

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
11.7% Stabilized Vacancy Rate	▲	▼
9,803 YTD Net Absorption, units	▲	▲
\$1.43 Effective Rent, PSF	▼	▬
\$89,100 Median Household Income	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
3.5M Houston Employment	▲	▲
4.8% Houston Unemployment Rate	▲	▼
1.4% Houston Household Growth Rate YOY		
0.5% U.S. Household Growth Rate YOY		

Source: BLS, BOC, Moody's Analytics, CoStar, Cushman & Wakefield Research

SUPPLY AND DEMAND

Houston's multifamily market moved closer to equilibrium during the third quarter of 2026 as robust leasing absorbed a large volume of new product and the development pipeline contracted further. Units underway totaled over 11,500, a decrease of 26.0% quarter-over-quarter (QOQ) and 37.0% year-over-year (YOY), leaving the pipeline more than 70.0% below its first quarter 2023 peak of 40,126 units. Although construction completions reached just over 4,500 units during the quarter, the shrinking pipeline pointed toward a markedly lighter supply backdrop in the periods ahead, a dynamic that should aid lease-up at recently completed communities.

Demand remained a clear source of strength. Net absorption totaled nearly 3,300 units during the quarter, lifting the year-to-date (YTD) total to over 9,800 units, a gain of 68.4% YOY. That pace outstripped the 29.2% YOY increase in YTD construction completions. Leasing was broad-based, with 23 of the market's 28 submarkets recording positive YTD net absorption, and the market posted positive net absorption in each quarter of 2026, a turnaround from the negative net absorption recorded in the fourth quarter of 2025.

Market vacancy closed the quarter at 11.7%, essentially unchanged QOQ and below the 11.9% reached in the first quarter, an indication that leasing velocity kept pace with new supply. The YOY increase moderated steadily, narrowing from 190 basis points (bps) in the first quarter to 130 bps in the second and 80 bps in the third, the smallest annual rise since early 2025. Tightening also broadened across the submarket landscape, with an increasing share of submarkets recording YOY vacancy declines each quarter of 2026, led by Downtown Houston, where vacancy fell 430 bps YOY.

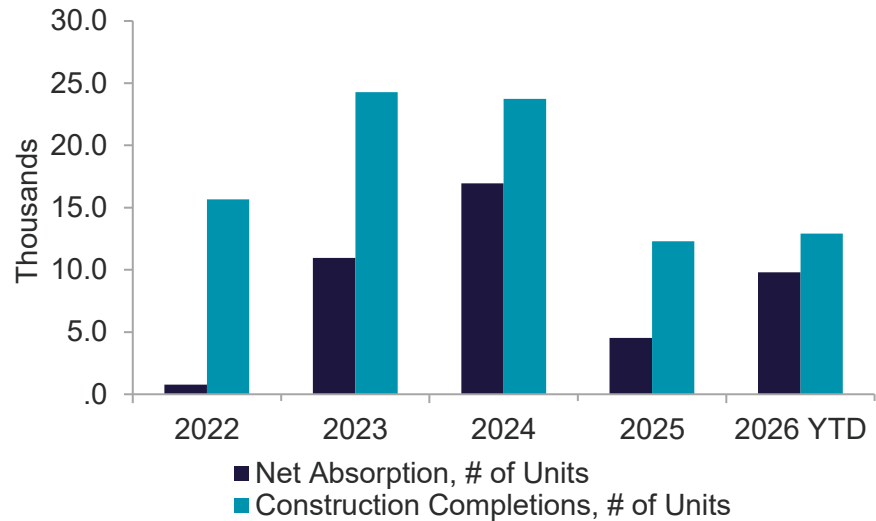
PRICING

Effective rents averaged \$1,299 per unit during the third quarter, 2.5% below the year-ago level, reflecting the competitive leasing environment that accompanied the recent wave of completions. The annual decline eased, however, narrowing from 2.8% in the first quarter to 2.7% in the second and 2.5% in the third. Rent performance also improved at the submarket level, with the number of submarkets recording positive annual rent growth rising from one in the first quarter to four by quarter-end, including Neartown River Oaks, the only one of the metro's four highest-rent submarkets to achieve growth.

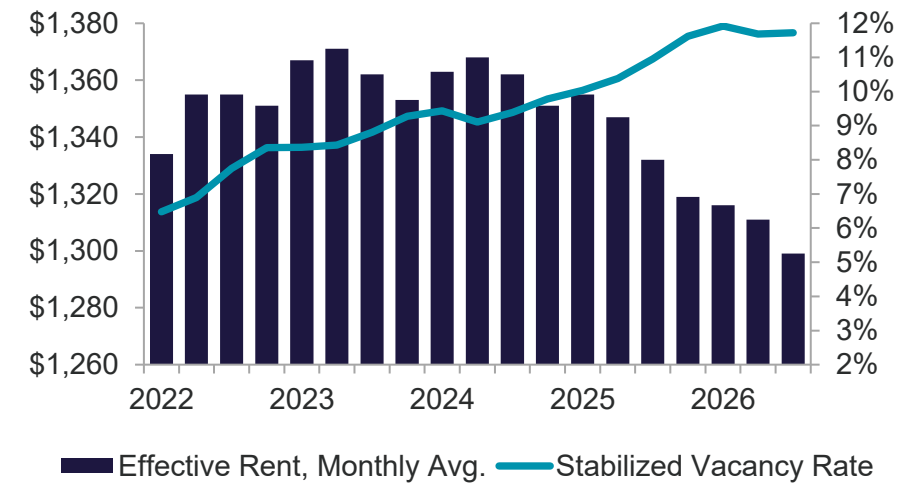
INVESTMENT SALES

Investor engagement remained constructive through the third quarter, with 96 transactions encompassing 21,189 units and \$414.9 million in sales volume YTD. Although activity trailed the 117 transactions, 28,464 units and \$609.7 million recorded over the same period of 2025, buyers continued to underwrite the market's strengthening demand trends. Houston's long-term growth profile sustained investor interest and should continue to attract capital as the recovery builds.

DEMAND / DELIVERIES



STABILIZED VACANCY & EFFECTIVE RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	YTD DELIVERIES (UNITS)	YTD % INVENTORY GROWTH	UNDER CNSTR (UNITS)	YTD NET ABSORPTION (UNITS)	STABILIZED VACANCY RATE	YOY VACANCY RATE CHANGE (BPS)	AVG EFFECTIVE RENT / UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
Alief	15,850	0	0.0%	0	-99	12.4%	180	\$1,016	\$1.20	-2.2%
Baytown	9,046	203	2.3%	0	-90	15.3%	230	\$1,063	\$1.22	-2.6%
Bear Creek Copperfield	39,361	2,182	5.9%	727	1,330	11.3%	80	\$1,353	\$1.40	-4.7%
Briar Forest West Memorial	32,018	101	0.3%	360	339	11.1%	0	\$1,240	\$1.33	-4.0%
Brookhollow Inwood	24,228	466	2.0%	0	36	12.2%	160	\$1,100	\$1.28	-2.3%
Cinco Ranch	26,060	2,048	8.5%	144	774	9.4%	120	\$1,446	\$1.46	-5.3%
Downtown Houston	7,202	0	0.0%	553	333	7.9%	-430	\$2,156	\$2.19	-3.1%
East End Houston	5,654	0	0.0%	0	300	10.1%	-170	\$1,388	\$1.66	0.0%
Galleria Uptown	24,230	0	0.0%	423	-49	13.0%	140	\$1,431	\$1.54	-1.2%
Greenspoint IAH Airport	21,028	144	0.7%	90	-288	18.2%	350	\$947	\$1.15	-1.9%
Heights	12,895	0	0.0%	214	577	7.1%	-60	\$1,628	\$1.91	-1.1%
Lake Houston Area	26,502	1,149	4.5%	348	609	9.7%	50	\$1,284	\$1.38	-3.7%
Medical Center West University	28,015	729	2.7%	0	362	10.8%	80	\$1,606	\$1.76	-3.1%
Nearatown River Oaks	46,509	0	0.0%	1,554	1,425	7.5%	-90	\$1,971	\$2.08	0.2%
North Galveston County	9,063	0	0.0%	932	30	7.2%	-30	\$1,451	\$1.52	2.1%
Northeast Houston	2,339	0	0.0%	0	144	8.1%	140	\$1,282	\$1.63	-2.5%
Northwest Houston	76,300	2,193	3.0%	2,029	1,120	12.1%	120	\$1,233	\$1.34	-4.1%
Outlying Montgomery County	14,215	670	4.9%	761	471	11.1%	130	\$1,265	\$1.30	-4.5%
Pearland	9,783	380	4.0%	0	267	6.9%	-60	\$1,520	\$1.54	-1.1%
Richmond Rosenberg	9,142	50	0.5%	1,369	20	9.4%	70	\$1,338	\$1.46	-4.4%
South Brazoria County	11,876	0	0.0%	0	601	14.4%	-220	\$1,128	\$1.19	-0.8%
South Central Houston	4,264	0	0.0%	0	69	11.4%	-150	\$1,243	\$1.36	0.9%
Southeast Houston	72,721	786	1.1%	322	541	14.0%	40	\$1,106	\$1.30	-1.2%
Southwest Houston	68,514	597	0.9%	0	-686	13.4%	230	\$1,001	\$1.21	-2.0%
Spring Branch	22,874	0	0.0%	346	176	13.8%	110	\$1,152	\$1.30	-2.9%
Sugar Land Missouri City	19,349	1,070	5.9%	1,366	922	7.4%	50	\$1,416	\$1.50	-4.0%
The Woodlands	19,147	144	0.8%	0	533	7.0%	-40	\$1,526	\$1.56	-2.2%
Westchase Woodlake	40,896	0	0.0%	0	36	15.2%	150	\$1,188	\$1.33	-1.9%
TOTAL MARKET	699,081	12,912	1.9%	11,538	9,803	11.7%	80	\$1,299	\$1.43	-2.5%

KEY RECENT SALE TRANSACTIONS

PROPERTY	SUBMARKET	SELLER BUYER	UNITS	YEAR BUILT
Cambridge Village	Southwest Houston	TruePoint Capital IDM Investments	608	1972
Acova Brentwood	Southwest Houston	Greystar Real Estate Turner Impact Capital	378	2023
The Vic at Jordan Ranch	Cinco Ranch	Hunington Properties ORIX USA	365	2023
Glade at The Groves	Lake Houston Area	Read King Benedetto Tammam	336	2026

CONSTRUCTION PIPELINE HIGHLIGHTS

PROPERTY	SUBMARKET	OWNER/DEVELOPER	UNITS	EST DELIVERY
Lenox Parkside	Bear Creek Copperfield	OHT Partners	396	Q3 2027
Broadstone Gosling Park	Northwest Houston	Alliance Residential	388	Q4 2026
Pearl Lake Pointe	Sugar Land Missouri City	The Morgan Group	376	Q4 2027
Vista Williams Ranch	Richmond Rosenberg	Vista Residential Partners	375	Q1 2027

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