



MULTIFAMILY REPORT

Nashville Keeps The Tempo

June 2022

Robust Investment Continues

Demand Outpaces Supply, Pressures Rents

Unemployment Improves to Pre-Pandemic Values

NASHVILLE MULTIFAMILY



Demand Drives Rent Growth, Occupancy

Nashville's multifamily market maintained its solid performance well into 2022, propped up by a diverse economy and robust population growth. Asking rents rose 0.8% on a trailing three-month basis through April, to \$1,591, catching up to the national figure. Occupancy marked a solid 170-basis-point increase in the 12 months ending in March, to 96.4%.

The unemployment rate improved to 2.4% in March, leading the state (3.2%) and the nation (3.6%), according to data from the Bureau of Labor Statistics. Nashville's job market expanded by 5.7%, or 66,100 jobs, in the 12 months ending in February, 100 basis points ahead of the U.S. rate. While leisure and hospitality led gains (21,900 jobs), promising signs for a sustained economic expansion come from Nashville's largest drivers: professional and business services (13,900 jobs) and trade, transportation and utilities (11,500 jobs). Both sectors are poised for continued growth, thanks to companies expanding in the metro—Amazon, Asurion and Oracle—and the increased traffic at Nashville International Airport.

Developers expanded the existing stock by 0.8% (1,154 units) through April and had more than 18,000 units underway. Meanwhile, transactions remain elevated, with volume nearing \$1 billion, while the price per unit posted a hefty 36% increase to start the year, at \$220,468.

Market Analysis | June 2022

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On the cover: Photo by Jonathan Ross/iStockphoto.com

Recent Nashville Transactions

The Sound at Pennington Bend



City: Nashville, Tenn.
Buyer: Praedium Group
Purchase Price: \$96 MM
Price per Unit: \$323,311

Mandolin at Stream Valley



City: Franklin, Tenn.
Buyer: Regional Management
Purchase Price: \$94 MM
Price per Unit: \$390,000

Arrive Bellevue



City: Nashville, Tenn.
Buyer: FPA Multifamily
Purchase Price: \$86 MM
Price per Unit: \$226,385

The Edge

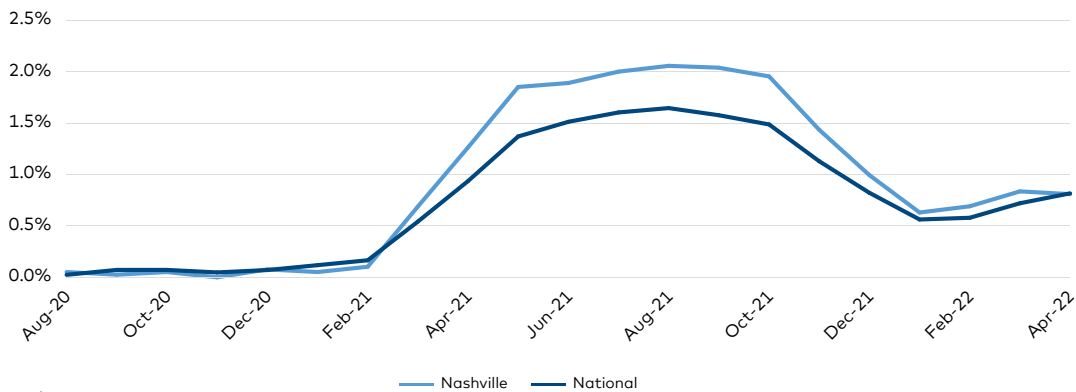


City: Murfreesboro, Tenn.
Buyer: American Landmark
Apartments
Purchase Price: \$79 MM
Price per Unit: \$272,569

RENT TRENDS

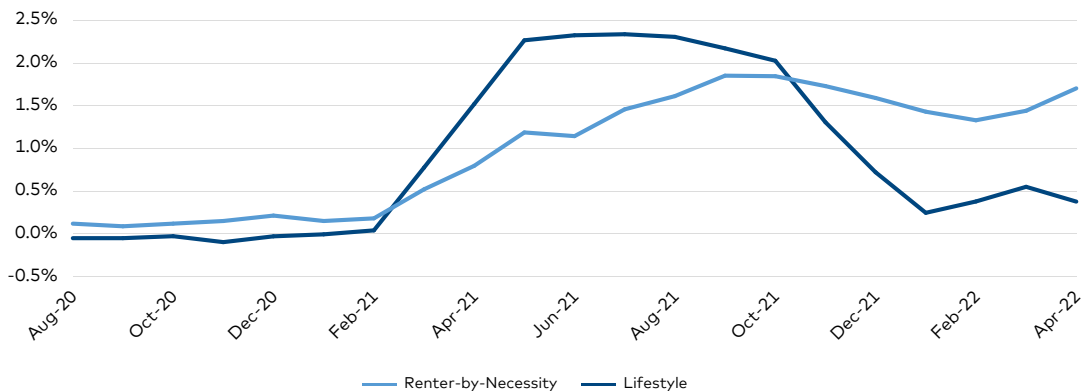
- ▶ Nashville rents rose 0.8% on a trailing three-month (T3) basis through April, to \$1,591, on par with the national rate, slightly below the \$1,659 U.S. figure. On an annual basis, Nashville rent growth (17.4%) led the 14.3% U.S. rate.
- ▶ In high demand for most of 2021, based on rent expansion by property class, Lifestyle units fell behind the Renter-by-Necessity segment in the final quarter of 2021. On a T3 basis through April, rates in the upscale segment increased just 0.4% to \$1,762. Meanwhile, the average asking figure for the working-class segment rose a significant 1.7%, to \$1,336. On a year-over-year basis, RBN rates were up 2.1% and Lifestyle rents contracted 0.1%. The dynamic is mirrored by the occupancy rate in stabilized properties, but to a lesser extent. Occupancy for RBN units rose 190
- ▶ basis points year-over-year as of March to 96.5%, and for Lifestyle apartments it climbed 150 basis points to 96.3%. Overall, occupancy in Nashville recorded a 170-basis-point increase to 96.4%, pointing to a tight rental market.
- ▶ Of the 28 submarkets tracked by Yardi Matrix, only two posted single digit increases in annual rent and eight above the 20%-mark. Three submarkets posted rates above \$2,000: Downtown (22% to \$2,226), Vanderbilt (13.4% to \$2,132) and Central (13.8% to \$2,018).
- ▶ Single-family rentals posted good performance—up 15.7% year-over-year through April—but occupancy marked one of the biggest contractions among major metros, down 1.6% year-over-year through March.

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's unemployment rate reached pre-pandemic values in 2021's final quarter and improved to as low as 2.4% in March, according to data from the BLS. The rate leads both the nation (3.6%) and the state (3.2%).
- The job market expanded 5.7% in the 12 months ending in February, leading the U.S. rate by 100 basis points. The expansion equated to 66,100 positions, one-third of which (21,900 jobs) were in the leisure and hospitality sector.
- Good prospects about the metro's economic revival come from its largest sectors: professional and business services (13,900 jobs) and trade, transportation and utilities (11,500 jobs). Both sectors point to sustained recovery. Amazon hired more than 2,500 of the announced 5,000 employees at the Nashville Yards—the second tower is slated for completion in 2023. Asurion, NTT Data and Oracle, among others, have expansions underway. Meanwhile, passenger count at Nashville's International Airport surpassed 13 million in 2022 through March, more than double the volume recorded in the first quarter of 2021 and above the 12.3 million total of 2019.
- Despite strong performance, Nashville's economy is not sheltered from the volatility caused by the current economic headwinds: rising global inflation, rising interest rates, supply hurdles, labor shortages and the coronavirus.

Nashville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	116	10.7%
60	Professional and Business Services	190	17.4%
40	Trade, Transportation and Utilities	218	20.0%
50	Information	28	2.6%
55	Financial Activities	75	6.9%
15	Mining, Logging and Construction	53	4.9%
65	Education and Health Services	159	14.6%
80	Other Services	44	4.0%
30	Manufacturing	84	7.7%
90	Government	123	11.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Nashville gained 17,498 residents in 2021, for a 0.9% rate of growth, well above the 0.1% U.S. rate, but below the 1.4% increase recorded in 2020.
- The metro's population expanded 17.9% in the decade ending in 2021, three times the 5.7% national rate.

Nashville vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Nashville	1,931,811	1,958,610	2,020,285	2,037,783

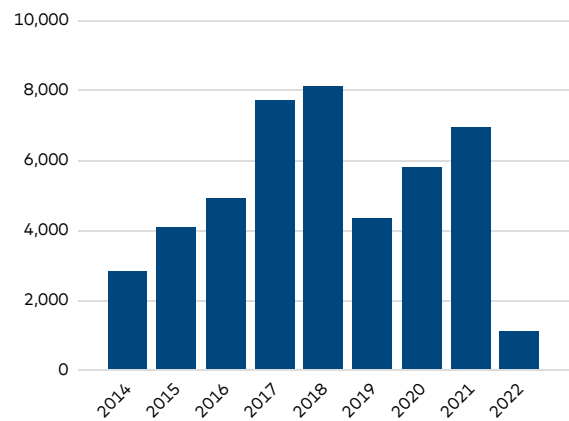
Source: U.S. Census

SUPPLY

- ▶ Developers delivered 1,154 units in 2022 through April, 0.8% of total stock and 30 basis points above the U.S. rate. The newly completed units were all in Lifestyle projects. Over the past decade, Nashville has consistently led the country in supply additions.
- ▶ The construction pipeline remained robust, with 18,368 units underway and another 65,000 units in the planning and permitting stages. Most of the units under construction (85%) were part of the Lifestyle segment, 5% were market-rate apartments and 10% were fully affordable communities.
- ▶ The number of units that broke ground this year through April dropped to 1,031 from 3,641 during the same interval last year. Going further, Nashville faces the same headwinds present across the country—rising inflation and interest rates. These will add to the issues already present—shortages in workforce and materials—and will most likely soften both construction starts and deliveries, which, combined with the metro’s rapidly growing population, will boost demand and keep pressure on apartment rents.

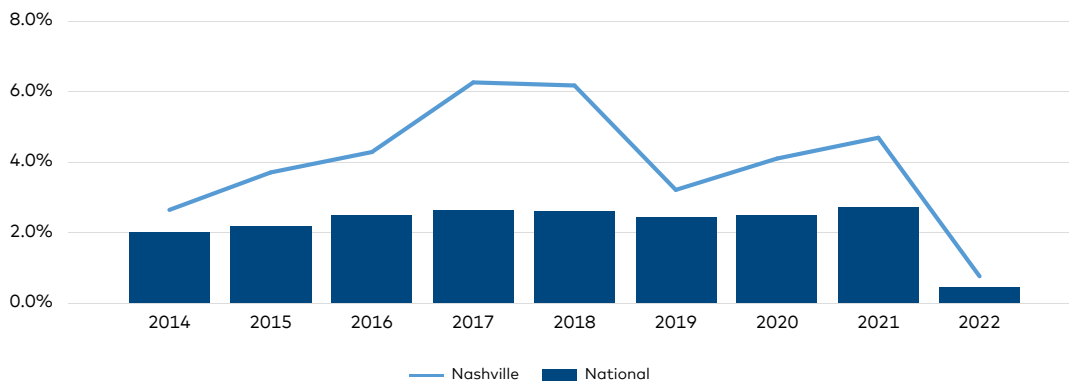
- ▶ Of the 28 submarkets tracked by Yardi Matrix, seven had more than 1,000 units underway, with Downtown leading by far (2,856 units). The largest project delivered this year—the 375-unit 805 Lea—is also located here. Owned by Brian Gibbs Property Management, the 31-story asset has a retail component on the first floor and 563 parking spaces on floors two through six. The owner took out a \$106 million construction loan for its development, funded by Goldman Sachs.

Nashville Completions (as of April 2022)



Source: Yardi Matrix

Nashville vs. National Completions as a Percentage of Total Stock (as of April 2022)

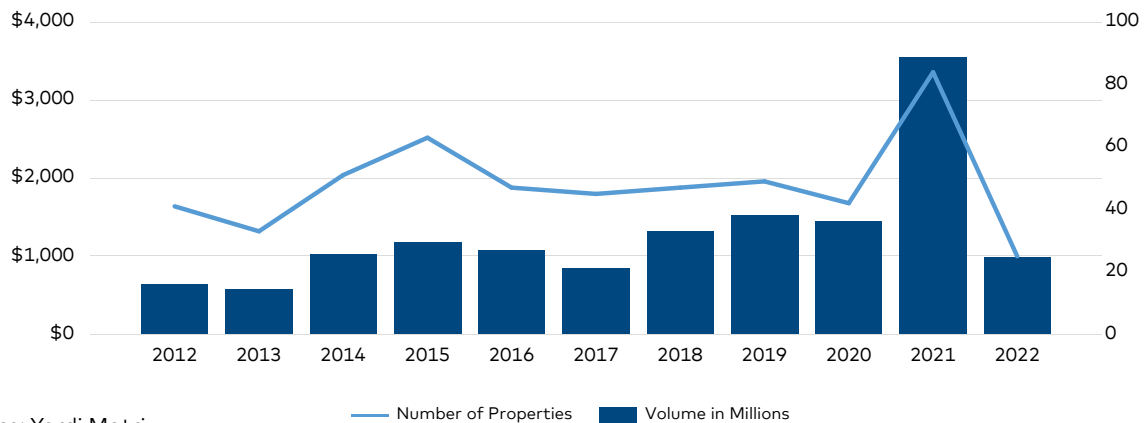


Source: Yardi Matrix

TRANSACTIONS

- ▶ Investor interest remained high in Nashville, with nearly \$1 billion in multifamily assets trading in 2022 through April. The figure is nearly double the \$528 million volume recorded during the same interval last year. Transactions in 2021 amounted to \$3.6 billion, an all-time high.
- ▶ While investment was slightly tilted toward the upscale segment in 2021, this year, investor interest turned around and 60% of sales involved working-class RBN assets.
- ▶ The average per-unit price also increased by a significant margin, up 36% in 2022, to \$220,468, leading the \$209,274 U.S. average.
- ▶ The highest price per unit was paid by Regional Management for Mandolin at Stream Valley. The asset was sold by Epoch Residential for \$390,000 per unit, or a transaction total of \$93.6 million. The 240-unit asset traded with aid from a \$44.2 million loan held by KeyBank.

Nashville Sales Volume and Number of Properties Sold (as of April 2022)



Source: Yardi Matrix

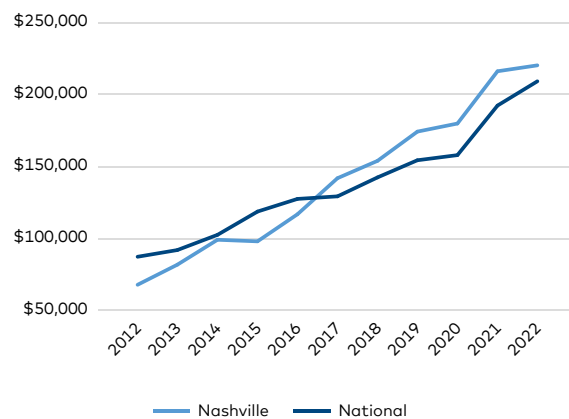
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Nashville-South	556
Nashville-Southwest	555
Franklin	433
Nashville-Vanderbilt	413
Nashville-West	317
Nashville-East	282
Murfreesboro	274

Source: Yardi Matrix

¹ From May 2021 to April 2022

Nashville vs. National Sales Price per Unit



Source: Yardi Matrix



Nashville's Multifamily Prosperity Plays On

By Laura Calugar

The increasing number of young professionals relocating to the Music City and surrounding areas is creating exceptional demand and keeping occupancy near historic highs due to low supply. "We anticipate another year of elevated rent growth as the demand and supply equation has not changed," Freeman Web Vice President Matt Olson. Olson explains why Nashville is still in the early stages of growth and reveals his company's strategy for the area.

How would you describe metro Nashville's multifamily market today?

Olson: The Nashville multifamily market is red hot. We are experiencing unprecedented demand from renters, resulting in all-time high occupancy rates and double-digit, year-over-year rent growth. The strong multifamily fundamentals, coupled with the overall economic growth of Nashville, has also resulted in unprecedented investment demand and development. We had more than \$4.5 billion in multifamily transactions in Nashville during 2021, which is more than double the volume from the previous peak of \$1.8 billion in 2018. That investment demand is not slowing as we are on pace for approximately \$3 billion in transactions through the first half of 2022.

So you'd say that now is a good time to be a property owner and investor in Nashville?



Olson: Yes. The city has changed significantly over the last decade, but Nashville is still in the early stages of growth. We have not fully experienced the impact of Amazon's presence in our market, let alone the impact of Oracle's additional jobs and investment in our community. We have very business-friendly leadership at the state and local levels that will continue to attract employers and those leaders are prudently working to accommodate the growth with billions of dollars of investments throughout the city, including our airport. The continued growth of Nashville

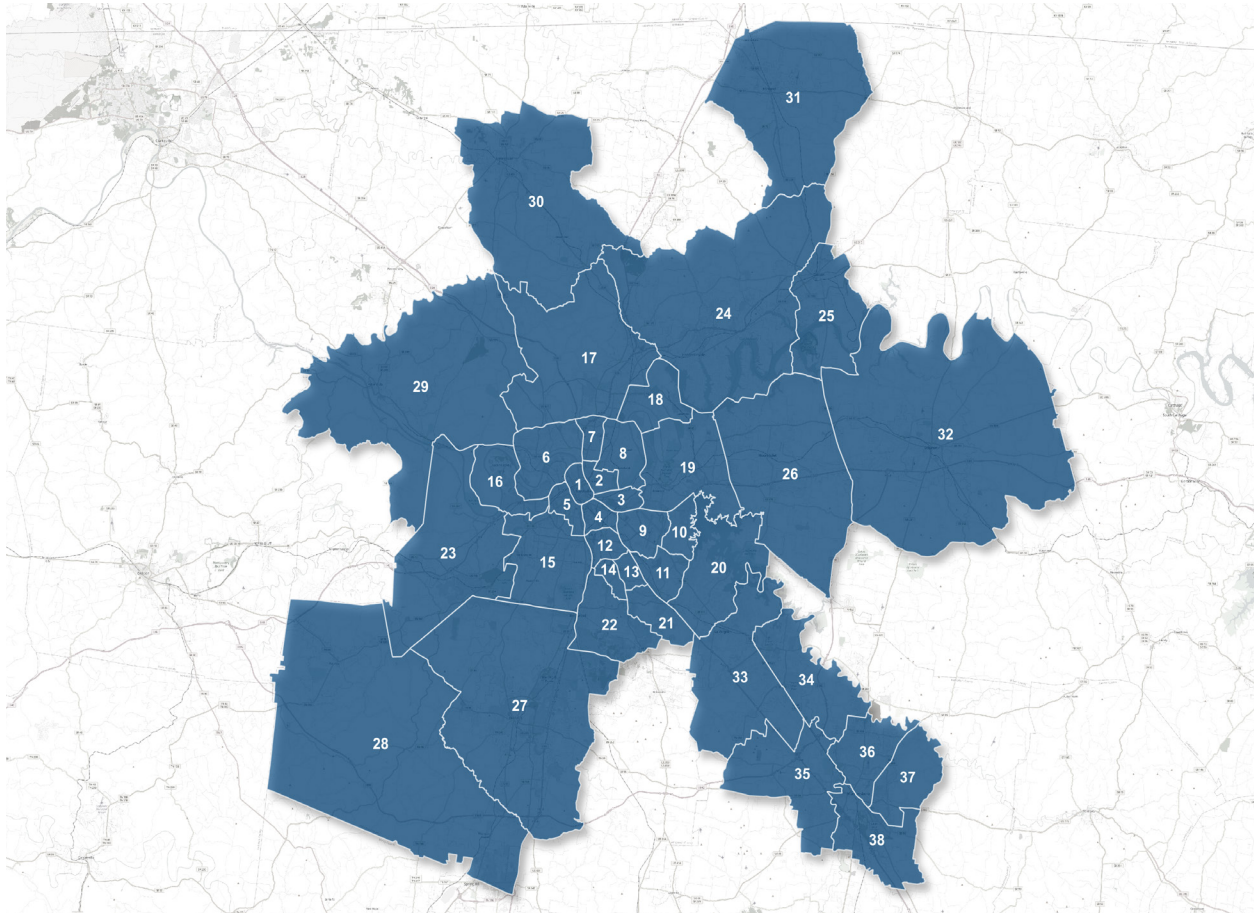
will benefit property owners of all asset classes, especially multifamily owners.

What does this metro have to offer to young professionals looking to relocate?

Olson: Nashville offers a great quality of life, with many of the amenities that young professionals seek—major sports teams, good food scene, diverse nightlife and culture—while being more affordable and convenient than many other large metros. That quality of life, coupled with good-paying jobs across a number of industries—including health care, automotive, music, education, financial services and tech—draws a variety of talent across all professions. We boast that about 110 people move to Nashville each day, and we don't anticipate that growth to slow any time soon.

(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 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 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, 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.



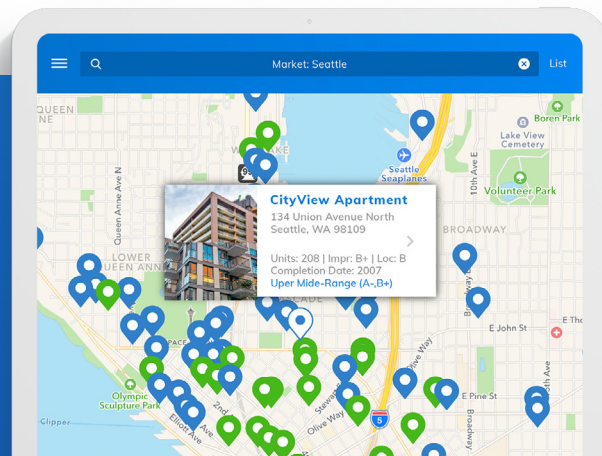
Yardi Matrix

Power your business
with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



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