



DFW

Duplex & Fourplex

2024 Report



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Geography

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Current Market

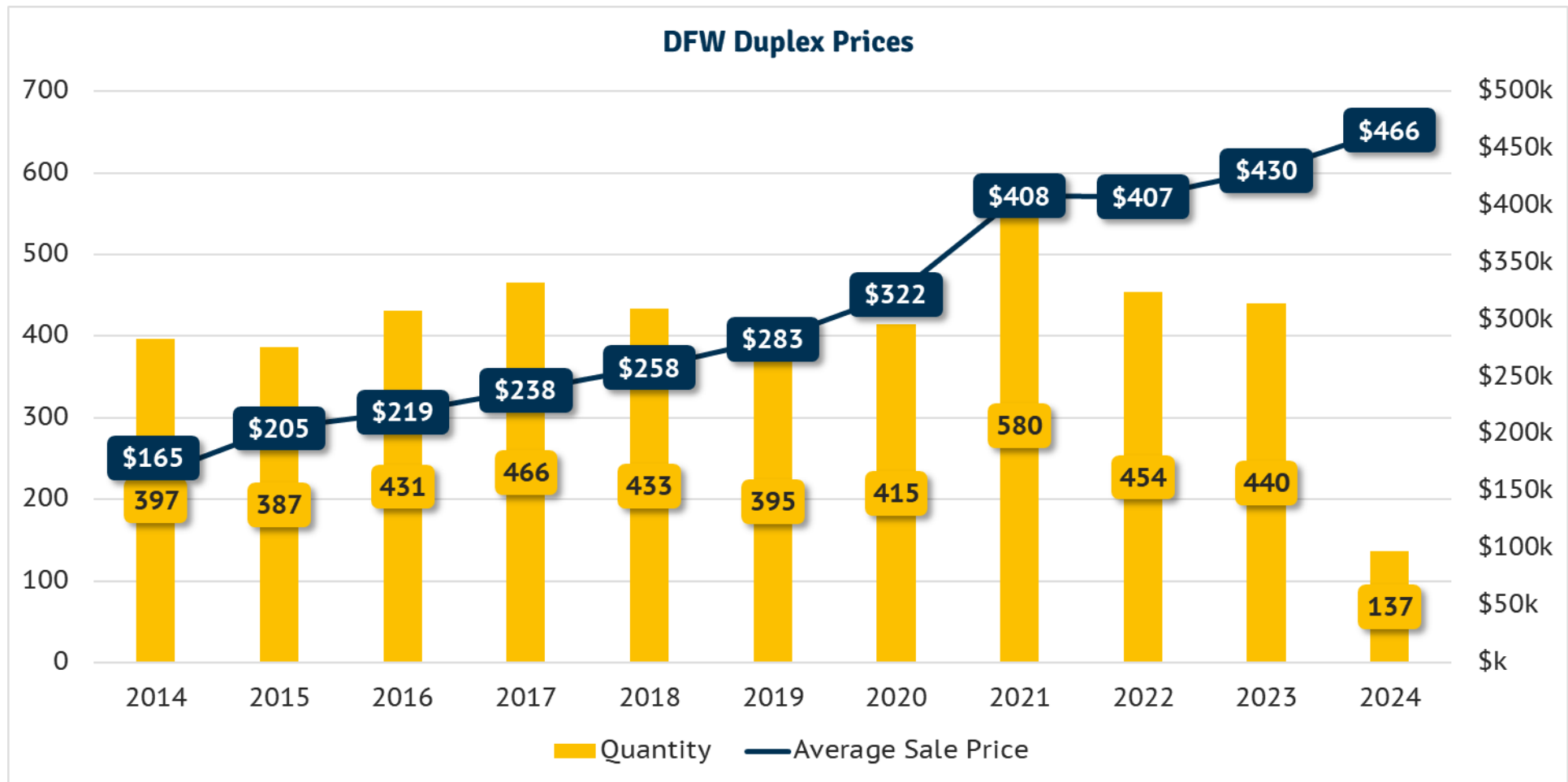
- Active Inventory
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Conclusion

- Pros and Cons of 2-4 Family Investing
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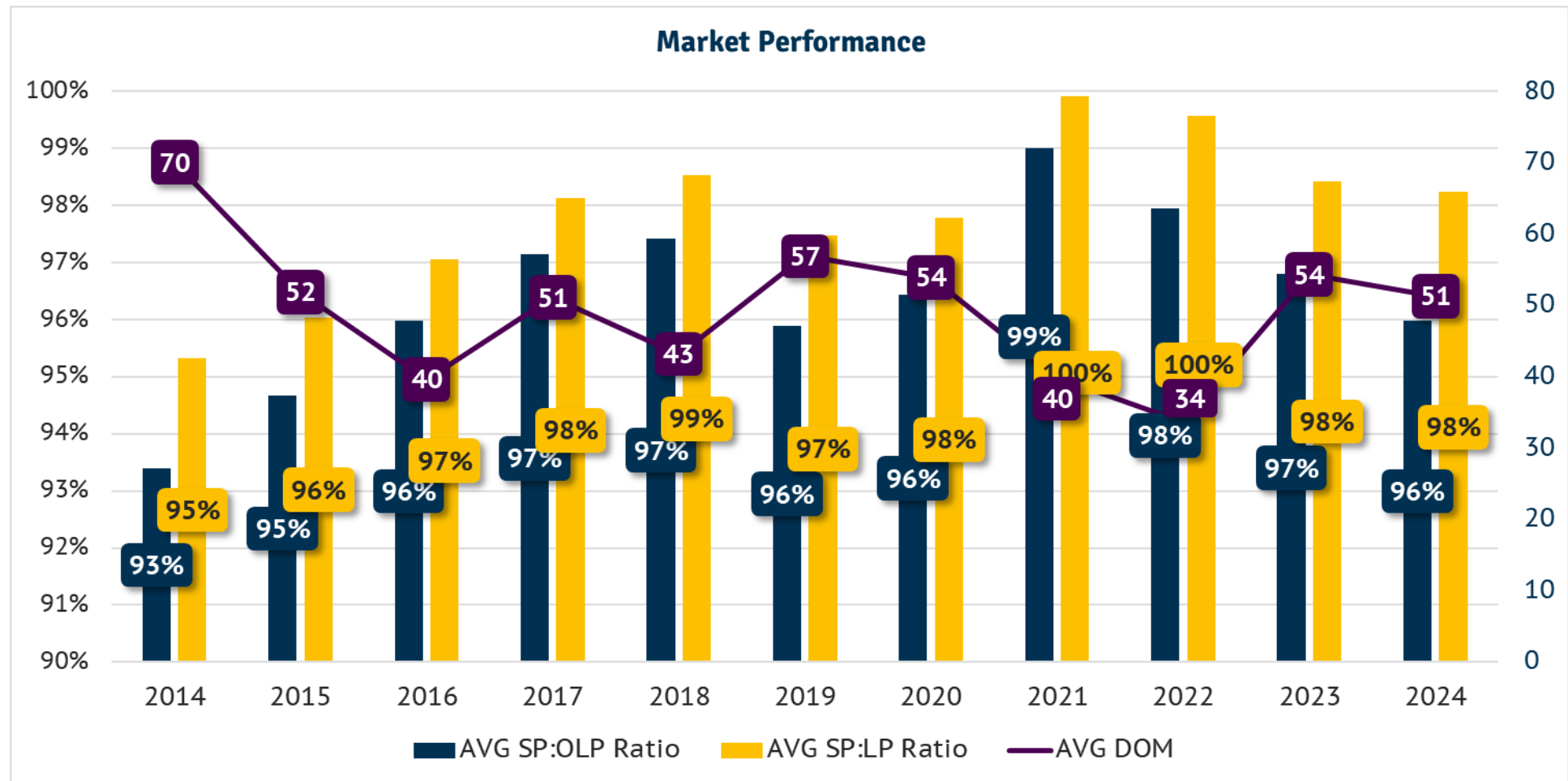
Duplex Prices

- 440 duplexes sold in 2023, with the average price continuing to increase YoY.
- At only 137 YTD (May 5, 2024), it is likely that 2024 will see fewer duplexes sold than previous years, likely due to sellers failing to get the exit prices they are targeting.



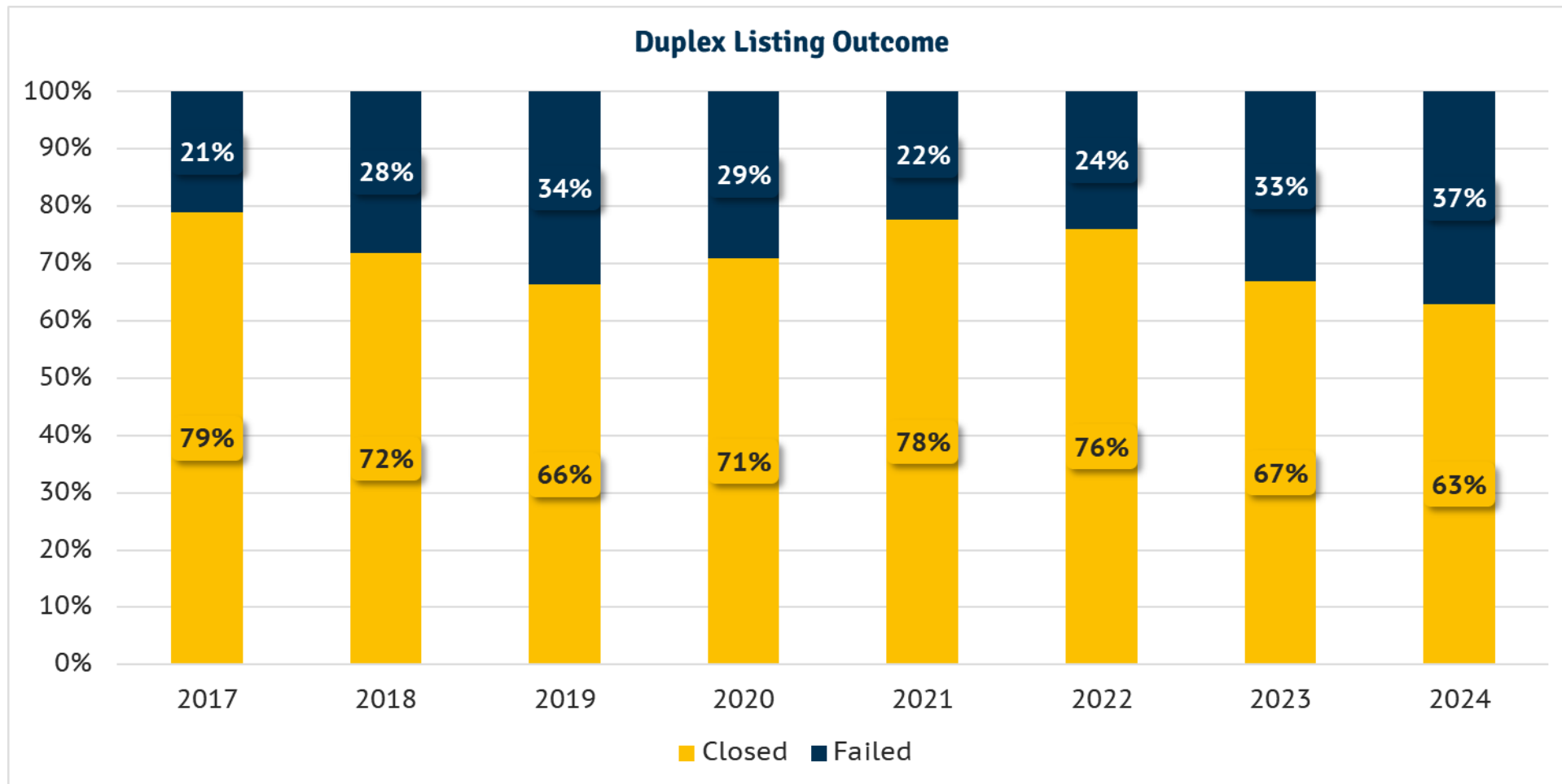
Market Performance

- DOMs are rising since the COVID bump, as are price drops, with duplexes YTD selling at 96% of their original asking price, the lowest since 2020.



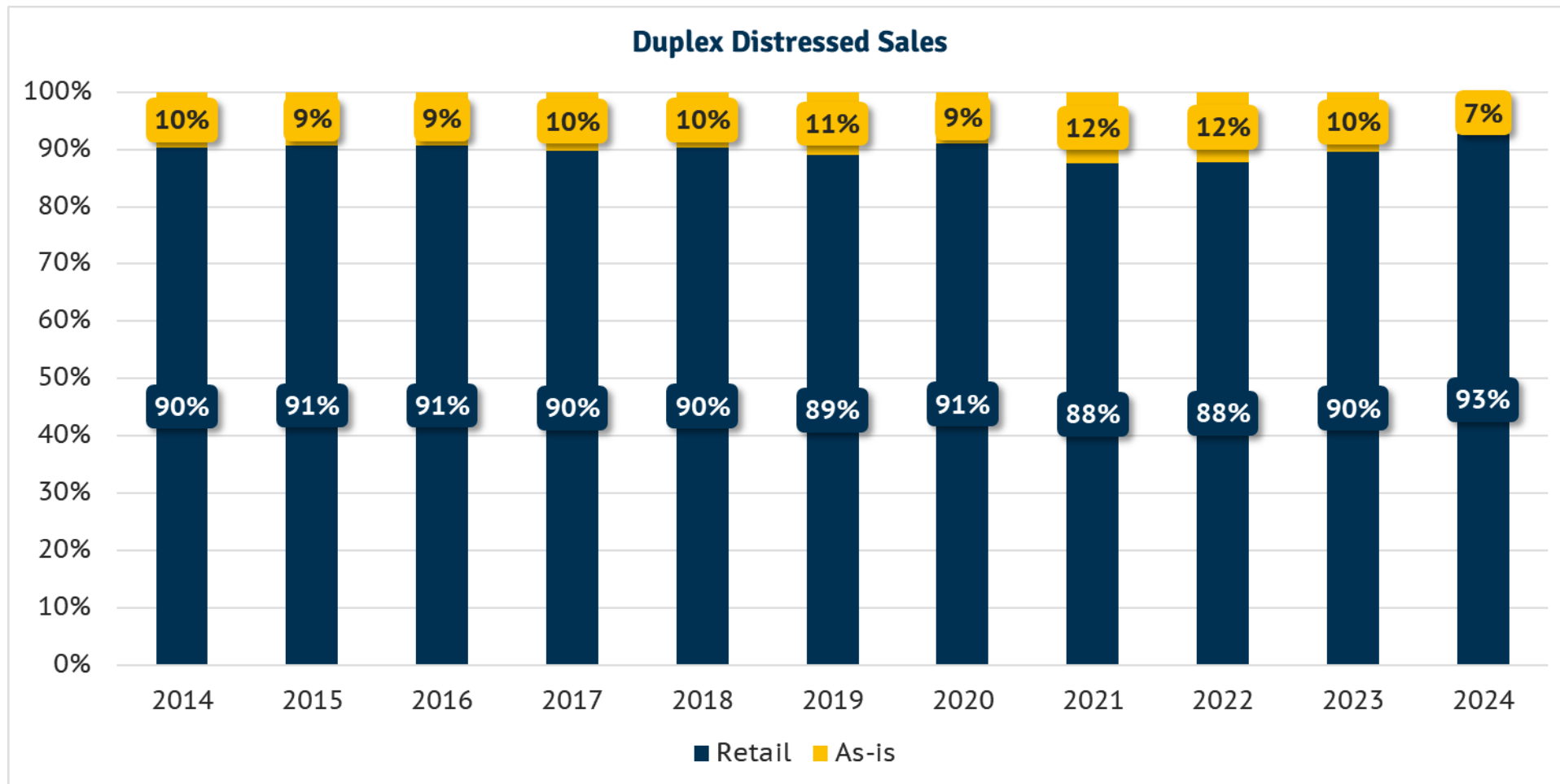
Listing Outcome

- YTD, 2024 has the highest proportion of failed listings versus closings, suggesting a weakening market. Only 63% of listing results were successful sales.
 - *Failed listings are cancelled, withdrawn or expired listings.*



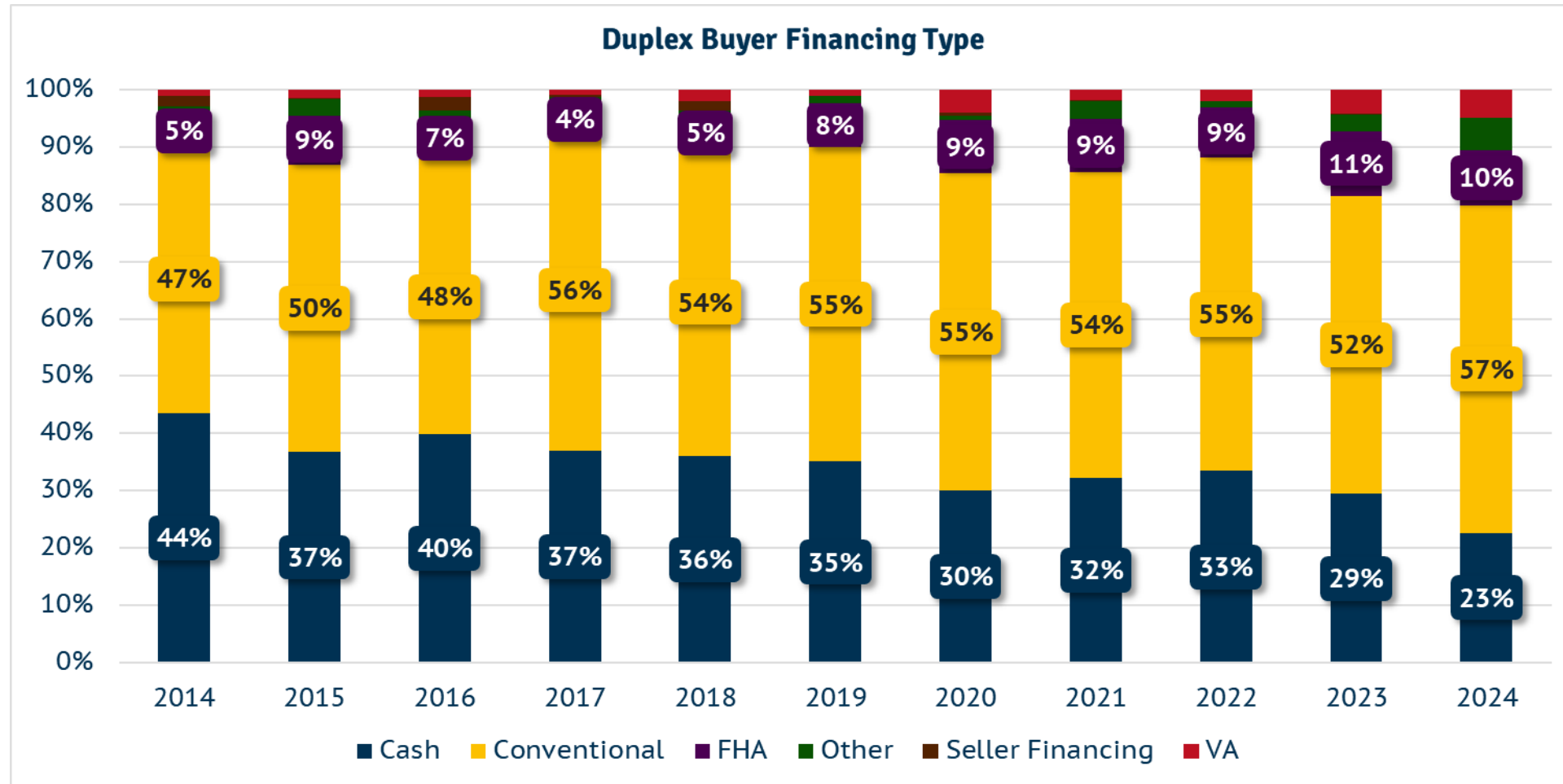
Distressed Sales

- Lower success rates are not resulting in higher distressed sales, likely as most duplex owners have equity, even if prices stabilize or fall, and are not forced to sell.



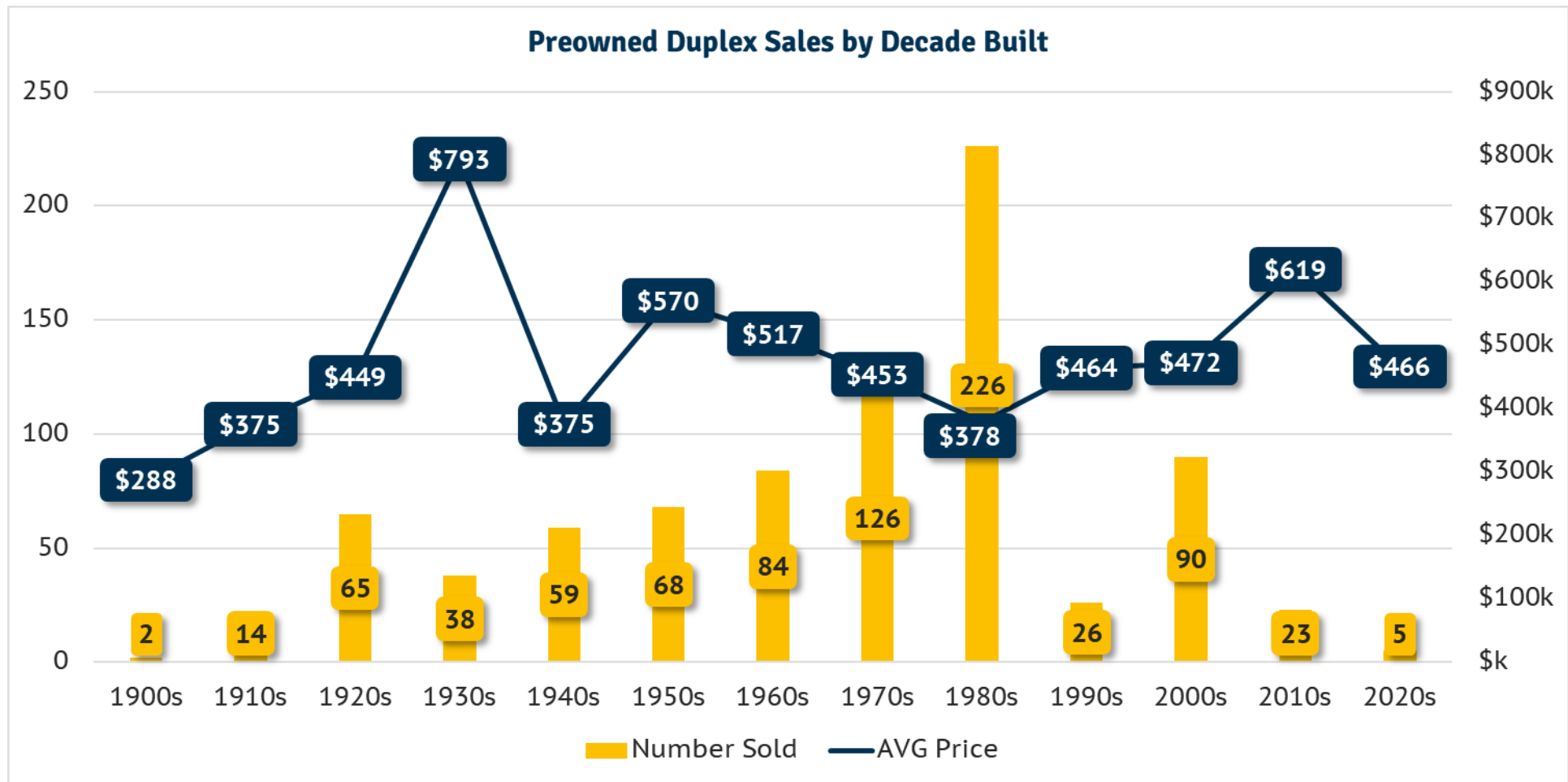
Buyer Financing

- Cash duplex buyers are the lowest they have been in a decade despite higher interest rates, potentially reflecting lack of interest in duplex prices from unlevered investors.



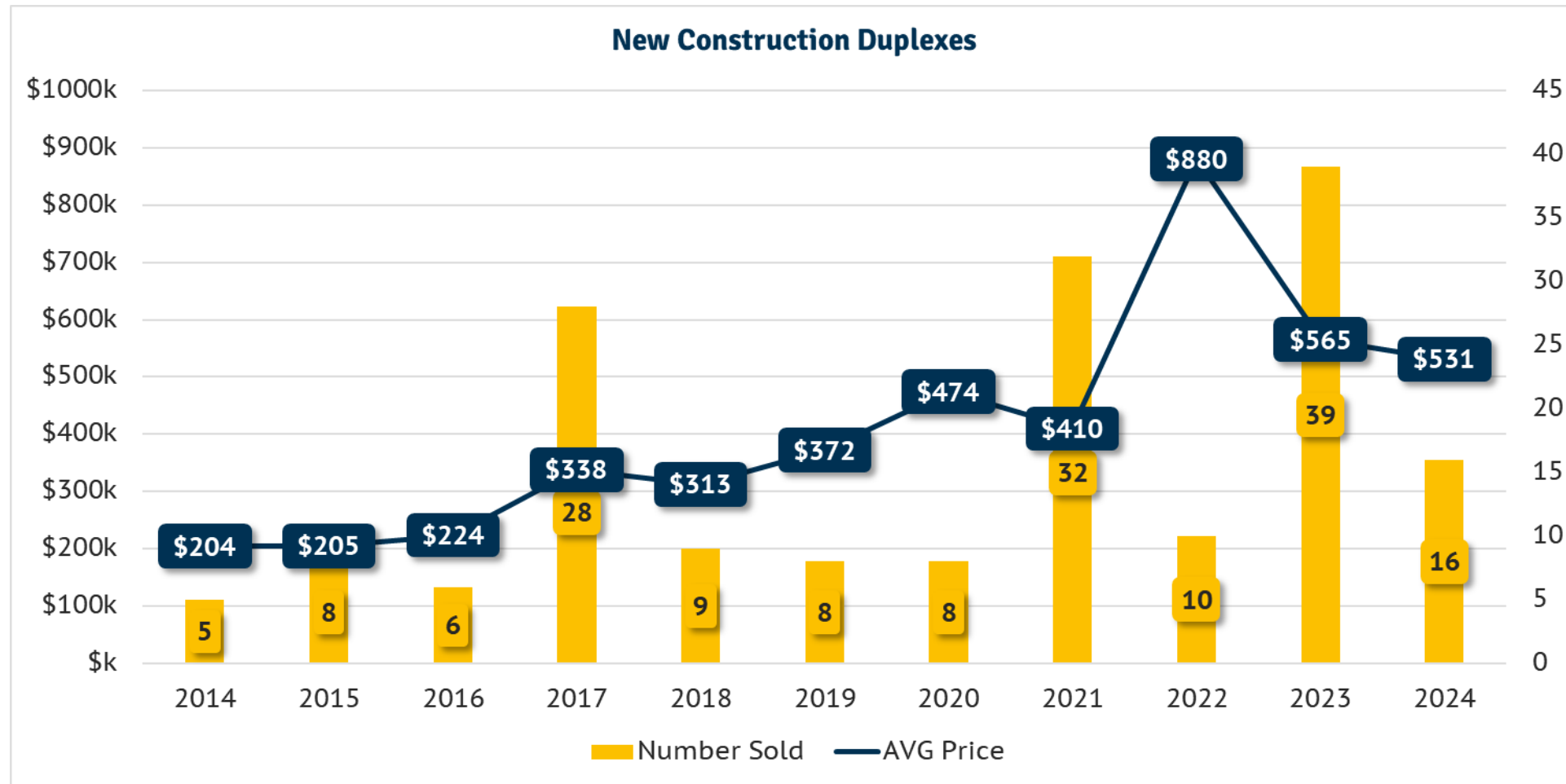
Year Built

- Most DFW duplexes were built in the 1980s.



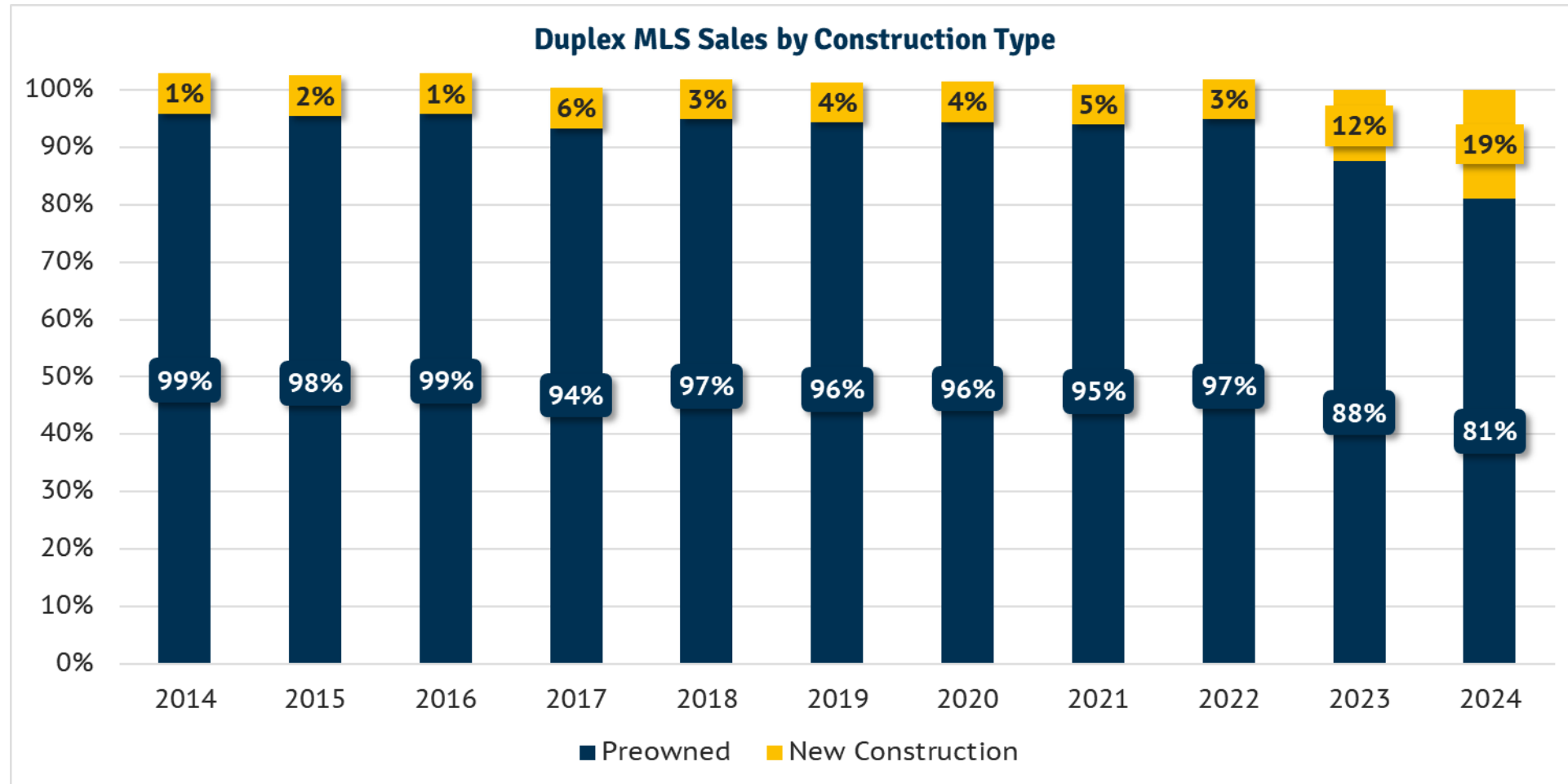
Year Built

- Duplex sales are increasing, hitting a record high MLS new construction transactions in 2023 and are on pace for a similar 2024.



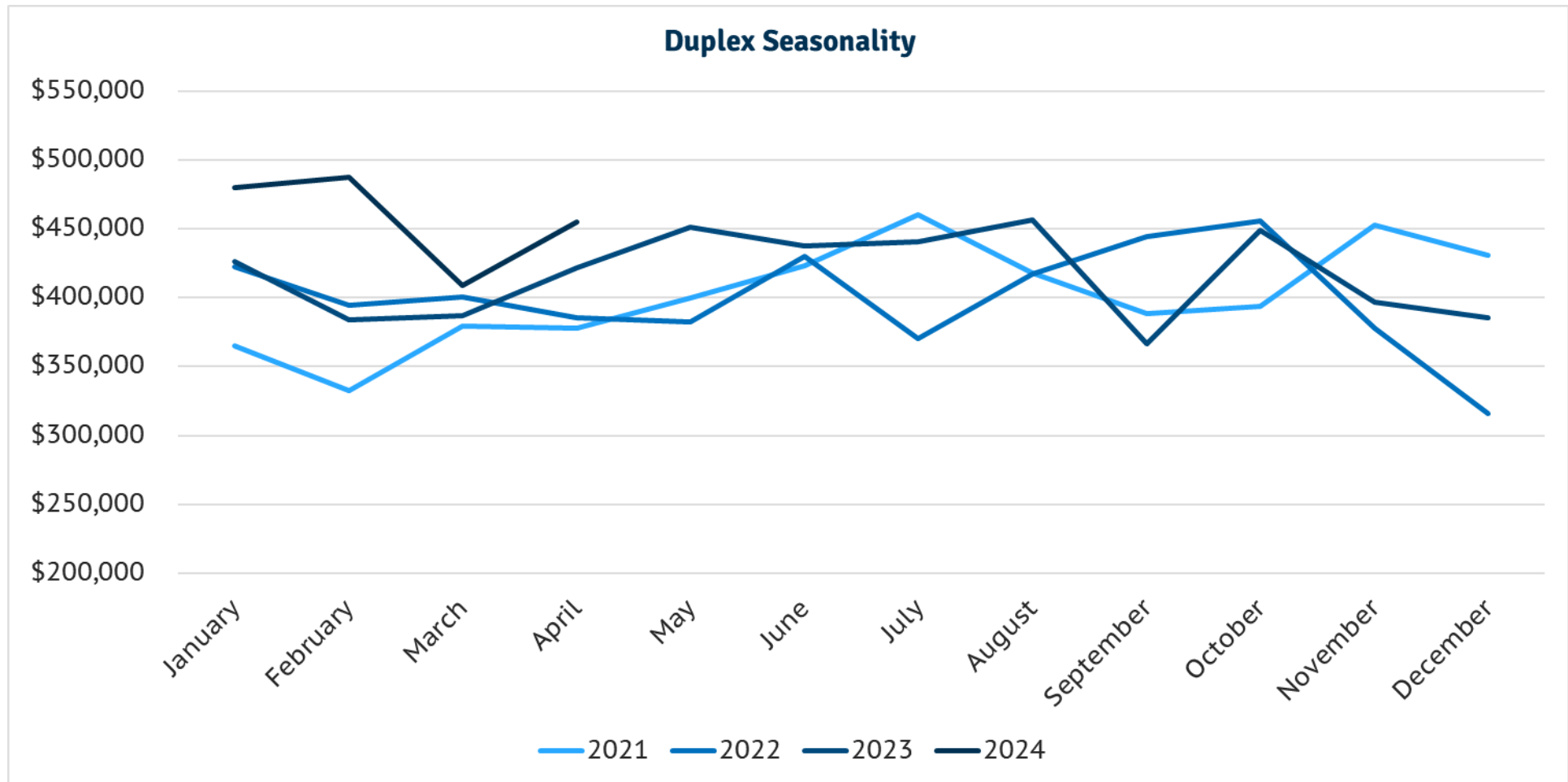
Year Built

- New Construction duplexes are the highest composition of MLS Sales ever. However, this may be indicative of a softening market if builders are relying on the MLS more over direct sales.



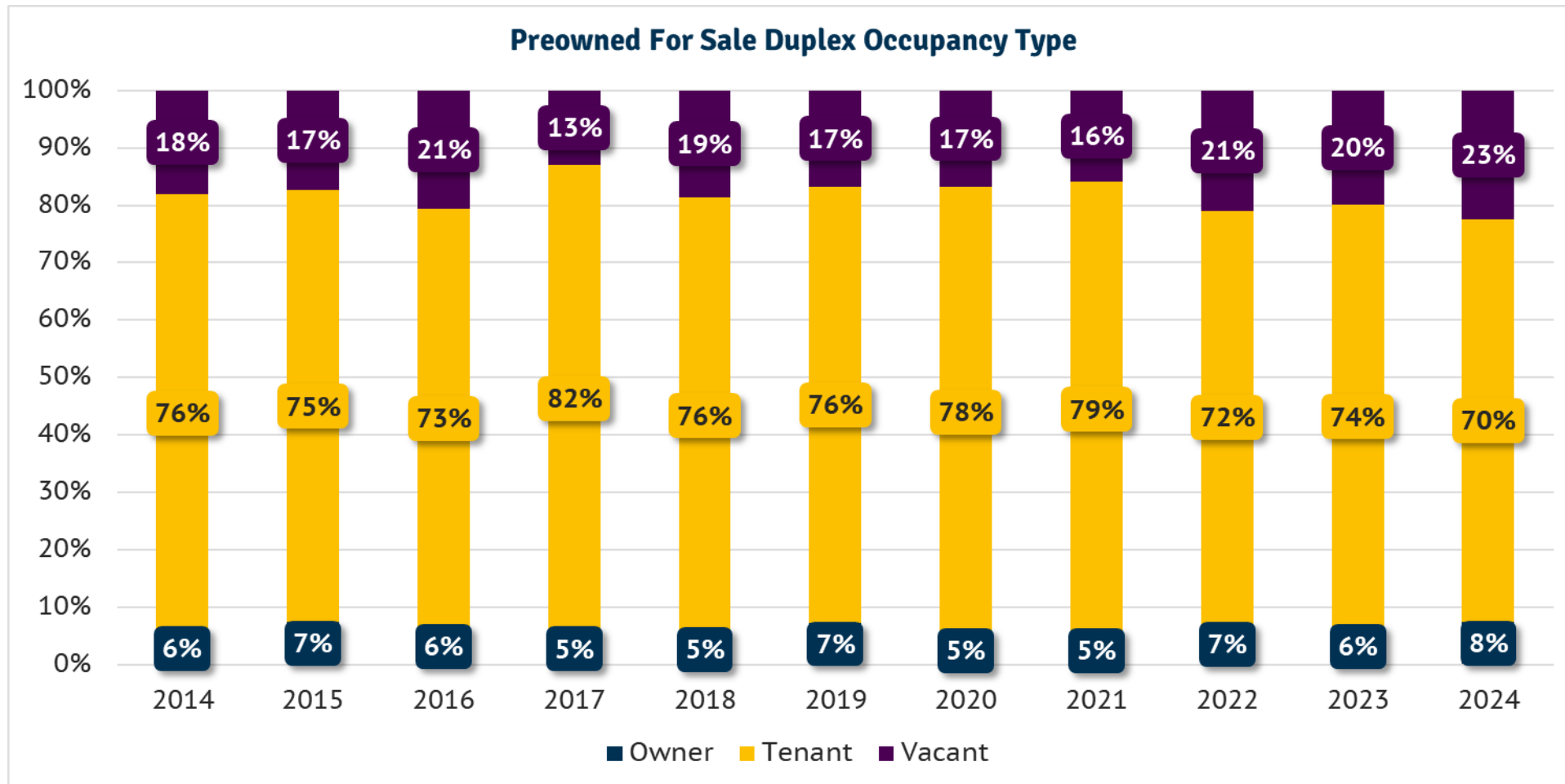
Seasonality

- There is not a strong trendline in the average sale price to suggest duplexes are strongly influenced by the season.



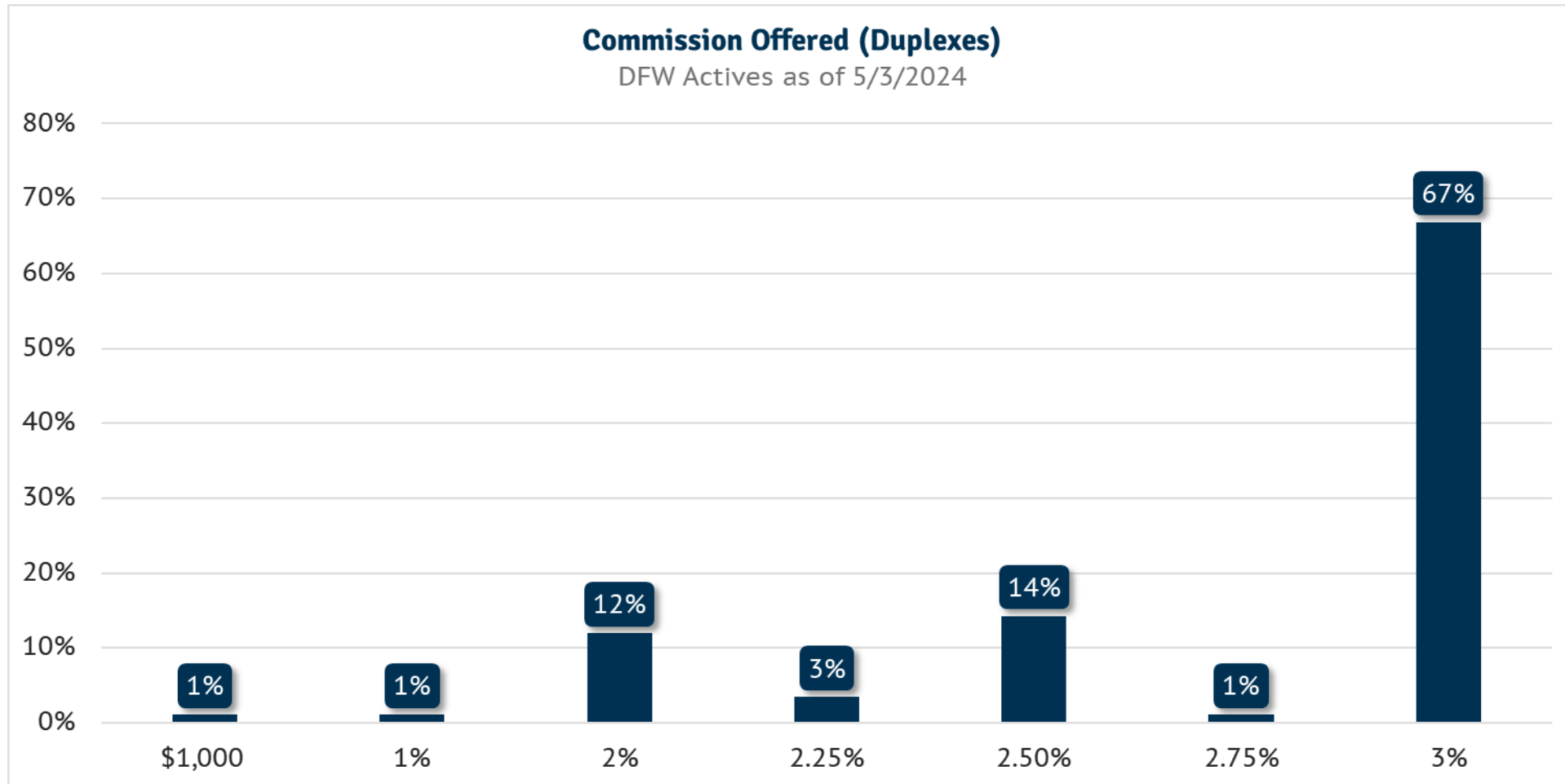
Occupancy

- Most duplexes sell with tenants in place.



Commissions

- 2/3 of the 173 active duplex listings offer 3% cooperating agent commissions.



Top Duplex Locations

• By Previous Year Transaction Volume

County		City		Subdivision	
Tarrant	275	Dallas	193	Heritage Hill Estates	19
Dallas	260	Fort Worth	165	Orig Town Of Greenville	11
Ellis	37	Arlington	49	Wedgwood Add	9
Collin	31	Venus	20	Broadmoor Add	7
Denton	30	Denton	19	Chamberlain Arlington Heights 1st	6
Hunt	29	Weatherford	17	ORIG TOWN OF LONE OAK	6
Johnson	24	Greenville	16	Rentz Place	6
Parker	22	Grand Prairie	15	Crest Meadow Estates	5
Wise	5	North Richland Hills	13	Chamberlain Arlington Heights 2nd	5
Kaufman	2	Cleburne	12	Original Cleburn	5
Rockwall	1			Fox Hollow Add	5
				Weisenberger Add	5
				Alta Mesa Add	5
				Marine Creek Heights Add	5

Wedgwood

Fort Worth, TX

Sale Price

Average

\$378,000

Gross Rents

Average

\$31,456

Sold

Total

10

Active

Total

2

Year Built

Average

1969

DOM

Average

33

Cap Rate

@ 50% Expenses

4.2%



Heritage Hill Estates

Venus, TX

Sale Price

Average

\$574,000

Gross Rents

Average

\$53,000

Sold

Total

20

Active

Total

7

Year Built

Average

2023

DOM

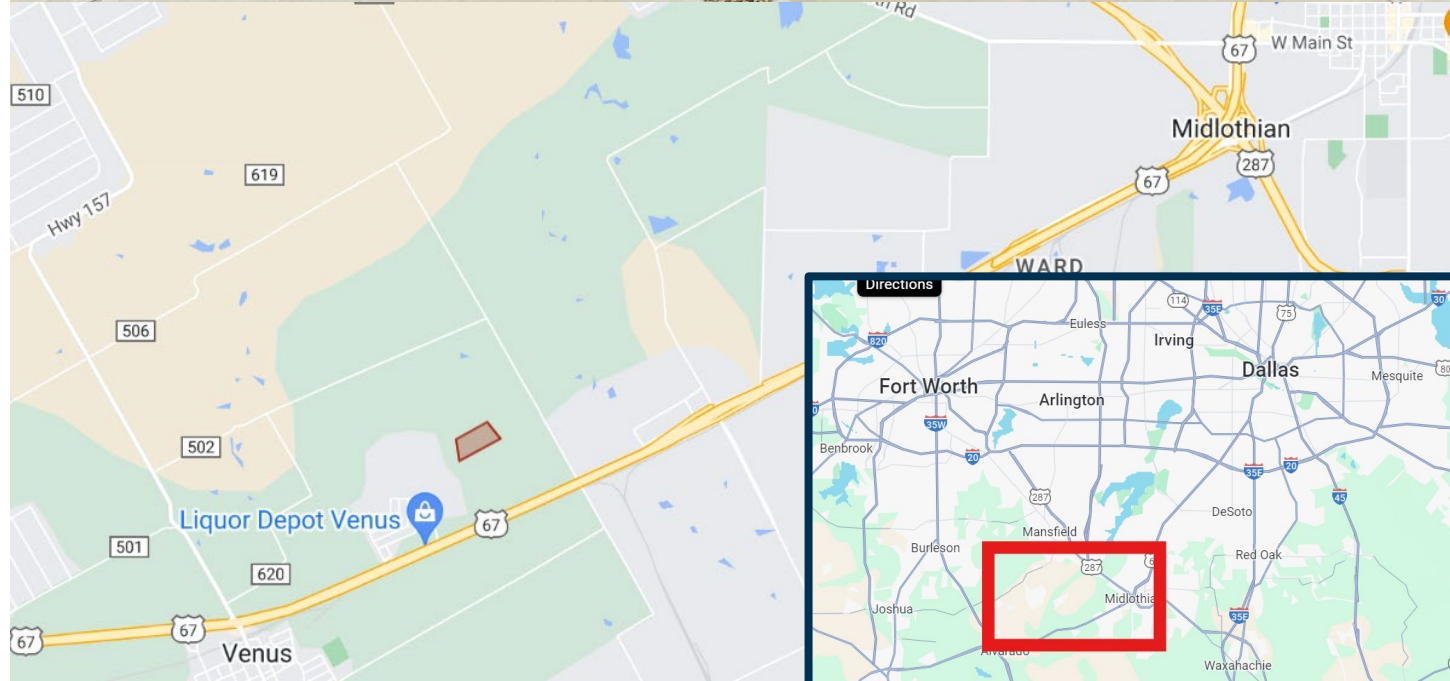
Average

61

Cap Rate

@ 50% Expenses

4.6%



Greenville

Greenville, TX

Sale Price

Average

\$395,000

Gross Rents

Average

TBD

Sold

Total

16

Active

Total

8

Year Built

Average

2023

DOM

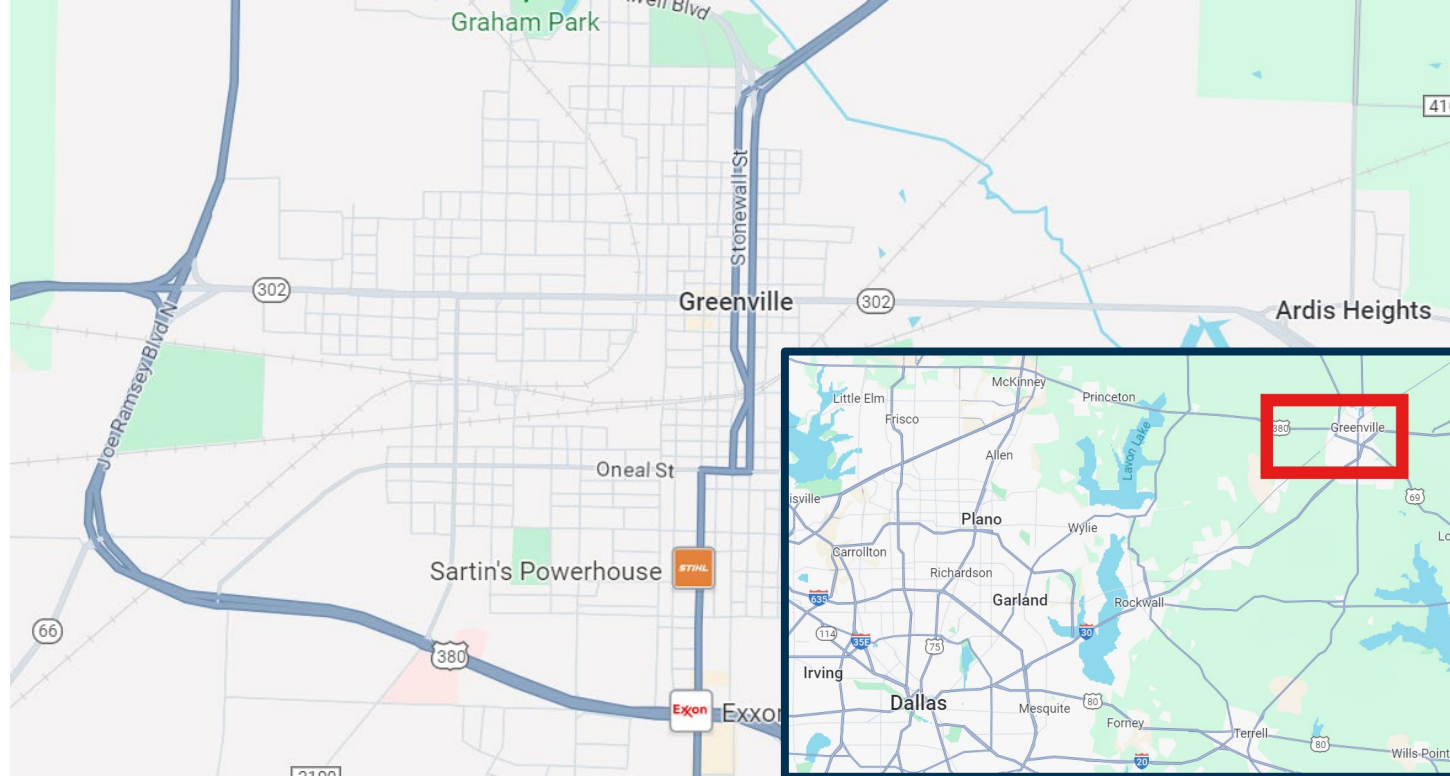
Average

21

Cap Rate

@ 50% Expenses

TBD



Eagle Cove

Denton, TX

Sale Price

Average

\$715,000

Gross Rents

Average

\$81,000

Sold

Total

8

Active

Total

23

Year Built

Average

2023

DOM

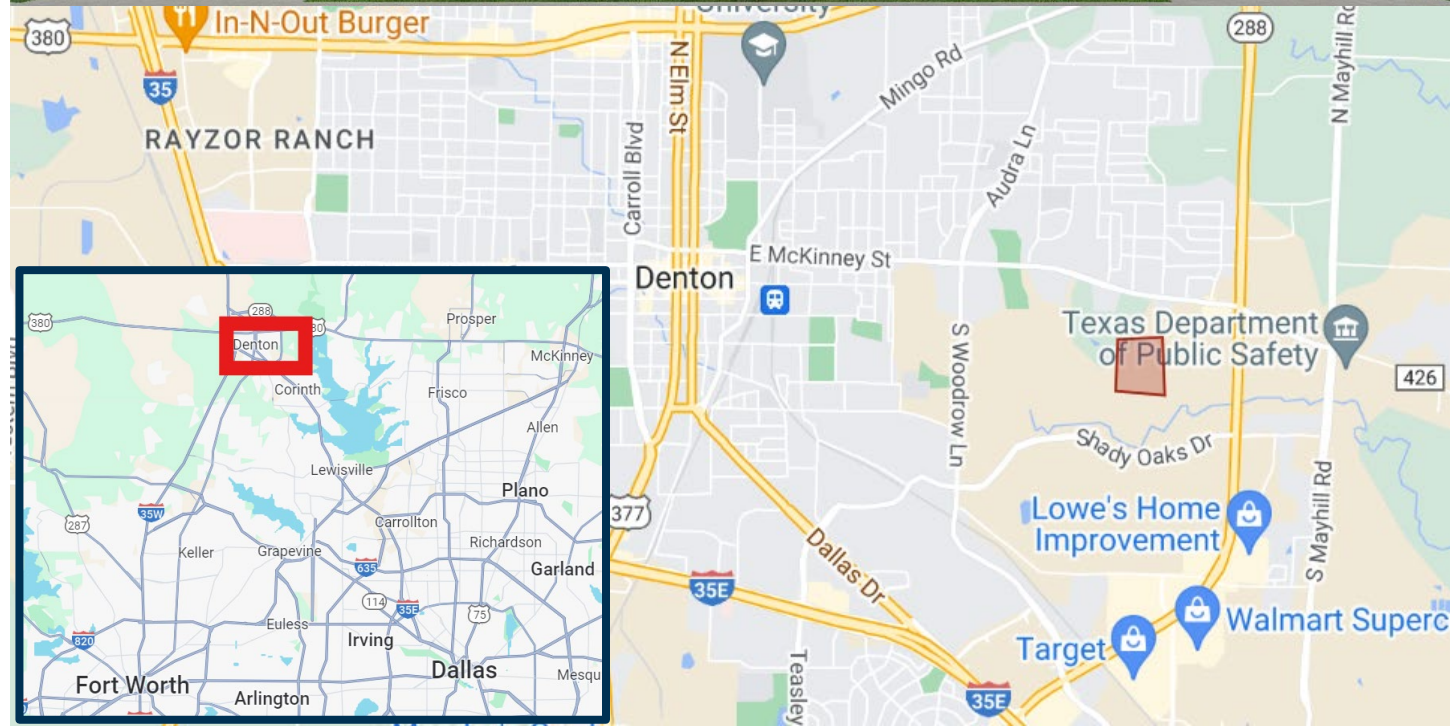
Average

95

Cap Rate

@ 50% Expenses

5.7%



Rentz Place

Weatherford, TX

Sale Price

Average

\$431,000

Gross Rents

Average

\$24,150

Sold

Total

10

Active

Total

3

Year Built

Average

1999

DOM

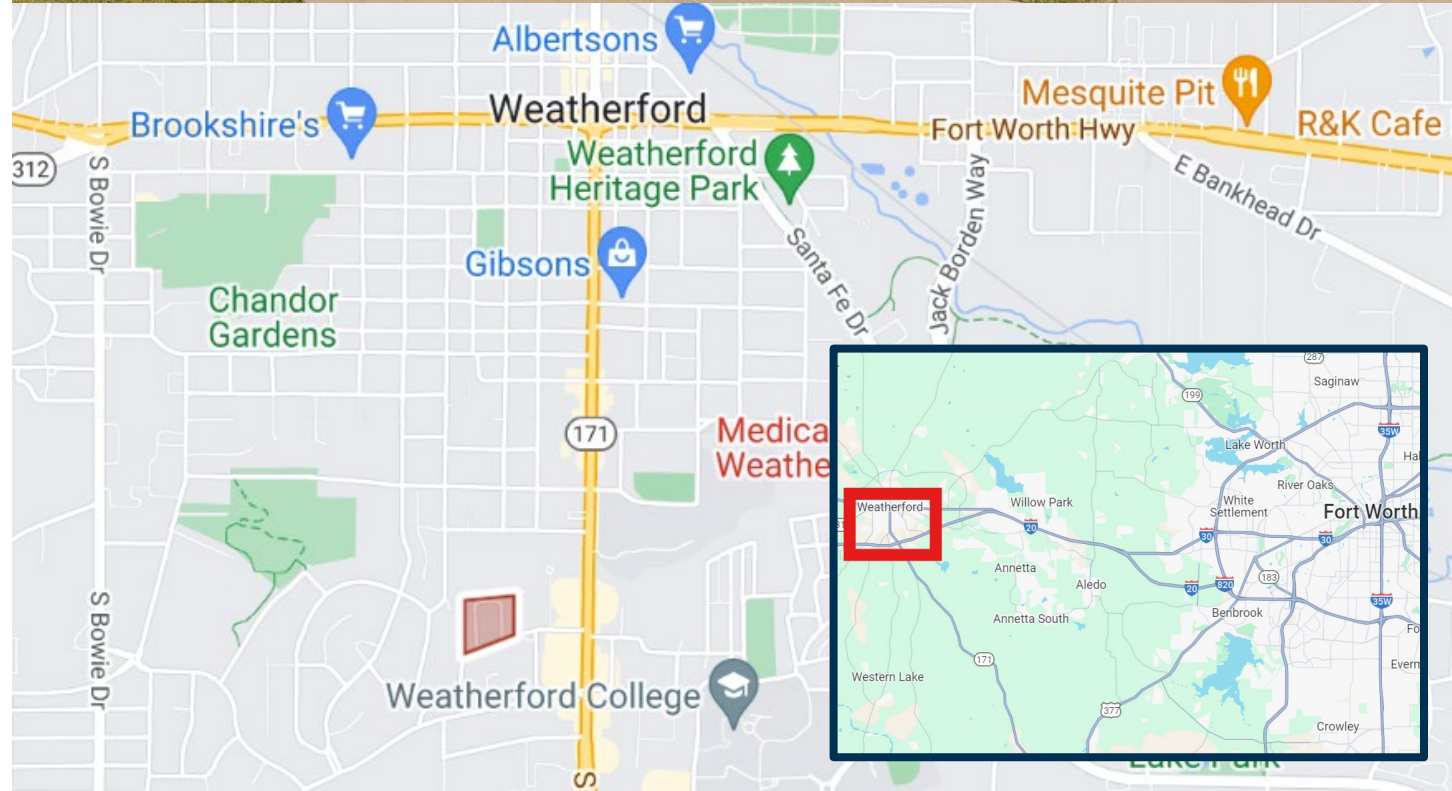
Average

105

Cap Rate

@ 50% Expenses

2.8%



Chamberlain Arlington Heights

Fort Worth, TX

Sale Price

Average

\$380,000

Gross Rents

Average

\$14,900

Sold

Total

4

Active

Total

3

Year Built

Average

1978

DOM

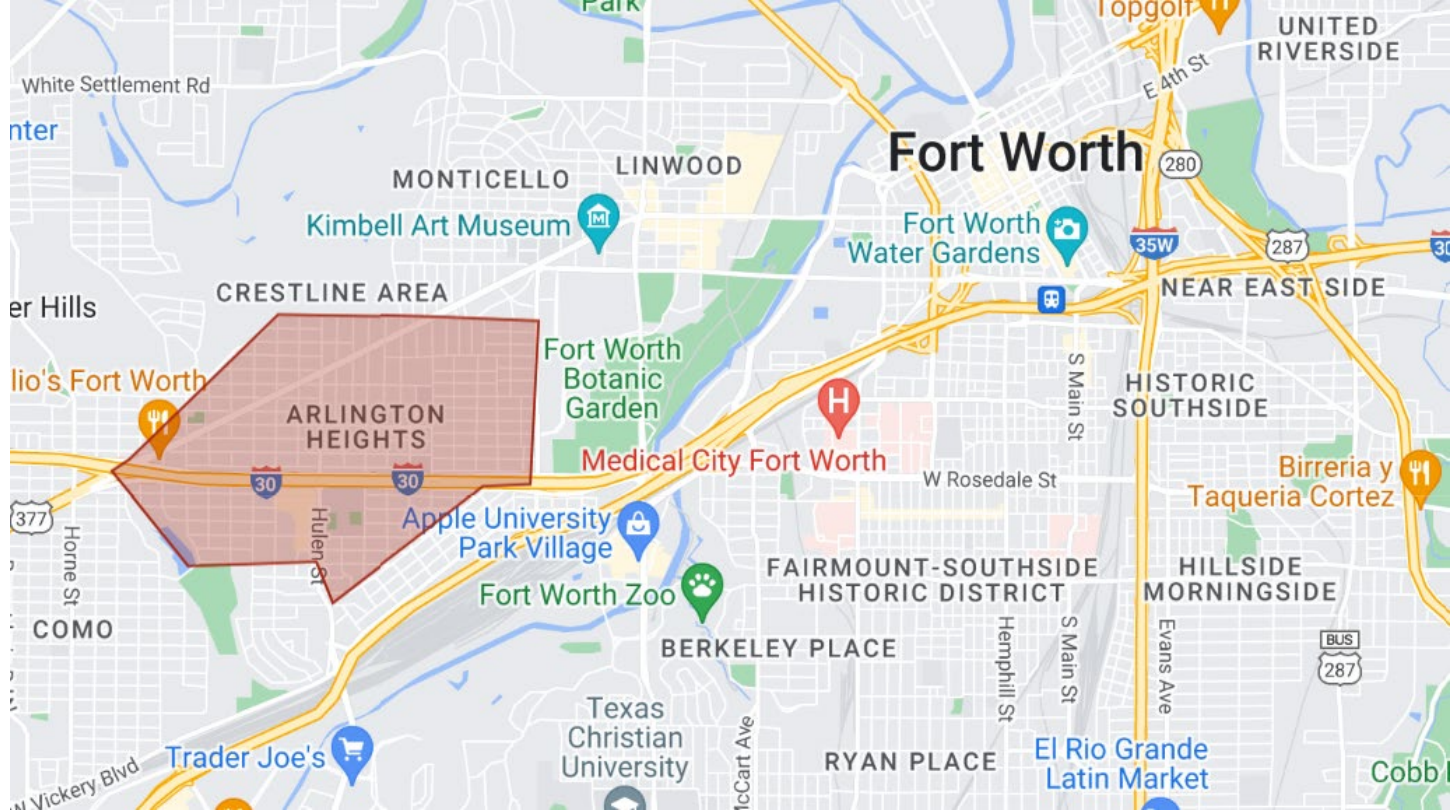
Average

50

Cap Rate

@ 50% Expenses

2.0%



Fox Hollow

North Richland Hills, TX

Sale Price

Average

\$443,000

Gross Rents

Average

\$22,500

Sold

Total

5

Active

Total

0

Year Built

Average

1985

DOM

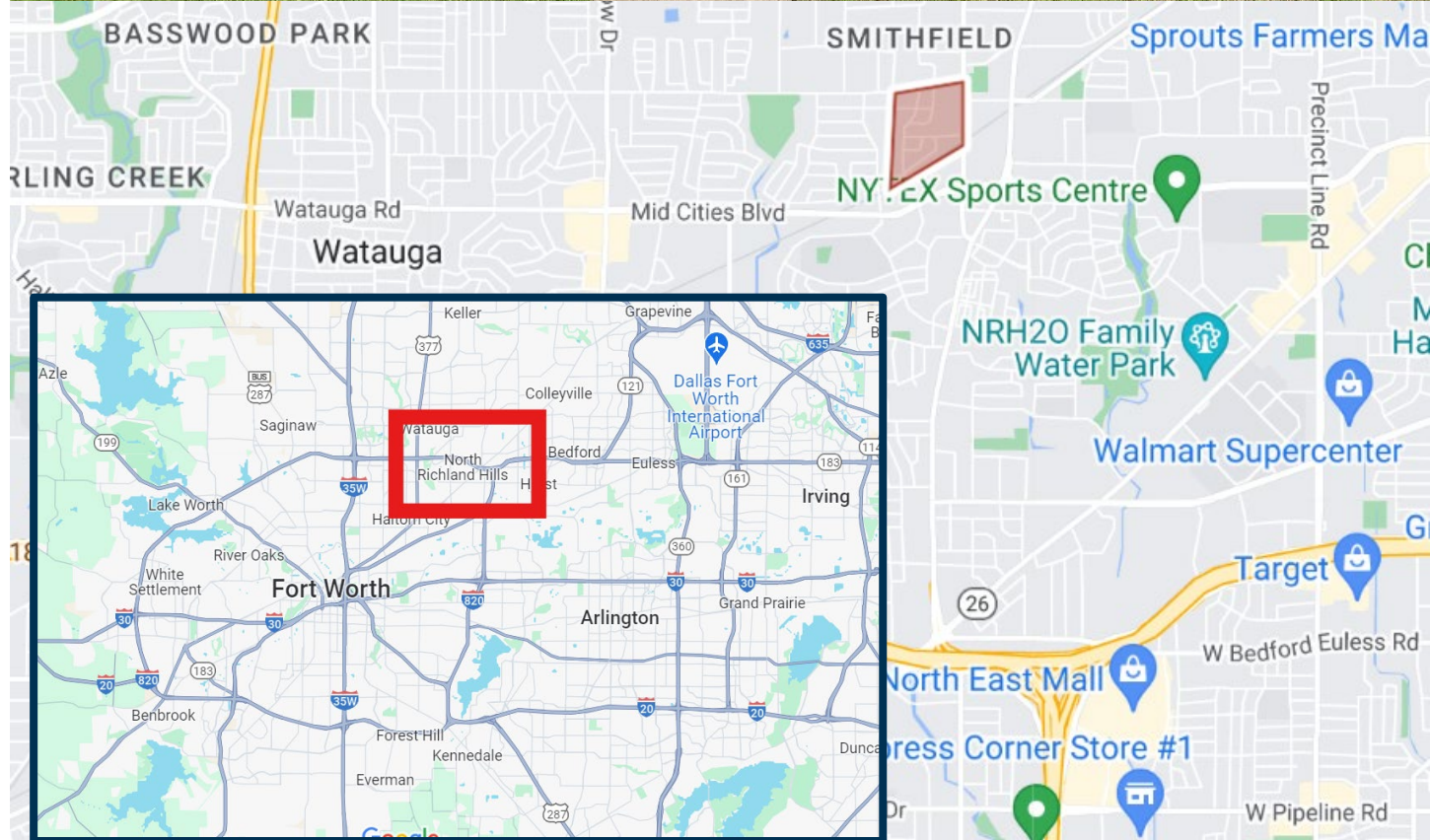
Average

6

Cap Rate

@ 50% Expenses

2.5%



Active Inventory

	Median List \$	Median Gross Rent	Median SP:OLP Ratio*	50% Rule Cap Rate	#
Closed**	\$417,500	\$40,800	100%	4.9%	201
Pending***	\$439,900	\$39,780	100%	4.5%	62
Active	\$507,500	\$40,800	100%	4.0%	176
Failed****	\$475,000	\$24,000	100%	2.5%	134

*Sale price at close OR current/most recent list price if still active, pending, or failed

**last six months

**includes pending, active contingent, active option contract

***last six months, includes withdrawn, expired, and cancelled listings

- 4.5-5% cap rates are the sweet spot at which duplexes are selling.
- Actives may be overpriced by as much as \$80,000, although composition effects do not make it a completely like-for-like comparison.

Inventory	Absorption Rate
5.3 Months	19% / Month

- Inventory is reflecting a neutral market.

Example Underwriting

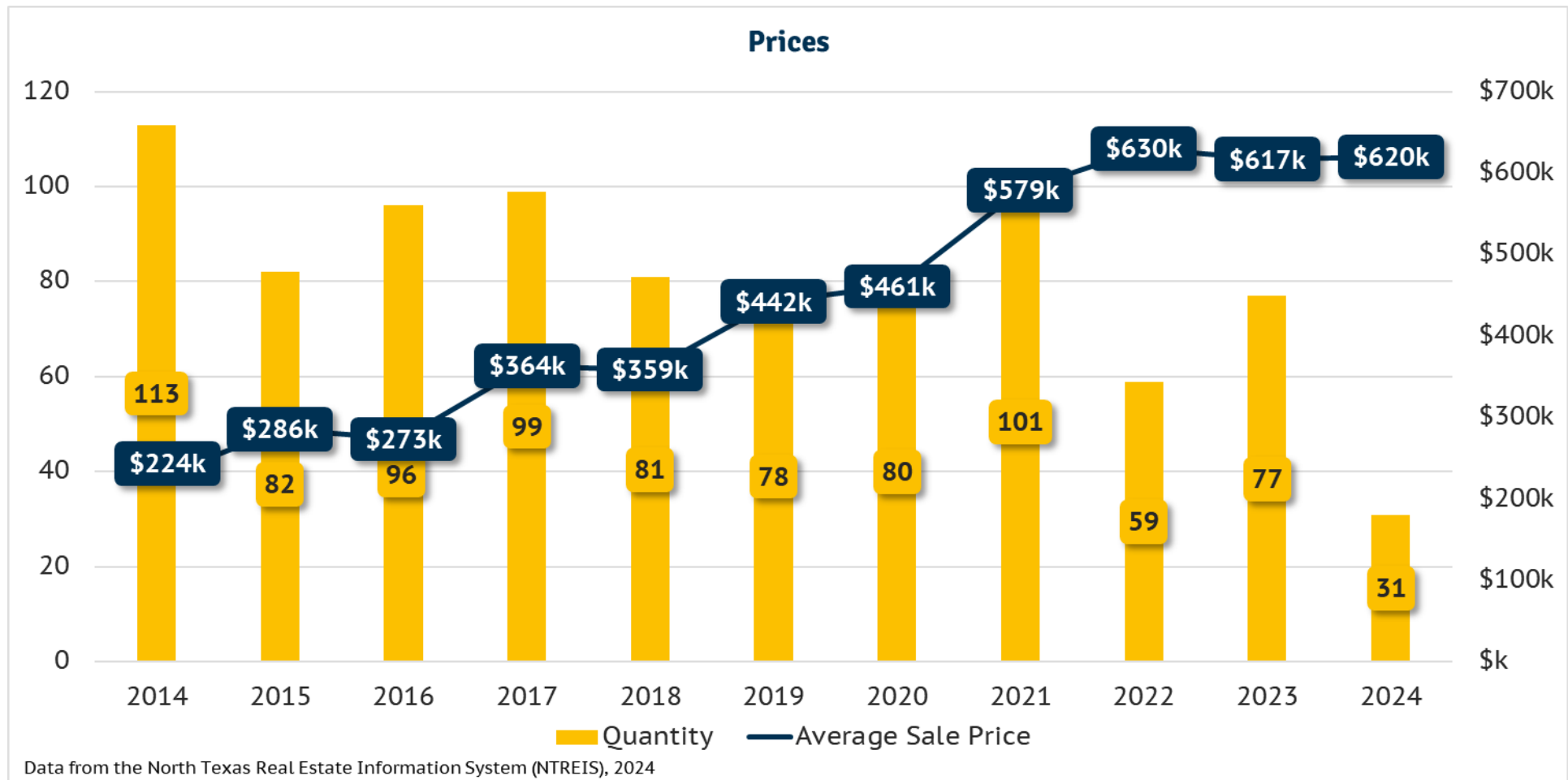
- 5300 Hastings Drive, Fort Worth, Texas 76133
- Current rent is \$1500/unit. Market rent for 2 bed duplexes in the area is \$1650/unit.
- Conservative underwriting at current ask price (\$385k @ 21 DOM) represents a **4.2% IRR** and is likely overpriced as an investment, although comps support the valuation.



		Acquisition		Disposition	NOI Assumptions		Capital Expense Assumptions	
Entry Cap Rate	4.0%	Purchase Price	\$ 385,000	\$ 566,000	Gross Monthly Rents	\$ 3,300	Capital Expenses (CAPEX)	5%
Entry Yield on Cost	3.9%	After Repair Value	\$ 395,000	\$ 566,000	Other Monthly Income	\$ -	Capital Expense Reserve	1%
Levered IRR	4.2%	Broker Commission	0%	5%	Occupancy Rate	95%	Annual CAPEX Growth	5%
Unlevered IRR	6.0%	HOA Transfer Fee	\$ -	\$ -	Management Fees	8%	CAPEX Growth Frequency	Monthly
Levered NPV	\$ 3,297	Title Policy	\$ 2,334	\$ -	Property Tax Rate	2.26%		
Unlevered NPV	\$ 76,222	Title Fees	\$ 300	\$ 300	Maintenance Costs	5%	Debt Assumptions	
Levered EM	1.4x	Repairs	\$ 5,000	\$ 2,500	Utilities	\$ 25	LTV	80%
Unlevered EM	1.7x	Loan Origination	1%	0%	Property Insurance	1.8%	Interest Rate	7%
Cash on Cash Year	1	Seller Concessions	\$ -	\$ 5,000	Mortgage Insurance	0%	Amortization	30 Years
Levered Cash on Cash	-10.7%	Survey	\$ -	\$ 650	Credit Loss (Bad Debt)	3%	Months of Reserves	6
Unlevered Cash on Cash	3.1%	Inspection	\$ 450	\$ -	Landlord Concessions	0%	Reserves	\$ 20,220
NOI Margin	39%	Option Fee	\$ -	\$ -	Net Operating Income (NOI)	\$ 1,274	Mortgage Payment	\$ 3,370
DSCR (1st 12 months)	0.6x	Other	\$ -	\$ -	Annual NOI Growth	4%	Return Assumptions	
Levered Investment	\$ 201,462	Total Expenses	\$ 11,934	\$ 39,250	NOI Growth Frequency	Annually	Holding Period	10 Years
Levered Profit	\$ 80,541	Acquisition Date	8/15/2024				Discount Rate	4%
Total Return	40%						Exit Cap Rate (Recc. >=3.9%)	4.0%

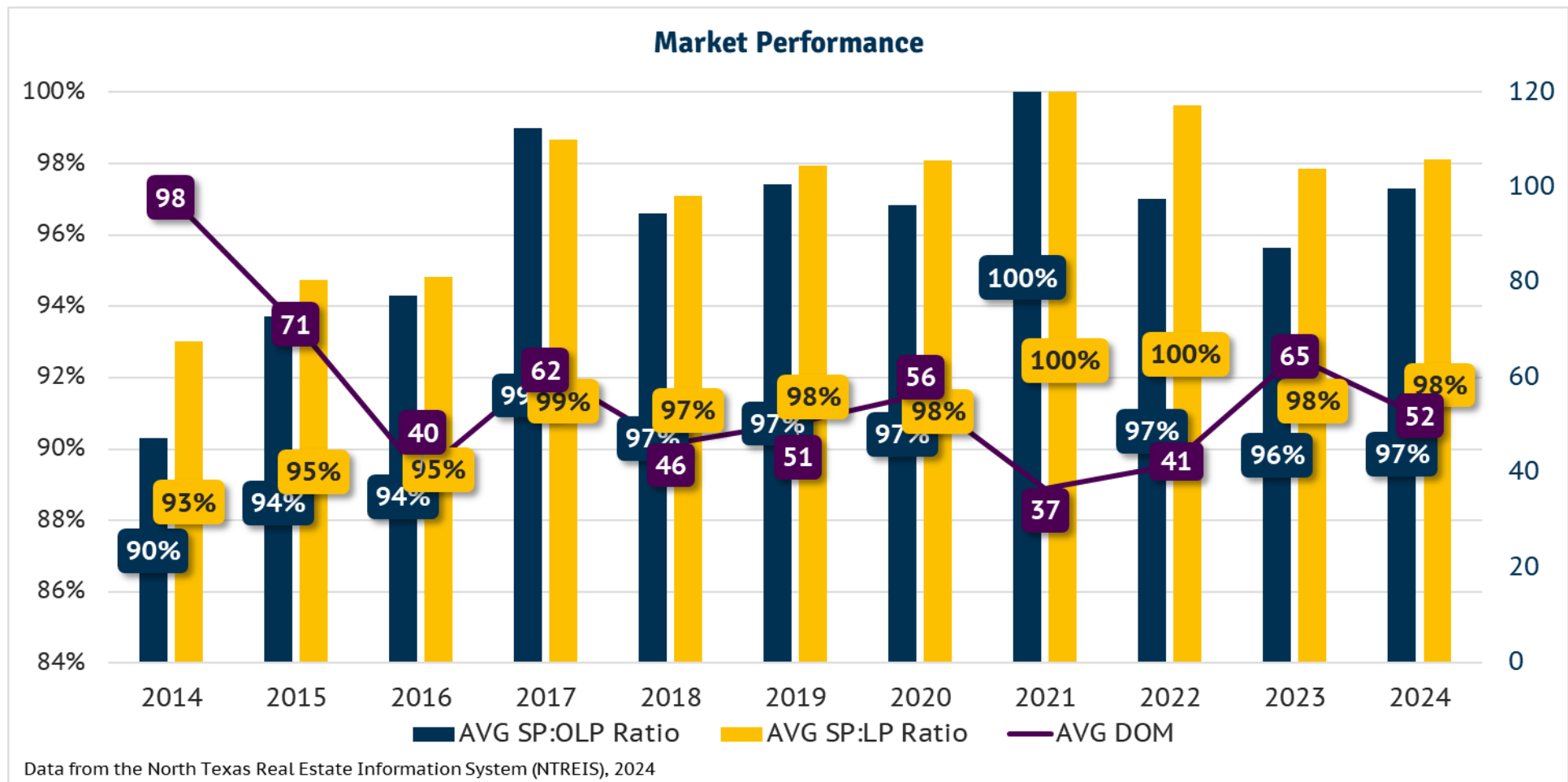
Fourplex Prices

- Only 77 fourplexes sold in 2023 in the DFW area, with the average price dipping for the first time since 2018..
- 31 have sold YTD (May), on track for low transaction volume for the year.



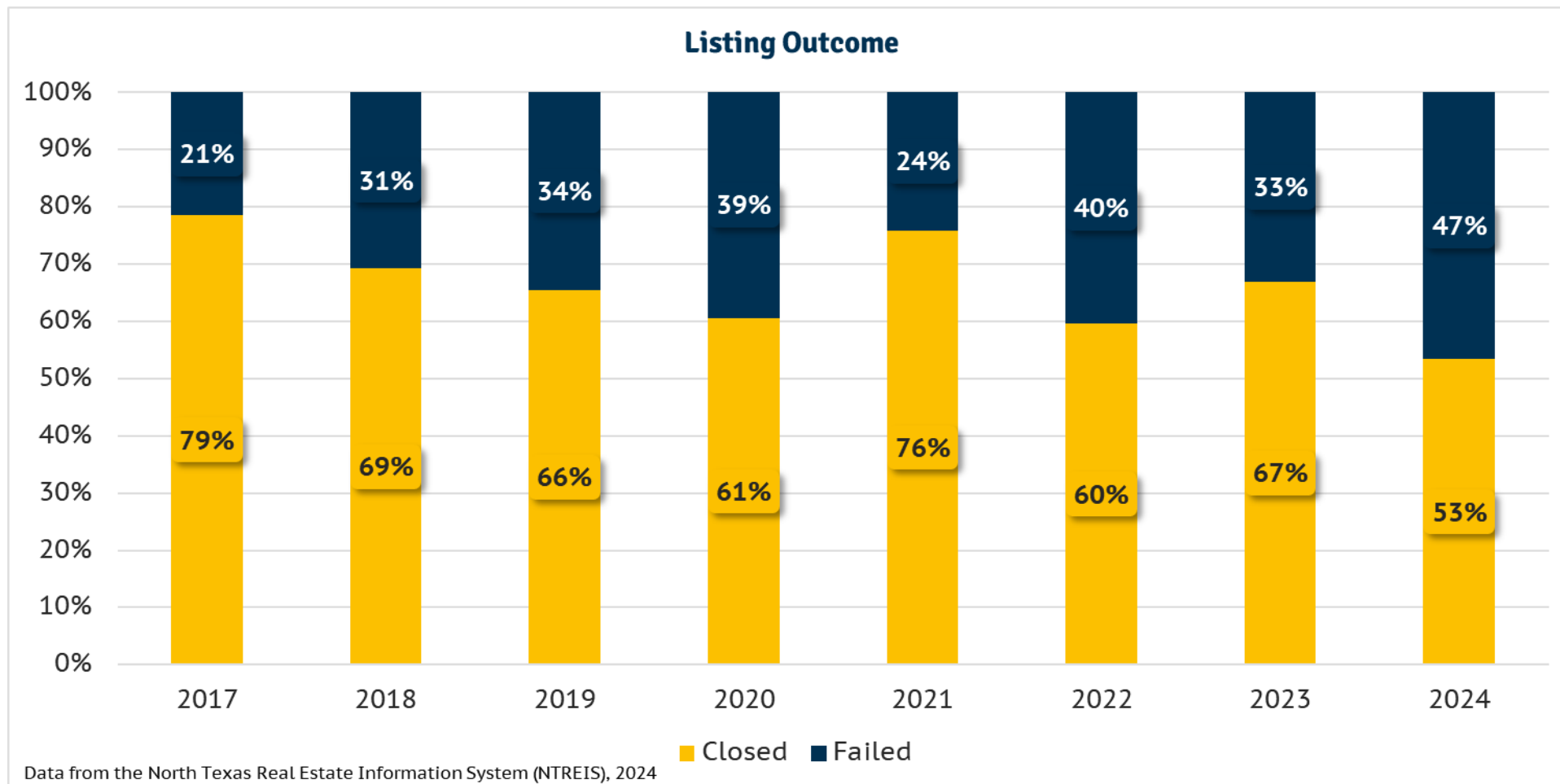
DFW Fourplex Market Performance

- DOMs have risen since the COVID bump, as are price drops lightly.
- Fourplexes YTD are selling at 97% of their original asking price, consistent with recent trends.



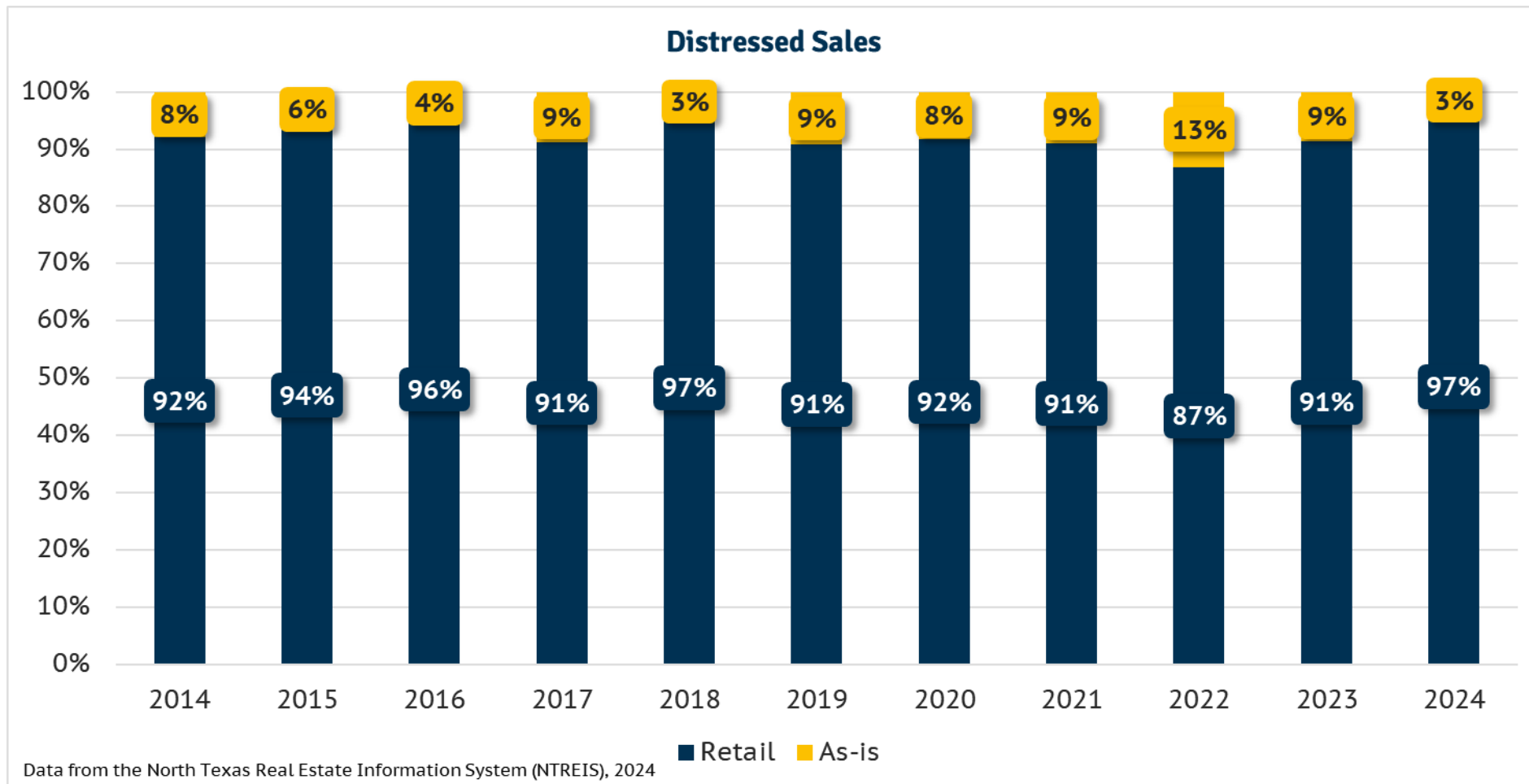
Listing Outcome

- YTD, 2024 has the highest proportion of failed listings versus closings, suggesting a weakening market. Barely half of listings resulted in sales.
 - *Failed listings are cancelled, withdrawn or expired listings.*



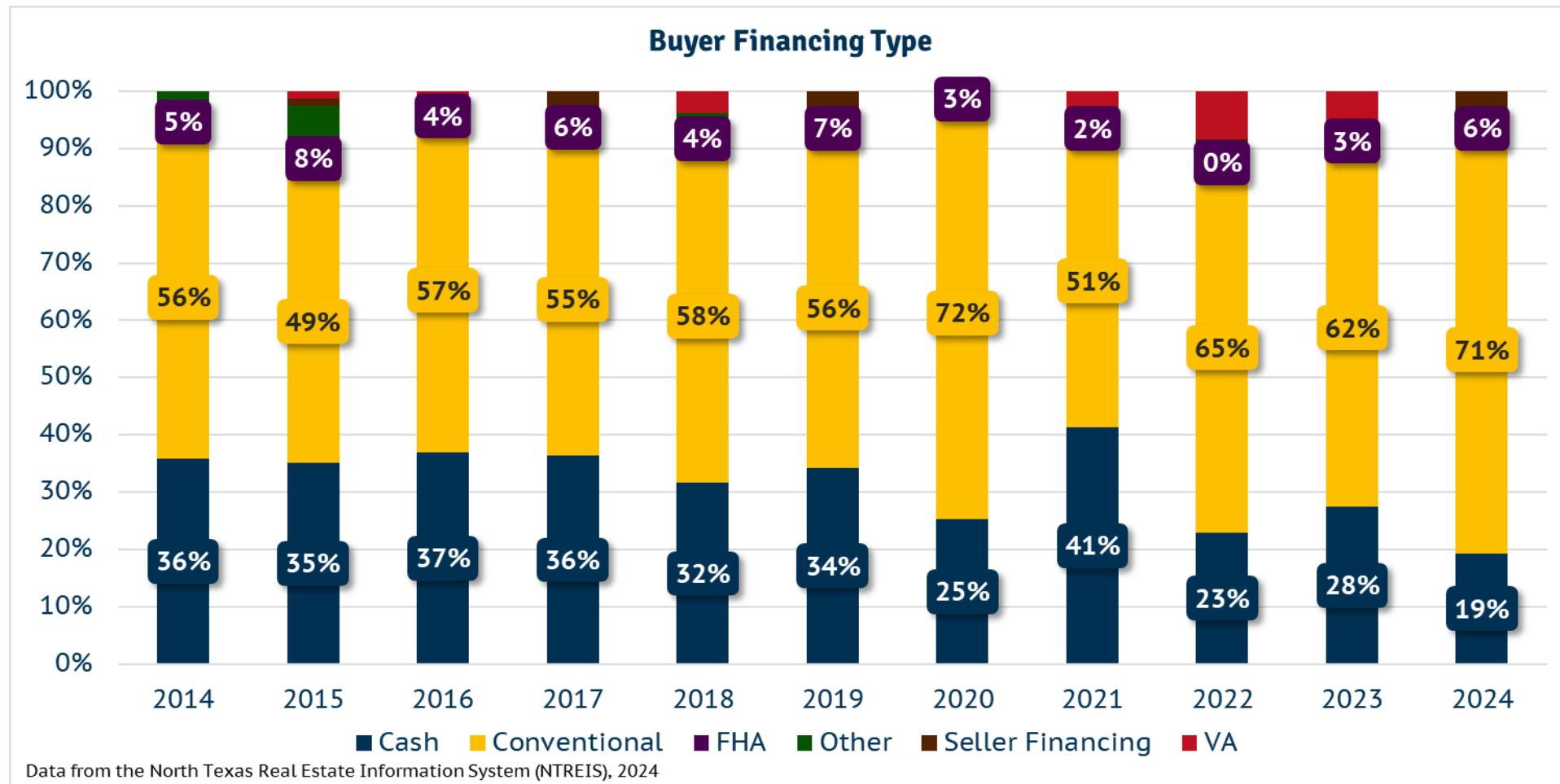
Distressed Sales

- Fourplexes seldom sell in distressed condition.



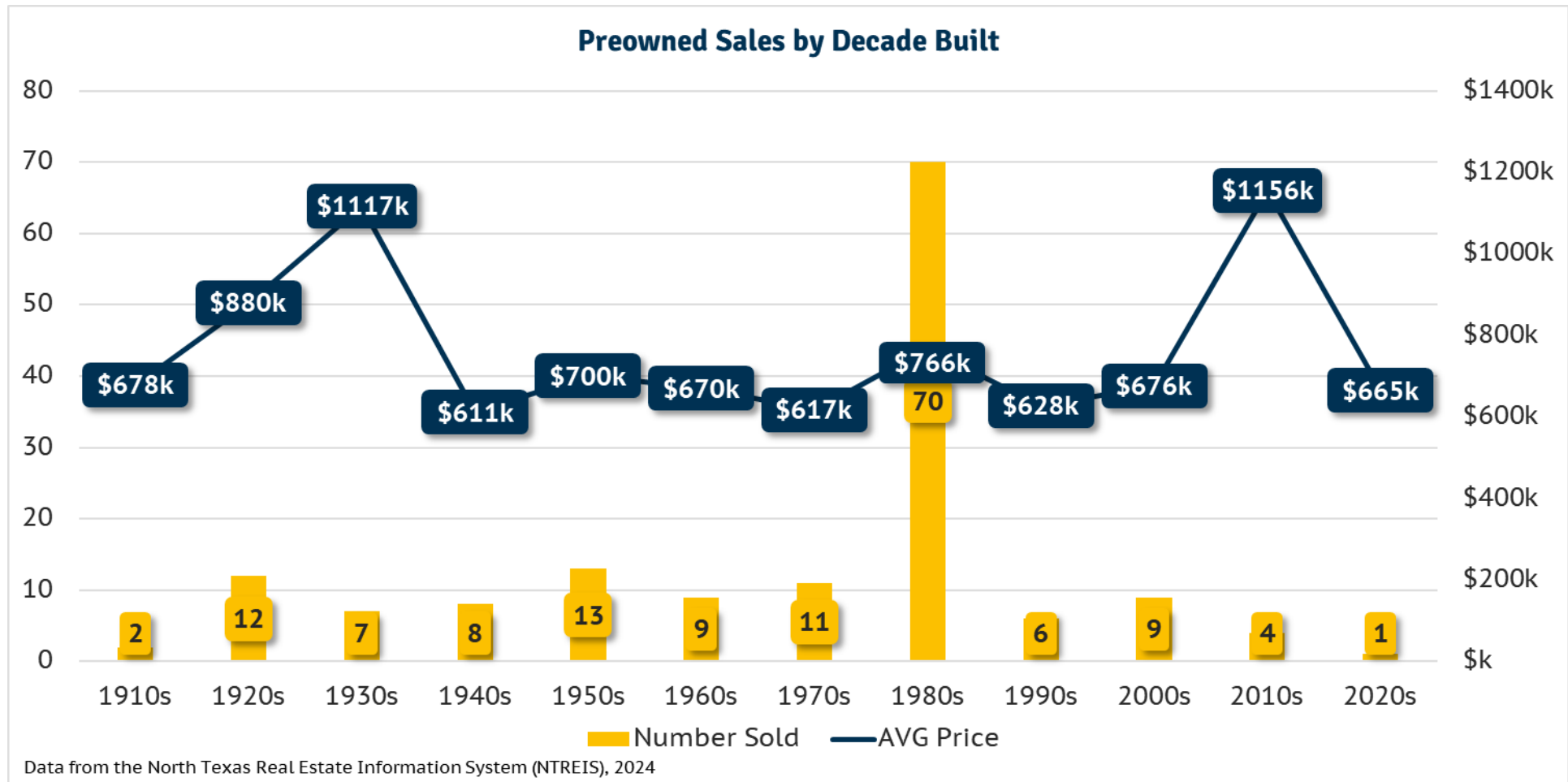
DFW Fourplex Buyer Financing

- Cash duplex buyers are the lowest they have been in a decade despite higher interest rates, potentially reflecting lack of interest in fourplex returns from unlevered investors.



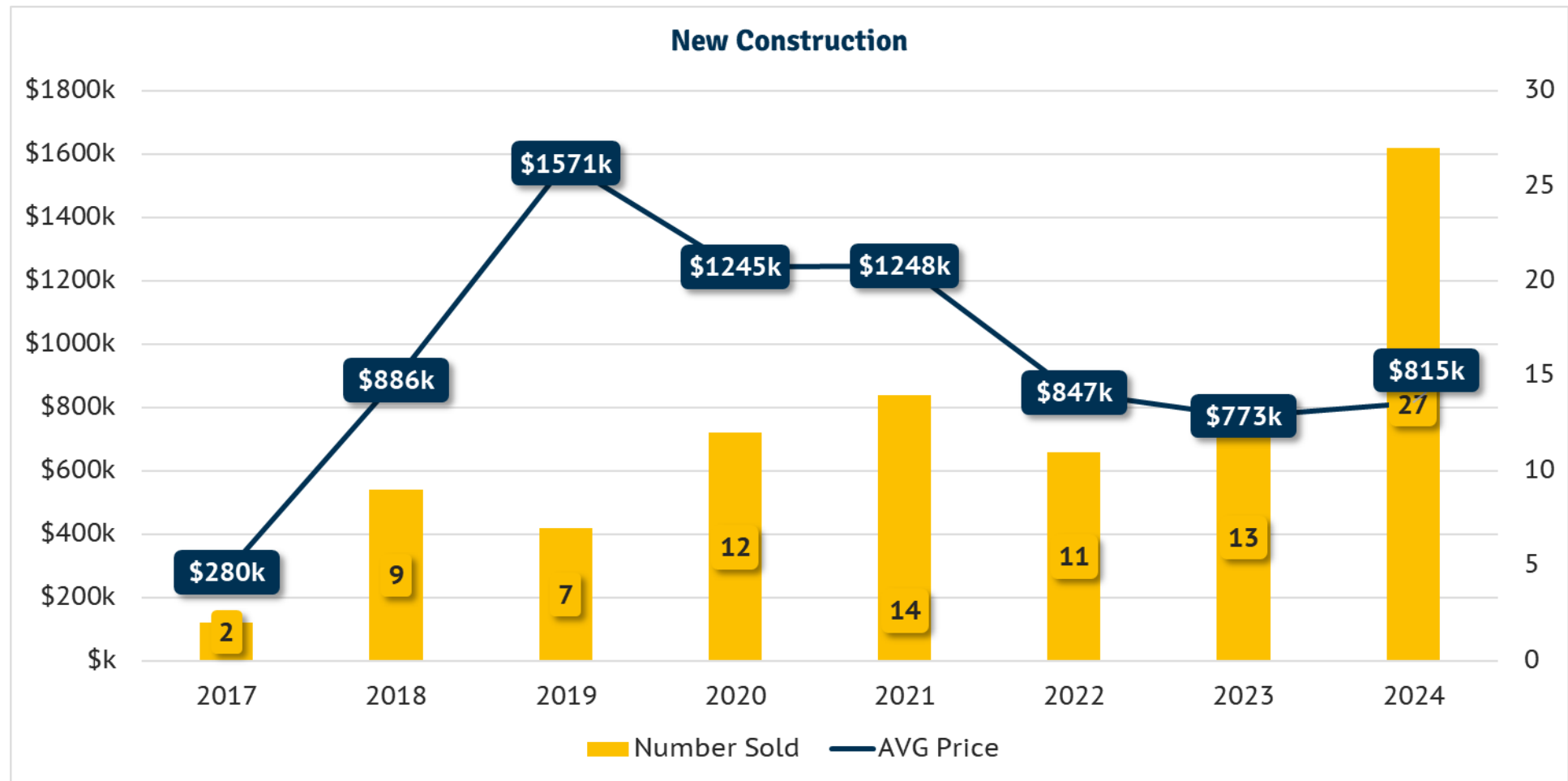
Year Built

- Most DFW fourplexes were built in the 1980s.



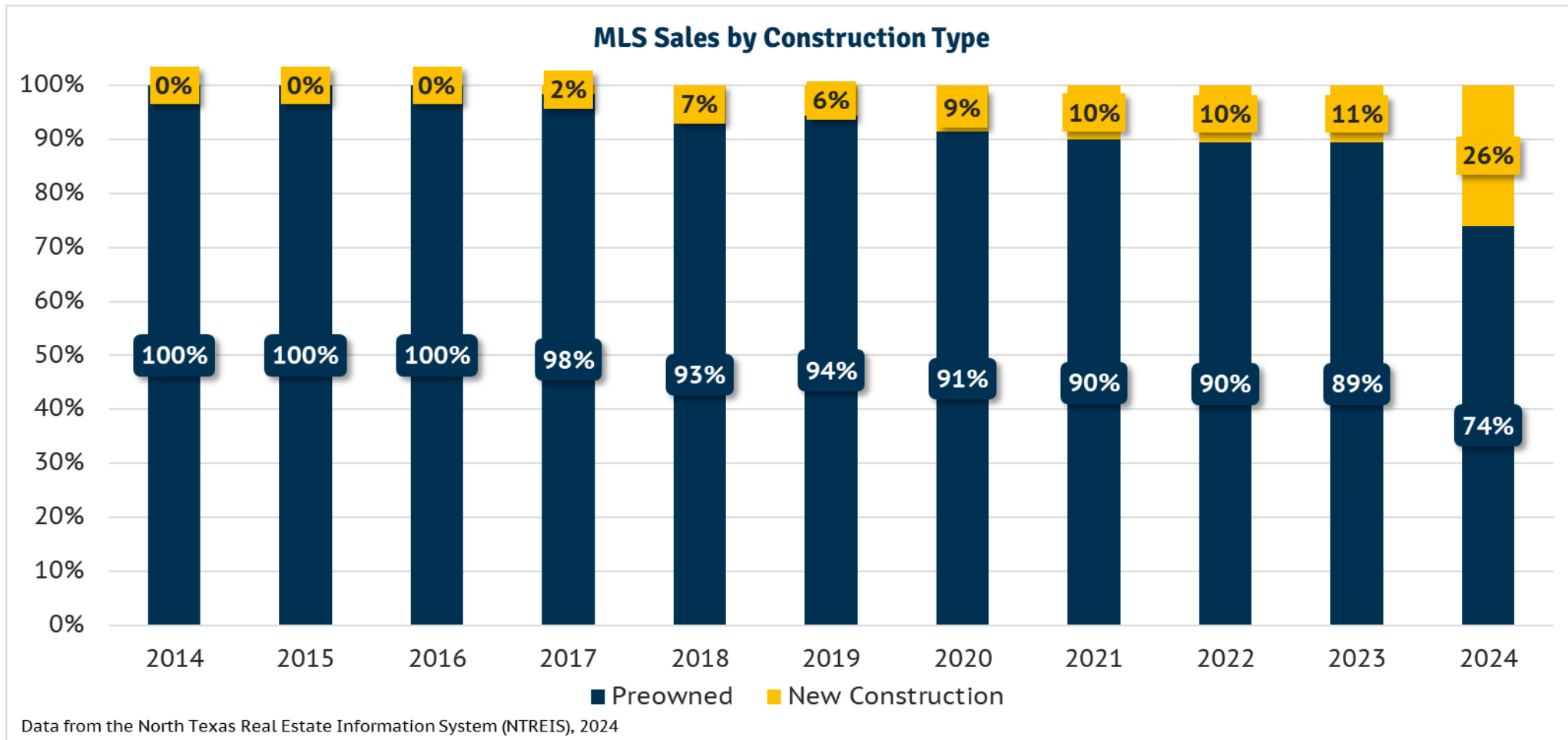
Year Built

- Fourplex new construction MLS sales have already eclipsed recent activity, hitting a post-recession peak less than halfway through 2024.



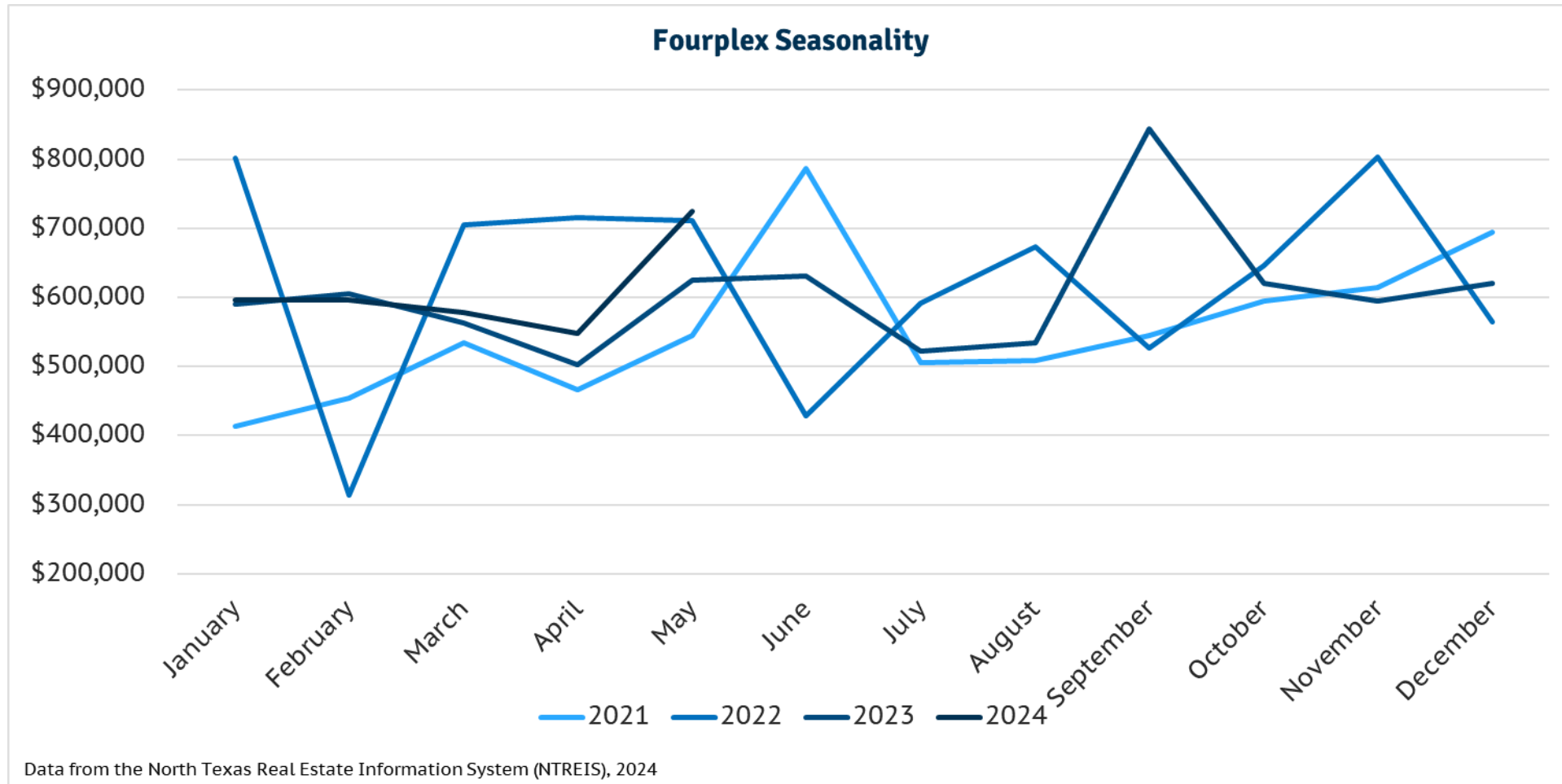
Year Built

- New Construction fourplexes are the highest composition of MLS Sales in the last decade. However, this may be indicative of a softening market if builders are relying on the MLS more over direct sales.



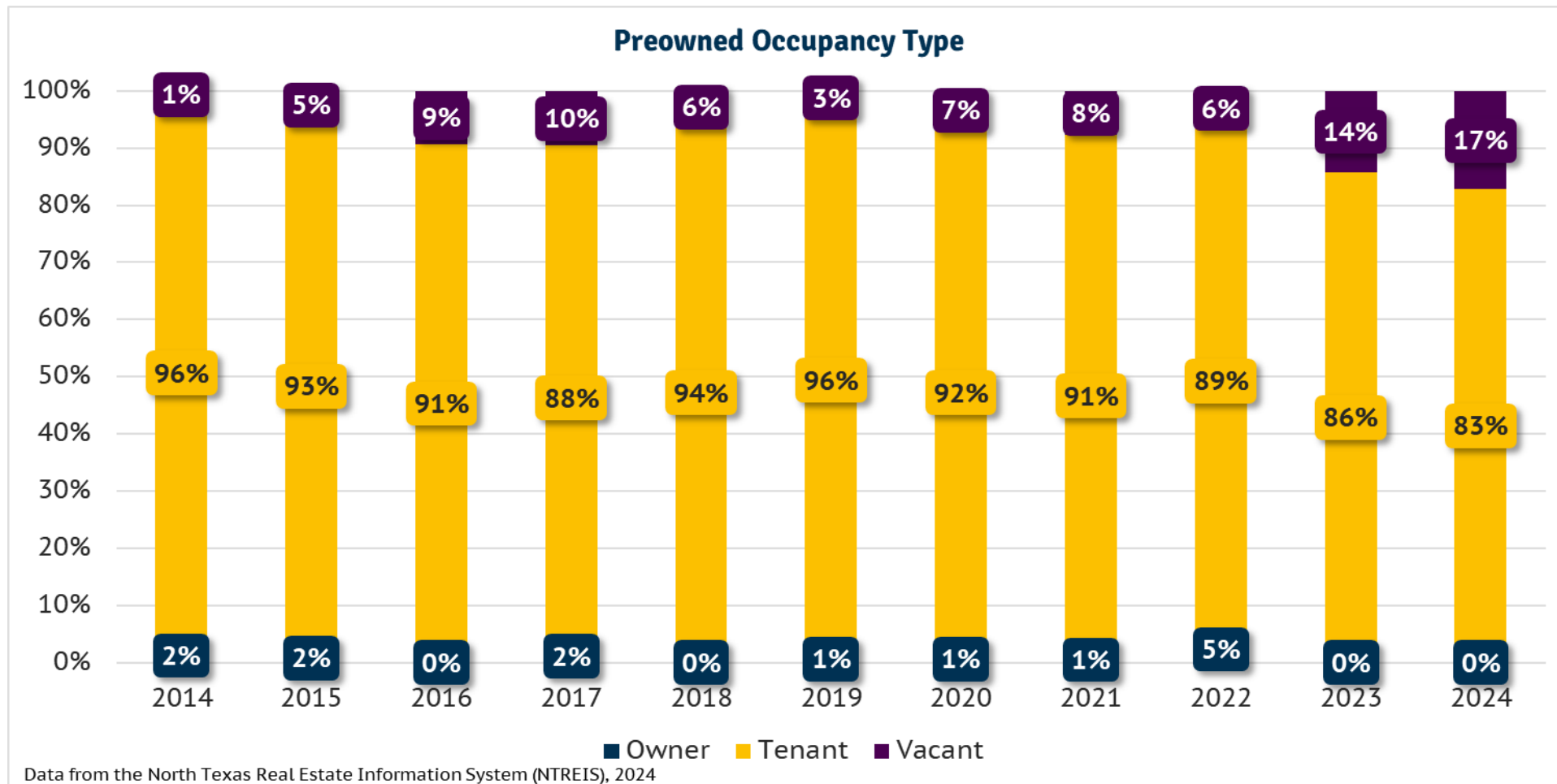
DFW Fourplex Seasonality

- There is not a strong trendline in the average sale price to suggest fourplexes are strongly influenced by the season.
- The small sample size also makes it difficult to draw conclusions.



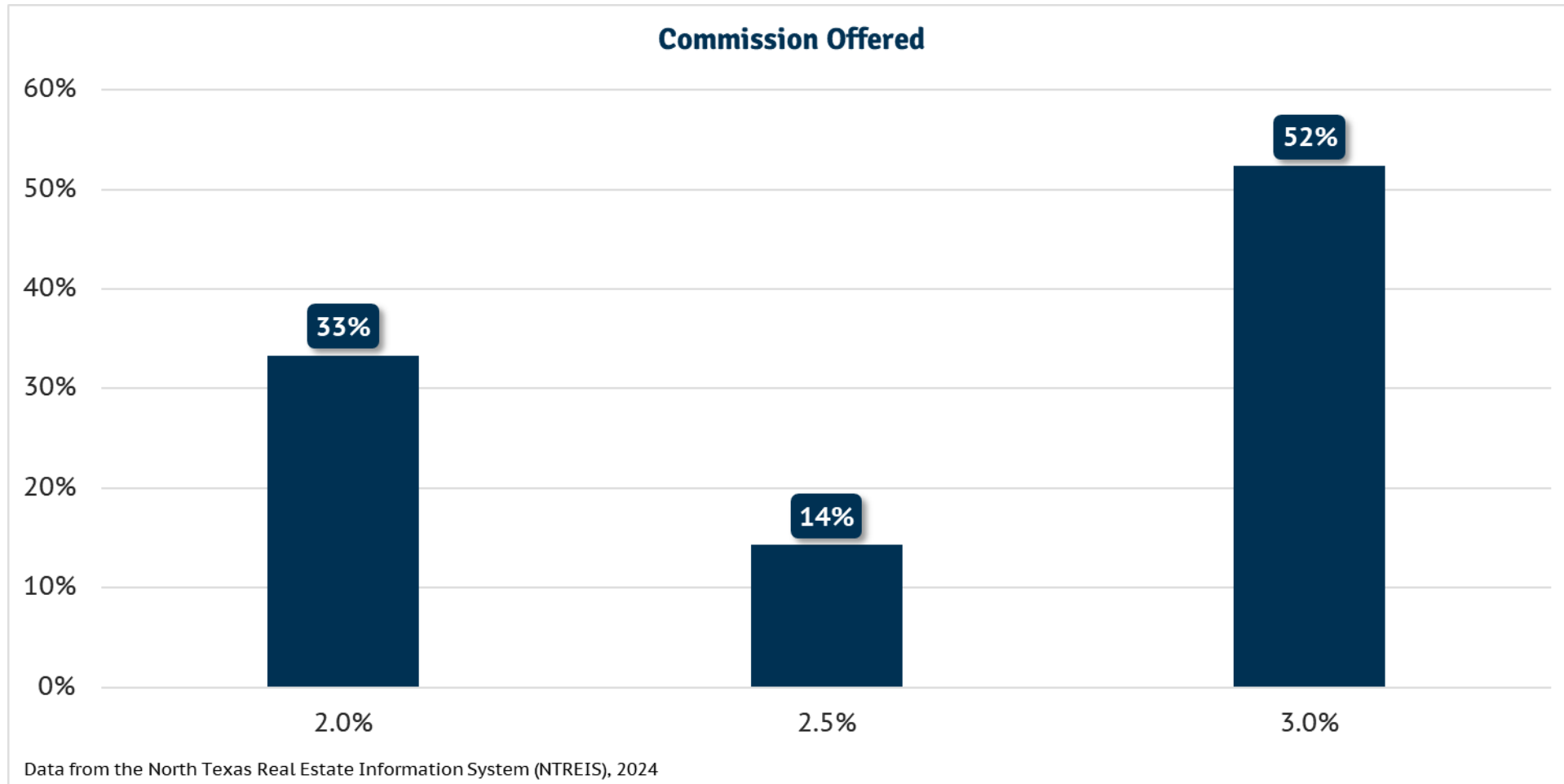
DFW Fourplex Occupancy

- Very few fourplexes are sold vacant or owner occupied, in comparison to duplexes.



DFW Fourplex Commissions

- Just over half of the 42 active fourplexes in the DFW market are offering 3% cooperating agent commissions. Higher price point buildings is the likely explanation for lower commissions versus duplexes.



Top Fourplex Locations

• By Previous Year Transaction Volume

County		City		Subdivision	
Tarrant	51	Fort Worth	32	Heritage Hill Estates	7
Dallas	38	Dallas	19	Couch J T Add	5
Ellis	10	Venus	7	Demoye-Magnolia Addition	4
Denton	9	Irving	7	Namaco Plaza	3
Parker	5	Weatherford	5	Western Hills Add	3
Hunt	5	Denton	5	Buckner Terrace Apts 02	3
Collin	2	Grand Prairie	5	Oak Cliff Annex	3
Johnson	2	Benbrook	4	Highland Homes Add	3
Rockwall	1	White Settlement	4		
		Aubrey	4		

Heritage Hill Estates

Venus, TX

Sale Price

Average

\$796,000

Gross Rents

Average

\$80,160

Sold

Total

11

Active

Total

1

Year Built

Average

2023

DOM

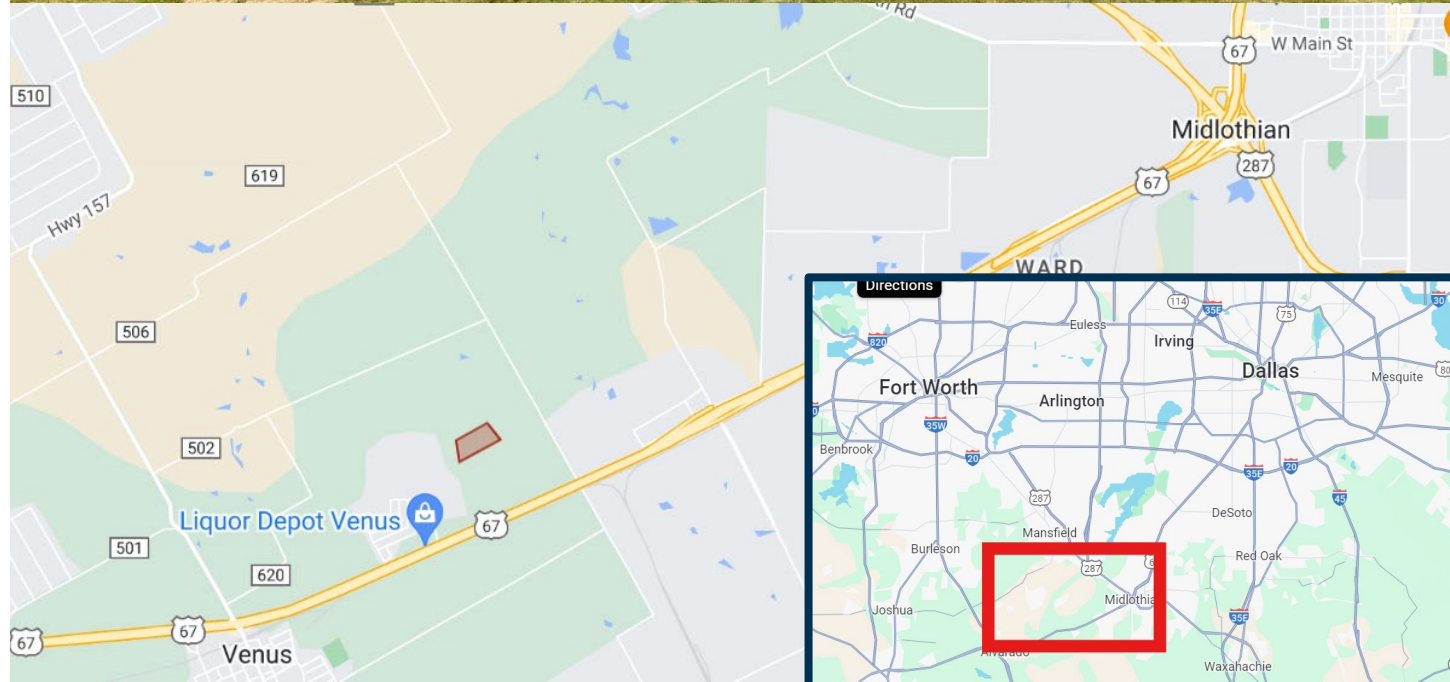
Average

14

Cap Rate

@ 50% Expenses

5.0%



Couch J T Addition

Fort Worth, TX

Sale Price
Average \$796,000

Gross Rents
Average \$43,320

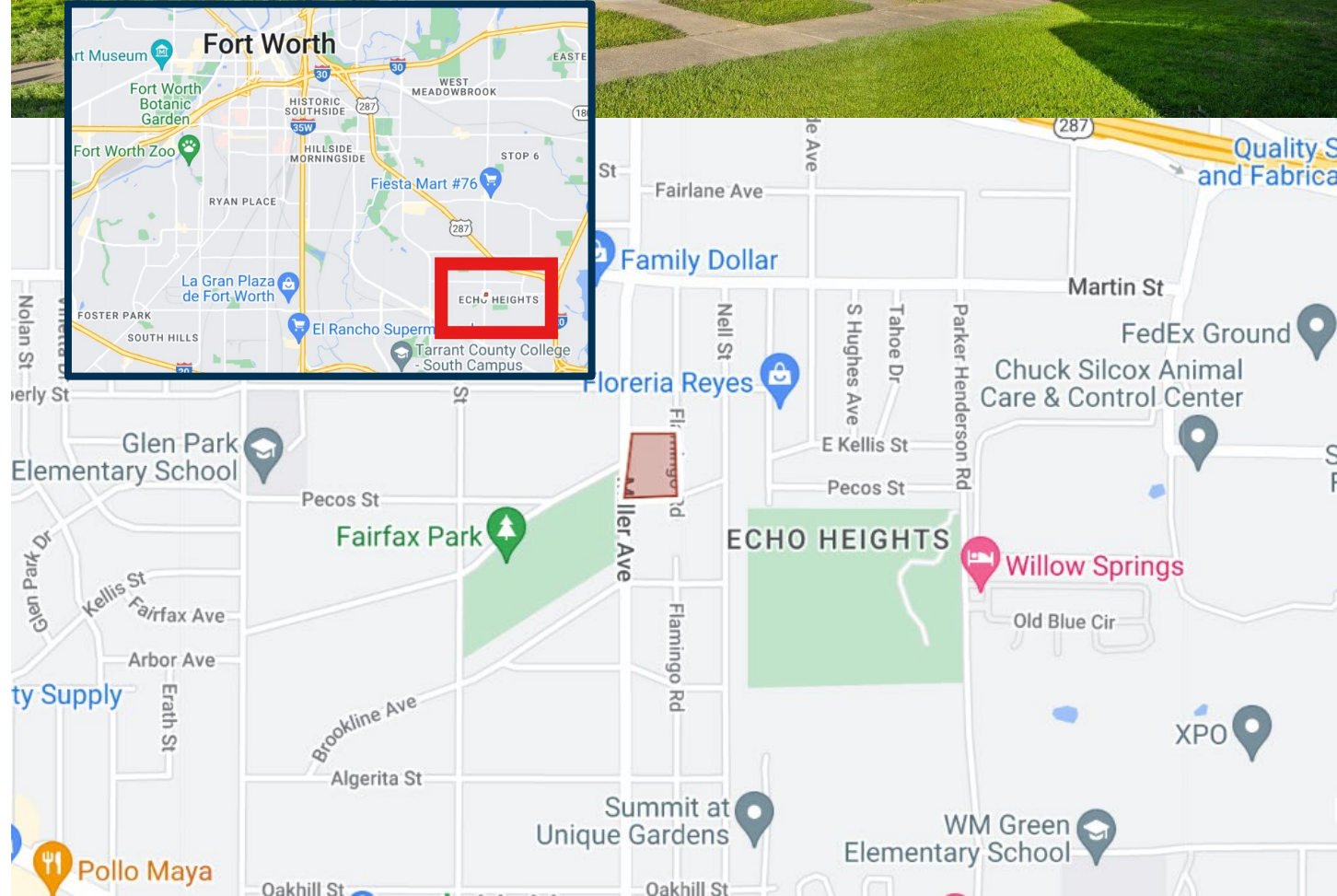
Sold
Total 9

Active
Total 0

Year Built
Average 1986

DOM
Average 46

Cap Rate
@ 50% Expenses 5.2%



Couch J T Addition

Fort Worth, TX

Sale Price
Average \$796,000

Gross Rents
Average \$43,320

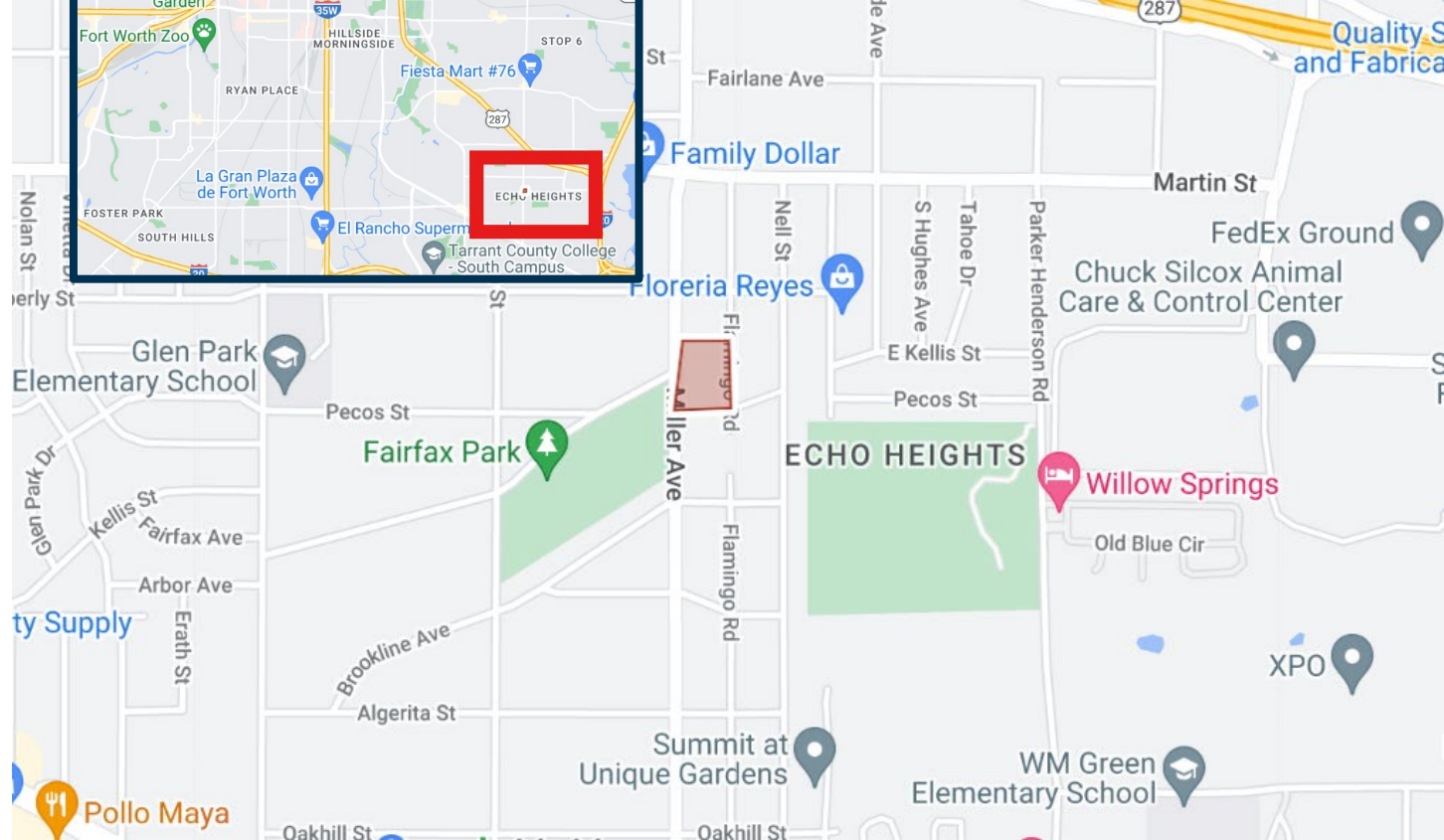
Sold
Total 9

Active
Total 0

Year Built
Average 1986

DOM
Average 46

Cap Rate
@ 50% Expenses 5.2%



Active Inventory

	Median List \$	Median Gross Rent	Median SP:OLP Ratio*	50% Rule Cap Rate	#
Closed**	\$639,000	\$58,470	100%	4.6%	45
Pending***	\$723,700	\$66,000	100%	4.6%	10
Active	\$680,000	\$58,470	100%	4.3%	31
Failed****	\$730,950	\$70,560	100%	4.8%	35

*Sale price at close OR current/most recent list price if still active, pending, or failed

**last six months

**includes pending, active contingent, active option contract

***last six months, includes withdrawn, expired, and cancelled listings

- 4.5-5% cap rates are the sweet spot at which duplexes are selling.
- Counterintuitively, failed listings show the best gross rents and cap rates. It likely is due to slower selling among fourplexes with higher price points (\$1.5-\$2M) for which higher cap rates are desired.

Inventory	Absorption Rate
4.1 Months	24% / Month

- Inventory is reflecting a neutral market.

Example Underwriting

- 625-627-629-631 Wheatfield Drive, Venus, TX 76084
- New construction. Assumed less maintenance/capex expense.
- Conservative underwriting at current ask price (\$825k @ 3 DOM) represents a **(1.2%) IRR**. It is likely either an appreciation play or interesting to an owner occupant.



		Acquisition		Disposition	NOI Assumptions		Capital Expense Assumptions	
Entry Cap Rate	3.9%				Gross Monthly Rents	\$ 6,680	Capital Expenses (CAPEX)	2%
Entry Yield on Cost	3.9%	Purchase Price	\$ 825,000	\$ 943,000	Other Monthly Income	\$ -	Capital Expense Reserve	1%
Levered IRR	-1.2%	After Repair Value	\$ 825,000	\$ 943,000	Occupancy Rate	95%	Annual CAPEX Growth	5%
Unlevered IRR	4.4%	Broker Commission	0%	5%	Management Fees	8%	CAPEX Growth Frequency	Monthly
Levered NPV	\$ (126,356)	HOA Transfer Fee	\$ -	\$ -	Property Tax Rate	2.26%		
Unlevered NPV	\$ 29,178	Title Policy	\$ 4,653	\$ -	Maintenance Costs	3%	Debt Assumptions	
Levered EM	0.9x	Title Fees	\$ 300	\$ 300	Utilities	\$ 25	LTV	80%
Unlevered EM	1.5x	Repairs	\$ -	\$ 2,500	Property Insurance	1.8%	Interest Rate	7%
Cash on Cash Year	1	Loan Origination	1%	0%	Mortgage Insurance	0%	Amortization	30 Years
Levered Cash on Cash	-10.5%	Seller Concessions	\$ -	\$ 5,000	Credit Loss (Bad Debt)	3%	Months of Reserves	6
Unlevered Cash on Cash	3.3%	Survey	\$ -	\$ 650	Landlord Concessions	0%	Reserves	\$ 42,899
NOI Margin	40%	Inspection	\$ 450	\$ -	Net Operating Income (NOI)	\$ 2,654	Mortgage Payment	\$ 7,150
DSCR (1st 12 months)	0.6x	Option Fee	\$ -	\$ -	Annual NOI Growth	4%		
Levered Investment	\$ 396,136	Other	\$ -	\$ -	NOI Growth Frequency	Annually	Return Assumptions	
Levered Profit	\$ (35,881)	Total Expenses	\$ 13,653	\$ 58,100			Holding Period	10 Years
Total Return	-9%	Acquisition Date	5/7/2024				Discount Rate	4%
							Exit Cap Rate (Recc. >=3.9%)	5.0%

Pros and Cons of 2-4 Family Investing

Pros

2-4 Unit homes qualify for privileged **owner-occupied financing**, making it an excellent option for house-hackers.

Easier to find a buyer (**more liquidity**) than larger multi-family investments.

Purchase occupied, with **Day Zero cash flow**.

Deploy **more capital** than you might on an SFR.

Stagger your vacancy loss versus an SFR.

Cons

Limited choices in fewer areas. Can be difficult if a house hacker is particular about their accommodation or area.

Lower cap rates than larger multi-family investments.

Quality property **managers may be reluctant** to manage them because of low \$/unit ratio.

Next Steps

Sellers

- We market your building professionally.
- **Data-driven negotiations** ensure that we are not conceding anything that we don't have to.
- Contact me at (512) 763-7912

Buyers

- Institutional-grade **underwriting** to ensure you are making an informed investment decision.
- Contact me at (512) 763-7912



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Appendix 1: Methodology Notes

- Information from North Texas Real Estate Information System (NTREIS). Only MLS sales included.
- Data is cleaned. Sales at more than 200% or less than 30% SP:OLP ratio are excluded as unreliable.
- Data is as of 5/2/24. 2024 numbers are YTD.
- Listings with 0 DOM are excluded.
- “As-is” sales are defined as sales with certain keywords in the public or private listing description, e.g. “cash only” or “TLC”.
- Information for the DFW Census Bureau MSA, which includes the following counties: Collin, Dallas, Denton, Ellis, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise.