

Transaction activity accelerates to close the year

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **14,765**

UNITS DELIVERED (YTD) **14,099**

MARKET FUNDAMENTALS



VACANCY RATE **7.5%**

YEAR-OVER-YEAR CHANGE **+30bps**

ASKING RENTS **\$1,338**

YEAR-OVER-YEAR CHANGE **-0.1%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$147,700**

HOUSTON MULTIFAMILY
Q4 2025

HIGHLIGHTS

- Property fundamentals in the Houston multifamily market softened slightly during the fourth quarter as vacancy ticked higher while asking rents inched lower. Development tapered off in 2025, following elevated supply growth in 2023 and 2024.
- Following a brief improvement during the third quarter, the vacancy rate rose in recent months. Area vacancy ticked higher by 20 basis points during the fourth quarter to 7.5%. In 2025, area vacancy increased by 30 basis points.
- Rental rates have generally been flat during 2025, posting declines during the bookend quarters and slight increases during the middle two quarters. Area rents closed the year at \$1,338 per month, down 0.1% annually.
- Sales activity in the Houston multifamily market ramped up throughout the year. For the first time since late 2022, total sales during the fourth quarter exceeded the region's trailing 10-year average for the same period. In transactions where pricing was available, the median sale price in 2025 was \$147,700 per unit.

HOUSTON MULTIFAMILY MARKET OVERVIEW

Completions declined at a rapid rate in 2025, but the heightened supply growth of 2023 and 2024 is still being felt in the Houston multifamily market. Projects totaling roughly 14,100 units came online in 2025, down 45% from last year's peak levels. While supply growth trended lower, the vacancy rate continued to rise at a modest pace. During the past two years, vacancy has not recorded an increase of greater than 20 basis points in a quarter. Vacancy trends varied across the region. During 2025, submarkets with lower inventory growth, such as Baytown/San Jacinto River East and nearby Cloverleaf/Channelview, posted the greatest vacancy improvements of 250 basis points and 210 basis points, respectively. Rental rates were relatively flat in 2025 following four consecutive years of gains. Despite inching lower by 0.1% during the past year, the stability of the market's apartment rents remain one of Houston's strengths. Comparatively, rent trends have been more volatile in the other major Texas markets in recent years.

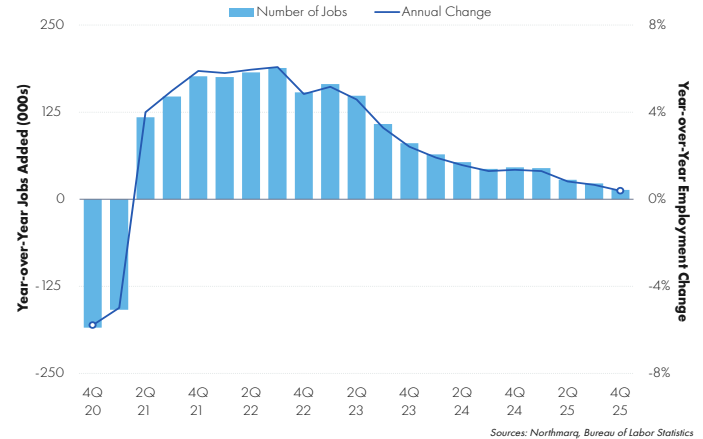
The Houston multifamily investment market continues to build momentum after limited activity in 2023 and 2024. Total sales during the fourth quarter outpaced levels recorded in the third quarter by 44%, and annual transaction counts exceeded levels recorded in 2024 by 39%. Houston has traditionally been a market where properties across the vintage spectrum sell at a high frequency, and this was particularly true in 2025. Sales were very evenly mixed across decades from the 1970s to the 2020s, with each accounting for roughly 15% of the sales mix during the past year. Cap rates continued to trend higher during the fourth quarter, averaging 6.0%. Rates averaged 5.7% in the preceding three months.

EMPLOYMENT

- Employment growth in Houston slowed in 2025, with area employers hiring 13,500 workers during the past year, an increase of 0.4%. In the trailing 10 years, total employment expanded by an average of 1.5% annually.
- Hiring picked up modestly in the financial activities sector during 2025 after a weak 2024. Employment in this sector increased by 1,000 workers, rising by 0.6%.
- The Houston Texans, alongside Harris County and Robert Hughes, announced plans for an 83-acre mixed-use development in Bridgeland called the Toro District. Roughly 25% of the space will be the Texans' new headquarters and training complex. The rest of the site will include retail, hospitality, commercial, and medical space. The Toro District is predicted to create 17,000 jobs.
- **FORECAST:** The pace of hiring is expected to remain modest in 2026. Total employment is projected to expand by 15,000 workers during the coming year, an increase of 0.4%.

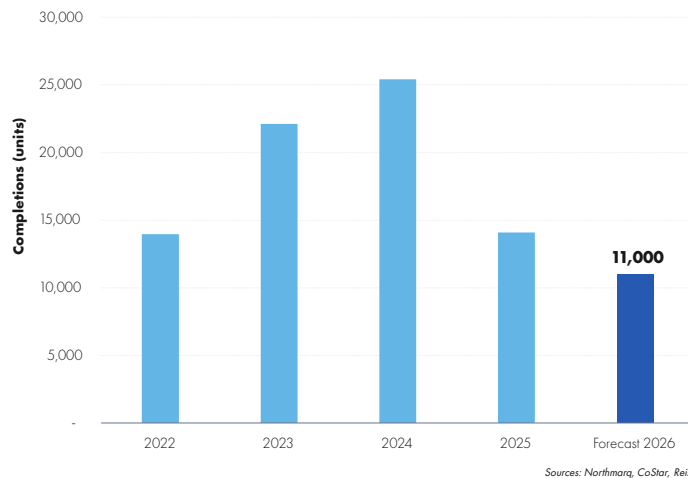
Area employers hired 13,500 workers during the past year.

EMPLOYMENT OVERVIEW



Nearly 14,800 units are currently under construction.

DEVELOPMENT TRENDS

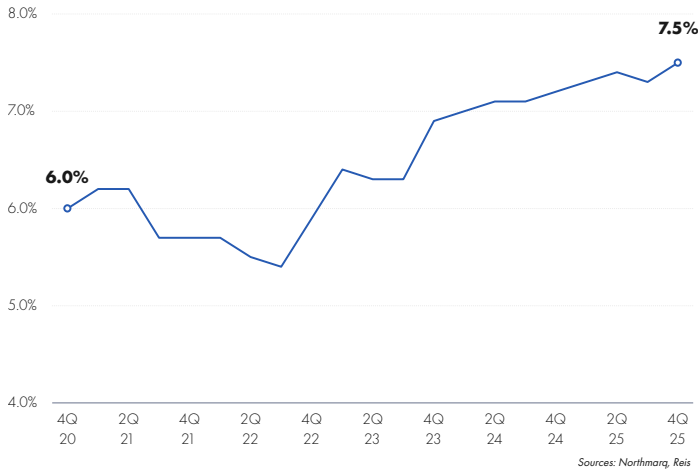


DEVELOPMENT & PERMITTING

- The pace of multifamily deliveries in Houston slowed significantly in 2025 after peaking in 2024. During the past 12 months, projects totaling roughly 14,100 units came online, down 45% from last year. Over the past decade, developers completed an average of 15,500 units annually.
- Despite elevated starts in the closing months of the year, the development pipeline tapered off in 2025. Projects totaling nearly 14,800 units are currently under construction, down 14% from levels recorded one year ago.
- Multifamily permitting picked up in recent quarters after a slow pace in 2024. Developers pulled permits for 14,000 units in 2025, up 22% from last year. Despite the increase, permitting trends were below traditional levels during the past year.
- **FORECAST:** Completions are expected to continue declining in the coming quarters. Approximately 11,000 units are slated for delivery in 2026, down 22% from levels recorded in 2025.

Vacancy is up 30 basis points annually.

VACANCY TRENDS



VACANCY

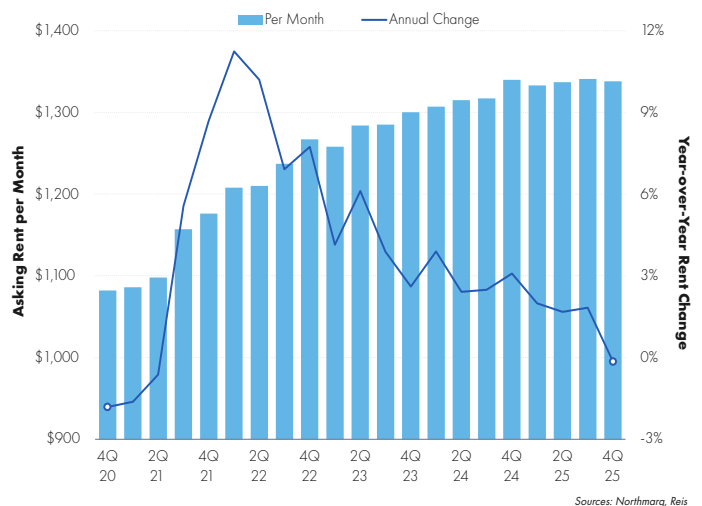
- The vacancy rate in Houston rose in recent months following a brief improvement during the third quarter. Area vacancy trended higher by 20 basis points during the fourth quarter to 7.5%. Vacancy is up 30 basis points annually.
- While vacancy trended higher in most submarkets during the past year, vacancy conditions in the Braeswood/Bellaire and Alief/Kirkwood submarkets performed well. Vacancy in Braeswood/Bellaire closed 2025 at 6.9%, down 30 basis points from one year ago, while Alief/Kirkwood improved by the same margin to 9.0%.
- Top-tier vacancy recorded an increase in 2025, weighing on the market’s overall rate as Houston continues to adjust to the rapid supply growth of 2023 and 2024. Class A vacancy rose 60 basis points during the past year to 8.6%.
- **FORECAST:** Another year of modest deliveries is expected to support an improvement in the vacancy rate. Local vacancy is projected to close 2026 at 7.0%, down 50 basis points annually.

RENTS

- Asking rents in Houston inched lower in recent months after ticking higher during the preceding two quarters. Local rents declined by 0.2% during the fourth quarter to \$1,338 per month. Current rents are down 0.1% from one year ago.
- Rents remained within a tight band across the region. During the past year, nearly every submarket recorded rent growth between 1.5% and -1.5% at a relatively even split. Spring/Humble/Far Northeast was an outlier, with asking rents advancing 2.2% annually, reaching \$1,388 per month.
- Class A rental trends were nearly identical to market-wide performance, as asking rents for top-tier assets inched lower during the first half before rising during the third quarter and then dipping again to close the year. Class A rents closed the year at \$1,614 per month, down 0.1% from one year ago.
- **FORECAST:** Area rents are forecast to trend higher in the coming quarters after a slight decline in 2025. Apartment rents are expected to close the year at \$1,380 per month, rising 3.1% annually.

Rent growth operated within a tight band across the region.

RENTS TRENDS

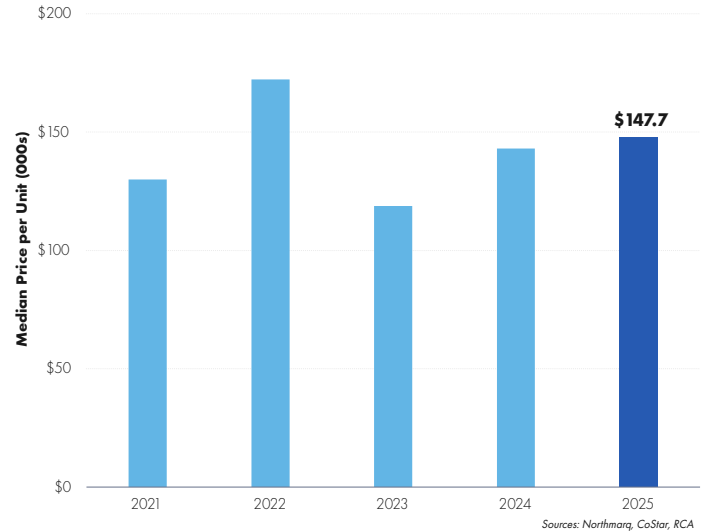


MULTIFAMILY SALES

- Sales activity in the Houston multifamily investment market continued to accelerate through the end of the year. Total sales during the fourth quarter outpaced levels recorded in the third quarter by 44%. For the full year, sales activity in 2025 was up nearly 40% from the light levels recorded in 2024.
- Pricing pushed higher during 2025. In transactions where pricing was available, the median price during the past year was \$ 147,700 per unit, up 3% from last year.
- Cap rates rose in the closing months of the year. During the fourth quarter, cap rates averaged 6.0%, up from 5.7% in the preceding three months. During the past year, rates have generally ranged between 5.0% and 6.5%, with some outliers on both ends of the spectrum.

Sales activity in 2025 was up nearly 40% from 2024.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

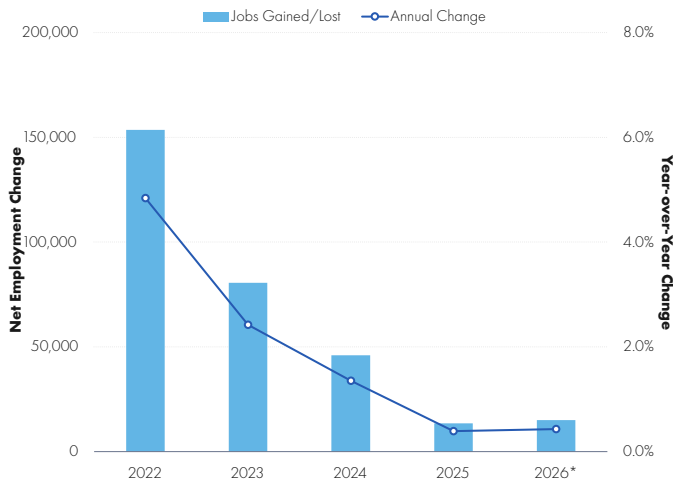
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
611 Sheperd	611 Sheperd Drive, Houston	2018	245	\$55,250,000	\$225,510
Discovery at West Road	9404 West Road, Houston	2005	280	\$44,000,000	\$157,143
The Oaks at Grand West	10415 Lancaster Forest Lane, Houston	2024	147	\$36,015,000	\$245,000
Barnett	1414 S Dairy Ashford St., Houston	1992	256	\$33,750,000	\$131,836

LOOKING AHEAD

Property fundamentals in the Houston multifamily market are expected to improve in 2026, as supply growth is forecast to be modest again in the coming year. Projects totaling roughly 11,000 units are scheduled for completion in the coming year, lagging the region’s trailing 10-year average by roughly 30%. The continued decline in new supply will likely lead to the region’s first annual vacancy improvement since 2021. Furthermore, the projected decrease is forecasted to be steep. Vacancy is expected to decline by 50 basis points in the coming year, which would mark the region’s greatest improvement since 2018. As supply decelerates and vacancy declines, rent growth should rebound in the coming year. Rent gains in 2026 are expected to closely track levels recorded in 2024, when rents advanced by 3.1%.

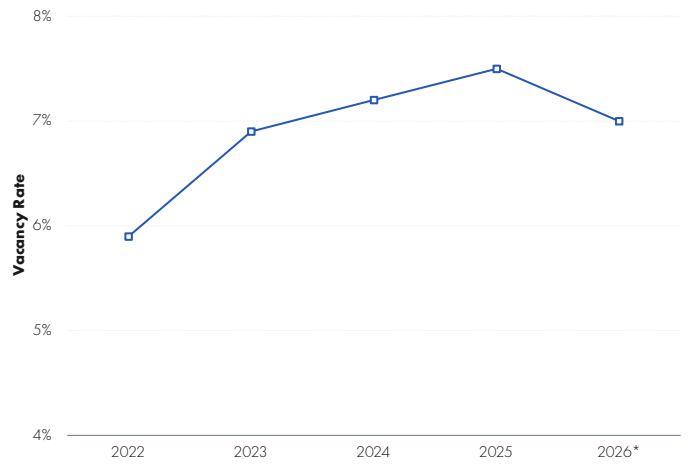
Sales activity in the Houston multifamily investment market should continue to build on the momentum created in 2025. Assuming fundamentals improve and supply growth continues to trend lower, the market will be well-positioned for a continued rebound in the coming quarters. Total sales during 2026 are expected to outpace levels recorded during the past year and will likely reach traditional levels. Additionally, Houston’s ability to generate sales volume across all vintage types will bode well for the market. Consistent sales of all property types point to very few weak points in the market and should provide plenty of opportunities for all types of investors. Cap rates are projected to continue to average around 6.0% in the near term but may dip down to the mid-5% range by the end of 2026.

EMPLOYMENT FORECAST



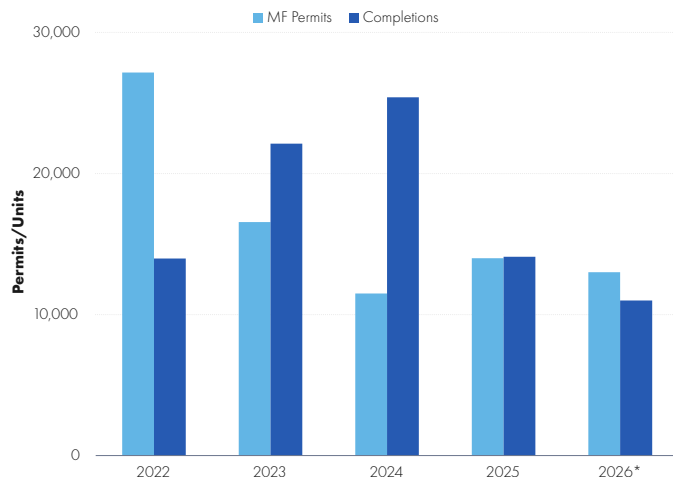
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



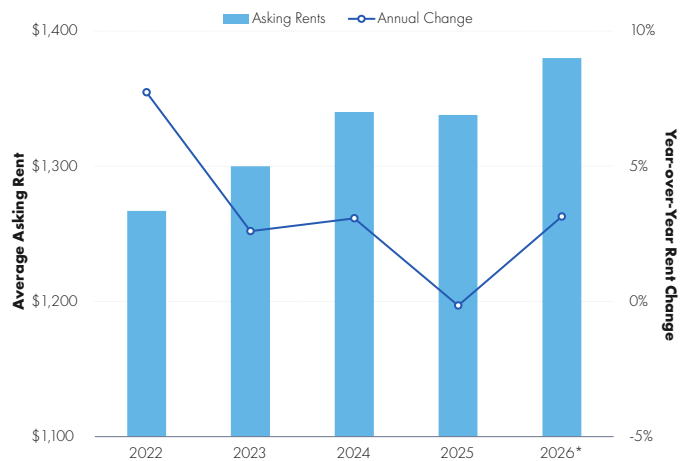
* Year End Forecast
Sources: Northmarq, Reis

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, Reis



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