

Multifamily Market Close-up: Nashville MSA

Overview and Economy. The Nashville MSA multifamily vacancy rate decreased by 30 bps year-over-year to 11.5% in the first quarter of 2025. However, the high vacancy level pushed the average real asking rent (in 2024 dollars) down by 3.3% over the same period, to \$1,677 per unit. But for typical units, the area’s 40th percentile real rent, as published by the U.S. Department of Housing and Urban Development (HUD) is \$1,871 per unit in 2025, up from \$1,796 in 2024. This indicates that higher end properties are being hit hardest by the supply overhang.

The MSA is now the largest in Tennessee with an estimated two million residents. With a median age of 37.1 years, the MSA population is notably younger than the nation’s median age of 38.5 years, while the local median household income (\$75,197) is on par with the national median (\$74,580).

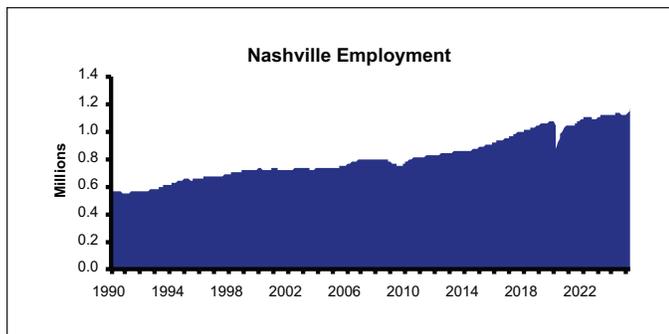


figure 1

MSA employment stood at 1.1 million jobs in February 2020 before dropping by approximately 210,000 jobs (19.2%) over two months during the pandemic shutdown. Through April 2025, the MSA far exceeded the national job recovery (22.3%), adding 293,000 (33.7%) Payroll Survey jobs since its pandemic low. Standing at 1.2 million jobs in April 2025, the MSA’s employment base is 8% above the pre-pandemic level. Year-over-year through April 2025, the largest MSA job gains occurred in government (+5,500 jobs) and education and health services (+5,300 jobs). Key industries include healthcare, automotive manufacturing, insurance, finance, and publishing. Fortune 500 companies headquartered in the MSA include Community Health Systems, Dollar General, Hospital Corporation of America, and Tractor Supply.

In previous issues, we have discussed a covariance analysis that was first published in the *Wharton Real Estate Review* (Spring 2007) and updated regularly in this

publication. The analysis examines how various economic indicators behave in individual metropolitan areas based on national economic changes. Specifically, for each MSA, we estimated an equation, which summarizes how a 100-basis point (bp) change in national employment affects local job growth. The equation consists of a constant (“alpha”) for each market and a “beta,” which is a multiplier applied to the national percent change in employment. The alpha indicates MSA growth that is independent of national growth. If there is no national job growth, the alpha is the expected annual percentage change in MSA employment. The beta for the U.S. is defined as 1.0. An MSA with a beta of 1.0 registers (on average) an increase of 100 bps in employment growth around its trend plus alpha when national employment rises by 100 bps. A beta that is less than 1.0 indicates that the MSA does not boom (or bust) relative to its trend to as great an extent as the national economy, while a beta of greater than 1.0 indicates that such an MSA experiences swings of greater magnitude (compared to the local base) than percentage changes at the national level.

The Nashville MSA has an employment beta of 1.09, indicating that local employment grows (or shrinks) 9% more (around its local trend) than the percentage change in U.S. employment. With an alpha of 1.08, the MSA is expected to experience a 1.08% annual increase in employment when U.S. employment growth is zero. As a result of the alpha-beta interaction, the MSA’s breakeven job growth rate is -0.98%. This means that U.S. job growth can be as low as -0.98% per annum, and the MSA can still expect positive job growth. The MSA’s R-squared statistic of 0.87 indicates that the forecasting model for MSA employment growth explains future job growth with a strong 87% “fit.”

Our model projected that the Nashville MSA should have lost 4.7% of jobs given that the nation lost 6.3% of its jobs during the Great Recession. The projection was modestly below the actual MSA job loss of 5.3% over that period. U.S. employment grew by 17.5% from the bottom through February 2020, while the MSA’s employment increased by a strong 42.4% from the bottom, exceeding our prediction of 32.3%. With the reopening of the economy after the pandemic shutdown, national employment increased by 22.3% from the low in April 2020 through May 2025, implying expected job growth of 30.9% in the MSA. At 33.7% in April 2025, actual employment growth in the MSA was largely in line with our projection over that period.

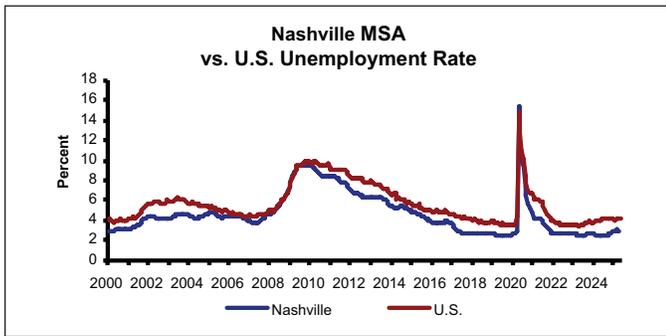


figure 2

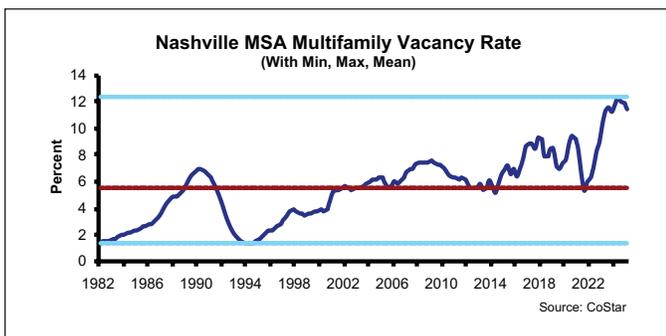


figure 3

Nashville’s unemployment rate peaked at 9.5% in the first quarter of 2010 before falling to a low of 2.5% in February 2020 prior to the shutdown. During the pandemic, the official MSA unemployment rate spiked to 15.4% in April 2020, before dropping to 2.9% in April 2025 (latest available). In comparison, the national rate stood at 3.5% in February 2020 and reached 14.7% two months later, before dropping to 4.2% in May 2025.

Vacancy. The MSA’s vacancy rate decreased by 30 bps over the last year and stood at 11.5% in the first quarter of 2025, according to CoStar. This is 600 bps above the long-term average vacancy rate of 5.5% (since 1982). Notably, the vacancy rate low seen during the pandemic was in line with the long-term average. The National Council of Real Estate Investment Fiduciaries’ (NCREIF) Nashville multifamily vacancy rate stood at 12.6% in the first quarter of 2025, an increase of 20 bps over the last year, and a modest decrease of 10 bps over the quarter for higher quality properties. The Nashville multifamily family vacancy rate bottomed at 1.3% in 1991, indicating a rise of 1,020 bps through the first quarter of 2025.

Rental Rates and Leasing. At \$1,677 per unit, the real average asking rent decreased 3.3% over the year and was flat over the quarter, according to CoStar. The current

real rent is 3.7% below the long-term average but is 4.9% above the historical low. In comparison, the HUD-reported real rents (2024 dollars) paid by the 40th percentile renter in the MSA will average \$1,871 per unit in 2025, up by 4.2% from \$1,796 in 2024.

Development/Construction Pipeline. According to CoStar, the MSA will deliver about 8,000 new multifamily units (4.3% of inventory) through year-end 2025, followed by 6,900 units in 2026. Deliveries are projected to fall to around 4,000 per year from 2027 through 2029. Units under construction represent nearly 7.2% of the existing stock.

Investment and Sales. According to CoStar, the MSA’s first-quarter 2025 multifamily real rolling sales volume was \$1.3 billion, down by 14.7% from last year but just 0.7% below the long-term average.

In the first quarter of 2025, the average CoStar cap rate in the Nashville multifamily market was 5.5%, 100 bps above the all-time low seen in 2022 but 190 bps lower than the historical mean.

In the first quarter of 2025, the four-quarter rolling average real price per multifamily unit (2024 dollars) in Nashville was roughly \$234,000, or 3.1% higher than U.S. average unit pricing of \$227,000. The latest MSA pricing is

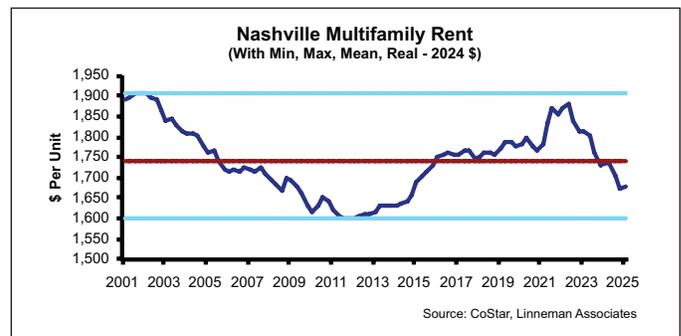


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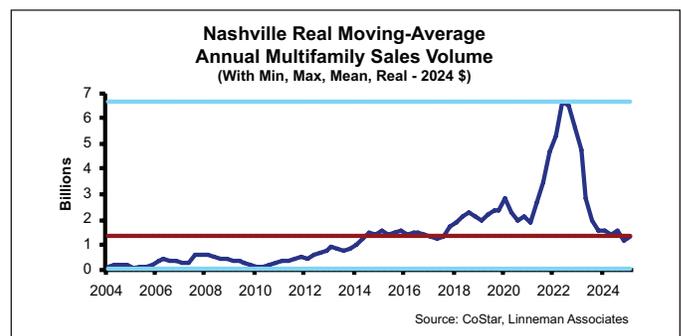


figure 5

18.8% below the all-time high of \$288,000 but 27.1% and 125.6% above the real long-term (2001-present) average and low of \$184,000 and \$104,000 per unit, respectively.

Major sellers of multifamily properties over the past five years include Blackstone (\$603 million in dispositions); Mount Auburn Multifamily (\$539 million); Wood Partners (\$414 million); Brookfield Corporation (\$401 million); and Embrey Partners (\$348 million).

Major buyers of multifamily properties over the past five years include Starwood Capital Group (\$643 million in acquisitions); Blackstone (\$628 million); GVA Property Management (\$529 million); Weinstein Properties (\$402 million); and Northwood Investors (\$401 million).

Opportunities and Challenges. Computer software company Oracle announced in 2024 that it will relocate its global headquarters to Nashville. The technology giant plans to build a 1.2 million-square-foot campus in East Nashville, bringing 8,500 jobs over the next decade. The company has already expanded its Nashville footprint to over 200,000 square feet of office space, subleasing additional floors as construction on its \$1.4 billion headquarters campus progresses. Oracle’s move capitalizes on Nashville’s position as the nation’s healthcare capital. The company seeks to expand its healthcare software products following its \$28 billion acquisition of Cerner.

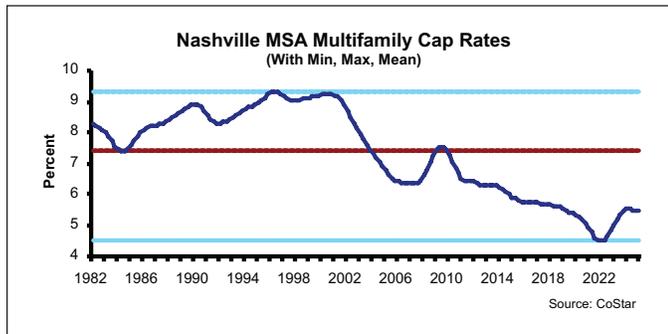


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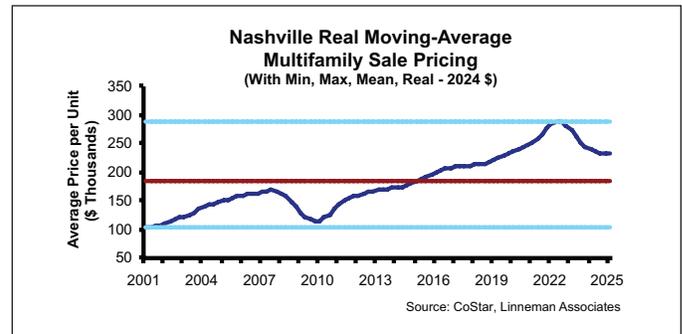


figure 8

Nashville MSA Multifamily Submarket Summary 1Q25					
Submarket	Inventory Units	Vacancy (%)	Real Rent (\$)	Units Under Construction	Sales Volume (Millions \$)
Bellevue	6,777	9.1	1,641	173	0
Donelson/Hermitage	11,396	10.6	1,511	152	0
Downtown Nashville	30,148	15.9	2,249	8,443	79.4
Madison/Rivergate	13,191	15.6	1,581	779	0
Maury County	6,269	15.3	1,556	293	0
Murfreesboro	18,930	6.3	1,496	428	12.0
Outlying Northeast	370	3.7	686	0	0
Outlying West	1,471	7.2	1,367	0	16.0
Robertson County	1,165	25.1	1,506	0	0
Smyrna/La Vergne	5,931	8.0	1,582	354	0
Southeast Nashville	35,225	10.2	1,433	1,063	132.2
Sumner County	11,213	9.4	1,540	728	1.0
West End Nashville	7,865	14.1	1,957	150	1.5
West Nashville	6,936	9.8	1,733	396	131.0
Williamson County	13,571	12.0	2,024	560	0
Wilson County	9,236	9.1	1,654	1,233	82.5

Source: CoStar, Linneman Associates

figure 7

Nashville’s healthcare sector continues to drive economic growth, with more than 900 healthcare companies contributing \$67 billion annually to the local economy and supporting over 360,000 jobs. The sector’s expansion includes Vanderbilt University Medical Center’s 15-story expansion, with the first phase slated to open in 2025, further strengthening the region’s healthcare infrastructure. Major healthcare employers like HCA Healthcare, which operates 186 hospitals and over 2,400 ambulatory sites, maintain their headquarters in Nashville and continue to expand operations.

The completion of Nashville Yards, a transformative 19-acre downtown development exceeding \$1 billion in total investment, is opening in 2025 with two Amazon towers, the Grand Hyatt hotel, residential towers, and an entertainment district. This development, combined with the new \$2.1 billion enclosed Titans stadium scheduled for completion in February 2027, anchors the East Bank development project that will transform 550 acres of mostly parking lots and industrial uses into a mixed-use neighborhood. The East Bank project includes plans for affordable housing, multimodal transportation, cultural attractions, and waterfront greenways, with vertical construction anticipated to begin once the new stadium is completed.

Nashville’s transit infrastructure is experiencing significant improvements through the Choose How You Move program, approved by voters in November 2024, which has generated \$59.3 million in dedicated funding through a sales tax surcharge. The program includes 11 foundational projects such as WeGo service expansion with 12 new buses, new bus lanes, queue jumps, and a low-income fare subsidy program. Future plans include new transit centers in SoBro and the East Bank, creating a comprehensive network that will improve connectivity for multifamily residents.

Construction continues on Nashville International Airport’s \$4.5 billion expansion projects. The first \$1.4 billion phase was completed in February 2024, including a new international arrivals facility, an on-site hotel, and new parking garages. The second phase, projected to cost around \$1 billion, is now underway. Phase two consists of completely rebuilding Concourse A, adding more gates to Concourse D, expanding roads and transportation infrastructure around the airport, and modernizing the bag handling system. Phase two is expected to finish construction in 2028, while further expansions are planned to continue until 2035.

Outlook. Our employment forecasts are net of construction jobs due to the volatility and short-term nature of that sector. We forecast that the MSA will add an average of 33,000 non-construction jobs per year in 2025-2030 for a total of 164,000 new jobs by year end of 2030. The first-quarter 2025 multifamily vacancy rate stood at 11.5% and is expected to fall to 10.2% by year-end 2030 (given the known pipeline).

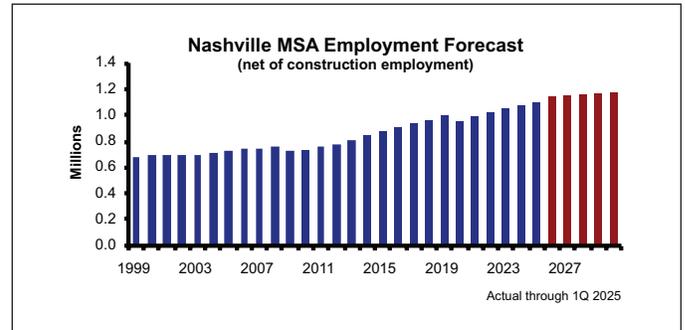


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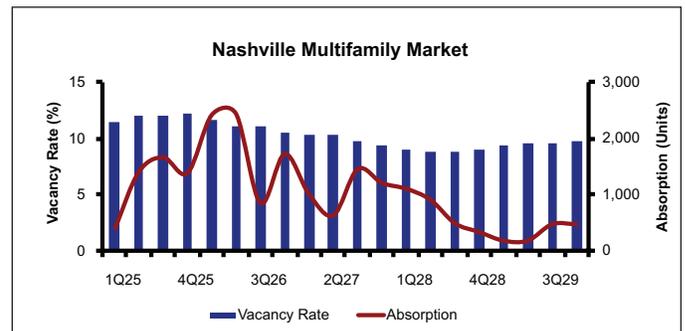


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