

Rent growth improves to open 2026

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **14,013**

UNITS DELIVERED (YTD) **4,938**

MARKET FUNDAMENTALS



VACANCY RATE **7.5%**

YEAR-OVER-YEAR CHANGE **+20bps**

ASKING RENTS **\$1,351**

YEAR-OVER-YEAR CHANGE **+1.4%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$107,900**

HOUSTON MULTIFAMILY
Q1 2026

HIGHLIGHTS

- Property performance in the Houston multifamily market was positive during the first quarter, as vacancy held steady while asking rents advanced. Development activity got off to a stronger start, with projects totaling more than 4,900 units delivered during the first quarter.
- The vacancy rate remained at 7.5% during the first quarter following an uptick during the previous quarter. Area vacancy is up 20 basis points year over year.
- After hovering between \$1,330 and \$1,340 per month throughout 2025, rents recorded healthy gains during the first quarter. Asking rents increased by 1.0% during the past three months to \$1,351 per month. During the past year, rents advanced 1.4%.
- Investment activity was elevated to begin the year, with first-quarter sales exceeding the same period last year by 71%. While activity increased, pricing declined. For transactions where pricing was available, the median sale price reached \$107,900 per unit year to date, down 27% from 2025.

HOUSTON MULTIFAMILY MARKET OVERVIEW

The first quarter proved to be an active period in the Houston multifamily market. The pace of deliveries accelerated, following a significant slowdown in 2025. The spike in the first quarter is not expected to continue through the remainder of this year; rather, deliveries in 2026 are forecast to total fewer units than came online in 2025. The trend that emerged during the first quarter that is expected to persist is rent growth. Rents gained 1.0% at the beginning of 2026, after remaining within a tight range for much of the prior year. The strongest rent growth was concentrated within the Sam Houston Tollway. North/Northeast Houston, which covers the area immediately north of Downtown up to Adeline, East Adeline, and Dyersdale, posted the greatest annual rent growth of 5.4%. Other top-performing submarkets within the Sam Houston Tollway included Briar Grove/Westchase, Montrose/River Oaks, and Braeswood/Bellaire. In recent years, supply pressures within the Sam Houston Tollway have eased, giving operators room to raise rents.

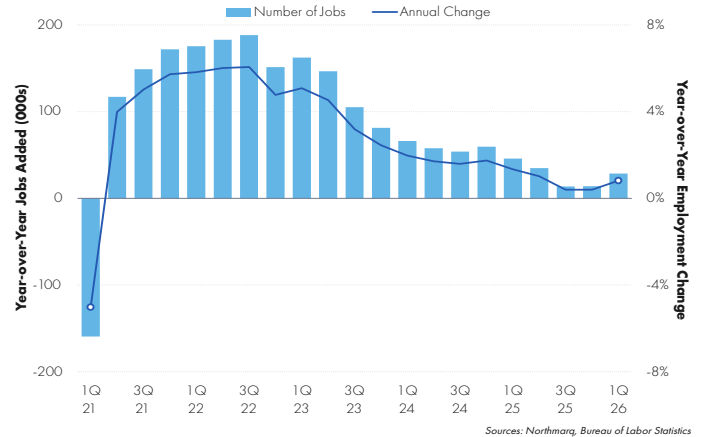
Momentum from the second half of 2025 continued into 2026 in the Houston multifamily investment market. After a period of below-trend activity from 2023 to mid-2025, first quarter sales exceeded the region's trailing 10-year average for the period by 11%. To this point in 2026, investors have acquired properties across a wide range of vintages. Properties built since 2020 have accounted for about 20% of year-to-date sales, and investors have also acquired healthy numbers of properties built in the 1980s and the early-2000s. As the asset mix evolves, the investor pool has also recorded a slight shift, with in-state owners accounting for fewer dispositions. Texas-based sellers accounted for only 39% of the transactions in the first quarter, compared to 55% during the past five years.

EMPLOYMENT

- The pace of new hires in Houston accelerated in recent periods after employment growth was light in the closing months of 2025. During the past 12 months, area employers added 28,600 workers, an increase of 0.8%.
- Conditions in the professional and business service sector improved in recent months. Year over year, employment in this sector rose 1.7%, expanding by 9,600 positions.
- Applied Optoelectronics doubled its planned investment in its Sugar Land headquarters and manufacturing expansion to \$300 million. The expansion, expected to be completed this summer, is anticipated to create 500 jobs in the coming years, building on the nearly 400 employees already based locally, with the potential for additional hiring.
- **FORECAST:** Employment growth is projected to continue in the coming quarters, with Houston expected to add 25,000 jobs in 2026, an increase of 0.7%. During the trailing 10 years, annual employment growth has averaged 1.6%.

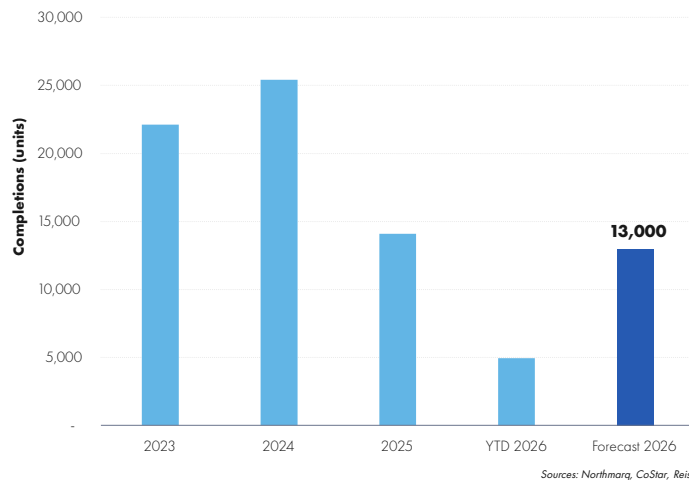
Year over year, employers added 28,600 workers.

EMPLOYMENT OVERVIEW



Roughly 14,000 units are currently under construction.

DEVELOPMENT TRENDS

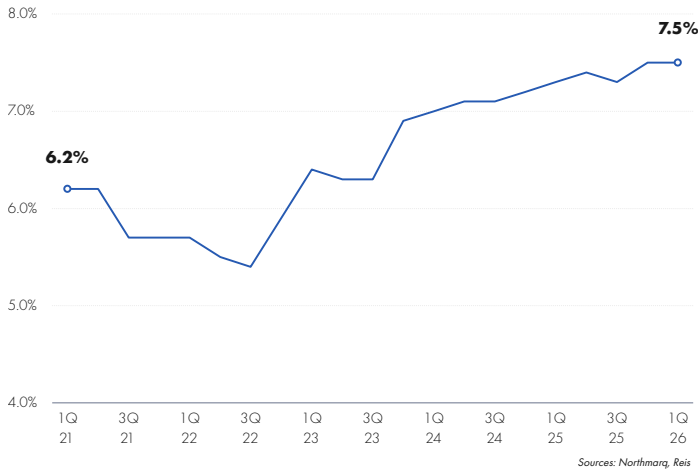


DEVELOPMENT & PERMITTING

- Inventory growth in Houston was elevated to begin the year after slowing during 2025. Projects totaling more than 4,900 units came online during the first quarter, up 32% from the same period last year.
- Roughly 14,000 units are currently under construction, up 3% from one year ago. Development has contracted significantly in the past few years. Since the beginning of 2023, the construction pipeline has declined by 54%.
- Multifamily permitting slowed during the past three months. Developers pulled permits for approximately 2,200 units during the first quarter, down from nearly 5,000 units in the prior quarter.
- **FORECAST:** Following an elevated start to the year, the pace of multifamily completions should slow. Projects totaling 13,000 units are projected for delivery in 2026, down 8% from last year.

Vacancy held at 7.5% during the first quarter.

VACANCY TRENDS



VACANCY

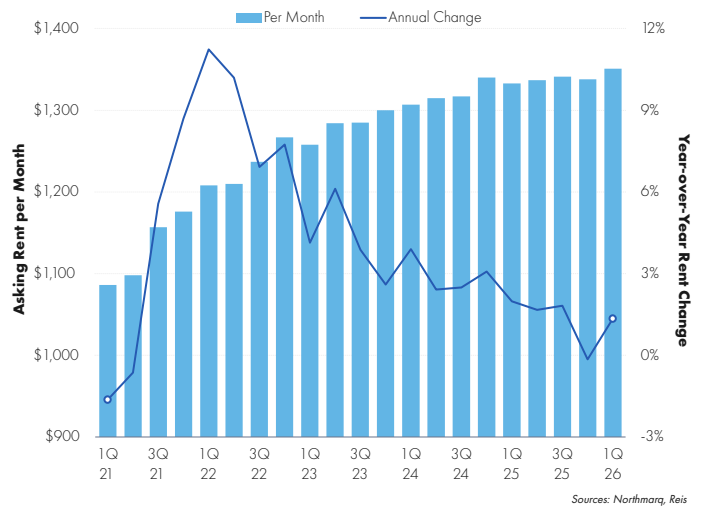
- After increasing to end 2025, the vacancy rate in Houston held at 7.5% during the first quarter. Year over year, the rate is up just 20 basis points.
- Vacancy in Bear Creek/Katy improved during the past year, as the area continues to absorb elevated inventory growth from recent years. The vacancy rate in this submarket is currently 10.8%, down 30 basis points from peak levels recorded one year ago.
- Class A vacancy has remained elevated as operators adjust to supply added during the past few years. The vacancy rate for top-tier properties ended the first quarter at 8.6%, up 50 basis points year over year.
- **FORECAST:** With supply growth expected to remain within traditional levels in the coming quarters, the vacancy rate should improve. Area vacancy is projected to close the year at 7.0%, down 50 basis points annually.

RENTS

- Apartment rents in Houston advanced during the first quarter after edging lower in 2025. Rents trended higher by 1.0% during the past three months to \$1,351 per month. In the past year, rents increased by 1.4%.
- North/Northeast Houston, which includes areas just north of Downtown up to Aldine, East Aldine, and Dyersdale, posted the strongest rent growth in the region during the past year. Year over year, rents in this area rose 5.4% to \$1,649 per month.
- Rents for top-tier assets have been climbing in recent periods. During the past 12 months, Class A apartment rents trended higher by 1.6% to \$1,632 per month.
- **FORECAST:** Local rents are expected to continue to trend higher, building upon the gains recorded to begin the year. Apartment rents are forecast to close 2026 at \$1,380 per month, up roughly 3% annually. Last year, rents inched lower by 0.1%.

In the past year, rents increased by 1.4%.

RENTS TRENDS

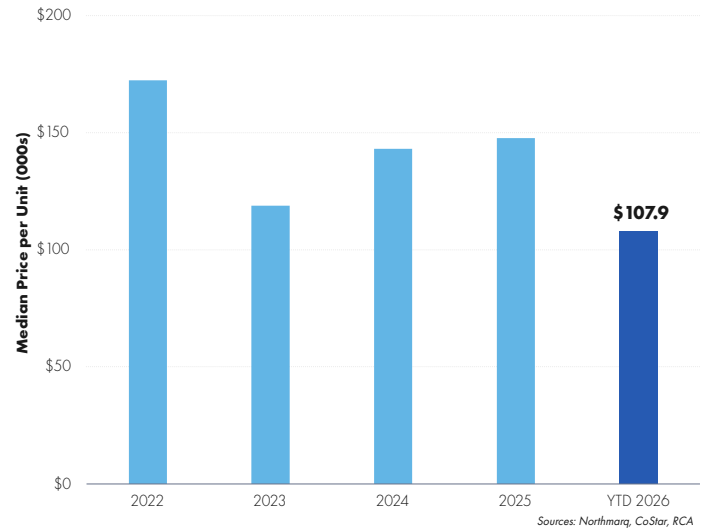


MULTIFAMILY SALES

- Sales activity remained elevated in recent months as the local investment market continues to rebound from the limited activity recorded in 2023 and 2024. Total sales during the first quarter exceeded the region’s trailing 10-year average for the period by 11%.
- Pricing declined to begin the year. For transactions where pricing is available, the median sale price is \$107,900 per unit year to date, down 27% from last year.
- While Southeast Houston and Northwest Houston continue to account for the largest share of the transaction mix, sales have accelerated in Bear Creek/Copperfield. Year to date, total sales in Bear Creek/Copperfield have exceeded levels recorded in 2025. All of these transactions were for properties either built or renovated within the past decade.
- Cap rates continued to trend higher. During the first quarter, cap rates averaged 6.2%, up 20 basis points from levels recorded in the final three months of 2025.

Sales activity remained strong to start the year.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

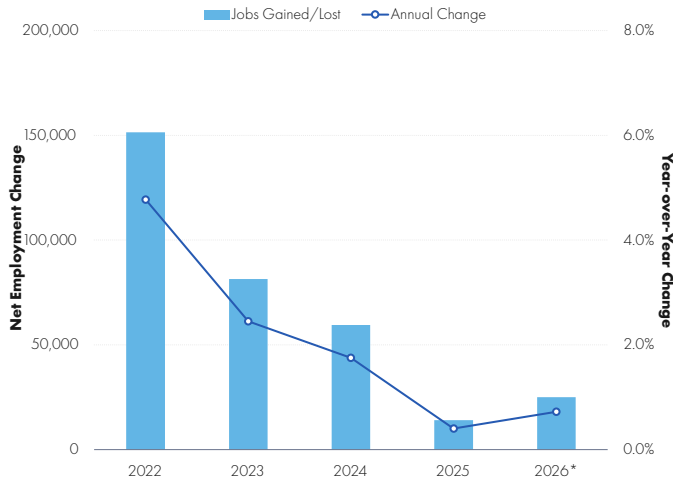
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Parkside Residences	808 Crawford St., Houston	2022	309	\$113,150,000	\$366,181
Elite 99 West	23400 Kingsland Blvd., Katy	2015	360	\$74,500,000	\$206,944
Hollings Post Oak	1875 Post Oak Park Drive, Houston	2013	316	\$70,300,000	\$222,468
Whitney at the Heights	2424 E T C Jester Blvd., Houston	2001	186	\$34,000,000	\$182,796
Concord at Allendale	4800 Allendale Road, Houston	2004	264	\$26,300,000	\$99,621

LOOKING AHEAD

Operating conditions are expected to improve through the end of the year, as supply growth in the Houston multifamily market is expected to slow by 8% from 2025 to 2026. Asking rents are projected to continue to advance through the end of the year, while vacancy conditions are forecast to improve on an annual basis. Rent growth should remain the strongest within the Sam Houston Tollway, as supply growth in this area is expected to remain mild. Just 20% of the units under construction are located inside the Sam Houston Tollway, which will likely leave room for further rent increases in the area. Suburban, outlying areas are expected to continue to post rent growth, though at a more moderate pace as supply-side pressures will be more prevalent.

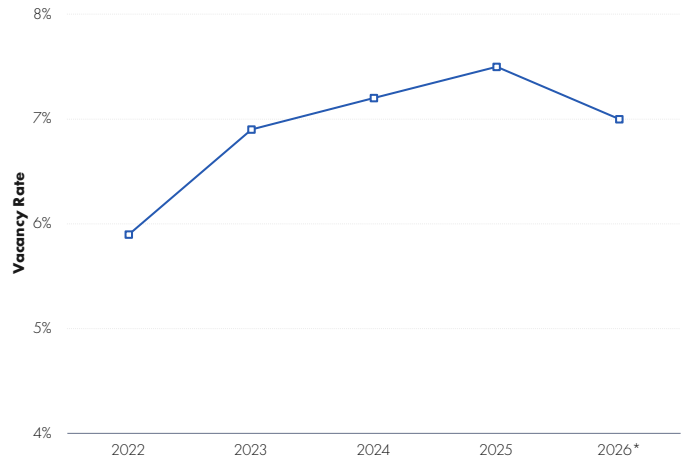
An early look into the second quarter suggests that sales activity may be slowing in the near term, but the pace of sales could accelerate in the second half. Total sales in 2026 are forecast to closely track levels recorded in 2025. While new builds have made up a solid portion of the recent sales, value-add properties will likely remain the core of the investment market in the coming quarters. Properties built between 1980 and 2008 have made up more than half of the sales year to date. On the property performance side, Class B and Class C properties are posting stable vacancy conditions with rent growth remaining below market levels. Investors are expected to continue targeting these older assets in anticipation of capturing potential rent growth through targeted renovations.

EMPLOYMENT FORECAST



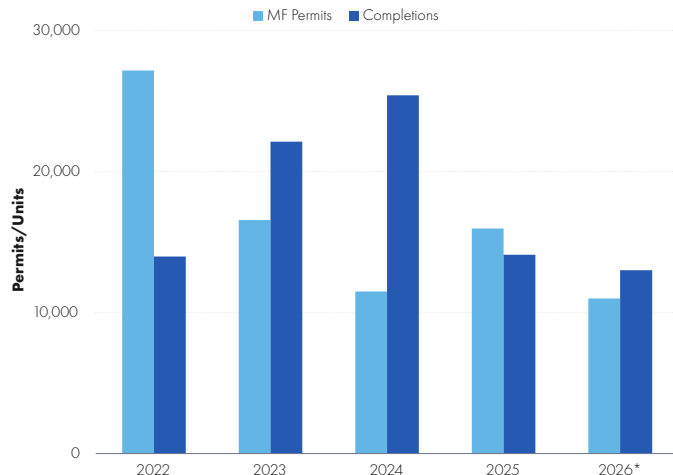
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



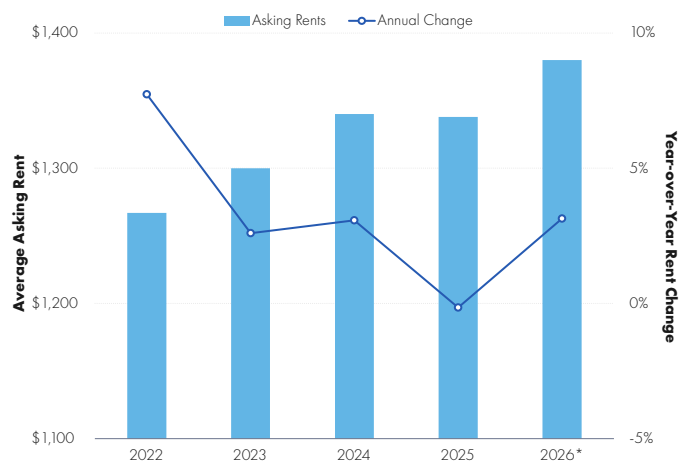
* Year End Forecast
Sources: Northmarq, Reis

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, Census Bureau, CoStar, Reis

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, Reis



FOR MORE INFORMATION, PLEASE CONTACT

BRETT BENTON

Senior Vice President, Investment Sales

713.333.8823

bbenton@northmarq.com

SCOTT HURWITZ

Associate Broker, Investment Sales

281.916.7829

shurwitz@northmarq.com

CONNOR COOK

Associate Broker, Debt & Equity

713.333.8821

ccook@northmarq.com

TONY GRAY

Managing Director, Debt & Equity

713.333.8832

tgray@northmarq.com

JOHN BURKE

Managing Director, Debt & Equity

713.333.8824

jburke@northmarq.com

CHAD OWENS

Managing Director, Debt & Equity

713.333.8837

cowens@northmarq.com

PETE O'NEIL, *National Director, Research* | 602.508.2212 | poneil@northmarq.com

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

SAM TIFFANY, *Senior Market Analyst* | 602.955.7102 | stiffany@northmarq.com

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