

# Sales volumes gain momentum to close 2024

## CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **50,542**

UNITS DELIVERED (YTD) **44,218**

## MARKET FUNDAMENTALS



VACANCY RATE **6.8%**

YEAR-OVER-YEAR CHANGE **-30bps**

ASKING RENTS **\$1,491**

YEAR-OVER-YEAR CHANGE **-1.5%**

## TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$169,000**

DALLAS-FORT WORTH  
MULTIFAMILY  
4Q 2024

## HIGHLIGHTS

- Renter demand proved to be particularly strong in the Dallas-Fort Worth multifamily market in 2024, with the greatest activity occurring during the fourth quarter. Net move-ins surpassed the number of units delivered during the year, pushing the area vacancy rate lower.
- Absorption reached a three-year high in the fourth quarter, with renters moving into a net of 14,700 units. For the full year, absorption totaled more than 44,400 units, slightly outpacing the number of new units that came online. In response to the heightened demand, vacancies fell 30 basis points to 6.8 percent in 2024.
- While vacancies have tightened, rents have been slower to gain traction. Rents ended the year at \$1,491 per month. Class A rents have been steadier, averaging \$1,884 per month in the fourth quarter.
- Multifamily investment volumes closed 2024 on an upswing. More properties sold in the fourth quarter than in any quarter in more than a year. In transactions where pricing was available, the median price reached \$169,000 per unit in 2024, while cap rates have shown signs of inching lower.

## DALLAS-FORT WORTH MULTIFAMILY MARKET OVERVIEW

After stabilizing in the middle part of the year, the Dallas-Fort Worth multifamily market posted healthy operational performance to close 2024. Vacancy dropped 40 basis points, the largest quarterly improvement in three years. This followed a more modest tightening that was recorded during the third quarter. The combined impact of vacancy declines in the second half of the year resulted in a calendar-year improvement for the first time since 2021, outperforming expectations and putting the market ahead of schedule. Improved property performance was fueled by surging levels of renter demand for units. Net absorption totaled more than 14,600 units in the fourth quarter, the highest three-month total since the 2021 peak. For the full year, net absorption totaled more than 44,400 units.

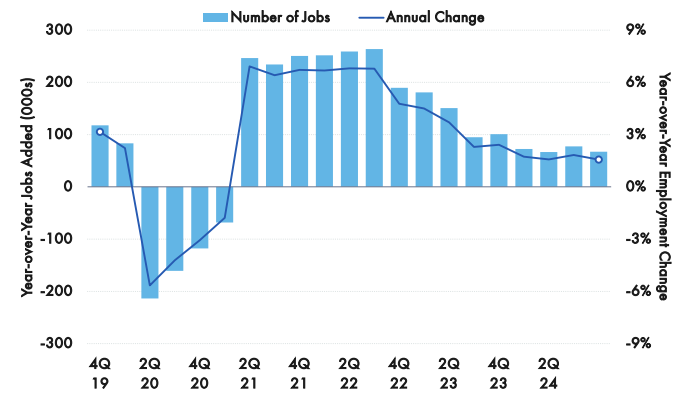
Multifamily investors demonstrated their positive sentiment surrounding the Dallas-Fort Worth market during the second half of the year. Transaction activity levels accelerated in both the third and fourth quarters, and per-unit prices pushed higher in transactions where pricing details were available. Investors responded to the accelerating renter demand for units, returning to the transaction market in greater numbers ahead of anticipated economic growth throughout the region. Transaction counts in the fourth quarter were slightly higher than the third quarter total, and sales for the full year was nearly identical to the 2023 figure. Cap rates have shown signs of compressing slightly in recent months, averaging approximately 5.25 percent for the year; a few more properties changed hands with cap rates at or below 5 percent during the fourth quarter.

## EMPLOYMENT

- Employers in Dallas-Fort Worth expanded payrolls by 1.6 percent in 2024, with the addition of 67,200 net new jobs. Since 2015, growth has averaged 2.8 percent per year and the local economy has added nearly 1 million workers.
- After posting an average annual growth rate of more than 3 percent over the past decade, hiring across the local construction sector slowed in 2024. Fewer than 5,000 construction jobs were added in the past year, a growth rate of 1.6 percent.
- In the fourth quarter, Taiwan-based Delta Electronics announced plans to significantly expand the company's footprint and workforce in Plano. Delta Electronics is planning to develop two new manufacturing facilities and an office building in the coming years, bringing the company's area workforce to 1,500 by 2031.
- FORECAST:** The local job market should gain momentum in 2025, and an estimated 80,000 jobs are expected to be added to payrolls. This would represent a 1.9 percent increase in total employment in the Metroplex and would closely track the average rate of expansion since the beginning of 2023.

*Since 2015, the local economy has added nearly 1 million workers.*

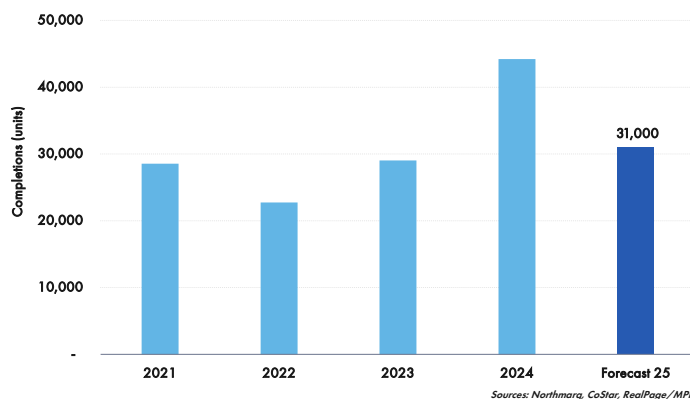
### EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

*Starts totaled approximately 21,000 units in 2024, 55 percent lower than in 2022.*

### DEVELOPMENT TRENDS



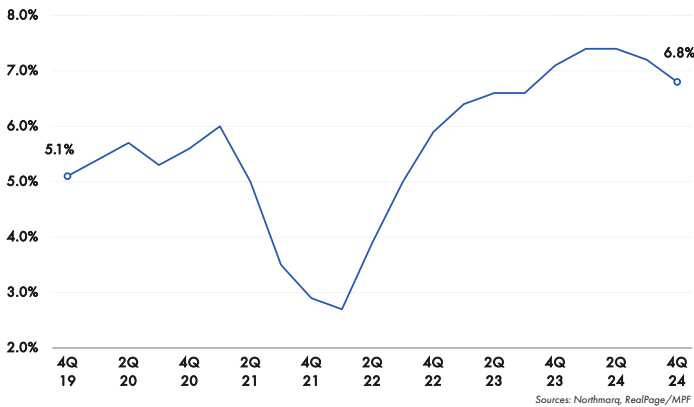
Sources: Northmarq, CoStar, RealPage/MPF

## DEVELOPMENT & PERMITTING

- Developers delivered projects totaling more than 44,200 units across Dallas-Fort Worth in 2024, although completions peaked during the second quarter and then slowed in the second half. Further slowing is anticipated; the market is scheduled to record a 30 percent annual reduction in deliveries in 2025.
- Starts have slowed considerably, and the construction pipeline has thinned from the peak levels recorded in early 2023. Properties totaling 50,242 units were under construction at the end of 2024, down 32 percent from one year earlier. Construction starts totaled approximately 21,000 units in 2024, 55 percent lower than the levels recorded in 2022.
- Multifamily permitting activity in 2024 was nearly identical to the 2023 total and 14 percent below the market's long-term trend. Developers pulled permits for nearly 23,000 multifamily units in 2024. During the fourth quarter, permits for projects totaling 5,600 units were issued.
- FORECAST:** Developers are on pace to complete approximately 31,000 multifamily rental units across Dallas-Fort Worth in 2025. The Allen/McKinney and Frisco submarkets will be the most active areas for deliveries in the year ahead.

*For the full year, vacancy dipped 30 basis points.*

#### VACANCY TRENDS



#### VACANCY

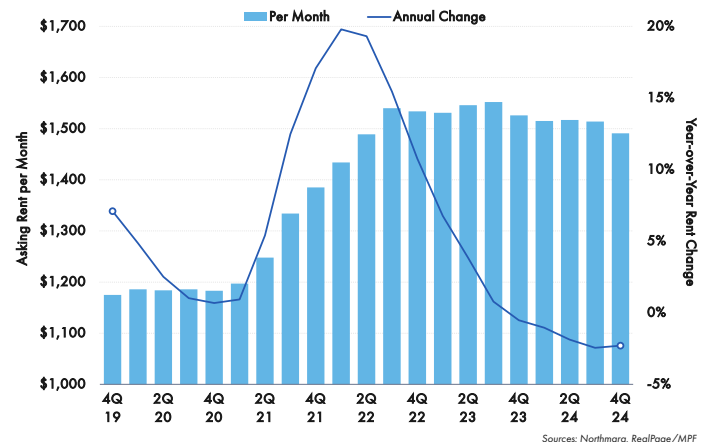
- Vacancies declined by 40 basis points to 6.8 percent in the final three months of the year, building on a smaller improvement from the third quarter. This marked the first back-to-back quarters of vacancy improvement in Dallas-Fort Worth since early 2022. For the full year, vacancy dipped 30 basis points.
- Net absorption accelerated throughout 2024, surging to nearly 14,700 units in the final three months of the year, the highest quarterly total since mid-2021. For the full year, net absorption reached more than 44,400 units, nearly identical to the total number of new units that came online.
- The Dallas segment of the market, which contains approximately 75 percent of the regional inventory, posted the strongest performance in 2024. Vacancy in Dallas-Plano-Irving dropped 60 basis points in 2024, ending the year at 6.4 percent. In Fort Worth-Arlington, the rate is 7.8 percent, 20 basis points higher than the level from one year ago.
- FORECAST:** With the pace of deliveries expected to slow by approximately 30 percent in 2025, vacancies should post a second consecutive year of improvement. Vacancy is forecast to drop 50 basis points to 6.3 percent.

#### RENTS

- While absorption has been elevated, operators in Dallas-Fort Worth continued to prioritize maintaining occupancy levels instead of pushing rents higher. Rents ended the year at \$1,491 per month.
- Class A rents remained within a tight range throughout 2024. Rents in the top tier ended the year at \$1,884 per month, down just 0.3 percent in the past 12 months. Class A rents average \$2.12 per square foot, per month, 26 percent higher than the overall market average.
- Rents in the Dallas-Plano-Irving portion of the market are about 10.5 percent higher than the average in Fort Worth-Arlington, although this gap narrowed slightly in the past year. Rents in Dallas-Plano-Irving ended 2024 at \$1,531 per month, while rents in the Fort Worth area are \$1,369 per month.
- FORECAST:** Rents are expected to rebound in 2025, rising 2.3 percent to \$1,525 per month, similar to year-end 2023 levels. Prior to the volatility recorded in recent years, the longer-term trend in the region is for rent growth of more than 3.5 percent per year.

*Rents ended the year at \$1,491 per month.*

#### RENTS TRENDS

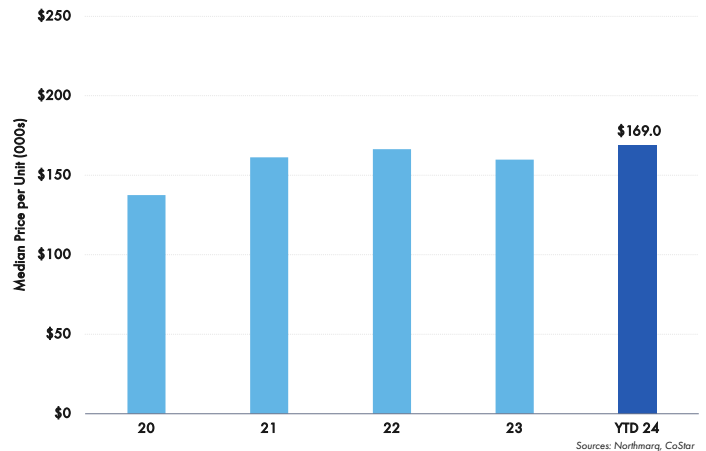


## MULTIFAMILY SALES

- Investors stepped up activity levels in Dallas-Fort Worth in the second half of 2024. Sales velocity in the second half of the year doubled transaction levels recorded during the first half. Transaction counts rose 8 percent from the third quarter to the fourth quarter.
- The surge in sales velocity in recent months brought total annual transaction activity in 2024 to nearly identical to the number of trades recorded in 2023. The momentum generated in the second half should carryover into the coming year.
- In transactions where pricing was available, the median price in 2024 reached \$169,000 per unit, 6 percent higher than the median price in 2023. Prices during the fourth quarter reached nearly \$180,000 per unit.
- Cap rates inched lower in the fourth quarter, as buyers moved more aggressively to acquire area properties. Cap rates ranged between 4.75 percent and 5.5 percent at the end of the year. The average cap rate in deals that closed in 2024 was 5.25 percent.

*The median price in 2024 reached \$169,000 per unit.*

### INVESTMENT TRENDS

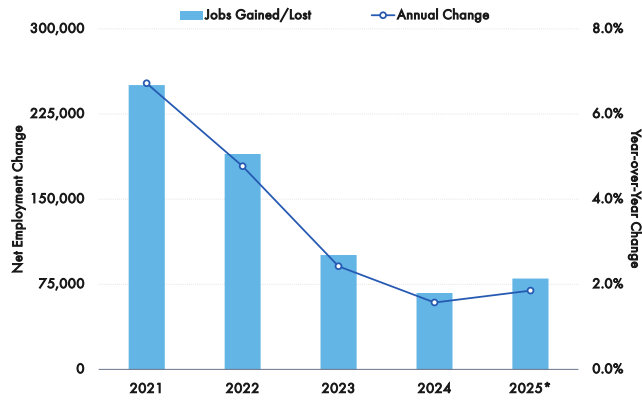


## LOOKING AHEAD

The Dallas-Fort Worth multifamily market is expected to gain momentum in 2025 and 2026 as the pace of deliveries slows and renter demand for units remains elevated. Developers are expected to complete about 30 percent fewer units in 2025 than they did in the prior year, and the construction will likely record additional slowing in subsequent years. Construction starts slowed by nearly 25 percent from 2023 to 2024, and the number of units that broke ground last year was down more than 55 percent from peak levels in 2022. While it may take a few more quarters to work through the projects that are already underway, supply-side pressures will ease as the development pipeline thins in the coming years. The primary result of the slowing pace of inventory growth will be a decline in the marketwide vacancy rate, and these tightening conditions should support modest rent growth in 2025 and a more rapid pace of increases in the following year.

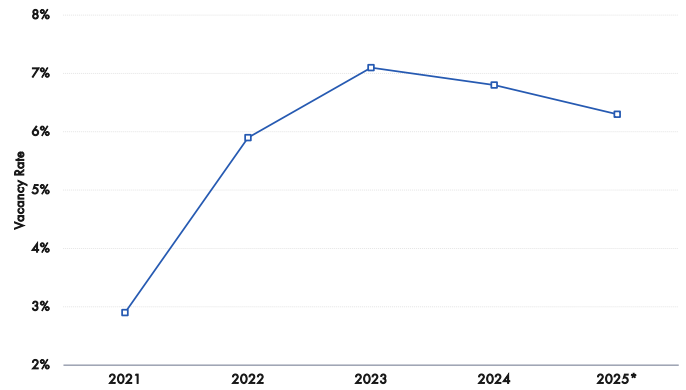
The rebound in Dallas-Fort Worth multifamily transaction volumes that was recorded in the second half of 2024 will likely serve as a springboard for accelerating sales velocity in the year ahead. While investors in local multifamily properties have been able to rely on elevated levels of net absorption during the past several years, there were some concerns about the potential for overbuilding that had dragged on investment activity in earlier quarters. Recent trends should alleviate these concerns, as the vacancy rate has already reached an inflection point, first by steadying at midyear and then by posting consecutive quarters of improvement in the second half of 2024. Investors will respond to this signal of operational health in the market. Looking ahead to 2025, anticipated increases in rental rates should serve as another driver of investment activity. With investors favoring newer properties in high-growth areas, the Dallas-Fort Worth region should be particularly active in the coming year.

## EMPLOYMENT FORECAST



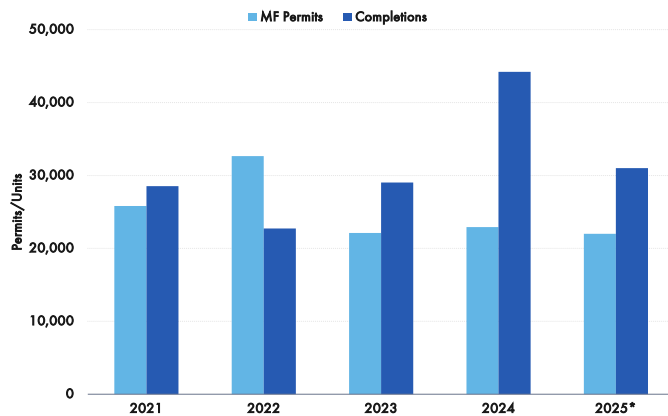
\* Year End Forecast  
Sources: Northmarq, Bureau of Labor Statistics

## VACANCY FORECAST



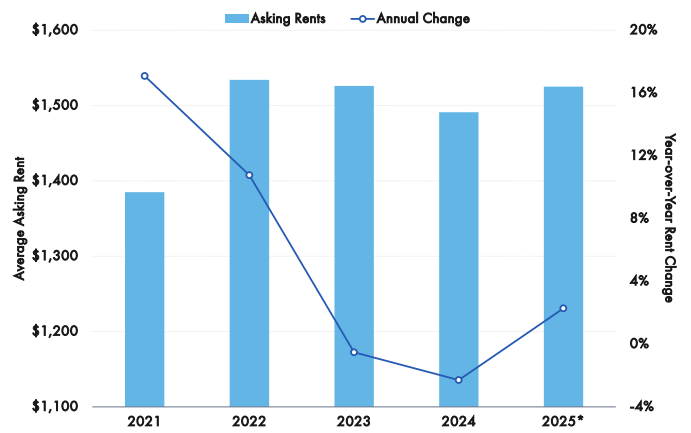
\* Year End Forecast  
Sources: Northmarq, RealPage/MPF

## 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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