

# Annual rent growth holds as supply boom fades

## CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **10,659**

UNITS DELIVERED (YTD) **8,918**

## MARKET FUNDAMENTALS



VACANCY RATE **8.5%**

YEAR-OVER-YEAR CHANGE **+20bps**

ASKING RENTS **\$1,701**

YEAR-OVER-YEAR CHANGE **+0.3%**

## TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$228,900**

## NASHVILLE MULTIFAMILY Q4 2025

### HIGHLIGHTS

- Market conditions were mixed in the fourth quarter, while Nashville employment grew 1.9%, supporting household formation and contributing to elevated absorption over the year. Multifamily completions fell 24% year over year as developers scaled back new supply.
- Vacancy reached 8.5%, up 20 basis points annually. Class A properties and the Downtown submarket posted the softest conditions, though vacancy is expected to improve. The supply pipeline is contracting, with units under construction declining 25% from 2024.
- Average rents in Nashville edged down to \$1,701 per month in the fourth quarter, a 1.4% decline from the prior quarter. On a year-over-year basis, rents increased slightly by 0.3%.
- The median sale price rose 5%, largely reflecting a materially newer vintage among traded assets. Sales volume declined 13% annually.

### NASHVILLE MULTIFAMILY MARKET OVERVIEW

Nashville finished 2025 with strong employment gains supporting household formation, though vacancy rose amid continued new supply, and rent growth remained measured. Employers added more than 22,000 positions during the year, a 1.9% increase, with the professional and business services and leisure and hospitality sectors leading expansion. This steady job creation has sustained underlying housing demand and fueled absorption of new supply. Following decade-high deliveries in 2023 and 2024, completions eased in 2025, with roughly 8,900 units brought online, a 24% decline from the prior year. Despite the slowdown, vacancy reached a new cyclical high of 8.5%, with the rate in Class A reaching 9.0%. Submarket performance varied, with Downtown recording 9.6% vacancy and West Nashville, where new apartment supply is less pronounced, much tighter at 6.5%.

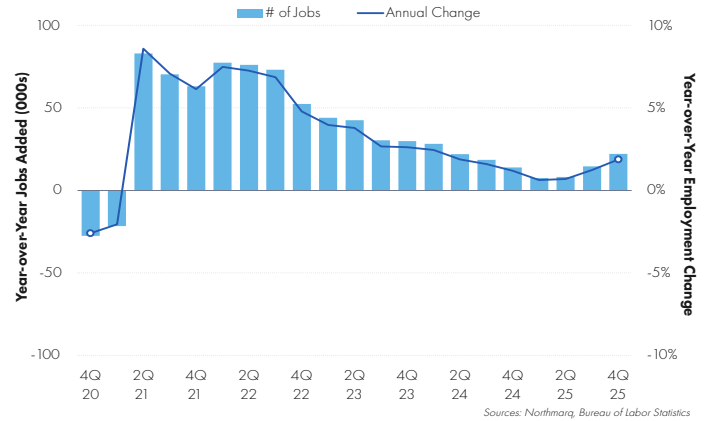
Investment sale trends in 2025 reflected a cautious and increasingly selective investor base. The median sale price rose 5% year over year to approximately \$228,900 per unit, driven less by broad-based appreciation and more by a shift in the composition of traded assets. Properties brought to market in 2025 were, on average, about 12 years newer than those sold in 2024, pushing pricing higher. At the same time, overall transaction velocity continued to slow, with the number of completed multifamily trades down 13% from the prior year and levels remaining well below the 2021 peak. Investors continued to recalibrate underwriting in response to evolving borrowing costs, softer near-term rent trends, and elevated vacancy levels. Cap rates for stabilized assets generally clustered in the mid-5% range, with best-in-class, institutional quality properties trading in the mid-4% to low-5% band, while core-plus and value-add assets typically priced in the 6%–7% cap range.

## EMPLOYMENT

- Nashville’s labor market continues to expand at a healthy pace at a time when gains are less robust in other major markets across the nation. Nashville employers added 22,200 new positions in 2025, a 1.9% annual increase.
- The professional and business services sector grew by 6,700 jobs, a 3.5% annual increase. The leisure and hospitality sector added 3,500 jobs, up 2.6% annually.
- Carlex Glass America, a Tennessee-based manufacturing firm, is expanding operations in Davidson County, equipping the company with modernized production lines in 2026. The expansion will create nearly 150 permanent jobs and \$55 million in new investment.
- FORECAST:** The Nashville employment market is forecast to add 24,000 new positions by the end of 2026, a 2.0% annual increase.

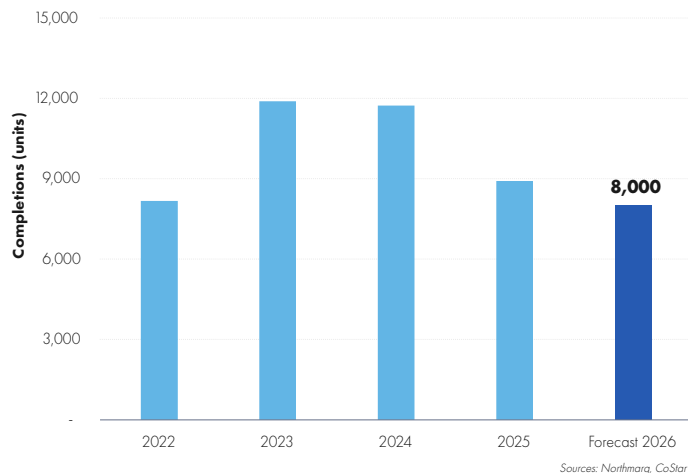
*Strong job growth will continue to support robust housing demand.*

### EMPLOYMENT OVERVIEW



*Multifamily unit completions declined 24% from 2024.*

### DEVELOPMENT TRENDS

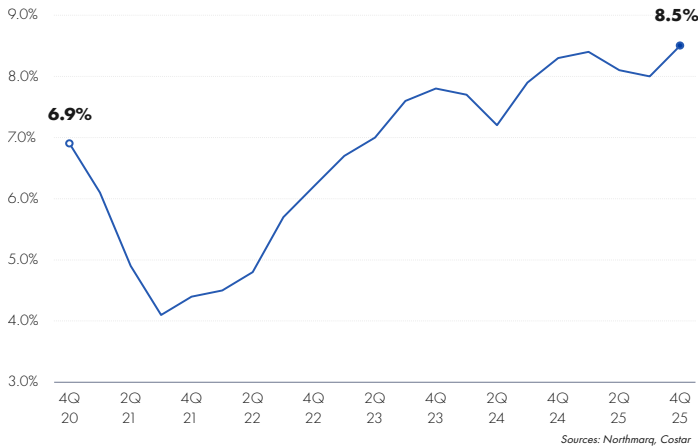


## DEVELOPMENT & PERMITTING

- After two consecutive years of elevated completions in 2023 and 2024, developers began to slow the pace of deliveries in 2025. Approximately 8,900 new apartment units were completed during the year, a 24% decline from 2024.
- Roughly 10,700 units were under construction at the end of fourth quarter. This compares with approximately 14,300 units one year earlier, representing a 25% year-over-year contraction in the construction pipeline from 2024 to 2025.
- Between 2020 and 2022, building permits were issued for an average of 12,200 multifamily units annually. By comparison, average annual permitting fell to 5,600 units between 2024 and 2025, signaling an anticipated contraction in long-term supply growth.
- FORECAST:** This year will mark the third consecutive year of declining deliveries in the Nashville market. Deliveries are expected to reach about 8,000 units, representing a 10% decline from the 2025 total.

The vacancy rate finished 2025 at 8.5%.

VACANCY TRENDS



VACANCY

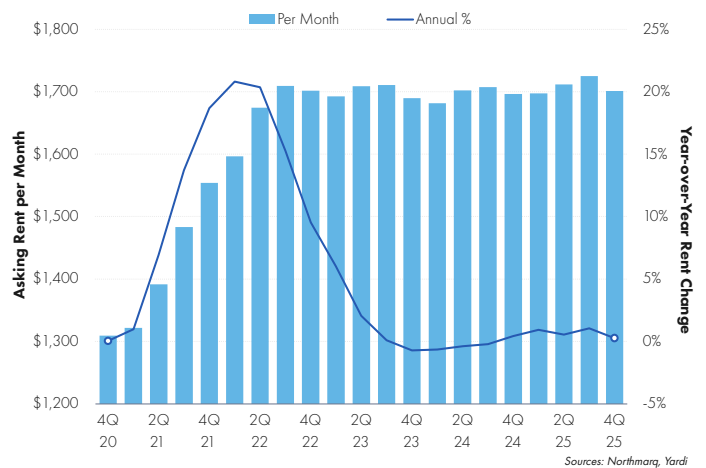
- Multifamily vacancy across Nashville hit a new cyclical high in 2025. The rate finished 2025 at 8.5%, up 20 basis points year over year.
- Vacancy remained highest in the Class A segment, where the stabilized rate ended the year at 9.0%, up 10 basis points year over year. Class C vacancy reached 7.4% in the fourth quarter, up 40 basis points annually.
- Downtown Nashville recorded the highest submarket vacancy at 9.6%, increasing 40 basis points from last year. By comparison, the West Nashville submarket ended the year with a 6.5% vacancy rate, up 130 basis points annually.
- **FORECAST:** Annual absorption totaled 9,300 units in 2025, and demand is expected to remain elevated in 2026. Vacancy is forecast to decline by 10 basis points, bringing the rate down to 8.4% over the coming year.

RENTS

- Asking rents in Nashville dipped to \$1,701 per month in the fourth quarter, down 1.4% from the prior quarter. On a year-over-year basis, rents increased 0.3%. Since the third quarter of 2022, rents have recorded quarterly swings but have generally remained near the \$1,700 per month level.
- Downtown Nashville asking rents reached \$2,461 per month, up 0.7% year over year, while average rents in the Central North submarket declined to \$1,808 per month, a 3.5% annual decrease.
- Over the past 12 months, average rents for Class B properties fell 1.5% to \$1,398 per month, while Class C rents rose 1.6% to \$1,199 per month. Class A rents were relatively stable, increasing 0.1% year over year to \$1,926 per month.
- **FORECAST:** By the end of 2026, average asking rents are projected to reach \$1,707 per month, a gain of 0.4% year over year.

On a year-over-year basis, rents increased 0.3%.

RENTS TRENDS

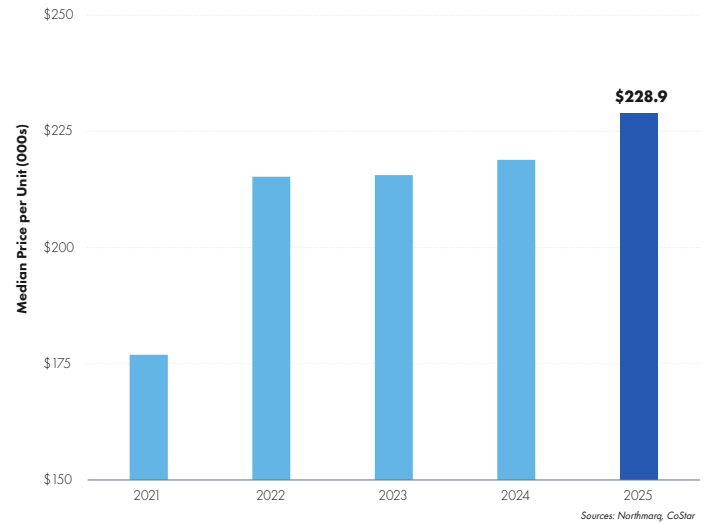


## MULTIFAMILY SALES

- The median sale price in 2025 reached \$228,900 per unit, a 5% increase from 2024. The rise in price is largely attributed to property vintage, as the average property sold in 2025 was about 12 years newer than in 2024.
- Transaction volume has been trending downward since peaking in 2021. The number of multifamily sales dipped in 2025 as investors completed 13% fewer transactions compared to the year prior.
- Market cap rates currently average in the mid-5% range for stabilized multifamily properties in Nashville. Institutional quality Class A properties are trading between the mid-4% and low-5% range, while value-add properties are trading closer to 6%-7%.

*The median sale price in 2025 reached \$228,900 per unit.*

### INVESTMENT TRENDS



## RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

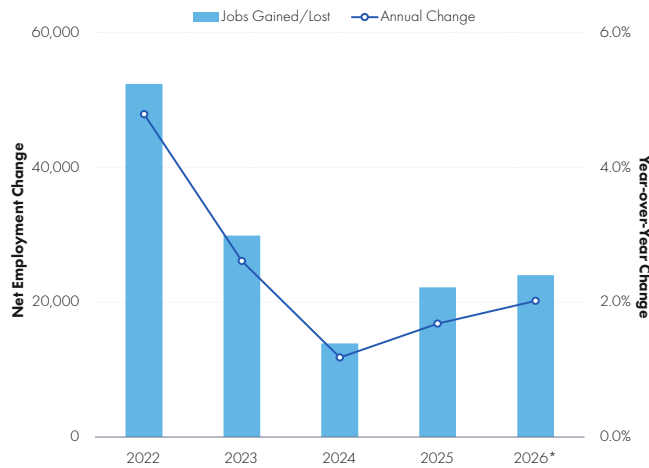
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Paxton Cool Springs	2007 Knoll Top Lane, Franklin	2018	328	\$106,000,000	\$323,171
Stacks on Main	535 Main St., Nashville	2016	268	\$68,000,000	\$253,731
Discovery at Mountain View	5000 Mountain Springs Road, Antioch	2008	336	\$65,861,076	\$196,015
909 Flats	909 Rosa L Parks Blvd., Nashville	2016	232	\$60,500,000	\$260,776
The Ashley Columbia	2516 Pitts Ct., Columbia	1980	96	\$13,325,000	\$138,802

## LOOKING AHEAD

Looking into 2026, Nashville’s multifamily fundamentals are expected to gradually strengthen as the market transitions from absorbing a large wave of new supply toward a more balanced environment. Job growth is anticipated to remain a key driver, with employers forecast to add roughly 24,000 new positions in the year ahead, slightly outpacing the gains posted in 2025. On the supply side, the pipeline is already thinning; the number of units under construction has fallen by about 25%, and annual multifamily permit issuance has retreated by more than 50%. As a result, deliveries are projected to fall for a third consecutive year in 2026. These trends support an outlook that calls for a modest improvement in vacancy and an uptick in rental rates. Rents are expected to end the year at about \$1,700 per month, similar to averages that have persisted since the second half of 2022.

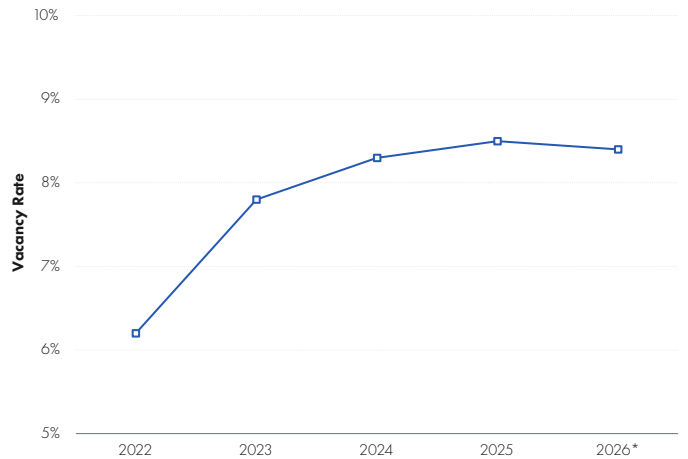
On the investment side, 2026 is likely to be characterized by more active capital deployment. With borrowing costs easing, investors are expected to act with a focus on asset quality and operational upside. The increase in median pricing in 2025, largely driven by newer vintage trades, suggests that pricing for stabilized Class A assets will remain relatively firm, particularly in high-amenity communities and submarkets with institutional quality assets. At the same time, older properties may present opportunities for Nashville multifamily investors. To this point in the cycle, most Class C properties have consistently posted tighter vacancies and modest rent gains, allowing for the prospect of further upside as the market stabilizes.

### EMPLOYMENT FORECAST



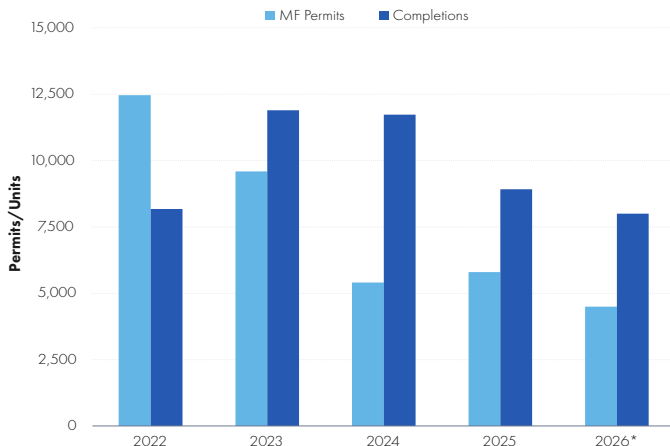
\* Year End Forecast  
Sources: Northmarq, Bureau of Labor Statistics

### VACANCY FORECAST



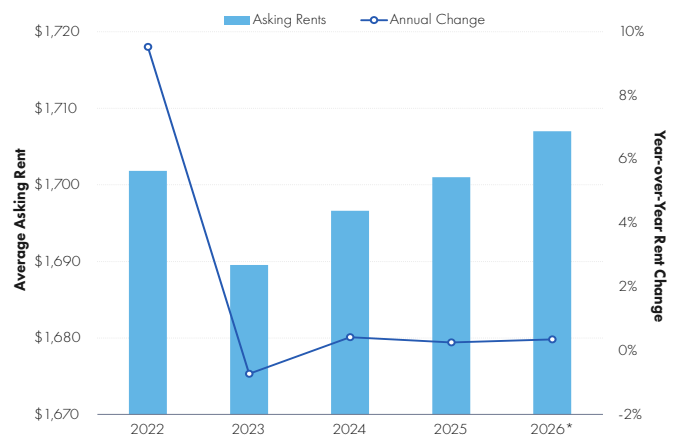
\* Year End Forecast  
Sources: Northmarq, CoStar

### CONSTRUCTION & PERMITTING FORECAST



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

### RENTS FORECAST



\* Year End Forecast  
Sources: Northmarq, Yardi



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