US Apartment Investments Set Record, Led by Dallas Area

Investments, Leasing and Construction Rose More To Start Year Than in 2021, CBRE Report Says


Dallas was the top place for apartment investment over the 12 months ended in the first quarter. (Getty Images)

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Apartment construction, investment and leasing across the United States reached a record for the first three months of the year, with investors making the Dallas area the nation's leader over the start of 2021.

Investors poured $63 billion into buying apartments around the country in the first quarter, the highest level on record and a 56% increase over the first quarter of last year, according to commercial real estate firm CBRE. That brought the 12-month total to $374 billion. Apartment investment represented 37% of capital flowing into all property types, ahead of the 21% for office properties and 20% in industrial.

About 695,100 more renters leased apartments in the 12 months ended in the first quarter than vacated units, a 77% gain over the previous record set in 2000. In the first quarter alone, net absorption was 96,500 units, the highest since 2000.

New construction totaled 66,400 units for the quarter to push the four-quarter total to 292,500, the highest level since 1987. Despite the high level of new construction, vacancy rates fell over the 12 months to 2.3% while rents increased 15.5%.

Of the four major assets classes, apartments have been viewed as one of the strongest going forward, behind industrial, in terms of total return.

Nonprofit commercial real estate research organization Urban Land Institute’s latest economic forecast shows apartments having a 14% return this year and 9% next year. Industrial properties, which have been buoyed by e-commerce during the pandemic, are projected to show a 20% return this year, dropping to 12% next year.

The ULI report is based on the median of the forecast from 47 economists and analysts at 36 top real estate organizations.

Fundamentals for apartments remain strong with “favorable migration trends, high household formation, and strong wage and job growth contributing to continued demand,” Brian McAuliffe, CBRE’s president of multifamily capital markets, said in a statement. In addition, an “abundance of equity and debt capital remains available, albeit at significantly higher rates than enjoyed in the past few years,” McAuliffe said.

According to the CBRE report, investors bought up $29.2 billion in Dallas-area apartment properties over a 12-month period through the first quarter of this year, doubling the number a year earlier. Metropolitan Atlanta was second with $21.4 billion, a 150.1% gain from a year earlier.

For the rest of the year, the Dallas area is expected to be the most preferred market for apartment investment, CBRE reported in April in its U.S. investors intentions survey. The Sun Belt in general was the most preferred.

The New York City area led in construction deliveries as well as net absorption, another signal that the region's apartment industry has roared back after suffering declines early in the pandemic as people left the city which was hit hard by the pandemic.

There were 5,400 apartment units completed in the New York area in the first quarter and 24,800 over the four quarters. Net absorption was 17,200 units in the quarter and 105,600 units over the four quarters, more than double second-place Houston in both categories.