

# MULTIFAMILY INSIGHTS REPORT

Dallas-Fort Worth

July / August 2024

## DFW Occupancy & Rental Rates

as of July 15, 2024

| YOC       | Occ Rate | T-12    | Absorption |
|-----------|----------|---------|------------|
| 1800-1949 | 89.0%    | 2.1%    | 15         |
| 1950-1969 | 88.4%    | -0.3%   | -35        |
| 1970-1979 | 90.3%    | -1.4%   | -243       |
| 1980-1989 | 88.8%    | -2.4%   | -498       |
| 1990-1999 | 92.8%    | -0.5%   | -145       |
| 2000-2019 | 92.5%    | -1.3%   | -352       |
| 2020-2024 | 59.3%    | -11.1%* | 1,170*     |
| All       | 89.9%    | 0.4%    | 393        |

  

| YOC       | Eff Rate | T-12  | YoY Δ  |
|-----------|----------|-------|--------|
| 1800-1949 | \$1,208  | 0.8%  | \$10   |
| 1950-1969 | \$1,218  | 2.8%  | \$34   |
| 1970-1979 | \$1,229  | -1.0% | (\$12) |
| 1980-1989 | \$1,250  | -4.3% | (\$57) |
| 1990-1999 | \$1,601  | -4.0% | (\$66) |
| 2000-2019 | \$1,795  | -3.7% | (\$70) |
| 2020-2024 | \$1,844  | 1.7%* | \$32*  |
| All       | \$1,538  | -1.5% | (\$23) |

\*vs. 6 months end of January 2024 Source: ALN, 20+ units, excludes Senior and Student

## UNEMPLOYMENT & WAGES

- DFW, TX unemployment rate is at 3.60% (as of May 2024), compared to 3.40% last month and 3.60% last year. This is nearly 36% lower than the long-term average of 5.16%.
- Average weekly wages for all industries by county, third quarter 2023 (U.S.=\$1,435; DFW Area = \$1,533)

| County  | Avg. Weekly Wages |
|---|-------------------|
| Dallas, Collin, Tarrant, Somervell              | \$1,300 or more   |
| Wise, Denton                                    | \$1,200-\$1,299   |
| Hunt, Parker, Johnson, Ellis, Kaufman, Rockwall | \$1,100-\$1,199   |
| Hood  | \$1,099 or less   |

Source: U.S. BLS, Quarterly Census of Employment and Wages.

## RISING DISTRESS IN MULTIFAMILY SECTOR

- The multifamily sector is experiencing increased distress as debt from a period of ultra-low interest rates comes due.
- Distress rates for single-borrower, large multifamily properties have surged 185% in the past six months, rising from 2.6% to 7.4% according to commercial real estate data-analytics platform CRED IQ
- Approximately \$669 billion in multifamily loans, including CMBS debt, is set to mature between 2024 and 2026.
- The distress is largely attributed to 2021-2022 loans when property values were high and interest rates low. Current higher interest rates have significantly increased debt service costs.
- Many distressed loans are linked to less experienced investors who took on high leverage for their value-add strategy. These borrowers are struggling with the jump in interest rates from 3% to 9%.
- The sector's future depends on interest rate trends and economic conditions. Despite potential Fed rate cuts, distress levels are expected to continue rising in the near term.

## DFW TRANSACTIONS

- DFW multifamily asset transactions totaled \$586 million through May 2024, with ongoing high capital costs hindering activity for both equity and debt.
- Over half of the transactions occurred in North Dallas (\$334 million), followed by Fort Worth (\$155 million) and suburban submarkets (\$96 million).
- Top Submarkets for Transaction Volume (From June 2023 to May 2024)

| Submarket        | Volume (\$MM) |
|------------------|---------------|
| Arlington-North  | 176           |
| Dallas-Uptown    | 169           |
| Celina           | 127           |
| Dallas-Northwest | 124           |
| Plano-West       | 117           |
| Mansfield        | 107           |
| Irving-South     | 102           |

## JOB GROWTH

- Texas experienced a slight decrease in nonfarm employment, with a loss of 1,200 jobs in June, falling from 14,190,000 to 14,188,800.
- Despite the monthly decline, Texas' nonfarm job count increased by 267,400 positions compared to June 2023.
- The state's labor force grew by 49,100 people in June, reaching a record high of 15,311,500.