MATTHEWS™

Market Report

Waco, TX

Multifamily | Q1 2026

By the Numbers

Source: Matthews™ Research, CoStar Group, Inc.

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Sales Volume

7.1%
Cap Rate

$65K-$80K
Price Per Unit

9.1%
Vacancy Rate

0.6%
Rent Growth (YOY)

$1,240
Asking Rent Per Unit

1.1K
Units Under Construction

-
Units Delivered

-
Units Absorbed

Highlights

- The market recorded a 9.1% vacancy rate, reflecting moderate softening but still outperforming larger Texas metros.
- Asking rents averaged $1,240/unit, with 0.6% year-over-year growth, indicating stable but muted rent performance.
- Investment activity remains measured, with cap rates around 7.1% and pricing in the $65,000-$80,000/unit range, as capital markets remain cautious.

Waco Demographics

Source: CoStar Group, Inc.

4.2% Unemployment Rate	309,692 Current Population
117,825 Households	$69,929 Median Household Income

Market Performance

Waco's multifamily market in Q1 2026 continued to demonstrate relative stability compared to larger Texas metros, benefiting from its smaller scale, diverse renter base, and lower cost of living. While the market has experienced some softening due to elevated supply levels delivered over the past several years, fundamentals remain more balanced than in major markets like Austin or Dallas, where sharper rent declines have occurred. Demand has remained steady, particularly in higher-quality assets, helping to offset the impact of new supply.

At the same time, broader capital market conditions, particularly elevated interest rates and tighter lending standards, have weighed on transaction activity and investor sentiment. Despite these headwinds, pricing has remained relatively stable, reflecting a degree of confidence in Waco's long-term fundamentals. Overall, the market is transitioning into a more normalized phase, characterized by slower growth, stabilized occupancy, and more disciplined investment activity.

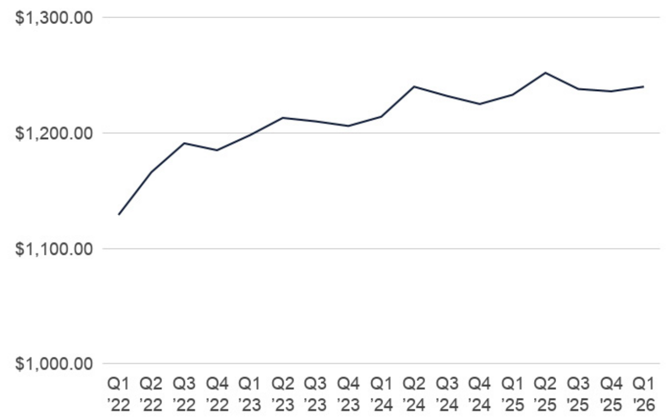
Rents, Vacancy, & Construction

Rents

Asking rents averaged $1,240 per unit, with 0.6% year-over-year growth, signaling a period of stabilization following stronger gains in earlier cycles. Rent performance has remained positive despite elevated vacancy, supported by relatively limited new construction in lower-tier assets and steady renter demand. More affordable segments have shown particular resilience, helping to anchor overall market performance. Looking ahead, rent growth is expected to remain modest as supply-demand dynamics continue to normalize.

Market Asking Rent Per Unit

Source: CoStar Group, Inc.

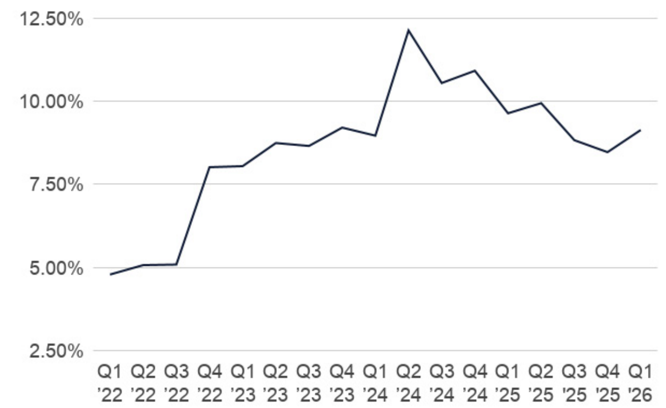


Vacancy

Vacancy in Waco reached 9.1% in Q1 2026, reflecting an increase from prior lows but still remaining competitive within the region. The rise in vacancy is largely attributable to recent supply additions over the past few years, though absorption, particularly in higher-end product, has helped prevent more significant softening. Notably, vacancy spreads between asset classes have narrowed, indicating more balanced demand across quality tiers. While vacancy remains elevated in the near term, it is expected to stabilize as new supply is absorbed.

Vacancy Rate

Source: CoStar Group, Inc.

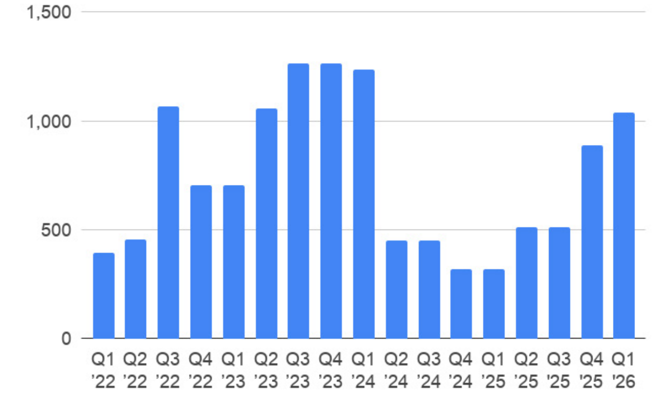


Construction

Development activity remains active but measured, with approximately 1,100 units currently under construction and no new deliveries reported in the latest quarter. This represents a meaningful pipeline relative to the market's size and suggests continued pressure on vacancy in the near term. However, the pace of new supply appears to be moderating compared to prior years, which could help rebalance fundamentals moving forward. Additionally, most of the pipeline is concentrated in higher-quality assets, which may continue to shift the market's overall composition.

Units Under Construction

Source: CoStar Group, Inc.



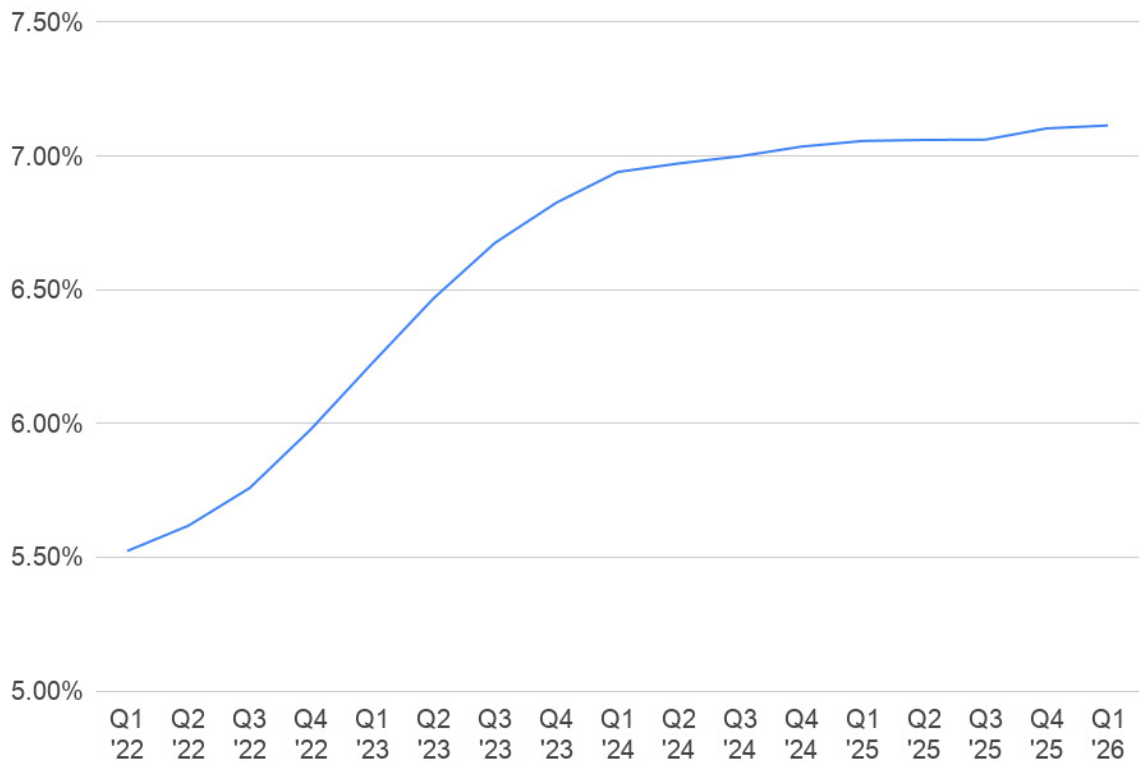
Sales

Multifamily sales activity in Waco has slowed considerably, with fewer transactions occurring over the past year as investors remain cautious in the current interest rate environment. Despite this slowdown, the market has maintained relatively stable pricing fundamentals.

Cap rates have expanded to approximately 7.1%, aligning with broader repricing trends across the country, while average pricing has held near $65,000 to $80,000 per unit. This stability suggests that while buyers are underwriting more conservatively, sellers have not yet significantly discounted assets. Going forward, transaction activity is likely to remain muted until there is greater clarity on interest rates and rent growth prospects, though Waco's relative affordability and steady fundamentals may position it well for renewed investor interest as market conditions improve.

Waco Multifamily Cap Rate

4-5 Star | Source: CoStar Group, Inc.



Significant Sales

Q1 2026 | Source: CoStar Group, Inc.

Address	Year Built	Units	Sale Date
1926 Colcord St	1981	12	4/2/2026

For more information, please contact a Matthews™ specialized agent.

Buddy Gaston
Associate

(512) 535-1015

buddy.gaston@matthews.com

License No. 841475 (TX)

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