



MULTIFAMILY REPORT

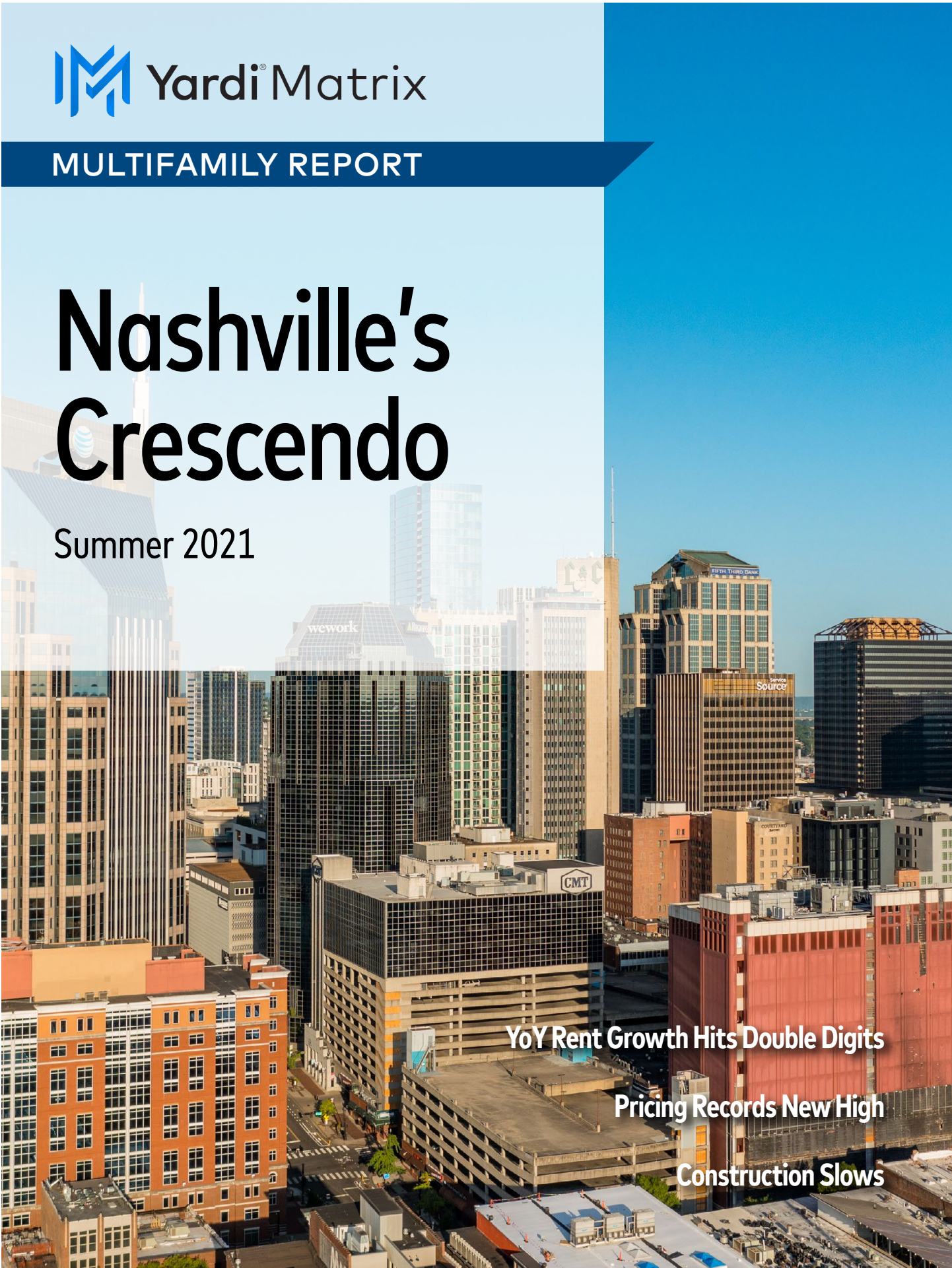
Nashville's Crescendo

Summer 2021

YoY Rent Growth Hits Double Digits

Pricing Records New High

Construction Slows



NASHVILLE MULTIFAMILY



Picking Up The Tempo

Nashville's multifamily market is well on its way to recovery. July rents averaged \$1,424, up 2.0% on a trailing three-month (T3) basis. Lifestyle figures performed the best, growing 2.3% during the same period, while working-class Renter-by-Necessity rates increased 1.4%. This, along with increasing occupancy rates, highlights a healthy demand fueled by rapid population growth. On a year-over-year basis, Nashville rents were up 10.4%, outperforming an already impressive 8.3% national rate.

The metro added 96,900 jobs in the 12 months ending in May. All employment sectors registered gains, and Nashville's unemployment rate—a preliminary 4.6% in June—was 80 basis points lower than the U.S. figure. Nashville stands to benefit from a resurgence in tourism, but its diversified economy is also propelling it forward, particularly as major companies eye Music City for relocations or expansions.

Close to 17,000 units were under construction at the end of July, though multifamily groundbreakings slowed this year. Yardi Matrix expects a little over 3,000 units to come online in 2021—the metro's lowest level since 2014—which should help elevate rents further. Transaction activity, on the other hand, has picked up, with \$1.1 billion in sales closing year-to-date through July, more than double the figure recorded during the same time frame last year.

Market Analysis | Summer 2021

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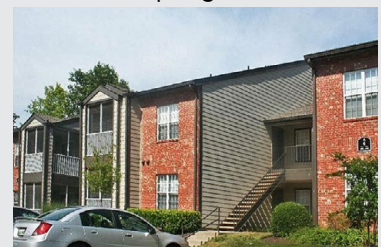
Recent Nashville Transactions

Camden Music Row



City: Nashville, Tenn.
Buyer: Camden Property Trust
Purchase Price: \$158 MM
Price per Unit: \$367,310

Viera Cool Springs



City: Franklin, Tenn.
Buyer: TruAmerica Multifamily
Purchase Price: \$100 MM
Price per Unit: \$213,675

Bellevue West



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

Avana Overlook

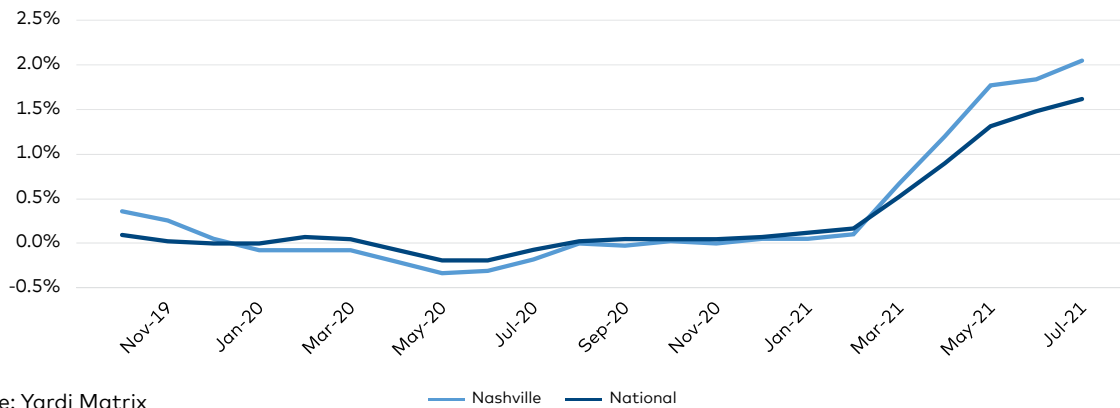


City: Antioch, Tenn.
Buyer: Greystar
Purchase Price: \$73 MM
Price per Unit: \$162,389

RENT TRENDS

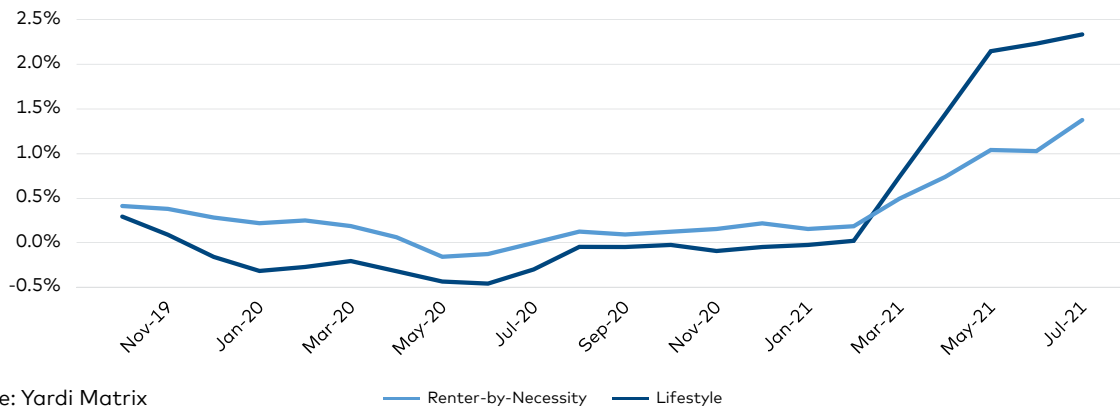
- ▶ The average Nashville rent hit \$1,424, up 2.0% on a T3 basis as of July. This outperformed the 1.6% U.S. figure, though the metro's average rate remained slightly below the \$1,510 national average. Year-over-year, Nashville rents were up 10.4%, above the already unprecedentedly strong 8.3% U.S. rate.
- ▶ Lifestyle rents increased the fastest, up 2.3% on a T3 basis, to \$1,614, as of July. RBN rents grew 1.4% during the same time frame, averaging \$1,146. Mirroring this trend, although overall occupancy in Nashville increased by 0.4% in the 12 months ending in June, Lifestyle units registered a 1.2% gain, while RBN assets slid 60 basis points.
- ▶ Franklin recorded the highest rent growth in the metro by a large margin, up 24.0% year-over-year in July, to \$1,766. The submarket—20 miles south of central Nashville—benefited from the renter shift to suburbia observed nationwide. More than 85 percent of the submarket's inventory is geared toward Lifestyle renters. Other submarkets with high rent growth included Hendersonville (up 14.8% to \$1,338) and Bellevue (up 13.5% to \$1,321).
- ▶ Core submarkets continued to sport some of the metro's highest rents. Downtown-North, with the metro's highest average of \$2,014 in July, recorded an 11.0% year-over-year hike. The nearby Midtown/Music Row submarket's rates averaged \$1,958, up 8.2%.

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 added 96,900 jobs during the 12 months ending in May. The unemployment rate was 4.6% in June, according to preliminary data. While this marked an 80-basis-point uptick from the previous month, the rate remained well below the national figure of 5.9%.
- ▶ With the worst months of the pandemic more than a year away, all employment sectors reported growth during the year ending in May. Manufacturing grew the fastest, up 25.9% with the addition of 16,800 jobs. Leisure and hospitality, on the mend nationwide, grew by 24.9%, or 20,400 jobs. Though this expansion is a sign of recovery, the sector's employment remained 13.8%, below its March 2020 point.
- ▶ Nashville's economy appears to be recovering swiftly, despite many of the regional economic drivers' historic ties to tourism. Though the metro stands to gain from increasing numbers of tourists, the economy has become much more diverse, particularly with significant growth in office-using jobs. Amazon's plan to add 5,000 corporate and tech-related positions to its Nashville Yards operations center is well underway, and several other major employers—including Pinnacle Financial, Smile Direct Club and NTT Data—have announced plans to either expand within or relocate to the metro.

Nashville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	102	9.9%
60	Professional and Business Services	178	17.3%
40	Trade, Transportation and Utilities	205	19.9%
30	Manufacturing	82	8.0%
65	Education and Health Services	153	14.8%
55	Financial Activities	75	7.3%
80	Other Services	41	4.0%
90	Government	121	11.7%
50	Information	26	2.5%
15	Mining, Logging and Construction	50	4.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Nashville's population increased by 1.4% in 2020, with the addition of 27,124 residents, far surpassing the 0.4% national rate.
- ▶ While population expanded by 288,339 people in the past decade, growth has slowly decelerated from the 2.0% peak of 2016.

Nashville vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Nashville Metro	1,900,584	1,930,961	1,959,495	1,986,619

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

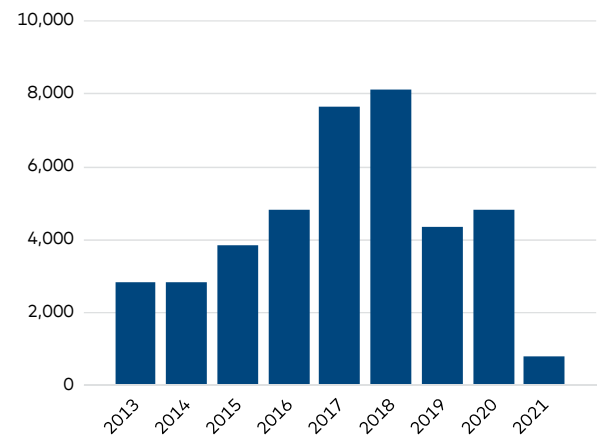
SUPPLY

- ▶ There were nearly 17,000 units under construction in Nashville at the end of July, which accounts for 12% of existing inventory. Some 62,000 units were in the planning and permitting stages. In the first seven months of the year, 12 projects encompassing 2,534 units broke ground—far fewer than the nearly 4,800 units that marked groundbreaking during the same period in 2020.
- ▶ Only two multifamily developments were completed this year through July, adding 801 units combined. We expect deliveries for the year to reach 3,300 units, which would mark a notable drop from the 4,838 apartments completed last year and the lowest level since 2014.
- ▶ The Downtown–North submarket had the highest level of construction activity in July, with 4,211 units under construction, equal to 49.2% of completed stock. The submarket has been a hotbed of development activity, with more than 5,800 units delivered since 2015.
- ▶ Endeavor Real Estate Group's 570-unit Gulch Union was the largest multifamily project underway as of July. The 28-story

development is expected to come online toward the end of the year.

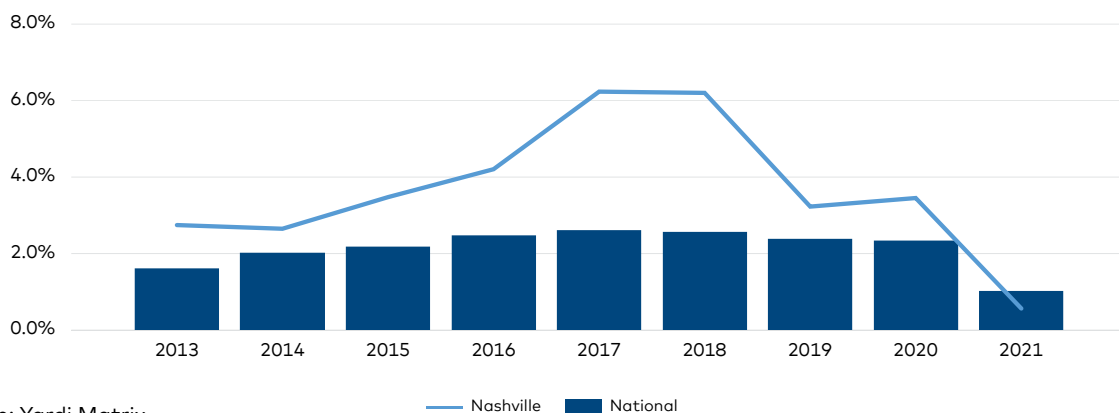
- ▶ The largest multifamily completion of the year was Akara Partners' delivery of the 420-unit Kenect in the Midtown/Music Row submarket. The developer broke ground on the project in late 2018, with \$82 million in construction financing from Deutsche Bank.

Nashville Completions (as of July 2021)



Source: Yardi Matrix

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

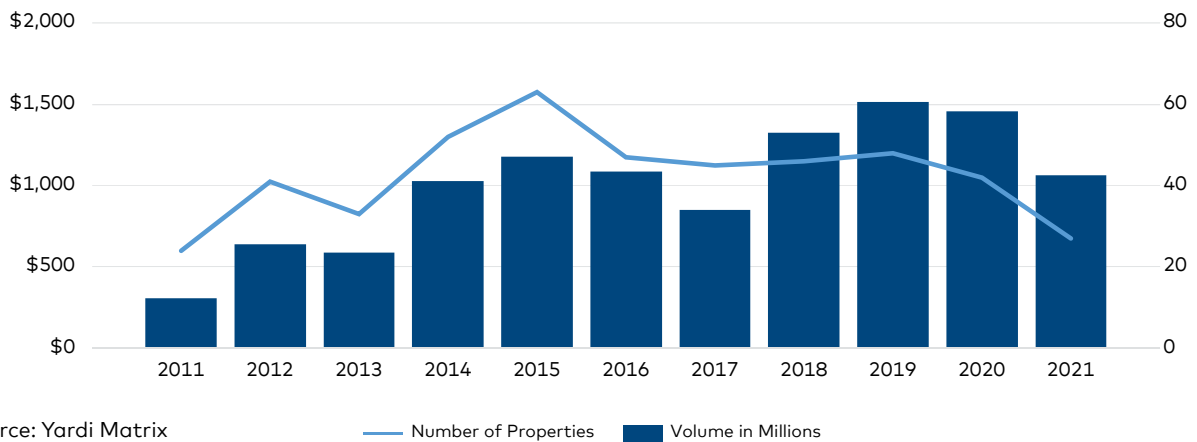


Source: Yardi Matrix

TRANSACTIONS

- ▶ Nashville multifamily transactions reached \$1.1 billion year-to-date through July, already more than two-thirds of the \$1.5 billion closed in 2020. Sales averaged \$194,772 per unit, a 7.9% increase from the previous year and 11.3% higher than the national average. Nashville's per-unit sale prices have exceeded the national average consistently since 2017.
- ▶ Investors overwhelmingly targeted Lifestyle properties, which totaled \$722 million, or 68% of overall volume, similar in proportion to the previous year. Lifestyle transactions averaged \$229,394 per unit, a moderate 3.7% gain compared to 2020. RBN sale prices grew much faster, up 21.8% to \$152,044 per unit.
- ▶ Camden Property Trust's \$157.9 million June acquisition of the 430-unit Camden Music Row was the largest transaction in the first seven months of the year. Childress Klein sold the luxury community five years after delivering the property.

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



Source: Yardi Matrix

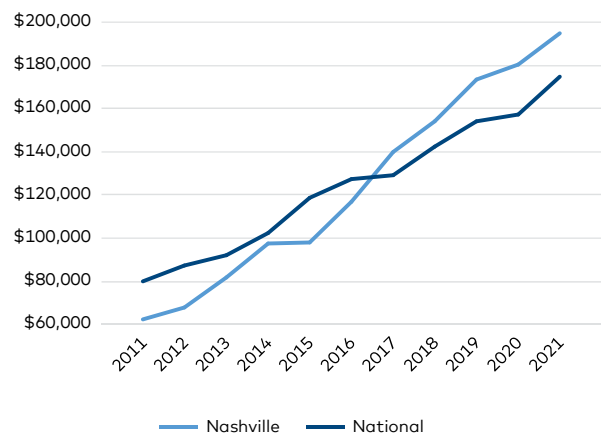
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Franklin	414
Midtown/Music Row	280
Bellevue	222
Downtown-North	160
Murfreesboro-West	133
Nashville Shores/Hermitage	100
Antioch-West	81

Source: Yardi Matrix

¹ From August 2020 to July 2021

Nashville vs. National Sales Price per Unit



Source: Yardi Matrix



Taking Stock of Nashville's Strengths

By Anca Gagiuc

Nashville has been diversifying its economy during the past decade, shifting from a tourist-centric metro to one that embraces office-using employees and workers in the logistics sector. This strategy has certainly helped during the pandemic. TruAmerica Co-Chief Investment Officer Matt Ferrari depicts Music City's alluring profile and discusses what's ahead for the metro.

Late last year, TruAmerica made its entrance into the Nashville multifamily market. What attracted you to Nashville?

Nashville exhibits many of the characteristics of other markets that TruAmerica has been investing in over the last several years, largely in the Southeast and Southwest. This includes strong job growth and population expansion, a business-friendly climate and no state income taxes.

What attributes contribute to Nashville's alluring profile?

Nashville's business-friendly environment, high quality of life and low cost of living—including reasonably priced housing, relative to other parts of the country—and no state income taxes are a draw for companies to expand or relocate. Additionally, the city has a great live-work-play environment, and the climate is relatively mild compared to the Northeast and Midwest.

Which areas in the metro are the most sought-after and why?



Certainly, there has been quite a bit of development in downtown Nashville. TruAmerica continues to invest in first- and second-ring suburbs of major MSAs throughout the country and certainly our investments in Nashville mirror this.

Franklin is obviously one of the best suburban markets in Nashville and we're happy with our investment there. We've also invested in Hermitage, which is proximate to the airport and provides a reasonable commute to downtown.

What about shortcomings? What are some of Nashville's challenges?

Davidson County is going through its property tax assessment reevaluation and there is the potential for large assessment and millage rate increases this year due to budget shortfalls. This uncertainty creates challenges for investors in underwriting property taxes.

What are some of your concerns, more than a year into the pandemic?

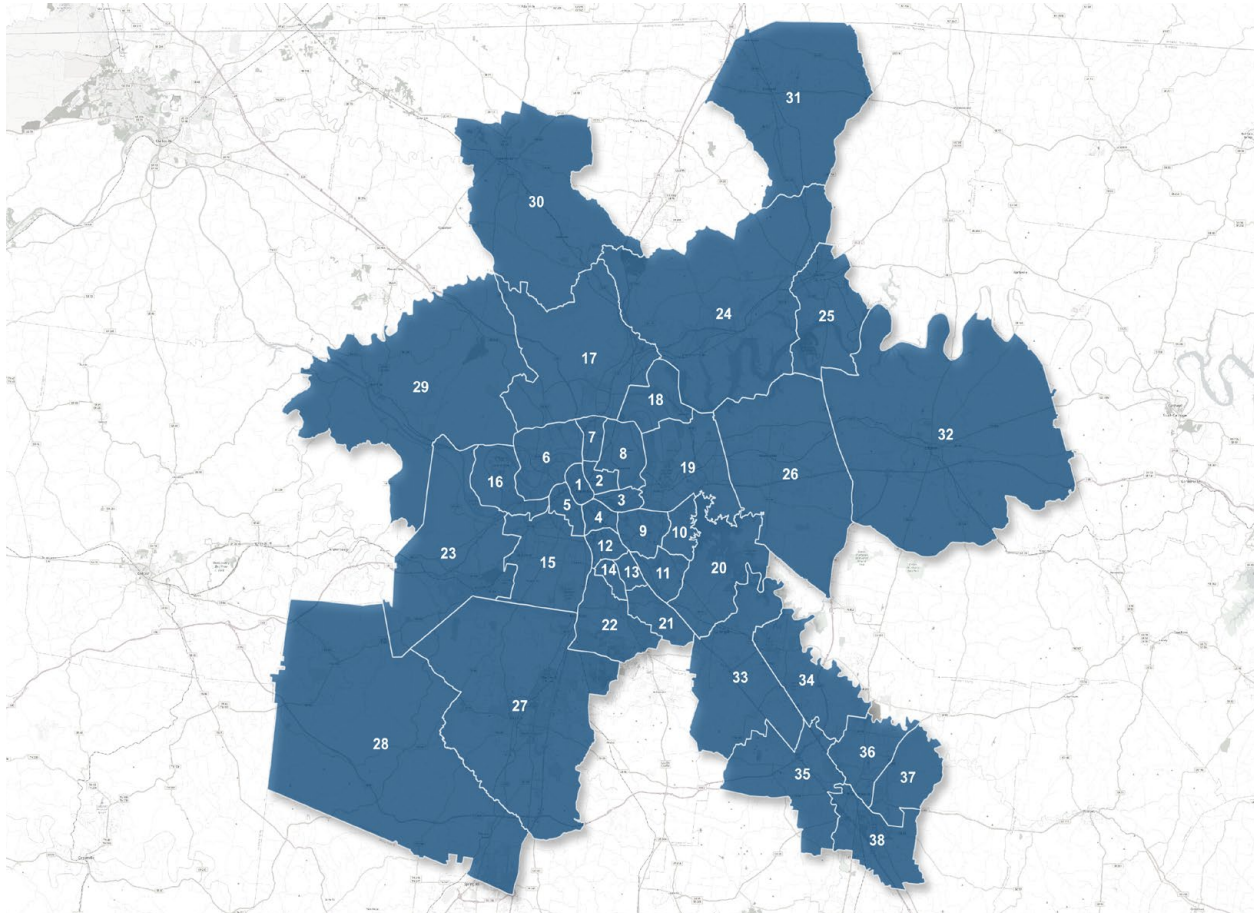
We continue to monitor input costs into our CapEx and operating expenses as the economy opens and inflation increases, which we believe will be somewhat transitory.

What are your expectations for Nashville's multifamily industry this year?

We expect strong operating fundamentals, healthy rent growth and continued new development to keep up with the growth in housing demand for the MSA.

(Read the complete interview on multihousingnews.com.)

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.

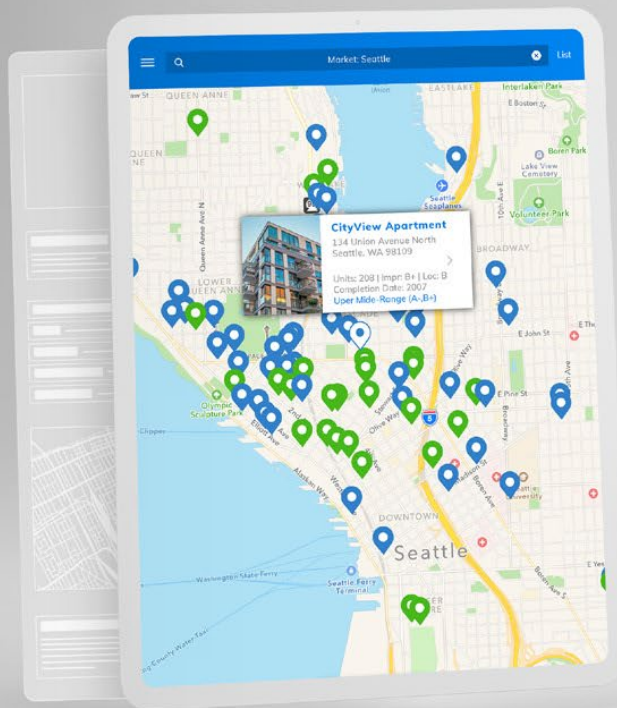
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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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