

Nashville's Mixed Market

September 2024

Rent Movement Lags After Spring Rebound

Construction Starts Slow Down

Employment Gains Temper



NASHVILLE MULTIFAMILY



Completions Keep Pace, Rents Slide Again

Nashville multifamily fundamentals have been slowing across the board. Average advertised asking rents marked their first dip after a short rebound, down 0.1% on a trailing three-month basis through July. Meanwhile, the U.S. average rose 0.3% for the third consecutive month. Nashville's occupancy rate in stabilized properties declined 50 basis points year-over-year through June, to 94.1%.

The metro's employment growth is slowing. In the 12 months ending in May, gains hit the slowest pace since 2021, up just 0.8%. The figure was below the 1.3% U.S. average. Unemployment remained tight, at 3.0% as of June, behind the 4.1% U.S. rate but up 70 basis points from May. Education and health services (7,300 jobs) and government (4,900 jobs) added the most positions. Meanwhile, four sectors shed 11,300 jobs combined. Losses included financial activities (-5,000 jobs) and professional and business services (-4,800 jobs). Still, Nashville's office development pipeline remains robust, at 2.1 million square feet under construction as of July.

Completions remained elevated, with 4,114 units delivered in 2024 through July and another 27,062 under construction. Yet new development dropped to one-third of the volume recorded during the same period of 2023. During this time, investors traded \$365 million in multifamily assets, with RBN properties accounting for three-quarters of these transactions. Meanwhile, the price per unit saw a significant 35% decline, down to \$151,294 year-to-date, as of July.

Market Analysis | September 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 x14006

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 Cove at Center Point



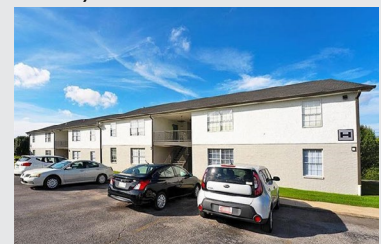
City: Murfreesboro, Tenn.
Buyer: Yarusi Holdings
Purchase Price: \$32 MM
Price per Unit: \$90,652

Highlands



City: Nashville, Tenn.
Buyer: Northway Equities
Purchase Price: \$27 MM
Price per Unit: \$145,000

The Dylan

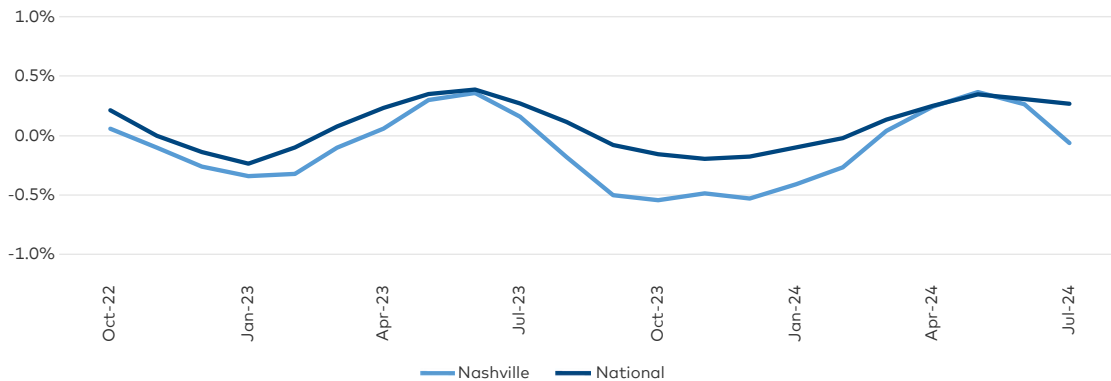


City: Murfreesboro, Tenn.
Buyer: Cohen Investment Group
Purchase Price: \$25 MM
Price per Unit: \$166,500

RENT TRENDS

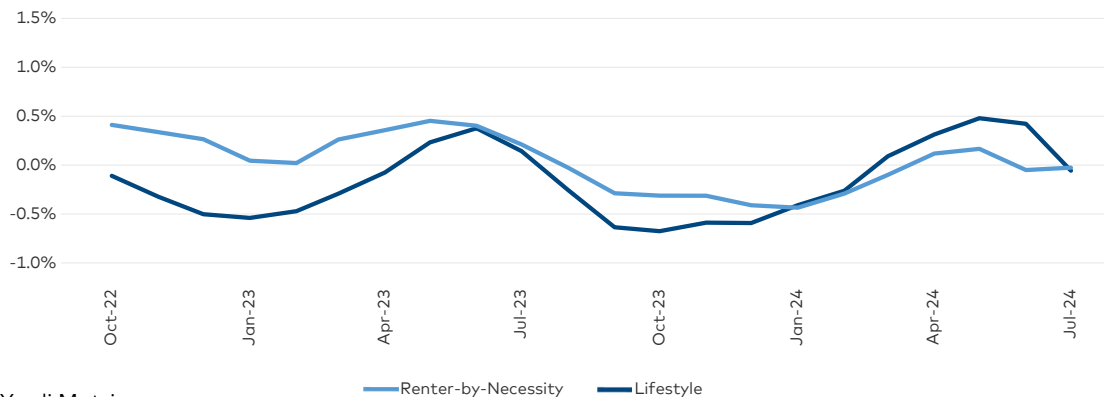
- Nashville advertised asking rents dipped 0.1% on a trailing three-month (T3) basis through July, to \$1,636, marking the first negative T3 movement since February. Meanwhile, the U.S. rate rose 0.3% for the fourth consecutive month in July, to \$1,743. Year-over-year, the Nashville figure stood at -2.3%, following a strong supply wave. Meanwhile, the national rate was up 0.8%.
- The slight T3 decline was triggered by a 50-basis-point, month-over-month decline in the Lifestyle segment, to -0.1%, for an average of \$1,798. Meanwhile, working-class Renter-by-Necessity rents remained flat for the second consecutive month, at \$1,377.
- Following strong deliveries, occupancy in stabilized properties declined 50 basis points year-over-year, to 94.1%, as of June. RBN occupancy decreased 60 basis points, to 94.2%. In the Lifestyle segment, the rate fell 40 basis points, to 94.1%.
- Almost half of the 49 submarkets tracked by Yardi Matrix saw declines in year-over-year performance. These included Nashville's most expensive areas: Downtown (-1.6% to \$2,277) and Vanderbilt (-1.3% to \$2,137). Two other submarkets had average advertised asking rents above the \$2,000 mark: Green Hills and Nashville-Central.
- Nashville's single-family rental market trailed the U.S., with advertised asking rents down 0.8% year-over-year in July, to \$2,305, but still higher than the \$2,171 national average. The occupancy rate also declined, down 2.4% year-over-year in June.

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 job gains were at their slowest pace since 2021 as of May, up 0.8%, or 7,400 net positions, over 12 months. This trailed the 1.3% U.S. rate. Job growth has been behind the national average since February. Meanwhile, unemployment was still healthy at 3.0% as of June, despite a 70-basis-point hike in one month, according to data from the Bureau of Labor Statistics. But the metro still led Knoxville (3.4%) and the U.S. (4.1%) and was on par with the state.
- Education and health services led gains with 7,300 positions, making it the third largest sector in the metro, accounting for 15.2% of total jobs, behind trade, transportation, and utilities (19.2%, up 1,100 jobs) and professional and business services (16.7%, down 4,800 jobs).
- Three other sectors lost another 6,500 positions combined. Despite the ongoing slowdown, the office market has maintained a significant pipeline, with 2.1 million square feet under construction as of July. That represented 3.6% of existing stock, more than three times the 1.1% U.S. rate.
- Oracle's headquarters move to Nashville is only one example of big projects in the area. Others include the \$2.1 billion Nissan Stadium and the 338-acre Imagine East Bank redevelopment project. The latter recently received approval for work to begin on the first 30-acre parcel, which will deliver 300 affordable units within two years.

Nashville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	177.6	15.2%
90	Government	129.4	11.1%
70	Leisure and Hospitality	135.2	11.6%
30	Manufacturing	87.8	7.5%
80	Other Services	49.5	4.2%
40	Trade, Transportation and Utilities	224.2	19.2%
15	Mining, Logging and Construction	60.4	5.2%
50	Information	30.8	2.6%
60	Professional and Business Services	195.4	16.7%
55	Financial Activities	76.3	6.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Nashville's population expanded by 6.4% between 2019 and 2022, more than three times the 2.0% U.S. rate.
- The metro's growth slowed to 1.5% in 2022, from 3.0% in 2021. That's still nearly four times the national figure, which stood at 0.4% in 2022.

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

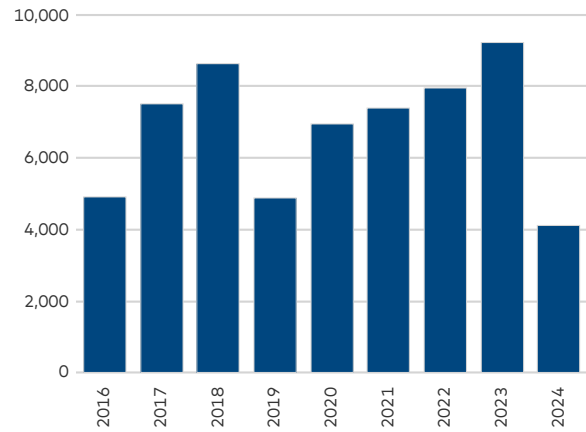
SUPPLY

- Nashville developers brought 4,114 units, or 2.2% of existing inventory, online in 2024 through July. All deliveries were Lifestyle, except for a 105-unit RBN property in Antioch, Tenn. Yardi Matrix projects that 12,667 apartments will be delivered this year, representing 7.0% of the metro's existing stock and marking the highest number of deliveries in at least a decade.
- The construction pipeline remains robust, with 27,062 units underway as of July, about 40% of which broke ground last year. Lifestyle units accounted for 85% of the pipeline, followed by fully affordable (14%) and RBN (1.0%) projects. Another 61,000 units were in the planning and permitting phases.
- The widespread slowdown in new construction took over Nashville, too, with starts in 2024 through July at 2,503 units across 12 properties. That was only one-third of the volume recorded across Nashville during the same months in 2023.
- Developers were active in 28 of the 49 submarkets tracked by Yardi Matrix, with the highest volume recorded in Nashville's core: Downtown (3,847 units), followed by Central South (2,549

units), Central (2,203 units) and Central North (1,887 units).

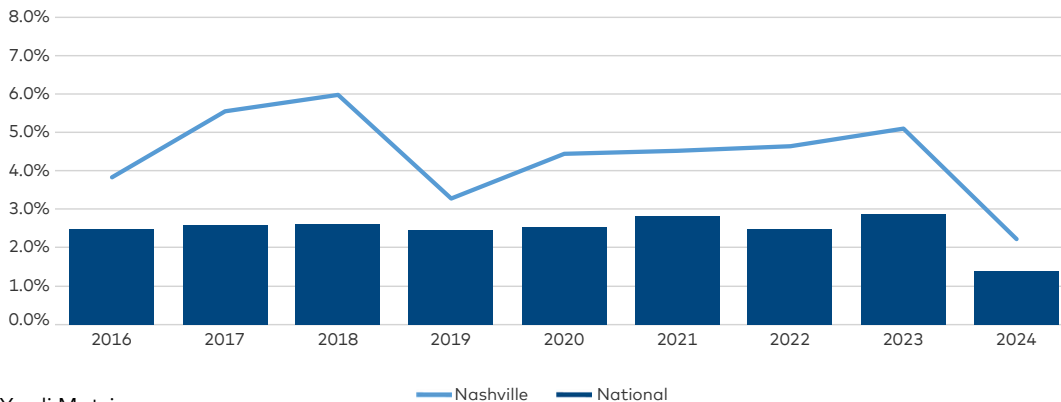
- Notable recent deliveries include the 302-unit Broadstone Berry Hill in Central South. The suburban asset features 5,000 square feet of retail space and is owned by a joint venture between Alliance Residential Co. and The Carlyle Group. The property came online with the help of a \$64 million construction loan originated in 2022 by ServisFirst Bank.

Nashville Completions (as of July 2024)



Source: Yardi Matrix

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

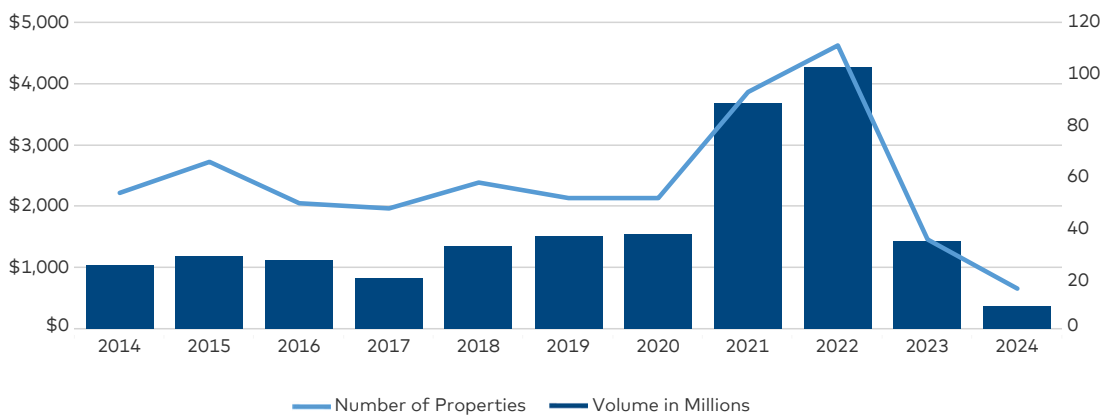


Source: Yardi Matrix

TRANSACTIONS

- ▶ Investors traded just \$365 million in multifamily assets during the first seven months of the year, with high volatility still looming over the financing environment. The first quarter posted a higher sales volume, accounting for \$202 million of the total.
- ▶ Nearly three-quarters of sales involved value-add properties. This contributed to a significant decrease in the price per unit, down 35%, to \$151,294, year-to-date. Nashville's per-unit price fell below the U.S. average (\$182,423) for the first time since 2016.
- ▶ Notable recent transactions include Fairfield Residential's acquisition of Landmark at Winton Pointe. Seller GVA Real Estate Investments received \$51.8 million for the asset, or \$136,297 per unit. The new owner assumed the outstanding balance of a \$53 million loan held by Bridge Investment Group, originated in late 2022 and due in early 2025.

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



Source: Yardi Matrix

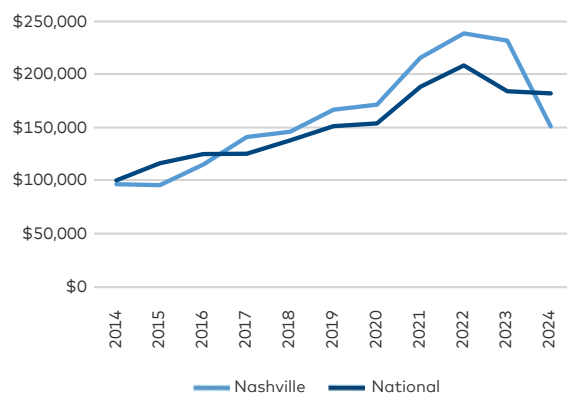
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Nashville–Downtown	193
Murfreesboro	153
Nashville–Southwest	143
Nashville–South	125
Smyrna	78
Nashville–Central	78
Mount Juliet	77

Source: Yardi Matrix

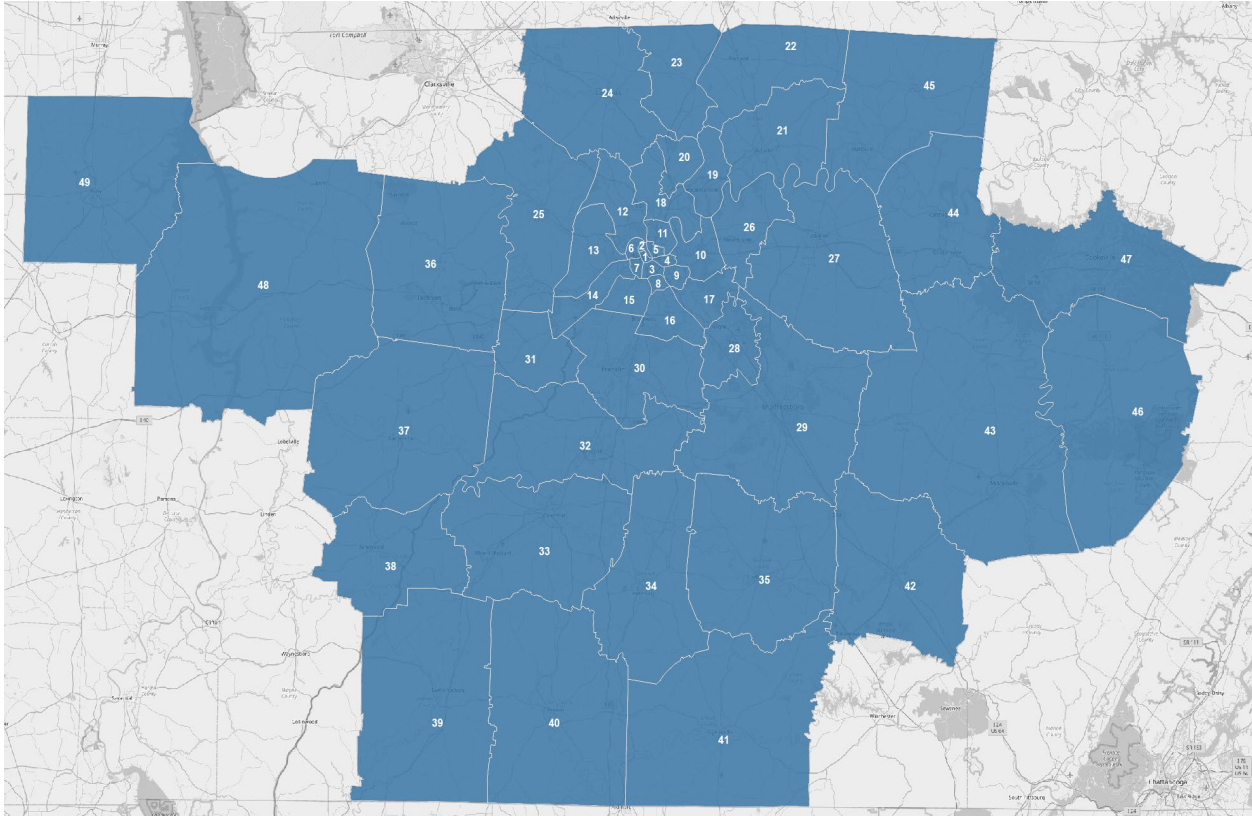
¹ From August 2023 to July 2024

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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