

# Moveouts At Older Buildings Drag Down DFW Rent Growth

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For the first time in nearly two years, rent growth in Dallas-Fort Worth has slowed to the single digits.

Average monthly rent increased by 8.5% over the 12-month period ending in December, according to the latest report from Apartmentdata.com (<https://www.bisnow.com/tags/apartmentdata.com>). This comes at the tail end of a year that kicked off with more than 21% year-over-year growth, per the market research firm.



Several months of negative absorption at Class-B and C apartment properties are behind the decline, said Bruce McClenny (<https://www.bisnow.com/tags/bruce-mcclenny>), senior director of Apartmentdata.com, which was acquired last summer by MRI Software (<https://www.bisnow.com/tags/mri-software>).

“They’re going into the new stuff — Class-A — but they’re really moving out of Class-B and Cs,” he said. “Occupancy is going lower, and all of the sudden, landlords are adjusting prices to attract more [renters].”

The average DFW apartment cost \$1,489 in December, down slightly from the \$1,497 charged in November. Austin is still the most expensive Texas city for renters, with an average cost of \$1,620 per month.

Prices may be cooling, but the Metroplex’s landlords continue to see higher gains than their counterparts in Austin, Houston and San Antonio, where rent growth landed at 5.1%, 5.8% and 6%, respectively.

“[DFW] is performing a lot better than other apartment markets,” he said. “It is hovering above its long-term average primarily because of its economic health with job growth and in-migration.”

The slowdown in rental rate growth is to be expected following the record-high gains notched in 2021, a year when average rental rate growth landed at close to 19%, McClenny said. Market absorption — the go-to indicator of demand in the apartment industry — totaled 44,634 units, which was close to double the amount of new units added that year, per the firm’s data.

“In 2021, demand dwarfed supply,” he said. “Now, it’s reversed.”

DFW added around 20,000 new units in 2022, but absorbed less than 5,000, indicating a significant imbalance between demand for apartments and new supply coming online.

Toward the latter half of the year, McClenny said some renters, particularly those in lower-tiered properties, reacted to an impending recession by either moving in with family or doubling up, which put a dent in absorption.

But all signs point to a rental industry that should be much stronger than what is reflected in the numbers, McClenny said. This suggests some absorption may be happening in shadow industries not captured by Apartmentdata.com’s research, such as single-family rentals (<https://www.bisnow.com/tags/single-family-rentals>).

There are more than 22,000 multifamily units under construction in DFW and another 77,000 are proposed, but when and if those projects get built is still uncertain, McClenny said.

An indefinite pause on development due to the economic climate could create a scenario in which the market is undersupplied in 2024, he said.

“We are not going to be building like we should be building,” he said. “There will be too much demand for the supply that’s coming on.”

Negative rental rate growth is not off the table if significant job loss occurs in 2023, McClenny said. In the short term, a rate plateau is the cautiously optimistic call.

“Rents are going to come down — we are already starting to see that, and it may continue,” he said. “Flat would be a great thing.”

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