



MULTIFAMILY REPORT

# Nashville: Minor Tempo Change

September 2022

**Rent Growth Outpaces Nation**

**Investment Marches On, PPU Continues Climb**

**Development Remains Elevated, Deliveries Soften**

# NASHVILLE MULTIFAMILY



## Fundamentals Maintain Steady Progress

The rebound of the leisure and hospitality sector is shifting the dynamic between multifamily's main property segments, reversing the lead in rent development and occupancy from the Lifestyle segment to working-class Renter-by-Necessity apartments. Overall, Nashville rents rose 1.3% on a trailing three-month basis through July, to \$1,676. Meanwhile, the occupancy rate in stabilized properties stood at 96.2% in June.

Nashville unemployment clocked in at 3.5% in June, according to data from the Bureau of Labor Statistics, slightly trailing the state (3.4%), but outperforming the U.S. (3.6%). The metro gained 70,200 jobs in the 12 months ending in May, up 6.3%, ahead of the 4.7% U.S. rate. Leisure and hospitality led gains (20,200 jobs), followed closely by Nashville's largest sectors—professional and business services (14,400 jobs) and trade, transportation and utilities (11,600 jobs). Amazon and Oracle are among the companies that announced expansions in the metro.

Developers delivered 2,670 units in 2022 through July, which represented a decrease from the volume recorded during the same period last year. The construction pipeline remained robust, however, with 20,070 units underway. Investment volume surpassed \$2.2 billion through July, outperforming the figure recorded in the same time frame of 2021. The price per unit was up by 21.4% year-over-year, to \$240,218, leading the \$216,893 U.S. average.

## Market Analysis | September 2022

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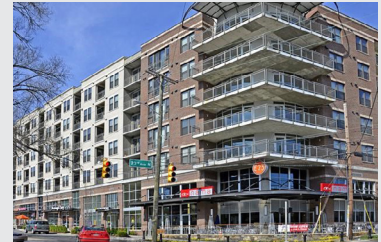
#### Anca Gagiuc

Senior Associate Editor

On the cover: Photo by halbergman/iStockphoto.com

### Recent Nashville Transactions

#### Elliston 23



City: Nashville, Tenn.  
Buyer: Sunroad Enterprises  
Purchase Price: \$162 MM  
Price per Unit: \$489,426

#### Vintage Station North



City: Mount Juliet, Tenn.  
Buyer: Starwood Capital Group  
Purchase Price: \$91 MM  
Price per Unit: \$413,821

#### Discovery at Mountain View



City: Antioch, Tenn.  
Buyer: OpenPath Investments  
Purchase Price: \$89 MM  
Price per Unit: \$264,881

#### Scout Landing



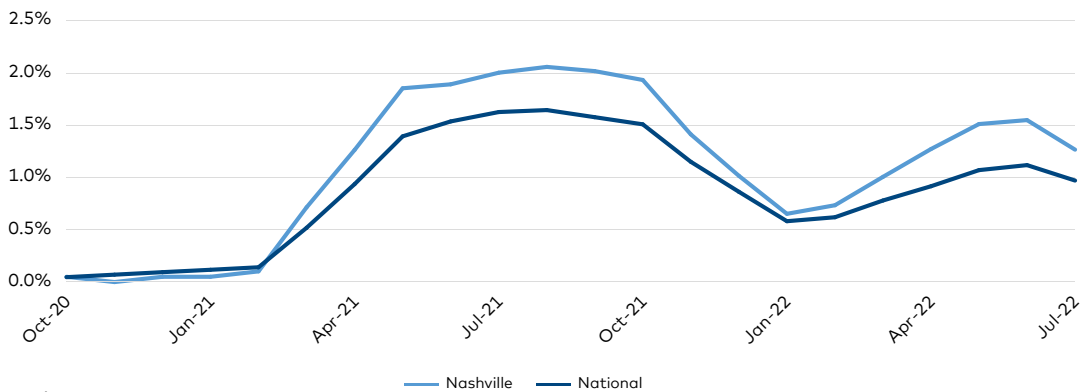
City: Murfreesboro, Tenn.  
Buyer: American Landmark  
Apartments  
Purchase Price: \$65 MM  
Price per Unit: \$234,532



## RENT TRENDS

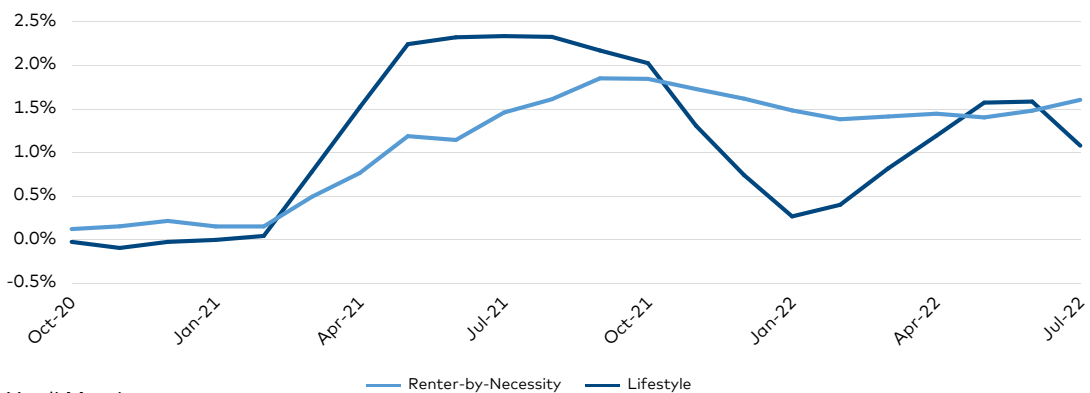
- ▶ Nashville rents rose 1.3% on a trailing three-month (T3) basis through July, ahead of the 1.0% U.S. average. The rate fell 20 basis points below June and May, which, coupled with the current economic landscape, could signal a softening. At \$1,676, the average Nashville rent lagged the \$1,717 U.S. figure. Year-over-year, rates were up 16.5%, ahead of the 12.6% national rate.
- ▶ Following a stronger two-month interval, Lifestyle rent gains again fell behind the working-class Renter-by-Necessity segment in July, but still recorded a solid evolution. Lifestyle figures rose 1.1% on a T3 basis through July, to \$1,865, while RBN rates gained 1.6%, to \$1,393.
- ▶ Healthy demand helped Nashville keep up with the recent deliveries and pushed the occupancy rate in stabilized properties up 10 basis points in the 12 months ending in June, to 96.2%. RBN occupancy improved 20 basis points to 96.3%, and Lifestyle occupancy remained flat at 96.2%, a good sign considering that recent deliveries were heavily tilted in favor of the upscale segment.
- ▶ Only one of the 28 submarkets tracked by Yardi Matrix posted annual rent growth below the 10.0% mark. In July, five submarkets had average asking rates above the \$2,000 mark, from just two a year ago, led by Downtown (18.8% to \$2,451) and Vanderbilt (12.3% to \$2,282).
- ▶ Nashville single-family rentals posted high annual rent gains (21.5%), even as occupancy dropped 1.6%. With the for-sale housing market cooling down, SFRs are likely to continue outperforming.

### 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 went back up to 3.5% in June from 2.4% in March, according to preliminary BLS data. Music City trailed the state by 10 basis points, but fared better than Knoxville (3.9%), Chattanooga (3.8%) and the nation (3.6%).
- ▶ Nashville gained 70,200 positions in the 12 months ending in May. That marked a 6.3% expansion, ahead of the 4.7% U.S. rate. Gains were led by the ongoing recovery of the leisure and hospitality sector (20,200 jobs), followed by the metro's newly established main economic drivers—professional and business services (14,400 jobs) and trade, transportation and utilities (11,600 jobs).
- ▶ Nashville's diverse economy aided it during the pandemic, attracting corporate relocations and high-skilled workers. AllianceBernstein employees settled in the new headquarters in downtown Nashville, and Amazon and Oracle have plans to open offices in the metro. Amazon finalized the first tower in the Nashville Yards project and paused construction on the second to redesign spaces for hybrid work. However, this does not affect its hiring plans, which include the creation of 5,000 jobs in Nashville. Oracle is building a regional campus in Davidson County, set to add 8,500 jobs.

### Nashville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	126	11.3%
60	Professional and Business Services	194	17.5%
40	Trade, Transportation and Utilities	217	19.5%
65	Education and Health Services	163	14.7%
15	Mining, Logging and Construction	56	5.0%
55	Financial Activities	76	6.8%
90	Government	123	11.1%
50	Information	28	2.5%
30	Manufacturing	84	7.6%
80	Other Services	44	4.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ In-migration moderated in Nashville in 2021 compared to the previous year; the metro expanded by 0.9%, well below the 3.1% rate of 2020.
- ▶ Meanwhile, the U.S. population expanded by a mere 0.1% in 2021.

### 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

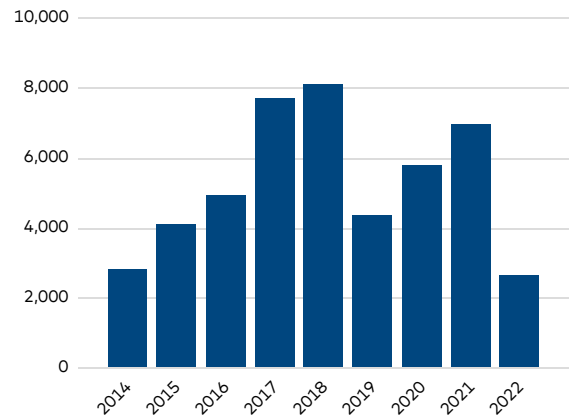
Source: U.S. Census

## SUPPLY

- ▶ Deliveries moderated in Nashville, with just 2,670 apartments coming online this year through July. Although the number represents a solid 1.8% of total stock and is ahead of the 1.1% U.S. average, it marks a slight decline from the 3,039 units delivered during the same period of last year. The high influx of highly skilled workers prompted developers to continue focusing on the upscale segment, and all newly completed units were in Lifestyle communities.
- ▶ The construction pipeline had 20,070 units underway and more than 66,500 units in the planning and permitting stages as of July. Similar to deliveries, the number of construction starts dwindled, down to 2,877 units through July, well below the 5,700 apartments recorded during the same interval of 2021. The pipeline is heavily tilted toward the Lifestyle segment, which encompasses about 80% of projects underway. Roughly 7% of current projects are in the affordable segment, and less than 6% are in other market-rate developments. Overall, Yardi Matrix expects 9,620 units to come online across Nashville through 2022.
- ▶ Of the 28 submarkets tracked by Yardi Matrix, nine had more than 1,000 units underway.

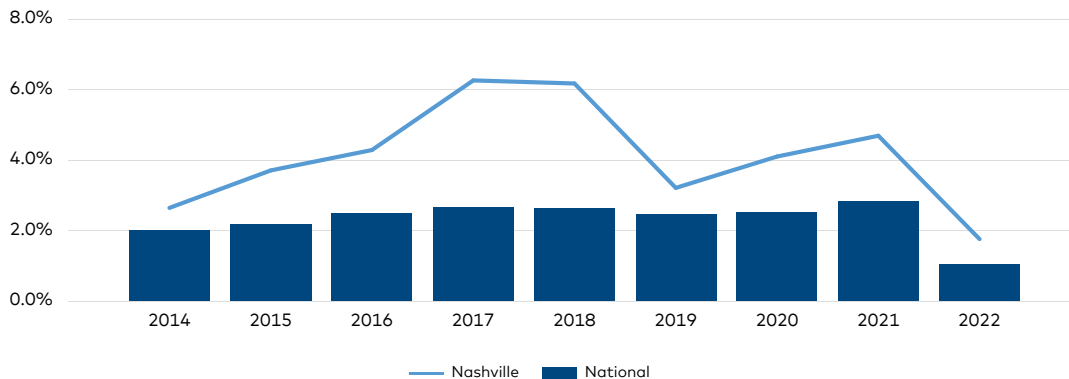
Downtown (2,937 units), Central South (1,866 units) and Central North (1,776 units) were in the lead. The latter houses the largest project under construction, the 467-unit Grand Oaks at Great Circle, a Southeastern Development Associates community built with aid from a \$47 million construction loan originated by Cadence Bank. The property is located in an Opportunity Zone and delivery is slated for the end of 2023.

### Nashville Completions (as of July 2022)



Source: Yardi Matrix

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



Source: Yardi Matrix

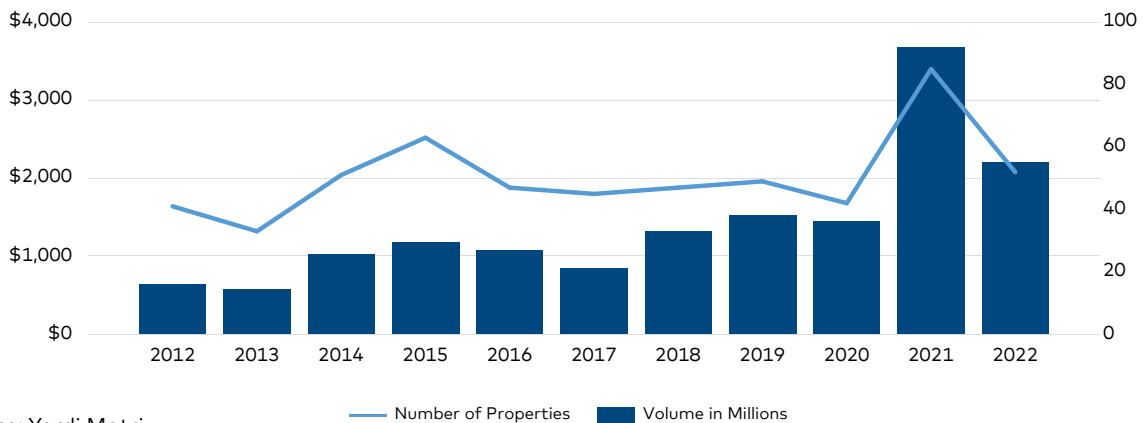
## TRANSACTIONS

- ▶ Coming on the heels of the best year for investment volume, transaction activity remained elevated in Music City, surpassing \$2.2 billion in multifamily assets this year through July. That was well above the \$1.4 billion recorded during the same period last year. Still, July brought the first signs of moderation.
- ▶ Although in the first quarter investor interest shifted to value-add plays, overall through July, nearly two-thirds of transactions were for Life-

style assets. Sales composition and increased competition among investors led to a 21.4% year-over-year increase in the average price per unit, to \$240,218, widening the gap between the metro and the \$216,893 U.S. average.

- ▶ Elliston 23, a 331-unit Lifestyle property traded for the largest price in the 12 months ending in July. Sunroad Enterprises paid \$162 million, or \$489,426 per unit, to The Connor Group, with aid from a \$141.1 million loan issued by Prime Finance Partners.

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



Source: Yardi Matrix

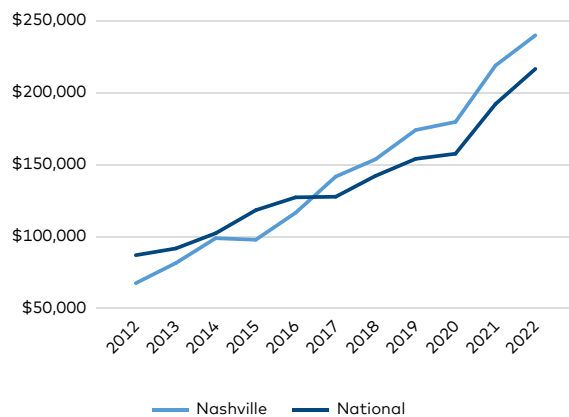
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Nashville-Southwest	555
Nashville-South	491
Murfreesboro	465
Nashville-West	446
Nashville-Vanderbilt	417
Nashville-East	309
Nashville-Central North	288

Source: Yardi Matrix

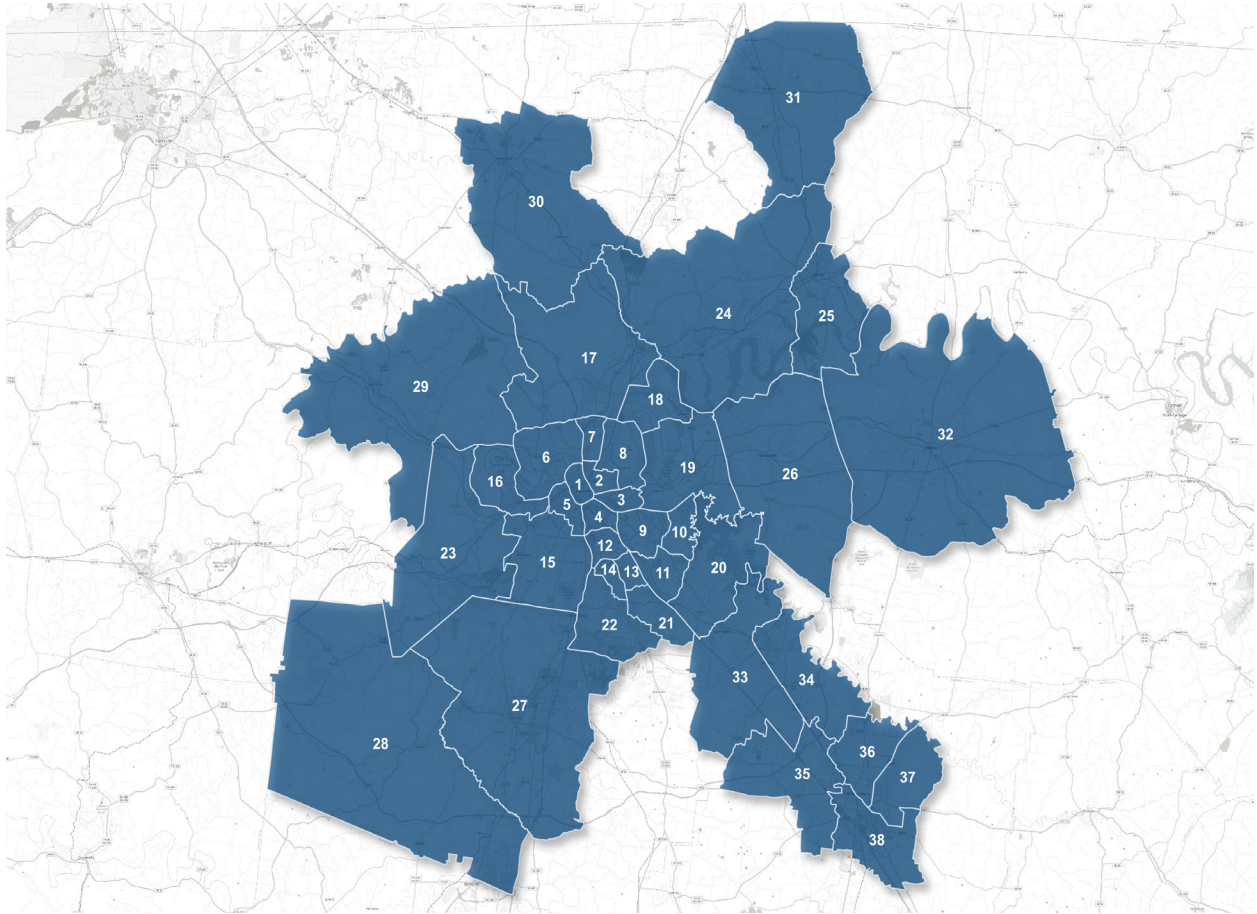
<sup>1</sup> From August 2021 to July 2022

### 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 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](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.





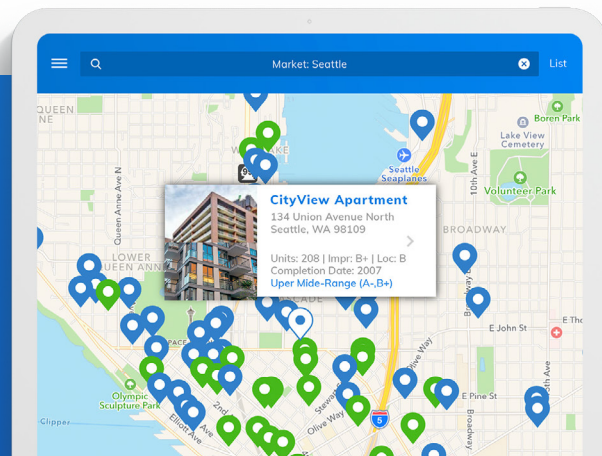
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