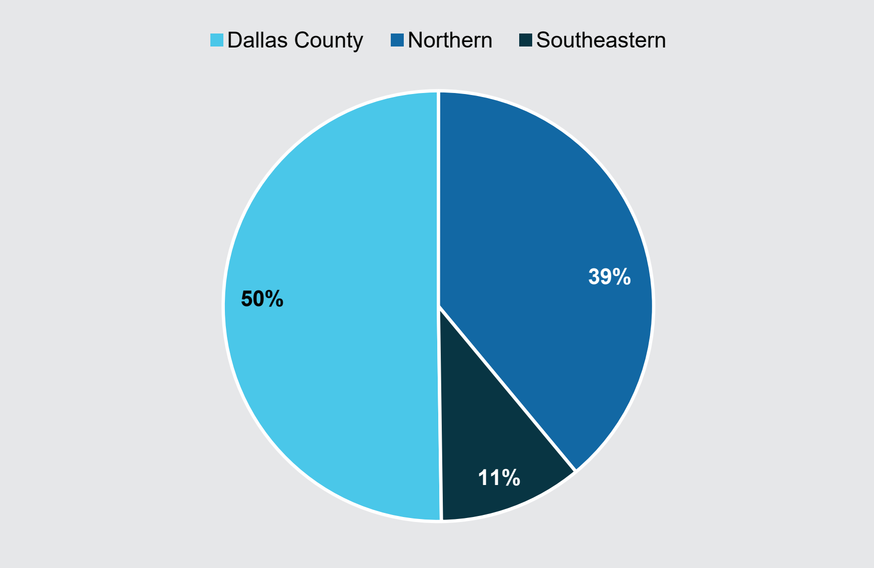
Source: American Community Survey, 1-year data has been net out-migration from the county that has averaged 7,800 people, slowing population growth to an average of 12,600 people, or 0.5 percent, annually. The slowdown in population growth is partly the result of reduced international in-migration, along with an increase in domestic out-migration, since 2016.

Northern Submarket

The counties that make up the Northern submarket, Collin and Denton, have been amongst the fastest growing counties in the nation for the past 50 years. During this time, the Northern submarket added significantly more people than the Dallas County submarket. In 1970, the population of the Northern submarket was 142,600; since then, the population has increased by an average of more than 37,000, or 5.3 percent, annually. By comparison, the population of Dallas County in 1970 was nearly 1.33 million, and since then, the population in this submarket has increased by an average of 25,600, or 1.3 percent, annually. During the past 20 years, this submarket has shifted from primarily a residential suburb of the city of Dallas to an area with its own large-scale employment centers where companies are relocating to, such as the cities of Plano and Frisco.

The population of the Northern submarket is estimated at 2.05 million, an average increase of 52,650, or 3.1 percent, annually, since 2010, with net in-migration averaging 39,900 per year. Population growth has accelerated recently. From 2010 through 2014, population growth in this submarket averaged 45,400, or 3.0 percent, annually, with net in-migration of 31,900 people annually. Since 2014, population growth has averaged 56,850 people, or 3.1 percent, annually, with net in-migration averaging 44,550 people per year. The largest population increase in the Northern submarket since 2000 occurred in 2006, when the population increased by 67,650, or 5.6 percent, with net in-migration of 52,100 people, as many people displaced by Hurricane Katrina moved to the submarket. Overall, from 2000 through 2010, population growth in this submarket averaged 52,050, or 4.6 percent, annually, with net in-migration averaging 37,000.

Figure 7. Current Population in the Dallas HMA, by Submarket



Source: Estimates by the analyst

Southeastern Submarket

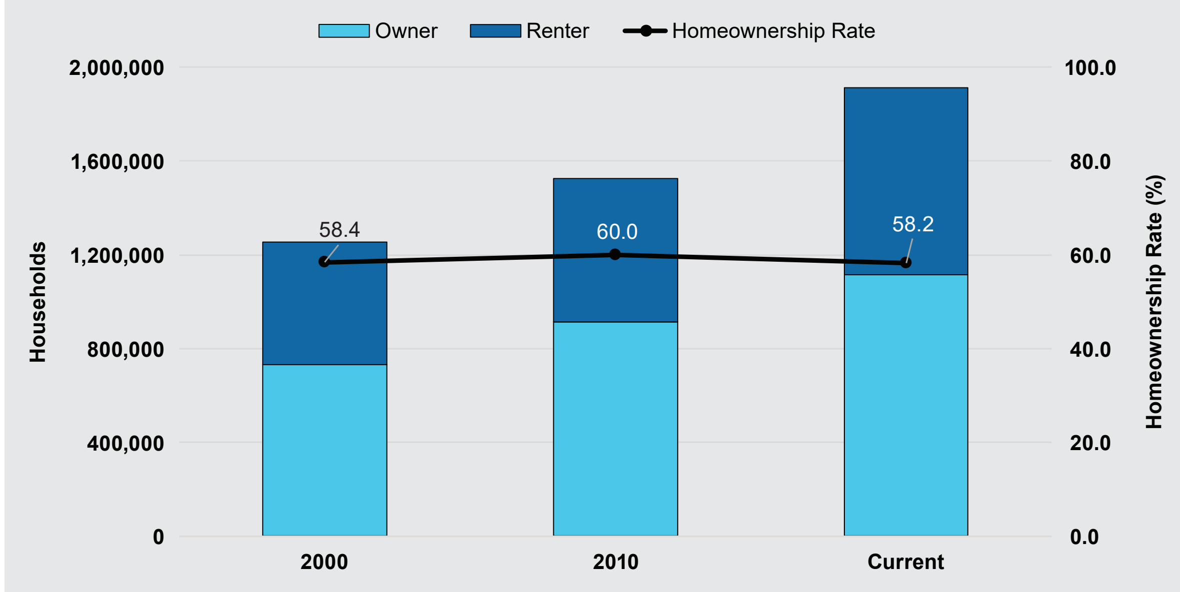
The Southeastern submarket is the least populous of the three submarkets in the HMA, with a population currently estimated at 569,200—accounting for slightly under 11 percent of the total population of the HMA. From 2000 through 2010, the population of this submarket increased by an average of 11,500, or 3.3 percent, annually, with net in-migration averaging 8,725 people per year. Since 2010, population growth has averaged 13,200 people, or 2.7 percent, per year, but growth has been much faster in the latter part of that period. From 2010 through 2014, population growth in this submarket averaged 6,675 people, or 1.6 percent, annually, with net in-migration of 4,475 people per year. Since 2014, however, the rate of population growth has more than doubled, increasing by an average of 17,050 people, or 3.4 percent, annually, with net in-migration to the submarket averaging 14,850 people annually. As land to build new subdivisions in the Northern submarket has gotten further away from the employment centers in the Dallas HMA, more people have begun moving to the Southeastern submarket to take advantage of lower housing costs and shorter commute times.

Household Trends

There are more than 1.91 million households in the Dallas HMA, reflecting an average increase of 33,900, or 2.0 percent annually since 2010. From 2000 through 2010, the number of households in the HMA increased by an average of 27,100, or 2.0 percent, annually. The homeownership rate in the HMA is currently estimated at 58.2 percent, down from 60.0 percent in 2010 (Figure 8). In the Dallas County submarket, there are currently 978,300 households, an average increase of 10,650, or 1.2 percent, annually since 2010. By comparison, from 2000 through 2010, the number of households increased by an average of 4,825, or 0.6 percent, annually. The rapid increase in the rate of household formation in the Dallas County submarket since 2010 results from young professionals, who tend to have smaller household sizes, choosing to live in the city of Dallas, close to work and cultural amenities. The homeownership rate in Dallas County is currently 49.6 percent, down from 53.2 percent in 2010 and 52.6 percent in 2000.

In the Northern submarket, the homeownership rate has also declined since 2010, with a current homeownership rate of 64.5 percent, down from 66.8 percent in 2010. The declining homeownership rate is the result of many new rental units being built in the older first ring suburbs in this submarket. This submarket has 740,700 households, an average increase of 18,850, or 3.1 percent, annually since 2010, comparable to the average increase of 18,300, or 4.4 percent, annually from 2000 through 2010.

Figure 8. Households by Tenure and Homeownership Rate in the Dallas HMA



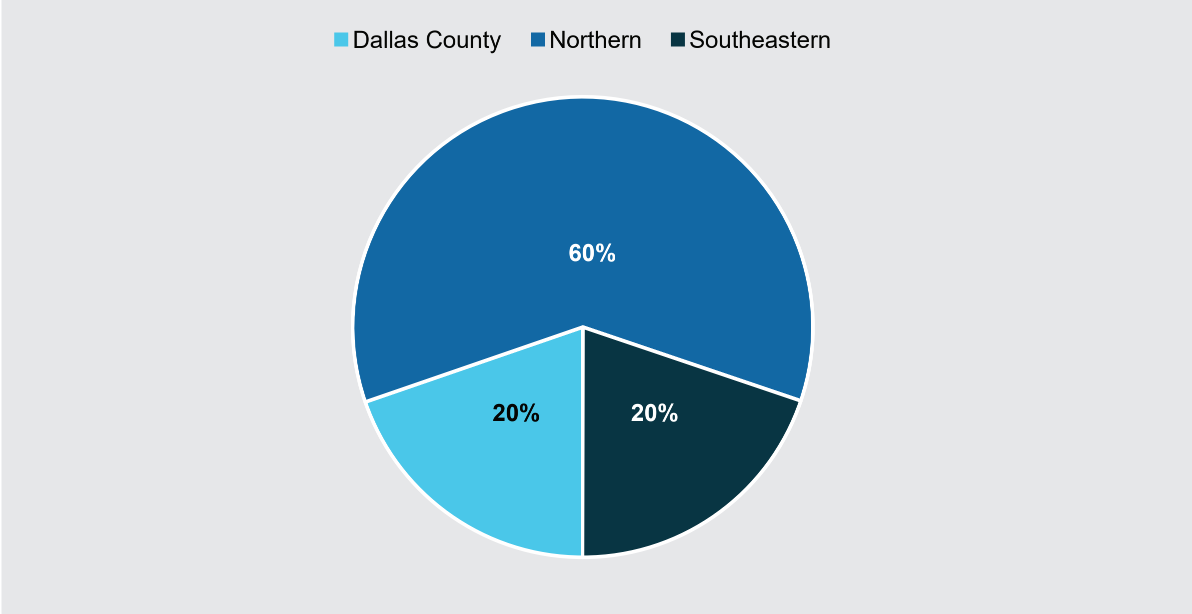
Note: The current date is October 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

The Southeastern submarket, with 194,700 households, accounts for 10.1 percent of the total households in the HMA, up from 9.4 percent in 2010 and 8.4 percent in 2000. Since 2010, household growth in this submarket has averaged 4,400, or 2.7 percent, annually, compared with an increase of 3,925, or 3.2 percent, annually from 2000 through 2010. As home construction in the Northern submarket moves further and further away from downtown Dallas, more people are choosing to live in the Southeastern submarket, due partly to lower home prices and shorter commute times to downtown Dallas. The Southeastern submarket, attracting many families, has the highest homeownership rate in the HMA at 77.3 percent, up from 75.8 percent in 2010.

Forecast

During the 3-year forecast period, population growth in the HMA is expected to average 1.9 percent annually and reach 5.57 million by October 1, 2024. Overall, the Northern submarket is expected to account for most of the forecast population growth in the HMA, partly due to the continued trend of strong job growth in this submarket. During the 3-year forecast period, it is estimated that more than 60 percent of overall population growth will occur in the Northern submarket (Figure 9). The strongest rate of population growth is expected to be in the Southeastern submarket, where growth is expected to average 3.5 percent annually as an increasing share of new home development occurs in this submarket. The Dallas County and Northern submarkets are likely to have a slight slowdown in the population growth rate from the 2010-to-current trends. The Northern submarket population is expected to increase by an average of 3.0 percent annually, whereas growth in the Dallas County submarket is predicted to slow to 0.8 percent annually. Similarly, the rate of household growth will be strongest in the Southeastern submarket, increasing by 3.6 percent annually. The Northern and Dallas County submarkets are expected to increase by 3.0 and 0.9 percent, respectively.

Figure 9. Share of Forecast Population Growth by Submarket



Source: Estimates by the analyst

Home Sales Market

Sales Market—Dallas HMA

Market Conditions: Tight

During the 12 months ending September 2021, sales construction activity, based on the number of sales units permitted, surged to more than 39,250, which is a record level of production in the HMA.

Current Conditions

The sales market in the Dallas HMA is currently tight, with a 1.0 percent vacancy rate, down from 2.1 percent in 2010 (Table 6). During September 2021, there were 1.3 months of for-sale inventory on the market, down from 2.0 months during September 2020 (NTREIS). A declining level of inventory for sale is contributing to tight market conditions across the HMA. During September 2021, the number of homes newly listed for sale totaled 7,975, a decline of 3,625, or more than 31 percent from 1 year earlier. Continued strong population and employment growth in the HMA have kept market conditions tight, with demand remaining elevated. With tight market conditions, homes that were listed for sale have sold quickly in the HMA during the past year. During September 2021, the average number of days a home stayed on the market was 22 days, down from 47 days 1 year earlier.

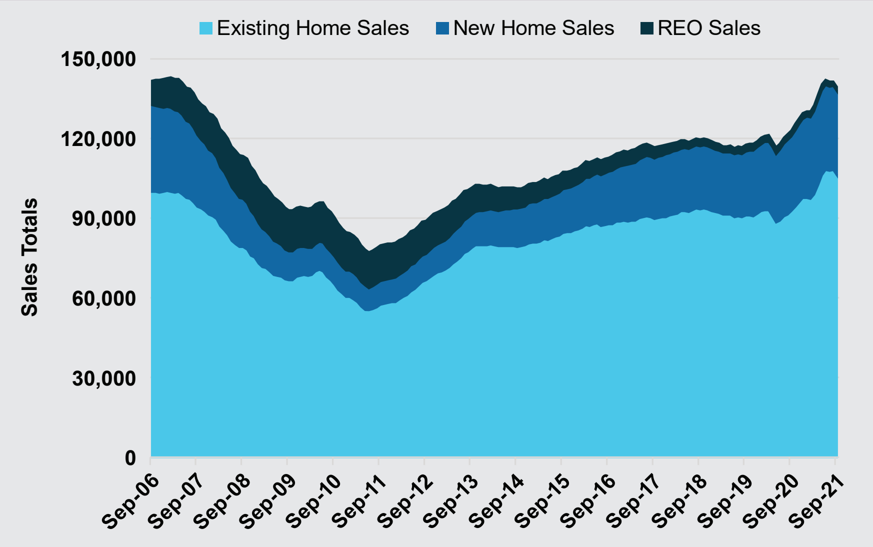
During the 12 months ending September 2021, home sales in the Dallas HMA totaled 139,300, an increase of 16,200, or more than 13 percent from the previous 12 months (Zonda; Figure 10). The average sales price during the 12 months ending September 2021 was $354,400, an increase of $34,700, or nearly 11 percent from the previous 12 months. Figure 11 shows the 12-month average sales price by type of sale in the Dallas HMA. Nearly 27 percent of all home sales in the HMA sold in the $300,000 to $399,999 price range during the most recent 12 months (Figure 12).

Table 6. Home Sales Quick Facts in the Dallas HMA

		Dallas HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.0%	NA
	Months of Inventory	1.3	2.4
	Total Home Sales	139,300	6,660,000
	1-Year Change	13%	15%
	New Home Sales Price	$370,600	$434,900
	1-Year Change	3%	6%
	Existing Home Sales Price	$349,900	$389,500
	1-Year Change	13%	20%
	Mortgage Delinquency Rate	2.6%	5.2%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2021; and months of inventory and mortgage delinquency data are as of September 2021. The current date is October 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—NTREIS; home sales and prices—Zonda; mortgage delinquency data—CoreLogic, Inc.

Figure 10. 12-Month Sales Totals by Type in the Dallas HMA



REO = real estate owned.
Source: Zonda

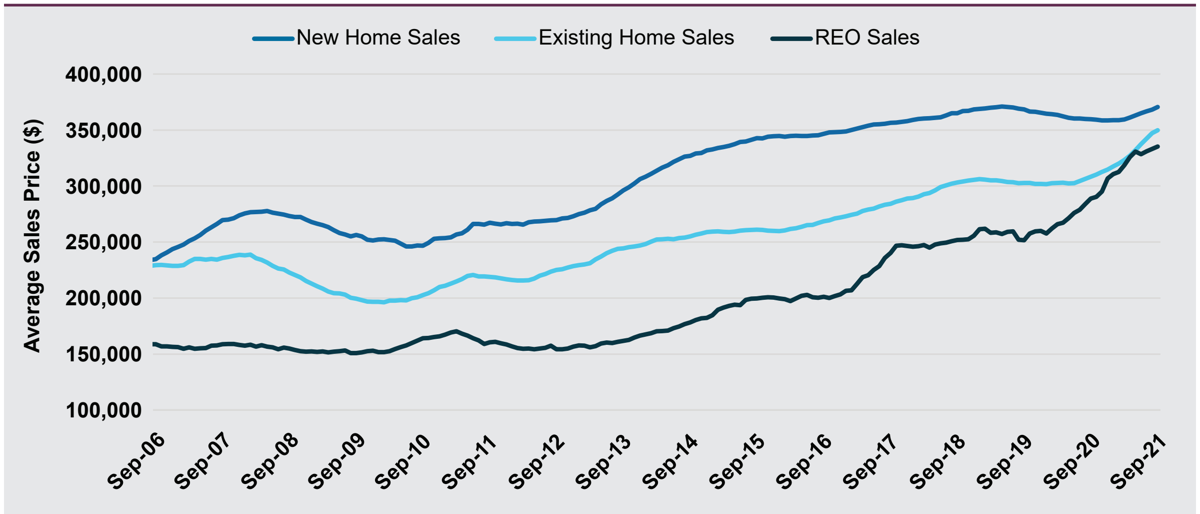
Seriously Delinquent Mortgages and REO Sales

Real estate owned (REO) sales recently became a significantly smaller part of overall sales because of a decline in foreclosures. During the 12 months ending September 2021, REO sales in the Dallas HMA totaled 1,725 and accounted for just 0.1 percent of all sales, down by 700, or nearly 29 percent, from the previous 12 months, when REO sales accounted for nearly 0.2 percent of all sales. REO sales are well below the peak level of 16,800 during 2008, when REO sales accounted for nearly 16 percent of all sales during the housing crisis. REO sales are also well below the pre-housing crisis level of 7,400 REO sales during 2005. During September 2021, 2.6 percent of home mortgages in the Dallas HMA were seriously delinquent or had transitioned into REO status, down from 4.8 percent 1 year earlier and well below the peak level of 6.1 percent in January 2010 (CoreLogic, Inc.). The September 2021 rate in the Dallas HMA was well below the national rate of 5.2 percent.

Investor Purchases

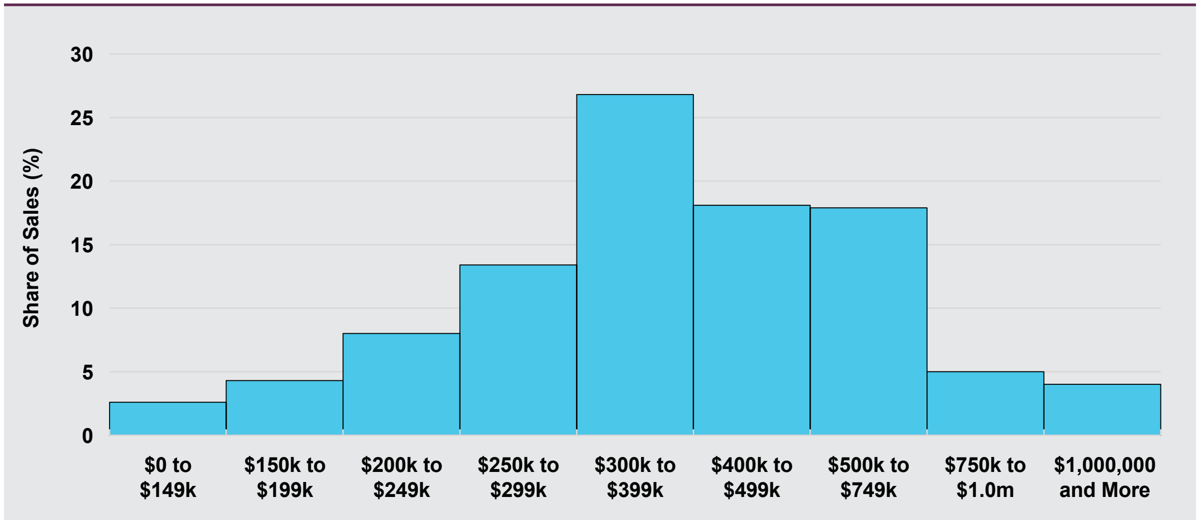
A significant portion of home purchases in the Dallas HMA are made by investors. These include currently occupied rental units; in such cases, an investment group purchases the housing unit, but the occupant will not change because the sold home will remain a rental property. Another type of investor purchase captured in total sales is

Figure 11. 12-Month Average Sales Price by Type of Sale in the Dallas HMA



REO = real estate owned.
Source: Zonda

Figure 12. Share of Overall Sales by Price Range During the 12 Months Ending September 2021 in the Dallas HMA



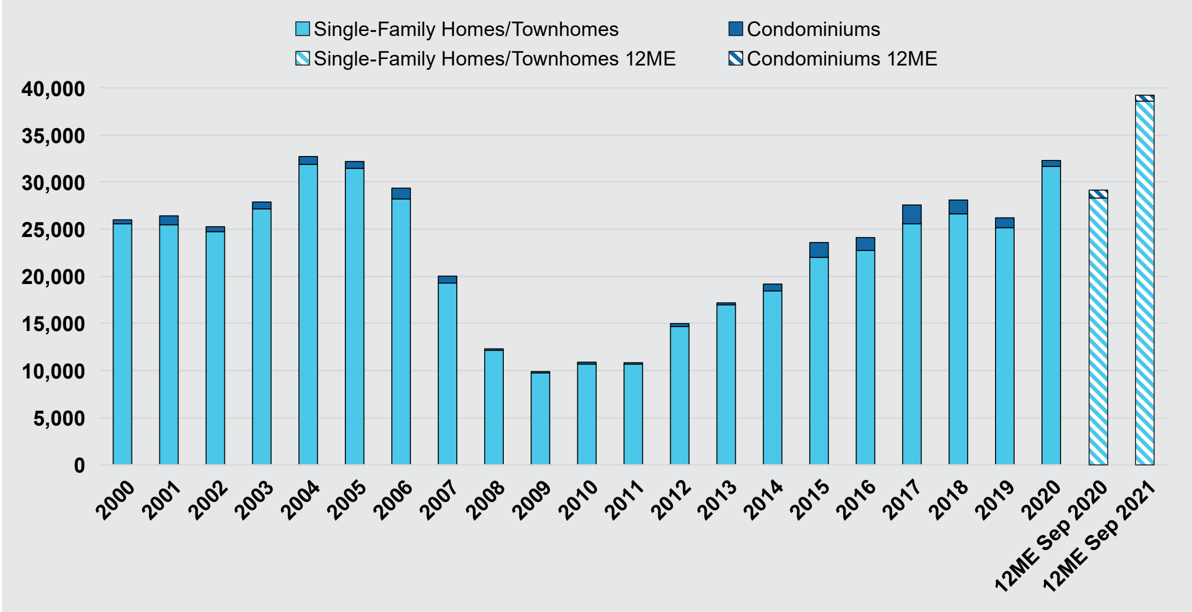
Note: New and existing sales include single-family homes, townhomes, and condominium units.
Sources: Zonda; Texas A&M real estate center, with adjustments by the analysts

homes purchased and quickly resold, commonly referred to as flipping. It is possible that the same housing unit could be sold multiple times during the year, with each of those transactions captured in the sales data. During the second quarter of 2021, the most recent data available, 27.3 percent of all home purchases in the Dallas HMA were made by investors, up from 19.7 percent during the second quarter of 2020 (John Burns Real Estate Consulting).

Sales Construction

Developers have responded to the tight sales market by ramping up sales construction activity, as measured by the number of single-family homes, townhomes, and condominium units (hereafter, sales units) permitted. During the 12 months ending September 2021, the number of sales units permitted increased by 10,150, or nearly 35 percent, to 39,250 sales units (preliminary data, with adjustments by the analyst). Figure 13 shows sales permitting activity in the Dallas HMA. The 39,250 sales units permitted is a record-setting production level in the HMA, surpassing the previous peak years of 2004 and 2005, when an average of 32,450 sales units were permitted annually.

Figure 13. Annual Sales Permitting Activity in the Dallas HMA



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 7. Demand for New Sales Units in the Dallas HMA During the Forecast Period

Sales Units	
Demand	93,300 Units
Under Construction	12,100 Units

Note: The forecast period is from October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 93,300 new sales units (Table 7). The 12,100 units currently under construction will satisfy a small portion of that demand. Demand for sales units outside of the city of Dallas will remain predominately for traditional detached single-family homes, whereas demand within the city limits will be for denser townhouse style developments.

Sales Market—Dallas County Submarket

Market Conditions: Tight

During the 12 months ending September 2021, the number of new sales units permitted increased 40 percent from the previous 12 months.

Current Conditions

The home sales market in the Dallas County submarket is currently tight, with a 1.0-percent vacancy rate, down from 2.3 percent in 2010. During September 2021, there were 1.4 months of home sales inventory on the market, down from 2.4 months 1 year earlier (NTREIS). New listings of homes for sale during September 2021 totaled less than 2,600, down by 275, or nearly 10 percent, from 1 year earlier. With the declining number of homes listed for sale, people are moving quickly to buy a home, and the average number of days on the market during September 2021 was 21 days, down from 37 days 1 year earlier. During September 2021, 3.2 percent of home mortgages in the Dallas County submarket were seriously delinquent or had transitioned into REO status, down from 5.7 percent 1 year earlier and well below the peak level of 7.6 percent in January 2010 (CoreLogic, Inc.). Table 8 provides home sales quick facts for the Dallas County submarket.

Table 8. Home Sales Quick Facts in the Dallas County Submarket

Home Sales Quick Facts		Dallas County Submarket	Dallas HMA
	Vacancy Rate	1.0%	1.0%
	Months of Inventory	1.4	1.3
	Total Home Sales	51,200	139,300
	1-Year Change	13%	13%
	New Home Sales Price	$404,700	$370,600
	1-Year Change	8%	3%
	Existing Home Sales Price	$322,800	$349,900
	1-Year Change	12%	13%
	Mortgage Delinquency Rate	3.2%	2.6%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2021; months of inventory and mortgage delinquency data are as of September 2021. The current date is October 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—NTREIS; home sales and prices—Zonda; mortgage delinquency data—CoreLogic, Inc.

Home Sales

Existing home sales in the Dallas County submarket totaled 46,650 during the 12 months ending September 2021, an increase of 5,950, or nearly 15 percent, from the previous 12 months (Zonda). By comparison, existing home sales fell 4 percent, to 40,700, during the 12 months ending September 2020. This decline was due in part to a significant decline in home sales during April and May in the early stages of the COVID-19 pandemic, along with a severe Tornado outbreak in October of 2019 that produced 9 tornadoes across the HMA and caused more than $1.5 billion worth of damage. Even with the recent surge, existing home sales are still below the peak level of 50,100 in 2006, before the onset of the housing crisis. Following this peak, the number of sales dwindled precipitously, and by 2010 they had declined to 28,450 sales, an average decline of 5,400 sales, or 13 percent, annually. During 2011, with the local economy recovering from the Great Recession, existing home sales started a period of growth for the next 8 years, and by 2018 they totaled 43,150, an average increase of 1,850, or 5 percent, annually. During 2019, there was a slight decline in the number of existing home sales, which were down by 550 sales, or 1 percent, from 2018. Figure 14 shows the 12-month sales totals by type in the Dallas County submarket.

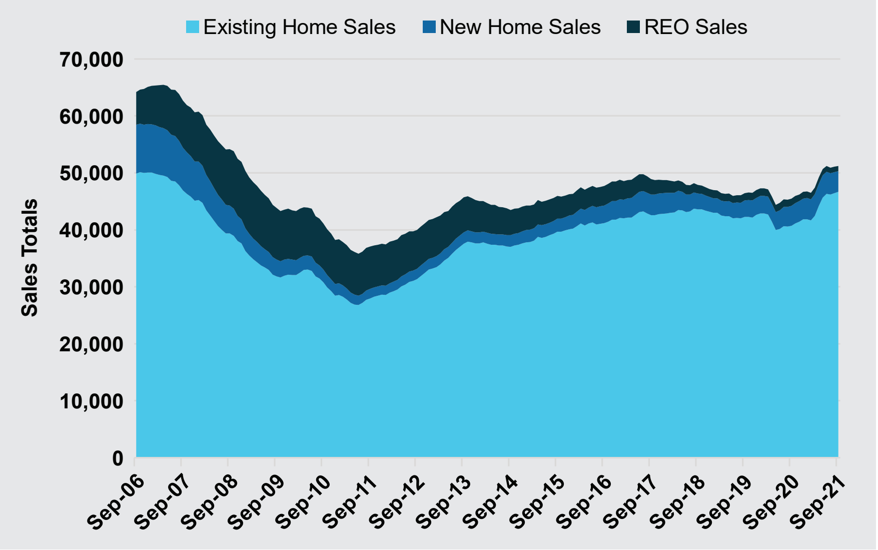
A significant portion of new home construction in the Dallas County submarket, specifically in the city of Dallas, involves rebuilding on lots where existing homes are demolished. As demand for housing in this submarket increased, developers responded by expanding the areas in which they built new homes. A number of new homes rebuilt began in areas of the submarket where not much new home building activity previously occurred. These new areas for rebuilds tended to have lower land prices, which allowed developers to build new homes at a slightly lower cost.

New home sales in the Dallas County submarket totaled 3,650 during the 12 months ending September 2021, an increase of 150 sales, or more than 4 percent, from the previous 12 months. For context, during 2005 and 2006, new home sales averaged 8,500 annually, but they began to drop due to the national housing crisis; by 2011, new home sales had reached a low of just 1,600, an average decline of 1,375, or 28 percent, annually. During 2012, with the local economy recovering from the previous economic downturn and the excess supply of homes on the market following the housing crisis being absorbed, developers once again began to ramp up construction of new homes. By 2017, new home sales totaled 3,600, an average increase of 340, or 15 percent, annually. During 2018, new home sales dropped by 1,025 sales, or 28 percent, to 2,575, because lack of for-sale inventory and rising existing home prices limited the ability of developers to purchase older homes in Dallas County to tear down and build new homes. New home sales rebounded during 2019, with 3,000 homes sold, an increase of 420, or more than 16 percent, from the previous year as developers began to purchase existing homes for tear-down in a wider variety of neighborhoods.

Home Sale Prices

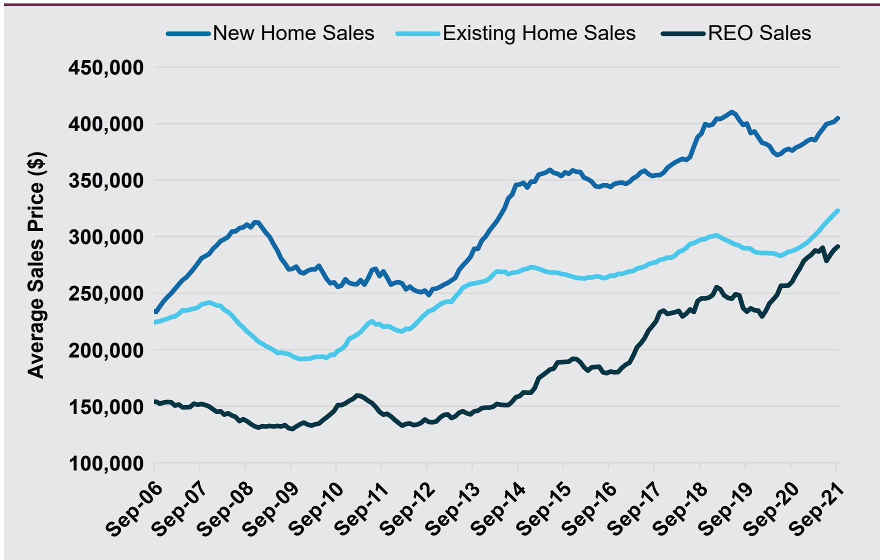
During the 12 months ending September 2021, the average sales price of an existing home was $322,800, an increase of $35,600, or more than 12 percent, from the previous 12 months. Figure 15 shows the 12 month average sales price by type of sale in the Dallas County submarket. The percentage increase in the average sales price of an existing home was larger during the past 12 months than during the years preceding the housing crisis. In 2005 the average sales

Figure 14. 12-Month Sales Totals by Type in the Dallas County Submarket



Source: Zonda

Figure 15. 12-Month Average Sales Price by Type of Sale in the Dallas County Submarket



REO = real estate owned.
Source: Zonda

price of an existing home in the submarket was $211,000 and increased during the next 2 years by an average of $14,800, or 7 percent, annually to $240,500 in 2007. In 2008, with the onset of the national housing crisis and the Great Recession, the average sales price for an existing home dropped, and by 2009, it was down to $191,800, an average decline of $24,350, or 11 percent, annually. In the years that followed, the home sales market steadily improved as the economy recovered, which contributed to steady price gains. From 2010 through 2014, the average sales price of an existing home increased by an average of $16,250, or 7 percent, annually. During 2015, after several years of steady price growth, confidence in the market returned, and local developers started to purchase a larger number of older homes to tear down and replace with new units. These tear-downs were in some of the lower priced areas of the city of Dallas, resulting in a 3-percent decline in the average sales price of an existing home during 2015, which fell to $263,600, a decline of $9,400 from a year earlier. Following this downturn, existing home prices began to increase, and by 2018, the average existing home sales price was up to $300,200, an average increase of $12,200, or 4 percent, annually. During 2019, existing home prices declined to $285,700, a drop of $14,500, or 5 percent, from the previous year. Prices rebounded during 2020 to $292,700, an increase of $7,050, or 2 percent, but they remained below the previous peak level of 2018.

During the 12 months ending September 2021, the average sales price of a new home was $404,700, an increase of $28,700, or nearly 8 percent, from the previous 12 months. The average sales price of a new home in Dallas County is nearly double the average price of $217,800 in 2005 because strong demand and limited land to build on continued to put upward pressure on prices. From 2006 through 2008, the average sales price of a new home increased in the Dallas County submarket, and by 2008, the average sales price was $312,300, an average gain of $31,500, or 13 percent, annually. In 2009, the economic downturn started to impact the sales price of new homes. Developers reduced prices to move the inventory of speculatively built homes, and by 2012, the average sales price for new homes was down to $255,500, an average decline of $14,200, or 5 percent, annually. With the economic recovery ongoing in the HMA, new home prices began to trend higher once more, and by 2018, the average sales price reached $399,300, an average increase of $23,950, or 8 percent, annually. During the next 2 years the average sales price of a new home declined because a higher percentage of new home construction began to occur in the lower priced southeastern section of Dallas County. By 2020, the average sales price of a new home was down to $382,500, an average decline of $8,425, or 2 percent, annually from 2018.

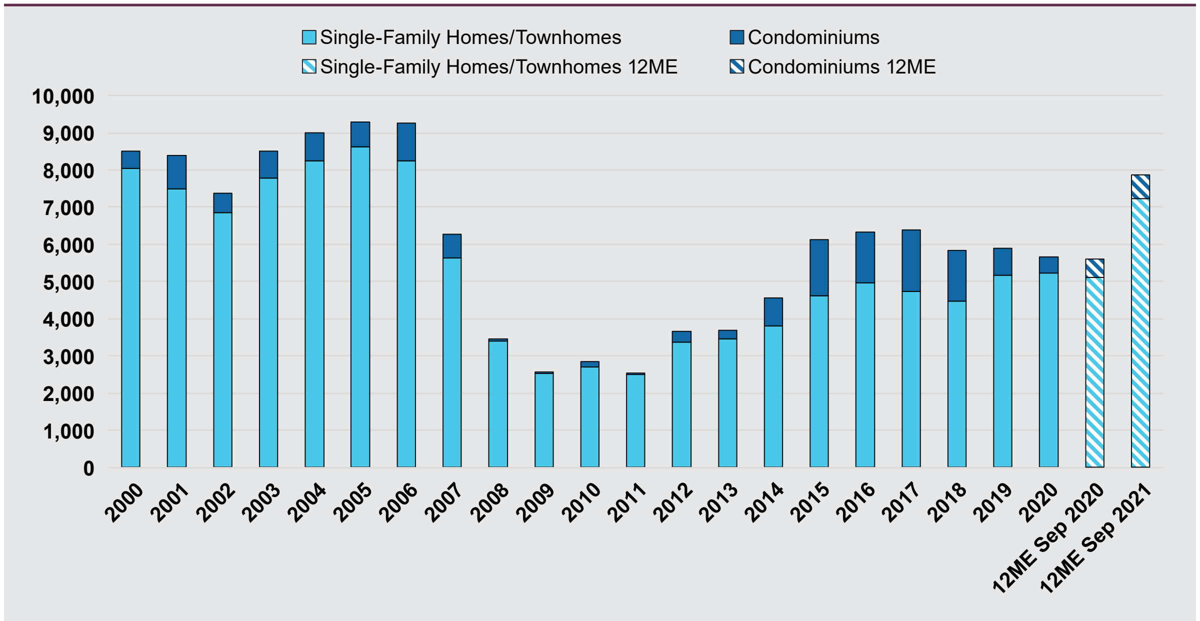
Sales Construction

During the 12 months ending September 2021, new home construction, as measured by the number of sales units permitted, increased significantly, with 7,850 sales units permitted, an increase of 2,250, or nearly 40 percent, from the previous 12 months (preliminary data, with adjustments by the analyst). This increase in permitting was caused by two main factors in the Dallas County submarket. The first was increased building activity in the city of Dallas after delays in issuing permits for new homes in 2020 during the early stages of the COVID-19 pandemic. Second, there has been increased single-family construction in the southeastern portions of Dallas County that are adjacent to the Southeastern submarket, where there is much more vacant land to build on, with lower prices. Even with the most recent surge in construction of sales units, permitting remains well below the levels recorded in the early 2000s, when construction was more heavily concentrated in northern areas of the county where significant developable land existed for new subdivisions in cities such as Coppell, Garland, and Rowlett. From 2000 through 2002, only 23 percent of sales units permitted in Dallas County occurred within the city of Dallas, but from 2018 through 2020, that share increased to nearly 43 percent. From 2000 through 2003, an average of 8,175 sales units were permitted annually. Single-family home construction increased from 2004 through 2006 to an average of 9,200 sales units permitted annually. Production began to slow as the national housing crisis unfolded, and in 2007, sales units permitted totaled just 6,275 and dropped to an average of just 2,850 sales units permitted annually from 2008 through

2011. With the local economic recovery in full swing, the number of sales units permitted began to increase, and from 2012 through 2014, an average of 3,950 sales units were permitted annually. The 2015-through-2017 period saw an increase in permitting of sales units, averaging 6,275 annually. During 2018 and 2019, production slowed slightly, with an average of just 5,875 sales units permitted annually. Figure 16 shows the average annual sales permitting activity in the Dallas County submarket.

Building activity for sales units usually exceeds new home sales in Dallas County due to a large number of teardowns and rebuilds in the older urban core. In most cases, when a house is torn down, a new home is built on the same land, the home sale transaction occurs before the teardown when an existing home is purchased. The purchaser of the existing home that is torn down will contract with a home builder to rebuild on the lot; therefore, the transaction shows up only in an existing home sale, even though a new home was built. From 2016 through 2020, the city of Dallas issued 4,590 demolition permits for single-family and duplex homes and issued 10,035 building permits for the same types of homes. This demolition activity resulted in the loss of nearly 4,800 housing units during this 5-year period. Map 2 shows the number of housing units in single-family or duplex buildings torn down by the ZIP Code in the city of Dallas

Figure 16. Annual Sales Permitting Activity in the Dallas County Submarket



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

from 2016 through 2020. The city of Dallas is not the only location with significant teardowns occurring. Most of the older first-tier suburban cities that are north of Interstate 635 are also having significant teardowns. The city of Farmers Branch offers financial incentives in the form of property tax abatements for homeowners who tear down an older home and rebuild on the same land.

Recent Developments

Some recent developments include Legends Crossing of Valley Ranch being built on the site of the Dallas Cowboys' former practice facility in the city of Irving; it will include 265 homes consisting of 179 single-family detached homes and 86 townhome style units. Home prices start in the low $400,000s, and the development is 90 percent complete. Another new development is the Merion at Midtown Park, in the city of Dallas. The 124-home second phase of this development recently broke ground; buildout is anticipated by the end of 2022, with prices starting in the high $400,000s.

Forecast

Demand is estimated for 20,100 new sales units during the next 3 years, with the 3,200 units currently under construction satisfying part of that demand (Table 9). Any large-scale development will likely occur south of U.S. Route 80 and east of Interstate 45. Most of the new sales units built elsewhere in the submarket are likely to be infill or built on lots of an existing home where the current structure is torn down, and a new home rebuilt.

Table 9. Demand for New Sales Units in the Dallas County Submarket During the Forecast Period

	Sales Units
Demand	20,100 Units
Under Construction	3,200 Units

Note: The forecast period is from October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Sales Market—Northern Submarket

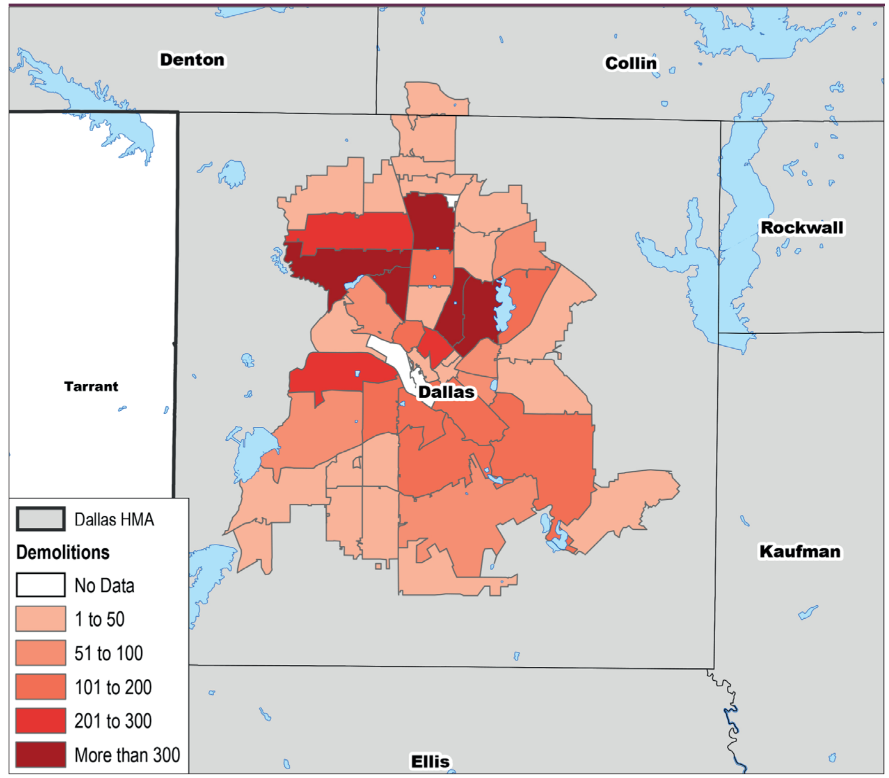
Market Conditions: Tight

Both new and existing home sales reached a new all-time high during the 12 months ending September 2021.

Current Conditions

The home sales market in the Northern submarket is currently tight, with a 1.1-percent vacancy rate, down from 1.8 percent in 2010 (Table 10). During September 2021, there were 1.1 months of inventory on the market, down from 1.5 months 1 year earlier (NTREIS). New listings of homes for sale during September 2021 totaled 3,050, down by 200 listings, or more than 6 percent, from 1 year earlier. During the same period, the average number of days a home remained on the market declined from 35 to 18 days. During September 2021, 2.1 percent of home mortgages in the Northern submarket were seriously delinquent or had transitioned into REO status, down from 4.2 percent 1 year earlier and below the peak level of 4.4 percent in January 2010 (CoreLogic, Inc.).

Map 2. Housing Units Demolished in the City of Dallas in Single-Family and Duplex Structures from 2016 Through 2020



Source: City of Dallas Building Permit Office

Home Sales

Existing home sales in the Northern submarket reached a new all-time high, totaling nearly 42,800 sales during the 12 months ending September 2021, an increase of 4,900, or more than 19 percent, from the previous 12 months (Zonda; Figure 17). During 2006, existing home sales peaked before the onset of the housing crisis at 37,900. Following this peak and with the onset of the housing crisis, the number of sales declined steadily for the next 4 years and by 2011 had declined to just 22,900 sales, an average decline of 3,000 sales, or 10 percent, annually. The recovery of the housing market in the Northern submarket lagged behind the recovery in the Dallas County submarket by approximately 1 year. Existing home sales, starting in 2012, increased for the next 7 years and by 2018 totaled 36,700, an average increase of 1,975, or 7 percent, annually. During 2019, existing home sales were down by 800 sales, or 2 percent, from 2018. The decline in existing home sales during 2019 is attributable to the impacts of the tornado outbreak.

New home sales in the Northern submarket during the 12 months ending September 2021 totaled 18,800, an increase of 210, or more than 1 percent, from the previous 12 months. New home sales have surpassed the previous peak of 18,600 during 2005. From 2006 through 2010, new home sales declined by an average of 2,500, or 20 percent, annually, to a low of 6,100 sales during 2010. During 2011, with the economic recovery underway and developers responding by slowly increasing production, new home sales began to increase once more, and by 2020 they totaled 19,000 sales, an average increase of 1,300 sales, or 12 percent, annually.

Home Sales Prices

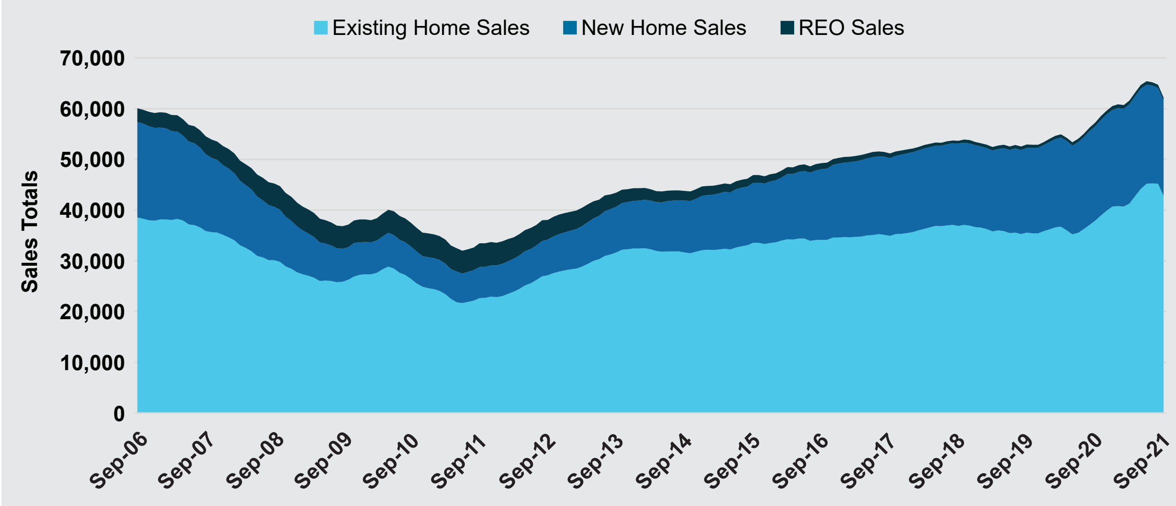
The average sales price of a new home in the Northern submarket during the 12 months ending September 2021 was $392,800, an increase of $18,350, or nearly 5 percent, from the previous 12 months (Figure 18). During 2005, the average sales price of a new home was $235,700, and

Table 10. Home Sales Quick Facts in the Northern Submarket

		Northern Submarket	Dallas HMA
Home Sales Quick Facts	**Vacancy Rate**	1.1%	1.0%
	Months of Inventory	1.1	1.3
	Total Home Sales	62,200	139,300
	1-Year Change	9%	13%
	New Home Sales Price	$392,800	$370,600
	1-Year Change	5%	3%
	Existing Home Sales Price	$400,700	$349,900
	1-Year Change	15%	13%
	Mortgage Delinquency Rate	2.1%	2.6%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2021; months of inventory and mortgage delinquency data are as of September 2021. The current date is October 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—NTREIS; home sales and prices—Zonda; mortgage delinquency data—CoreLogic, Inc.

Figure 17. 12-Month Sales Totals by Type in the Northern Submarket

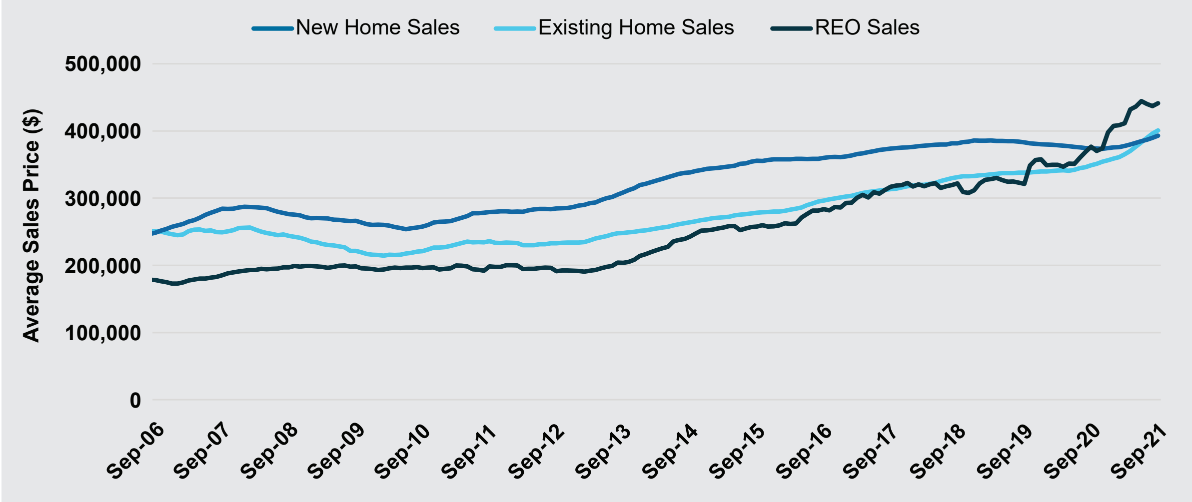


REO = real estate owned.
Source: Zonda

for the next 2 years, sales prices increased by an average of $25,200, or 10 percent, annually, to reach a price of $286,100 during 2007. During the next 2 years, as the housing crisis impacted the local housing market, the average sales price of a new home declined by an average of $12,950, or 5 percent, annually, to reach a price of $260,200 in 2009. With rising demand for new housing resulting from the economic recovery, new home prices increased during 2010, and during the next 9 years, the average sales price of a new home increased by an average of $13,950, or 4 percent, annually, to an average sales price of $385,800 during 2018. During the next 2 years, with developers ramping up production, especially at lower price points, the average sales price of a new home declined by an average of $5,575, or 1 percent, annually, to $374,600 in 2020.

In the Northern submarket, the average sales price of an existing home is higher than the average sales price of new home. This is partly due to demand for the limited number of existing homes for sale, which tend to be closer to employment centers in the Northern submarket, causing prices to rise faster than the new homes, which are built further away from the existing employment centers. During the 12 months ending September 2021, the average sales price of an existing home was $402,700, an average increase of $53,900, or nearly 16 percent, from 1 year earlier. In 2005 the average sales price of an existing home in the Northern submarket was $233,400, less than 1 percent lower than the average sales price of a new home during

Figure 18. 12-Month Average Sales Price by Type in the Northern Submarket



REO = real estate owned.
Source: Zonda

the same year. From 2005 through 2007, the average sales price of an existing home increased by an average of $11,150, or 5 percent, annually, to an average sales price of $255,700 during 2007. Following similar new home price trends, existing home prices declined during the next 2 years by an average of $19,900, or 8 percent, annually, to reach an average sales price of $215,800 during 2009. During the next decade, the average sales price of an existing home continuously increased as strong jobs and population growth in this submarket drove demand. By 2020, the average sales price of an existing home was $356,300, an average increase of $12,750, or 5 percent, annually since 2009. Since 2020, the average sales price for an REO home has been higher than both new and existing homes due to limited REO inventory in the higher priced areas of the submarket.

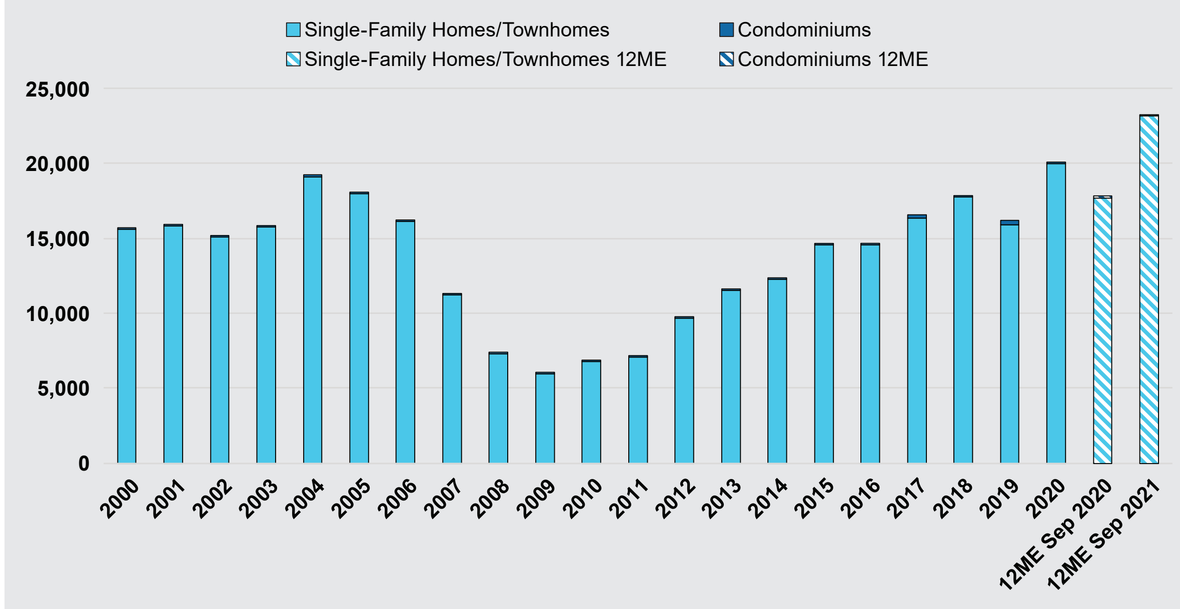
Sales Construction

Building activity in the Northern submarket, as based on the number of sales units permitted, has surged in the past 12 months because low interest rates have increased demand for homes. During the 12 months ending September 2021, there were 23,200 sales units permitted in this submarket, an increase of 5,400, or more than 30 percent, from the previous 12 months (preliminary data with adjustments by the analyst). Development is stretching further north from the existing employment centers in the HMA to help satisfy the demand for new housing. The current level of production has surpassed previous peak levels recorded before the housing crisis. From 2000 through 2003, an average of 15,550 sales units were permitted annually. Then, from 2004 through 2005, the number of sales units permitted reached a peak, averaging 18,650 annually, which was 20 percent higher than the previous period. In 2006, production began to decline and, by 2009, was down to just 6,000 sales units permitted, an average decline of 3,000, or 24 percent, annually. From 2010 through 2015, production steadily increased, with 14,650 sales units permitted in 2015, an average increase of 1,450, or 16 percent, annually. During 2016, construction dipped slightly, with just 14,550 sales units permitted, a decline of less than 1 percent, but from 2017 through 2019, construction increased again to meet rising demand, with an average of 16,850 sales units permitted annually. Figure 19 shows average annual sales permitting activity in the Northern submarket.

New Developments

Some recent developments include the Southern Hills subdivision in the city of McKinney, which consists of 450 single-family homes starting at $600,000 for a three-bedroom, two-bathroom home. This development is more than 99 percent complete. Pecan Square, in the city of Northlake, is an ongoing development that is approximately 10 percent built out and will have more than 300 homes when complete. Prices start at $368,000 for a three-bedroom home.

Figure 19. Annual Sales Permitting Activity in the Northern Submarket



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 52,600 new homes (Table 11). A small portion of this demand will be met by the 6,700 sales units currently under construction. Most of the new development will occur in areas of this submarket within 10 miles of U.S. Route 75 and Interstate 35 and the areas in between, with strong growth north of U.S. Route 380.

Table 11. Demand for New Sales Units in the Northern Submarket During the Forecast Period

Sales Units	
Demand	52,600 Units
Under Construction	6,700 Units

Note: The forecast period is from October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Sales Market—Southeastern Submarket

Market Conditions: Tight

During the 12 months ending September 2021, the number of new sales units permitted reached an all-time high.

Current Conditions

The home sales market in the Southeastern submarket is currently tight, with a 1.0 percent vacancy rate, down from 2.2 percent in April 2010 (Table 12). During September 2021, there were 1.5 months of inventory on the market, up from 1.4 months 1 year earlier (NTREIS). During September 2021, the average number of days a house was for sale in each county in the submarket was down from the previous year. In Ellis County, the average number of days on the market in September 2021 was 17 days, down from 47 days 1 year earlier; in Rockwall County, which has the longest days on the market of any county in the submarket, it was 24 days, down from 42 days 1 year earlier. Unlike the Dallas County and Northern submarkets, the number of new listings of homes for sale during September 2021 increased by 150, or 13 percent, to 1,275 new listings, from September 2020. During September 2021, 2.8 percent of home mortgages in the Southeastern submarket were seriously delinquent or had transitioned into REO status, down from 4.7 percent 1 year earlier and well below the peak level of 7.2 percent in January 2010 (CoreLogic, Inc.).

Table 12. Home Sales Quick Facts in the Southeastern Submarket

		Southeastern Submarket	Dallas HMA
Home Sales Quick Facts	Vacancy Rate	1.0%	1.0%
	Months of Inventory	1.5	1.3
	Total Home Sales	25,950	139,300
	1-Year Change	27%	13%
	New Home Sales Price	$311,000	$370,600
	1-Year Change	2%	3%
	Existing Home Sales Price	$294,900	$349,900
	1-Year Change	13%	13%
	Mortgage Delinquency Rate	2.8%	2.6%

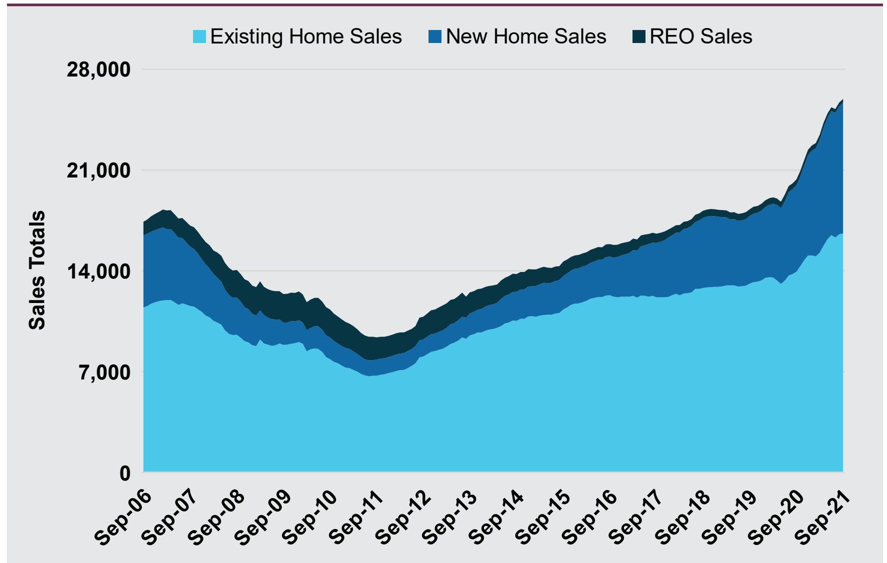
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending September 2021; months of inventory and mortgage delinquency data are as of September 2021. The current date is October 1, 2021.

Sources: Vacancy rate—estimates by the analyst; months of inventory—NTREIS; home sales and prices—Zonda; mortgage delinquency data—CoreLogic, Inc.

Home Sales

During the 12 months ending September 2021, new home sales in the Southeastern submarket reached a record level and totaled 9,100, an increase of 3,075, or 51 percent, from the previous 12 months (Figure 20; Zonda). New home sales in the Southeastern submarket are well above previous levels because population and household growth have surged since the start of 2020. In 2006, new home sales reached a pre-housing crisis peak of 5,000; it declined by an average of 770, or 26 percent, annually during the

Figure 20. 12-Month Sales Totals by Type in the Southeastern Submarket



REO = real estate owned.
Source: Zonda

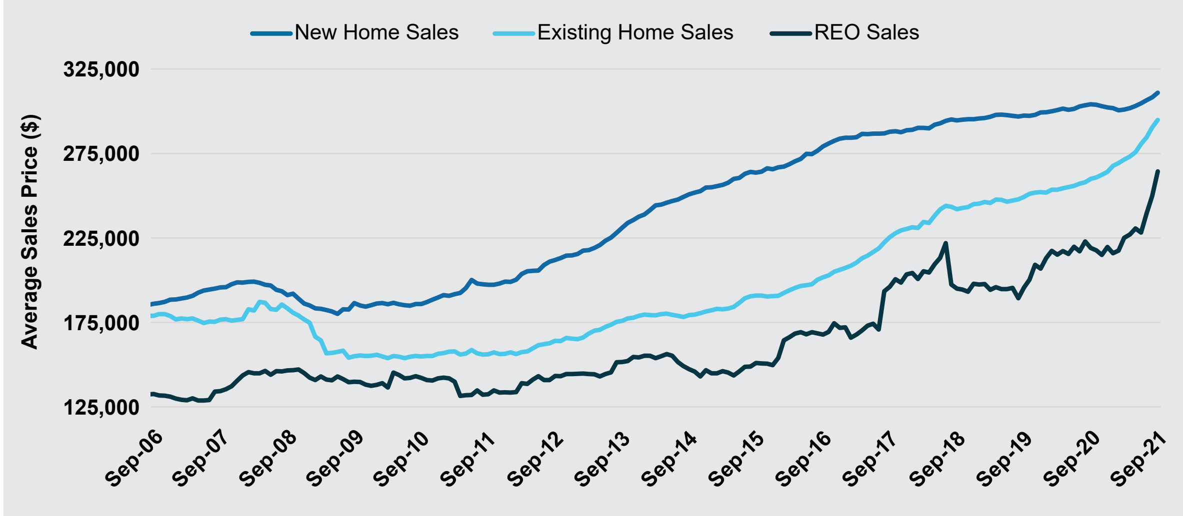
next 5 years, with just 1,125 new home sales in 2011. The recovery in new home sales occurred in this submarket later than the other two submarkets, but by 2012, new home sales began to increase again and, by 2018, totaled 4,900 sales, an average increase of 540, or 23 percent annually. During 2019, new home sales dipped slightly, with 4,850 sales, a decline of 50 sales, or 1 percent, from the previous year.

During the 12 months ending September 2021, existing home sales reached a new record level and totaled 16,600, an increase of 2,650, or 19 percent, from the previous 12 months. Existing home sales previously peaked in 2006 at 11,800 and declined by an average of 990, or 10 percent, annually, to just 6,900 sales in 2011. Steady population growth ensued beginning in 2012, and existing home sales increased steadily by an average of 650, or 22 percent, annually, to 15,050 existing homes sold in 2020.

Home Sales Prices

The average sales price of a new home in the Southeastern submarket is the lowest of any of the three submarkets, but the disparity is shrinking. During the 12 months ending September 2021, the average sales price of a new home was $311,000, an increase of $6,800, or more than 2 percent, from the previous 12 months (Figure 21). The average sales price of a new home in the Southeastern submarket is currently more than 20 percent lower than the average sales price of a new home in the

Figure 21. 12-Month Average Sales Price by Type of Sale in the Southeastern Submarket



REO = real estate owned.
Source: Zonda

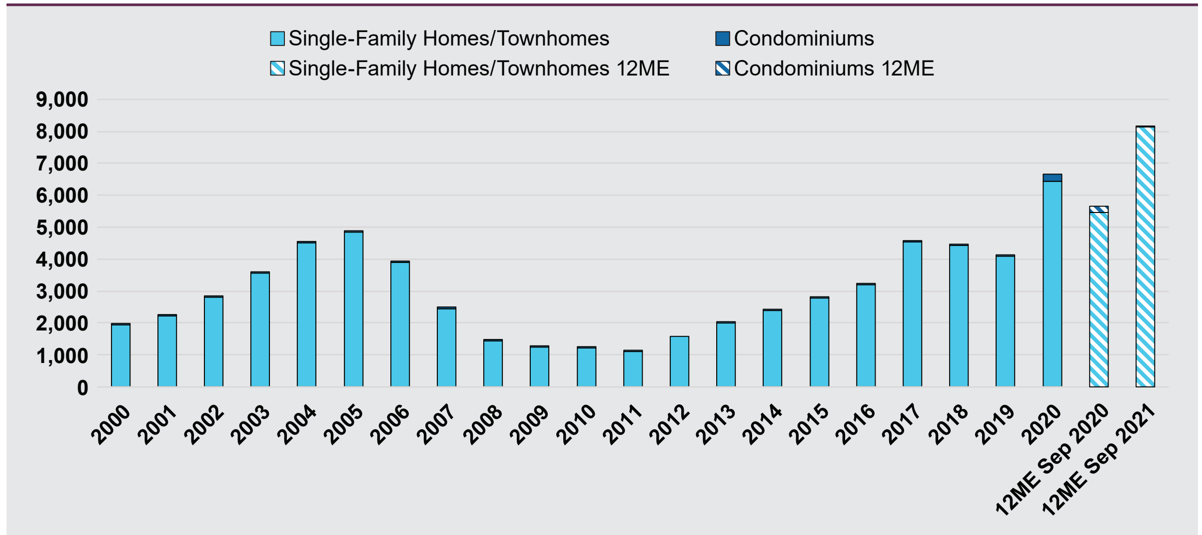
Northern submarket. By comparison, in 2005, a new home in the Southeastern submarket was priced nearly 25 percent lower than in the Northern submarket. During 2005, the average sales price of a new home in the Southeastern submarket was $177,800, but by 2007 it was up to $198,700, an average increase of $10,450, or 6 percent, annually. This was followed by 2 years of declining prices during the housing crisis, and by 2009 the average sales price of a new home was $185,100, an average decline of $6,800, or 3 percent, annually. During 2010, the average sales price of new homes began to rise once more as the improving economy spurred demand. By 2020, the average sales price of a new home was $302,400, an average increase of $10,650, or 5 percent, annually since 2010.

The average sales price of an existing home in the Southeastern submarket was $294,900 during the 12 months ending September 2021, an increase of $34,900, or more than 13 percent, from the previous 12 months. Home prices have been continuously climbing since the housing market bottomed out in 2009, when the average sales price was $155,200, but by 2020 the average sales price had increased to $264,200, an average increase of $9,900, or 5 percent, annually. In 2006 the average sales price of an existing home was $178,700; the average price dropped during the next 3 years by an average of $7,825, or 5 percent, annually.

Sales Construction

Building activity, as measured by the number of sales units permitted, reached an all-time high during the 12 months ending September 2021, with 8,175 sales units permitted, an increase of 2,500, or 44 percent, from the previous 12 months (preliminary data, with adjustments by the analyst). The number of sales units permitted during the past 24 months has exceeded all previous levels. Developers have started increasing construction in this submarket as developable land in the Northern submarket becomes scarce, higher priced, and further away from employment centers in the HMA (Figure 22). During 2000, there were 1,975 sales units permitted in the Southeastern submarket; production increased steadily and reached 4,850 during 2005, an average increase of 580, or 20 percent, annually. Following this peak, construction began to decline, and by 2011 it was down to just 1,100 sales units permitted, an average annual decline of 630, or 22 percent. In 2013, construction began to increase once again because the Southeastern submarket took longer for demand to recover than elsewhere in the HMA; the excess vacant units in the other two submarkets were absorbed first. By 2018, the number of sales units permitted totaled 4,450, an average increase of 480, or 19 percent, annually since 2013. During 2019, there was a dip in construction of 360 units, or 8 percent, when just 4,100 sales units were permitted, due in part to weather delays; during 2020, however, construction surged, and 6,650 sales units were permitted, an increase of 2,575, or 63 percent.

Figure 22. Annual Sales Permitting Activity in the Southeastern Submarket



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

New Developments

Some recent developments include the $800 million Bellagio Lagoon development in the city of Forney, located in Kaufman County. The first phase of the development will have 400 homes and is scheduled for completion in the spring of 2022, with a man-made lagoon being finished in August of 2022. Another development is the Camden Park development in the city of Waxahachie. This 152-home development currently under construction has single-family homes starting at $251,000 for a three-bedroom, two-bathroom home.

Forecast

During the 3-year forecast period, demand is estimated for 20,600 new homes in the Southeastern submarket (Table 13). A small portion of this demand will be met by the 2,200 sales units currently under construction. Most of the new development will occur in areas of the submarket closest to the Dallas County line to take advantage of shorter commute times to employment centers.

Table 13. Demand for New Sales Units in the Southeastern Submarket During the Forecast Period

Sales Units	
Demand	20,600 Units
Under Construction	2,200 Units

Note: The forecast period is from October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Rental Market

Rental Market—Dallas HMA

Market Conditions: Slightly Tight

Absorption of apartment units averaged 3,425 units per month during the 12 months ending September 2021, up from 1,550 during the previous 12 months (ALN Apartment Data Inc.).

Current Conditions and Recent Trends

The rental market is currently balanced, with an overall rental vacancy rate estimated at 6.0 percent, down from 11.1 percent in 2010 (Table 14). The apartment market in the Dallas HMA is currently tight, with a 4.9 percent vacancy rate during the third quarter of 2021, down from 6.9 percent in the third quarter of 2020 (ALN Apartment Data Inc.). During the third quarter of 2021, the average rent for an apartment was $1,436, up by $177, or 14 percent, from 1 year earlier. Figure 23 shows trends in rents and vacancy rates for apartments in the Dallas HMA. The rental market for professionally managed single-family homes is currently slightly tight, with a 6.5 percent vacancy rate unchanged from September 2020, but up slightly from 6.4 percent in September 2019 (John Burns Real Estate Consulting). During September 2021, the average rent for a single-family rental home in the Dallas HMA was $1,846, up by $93, or more than 5 percent, from September 2020.

Rental Construction

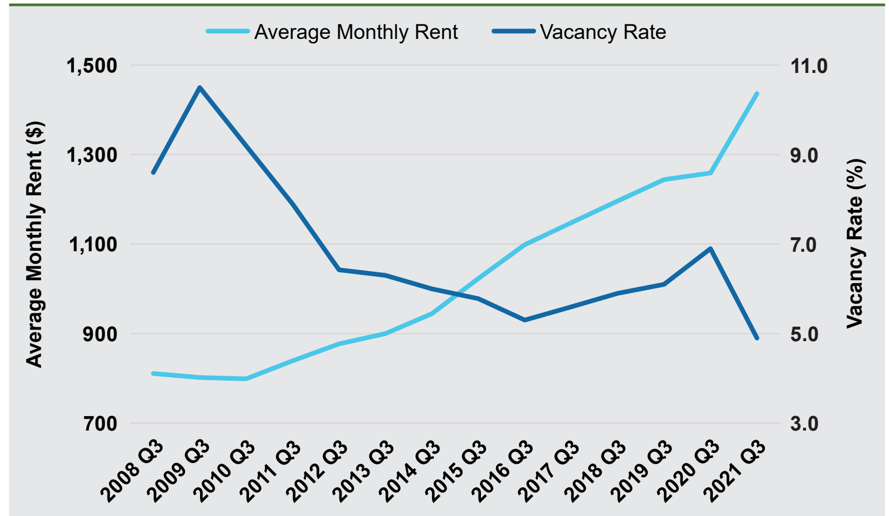
During the 12 months ending September 2021, building activity, as measured by the number of rental units permitted, totaled 20,450, an increase of 150, or less than 1 percent, from the previous 12 months (preliminary data, with adjustments by the analyst). Rental construction is below the peak levels from 2015 through 2019, when an average of 25,300 rental units were permitted annually. The slowdown in rental construction across the HMA coincides with an uptick in construction of sales units as low interest rates and the development of new homes at lower price points have allowed some previously renter households to achieve homeownership. Figure 24 shows rental permitting activity in the Dallas HMA.

Table 14. Rental Market Quick Facts in the Dallas HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	11.1	6.0
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	25.9	25.0
	Multifamily (2–4 Units)	8.0	9.0
	Multifamily (5+ Units)	64.0	64.0
	Other (Including Mobile Homes)	2.0	2.0

Notes: The current date is October 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data

Figure 23. Apartment Rents and Vacancy Rates in the Dallas HMA

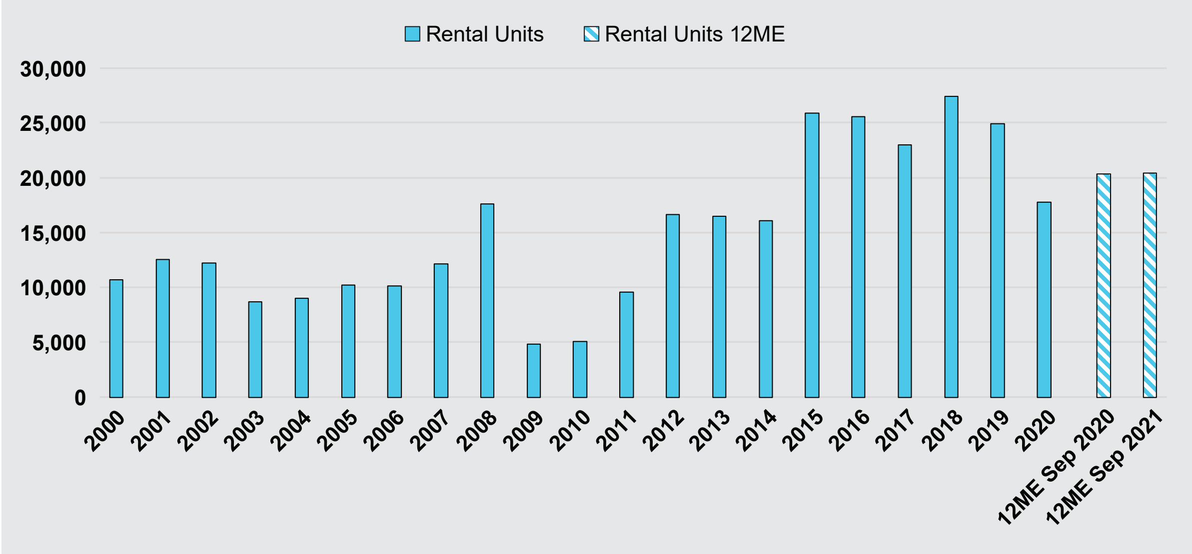


Q3 = third quarter.
Source: ALN Apartment Data Inc.

Forecast

During the 3-year forecast period, demand is estimated for 70,525 rental units (Table 15). The 32,075 rental units currently under construction will satisfy a portion of that demand. The majority of rental demand will be in the Dallas County submarket, but with job and population growth increasing in the Southeastern submarket, demand for rental housing is expected to increase from historical levels in this submarket.

Figure 24. Annual Rental Permitting Activity in the Dallas HMA



12ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 15. Demand for New Rental Units in the Dallas HMA During the Forecast Period

	Rental Units
Demand	70,525 Units
Under Construction	32,075 Units

Note: The forecast period is October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Rental Market—Dallas County Submarket

Market Conditions: Slightly Tight

The average rent for an apartment during the third quarter of 2021 was up by more than 12 percent from the third quarter of 2020.

Current Conditions

The rental market in the Dallas County submarket is currently slightly tight, with a 6.2 percent vacancy rate, down from 12.0 percent in 2010 (Table 16). In 2019, approximately 22 percent of all renter households in this submarket lived in single-family homes (2019 ACS 1-year data). With rapidly rising home prices in the Dallas County submarket since 2015, many of the single-family rental properties have been sold and shifted back to the sales market or were demolished to make way for a new sales unit. The percentage of renter households living in single-family homes peaked in 2013, with 26.2 percent of all renter households living in single-family homes. Dallas County is also the urban core of the HMA and, as such, has the highest percentage of renter households living in buildings with five or more units, which accounted for nearly 67 percent of renter households in 2019, up from 64.6 percent in 2010 (2010 and 2019 ACS 1-year data).

Apartment Market Trends

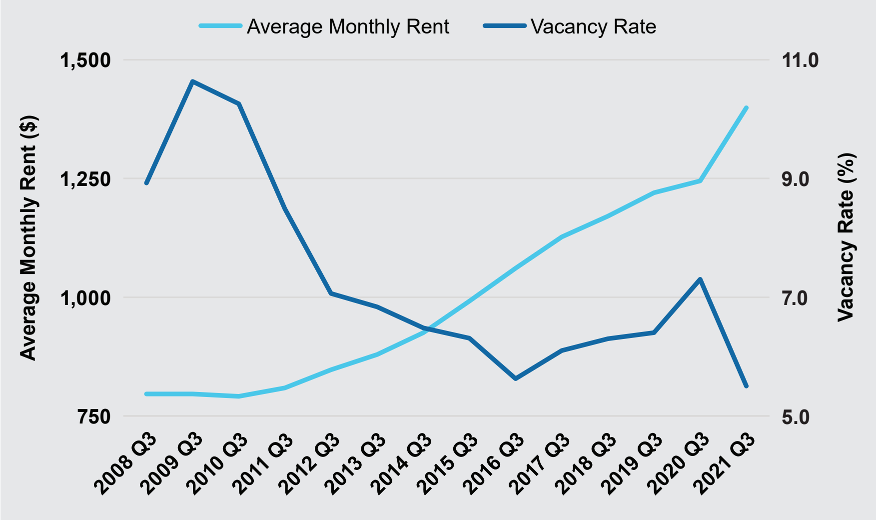
The apartment market in the Dallas County submarket is slightly tight, with a 5.5 percent vacancy rate as of the third quarter of 2021, down from 7.3 percent during the third quarter of 2020 (ALN Apartment Data Inc.). Figure 25 shows the trends in the apartment vacancy rate and average rents since the third quarter of 2008. Absorption of apartment units during the 12 months ending September 2021 averaged 1,775 units per month, an increase of more than 140 percent from the previous 12 months, when absorption averaged 730 units per month. Absorption surged during the past 12 months. The local economy recovered from the COVID-19 downturn, and relocations for jobs to the HMA began to increase.

Table 16. Rental Market Quick Facts in the Dallas County Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	12.0	6.2
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	25.6	22.0
	Multifamily (2–4 Units)	8.7	9.8
	Multifamily (5+ Units)	64.6	66.9
	Other (Including Mobile Homes)	1.1	0.9

Notes: The current date is October 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data

Figure 25. Apartment Rents and Vacancy Rates in the Dallas County Submarket



Q3 = third quarter.
Source: ALN Apartment Data Inc.

Apartment market conditions ranged from balanced to slightly tight since the recovery began from the Great Recession and associated housing crisis. A higher percentage of new household formations since the last recession have been renter households. In 2008, the apartment market was slightly soft, with the vacancy rate in Dallas County at 8.9 percent. Local economic conditions deteriorated during 2009, and the vacancy rate climbed, reaching a high of 10.6 percent as the market softened. During 2010, the local economy began to recover. The apartment vacancy rate steadily declined because very low levels of production from 2009 through 2011 allowed all of the excess vacant units to be absorbed. The apartment market returned to balanced conditions in 2012, with a 7.1 percent vacancy rate. As the local economy improved, the apartment market vacancy rate continued to decline, even with a large increase in production. The number of new renter household formations remained strong, with steady job growth and in-migration to the submarket. By 2016, the apartment market was slightly tight, with a 5.6 percent vacancy rate, and developers responded by increasing the number of new rental units delivered each year. By the third quarter of 2019, the apartment vacancy rate had risen to 6.4 percent.

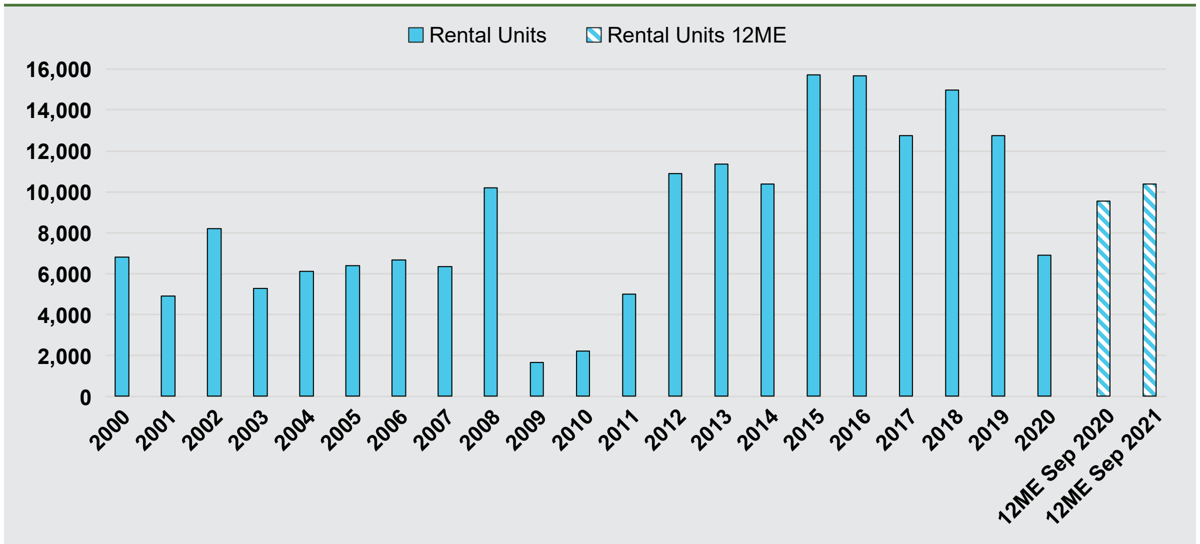
Apartment Market Rents

The average rent for an apartment in the Dallas County submarket during the third quarter of 2021 was $1,399, up by $154, or more than 12 percent, from the third quarter of 2020 (ALN Apartment Data Inc.); this was the largest 12-month rent increase in at least 20 years. Increased demand following the initial COVID-19 mitigation efforts, coupled with a diminished number of apartment completions, enabled strong rent growth. During the third quarter of 2008, amid the housing crisis, the average rent for an apartment in the Dallas County submarket was $796, but it declined to a low of $791 during the third quarter of 2010. As economic conditions began to improve, rents started to increase, and the apartment market vacancy rate declined as construction of new units was not keeping pace with demand. By the third quarter of 2013, the average rent for an apartment was up to $879, an average increase of $29, or slightly less than 4 percent, annually, from the third quarter of 2010; 2014 through 2017 were the peak years for rent growth in this submarket. Tightening market conditions and increased delivery of new, higher-rent units to the market pushed the average rent up to $1,127 during the third quarter of 2017, an average increase of $62, or more than 6 percent, annually. As vacancy rates began to rise due to increasing delivery of rental units, the pace of rent growth slowed from 2018 through 2020 to an average of nearly $39, or slightly more than 3 percent, annually.

Construction Activity

Rental construction activity, as measured by the number of rental units permitted, totaled 10,400 units in the Dallas County submarket during the 12 months ending September 2021, an increase of 850, or nearly 9 percent, from 1 year earlier (preliminary data, with adjustments by the analyst). Figure 26 shows the number of rental units permitted annually in the Dallas County submarket. The number of rental

Figure 26. Annual Rental Permitting Activity in the Dallas County Submarket



12ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

units permitted in the past 24 months in this submarket is the lowest level of permitting activity since 2011. Part of the decline in production of rental units is due to a shift to more construction of multifamily units for sale in the city of Dallas, which, with the low interest rates, have become suitable alternatives for a certain segment of the population that previously rented. The second factor slowing construction was the COVID-19-related stay-at-home orders, which resulted in a backlog of building permits with the city of Dallas, thereby significantly reducing the number of building permits issued by the city during 2020 and the early parts of 2021.

Apart from the declining mortgage interest rates and permitting delays in the city of Dallas, the construction of rental units had been declining in this submarket for the past few years. Rental building activity peaked during 2015 and 2016, when an average of 15,700 units were permitted each year; permitting fell to an average of 13,500 a year from 2017 through 2019 in response to slowing population growth during these years. Production of rental units since 2012 has been significantly higher than during the period from 2000 through 2011. The number of rental units permitted averaged 6,325 annually from 2000 through 2007 before increasing significantly in 2008 to 10,200 rental units permitted. Following this local peak in 2008, construction activity declined precipitously in 2009, with just 1,675 rental units permitted, a drop off of 8,525, or nearly 84 percent. Following this low, construction slowly increased to 5,000 units permitted during 2011, an average increase of 1,650, or 72 percent, annually. From 2012 through 2014, the permitting of rental units more than doubled from the level of construction during 2011 to an average of 10,900 units annually.

The type of apartment units constructed in the Dallas County submarket has changed since 2000, and more significantly since 2015, as developers try to fit more units on less available land to satisfy the demand for more urban living with amenities within walking distance. More than 80 percent of all apartment unit completions in the submarket since 2015 have been in buildings with four or more floors. By comparison, from 2000 through 2014, nearly 52 percent of all apartment units built in this submarket were in buildings that were four stories or taller; prior to 2000, only 12 percent of all apartment units had been constructed in buildings with more than four floors (ALN Apartment Data Inc.). Also, since 2015, 68 percent of all apartment units built have been studios or one-bedroom units, compared with 55 percent before 2015, because fewer families and more single young professionals live in the urban core.

Recent Developments

One recently completed property in the Dallas County submarket is the 17-story, 355-unit East Quarter Residences, located in the southeast section of downtown Dallas. This property, which opened in 2020, has studio, one-, and two-bedroom units with rents that range from $1,905 to $6,324 per month. Another new development is The Gabriella, in old east Dallas on the east side of U.S. Route 75. This 13-story building has 378 units, with rents ranging from $1,350 to $10,250 per month. This development also has ground-level retail, including a grocery store.

Forecast

During the 3-year forecast period, demand is estimated for 38,750 rental units, with the 15,200 rental units currently under construction satisfying a portion of the demand (Table 17). Recent trends are likely to continue, with most new rental units constructed being in either mid-rise or high-rise buildings to maximize the number of units on any given footprint. The vast majority of rental units built in this submarket are likely to continue to be studios and one-bedroom units.

Table 17. Demand for New Rental Units in the Dallas County Submarket During the Forecast Period

Rental Units	
Demand	38,750 Units
Under Construction	15,200 Units

Note: The forecast period is October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Rental Market—Northern Submarket

Market Conditions: Slightly Tight

The average rent for an apartment during the third quarter of 2021 was $1,526, the highest average rent of all three submarkets.

Table 18. Rental Market Quick Facts in the Northern Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	9.2	5.9
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	23.0	28.0
	Multifamily (2–4 Units)	6.0	7.2
	Multifamily (5+ Units)	68.0	63.0
	Other (Including Mobile Homes)	3.0	1.8

Notes: The current date is October 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data

Current Conditions

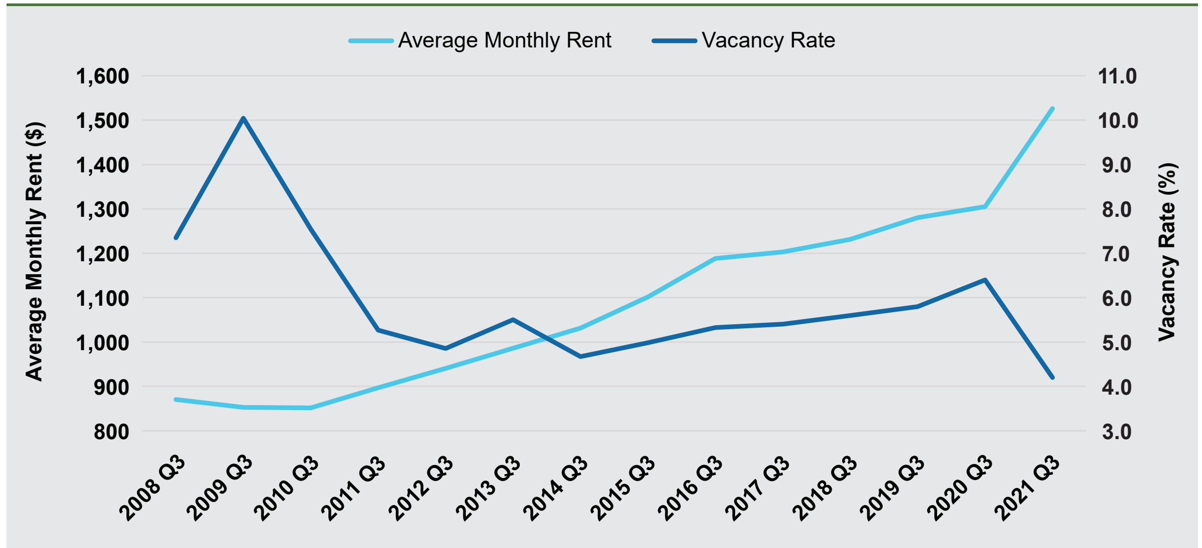
The overall rental market in the Northern submarket is currently slightly tight, with a 5.9 percent vacancy rate, down from 9.2 percent in 2010 (Table 18). In the Northern submarket, which has a much newer housing stock, approximately 28 percent of all rental households lived in single-family homes in 2019 (ACS 1-year data). While this number is up from 2010, when just 23 percent of all renter households lived in single-family homes, it has been trending down recently after reaching a peak in 2017 at 29 percent, due in part to a trend of single-family rental homes converting back to the sales market.

Apartment Market Trends

The apartment market in the Northern submarket is currently slightly tight, with a 4.2 percent vacancy rate during the third quarter of 2021, down from 6.4 percent in the third quarter of 2020, when the apartment vacancy rate spiked as new household formations slowed during the early phases of the COVID-19 pandemic (ALN Apartment Data Inc.). Absorption of apartment units during the 12 months ending September 2021 averaged 1,500 units per month, up from 720 units per month during the previous 12 months. The third quarter of 2021 is the first time the apartment vacancy rate has been below 5.0 percent since the third quarter of 2014, when the rate was 4.7 percent. After reaching this low in 2014, developers responded by significantly increasing production. The increase in apartment units delivered to the market helped alleviate some tight conditions. The apartment vacancy rate steadily increased, and by the third quarter of 2019, it was up to 5.8 percent. The period from the third quarter of 2008 through the third quarter of 2010 was the last time apartment market conditions were not tight or slightly tight in the Northern submarket. During the third quarter of 2008, before the housing crisis affected the market, the apartment vacancy rate was balanced, at 7.3 percent. Shortly thereafter, the impacts from the Great Recession limited household formation. With a large number of completions during 2008 and 2009, the apartment market turned soft, and the vacancy rate increased to 10 percent during the third quarter of 2009. During 2010, with the local economy beginning to recover, the apartment vacancy rate declined to 7.5 percent, and by 2012 it was down to 4.9 percent. During 2013, the apartment vacancy rate edged up slightly, to 5.5 percent, as in-migration to the submarket slowed slightly before returning to strong growth in 2014. Figure 27 shows apartment vacancy rates and average rents in the Northern submarket.

The average rent for an apartment in the Northern submarket during the third quarter of 2021 was $1,526, an increase of $221, or nearly 17 percent, from 1 year earlier. The Northern submarket is the most expensive rental market of the three submarkets in the HMA, and it had the largest dollar and percentage increase in rents of any of the three submarkets in the past year. During the third quarter of 2008, the average rent in this submarket was $870, which was $74, or 9 percent, more expensive than the average rent in the Dallas County submarket. During the third quarters of 2009 and 2010, as the submarket was suffering through the impacts from the national housing crisis and a surge in production during 2007 and 2008, the average rent for an apartment declined by an average of $9, or 1 percent, annually, to $852 in the third quarter of 2010. With economic conditions across the HMA recovering from the Great Recession, along with strong population growth, the average rents in this submarket increased rapidly. From 2011 through 2016, the average rent for an apartment increased by an average of $56, or 6 percent, annually; it was $1,188 by the third quarter of 2016. The Northern submarket recorded smaller gains from the third quarter of 2017 through the third quarter of 2020 as population growth stabilized and apartment completions increased. By the third quarter of 2020, the average rent was $1,305, an average increase of $29, or 2 percent, annually.

Figure 27. Apartment Rents and Vacancy Rates in the Northern Submarket



Q3 = third quarter.
Source: ALN Apartment Data Inc.

Construction Activity

Building activity, as measured by the number of rental units permitted, totaled 7,850 during the 12 months ending September 2021, a decline of 1,800 or nearly 19 percent, from 1 year earlier (preliminary data, with adjustments by the analyst). Even with the decline in the Northern submarket during the most recent 12 months, construction was still higher than every year from 2000 through 2014, and production since 2015 has been extremely elevated. Rental construction from 2000 through 2006 averaged 3,725 units per year. During 2007 and 2008, as the housing crisis was beginning, rental building activity increased, averaging 6,125 units per year, but it dropped significantly with the economic downturn, averaging just 2,525 units per year during 2009 and 2010. With the start of the economic recovery and increasing demand for rental housing, developers began to slowly increase production as the previously excess vacant units left over from the pre-housing crisis surge in construction were absorbed. From 2011 through 2014, there was an average of 5,000 rental units built annually. With increasing in-migration to the submarket in 2015 and continued tight market conditions, developers again increased construction, and from 2015 through 2020, the number of rental units permitted averaged 9,950 annually. Figure 28 shows the number of rental units permitted annually in the Northern submarket.

With increasing land costs in the Northern submarket, developers are starting to build more vertically to squeeze the maximum number of units on a parcel of land. Since 2015, more than 62 percent of all apartment units delivered have been in buildings with four or more floors, compared to just 22 percent of all units from 1999 through 2014 (ALN Apartment Data Inc.); there were no apartment buildings in this submarket with four or more floors built prior to 1999. Also, similar to the Dallas County submarket, the number of apartments that are studio or one-bedroom units has been increasing over time. Since 2015, more than 62 percent of all apartment units built have been studio or one-bedroom units, compared with nearly 53 percent prior to 2015.

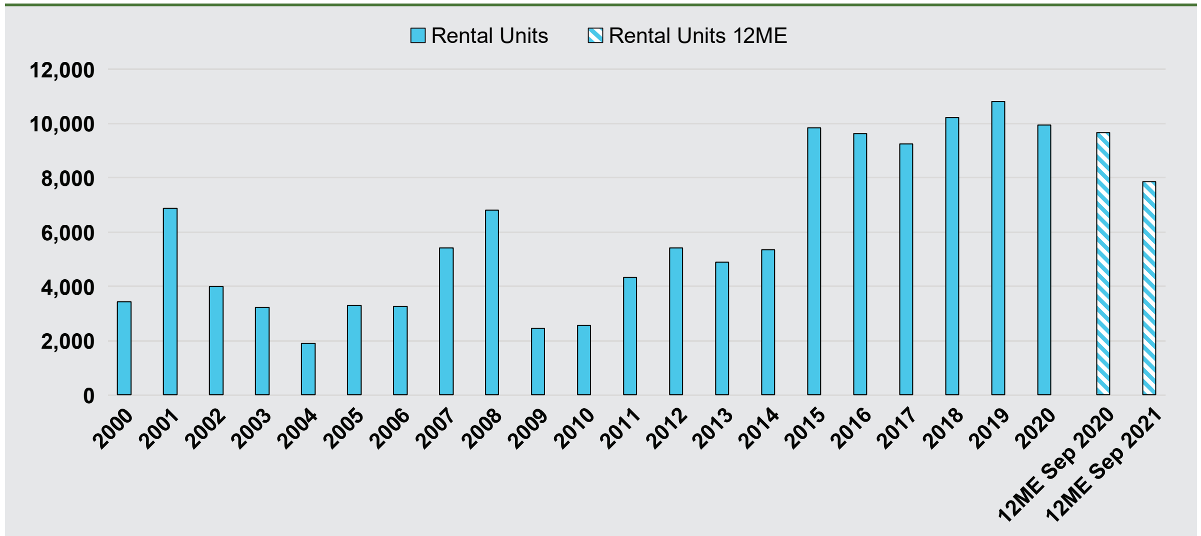
Recent Developments

The 97-home Legacy Pointe, a single-family home subdivision built for rent in the city of Lewisville, is one of the newer developments in this submarket. The subdivision has three- and four-bedroom single-family homes that rent from $2,350 to $2,550 per month. A new mid-rise development is The Village at Rayzor Ranch. This 300-unit development is in the larger mixed-used Rayzor Ranch development in the city of Denton; it includes studio, one-, and two-bedroom units, with rents ranging from $1,145 to $2,500 per month.

Forecast

During the 3-year forecast period, demand is estimated for 28,250 rental units, with the 15,050 units currently under construction satisfying a portion of that demand (Table 19). Most of the construction of new rental units in this submarket is likely to occur south of U.S. Route 380. Like the most recent trends, a significant portion of the new development will be mid- and high-rise buildings, with a majority of the units being studio or one-bedroom units.

Figure 28. Annual Rental Permitting Activity in the Northern Submarket



12ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 19. Demand for New Rental Units in the Northern Submarket During the Forecast Period

Rental Units	
Demand	28,250 Units
Under Construction	15,050 Units

Note: The forecast period is October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Rental Market—Southeastern Submarket

Market Conditions: Slightly Tight

Rental construction reached an all-time high in this submarket during the 12 months ending September 2021, with 2,175 rental units permitted.

Current Conditions

The rental market in the Southeastern submarket is currently slightly tight, with a 4.7 percent vacancy rate, down from 9.7 percent in 2010 (Table 20). In 2019, this submarket had the largest number of renter households living in single-family rental homes, at 42 percent (2019 ACS 1 year data). This percentage has been trending down since 2010, when single-family rentals accounted for more than 45 percent of all renter households, due to increased multifamily development in this submarket.

Apartment Market Trends

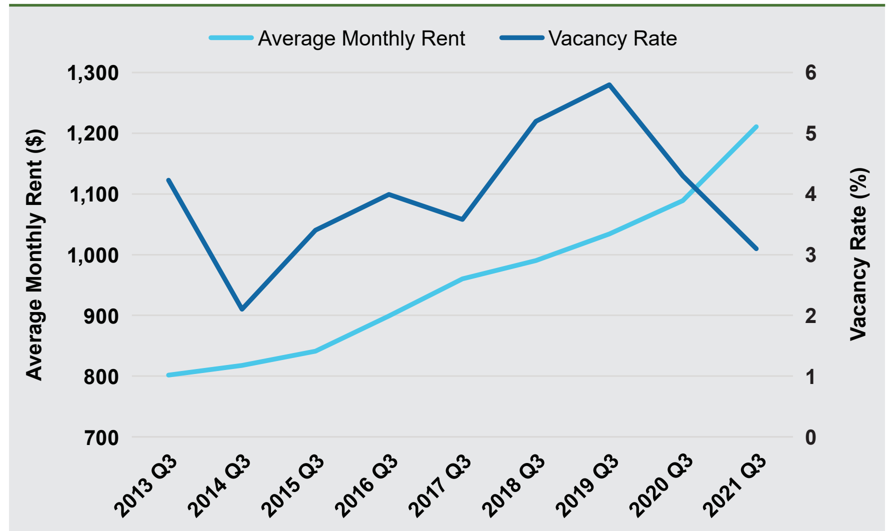
The apartment market in the Southeastern submarket is tight, with a 3.1 percent vacancy rate during the third quarter of 2021, down from 4.3 percent 1 year earlier. Continued strong population growth in this submarket contributes to strong demand for apartment units (ALN Apartment Data Inc.). Absorption of apartment units during the 12 months ending September 2021 averaged 150 units a month, up from 90 units per month during the previous 12 months. Steady population growth since 2010 and relatively limited production of new rental units have kept apartment market conditions in this submarket tight to slightly tight since the recovery from the housing crisis. During the third quarter of 2013, the apartment vacancy rate was 4.2 percent; that rate dropped to 2.1 percent during the third quarter of 2014, the lowest vacancy rate recorded in this submarket, as the rate of population growth began to increase. Following this low point in 2014, the apartment vacancy rate began to increase slightly and, by third quarter of 2016, it was up to 4.0 percent. During the third quarter of 2017, the apartment vacancy rate declined to 3.6 percent as continued strong population growth, along with limited deliveries of new apartment units, contributed to a declining vacancy rate. During 2018, developers began to deliver more apartment units in this submarket, and by the third quarter of 2019, the apartment vacancy rate had climbed to 5.8 percent. Figure 29 shows apartment vacancy rates and average rents in the Southeastern submarket.

Table 20. Rental Market Quick Facts in the Southeastern Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	9.7	4.7
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	45.0	42.0
	Multifamily (2–4 Units)	12.0	11.0
	Multifamily (5+ Units)	32.0	35.0
	Other (Including Mobile Homes)	11.0	12.0

Notes: The current date is October 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data

Figure 29. Apartment Rents and Vacancy Rates in the Southeastern Submarket



Q3 = third quarter.
Source: ALN Apartment Data Inc.

Apartment Market Rents

The average rent for an apartment in this submarket during the third quarter of 2021 was $1,211, an increase of $122, or more than 11 percent, from the third quarter of 2020 (ALN Apartment Data Inc.). While this submarket has traditionally had the lowest rents of any of the submarkets, rent growth remained strong; the average rent during the third quarter of 2021 was more than 50 percent higher than the average rent of $802 during the third quarter of 2013. The average rent increased slowly during 2014 and 2015 by an average of $20, or 2 percent, annually, to $841 during the third quarter of 2015. The next 2 years was the period of peak rent growth, and by the third quarter of 2017, the average rent was $960, an increase of $60, or nearly 7 percent, annually. The pace of rent growth slowed during the next few years, and by the third quarter of 2020, the average rent was $1,089, an increase of $43, or 4 percent, annually.

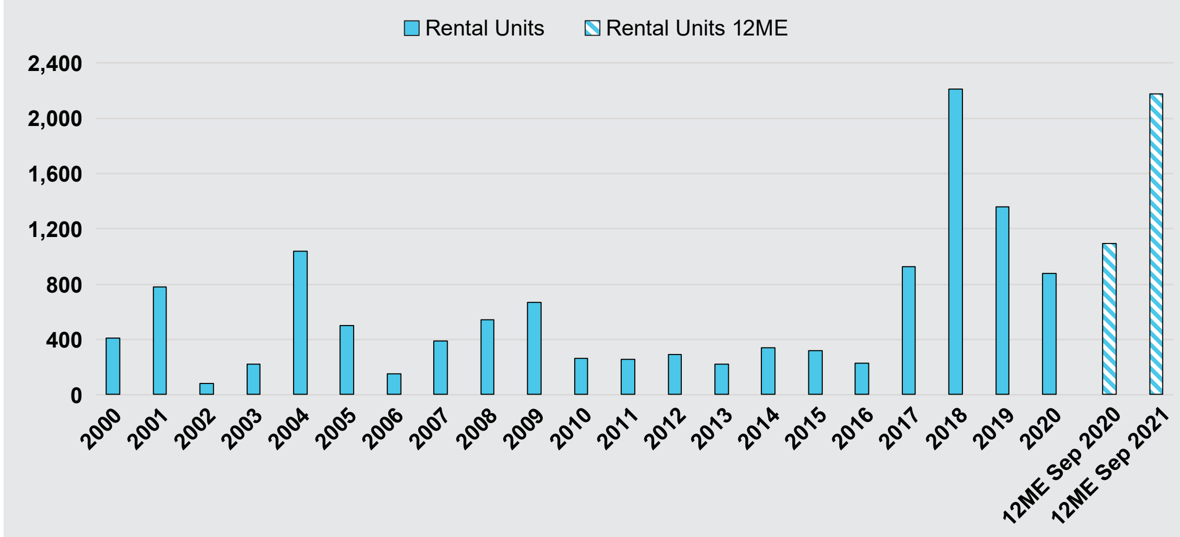
Construction Activity

Building activity, as measured by the number of rental units permitted, has traditionally been very limited in this submarket, but as more and more growth from the larger HMA occurs in this submarket, production of rental units has begun to increase. During the 12 months ending September 2021, there were 2,175 rental units permitted, an increase of 1,075, or more than double the number from the previous 12 months (preliminary data, with adjustments by the analyst). Prior to 2018, there was only a single year where rental construction exceeded 1,000 units—in 2004, when 1,025 rental units were permitted. From 2000 through 2005, the number of rental units permitted averaged 500 units per year, but then construction declined from 2006 through 2007, when an average of just 270 units were permitted annually. Construction increased from 2008 through 2009, even with the economic downturn, and averaged 610 units per year. From 2010 through 2016, construction remained limited, averaging just 270 units per year. In 2017, when developers began to increase construction in this submarket, 930 rental units were permitted. From 2018 through 2020, there was an average of 1,475 rental units permitted annually as population growth and in-migration to this submarket surged. Figure 30 shows the number of rental units permitted annually in the Southeastern submarket.

Recent Developments

Some recently completed apartment properties include the Florence at the Harbor, a 228-unit development with studio, one-, and two-bedroom units; rents at this development range from $1,100 to $2,625 per month. Another development is the Manhattan Village subdivision in the city of Forney. This is a subdivision

Figure 30. Annual Rental Permitting Activity in the Southeastern Submarket



12ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

of 150 three- and four-bedroom single-family homes built for rent. Rents range from $2,150 to $2,500 per month.

Forecast

During the 3-year forecast period, demand is estimated for 3,525 new rental units. The 1,825 rental units currently under construction will satisfy a significant portion of that demand (Table 21). Unlike the other two submarkets, garden-style apartments are the most prevalent type of apartment structure built in this submarket; the land is more plentiful and available at much lower costs. Fewer young professionals currently rent in this submarket; slightly more than 44 percent of all apartment units in this submarket are studio or one-bedroom units, significantly less than the composition of units in the other two submarkets.

Table 21. Demand for New Rental Units in the Southeastern Submarket During the Forecast Period

Rental Units	
Demand	3,525 Units
Under Construction	1,825 Units

Note: The forecast period is October 1, 2021, to October 1, 2024.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Existing Home Sales	Include regular resales and REO sales.
Forecast Period	10/1/2021–10/1/2024—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan division, definition noted in this report, is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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