ANNUAL REPORT 2025: MULTIFAMILY

The Dallas Fort Worth multifamily market entered 2026 in a period of recalibration following one of the most active development cycles in its history. A combination of strong population inflows, corporate relocations, and favorable financing conditions earlier in the cycle encouraged elevated construction levels, resulting in a significant volume of new deliveries over the past several years.

As these projects reached completion, the market temporarily shifted into a supply-heavy environment. While this has created short-term pressure on operating fundamentals, the region's long-term growth drivers remain intact. Steady in-migration, a diverse employment base, and continued household formation continue to support renter demand, positioning the market to gradually rebalance as construction activity slows. According to CoStar, Dallas Fort Worth remains one of the nation's most active multifamily markets in both development and absorption.

RENT

Rent performance continues to reflect the competitive dynamics created by recent supply additions. Annual rent growth remains negative as operators prioritize occupancy and market share over rate expansion. Concessions are widely utilized, particularly among recently delivered Class A properties, where free rent and move-in incentives have become standard tools to accelerate lease-up. This has compressed effective rents even where asking rents have remained relatively stable.

However, the pace of rent decline has begun to moderate. Seasonal leasing patterns have shown incremental improvement as demand absorbs more of the recent inventory. Operators are increasingly focused on reducing concessions rather than further cutting face rents, signaling early stabilization. Rent performance also varies by asset quality. Newer properties have faced the greatest pressure due to direct competition, while well-located, mid-tier assets with established tenant bases have demonstrated comparatively steadier performance. As the development pipeline contracts, landlords are expected to gradually regain pricing leverage, supporting rent stabilization before a return to positive growth.

VACANCY

Vacancy remains elevated relative to historical norms, hovering near the low-double-digit range, reflecting the cumulative impact of recent deliveries. Although Dallas Fort Worth led the nation in nominal renter demand in recent years, absorption has not fully matched the pace of new supply. This imbalance has resulted in extended lease-up timelines for many properties and sustained competitive pressure across several submarkets.

Vacancy trends vary geographically. Suburban nodes that experienced concentrated development activity, including areas in Collin and Denton counties, have seen more pronounced vacancy expansion. These submarkets benefited from strong lifestyle appeal and school districts that attracted both residents and developers, but the clustering of deliveries has created short-term oversupply. Conversely, supply-constrained urban and infill neighborhoods with higher barriers to entry have maintained relatively tighter occupancy.

The outlook for vacancy is gradually improving. As construction activity declines and absorption continues, the supply-demand gap is expected to narrow. Vacancy is projected to peak and begin trending downward as the market transitions toward balance.

CONSTRUCTION

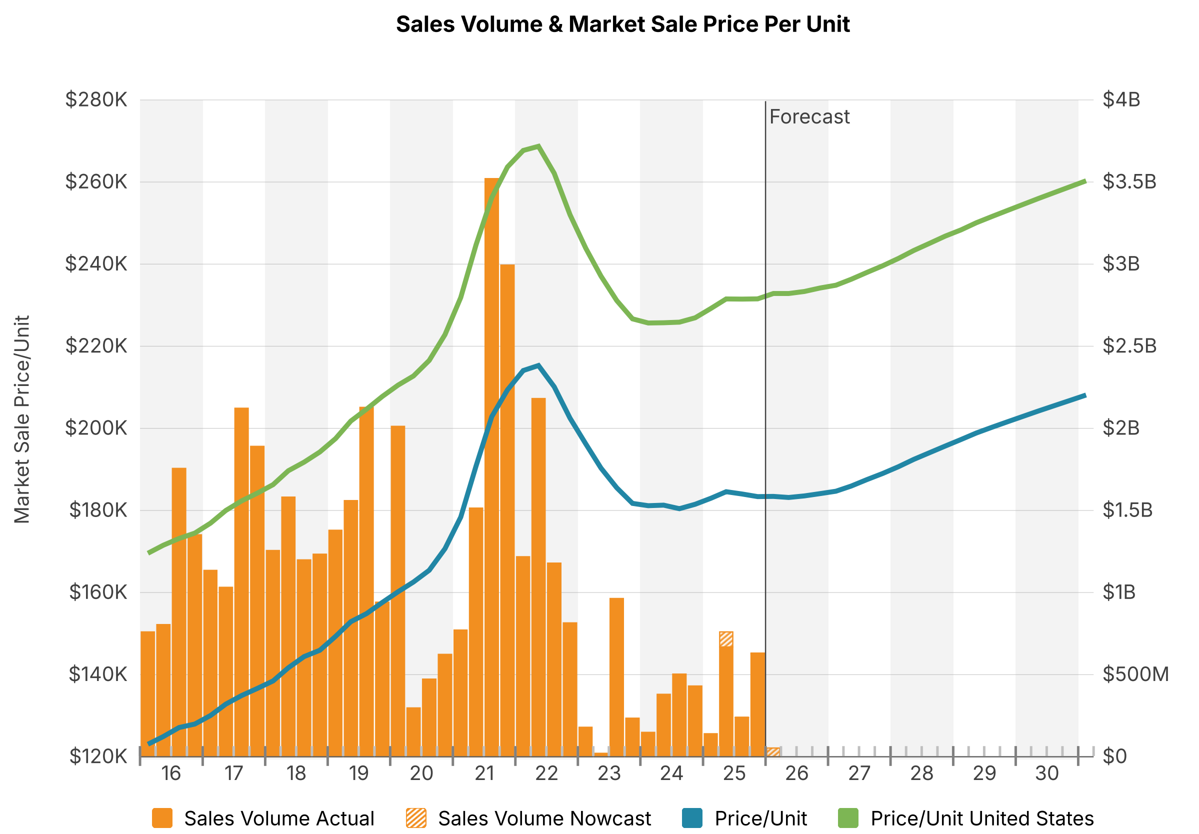
Construction trends represent the most important turning point in the market's outlook. Development activity has slowed considerably as higher interest rates, tighter lending standards, and more conservative underwriting assumptions reduce new starts. Units underway have fallen to levels not seen in nearly a decade, marking a decisive shift from expansion to moderation.

This slowdown is critical for restoring equilibrium. With fewer projects entering the pipeline, the volume of future deliveries is expected to decline materially. The reduction in forward supply should allow existing inventory to be absorbed more efficiently, supporting occupancy gains and rent stabilization. Developers remain selective, focusing on submarkets with strong demographic tailwinds, but overall construction volume is expected to remain well below recent peaks for the foreseeable future.

SALES

Investment activity has begun to recover as pricing expectations adjust and capital markets conditions stabilize. Transaction volume improved over the past year, reflecting increased clarity around asset performance and a more balanced view of risk. Buyers remain selective, emphasizing basis, location quality, and long-term supply dynamics.

Cap rates have expanded from prior lows, particularly for assets with near-term lease-up exposure or operational volatility. However, newer, well-located properties with strong fundamentals continue to attract competitive interest. Private investors remain active participants, while institutional capital is re-entering selectively as confidence in market stabilization grows.



2026 OUTLOOK FOR DFW'S MULTIFAMILY MARKET

The Dallas Fort Worth multifamily market is moving from a supply-driven imbalance toward a more sustainable equilibrium. Near-term conditions remain competitive, but the most significant headwind — elevated construction — is receding. Reduced development activity, combined with continued population growth and economic expansion, provides a constructive foundation for recovery.

Vacancy is expected to gradually improve, concessions should moderate, and rent performance is projected to stabilize before returning to growth. While the path to full recovery may extend through 2026 and beyond, the region's structural demand drivers position Dallas Fort Worth for renewed multifamily performance as the current supply cycle clears. According to CoStar, these trends underscore a market transitioning from correction to stabilization, with long-term fundamentals remaining favorable.

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