

YARDI® Matrix

Music City's Diverse Economy

Multifamily Summer Report 2016

Healthy Employment Drives Apartment Demand

Developers Target Nashville's City Core

Bellevue Tops Fast-Paced Investment Market

TENNESSEE METRO MULTIFAMILY YARDI® Matrix

Market Analysis

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Growth Through Diversification

Driven by a diversified economy led by its iconic entertainment industry and a first-rate healthcare sector, the Nashville/Knoxville metro is becoming one of the nation's most attractive secondary markets for developers and investors, even if rent growth is in the middle of the pack nationally. Nashville's population growth, healthy employment sector and cost-friendly business climate are driving corporate expansions and relocations in industries such as auto manufacturing.

An economic pillar for the market, the entertainment industry contributes nearly \$10 billion a year to the local economy, while the healthcare sector's economic impact has reached \$38.8 billion. The metro is also developing into an up-and-coming locale for entrepreneurial ventures: Investors poured more than \$280 million into startup businesses last year, with a total of \$1 billion statewide since 2012.

The outlook for multifamily fundamentals is favorable, as strong demand will help fill the 3,300 units completed in 2015, though the 13,400 units currently under construction will put a damper on rent increases once they hit the market. The metro's growing prominence as a top Southern secondary market is attracting investors, helping transaction volume reach \$1.4 billion in 2015, the highest in the current cycle. In-migration and healthy employment will continue to drive rent gains, but heavy new supply and affordability should moderate rent growth from the 7% range in 2015 to 4.2% in 2016.

Recent Tennessee Metro Transactions

The Landings of Brentwood



City: Brentwood, Tenn.
Buyer: Steadfast Cos.
Purchase Price: \$110 MM
Price per Unit: \$151,934

The Lexington



City: Nashville
Buyer: PASSCO Real Estate
Purchase Price: \$96 MM
Price per Unit: \$160,654

The Flats at Taylor Place



City: Nashville
Buyer: Eaton Vance Investment Managers
Purchase Price: \$71 MM
Price per Unit: \$250,000

Bellevue West



City: Nashville
Buyer: Bascom Group
Purchase Price: \$63 MM
Price per Unit: \$112,946