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North Texas led all metros in multifamily investment in 2021



North Texas led the nation in multifamily investment last year.

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The numbers are out, and North Texas was the top multifamily investment destination in 2021 as the market continues to experience explosive growth.

According to CBRE's Q4 2021 U.S. Multifamily Figures report, total multifamily investment in North Texas was almost \$28 billion, comprising over 8% of the nation's total. National multifamily demand broke records last year, with a total net absorption of 617,500 units. Dallas was one of the top-performing markets, with net absorption of almost 32,000 units.

"Dallas as a whole has become more and more of a place that everybody wants to be, especially as capital is leaving the coasts," said [Johnathan Makus](#), senior vice president at CBRE. "Wherever you see areas of elevated rent growth, people want to be part of that story."

Texas and New York markets led the nation for new supply. Dallas posted 5,000 completions in Q4 and 15,300 for the year, and Fort Worth had 500 completions in Q4 and 6,200 for the year. In 2021, Fort Worth had an annual net absorption of 9,700 units.

Dallas outperformed all but three markets nationwide in annual net absorption. The markets that outperformed Dallas were New York, Los Angeles and Houston.

According to the report, year-over-year average rent grew over 13% nationally. In Dallas, year-over-year average rent grew by about 17%, while in Fort Worth it grew 14%. All 69 markets tracked by CBRE had positive rent growth, and 49 saw double-digit year-over-year rent growth.

Experts believe the momentum that drove last year's results will carry this year.

"The underpinning of why investors are drawn to the apartment sector in particular in North Texas, those fundamentals are still there from a property performance standpoint," said [Danny Baker](#), vice chairman at CBRE.

Baker, Makus and [Chandler Sims](#), first vice president, spoke about the trends underlying this level of growth in

the North Texas multifamily market and what they anticipate for this year.

Last year saw investment pouring into the North Texas multifamily market. Are y'all anticipating a similar level of activity this year?

Baker: Yes, we're certainly of the mindset that this year we'll see similar if not slightly elevated levels of transaction activity in North Texas. One of the multitude of reasons for that would be that the market in 2021 was relatively slow in the first quarter of the year. There wasn't a whole lot of activity from an investment standpoint in January, February and even into March of 2021. Comparing the first quarter of last year to what we believe the first quarter is going to look like in 2022, there's already an elevated level of activity in the marketplace. We believe capital demand is there; liquidity is there.

We believe that this year will be another exceptional year from an activity perspective because a lot of the same drivers that fueled the activity last year, and some of the fundamental shifts that we experienced during COVID, nothing has really changed on that front.

I think the medium-term forecast for DFW is still indicating that there's a very high likelihood that this market will experience stronger property performance when compared to even other sunbelt peers. The sustainability of the performance that we saw last year and what we're already seeing this year that is certainly a very big positive for investors looking to deploy capital.

... I don't know if I would characterize returns as healthy. Returns are compressed when compared to a couple of years ago.

Why is that?

Baker: When you have elevated levels of capital availability, more liquidity and exceptional fundamentals, and pair that with performance in the apartment sector that was significantly better and less volatile than performance in other property types such as office, hospitality and retail, investors are willing to accept a

lower return because the characterization of risk is lower than other property types.

Makus: It's a safe bet. The belief is that people need a place to live. Every one of us is at home right now, and the capability of working from home exists easily. Concerns over office space and what's going to happen over the next handful of years is a real concern for ownership that owns office space. Retail, it's the same thing. With Amazon and deliveries, you have the concern of 'what is my retail rent going to be when the lease comes up?' In multifamily, occupancy is pretty much at all-time highs. The safety factor is what's driving people to the space.

Rent growth was fairly high in Dallas and Fort Worth. What are y'all expecting as far as rent growth this year?

Baker: We believe this year is going to be another year of exceptional rent growth. I don't think we're going to have another year like last year, where there was some recovery baked into the numbers based on relatively flat rent growth in North Texas. We were making up for a year of either negative or no rent growth in 2021, and that's accelerating the numbers that you're looking at.

As Jonathan mentioned, occupancies are at an all-time high nationally, and they're certainly at an all-time high in DFW. I think a more impactful statement for Texas would be to look at compression in vacancies. Last year, the top three markets for vacancy compression were DFW, Austin, and Houston. So we believe that the market is extremely tight right now on the property level. When you have historically high occupancy levels and compressing vacancy, the only thing to change here would be rent growth. So we believe that this year is going to be another solid year of rent growth. That growth will probably moderate when compared to last year, just based on the recovery comment that I made earlier. But we certainly believe that the way the property markets are currently operating, there's going to be strong demand for apartments and housing units in general in DFW. That will lead to a sustained level of rent growth that is higher than historical averages.

Sims: Looking back in the rearview mirror, 10 years ago, there was a backdoor to the rental market through purchasing single-family homes. That market is equally as tight if not tighter, and the cost for an entry-level home has gone up to exceed \$200,000; if you can find that you're talking about borderline tertiary markets, north of 380, past Celina or up into Sherman, where the commuting factor starts to degrade relative to living in an apartment that's maybe 20 minutes from where you work.

Are there any areas or submarkets in North Texas that investors have been chasing after in particular?

Sims: An emerging market in the multifamily industry is single family for rent. As a result of capital being raised around that investment theme, we're seeing some of the outer ring suburbs become a target for that type of investor. We're seeing that type of product being built and delivered in places that historically have not been large apartment markets, such as Celina.

This interview has been edited for clarity and brevity.

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