

# Nashville Rents Trend Down

January 2024

**Rents Drop Under Supply Pressure**

**Job Gains Among Top in the US**

**Sales Volume Above \$1B**

# NASHVILLE MULTIFAMILY



## Robust Supply Dents Rent Growth

Nashville remained in expansion mode, posting robust job and population growth in 2023. Meanwhile, new supply was elevated, which translated into drops in occupancy rates and rent contractions. The average asking rent in the metro was down 2.2% year-over-year in November, to \$1,634, while the national figure rose 0.4%, to \$1,713. The occupancy rate in stabilized properties decreased 70 basis points year-over-year as of October, to 94.4%.

Nashville's employment market expanded 3.8%, or 36,800 jobs, year-over-year as of September, placing it third for growth among Yardi Matrix's top 30 metros, trailing Dallas and Las Vegas and well ahead of the 2.4% national average. Meanwhile, the jobless rate clocked in at 2.9% in October, surpassing the U.S. (3.9%), the state (3.3%) and the other major Tennessee metros, according to data from the Bureau of Labor Statistics. Nashville's largest sectors—education and health services, trade, transportation and utilities and professional and business services—led gains, accounting for nearly two-thirds of new jobs.

Developers added 7,271 units in 2023 through November and had 27,433 units underway, with a clear preference for Lifestyle assets. However, by volume of new construction starts, activity is slowing. Meanwhile, investors traded \$1 billion in multifamily properties, for a price per unit that dropped 8.8% from 2022 levels, to \$216,170, as of November.

## Market Analysis | January 2024

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### Recent Nashville Transactions

#### NOVEL Harpeth Heights



City: Nashville, Tenn.  
Buyer: TA Realty  
Purchase Price: \$99 MM  
Price per Unit: \$308,500

#### Broadstone SoBro



City: Nashville, Tenn.  
Buyer: AND Asset Management  
Purchase Price: \$79 MM  
Price per Unit: \$347,345

#### Provenza at Park Place



City: Mount Juliet, Tenn.  
Buyer: Momentum Real Estate Partners  
Purchase Price: \$77 MM  
Price per Unit: \$265,517

#### Hickory Chase

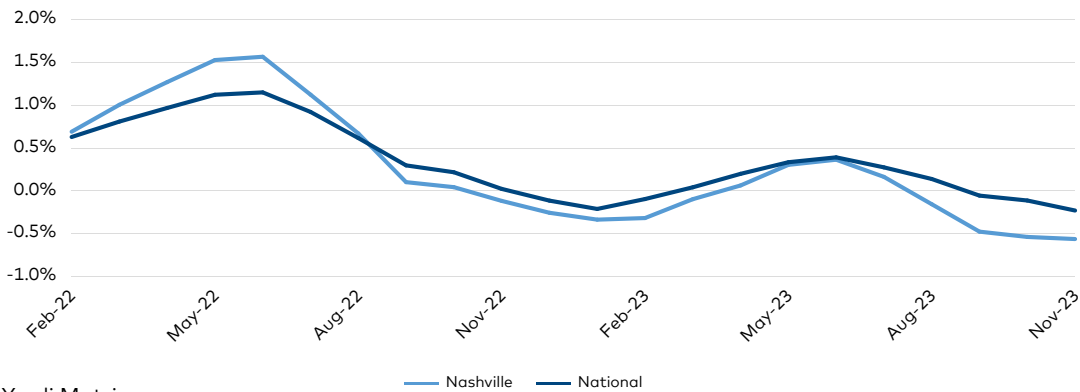


City: Madison, Tenn.  
Buyer: Concordia Properties  
Purchase Price: \$50 MM  
Price per Unit: \$143,230

## RENT TRENDS

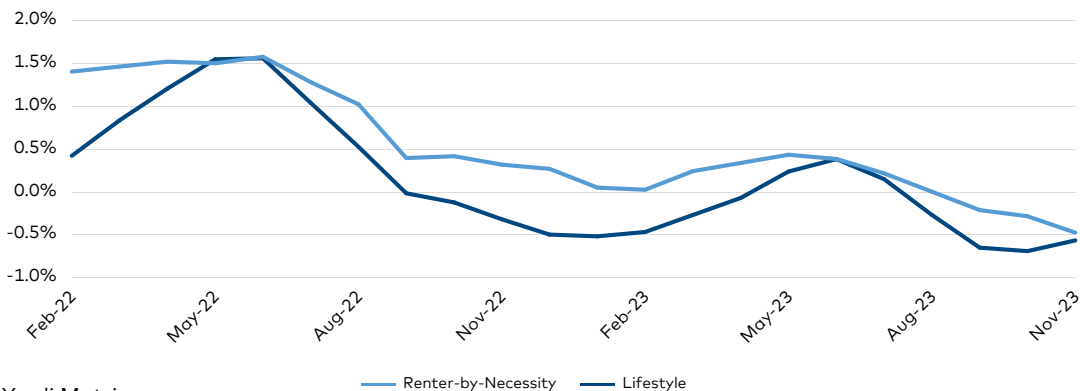
- ▶ Nashville rents contracted 0.6% on a trailing three-month (T3) basis through November 2023, to \$1,634, lagging the U.S. rate, which declined 0.2%, to \$1,713. In 2023, rent growth was positive only between April and July. On a year-over-year basis, rents in the metro declined 2.2%, while the national average remained positive, up 0.4%. Rent growth is likely to remain negative in Nashville, as developers have robust pipelines underway and affordability is declining.
- ▶ Rent growth was negative across property segments. While Renter-by-Necessity prices followed a downward trend since September, contracting 0.5% on a T3 basis, to \$1,381, Lifestyle rents marked the fourth consecutive month of declines, down 0.6%, to \$1,796, and a 10-basis-point uptick month-over-month. Substantial supply growth impacted occupancy, which marked a 70-basis-point drop, year-over-year as of October, to 94.4%. The decline was slightly steeper in the Lifestyle segment, down 0.8%, to 94.2%, while RBN occupancy decreased 0.5%, to 94.8%.
- ▶ Three submarkets had average asking rents above the \$2,000 mark, from four a year ago—Nashville–Downtown (-5.5% year-over-year to \$2,256), Nashville–Green Hills (3.5% to \$2,096) and Nashville–Vanderbilt (-4.2% to \$2,084).
- ▶ In the single-family rental segment, rents increased 6.2% year-over-year through November, to \$2,446, ranking fourth among Yardi Matrix's top 30 metros, while occupancy declined 1.3% in the 12 months ending in October, to 95.2%.

### 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's employment market expanded 3.8% in the 12 months ending in September, ranking third among Yardi Matrix's top 30 metros, outperforming the U.S. rate by 140 basis points. All sectors added jobs, for 36,800 positions combined. In addition, the metro's jobless rate stood at 2.9% in October, remaining below or at the 3.0% mark for the 16th consecutive month, according to preliminary data from the BLS. At this rate, Nashville fared much better than the U.S. (3.9%) and surpassed the state (3.3%) and the other major Tennessee metros—Knoxville (3.3%), Chattanooga (3.5%) and Memphis (4.2%).
- ▶ Nashville's top three largest sectors led job gains—education and health services (9,100 jobs), trade, transportation and utilities (7,800 jobs) and professional and business services (5,600 jobs).
- ▶ Nashville has promising prospects, boasting several major private-public developments underway, including the \$2.1 billion NFL stadium project. The site is surrounded by a 300-acre redevelopment district featuring mixed-use space on the riverfront. Oracle Health is among the companies that will operate in this area, as part of Oracle Corp.'s \$1.35 billion headquarter campus. Furthermore, transit solutions are on the way, with plans for an airport-to-downtown train already in the works as part of the Nashville International Airport terminal redevelopment.

### Nashville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	176	15.0%
40	Trade, Transportation and Utilities	228	19.4%
60	Professional and Business Services	206	17.5%
70	Leisure and Hospitality	131	11.1%
90	Government	126	10.7%
30	Manufacturing	89	7.6%
80	Other Services	49	4.2%
50	Information	33	2.8%
15	Mining, Logging and Construction	60	5.1%
55	Financial Activities	78	6.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ According to data from the Census Bureau analyzed by the Nashville Area Chamber of Commerce's Research Center, Nashville's MSA gained 35,624 residents in 2022. A comparable population growth rate was last recorded in 2016.

### 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

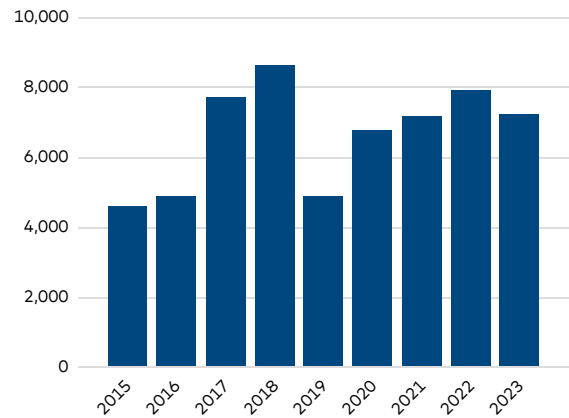
## SUPPLY

- ▶ Developers delivered 7,271 units in 2023 through November, accounting for 4.1% of total stock, nearly double the 2.1% U.S. rate. The new stock consists of 82.5% Lifestyle units, with units in fully affordable communities accounting for 5.9%.
- ▶ Construction activity was elevated, with 27,433 units underway as of November and another 65,900 in the planning and permitting phases. Strong demand for upscale units kept developers focused on Lifestyle projects, as 88.9% of the construction pipeline consisted of upscale projects, while the fully affordable component accounted for just 10.7%.
- ▶ In line with national trends, the volume of new construction has tapered in Nashville, with 9,641 units across 36 projects breaking ground last year through November, trailing the 12,124 units across 44 properties that started construction during the same period in 2022. Even so, the 2024 forecast supply growth rate is 5.6%, ranking fifth among Yardi Matrix's top 30 metros.
- ▶ Of the 49 submarkets tracked by Yardi Matrix, developers were active in 28. Nearly half of these had at least 1,000 units underway, led by a considerable measure by Nashville–Downtown

(3,995 units), Nashville–Central South (2,658 units) and Nashville–Central (2,203 units).

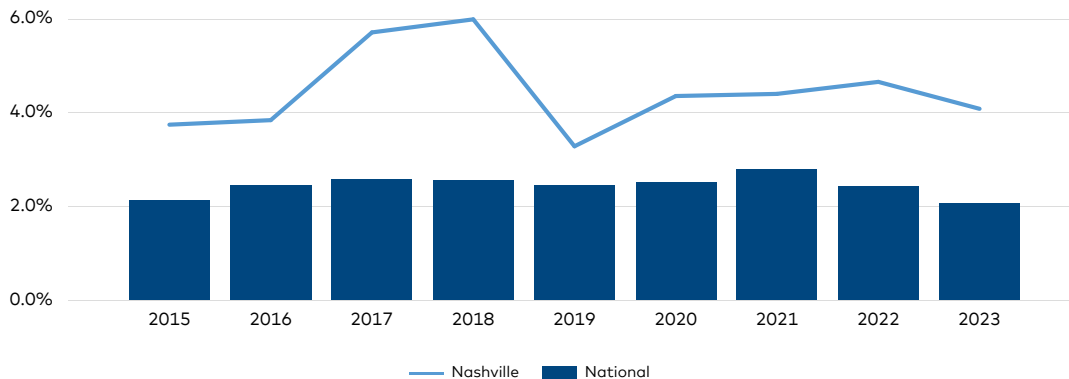
- ▶ The largest project delivered in 2023 through November was Albion in the Gulch, a 415-unit property located in Downtown Nashville, which features 12,000 square feet of retail space. The property was built by Albion Residential with aid from an \$87 million construction loan funded by The Hartford Financial Services Group.

**Nashville Completions** (as of November 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

## TRANSACTIONS

- ▶ After 2022's cycle peak, when nearly \$4.3 billion in multifamily assets traded in the metro, last year through November, Nashville's transaction volume totaled \$1 billion in multifamily sales. Excluding the past two years, that figure is closer to historical records.
- ▶ Volatility in the financial industry coupled with the sales composition resulted in 15 of the 26 sales involving RBN properties. That led to an 8.8% drop in the average price per unit, to \$216,170, staying ahead of the \$186,300 national average.
- ▶ The property with the largest sale price recorded in the second half of the year through November was Novel Harpeth Heights. TA Realty acquired the 322-unit asset in October from Crescent Communities for \$99.3 million, or \$308,500 per unit. The property was built with aid from a \$42.2 million construction loan originated in 2021 by Citibank and was completed earlier this year.

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



Source: Yardi Matrix

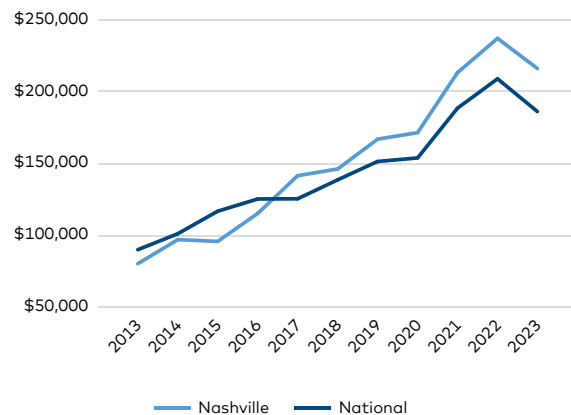
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Murfreesboro	183
Nashville – Downtown	175
Mount Juliet	113
Nashville – Central North	106
Nashville – Southwest	99
Nashville – Airport	91
Nashville – Madison	78

Source: Yardi Matrix

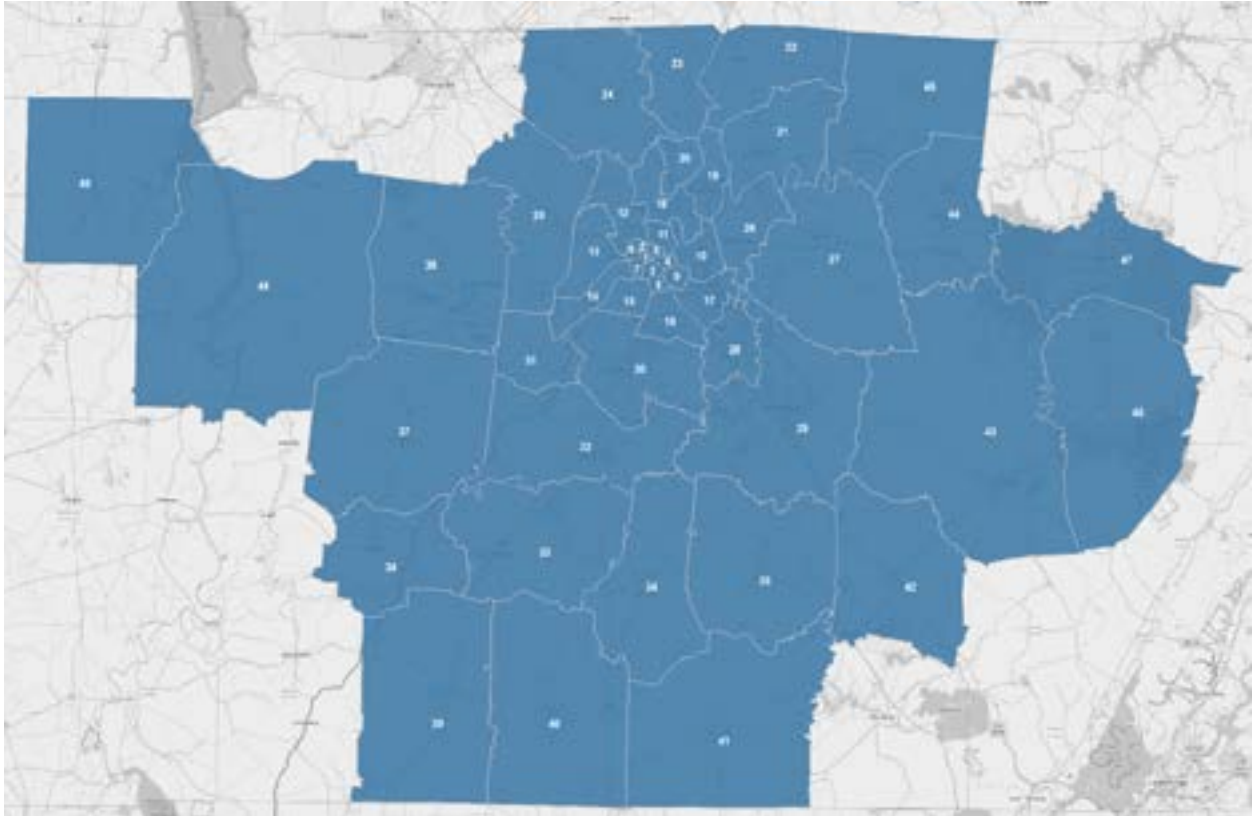
<sup>1</sup> From December 2022 to November 2023

### 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.

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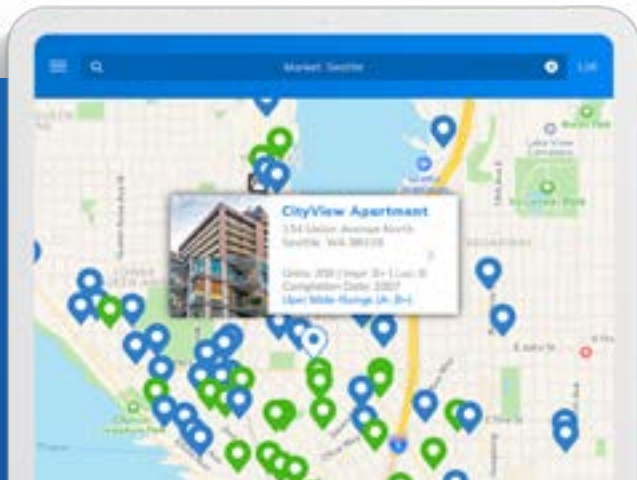
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- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators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



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