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Buyers Chase Multifamily Deals Across DFW and US

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Cornerstone Apartments is a 240-unit garden-style affordable multifamily apartment in Dallas.

DALLAS—Employment gains and apartment completions continue to lead US commercial real estate activity. Specifically, the Dallas/Fort Worth metroplex region has been the nation's job engine during the last few years, attracting and encouraging a diverse range of companies to relocate and expand in the area, according to a recent report by [Marcus & Millichap](#). An average of 85,000 individuals have moved to the metroplex in each of the past five years in search of jobs, creating strong demand for area housing.

Despite robust employment gains, wage growth has not kept pace with home price appreciation, pushing thousands of residents into apartments as housing affordability slips. Absorption reached the highest level in

the last decade during 2017 at a time when completions were at peak levels. This suggests there's still pent-up demand for housing.

However, heightened deliveries have softened in some submarkets, largely restricted to class-A units. The majority of completions during the past few years have been concentrated in north Dallas. Vacancy for class-A units in the areas of Allen/McKinney, Frisco/Prosper and Dallas has risen anywhere from 100 to 300 basis points during the last four years, while vacancy at class-B and -C properties remains tighter. Stock additions are focused on the Dallas half of the metroplex through next year, and the use of concessions to attract tenants will stay elevated this year, especially among newly constructed properties.

[A panel of experts](#) will discuss popular submarkets and trends for the future in the multifamily session at [RealShare Texas](#) on June 6 being held at the Belo Mansion, 2101 Ross Ave. in Dallas. Moderator Drew Kile, senior director, Marcus & Millichap/Institutional Property Advisors, will lead the session, with speakers Rob McConnell, principal, Ventures Development Group LLC; Sheila Carter, regional vice president southwest, Lincoln Property Company; Jason Haun, vice president, ZOM Holding Inc.; and Spencer R. Stuart, senior managing director, Legacy Partners.

One recent example of the level of multifamily demand was in the affordable category. Hunt Mortgage Group recently provided a Fannie Mae loan in the amount of \$12 million to refinance an affordable multifamily property located in Dallas. Cornerstone Apartments is a 240-unit garden-style multifamily apartment comprised of 16 two- and three-story buildings located at 2606 Community Dr., and 9709 and 9720 Starlight Rd.

The property was built in three phases in 1968, 1972 and 1976, and two of the phases were redeveloped in 1992 and 1995 through the low-income housing tax credit program. The third phase is market-rate without affordability restrictions.

"The new loan qualifies as an affordable preservation transaction eligible for MAH financing because 202 of the total 240 units are rent- and income-restricted with more than three years remaining through the property's two LIHTC regulatory agreements with the Texas Department of Housing and Community Affairs," explains Colin Cross, director in the Dallas office at Hunt Mortgage Group.

The borrower is JAG CA Re-Development LLC, a Texas limited liability company backed by key principal James E. Graham Jr. The loan term is 12 years with amortization based on a 30-year schedule. Yield maintenance will apply during for the first 11.5 years. Churchill Capital Company of Dallas served as the mortgage banker for the transaction.

Since the acquisition, JAG CA Re-Development initiated a significant capital improvement program, investing more than \$2 million to upgrade the property while also maintaining its affordability to residents. Improvements included replacing the formerly flat roofs with pitched asphalt-shingle roofs, upgrading the HVAC equipment and flooring, and other interior and exterior upgrades. Property amenities include an on-site management/leasing office, four laundry rooms, a swimming pool and playground.

"Mr. Graham has more than 15 years of experience acquiring, renovating and managing multifamily apartment communities in the Dallas MSA, and he has improved occupancy at Cornerstone from 70% upon acquisition to over 90% today," Cross tells GlobeSt.com.

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