Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	46,773
UNITS DELIVERED (YTD)	18,575

MARKET FUNDAMENTALS

VACANCY RATE	5.8%
QUARTERLY CHANGE	-70bps
ASKING RENTS	$1,503
QUARTERLY CHANGE	+1.1%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$166,700

DALLAS-FORT WORTH MULTIFAMILY
2Q 2025

MARKET INSIGHTS

Renter demand soars in Dallas-Fort Worth, outpacing new deliveries for fourth straight quarter

HIGHLIGHTS

- Renter demand continues to outpace deliveries in Dallas-Fort Worth, resulting in tightening vacancy levels. Renters moved into approximately 15,700 units in the second quarter, with net absorption exceeding 52,000 units over the past 12 months.
- The pace of deliveries remained consistent with levels experienced in the past five quarters, with developers completing approximately 10,100 units. The construction pipeline has also thinned, with only about 46,800 units under construction, down 27% from one year earlier.
- Vacancies declined for the fourth consecutive quarter, dipping 70 basis points to 5.8%. The rate has dropped 160 basis points during the past 12 months.
- Multifamily transaction counts in the second quarter were higher than during the same period in 2024 and were over 38% higher than in the first quarter. In transactions where pricing was available, the median price was $166,700 per unit through the first half of 2025, while cap rates averaged 5.25%.

DALLAS-FORT WORTH MULTIFAMILY MARKET OVERVIEW

Renter demand for apartment units remained consistently strong in Dallas-Fort Worth in the second quarter of 2025, with absorption totaling nearly 15,700 units, the highest level since the third quarter of 2021 and marking the fifth consecutive quarter with net move-ins exceeding 10,000 units. Absorption figures through the first half of this year were well ahead of the 2024 pace, and consistent with the elevated demand that has been in place for the past 15 months. Additionally, absorption has outpaced deliveries of new units in each of the last four quarters, leading to a vacancy decline of 160 basis points year over year. While absorption continues to gain momentum, the pace of supply growth is slowing. Deliveries in the second quarter were down more than 19% compared to the same period last year, and the number of units under construction has contracted by nearly 27% as starts have slowed. Supported by tightening vacancies, slowing new deliveries, and continued absorption, rents posted their largest quarterly gain in nearly three years.

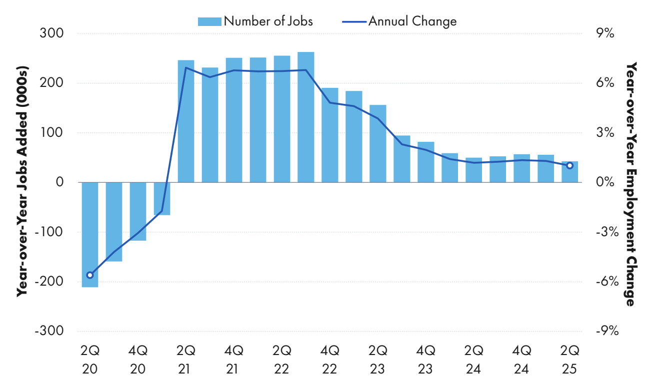
Transaction totals in Dallas-Fort Worth for the first half of 2025 exceeded the pace set during the same period in each of the prior two years. Although volumes below the peaks recorded in 2021 and 2022, they have returned to just above the averages transacted prior to 2020. Deals are being done at a steady pace, with buyers acquiring a mix of 1960s, 1990s, and 2000s-vintage Class B and Class C properties. Meanwhile, Class A units delivered in the past 10 years comprised over half of all transactions in the second quarter. The Frisco and West Plano submarkets have been active spots for the sale of newer properties in recent months, while the remainder of transactions have been distributed across the metroplex. In deals where valuations have been disclosed, per-unit pricing levels have remained consistent over the past few years despite interest rate volatility. Cap rates have also largely held steady during the past several quarters.

EMPLOYMENT

- Employers across Dallas-Fort Worth added jobs at a steady pace through the second quarter. During the past 12 months, local payrolls have expanded by 1.0% with the addition of more than 42,800 new positions. The local labor market softened in the second quarter due to cuts in the government and information sectors, with a decline 1,800 net new jobs added, compared to approximately 11,200 during the same period in 2024.
- The private education and health services sector continued to drive strong job growth in the metroplex economy in 2025, outpacing the overall labor market. Growth in the private education and health services sector has been largely driven by the landmark Texas Education Freedom Act, signed into law in May 2025, which allows families to use public funds for private school tuition and other educational expenses starting in 2026. Year-over-year through the second quarter, the private education and health services sector added more than 20,000 jobs, representing a 4.1% increase.
- During the second quarter, AT&T leased a 186,000 square-foot space within The Tower at Lakeside in the Richardson submarket. The new space will consolidate multiple regional offices while allowing for growth between 400 and 1,400 new employees.
- **FORECAST:** Employment growth in Dallas-Fort Worth is forecast to accelerate in 2025, as employers across a wider range of industries expand headcounts. Approximately 59,200 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 1.4% this year.

During the past 12 months, local payrolls have expanded by more than 42,800 new positions.

EMPLOYMENT OVERVIEW



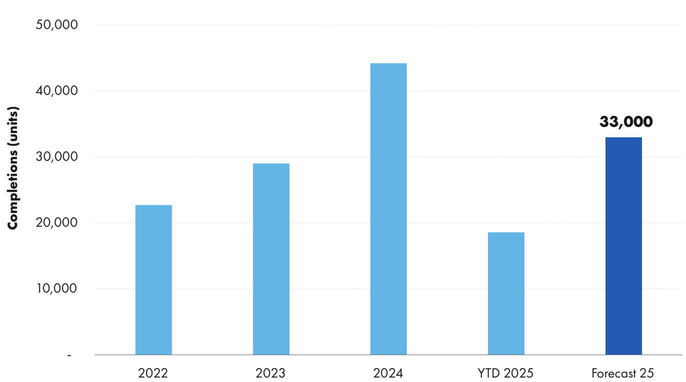
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- New deliveries totaled approximately 10,000 units during the second quarter, reflecting a slower pace than in the second quarter of 2024. Completions peaked in the first half of last year, and year-to-date deliveries are down 14.5% compared to the same period one year earlier.
- The pace of new development is slowing significantly as completions outnumber starts by a wide margin. Projects totaling fewer than 46,800 units are currently under construction throughout the metroplex, down 26.7% from one year ago. The development pipeline has contracted since peaking at the beginning of 2023.
- Developers pulled permits for approximately 8,400 multifamily units in the second quarter, or more than double the total from the first quarter. Permitting activity was up 34.8% compared to the same period one year ago.
- **FORECAST:** Developers are on track to deliver 33,000 units this year, a pace considerably lower than the 2024 peak and closer to the Metroplex's long-term average.

Projects totaling fewer than 46,800 units are under construction, down 26.7% from one year ago.

DEVELOPMENT TRENDS



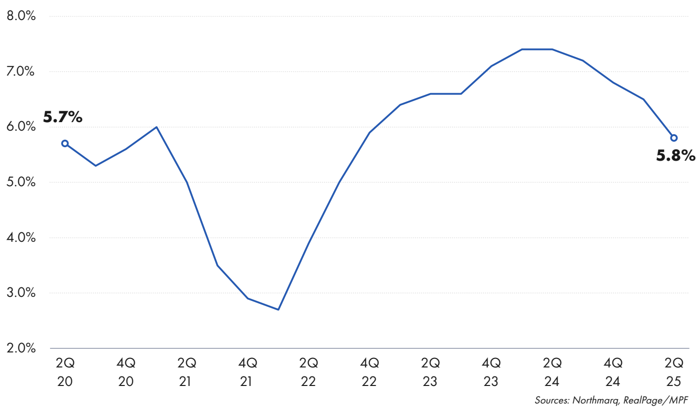
Sources: Northmarq, CoStar, RealPage/MPF

VACANCY

Year over year, vacancies have decreased by 160 basis points.

- Vacancy in Dallas-Fort Worth continued to decline during the second quarter, falling 70 basis points to 5.8%. This marked the fourth consecutive quarter of improvement. Year over year, vacancy has decreased by 160 basis points and is now at its lowest level since the third quarter of 2022.
- Renter demand for units continues to rise in 2025. Net absorption totaled nearly 15,700 units during the second quarter, up from about 11,400 units one year earlier, representing a 3.81% increase. Net absorption has totaled more than 48,000 units during the past 12 months.
- Vacancies are improving across the metroplex. In the Dallas segment of the market, the vacancy rate has declined 150 basis points during the past year to 5.7%. In Fort Worth, the rate stands at 6.1% after falling 90 basis points in the second quarter, driven by the strongest single-quarter of 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%.

VACANCY TRENDS

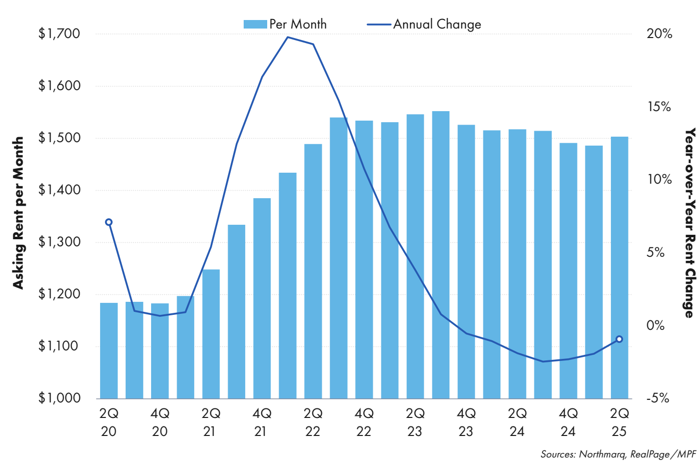


RENTS

- Rents posted their largest quarterly gain in nearly three years, supported by tightening vacancies, slowing new deliveries, and continued absorption. At the end of the second quarter, average rents reached $1,503 per month, 1.1% higher than in the prior quarter, though still 0.9% below year-ago levels.
- On a year-over-year basis, Class A rents jumped 2.1% in the second quarter, reaching $1,935 per month. Class B rents averaged $1,479 per month, representing a modest a 0.3% decline from the same period last year. While still slightly negative, this marks the fourth consecutive quarter of improvement in Class B rent trends, signaling a shift towards stabilization.
- Rents in Dallas continue to command a premium over Fort Worth. The average rent in Dallas is $1,542 per month, while rents in Fort Worth totaled $1,385 per month in the second quarter. Top submarkets in Dallas for average rents include Intown Dallas and Oak Lawn/Park Cities, where rents top $2,100 and $2,300 per month. respectively. Top submarkets in Fort Worth for average rents include Grapevine/Southlake and North Fort Worth/Keller, where rents top $1,700 and $1,625, respectively.
- **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 jumped 2.1% year over year.

RENTS TRENDS

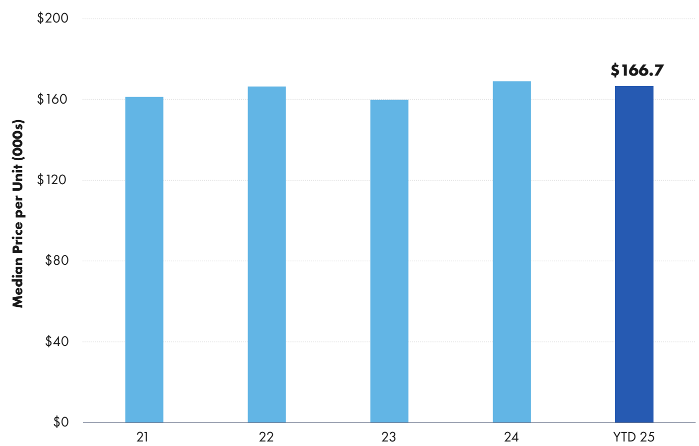


MULTIFAMILY SALES

- More multifamily properties sold across the Dallas-Fort Worth region in the first half of 2025 than during the same period in 2024. Transaction counts in the second quarter were up more than 56% year over year, with the number of properties sold in the second quarter nearly matching the total for the entire first half of 2024.
- In transactions where pricing was available, the median price to this point in 2025 is $166,700 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 4.75% and 5.0%, 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 5.75% or higher.

Transaction counts in the second quarter were up more than 56% year over year.

INVESTMENT TRENDS



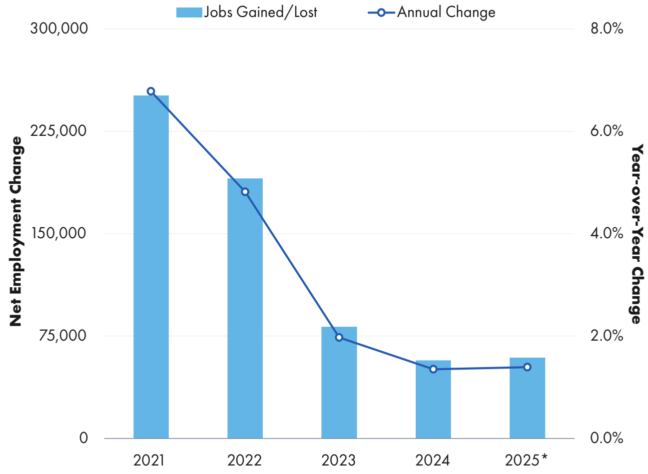
Sources: Northmarq, CoStar, Real Capital Analytics

LOOKING AHEAD

A strong first half 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 continued surge in absorption, which began to fully gain momentum in the second quarter of last year and has been sustained to the halfway point of 2025. This continued renter demand has pushed vacancy lower in each of the past four quarters. Absorption is expected to drive 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 second quarter, rents were still ticking slightly lower on a year-over-year basis but have been improving for three consecutive quarters. This trend is expected to show positive growth again in the third quarter, with the market forecast to post a modest rent increase for the full year.

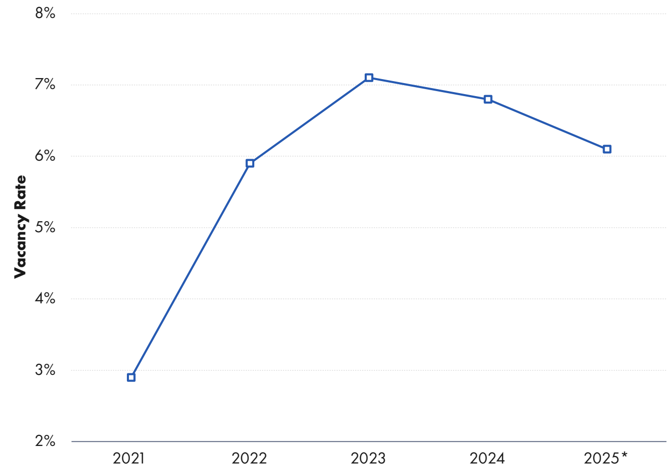
The Dallas-Fort Worth market is expected to remain a leader in multifamily investment sales activity, with rolling four-quarter transaction volumes improving for four consecutive quarters. The outlook for the rest of this 2025 calls for a continued uptick in sales velocity as operating fundamentals strengthen. 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 half 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 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



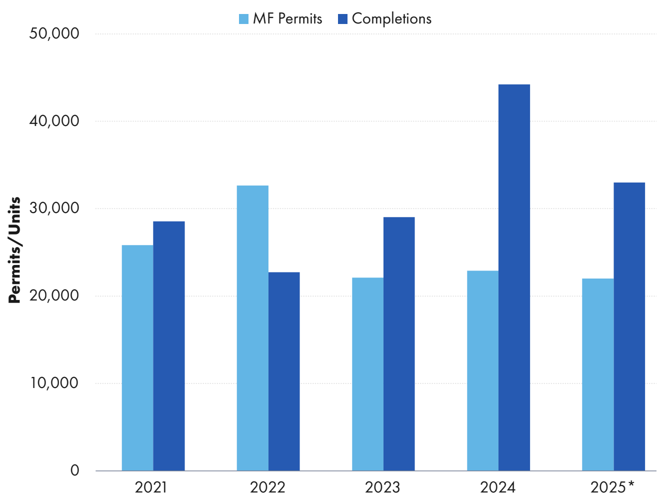
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



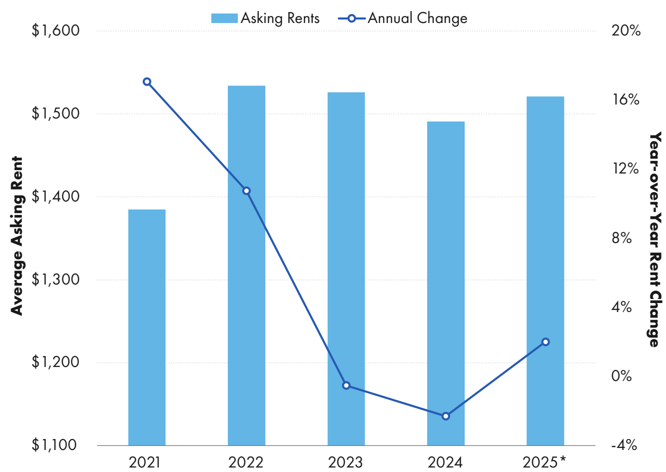
** Year End Forecast*
Sources: Northmarq, RealPage/MPF

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, RealPage/MPF

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ABOUT **NORTHMARQ**

Northmarq is a full-service capital markets resource for commercial real estate investors, offering seamless collaboration with top experts in debt, equity, investment sales, loan servicing, and fund management. The company combines industry-leading capabilities with a flexible structure, enabling its national team of experienced professionals to create innovative solutions for clients. Northmarq's solid foundation and entrepreneurial approach have built a loan servicing portfolio of more than $76 billion and a two-year transaction volume of $52 billion. Through the 2022 acquisition of Stan Johnson Company, Northmarq established itself as a provider of opportunities across all major asset classes. For more information, visit www.northmarq.com.