



CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **48,166**

UNITS DELIVERED (YTD) **8,732**

MARKET FUNDAMENTALS



VACANCY RATE **6.5%**

YEAR-OVER-YEAR CHANGE **-90bps**

ASKING RENTS **\$1,486**

YEAR-OVER-YEAR CHANGE **-1.9%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$156,400**

DALLAS-FORT WORTH MULTIFAMILY 1Q 2025

MARKET INSIGHTS

Absorption surges ahead of prior-year pace

HIGHLIGHTS

- Renter demand is outpacing deliveries in Dallas-Fort Worth, resulting in tightening vacancy levels. Renters moved into approximately 10,200 units in the first quarter, with net absorption exceeding 48,000 units over the past 12 months.
- The pace of deliveries slowed at the start of the year, with developers completing approximately 8,700 units. The construction pipeline has also thinned, with only about 48,100 units under construction, down 30% from one year earlier.
- Vacancies declined for the third consecutive quarter, dipping 30 basis points to 6.5%. The rate has dropped 90 basis points during the past 12 months.
- Multifamily transaction counts in the first quarter were higher than during the same period in 2024, but volumes did not keep pace with the levels from the end of last year. In transactions where pricing was available, the median price was \$156,400 per unit at the start of 2025, while cap rates averaged 5.25%.

DALLAS-FORT WORTH MULTIFAMILY MARKET OVERVIEW

Renter demand for apartment units remained elevated in Dallas-Fort Worth at the start of 2025, with absorption totaling more than 10,000 units. Absorption figures at the start of this year were well ahead of the 2024 pace, and consistent with the elevated demand that has been in place for the past 12 months. The first quarter marked the fourth consecutive quarter where absorption surged the 10,000-unit threshold. Additionally, absorption has now outpaced deliveries of new units in each of the last three quarters, resulting in vacancy declines totaling 90 basis points. While absorption has been gaining momentum, the pace of supply growth is slowing. Deliveries in the first quarter were down 6% compared to totals from one year earlier, and the number of units under construction has contracted by 30% as starts have slowed.

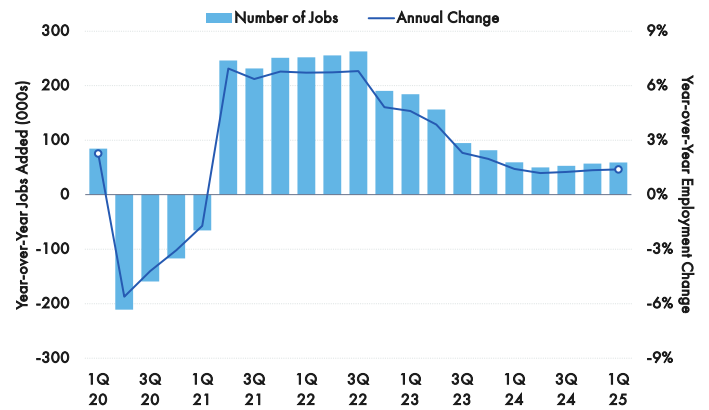
Transaction totals in Dallas-Fort Worth to start 2025 were ahead of the pace established at the beginning of last year, but volumes are still down from peaks in recent years. Deals are getting done at a fairly steady rate, with buyers acquiring a mix of 1970s- and 1980s-vintage Class B and Class C properties, as well as Class A units delivered in the past 10 years. The Lewisville/Flower Mound and North Fort Worth submarkets have been active spots for the sales of newer properties in recent months, while East Dallas has led the way in transactions involving older vintages. In transactions where valuations have been disclosed, per-unit pricing levels have proven to be consistent for the past few years, despite interest rate volatility. Cap rates have largely held steady for the past several quarters.

EMPLOYMENT

- Employers across Dallas-Fort Worth added workers at a steady pace through the first quarter. During the past 12 months, employment has increased by 1.4% with the addition of more than 59,000 jobs. The local labor market is off to a stronger start in 2025, with 17,100 net new jobs added in the first quarter compared to approximately 15,000 during the same period in 2024.
- The financial activities sector continued to be a source of growth within the area economy, posting a faster rate of increase than the local labor market as whole. Year over year though the first quarter, more than 6,000 financial jobs have been added, representing a 1.7% increase. The local financial sector has expanded payrolls in each of the past 15 years, during which time nearly 155,000 jobs have been created.
- During the first quarter, Toyota Financial Services leased a 242,000-square-foot building within the Frisco submarket. Approximately 1,000 employees are expected to occupy the facility. Toyota Financial will also continue to occupy its North American headquarters in Plano.
- FORECAST:** Employment growth in Dallas-Fort Worth is forecast to accelerate in 2025, as employers across a wider range of industries expand headcounts. Approximately 70,000 jobs are expected to be added this year, after gains totaled 57,100 workers in 2024. The local labor market is on pace to expand by 1.6% this year.

The local labor market is off to a stronger start to the year than in 2024.

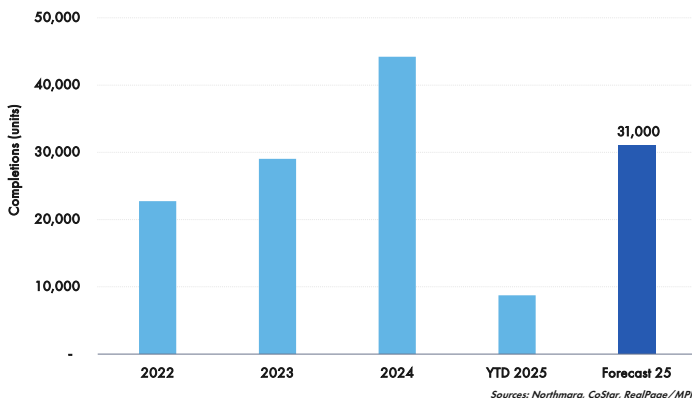
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

Permitting activity levels are down 40% from the first quarter 2023.

DEVELOPMENT TRENDS



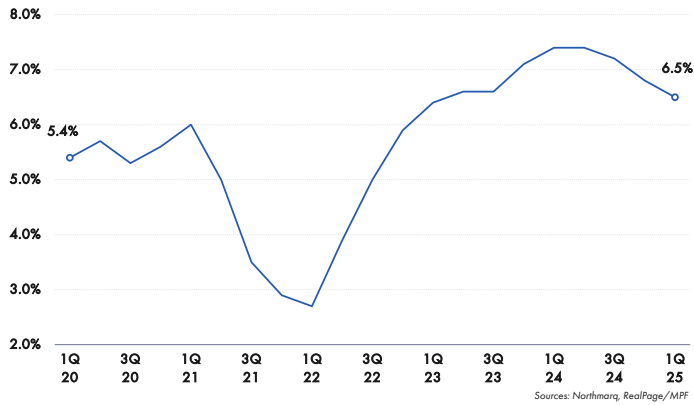
Sources: Northmarq, CoStar, RealPage/MPF

DEVELOPMENT & PERMITTING

- Developers delivered approximately 8,700 units during the first quarter, a slower start than was posted in 2024. Completions peaked in the first half of last year. Deliveries year to date are down 6% compared to levels from one year earlier.
- The pace of new development is slowing significantly as completions outnumber starts by a wide margin. Projects totaling more than 48,100 units are currently under construction throughout the region, down 30% from one year ago. The development pipeline has thinned since peaking at the beginning of 2023.
- Developers pulled permits for approximately 4,000 multifamily units at the start of the year. Permitting activity slowed by 16% compared to one year earlier and is down 40% from the first quarter 2023.
- FORECAST:** Developers are on pace to deliver 31,000 units this year, considerably lower than the 2024 peak and closer to the Metroplex's long-term average.

Vacancy has declined by 90 basis points year over year.

VACANCY TRENDS



VACANCY

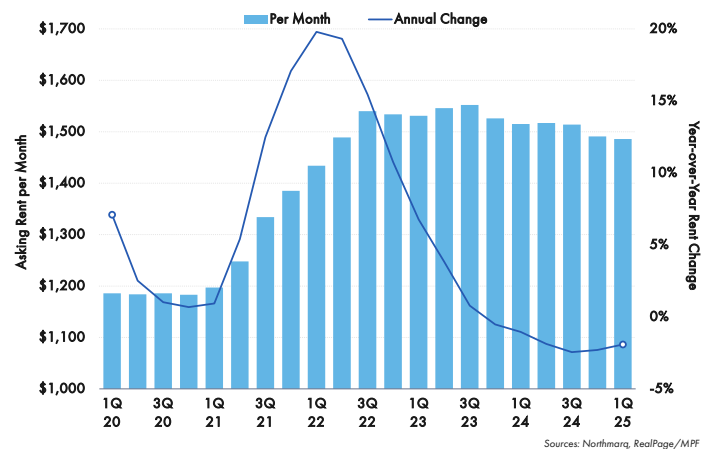
- Vacancy declined in Dallas-Fort Worth during the first quarter, dropping 30 basis points to 6.5%. This marked the third consecutive quarter where the rate improved. Vacancy has declined by 90 basis points year over year and is at its lowest point since the first quarter 2023.
- Renter demand for units is on the rise, a trend that continued at the beginning of 2025. Net absorption totaled nearly 10,200 units during the first three months of the year, up from about 6,100 units one year earlier. Net absorption has totaled more than 48,000 units during the past 12 months.
- Vacancies are improving across the region. In the Dallas-Plano-Irving segment of the market, the rate is lower, having dipped 80 basis points in the past year to 6.4%. In Fort Worth-Arlington, the rate is 7.1%. Vacancy in Fort Worth-Arlington dropped 70 basis points in the first quarter, fueled by the strongest single quarter of area absorption in more than three years.
- FORECAST:** Vacancy dropped 30 basis points in 2024 and is forecast to post a more significant decline this year. The rate is on pace to drop 70 basis points in 2025, ending the year at 6.1%.

RENTS

- Rents inched lower despite tightening vacancy levels and continued absorption. Rents ended the first quarter at \$1,486 per month, 1.9% lower than one year earlier.
- Class A segment rents edged up 0.7% in the first quarter, reaching \$1,887 per month at the start the year. Class A rents average \$2.12 per square foot per month, nearly identical to levels from one year ago.
- Rents in the Dallas-Plano-Irving portion of the market continue to command a premium. The average rent in Dallas-Plano-Irving is \$1,524 per month, while rents in Fort Worth-Arlington, totaled \$1,368 per month in the first quarter. Top submarkets in Dallas for average rents include Intown Dallas and Oak Lawn/Park Cities, where rents top \$2,000 per month.
- FORECAST:** Rents are expected to gain momentum in the coming quarters, as absorption remains elevated and the vacancy rate tightens. For the full year, average rents are forecast to increase by 2% to \$1,521 per month.

Class A rents average \$2.12 per square foot per month.

RENTS TRENDS

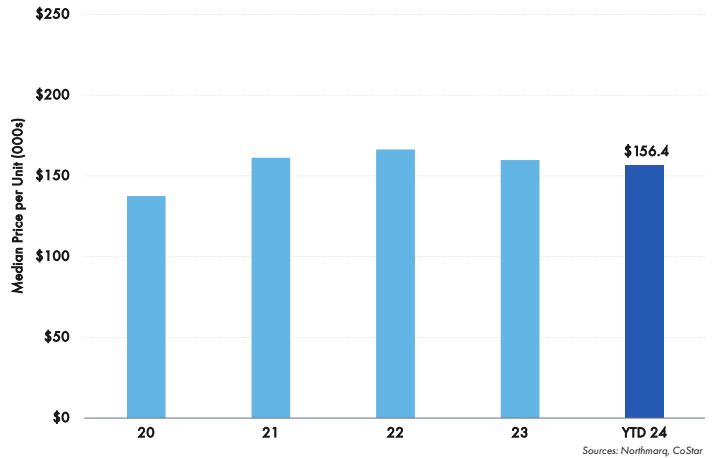


MULTIFAMILY SALES

- More multifamily properties sold across the Dallas-Fort Worth region at the start of 2025 than during the same period in 2024; transaction counts in the first quarter were up more than 70% year over year. The number of properties that sold in the first quarter was nearly identical to the quarterly average for all of last year.
- In transactions where pricing was available, the median price to this point in 2025 is \$156,400 per unit, similar to levels that have prevailed in recent years.
- In transactions that have closed year to date, cap rates for Class A properties have generally ranged between about 4.75% and 5% or higher.
- Outside of the top tier, cap rates for Class B and Class C communities have started around 5.5% with some properties trading at cap rates of 5.75% or higher.

Transaction counts were up more than 70% year over year.

INVESTMENT TRENDS

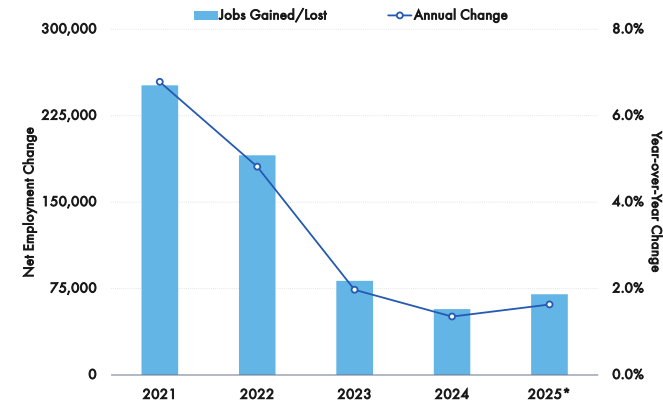


LOOKING AHEAD

A strong start to 2025 in the Dallas-Fort Worth multifamily market has set the stage for continued improvement through the remainder of the year. A handful of key trends are signaling the strengthening in the market. The first was a surge in absorption, which began to fully gain momentum in the second quarter of last year and has been sustained to this point. Absorption began to accelerate in the second quarter of last year and has remained elevated, pushing vacancy lower in each of the past three quarters. This trend is expected to continue, driving further tightening in vacancy rates through the rest of 2025. The pace of new construction is slowing, easing supply-side pressures in the market. The final indicator that operators will monitor is the direction of rents in the market. As of the first quarter, rents were still trending slightly lower, but that trend is forecast to reverse course in either the second or third quarter, and the market is forecast to post a modest rent increase for the full year.

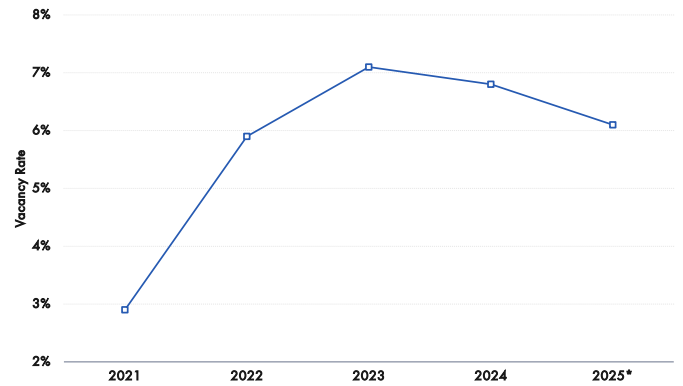
The Dallas-Fort Worth market is expected to remain a leader in multifamily investment sales activity, even as transaction volume has leveled off in recent periods. The outlook for the rest of this year calls for an uptick in sales velocity as operating fundamentals strengthen. The interest rate environment has also weighed on activity levels in recent quarters, with rates higher than originally anticipated and particularly volatile from late 2024 through the first few months of this year. A more stable period of lower interest rates is likely to emerge in the second half of this year, which would support additional transaction volume going forward. To this point, cap rates have remained fairly steady for the past several quarters, but some compression could occur if financing costs ease and rental rates gain momentum in the second half of the year.

EMPLOYMENT FORECAST



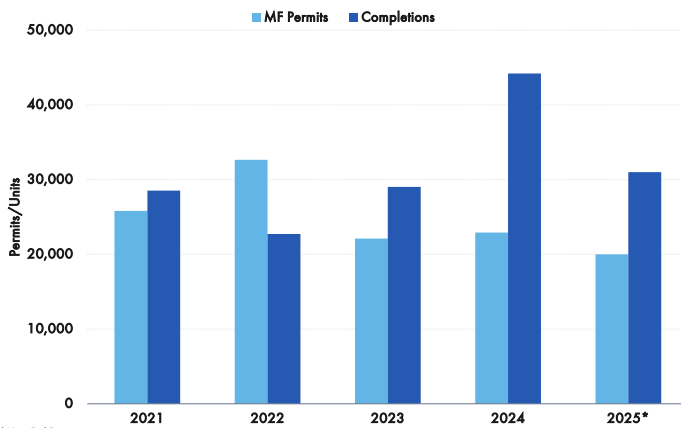
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



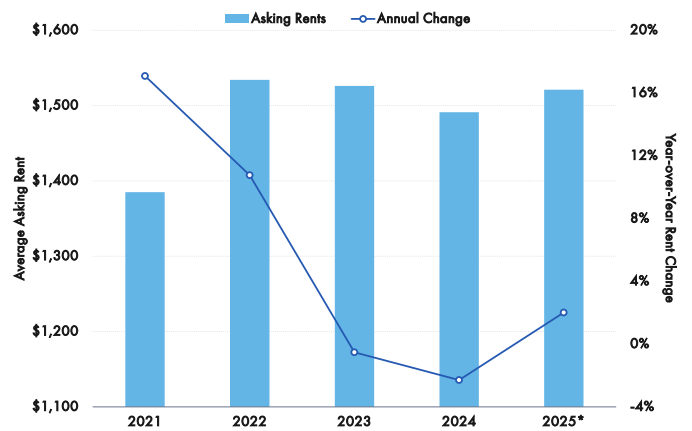
* Year End Forecast
Sources: Northmarq, RealPage/MFF

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, Census Bureau, RealPage/MFF

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, RealPage/MFF



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