GREA

Market Insights

Dallas-Fort Worth/Summer 2025

Intro

Mid-Year Reset: DFW Multifamily Finds Its Rhythm

by Mark Allen, Executive Managing Director, Dallas

After two years of pricing resets, rent softness, and capital market volatility, the DFW multifamily market is showing signs of stability and renewed momentum. Investor confidence is returning, distressed headlines remain isolated, and sales volume is tracking ahead of last year. While pricing discovery is still underway, more groups are entering the market with conviction, armed with realistic assumptions and clarity on where value exists.

At the same time, operational fundamentals are slowly improving. Rent declines are moderating, leasing velocity is stabilizing, and new construction starts have fallen sharply. Though challenges remain, particularly in refinance risk, equity recapitalizations, and asset-level stress, the market is more navigable today than it was 12 months ago.

Transaction Momentum

- **Sales Velocity Rebounding**: DFW multifamily recorded 86 transactions totaling $4.2B through mid-year 2025, already surpassing H1 2024 and on pace to exceed full-year totals. Deal count rose 16% YoY despite tighter underwriting.
- **Off-Market Activity Returns**: Off-market velocity rebounded to 26 transactions, driven by institutional quality assets, REO sales, and sellers quietly testing buyer appetite without public listings. Notably, several previously listed deals sold after new broker/buyer combinations emerged.

GREA's Market Leadership

- **Most Active Team in DFW**: GREA's Dallas team has closed 26 transactions year-to-date, maintaining the region's highest volume by deal count. This represents a 75% list-to-close ratio across exclusively marketed deals.
- **Special Situations Strength**: GREA has led several of 2025's most complex transactions, including REO deals, distressed sales, and creative financing structures.

Distress and Maturity Trends

- **Foreclosures Are Ticking Up**: Only 8 foreclosures were recorded through mid-year, though this underrepresents the true level of distress.
- **Quiet Takeovers Rising**: Several deals transferred through preferred equity enforcement often without a formal default event.
- **Watchlist Momentum Building**: CMBS watchlist volume has increased each quarter, with over $500M flagged in Q2 alone. Many of these assets face maturing debt and NOI erosion.
- **2025's Maturity Wall**: More than $1B in loans are set to mature in the second half of 2025, with the greatest risk concentrated in older product with floating-rate exposure.

Off-Market Pricing Insights

- Return of Discreet Deals: Unlike 2024, off-market activity is no longer dominated by bid-ask avoidance.
- Price Differentials by Vintage for Off-Market Sales:
  - **1980s**: ~13% below listed peers
  - **1970s**: ~18% discount
  - **2010s**: Some traded at par or premium due to institutional or REO execution

Policy & Regulatory Watch: HFCs in Flux

- **HB21 introduced a major shift**, threatening the long-term viability of many Housing Finance Corporations. However, a proposal by Rep. Gary Gates may preserve the model if strict rent caps are codified and enforced. Further legislative clarification is expected by year-end.

Looking Ahead

Bid-ask spreads are narrowing, rent expectations are stabilizing, and capital is re-engaging. With more maturity-driven sales, equity restructurings, and stabilized opportunities coming to market, the second half of 2025 is shaping up to be the most active window since early 2022. GREA remains committed to helping clients move with precision, whether navigating distress, seeking value-add upside, or building long-term portfolios across Texas and beyond.

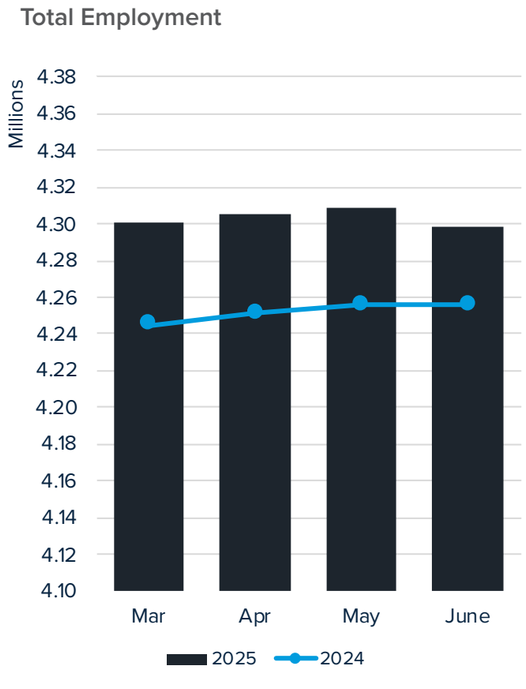
- Mark

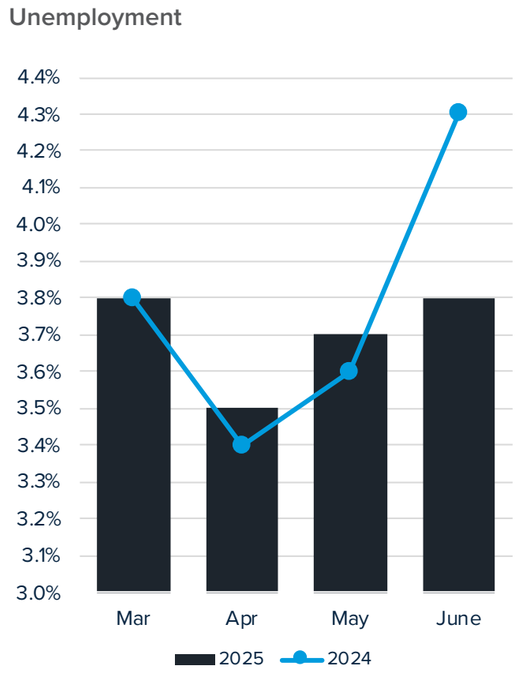
Employment & Job Growth

The DFW metro continues to outperform most U.S. markets in job creation, adding more than 500,000 jobs since early 2020. The region's growth is anchored by a diversified economy with strength in trade, transportation, healthcare, and professional services. Job expansion is concentrated in suburban nodes like Frisco, Plano, and McKinney, fueling household formation and apartment demand. Even with a recent slowdown in tech and finance sectors, hiring remains healthy, especially among logistics and back-office employers. DFW's affordability (relative to coastal markets) and continued in-migration are key advantages supporting multifamily fundamentals

Key Highlights

- **+500,000 jobs added** since March 2020.
- **Trade & logistics lead the market,** with 920K+ employed.
- **Suburban growth corridors** remain top job creators.
- **DFW is a top relocation destination** for employers and talent.
- **Professional services expected to grow** by 3.4% over five years.





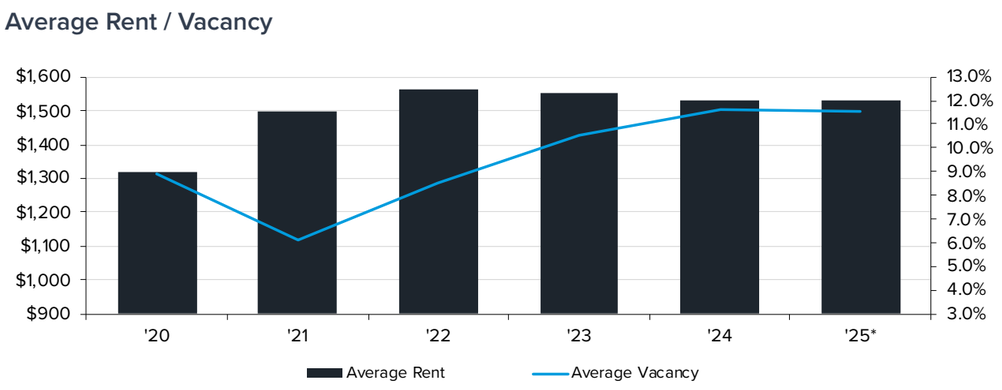
*Sources: GREA Research; US Census Bureau | *Projected / YTD*

Rent

Rent declines have continued through mid-2025, though the pace is slowing. Asking rents are down 1.1% year-over-year, driven by elevated supply, especially in high-growth suburban areas. Class A product saw the steepest declines, but Class B also posted rare negative growth. More than half of all DFW properties are offering concessions—often six to eight weeks free—which is helping to sustain occupancy but delaying rent recovery. However, rents remain materially above pre-pandemic levels, and with new supply falling, the stage is set for growth to return in late 2025.

Key Highlights

- **-1.1% YoY rent decline,** eighth straight quarter of losses.
- **Class A and B rents both negative** for the first time since GFC.
- **50%+ of properties offer concessions,** particularly in new lease-ups.
- **Rents still up 17% since 2020,** despite recent softness.
- **Forecast: Rent recovery by late 2025,** with >2% growth in 2026.



Vacancy

DFW's multifamily vacancy remains high at 11.9% as of Q2 2025. Deliveries from the past 18–24 months continue to move through lease-up phases, pushing vacancies above long-term averages across asset classes. Class A and B vacancies both exceed 12%, though stabilized properties in high-demand suburban areas like Frisco and Allen are performing significantly better. While the oversupply has softened the market, continued absorption and a slower construction pipeline are expected to bring vacancy rates down heading into 2026

Key Highlights

- **Vacancy rate: 11.9%,** near two-decade highs.
- **Class A and B both over 12%,** reflecting lease-up saturation.
- **Historic vacancy average is ~8.7%,** highlighting excess supply.
- **Outlook:** Vacancy compression expected as construction slows.

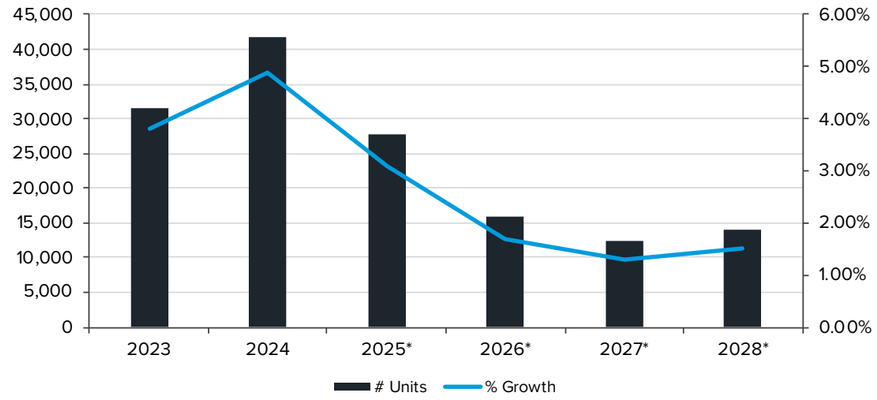
Construction & Deliveries

The construction pipeline in DFW is thinning considerably. Just 25,000 units are currently under construction—down nearly 60% from the recent peak. In 2024, 41,700 units were delivered, but that number is expected to drop by a third in 2025. Most active development remains in the northern suburbs where demand is strongest, though urban core activity has slowed sharply. The pullback in new starts is a welcome shift for landlords, as the market works to absorb recent deliveries and bring balance to fundamentals.

Key Highlights

- **2024 deliveries: 41,700** units; projected to fall 33% in 2025.
- **Suburbs like Frisco, Denton lead development,** fueled by demand.
- **Urban pipeline shrinks,** with <5,000 units underway downtown.
- **Fewer starts = better balance** expected by mid-2026.

Supply / Demand Forecast



*Sources: GREA Research; CoStar | *Projected / YTD*

Distress Indicators: Pressure Builds Below the Surface

While headline distress remains limited in DFW, a growing number of warning signs suggest mounting stress across the multifamily market. Deal volume remains healthy, but much of it is being driven by refinancing pressure, distressed sponsorship, and preemptive sales.

Foreclosures Remain Low, But Persistent

Only 8 multifamily foreclosures were recorded in the first half of 2025, ahead of the pace of 2024 (10 total). Levels remain historically low, but the consistency of activity indicates some borrowers have exhausted workout options.

Watchlist Volume Accelerating Sharply

According to Trepp, 366 multifamily assets in DFW have been added to lender watchlists since Q1 2024, including:

- **63 in Q1 2025**
- **95 in Q2 2025 -** the largest quarterly spike to date

This trend suggests a growing number of loans facing NOI stress, DSCR breaches, or maturity issues, even if they haven't defaulted. Watchlist velocity has increased 38% year-over-year in the first half, signaling that distress may convert into forced action in the coming quarters.

Loan Maturities Peaking Now

The market is facing a major wave of loan maturities:

- 37 loans maturing in Q3 2025
- 34 in Q4 2025
- Nearly **$1 billion in outstanding debt** is set to mature in just the second half of this year

Many of these are associated with properties purchased between 2020 - 2022 - deals underwritten with lower interest rates and higher pro forma assumptions that have not materialized.

Delinquencies and DSCR Ratios Reflect Strain

- While delinquency rates remain below 1%, they've ticked up slightly month over month.
- Average DSCR for multifamily loans has dropped to 1.50 as of Q1 2025.
- **43 loans were flagged with DSCR below 1.0** in Q1 2025 alone, indicating they no longer cover debt service.

Outlook: More Forced Activity Likely in Q3-Q4

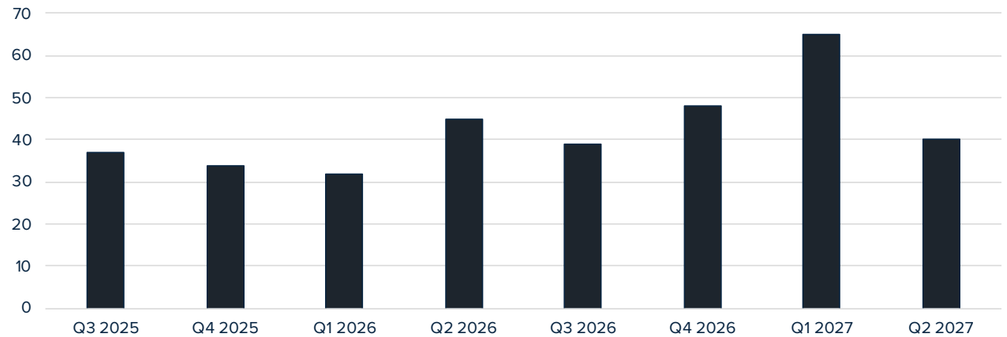
Distress in the Dallas-Fort Worth multifamily market is still unfolding gradually, but the indicators are aligning for a more active second half of 2025. Watchlist activity is accelerating, DSCR ratios are weakening, and nearly $1 billion in maturing debt is set to come due by year-end—most of it tied to deals underwritten during peak pricing and low-rate conditions. While formal foreclosures remain limited, more transactions are being prompted by refinancing pressure, sponsor fatigue, or equity erosion. Many lenders, especially those already managing exposure to distressed office assets, continue to prefer quiet resolutions—workouts, extensions, and note sales—rather than pursuing the foreclosure route. This approach is delaying a visible wave of distress, but it also signals that opportunities will be relationship-driven and often off-market.

For investors, the coming quarters represent a strategic window to target well-located assets with short-term execution risk but strong long-term fundamentals. Sponsors facing capital stack issues—rate cap expirations, floating debt resets, or unmet lease-up projections—are increasingly open to joint ventures, preferred equity, or outright sale. The market is not in freefall, but it is under pressure, and groups with the ability to underwrite conservatively, structure creatively, and move decisively will be best positioned. As the market moves from early warning signs to real pricing discovery, the next 12 months could offer the most compelling entry point for value-driven capital in this cycle.

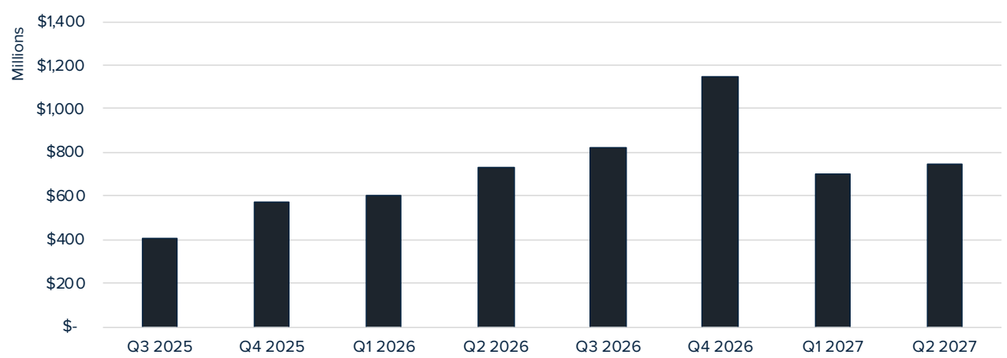
Market Watch: Distress Indicators Tick Up Across DFW Multifamily Landscape

IMMEDIATE RISKS

of Loans Maturing



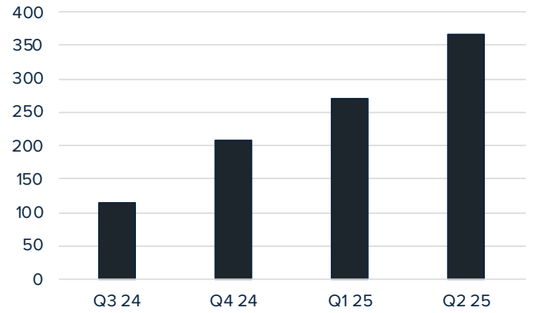
Loan Maturity Dollar Volume



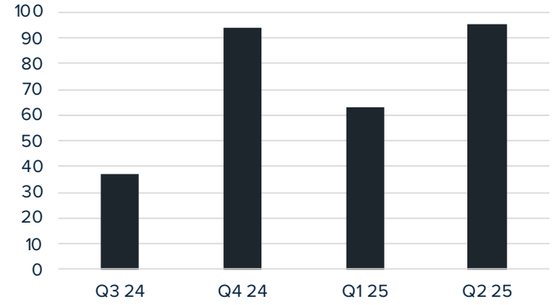
*Sources: GREA Research; CoStar; TREPP | *Projected / YTD*

EMERGING DISTRESS SIGNALS

Watchlist Trends*

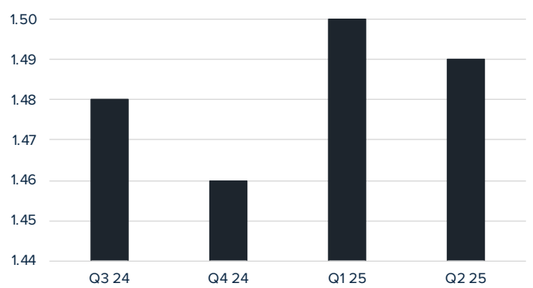


Watchlist Volume*



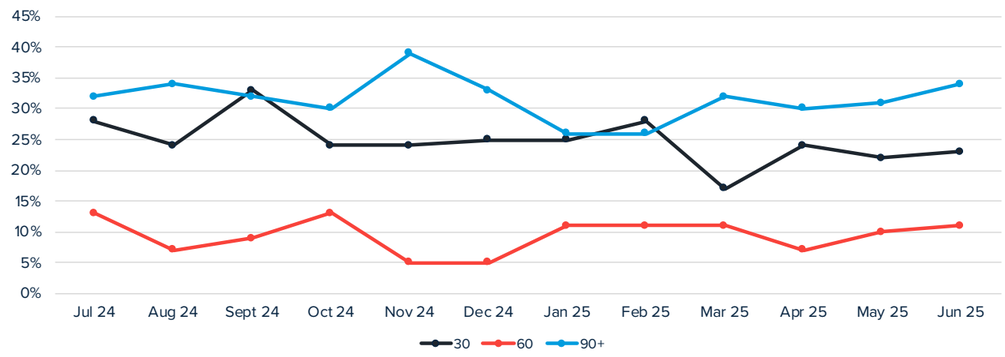
CURRENT FINANCIAL HEALTH

Weighted Average DSCR



Headline distress remains low, but mounting watchlist activity and peak loan maturities signal more stress ahead. Lenders are quietly repositioning, and distressed sales may accelerate in the second half.

Delinquency Rate Trend



***Watchlist Volume** refers to the number of new properties added to the watchlist in a given quarter—these are fresh signals of potential distress.
***Watchlist Trend** represents the total number of assets on the watchlist at the end of each quarter, including both new additions and those still unresolved from prior periods.

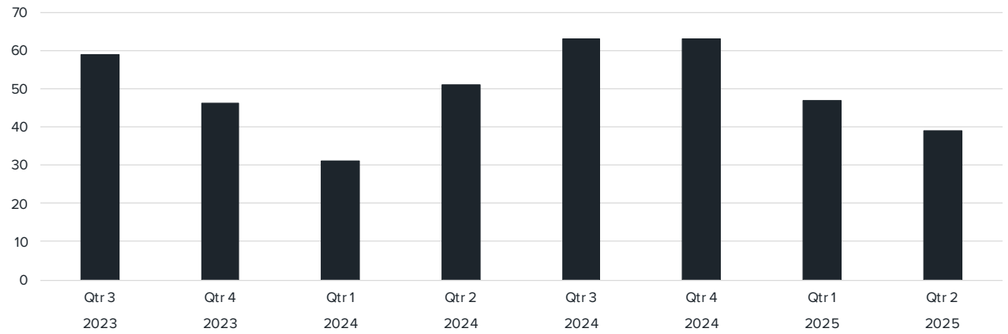
Transaction Activity & Volume

The DFW multifamily market carried solid momentum into mid-2025, with $4.2 billion in volume across 86 deals—putting the region on pace to surpass 2024 totals. While last year's second-half surge has moderated, buyer interest remains strong, led by private capital and selective institutional re-entry. Cap rates have stabilized between 5.25% and 6.5%, and discounts to peak pricing are narrowing as financing conditions improve and maturity-driven sales pick up. With greater pricing alignment and 10-year Treasury yields averaging 4.3%, the market feels more rational and deal-ready, prompting sellers to meet the moment.

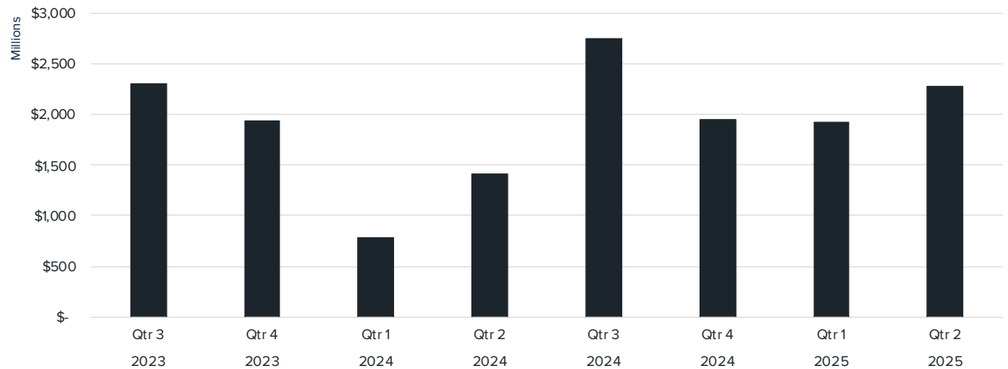
Key Highlights

- **$4.2B in H1 2025 sales volume** across 86 transactions; on pace to surpass 2024 totals
- **Cap rates average ~5.8%,** ranging from 4.75% to 6.5% depending on asset class
- **Average price/unit trending ~$197K,** up slightly from 2024 due to more Class-A sales
- **GREA continues to lead** in transaction count and volume across the region
- **Loan maturities** drive steady deal flow

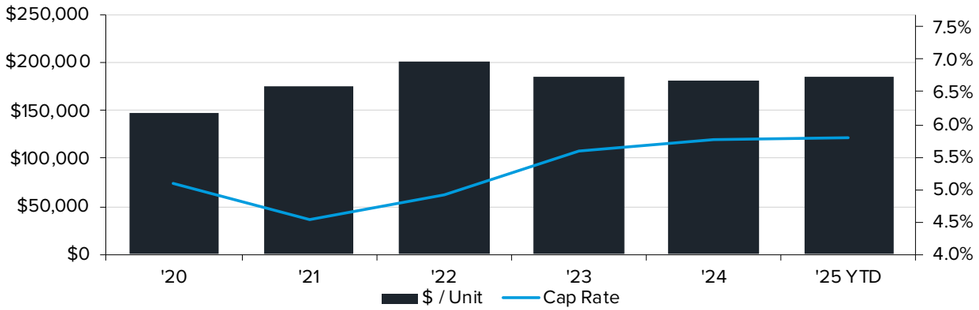
Transaction Volume



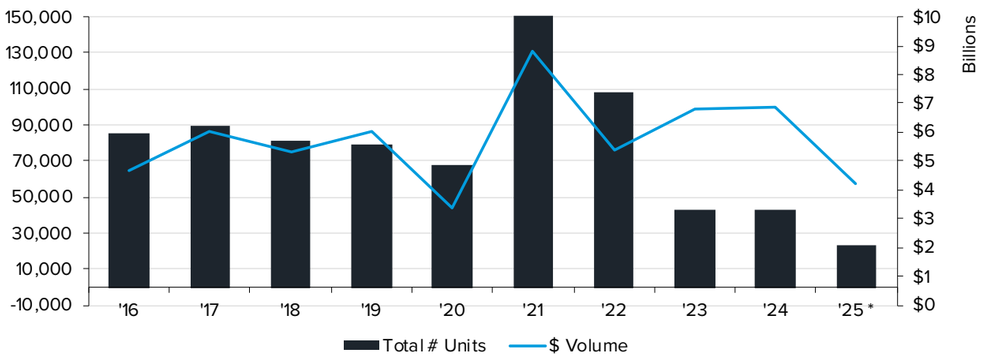
Dollar Volume



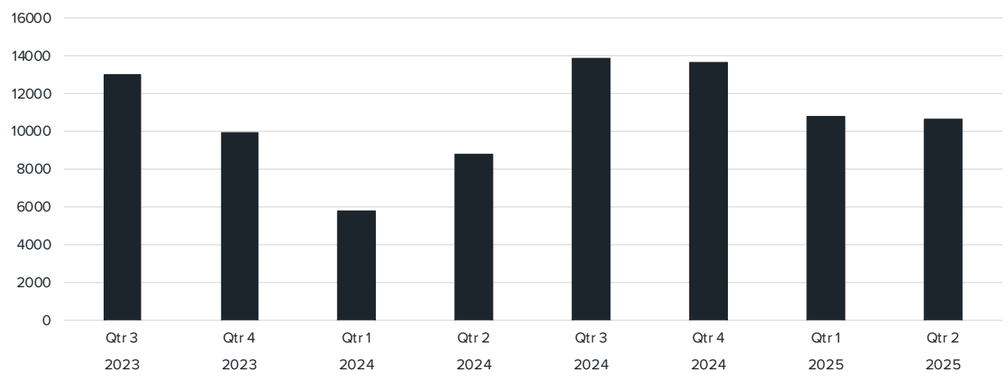
Average Sales PPU / Cap Rate



Apartment Sales Transactions



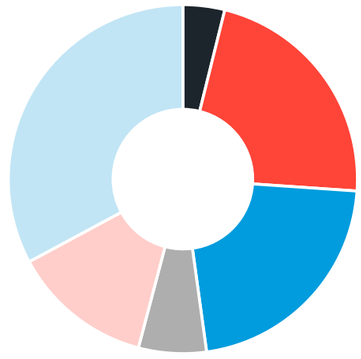
Unit Volume



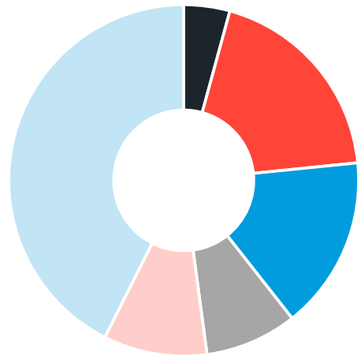
*Sources: GREA Research; CoStar; TREPP | *Projected / YTD*

Transaction Vintage Comparison

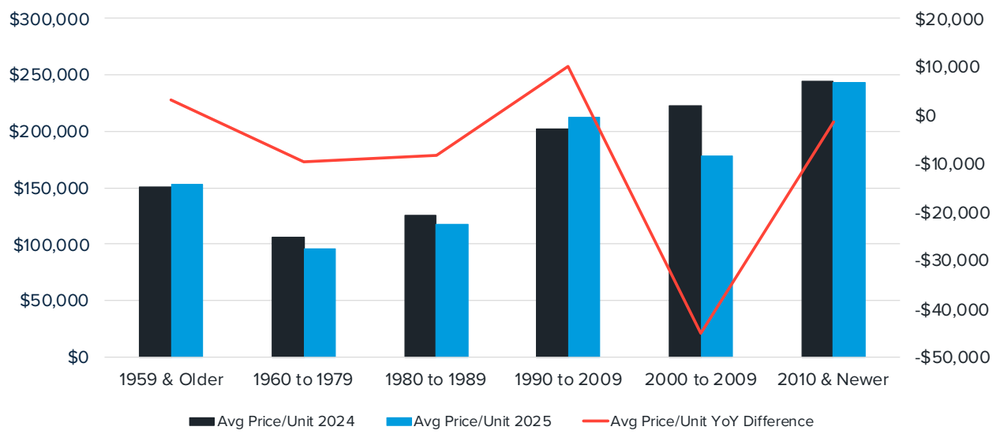
Transactions, 2024



Transactions, 2025



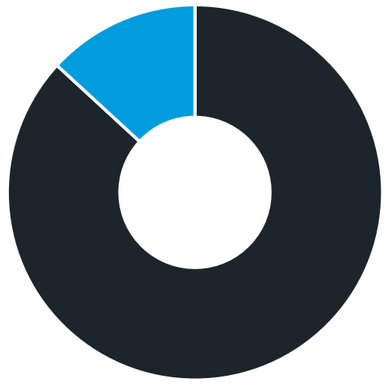
Price per Unit Comparison



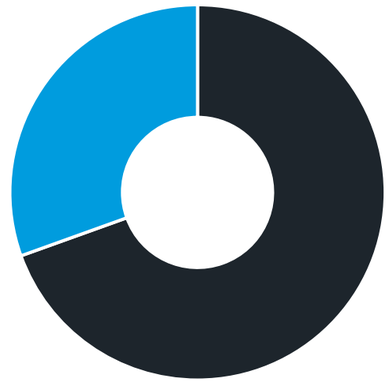
*Sources: GREA Research; CoStar; TREPP | *Projected*

Off-Market Comparison

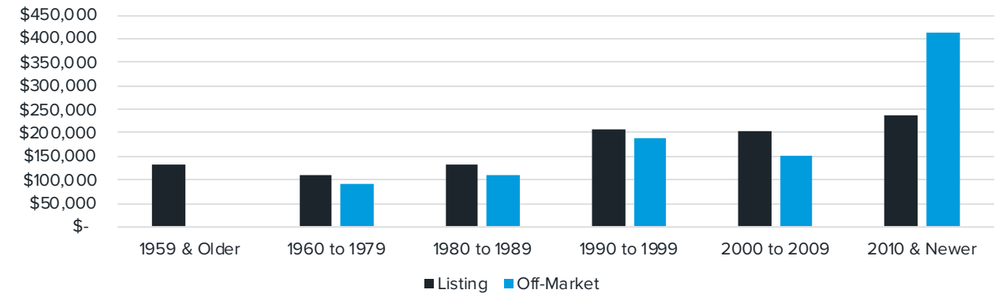
Off-Market, 2024



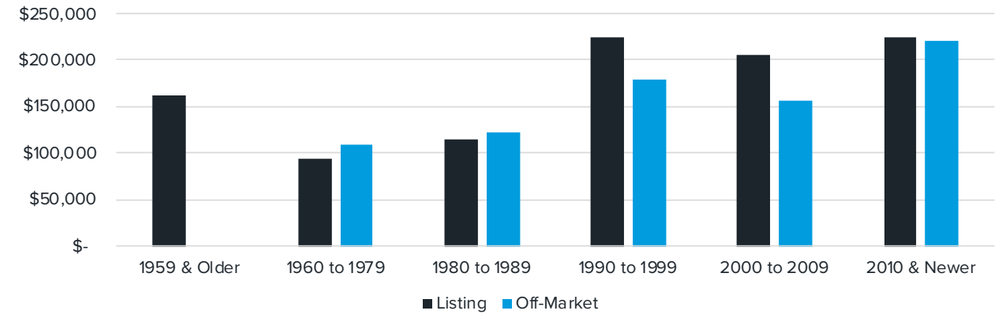
Off-Market, 2025



Average Price per Unit, 2024



Average Price per Unit, 2025



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