

# MARKET REPORT

Multifamily  
Nashville Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

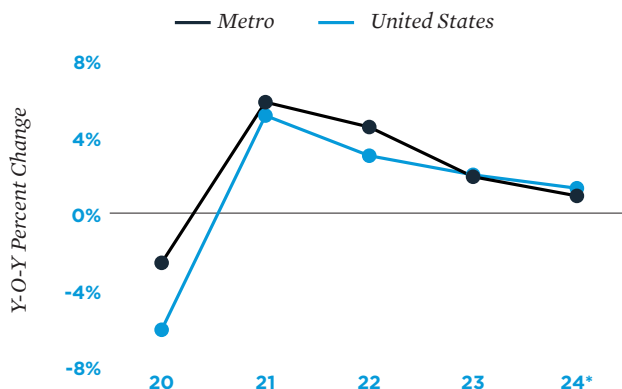
2Q/24

## Nashville's Diverse Economy Shows Strength, Aiding Absorption Across Rent Spectrum

**Demand reaches new heights in the core.** Lively entertainment options and frequent social events are helping entice renters to occupy downtown apartments. Recent Placer.ai data indicates that foot traffic in the CBD is the closest to pre-pandemic volumes among major U.S. cores, helping local net absorption reach a record 3,800 units over the year ended in March. Robust demand — paired with abundant opportunities to position near vibrant retail clusters — are stoking substantial builder interest, leading to a local pipeline that will expand core stock by 28 percent once fully delivered. Given that local vacancy jumped 150 basis points amid a 14.1 percent inventory expansion in 2023, Central Nashville's 12-plus percent supply growth in 2024 may impact core property metrics similarly.

**Blue-collar hiring brings renters to suburbs.** Southeast and North Nashville noted record demand over the last year. Absorption of mid- and lower-tier units is being boosted by industrial expansions, which will continue in 2024 with Pepsi relocating to its second-largest U.S. facility in Smyrna, while Shoals Technologies and Lincoln Tech occupy spaces on the north side. Renters will find tight conditions in the north, where local mid- and lower-tier vacancies were under 5.0 percent in March, well below each sector's marketwide averages. Further compression should stoke additional rent growth here. North Nashville was one of only two submarkets to note rises in both its Class B and C mean effective rents over the last year.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc; Placer.ai

## Multifamily 2024 Outlook



**10,000  
JOBS**  
*will be created*

### EMPLOYMENT:

The job tally grows by 0.9 percent in 2024, under the U.S. clip for the second year in a row. Reduced levels of hiring in the trade, transportation and utilities fields will weigh on this year's overall net employment gain.



**12,700  
UNITS**  
*will be completed*

### CONSTRUCTION:

Overall stock expands by 6.9 percent this year, with the CBD continuing to host the most new supply. More than 8,700 units were planned or underway here as of March, representing over one-third of the total pipeline.



**70  
BASIS POINT**  
*increase in vacancy*

### VACANCY:

While vacancy climbs to 6.9 percent, the rise will be limited relative to development. The two metros slated for greater stock growth than Nashville in 2024 are both projected to note triple-digit-basis-point vacancy jumps.

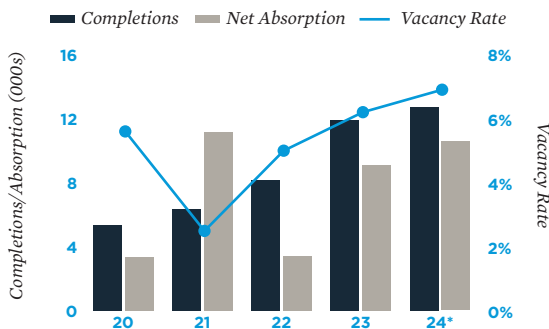


**1.4%  
DECREASE**  
*in effective rent*

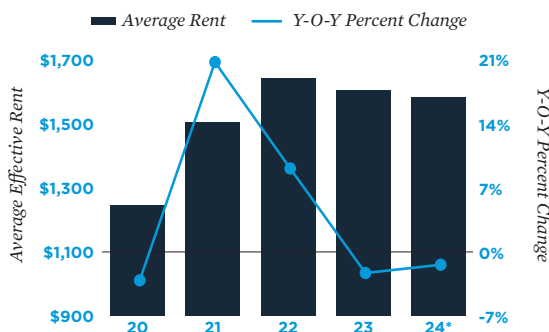
### RENT:

Net absorption is expected to nearly double the trailing decade-long mean of 5,900 units per year. While the average effective monthly rent continues to dip to \$1,580, the pace of decline slows as a result.

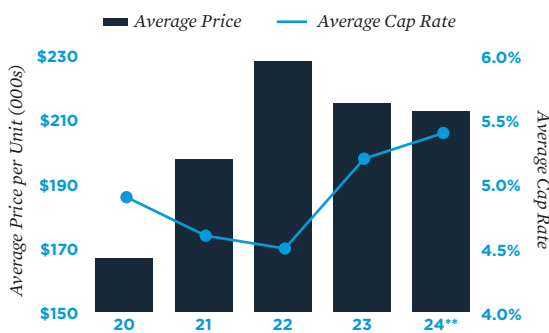
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

**IPA Multifamily**  
**John Sebree**

Senior Vice President, Director

Tel: (312) 327-5400 | jsebree@ipausa.com

**IPA Multifamily Research**

**Greg Willett**

First Vice President

Tel: (972) 755-5200 | gwillett@ipausa.com

Price: \$250

## 1Q 2024 - 12-Month Period



### CONSTRUCTION

**12,387 units completed**

- Stock expanded by 7.0 percent over the year ended in March, the fastest pace among major U.S. markets during the span. A 15.4 percent local supply surge in Central Nashville was also the highest among CBDs nationally.
- Nearly 2,600 units were collectively delivered across South and Southeast Nashville during the span, setting new local records for each submarket.



### VACANCY

**90 basis point increase in vacancy Y-O-Y**

- Nashville's vacancy rise through the 12-month span ended in March matched the CBD's, which accounts for over 17 percent of stock. The marketwide and core rates lifted to 6.4 and 7.3 percent, respectively.
- All three class cuts noted vacancy climbs of at least 60 basis points in the span, with each rate ranging between 6.1 and 7.1 percent in March.



### RENT

**2.3% decrease in the average effective rent Y-O-Y**

- Robust demand was outstripped by all-time high stock growth over the last year, ticking the mean effective rent down to \$1,601 per month in March.
- Murfreesboro-Smyrna was the only local submarket to note rent growth, at 1.2 percent during the period. On the other hand, Central and East Nashville's 4-plus percent local drops were the two largest in the metro.

## Investment Highlights

- Preliminary data indicates Southeast Nashville hosted nearly one-third of all multifamily trading during the first four months of 2024. While local Class B and C vacancies were some of the highest in the metro in March, they reflect a large number of opportunities for investors to deploy capital for renovations into assets with discounted entry costs. Local properties commanded an average per-unit price of \$136,000 over the last year, less than 65 percent of the metro's benchmark. The long-term demand outlook for most local properties continues to attract opportunistic buyers, amid industrial expansions from Pepsi, Schneider Electric and AISIN in 2024.
- Investors seeking Class A properties will remain most active in Central Nashville, where demand is continuing to elevate to record levels. Likely adding fuel to this trend, Amazon recently moved into a 540,000-square-foot office near the State Capitol, with plans to host 7,500 employees here.
- Sustained rent growth in Murfreesboro-Smyrna is helping pique buyer interest in local assets. Supply pressures on effective rents will remain limited in the near-term, as the submarket's inventory is slated to expand by a metro-low 2.1 percent in 2024, likely preserving this investment trend.