

Dallas Fort-Worth IQ 2024 Market Report

MARKET SNAPSHOT



AVERAGE RENT
\$1,503 IQ 2024



IQ 2024 RENT CHANGE
-1.7%



OCCUPANCY RATE
91.6% IQ 2024



ANNUAL OCCUPANCY CHANGE
-120 BASIS POINTS



TOTAL OPERATING EXPENSE ANNUAL CHANGE
6.6% (FEB 2024)



NET OPERATING INCOME ANNUAL CHANGE
1.9% (FEB 2024)

KEY TAKEAWAYS

- **Demand Healthy but Offset by Supply:** DFW area renters absorbed 4,983 units in the first quarter of the year, aligning closely with pre-pandemic demand levels for the same period. Despite this rebound, a persistent supply-demand imbalance continues to constrain operators' ability to raise rents.
- **Construction Activity Moderates:** Permitting and construction starts in DFW are on the decline; after peaking at over 30,000 units, they've tapered to 24,000 units last year, according to Census Bureau data.
- **Economic Activity Remains Robust:** DFW's real GDP, adjusted for inflation, reached \$592.5 billion in the most recent year, ranking it third nationally with a growth rate of 5.7%.

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

Supply & Demand

IQ 2024

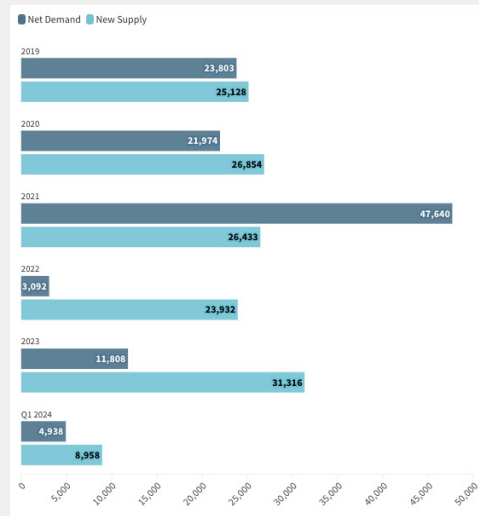


4,938 Units
QUARTERLY DEMAND



8,958 Units
QUARTERLY COMPLETIONS

Annual Demand Vs Completions



▲ A Flourish chart

Demand Trends

Demand in the Dallas-Fort Worth multifamily market is rebounding as it enters the historically strong spring leasing season. In the first quarter of 2024, renters absorbed 4,983 units, roughly matching pre-pandemic demand patterns for the same period. Despite this rebound, a persistent supply-demand imbalance continues to limit operators' ability to increase rents. Demand has risen across all rental classes, with dynamic growth concentrated in suburban submarkets. Areas like Frisco/Prosper, Allen/McKinney, and North Fort Worth have driven much of this growth, collectively accounting for a third of the market's demand over the past year. These submarkets have played a crucial role in stabilizing the overall market.

Construction Trends

While many comparable markets are experiencing supply-side pressures, Dallas-Fort Worth remains relatively insulated. Permitting activity and construction starts are tapering off; after peaking at over 30,000 units, tapering off to 24,000 units last year, according to the latest Census Bureau data. With construction levels declining and demand stabilizing, vacancies and rent growth in Dallas-Fort Worth are expected to recover more quickly than in peer markets in the southeast. Currently, there are 53,000 units under construction in Dallas-Fort Worth, accounting for 5.8% of the existing inventory. Construction activity is particularly concentrated in the northern suburban areas, following the demographic and economic growth trends of the metroplex.

Occupancy & Rent Trends



A Flourish chart

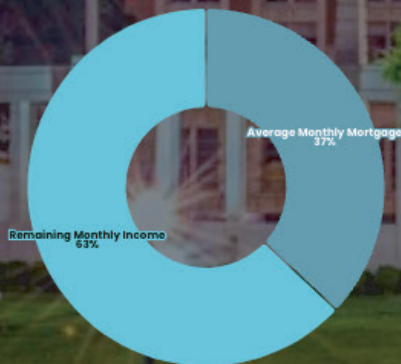
OCCUPANCY TRENDS

Occupancy levels in the Dallas/Fort Worth (DFW) metro area have been impacted by a recent surge in housing supply, leading to a 120-point year-over-year decline and a minor 10-point drop over the quarter, resulting in an average market occupancy rate of 91.6%. Occupancy rates across the Metroplex's submarkets showed significant variation, ranging from a low of 85.7% in East Fort Worth to a high of 94.6% in Grapevine. Notably, Grapevine and Uptown/Park Cities were the only two submarkets to record positive annual improvements in occupancy levels, increasing by 10 points and 30 points, respectively. In terms of property segments, there has been a resurgence of demand in the mid-tier, Class B segment, with renters showing increased activity in the first quarter. Despite this uptick, the occupancy rate for mid-tier properties remains relatively high at around 89%.

RENT TRENDS

In the Dallas/Fort Worth metro, rent rates have slightly decreased by 0.3% on a quarterly basis, with a year-over-year drop of 1.7%, setting the average rent at \$1,503. This decline is primarily due to a record number of completions in 2023. However, rents are expected to rebound into positive territory by the end of the year, with a projected fourth quarter year-over-year rent change of 0.8%, as the supply from new developments begins to stabilize. Among the forty-one submarkets, only nine experienced annual increases in rental rates. This disparity is evident as year-over-year increases reached as high as 5.4% in the Northeast Outlying submarket, while the West Dallas submarket saw a 3.1% decline. The variation in rent growth performances is notably stratified by property class, with high-end, Class A properties experiencing the most pronounced declines in average rents, reflecting their greater sensitivity to the pricing pressures from new competition.

MONTHLY MORTGAGE AS A SHARE OF INCOME



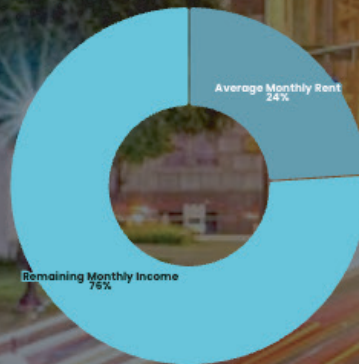
A Flourish chart



\$2,310

Average Monthly Mortgage Payment

MONTHLY RENT AS A SHARE OF INCOME



A Flourish chart



\$1,503

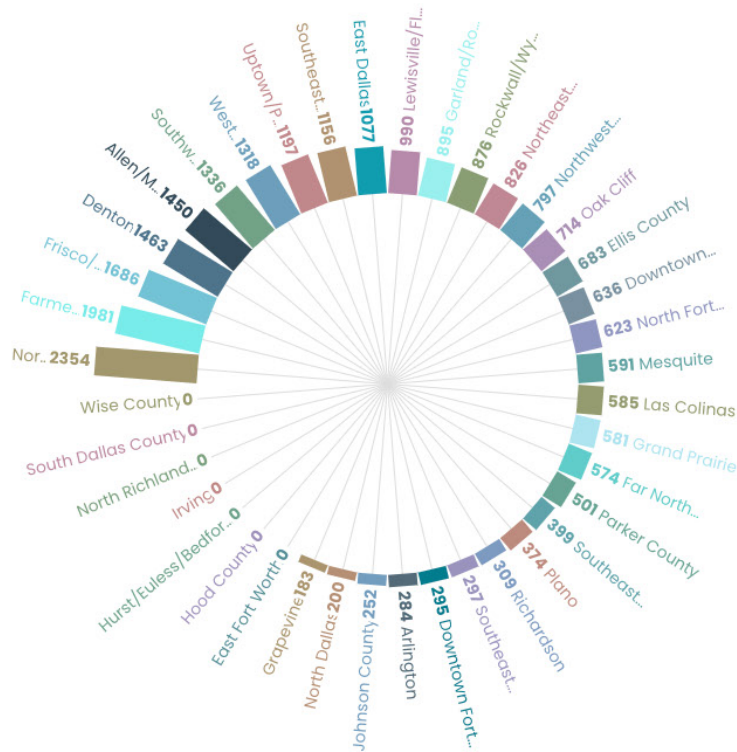
Average Monthly Rent

Submarket Rent & Occupancy

Submarket	Q1 2024 Occupancy	Annual Occupancy Change	Q1 2024 Effective Annual Rent Growth	Q1 2024 Effective Rent/Unit
Allen/McKinney	93.1%	-0.6%	-3.4%	\$1,598
Arlington	89.6%	-1.7%	-0.6%	\$1,307
Denton	92.1%	-1.7%	-0.3%	\$1,417
Downtown Dallas	90.7%	-1.2%	-2.5%	\$2,247
Downtown Fort Worth	89.9%	-1.1%	-1.6%	\$1,715
East Dallas	91%	-1.6%	-1.6%	\$1,482
East Fort Worth	85.7%	-0.4%	0.5%	\$1,161
Ellis County	92.6%	-0.4%	1.4%	\$1,514
Far North Dallas	91%	-2%	-2.3%	\$1,450
Farmers Branch/Carrollton	92.9%	-1%	-2.3%	\$1,546
Frisco/Prosper	92.8%	-1.4%	-3.6%	\$1,738
Garland/Rowlett	92.1%	-0.6%	-2.1%	\$1,410
Grand Prairie	90.8%	-1.1%	-1.6%	\$1,440
Grapevine	94.6%	0.1%	-0.9%	\$1,710
Hood County	93.6%	-2.1%	5.4%	\$1,295
Hurst/Euless/Bedford	93.3%	-1.3%	-0.3%	\$1,411
Irving	91.9%	-1.7%	-0.1%	\$1,257
Johnson County	93.2%	-0.7%	-2.2%	\$1,317
Las Colinas	92.9%	-0.7%	-1.9%	\$1,683
Lewisville/Flower Mound	92.9%	-1.5%	-1.2%	\$1,562
Mesquite	90%	-1.5%	2.2%	\$1,215
North Dallas	93.1%	0%	-3.1%	\$1,572
North Fort Worth	92.4%	-1.1%	-1.2%	\$1,635
North Richland Hills/Haltom City	92.4%	-0.3%	2.2%	\$1,382
Northeast Outlying	88.4%	-1.6%	5.4%	\$1,035
Northwest Dallas	91.5%	-1.1%	-0.4%	\$1,448
Northwest Fort Worth	90.2%	-1.8%	-1.8%	\$1,432
Oak Cliff	90.3%	-1.1%	-0.4%	\$1,316
Parker County	92%	-1.5%	-0.9%	\$1,440
Plano	93.1%	-0.4%	-2.2%	\$1,683
Richardson	91.2%	-2.2%	-1.6%	\$1,258
Rockwall/Wylie	91.3%	0%	-1.3%	\$1,584
South Dallas County	90%	-1.9%	0.1%	\$1,355
Southeast Dallas	90%	-0.8%	1.3%	\$1,258
Southeast Fort Worth	92.8%	-0.6%	-2.1%	\$1,440
Southeast Outlying	93.4%	-2.1%	3.2%	\$1,378
Southwest Fort Worth	89.8%	-1.4%	-1.1%	\$1,341
Uptown/Park Cities	93.4%	0.3%	-1.2%	\$2,424
West Dallas	89.9%	-3.1%	-2.6%	\$1,799
Wise County	93.2%	-2.1%	2.9%	\$1,440

Submarket Construction Pipeline

Units UC Delivering In the Next 4 Quarter



A Flourish hierarchy chart

Submarket	Units UC Delivering In the Next 4 Quarters	Under Construction Units	% of Total Market Wide UC
Allen/McKinney	1,450	4,535	8.5%
Arlington	284	682	1.3%
Denton	1,463	4,559	8.5%
Downtown Dallas	636	1,051	2%
Downtown Fort Worth	295	302	0.6%
East Dallas	1,077	1,804	3.4%
East Fort Worth	0	666	1.2%
Ellis County	683	1,009	1.9%
Far North Dallas	574	1,279	2.4%
Farmers Branch/Carrollton	1,981	2,773	5.2%
Frisco/Prosper	1,686	7,340	13.7%
Garland/Rowlett	895	2,824	5.3%
Grand Prairie	581	598	1.1%
Grapevine	183	200	0.4%
Hood County	0	0	0%
Hurst/Euless/Bedford	0	0	0%
Irving	0	0	0%
Johnson County	252	264	0.5%
Las Colinas	585	1,069	2%
Lewisville/Flower Mound	990	1,039	1.9%
Mesquite	591	974	1.8%
North Dallas	200	213	0.4%
North Fort Worth	623	663	1.2%
North Richland Hills/Haltom City	0	0	0%
Northeast Outlying	826	834	1.6%
Northwest Dallas	797	987	1.8%
Northwest Fort Worth	2,354	3,342	6.3%
Oak Cliff	714	1,137	2.1%
Parker County	501	510	1%
Plano	374	714	1.3%
Richardson	309	734	1.4%
Rockwall/Wylie	876	2,915	5.5%
South Dallas County	0	0	0%
Southeast Dallas	399	429	0.8%
Southeast Fort Worth	1,156	1,687	3.2%
Southeast Outlying	297	300	0.6%
Southwest Fort Worth	1,336	2,876	5.4%
Uptown/Park Cities	1,197	1,561	2.9%
West Dallas	1,318	1,540	2.9%
Wise County	0	0	0%
Total	27,483	53,410	100%

A Flourish table

Sales Activity

Transaction activity in the Dallas-Fort Worth area has slowed, with the total sales volume dropping to \$5.4 billion over the last 12 months from \$7.8 billion during the corresponding period in 2023. Diminished rent growth has affected investor returns, making it difficult to counterbalance the effects of increasing interest rates with high performance gains. Currently, the market is experiencing adjustments in pricing driven by divergent expectations between buyers and sellers, exacerbated by rising capital costs, reduced demand over the past year, and excessive supply in specific sectors of the Metroplex. In the most recent quarter, deal volume for single asset traded conventional multifamily totaled \$680 million, closely matching the figure from the same period last year. Individual deal activity remained stable, with 24 assets traded from January through March 2024, compared to 23 in the previous year. This suggests that while market activity has cooled over a longer period, it has potentially reached a stabilization point and could begin to rise as the gap between bid and ask prices narrows.

▲ Most Active Buyers (Previous 24 Months)

- Post Investment Group
- Knightvest Capital
- Weidner Apt Homes
- AvalonBay
- Benjamin E Sherman & Sons Inc

▲ Most Active Sellers (Previous 24 Months)

- Cortland
- Nitya Capital
- Provident Realty Advisors
- Intercapital
- Madera Equity

*Most Active Buyers and Sellers are based on the sale volume of apartment units.

TRANSACTION VOLUME

\$680.5M

YTD Transaction Volume

-0.2%

Y-O-Y Change

24 YTD

Individual Transaction Count

\$202.6k*

Price Per Unit

8.1%

Annual PPU Change

* Trailing 4Q average PPU

* Preliminary Data from RCA - Individual transaction \$2.5M +

Income & Expense Analysis

Please note that the income and expense data presented in this section is sourced from third-party providers. Our firm does not provide any warranty or guarantee as to the accuracy or reliability of this information. We recommend that users exercise their own discretion and professional judgment when interpreting and utilizing this data.

Income & Expenses

— Operating Income Metrics

Income Assumptions	Value / Unit	Year Change (%)
Occupancy (%)	92.30%	-1.6%
Rental Income / Occupied Unit	\$1,466.79	6.1%
Recoverable Expenses / Occupied Unit	\$84.16	9.2%
Other Income / Occupied Unit	\$91.70	1.9%
Total Income / Occupied Unit	\$1,642.64	6.0%
Rental Income	\$1,351.29	4.4%
Recoverable Expenses	\$77.51	7.4%
Other Income	\$84.46	0.2%
Total Income	\$1,513.26	4.3%

— Operating Expense Metrics

Operating Expenses	Value / Unit	Year Change (%)
Payroll	\$136.38	6.4%
Repairs & Maintenance	\$45.55	8.2%
Leasing	\$51.05	5.0%
General	\$39.78	6.1%
Marketing & Advertising	\$20.39	11.5%
Repairs & Maintenance	\$102.39	8.5%
Cleaning	\$16.86	6.5%
Roads & Grounds	\$17.11	6.6%
General	\$68.43	9.4%

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Administrative	\$42.16	7.9%
Security	\$6.31	17.2%
General	\$35.85	6.4%
Management Fees	\$46.02	4.4%
Utilities	\$98.66	5.0%
Electric	\$17.89	7.4%
Gas	\$3.12	-27.4%
Water/Sewer	\$77.65	6.4%
Real Estate & Other Taxes	\$277.77	2.6%
Insurance	\$60.32	28.4%
Other Operating Expenses	\$3.44	
Total Operating Expense	\$787.53	6.6%
— Net Operating Income		
	Value / Unit	Year Change (%)
Net Operating Income	\$725.74	1.9%

Market Outlook

Dallas-Fort Worth (DFW) remains one of the most dynamic multifamily markets in the U.S., fueled by strong apartment demand. By the end of the year, expected increases in demand and a slowdown in construction are projected to stabilize occupancy rates and initiate positive rent growth. By 2025, rental performance in DFW is anticipated to revert to the historical levels seen in the pre-pandemic era. This outlook is particularly notable given broader concerns about U.S. economic growth, highlighting DFW's resilience and capacity to outperform. The region has seen a recent 5.7% increase in GDP, ranking it third highest nationally. Significant developments are underway, especially in the financial sector, with major new regional campuses being developed by Goldman Sachs and Wells Fargo, and the relocation of Charles Schwab's headquarters to Tarrant County, further cementing DFW's status as a major business hub. With its competitive costs, strategic location, and continuous population growth, DFW remains a prime area for sustained residential and commercial demand.

Sources: BLS; MSCI; Yardl Matrix; Costar.

TO GAIN FURTHER INSIGHTS INTO THE DALLAS FORT-WORTH MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



Mike Watson

Managing Director / Director of Revenue Production

mike.watson@mmgrea.com



Michael Moffit

Managing Director

michael.moffit@mmgrea.com



Nathan Allison

Associate

nathan.allison@mmgrea.com

