



VIKING CAPITAL

MARKET REPORT

Q1 2026

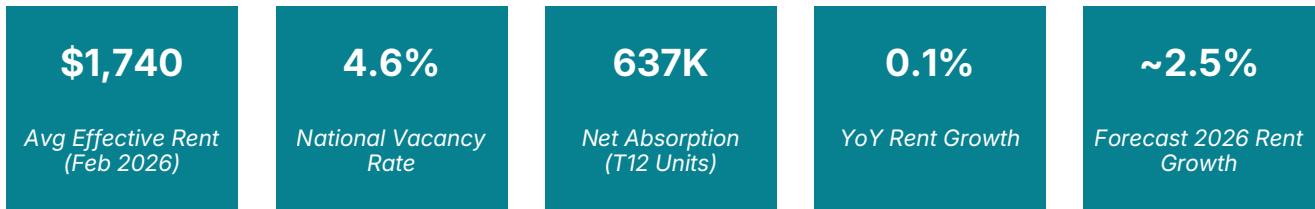
**Market Intelligence for the
Discerning Investor**

TABLE OF CONTENTS

◆ EXECUTIVE SUMMARY	3
◆ MARKET FUNDAMENTALS — VACANCY, ABSORPTION & SUPPLY	4
◆ RENT TRENDS & FORECAST	5
◆ SUN BELT: RECALIBRATION & THE RECOVERY THESIS	7
◆ MACROECONOMIC & DEMOGRAPHIC BACKDROP	11
◆ CAPITAL MARKETS & INVESTMENT ENVIRONMENT	14
◆ Q1 2026 NOTABLE TRANSACTIONS	16
◆ MARKET-BY-MARKET PERFORMANCE SNAPSHOT	18
◆ ASSET CLASS DEEP DIVE	19
◆ MULTIFAMILY IN A DIVERSIFIED PORTFOLIO	20
◆ MANAGER SELECTION & DUE DILIGENCE	21
◆ RISKS & HEADWINDS	22
◆ 2026 OUTLOOK & VIKING CAPITAL POSITIONING	23
◆ DISCLOSURES & SOURCES	24

EXECUTIVE SUMMARY

As Q1 2026 concludes, the U.S. multifamily sector is navigating a deliberate transition from peak supply pressure toward structural stabilization. Record deliveries in 2024 and elevated completions throughout 2025 have created pockets of near-term softness in high-supply Sun Belt markets, while gateway and supply-constrained metros continue to demonstrate rent resilience. This inflection point presents a well-defined window to acquire high-quality assets at reset pricing, ahead of a demand-driven recovery supported by contracting supply and durable renter fundamentals.



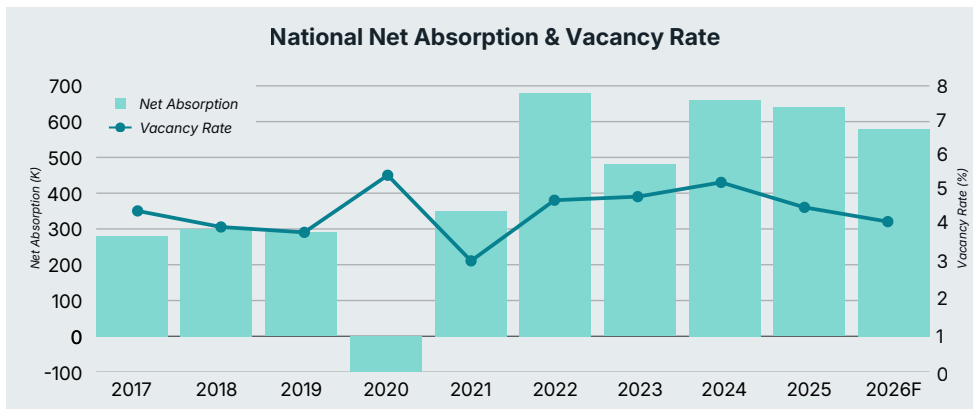
Source: Yardi Matrix, February 2026

- **Supply Normalization:** Construction starts are down materially from their 2022–2023 peak. The pipeline contraction sets the stage for meaningfully fewer completions in 2026 and 2027 — a primary catalyst for the stabilization thesis.
- **Demand Resilience:** Net absorption of 637,000 units over the trailing 12 months signals durable renter demand even amid peak deliveries.¹ The widening own-vs-rent cost gap remains a structural tailwind reinforcing household formation in the rental sector.
- **Gateway Outperformance:** New York (+4.2%), San Francisco (+3.6%), and Chicago (+3.5%) are leading rent growth as constrained supply meets recovering demand.¹
- **Sun Belt Recalibration:** Austin (-5.2%), Phoenix (-3.6%), Denver and Tampa (both -3.2%) continue absorbing elevated deliveries.¹ Strong long-term fundamentals and improving absorption suggest the trough is near for well-located assets
- **Capital Markets Recovery:** Transaction velocity is accelerating as bid-ask spreads narrow and pricing clarity improves. Institutional capital is re-engaging with greater conviction across both gateway and select Sun Belt markets.
- **Portfolio Entry Point:** The convergence of reset pricing, declining supply, and sustained renter demand creates a compelling window for patient, long-term capital to establish positions ahead of the next phase of the cycle.

MARKET FUNDAMENTALS

National Vacancy & Absorption

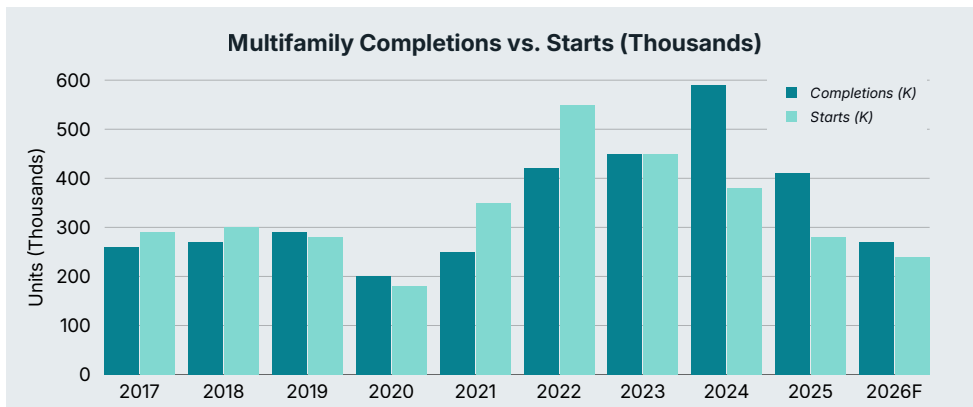
National multifamily vacancy held at approximately 4.6% entering Q1 2026, with year-over-year vacancy growth moderating as construction pipelines thin. Occupancy rates stabilized at 94.3% in February, down only 0.4% from a year ago — a meaningful deceleration from the steeper declines recorded in 2024.^{1 2} Class B and Class C properties are showing improving occupancy trends across multiple regions as renters seeking affordability continue to fill these units rapidly



Source: Marcus & Millichap, Yardi Matrix

Construction Pipeline & Deliveries

Approximately 315,000 apartment units were delivered nationally on a rolling annual basis through Q4 2025 — the strongest pace of inventory expansion since the early 2000s.^{1 2 6} However, the pipeline is contracting sharply. As of late 2025, approximately 690,000 units were under construction, but new starts have decelerated materially.^{1 2 6} Financing constraints, elevated construction costs, and tighter underwriting are limiting new project viability, setting the stage for a significantly lighter delivery environment in 2027 and 2028.



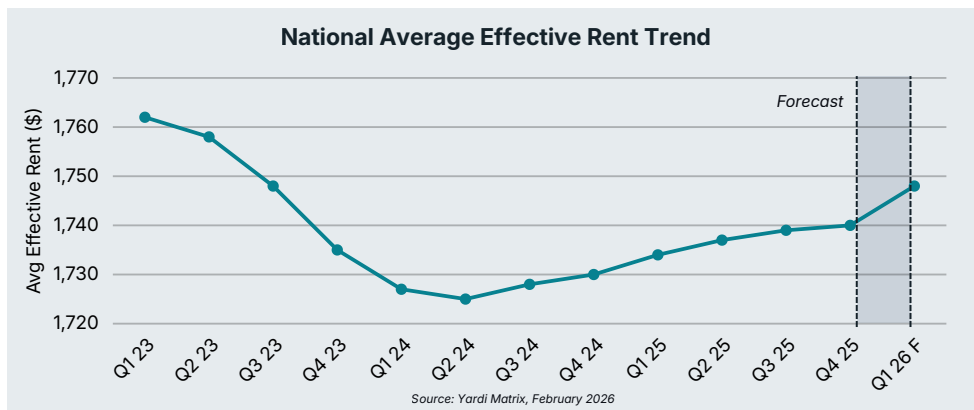
Source: Berkadia, Marcus & Millichap, Yardi Matrix

RENT TRENDS & FORECAST

National average advertised rents held flat at \$1,740 in February 2026, with year-over-year growth at a modest 0.1%.¹

A clear bifurcation is emerging between supply-constrained gateway markets experiencing genuine rent recovery and high-supply Sun Belt markets still working through excess inventory. The trajectory from here is increasingly constructive: national rents are projected to grow approximately 2.0–3.1% for full-year 2026 as supply headwinds abate.¹

Third-party research supports a muted but improving medium-term outlook, projecting sub-2% national M-RevPAF growth in 2026 before returning to inflationary levels by 2027–2028. Bay Area and Seattle are expected to continue above-average growth along the coasts; Sun Belt metros still absorbing peak deliveries will lag those further along the absorption curve.³



Market Leaders & Laggards



RENT TRENDS & FORECAST

Forecast Rent Growth — Top Markets

Market	YoY Feb 2026	Forecast YE 2026	T12 Completions (% of Stock)	2026E-2030EM- RevPAF CAGR*
New York City	+4.2%	+3.1%	2.2%	2.5%
San Francisco	+3.6%	+2.6%	1.8%	3.7%
Chicago	+3.5%	+4.1%	0.9%	2.5%
Twin Cities	+2.3%	+4.7%	1.6%	-
Detroit	+1.8%	+4.0%	0.8%	-
National	+0.1%	~+2.5%	1.9%	-
Nashville	-1.2%	-1.4%	4.6%	3.0%
Dallas	-1.6%	-4.3%	3.7%	2.8%
Phoenix	-3.6%	-6.2%	5.0%	3.1%
Austin	-5.2%	-5.2%	7.9%	3.7%

*2026E-2030E M-RevPAF CAGR sourced from Green Street Research, January 2026. YoY and forecast data: Yardi Matrix, February 2026.

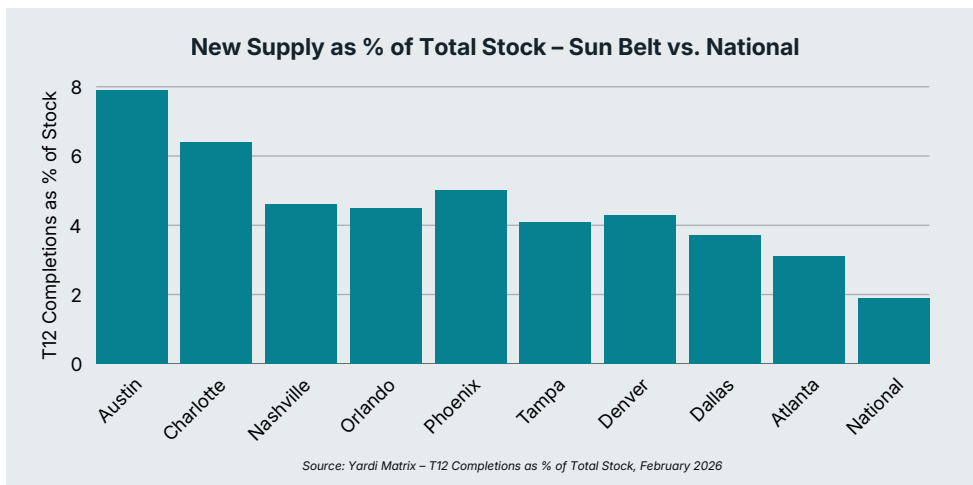
SUN BELT: RECALIBRATION & THE RECOVERY THESIS

The Sun Belt multifamily story has evolved from a growth narrative into a recovery thesis. After several years of record in-migration, job growth, and construction activity, the region is now absorbing the consequences of oversupply — but the long-term structural drivers remain intact. Understanding the nuances across markets is critical: the Sun Belt is not monolithic, and the difference between a distressed asset and a high-conviction opportunity often comes down to submarket selection, basis, and timing.

#1	550K	7.9%	28K	2026
<small>Dallas-Ft Worth Overall RE Prospects(ULI/PwC 2026)⁸</small>	<small>Domestic In-Migration 2024-25, all Sun Belt¹¹</small>	<small>Austin T12 Completions as % of Stock¹</small>	<small>Dallas Net Absorption T12 Units¹</small>	<small>Expected Trough Year for Sun Belt Deliveries</small>

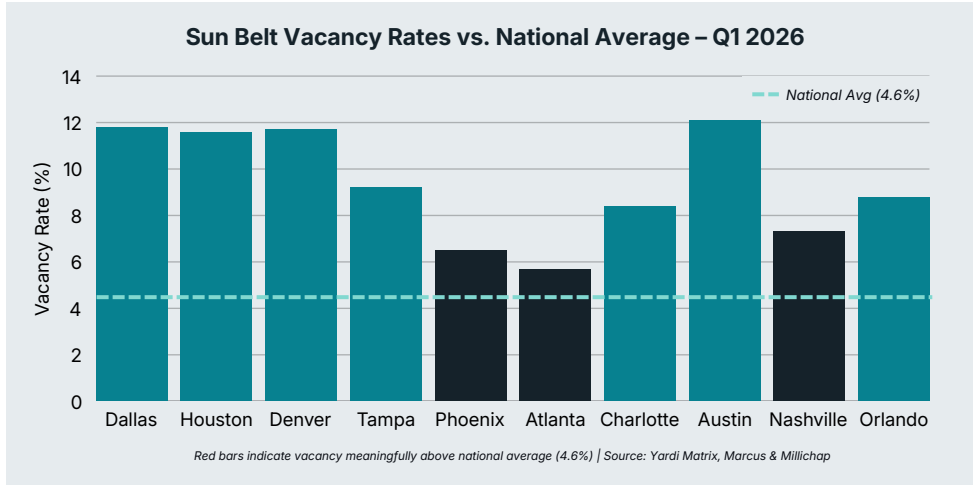
Where the Supply Pressure Is Concentrated

New supply as a percentage of total stock reveals stark differences in pressure across Sun Belt markets. Austin leads nationally at 7.9% — meaning nearly 1 in 13 units in the market is newly delivered and still in lease-up.¹ Charlotte, Nashville, Orlando, and Phoenix face similarly elevated supply loads, while Atlanta and Dallas are absorbing large absolute volumes of units, aided by their sheer inventory size and continued population inflows.



SUN BELT: RECALIBRATION & THE RECOVERY THESIS

Vacancy Rates Across Sun Belt Metros



Sun Belt Market Scorecard

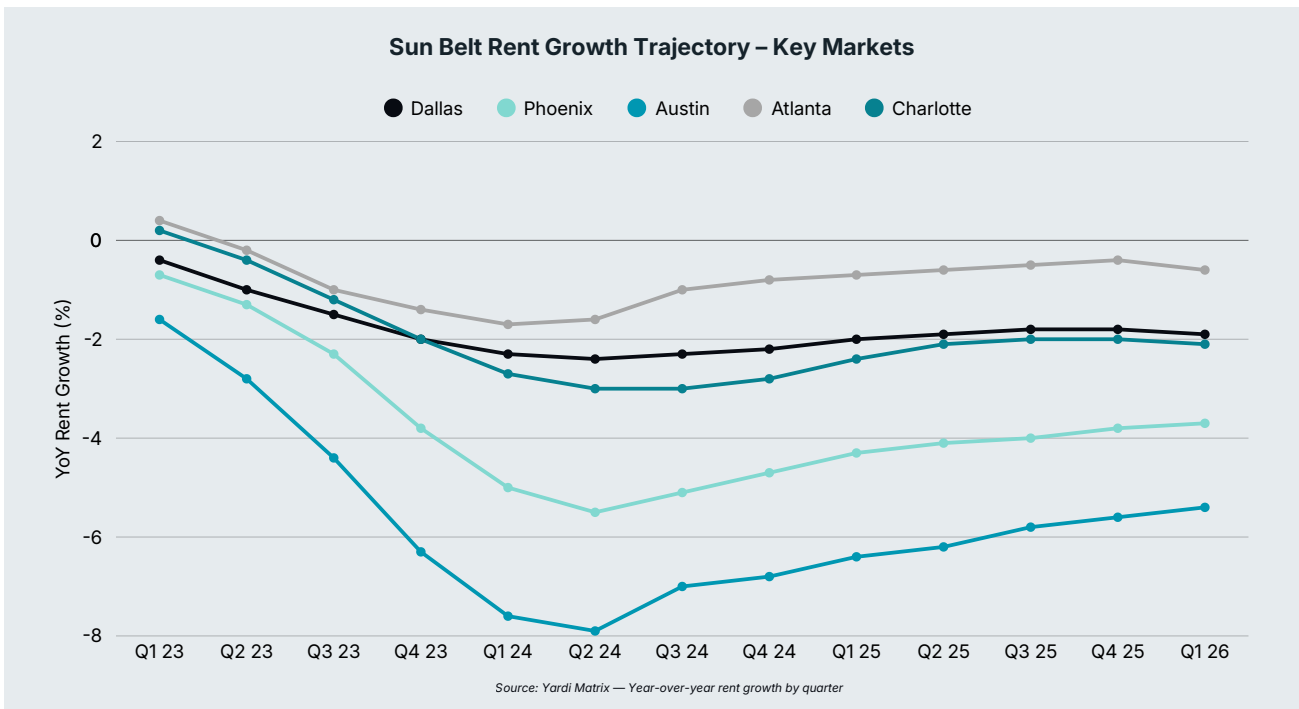
Market	Vacancy	YoY Rent Growth	T12 Completions (% of Stock)	Net Absorption(T12)	Outlook 2026
Dallas-Ft Worth	11.8%	-1.6%	3.7%	28K	Stabilizing
Houston	11.6%	-0.6%	1.5%	16K	Stabilizing
Austin	12.1%	-5.2%	7.9%	14K	Recovery Late 2026
Phoenix	6.5%	-3.6%	5.0%	16.5K	Recovery Mid 2026
Denver	11.7%	-3.8%	4.3%	13K	Extended Pressure
Atlanta	5.7%	-0.5%	3.1%	20K	Near Stabilization
Tampa	9.2%	-3.2%	4.1%	9K	Supply-Pressured
Charlotte	8.4%	-1.9%	6.4%	7K	Supply-Pressured
Nashville	7.3%	-1.2%	4.6%	11K	Near Stabilization
Orlando	8.8%	-1.7%	4.5%	8K	Extended Pressure

Source: Yardi Matrix, Marcus & Millichap - Latest 2025 Estimates

SUN BELT: RECALIBRATION & THE RECOVERY THESIS

Rent Growth Trajectory — Is the Trough in Sight?

Rent growth across Sun Belt markets has been negative for several consecutive quarters, but the rate of decline is beginning to slow in several metros. Dallas and Atlanta appear to be stabilizing, with year-over-year declines moderating from trough levels. Austin remains the most challenged market nationally, with a 7.9% new supply load and -5.2% rent growth — but even here, the pipeline is contracting and forward forecasts suggest the worst may be behind the market by mid-2026.¹



The 2027 Supply Cliff: A Ground-Level View

Industry analysis has characterized 2026 as the 'Year of the Turn.' After delivering over 500,000 units annually at the peak, deliveries are expected to drop by 50% or more by late 2026 and into 2027. This is not a cooling — it is a full pipeline reset driven by the near-complete halt in new construction starts during the high-rate environment of 2024.⁴ The current Spring 2026 leasing season serves as a critical litmus test: operators successfully burning off the heavy concession packages (typically one to two months of free rent) that became standard across the Sun Belt will confirm that the absorption clock is running. By 2027, the supply/demand balance in most major Sun Belt markets is likely to shift toward equilibrium — and potentially undersupplied in select submarkets.⁴

SUN BELT: RECALIBRATION & THE RECOVERY THESIS

Texas: Four Markets, Four Timelines

Texas remains the primary engine of Sun Belt apartment demand, but recovery timelines across its four major metros are diverging meaningfully.

Market	2026 Outlook	2027 Outlook
Dallas–Ft Worth	30K+ units absorbed; occupancy stabilizing toward mid-90s	Limited 2024 starts creates supply vacuum; 4–5% rent growth potential
Houston	Strong energy and medical sector demand keeps absorption consistent	Likely avoids the deeper correction seen in more speculative markets
Austin	Concessions still 10–15% of lease value; recovery delayed to late 2026	Returns to equilibrium by mid-2027 as the supply pipeline fully clears
San Antonio	Slower growth but less speculative excess to unwind	Yield market rather than growth play; near-zero new starts builds undersupply case

Source: RealPage, SPI Advisory, Yardi Matrix, Viking Capital Research

Basis, Asset Quality, and the Class A–B Convergence

The supply wave bore down hardest on Class A properties, which absorbed the brunt of concession-driven rent compression. This narrowed the effective price gap between newly delivered Class A units and 15–20-year-old Class B assets — enabling quality-conscious renters to trade up, muting Class B rent growth while keeping Class A occupancy resilient. As the supply cliff arrives and concessions are retired, Class A owners will reclaim pricing power. For Class B and C assets, the more immediate challenge is operating expense inflation: deferred maintenance, tax reassessments, and insurance spikes can compress NOI materially faster than for higher-revenue assets. The current market most favors Class A-/B+ assets — properties from the 2000s that trade at a meaningful discount to replacement cost while carrying a value-add story.

The Long-Term Case Remains Intact

- **Population Growth Leadership:** The Sun Belt remains the #1 region for U.S. population growth, job creation, and real estate investment activity per ULI/PwC Emerging Trends 2026. Dallas-Fort Worth holds the #1 overall real estate prospects ranking for the second consecutive year.⁸
- **Absorption is Working:** Despite elevated vacancy, net absorption in Sun Belt markets remains positive and in several cases leads the nation. The demand is there; the supply overhang is temporary.
- **Construction Is Slowing Sharply:** By 2027–2028, Sun Belt markets are projected to see significantly reduced completion volumes, setting the stage for occupancy recovery and rent normalization.^{1 3}
- **Capital Is Returning:** The MBA forecasts \$399 billion in multifamily originations for 2026 — a 21% increase from 2025 — as lenders re-engage with a mandate to deploy capital.⁹

MACROECONOMIC & DEMOGRAPHIC BACKDROP

Economic Conditions

The U.S. economy continues to show signs of moderation rather than contraction entering 2026. Real GDP growth is holding near the low-2% range.¹⁵ The unemployment rate has edged up to approximately 4.4%, normalizing from post-pandemic lows.¹⁴ Wage growth has cooled from prior-cycle highs, easing inflationary pressure without materially weakening household balance sheets.

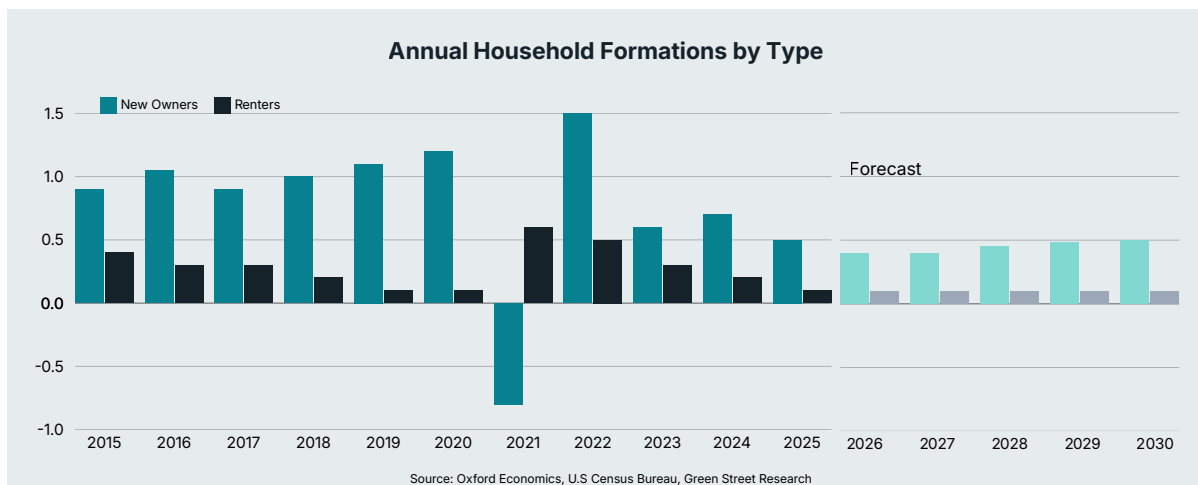
Population & Migration: A Critical Demand Signal

U.S. population grew by only 1.8 million between July 2024 and July 2025 — the slowest pace since the pandemic.¹¹ International immigration fell 54% year-over-year to 1.3 million.¹¹ Domestic migration totaled roughly 550,000 — half the 2022–2023 pace.¹¹ Sun Belt markets that relied on migration tailwinds must now underwrite to a slower-demand environment.

Household Formation & Renter Demand Outlook

Third-party research projects demand for approximately 1.4 million housing units through 2027 — roughly 45% below the pace of recent years.³ The renter capture rate is forecast at only 19% — well below its long-term average of 35% — underscoring that near-term apartment demand growth will be modest and that outperformance will come from operational execution.³

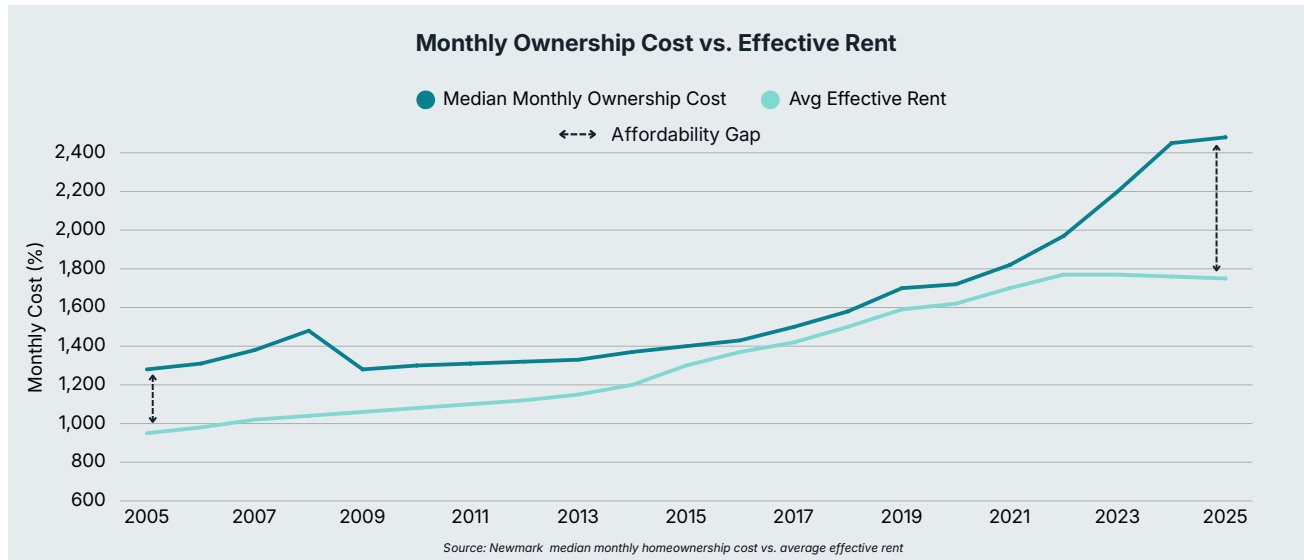
Market	2026E–2030E Base Case	vs. 10-Year Average
Net Household Formations (cumulative)	+4.1 million	~45% below avg.
New Renter Households (cumulative)	+0.8 million	~55% below avg.
Apartment Demand (cumulative)	+350,000 units	Below prior cycle pace
Renter Capture Rate	~19%	LT avg: 35%; last 10 yrs: 23%
Homeownership Rate Forecast	64.7% by 2027E	Gradual decline expected



MACROECONOMIC & DEMOGRAPHIC BACKDROP

The Ownership Affordability Gap

Elevated mortgage rates and higher home prices have kept monthly ownership costs approximately 45–50% above rental costs in most U.S. markets.⁵ This gap is expected to persist into 2027, reinforcing household formation within the rental sector. Thirty-year mortgage rates have drifted down to approximately 6%, but remain well above levels needed to materially ease for-sale affordability — itself the product of a roughly 50% surge in home prices over the last five years.^{14 5}



Region	Rent-to-Income vs. Pre-Covid (bps)	Near-Term Implication
West Coast	-220 bps below pre-Covid	Improving affordability; pricing power recovering
Sun Belt	-60 bps below pre-Covid	Modest buffer; wage growth is the binding constraint
East Coast	-10 bps below pre-Covid	Near structural ceiling; limited near-term upside
Midwest	+25 bps above pre-Covid	Slight pressure; rents tracking wages closely

Source: CBRE, Oxford Economics, Green Street Research

Renter Retention: The Lock-In Tailwind

Annualized gross turnover has compressed to multi-decade lows. Sun Belt markets have fallen roughly 600 basis points below their long-term average; coastal markets similarly contracted to approximately 6.7%. Move-out-to-buy rates are now running below 9%, directly supporting occupancy stability and reducing the operational cost of high-turnover environments.³

MACROECONOMIC & DEMOGRAPHIC BACKDROP

Metric	Current	LT Average	Change (bps)
Gross Turnover — Coastal	6.7%	11.3%	-460 bps
Gross Turnover — Sun Belt	10.2%	16.2%	-600 bps
Move-Out-to-Buy Rate (2025E)	8.6%	~15-20%	Multi-decade low

Source: Company filing (weighted by REIT unit count), Green Street Research

Consumer Balance Sheet Pressures

Student loan debt has grown at approximately 5% annually to \$1.6 trillion, and resumed repayment enforcement has driven 90+ day delinquencies to 12.4%.¹⁷ Each \$100 monthly payment reduces post-tax income by approximately 2%, directly constraining rent capacity.¹⁷ These pressures are most acute among the lower and middle-income cohorts that populate Class B and C workforce housing.

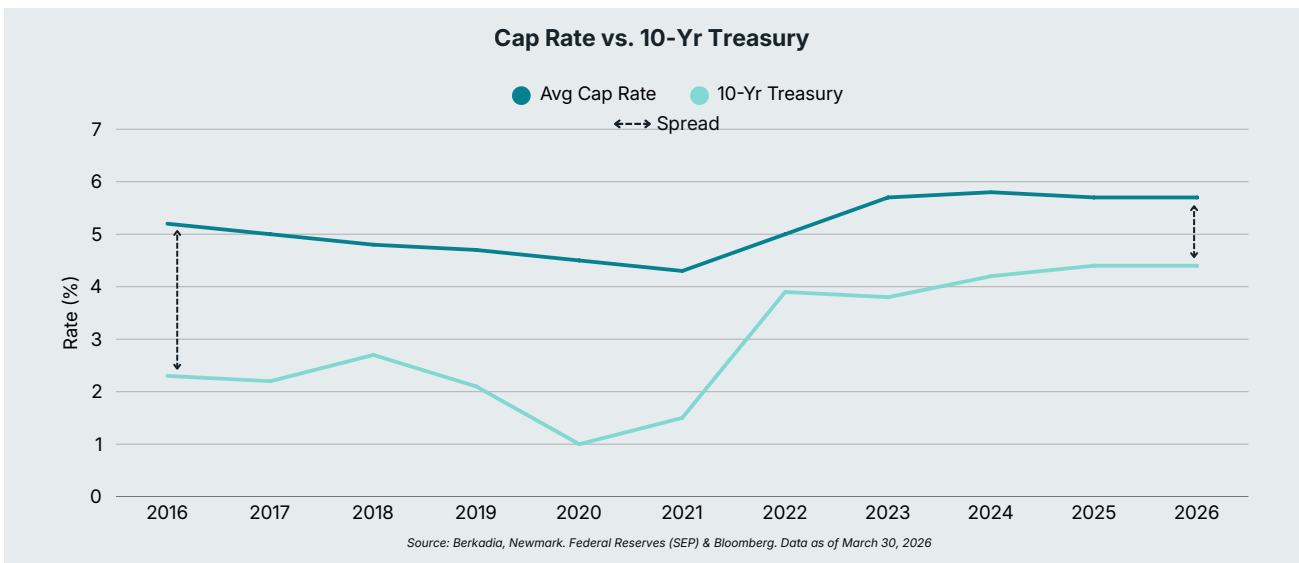
Demographics: An Aging Renter Profile

The 25-34 year old cohort shows essentially flat population growth over the next five years, with under-25 cohort posting net declines.¹¹ Offsetting this, the median age at first home purchase stands at 35 — a historically elevated level that extends the prime renting window and supports demand from older cohorts.¹⁸ The 75+ age cohort is the fastest-growing population segment nationally.¹¹

CAPITAL MARKETS & INVESTMENT ENVIRONMENT

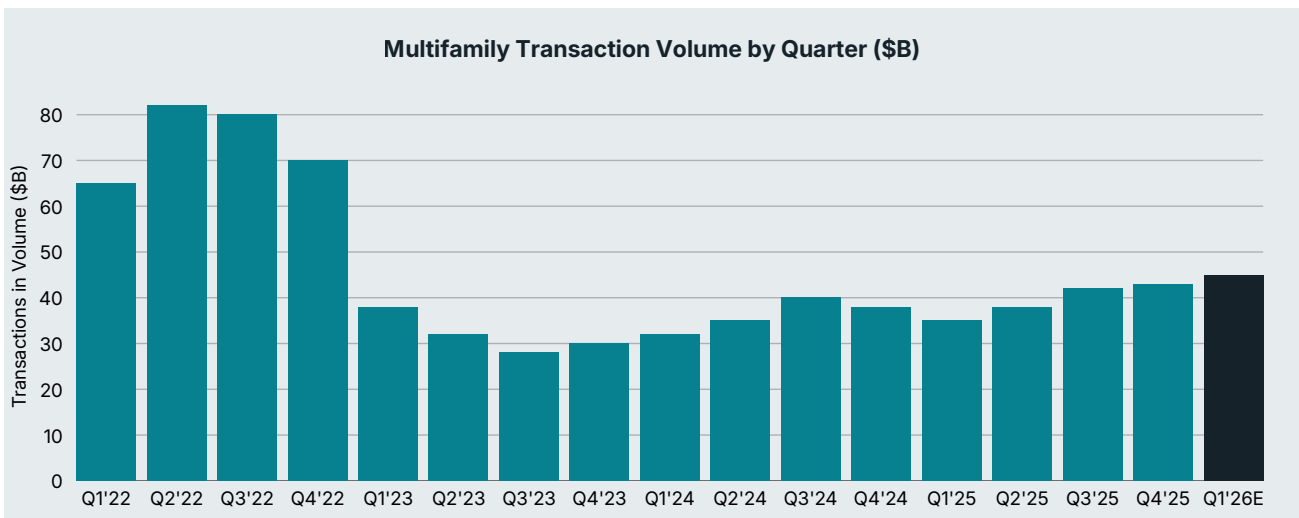
Interest Rates & Cap Rate Spreads

The Federal Reserve, following its March 18, 2026 meeting, held the federal funds rate steady at 3.50%–3.75%, signaling a wait-and-see approach amidst shifting geopolitical risks.¹⁴ This has kept the 10-year U.S. Treasury near 4.3%–4.5%, significantly above its 20-year historical average of 3.6%.^{5 14} Average multifamily cap rates have plateaued at 5.7% nationally — marking their longest period of stability in 25 years — while the cap rate-to-Treasury spread remains historically thin at approximately 130 basis points.^{5 6}



Transaction Volume Recovery

After a significant volume trough in 2023–2024, multifamily transaction activity is accelerating. Investment sales totaled \$43.8 billion in Q3 2025, up 12.6% year-over-year, with trailing 12-month volume reaching \$159.9 billion — a 22.9% increase from the prior period.⁵ Q3 2025 alone posted the highest single-quarter volume in two years.



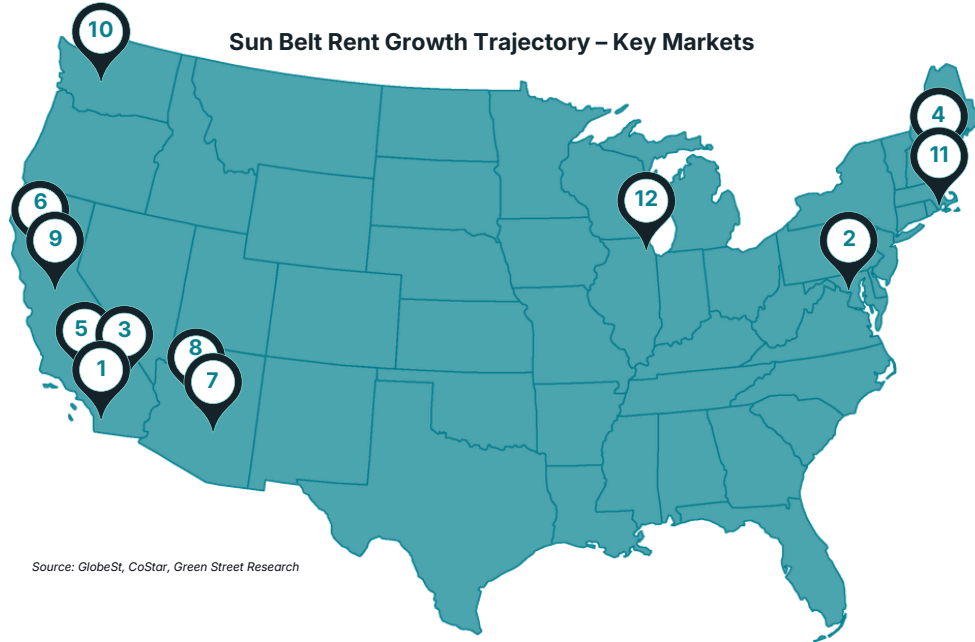
CAPITAL MARKETS & INVESTMENT ENVIRONMENT

Debt Landscape & Dislocation Dynamics

- **Debt Maturities:** *The MBA forecasts \$875 billion in commercial mortgage maturities in 2026, with multifamily originations projected at \$399 billion — a 21% increase from 2025.⁹ This maturity wall is forcing price discovery, and lenders are actively deploying capital.*
- **Agency Lending Expansion:** *FHFA multifamily loan purchase caps increase to \$176 billion in 2026, up from \$146 billion in 2025 — senior agency lenders are maintaining LTV discipline at 60–65%, creating a gap in the capital stack that preferred equity and mezzanine debt are filling effectively.¹⁶*
- **Selective Dislocation:** *Distress remains uneven. Assets with aggressive leverage or floating-rate exposure face the greatest pressure, while well-capitalized properties in strong markets continue to perform.^{5 6}*
- **Capital Structure Opportunities:** *Preferred equity, bridge recapitalizations, and discounted note acquisitions are generating attractive risk-adjusted returns for investors who can move quickly with conservative underwriting.⁵*

Q1 2026 NOTABLE TRANSACTIONS

Notable transactions this quarter underscore continued institutional participation across core coastal and high-growth Sun Belt markets, even as pricing remains highly segmented by asset quality and location. Per-unit values ranged from approximately \$220,000 in select Phoenix-area trades to over \$650,000 for prime urban assets in Washington, D.C.^{13 12}



Source: GlobeSt, CoStar, Green Street Research

Property	Location	Seller / Buyer	Units	Price / Price Per Unit
1 Park 12	San Diego, CA	Greystar / MG Properties	718	\$309.0M / \$430,362
2 WestEnd25	Washington, D.C.	JBG Smith / JRK Property Holdings	283	\$309.0M / \$430,362
3 Essex Skyline at MacArthur	Santa Ana, CA	Essex Property Trust / Crescent Heights	512	\$309.0M / \$430,362
4 Hill Estates	Belmont, MA	DiGiovanni Family / The Hamilton Co.	396	\$309.0M / \$430,362
5 Citron Apartments	Anaheim, CA	Anton Dev. / MG Properties	314	\$309.0M / \$430,362
6 Bella Vista at Hilltop	Richmond, CA	Kennedy Wilson / Pacific Housing Group	675	\$309.0M / \$430,362
7 Bella Encanta	Mesa, AZ	Bela Flor / J.P. Morgan	212	\$309.0M / \$430,362
8 Arches at Hidden Creek	Chandler, AZ	Greystar / MG Properties	432	\$309.0M / \$430,362
9 Ascent	San Jose, CA	Greystar / MG Properties	651	\$309.0M / \$430,362
10 Via6	Seattle, WA	Greystar / MG Properties	654	\$309.0M / \$430,362
11 Proto Kendall Square	Boston, MA	BXP, Inc. / Pembroke	280	\$309.0M / \$430,362
12 North Water	Chicago, IL	FPA Multifamily / Crescent Heights	398	\$175.0M / \$439,700

Source: GlobeSt, CoStar, Green Street Research, public filings

Q1 2026 NOTABLE TRANSACTIONS

Transaction Takeaways

- Coastal gateway assets commanded \$430K–\$657K per unit, supported by constrained supply, strong renter demand, and high barriers to entry.^{13 12}
- Sun Belt pricing reflects the supply overhang, with Phoenix-area trades clearing at \$221K–\$452K per unit — a meaningful reset from 2021–2022 peaks.^{13 12}
- Institutional buyers — J.P. Morgan, Brookfield, MG Properties, Pembroke — are active, signaling that well-capitalized investors view current pricing as a long-term entry opportunity.^{13 12}
- Deal structures are evolving. Several Q1 transactions involved recapitalizations and preferred equity structures as sellers sought liquidity without full mark-to-market dispositions.^{13 12}

MARKET - BY - MARKET PERFORMANCE SNAPSHOT

The table below summarizes key fundamentals across major U.S. metros as of the latest 2025 estimates. Sun Belt markets continue to face elevated vacancies following heavy deliveries, but strong net absorption underscores durable demand as construction pipelines contract.^{1 2} Gateway markets are maintaining lower vacancy rates and steadier rent performance, supporting a more balanced outlook heading into 2026.^{1 2}

Seattle and the Bay Area warrant particular attention: both face significantly less supply pressure in the 2026–2028 forecast horizon than the Sun Belt average and are earlier in their post-pandemic recovery, suggesting above-average growth potential through the out years.³

Market	Inventory (Units)	Deliveries (Units)	Vacancy Rate	YoY Vac (bps)	Net Abs. (Units)	Avg Eff. Rent	YoY Rent Growth
Dallas	1,050K	30K	11.8%	+90	28K	\$1,500	-1.4%
Seattle	310K	7.5K	7.6%	+70	6.2K	\$2,050	+0.3%
Los Angeles	690K	9K	5.3%	+30	7.5K	\$2,300	+0.5%
Atlanta	790K	22K	5.7%	+40	20K	\$1,600	+0.6%
New York Metro	1,420K	13K	3.4%	+20	9.1K	\$3,400	+2.5%
Houston	720K	19K	11.6%	+110	16K	\$1,400	-0.6%
Chicago	540K	8K	4.7%	+20	6.8K	\$1,850	+1.1%
Phoenix	540K	18.5K	6.5%	+60	16.5K	\$1,600	-2.1%
Boston	294K	2.8K	6.2%	+30	2.6K	\$2,930	+1.2%
Denver	370K	15K	11.7%	+140	13K	\$1,816	-3.8%
San Jose	165K	2.2K	5.1%	+20	1.9K	\$3,100	+0.8%
US Market	22.6M	420K	4.6%	+40	637K	\$1,880	-0.6%

Source: Yardi Matrix, Marcus & Millichap – Latest 2025 Estimates

ASSET CLASS DEEP DIVE

	Class A	Class B	Class C
Avg Rent/Unit	\$2,300–\$2,500	\$1,500–\$1,700	\$1,100–\$1,300
Vacancy	6.5%–7.5%	4.5%–5.5%	4.0%–5.0%
YoY Rent Chg	-0.5% to +1%	+0.5% to +2%	+0.5% to +2%
Cap Rate	4.5%–5.0%	5.0%–5.8%	5.5%–6.5%
Strategy	Core / Trophy	Value-Add / Core+	Value-Add / Opportunistic
2026 Outlook	Stabilizing	Most Favored	Selective

Source: Berkadia, Yardi Matrix, Viking Capital Research

The Workforce Housing Case

Workforce housing — broadly Class B multifamily serving households earning 80–120% of Area Median Income — represents the most compelling risk-adjusted opportunity in the current cycle.⁶

- **Structural Demand:** Elevated mortgage rates and home price appreciation have shifted a meaningful cohort of would-be buyers into long-term renters, filling workforce units at above-trend rates.⁵
- **Limited New Competition:** Very little new Class B supply is being built given construction cost economics. The existing stock is effectively irreplaceable at current replacement costs.^{6 1}
- **Income Durability:** Class B assets demonstrate more stable occupancy and renewal rates through downturns. Residents have limited affordable alternatives below them, supporting strong retention.⁶
- **Operational Upside:** Light renovation, revenue management, and centralized leasing can drive meaningful NOI growth without requiring heavy capital expenditure.³
- **Cap-Ex Profile:** Coastal Class B assets generally carry more favorable cap-ex profiles than Sun Belt peers — higher rents better absorb fixed replacement costs.

Build-to-Rent (BTR / SFR)

Single-family build-to-rent rents were flat at \$2,191 nationally in February, down 0.4% year-over-year, with occupancy at 94.5%.¹ The segment faces regulatory uncertainty from proposed federal legislation that would restrict institutional investors from acquiring additional single-family properties (BTR communities are explicitly exempted).¹²

Source: Berkadia, Yardi Matrix, Viking Capital Research

MULTIFAMILY IN A DIVERSIFIED PORTFOLIO

Private multifamily real estate has historically offered a combination of characteristics that are difficult to replicate across other asset classes: income stability, inflation sensitivity, low correlation to public markets, and meaningful tax efficiency. In the current environment — reset pricing, contracting supply, and durable renter demand — these attributes are complemented by a compelling entry point.

Attribute	Multifamily Characteristic	Portfolio Benefit
Income Stability	Lease renewals strong; occupancy 94%+; workforce housing demand durable across cycles	Predictable cash distributions; downside protection
Inflation Sensitivity	Rents reset annually; replacement cost creates natural floor on long-term asset values	Real return preservation in inflationary environments
Low Correlation	Private market valuations driven by NOI; less sensitive to daily equity market volatility	Portfolio diversification; smoothing of return volatility
Tax Efficiency	Bonus depreciation, cost segregation, 1031 exchange, opportunity zone eligibility	After-tax return enhancement for high-net-worth allocators
Entry Point (2026)	Values 15–25% below 2021 peaks; cap rate expansion improves yield at entry	Attractive risk-adjusted returns vs. prior vintages
Supply Tailwind	New starts declining sharply; deliveries forecast to fall meaningfully by 2027	Rent recovery and NOI growth as cycle progresses

Access Vehicles

- **Private Equity Real Estate Funds:** Best suited for long-term, illiquidity-tolerant capital seeking maximum return potential with a defined fund life. Typical structures target 10–15% net IRR with 5–7 year hold periods.
- **Non-Traded REITs / NAV REITs:** Provide semi-liquid exposure with regular income distributions. Lower minimum investments increase accessibility for a broader investor base.
- **Delaware Statutory Trusts (DSTs):** Purpose-built for 1031 exchange situations. Allow fractional ownership in institutional-quality assets while deferring capital gains.
- **Syndications / Co-Investments:** Direct deal access alongside a proven operator, offering asset-level transparency and control over investment selection.

MANAGER SELECTION & DUE DILIGENCE

Manager selection is the single most consequential decision in private real estate allocation. The dispersion of returns between top- and bottom-quartile operators is significant — particularly in a market where operational execution, basis, and market selection will drive outcomes far more than macroeconomic tailwinds.

Category	Key Questions	Red Flags
Track Record	Audited IRR across all realized investments? Performance consistency across vintage years?	Performance only in up-markets; no realized exits; unaudited returns
Market Expertise	How deeply does the team know their target markets? How long operating in target geographies?	Frequent market pivots; surface-level knowledge; over-concentration
Operational Platform	In-house or third-party management? Occupancy and renewal track record?	Sole reliance on third-party managers; no proprietary systems or data
Leverage Profile	Average LTV at acquisition? Fixed vs. floating rate financing mix?	LTVs above 70–75%; heavy floating-rate; interest-only throughout hold
Alignment	GP co-investment percentage? Waterfall and fee structure?	Minimal GP co-invest; acquisition fees misaligned with LP returns
Transparency	Frequency and depth of investor reporting? Independently audited financials?	Quarterly reporting only; no audited financials; vague attribution
Team Stability	Core team together through a full cycle? Succession planning in place?	High turnover; key-man dependency; no institutional infrastructure

Vintage Diversification & Sizing

- **Portfolio Sizing:** Most institutional frameworks suggest 10–20% of a diversified portfolio in real assets, with multifamily representing the largest single allocation within that sleeve.
- **Vintage Diversification:** Deploying capital across multiple vintage years (2026, 2027, 2028) reduces entry-point risk. Dollar-cost averaging into private real estate is a disciplined approach in an environment of ongoing price discovery.
- **Tax Coordination:** Real estate investments generate significant tax benefits that should be coordinated with the investor's broader tax planning strategy.

RISKS & HEADWINDS

Geopolitical Uncertainty & Energy Prices

Escalating geopolitical tensions — including military action in Iran — have pushed oil futures above \$90, up 35% in a single week.¹⁴ Supply disruptions and energy price spikes could intensify inflationary pressures, delay Fed rate cuts, and weaken consumer confidence heading into the spring leasing season.

Tariff Impacts on Construction Costs

Reinstatement of broad-based tariffs is increasing construction material costs, further limiting new supply starts. While this ultimately benefits existing asset owners, it also strains value-add renovation budgets and may delay improvement programs.

Demographic Demand Softening

The sharp slowdown in immigration and domestic migration is a structural headwind for demand, particularly in Sun Belt markets that relied on population inflows.¹¹ Markets with elevated immigrant population concentrations face added headwinds specific to this structural shift.

Consumer Balance Sheet Strain

Rising student loan delinquencies and credit card debt service burdens represent a meaningful ceiling on rent growth for the Class B and C renter cohort.¹⁷ Slower wage growth and depleted pandemic-era savings compound this dynamic at precisely the income levels that define workforce housing demand.

Higher-for-Longer Rate Environment

If the Fed pauses or reverses its easing path in response to persistent inflation, financing costs could remain elevated longer than projected, pressuring cap rate compression and extending the timeline to meaningful rent recovery.

Legislative & Regulatory Risk

Rent control legislation, restrictions on institutional property ownership, and zoning reform debates at the state and federal level introduce policy uncertainty. Investors should monitor regulatory developments in their target markets closely.

Economic Slowdown

The U.S. economy shed 92,000 jobs in February after weak gains throughout 2025.¹⁰ A sharper-than-anticipated slowdown would reduce household formation, increase delinquency, and pressure renewal rates — particularly in workforce housing where tenant income is most sensitive to employment conditions.

2026 OUTLOOK & VIKING CAPITAL POSITIONING

2026 is shaping up to be a stabilization year rather than one of dramatic expansion or correction. Supply constraints, affordability-driven demand, and capital reallocation toward income-oriented strategies will collectively shape a more balanced multifamily market in which fundamentals begin to reassert themselves after a period of volatility and oversupply.

Metric	Current (Q1 2026)	2026 Year-End Forecast	Direction
National Vacancy	4.6%	4.0%–4.3%	↓ Improving
Avg Effective Rent	\$1,740	\$1,780–\$1,800	↑ Modest Growth
YoY Rent Growth	0.1%	2.0%–3.0%	↑ Recovering
Transaction Volume (T12)	\$159.9B	\$175B–\$195B	↑ Accelerating
New Deliveries	~420K units	~260K–300K	↓ Declining
Occupancy Rate	94.3%	94.6%–95.0%	↑ Stabilizing
Fed Funds Rate	4.25%–4.5%	3.75%–4.25%	↓ Gradual Easing

Source: Viking Capital Research, Yardi Matrix, Newmark

Viking Capital's Investment Focus

Viking Capital has built a legacy over the last decade with over 6,000 doors acquired and \$1.2 billion in assets acquired nationwide. Our 2026 strategy is guided by the following convictions:

- **Selective Sun Belt Acquisitions:** We are actively underwriting B+ and A- assets in Sun Belt submarkets where the supply cycle is furthest along and absorption is accelerating. We target basis-advantaged entry at 15–25% discounts to replacement cost with a clear path to occupancy recovery.
- **Capital Dislocation Plays:** Preferred equity, bridge recapitalizations, and discounted note acquisitions where leverage and rate exposure have created forced sales. We are positioned to act quickly with institutional underwriting discipline.
- **Operational Intensity:** In a normalizing rent environment, outperformance comes from operational execution — not market beta. Our in-house asset management platform, revenue management systems, and leasing analytics are core competitive advantages.
- **Patient Capital:** Our balance sheet and investor base allows us to hold through short-term supply pressure and capture the full benefit of the recovery ahead.

DISCLOSURES & SOURCES

This report has been prepared by Viking Capital for informational purposes only. It is not an offer to sell or a solicitation to buy any security. Past performance is not indicative of future results. Real estate investments involve significant risks including illiquidity, loss of principal, and sensitivity to interest rate changes, economic conditions, and local market dynamics. Investors should carefully review all offering documents and consult with their financial, legal, and tax advisors before investing. All data presented as of Q1 2026 unless otherwise noted. Forecasts and projections are forward-looking and subject to change.

Data Sources

- *Yardi Matrix, Multifamily National Report — February 2026*
- *Marcus & Millichap, 'Multifamily Properties Well Positioned to Weather Economic Uncertainty' — December 2025*
- *Green Street Research, U.S. Apartment Outlook — January 22, 2026*
- *SPI Advisory, 'The 2026 Multifamily Pivot: From Supply Waves to the Capital Rebound' — March 2026*
- *Newmark, 'Q3 2025 U.S. Multifamily Capital Markets: Conditions and Trends'*
- *Berkadia, 'National Multifamily Report — Q3 2025'*
- *CBRE, 'U.S. Multifamily Recovery Continues as Vacancy Rate Falls, New Construction Slows'*
- *PwC & Urban Land Institute, 'Emerging Trends in Real Estate: United States and Canada 2026'*
- *Mortgage Bankers Association, Commercial Mortgage Outlook — 2026*
- *U.S. Bureau of Labor Statistics, Employment Situation Summary — January 2026*
- *U.S. Census Bureau, Population Estimates Program — 2024–25*
- *CoStar, 'What to Watch in 2026: Gradual Recovery on Tap for U.S. Multifamily Market'*
- *GlobeSt, 'Multifamily Investors Chase Yields Beyond Gateways' — January 2026*
- *Federal Reserve Board, Beige Book — January 2026*
- *Bureau of Economic Analysis, GDP — U.S. Economic Data*
- *FHFA, Multifamily Loan Purchase Cap Data — 2026*
- *Federal Reserve Bank of New York, Consumer Credit Panel — 2025*
- *National Mortgage Professional, 'Median Age of First-Time Homebuyers Falls to 35' — February 27, 2026*



VIKING CAPITAL

STAY INFORMED



Clarity creates advantage.

Stay connected to what matters most.

Subscribe and follow us for more multifamily insights, strategic updates, and market analysis.

vikingcapllc.com