Tennessee Comptroller of the Treasury

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Tax Year 2026 Capitalization Rate Range for Government-Restricted Multi-Unit Rental Housing

Pursuant to Tenn. Code Ann. § 67-5-608[1], the Division of Property Assessments publishes the following capitalization rate range for tax year 2026 for multi-unit rental housing subject to a government restriction on use:

2026 Capitalization Rate Range: 8.89%–9.89%

Basis for the 2026 Range

The applicable national multifamily capitalization rate benchmark is **8.39%**, reported for Apartments for the fourth quarter of 2025 in the RealtyRates.com Investor Survey, 1st Quarter 2026 edition. Under Tenn. Code Ann. § 67-5-608(b)(3), the capitalization rate for qualifying multi-unit rental housing subject to government restriction on use must be in a range of 50 to 150 basis points above the applicable national multifamily capitalization rate benchmark.

Accordingly:

- 50 basis points above 8.39% = **8.89%**
- 150 basis points above 8.39% = **9.89%**

Where applicable, the capitalization rate selected for an individual property must also satisfy all applicable requirements of Tenn. Code Ann. §67-5-608, including the requirement that the rate be based on the risks associated with multi-unit rental housing subject to government restriction on use and be equal to or greater than the capitalization rate used for valuing comparable multi-unit rental housing that is not subject to government restriction on use.

This publication establishes the capitalization rate range for tax year 2026. It does not prescribe a single capitalization rate for every qualifying property. Property-specific valuation must be performed in accordance with Tenn. Code Ann. § 67-5-608 and applicable appraisal standards.

[1] Tenn. Code Ann. § 67-5-608 applies only in a city or county that adopts it by ordinance or resolution of the legislative body.