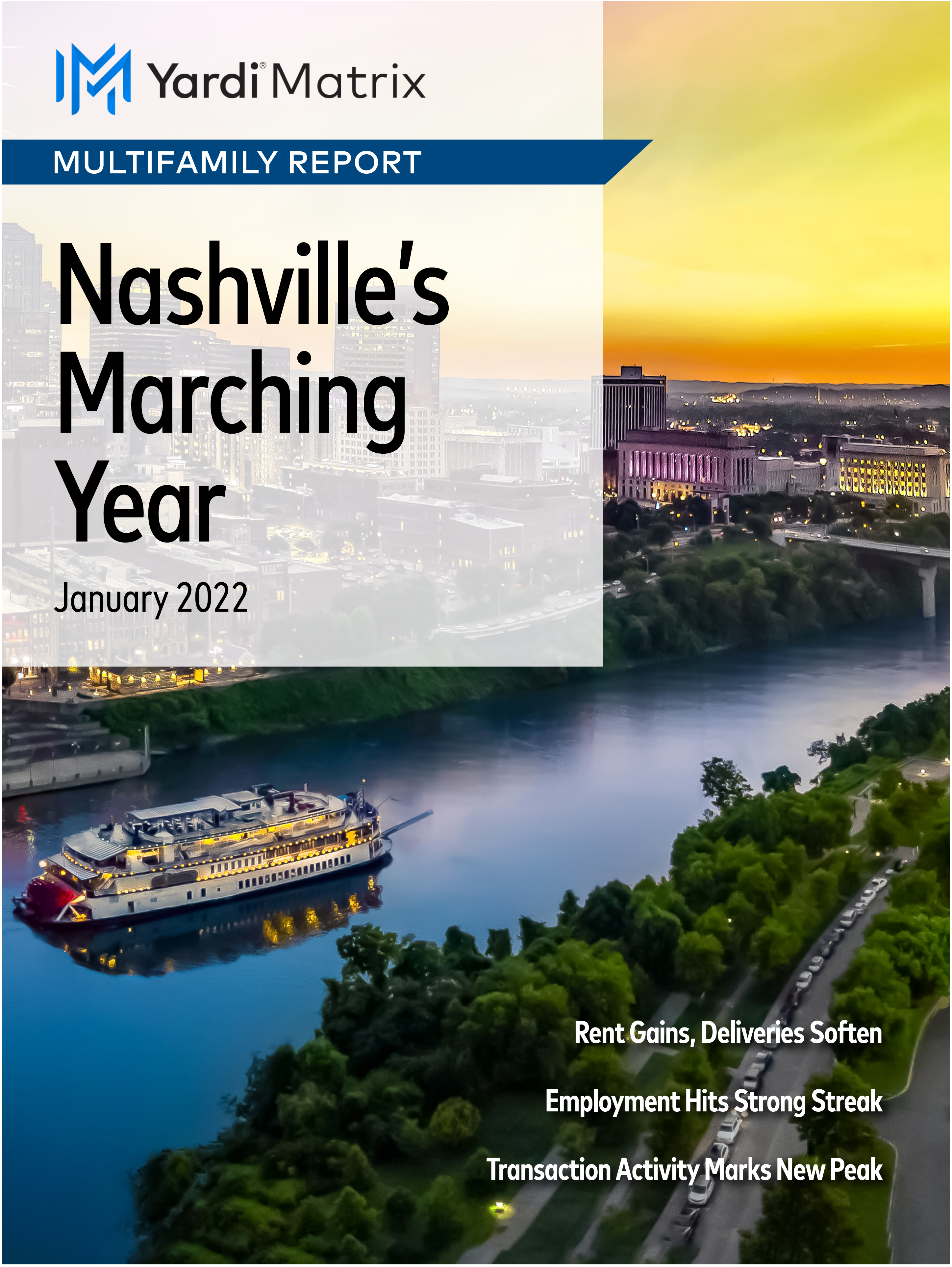
Yardi Matrix

MULTIFAMILY REPORT

Nashville's Marching Year

January 2022



Rent Gains, Deliveries Soften

Employment Hits Strong Streak

Transaction Activity Marks New Peak

NASHVILLE MULTIFAMILY

Yardi Matrix

Limited Supply Boosts Occupancy

Nashville's multifamily market posted solid performance in 2021, with rent growth clocking in at 16.6% year-over-year through November. Mirroring the national trend, November marked a softening in rent expansion, with the average Nashville rate rising 1.1% on a trailing three-month basis, to $1,508. Meanwhile, the occupancy rate in stabilized properties was up a strong 200 basis points in the 12 months ending in October, to 96.3%.

Nashville's economy rebounded steadily throughout 2021, with the unemployment rate dropping to 2.8% in October, outperforming the 4.6% U.S. rate. Job gains also topped the national figure (6.4%), recording a robust 7.5% expansion in the 12 months ending in September, marking the fifth-consecutive month of yearly growth. Although leisure and hospitality accounted for roughly one-third of job gains, professional and business services showed good prospects, with Oracle, Amazon and NTT Data announcing consistent expansions in the metro.

Developers delivered 4,370 units in 2021 through November and had another 17,049 underway. Meanwhile, transaction activity marked a new decade high, with multifamily sales surpassing $2.7 billion, for a price per unit that rose 12.7% year-over-year to $209,071, surpassing the $185,466 U.S. average.

Market Analysis | January 2022

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Recent Nashville Transactions

Avana Collins Creek

City: Antioch, Tenn.
Buyer: Greystar
Purchase Price: $91 MM
Price per Unit: $178,922

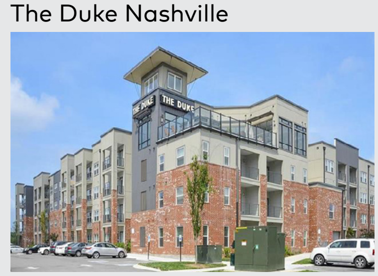
Parc at Murfreesboro

City: Murfreesboro, Tenn.
Buyer: American Landmark Apartments
Purchase Price: $79 MM
Price per Unit: $220,000

The Millennium Music Row

City: Nashville, Tenn.
Buyer: Brass Enterprises
Purchase Price: $76 MM
Price per Unit: $329,217

The Duke Nashville



City: Nashville, Tenn.
Buyer: G. W. Williams Co.
Purchase Price: $74 MM
Price per Unit: $295,857

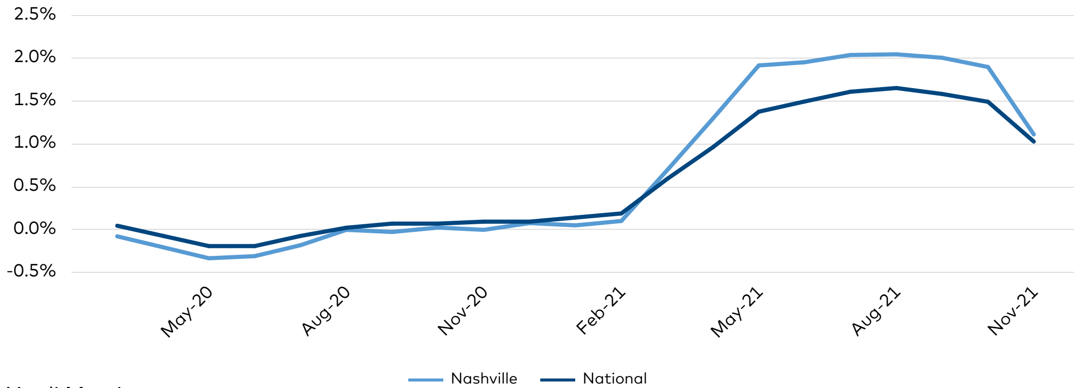
RENT TRENDS

- Mirroring the national trend, November marked a slowdown, following six consecutive months with the trailing three-month (T3) rate at or close to the 2.0% mark. Nashville rents rose just 1.1% on a T3 basis through November, 10 basis points below the U.S. rate. The average rent increased to $1,508, slightly below the $1,590 national average. Year-over-year, Nashville rent expansion hit 16.6%, outperforming the 13.5% national rate.

- Limited Renter-by-Necessity inventory pushed the average rent in the segment up 1.7% on a T3 basis through November, to $1,234, while Lifestyle rents rose just 0.8%, to $1,693. In addition, with the recent pipeline heavily tilted toward upscale projects, the metro recorded a quirky dynamic: On a month-over-month basis, RBN rents in Nashville led Yardi Matrix's top 30 metros, up 1.8% in November, while Lifestyle rents dropped 1.3%, slipping to the bottom of the same list of cities.

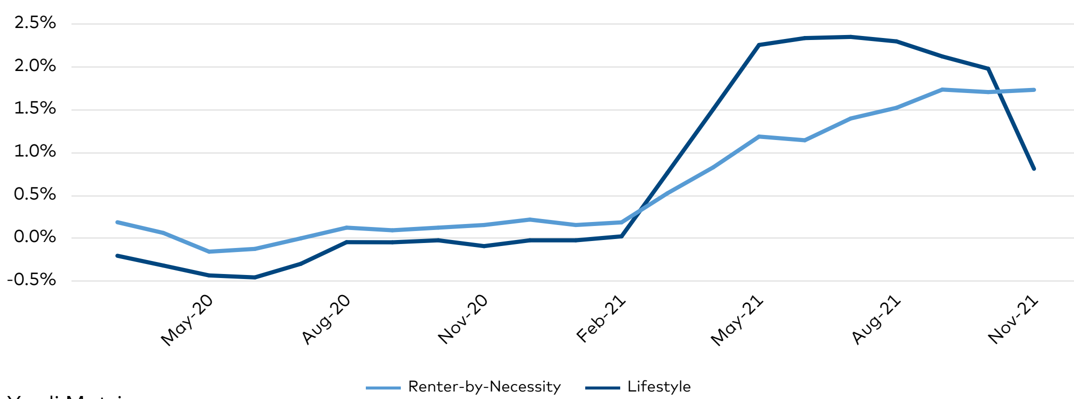
- Of the 37 submarkets tracked by Yardi Matrix, only seven posted single-digit increases on a year-over-year basis. Franklin recorded the largest hike, up 26.9% to $1,854. Two other areas marked rent growth above the 20.0% mark: Nashville Shores/Hermitage (21.5% to $1,382) and Downtown-North (22.3% to $2,125). The latter became the metro's most expensive submarket, also having the largest construction pipeline as of November. Rents in Midtown/Music Row, formerly the most expensive submarket, were up 17.7% to $2,052.

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

- Following a few spikes throughout 2021, Nashville's unemployment rate nearly matched pre-pandemic values, dropping to 2.8% in October, according to preliminary data from the Bureau of Labor Statistics. Meanwhile, the national rate stood at 4.6%. Job growth hit 7.5% (45,500 positions) in the 12 months ending in September, posting the fifth-consecutive month of yearly growth. Two sectors—government and construction—lost a combined 300 jobs during the period.

- Mirroring the national trend, about 30% of job gains occurred in the leisure and hospitality sector (12,700 jobs or 13.5%), while a solid quarter of new positions was added to professional and business services (11,700 jobs or 6.9%). The latter has good prospects for the future, including Oracle's expansion in the metro. The tech giant is building its second U.S. headquarters in a $1.2 billion campus underway along Cumberland River. The development will eventually house 8,500 employees and is expected to create 11,500 ancillary jobs and 10,000 temporary jobs around building, operating and maintaining the campus.

- Other notable expansions in the metro include Amazon—the company topped out the first of two towers in the Nashville Yards project—and NTT Data, which will establish a new center and hire 350 employees.

Nashville Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	107	10.2%
60	Professional and Business Services	181	17.3%
40	Trade, Transportation and Utilities	209	19.9%
55	Financial Activities	76	7.3%
65	Education and Health Services	157	15.0%
50	Information	26	2.5%
80	Other Services	41	3.9%
30	Manufacturing	80	7.6%
90	Government	122	11.6%
15	Mining, Logging and Construction	50	4.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Nashville gained 27,124 residents in 2020, for a 1.4% increase, well above the 0.4% national rate.

- The metro gained 288,399 residents in the past decade, primarily sustained by domestic migration.

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

- Developers brought 4,370 units online in 2021 through November, accounting for 3.0% of total stock, 90 basis points above the U.S. rate. Since its 2018 decade high, multifamily inventory expansion has slowed in Nashville; 2021's volume is on par with 2019's stock expansion and trails the 5,168 total recorded in 2020.

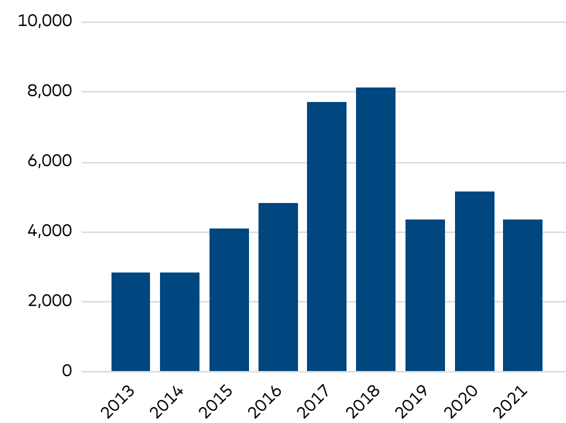
- The construction pipeline comprised 17,049 units underway and nearly 65,000 apartments in the planning and permitting stages as of November. Both recent deliveries and projects under construction lean toward the upscale end of the spectrum, with roughly 85% of both new supply and underway projects in the Lifestyle segment.

- Rental demand remained high while deliveries decelerated, as shown by the occupancy rate in stabilized properties, which increased a solid 200 basis points in the 12 months ending in October, to 96.3%. Occupancy in the Lifestyle segment rose 240 basis points to 96.5%, while the RBN rate climbed 140 basis points to 96.1%.

- The Downtown-North submarket led construction activity by far, with 4,381 units underway as of November. Another five submarkets had more than 1,000 units under construction, including Franklin (1,671 units), Downtown-South (1,469 units) and Midtown/Music Row (1,462 units).

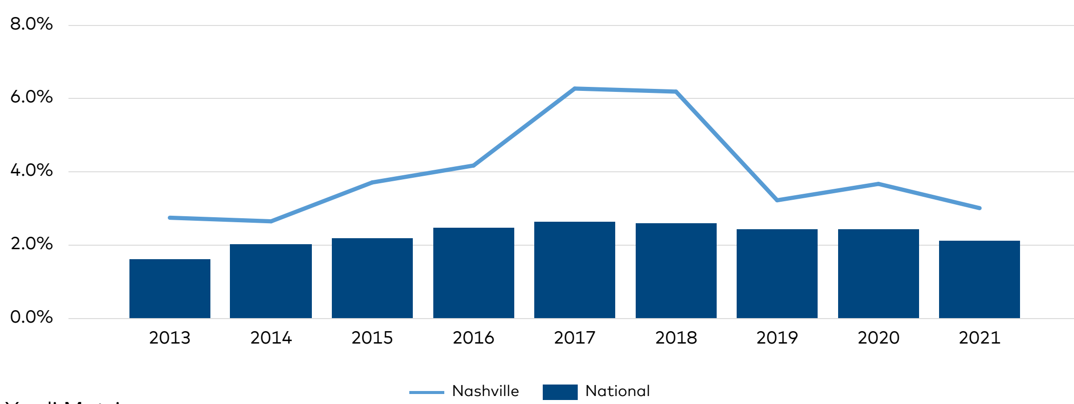
- The largest community delivered in 2021 through November was the Sudekum Redevelopment, a 443-unit project in an Opportunity Zone in the Downtown-South submarket. The project was completed by the Metropolitan Development and Housing Agency.

Nashville Completions (as of November 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

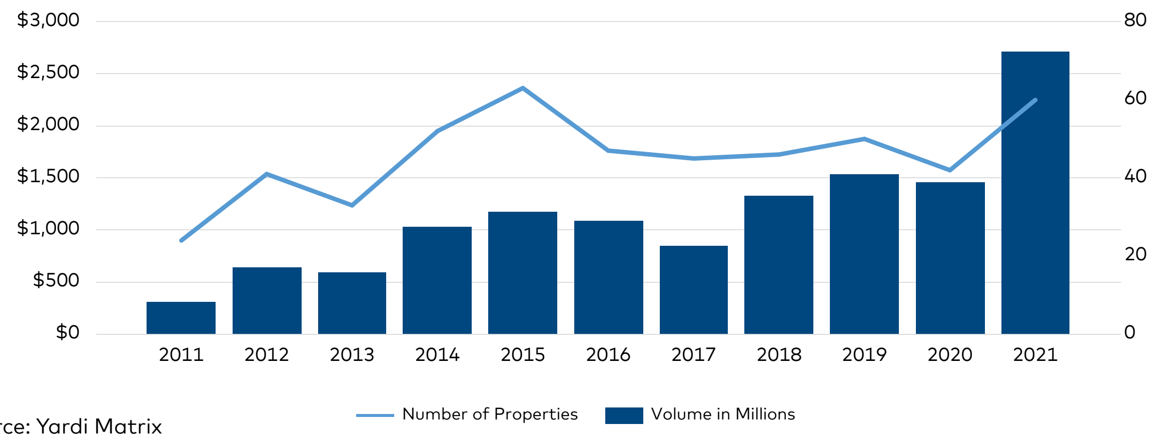
TRANSACTIONS

- Transaction activity intensified in Nashville, with more than $2.7 billion in multifamily assets trading in 2021 through November, a new high for the metro and nearly double the previous decade's peak.

- Investment was slightly tilted toward upscale properties, as nearly 60% of sales included Lifestyle communities. This has contributed to the jump in the average price per unit, which increased 12.7% year-over-year through November, to $209,071. This further widened the gap between the local and the U.S. average, which rose to $185,466.

- The largest deal of the year occurred in June, when Camden Property Trust acquired the 430-unit Camden Music Row in the Midtown/Music Row submarket. The seller, Childress Klein, received $157.9 million, or $367,310 per unit, for the 18-story property.

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



Source: Yardi Matrix

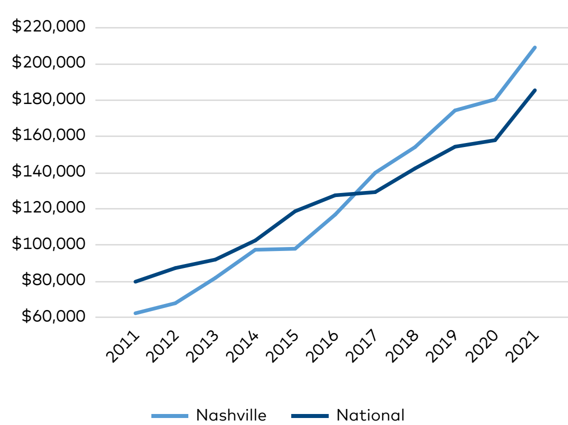
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Bellevue	506
Midtown/Music Row	365
Antioch–South	345
North Nashville/Bordeaux	285
Franklin	239
Nashville Shores/Hermitage	170
Murfreesboro–North	152

Source: Yardi Matrix

[1] From December 2020 to November 2021

Nashville vs. National Sales Price per Unit



Source: Yardi Matrix

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MULTI-HOUSING NEWS

EXECUTIVE INSIGHTS

Nashville Goes From Hot to Red-Hot

By Lucia Morosanu

The Nashville multifamily market has experienced a fast-paced recovery due to the metro's diverse economy and big-name corporate relocations or expansions. This has drawn the attention of both renters and investors. ECI Group Vice President of Development Stephen Stover and Vice President of Resident Experience Tim Johnson discuss Nashville's strong points and how sustainable the metro's rapid growth is.

How much has the Nashville multifamily market changed over the past year?

Stover: Over the past year, Nashville has gone from hot to red hot. Depending on what data source you use, rents are up from 20 percent to 35 percent in places or at certain properties. That type of revenue growth draws a lot more investors to the area, seeking exposure to the upswing in revenue, while also likely causing a few would-be buyers to wonder if such growth is sustainable.

What submarkets are most in demand now and why?

Stover: The submarkets with the most demand include all of the downtown neighborhoods and many of the suburban submarkets south down I-65 (Franklin, Tenn., to Spring Hill, Tenn.), southeast down I-24 (Antioch, Tenn., to Murfreesboro, Tenn.) and east down I-40 to Lebanon, Tenn.

The downtown submarkets benefit from job growth and the ever-improving live-work-play environment. The suburban submarkets offer less in the way of live-work-play, offset by a better cost of living.

Stephen Stover *(left)* and Tim Johnson *(right)*

As life slowly gets back to normal, what new technologies do you think are here to stay?

Johnson: Now that virtual and self-guided tours have become normal in socially distanced leasing activities, we anticipate they will remain commonplace moving forward. While there will still be prospects who prefer to meet face-to-face or in on self-guided tours, it's important to offer virtual options.

Please talk about the most desirable amenities in a post-pandemic world.

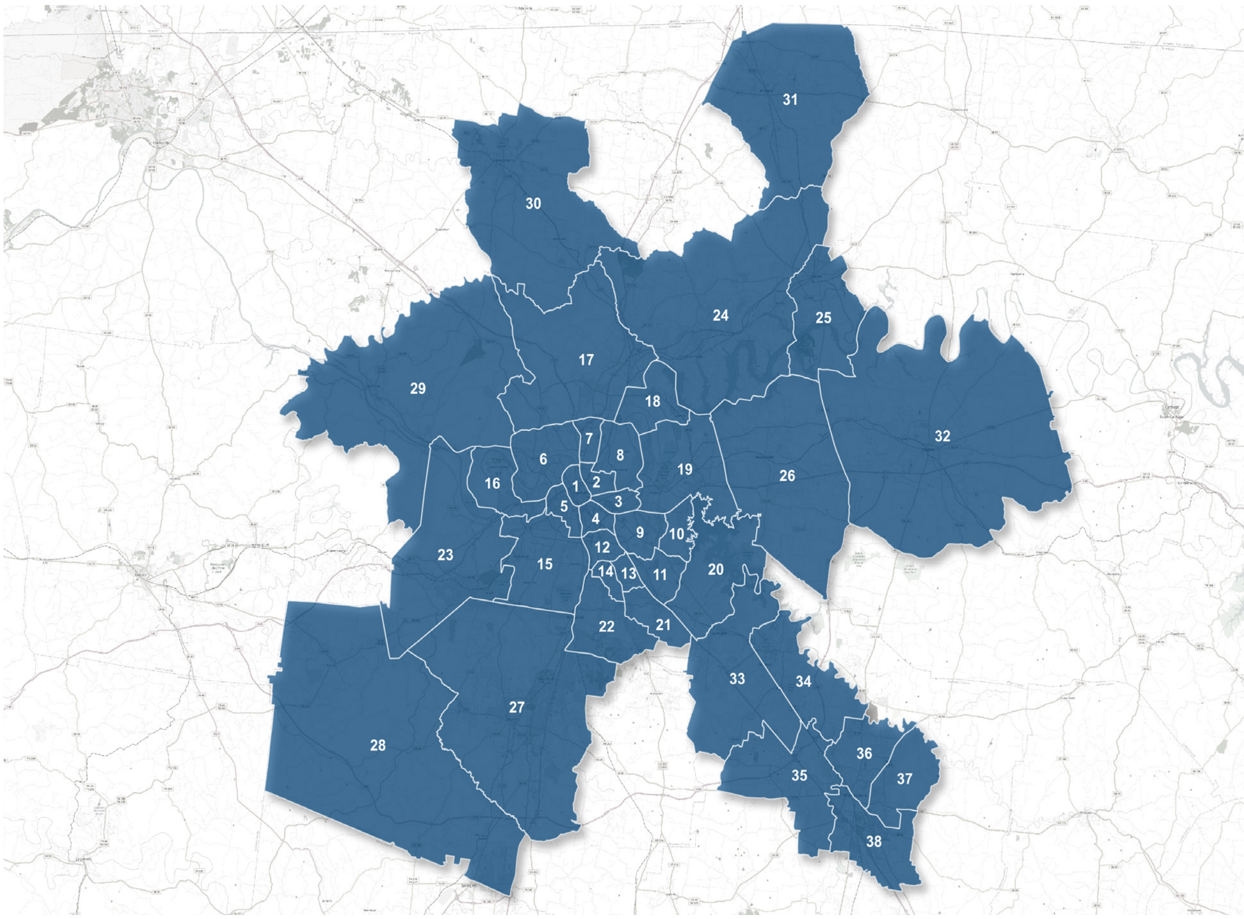
Johnson: Residents certainly still want a nice apartment unit at a fair price. Now, they're just as interested in the lifestyle they'll have while living in the community. We're hearing a lot more about reactivating resident-driven events and gathering spaces.

Are there any weak spots on the horizon for the metro's multifamily market?

Stover: ECI Group views Nashville as having a very robust pipeline of supply. Longer term, we are watching to see how sustainable the current rent growth figures are and whether that will start to pose housing affordability or cost of living type issues. If it starts getting very expensive to live in the metro, that could dissuade companies and folks from relocating there versus other Sun Belt markets.

(Read the complete interview on multihousingnews.com.)

NASHVILLE SUBMARKETS



Area No.	Submarket	Area No.	Submarket	Area No.	Submarket
1	Downtown–North	14	Southeast–West	27	Franklin
2	East End	15	West End/Green Hills	28	Fairview
3	Clovernook	16	West Nashville	29	Ashland City
4	Downtown–South	17	Goodlettsville–North	30	Springfield/Greenbrier
5	Midtown/Music Row	18	Goodlettsville–South	31	Portland
6	North Nashville/Bordeaux	19	Nashville Shores/Hermitage	32	Lebanon
7	Northeast Nashville	20	Antioch–East	33	La Vergne/Smyrna
8	East Nashville/Inglewood	21	Antioch–South	34	Smyrna–East
9	South Nashville	22	Southeast/Brentwood	35	Murfreesboro–West
10	Donelson/South Hermitage	23	Bellevue	36	Murfreesboro–North
11	Antioch–West	24	Hendersonville	37	Murfreesboro–East
12	Elm Hill/Woodbine	25	Gallatin	38	Murfreesboro–South
13	Southeast–East	26	Mount Juliet		

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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