BLUE LAKE CAPITAL

Multifamily Outlook

DALLAS-FORT WORTH, TX

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Dallas-Fort Worth Multifamily Market Report

The Dallas-Fort Worth (DFW) multifamily market has emerged as one of the strongest and most resilient investment destinations in the United States. Fueled by rapid population growth, a pro-business regulatory environment, and robust job creation across diverse industries, the region continues to attract institutional investors seeking long-term stability and above-average returns. Unlike coastal markets experiencing declining affordability and population stagnation, DFW offers a compelling combination of economic expansion, relative affordability, and increasing demand for high-quality rental housing. With strategic infrastructure investments and corporate relocations further enhancing the market's appeal, investors have a unique opportunity to capitalize on near-term supply imbalances and position themselves for substantial long-term gains.

Market Overview

The Dallas-Fort Worth (DFW) multifamily market is a standout among U.S. real estate markets, demonstrating remarkable resilience driven by strong economic fundamentals, robust demographic expansion, and a highly favorable business environment. Over the past 12 months, net absorption has surged to 31,000 units, surpassing pre-pandemic levels and signaling a healthy leasing market. Although developers delivered 41,000 units in the same period, pushing vacancy rates to 11.2%, 140 basis points above last year, this is best viewed as a short-term supply cycle fluctuation rather than a fundamental weakness.

With population growth at an accelerated pace, particularly in Collin and Denton Counties, which have experienced a staggering 50% population surge since 2010, the demand for rental housing remains robust. The region's attractiveness is fueled by sustained job creation in high-value industries such as finance, technology, and healthcare, further supported by DFW's business-friendly policies, competitive cost of living, and the absence of state income tax.

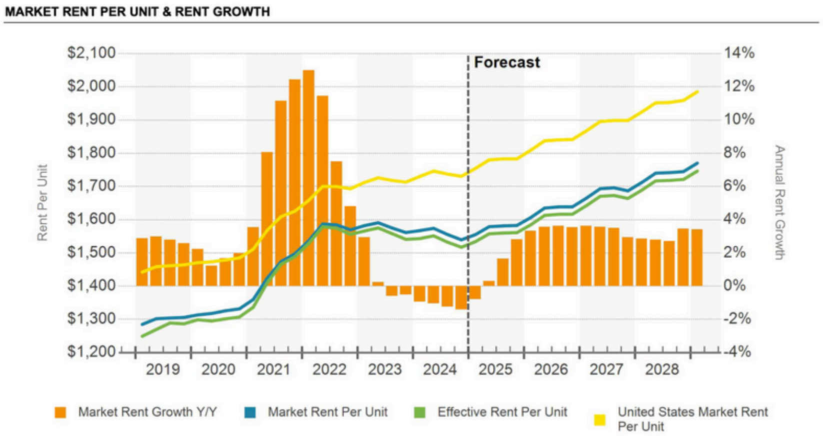


Fig 1. Market Rent Per Unit & Rent Growth comparison between DFW and United States (Source: CoStar)

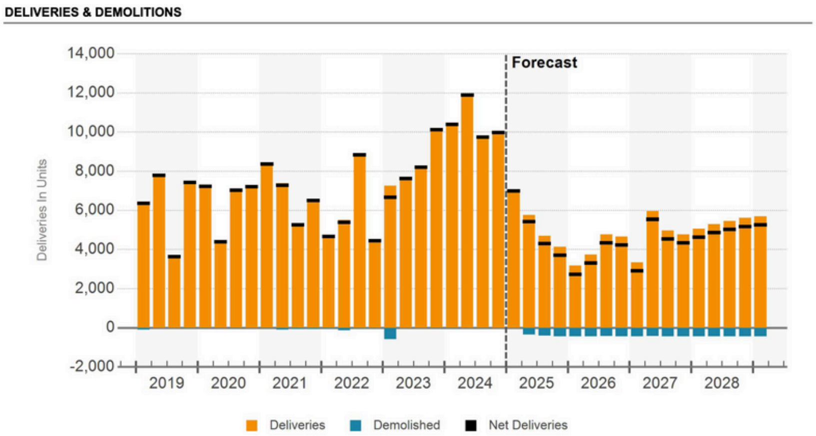


Fig 2. Deliveries and Demolitions trend for DFW. The forecast suggests tightening in Net Deliveries for the next 5 years. (Source: CoStar)

Supply & Demand Dynamics

While short-term supply has temporarily outpaced absorption, the broader market fundamentals remain strong, with DFW's economic diversification serving as a stabilizing force. The premium Class A segment has experienced minor rent contractions of -1.6% due to heightened competition, while Class B recorded a -1.4% decline (the first since the Great Financial Crisis). However, such transient fluctuations should be interpreted as strategic entry points for institutional investors seeking high-quality assets at discounted valuations.

Moreover, DFW continues to strengthen its position as a national hub for logistics, technology, and financial services, attracting Fortune 500 headquarters and reinforcing long-term employment stability. Notably, corporate relocations from high-tax coastal states are creating a sustained influx of skilled labor, further enhancing the region's housing demand.

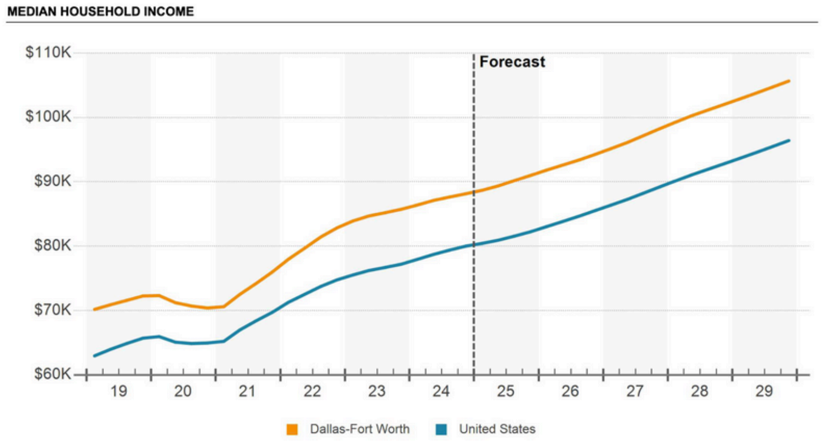
Although 35,000 units are currently under construction, nearly half are slated for delivery within the next 12 months. Beyond 2025, construction activity is expected to decelerate due to financing constraints and rising material costs. This contraction in new supply should drive occupancy stabilization and rental growth over the medium term, offering investors significant upside potential.

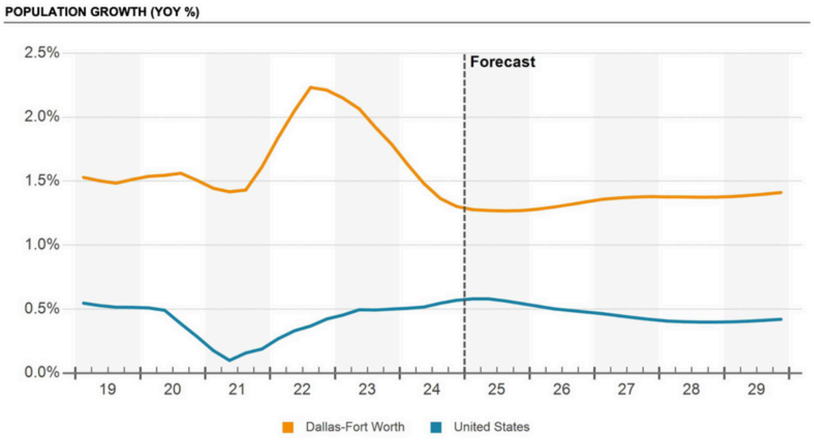
Investment Landscape & Capital Markets

Investor confidence in DFW remains unwavering, with multifamily transactions totaling $7.5 billion over the past year. Notably, Q3 2024 alone saw $3 billion in deals (the highest quarterly total since mid-2022). Institutional capital remains laser-focused on high-growth submarkets, where cap rates for Class A assets range between 4.5% and 5%, while Class B properties trade at 5.5%-6%.

Recent landmark transactions further underscore investor optimism. For instance, Equity Residential's acquisition of Ayla Stonebriar, part of Blackstone's $964 million Sun Belt portfolio divestiture, demonstrates the growing preference for high-growth, high-yield metros like Dallas over more volatile coastal markets.

Key Indicators For DFW

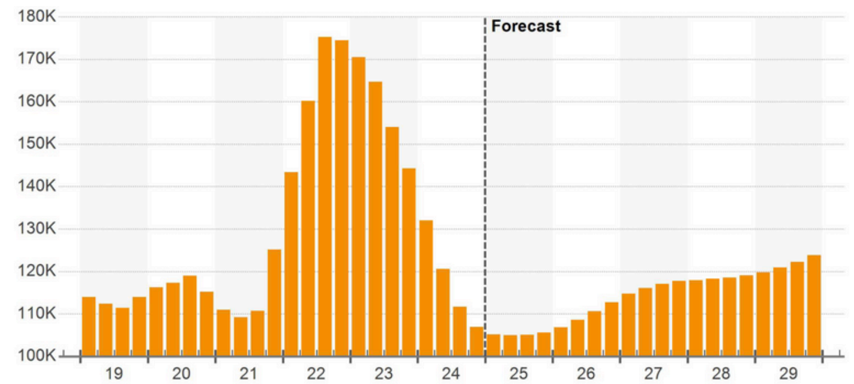




(Source: CoStar/Oxford Economics)

Key Indicators For DFW

NET POPULATION CHANGE (YOY)



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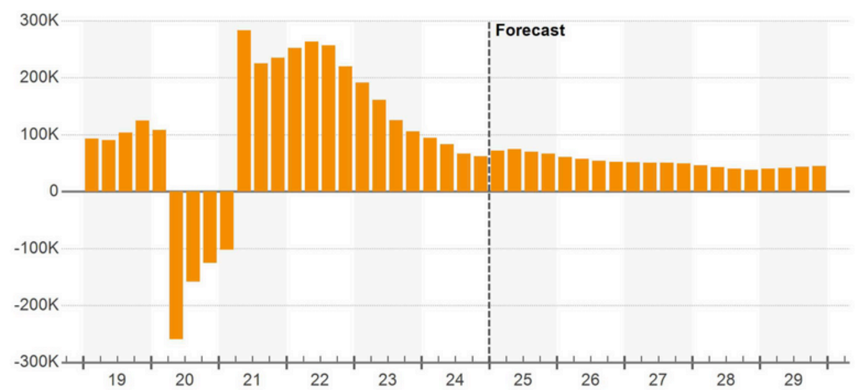
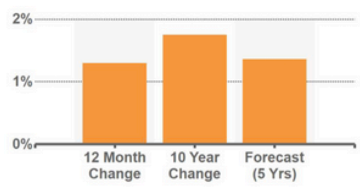


POPULATION GROWTH



LABOR FORCE GROWTH

INCOME GROWTH

(Source: CoStar/Oxford Economics)

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Why DFW Remains Poised for Growth

Despite short-term supply pressures, Dallas-Fort Worth remains one of the most promising multifamily investment destinations due to several key growth catalysts:

1. **Unmatched Demographic Growth:** DFW continues to lead the nation in population expansion, adding 153,000 new residents in a single year. This demographic momentum underpins sustained rental demand and ensures long-term housing market stability.
2. **Corporate Relocations & Job Expansion:** Companies relocating from high-tax states continue to fuel employment growth, particularly in tech, healthcare, and finance. This corporate migration directly translates into sustained multifamily demand across Class A and Class B segments.
3. **Major Infrastructure Developments:** The ongoing expansion of highways, light rail, and other transit-oriented projects is increasing connectivity across the metroplex, opening up new high-growth investment submarkets and enhancing property valuations.
4. **Relative Affordability & Rentability:** Compared to other primary investment markets like New York, San Francisco, and Los Angeles, DFW remains significantly more affordable, attracting renters and investors alike. With rising mortgage rates making homeownership less attainable, demand for rental units is expected to remain elevated.

Key Takeaways for Investors

1. **Short-Term Supply Presents Attractive Buying Opportunities:** While vacancy rates have increased, this temporary dislocation offers investors an advantageous entry point before the market rebalances in 2025.
2. **Long-Term Rent Growth Remains Strong:** Despite some rent softening, DFW's economic and demographic trends suggest a sustained upward trajectory in rental rates, particularly in submarkets with high job and population growth.
3. **Top Submarkets Offer Higher Yield Potential:** Investors targeting rapidly expanding areas like Collin and Denton Counties can benefit from the highest projected NOI growth in the metroplex.
4. **Cap Rate Compression Expected with Supply Constraints:** As new construction slows and demand strengthens, asset values are poised for appreciation, making this a compelling market for long-term investment.

Conclusion

Despite cyclical supply fluctuations, the Dallas-Fort Worth multifamily market remains one of the most dynamic and resilient in the U.S. With a powerful combination of economic diversification, strong population inflows, corporate migration, and infrastructure expansion, the region is well-positioned for continued investment growth. As the market moves toward equilibrium in 2025, investors stand to capitalize on current acquisition opportunities and benefit from significant appreciation in the years ahead.

DFW's structural advantages include: low taxes, business-friendly policies, high job creation, and sustained demographic expansion, ensuring that it will remain a premier destination for multifamily investment well into the next economic cycle. Strategic investors should act now to secure high-quality assets before the next wave of cap rate compression and rental growth acceleration.

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