



Dallas-Fort Worth Commercial Property Market: Midyear Sales Trends and National Ranking

Dallas-Fort Worth's commercial property market experienced a significant 70% sales decline at midyear. Despite this, it remains the second most active market in the nation, following Los Angeles in total property deals.

Top markets for commercial property sales

Ranked by dollar volume of transactions in first half of 2023 with year-over-year change.

Metro	Deal volume	Yearly change
Los Angeles	\$9.24 billion	-48%
Dallas-Fort Worth	\$8.11 billion	-68%
Manhattan	\$5.45 billion	-58%
Chicago	\$5.3 billion	-51%
Atlanta	\$4.96 billion	-69%
Boston	\$4.96 billion	-48%
Houston	\$4.45 billion	-70%
Phoenix	\$4.41 billion	-69%

“Dallas was bumped down a spot from the top ranking it has held in the first half of each year since 2020,” according to the MSCI report. “More than half of the \$8.1 billion in property trades were tied to apartments.

“Only three other markets among the top 25 markets saw multifamily sales constitute more than half of total deal volume: Austin, Seattle and San Francisco,” researchers said. “One large portfolio sale of 25 apartment assets propelled activity in the Dallas market and accounted for 10% of total volume.”

Highlights from the MSCI report:

- Multifamily sales constituted over 50% of total deal volume, with a substantial portfolio sale accounting for 10% of the volume.
- D-FW dominated in apartment property sales, with almost \$4.2 billion changing hands - the highest among all metro areas.
- Retail and office properties saw significant activity, with over \$940 million and \$827 million in transactions, respectively.
- The total distressed U.S. commercial real estate market reached approximately \$72 billion, with offices being the most impacted sector.

Despite challenges, the resilience of the Dallas-Fort Worth commercial property market underscores its enduring appeal on the national stage.



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Peak Supply in Four Major Apartment Markets



The U.S. apartment market has reached record levels of supply, with annual completions exceeding 376,000 units during the second quarter. This marks the highest volume of deliveries since RealPage Market Analytics started tracking the market in the early 1990s, resulting in a 2% increase in the existing unit base.

While many of the nation's largest apartment markets have experienced a surge in construction activity in recent years, four of the top 50 markets have stood out for achieving all-time high supply volumes in the year-ending second quarter. Notably, three of these markets are located in the southern region of the country, which has contributed significantly to recent increases in U.S. supply volumes.

Phoenix (West)

Among the highlighted markets, Phoenix has gained a reputation for attracting substantial apartment development, with approximately 16,800 units delivered in the year-ending second quarter – the highest number nationwide. This increased the existing apartment base by 4.2%. However, due to this extensive construction activity, apartment operators in Phoenix have faced challenges in pricing power, although student housing rents have remained strong.

Atlanta

Atlanta, being the largest apartment market on the list with around 555,000 existing units, saw 16,715 units completed in the past year, resulting in a 3% increase in the stock. Despite this record supply, apartment occupancy has recently decreased in Atlanta, leading operators to be cautious with rent increases.



Charlotte

Charlotte, with approximately 220,700 total units, experienced a record delivery of 11,172 units in the past year, resulting in one of the highest ratios of increase nationwide at 5.3%. Although apartment demand in Charlotte has been strong, occupancy has faltered recently, mainly due to the influx of new supply.

Nashville

Nashville, the smallest apartment market on the list with 179,161 total units, saw around 10,400 units completed in the past year, which resulted in a substantial increase of 6.2%, the highest among the top 50 markets. Although the city has historically had more reasonable apartment supply levels, recent years have seen more aggressive completions, causing absorption to lag behind new supply.

Despite its high demand volumes, Nashville has struggled to keep up with the concurrent new supply, posing challenges for apartment operators in terms of occupancy rates and rental management.

Looking ahead, these markets are expected to continue experiencing significant supply volumes, impacting various aspects of the apartment industry in each region.



5 Things Every Passive Investor Should Do Before Investing in a Real Estate Syndication

Real estate syndications have gained significant popularity due to their potential to generate passive income and build long-term wealth. By pooling capital together, passive investors can participate in larger and more profitable real estate deals than they could afford individually. However, before diving into a real estate syndication, it is crucial for passive investors to conduct thorough research and due diligence. Here are five essential steps to take before investing in a real estate syndication:

- 1. Research the Sponsor:** The sponsor plays a vital role in sourcing and managing the investment. Before investing, delve into the sponsor's track record and industry experience. Look for sponsors with a proven history of successful deals and expertise in managing similar real estate investments. Consider checking their past successful exits, running background checks, and seeking references from previous investors.
- 2. Understand the Investment Strategy:** Real estate syndications may adopt various investment strategies, such as value-add properties or stabilized assets. Carefully review the syndication's investment strategy to ensure it aligns with your investment goals and risk tolerance. Determine how much risk you are willing to take, whether you prefer short or long-term holds, and whether cash flow or upside potential is more important to you.
- 3. Review the Deal:** Thoroughly analyze the details of the real estate syndication, including projected returns, fees, and the sponsor's proforma of the deal. Ask the sponsor pertinent questions to clarify any uncertainties. Inquire about the fees involved, how projected rents are determined, and how the proforma compares to historical financials of the property. Seek confidence from the sponsor regarding the attainment of projected returns and inquire about stress tests conducted on the deal.
- 4. Evaluate the Risks:** All investments carry some level of risk, and real estate syndications are no exception. Review the syndication's offering documents to understand the inherent risks involved. Consider potential changes in market conditions, property management challenges, and construction delays. Assess your own financial security in case of a potential loss and determine your level of trust in the sponsor's ability to manage the investment.
- 5. Seek Professional Advice:** Real estate syndications can be complex investments, making it crucial to seek professional advice before committing. Consult a financial advisor, attorney, or real estate professional to gain valuable insights into the investment's potential risks and rewards. Additionally, talking to other individuals who have invested in real estate syndications can provide valuable perspectives and help in making informed decisions.

In conclusion, real estate syndications offer passive investors a compelling opportunity for wealth creation. By conducting thorough research, understanding the investment strategy, reviewing the deal, evaluating risks, and seeking professional advice, passive investors can navigate this avenue with confidence and make informed investment choices.

For further insights and assistance in exploring real estate syndication opportunities, feel free to connect with us at info@investegcapital.com