

NAR Commercial Real Estate Metro Market Report | 2021.Q2

Nashville-Davidson-Murfreesboro-Franklin, TN

Core-Based Statistical Area Code: 34980

The Nashville-Davidson-Murfreesboro-Franklin, TN commercial real estate market is stronger compared to the overall U.S. market.
 NAR Commercial Real Estate Market Conditions Index* 72.7

- Overall economic conditions are stronger than nationally.
- The apartment property market is stronger than nationally.
- The office property market is stronger than nationally.
- The industrial property market is stronger than nationally.
- The retail property market is stronger than nationally.
- The hotel/lodging property market is stronger than nationally.

The commercial real estate market is slowly getting back on track although the rise of Delta variant cases is casting a shadow on the path of the recovery. The multifamily, industrial, and retail property markets will continue to recover more quickly than the office property market where vacancy rates will likely remain elevated in 2021-2022 compared to the pre-pandemic level.

I. Economic and Demographic

Economic	Nashville-Davidson-Murfreesboro-Franklin, TN			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Total non-farm employment ('000)	1,032	1,022	967	146,603	143,315	138,501	
Y/Y chg.in nonfarm payroll employment ('000)	65	(31)	(77)	8,102	(6,637)	(13,215)	<i>Job creation is stronger than nationally</i>
Y/Y % chg. in nonfarm payroll employment	6.8%	-2.9%	-7.4%	5.8%	-4.4%	-8.7%	<i>Unemployment rate is lower than nationally</i>
Unemployment rate (%)	4.3%	4.2%	9.7%	5.9%	6.0%	11.1%	
Average weekly wages	\$1,058	\$1,046	\$958	\$1,059	\$1,046	\$1,016	
Wage growth, year-over-year (data are as of last month of the quarter)	10.4%	7.8%	-3.9%	4.3%	6.7%	5.6%	<i>Wages are rising faster than nationally</i>
	2019	2018	2017	2019	2018	2017	
GDP growth (%)	2.3%	3.4%	3.3%	2.3%	2.9%	2.3%	
Median household income	\$70,262	\$65,919	\$63,939	\$87,470	\$84,423	\$81,284	
	2020	2019	2018	2020	2019	2018	
Demographic							
Net domestic migration ('000)	20.0	17.8	21.4	0	0	0	<i>Area is experiencing net domestic in-migration</i>
Population ('000)	1,961	1,933	1,907	329,484	328,330	326,838	
Population growth (%)	1.44%	1.40%	1.62%	0.35%	0.46%	0.53%	<i>Population is growing faster than nationally</i>

II. Multifamily

Demand indicators	Nashville-Davidson-Murfreesboro-Franklin, TN			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	6.6%	8.0%	8.7%	4.2%	4.7%	5.5%	<i>The area has a higher vacancy rate than nationally</i>
Absorption of units over the quarter	3,346	1,853	245	226,871	169,053	78,282	<i>The area has a faster pace of absorption than nationally</i>
Absorption of units in past 12 months	7,832	4,731	2,954	603,925	455,336	255,168	
Market asking rent per unit	\$1,418	\$1,315	\$1,297	\$1,004	\$978	\$953	
Market asking rent per unit, y/y % chg	9.3%	1.0%	-0.1%	6.1%	3.9%	1.8%	
Effective rent per unit	\$1,407	\$1,294	\$1,279	\$1,000	\$972	\$945	
Effective rent per unit, y/y % chg	10.0%	0.4%	0.5%	6.4%	3.7%	2.3%	<i>Rents are rising faster than nationally</i>
Rent as a percent of 2-person annual wage income	15.3%	14.2%	15.4%	10.9%	10.7%	10.7%	<i>The rent to income ratio is higher than nationally</i>
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Supply indicators							
Inventory	136,275	134,781	130,795	17,259,876	17,168,283	16,881,961	
Net delivered units in past 12 months	5,480	5,877	5,386	377,954	387,779	389,240	<i>Relatively more units are being delivered than nationally</i>
Net delivered units, as % of inventory	4.0%	4.4%	4.1%	2.2%	2.3%	2.3%	
Units under construction	14,125	13,785	12,440	578,162	609,682	681,731	
Units under construction, as % of inventory	10.4%	10.2%	9.5%	3.3%	3.6%	4.0%	<i>Construction activity is more robust than nationally</i>
12-month total: 5+ unit building permits	13,790	12,111	9,105	463,443	435,217	452,345	
12-month total: all building permits	30,563	27,997	23,060	1,642,586	1,574,266	1,361,395	<i>Building permits are rising faster than nationally</i>
Ratio of jobs created to permits	2.1	(1.1)	(3.3)	4.9	(4.2)	(9.7)	
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Sales transactions							
Total investment acquisitions (in million \$)	\$684.4	\$451.6	\$35.6	\$41,291.4	\$28,735.4	\$13,346.3	<i>Sales transactions are rising faster than nationally</i>
Transaction sales price per unit	\$219,440	\$179,341	\$117,490	\$100,508	\$98,594	\$80,364	<i>Prices are rising faster nationally</i>
Cap rate	4.6%	4.8%	4.8%	6.4%	6.6%	6.6%	<i>Cap rates are lower than nationally</i>

III. Office

Demand indicators	Nashville-Davidson-Murfreesboro-Franklin, TN			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	10.2%	10.0%	7.4%	6.1%	10.0%	7.4%	<i>The area has a higher vacancy rate than nationally</i>
Absorption in sq.ft. over the quarter	1,079,881	(864,589)	(277,896)	(9,309,111)	(51,131,309)	(13,966,267)	<i>The area has a lower pace of absorption than nationally</i>
Absorption in sq.ft. over 12 months	48,788	(1,308,989)	(33,425)	(140,700,116)	(145,357,270)	19,961,128	
Asking rent per sq.ft.	\$28.5	\$28.5	\$28.6	\$18.9	\$18.9	\$18.8	
Asking rent growth, y/y % chg.	-0.2%	-0.9%	1.8%	0.3%	0.0%	1.3%	<i>Rent growth is slower than nationally</i>
Leasing activity in sq.ft.	1,887,922	1,371,873	961,449	100,568,800	81,175,252	81,276,145	<i>Leasing volume is rising faster than nationally</i>
Y/Y chg.in professional/business services jobs ('000) (as of last month of the quarter)	17	1	(15)	1,260	(501)	(1,715)	<i>The area has slower office job creation than nationally</i>
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Supply indicators							
Inventory in sq. ft.	98,321,568	96,943,765	95,270,546	12,454,676,333	12,428,381,226	12,364,751,288	
Net delivered over 12 months, in sq.ft.	3,051,022	2,363,957	1,555,020	87,967,591	76,138,970	78,991,496	<i>Relatively more units are being delivered than nationally</i>
Net delivered units, as % of inventory	3.1%	2.4%	1.6%	0.7%	0.6%	0.6%	
Under construction in sq.ft.	3,231,954	3,448,634	4,582,509	177,275,188	186,528,025	209,268,041	
Under construction, as % of inventory	3.3%	3.6%	4.8%	1.4%	1.5%	1.7%	<i>Construction activity is more robust than nationally</i>
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Sales transactions							
Total investment acquisitions (in million \$)	\$238.9	\$140.9	\$81.2	\$23,909.8	\$21,181.7	\$11,269.3	<i>Sales transactions are rising faster than nationally</i>
Transaction sale price per sq.ft.	\$200	\$219	\$195	\$108	\$106	\$105	<i>Prices are not rising as fast than nationally</i>
Cap rate	4.6%	4.8%	4.8%	6.4%	6.6%	6.6%	<i>Cap rates are lower than nationally</i>

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IV. Industrial

	Nashville-Davidson-Murfreesboro-Franklin, TN			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	3.5%	3.2%	3.4%	4.2%	3.2%	3.4%	The area has lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	856,649	2,462,404	359,326	146,182,325	119,411,326	56,883,324	The area has lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	6,074,086	5,576,763	3,154,191	437,432,148	348,133,148	231,052,238	
Asking rent per sq.ft.	\$8.5	\$8.3	\$7.8	\$6.5	\$6.4	\$6.1	Rents are rising faster than nationally
Asking rent growth, y/y % chg.	8.0%	7.9%	7.5%	5.2%	7.9%	7.5%	Leasing volume is rising faster than nationally
Leasing activity in sq.ft.	4,904,631	2,610,435	2,680,874	319,474,044	296,163,970	254,024,482	
Supply indicators							
Inventory in sq. ft.	246,489,249	244,854,269	239,929,420	26,553,663,022	26,461,805,496	26,166,021,757	
Net delivered over 12 months, in sq.ft.	6,559,829	5,670,372	169,975	385,387,457	398,260,005	382,527,483	Relatively more units are being delivered than nationally
Net delivered units, as % of inventory	2.7%	2.3%	0.1%	1.5%	1.5%	1.5%	
Under construction in sq.ft.	13,246,462	13,293,977	10,698,976	567,307,627	521,498,024	452,528,658	
Under construction, as % of inventory	5.4%	5.4%	4.5%	2.1%	2.0%	1.7%	Construction activity is more robust than nationally
Sales transactions							
Total investment acquisitions (in million \$)	\$156.5	\$216.0	\$145.0	\$27,261.9	\$21,600.7	\$13,713.9	Sales transactions are not rising as fast than nationally
Transaction sale price per sq.ft.	\$116	\$81	\$71	\$61	\$56	\$54	Prices are rising faster nationally
Cap rate	8.5%	7.0%	0.0%	7.4%	7.0%	0.0%	Cap rates are higher than nationally

V. Retail

	Nashville-Davidson-Murfreesboro-Franklin, TN			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	4.3%	4.4%	4.1%	4.3%	4.5%	4.2%	The area has a lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	229,943	344,100	(2,891)	26,554,046	6,829,628	(12,969,003)	The area has a lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	534,152	301,318	147,215	12,853,280	(26,669,769)	5,842,298	
Asking rent per sq.ft.	\$24.1	\$23.8	\$22.7	\$14.5	\$14.5	\$14.3	
Asking rent growth, y/y % chg.	6.0%	6.0%	5.9%	1.4%	1.0%	1.5%	Rents are rising faster than nationally
Leasing activity in sq.ft.	622,432	545,470	493,941	65,144,289	60,598,011	44,924,273	Leasing volume is not rising as fast than nationally
Y/Y chg. in retail trade payroll employment ('000) (as of last month of the quarter)	4.20	(5.30)	(1.30)	822.30	(1,100.50)	(245.60)	The area has stronger retail trade job creation than nationally
Supply indicators							
Inventory in sq. ft.	117,610,812	117,506,452	116,879,664	15,772,300,571	15,764,713,778	15,724,204,780	
Net delivered over 12 months, in sq.ft.	731,148	704,175	829,633	46,178,397	47,102,191	58,535,237	Relatively more units are being delivered than nationally
Net delivered units, as % of inventory	0.6%	0.6%	0.7%	0.3%	0.3%	0.4%	
Under construction in sq.ft.	277,975	367,784	919,153	55,829,483	58,628,746	71,303,691	
Under construction, as % of inventory	0.2%	0.3%	0.8%	0.4%	0.4%	0.5%	Construction activity is slower than nationally
Sales transactions							
Total investment acquisitions (in million \$)	\$220.1	\$212.8	\$107.4	\$20,811.7	\$15,469.2	\$8,857.2	Sales transactions are not rising as fast than nationally
Transaction sale price per sq.ft.	\$203	\$182	\$238	\$134	\$136	\$134	Prices are not rising as fast than nationally
Cap rate	6.0%	6.2%	6.9%	6.6%	6.6%	6.7%	Cap rates are lower than nationally

VI. Hotel/Lodging

	Nashville-Davidson-Murfreesboro-Franklin, TN			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Leisure and hospitality payroll workers ('000)	107.0	95.0	90.6	15,395.0	13,448.0	12,637.0	Job creation in the leisure industry is stronger than nationally
Y/Y change ('000)	16.4	(23.7)	(34.4)	2,758.0	(2,297.0)	(4,590.0)	
% share to nonfarm payroll employment	10.4%	9.3%	9.4%	10.5%	9.4%	9.1%	The area has a smaller share of leisure jobs than nationally

*An index below 50 means local market conditions are weaker than nationally, above 50 means local market conditions are stronger, and 50 means local market conditions are about the same as nationally. NAR derived the index by assigning 1 point for each indicator where local market conditions are better than the national (US) condition.

The total points for each local market are divided by the number of variables that are available at the local area, with 46 indicators if all the data are available. The fraction is multiplied by 100 to get the index.

Economic data may not be available for all markets. In some submarkets or metropolitan divisions (e.g., Long Island) reported by CoStar®, the economic data that is reported (e.g. employment) is of the metropolitan area (New York-Newark-Jersey City). The 390 markets in this report are based on the CoStar® market areas.

NAR reserves the right to add new variables or drop variables that comprise the index based on its analysis of variables that impact market trends.

Sources of data used: National Association of Realtors®, CoStar®, US Census Bureau, US Bureau of Labor Statistics, and US Bureau of Economic Analysis.

For information about this report, email data@nar.realtor.