

## MULTIFAMILY

Dallas-Fort Worth Metro Area

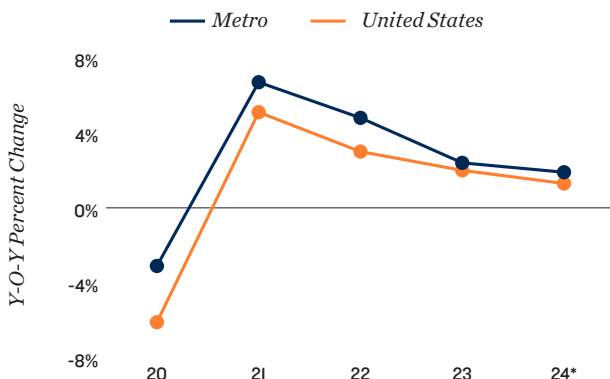
2Q/24

### Dallas Records Nation-Leading Apartment Demand; New Supply Escalates Concessions in Fort Worth

North Dallas suburbs off to a strong start. Metroplex net absorption surpassed 8,000 units during the first quarter of 2024, the largest total among major U.S. markets. Greater Dallas alone led the country during that span with a net absorption tally above 6,200 rentals. Standout submarkets here include Frisco-Prosper and Allen-McKinney — where net absorption eclipsed 1,000 units — as well as Lewisville-Flower Mound and Central-East Plano, with more than 600 doors taken up. Despite strong demand, none of these locations ranked in the top 10 locally for annual rent growth. That accomplishment was instead found closer to the urban core or in more rural outlying counties. Northwest and Southeast Dallas, as well as Oak Lawn-Park Cities and Zang Triangle-Cedars-Fair Park, all posted annual rent gains above 3 percent, while Ellis and Hunt counties registered the strongest growth among outlying areas.

Supply pressure is more pronounced in Fort Worth. In the first quarter of 2024, roughly 25 percent of units in Fort Worth-Arlington were offering concessions, compared to about 14 percent in Dallas-Plano-Irving. This aligns with inventory growth. Greater Fort Worth's apartment supply surged by 4.4 percent annually as of March, while Greater Dallas' stock rose by 3.4 percent. Areas with substantial new supply opening through the rest of 2024, likely motivating elevated concessions, include Intown Fort Worth-University, North Fort Worth-Keller and West Fort Worth-Parker County.

#### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

### Multifamily 2024 Outlook



82,000

JOB

will be created

#### EMPLOYMENT:

By Dallas-Fort Worth's recent standards, the 2024 job addition will be modest. Excluding 2020, this year's gain will be the smallest since 2017. Nevertheless, the Metroplex will lead all major markets on a national scope.



36,500

UNITS

will be completed

#### CONSTRUCTION:

This year's completion total shatters the prior record of 28,500 units set in 2021. Dallas-Fort Worth leads the country in new arrivals; however, inventory growth of 4.0 percent is ninth fastest among major markets.



70

BASIS POINT

increase in vacancy

#### VACANCY:

The historic supply influx lifts vacancy for a third straight year to 7.9 percent, the highest level since 2010. At the same time, net absorption is on track to surpass 27,000 units in 2024, which is the second-largest figure on record.



1.5%

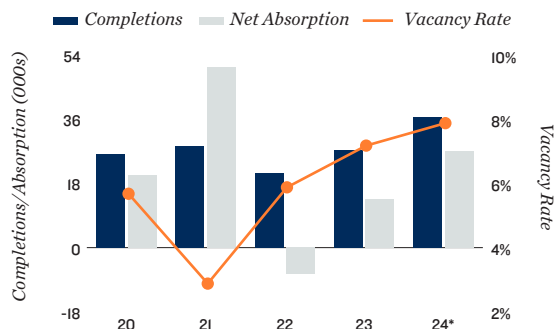
INCREASE

in effective rent

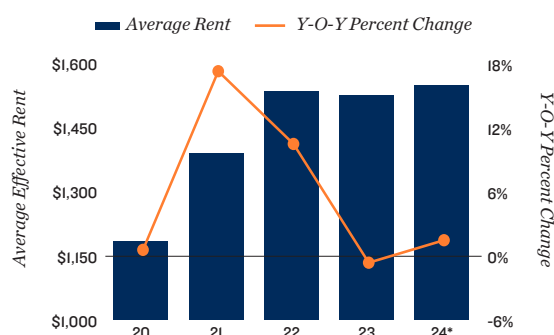
#### RENT:

Already evident in Fort Worth submarkets, the historic supply infusion accelerates concessions and pulls down rent growth. The average effective rate will nonetheless climb to \$1,548 per month in 2024.

## Supply and Demand



## Rent Trends



## Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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## 1Q 2024 - 12-Month Period



### CONSTRUCTION

**33,127** units completed

- At least 6,800 apartments opened in every quarter spanning the past year, capped off by a historic 10,700-unit addition from January through March 2024. This produced year-over-year inventory growth of 3.7 percent.
- Local supply surged by over 15 percent annually in Burleson-Johnson County, Rockwall-Rowlett-Wylie and West Fort Worth-Parker County.



### VACANCY

**90** basis point increase in vacancy Y-O-Y

- Among apartment segments, the 190-basis-point year-over-year lift to 8.2 percent within Class C units was the most severe increase. Conversely, a 50-basis-point rise to 6.7 percent in Class A was the smallest adjustment.
- Vacancy fell in Kaufman County, North Oak Cliff-West Dallas and Rockwall-Rowlett-Wylie. The latter achieved this despite robust supply growth.



### RENT

**1.2%** decrease in the average effective rent Y-O-Y

- Rent growth trends were uneven across apartment segments. The Class C tier posted a year-over-year gain of 3.1 percent, while Class A had a modest 1.2 percent bump. Meanwhile, the Class B average dipped 1.7 percent.
- Annual supply growth rates above 10.0 percent accompanied rent declines beyond 3.5 percent in Allen-McKinney and Rockwall-Rowlett-Wylie.

## Investment Highlights

- Based on preliminary estimates, transaction velocity during the first quarter of 2024 was down roughly 25 percent relative to the same three months of the prior year. Elevated borrowing costs remain a substantial challenge for penciling deals; however, recent cap rate decompression may help ease hurdles. During the yearlong period ending in March 2024, the average cap rate drifted up to 5.2 percent, marking the highest level since 2019. The mean sale price, meanwhile, fell to \$173,000 per unit. That is down about 3 percent from 2022's peak, yet still more than 40 percent ahead of 2019.
- Class A assets comprised a greater share of trades from January through March 2024 than they did during the first quarter of 2023, reflecting opportunities that an ongoing supply wave creates for risk-tolerant investors. Higher-end properties are changing hands most frequently in north and east Dallas suburbs like Plano, Allen-McKinney, Mesquite and Garland.
- Despite a relative increase in luxury deals, more than half of all first quarter trades featured Class C apartments. Popular locations include several urban areas like East Dallas, Oak Cliff and Arlington. Sub-20-unit assets were favored in the Dallas core, while properties were larger in Arlington.