JPI is developing Jefferson Central near Dallas' Uptown neighborhood. The 430-unit property, due for delivery next year, will feature 9,000 square feet of premium amenity space.

The roaring '20s are back: A decade of growth will propel DFW's multifamily market

BY MATT BAKER

Even during this time of unprecedented economic turmoil, lenders are showing a willingness to back new multifamily projects—assuming certain circumstances are met. Nowhere is that truer than in the fastest-growing metro over the past decade.

The Dallas-Ft. Worth area acquired 1,349,378 new residents between 2010 and 2019, more than any other U.S. metro. Projections suggest that the 2020s will be just as roaring, with an estimated 1.39 million new residents to DFW by the end of 2029.

While the multifamily sector has been particularly strong across the country in recent years, the uncertainty created by the pandemic is forcing banks to take a more stringent approach to underwriting. For the moment, they are focusing on projects in high-growth markets like Dallas-Ft. Worth.

Admittedly, the 2020s aren't off to a great start. What seemed like a never-ending development cycle has slowed considerably due to the disruptions caused by the COVID-19 pandemic. Regardless of this uncertainty, nearly all of DFW's in-progress multifamily projects have moved ahead without interruption. Even some new projects are landing financial backing.

According to Payton Mayes, executive vice president, regional managing partner – central region at JPI, in addition to location and fundamentals, lenders are also looking to partner with experienced firms.

"Most capital wants to deal with tried and true sponsors," said Mayes. "Since we've developed more than 340 apartment communities and 100,000 units, companies like JPI should be the beneficiary of this conservatism."

According to Mayes, there are equity-backed investors looking to get multifamily projects underway while construction prices are down, but on the whole, most are taking a wait-and-see approach. He believes those who are backed by capital and in the position to break ground now should consider getting off the fence—rents aren't in a growth mode now, but they should be by the time a property is ready for occupancy in 2022.

From a submarket perspective, Mayes likes to remain fairly agnostic, looking at the Dallas-Ft.Worth market as a whole. That said, he has seen a growing

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demand for high-quality multifamily product in the area's suburban communities.

"Earlier in this cycle, after the previous economic crisis, we were doing Main and Main, first ring submarkets," Mayes said. "Today we feel we can produce the best rate of return in the suburbs."

Bringing best-in-class multifamily products to suburbia isn't possible without achieving lower construction costs. For JPI, that has meant more standardization and bulk buying, as well as making some changes to units and amenity spaces that, while still attractive, are a good fit for a suburban location.

Many ground-up multifamily projects in recent years have had a mixed-use component to entice residents looking for more of a live-work-play community. This model may be in flux with the hurdles now facing retail real estate—an asset class that was hobbling before the pandemic and that has only worsened since.

JPI, however, generally sticks to pure play multifamily properties, especially on their suburban projects. There may be a small amount of retail due to zoning requirements, but in most cases, they rely on existing retail in the target neighborhood and fresh amenity space in the new building to provide that communal experience for their residents.

Those amenities are shifting ever so slightly due to the COVID-19 situation. With more employees working at their kitchen table rather than a workstation in a crowded office, engaging with that home-office relationship has become paramount. That means providing a variety of spaces, both inside and outside of the property, that have strong and stable Wi-Fi so that a resident can work from virtually anywhere.

"When we talked about working from home 20 years ago, it was with the mindset of people using a desktop computer anchored to one location. Now laptops let you go anywhere," said Mayes. "Rather than more business coworking spaces, we're focusing on comfortable spaces with great connectivity where they can break out a laptop, as well as homes themselves that are laid out so they can work there efficiently."

Though JPI may have shifted their focus more towards the suburbs as of late, dense urban locations are still a great bet for providing the live-work-play environment that so many residents yearn for. Scheduled to open by the fourth quarter of 2021, Jefferson Central is one such development.

Located in Cityplace at the southeast corner of the North Central Expressway and Carroll Avenue, this is JPI's first multifamily project near the Uptown area of Dallas in 10 years. For this property, JPI is partnering with WDG Architecture Dallas, United Structural Consultants, Jordan & Skala Engineers, Kimley-Horn and Associates, TBG Partners and Dement Designs. Truist Bank provided financing, along with equity investor Pacolet Milliken.

The five-acre, Class A development comprise 430 rental units, finished with above-market interiors and high-quality upgrades. Jefferson Central's more than 9,000 square feet of community amenities will include a cooking demonstration kitchen, pet park with grooming station, resort-style pool, a business center, state-of-the-art fitness center with spin and yoga studio, a coffee bar and a fifth floor lounge space with views of downtown Dallas.

Without question, it has been an auspicious start to the decade. Most economists believe that this recession will only last as long as COVID-19 is a threat, so once a vaccine or other therapeutic treatment is available, the markets should begin to bounce right back. There's no reason to believe that the Dallas-Ft. Worth metro won't continue its incredible growth trajectory, and with that, an insatiable hunger for more multifamily properties.