

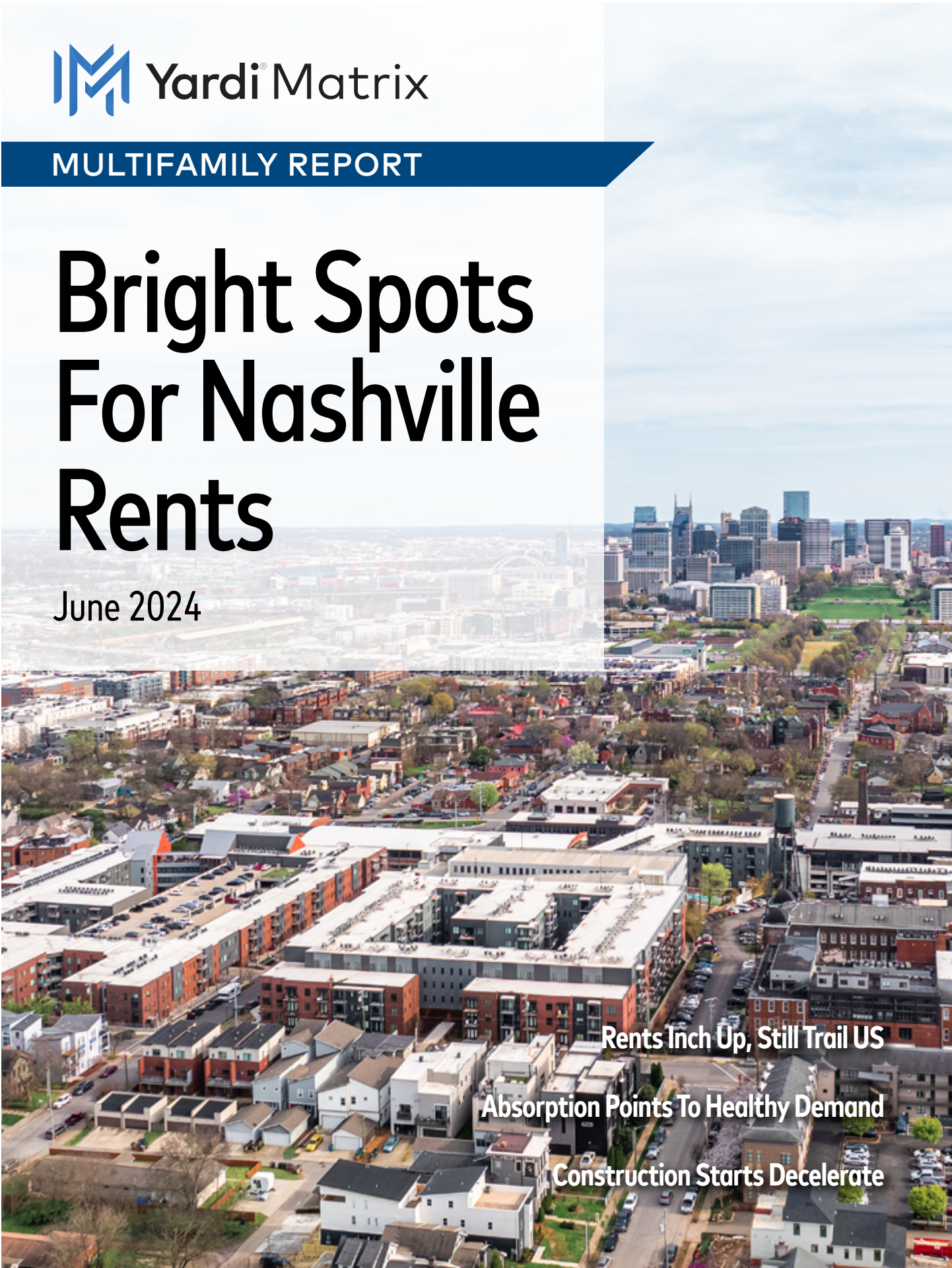
Bright Spots For Nashville Rents

June 2024

Rents Inch Up, Still Trail US

Absorption Points To Healthy Demand

Construction Starts Decelerate



NASHVILLE MULTIFAMILY



Healthy Absorption Meets Peak Supply

The start of leasing season reinvigorated Nashville's multifamily market. Following eight months of declines, the average rent inched up 0.1% on a trailing three-month basis through April, to \$1,631. Year-over-year, rents in the metro decreased 1.9%, while the U.S. rate rose 0.7%, to \$1,725. Last year's deliveries set a new decade-high and put pressure on occupancy and rents. The occupancy rate in stabilized properties was down 80 basis points, to 94.0%, year-over-year in March. Still, at 4.2%, Nashville marked the highest absorption rate as a percentage of stock over the 12 months through the first quarter.

In the 12 months ending in February, Nashville employment expanded by 1.3%, or 5,400 net jobs, slightly lagging the 1.5% U.S. average. Yet the jobless rate was 2.4% in March, reflecting a very tight labor market and outperforming both the state (3.2%) and the country (3.8%). Three sectors contracted in the year ending in March: professional and business services (-5,400), financial activities (-4,400) and information (-2,000). Despite tepid job growth, Nashville is still expanding, with various billion-dollar projects underway.

In 2024 through April, deliveries totaled 1,429 units, all of which were upscale assets. An additional 28,557 units were underway, but new starts are decelerating. Meanwhile, investors traded \$187 million in multifamily assets, for a price per unit that fell 36.8% year-to-date, to \$146,719.

Market Analysis | June 2024

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

Anca Gagiuc

Senior Associate Editor

Recent Nashville Transactions

Landmark at Wynton Pointe



City: Nashville, Tenn.
Buyer: Fairfield Residential
Purchase Price: \$52 MM
Price per Unit: \$136,297

The Fitzroy at Lebanon Marketplace



City: Lebanon, Tenn.
Buyer: Graycliff Capital
Purchase Price: \$50 MM
Price per Unit: \$181,319

Priest Lake



City: Nashville, Tenn.
Buyer: Fairfield Residential
Purchase Price: \$45 MM
Price per Unit: \$150,644

Timberlake Village



City: Antioch, Tenn.
Buyer: TriWest Development
Purchase Price: \$34 MM
Price per Unit: \$135,913

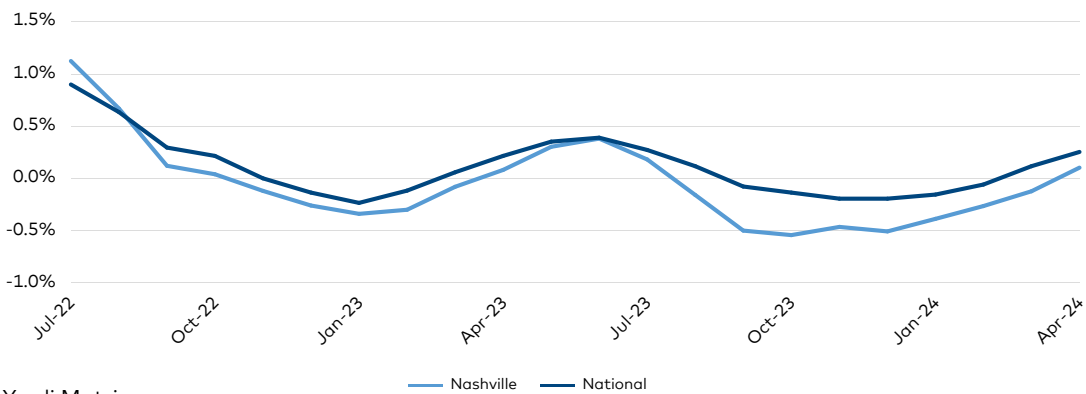
RENT TRENDS

- ▶ In line with seasonal patterns, Nashville's rent movement turned positive after eight months, up 0.1% on a trailing three-month (T3) basis through April. Meanwhile, the U.S. average posted the second straight month of increases, up 0.3%. Year-over-year, Nashville's average asking rent still carries the burden of last year's heavy supply expansion, down 1.9% as of April, to \$1,631. Meanwhile, the national rate rose 0.7% to \$1,725.
- ▶ The working-class Renter-by-Necessity segment drove growth, with rents up 0.3% on a T3 basis, to \$1,388. Meanwhile, Lifestyle rents remained flat, at \$1,786. The occupancy rate in stabilized properties dropped 80 basis points year-over-year as of March, to 94.0%. In Lifestyle units, the rate declined 100 basis points, to 93.8%. In RBN

assets, it declined 50 basis points, to 94.4%. Despite the drop, demand remained strong, with a 4.2% absorption rate as a percentage of stock during the 12 months through the first quarter.

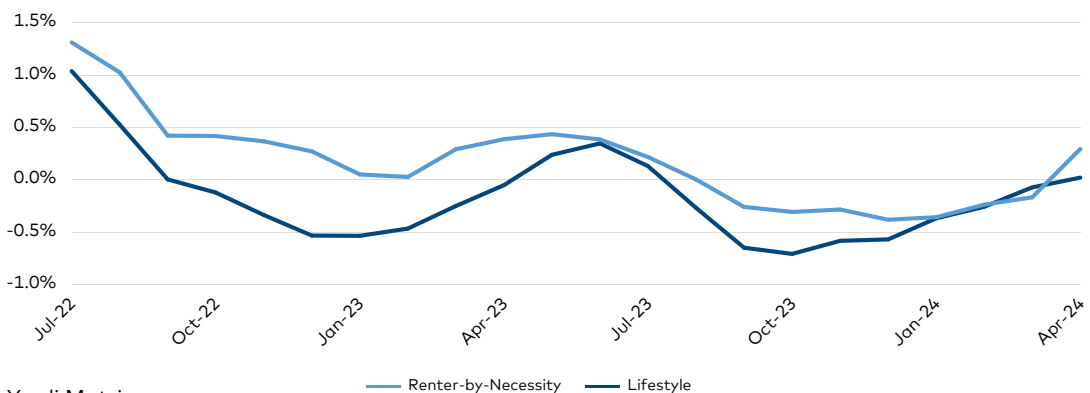
- ▶ Of the 49 submarkets tracked by Yardi Matrix, 22 saw year-over-year rent contractions, including pricey areas such as Nashville–Downtown (-4.1% to \$2,241) and Nashville–Vanderbilt (-3.6% to \$2,084). Meanwhile, rents increased significantly in Nashville–Green Hills (6.5% to \$2,127), the second-most expensive submarket.
- ▶ The average Nashville SFR rent was up 1.5% year-over-year through April, while the occupancy rate declined 2.9% as of March, the second-largest drop among the top markets tracked by Yardi Matrix.

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 was tight at the end of the first quarter, with the jobless rate at 2.4% in March, a 40-basis-point improvement from the start of the year. Unemployment was much lower than the national rate (3.8%) and Tennessee's 3.2%, according to preliminary data from the Bureau of Labor Statistics.
- In the 12 months ending in February, Nashville's job expansion decelerated to 1.3%, adding just 5,400 net jobs and trailing the 1.5% national rate. Professional and business services (-5,400 jobs), financial activities (-4,400 jobs) and information (-2,000 jobs) contracted during the period. Growth was sustained mainly by education and health services (6,700 jobs) and government (4,700 jobs).
- Despite the slowdown, the metro's appeal remains strong, bolstered by its business-friendly environment, including the absence of state taxes. Numerous ongoing projects across various industries attest to the metro's appeal. Among them, the 19-acre Nashville Yards—a \$1 billion gateway to downtown—as well as the 535,000-square-foot Circle South, the \$2.1 billion NFL stadium, and Oracle Corp.'s \$1.4 billion headquarter campus.
- As of March, Nashville had nearly 2.7 million square feet of office space under construction, 4.6% of total stock, on par with Austin and behind only Boston, according to Yardi Matrix.

Nashville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	177	15.4%
90	Government	129	11.2%
80	Other Services	49	4.2%
40	Trade, Transportation and Utilities	224	19.4%
15	Mining, Logging and Construction	60	5.2%
70	Leisure and Hospitality	126	10.9%
30	Manufacturing	87	7.5%
50	Information	31	2.7%
55	Financial Activities	76	6.6%
60	Professional and Business Services	194	16.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Nashville gained 29,874 residents in 2022, up 1.5%, nearly four times the 0.4% national rate.
- While the increase was still healthy, the pace softened to half of the impressive 3.0% growth rate seen a year earlier.

Nashville vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Nashville	1,871,903	1,904,186	1,960,999	1,990,873

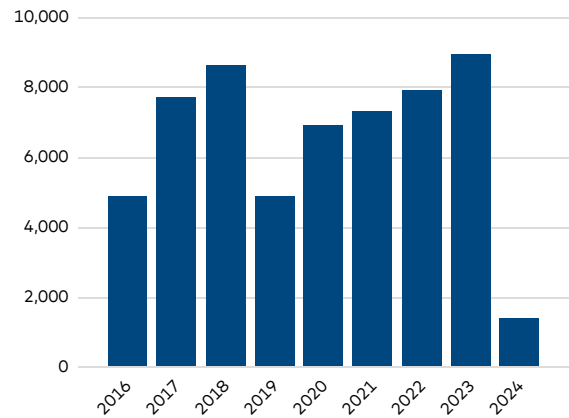
Source: U.S. Census

SUPPLY

- ▶ Developers delivered 1,429 units in 2024 through April, the equivalent of 0.8% of existing stock, 20 basis points above the U.S. rate. All newly delivered units were in Lifestyle properties. This comes on the heels of the most robust year in inventory growth over the past decade: In 2023, Nashville's stock grew by 8,973 units, or 5.0% of existing stock.
- ▶ Nashville had 28,557 units underway in April and another 62,000 apartments in the planning and permitting stages. The composition was tilted toward the Lifestyle segment (87.7%), while RBN projects accounted for just 0.4%. Units in fully affordable communities accounted for 11.9%. Yardi Matrix's 2024 supply forecast points to a 4.6% expansion, which would place Nashville fourth among our top 30 metros.
- ▶ Construction starts remained on a moderating path, with just 1,225 units across five properties breaking ground in Nashville in 2024 through April. That was well below the 4,000 units recorded during the same interval last year.
- ▶ Of the 49 submarkets tracked by Yardi Matrix, developers were active in 28 as of April. Of these, 10 submarkets had more than 1,000 units under construction each, with Nashville–Downtown

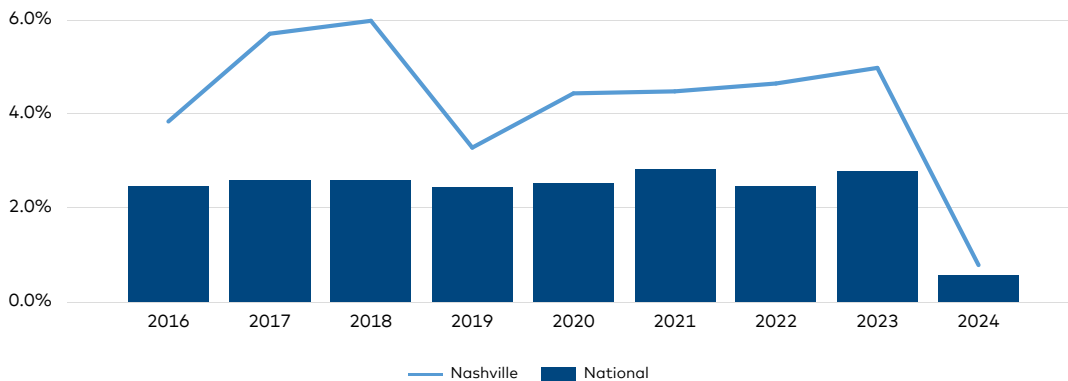
(3,765 units), Nashville–Central South (2,984 units), Spring Hill (2,458 units) and Nashville–Central (2,203 units) in the lead. Downtown also houses the largest delivery of 2024 through April, the 380-unit 1111 Church. The 20-story project includes 42,000 square feet of retail and is subject to a 109-year unsubordinated net ground lease held by iStar. For its construction, owner Flank initially took out a \$75 million loan originated by iStar Financial.

Nashville Completions (as of April 2024)



Source: Yardi Matrix

Nashville vs. National Completions as a Percentage of Total Stock (as of April 2024)

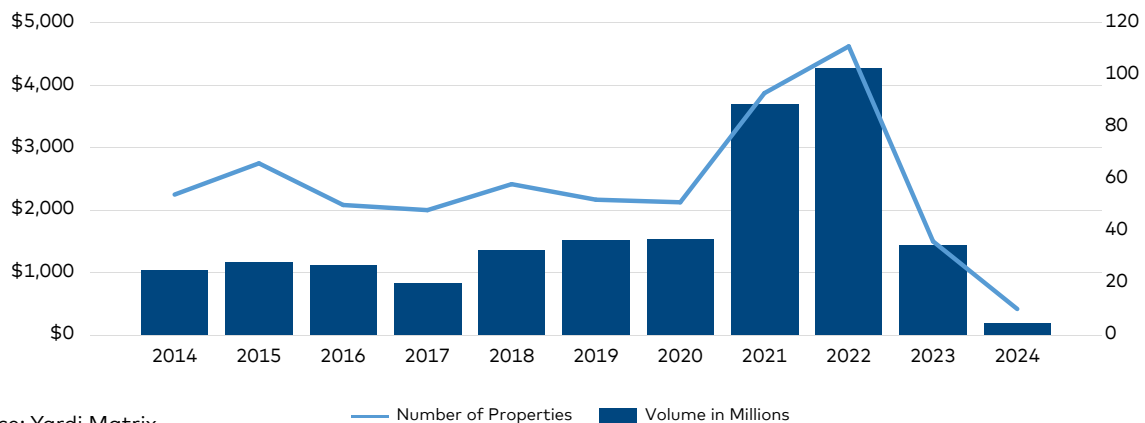


Source: Yardi Matrix

TRANSACTIONS

- ▶ High volatility kept investors in standby mode, with transactions totaling just \$187 million in 2024 through April. For reference, last year's total volume amounted to \$1.4 billion, comparable to pre-pandemic figures.
- ▶ Of the 10 sales recorded in the metro through April, seven involved RBN assets, which contributed to the per-unit decline. At \$146,719, Nashville's average price per unit marked a significant 36.8% decline year-to-date and trailed the \$181,913 national figure.
- ▶ Nashville–South was especially attractive to investors in 2024 through April, with three properties changing ownership for a total of \$101 million. Among these was Landmark at Wynton Pointe, acquired by Fairfield Residential for \$52 million, or \$136,297 per unit, with aid from a \$53.5 million loan originated by Bridge Investment Group. The previous owner, GVA Real Estate Investments, had acquired it in 2022 for \$75 million.

Nashville Sales Volume and Number of Properties Sold (as of April 2024)



Source: Yardi Matrix

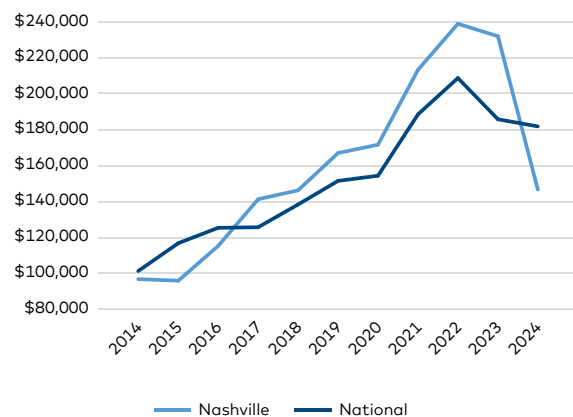
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Nashville–Downtown	290
Murfreesboro	169
Nashville–Southwest	143
Smyrna	114
Mount Juliet	113
Nashville–South	86
Nashville–Central	78

Source: Yardi Matrix

¹ From May 2023 to April 2024

Nashville vs. National Sales Price per Unit



Source: Yardi Matrix



When Student Housing Demand Grows, Unconventional Solutions Arise

By Olivia Bunescu

Navigating through supply imbalances and rising construction costs, developers, academic institutions and designers are working together to find rapid ways to deliver more housing for students. Jared Bradley, founder of The Bradley Projects, has identified several unconventional solutions to expedite completions, delivering solution-based projects across the Nashville, Tenn., student housing market.

What trends are most visible in the Nashville market?

We're witnessing a trend of students moving back onto campus, creating a much higher demand for housing.

In the past 20 years, private, for-profit developers would purchase real estate surrounding campuses to create student housing in an ideal location. However, escalating land values have made this approach more challenging and cost-prohibitive, especially in cities like Nashville, where real estate costs have significantly increased. Consequently, with the growing surge in student enrollments, most institutions are experiencing a much higher increase in on-campus students than they're accustomed to.

And how are they responding to this growing demand?

There's a trend toward exploring unconventional construction methods to expedite project completion and optimize space usage—pursuing methods these universities may not have considered



otherwise. On the more traditional front, we're seeing many institutions invest in rehabilitating older dorms.

Could you provide concrete examples of unconventional ideas that you utilized to cater to the rising demand?

We stepped out of our typical realm of design with a residential project for Fisk University. Through thoughtful collaboration with the university and its partners, we landed on what we refer to as the 'container dorms'—shipping containers that have been carefully designed into micro units to house students. While this option certainly speeds up the overall con-

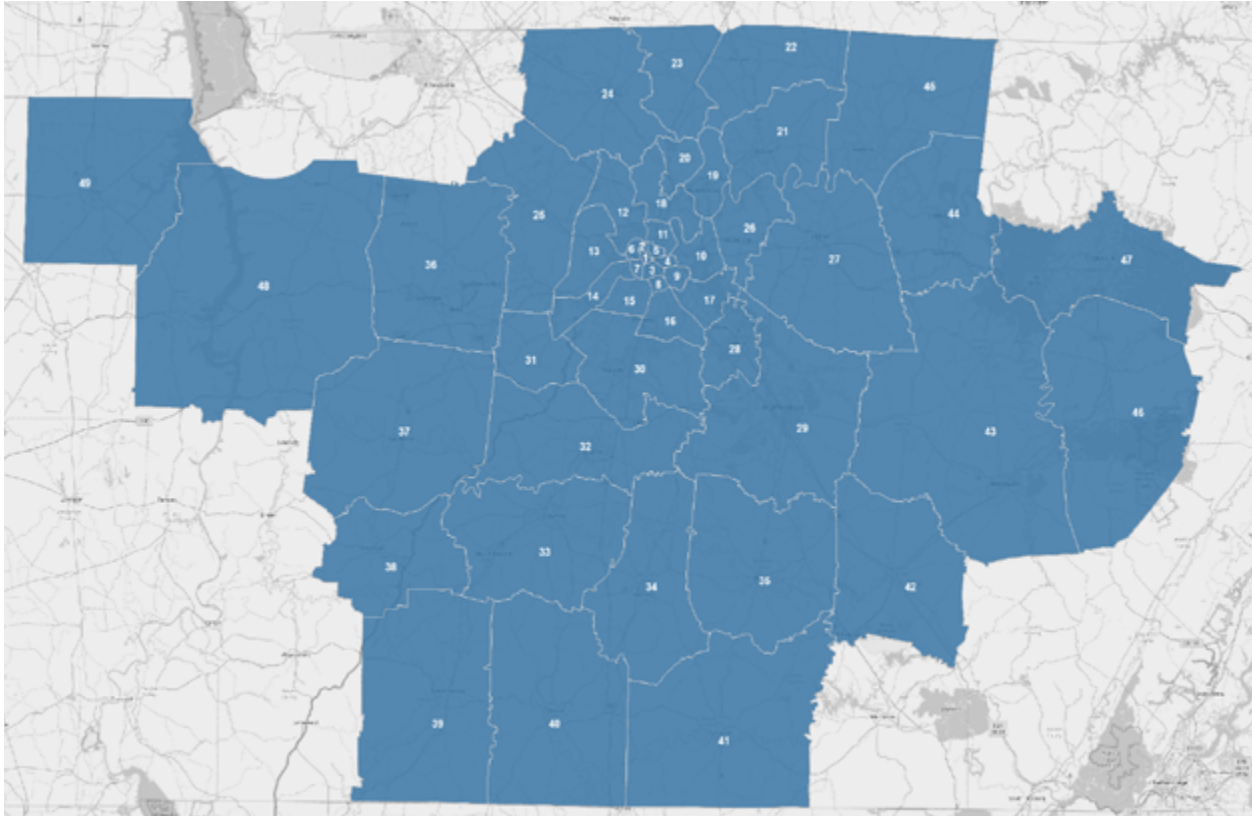
struction process, we have found that there is often the right place and time for projects like this, and those places and times are very limited and unique. Despite their compact size, these units provide comfort and convenience, catering to the evolving expectations of today's and tomorrow's students.

Tell us more about your plans for Nashville.

Our team is constantly seeking partnerships that create a tangible impact on the development of healthy, thriving communities in Nashville. We're working on various projects with and around universities that cater directly to students and their needs. We're constantly evaluating our multifamily projects as well, seeing how we may be able to make them more student-friendly and campus-forward on Jefferson Street and beyond.

(Read the complete interview on multihousingnews.com.)

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.



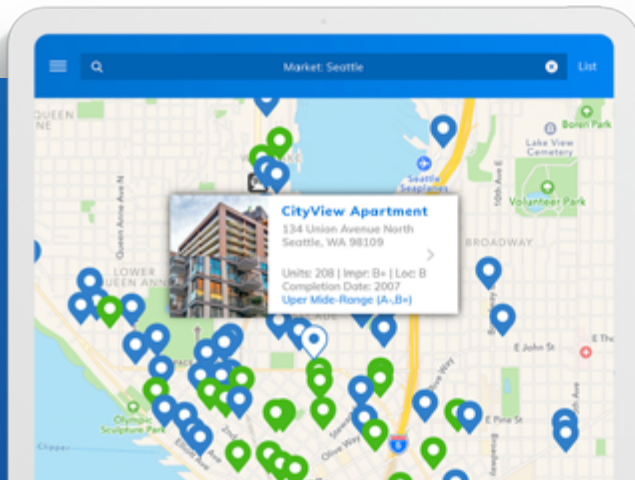
Yardi[®]Matrix

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.

© 2024 Yardi Systems, Inc. All Rights Reserved.