Yardi Matrix

MULTIFAMILY REPORT

Nashville's Upbeat Tempo

Summer 2021

Rent Growth Matches National Pace

Investment Remains Strong

Construction Ramps Up

NASHVILLE MULTIFAMILY

Yardi Matrix

Music City's Multifamily Strengths

Despite the challenges of the past year, Nashville's multifamily market is on solid footing. Rent expansion has largely kept pace with national growth, up 0.5% on a trailing three-month basis through April. Nashville rates averaged $1,311, 7.5% less than the national average. Although working-class Renter-by-Necessity gains slightly trailed Lifestyle growth—0.4% compared to 0.5%—RBN figures have risen faster during the last year.

Even though the metro was down 46,200 jobs in the 12 months ending in February, Nashville's economy is well on its way to recovery. More than 60% of job losses occurred in the leisure and hospitality sector. While tourism has played an important role in Nashville, recent growth in the metro's office-using and logistics sectors have built a more diversified economy. Nashville's two largest sectors—trade, transportation and utilities, and professional and business services—have largely recovered from job losses incurred during the initial shock of the pandemic. This trend will likely accelerate this year, driven by corporate relocations and expansions.

Though multifamily development has slowed in recent years, 16,452 units were under construction in April. With more than half slated to deliver by year-end, this could dampen rent growth in the Lifestyle segment, particularly in the downtown area. Investment volume held steady, totaling $417 million through April.

Market Analysis | Summer 2021

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Recent Nashville Transactions

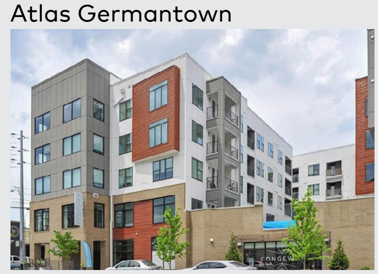
Bellevue West

City: Nashville, Tenn.
Buyer: Geringer Capital
Purchase Price: $95 MM
Price per Unit: $168,750

The Overlook

City: Antioch, Tenn.
Buyer: Greystar
Purchase Price: $73 MM
Price per Unit: $162,389

Atlas Germantown



City: Nashville, Tenn.
Buyer: G. W. Williams Co.
Purchase Price: $34 MM
Price per Unit: $332,673

Timberlake Village

City: Antioch, Tenn.
Buyer: GVA Real Estate Investments
Purchase Price: $31 MM
Price per Unit: $123,214

RENT TRENDS

- Nashville rents increased by 0.5% on a trailing three-month (T3) basis through April, in line with the national figure. Rates averaged $1,311, 7.5% below the national average of $1,417.

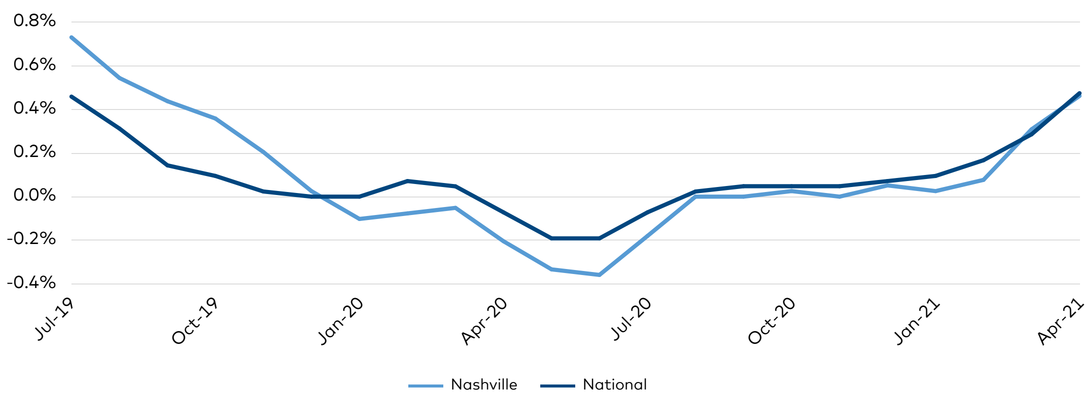
- Growth was strongest in the Lifestyle segment, up 0.5% on a T3 basis to $1,468. Although heavy demand is expected to bolster upscale rents, upcoming deliveries will likely have a moderating effect. RBN rents, which have performed more consistently in the past year, climbed 0.4% to $1,088.

- The West End/Green Hills submarket had the fastest rent growth, up 13% year-over-year through April, to $1,760. At the other end of the spectrum, Downtown–North saw rents fall 6.3% during the same period, marking the largest decline in the market. The plunge stemmed from an abundance of luxury developments completed amid the economic shock of the pandemic.

- Suburban rent expansion generally exceeded the performance of Nashville's urban submarkets, year-over-year through April. The Southeast–West submarket had the lowest rents at $983 (up 4.5%), followed by Goodlettsville–South (up 6.3% to $1,006) and South Nashville (up 1.9% to $1,040).

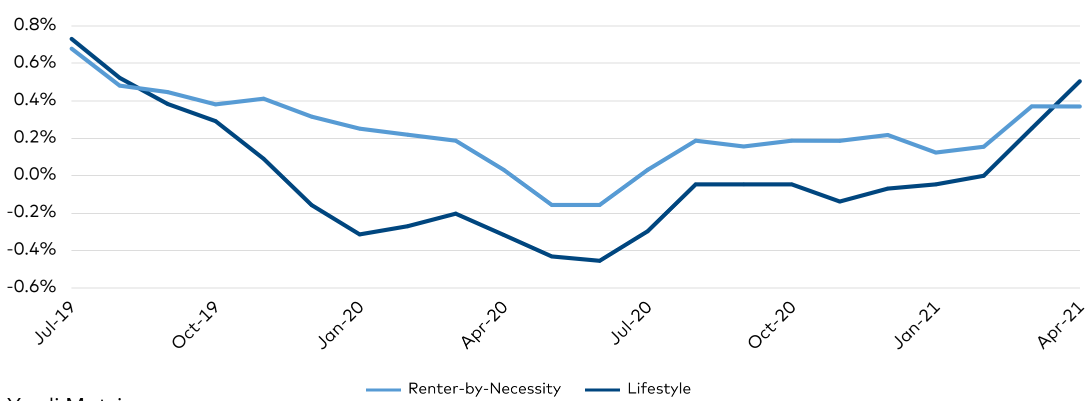
- As demand continues to improve, alongside a broad economic recovery, Nashville's rent growth is anticipated to accelerate. We expect rents to expand 3.0% in 2021.

Nashville vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Nashville Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- Nashville lost 46,200 jobs during the 12 months ending in February. Although overall employment was down 4.4% in the six months ending in February, the market's diverse economy offset some of its 2020 losses. Unemployment in March stood at 4.2%, according to preliminary Bureau of Labor Statistics data, greatly improved from the April 2020 peak of 15.8% and far below the March national rate of 6.0%.

- Nearly all employment sectors remained at a net loss for the 12 months ending in February, though some of the metro's drivers are showing signs of recovery. There was no reported change in the market's large professional and business services sector in February, for example, compared to March last year. Similarly, trade, transportation and utilities jobs remained flat, losing 200 positions (or falling by 0.1% year-over-year) during the same period. Combined, these two sectors account for nearly 40% of Nashville's total employment.

- Nashville continued to attract corporations seeking to relocate or expand, thanks in part to a growing tech labor force, affordable living costs and low tax rates. Amazon and AllianceBernstein are two of several high-profile companies moving to the metro.

Nashville Employment Share by Sector

Code	Employment Sector	Current Employment (000)	Current Employment % Share
15	Mining, Logging and Construction	50	4.9%
50	Information	25	2.5%
60	Professional and Business Services	177	17.5%
40	Trade, Transportation and Utilities	202	19.9%
55	Financial Activities	71	7.0%
30	Manufacturing	82	8.1%
65	Education and Health Services	154	15.2%
80	Other Services	40	3.9%
90	Government	120	11.8%
70	Leisure and Hospitality	92	9.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Nashville's population has expanded rapidly in recent years, adding 28,534 new residents in 2019 alone. The metro has grown by an annual average of 1.2% during the past four years.

- Corporate expansions and relocations remained a major contributor to the metro's population gains.

Nashville vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Nashville Metro	1,866,873	1,900,584	1,930,961	1,959,495

Sources: U.S. Census, Moody's Analytics

SUPPLY

- Nashville had 16,452 units under construction at the end of April, accounting for 11.5% of existing inventory. Developers continued to overwhelmingly target Lifestyle renters, with the segment comprising nearly 85% of units underway.

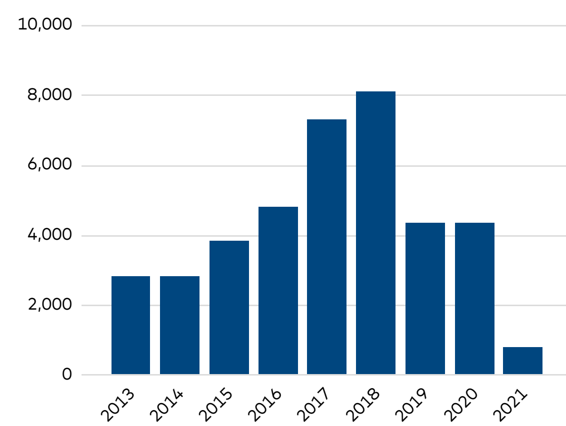
- In the first four months of the year, developers completed 801 units in Nashville, 0.6% of total stock. Although deliveries have declined from the 2018 cycle peak of 8,114 units—4,365 units were completed last year—some 10,000 units are slated for completion by year-end.

- Downtown–North had the most construction activity, with 4,223 units, or 49.3% of the submarket's existing inventory, underway in April. Though only 381 units delivered in the submarket in the first four months of the year, developers added more than 4,100 units between 2018 and 2020, as demand increased in the urban core. Other submarkets close to the city center also exhibited active development pipelines, including Downtown–South (1,398 units under construction) and North Nashville/Bordeaux (1,285 units).

- Endeavor Real Estate Group's 570-unit Gulch Union was the largest multifamily project being built at the end of April. The development, located within Downtown–North's The Gulch neighborhood, broke ground in early 2019 with completion anticipated by year-end.

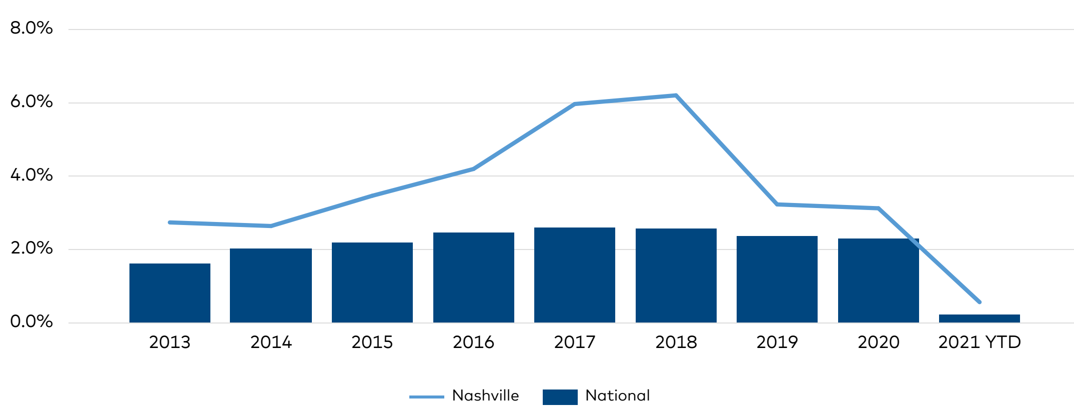
- The largest delivery through April was the 420-unit Kenect in Midtown/Music Row. Akara Partners financed its project with an $81.9 million construction loan from Deutsche Bank.

Nashville Completions (as of April 2021)



Source: Yardi Matrix

Nashville vs. National Completions as a Percentage of Total Stock (as of April 2021)

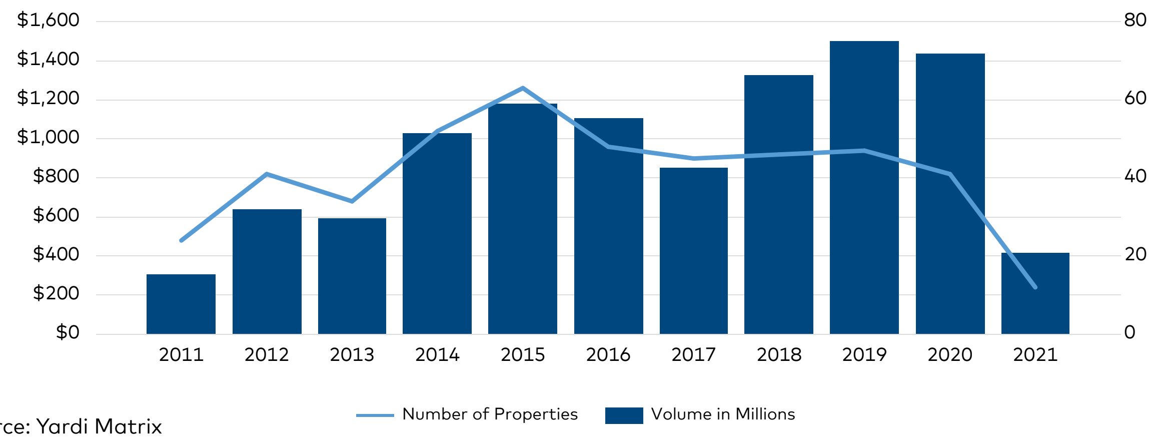


Source: Yardi Matrix

TRANSACTIONS

- Nashville's multifamily transaction volume was $417 million in the first four months of 2021, following $1.4 billion in 2020. Multifamily investment held stable last year despite economic turmoil, with volume falling only 4.1% from the 2019 cycle high of $1.5 billion, compared to the national decline of 26.8%.
- Lifestyle assets remained the most attractive investments through the end of April, accounting for $288 million in 2021, or 69.1% of total volume. Per-unit pricing for upscale Lifestyle properties averaged $197,191, a 12.7% decrease from last year's $225,889.
- Geringer Capital's $94.5 million March acquisition of the 560-unit Bellevue West from The Bascom Group was the largest multifamily transaction this year through April. The transaction came less than one month after another deal between the two companies, when the 278-unit Highlands at the Lake traded for $41 million.

Nashville Sales Volume and Number of Properties Sold (as of April 2021)



Source: Yardi Matrix

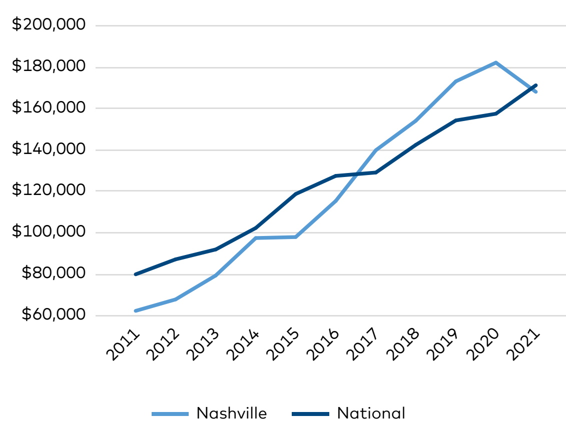
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Bellevue	250
Franklin	175
Downtown–North	139
Nashville Shores/Hermitage	100
Murfreesboro–West	91
Midtown/Music Row	86
Antioch–West	73

Source: Yardi Matrix

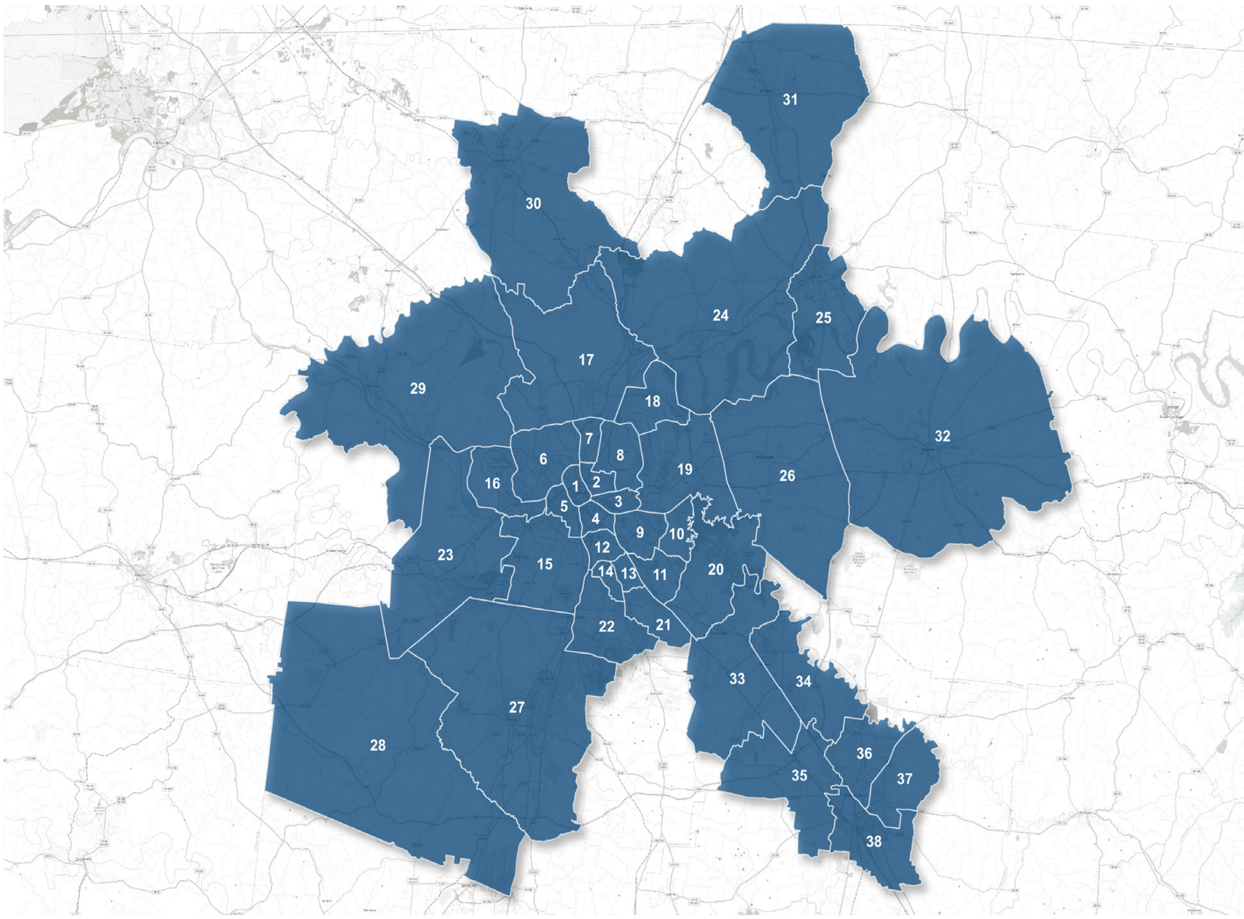
[1] From May 2020 to April 2021

Nashville vs. National Sales Price per Unit



Source: Yardi Matrix

NASHVILLE SUBMARKETS



Area No.	Submarket
1	Downtown–North
2	East End
3	Clovernook
4	Downtown–South
5	Midtown/Music Row
6	North Nashville/Bordeaux
7	Northeast Nashville
8	East Nashville/Inglewood
9	South Nashville
10	Donelson/South Hermitage
11	Antioch–West
12	Elm Hill/Woodbine
13	Southeast–East

Area No.	Submarket
14	Southeast–West
15	West End/Green Hills
16	West Nashville
17	Goodlettsville–North
18	Goodlettsville–South
19	Nashville Shores/Hermitage
20	Antioch–East
21	Antioch–South
22	Southeast/Brentwood
23	Bellevue
24	Hendersonville
25	Gallatin
26	Mount Juliet

Area No.	Submarket
27	Franklin
28	Fairview
29	Ashland City
30	Springfield/Greenbrier
31	Portland
32	Lebanon
33	La Vergne/Smyrna
34	Smyrna–East
35	Murfreesboro–West
36	Murfreesboro–North
37	Murfreesboro–East
38	Murfreesboro–South

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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