

ANNUAL RESIDENTIAL REPORT

January 2022

Strong Economy and Long-Term Housing Deficits Point to Continued Demand

Downtown Nashville Housing Market: Downtown housing demand is stronger than ever, bolstered by a strong local economy and an influx of businesses drawing employees who come from other urban environments. Low interest rates and a supply deficit have also contributed to the demand. A survey of twenty multifamily buildings with over 5,200 units shows an occupancy rate of 95%, and inventory of resale units is a one month supply. In addition, the weighted price per square of seven combined condominium high-rises is \$629 with limited purchase product delivered.

Nashville continues to be a top city for economic growth, attracting business and corporate relocations due to its business-friendly environment and low cost of living. Forty-one percent of downtown residents moved here from out of state, with millennials making up 33% of the downtown population. All of this combined with a creative culture and flourishing culinary scene propels the region's population growth.

Nashville Housing Market: The Greater Nashville Association of Realtors' reports that although there has been an ongoing lack of inventory, sales were up 5% from 2020 to 2021, and Greater Nashville real estate sales remained resilient through the close of the year. One of the biggest challenges cited moving into 2022 will continue to be the lack of inventory.¹

Nashville Economic Environment: Nashville tops the list for economic growth rates in large metros in 2021, according to a report by data and analytics firm Stessa.² Urban Land Institute described Nashville as a "supernova city" in its 2021 annual "Emerging Trends in Real Estate."³ In an joint study by ULI and PwC, Nashville was identified as a top market to watch in 2022 for real estate growth.⁴ And, according to the Nashville Area Chamber of Commerce, about 200,000 new residents are expected to move to the Nashville MSA over the next five years, which would equate to 109 people per day.⁵



¹ <https://www.greaternashvillerealtors.org/news/2022/01/11/home-sales-release/annual-home-sales-show-middle-tennessee-housing-market-remains-steady-going-into-new-year/>

² <https://www.stessa.com/blog/cities-with-most-economic-growth/>

³ <https://www.pwc.com/us/en/asset-management/real-estate/assets/pwc-emerging-trends-in-real-estate-2022.pdf>

⁴ <https://www.bizjournals.com/bizjournals/news/2021/10/14/pwc-uli-top-cre-markets-2022.html>

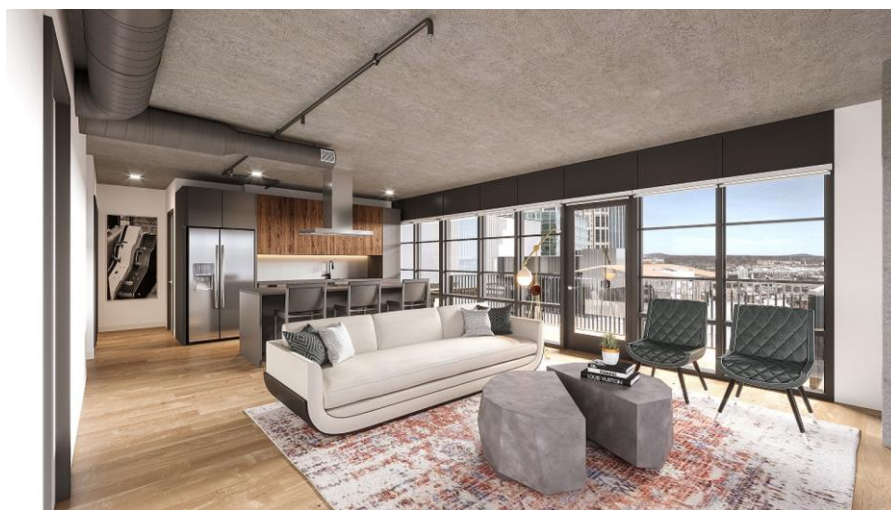
⁵ <https://www.tennessean.com/story/news/2022/01/24/nashville-population-boom-people-celebrities-from-chicago-los-angeles-new-york/6568429001/>

Nashville ranks in the top 5 cities for job seekers, according to a 2021 study by MoneyGeek. The cities chosen had a lower tax burden and lower living costs, which could be evidence of a longer-term trend.⁶ According to CBRE's 2021 Scoring Tech Talent Report, Nashville ranks 1st in millennial population growth in the U.S. among small tech markets, defined as cities with a tech labor pool of less than 50,000. Not only has Nashville increased its millennial population by 14.8% (60,909) since 2014, but it also ranks 9th overall for the most concentrated millennial markets in 2019 with 30.4% of its population.⁷ Also, the 2Q 2021 Dice Tech Job Report, which analyzed tech company job postings in cities around the country, said Nashville is one of the hottest places for job growth in the country.⁸

Zillow ranks Nashville the 6th hottest housing market for 2022⁹, and according to the Re/Max National Housing Report released in December 2021, Nashville is the fastest selling housing market in the nation, with average homes in Nashville selling every 13 days, and median home price reached a record high of \$410,000.¹⁰

A 2021 joint study between Zillow and Allied Van Lines found Nashville the 4th most popular location for inbound moves.¹¹ A new report from the real estate investing platform Roofstock.com finds the Nashville region is among the 10th fastest growing metros in the U.S.¹²

The Nashville metropolitan area ranked second in the emerging luxury segment of the housing market and the highest ranked large city in the nation by the Wall Street Journal/Realtor.com Emerging Housing Market Index.¹³ And finally, Metro Nashville ranked 8th in the 2021 Milken Institute Best Performing Cities Index.¹⁴



⁶ <https://www.moneygeek.com/living/top-cities-job-seekers/>

⁷ <https://www.cbre.us/-/media/cbre/country/unitedstates/us-research/major-reports/2021/scoring-tech-talent-media-folder/2021-scoring-tech-talent.pdf>

⁸ <https://www.prnewswire.com/news-releases/nationwide-tech-hiring-surges-in-second-quarter-per-dice-q2-tech-job-report-301351520.html>

⁹ <https://kfor.com/news/zillow-ranks-2022s-hottest-housing-markets/>

¹⁰ <https://news.remax.com/press-release/remax-national-housing-report-for-december-2021>

¹¹ <https://www.wkrn.com/special-reports/nashville-forward/nashville-ranks-fourth-for-most-net-inbound-moves-in-2021/>

¹² <https://learn.roofstock.com/blog/nashville-real-estate-market>

¹³ <https://www.mansionglobal.com/articles/big-cities-make-a-comeback-in-the-latest-wsj-realtor-com-luxury-rankings-01634653932>

¹⁴ <https://www.wkrn.com/news/nashville-claims-spot-in-top-ten-best-performing-cities-in-new-prestigious-report/>

Peer & Aspirational City Comparison

Downtown Nashville's population reached 15,000 at the end of 2021. Although Nashville's residential population trails its peer cities, it is catching up to Austin and Tampa. (Fig. 1-2)

Figure 1 Peer city downtown residents and land area comparisons*

Peer	Residents	Area (Sq. Miles)	Acres	Density per Acre
Nashville	15,000	1.8	1,152	13
Austin	16,000	1.1	704	22.7
Charlotte	22,000	2	1,280	17.2
Indianapolis	29,450	5.2	3,328	8.8
Tampa	16,000	1.7	1,085	14.7

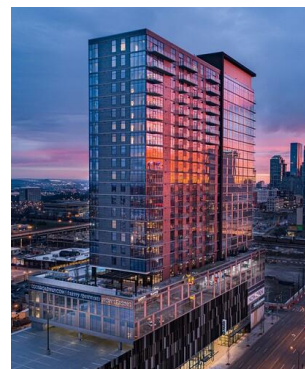


Figure 2 Aspirational city downtown residents and land area comparisons*

Aspirational	Residents	Area (Sq. Miles)	Acres	Density per Acre
Denver	29,834	2.66	1,702	17.5
Midtown Atlanta	19,000	1.2	768	24.7
Seattle	98,627	4.65	2,976	33



All peer cities have 90% occupancy or above, reaffirming demand for center city living. Downtown Nashville boasts the highest occupancy rate at 95%. Both Austin, Nashville and Seattle have the highest average price per square foot for rental units (fig.3-4).

Figure 3 Peer City Rental Occupancy Rate and Average PPSF*

2021	Occupancy Rate	AVG PPSF
Nashville	95%	\$2.80
Austin	90%	\$3.33
Charlotte	93.4%	\$2.11
Indianapolis	90%	\$1.53
Tampa	90%	----



Figure 4 Aspirational City Rental Occupancy Rate and Average PPSF*

2021	Occupancy Rate	AVG PPSF
Denver	93.8%	\$2.51
Midtown Atlanta	----	\$2.20
Seattle	93.7%	\$3.17

*Information provided by Nashville Downtown Partnership, Downtown Austin Alliance, Charlotte City Center, Indianapolis Downtown Inc., Tampa Downtown Partnership, Downtown Denver, Atlanta Midtown Alliance, Downtown Seattle Association. (Jan 2022)



Based on the most recently available Census Data, downtown saw 172% population growth over a 10 year period (2010-2020). In the most recent five year period, downtown's population grew 68%. This is over six times the percentage growth of the Nashville MSA during the same time.

Figure 5 – Population Growth Comparisons (2010 – 2020)

Population Growth	2010	2015	2020	% Growth 2015-2020
Downtown	5,155	8,349	14,000	67.7%
Nashville	627,746	680,397	715,884	5.2%
Nashville MSA	1,650,831	1,805,988	1,989,519	10%

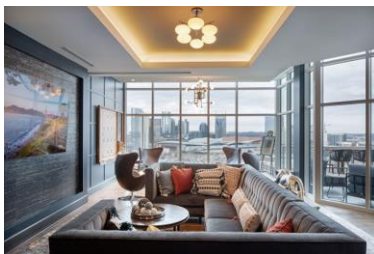
Source: Nashville Downtown Partnership 2020; Resident Population from the 2020 Decennial U.S. Census:

Downtown Housing Categories

There are 10,200 downtown residential units, up from 9,511 one year ago (a 7% increase). Seventy-five percent are rental, 23% are condos and 2% are single family homes and duplexes, triplexes and quadplexes. Market rate housing constitutes 97.5% and affordable/workforce 2.5% of the housing mix.

Rental Market

There are 7,663 rental units in downtown Nashville that make up 72.5% of the downtown housing mix. Of this number, 661 are considered short term rentals. The downtown occupancy rate is 95% for established rental properties. Albion Nashville, Aspire Gulch, Broadstone SoBro, Haven at the Gulch and Rutledge Flats will deliver or begin delivering this year adding almost 1,500 rental units. Four more rental projects under construction will deliver close to 1,500 units by 2024. An additional twenty-one projects are announced/planned that could deliver over 6,200 additional units.



Crossroads at The Gulch



LC SoBro



805 Lea

Short-Term Rentals

According to the Metro Nashville Codes Department, the regulating agent of short-term rental properties, there are 917 short-term rental permits issued to downtown dwelling units as of January 2022. In addition, 27 units that hold short-term permits were taken out of the inventory due to the 2020 Christmas Day explosion. Over the past year, there has not been a significant increase in the total number of STR units, but some multifamily properties have reverted to traditional rental units while newer projects have increased their numbers.

Market Rate Comparisons

Figure 6 – Downtown Nashville Market Rate Rental Comparisons

Rental Market	4Q 2021	3Q 2021	2Q 2021	1Q 2021
AVG SIZE	815 SF	820 SF	819 SF	806 SF
AVG PPSF	\$2.80	\$2.76	\$2.57	\$2.39
AVG RENT	\$2,284	\$2,261	\$2,107	\$1,929
MARKET RATE CATEGORY PPSF				
Studio	\$3.39	\$3.01	\$2.86	\$2.71
1 bedroom	\$2.74	\$2.81	\$2.58	\$2.39
2 bedroom	\$2.67	\$2.57	\$2.46	\$2.28
3 bedroom	\$3.31	\$2.89	\$2.89	\$2.76

According to Quarterly Market Reports released by the Greater Nashville Apartment Association, there has been a steady increase from 1Q to 4Q in both average rent (18%) and in price per square foot average (17%). All market rate categories increased by double digit percentages from 1Q to 4Q, with studios increasing the most at 25% (fig 6).

Affordable and Workforce Housing

There are 309 affordable/workforce rental units in five properties that make up 4% of the rental market and 2.5% of the overall downtown housing market.

Condominium Market

Downtown Nashville currently has 2,354 condo units. Condominiums make up 23% of downtown housing. Over the past five years, there have only been three condominium projects deliver 284 units downtown - 505 (2018) Citylights (2019) and Eve (2021). There are two projects that will deliver 198 condominiums this year: Four Seasons Private Residences opening in April has had two sold out real estate releases equaling \$200 million, and Muse, 100% pre-sold before delivery and allows short-terms rentals.



Eve



Four Seasons Private Residences (rendering)

An assessment of seven downtown high-rise condominium properties shows the weighted average price per square foot in 2021 was \$629. Sales data also reveals that a unit at 505 sold for the highest annual PPSF of \$1,116. Following closely are two units at Twelve Twelve selling for \$1,113 and \$1,104 per square foot.

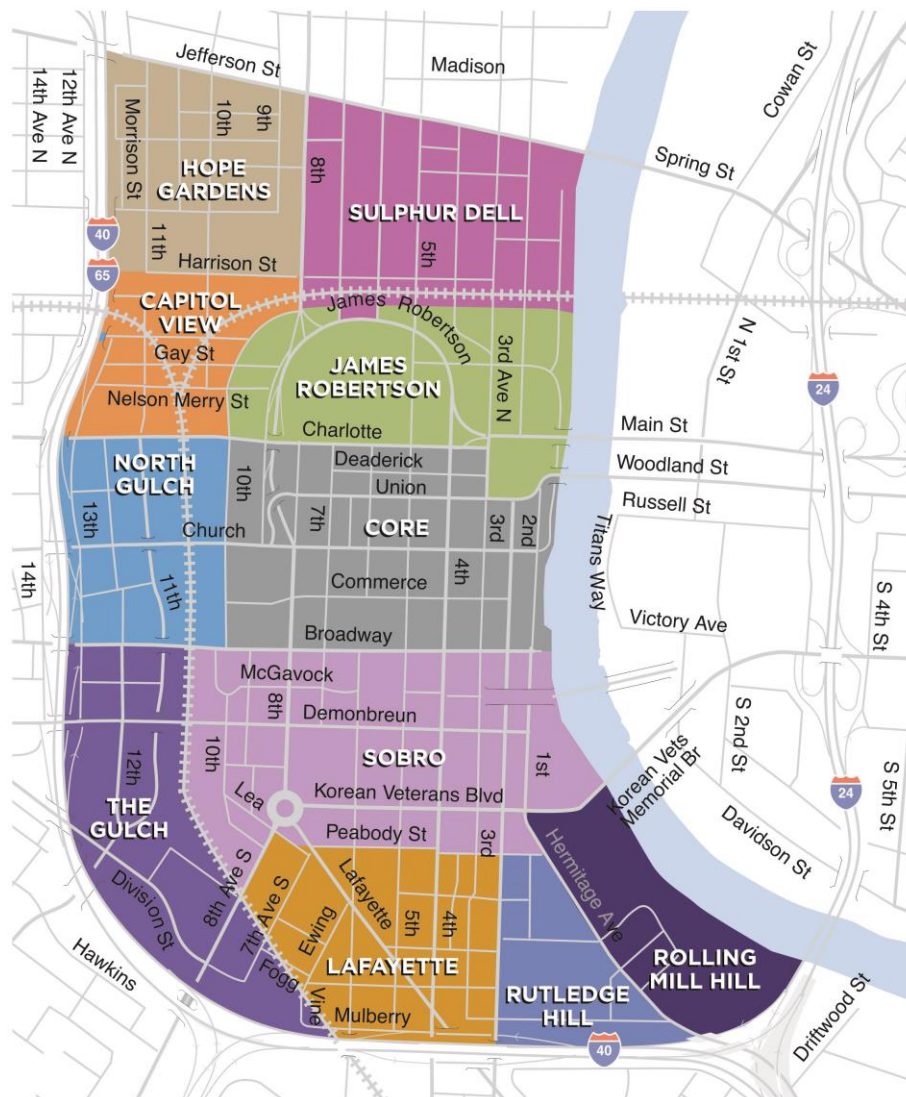
Single Family/Duplex, Triplex and Quadplex Market

Single-family homes and duplex, triplex and quadplex homes together make up 2.5% of downtown housing inventory. Of the 184 single family/duplex/triplex homes, 182 are in the Hope Gardens neighborhood. The other two are in the downtown core.

Downtown Geographic Boundaries

The Nashville Downtown Partnership's definition of downtown includes properties within the boundaries of the river on the east, the interstate loop on the south and west, and Jefferson Street on the north. This geographic area is consistent with the Metropolitan Planning Department's definition of downtown, which includes the Central Business District (Core), The Gulch, North Gulch, Capitol View, North Capitol, James Robertson, Hope Gardens, Rutledge Hill, Rolling Mill Hill, Lafayette, and SoBro. Germantown is adjacent to downtown, but not included in the residential counts.

DOWNTOWN RESIDENTIAL AREAS



Under Construction

Thirteen residential projects are under construction will deliver 3,512 units to downtown by 2024.

Eight projects that are under construction are scheduled to deliver 1,972 units completely or in part in 2022. Rental projects include Albion Nashville, Aspire, Broadstone SoBro, Haven at the Gulch, Rutledge Flats and Sixth South. Four Seasons Private Residences is a luxury condominium property, and Muse Nashville is the first of its kind condo building permitting Airbnb usage. It sold out before the project was completed.

Other projects under construction include Prime, Alcove, Gibson Residences and Modera Gulch.

Under Construction	Units	2022	2023	2024
801 Church Street	350			350
900 Church Street	356		356	
Albion Nashville	415	415		
Aspire Gulch	360	360		
Broadstone SoBro	226	226		
Four Seasons Residences	143	143		
Gibson Residences	380		380	
Haven at The Gulch	299	299		
Modera Gulch	376		376	
Muse Nashville	56	56		
Nell	78		78	
Rutledge Flats	174	174		
Sixth South	299	299		
Totals	3,512	1972	1190	350

Pipeline and Possibilities

Twenty-two additional residential projects have been announced or planned that could deliver over 6,500 units to the market (Fig. 11).

There are over 3,500 units under construction which will add an additional 5,600 residents by year-end 2024. If everything else that is in the planning phases comes to fruition, downtown would have 30,000 residents.



Albion Nashville Rendering



Muse Rendering



Haven at The Gulch Rendering



Rutledge Flats Rendering



Aspire Gulch Rendering



Sixth South Rendering

Demographic Profile and Trends

The Nashville Downtown Partnership's 2021 Downtown Residential Survey had an 8% response rate. In July 2021, approximately 6,300 surveys were distributed to homeowners and renters by direct email, stakeholder newsletters and via building and condo managers. The survey focused on residents who live in Nashville's downtown defined by these boundaries: Jefferson Street on the north, Cumberland River on the east and the interstate loop on the south and the west.

Where Residents Moved From

Downtown continues to attract professional, high-income producing residents from across all age groups. Forty-one percent of residents moved to downtown from out-of-state, and another 15% moved from outside the county. Twenty-nine percent moved from Nashville and eleven percent moved from another location in downtown. (fig. 8)

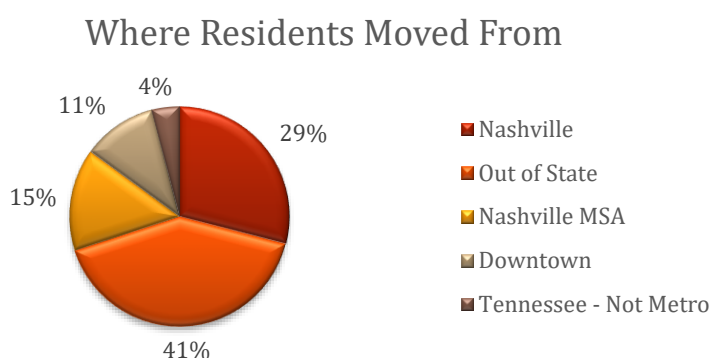


Figure 8 – Where Residents Moved From

Household Status

Of the respondents, 49% are single, 36% are married and 15% other.

Age and Gender

Respondents exhibit a broad cross section of age groups. Generation Y (age 25-40) represent 33% of the downtown population, with Baby Boomers (age 57-75) a close second at 31%. Generation X (age 41-56) makes up 25%, and Generation Z with 10%. (fig. 9)

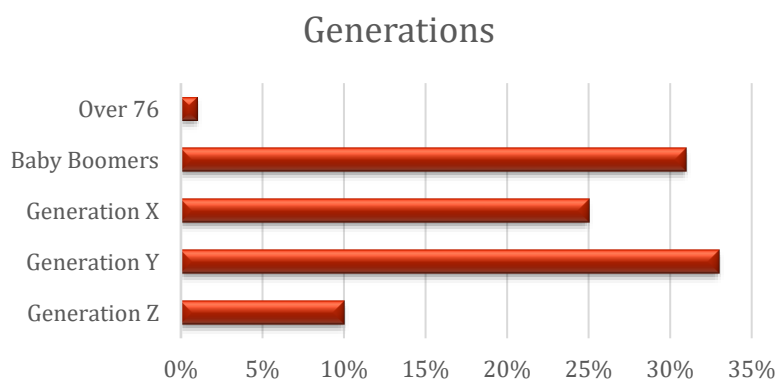


Figure 9 – Generations of downtown residents

Downtown residents are 41% male and 59% female. Male and female percentages continue to fluctuate from year-to-year.

Annual Household Salary Range

Seventy-one percent of downtown households earn over \$80,000 annually, and 54% earn over \$100,000 annually. Thirty-three percent earn over \$150,000 each year, while fifteen percent of those residents earn north of \$250,000. Nine percent earn less than \$40,000 annually (fig.10).

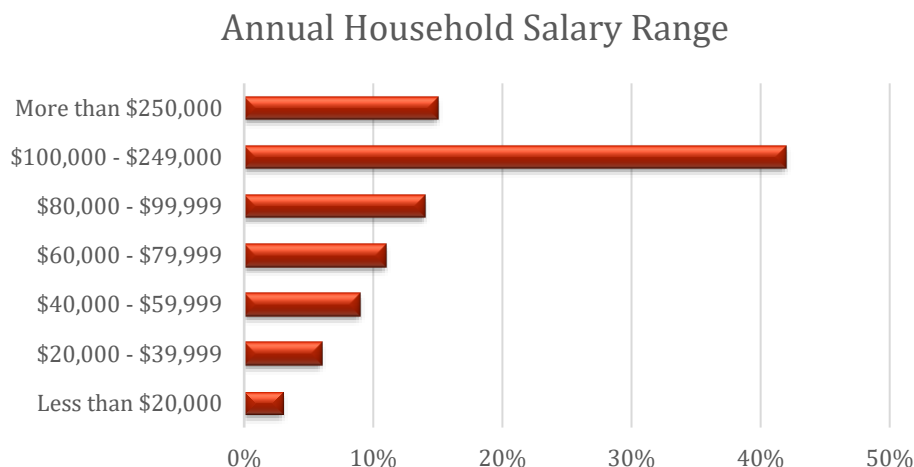


Figure 10 – Annual Household Salary Range

Household Earners

Sixty-one percent of respondents are one-person household earners, while two-person household earners make up 38%. One percent makes up households that have more than two earners.

Education

Downtown continues to attract a highly education residential population. Eighty-six percent of respondents hold a college or postgraduate degree. (fig. 11)

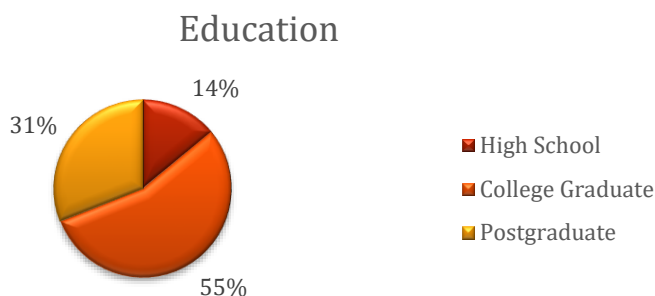


Figure 11 – Education

Work Location

Forty-six percent responded that their office is located downtown on par with the response from 2020. Fifty-four percent of downtown residents work outside of downtown.

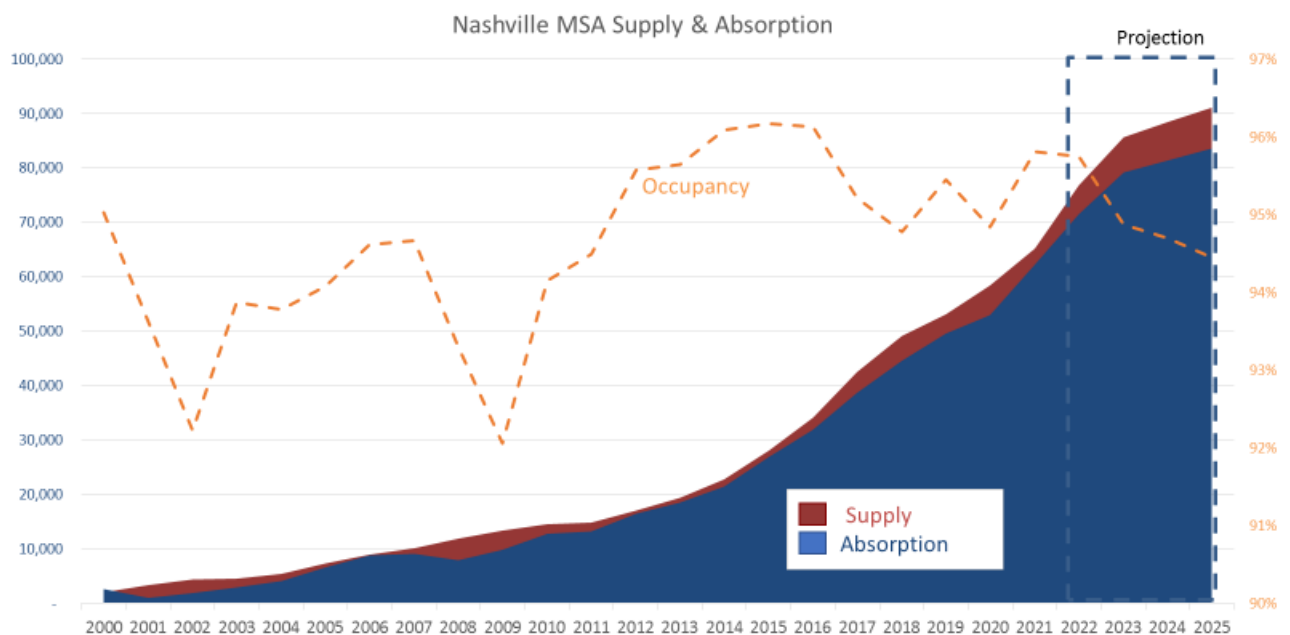
Quality of Life Factors

When residents were asked what top elements most positively influenced their continued downtown living, the top response was walkability (57%), up from 52% in 2021, followed by central location/convenience (38%), restaurant selection (33%), nightlife (27%) and urban experience (26%).

Conclusion

Demand for downtown housing continues to be robust, fueled by the strong economy, business relocations, job growth, and projections of 109 people moving to the region every day, among other factors. Rental occupancy is a solid 95% while weighted average sales prices in the top seven condominium towers remains above \$600 per square foot. Rental rates have increased across the board over the past four quarters, and purchase unit supply is a negligible one percent.

An updated supply/demand analysis by Freeman Webb (fig. 12) reveals that overall demand for apartments across the MSA has kept up with the significant supply provided since 2017. The supply is expected to continue, with Real Page reporting approximately 26,000 units to be added to the MSA from 2022 through 2025. Though, with the increase in deliveries, occupancy will remain healthy above 94%.



With 26 cranes currently over the downtown skyline, there is good reason Nashville's city center is one of the closest watched in the nation. Nashville's strength and resiliency through the pandemic helped the city grow and thrive. Downtown Nashville's residential population has grown 161% in the past ten years, and 46% in the past five years. When all projects that are under construction deliver to occupancy, there will be 21,000 residents. There are 6,500 residences in various stages of pre-construction. With continued job growth amid economic expansion, the demand will continue to 2025 and beyond.