Northmarq

MARKET INSIGHTS

Vacancy holds steady from prior quarter

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	10,626
UNITS DELIVERED (YTD)	2,003

MARKET FUNDAMENTALS

VACANCY RATE	8.5%
YEAR-OVER-YEAR CHANGE	+10bps
ASKING RENTS	$1,694
YEAR-OVER-YEAR CHANGE	-0.2%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$201,500

NASHVILLE MULTIFAMILY
Q1 2026

HIGHLIGHTS

- The Nashville multifamily market is expected to stabilize in 2026, with annual absorption and forecasted deliveries likely to converge. In recent years, new supply has outpaced net absorption.
- Vacancy held flat at 8.5% from year-end 2025 through the first quarter, up just 10 basis points year over year. Downtown Nashville remained the most supply-pressured submarket, ending the quarter at 9.4% amid a concentration of recent deliveries.
- Asking rents dipped 0.4% in the first quarter to $1,694 per month, marking a second consecutive quarterly decline. Year over year, rents are down 0.2%, while Class A rents remained flat.
- Transaction volume in the first quarter was in line with the pace of the past three years. The year-to-date median sale price declined 12% from 2025 to $201,500 per unit, driven primarily by a shift in the sales mix toward older Class B and Class C assets.

NASHVILLE MULTIFAMILY MARKET OVERVIEW

The multifamily market is approaching a meaningful milestone in 2026. Following two years of peak completions in 2023 and 2024, which pushed vacancy higher and pressured rents, supply and demand are now approaching equilibrium. Absorption reached 8,700 units over the trailing 12 months, nearly matching the volume of new supply for the same period and marking a level of balance not recorded since before the construction surge. Vacancy held flat from the prior quarter, indicating the market has largely absorbed the cumulative impact of recent supply growth. The primary exception remains Downtown Nashville, where deliveries continue to outpace absorption, keeping the submarket's vacancy elevated at 9.4%. Rents declined modestly for the second quarter in a row, with softness concentrated in Class B and Class C assets. Class A rents proved resilient as the pipeline continues to contract.

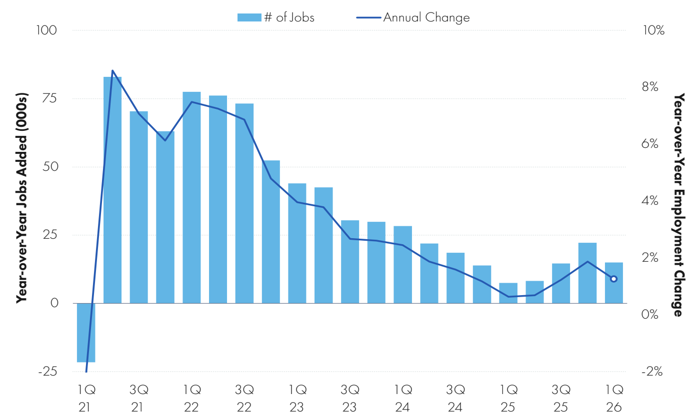
The Nashville multifamily investment market has maintained a steady pace through the first quarter of 2026. Transaction volume was broadly in line with the first-quarter trends of recent years, reflecting a market that has established a consistent baseline as activity remains well below peak levels. A feature of recent sales is a shift in the vintage composition of assets traded. The average build year of properties sold in the first quarter was 1993, compared with 2009 in the prior year, reflecting a move toward older assets that is weighing on overall pricing. The first quarter median sale price fell 12% from 2025, a decline stemming from asset mix rather than a fundamental repricing of Nashville multifamily properties. Cap rates averaged 5.5% for the overall investment market, with institutional-quality Class A assets trading in the 4% to 5% range.

EMPLOYMENT

- At the close of the first quarter of 2026, Nashville's labor market continued to post employment gains. Over the past 12 months, employers added 15,000 new positions, recording annual employment growth of 1.3%.
- The leisure and hospitality sector added 1,700 workers for a 1.3% year-over-year increase. Education and health services also performed well, hiring 2,100 workers and increasing employment by 1.2% annually.
- Starbucks signed a lease for 250,000 square feet of office space in downtown Nashville, with plans to employ nearly 2,000 workers. The company cited Nashville's tax structure and economic incentives as reason for its strategic expansion into the region.
- **FORECAST:** By the end of 2026, Nashville employers are forecast to increase payrolls by 24,000 new positions, reflecting annual employment growth of 2.0%.

Starbucks plans to employ nearly 2,000 workers in Nashville.

EMPLOYMENT OVERVIEW



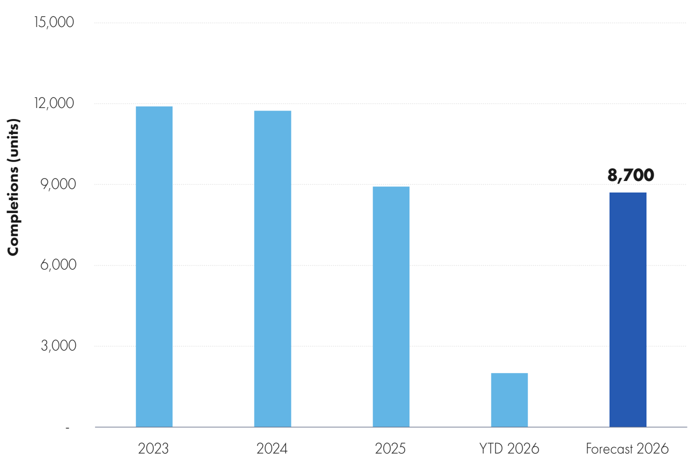
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- After two years of peak completions in 2023 and 2024, development activity slowed in 2025. Project completions in the first quarter of 2026 totaled roughly 2,000 units.
- Across Nashville, roughly 10,600 units were under construction at the end of first quarter. This marks a 31% decline from the same period last year.
- Between 2020 and 2022, permitting activity averaged 12,000 units annually before falling to 6,000 units in 2024 and 2025, indicating slowing long-term supply growth. The decline is expected to continue in 2026, with permitting estimated at 5,600 units.
- **FORECAST:** Deliveries are expected to reach about 8,700 units in 2026, slightly lower than the number of units that came online last year.

Roughly 10,600 units are under construction.

DEVELOPMENT TRENDS

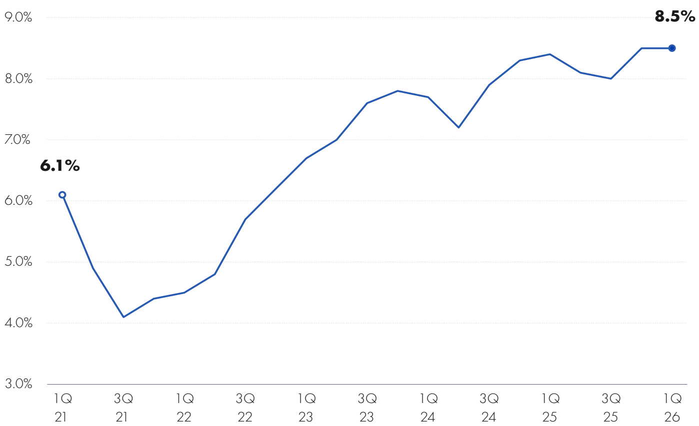


Sources: Northmarq, CoStar

VACANCY

Absorption totaled 8,700 units during the trailing 12 months.

VACANCY TRENDS



Sources: Northmarq, Costar

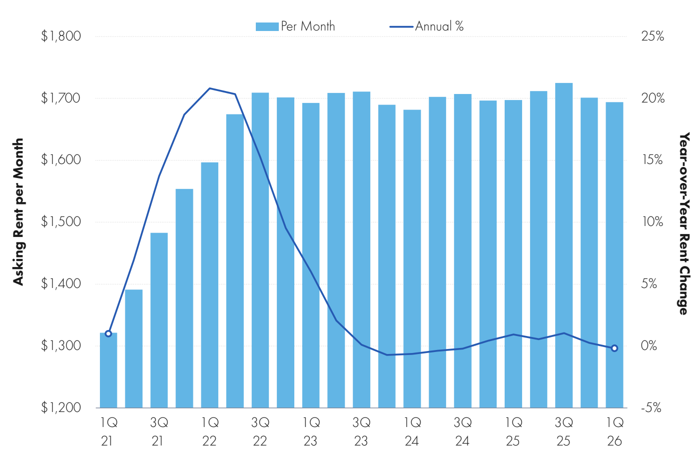
- Multifamily vacancy remained flat from year-end 2025 through first quarter of 2026 at 8.5%. Annually, vacancy is up 10 basis points. Absorption totaled 8,700 units during the trailing 12 months.
- Although Class A properties absorbed 5,800 units over the last four quarters, vacancy remained highest in this segment, ending the first quarter of 2026 at 8.9%, up 30 basis points year over year. Class C vacancy remained the lowest at 7.2%, up 20 basis points annually.
- Downtown Nashville vacancy ended the first quarter at 9.4%, up 60 basis points annually. The increase was driven in part by supply pressure, with about 4,900 multifamily units delivered over the last 12 months.
- **FORECAST:** Nashville appears to be achieving a supply-demand balance in 2026. Assuming demand holds steady, vacancy is forecast to remain flat, ending the year at 8.5%.

RENTS

- Asking rents in Nashville dipped to an average $1,694 per month in the first quarter, down 0.4% from year-end 2025 and marking a second consecutive quarterly decline. Year over year, rents are down 0.2%.
- West Nashville asking rents reached $1,750 per month, up 1.5% year over year, while Downtown Nashville averaged $2,437 per month, down 0.8% annually.
- Although overall market rents are down, Class A rents remained stable year over year at $1,925 per month. Average rents for Class B properties fell 0.4% annually to $1,399 per month, accounting for the majority of the overall decline.
- **FORECAST:** Rents are forecast to slightly improve in 2026; average asking rents are projected to reach $1,705 per month, a 0.2% annual increase.

Class A rents remained stable year over year.

RENTS TRENDS



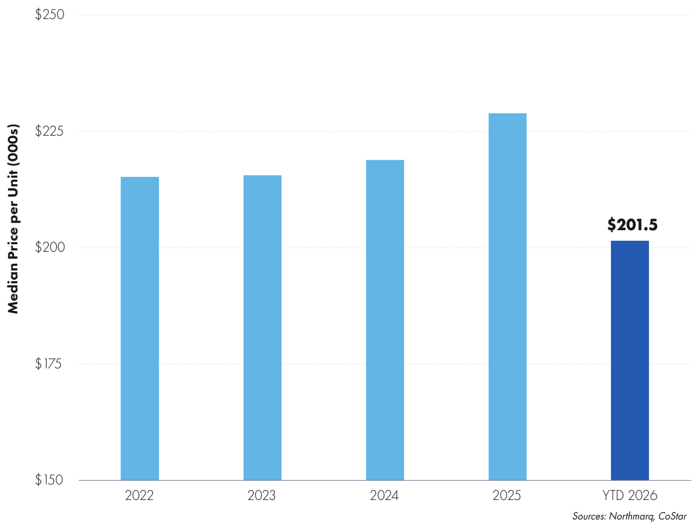
Sources: Northmarq, Yardi

MULTIFAMILY SALES

- The median sale price fell to $201,500 per unit in the first quarter, a 12% decline from last year. The decline was largely driven by a shift in the sales mix toward older properties. Properties sold in the first quarter had an average vintage of 1993, compared to a 2009 average build year for properties sold last year.
- Since peaking in 2021, transaction volume has moderated. The number of multifamily sales in the first quarter of 2026 is generally in line with first-quarter trends over the past three years.
- Cap rates continue to average in the 5.5% range for stabilized multifamily assets in Nashville. Institutional-quality Class A properties are trading in the mid-4% and low-5% range, while value-add deals are trading closer to 6%-7%.

The median sale price was $201,500 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

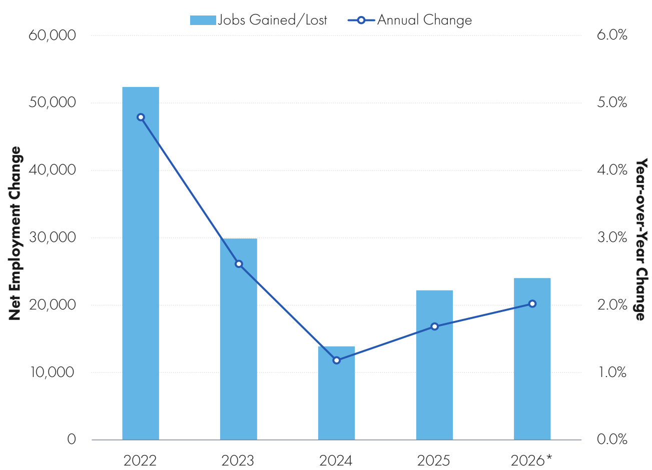
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Newport Station	1635 Bryson Cove, Nashville	2024	192	$52,600,000	$273,958
City Limits Apartments	2513 Nashville Highway, Columbia	2023	254	$61,000,000	$240,157
Chateau	2000 24th Ave. S., Nashville	1958	66	$10,750,000	$162,879
The 500 Fifth	500 Rep. John Lewis Way N., Nashville	1960	170	$23,000,000	$135,294
Sumner Estates	350 Old Shackle Island Road, Hendersonville	1973	100	$14,000,000	$140,000

LOOKING AHEAD

Nashville's multifamily operating outlook is the most balanced it has been in several years. With deliveries and absorption forecast to run near parity this year, vacancy is expected to hold flat at 8.5%, ending a multi-year period of supply-driven increases. The construction pipeline points to a continued easing of new supply pressure beyond 2026. Permitting activity has also tapered off, signaling that the next few years of supply may be less pronounced. On the demand side, Nashville's employment base continues to expand. The city's continued ability to attract corporate commitments provides tailwind for apartment demand in the urban core, where vacancy has been most elevated. As Nashville's supply-demand balance improves, the market is positioning for a period of renewed rent growth following a three-year period of stagnation.

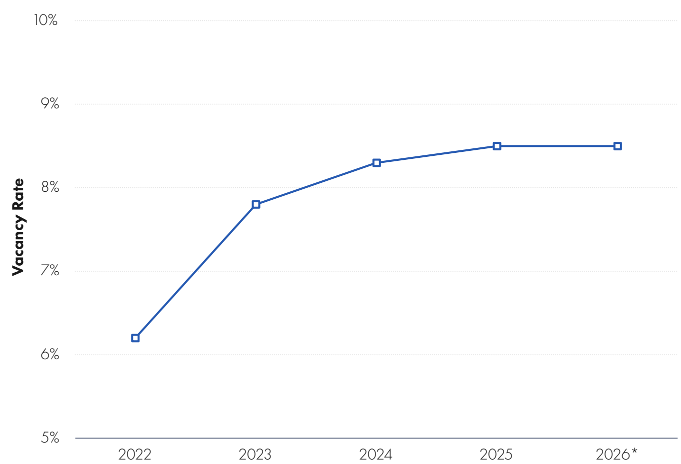
As operating conditions stabilize among recently completed properties, the Nashville investment market is expected to gradually shift toward higher-quality asset transactions. The recent tilt toward older assets is unlikely to persist and reflects a moment in the cycle where value-add and distressed opportunities have surfaced, rather than a lasting shift in investor preference. As recently delivered Class A properties continue to lease-up, they are expected to enter the transaction pipeline in greater numbers, pushing average vintage and pricing metrics back toward 2025 levels. Cap rates are expected to hold near current levels in the near term, with potential for modest compression in the Class A segment as the supply-demand balance firms. A recovery in rent growth would signal that Nashville's extended period of rent softness may finally be nearing an end.

EMPLOYMENT FORECAST



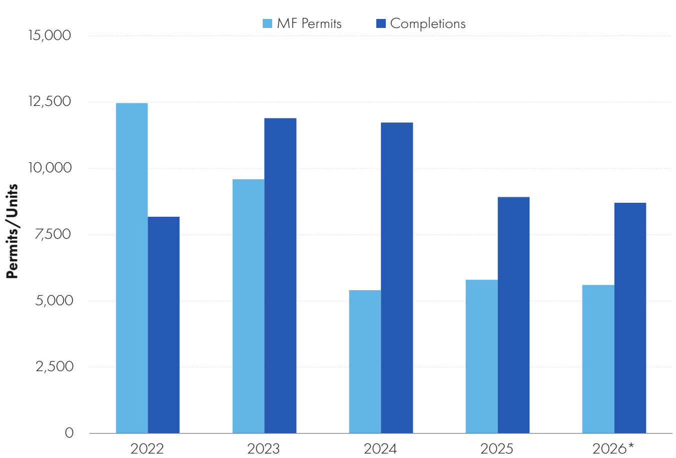
* *Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



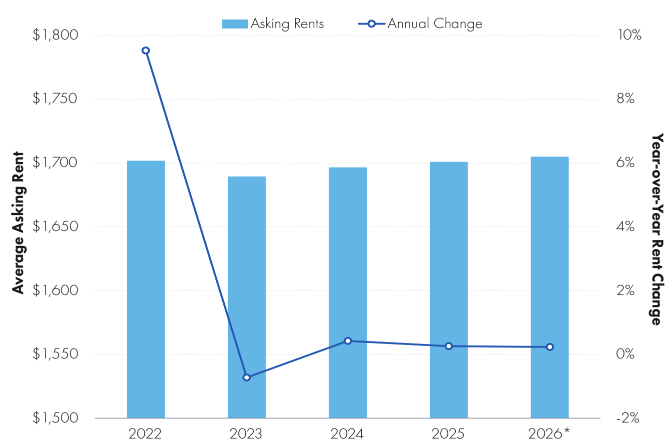
* *Year End Forecast*
Sources: Northmarq, CoStar

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



* *Year End Forecast*
Sources: Northmarq, Yardi

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