Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	11,404
UNITS DELIVERED (YTD)	7,729

MARKET FUNDAMENTALS

VACANCY RATE	8.0%
YEAR-OVER-YEAR CHANGE	+10bps
ASKING RENTS	$1,725
YEAR-OVER-YEAR CHANGE	+1.0%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$203,100

NASHVILLE MULTIFAMILY

Q3 2025

MARKET INSIGHTS

Tapering supply sets stage for improving fundamentals

HIGHLIGHTS

- Multifamily vacancy and rents are improving following a wave of deliveries in 2023 and 2024. Developers have pulled back, with about 9,000 units slated for completion in 2025, a 23% decline from last year.
- After rising during the past three years, Nashville's vacancy rate is trending downward in 2025, improving from a peak of 8.4% at the start of the year to 8.0%, as strong absorption coincides with a slowdown in new supply.
- Asking rents reached $1,725 per month in the third quarter, up 1.0% year-over-year. Concessions are still offered but are beginning to recede as occupancy stabilizes.
- Investment sales transactions so far in 2025 are roughly 30% below levels from the same point in 2024. Pricing remains below peak levels, but above historic norms, with the median price at $203,100 per unit, a 7% decline from 2024. On average, cap rates have stabilized in the mid-5% range, with modest compression for top-tier assets.

NASHVILLE MULTIFAMILY MARKET OVERVIEW

Operating fundamentals in Nashville are showing early signs of stabilization after a period of softness. The market endured an unprecedented supply influx; about 11,800 new apartments delivered in both 2023 and 2024, nearly double the 10-year average. Job gains, homeownership affordability, and in-migration have fueled absorption, allowing vacancy to inch down to 8.0%. Leasing velocity picked up over the summer, especially in desirable submarkets such as Southeast Nashville and Donelson/Hermitage, where units were absorbed faster than they were delivered. Rents may have reached an inflection point. After roughly two years of stagnant or declining rents, asking rents posted a modest uptick in each of the past two quarters. Lease-ups are still pressured by concessions, but average asking rent growth turned positive this year. Operating conditions are gradually improving as construction slows.

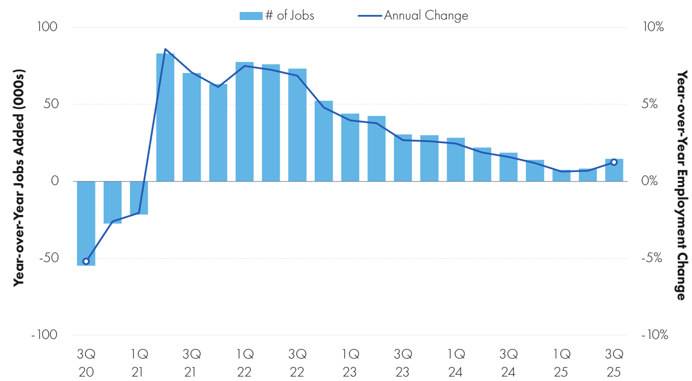
Multifamily investment activity in Nashville remains modest. Transaction velocity has slowed from the active pace of 2021 and 2022 and the 2025 year-to-date deal flow is roughly 30% lower than the same period in 2024. Investors continue to favor newer assets, with approximately 55% of properties sold year-to-date built in 2020 or later. The remaining transactions were primarily value-add deals involving 1980s or older vintage properties. The median sale price is approximately $203,100 per unit, down about 7% from 2024. Cap rates have stabilized with market averages hovering in the mid-5% range. Some recent Class A deals have recorded minor cap rate compression, indicating investor demand for well located, stabilized assets. Overall, the investment market is in a holding pattern, but sentiment is improving alongside operating fundamentals. Many investors are positioning for more acquisition opportunities once interest rates or financing conditions become more favorable.

EMPLOYMENT

- Nashville's economy continues to expand, albeit at a more moderate pace than during the post-pandemic boom. Total employment in the metro grew 1.2% year-over-year, translating to 14,600 new jobs.
- A job growth leader in recent periods has been leisure and hospitality. This sector recorded a 1.5% increase in payrolls over the past 12 months, equating to an additional 2,000 new hires supporting the area's tourism and entertainment business.
- High-profile corporate investments include construction of Amazon's second office tower at Nashville Yards, announced in May of this year. The buildout is expected to be complete in 2026. The Amazon expansion is expected to create 5,000 jobs in Nashville.
- **FORECAST:** Employers in Nashville are forecast to add 20,000 new jobs by the end of 2025, reflecting a 1.7% annual increase. While this marks a slowdown from the rapid growth seen earlier in the decade, it remains strong enough to support continued rental housing demand.

Total employment grew 1.2% year-over-year.

EMPLOYMENT OVERVIEW



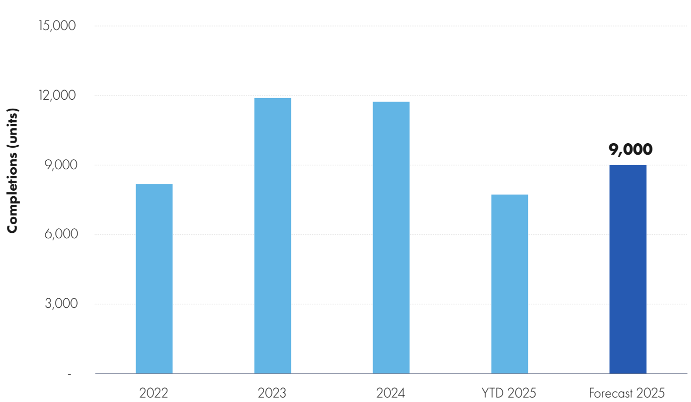
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- After back-to-back record years in 2023 and 2024, developers have begun to slow the pace of deliveries. In the first three quarters of 2025, approximately 7,700 new apartment units have come online.
- Roughly 11,400 units are under construction, still elevated historically but nearly 60% below the peak set in the fourth quarter of 2022.
- Permitting activity for new projects has fallen significantly from recent highs. Developers pulled permits for around 5,400 multifamily units so far this year, about 50% lower than the five-year average over the same timeframe.
- **FORECAST:** With permitting down and fewer projects in the pipeline, annual completions are projected to decline sharply after 2025. Deliveries in 2026 are anticipated to be nearly 50% lower than the levels seen in 2023 and 2024.

Roughly 11,400 units are under construction.

DEVELOPMENT TRENDS

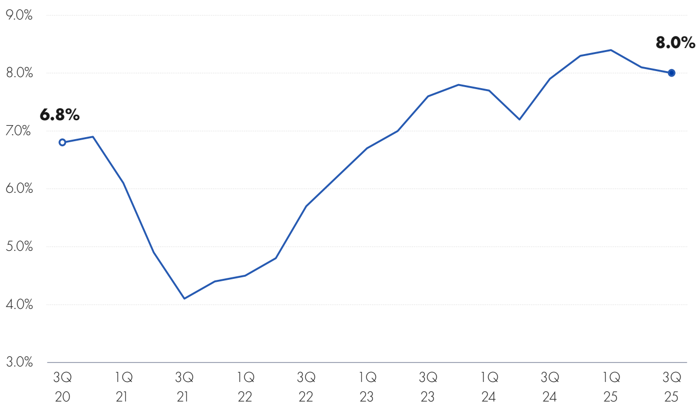


Sources: Northmarq, CoStar

VACANCY

Vacancy has dropped for two consecutive quarters.

VACANCY TRENDS



Sources: Northmarq, Costar

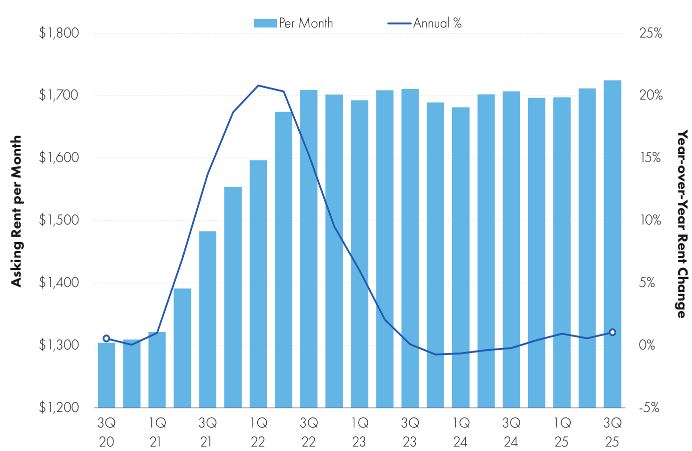
- The overall vacancy rate was 8.0% in the third quarter, up 10 basis points year over year but down 10 basis points from the previous quarter. Vacancy has dropped for two consecutive quarters as demand outpaces supply.
- Vacancy rates are highest in the Class A segment, where the stabilized rate ended the third quarter at 8.4%. Class C vacancies are 7.1%.
- Among submarkets, Downtown Nashville records the highest stabilized vacancy at 9.6%. Vacancy levels in this submarket have risen 240 basis points from 2024. Downtown Nashville accounts for 55% of multifamily construction completions this year.
- **FORECAST:** With supply additions slowing amid persistent demand, vacancies are projected to gradually decline over the next year. The metro vacancy rate is forecast to dip below 8% by year-end 2025 and trend back closer to long-term averages in the coming years.

RENTS

- The average asking rent reached $1,725 per month this quarter, up 1.0% from one year earlier. This modest increase follows a stretch through late 2024 when rents declined due to competition stemming from heavy supply pressure.
- Urban core submarkets such as Downtown, Central, Vanderbilt, and Northwest command the highest rents, often over $2,200 per month for Class A units.
- Northwest Nashville has emerged as a standout submarket for rent growth, posting a double-digit year-over-year increase. Asking rents have risen to $2,227 per month.
- **FORECAST:** As new supply growth slows, rent growth is forecast to gain ground in the near term. By the end of 2025, average asking rents are projected to reach $1,730 per unit, or a gain of 2.0% year over year.

Asking rents reached $1,725 per month, up 1.0% from a year prior.

RENTS TRENDS



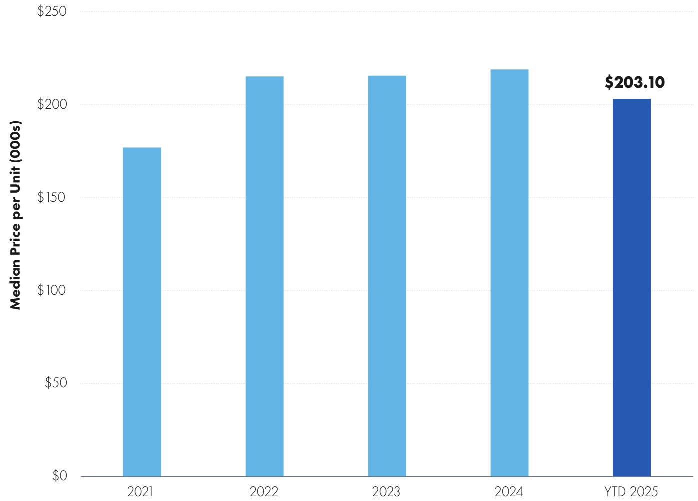
Sources: Northmarq, Yardi

MULTIFAMILY SALES

- Deal flow year to date has slowed as investors completed 30% fewer apartment transactions compared to the same period in 2024.
- Nearly 55% of properties sold in 2025 were built in 2020 or later, reflecting demand for newer assets that offer stable income and less immediate capital expenditure needs.
- Cap rates for Nashville apartments have stabilized following increases in 2022 and 2023. Market cap rates currently average in the mid-5% range for stabilized properties, which are 100 to 150 basis points higher than the low levels recorded at the peak of the market.
- Year-to-date, the median sale price in 2025 is $203,100 per unit, a 7% decline compared to last year.

Year-to-date, the median sale price is $203,100 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

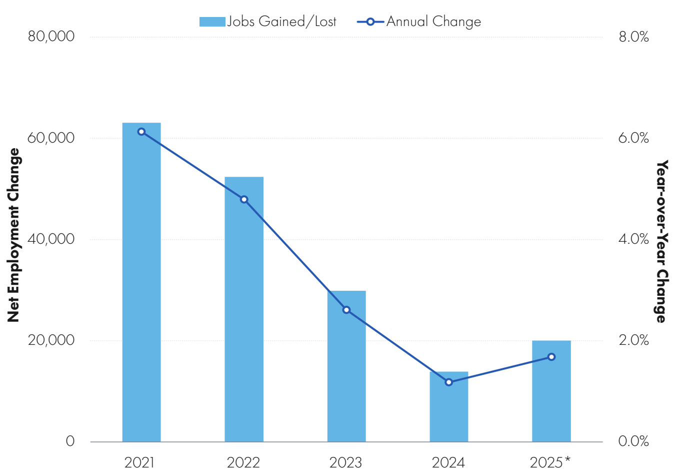
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Villages at Forest View	2760 Murfreesboro Pike, Antioch	2022	307	$58,000,000	$188,925
The Hamilton	100 Windsor Park Ln., Hendersonville	1985	232	$41,250,000	$177,802
Meridian Park	1801 Meridian St., Nashville	2022	158	$39,003,000	$246,854
Radius @ Donelson	2301 Lebanon Pike, Nashville	2021	128	$27,800,000	$217,188
The Ashley Columbia	2516 Pitts Ct., Columbia	1980	96	$13,325,000	$138,802

LOOKING AHEAD

Several converging forces support a more optimistic outlook heading into 2026. Demand drivers remain in place as the region's ability to attract new residents and employers persist. At the same time, the supply pipeline is finally easing. With developers significantly reducing new project permitting, 2025 is expected to represent the final year of a construction wave that was brought on by rapid demand growth. Annual delivery volumes should trend downward in 2026 and 2027, easing the pressure on vacancy. The current forecast calls for vacancy to retreat to 7.8% by the end of 2025. Additionally, the mix of new supply will shift with fewer luxury high-rises downtown, and more focus on suburban mid-range projects, which could help align new product with where demand is strongest.

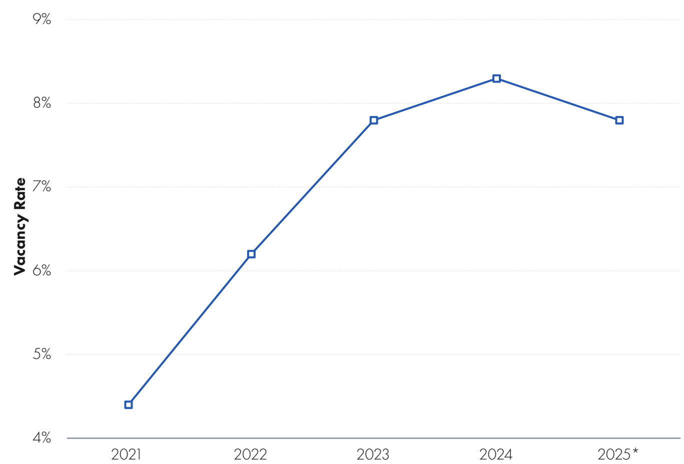
The investment outlook for Nashville multifamily partially hinges on the trajectory of interest rates and capital markets. Market participants anticipate that the Federal Reserve will continue easing rates from late 2025 into 2026. If borrowing costs come down, it could release a wave of pent-up dry powder. Buyers who have been waiting on the sidelines may re-enter, and owners could be more willing to sell once financing is cheaper for prospective buyers. In the interim, Nashville should continue to see modest but steady deal flow, focused on high-quality assets in desirable submarkets. Cap rates could experience additional compression in anticipation of additional rate cuts.

EMPLOYMENT FORECAST



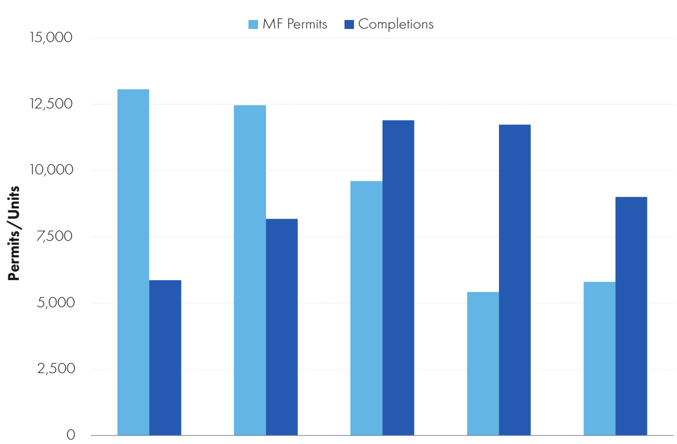
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



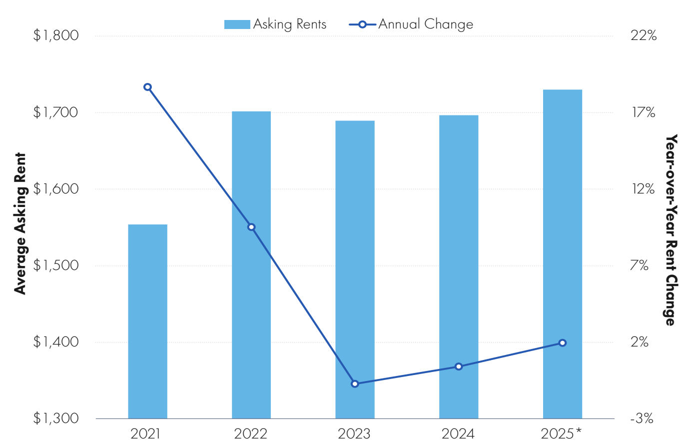
** Year End Forecast*
Sources: Northmarq, CoStar

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, Yardi

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