Northmarq

MARKET INSIGHTS

Fundamentals strengthen at midyear

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	10,546
UNITS DELIVERED (YTD)	4,590

MARKET FUNDAMENTALS

VACANCY RATE	7.8%
YEAR-OVER-YEAR CHANGE	-30bps
ASKING RENTS	$1,723
YEAR-OVER-YEAR CHANGE	0.7%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$214,600

NASHVILLE MULTIFAMILY
Q2 2026

HIGHLIGHTS

- Multifamily conditions strengthened during the second quarter. Vacancy recorded a sharp quarterly improvement and rents grew at their fastest pace in four years.
- Vacancy fell 80 basis points during the second quarter to 7.8% and is down 30 basis points annually, supported by sustained elevated demand.
- Asking rents rose 1.7% during the second quarter and 0.7% year over year to $1,723 per month. Class C properties led annual rent growth with a 1.8% increase, while Class A rents held steady.
- The year-to-date median sale price was $214,600 per unit, reflecting a transaction mix weighted toward Class B and Class C properties. Cap rates averaged 5.1%, compressing 20 basis points year over year.

NASHVILLE MULTIFAMILY MARKET OVERVIEW

Nashville's recovery gained momentum in the second quarter as vacancy recorded its largest quarterly decline since the supply cycle began and rents posted their strongest quarterly increase since 2022. Vacancy fell 80 basis points from the prior quarter to 7.8% and was down 30 basis points year over year. The improvement coincided with trailing 12-month absorption of approximately 8,900 units, which exceeded deliveries by 11%. Supply conditions have also become more favorable as completions continue to decline from their 2023 peak and the development pipeline contracts. Performance gains were evident across the market, though middle-tier properties led the recovery. Class B assets recorded the largest occupancy improvement among asset classes, while Class C properties generated the strongest annual rent growth. Asking rents increased 1.7% during the second quarter to $1,723 per month, the largest quarterly gain in four years.

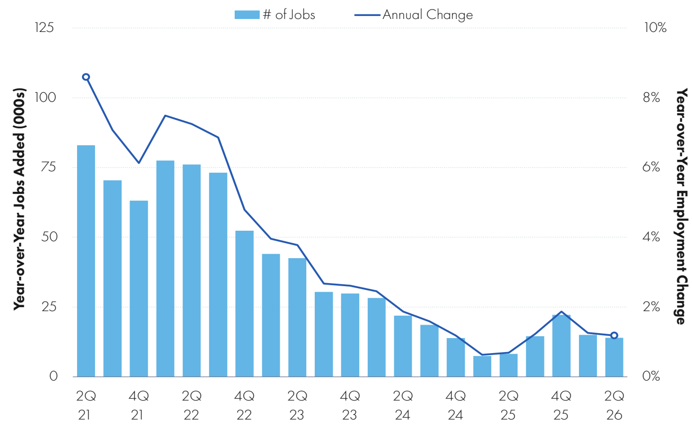
Nashville's investment market was defined more by composition than volume during the first half of the year. Transaction counts remained generally consistent with recent years, extending a period of stability following the slowdown from 2021 highs. Sales activity, however, was concentrated in lower-tier assets. Just two Class A properties traded during the first half, marking a notable departure from historical patterns in which institutional-quality assets regularly account for a significant share of activity. As a result, the year-to-date median sale price fell 6% from 2025 to $214,600 per unit. Despite a shift toward lower-tier product, cap rates averaged 5.1% in the second quarter, representing a 20-basis-point decline from one year earlier.

EMPLOYMENT

- Nashville's labor market continued to post employment gains through the first half of 2026. During the past 12 months, employers added 14,000 positions, representing growth of 1.2%.
- The leisure and hospitality sector added 10,000 workers year over year, increasing employment by 7.2%. Professional and business services hired 8,200 workers during the past year, expanding employment in the sector by 4.3%.
- J.P. Morgan Chase strengthened its Nashville presence with a move to the Broadwest building in Midtown this quarter. The new office will consolidate current operations and accommodate future growth.
- **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%.

The leisure and hospitality sector added 10,000 jobs.

EMPLOYMENT OVERVIEW



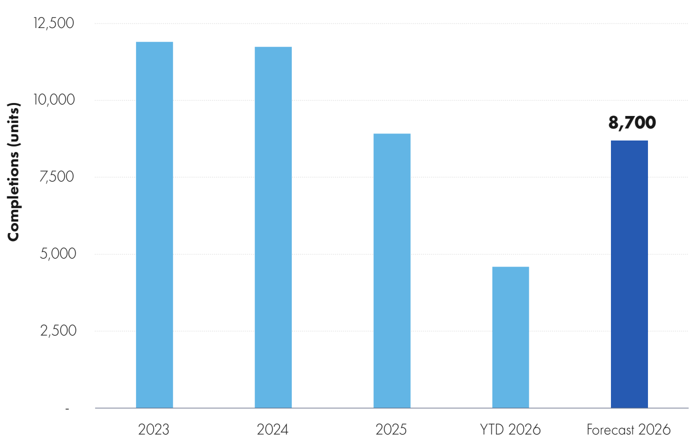
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- The pace of new supply has continued to slow from its peak in 2023. Completions totaled roughly 4,600 units year to date in 2026, representing a 21% decline from the same period last year.
- Across job sites in Nashville, roughly 10,500 units were under construction at the end of the second quarter, marking an 18% decline year over year.
- During the last five years, multifamily permitting activity averaged around 9,400 units annually. In 2026, permitting is projected to total roughly 4,000 units, or 57% below the five-year average.
- **FORECAST:** Deliveries are expected to reach about 8,700 units in 2026, 27% below the peak levels recorded in 2023 and in 2024.

Completions declined 21% from the same period last year.

DEVELOPMENT TRENDS

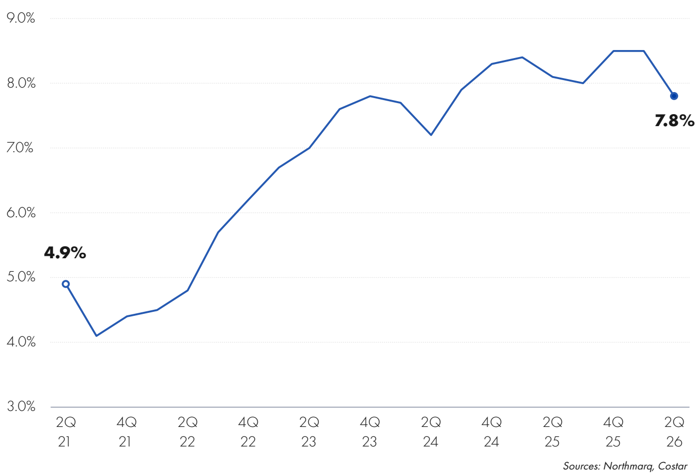


Sources: Northmarq, CoStar

VACANCY

Vacancy fell 80 basis points quarter over quarter.

VACANCY TRENDS



Sources: Northmarq, Costar

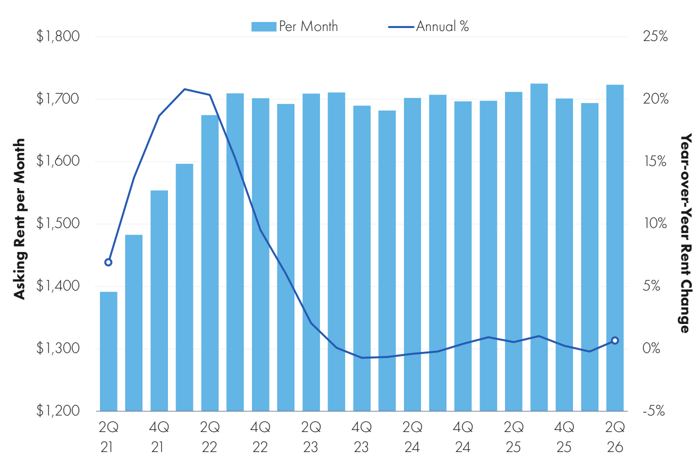
- Multifamily vacancy fell 80 basis points in the second quarter to 7.8% and declined 30 basis points from a year earlier. Absorption totaling approximately 8,900 units during the trailing 12 months contributed to improving vacancy performance.
- Stabilized Class A vacancy declined 70 basis points quarter over quarter and 30 basis points year over year. Class B properties recorded the strongest performance among asset classes, with vacancy improving 100 basis points and 70 basis points over the same periods, respectively.
- North Nashville vacancy fell 160 basis points from the previous quarter and 60 basis points year over year. In Cool Springs/ Franklin, vacancy declined 20 basis points during the quarter and 150 basis points from the same period last year.
- **FORECAST:** Vacancy is expected to improve through year-end, declining to 7.5% by the close of 2026, a 100-basis-point decrease from 2025.

RENTS

- Asking rents in Nashville rose to an average of $1,723 per month in the second quarter, up 1.7% from three months ago and marking the strongest quarter of growth since 2022. Year over year, rents are up 0.7%.
- Average rent in the West Nashville submarket reached $1,797 per month, up 3.1% year over year. Rents in the Downtown Nashville submarket averaged $2,476 per month, a 1.7% annual decline.
- Rents in Class A properties remained flat year over year at $1,948 per month. Average rents for Class C properties increased 1.8% annually to $1,180 per month.
- **FORECAST:** Rent growth is forecast to accelerate in 2026, with average asking rents projected to reach $1,730 per month by year-end, a 1.7% annual increase. This follows gains of just 0.4% in 2024 and 0.3% in 2025.

Year over year, asking rents are up 0.7%.

RENTS TRENDS



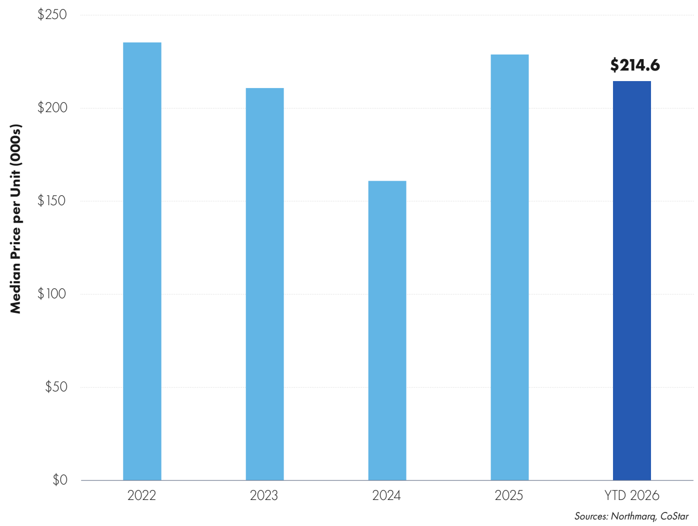
Sources: Northmarq, Yardi

MULTIFAMILY SALES

- The number of multifamily sales in the first half of 2026 was generally in line with first-half trends during the past three years. Despite this stability, deal flow has moderated from the peak reached in 2021.
- The year-to-date median sale price fell to $214,600 per unit, a 6% decline from 2025. Class B and Class C properties accounted for approximately 75% of the total transactions.
- Cap rates averaged 5.1% during the second quarter, down 20 basis points from one year earlier.

The year-to-date median sale price was $214,600 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

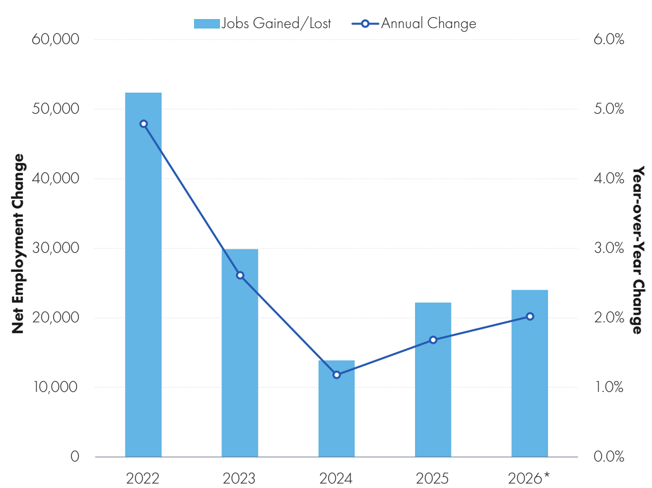
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Anchor Luxury Apartments	2165 Nolensville Pike, Nashville	2022	236	$54,400,000	$230,508
Woodland Pointe Residences	1501 Woodland Pointe Drive, Nashville	2001	240	$51,505,000	$214,604
Camden Franklin	2000 Toll House Circle, Franklin	2013	196	$43,535,000	$222,117
Legacy Hill	501 Shadowood Drive, Nashville	1977	206	$41,500,000	$201,456
Cannon Apartments	203 Eleanor Way, Murfreesboro	2023	168	$35,100,000	$208,929

LOOKING AHEAD

Permitting activity may prove to be one of the most significant indicators of Nashville's long-term outlook. With permits tracking well below the five-year average, the current pace suggests a much more constrained supply environment in 2028 and 2029 than the market has experienced during this cycle. In the near term, the development pipeline continues to contract, and completions are projected to decline again this year, reducing competitive pressure from new deliveries. At the same time, employment growth is expected to accelerate through year-end, supported by ongoing corporate investment and relocation activity. As supply growth moderates and demand remains supported by job creation, vacancy is expected to continue improving, creating conditions for rent growth.

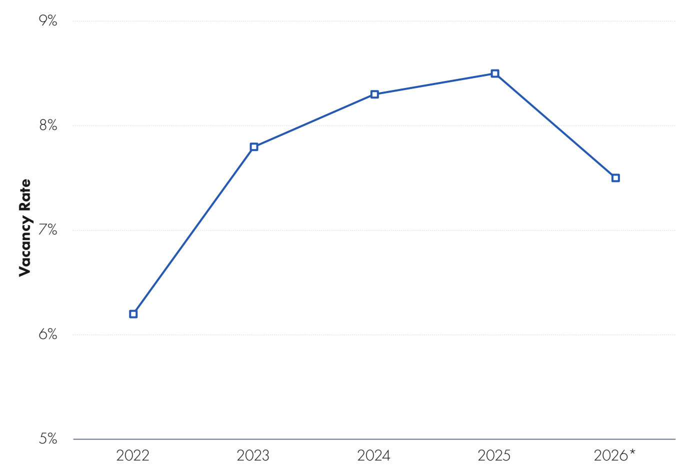
Owners of recently delivered communities have generally remained focused on lease-up and income stabilization before pursuing a sale. As those properties mature, the market could see a broader mix of institutional-quality offerings, providing additional opportunities for investors. Increased activity among stabilized assets could support pricing trends, particularly as market fundamentals continue to improve. At the same time, cap rates have begun to compress, reflecting sustained investor interest and growing confidence in the market's outlook.

EMPLOYMENT FORECAST



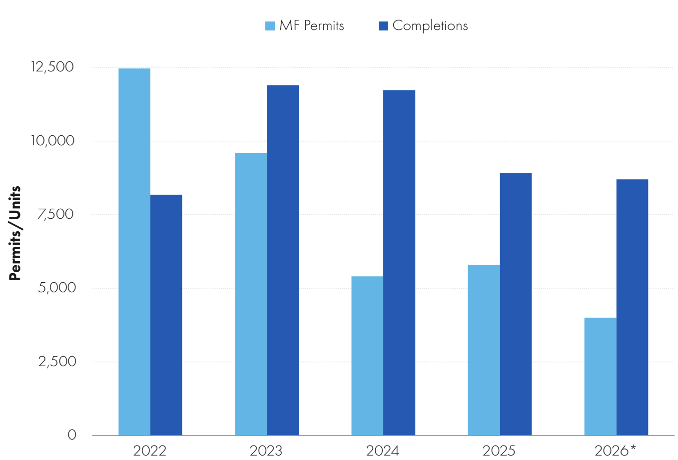
** Year-End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



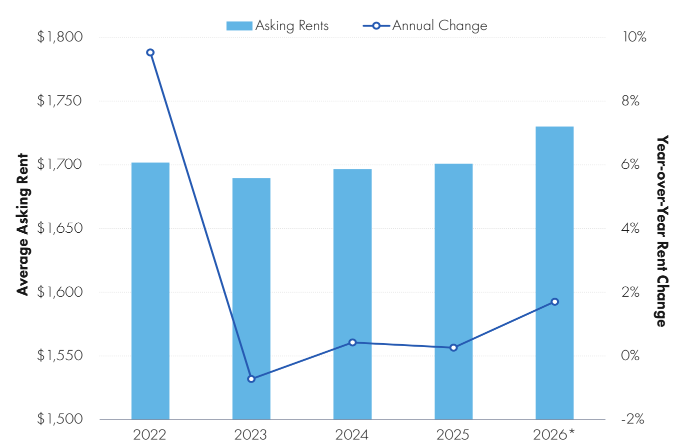
** Year-End Forecast*
Sources: Northmarq, CoStar

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



** Year-End Forecast*
Sources: Northmarq, Yardi

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