



Multifamily Metro Outlook: Nashville Winter 2018-19

Overview

Nashville's apartment market has had robust deliveries of new units in the past several years, riding a wave of strong job and population growth. While those underlying economic trends are expected to continue for the next several years, the supply of new units is growing to a greater rate than demand, which is likely to result in lower-than-expected rent growth and some rent contractions in some submarkets, as well as an increasing vacancy rate.

Despite one of the more attractive economic growth forecasts for the nation, the for-rent market has expectations of just lackluster performance. With already attractive demographics (the area is home to three universities), it is positioned for expanded rental demand. Single-family affordability, however, limits growth potential.

Nashville's economy had been expanding nicely. In the year ending Q3 2018, the metro added nearly 19,200 jobs, an increase of 1.9 percent, above the 1.7 percent national rate. The metro is forecasted to grow faster than most, with job growth expected to outpace the national rate through 2022.

The metro has very positive demographic trends with solid population growth and migration trends. Population growth for the year ending Q3 2018 was 1.8 percent, compared to 0.7 percent nationally. The metro's demographic composition makes it an attractive place for apartment rentals: 22.0 percent of the population is age 20-34 (the prime renting cohort), above the national average of 20.7 percent.

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 2013, approximately 29,000 units were completed, and another 6,700 are underway. As a result, modest rent growth, rising concessions, and increasing vacancy rates are likely in the near term.

With an ample supply of developable land surrounding the metro, neither the for-rent nor the for-sale markets are likely to experience exceptional rent and price growth. In addition, condo development is active: approximately 13,300 condo units have been delivered since 2006, and another 900 are underway and due to be completed through Q2 2020.

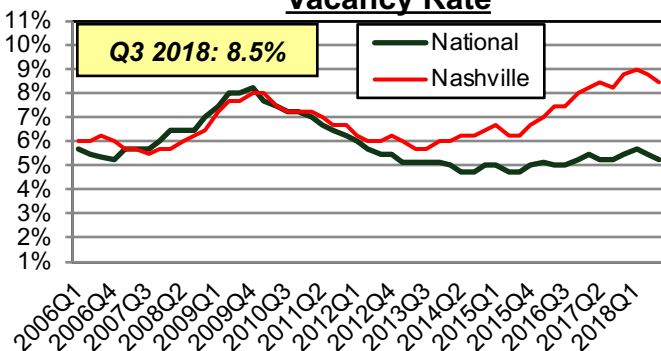
Outlook

Nashville's for-rent market is likely to soften in the near-term. While the metro's economy is among the strongest nationally, the new units that have been added will push the market to relatively high vacancy levels, with rent contractions likely in some submarkets. The continued supply of new apartment units will likely push vacancies up in the next year or two, but the metro's strong job and population growth should allow rent levels to rise in most of the metro, albeit modestly.

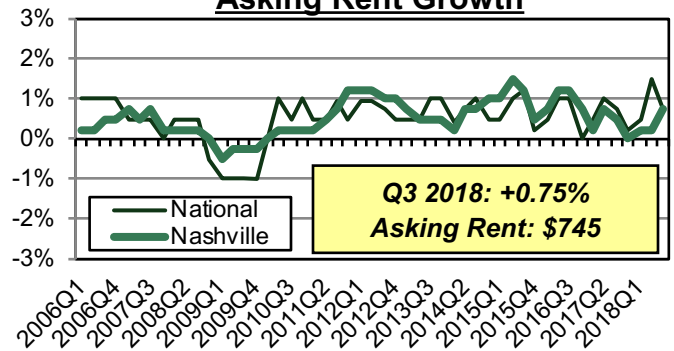
The metro's strong forecasted economic growth should allow for the rental market to steadily expand in the long run. But the strong growth periods that the metro will experience will likely be punctuated by the occasional contraction. The near term for Nashville's apartment market looks somewhat unattractive, but the robust economic drivers for long-term demand for apartments should drive an expanding economy and apartment rental market.

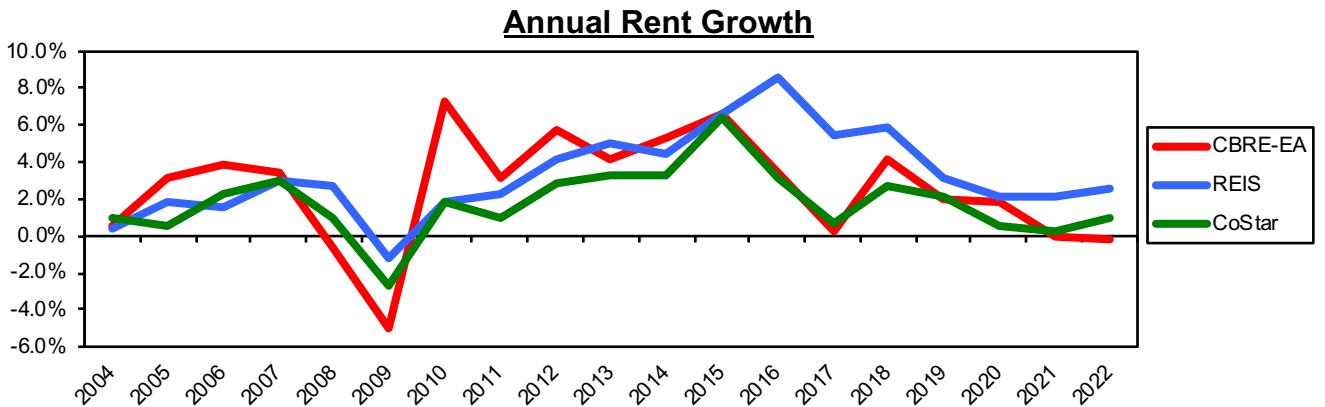
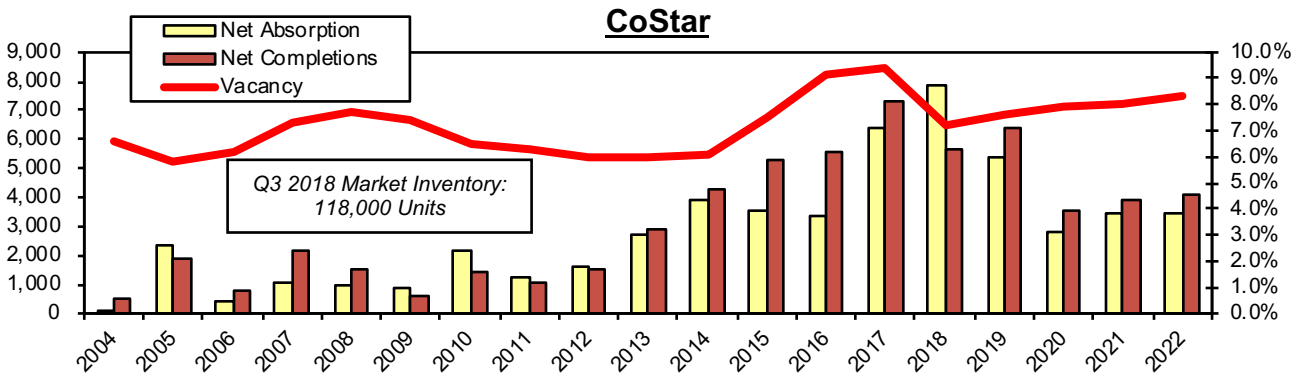
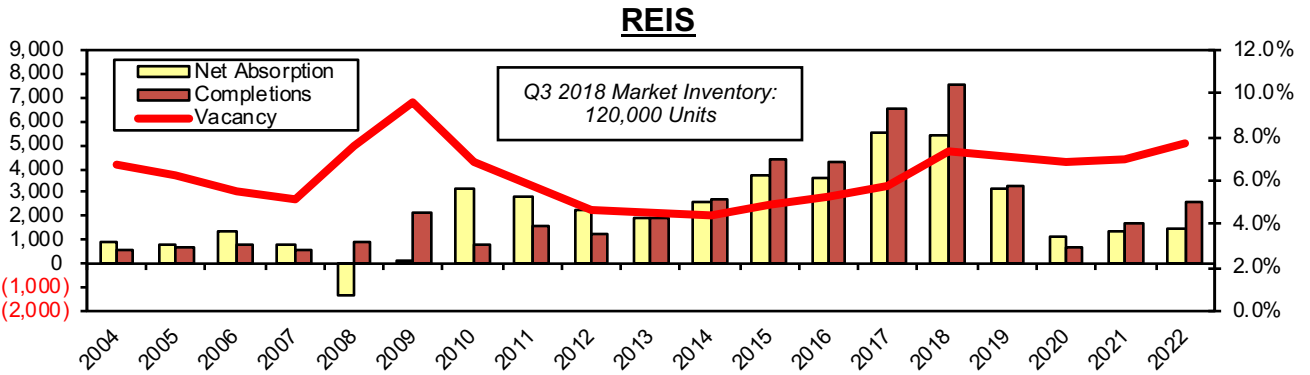
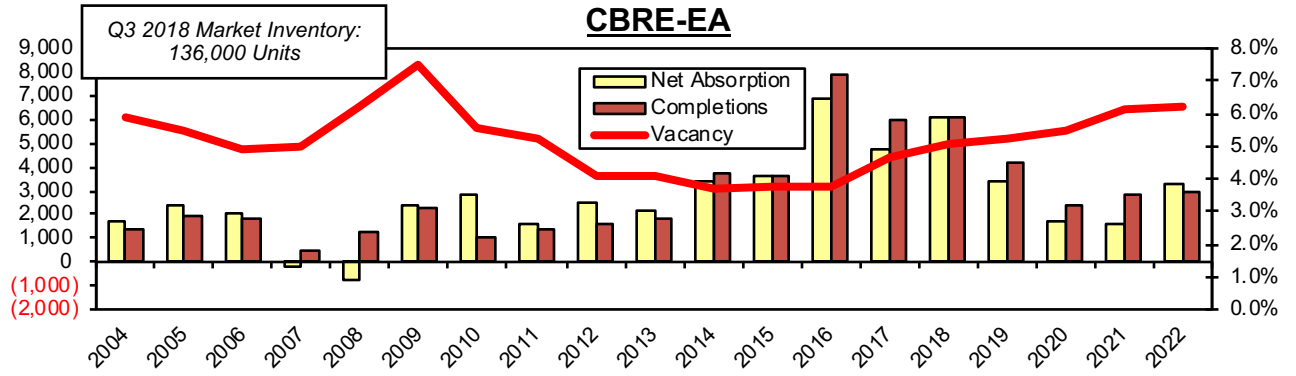
Vacancy and Rent Composite Estimates

Vacancy Rate

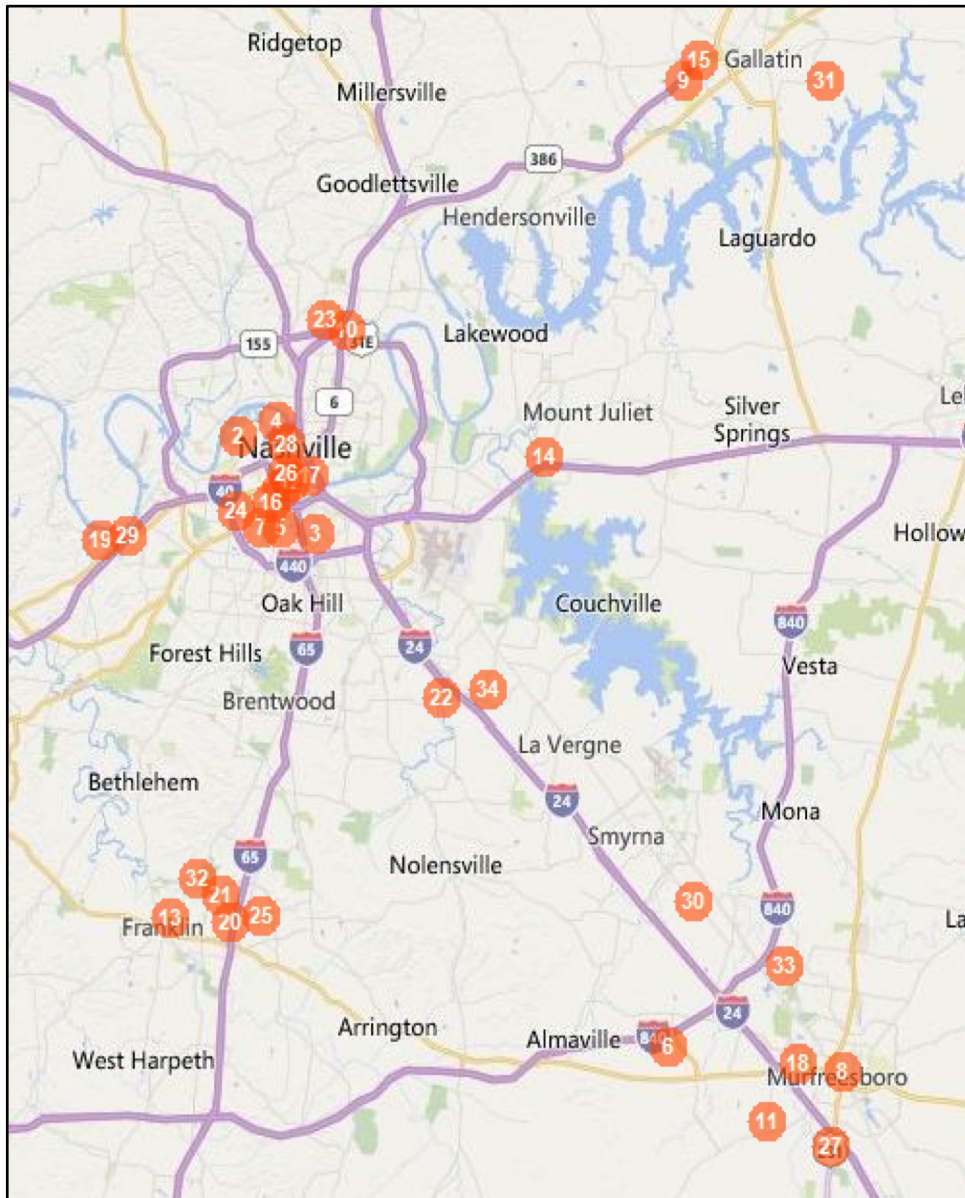


Asking Rent Growth





Construction Bidding/Underway
(34 projects/7,100 Units/9.3 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Belle Meade/West Nashville	2	681	626
Brentwood/Williamson County	5	1386	1236
Donelson/Hermitage/Wilson County	1	289	266
Downtown/West End/Green Hills	11	3314	1716
Hickory Hollow	1	298	301
Murfreesboro Pike/Antioch	1	299	256
Murfreesboro/Smyrna	7	1600	1410
NE/Madison/Rivergate/Hendersonville	6	1408	1323

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Fannie Mae Multifamily Economics and Market Research

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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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