Northmarq

MARKET INSIGHTS

Rents post first annual gain in three years

CONSTRUCTION ACTIVITY

UNITS ABSORBED (YTD)	26,142
UNITS DELIVERED (YTD)	18,903

MARKET FUNDAMENTALS

VACANCY RATE	6.0%
YEAR-OVER-YEAR CHANGE	-20bps
ASKING RENTS	$1,512
YEAR-OVER-YEAR CHANGE	+0.5%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$162,100
PROPERTIES SOLD (YTD)	103

DALLAS-FORT WORTH MULTIFAMILY
Q3 2026

HIGHLIGHTS

- Dallas-Fort Worth multifamily operating fundamentals improved during the third quarter, with net absorption continuing to outpace new supply by a wide margin. Since 2020, the market has absorbed more than 172,000 units, underscoring the depth of sustained demand.
- Asking rents rose 1.0% during the third quarter to $1,512 per month. Rents were up 0.5% year over year, marking the first annual increase since the third quarter of 2023.
- Vacancy ended the quarter at 6.0%, down 10 basis points from the prior three months and 20 basis points year over year.
- Among year-to-date transactions with disclosed pricing, the median sale price was $162,100 per unit. Per-unit pricing levels have remained within a tight range for the past several years, while current cap rates are averaging around 5.25%.

DALLAS-FORT WORTH MULTIFAMILY MARKET OVERVIEW

Dallas-Fort Worth's operating fundamentals continued to improve during the third quarter. Net absorption totaled roughly 6,600 units, slightly exceeding the 6,400 units delivered during the quarter. Demand was concentrated in Dallas, which accounted for 83% of the Metroplex's net absorption, up from 79% in the second quarter. Absorption was strongest in the northern suburbs and core neighborhoods, led by Allen/McKinney, Frisco, and Intown Dallas. Year to date, the Metroplex has absorbed more than 26,100 units, outpacing new supply by nearly 40%. The construction pipeline continued to shrink and is now 45% below its early 2023 peak. Vacancy fell for a third consecutive quarter, with declines led by Class C and Class A properties. Average rents rose to $1,512 per month, their third straight quarterly increase. Class A rents again led the way and have now posted annual gains for two straight years.

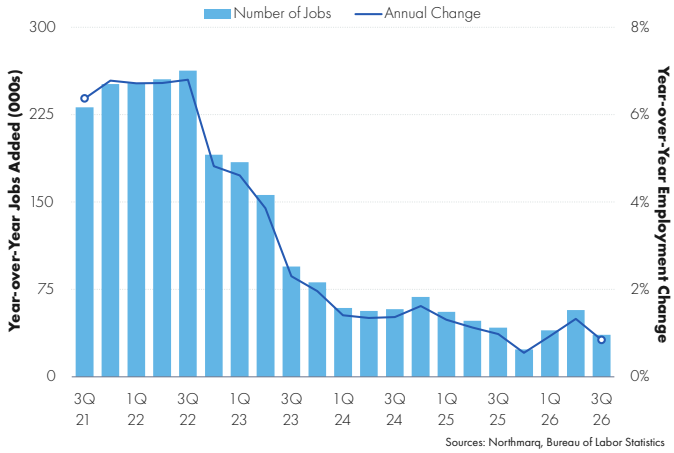
Multifamily investment activity in Dallas-Fort Worth was essentially flat year over year during the third quarter. Year to date, 103 properties with at least 100 units changed hands, down slightly from the same period in 2025. Investment shifted west compared with transactions that closed in 2025. Fort Worth's share of sales rose to about 20% from 15%, with Arlington and Grand Prairie also gaining ground, while the share of total transactions in the northern suburbs was cut nearly in half to just 12%. Dallas held steady at about 30%. The northern decline reflects fewer sales of newer properties, which drove much of that area's 2025 activity, as loan assumptions and value-add purchases also slowed. The mix also shifted toward distress, as lender-driven sales rose to nine from two a year earlier. The year-to-date median sale price reached roughly $162,100 per unit. Cap rates for newer properties held near 2025 pricing at below 5%, while older garden properties often are approaching 6%.

EMPLOYMENT

- Employers across the Dallas-Fort Worth area continued to add jobs through the third quarter of 2026, though annual growth slowed. During the past 12 months, local payrolls grew by 0.8%, adding 36,200 new positions.
- Growth in the professional and business services sector continued to strengthen. Year over year through the third quarter, the sector added 29,100 jobs, representing a 3.7% increase.
- In September, Morgan Stanley announced plans to establish a new U.S. hub in Dallas. The project represents a $684 million capital investment and is expected to create more than 3,800 jobs.
- **FORECAST:** Following a period of more modest growth in 2025, the local labor market is forecast to sustain its recent momentum through the remainder of 2026. Approximately 55,000 jobs are projected to be added in 2026, representing a 1.3% increase.

Local payrolls added 36,200 new positions.

EMPLOYMENT OVERVIEW

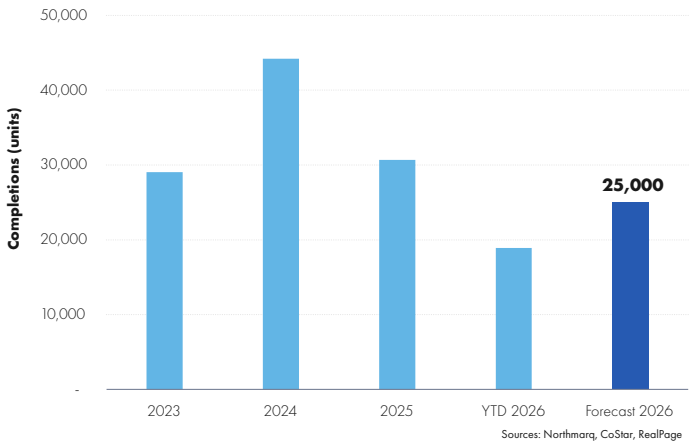


Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

The construction pipeline declined 7% year over year.

DEVELOPMENT TRENDS



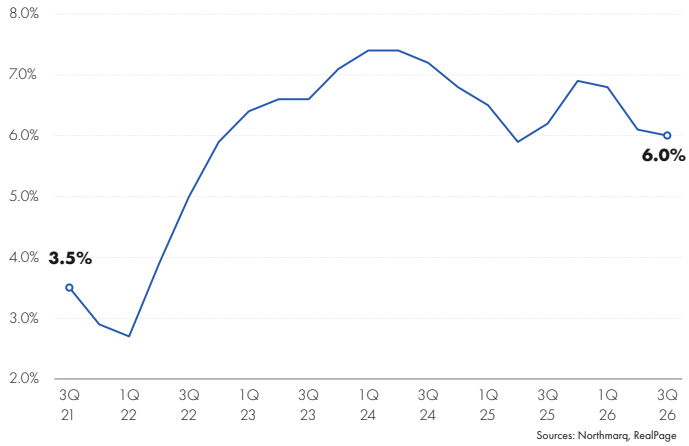
Sources: Northmarq, CoStar, RealPage

- The pace of multifamily deliveries has slowed. Year to date, projects totaling roughly 18,900 units have come online, down 19% from the same period last year.
- The Dallas-Fort Worth construction pipeline fell 7% year over year to roughly 42,200 units, driven mostly by a 20% drop in Fort Worth. Construction is concentrated in Frisco and Allen/McKinney, which hold about 30% of units underway.
- Multifamily permitting activity slowed through the third quarter of 2026. Developers pulled permits for roughly 16,700 units year to date, down 11% from the same period last year.
- **FORECAST:** Multifamily permitting is projected to end 2026 at roughly 22,000 units, slightly below 2025 levels. Deliveries are expected to total about 25,000 units, a decline of more than 20% that would bring completions closer to long-term trends.

VACANCY

Year-to-date demand outpaced new supply.

VACANCY TRENDS



Sources: Northmarq, RealPage

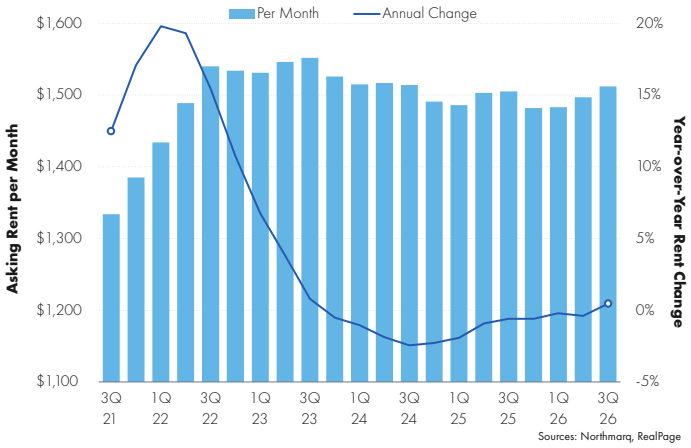
- The Dallas-Fort Worth vacancy rate edged down 10 basis points during the third quarter to 6.0%, extending the second quarter's improvement and bringing the annual decline to 20 basis points. Performance diverged across the Metroplex, as vacancy declined 20 basis points during the quarter to 5.9% in Dallas but edged up 10 basis points to 6.4% in Fort Worth.
- Net absorption totaled approximately 26,100 units through the third quarter, nearly matching last year's pace, but with deliveries down almost 20%, demand outpaced new supply by roughly 7,700 units, double the margin of a year ago.
- Occupancy gains shifted toward the lower end of the quality spectrum during the third quarter. Class C vacancy declined 30 basis points to 6.8%, the largest improvement among the classes, while Class A vacancy edged down 10 basis points to 5.2% and remained the tightest among the classes.
- **FORECAST:** Vacancy is expected to moderate slightly during the fourth quarter as supply and demand return closer to equilibrium. Even so, the rate is still projected to end 2026 at 6.2%, 70 basis points below the year-end 2025 level.

RENTS

- Rents increased for a third consecutive quarter, rising 1.0% during the third quarter to $1,512 per month. Annual rent growth in the Metroplex turned positive for the first time in three years, with asking rents rising 0.5% year over year.
- Asking rents in Dallas climbed 0.9% during the quarter to $1,551 per month and 0.5% year over year, also its first annual increase since the third quarter of 2023. Fort Worth posted a stronger quarterly increase of 1.2% to $1,391 per month, but rents were flat year over year, ending a two-year stretch of annual declines.
- Rent growth remained split by asset class. Class A properties led the market with 2.0% annual growth, bringing average rents to $2,022 per month. Class B rents declined 0.9% year over year to $1,476 per month, while Class C rents fell 5.6% to $1,190 per month.
- **FORECAST:** Rent growth is expected to seasonally moderate during the fourth quarter of 2026. Still, average rents are projected to finish the year at $1,505 per month, up 1.6% year over year.

Annual rent growth in the Metroplex turned positive.

RENTS TRENDS



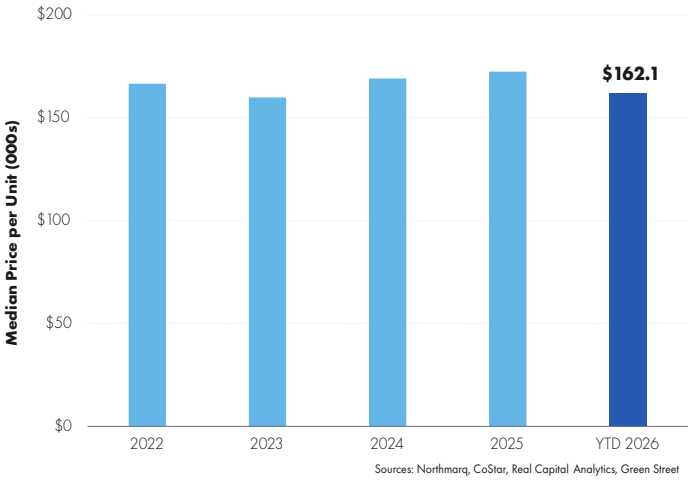
Sources: Northmarq, RealPage

MULTIFAMILY SALES

- Dallas continued to lead investment activity, with about one-third of third-quarter transactions. Buyers pursued a broad range of vintages, from 1960s- and 1970s-era garden communities to newly completed assets delivered since 2024. Activity was also spread across the Metroplex, with Arlington, Grand Prairie, and Irving among the more active suburban submarkets.
- For transactions with available pricing, the year-to-date median sale price is $162,100 per unit. Third-quarter activity shifted from Fort Worth back to Dallas proper, while the split between garden-style and mid-to-high-rise properties stayed about the same as in the second quarter.
- Among transactions that have closed year to date, cap rates for Class A properties have generally ranged from 4.75% to 5.0% or higher.
- Class B and Class C communities have generally opened near 5.5%, reaching 5.75% or higher in some deals.

The year-to-date median sale price is $162,100 per unit.

INVESTMENT TRENDS



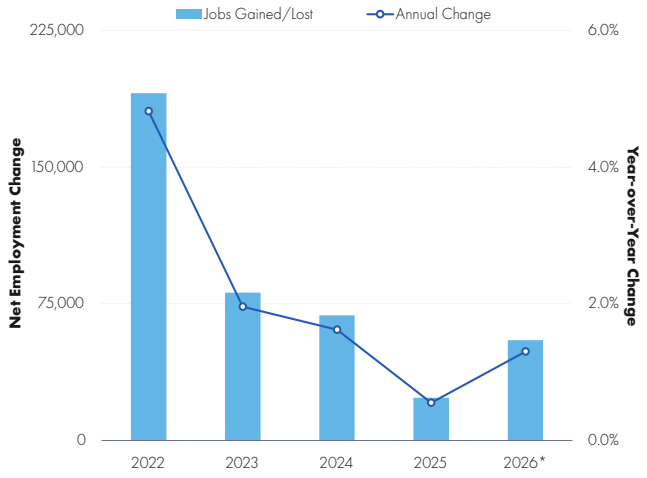
Sources: Northmarq, CoStar, Real Capital Analytics, Green Street

LOOKING AHEAD

Fundamentals in Dallas-Fort Worth are expected to strengthen into 2027. About 25,000 units are expected to come online this year, down more than 20% from the 2025 total and the smallest annual total in four years. Absorption has held firm as deliveries slow, with year-end vacancy projected near 6.2%, down 70 basis points year over year. Employers are expected to support new household formation by adding about 55,000 positions, expanding payrolls by 1.3% after a less robust period of net hiring in 2025. Following three consecutive quarters of rent gains, average rents should finish the year around $1,505 per month, marking the first annual increase since 2022. Annual rent growth is likely to persist in 2027. Leasing activity remains concentrated in the fast-growing northern suburbs, where heavy construction keeps concessions elevated, while limited new supply positions the Dallas urban core to lead rent performance.

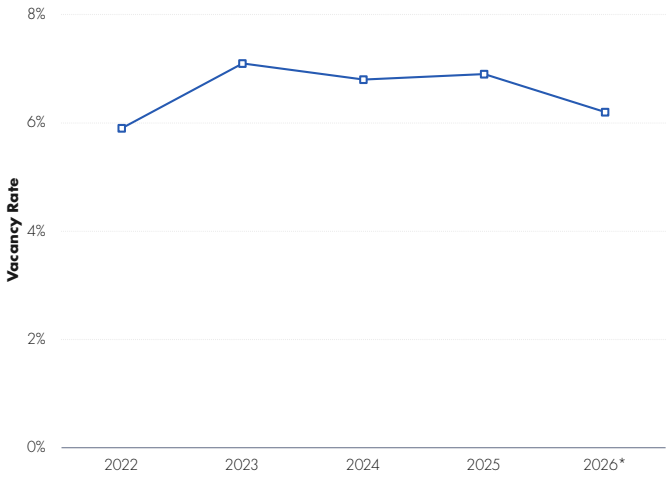
Fourth-quarter activity is expected to remain steady, although pricing pressure on older assets is likely to linger in 2027. Lender-driven sales are poised to grow as more bridge loans originated in 2021 and 2022 come due. Resales of properties bought during that peak rose to 14 in each of the second and third quarters, up from nine transactions in the first quarter. That pipeline should bring more value-add garden communities to market at cap rates near or above 5.5%, drawing renovation-focused buyers, particularly in Dallas and nearby suburbs. Newly completed mid-rise and garden properties are likely to continue trading after lease-up, as developers sell recent deliveries, including well-located Class A assets. Heading into 2027, improving fundamentals should support buyer demand across vintages, even as pricing remains bifurcated between discounted older assets and stable new construction.

EMPLOYMENT FORECAST



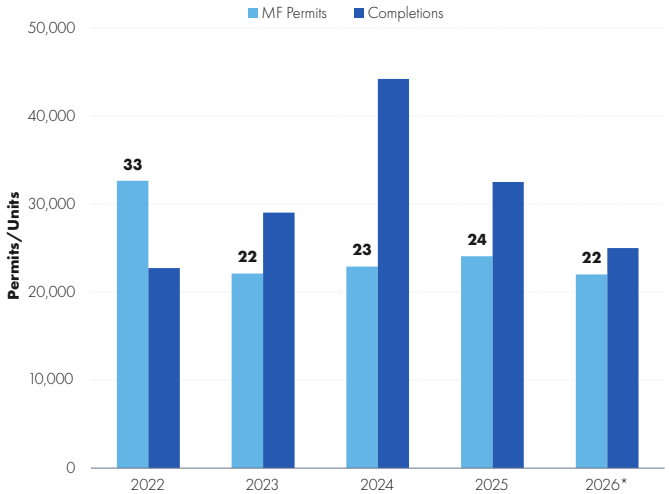
* Year-End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



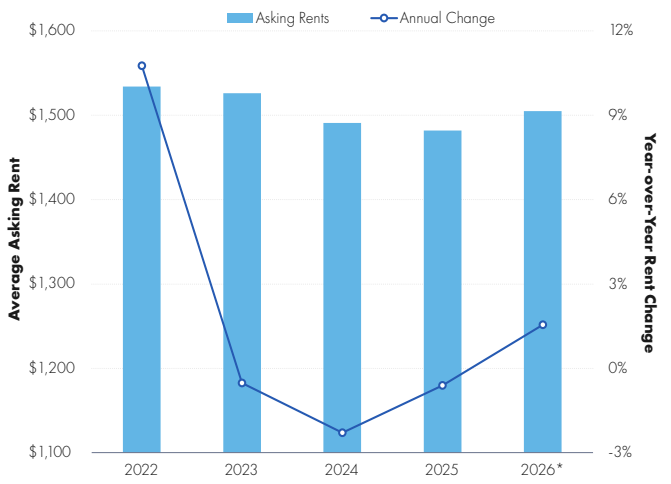
* Year-End Forecast
Sources: Northmarq, RealPage

CONSTRUCTION & PERMITTING FORECAST



* Year-End Forecast
Sources: Northmarq, Census Bureau, RealPage

RENTS FORECAST



* Year-End Forecast
Sources: Northmarq, RealPage

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