

Nashville 3Q23 Multifamily Market Report



\$1,645
AVERAGE RENT



-1.9%
YOY RENT CHANGE



94.4%
AVERAGE OCCUPANCY RATE



-1.4 POINTS
YOY OCCUPANCY CHANGE



\$726.3M
YTD SALES VOLUME



20 YTD
INDIVIDUAL TRANSACTIONS

Supply & Demand

3Q23

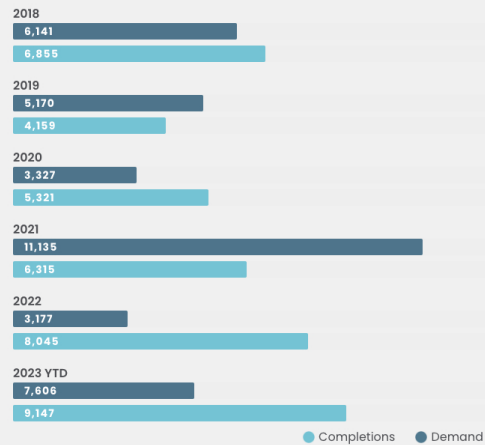


3,369 Units
QUARTERLY DEMAND
YTD: 7,606



3,544 Units
QUARTERLY COMPLETIONS
YTD: 9,147

Annual Demand Vs Completions



Demand Trends

- In Q3 2023, the Nashville apartment market experienced positive net absorption of over 3,369 units, highlighting the strength of the apartment market demand.
- All 10 Nashville submarkets posted positive net absorption, with Central Nashville leading in absorbed units with 801.



Completion Trends

- Q3 2023 saw Nashville's apartment inventory expand by 3,544 units. The Central Nashville submarket added 1,077 of these units.
- In the past year, completions have been primarily concentrated in the Central Nashville submarket, accounting for 12.5% of the market's total new inventory. With numerous large-scale office projects in the works, long-term demand should be able to absorb the large pipeline of new units in this area.



Demand Outlook

- Over the next four quarters, renters are anticipated to absorb 11,807 units in Nashville, slightly exceeding the 11,686 units expected to deliver during this timeframe.
- Central Nashville is poised to be a major demand hotspot, with projections indicating that it will contribute to 28.3% of the overall absorption in the coming year.

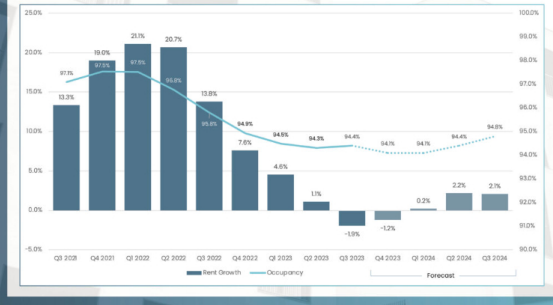


New Supply Outlook

- The Nashville apartment market is on the brink of a significant inventory expansion, with a sizable increase of 11,686 units expected in the next year.
- The Central Nashville submarket is expected to lead in contributing new supply, with a projected addition of 3,528 units.

Occupancy & Rent Trends

RENT vs OCCUPANCY



RENT VS OWN MONTHLY PAYMENT



\$2,953

Average Monthly Mortgage Payment



\$1,645

Average Monthly Rent

* The Average mortgage payment is based off a median home sales price of \$403,300 as reported by the National Association of Realtors as of Aug 2023.

OCCUPANCY TRENDS

In Q3 2023, Nashville's apartment market recorded an overall occupancy rate of 94.4%, a decline of 140 basis points compared to the same quarter last year. Class C units boasted the highest occupancy at 95.1%, trailed by Class B and Class A units with rates of 94.5% and 93.3%, respectively. At the submarket level, Sumner County and Murfreesboro/Smyrna excelled, each achieving occupancy rates above 95.5% for the quarter. In stark contrast, Southeast Nashville and Central Nashville lagged, with rates falling below 93.0%. While Nashville's robust construction pipeline could introduce some volatility in occupancy rates in the short term, the market is anticipated to sustain a strong occupancy level, likely hovering around the 95% mark in the coming year.

RENTAL TRENDS

In Q3 2023, Nashville's multifamily rental market faced a mild deceleration, recording a -1.9% year-over-year decline in rent growth. Despite this slowdown, submarkets such as Murfreesboro/Smyrna and North Nashville showed resilience with annual growth rates of 1.4% and 0.7%, respectively. Conversely, Central Nashville and East Nashville encountered more significant rent decreases of -5.4% and -5.7%. When examining the market by product class, Class A units saw a notable drop in rents, declining by -3.6% from the previous year. Class B and C units also experienced minor reductions in rent, with changes of -1.2%. Nonetheless, the market retains a strong appetite for luxury units, suggesting a nuanced landscape where certain sectors continue to outperform despite broader market softening. Overall, the average monthly rent stood at \$1,645.

Submarket Rent & Occupancy

Search:

Submarket	Average Occupancy	Annual Occupancy Change	Average Monthly Rent	Annual Rent Change
Central Nashville	94.4%	-1.3%	\$2,092	-5.4%
East Nashville	92.9%	-1.1%	\$1,466	-5.7%
Franklin/Brentwood	95.7%	-0.7%	\$1,826	-2.2%
Hermitage/Mount Juliet/Lebanon	96.1%	-1.1%	\$1,538	-2.0%
Murfreesboro/Smyrna	94.9%	-1.0%	\$1,519	1.4%
North Nashville	94.4%	-2.0%	\$1,463	0.7%
South Nashville	92.6%	-2.6%	\$1,489	-3.0%
Southeast Nashville	93.8%	-3.4%	\$1,458	-0.8%
Sumner County	94.6%	-0.4%	\$1,553	0.3%
West Nashville	93.2%	-1.4%	\$1,756	-0.7%
Nashville-Davidson--Murfreesboro--Franklin, TN	94.4%	-1.4%	\$1,645	-1.9%

Showing 1 to 11 of 11 entries

Units by Submarket Delivering in 2023



25,648

Units Under Construction



11,686

Units UC Delivering In the Next 4 Quarters

Number of Units Under Construction

Central Nashville - 10,163
East Nashville - 1,743
Franklin/Brentwood - 2,610
Hermitage/Mount Juliet/Lebanon - 2,131
Murfreesboro/Smyrna - 1,385

Number of Units Delivering Next 4Q

Central Nashville - 3,528
East Nashville - 773
Franklin/Brentwood - 1,428
Hermitage/Mount Juliet/Lebanon - 1,316
Murfreesboro/Smyrna - 1,878

North Nashville - 3,581	North Nashville - 1,878
South Nashville - 736	South Nashville - 484
Southeast Nashville - 1,275	Southeast Nashville - 1,009
Sumner County - 740	Sumner County - 0
West Nashville - 1,284	West Nashville - 715

Sales Activity

During the first three quarters of 2023, Nashville's apartment market witnessed a decline in transaction activity. According to data from MSCI Real Capital Analytics, there was a total trade volume of \$726.3 million spread across 20 properties, marking a significant 65.7% decrease compared to the previous year. Despite this drop in transaction volume, there was a notable 3.2% increase in the average price per unit, which reached \$259,900, as compared to the same period in the previous year. This data indicates that Nashville remains an attractive destination for investors due to its relative affordability and strong economic foundation, driven by high-growth industries that attract a youthful population. The market's future prospects continue to be promising, and Nashville's resilience and growth potential are expected to maintain robust investor interest.

Most Active Buyers (Previous 24 Months)

1. Sunroad Enterprises
2. Covenant Capital Group
3. OpenPath Investments
4. HH Hunt
5. Weinstein Properties

Most Active Sellers (Previous 24 Months)

1. Wood Partners
2. Alliance Residential
3. The Connor Group
4. CA Ventures
5. Embrey Development

*Most Active Buyers and Sellers are based on the sale volume of apartment units.

TRANSACTION VOLUME

\$726.3M

YTD Transaction Volume

-65.7%

Y-O-Y Change

20

Individual Transaction Count

\$259.9k*

Price Per Unit

3.2%

Annual Price Change

* Trailing 4Q average PPU

* Preliminary Data from RCA - Individual transaction \$2.5M +

Economy

In August 2023, the Nashville area witnessed exceptional job growth, adding a staggering 34,600 jobs compared to the same period in 2022, reflecting a substantial 3.1% increase in employment. Consequently, the unemployment rate reached an impressive 2.7%, well below the national average of 3.9%. Among the various employment sectors, the professional and business services sector experienced the most significant job gains, with an impressive addition of 9,900 positions, representing a substantial 5.0% expansion. Additionally, the Education and health services sector also saw remarkable growth, with a 4.0% expansion and the addition of 6,600 jobs. These positive indicators underscore the region's robust economic dynamics and promising employment prospects.



34.6k
AUGUST ANNUAL JOBS CREATED



3.1%
AUGUST 2023 EMPLOYMENT GROWTH



2.7%
AUGUST 2023 UNEMPLOYMENT RATE
3.9% US AUGUST RATE

Top 5 Employment Sector Annual Change



PROFESSIONAL & BUSINESS SERVICES



EDUCATION & HEALTH SERVICES



TRADE, TRANSPORTATION & UTILITIES



GOVERNMENT



LEISURE & HOSPITALITY

Hover over icons to view data

Search:

Sector	Change from August 2022 to August 2023	Percent Change
Professional and business services	9,900	5.0%
Education and health services	6,600	4.0%
Trade, transportation, and	6,400	2.9%



utilities

Government	3,300	2.8%
Leisure and hospitality	2,700	2.1%
Manufacturing	2,600	3.0%
Financial activities	1,600	2.1%
Other services	1,300	2.8%
Mining, logging, and construction	400	0.7%
Information	(200)	-0.6%

Showing 1 to 10 of 10 entries

Cost of Living Comparison

Nashville, Tennessee, exudes the charm of a quintessential Southern city, offering a harmonious blend of diverse job prospects and a vibrant cultural atmosphere. With a cost-of-living index of 97.5, the 'Music City' stands out as an affordable destination, positioning itself below the national average. In comparison to a major city like Chicago, Illinois, Nashville takes the lead in providing more budget-friendly prices in crucial categories such as groceries (with an average savings of 5.4%) and transportation (boasting an impressive 19.9% cost advantage). Furthermore, Nashville's housing sector adds to its economic appeal, with residents enjoying an average 25.8% reduction in housing costs compared to Chicago. Currently, the median home price in Nashville sits at \$401,300, reflecting a 4.1% decrease from the previous year. Interestingly, while the average monthly mortgage in the city is \$2,956, this exceeds the fixed average rent of \$1,645, making renting a financially prudent choice for many. Without a doubt, Nashville emerges as an alluring destination in the heart of the American South.

Chicago, IL vs. Nashville, TN

Cost of Living Comparison

Groceries:

5.4% Less

Housing:

25.8% Less

Utilities:

1.5% More

Transportation:

19.9% Less

Health:

17.7% Less

98.6

Cost of Living Index

\$2,953

Average Mortgage
(vs Average Rent: \$1,645)

107.6

Housing Index Score

94.5

Utilities Index Score

92.1

Gas Index Score

\$401,300

Median Home Sale Price
(YoY Change: -4.1%)

The "Cost of Living" index score provides a comparative assessment of the relative expense involved in maintaining a standard of living in a specific area, benchmarked against a national index score of 100.

Market Outlook

Nashville's near-term future hinges on its booming construction sector, with a remarkable 25,648 apartment units under construction as of Q3 2023. This places Nashville third nationally in relative inventory share at 6.4%, following Huntsville, AL, and Boise, ID. However, concerns arise about demand, especially in higher-priced segments. The Central Nashville area, in particular, expects an influx of 3,528 new units over the next year, potentially creating a short-term supply-demand imbalance. Nevertheless, Nashville's sustained job and population growth provide confidence in its overall outlook. The one-year forecast is optimistic, with demand expected to stabilize fundamentals despite supply pressures. Nevertheless, some submarkets may experience periodic performance fluctuations as the market adapts to changing conditions.

Sources: RealPage; BLS; MSCI; The Council for Community And Economic Research (C2ER)

TO GAIN FURTHER INSIGHTS INTO THE NASHVILLE MARKET PLEASE REACH OUT TO OUR TEAM



Alex Blagojevich

Executive Managing Director /
Co-Founder

alex.blagojevich@mmgrea.com



Michael Sullivan

Executive Managing Director /
Co-Founder

michael.sullivan@mmgrea.com



David Huey

Senior Director

david.huey@mmgrea.com



Kendall Adams

Associate Advisor

kendall.adams@mmgrea.com



Ryan Carter

Associate Advisor

ryan.carter@mmgrea.com



Wills Wiedeman

Associate Advisor

wills.wiedeman@mmgrea.com

