



MULTIFAMILY REPORT

Nashville: Adjusting To Changes

Summer 2020



Employment Expansion Declines

Transactions Nearly at Standstill

Construction Activity Goes On

NASHVILLE MULTIFAMILY



Hospitality Struggles Avoid Rental Sector

The pandemic struck Music City's tourism industry hard, but its multifamily market has shown some resilience. The average rent contracted by 0.2% on a trailing three-month basis, 10 basis points above the U.S. slide, to an overall average of \$1,281. Developers kept supply in check in 2019, delivering some 4,000 units, or half the volume of the previous year. This shielded the occupancy rate for stabilized properties, which dipped only 80 basis points in June to 94.6%.

The extremely tight labor market at the start of the year loosened following the coronavirus outbreak, with the unemployment rate jumping from 2.8% in January to 15.2% in April, and sliding down to 11.1% in May. June preliminary data pointed to a sustained recovery, with the rate at 10.2%, but an increase in the number of COVID-19 cases in June prompted Mayor John Cooper to extend the modified Phase 2 through early July. The leisure and hospitality sector shrunk by 34.4% in May, followed by manufacturing, which contracted by 19.5%. Since mid-March, more than 770,000 unemployment claims have been filed across the state.

Development activity was robust, with 10,531 units under construction and 2,043 units delivered by midyear. Meanwhile, sales volume decreased by 23% relative to last year, amounting to just \$493 million through July. We expect rents to rise 0.1% in 2020.

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Recent Nashville Transactions

Paxton Cool Springs



City: Franklin, Tenn.
Buyer: Starlight Investments
Purchase Price: \$83 MM
Price per Unit: \$252,591

Commonwealth at 31



City: Spring Hill, Tenn.
Buyer: Hamilton Zanze
Purchase Price: \$53 MM
Price per Unit: \$215,000

Haven



City: Nashville, Tenn.
Buyer: Lion Real Estate Group
Purchase Price: \$32 MM
Price per Unit: \$144,091

Avana Bellevue



City: Nashville, Tenn.
Buyer: Greystar
Purchase Price: \$28 MM
Price per Unit: \$155,556