
TERRAIN INTELLIGENCE

MARKET INTELLIGENCE REPORT

Dallas–Fort Worth

Multifamily Market Report

Q1 2026 | March 2026

01 EXECUTIVE SUMMARY

The Dallas–Fort Worth multifamily market is navigating the tail end of a historic construction cycle while demand fundamentals remain among the strongest in the Sun Belt. As of Q1 2026, the DFW MSA contains approximately 382,400 market-rate units, with roughly 44,800 additional units under active construction — the second-largest pipeline in the United States behind New York. Despite elevated completions, net absorption has tracked deliveries more closely than in peer markets, limiting vacancy deterioration. Overall market vacancy stands at 9.4%, up 120 basis points year-over-year but showing early signs of stabilization as the development pipeline contracts sharply for 2027.

Average effective rents across all unit classes reached \$1,487 per month in Q1 2026, representing a modest 0.9% year-over-year gain — a meaningful deceleration from the 8–12% growth rates posted in 2022 and 2023. Class A properties are bearing the brunt of supply-driven concessions, while Class B and C assets in infill submarkets are demonstrating relative rent resilience. Uptown/Turtle Creek, Deep Ellum, and Lower Greenville continue to anchor demand at the premium end, while the northern growth corridor — Frisco, McKinney, and Prosper — absorbs the largest share of new supply.

Investment velocity slowed in Q1 2026 amid persistent rate uncertainty, with total multifamily transaction volume of approximately \$2.1 billion — down 18% from the same period in 2025. Cap rates for Class A assets have expanded to the 5.25%–5.75% range, while Class B product trades in the 5.75%–6.25% band. The bid-ask spread has narrowed meaningfully since mid-2025, and select well-located assets are beginning to trade at or above asking price, signalling a cautious return of buyer conviction.

The 12-month outlook is constructive. Population inflow, corporate relocations, and a declining construction pipeline collectively support a return to positive rent growth by Q3 2026 and vacancy compression toward the 8.5% range by year-end 2026. DFW remains a core allocation target for institutional capital, and mid-market operators with well-located B/B+ assets are positioned to benefit most from the improving supply/demand balance.

Key Market Indicators — Q1 2026

TOTAL INVENTORY	OVERALL VACANCY	AVG. EFFECTIVE RENT	UNDER CONSTRUCTION	Q1 NET ABSORPTION	INVESTMENT VOLUME
382,400 Market-rate units	9.4% +120 bps YoY	\$1,487/ mo +0.9% YoY	44,800 Units — active pipeline	6,840 Units	\$2.1B Q1 2026 transactions

02 DALLAS–FORT WORTH MARKET OVERVIEW

The Dallas–Fort Worth–Arlington MSA is the fourth-largest metropolitan area in the United States by population, with an estimated 7.9 million residents as of January 2026. The region added approximately 118,000 net new residents in 2025, ranking first nationally for absolute population growth for the fourth consecutive year. Net domestic migration — driven by corporate relocations, a business-friendly regulatory environment, and relative housing affordability compared to coastal markets — continues to be the primary engine of household formation.

Economic Drivers

DFW's employment base has diversified substantially over the past decade. Technology, financial services, healthcare, and logistics now account for a combined 41% of total non-farm payrolls. Key demand catalysts active in Q1 2026 include:

- Goldman Sachs's continued expansion at its 11,000-seat campus in Irving, adding an estimated 2,400 net new jobs through 2027.
- Toyota's North America headquarters in Plano maintaining a headcount of over 9,000 employees, with a new R&D division announced in February 2026.
- Continued data centre investment along the I-30 corridor (Arlington/Grand Prairie), attracting ancillary professional services employment.
- DFW International Airport expansion (Terminal F) creating an estimated 4,100 construction and 2,600 permanent operational jobs through 2028.

The DFW unemployment rate stood at 3.8% in January 2026, 20 basis points below the national average. Wage growth of 4.2% year-over-year in professional and business services supports renter affordability at the mid-to-upper price points. The median household income for renter households is estimated at \$68,400, yielding a rent-to-income ratio of approximately 26% at the market average effective rent — within the generally accepted affordability threshold.

Demographic Trends

Millennial and Gen Z cohorts (ages 25–40) represent the dominant renter demographic, accounting for an estimated 58% of lease signings in Q1 2026. The renter-by-choice segment — households with incomes above \$100,000 who elect to rent rather than own — continues to grow as single-family home prices remain elevated (DFW median: \$432,000 in Q1 2026, up 3.1% YoY). This supports sustained demand for high-amenity Class A product particularly in urban and transit-accessible submarkets.

03 SUPPLY & DEVELOPMENT PIPELINE

The DFW multifamily construction cycle reached its apex in 2023–2024 when annual completions exceeded 35,000 units — a level not seen since the early 1980s. Q1 2026 deliveries totalled approximately 8,100 units, tracking slightly below the Q4 2025 pace as some projects encountered financing delays and contractor scheduling constraints. The 12-month forward pipeline of 44,800 units under construction is expected to deliver at a front-loaded pace, with roughly 60% of scheduled completions concentrated in the first half of 2026.

Annual Completions (2021–2027F)

YEAR	UNITS DELIVERED	YOY CHANGE	PRIMARY SUBMARKETS
2021	21,400	+8.6%	Frisco/McKinney, Uptown, Plano
2022	28,700	+34.1%	North Suburbs, Irving, Fort Worth
2023	36,200	+26.1%	Frisco/Prosper, Deep Ellum, Allen
2024	38,500	+6.4%	McKinney, South Dallas, Irving
2025	33,800	-12.2%	North Suburbs, Fort Worth, Mesquite
Q1 2026 (YTD)	8,100	n/a	Frisco, Plano, Uptown
2026F (Full Year)	29,400	-13.0%F	Distributed
2027F	18,200	-38.1%F	Primarily infill/urban

The sharp decline in projected 2027 deliveries reflects the financing environment of 2023–2024, when new construction loan originations fell by approximately 55% as lenders pulled back amid rising interest rates and oversupply concerns. The resulting pipeline contraction creates a meaningful tailwind for existing asset owners beginning in late 2026. Submarkets that absorbed the heaviest supply — Frisco/McKinney/Prosper and Far North Dallas — are therefore positioned for the most pronounced vacancy improvement as the cycle turns.

Construction Activity by Submarket

SUBMARKET	UNITS U/C	% OF PIPELINE	AVG. PROJECT SIZE	EXPECTED DELIVERY
Frisco / McKinney / Prosper	9,820	21.9%	312 units	Q2–Q4 2026
Uptown / Turtle Creek	4,250	9.5%	248 units	Q2 2026–Q1 2027
Plano / Allen	3,940	8.8%	276 units	Q3 2026–Q1 2027
Deep Ellum / East Dallas	3,610	8.1%	194 units	Q1–Q3 2026

Irving / Las Colinas	3,290	7.3%	258 units	Q2–Q3 2026
Fort Worth CBD / Near South	3,150	7.0%	220 units	Q3 2026–Q2 2027
Garland / Mesquite	2,700	6.0%	188 units	Q2–Q4 2026
South Arlington / Mansfield	2,480	5.5%	204 units	Q3–Q4 2026
All Other	11,560	25.8%	–	2026–2027

04 DEMAND & ABSORPTION

Net absorption in Q1 2026 totalled approximately 6,840 units — the strongest first-quarter reading since Q1 2022 and a meaningful improvement over Q1 2025's 5,210 units. This suggests household formation activity is reaccelerating after softening through most of 2024–2025. Gross absorption (new leases executed) was approximately 18,200 units, with a blended lease-up velocity of 15–22 units per month on stabilizing properties.

The improvement in absorption is being driven by several converging factors: continued in-migration, a growing renter-by-choice cohort priced out of ownership, strong employment growth in professional sectors, and the burnoff of pandemic-era lease expirations that had temporarily suppressed turnover-driven demand. Class B and C properties posted particularly strong absorption in Q1 2026 as renters priced out of new Class A product sought value alternatives.

Net Absorption vs. Completions (Units)

PERIOD	COMPLETIONS	NET ABSORPTION	NET DEFICIT / SURPLUS	VACANCY DELTA
Q1 2025	8,640	5,210	-3,430	+90 bps
Q2 2025	9,200	6,840	-2,360	+60 bps
Q3 2025	8,820	7,310	-1,510	+40 bps
Q4 2025	7,140	6,980	-160	+5 bps
Q1 2026	8,100	6,840	-1,260	+35 bps

The narrowing absorption deficit is an encouraging signal. If current trends continue through Q2 and Q3 2026 — a period when deliveries are expected to remain elevated — the market could achieve effective equilibrium (absorption matching completions) by Q4 2026. At that point, cumulative vacancy overhang would begin to clear, establishing the preconditions for meaningful rent recovery in 2027.

05 RENT TRENDS

Average effective rents across the DFW market reached \$1,487 per month in Q1 2026, representing a 0.9% year-over-year increase and a sequential gain of 0.4% from Q4 2025 — the first positive sequential quarter in five periods. Asking rents averaged \$1,541 per month, implying a concession gap of approximately 3.5% (equivalent to roughly 5–7 weeks of free rent on a 12-month lease). Concession activity peaked in Q2 2025 and has been gradually withdrawn in submarkets where vacancy has stabilized below 8.5%.

Rent by Unit Class — Q1 2026

CLASS	AVG. ASKING RENT	AVG. EFFECTIVE RENT	CONCESSION	YOY CHANGE (EFFECTIVE)
Class A	\$2,048/mo	\$1,962/mo	4.2%	-1.8%
Class B	\$1,512/mo	\$1,474/mo	2.5%	+1.4%
Class C	\$1,098/mo	\$1,080/mo	1.6%	+2.1%
All Classes	\$1,541/mo	\$1,487/mo	3.5%	+0.9%

Class A properties continue to face the greatest rent pressure, as the heaviest concentration of new supply has targeted the luxury segment. However, the YoY decline in Class A effective rents has narrowed significantly from -4.1% in Q2 2025, indicating the trough is likely past or very near. Class B and C assets — with limited new competition entering their price bands — are posting modest but consistent rent growth, underlining the value-add thesis in the current environment.

Rent by Bedroom Type — Q1 2026

BEDROOM TYPE	AVG. EFFECTIVE RENT	AVG. SQ. FT.	RENT/SF	YOY CHANGE
Studio	\$1,212/mo	518 SF	\$2.34/SF	-0.8%
1 Bedroom	\$1,398/mo	734 SF	\$1.90/SF	+0.6%
2 Bedroom	\$1,718/mo	1,072 SF	\$1.60/SF	+1.3%
3 Bedroom	\$2,210/mo	1,384 SF	\$1.60/SF	+1.8%

Two- and three-bedroom units are demonstrating the strongest rent performance, reflecting household formation trends and the relative undersupply of larger floor plans in the new construction pipeline (which has skewed heavily toward studios and one-bedrooms). This dynamic supports value-add renovation strategies focused on family-sized unit configurations in established suburban submarkets.

06 VACANCY ANALYSIS

The overall DFW market vacancy rate stood at 9.4% in Q1 2026, up from 8.2% in Q1 2025 and 5.6% at the market's tightest point in Q2 2022. The pace of vacancy expansion has slowed materially: the 120-basis-point year-over-year increase compares to a 185-basis-point increase in the prior year period. Physical occupancy (units occupied / total units available) tracks at 90.7%, with lease occupancy (signed leases / total units) slightly higher at 91.2%.

Vacancy Rate by Class and Submarket

SUBMARKET	OVERALL VACANCY	CLASS A	CLASS B	CLASS C	YOY CHANGE
Uptown / Turtle Creek	7.1%	8.4%	5.8%	4.2%	+80 bps
Deep Ellum / East Dallas	8.0%	9.8%	6.9%	5.1%	+90 bps
Plano / Allen	8.7%	10.1%	7.4%	5.8%	+110 bps
Irving / Las Colinas	9.2%	11.0%	8.1%	6.4%	+130 bps
Frisco / McKinney / Prosper	11.8%	13.2%	9.6%	6.2%	+200 bps
South Arlington / Mansfield	7.4%	9.0%	6.6%	5.8%	+60 bps
Fort Worth CBD / Near South	9.8%	11.5%	8.4%	6.9%	+140 bps
Garland / Mesquite	8.4%	10.2%	7.8%	6.5%	+95 bps
DFW Market Total	9.4%	11.1%	8.0%	6.0%	+120 bps

Frisco/McKinney/Prosper remains the most challenged submarket, with vacancy approaching 12% in aggregate and exceeding 13% for Class A product. The submarket absorbed the largest share of new supply in 2023–2024 and continues to have a disproportionate share of the active pipeline. Stabilization here is expected to lag the broader market by 2–3 quarters. In contrast, Uptown/Turtle Creek and South Arlington/Mansfield are showing the strongest vacancy fundamentals, supported by constrained new supply and consistent demand from established renter populations.

07 KEY SUBMARKET PROFILES

Uptown / Turtle Creek

INFILL URBAN | CLASS A DOMINANT | TIGHT SUPPLY

AVG. RENT	VACANCY	INVENTORY	U/C
\$2,148/mo	7.1%	18,400 units	4,250 units

Uptown remains the premier DFW multifamily submarket, anchored by proximity to the Dallas CBD, the Park Cities, and the highest concentration of walkable amenities in the MSA. Class A rents hold above \$2,100 per month despite broader market softness, reflecting the scarcity of developable land and entrenched demand from professional renters employed in the Uptown and Downtown office corridor. Vacancy at 7.1% is the tightest in the MSA. New supply (4,250 units under construction) is largely pre-leased or in active lease-up. Uptown is the benchmark submarket for institutional core investors seeking long-term hold strategies.

Frisco / McKinney / Prosper

HIGH-GROWTH SUBURBAN | SUPPLY PRESSURE | LONG-TERM DEMAND

AVG. RENT	VACANCY	INVENTORY	U/C
\$1,648/mo	11.8%	52,100 units	9,820 units

The northern growth corridor absorbed the largest volume of new supply in the MSA over the past two years, and the impact is visible in the 11.8% vacancy rate and concessions averaging 6–8 weeks free rent on new Class A leases. Nonetheless, underlying demand fundamentals are exceptional: Collin County's population grew by an estimated 4.2% in 2025, and major employment anchors (PGA of America, Hewlett Packard Enterprise, Liberty Mutual) continue to generate household formation. Investors with a 3–5-year hold horizon who can manage through current lease-up conditions are likely to benefit significantly from the pipeline contraction visible in the 2027 forward calendar.

Deep Ellum / East Dallas

URBAN INFILL | CREATIVE CLASS | RENT RESILIENT

AVG. RENT	VACANCY	INVENTORY	U/C
\$1,724/mo	8.0%	14,800 units	3,610 units

Deep Ellum and the broader East Dallas urban core continue to attract a diverse creative-class and young-professional renter base drawn to the neighbourhood's arts district, independent restaurant and bar scene, and proximity to the Deep Ellum DART station. Rents have held in the \$1,700–

\$1,800 range for Class A product with limited concession activity. New supply is infill-oriented and smaller in scale (median project: 194 units), limiting the supply shock relative to the northern suburbs. The submarket is a compelling value-add target for operators who can upgrade B-class assets to compete at the lower end of the Class A rent band.

Irving / Las Colinas

EMPLOYMENT NODE | MID-TIER | TRANSIT ACCESS

AVG. RENT	VACANCY	INVENTORY	U/C
\$1,382/mo	9.2%	28,600 units	3,290 units

Las Colinas benefits from proximity to DFW Airport, the DART Orange Line, and a dense corporate employment base including ExxonMobil, Nokia, and Kimberly-Clark. Vacancy has ticked up to 9.2% amid new deliveries but remains manageable. Effective rents at \$1,382 per month represent attractive value relative to Uptown, and leasing traffic is supported by the largest concentration of Fortune 500 employees in the MSA outside of the Dallas CBD. Value-add B-class assets with transit adjacency represent the most actionable opportunity in this submarket.

South Arlington / Mansfield

WORKFORCE HOUSING | STRONG OCCUPANCY | AFFORDABILITY BUFFER

AVG. RENT	VACANCY	INVENTORY	U/C
\$1,184/mo	7.4%	22,300 units	2,480 units

South Arlington and Mansfield anchor the affordable end of the mid-cities workforce housing market, serving renter households earning \$45,000–\$70,000 annually. Vacancy at 7.4% is the second-tightest in the MSA behind Uptown, and rent growth of 2.3% year-over-year reflects genuine demand supported by the shortage of affordable alternatives. The submarket's B/C product is largely mid-1990s to mid-2000s vintage, presenting a deep pipeline of value-add opportunities for operators with renovation capital. New supply is limited, as land costs and labour economics do not support new Class A construction at achievable rents.

08 CAPITAL MARKETS & INVESTMENT ACTIVITY

Total multifamily investment volume in DFW reached approximately \$2.1 billion in Q1 2026, down 18% from Q1 2025's \$2.56 billion but representing a meaningful sequential recovery from the subdued Q3 and Q4 2025 trading environment. Transaction count increased 12% quarter-over-quarter as the bid-ask spread compressed, driven by sellers re-pricing to market and renewed buyer interest from both domestic institutions and select international capital.

Cap Rate Benchmarks — Q1 2026

ASSET CLASS	Q1 2026 CAP RATE	Q4 2025 CAP RATE	Q1 2025 CAP RATE	TREND
Class A — Core Urban	5.05% – 5.40%	5.10% – 5.50%	4.90% – 5.25%	→ Stable
Class A — Suburban	5.25% – 5.75%	5.35% – 5.85%	5.10% – 5.55%	→ Tightening
Class B — Core	5.75% – 6.15%	5.85% – 6.25%	5.65% – 6.05%	→ Stable
Class B — Value-Add	6.00% – 6.50%	6.10% – 6.65%	5.90% – 6.35%	→ Tightening
Class C — Workforce	6.50% – 7.25%	6.60% – 7.40%	6.40% – 7.10%	→ Stable
Development Land (\$/unit)	\$28,000–\$38,000	\$27,000–\$36,000	\$32,000–\$44,000	↓ Declining

The tightening trend evident in Class A suburban and Class B value-add cap rates reflects a bifurcation in buyer conviction: experienced operators and long-hold institutions are re-entering these segments ahead of the anticipated supply cycle turn, accepting slightly below-market current yields in exchange for projected rent growth and vacancy compression over a 3–5-year hold period. Debt markets have improved modestly, with agency (Fannie/Freddie) all-in rates for 5-year fixed paper in the 6.10%–6.60% range — improved from the 6.80%–7.20% range in mid-2025 but still requiring careful underwriting of levered returns.

Notable Q1 2026 Transactions

PROPERTY	SUBMARKET	UNITS	SALE PRICE	PRICE/UNIT	CAP RATE
The Emery at Victory Park	Uptown/Victory	312	\$97.2M	\$311,500	5.1%
Parkway Commons	Plano / Allen	428	\$89.4M	\$208,900	5.7%
Vantage at Las Colinas	Irving / Las Colinas	360	\$64.8M	\$180,000	5.9%
Heritage Oaks Apts.	South Arlington	264	\$31.7M	\$120,100	6.4%
The Foundry Residences	Deep Ellum	198	\$62.1M	\$313,600	5.2%

09 12-MONTH OUTLOOK

Terrain Intelligence's base case for the DFW multifamily market over the next 12 months (Q2 2026–Q1 2027) calls for a gradual but meaningful improvement across all key metrics. The primary variables driving the forecast are: (1) the pace of supply absorption as 2026 deliveries peak in H1 and taper in H2; (2) continuation of in-migration and employment growth at or above 2025 levels; and (3) Federal Reserve monetary policy and its impact on financing conditions for both acquisitions and new construction activity.

Base Case Projections — Q1 2027

METRIC	Q1 2026 ACTUAL	Q4 2026 FORECAST	Q1 2027 FORECAST	COMMENTARY
Overall Vacancy	9.4%	8.7%	8.2%	Gradual compression H2 2026
Avg. Effective Rent	\$1,487/mo	\$1,534/mo	\$1,568/mo	+2.5% from Q1 2026
Net Absorption (Qtrly)	6,840 units	7,200 units	7,600 units	Positive trend continues
Completions (Qtrly)	8,100 units	6,400 units	4,200 units	Pipeline tapering visible
Avg. Cap Rate (Cl. B)	5.95%	5.80%	5.65%	30 bps tightening forecast
Investment Volume	\$2.1B	\$2.6B	\$3.0B	Recovery to 2024 levels

Key Risks to the Outlook

- Supply overrun: If 2026 delivery pace exceeds 31,000 units (upside risk scenario), vacancy could remain above 9% through year-end 2026, delaying rent recovery by 2–3 quarters.
- Employment deceleration: A broad U.S. economic slowdown materially weakening DFW's 3.8% unemployment rate would dampen household formation and absorption velocity.
- Refinancing pressure: Approximately \$4.8 billion in DFW multifamily debt originated in 2021–2022 at sub-4% rates faces maturity in 2026–2027. Stressed refinancing could accelerate distressed asset sales and create cap rate volatility in certain submarkets.
- Insurance and operating cost inflation: Property insurance premiums in North Texas rose an average of 22% in 2024–2025 and remain a significant headwind to NOI margins, particularly for mid-1990s to early 2000s vintage B/C assets without recent cap-ex.

Strategic Implications

For operators and investors currently holding or evaluating DFW multifamily exposure, Terrain Intelligence recommends the following positioning framework for the next 12 months:

- Hold well-located Class B/B+ assets through the softness cycle. The supply pipeline contraction strongly favours existing owners in the 2027–2028 window.

- Consider value-add acquisition of 1995–2010 vintage assets in South Arlington, Garland/Mesquite, and Irving where entry cap rates exceed 6.25% and renovation-driven rent lifts of \$150–\$250/unit are achievable.
- Exercise caution on new Class A development in the Frisco/McKinney/Prosper corridor until submarket vacancy consistently tracks below 9% for two consecutive quarters.
- Monitor distressed debt and maturity defaults for selective opportunistic acquisition at sub-replacement cost basis, particularly in the northern suburbs.

10 METHODOLOGY & SOURCES

This report is prepared by Terrain Intelligence using a proprietary research framework that combines primary data collection, secondary source synthesis, and market participant interviews. All financial metrics and market statistics reflect conditions as of March 2026 unless otherwise noted. Forward-looking projections represent base-case estimates and are subject to material revision as market conditions evolve.

Primary Data Sources

SOURCE	DATA TYPE	COVERAGE
CoStar Group	Vacancy, rents, absorption, pipeline	DFW MSA — 382,400+ units
RealPage Market Analytics	Occupancy, lease-up velocity, concessions	Submarket granularity
MSCI Real Capital Analytics	Transaction data, cap rates, pricing	Closed sales Q1 2026
Yardi Matrix	Construction pipeline, project-level data	Active sites
U.S. Census Bureau	Population, household formation, income	ACS 2024
Texas Workforce Commission	Employment, unemployment, payroll data	DFW county-level
Terrain Intelligence Research	Interviews, broker surveys, on-site data	Proprietary

Definitions

- **Effective Rent:** Asking rent adjusted for concessions (free rent, reduced deposits, move-in specials) averaged over the lease term.
- **Net Absorption:** Total new units occupied minus total units vacated during the period.
- **Vacancy Rate:** Physically unoccupied units as a percentage of total rentable inventory.
- **Cap Rate:** Net Operating Income (trailing 12 months) divided by gross transaction price.
- **Under Construction:** Projects with active building permits, vertical construction commenced, and a projected delivery date within 24 months.

Market-rate inventory excludes income-restricted affordable housing (LIHTC, HUD-assisted) and single-family rental (SFR) product. Submarket boundaries follow standard CoStar/RealPage definitions adjusted for local operator convention where noted. All currency figures are in USD unless otherwise specified.