

# Multifamily Metro Outlook:

## Nashville - Q1 2024

### Overview:

- Nashville is a leading economy in the country, boasting a strong and diverse business environment. With high job and population growth, the metro is projected to continue this economic success, which bodes well for its multifamily apartment market. The city hosts three major universities, bringing in a highly educated population and attracting large companies to set up operations in the metro (a mini-Amazon HQ is currently under construction). Nashville has become a city of corporate relocations and office jobs in a diverse set of industry segments and will likely remain a growth leader among the nation's major metros, though growth has slowed in recent quarters after unsustainable growth in the rebound from the pandemic.
- Despite having one of the nation's more attractive economic forecasts, the for-rent market has expectations of comparatively modest performance. With attractive demographics it is positioned for new rental demand. However, exceptionally high levels of new multifamily supply somewhat limit growth potential of the apartment market, and with a rapidly growing population, overall housing affordability is becoming a concern.

### Market Strengths:

- The metro has very positive demographic trends including solid population growth and migration trends. Population growth in the year ending Q1 2024 was +1.3%, compared to +0.5% nationally. This growth consists of younger demographics coming to Nashville, making the metro 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%.
- Nashville's job market has been expanding at well above average rates for the past 10 years, expanding by an average of 2.99% a year, compared to 1.35% for the nation. Although in recent quarters job growth fell slightly behind the nation, annual growth over the next five years is forecasted to be 0.95%, well above the 0.66% national average.

### 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, but affordability has been lessening as the local economy has robustly expanded and stricter zoning legislation is passed, which could create problems for the multifamily market in the long run.
- 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:

- After receiving a record amount of new supply in 2023, a large amount of multifamily supply is expected to be delivered to the metro for the next several quarters. Around 55,300 apartment units have been completed since the beginning of 2017, and an additional 19,800 units are currently underway. Condo development is currently reasonable given the demographic and economic growth in the metro: almost 9,600 condo units have been delivered since 2017, and another 1,100 units are underway.

### Outlook:

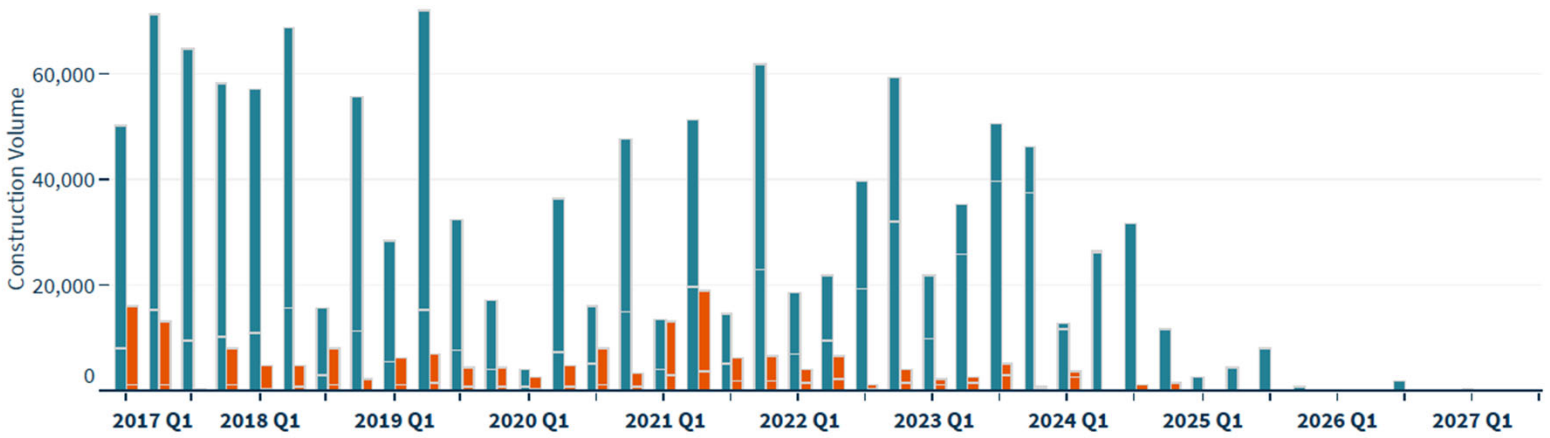
- Nashville's for-rent market has continued to perform well as strong job growth and high levels of supply remain steady in the metro, which has resulted in a modest rise in the vacancy rate. Even though the metro's economy was among the strongest nationally, Nashville experienced a small contraction in rent growth in 2023 due to its recent rapid growth and robust supply, and rent may see another modest decline in 2024. 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 the metro once national economic conditions enter a sustained expansion.
- The metro has experienced great economic growth for the past few quarters and is one of the top economies nationally; but the strong job growth periods that the metro will experience will likely be punctuated by the occasional contraction. While Nashville's robust economic drivers of long-term demand for apartments will likely drive an expanding economy and rental market, economic uncertainty is something to watch in the remainder of 2024.



## Multifamily Apartment Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

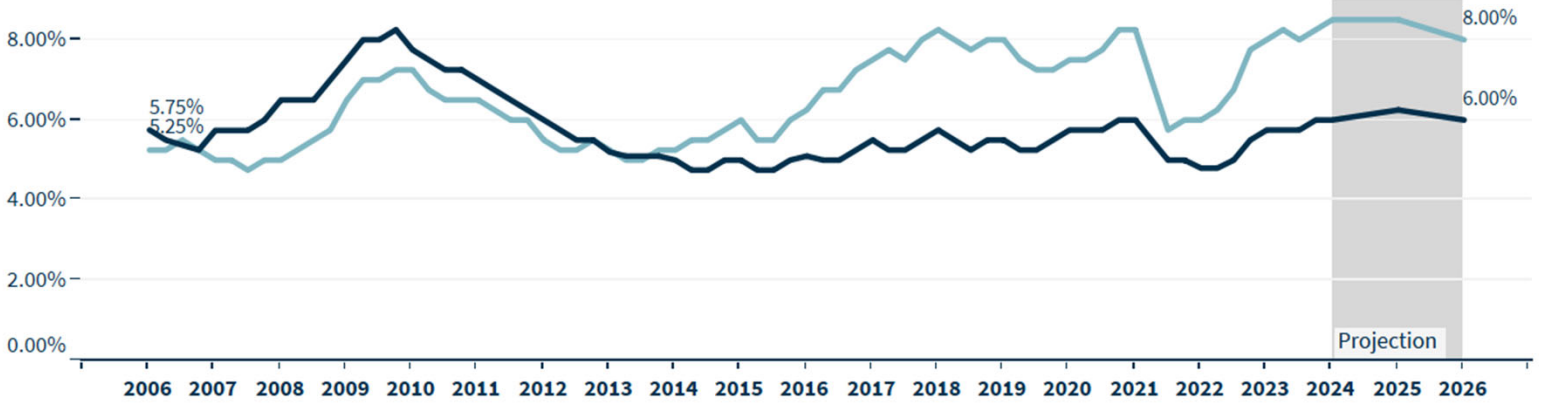
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Nashville | National

Q1 2024 Vacancy Rate:

8.50%



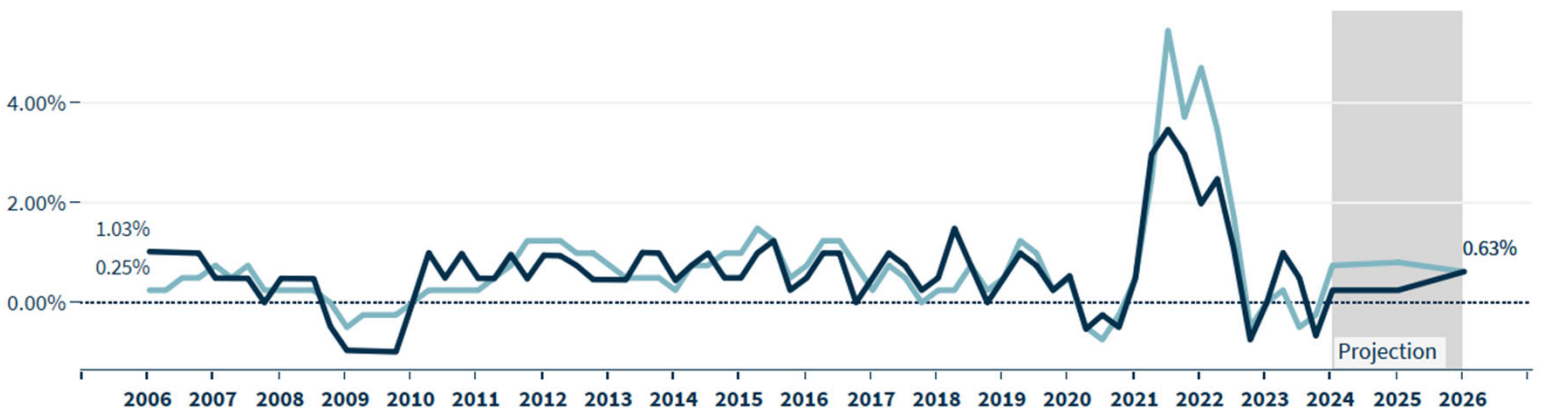
Projection

### Asking Rent Growth

Nashville | National

Q1 2024 Asking Rent:

\$1,450

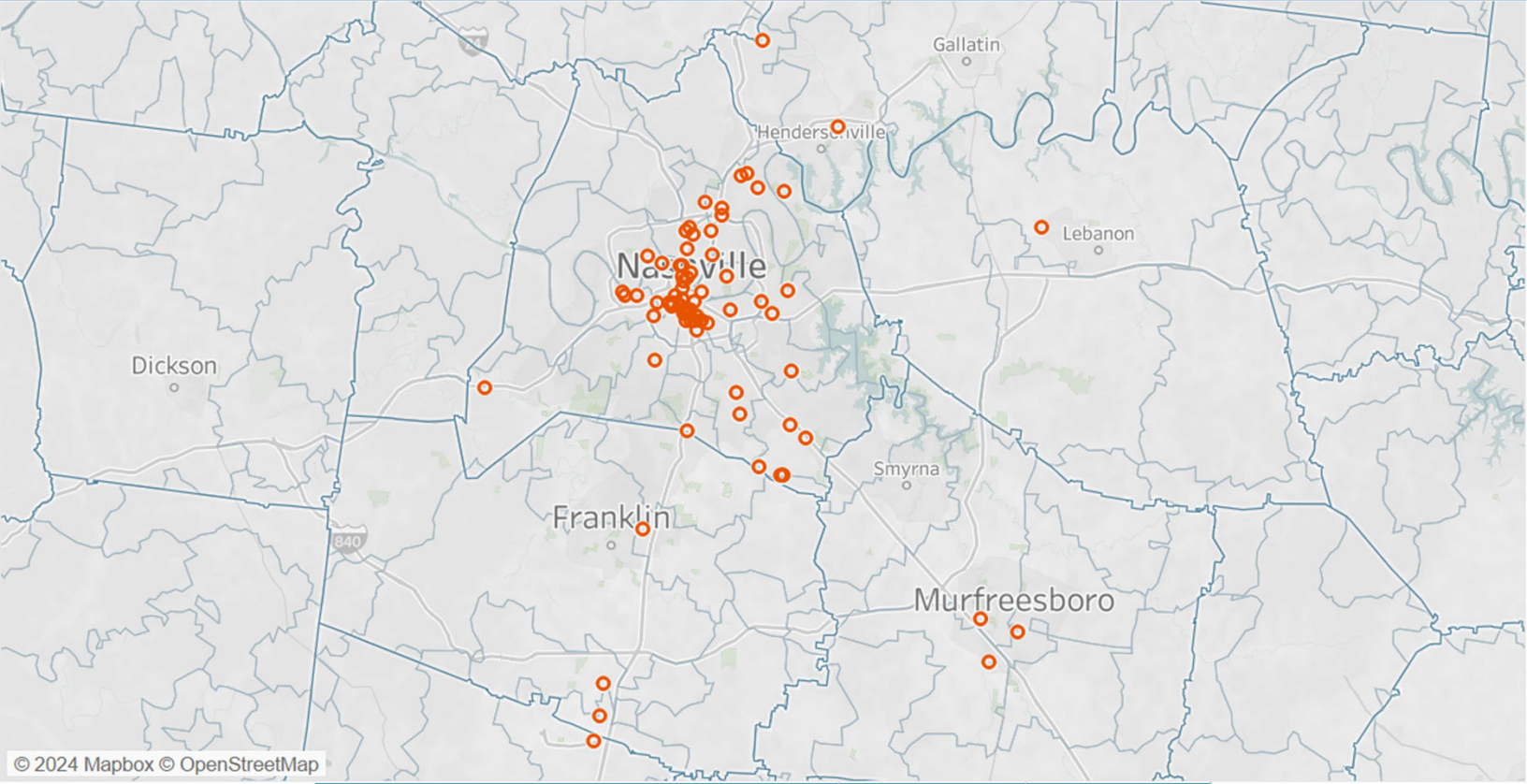


Projection

Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Central Nashville	25	8,333
East Nashville	9	1,825
Franklin/Brentwood	6	1,548
Hermitage/Mount Juliet/Lebanon	2	531
Murfreesboro/Smyrna	3	661
North Nashville	18	3,829
South Nashville	3	590
Southeast Nashville	5	940
Sumner County	1	212
West Nashville	6	1,279
<b>Grand Total</b>	<b>78</b>	<b>19,748</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

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### Sources Used

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

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