



Medium-Term Outlook for Nashville's Residential Housing Market (2025–2028)

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A vertical image on the left side of the slide showing a construction site at sunset. A large crane is visible in the upper left, and scaffolding with workers is in the lower left. The sky is a mix of orange and blue.

Agenda

- Macroeconomic Overview
- Migration & Demographics
- Construction Costs & Tariffs
- Policy, Zoning & Development
- Housing Supply & Inventory
- Home Prices & Appreciation
- Rental Market Trends
- Buyer and Renter Behavior
- Implications for Professionals

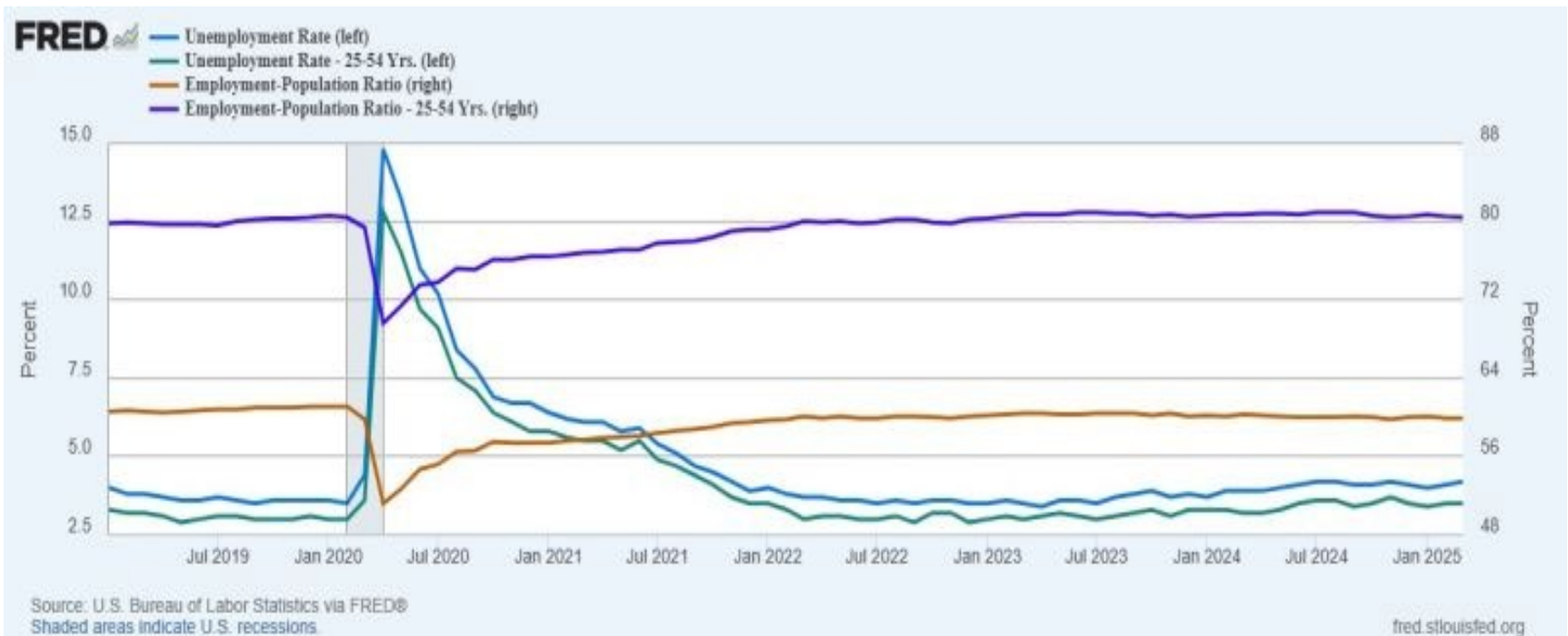
Macroeconomic Conditions

- The U.S. job market is holding steady.
- The Nashville job markets remain strong, unemployment ~2.5%
- Real income is rising, bolstering demand
- Mortgage rates remain elevated ~7%, slowing homebuying
- Fed expected to cut rates gradually in 2025



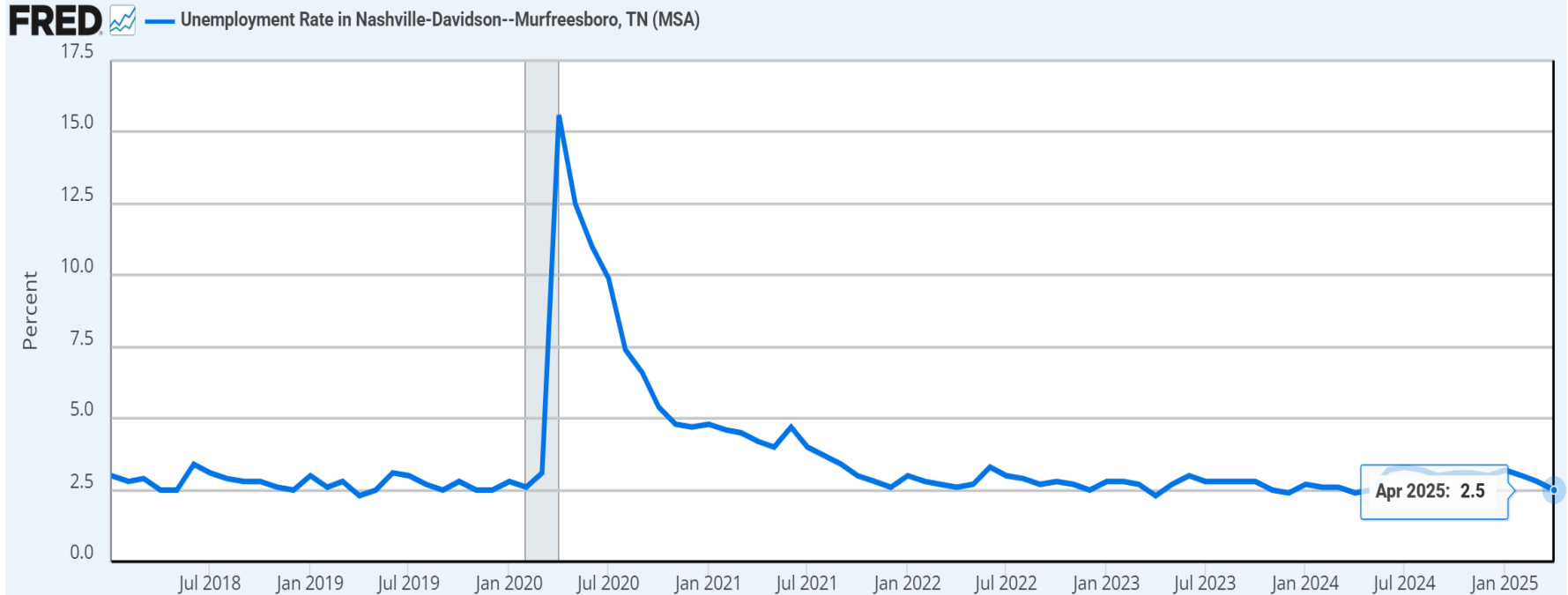
Macroeconomic Conditions

- Emp-pop ratio steady
- Unemployment is creeping up slightly. But both are remarkably stable--so far.
- Jobs report for May is this Friday, but the consensus expectation is that employers added 130,000 jobs and that the unemployment rate remained steady at **4.2 percent**.



Macroeconomic Conditions

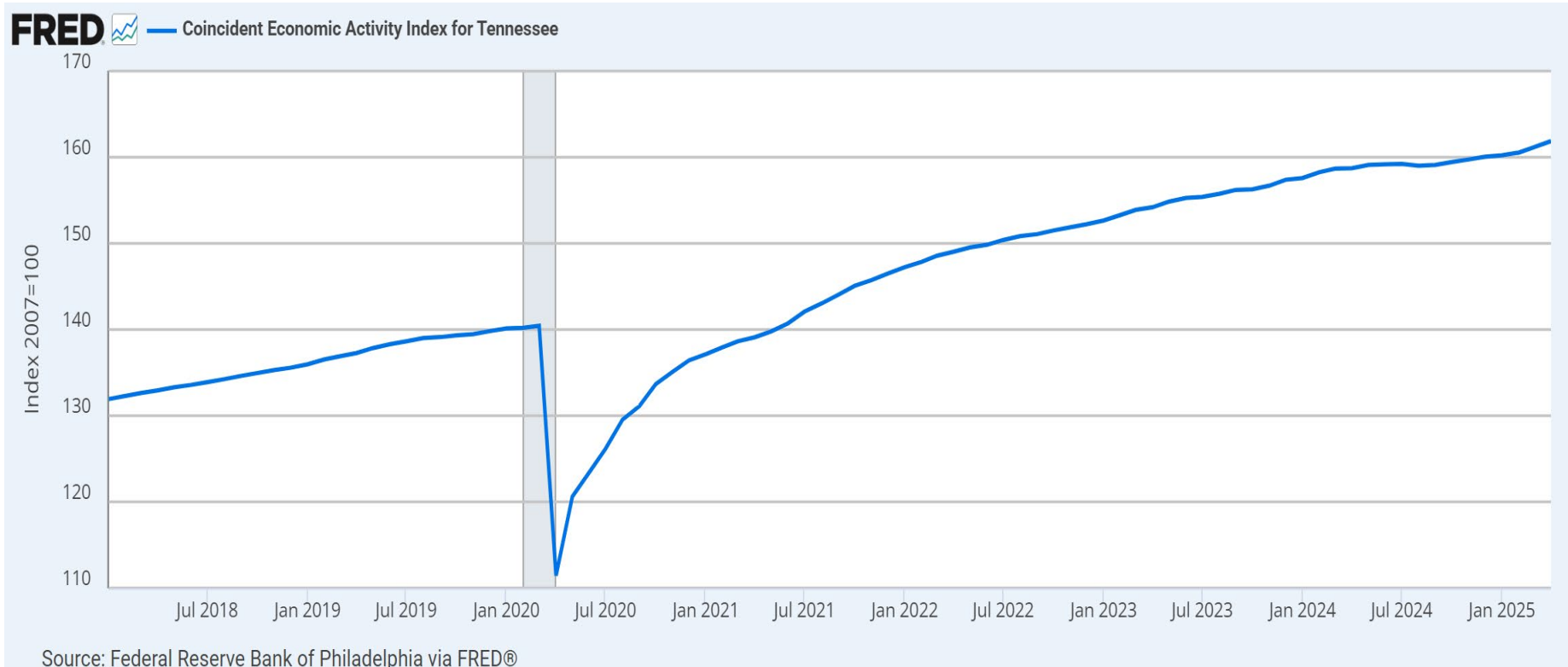
- Locally, the unemployment rate stands at just **2.5%**.
- On one hand, this reflects a healthy local economy with strong consumer confidence, supportive of housing demand.
- On the other hand, it could also mean continued labor shortages, especially in construction and skilled trades, which may pressure wages and timelines.



Source: U.S. Bureau of Labor Statistics via FRED®

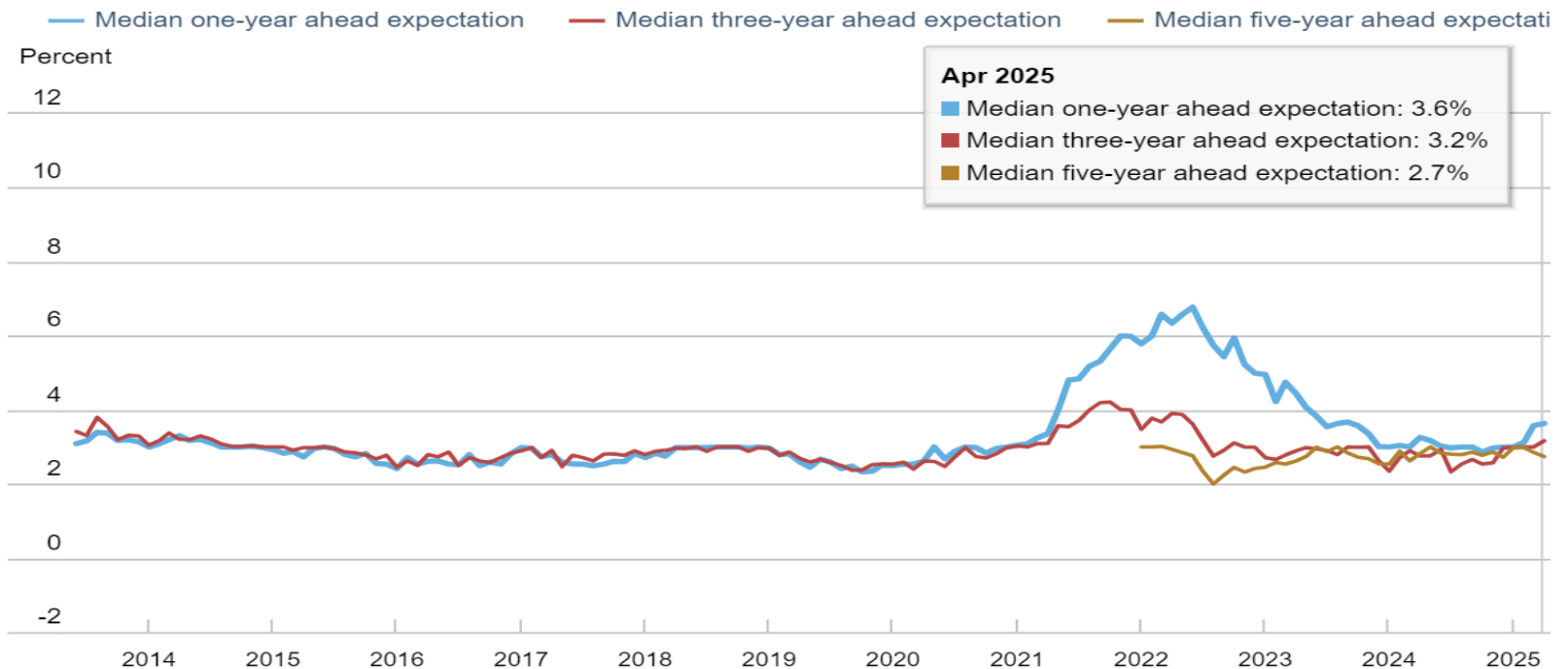
Macroeconomic Conditions

- Latest National GDP estimate: **4.64 percent for Q2**. The Q2 estimate will be released in late July.
- **Coincident Index** includes unemployment rates and wages/salaries.
- Index for **TN's economy is on the rise**:
 - TN's economy in 2024 was relatively flat.
 - The Index has ticked up in the first few months of 2025.



Macroeconomic Conditions

- Inflation expectations increased at the short-term horizon, remained unchanged at the medium-term horizon, and ticked down at the longer-term horizon.
- Inflation expectations are still elevated but coming down slowly.
- The current uptick in short-term inflation expectations represents the effects of the tariffs. Persistence of inflation will be negligible.



Source: New York Fed Survey of Consumer Expectations

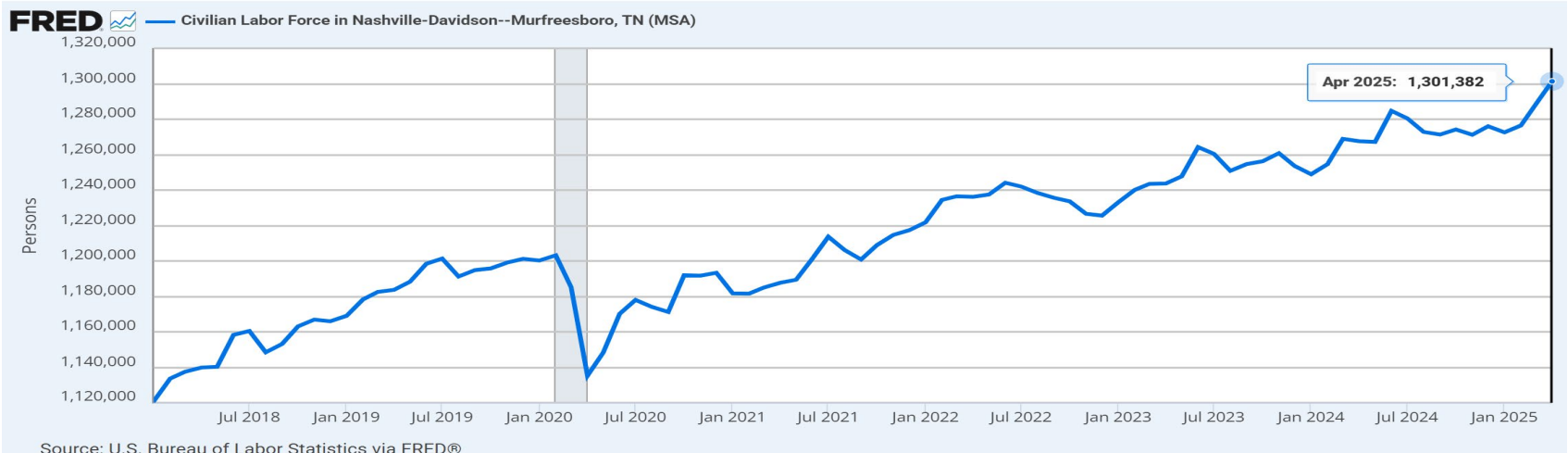
Note: Collection of data for the five-year-ahead inflation expectation began in January 2022.

Macroeconomic Conditions

- **Interest Rate Outlook:**
 - The Federal Reserve is expected to begin cutting interest rates in late 2025, as inflation pressures ease and expectations remain well-anchored.
 - Long-term inflation expectations have declined, and recent Fed statements (e.g., Waller, June 1, 2025) confirm a gradual path toward monetary easing.
- **Tennessee's Strong Economic Fundamentals:**
 - Nashville's labor market is exceptionally strong, with 2.5% unemployment and rising real incomes.
- **Implications for Housing Demand:**
 - With rate relief on the horizon and a healthy local economy, Middle Tennessee's housing market is well-positioned for renewed growth.
 - Builders should prepare for increased buyer activity, particularly as affordability improves with falling mortgage rates.
 - Should also expect continued labor shortages and wage pressures.

In-Migration and Population Growth

- Nashville's Labor Force grew **14.28% from 2018–24**.
- New residents driven by domestic & international migration
- Tennessee ranked among the top 10 states for net in-migration in 2024, according to **U.S. Census estimates**.
- Young professionals & families drive housing demand.
- For builders, this trend signals **sustained long-term demand** for housing, particularly in high-growth, well-located communities.



Tariffs and Construction Costs

- Building material costs up 34% since 2020
- Lumber tariffs, which now hover around 14.5%, add an estimated \$10,900 to the cost of constructing a single-family home.
- Construction costs accounted for **64.4% of the average price** of a new home in 2024 compared to 60.8% in 2022.
- High input costs discourage speculative building, tighten inventory, and amplify the affordability challenge.
- The NAHB is actively lobbying for tariff reductions, especially on Canadian lumber, to lower costs and improve supply responsiveness.





Zoning and Policy Changes

- Nashville zoning reform underway (NEST, design-based zoning)
- State incentives for mixed-income housing
- Goal: add 'missing middle' housing types
- Short-term rentals are regulated to preserve the housing stock

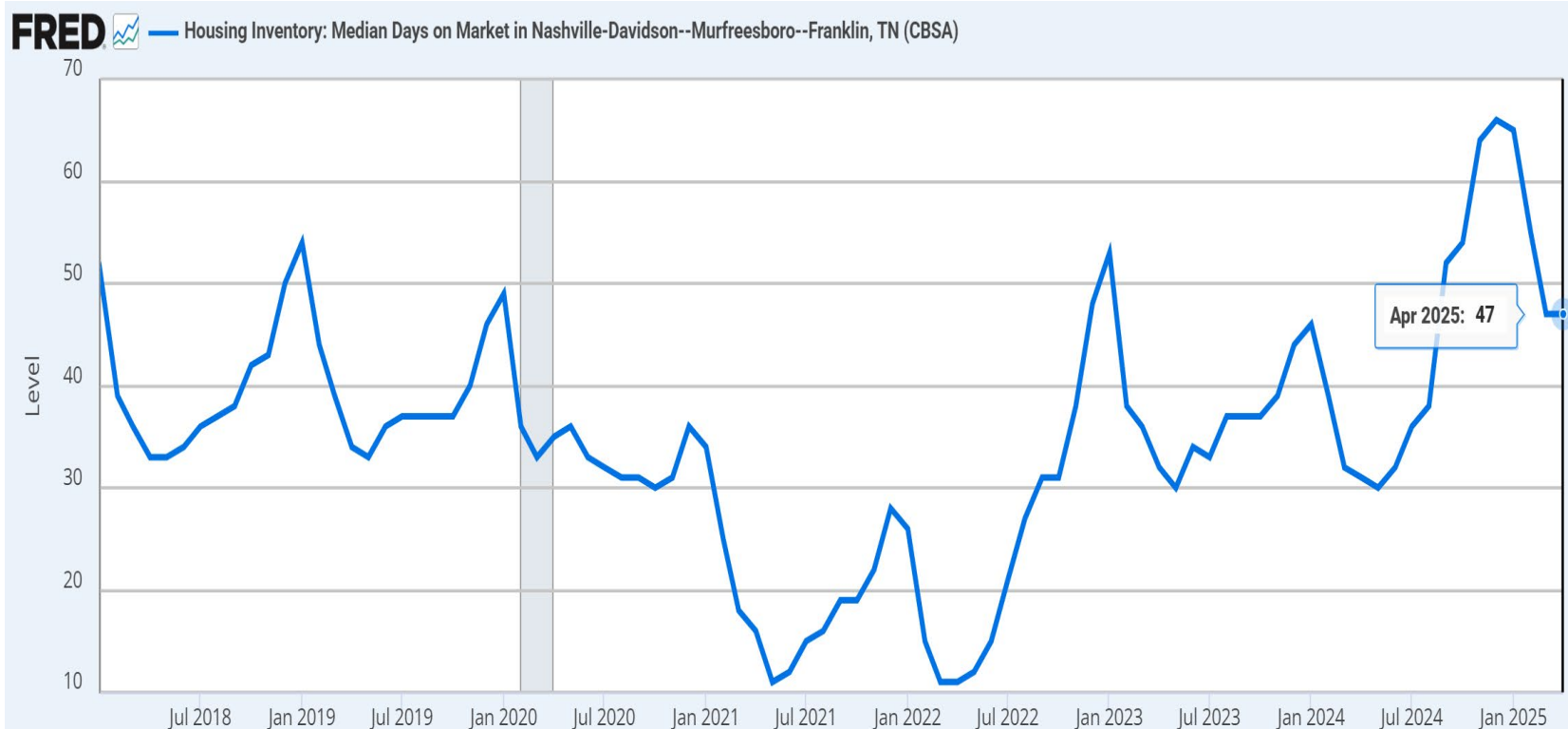


Housing Supply & Inventory

- Inventory has improved (4.5 months vs. <2 months in 2021)
- Still below the 5–6 month “balanced market” level
- Lock-in effect limits existing home listings.
- Builders remain cautious despite steady permit activity.
- Expect slow but steady inventory recovery through 2026.

Housing Supply & Inventory

- Median days on the market is **47 days**. This is high for a typical April.
- New Private Housing Units Authorized by Building Permits are **1,642 for April** (1,384 for 1-unit); historically normal for April.
- Nashville is now ranked #233 out of 300 metros in terms of hottest market.
- Lock-in effect doesn't show signs of easing: only **23.7% are likely to move in the next 3 years**.
- At current interest rates, expect slow inventory recovery





Home Prices Outlook

- Price growth moderates to 3–5% annually
- Median SF home: ~\$492,700 (2024)
- Entry-level homes see the strongest support
- Investors remain active, especially in rental-friendly zones



Rental Market Trends

- 25,000+ new apartments added since 2022
- Rent growth paused in 2024, stabilizing by late 2025
- Average rent ~\$1,574, projected to grow 2–4%/year by 2026
- Class A units face most concessions

Buyer and Renter Behavior

- In Nashville, the average property page view counts are down to 68% of what occurs in the rest of the country.
- Nationally, buyers are more price-sensitive and negotiate harder, leading to longer time on market.
 - **53.6% of those under 50** and **57.4% of those over 50** who plan to move say they are likely to buy—both metrics are **trending down**.
 - Only **43.5% of younger adults** expect to own a home eventually, down from ~70% in 2021.
- Renters value amenities, and many are delaying buying.
- **Lease-to-own** and creative options are gaining popularity.

Conclusions & Takeaways

- **Rate Cuts Expected:** The Federal Reserve is likely to begin lowering interest rates by late 2025, improving affordability and stimulating demand.
- **Strong Local Fundamentals:** Nashville's labor market is robust, with low unemployment and rising incomes—conditions favorable for sustained housing demand.
- **In-Migration Remains a Driver:** Tennessee continues to rank among the top states for net in-migration, supporting long-term residential growth.
- **Supply Challenges Persist:** Despite stable permitting activity, the lock-in effect and high construction costs are slowing inventory recovery.
- **Price and Rent Trends:** Expect moderate home price appreciation (3–5% annually) and stable rent growth (2–4% annually), with entry-level homes and well-located rentals seeing the most demand.
- **Implications for Builders and Professionals:** Be prepared for increased activity in late 2025 and beyond. Strategic planning, policy awareness, and market adaptability will be key to success.