

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **12,899**

UNITS DELIVERED (YTD) **4,739**

MARKET FUNDAMENTALS



VACANCY RATE **8.1%**

YEAR-OVER-YEAR CHANGE **+90bps**

ASKING RENTS **\$1,712**

YEAR-OVER-YEAR CHANGE **+0.6%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$220,670**

NASHVILLE MULTIFAMILY 2Q 2025

MARKET INSIGHTS

Development pullback eases pressure as vacancy begins to decline

HIGHLIGHTS

- New construction activity in Nashville has slowed significantly, with approximately 12,900 units currently underway, or roughly half the peak level recorded in late 2022. The slower pace of construction has had a positive impact on the multifamily market, with rents beginning to improve and vacancy trending downward.
- Sustained demand and a slowdown in new deliveries contributed to a 30-basis-point decline in vacancy in the second quarter to 8.1%. Year over year, the vacancy rate is up 90 basis points.
- Asking rents have posted modest gains for three consecutive quarters. As of the second quarter, rents average \$1,712 per month, up 0.9% from the first quarter and 0.6% year over year.
- Through the second quarter, the median sale price is \$220,670 per unit. Cap rates largely range between 4.4% to 4.8%.

NASHVILLE MULTIFAMILY MARKET OVERVIEW

The pace of multifamily deliveries in Nashville is steadily declining from peak levels of 2023 and 2024. Completions year to date have totaled approximately 4,700 units, a figure that is down from prior periods but still elevated compared to historical averages. Developers are scaling back construction starts and focusing on leasing recently delivered projects. With the primary emphasis on maintaining occupancies, rents have remained essentially flat, although the market recorded a modest uptick during the second quarter. The recent rent increase coincided with a quarterly vacancy improvement, which was supported by stronger renter demand in key urban and suburban areas where absorption outpaced new supply. This sets the stage for continued rent growth and declining vacancy in the second half of 2025.

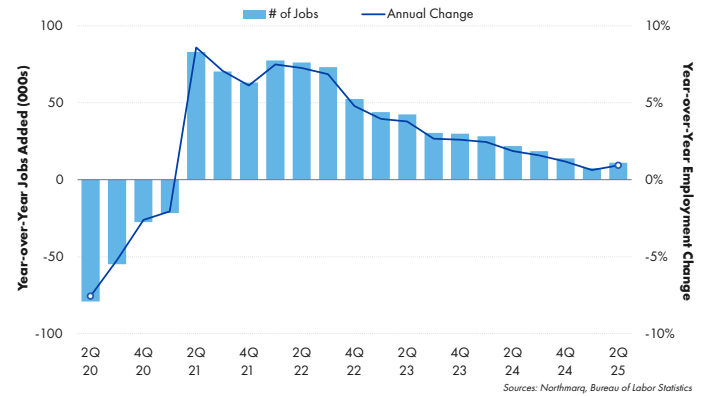
Investor sentiment in the Nashville area remains cautious but optimistic. Transaction activity in the first half of the year was steady, with the number of deals nearly identical to the same period in 2024. While the number of properties changing hands closely tracked 2024 levels, transaction volume spiked by nearly 70%, driven by an increase in institutional deals and a few large transactions. Investors continue to show a preference for newer vintage Class A and Class B properties. Nearly 70% of properties traded year to date were built in 2020 or later, while the remainder involved assets constructed in the 1960s and 1980s. The year-to-date median sale price for transactions involving properties with 50 or more units is \$220,670 per unit, up 1% from the 2024 figure.

EMPLOYMENT

- Employers in Nashville added 11,100 net new jobs in the 12-month period ending in the second quarter, a gain of 0.9%. The annual pace of growth has averaged 1.6% since the end of 2023.
- The leisure and hospitality sector continues to expand as Nashville attracts visitors to the area. During the past 12 months, more than 4,000 jobs have been added in the sector, a 3% growth rate. Over the past decade, leisure and hospitality employment has surged by 38% with the addition of nearly 40,000 jobs.
- The Boring Company appears to be moving closer to building a 10-mile tunnel connecting Nashville International Airport to Downtown. If approved, the project is expected to support hundreds of construction jobs and begin operations in 2027.
- FORECAST:** As the local population continues to expand and companies move to Nashville, the local employment market is expected to add workers. Employers are forecast to add 20,000 jobs this year, a 1.7% annual increase.

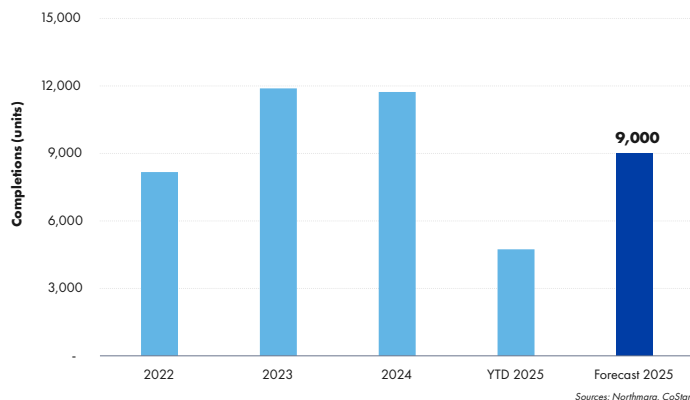
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EMPLOYMENT OVERVIEW



Nearly 12,900 units are currently under construction.

DEVELOPMENT TRENDS

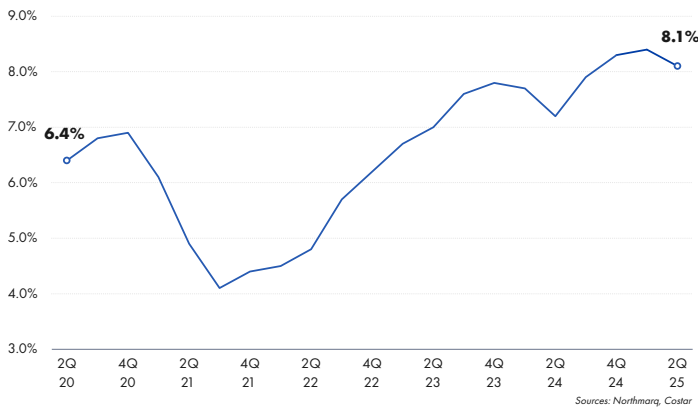


DEVELOPMENT & PERMITTING

- More than 4,700 units were completed during the first half of the year, down approximately 40% from the total in the same period in 2024. Downtown Nashville accounted for more than 60% of the units that came online year to date, and the city core also accounts for approximately 50% of units of the units that are under construction.
- Nearly 12,900 units are currently under construction, a total that is down nearly 50% from the late 2022 peak.
- Developers have slowed permitting volumes. Permits for approximately 2,200 multifamily units were issued in the first half of 2025, a 20% reduction in activity from the same timeframe in 2024, and a 60% cut from the same period in 2023.
- FORECAST:** Nashville multifamily development will continue to slow from elevated levels in recent years. Current construction activity is on pace to bring approximately 9,000 units online in 2025, a 24% decline from the 2024 total.

Vacancy declined 30 basis points in the second quarter to 8.1%.

VACANCY TRENDS



VACANCY

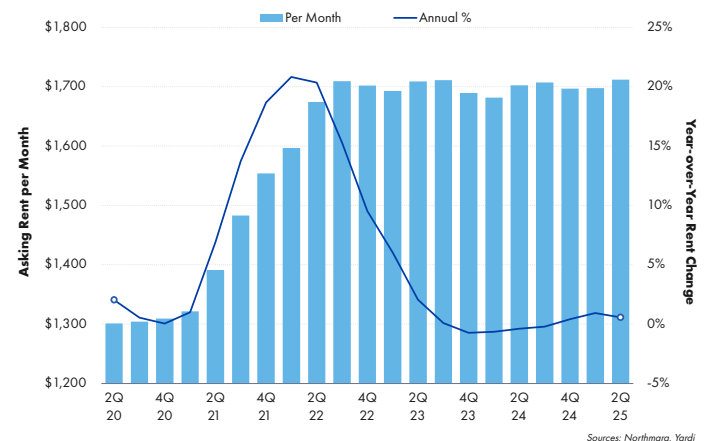
- After inching up just 10 basis points in the first quarter, vacancy reversed course and dropped by 30 basis points to 8.1% during the past three months.
- While area vacancy has tightened slightly to this point in 2025, the current rate is still higher than levels from one year earlier. Vacancy is up 90 basis points year over year. The rate has averaged 7.7% since the beginning of 2023.
- Despite having the third highest count of new deliveries in the past year, Williamson County's vacancy stands at 7.8%. The submarket's vacancy rate has averaged 7.6% since the end of 2022.
- **FORECAST:** The vacancy rate in Nashville has started to decline as new supply levels begin to realign with continued strong absorption. This downward trend is expected to continue steadily through 2026. Vacancy is forecast to finish 2025 at 7.5%, down 80 basis points for the year.

RENTS

- Asking rents increased 0.9% in the second quarter, reaching \$1,712 per month. Year over year, rents are up 0.6%.
- Larger submarkets that recorded positive year-over-year rent growth include Madison/Rivergate and Williamson County, with annual gains of 1.2% and 0.5%, respectively.
- Class A lease-up concessions remain prevalent due to elevated deliveries of competing new supply, but are beginning to burn off, particularly in properties with proximity to new corporate employment hubs.
- **FORECAST:** Rents should push higher as renter demand for units begins to outpace new supply growth. Asking rents are expected to finish 2025 at approximately \$1,730 per month, representing a 2.0% year-over-year increase.

Year over year, asking rents are up 0.6%.

RENTS TRENDS

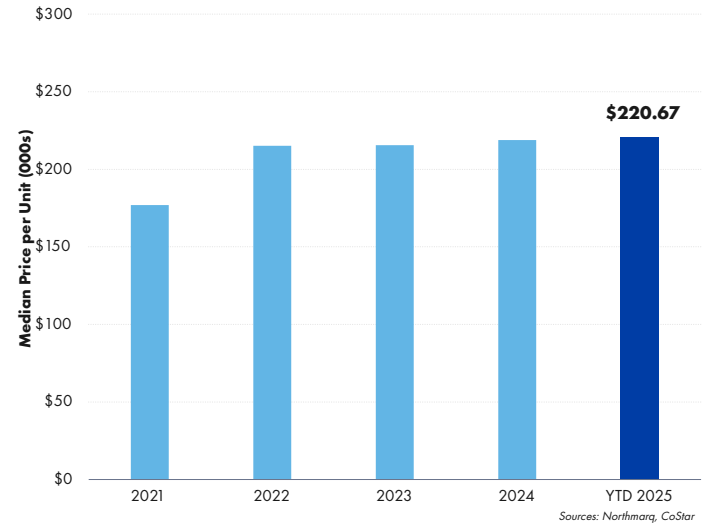


MULTIFAMILY SALES

- Sales velocity remained steady in the first half of 2025, with the number of transactions nearly identical to the same period in 2024. First half dollar volume rose nearly 70% compared to the prior year, supported by an increase in institutional deals.
- Almost 70% of properties traded in 2025 were built in 2020 or later, reflecting a clear preference for newer assets.
- After no transactions exceeding \$100 million occurred in 2024, two such deals have closed in 2025 to date. A handful of sales of more than \$50 million have also closed this year.
- Year to date, the median sale price is \$220,670 per unit for properties with 50 or more units. Cap rates have remained relatively stable, ranging from 4.4% to 4.8%.

Year-to-date, the median sale price is \$220,670 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

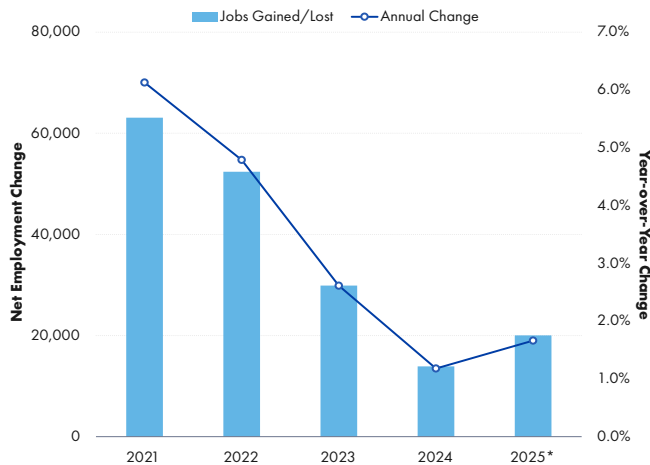
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
2010 West End	2010 W End Ave., Nashville	2021	358	\$112,000,000	\$312,849
Harmony at Mount Juliet	103 Belinda Pky., Mount Juliet	2021	190	\$45,963,000	\$241,911
83 Freight	2126 Byrum Ave., Nashville	2021	83	\$19,000,000	\$228,916

LOOKING AHEAD

Developers are expected to complete approximately 9,000 units in 2025, down from peak volumes recorded in recent years. The combined forces of elevated renter demand for units and slowing inventory growth are expected to support a decline in vacancy rates. Vacancies are on pace to fall below 8.0% by year-end and continue trending toward historical norms by late 2026. Tightening conditions should also support rent growth; rents are forecast to reach \$1,730 per month on average. Market fundamentals are expected to continue to be supported by Nashville's ability to draw residents and employers with its attractive music/entertainment culture and business friendly environment, especially among the healthcare, technology, and hospitality sectors.

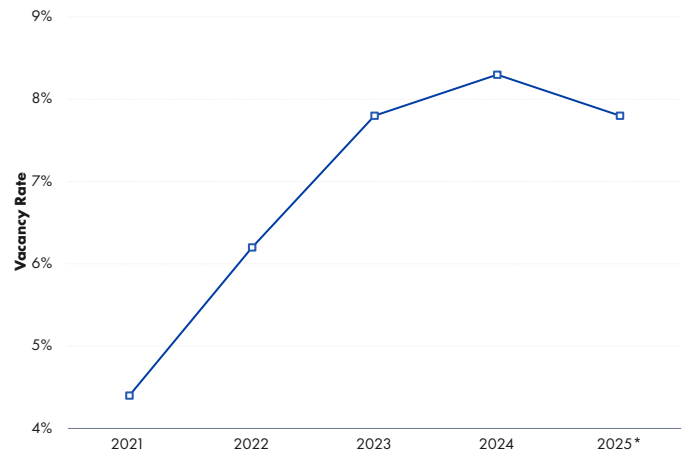
Multifamily sales activity in Nashville may accelerate through the remainder of 2025. Investment volumes lag peak activity levels of 2021 and 2022, although pricing has stayed elevated. In recent months, investors have targeted newer construction projects, resulting in increases in per-unit pricing and a surge in sales of properties priced above \$50 million. Cap rates have begun to compress slightly, signaling continued buyer interest as operating fundamentals improve. A meaningful rebound in sales activity may depend on interest rate cuts anticipated for the second half of 2025. In the meantime, trades will likely remain concentrated in well-located, newer vintage Class A and Class B assets that have reached stabilization.

EMPLOYMENT FORECAST



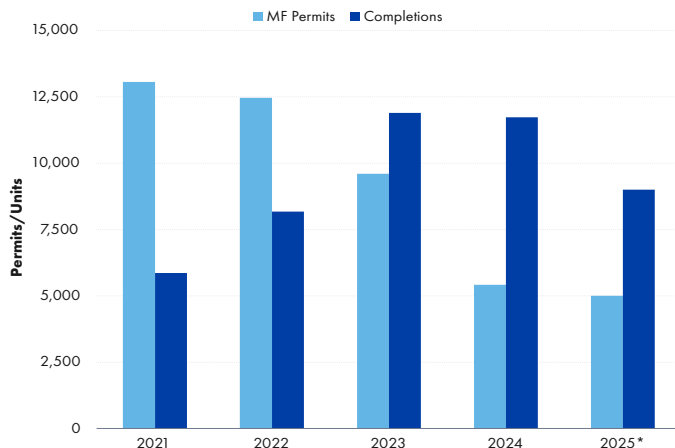
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



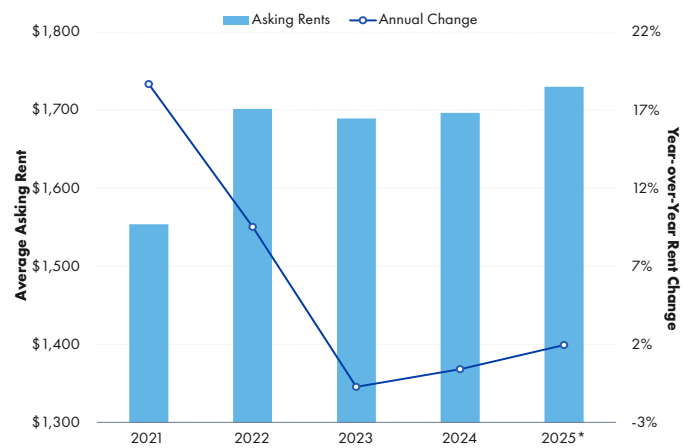
* Year End Forecast
Sources: Northmarq, CoStar

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, Yardi



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