

Multifamily Metro Outlook:

Nashville - Q1 2022

Overview:

- Nashville's apartment market was riding a wave of strong job and population growth prior to the COVID outbreak. While those underlying economic trends were interrupted, they have resumed, and the metro has recovered all of the jobs lost at the outset of the pandemic. One minor area of concern is the large leisure and hospitality economy in the metro, and that sector's sluggish recovery. However, while Nashville has a noteworthy tourism segment, it has become a city of corporate relocations and office jobs in a diverse set of industry segments, and has been solidly recovering for more than a year.
- Despite having one of the nation's more attractive economic forecasts, the for-rent market has expectations of comparatively modest performance, though still strong. The exceptionally high level of new units held back overall rent and vacancy performance prior to 2020, though 2019 deliveries eased moderately, allowing the market to see improved performance. With attractive demographics (the area is home to three universities and a future Amazon mini HQ), it is positioned for new rental demand. However, exceptionally high levels of new multifamily supply somewhat limits growth potential of the apartment market, and with a rapidly growing population, overall housing affordability is becoming a concern.

Market Strengths:

- Nashville's economy has been rebounding and the area has recovered all of the jobs lost during the pandemic, with further expansion expected in 2022. In the important professional and business services category, jobs surpassed what they were before the outbreak in mid-2021. The metro is forecasted to grow faster than most, with job growth expected to outpace the national rate through 2026.
- The metro has very positive demographic trends including solid population growth and migration trends. Population growth for the year ending Q1 2022 was +1.1%, compared to +0.2% nationally.
- Nashville's demographic composition makes it an attractive place for apartment rentals: 22.0% of the population is age 20-34 (the prime renting cohort), above the national average of 20.7%.

Market Weaknesses:

- Nashville's apartment rental market is not quite as strong as its overall economic environment. Rents and vacancies have been stubbornly stable in boom times and weakened during the bust. One of the primary drivers that makes Nashville an attractive place, its low cost of living, is largely reflected in its housing affordability, and affordability has been lessening as the local economy has robustly expanded.
- With an ample supply of developable land surrounding the metro, neither the for-rent nor for-sale markets are likely to have exceptional rent and price growth, though short-term surges may occur.

Development:

- Though some of the recent supply replaced units lost in the floods of 2010, there has been significant new rental supply brought on board: since 2017 around 33,400 units were completed, and another 21,900 are underway. Condo development is currently reasonable given the demographic and economic growth in the metro: around 6,200 condo units have been delivered since the beginning of 2017, and another 1,800 are underway and are due to be completed through Q2 2023.

Outlook:

- Nashville's for-rent market was riding a wave of strong job growth and high levels of supply prior to the outbreak, and these conditions continued into 2022. The metro's economy was among the strongest nationally, and the new units added only slightly nudged the market to higher vacancy levels, with rent growth staying strong, though there were, and could possibly be more, brief rent contractions in some isolated submarkets especially in response to the recent rapid growth and robust supply. The continued addition of new apartment units may further push vacancies up in the medium-term, but the metro's strong job and population growth should allow healthy expansion in most of the metro, once national economic conditions enter into a sustained expansion.
- The metro's forecasted economic growth, which is among the more attractive forecasts nationally, will allow for the rental market to steadily expand in the long run. But the strong job growth periods that the metro will experience will likely be punctuated by the occasional contraction. The post-COVID period for Nashville's apartment market looks good, and the robust economic drivers for long-term demand for apartments will likely drive an expanding economy and apartment rental market.

Five Year Metro Area Growth Forecast

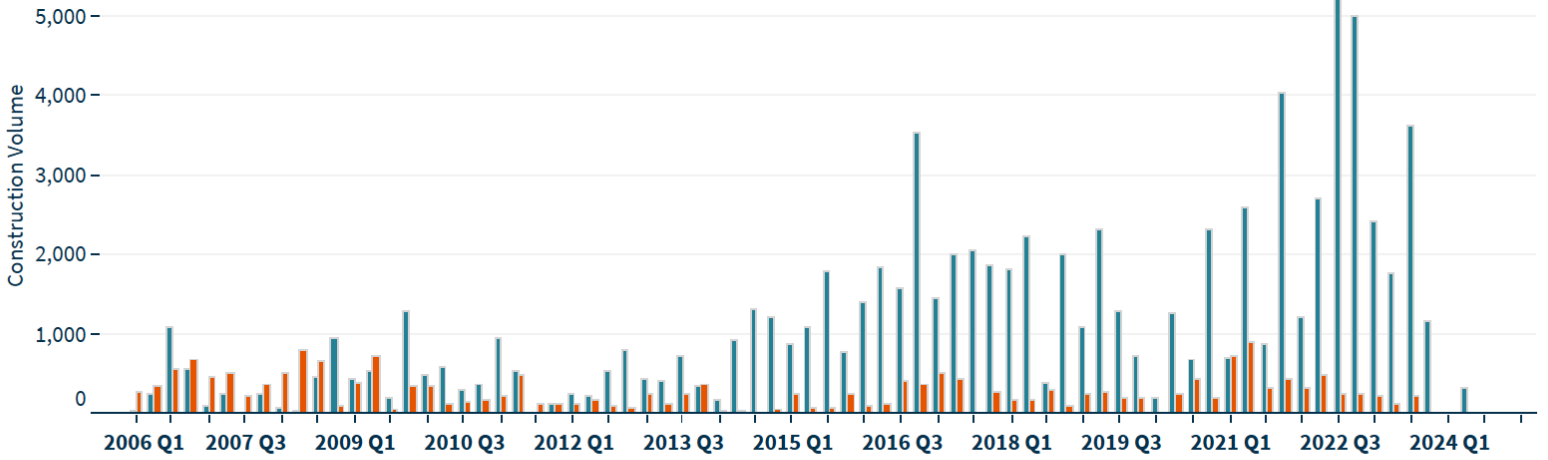
	Q4 2021	Q4 2026	Nashville (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,023	2,126	1.00%	0.47%
Households (000s)	795	861	1.60%	0.90%
Renting Cohort (Ages 20-34) (000s)	452	470	0.74%	-0.30%
Total Employment (000s)	1,053	1,120	1.24%	1.08%
Median Household Income	\$68,410	\$80,420	3.29%	3.30%
Median SF Home Price	\$357,881	\$350,061	-0.44%	1.93%
Net Migration	17,058	11,787		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



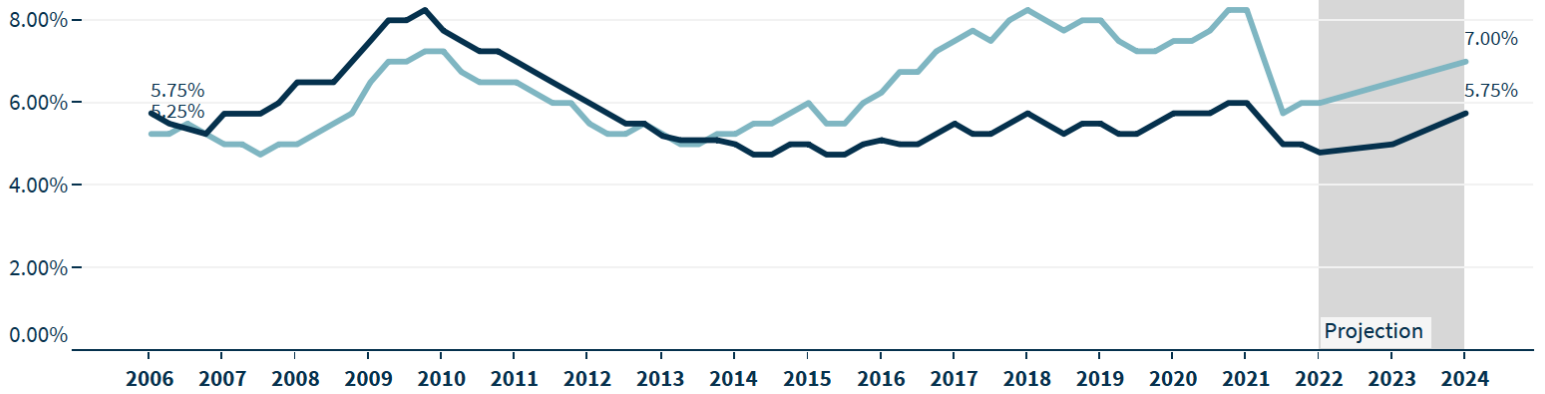
Vacancy & Rent Composite Estimates

Vacancy Rates

Nashville | National

Q1 2022 Vacancy Rate:

6.00%

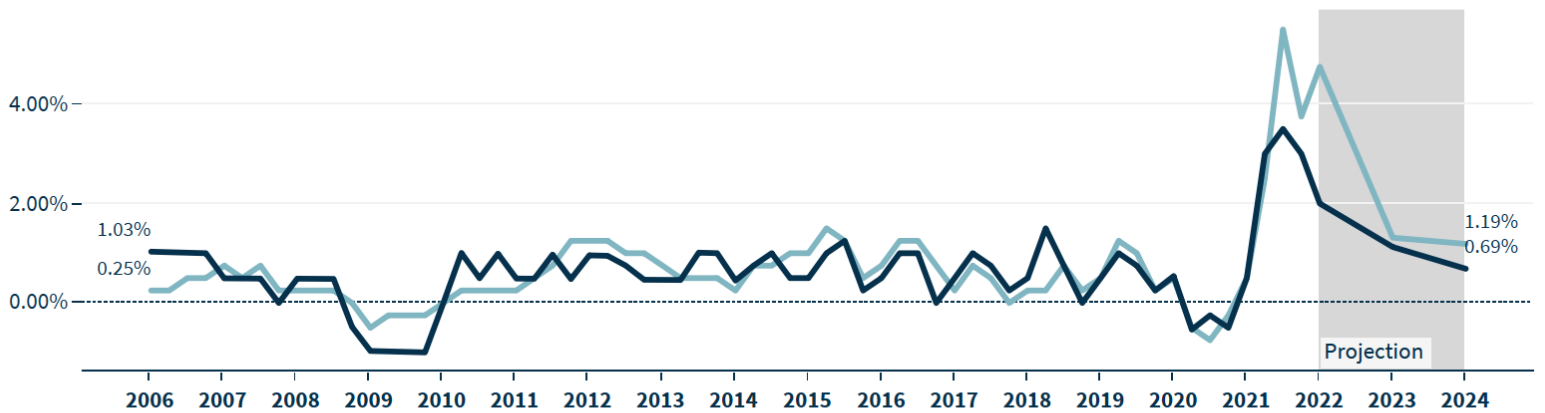


Asking Rent Growth

Nashville | National

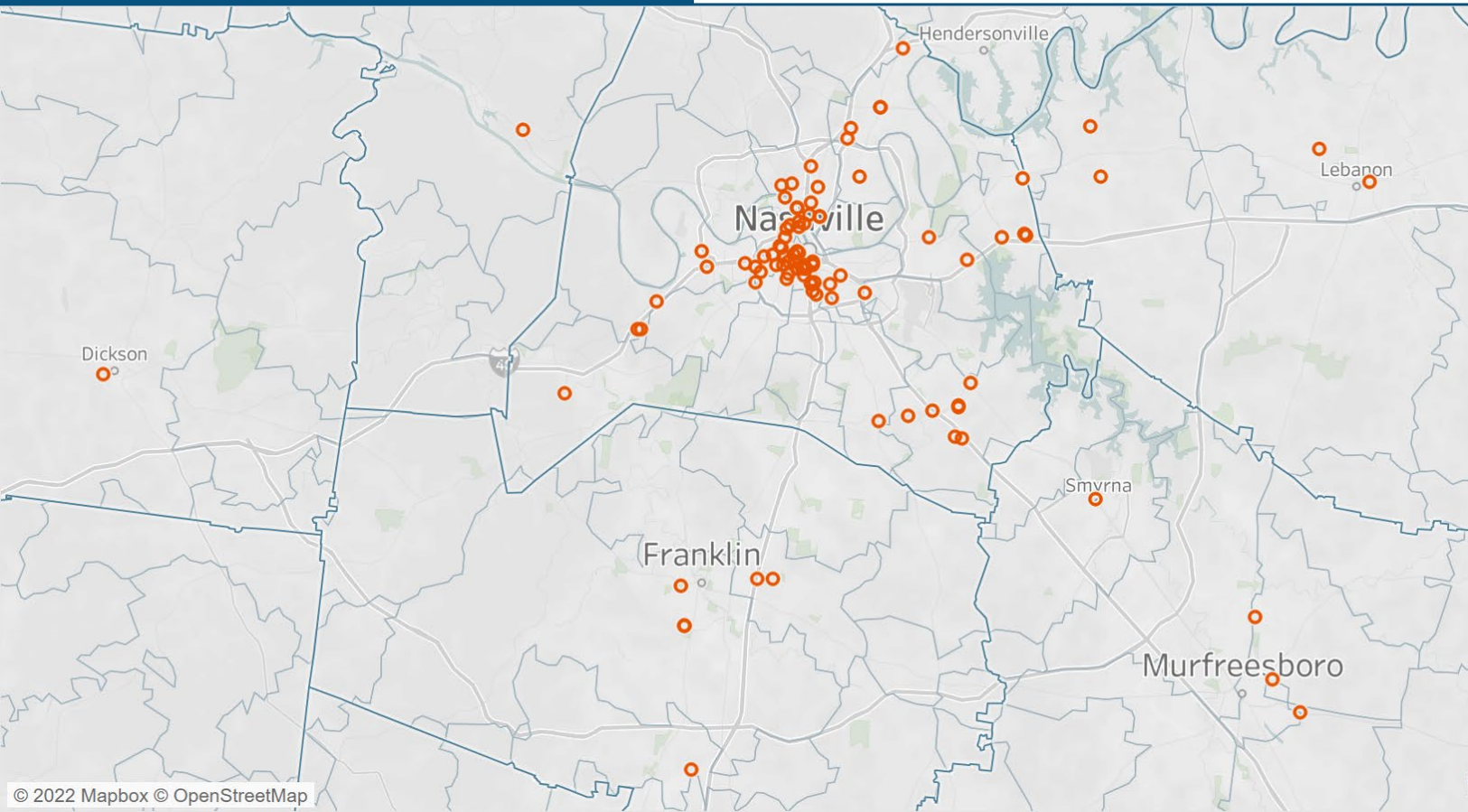
Q1 2022 Asking Rent:

\$1,370



Source: Multifamily Economics and Research

Construction: Bidding & Underway



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<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Central Nashville	34	9,852	11.40M
East Nashville	8	1,264	1.30M
Franklin/Brentwood	6	729	1.07M
Hermitage/Mount Juliet/Lebanon	8	1,274	1.60M
Murfreesboro/Smyrna	4	788	0.70M
North Nashville	16	2,369	2.99M
South Nashville	4	906	1.00M
Southeast Nashville	7	2,318	2.65M
West Nashville	10	2,389	2.79M
Grand Total	97	21,889	25.51M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

Tim Komosa, Economic and Strategic Research - Economics – Senior Manager

Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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