VIKING CAPITAL

MULTIFAMILY MARKET REPORT

Q3 2026

U.S. Multifamily Fundamentals, Capital Markets & Strategy



INSIDE THIS REPORT

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SECTION 01

Executive Summary

Two things happened in the U.S. multifamily market in the third quarter that rarely happen together. National asking rents posted their first third-quarter increase in four years, and the 10-year Treasury climbed to 5.31% on October 5, its highest level since 2002.[1,16] The property-level story improved. The financing story got harder.

ABOUT THIS EDITION

Every figure in this report comes from a source published between September 7 and October 14, 2026, except Colliers' Q2 2026 baseline figures, which are labeled as Q2. Monthly rents run through September; RealPage occupancy and absorption are Q3 2026 actuals; September CPI and the October 8 mortgage rate are included; capital-markets data run through August. Where the next release is not yet out — Q3 sales volume, the NMHC October survey, Census Q3 homeownership — we say so rather than carry older figures.

$1,775	+0.7%	95.4%	3.75–4.00%	5.29%
Avg. asking rent, Sept.	Rent growth YoY, Sept.	Occupancy, Q3 (RealPage)	Fed funds target	10-yr Treasury, Sept. 30

- **Rents turned.** Yardi Matrix's national average asking rent reached $1,775 in September, up 0.7% year over year, and rose 0.3% over the quarter — the first third-quarter increase in four years.[1] RealPage's effective rent rose 0.9% to $1,915, its first positive annual reading since Q2 2025.[3]
- **The supply gap has nearly closed.** Trailing-12-month completions fell to roughly 318,000 units, 46% below the late-2024 peak, while renters absorbed about 304,800.[3] August starts in buildings of five-plus units ran 15.5% below a year earlier.[6]
- **Demand cooled in the quarter.** RealPage counted about 69,800 units absorbed in Q3, after a strong spring.[3] Payrolls grew roughly 50,000 a month, and renewal rent growth slowed to 1.7%.[1,18]
- **The rate path reversed.** The Fed raised its target 25 bps on September 16. After September CPI rose to 3.7%, futures priced about two-thirds odds of a hold in October, with a December hike still favored. The 30-year mortgage rate reached 7.40% on October 8.[15,17,19,72]
- **Values are resetting.** MSCI's apartment price index fell 4.7% year over year in August, and Northmarq puts national cap rates near 5.75%.[26,28] Multifamily CMBS delinquency reached 8.04% in September.[35]
- **Capital is consolidating.** Individual-asset apartment sales fell 35% year over year in August; apartment REITs are down 3.49% year to date against +8.82% for all equity REITs; and IRT agreed to acquire Centerspace in a $2.14 billion all-stock deal.[26,30,32]
- **Forecasters see a back-loaded recovery.** Zelman projects rent growth of 1.5% in 2026, 2.6% in 2027 and 3.7% in 2028; Fannie Mae cut its multifamily starts forecast to 454,000 for 2026 and 417,000 for 2027.[13,14]
- **The geographic split persists.** San Francisco (+7.0%), New York (+3.8%) and Chicago (+3.2%) led Yardi's rankings; Austin (−2.5%), Houston (−2.0%) and Denver (−1.6%) trailed.[1]
- **Viking's view.** For patient, basis-disciplined capital, Q3 strengthened the 2027–2028 case: supply is falling faster than demand, and pricing is resetting toward replacement cost.

"After the largest wave of apartment deliveries in decades, new development is slowing rapidly."

— WILLY WALKER, CHAIRMAN & CEO, WALKER & DUNLOP · AUG. 6, 2026 [66]

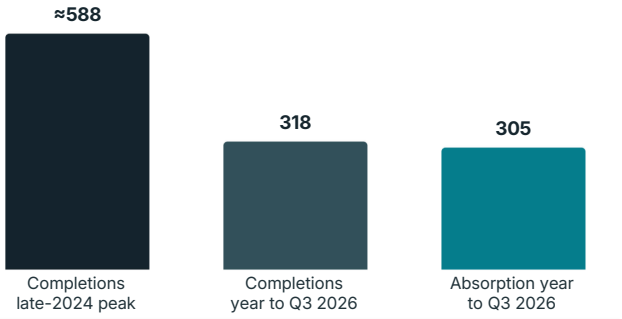
02 · MARKET FUNDAMENTALS

National Occupancy & Absorption

The headline for Q3 is not that demand was strong. It is that supply finally stopped outrunning it. RealPage reports U.S. apartment occupancy averaged 95.4% in the third quarter — flat from Q2 and 10 basis points ahead of a year earlier.[3] Over the trailing twelve months, renters absorbed roughly 304,800 conventional units while developers completed roughly 318,000, a gap of about 13,000 units.[3]

Completions vs. Absorption, Trailing 12 Months

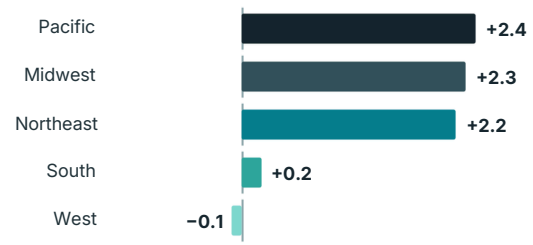
Thousands of units, RealPage



Source: RealPage Q3 2026 data update (Oct. 6). Peak-period absorption not reported.[3]

Rent Growth by Region, YoY

September 2026, %, Apartments.com



Source: Apartments.com / CoStar, September 2026 Rent Growth Report (Sept. 30).[7]

The quarter itself was softer than the trend. RealPage counted about 69,800 units absorbed from July through September — less than a quarter of the trailing-year total.[3] Part of that is seasonal — spring and summer leasing front-loads the year. Part of it tracks a labor market that added roughly 50,000 jobs a month over the quarter.[18]

Where Demand Showed Up

Absorption remains strongest in markets carrying the most new supply. Dallas–Fort Worth absorbed about 20,000 units in the first half against roughly 13,000 delivered, per Northmarq.[43] That pattern is easy to misread: high-supply markets are not short of renters; they are short of pricing power until lease-up completes. RealPage reports the South is the only region with occupancy below 95% and the only one still cutting rents year over year, while the Midwest led at about 2%.[3]

Q2 Was Stronger Than First Reported

Colliers' count of its top 60 markets confirms the turn: 152,856 units absorbed in Q2 against 67,268 delivered, a 2.3-to-1 ratio that lifted occupancy to 95.6% from 95.1% in Q1. Positive annual rent growth reached 29 of the 60 markets.[65]

VIKING'S TAKE

We treat occupancy as a lagging summary of two moving parts: how many renters arrive and how many new units compete for them. Before we rely on a market's occupancy, we check how much of the competitive set is still in lease-up and what concessions it is offering. A submarket at 93% with no pipeline is a different investment from one at 95% with a tenth of its stock still leasing.

02 · MARKET FUNDAMENTALS

Measuring the Market: Same Quarter, Different Answers

In the third quarter, national apartment vacancy was 4.6%. It was also 7.8%. Both figures are correct. The spread is not disagreement about the market; it is disagreement about the denominator — which properties are counted, whether buildings still in lease-up are included, and whether the data come from leases or listings.

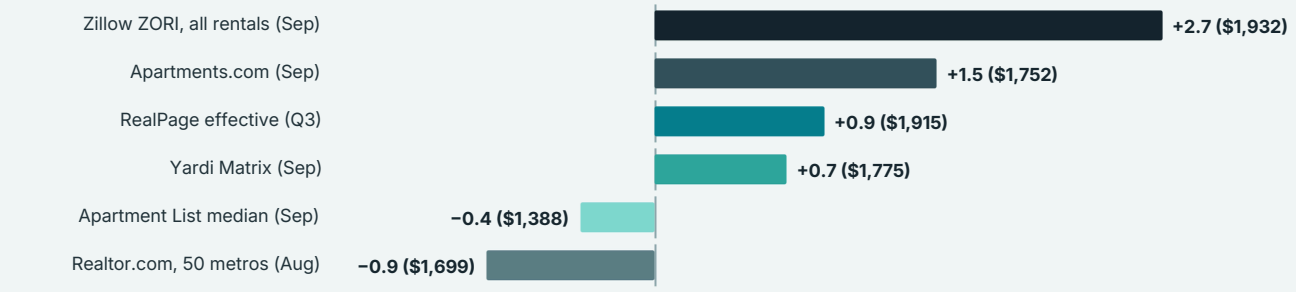
SOURCE	MEASURE	READING	PERIOD	WHAT IT COVERS
RealPage	Occupancy	95.4%	Q3 2026	Professionally managed conventional apartments[3]
Yardi Matrix	Stabilized occupancy	94.3%	Aug 2026	Stabilized properties[1]
Yardi Matrix	Total occupancy	93.9%	Aug 2026	Broader set including recent deliveries[1]
Moody's Analytics CRE	Vacancy	6.8%	Q2 2026	As reported by Arbor, Sept. 24[11]
Apartment List	Vacancy index	7.0%	Sep 2026	Listings-based; Feb. 2026 peak of 7.3%[8]
Apartments.com	Vacancy	7.8%	Sep 2026	CoStar-tracked apartments, per Apartments.com[7]

Readings as published by each source; coverage summarizes each provider's stated methodology.

The Same Logic Applies to Rent

Year-over-Year Rent Change by Data Provider (%)

Latest reading; level in parentheses



Sources: Zillow (Oct. 6); Apartments.com/CoStar (Sept. 30); RealPage (Oct. 6); Yardi Matrix via Multifamily Dive (Oct. 7); Apartment List (Sept. 29); Realtor.com (Sept. 17). Levels are not comparable across providers.[1,3,7,8,9,10]

VIKING'S TAKE

The direction mostly agrees: rents are flat to modestly positive, and vacancy has stopped rising. The level does not, and that is where offering materials can mislead without a single false number. A deal at 93% occupancy looks weak against RealPage's 95.4% and strong against Apartments.com's 7.8% vacancy. We benchmark every property against a series measured on the same basis — physical or economic, stabilized units only or all units.

02 · MARKET FUNDAMENTALS

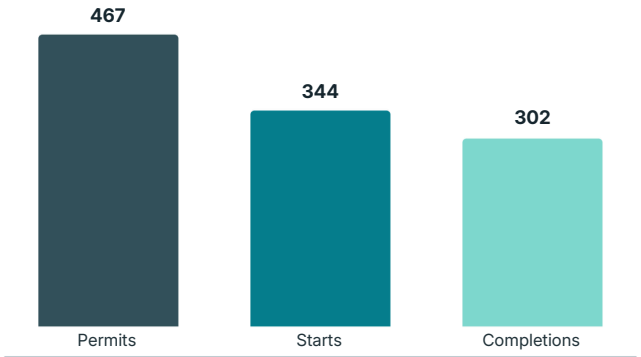
Multifamily Supply Pipeline & Deliveries

The pipeline is still shrinking at the delivery end and starting to refill at the permit end. The Census Bureau's August release put completions in buildings of five or more units at a 302,000 seasonally adjusted annual rate, down 35.7% from a year earlier, and starts at 344,000, down 15.5%. Permits, by contrast, rose 9.4% to 467,000.[6,12] About 666,000 units remain under construction, 2.5% fewer than a year ago.[6]

302K	344K	467K	666K
Completions, Aug. SAAR (−35.7%)	Starts, Aug. SAAR (−15.5%)	Permits, Aug. SAAR (+9.4%)	Under construction (−2.5%)

Permits Are Running Ahead of Starts

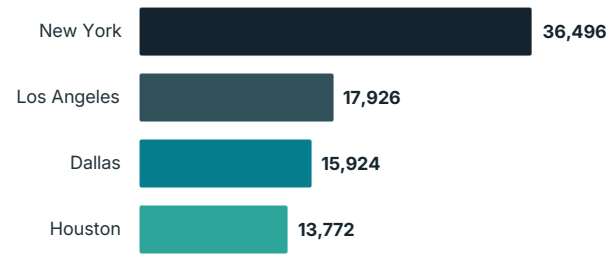
5+ unit buildings, Aug. 2026, thousands (SAAR)



Source: U.S. Census Bureau (Sept. 17), via RealPage (Sept. 21). [6,12]

Where the Next Wave Is Being Permitted

Multifamily units permitted, 12 months through Aug. 2026



The top 10 metros permitted 150,614 units, up 25% year over year. Source: RealPage (Sept. 25).[6]

Developers Are Pulling Back on New Starts

The National Multifamily Housing Council's September construction survey found 29% of developers reported starting fewer projects than three months earlier, up from 20% in June, and 51% repriced deals that had been on hold (37% higher, 14% lower).[40] Fannie Mae's September forecast cut expected multifamily starts to 454,000 for 2026 and 417,000 for 2027 (see Projections, page 22).[13]

For underwriting, the national number matters less than the submarket one. Permits concentrated in New York, Los Angeles, Dallas and Houston point to where competition returns first. Colliers' Q2 data show the same concentration: 498,090 units under construction across its top 60 markets, with Newark, Dallas, New York and Phoenix anchoring the pipeline.[65] On every deal, we ask how many units within a three-mile radius delivered in the past 18 months, how many are still leasing, and how many are permitted but not yet started.

> "We're at a transition point… supply is now winding down. Demand's been outpacing supply now."
>
> — JAY PARSONS, RENTAL HOUSING ECONOMIST · SEPT. 9, 2026 [67]

SECTION 03

Multifamily Rent Growth

Yardi Matrix's national average advertised rent was $1,775 in September — down $1 from August and up 0.7% year over year, after a 0.4% annual gain in August. For the quarter, rents rose 0.3% from Q2, the first third-quarter rent increase in four years.[1,73] Rents turned in Q3. Fourteen of Yardi's top 30 metros still haven't.[1] RealPage's effective rent, which nets out concessions, rose 0.9% to $1,915 — its first positive annual reading since Q2 2025.[3]

The Renewal Cushion Is Thinning

The supply wave kept apartment revenue up as new-lease rents fell. That cushion is narrowing: Yardi reports renewal rent growth slowed to 1.7% in September, the lowest since before 2020.[1] Public REIT updates show how wide the gap remains in the Sun Belt. Mid-America Apartment Communities reported Q3-to-date new-lease pricing of −5.7% against renewals of +5.2% (blended +0.6%), and UDR put its Q3 Sun Belt blends at −1.6% to −1.8% versus 10%–11% in San Francisco.[45] On the coasts, Vivmark Residential reported net effective asking rents up 3.6% year over year.[29]

MAA Lease-over-Lease Pricing

Q3 2026 to date (through Aug. 31), %



Source: MAA Capital Markets Update, Form 8-K Ex. 99.1, September 2026. [45]

Share of Units Offering Concessions

By property class, August 2026, %



Source: RealPage monthly concessions tracker (Sept. 22).[5]

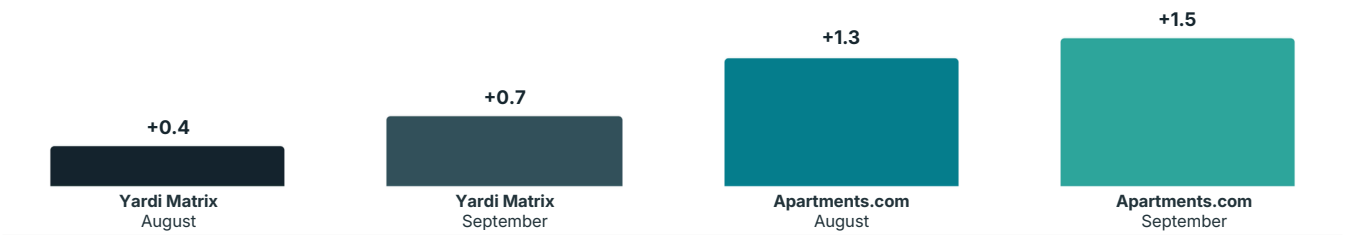
Concessions: Narrowing in Managed Apartments, Rising Across All Listings

RealPage's Q3 report shows 22.7% of apartments offering concessions, averaging 7.5% of rent, down from 24.6% and 7.6% in Q2.[3] Its separate monthly tracker shows usage narrowing for a third straight month in August: 15.4% of units, at an average discount of 11%, or about 5.7 weeks free — with Class C carrying the most.[5] Listings-based data point the other way: 43.5% of Realtor.com rental listings in the 50 largest metros offered a concession in August, and 39.6% of Zillow listings did in September, up from 37.4% a year earlier.[9,10] Managed communities are burning off lease-up incentives while smaller landlords add them.

Blended rent is what reaches NOI; as renewal growth compresses, the blend can fall even while asking rents hold. Rent forecasts by source are on pages 21–23.

Annual Rent Growth Improved From August to September

Year-over-year change in asking rent, %



Sources: Yardi Matrix via Multi-Housing News (Sept. 11) and Multifamily Dive (Oct. 7); Apartments.com/CoStar (Sept. 30; August revised). [1,2,7]

03 · RENT GROWTH, LEADERS & LAGGARDS

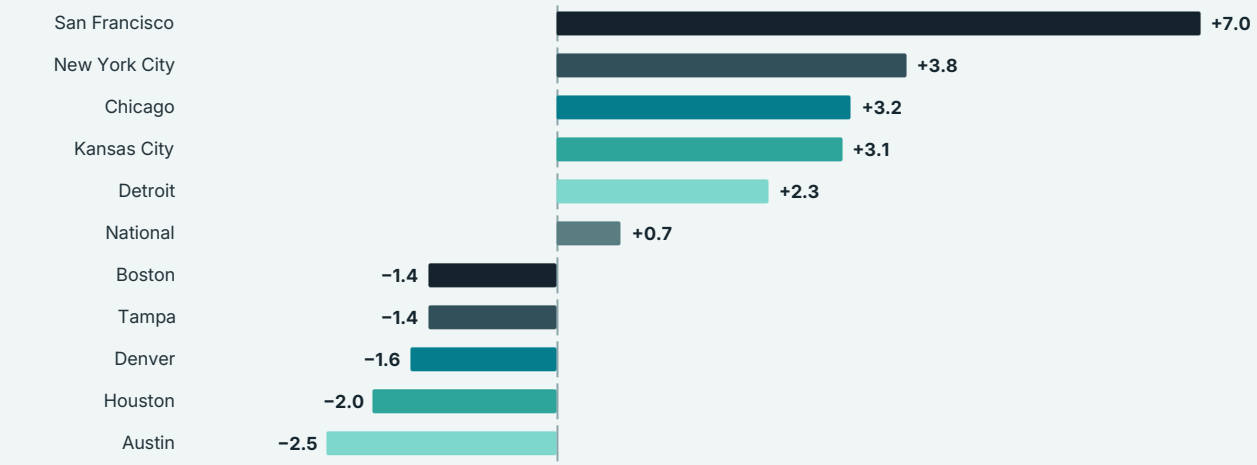
Market Leaders & Laggards

MARKET	YARDI MATRIX YOY, SEP 2026	YARDI MATRIX YOY, AUG 2026	APARTMENTS.COM YOY, SEP 2026	REALPAGE YOY, Q3 2026
San Francisco	+7.0%	+6.1%	+12.8%	+14.3%
New York City	+3.8%	+5.3%	—	—
Chicago	+3.2%	+2.6%	—	—
Kansas City	+3.1%	+3.0%	—	—
San Jose	—	—	+8.2%	+6% to +9%
National	+0.7%	+0.4%	+1.5%	+0.9%
Boston	−1.4%	—	—	—
Tampa	−1.4%	−1.8%	—	≈ −2% to −3%
Denver	−1.6%	−2.0%	−1.0%	≈ −2% to −3%
Houston	−2.0%	−1.7%	−1.0%	≈ −2% to −3%
Austin	−2.5%	−2.8%	—	—
San Antonio	—	—	−1.8%	−3.7%

"—" = not in that source's published lists. Compare within a column, not across. Sources: Yardi Matrix (Oct. 7; Sept. 11); Apartments.com (Sept. 30); RealPage (Oct. 6). [1,2,3,7,44]

Rent Growth by Market — Coastal Supply Constraint vs. Sun Belt Supply

Year-over-year change in average asking rent, September 2026 (%), Yardi Matrix



Top five and bottom five of Yardi Matrix's top 30 metros, plus the national average.[1]

Two details deserve attention. Boston appearing among Yardi's five weakest markets is a reminder that "Gateway" is not a single trade — supply, regulation, and employment mix vary within the group. Most Sun Belt laggards improved from August to September — Austin from −2.8% to −2.5%, Denver from −2.0% to −1.6%, Tampa from −1.8% to −1.4% — while Houston weakened from −1.7% to −2.0%.[1,2,44] That direction is what matters for a 2027 exit.

04 · MARKET-BY-MARKET SNAPSHOT

24 Metros: Rent Change and Concession Use

One consistent data set makes the geography plain. In Realtor.com's August survey of the 50 largest metros, every market with a concession share above 60% posted rents at least 2.5% below a year earlier — except Las Vegas.[10] Three of the five markets still raising rents — San Jose, San Francisco and Chicago — have concession shares below 30%, against a 43.5% average.

METRO	MEDIAN RENT	YOY RENT CHANGE (%)	LISTINGS OFFERING A CONCESSION
San Jose	$3,479	+4.7	22.5%
San Francisco	$3,007	+4.5	27.4%
Kansas City	$1,453	+2.3	41.2%
Minneapolis	$1,524	+0.6	48.1%
Chicago	$1,849	+0.5	20.4%
Philadelphia	$1,772	−0.3	36.7%
Las Vegas	$1,451	−0.3	69.6%
New York	$2,978	−0.5	28.7%
Seattle	$1,895	−0.5	57.9%
50-metro total	**$1,699**	−0.9	43.5%
Miami	$2,271	−1.0	28.1%
Charlotte	$1,489	−1.5	57.6%
Orlando	$1,672	−1.5	58.5%
Los Angeles	$2,785	−1.6	39.3%
Atlanta	$1,562	−1.8	54.1%
Washington, DC	$2,283	−2.1	52.8%
Boston	$2,959	−2.4	31.5%
Dallas–Fort Worth	$1,460	−2.4	56.4%
Austin	$1,373	−2.5	70.7%
Houston	$1,373	−2.7	60.3%
Nashville	$1,486	−2.9	69.0%
Phoenix	$1,431	−3.2	57.3%
Denver	$1,771	−3.2	71.9%
San Antonio	$1,152	−3.8	67.9%
Tampa	$1,634	−3.8	63.9%

Source: Realtor.com Monthly Rent Report, August 2026 data, published Sept. 17, 2026 (studio to 2-bedroom asking rents, 50 largest metros). Dark concession bars mark shares of 60% or more. Realtor.com's listings-based figures run lower than apartment-only indexes such as Yardi Matrix; use them to compare markets, not to set an underwriting rent.[10]

READING THE TABLE

Concession share is the leading indicator. Rent declines in a market where seven in ten listings already carry a discount usually reflect lease-up competition that has not yet cleared; flat rents in a market with 20%–30% concession use reflect a different problem — demand — and recover differently.

05 · ASSET CLASS DEEP DIVE

Class, Geography and Product Type

The clearest Q3 read on asset quality comes from the public REITs, which report in near-real time. Coastal, higher-rent portfolios are growing revenue; Sun Belt portfolios are holding occupancy by giving up rent on new leases. Yardi reports renter-by-necessity properties (mostly Class B and C) outperformed lifestyle properties (mostly Class A) in most markets in September.[1]

REIT Read-Through: Coastal vs. Sun Belt Portfolios

Operating updates published in September 2026

METRIC	VIVMARK RESIDENTIAL (COASTAL)	UDR (MIXED)	MAA (SUN BELT)
Occupancy	95.7% (Sept. 11)	96% (30-day)	95.2% (Q3 to date)
Rent / lease pricing	Net effective asking +3.6% YoY	Sun Belt blends −1.6% to −1.8%; SF +10%–11%	New −5.7%, renewal +5.2%, blended +0.6%
2026 same-store revenue (midpoint)	≈ +2%	—	+0.1%
2026 same-store NOI (midpoint)	—	—	−0.9%

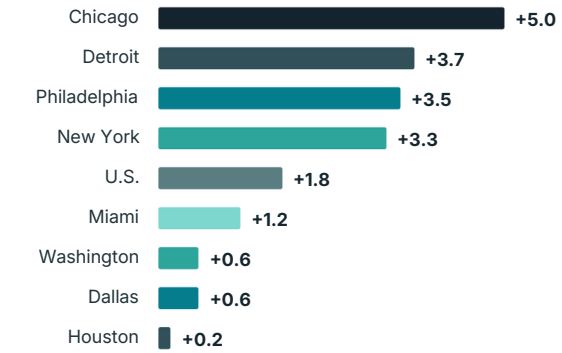
Sources: Vivmark investor update (Sept. 15); UDR at BofA Global Real Estate Conference (Sept. 16); MAA Form 8-K (September 2026). [29,45]

Class B and C: Steadier Occupancy, Thinner Margins

Renter-by-necessity product outperformed on rent in September, but it carries more concessions in RealPage's August data (19.7% of Class C units versus 12.9% of Class A units) and its residents have the least room to absorb increases.[5] Median household income rose 2.6% in 2025 to a record $87,460, and Fed Governor Michael Barr noted in September that roughly half of renters are cost-burdened. [22,23] For workforce housing, the binding constraint on rent growth is income, not supply.

Single-Family Rent Growth by Metro

Cotality SFR Index, July 2026, YoY %



Source: Cotality (Sept. 17). Four Florida metros were negative. [46]

Build-to-Rent & Single-Family Rental

Yardi's single-family build-to-rent average rent was $2,245 in September, up 0.8% year over year but down $4 for the month — the segment's first monthly decline since January.[1] Cotality's broader index rose 1.8% in July, with high-priced homes up 2.6% and low-priced homes up 0.6%.[46] In August, renter-by-necessity BTR communities outperformed lifestyle communities by 170 basis points, per Yardi.[2] Single-family rentals show the same Midwest-and-Northeast versus Sun Belt split as apartments.

SECTION 06

Sun Belt: The Bottom Is Forming. The Recovery Is Next.

Most heavily supplied Sun Belt markets are leasing units at a strong pace. Few are raising rents yet. That is what the bottom of a supply cycle looks like — and it is the stage that sets up the recovery for buyers with the right basis.

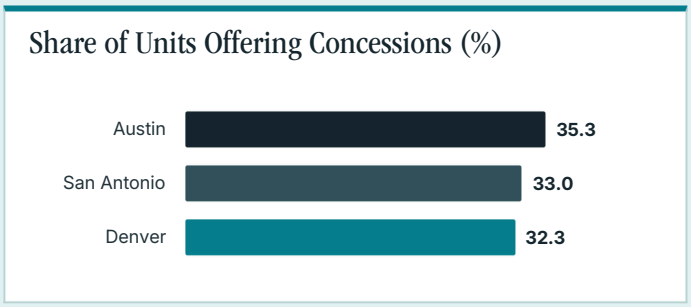
≈20,000	12.3%	93.1%	14.8%
DFW units absorbed, H1 2026, vs. ≈13,000 delivered	Austin vacancy, Q2 (15.8% peak, Q3 2024)	San Antonio occupancy—lowest of top 50	Avg. concession, Austin & Phoenix (Aug.)

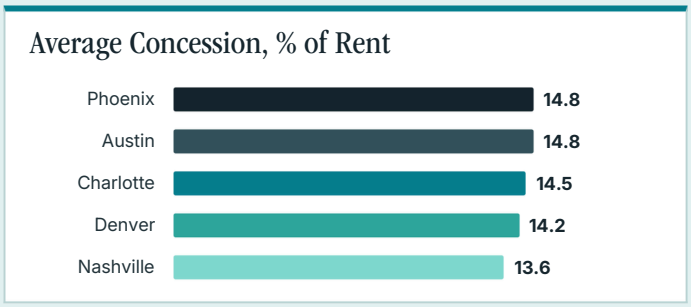
Absorption Is Doing Its Job

The Federal Reserve Bank of Dallas' September outlook describes apartment rents as flat to up in most major Texas metros, Texas job growth is forecast at 1.2% for 2026.[42] Dallas–Fort Worth absorbed about 20,000 units in the first half against roughly 13,000 delivered, per Northmarq.[43] In Austin, vacancy fell to 12.3% in Q2 from a 15.8% peak in Q3 2024, and Northmarq recorded a 1.8% quarter-over-quarter gain in effective rent — the first after 12 consecutive quarterly declines — even as rent remained 3.9% below a year earlier.[43]

Pricing Power Has Not Returned

Concessions remain the clearest evidence. In RealPage's August data, about a third of units in Austin (35.3%), San Antonio (33.0%) and Denver (32.3%) carried a concession, and the average discount in Austin and Phoenix reached 14.8%.[5] On a 12-month lease, a 14.8% concession is the equivalent of roughly 7.7 weeks of free rent.





Source: RealPage, August 2026 data, as reported by CRE Daily (Sept. 30, 2026). Bars scaled within each chart.[5]

VIKING'S TAKE

Basis is the variable we control. Timing is not. In a market where a third of the competitive set is discounting, a stabilized property's in-place rent roll can look healthy while its achievable rent on the next lease is 10%–15% lower. We underwrite to effective rents net of the concessions the nearest lease-ups are offering, and assume those concessions persist until that pipeline is leased — not until a forecast says the market has turned.

"As demand remains resilient and new deliveries continue to decline, we expect the recovery to expand and accelerate."

— BRAD HILL, PRESIDENT & CEO, MAA · JULY 30, 2026 [68]

06 · SUN BELT

Texas: Four Markets, Four Timelines

The Federal Reserve Bank of Dallas put Dallas–Fort Worth rents 0.2% below a year earlier in August and Texas statewide 0.4% lower, with both up 0.2% from July.[42] The monthly gain is an early sign that the state's rent declines are bottoming. The annual numbers say the recovery has not started.

MARKET	LATEST READING	WHAT IT TELLS AN UNDERWRITER
Dallas–Fort Worth	Rent −0.2% YoY (Aug.); ≈20,000 units absorbed in H1 vs. ≈13,000 delivered[42,43]	Demand is outrunning new supply; a 68,752-unit lease-up backlog still caps pricing[44]
Houston	Rent −2.0% YoY (Yardi, Sept.); −1.0% (Apartments.com) [1,7]	Weakened from August while other Texas metros improved; watch energy-sector hiring
Austin	Vacancy 12.3% (Q2); rent −2.5% YoY (Sept.); 35.3% of units discounting (Aug.)[1,5,43]	First quarterly effective-rent gain in three years; recovery still depends on lease-up clearing
San Antonio	Occupancy 93.1%; rent −3.7% YoY (Q3)[3]	Weakest of RealPage's top 50; a yield market until occupancy stabilizes

Units in Lease-Up as a Share of Stock

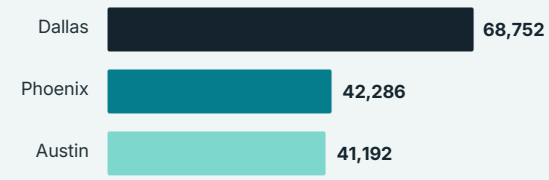
%, Yardi Matrix



Source: Yardi Matrix via CRE Daily (Sept. 11). Darkest bars = above 10%. [44]

Units in Lease-Up, Largest Backlogs

Number of units, Yardi Matrix



Source: Yardi Matrix via CRE Daily (Sept. 11). [44]

The Lease-Up Backlog Is the Real Clock

Completed buildings that are still leasing compete hardest on price. Relative to existing stock, Yardi's data show the heaviest backlogs in Charlotte, Austin and Phoenix; in absolute terms, Dallas carries the largest backlog among the markets Yardi reported.[44] Nationally, the pipeline behind those buildings is thinning — August starts were 15.5% below a year earlier — but permits in Dallas and Houston rank among the highest in the country.[6] In Texas, the 2027–2028 recovery case rests on the current backlog clearing before the next permitted wave delivers.

> "Improving market breadth, slowing supply growth and resilient occupancy suggest multifamily is entering the fourth quarter on firmer footing."
>
> — YARDI MATRIX · OCT. 7, 2026 [69]

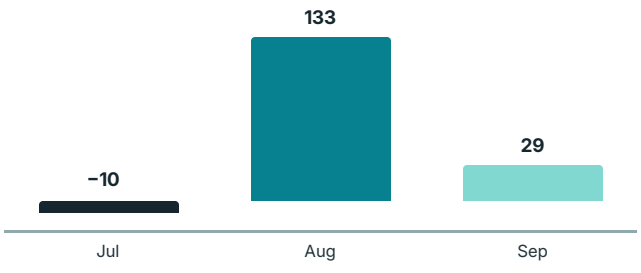
07 · MACROECONOMIC & DEMOGRAPHIC BACKDROP

Hiring Slowed; Inflation Did Not

The economy grew faster than expected in the spring — second-quarter GDP was revised up to a 2.2% annualized rate, led by residential investment — but hiring nearly stalled over the summer.[20] Payrolls fell by 10,000 in July (revised), rose 133,000 in August and 29,000 in September; unemployment ended the quarter at 4.2%, and average hourly earnings were up 3.0% from a year earlier.[18] For apartments, that combination matters at the margin: fewer new jobs means fewer new renter households, and wage growth near 3% caps how much of an increase residents can absorb.

Monthly Payroll Change

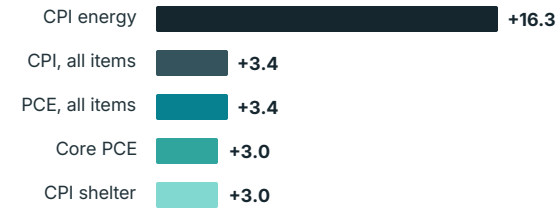
Thousands of jobs, latest estimate



Source: BLS Employment Situation (Oct. 2). [18]

Energy, Not Housing, Is Driving Inflation

Year-over-year change, August 2026, %



Sources: BLS CPI (Sept. 11); BEA Personal Income and Outlays (Sept. 30). [19,20]

Energy Is Still the Swing Factor

The Middle East conflict remains unresolved. WTI topped $100 in mid-September and ended the quarter near $97; the EIA expects Brent near $105 in Q4.[21] September CPI, released October 14, rose 3.7% year over year, with energy up 20.4%, shelter 3.2% and core 2.6%.[19] Diesel averaged $6.29 a gallon in September — a direct input to construction and operations.[21]

Households: Higher Incomes, Heavier Rent Burdens, Fewer Arrivals

Median household income rose 2.6% in 2025 to a record $87,460.[22] Rent rose faster over the longer run: Fed Governor Michael Barr noted in September that the rent index sits 34% above its December 2019 level, that roughly half of renters are cost-burdened, and that estimates of the housing shortfall range from 2 to 5.5 million units.[23] Immigration is the demand variable to watch: the White House cites about 605,000 deportations and 1.9 million self-deportations since January 2025, and DHS has claimed this is lowering rents; Newsweek reported that Zillow data contradict some of the figures DHS cited.[24] Census has delayed its 2025 American Community Survey release indefinitely, so the usual renter-household and rent-burden data are not yet available.[62]

Ownership got harder at the same time. The 30-year mortgage rate reached 7.40% on October 8, up from 6.30% a year earlier, against a median existing-home price of $429,100 in August.[17,25] Expensive ownership keeps renters renting longer; slower household formation means fewer new ones arrive. Underwriting should carry both.

> "A major force driving high home prices is a shortage of supply relative to demand."
>
> — MICHAEL S. BARR, GOVERNOR, FEDERAL RESERVE · SEPT. 23, 2026 [23]

08 · MULTIFAMILY CAP RATES & CAPITAL MARKETS

The Fed Hiked. The Market Expects More.

The FOMC raised its target by 25 basis points to 3.75%–4.00% on September 16 in a unanimous vote. Chair Kevin Warsh said inflation has run above target for too long, and the median projection puts the policy rate at 4.1% at the end of 2026 — one more increase — and leaves it there through 2027.[15] After September CPI, futures priced about two-thirds odds of a hold at the October 27–28 meeting, with a December hike still favored. New York Fed President John Williams sees one more hike this year and none needed in 2027.[15,70,72]

3.75–4.00%	5.19%	7.40%	≈5.75%
Fed Funds Target	10-yr Treasury, Oct. 14	30-yr mortgage, Oct. 8	Apartment cap rate (Northmarq)

Long rates moved further. The 10-year Treasury rose from 4.79% on September 1 to 5.29% at quarter-end — 50 basis points in a month — and touched 5.31% on October 5, its highest since 2002.[16] It eased to 5.19% by October 14.

The Cushion Is Gone: 10-Year Treasury vs. Apartment Cap Rates

10-year Treasury par yield (%), selected dates. Dashed line = national apartment cap rate of about 5.75% (Northmarq, Sept. 23).



Sources: U.S. Treasury daily par yield curve; Multifamily Dive (Sept. 24); Northmarq via Yield PRO (Sept. 23). Scale 0–6.5%. [16,26,28]

Northmarq estimates national apartment cap rates have risen to about 5.75%; Arbor, citing MSCI data, puts the average near 5.6%.[11,28] Against a 10-year at 5.29%, that leaves a spread of roughly 30 to 45 basis points — before any repricing of Q3 trades, which publish later this month. Investors surveyed by John Burns and CRE Daily estimate cap rates need to rise about another 64 basis points, implying values 11%–12% lower.[39]

ILLUSTRATION: WHAT NEGATIVE LEVERAGE DOES TO CASH YIELD

A hypothetical $10 million property bought at a 5.75% cap rate earns $575,000 of NOI. Finance 60% ($6 million) at 6.5% interest-only and debt service is $390,000. The $4 million of equity earns $185,000 — a 4.6% cash yield, below the 5.75% the property earns unlevered. When the cost of debt exceeds the cap rate, every borrowed dollar lowers current return, and the investment case shifts entirely to NOI growth and exit pricing. Page 23 extends this example across named rate forecasts.

Hypothetical figures for illustration only; not a Viking Capital investment or projection.

08 · MULTIFAMILY CAP RATES & CAPITAL MARKETS

Transaction Volume: The Headline and the Market Underneath It

$80.5B	−35%	−4.7%	$173.6B
Aug. apartment sales incl. Vivmark merger	Individual-asset sales, Aug. YoY	MSCI apartment price index, Aug. YoY	Trailing-12-month apartment sales

MSCI recorded $80.5 billion of apartment sales in August, up 402% from a year earlier — almost entirely because $71.2 billion of portfolio and entity-level trades included the AvalonBay–Equity Residential merger that created Vivmark Residential. Individual-asset sales fell 35% year over year in August and are running 6% behind the 2025 pace for the year to date. MSCI's apartment price index was down 4.7% from August 2025.[26] On a trailing 12-month basis, apartment sales totaled $173.6 billion.[11]

First-half data published in September show the same split. Yardi Matrix counted $41.1 billion in property sales in H1, down 0.3% from a year earlier, at an average of $188,401 per unit, down 5.8%.[27] Northmarq reports transactions rose 8% in the first half but slowed sharply in Q2, with a median price of $185,200 per unit.[28]

Top Markets for Sales, H1 2026

Property sales volume, $ billions, Yardi Matrix



Top 10 markets: $16.4B, about 40% of the national total. Source: Yardi Matrix via Multi-Housing News (Sept. 30).[27]

YTD Apartment Sales by Product (MSCI)

January–August 2026, $ billions



Mid/high-rise totals include the Vivmark merger. Source: MSCI via Multifamily Dive (Sept. 24).[26]

Consolidation at the Top of the Market

On September 9, Independence Realty Trust agreed to acquire Centerspace in a $2.14 billion all-stock deal, expected to close as early as year-end.[30,71] Elme Communities completed its liquidation in September, selling the 1,222-unit Riverside Apartments in Alexandria, Virginia, to FPA Multifamily under a $250 million contract.[31] Public valuations explain the activity: apartment REITs returned −3.49% year to date through October 14, against +8.82% for all equity REITs, and the average REIT traded at a 13.2% discount to net asset value at the end of August.[32] Buyers paying with discounted stock and sellers exiting through liquidation are both responses to the same gap between public and private prices.

Colliers counts $22.8 billion of Q2 sales across its top 60 markets, a modest decline from a year earlier.[65]

VIKING'S TAKE

We take pricing evidence from individual-asset trades in the same submarket and vintage — not merger values or headline volume. Those trades are thinner than a year ago, which makes each one more informative and any appraisal less certain.

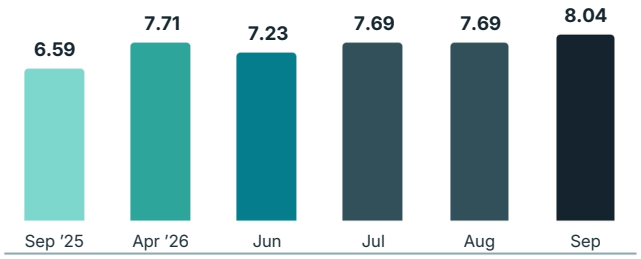
08 · MULTIFAMILY CAP RATES & CAPITAL MARKETS

Debt Landscape & Where the Distress Sits

Multifamily CMBS delinquency rose to 8.04% in September, up 35 basis points in a month and 145 basis points from a year earlier. For the first time since the pandemic, the multifamily rate is higher than the all-property CMBS rate.[35] The multifamily special-servicing rate was 8.37% in August, while bank-held multifamily loans showed a delinquency rate of 1.41% in Q2, per CRED iQ.[35] Distress is concentrated in securitized debt, which holds only a small share of the market.

Multifamily CMBS Delinquency Rate (%)

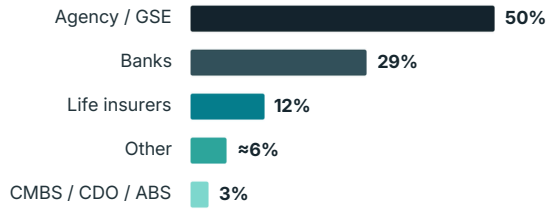
Trepp, selected months



Source: Trepp via Multi-Housing News (Sept. 28) and Yield PRO (Oct. 4). [35]

Who Holds Multifamily Debt

$2.3 trillion outstanding, Q2 2026, % of total



Source: Mortgage Bankers Association (Sept. 29). "Other" is the remainder. [33]

The Maturity Wall

A Wall Street Journal review published in September puts maturing apartment debt at nearly $300 billion this year and $757 billion across 2026–2028, after a record $310 billion in 2025.[36] Estimates vary with the loan universe measured, but the direction is the same: loans underwritten at 3%–4% coupons must refinance against a 10-year above 5%. Recent cases show how that resolves. A lender sought a receiver for X Denver after a $170 million loan default, and Bascom bought a foreclosed 370-unit Dallas property formerly owned by Tides Equities.[37]

VIKING'S TAKE: FIVE QUESTIONS WE ASK ABOUT ANY DEAL'S DEBT

1. **Fixed or floating?** If floating, what is the rate-cap strike, when does it expire, and what does a replacement cost today?
2. **When does it mature relative to the business plan?** A loan that matures before renovations stabilize forces a refinance on the lender's terms.
3. **What is debt-service coverage at today's rates with no rent growth?** That is the floor case, not the stress case.
4. **What are the extension tests?** Many bridge loans require minimum coverage or debt yield to extend.
5. **Who controls the outcome if covenants are breached?** Know the lender, the servicer and the remedies before you need to.

Colliers, citing Trepp, shows how steadily distress has built: multifamily CMBS delinquency rose from 6.59% in Q3 2025 to 7.15% in Q1 2026 and 7.23% in Q2 — 461 basis points above Q4 2023 — before September's 8.04%. Colliers notes that most of today's distress is tied to capital structure rather than property performance.[35,65]

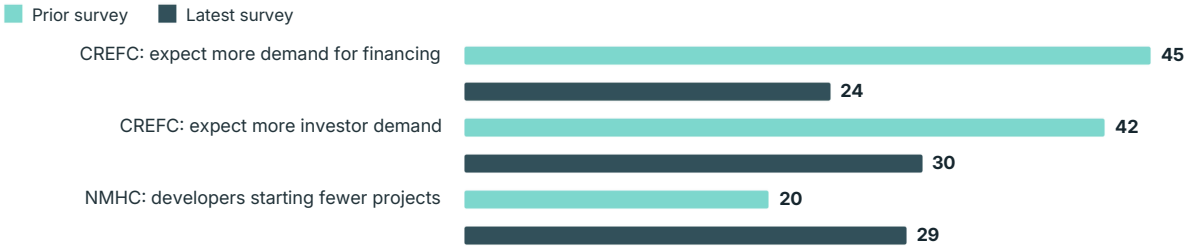
08 · MULTIFAMILY CAP RATES & CAPITAL MARKETS

Investor Sentiment: Four Surveys, One Direction

Every sentiment survey published in the past month points the same way: investors, lenders and developers became more cautious in Q3. The Commercial Real Estate Finance Council's board sentiment index fell 17.5% to 83.3, a three-year low.[38] The John Burns Research and Consulting / CRE Daily Fear & Greed index slipped to 55 from 56, and multifamily moved back into "stagnant" territory.[39]

Expectations Fell Quarter Over Quarter

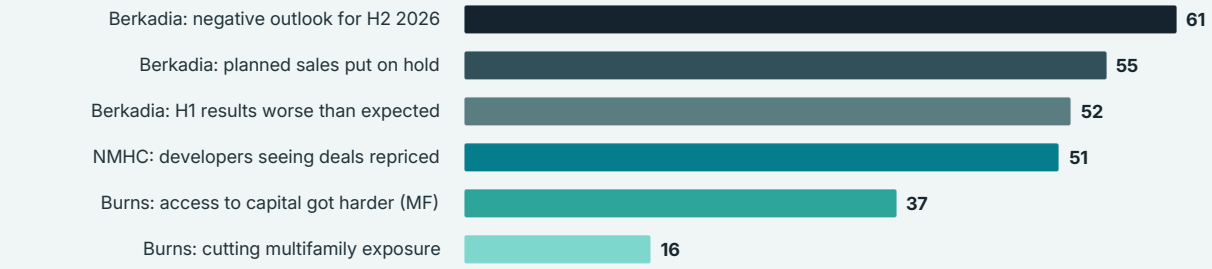
Share of respondents, %; light bar = prior survey, dark bar = latest



Sources: CREFC 3Q26 Board of Governors Sentiment Index (Oct. 5); NMHC Construction & Development Survey, September vs. June (Sept. 24). [38,40]

Where Multifamily Investors Stand Now

Share of respondents, %



Sources: Berkadia Mid-Year Pulse via CRE Daily (Sept. 15); NMHC (Sept. 24); Burns + CRE Daily 3Q26 survey (Sept. 8). [39,40,41]

What the Surveys Say About Pricing

Burns respondents estimate cap rates need to rise about 64 basis points, implying values 11%–12% lower, and nearly half of Berkadia's respondents now underwrite exit cap rates 25–50 basis points above going-in rates.[39,41] With 55% of surveyed owners holding back planned sales, the gap between what sellers will accept and what buyers can finance is closing slowly — mostly through fewer trades rather than lower prices.[41] Sentiment measures the mood of the people who set prices, not the value of buildings; which side gives first will determine whether 2027 vintages are bought at a reset basis or a hopeful one.

SECTION 09

Notable Transactions

Full Q3 volume publishes in late October. The trades below were reported between September 7 and October 6, 2026, and show how widely pricing now varies by market, vintage and asset type. Sorted by price per unit.

Property Sales Reported in the Past 30 Days

PROPERTY	LOCATION	BUYER / SELLER	UNITS	PRICE	PER UNIT
130 Hope St. (Casa Hope)	Brooklyn, NY	Mann Group / Clipper Equity	150	$122.5M	$817K
5550 Wilshire	Los Angeles, CA	Decron / GID	163	$114.0M	$699K
La Posada	Santa Cruz, CA	Jonathan Rose Cos. / original developers	150	$85.0M	$567K
Vista Ridge	Issaquah, WA	Timberlane Partners / undisclosed	91	$37.0M	$407K
AMLI Deerfield	Deerfield, IL	TLC Management / AMLI	240	$94.3M	$393K
Modera Academical Village I	Davie, FL	Goldman Sachs-managed fund / Mill Creek	397	$154.5M	$389K
The Point Woodbridge	Woodbridge, NJ	Pantzer / Prism Capital, Northwestern Mutual	232	$79.0M	$341K
Polo Lakes	Wellington, FL	TA Realty / J.P. Morgan AM fund	366	$105.4M	$288K
The Promenade (leasehold)	Marina del Rey, CA	Coastline RE Advisors / Essex	101	$24.8M	$246K
Verso Luxury	Davenport, FL	Hamilton Point / ECI Group	250	$57.0M	$228K
Ascend at Black Canyon	Phoenix, AZ	Millburn & Co. / D.R. Horton	260	$58.7M	$226K
Riverside Apartments	Alexandria, VA	FPA Multifamily / Elme Communities	1,222	$250.0M*	$205K
Sweetwater Creek & Villas at West Ridge	Lithia Springs, GA	LivCor	470	$83.7M	$178K
The Marling at Town Creek	Leland, NC	BAM Capital / D.R. Horton	334	≈$57.7M	$173K

*Contract price; final price not disclosed. Per-unit values are Viking Capital calculations from reported price and unit count. Sources: Commercial Observer, Multi-Housing News, Bisnow, Multifamily Dive, Hoodline, Business Wire (Sept. 7–Oct. 6, 2026).[31,59]

Entity-Level and Distressed Activity

- **IRT + Centerspace** — announced Sept. 9; IRT's $2.14 billion all-stock acquisition of Centerspace; close expected as early as Q4.[30,71] Vivmark Residential, formed by the AvalonBay–Equity Residential merger, issued its first operating update Sept. 15.[29] Elme Communities completed its liquidation in September.[31]
- **Distressed resales:** Bascom bought the foreclosed 370-unit Jasmine Apartments in Far North Dallas, formerly a Tides Equities property; price undisclosed.[37]

Transaction Takeaways

- **Prices span nearly five times over** — from about $173,000 per unit in coastal North Carolina to $817,000 in Brooklyn. Replacement cost and in-place rent in the specific submarket say more than any national average.
- **Builders are recycling capital.** Homebuilder D.R. Horton sold multifamily communities in Phoenix and Leland, North Carolina, to private buyers at $173,000–$226,000 per unit.
- **Florida is trading.** Three South and Central Florida deals closed between $228,000 and $389,000 per unit, including a Goldman Sachs-managed fund's $154.5 million purchase in Davie.

10 · POLICY & REGULATION

Federal Law Passed; Local Rules Are on the Ballot

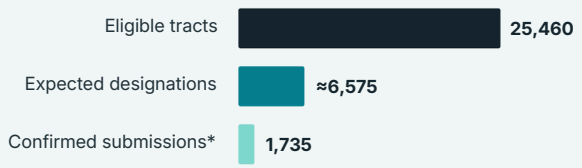
The ROAD to Housing Act is law, but slow to arrive. HousingWire reports that implementation could run into 2028: about a dozen new programs have no funding in the House's FY2027 housing appropriations bill, and HUD carries roughly 70% of 125 required federal actions — including nine new rulemakings — with a staff 34% smaller than in FY2024. The fastest-acting change raises the cap on bank public-welfare investments from 15% to 20%, which could add equity for affordable housing sooner than any new program.[47]

Rent Regulation and Property Tax: What Voters Decide November 3

JURISDICTION	MEASURE	INVESTOR RELEVANCE
New York City (in effect)	0% increase on one- and two-year leases for about 1 million rent-stabilized units took effect Oct. 1; a landlord lawsuit challenging the vote is ongoing.[48]	Flat revenue on stabilized units while expenses rise
Redwood City, CA	Measure E: caps increases at the lower of 5% or 60% of CPI on most pre-1995 multifamily buildings and rolls rents back to Oct. 29, 2025 levels.[49]	Rollback affects in-place income, not only future growth
San Pablo, CA	Measure S: caps increases at the lower of 3% or 60% of CPI. [49]	One of the tightest caps proposed in California
Salinas, CA	Measure H: referendum on repealing the city's 2024 rent stabilization (current cap: lower of 2.75% or 75% of CPI).[49]	Could loosen an existing cap
Florida	Amendment 3: raises homestead exemptions and cuts the annual assessment cap on non-homestead property — including rentals — from 10% to 5%.[50]	Slower property-tax growth for apartment owners if passed
Massachusetts	No rent-control question; Question 7 would reduce minimum lot sizes for "starter homes."[50]	Supply-side measure; limited apartment impact

Opportunity Zones 2.0: The Funnel

Census tracts



*From 16 of 56 jurisdictions at the Sept. 28 deadline, since extended to Oct. 28; designations take effect Jan. 1, 2027. Source: OpportunityZones.com (Sept. 29). [51]

Revenue-Management Litigation

In September, renters asked the court for final approval of more than $359 million in landlord settlements in the RealPage class action.[52] On October 6, Connecticut's attorney general announced the court had denied RealPage's motion to dismiss the Justice Department and multistate case, and that LivCor and Greystar had each settled with the state for $7 million.[52] Owners using pricing software should confirm how their provider's data inputs have changed.

Preservation Is the Next Affordable-Housing Issue

The ROAD to Housing Act, signed into law in July 2026, raises FHA multifamily loan limits and funds local governments that add housing through zoning reform or faster permitting. Colliers notes that rent restrictions on as many as 845,000 LIHTC-financed units could expire by 2035, and that about 26% of renter households are severely cost-burdened. Expiring restrictions will bring recapitalization and conversion opportunities to market.[65]

11 · OPERATING & CONSTRUCTION COSTS

Insurance Is Easing. Materials Are Not.

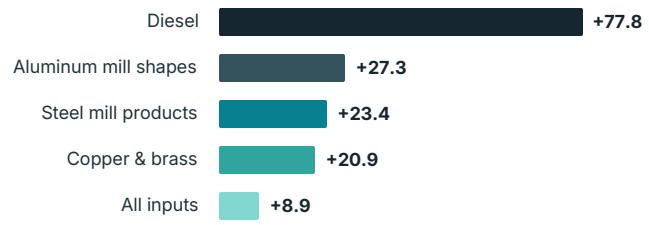
Expense growth drives NOI as much as rent growth does, and the two largest pressures are moving in opposite directions. Property insurance — the line that broke many 2021–2022 budgets — is getting cheaper: WTW reports large commercial property rates fell 14.5% in Q2 2026, compared with an 8.4% decline a year earlier, helped by first-half catastrophe losses of $42 billion, the lowest since 2020.[53] Operators are budgeting accordingly. MAA's September guidance calls for 2026 same-store expense growth of 1.25%–2.25% and real estate tax growth of 1.0%–2.5%.[45]

Construction Inputs Reflect War and Tariffs

The Associated General Contractors reported prices for inputs to new nonresidential construction up 8.9% year over year in August, led by diesel and metals, and 55% of surveyed firms said projects had been cancelled, postponed, or scaled back.[54] Quarterly cost indexes published in the past month confirm the trend.[55]

Construction Input Prices, YoY (%)

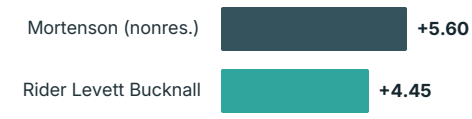
August 2026 vs. August 2025



Source: AGC analysis of BLS producer prices (Sept. 10). [54]

Construction Cost Indexes, Q3 2026

Year-over-year change, %



RLB's +1.28% quarterly gain was its largest in two years. Sources: Mortenson (Sept. 8); RLB (Sept. 29).[55]

Tariffs: Still Moving

A 50% tariff on semi-finished copper remains in place, and the White House said in September that no decision had been made on refined copper.[56] In Congress, the Housing Tariff Exclusion Act (H.R. 10416) would exempt building materials from tariffs; the bill was introduced in September.[56]

Two Sides of the Same Number

Higher construction costs raise the replacement cost of every existing building, which supports values for owners who bought below it and discourages new starts that would compete with them. They also raise the cost of renovation scopes, roof and HVAC replacements, and turns. A value-add budget written in 2025 should be re-bid, not escalated by a flat inflation factor. And in Florida, where Amendment 3 would cut the annual assessment cap on rental property from 10% to 5%, the property-tax line itself is on the November ballot.[50]

12 · MULTIFAMILY FORECAST 2026–2028

Projections I: Rates, Inflation & the Economy

Every projection in this section is named, dated, broken out by year and published between September 7 and October 14, 2026. Forecasts measure different things — year-end levels, annual averages or Q4-over-Q4 changes — so each is labeled. The shaded column shows the latest actual reading.

METRIC	FORECASTER (PUBLISHED)	2026	2027	2028	LATEST ACTUAL
Real GDP	Fed SEP median, Q4/Q4 Sept. 16	2.3%	2.4%	2.2%	2.2% Q2, ann.
	Fannie Mae, Q4/Q4 Sept. 11	2.0%	2.5%	—	
Unemployment	Fed SEP median, Q4	4.1%	4.1%	4.1%	4.2% Sept.
	Fannie Mae	4.2%	4.2%	—	
Payroll growth	Fannie Mae, full year	+0.9M	+0.8M	—	≈+50K/mo Q3
Core PCE inflation	Fed SEP median, Q4/Q4	3.4%	2.5%	2.2%	3.0% Aug.
	Fannie Mae, Q4/Q4	3.4%	2.3%	—	
CPI inflation	Fannie Mae, Q4/Q4	3.4%	1.7%	—	3.7% Sept.
Fed funds rate	Fed SEP median, year-end	4.1%	4.1%	3.9%	3.75–4.00%
	Fannie Mae, annual avg.	3.7%	4.1%	—	
	Wells Fargo, year-end Sept. 17	4.00%–4.25%	No change	—	
	MBA Sept. 21	+1 hike	Possible hike, H1	—	
10-year Treasury	Fannie Mae, annual avg.	4.5%	4.9%	—	5.29% Sept. 30
	MBA, year-end	4.8%	4.7%	4.7% (Q1)	
30-yr mortgage	Fannie Mae, annual avg.	6.5%	6.7%	—	7.40% Oct. 8
	MBA, Q4 '26 to mid-'27	≈6.8%	≈6.8% (H1)	—	
Brent crude	EIA STEO, annual avg. Oct. 6	$96	$84	—	$105 Q4 '26 forecast

Sources: Federal Reserve (Sept. 16); Fannie Mae Economic & Strategic Research (Sept. 11; rates as of Aug. 31); Wells Fargo via Investing.com (Sept. 17); MBA via Scotsman Guide (Sept. 21); EIA (Oct. 6). Latest actuals as cited on pages 13–14.[13,15,16,17,18,19,20,21,34,57]

Fed Funds: Today vs. Fed Median Path

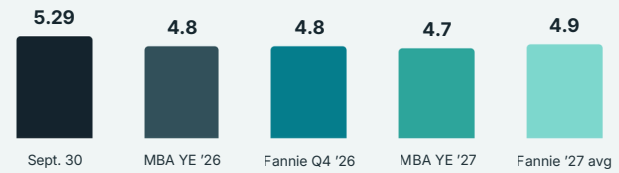
%, year-end; today = midpoint of target range



Source: Federal Reserve SEP (Sept. 16). [15]

10-Year Treasury: Today vs. Forecasts

%; forecasts assume yields fall from here



Sources: Treasury; MBA (Sept. 21); Fannie Mae (Sept. 11). [13,16,34]

The takeaway: every named forecast puts the 10-year 40 to 60 basis points below where it closed the quarter, and Fannie Mae's was built on rates as of August 31 — before the September run-up. Underwriting that borrows those forecasts is underwriting a rate decline.

12 · MULTIFAMILY FORECAST 2026–2028

Projections II: Housing & Multifamily

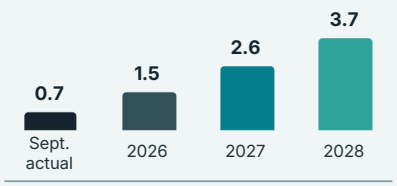
Fewer forecasters published apartment-specific projections in the past 30 days than macro ones; CoStar, Yardi, CBRE, and RealPage last updated their national forecasts before September 7 (see page 23). The projections below are the in-window set, supplemented by guidance from operators who report quarterly.

METRIC	FORECASTER (PUBLISHED)	2026	2027	2028	LATEST ACTUAL
Apartment rent growth	Zelman & Associates Oct. 1	1.5%	2.6%	3.7%	+0.7% YoY · Sept.
	Yardi Matrix scenario Oct. 7	>1% if rents hold	—	—	
Multifamily starts	Fannie Mae, 2+ units Sept. 11	454K	417K	—	344K SAAR, 5+units · Aug.
Single-family starts	Fannie Mae Sept. 11	897K	909K	—	—
	MBA Sept. 22	≈900K	≈900K	—	
Total housing starts	Fannie Mae Sept. 11	1.351M	1.327M	—	—
Existing-home sales	Fannie Mae Sept. 11	4.062M	4.215M	—	3.98M SAAR · Aug.
	MBA Sept. 22	4.105M	—	—	
Home prices	Fannie Mae HPI, Q4/Q4 Sept. 11	2.3%	1.0%	—	+1.6% YoY median · Aug.
Mortgage originations	Fannie Mae Sept. 11	$2.121T	$2.279T	—	—
	MBA Sept. 22	$2.123T	$2.101T	≈$2.16T	
Texas job growth	Dallas Fed Sept. 18	1.2%	—	—	—
Operator guidance (same-store)	MAA: revenue / NOI midpoints Sept.	+0.1% / −0.9%	—	—	+0.6% MAA blended · Q3 to date
	Vivmark: revenue midpoint Sept. 18	≈+2%	—	—	
	UDR: rent growth already embedded Sept. 16	—	+0.6% to +1.0%	—	

Sources: Zelman via CRE Daily (Oct. 1); Yardi Matrix via Multifamily Dive (Oct. 7); Fannie Mae ESR Housing Forecast (Sept. 11); MBA via HousingWire and Weekly Real Estate News (Sept. 22); Dallas Fed (Sept. 18); MAA 8-K (Sept.); Vivmark (Sept. 15); UDR via Investing.com (Sept. 16); NAR via Mortgage News Daily (Sept. 11).[1,12,13,14,25,29,34,42,45]

Rent Growth: Zelman Path

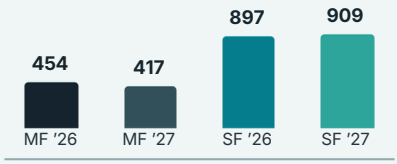
Annual apartment rent growth, %



Actual: Yardi Matrix. Sources: Zelman; Yardi. [1,14]

Housing Starts: Fannie Mae

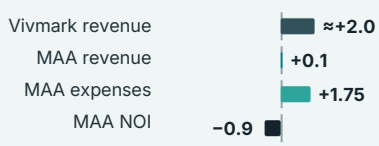
Thousands of units



Source: Fannie Mae (Sept. 11). [13]

2026 Same-Store Guidance

Midpoints, %



Sources: Vivmark; MAA. [29,45]

The takeaway: forecasters agree on direction — rent growth rebuilding through 2028 as starts fall — but the only in-window rent path (Zelman) back-loads most of the gain to 2027–2028. MAA, a Sun Belt-focused REIT, is guiding to flat revenue and negative NOI for 2026.

12 · MULTIFAMILY FORECAST 2026–2028

Projections III: What the Forecasts Mean for a Deal

A forecast is only useful once it is translated into cash flow. Below, the hypothetical property from page 14 — $10 million, bought at a 5.75% cap rate ($575,000 of NOI), financed 60% with a $6 million interest-only loan — is run through the named 10-year Treasury forecasts. The loan rate is set at the 10-year plus an illustrative 1.75% spread.

SCENARIO	10-YR	LOAN RATE	DEBT SERVICE	CASH FLOW	CASH-ON-CASH
Fannie Mae 2026 average (Sept. 11)	4.50%	6.25%	$375,000	$200,000	**5.0%**
MBA year-end 2026 (Sept. 21)	4.80%	6.55%	$393,000	$182,000	**4.6%**
Actual, Sept. 30	5.29%	7.04%	$422,400	$152,600	**3.8%**
Stress: actual + 50 bps	5.79%	7.54%	$452,400	$122,600	**3.1%**

Hypothetical illustration; not a Viking Capital investment or projection. The 1.75% spread is an assumption for illustration, not a quoted rate. Forecast sources as on page 21. [13,16,34]

Year-One Cash-on-Cash Return by Rate Scenario

%; dashed line = 5.75% unlevered yield (the cap rate)



Scale 0–7.5%. Viking Capital calculations.

What the math shows: under every named forecast, borrowing still lowers the year-one return below the 5.75% the property earns unlevered. At this spread, leverage only adds to cash yield if the 10-year falls below about 4.0% — lower than any forecast published in the past month. Returns therefore depend on NOI growth: at today's rates, NOI would have to rise about 13.5% — roughly five years of growth at Zelman's 2.6% 2027 rent forecast, assuming NOI grows in line with rent — before cash-on-cash matched the unlevered yield.[14]

Forecasts We Did Not Use — and Why

- **Published before September 7:** CoStar/Apartments.com rent and vacancy forecast (Aug. 12), Yardi Matrix rent (Aug. 5) and supply (Aug. 13) forecasts, CBRE's midyear outlook (late July) and RealPage's Q2 forecast (July). Each will likely be updated in Q4; we will incorporate the new versions.
- **Not yet published:** NMHC's October Quarterly Survey, MSCI's Q3 capital trends, Census Q3 homeownership (Oct. 28), and REIT Q3 results with 2027 commentary (late October).
- **Unverifiable:** a secondary report of Wells Fargo 2027 rate forecasts (fed funds 4.75%–5.00%) that conflicts with Wells Fargo's own September note; excluded.

How to Read Any Forecast

- **When was it built?** Fannie Mae's September forecast uses rates as of August 31 — 50 basis points below the September 30 close.
- **What does it measure?** A year-end level, an annual average and a Q4-over-Q4 change can differ meaningfully for the same year.
- **What has to be true?** A rent forecast of 2.6% in 2027 assumes lease-up backlogs clear and job growth recovers. Ask what happens to the deal if neither does.

SECTION 13

Risks & Headwinds

01

Higher-for-Longer Became Higher

The Fed's September projections imply one more increase in 2026 and no cuts in 2027. After the October 14 CPI release, futures still favored a December hike, and the 10-year Treasury sat at 5.19%.[15,16,72] Every refinance, acquisition, and exit valuation is now priced off a higher base, and every named forecast on page 21 assumes yields fall from here. If they do not, the gap between in-place values and what buyers can pay with debt widens.

02

Energy and Inflation

The EIA's outlook assumes Middle East supply stays constrained through year-end, with Brent near $105 in Q4.[21] Energy prices rose 20.4% over the year to September and are the main reason headline CPI (3.7%) runs above shelter inflation (3.2%).[19] A resolution would ease both; an escalation would push them higher and keep diesel — a direct input to construction and operations — above $6 a gallon.[21]

03

Demand at the Margin

Payroll growth averaged roughly 50,000 a month in Q3, and the administration reports about 605,000 deportations and 1.9 million self-deportations since January 2025.[18,24] RealPage's Q3 absorption of about 69,800 units was less than a quarter of the trailing-year total of 304,800.[3] If job growth stalls further, the absorption that offset record supply in 2024–2025 will not repeat at the same scale.

04

Renewal Compression

Renewal rent growth of 1.7% in September is the lowest since before 2020.[1] Renewals carried revenue through the supply wave; MAA's +5.2% renewals offset −5.7% new leases to produce a +0.6% blend.[45] If renewals converge toward new-lease pricing before concessions burn off, blended rent growth — and NOI — can stall even with stable occupancy.

05

Debt Distress Spilling Into Pricing

Multifamily CMBS delinquency of 8.04% and roughly $757 billion of apartment debt maturing over 2026–2028 mean more assets will change hands through lenders, special servicers and recapitalizations.[35,36] Distressed trades create opportunity for patient buyers, but they also reset appraisal comparables for neighboring properties that are not distressed.

06

Regulation and Expense Volatility

New York City's rent freeze took effect October 1, three California cities vote on rent caps November 3, and a federal court has allowed the Justice Department's revenue-management case against RealPage to proceed.[48,49,52] On the expense side, insurance relief is real but uneven, and construction inputs are up 8.9% over the year.[53,54]

07

Supply Is Low — For Now

Permits for buildings with five or more units ran at a 467,000 annual rate in August, up 9.4% from a year earlier and wellabove the 344,000 pace of starts, with New York, Los Angeles, Dallas and Houston leading.[6] The supply reprieve is real but finite; a basis that only works if no new competition arrives before exit is a thin basis.

14 · WHAT WE ARE WATCHING — Q4 2026

What We Are Watching — Q4 2026

Q3 answered one question: the supply wave has passed its peak in the data, not just in forecasts. It left a harder one: what are stabilized apartments worth with a 10-year Treasury above 5%? The items below are variables to underwrite against, not forecasts of returns.

4.1%	5.29%	1.7%	22.7%	8.04%
Fed median, YE 2026	10 yr - Sept. 30	Renewal rent growth, Sept.	Units with concessions, Q3	MF CMBS delinquency, Sept.

Four Signals for the Fourth Quarter

- **The Q4 rent test.** Rents have fallen quarter over quarter in Q4 by an average of $7 over the past four years.[1] A smaller seasonal decline in 2026 would confirm that pricing power is returning; a larger one would say Q3 was a seasonal bounce.
- **Where cap rates settle.** Q3 trades closed against a 10-year that rose about 50 basis points in September alone.[16] MSCI's Q3 data, due later this month, will show how much of that move sellers have accepted.
- **Concession burn-off in lease-up markets.** Charlotte, Austin and Phoenix carry the largest lease-up backlogs relative to stock.[44] RealPage's monthly tracker shows concession use narrowing for three straight months; a fourth would be the clearest early evidence of a Sun Belt turn.[5]
- **Debt resolutions.** Whether rising CMBS delinquency produces forced sales or negotiated extensions will set the volume and pricing of distressed opportunities into 2027.[35,37]

Calendar

DATE	RELEASE OR EVENT	WHY IT MATTERS
Oct. 20	Census September housing starts[12]	Whether the August slowdown in starts held
Oct. 27–28	FOMC meeting (no new projections)[61]	About two-thirds odds of a hold as of Oct. 14[72]
Oct. 28	Census Q3 Housing Vacancies & Homeownership; extended Opportunity Zone nomination deadline[51,61]	Rental vacancy and homeownership; final OZ 2.0 map
Late October	Q3 GDP (advance); NMHC October survey; MSCI Q3 capital trends; REIT Q3 earnings	Growth, sentiment, Q3 pricing and 2027 guidance
Pending	Final approval of $359M+ RealPage class settlements[52]	Revenue-management practices
Nov. 3	Rent-control measures in Redwood City, San Pablo and Salinas; Florida Amendment 3[49,50]	Local revenue and property-tax rules
Dec. 9	FOMC decision and December projections	A hike still favored as of Oct. 14[72]
Q4 2026	IRT–Centerspace close (expected as early as year-end)[30]	Public-market consolidation
Jan. 1, 2027	Opportunity Zone 2.0 designations take effect[51]	New tax-advantaged development zones

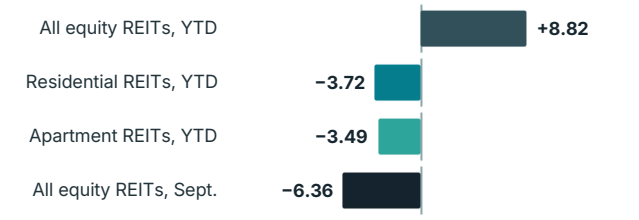
15 · MULTIFAMILY IN A DIVERSIFIED PORTFOLIO

Public Prices Moved First. Private Marks Will Follow.

Listed apartment owners have already repriced. Apartment REITs returned −3.49% for the year through October 14, while all equity REITs returned +8.82% — and the whole REIT index lost 6.36% in September as the 10-year rose.[32] The average REIT traded at a 13.2% discount to net asset value at the end of August.[32] Green Street estimates apartment values remain about 20% below their 2022 peak.[63] Private-market appraisals tend to adjust more slowly, which matters for anyone comparing a private fund's reported value to a listed alternative.

REIT Total Returns, 2026

%, YTD through Oct.14; residential REITs through Oct. 5 (Nareit)



Source: Nareit REIT index returns (Oct. 14). [32]

Income Has Held Up

Chandan Economics reports 83.2% of rent was paid on time in September, up 91 basis points from a year earlier.[4] Apartment REITs were net sellers over the past year — about $4.8 billion sold against $2.4 billion bought — recycling capital rather than expanding.[63] Private capital is still forming: Integra closed a Southeast multifamily fund above its $125 million target in September.[64]

Access Vehicles: What You Own and What to Check Now

VEHICLE	WHAT THE INVESTOR OWNS	LIQUIDITY	WHAT TO CHECK IN THIS MARKET
Listed REITs	Shares of a public operating company	Daily	Discount to NAV; leverage and maturities; Sun Belt vs. coastal mix
Non-traded / NAV REITs	Units priced off appraised NAV	Limited, with redemption caps	How quickly NAV reflects the 4.7% decline in apartment prices; redemption queue
Private equity funds	LP interest in a pool of assets, defined fund life	Low (typically 5–10 years)	Vintage year; dry powder vs. deployed; fee and waterfall terms
Delaware Statutory Trusts	Fractional interest in specific property, often for 1031 exchanges	Low	Debt terms and maturity; reserves; sponsor's operating history
Syndications / co-investments	Direct interest in one asset alongside a sponsor	Low	Basis vs. replacement cost; debt structure; sponsor co-investment

Educational summary; not a recommendation of any vehicle. Price decline per MSCI (Sept. 24). [26]

Private multifamily's portfolio case — income from short leases that reprice annually, physical assets with a replacement-cost floor, and returns that are less correlated with daily markets — has not changed. What has changed is the entry price relative to the cost of debt. Vintage diversification, deploying across 2026, 2027 and 2028 rather than all at once, is one way to avoid having to call the bottom of a repricing that is still under way.

16 · MANAGER SELECTION & DUE DILIGENCE

Questions Worth Asking When the 10-Year Is Above 5%

The best-looking deal on paper is rarely the one with the fewest assumptions. In this market, the assumptions that matter most are about debt, rent and exit — and each can be tested with a direct question. These apply to any sponsor, including us.

TOPIC	QUESTION TO ASK	WHY IT MATTERS NOW
Basis	What is the price per unit relative to replacement cost, and how was replacement cost estimated?	Construction inputs rose 8.9% in a year; a discount to replacement cost is a margin of safety only if the estimate is current.[54]
Cash yield	What is year-one cash-on-cash at today's cost of debt, with no rate relief?	With cap rates near 5.75% and the 10-year above 5%, leverage can lower current return rather than raise it (page 23).[16,28]
Debt terms	Fixed or floating? If floating, what are the cap strike and expiry? When does the loan mature relative to the business plan?	Multifamily CMBS delinquency reached 8.04% in September, up from 6.59% a year earlier.[35]
Rent growth	What rent growth is assumed in years one and two, and what submarket evidence supports it?	Zelman projects 1.5% for 2026 and 2.6% for 2027; anything higher needs a local reason.[14]
Concessions	What are the nearest lease-ups offering, and is the underwriting on effective or asking rent?	A third of units in Austin, San Antonio and Denver carried concessions in August.[5]
Renewals	What share of revenue comes from renewals, and what renewal increase is assumed?	Renewal growth slowed to 1.7% nationally in September.[1]
Expenses	How were insurance and property taxes underwritten — on the purchase price, or the seller's history?	Insurance is easing; reassessments after a sale can move the tax bill sharply, and Florida votes on assessment caps Nov.3. [50,53]
Exit	What exit cap rate is assumed, and how does it compare with today's going-in rate?	An exit cap below today's ≈5.75% average assumes the market reprices in the seller's favor.[28]
Reporting	How will performance against plan be reported, including when it lags?	Transparency is tested when results miss, not when they beat.

A sponsor's answers matter less than whether the answers are specific. "Conservative assumptions" is not an answer; a number, a source and a stress case is.

17 · OUTLOOK 2027 & VIKING CAPITAL POSITIONING

Multifamily Outlook 2027

In our Q2 report, we described 2026 as a year of normalization rather than recovery. Q3 sharpened that view. Operations are stabilizing on schedule; the cost of capital moved the other way. Fundamentals point toward recovery in 2027–2028, but pricing has to clear first.

METRIC	PRIOR READING	LATEST	DIRECTION INTO 2027
Avg. asking rent (Yardi)	$1,773 (Aug.)	$1,775 (Sept.)	↑ Modest; Q4 is the test
Rent growth, YoY (Yardi)	+0.4% (Aug.)	+0.7% (Sept.)	↑ Gradual
Renewal rent growth (Yardi)	—	1.7% (Sept.)	↓ Compressing
Occupancy (RealPage)	95.4% (Q2)	95.4% (Q3)	→ Stable
Units offering concessions (RealPage)	24.6% (Q2)	22.7% (Q3)	↓ Narrowing
T12 completions (RealPage)	≈588,000 (late-2024 peak)	≈318,000 (to Q3)	↓ Declining
Fed funds target	3.50%–3.75%	3.75%–4.00%	↑ Median 4.1% at YE
10-year Treasury	4.79% (Sept. 1)	5.29% (Sept. 30)	↑ Forecasts assume decline
30-year mortgage (Freddie Mac)	7.28% (Oct. 1 wk.)	7.40% (Oct. 8 wk.)	↑ Elevated
MF CMBS delinquency (Trepp)	7.69% (Aug.)	8.04% (Sept.)	↑ Rising

All readings published Sept. 7–Oct. 14, 2026. [1,2,3,15,16,17,35] "Direction" reflects Viking Capital's assessment, not a forecast.

The NOI Trough Is Regional

Public REIT guidance shows where 2026 earnings pressure sits. Sun Belt-focused MAA guides to a −0.9% same-store NOI midpoint for 2026 on +0.1% revenue, while coastal Vivmark Residential guides to revenue growth of about 2%.[29,45] Zelman expects national rent growth to rebuild from 1.5% in 2026 to 2.6% in 2027 and 3.7% in 2028.[14] If that path holds, the improvement arrives after most 2026 refinancing decisions have already been made — which is why entry basis and debt structure matter more than the recovery forecast itself.

Our Read

The case for multifamily over a full cycle has not changed: the supply pipeline is shrinking, ownership is more expensive than renting, and rents are turning. What has changed is the price of the capital that funds it. Over the next two to three quarters, we expect pricing — not fundamentals — to set the pace of the cycle, and we expect the best entry points to come from owners who must transact rather than those who choose to.

> “I don’t think it takes much to really get the market moving in the right direction.”
>
> — JAY PARSONS, RENTAL HOUSING ECONOMIST · SEPT. 9, 2026 [67]

17 · OUTLOOK 2027 & VIKING CAPITAL POSITIONING

Viking Capital's Investment Focus

Since 2015, Viking Capital has acquired more than 6,500 units across market cycles.[74] The Q3 data change how our convictions are weighted, not what they are.

- **Underwrite to today's debt.** Assume no rate relief over the business plan. An acquisition should show positive leverage — or a clearly identified path to it — at current Treasury levels, with debt-service coverage tested at flat rents.
- **Basis over timing in the Sun Belt.** We continue to underwrite value-add and core-plus multifamily in high-growth Sun Belt submarkets where the pipeline has demonstrably contracted, targeting entry below replacement cost.[60] The Q3 data add a test: effective rents are underwritten net of the concessions offered by the nearest lease-ups, held until that competing supply is leased.
- **Capital dislocation.** Rising CMBS delinquency and a heavy 2026–2028 maturity schedule are producing recapitalizations and preferred-equity needs from owners whose debt no longer fits their assets.[35,36] These are structure-first opportunities, priced for the downside.
- **Renewal-led operations.** With renewal rent growth at 1.7%, retention and expense control carry more of NOI than rent increases do.[1] In-house property management, revenue management and leasing analytics remain the levers we rely on.[60]
- **Patient capital.** Our structure allows us to hold through short-term supply pressure rather than sell into a repricing. We are not forced sellers.[60]

"Fundamentals tell you what a building can earn. The cost of capital tells you what it is worth. In Q3, they moved in opposite directions — and disciplined underwriting has to respect both."

TALK TO INVESTOR RELATIONS

For questions on this report or on investing alongside Viking Capital, contact Chris Parrinello, SVP of Capital Markets & Head of Investor Relations, at vikingcapllc.com. Register for our next investor webinar, and listen to Wealth Unfiltered for our team's market commentary.

18 · DISCLOSURES & SOURCES

Disclosures & Sources

Disclosures

This report has been prepared by Viking Capital for informational purposes only. It is not an offer to sell or a solicitation of an offer 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 rates, economic conditions and local market dynamics. Investors should review all offering documents and consult their financial, legal and tax advisors before investing. Forecasts and projections are forward-looking, are not guarantees, and are subject to change; third-party projections are attributed to their authors. Hypothetical illustrations are not Viking Capital investments or projections. Market data from third-party sources are believed to be reliable; Viking Capital has not independently verified all third-party data. Where sources report different values for the same measure, this report identifies the source of each figure.

Data currency: third-party sources below were published Sept. 7–Oct. 14, 2026, except source 65 (Colliers' Q2 2026 report, used for labeled Q2 figures) and the dated pull quotes (66–69). Source 60 is Viking Capital's prior report.

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