Market Report

MULTIFAMILY 2Q/26

Nashville Metro Area

IPA | INSTITUTIONAL PROPERTY ADVISORS

Metro Still a Top Market for Inventory Growth Despite Recent Pullback in Starts, Permits

Demand proving steadfast. Among major U.S. markets, only Austin, Charlotte, and Raleigh recorded larger inventory growth than Nashville during the three years ended in March. The 17.7 percent expansion of Music City's rental stock during this interval, however, has yet to significantly increase overall vacancy. Instead, the metro's rate hovered in the 5 to low-6 percent range over the past 36 months, dipping 10 basis points during the first quarter of this year — highlighted by a more pronounced drop in Class A vacancy. The potential for further compression exists as a steady rate of household formation coincides with the smallest local inventory growth in 11 years.

Core and suburbs granted relief. The reduction in local supply pressure felt during 2026 will be most pronounced in Nashville's CBD, where apartment inventory swelled by 22 percent over the past two years. Here, rental stock is projected to increase by a more manageable, yet still notable, 4.6 percent in 2026, somewhat aiding lease-up and renewal conversion efforts at existing newer-built properties. Outside Central Nashville, rental inventory is slated to increase by just 1.6 percent this year. Upcoming suburban additions are well dispersed and average 150 apartments, with at least eight submarkets receiving new rentals.

2026 FORECAST

EMPLOYMENT

8,000 — Jobs will be created

0.7% — Increase Y-O-Y

CONSTRUCTION

5,200 — Units will be added

2.5% — Inventory increase Y-O-Y

VACANCY

6.0% — Vacancy rate

20 — BPS decrease Y-O-Y

RENT

$1,591 — Average effective rent by year-end

0.5% — Increase Y-O-Y

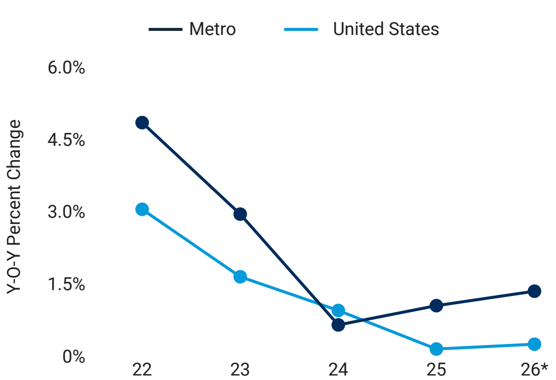
EMPLOYMENT

Nashville's job count reached a record mark in April despite adding just 1,000 positions in the first four months of 2026. The health services, leisure and hospitality, and professional services sectors notched the most pronounced gains of late, while job loss was noted across the government, construction, and financial activities segments. Starbucks' intent to establish a Nashville headquarters will serve as a tailwind for future hiring, as the company expects to add or relocate 2,000 support jobs to the metro.

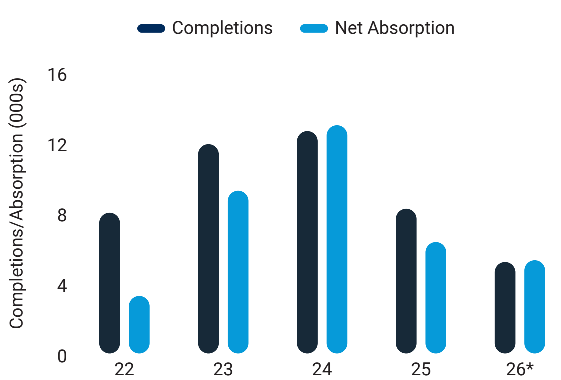
CONSTRUCTION

Developers added 1,330 units to stock during the first quarter, after completing 2,570 rentals over the same period in 2025. Beyond these deliveries, an additional 11,600 units were underway at the start of April, representing 5.6 percent of existing inventory. A 20 percent decline in multifamily permitting activity during the first quarter and the lack of unit starts — fewer than 200 — point to a potential period of subdued supply pressure beyond 2027 should these trends extend through the remainder of this year.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



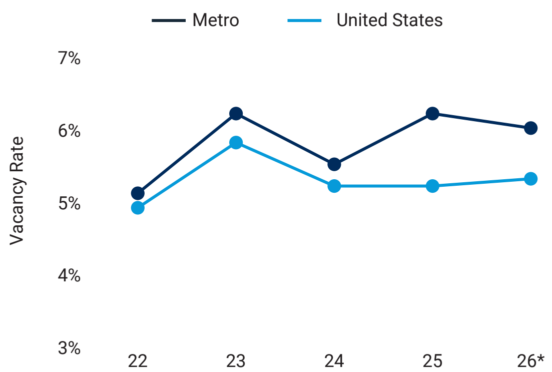
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

Each property tier entered April with a vacancy rate at least 100 basis points above its prior five-year average. The trio of class cuts, however, registered contrasting shifts in demand over the first quarter of 2026. Class A vacancy fell 60 basis points during the interval, while the mid-tier rate was unchanged and the Class C metric rose 10 basis points. The latter segment also posted the top renewal-conversion rate during the quarter at 59.4 percent, well above the Class A mark of 48.1 percent.

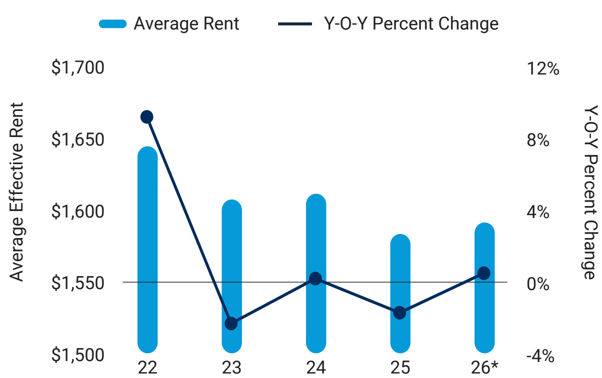
VACANCY TRENDS



RENT

Since reaching $1,675 per month in the second half of 2022, the metro's average effective rent has been declining, entering April at $1,585. Still, operators are achieving rent growth at renewal, with the average rate up 3.8 percent in the first quarter of 2026. In contrast, rent across new leases was down an average of 6.7 percent. With nearly 40 percent of available units offering concessions in the first quarter, which on average equate to a month's free rent, this dynamic should extend over the near term.

RENT TRENDS

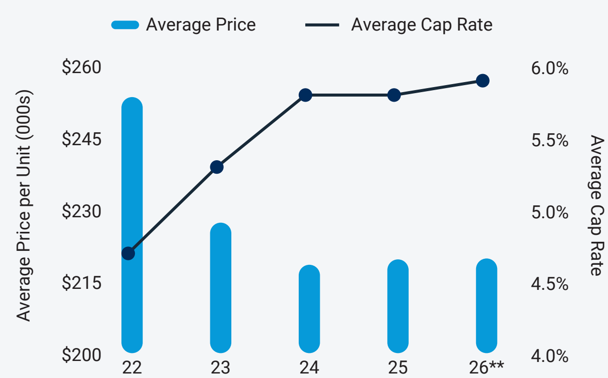


* Forecast ** Through 1Q
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

INVESTMENT HIGHLIGHTS

- Recent transaction activity across Nashville signals the existence of a diverse buyer pool that may facilitate some sell-side activity in the coming quarters. Over the 12 months ended in March, consistent trading above the $20 million threshold was registered alongside an improvement in sub-$5 million deal flow — dynamics pointing to measurable activity on the part of out-of-state institutional buyers and private investors. Local pricing has also stabilized, leading to more deals penciling. Specifically, the average price per unit has hovered around $220,000 over the past two years, following a period of notable price correction.
- The number of transactions above $15 million matched the number of sub-$5 million closings over the past year, signaling increased activity by institutional investors. These buyers are primarily acquiring Class B properties built over the past five years. Such rentals in Nashville-proper suburbs and outlying cities, including Lebanon and Murfreesboro, recently changed hands for an average of $240,000 per unit. The delivery of nearly 47,000 rentals over the past five years should translate to additional opportunities for these investors.
- Trading in the $1 million to $5 million tranche showed the greatest improvement over the past 12 months, with pre-1990s-built Class C properties changing hands most frequently. Outside of West End, these smaller properties rarely trade for more than $200,000 per unit, with investors typically acquiring complexes at cap rates above the metro's high-5 percent average.

SALES TRENDS



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