



MULTIFAMILY REPORT

Nashville's Strong Footing

September 2023

Rates Maintain Positive Growth

Unemployment Outperforms US

Investment Activity Slows

NASHVILLE MULTIFAMILY



Growth Endures, As Challenges Linger

Despite market volatility, Nashville's multifamily market is in a solid position. Rents were up 0.3% on a trailing three-month basis through July. The same rate of improvement was recorded for the U.S., which reached \$1,672. Despite a prolonged decline in rents for upscale properties, all asset classes returned to positive movement. The average occupancy rate in stabilized properties decreased 90 basis points year-over-year, to 94.7%, as of June.

The metro added 44,400 jobs in the 12 months ending in May, for a 4.7% increase, 90 basis points higher than the national average. As of June, the unemployment rate clocked in at 3.0%, a 30-basis-point difference compared to the rate registered in the same month last year, according to preliminary data from the Bureau of Labor Statistics. The professional and business sector added 10,900 jobs, the largest addition to the workforce across all sectors. The metro's employment rates will increase, as EV battery maker Ultium Cells is bringing a \$2.5 billion plant to Spring Hill, Tenn., with plans to begin operations later this year.

Developers had 27,696 units under construction as of July. Of the projects underway, 5,109 units broke ground this year, a 26.0% decrease compared to the same period in 2022. Since the beginning of the year, some \$498 million in multifamily transactions have traded, indicating a significant slowdown in investment activity. Last year, \$2.2 billion traded during the same time frame.

Market Analysis | September 2023

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Madalina Pojoga
Associate Editor

Recent Nashville Transactions

Avery



City: Nashville
Buyer: Northway Equities
Purchase Price: \$23 MM
Price per Unit: \$143,750

Green Wood



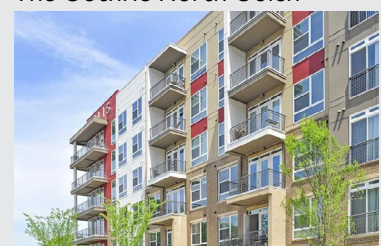
City: Gallatin, Tenn.
Buyer: Stratford Partners
Purchase Price: \$26.8 MM
Price per Unit: \$163,415

Meadow Wood



City: Smyrna, Tenn.
Buyer: Stratford Partners
Purchase Price: \$14.3 MM
Price per Unit: \$162,500

The Guthrie North Gulch

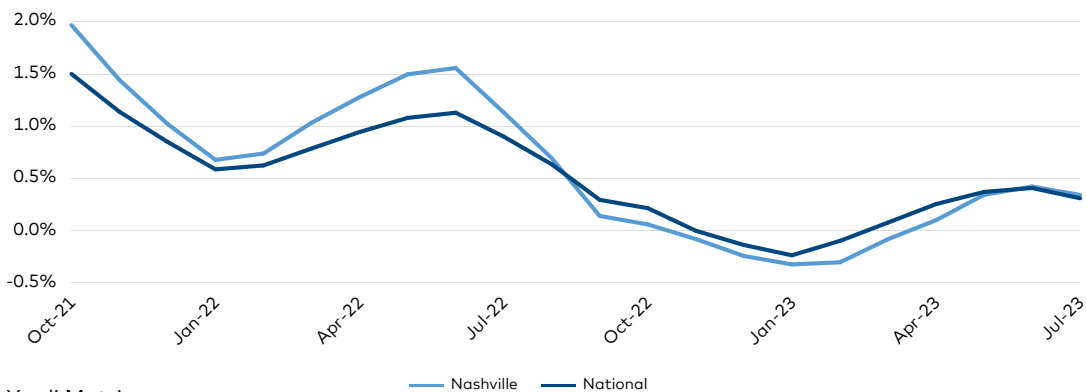


City: Nashville
Buyer: GF Properties Group
Purchase Price: \$96.5 MM
Price per Unit: \$356,089

RENT TRENDS

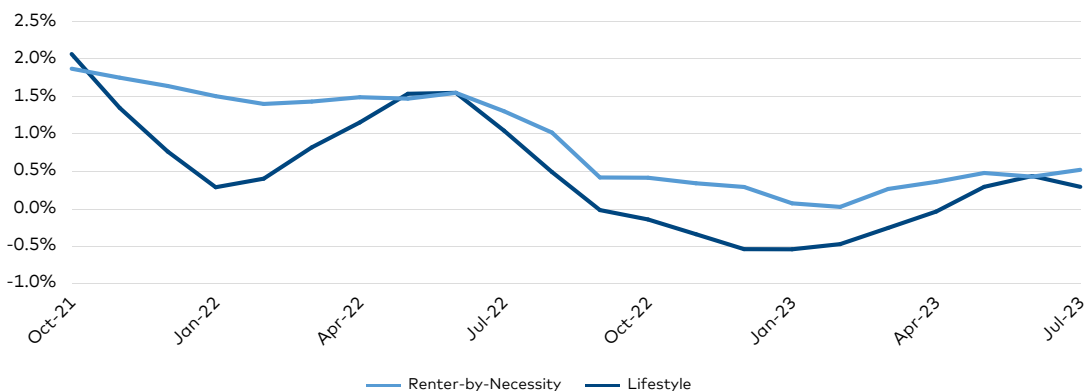
- Rents in the metro were up 0.3% on a trailing three-month (T3) basis through July, right in line with the national rate of improvement. The average asking rent in Nashville was \$1,672. The metro recorded a run of negative movement between November 2022 and March 2023, but rents returned to positive short-term movement in April.
- Renter-by-Necessity rates rose 0.5% on a T3 basis through July, to an average of \$1,421. Lifestyle rents were up 0.3% through this interval, reaching \$1,837. The upscale segment saw prolonged declines between October 2022 and March 2023, while the working-class quality segment saw some moderation but no declines through that interval.
- The metro's average overall occupancy rate in stabilized properties decreased 90 basis points year-over-year, reaching 94.7% as of June. Renter-by-Necessity assets recorded a drop of 110 basis points, to 94.7%, while the rate for Lifestyle properties saw the smallest descent, at 80 basis points year-over-year and down to 94.7%.
- On a more granular level, Nashville saw mixed rent performance on a year-over-year basis as of July, as 10 of the metro's 43 submarkets saw decreased rents. The areas that led improvement were Smyrna (up 6.7% year-over-year), Spring Hill (up 6.4%) and Nashville-Airport (up 5.1%).

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 44,400 jobs in the 12 months ending in May, up 4.7% year-over-year, 190 basis points higher than the national rate. As of June, the metro's unemployment rate clocked in at 3.0%, according to preliminary BLS data. Nashville's rate outperformed the national 3.6% figure, as well as the state's 3.2% rate.
- All employment sectors saw job expansion in the 12 months ending in May. As the metro's largest sector, trade, transportation and utilities added 6,000 jobs during the interval, for a 2.7% increase year-over-year. The sector is the metro's economic cornerstone, as it accounts for a fifth of all active jobs in the metro. Professional and business services also registered a significant addition to the workforce, with 10,900 positions added, representing a 5.6% change in employment growth.
- The number of jobs is expected to continue to grow, as EV battery maker Ultium Cells is developing a \$2.5 billion plant in Spring Hill, Tenn. A joint venture of LG Energy Solutions and General Motors, the company has been involved in the project since 2021, with the plant expected to begin operations later this year.

Nashville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	205	17.7%
65	Education and Health Services	171	14.7%
70	Leisure and Hospitality	129	11.1%
40	Trade, Transportation and Utilities	225	19.4%
90	Government	125	10.8%
15	Mining, Logging and Construction	60	5.2%
30	Manufacturing	88	7.6%
80	Other Services	48	4.1%
55	Financial Activities	78	6.7%
50	Information	32	2.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Nashville's population gained 17,498 residents in 2021, a 0.9% increase from the previous year.
- The metro's rate is still well above the national figure, which was up 0.1%. Sun Belt markets have steadily attracted residents, leading to strong population gains.

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

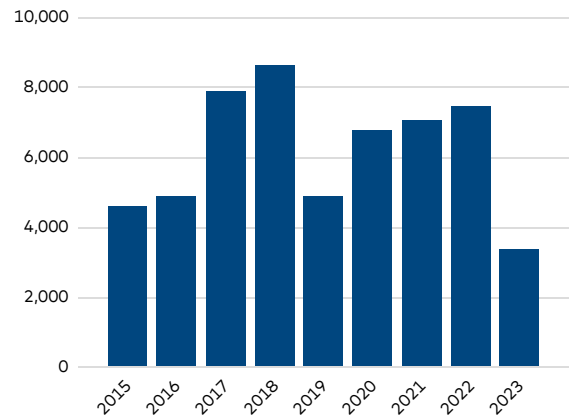
Source: U.S. Census

SUPPLY

- ▶ Developers brought 3,399 units online in 2023 through July, all in upscale Lifestyle projects. Deliveries accounted for 2.0% of existing rental stock, 110 basis points higher than the national supply pipeline. The number marks an increase compared to the 2,670 apartments that were delivered in the first seven months of 2022. Since 2021, completions have surpassed 7,000 units per year. Of the 14 properties that came online, 11 were located in the metro's urban areas.
- ▶ The market had 27,696 units under construction as of July, while an additional 72,100 were in the planning and permitting stages. The number of construction starts was moderate, with 5,109 units breaking ground through July, 26% lower than the 6,905 recorded during the same interval in 2022.
- ▶ Multifamily development was active throughout the metro. Nashville-Downtown took the lead, with 3,824 units underway. Of the submarkets tracked by Yardi Matrix, four had more than 2,000 units under construction: Nashville-Central South (2,572 units), Lebanon (2,198), Nashville-Central (2,132) and Nashville-Central North (2,130). The Spring Hill submarket had 1,202 units under construction as of July.

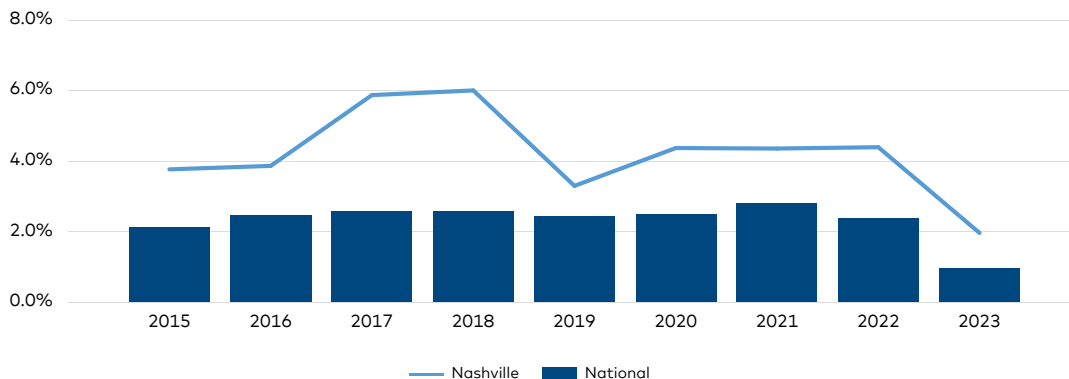
- ▶ The largest development underway in the metro is located in the Lebanon submarket. Valor Residential Group is building Astoria, a 726-unit, Class A property, which broke ground in September 2022. The project's delivery date is set for January 2026. Nashville-Downtown and Central are the only submarkets that had properties under development with more than 600 units each.

Nashville Completions (as of July 2023)



Source: Yardi Matrix

Nashville vs. National Completions as a Percentage of Total Stock (as of July 2023)

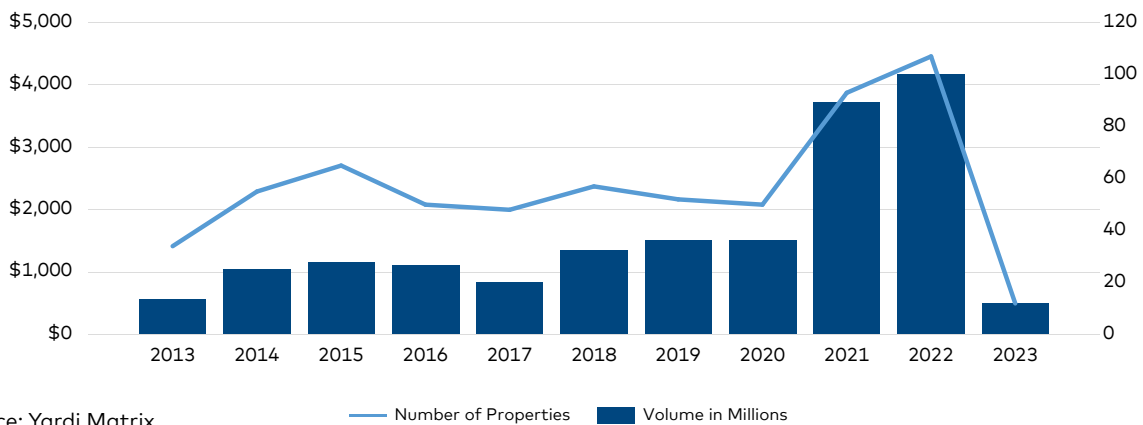


Source: Yardi Matrix

TRANSACTIONS

- Nashville registered \$498 million in multifamily transactions year-to-date through July, with 12 properties changing hands. The metro had a record-breaking year for sales in 2022, at \$4.1 billion, while 2021 was also strong, at \$3.7 billion.
- RBN assets led sales activity, with eight assets changing hands through July, at an average price per unit of \$172,361. Average per-unit prices in the Lifestyle segment reached \$410,283 per unit. The metro's overall \$209,661 price-per-unit was higher than the \$184,996 U.S figure, although the average was down 11.6% compared to 2022 figures.
- The 304-unit Abberly Riverwalk was the most expensive multifamily asset to change hands during the 12 months ending in July. HHHunt paid \$106 million to Wood Partners for the asset, with aid from a \$63 million loan provided by Asia Capital Real Estate.

Nashville Sales Volume and Number of Properties Sold (as of July 2023)



Source: Yardi Matrix

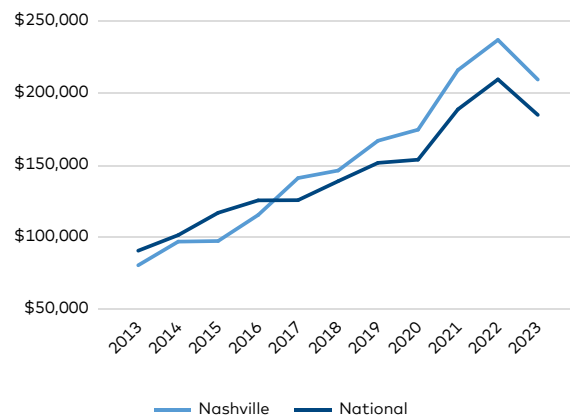
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Nashville-Central North	232
Murfreesboro	226
Nashville-Vanderbilt	224
Nashville-West	169
Nashville-Airport	155
Franklin	115
Nashville-Downtown	97

Source: Yardi Matrix

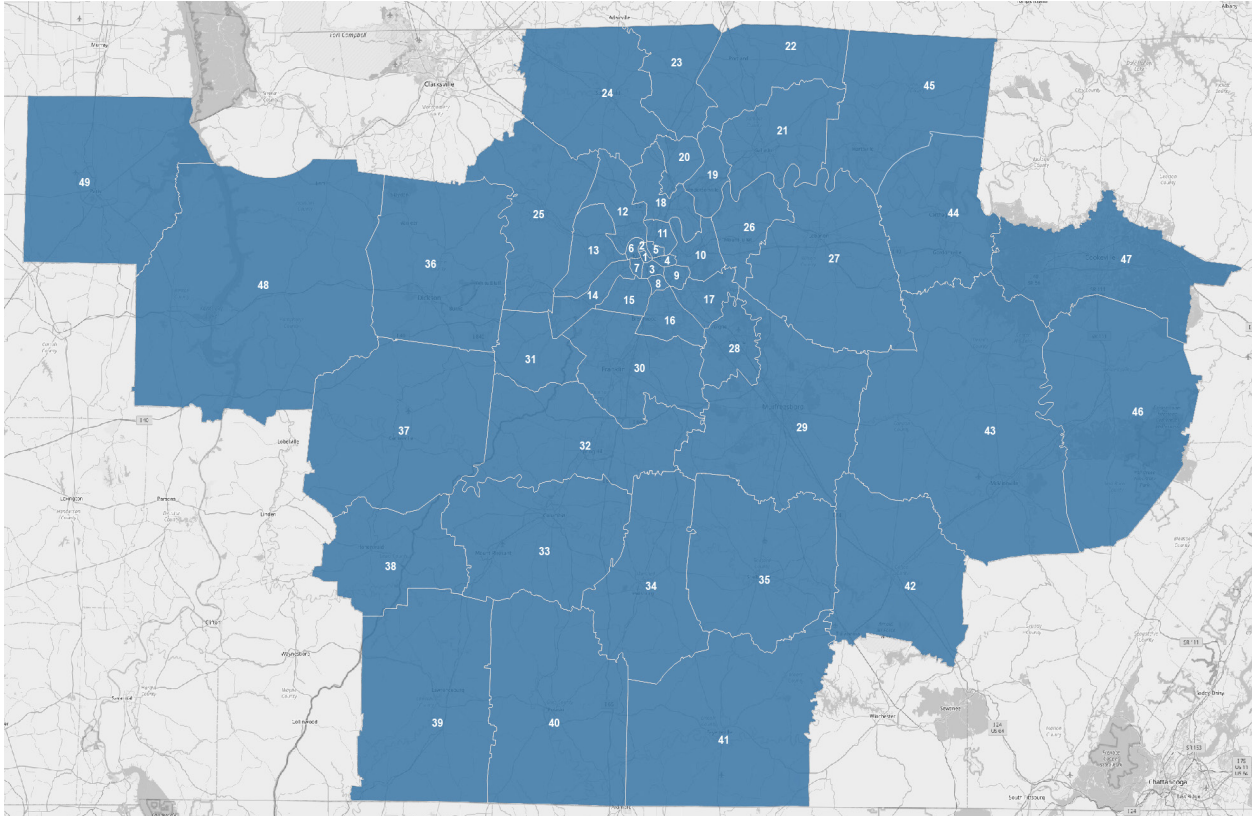
¹ From August 2022 to July 2023

Nashville vs. National Sales Price per Unit



Source: Yardi Matrix

NASHVILLE SUBMARKETS



Area No.	Submarket
1	Nashville-Downtown
2	Nashville-Central
3	Nashville-Central South
4	Nashville-Lebanon Pike
5	Nashville-East End
6	Nashville-Central North
7	Nashville-Vanderbilt
8	Nashville-Woodbine
9	Nashville-Airport
10	Nashville-East
11	Nashville-Northeast
12	Nashville-Northwest
13	Nashville-West
14	Nashville-Southwest
15	Nashville-Green Hills
16	Nashville-South
17	Nashville-Southeast

Area No.	Submarket
18	Nashville-Madison
19	Hendersonville
20	Goodlettsville
21	Gallatin
22	Portland
23	White House
24	Springfield
25	Cheatham County
26	Mount Juliet
27	Lebanon
28	Smyrna
29	Murfreesboro
30	Franklin
31	Fairview
32	Spring Hill
33	Columbia
34	Lewisburg

Area No.	Submarket
35	Shelbyville
36	Dickson
37	Hickman County
38	Lewis County
39	Lawrenceburg
40	Pulaski
41	Fayetteville
42	Tullahoma
43	McMinnville-Smithville
44	Smith County
45	Lafayette
46	Sparta
47	Cookeville
48	Waverly-Erin
49	Paris

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.



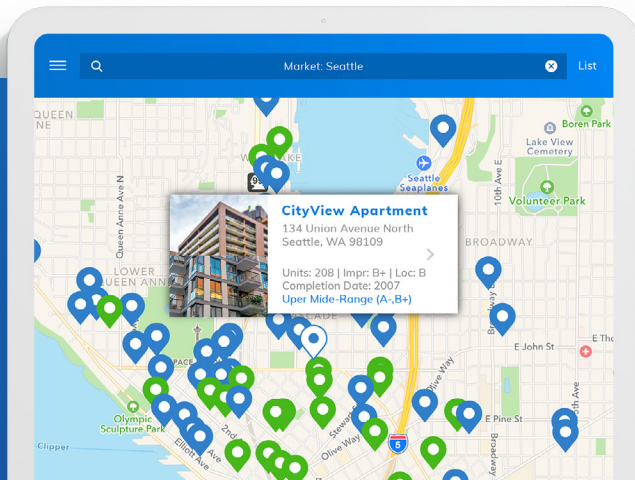
Yardi[®] Matrix

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.



(800) 866-1144

Learn more at yardimatrix.com/multifamily

Contact
US



DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2023 Yardi Systems, Inc. All Rights Reserved.