

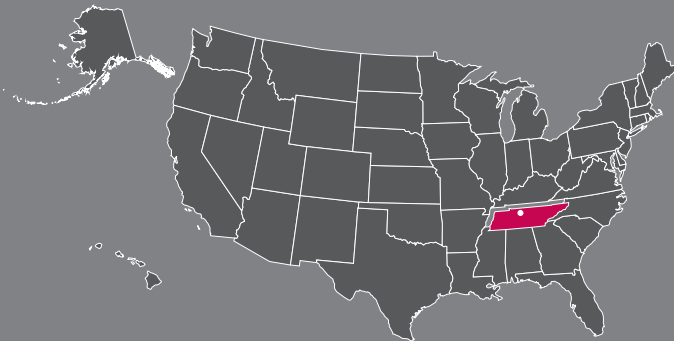
HUD PD&R Housing Market Profiles

Nashville-Davidson—Murfreesboro—Franklin, Tennessee



Quick Facts About Nashville-Davidson—Murfreesboro—Franklin

- **Current sales market conditions: balanced.**
- **Current rental market conditions: balanced.**
- **Current apartment market conditions: balanced.**
- **The city of Nashville, the capital of Tennessee, is also known as Music City because of its many music and entertainment venues, most of which are centered around the country music industry.**



By Gareth Amon | As of August 1, 2013

Overview

The Nashville-Davidson—Murfreesboro—Franklin metropolitan area (hereafter, the Nashville metropolitan area) comprises 13 counties in north-central Tennessee. The core counties with the greatest population are Davidson, Rutherford, Sumner, Williamson, and Wilson, and the remaining counties are Cannon, Cheatham, Dickson, Hickman, Macon, Robertson, Smith, and Trousdale. The music industry, which has an annual \$10 billion economic impact on the metropolitan area, accounts for an estimated 56,000 jobs (Nashville Area Chamber of Commerce).

- As of August 1, 2013, the estimated population of the metropolitan area was 1.67 million, which reflects an average annual gain of 25,600, or 1.6 percent, since April 2010.
- Population growth averaged 34,050 people, or 2.4 percent, annually during the peak growth years from 2006 through 2009; population growth has slowed since 2010 as a result of the economic downturn that began during the third quarter of 2008.
- Since April 2010, net in-migration has accounted for 63 percent of the total population growth, slightly more than the 61 percent recorded from 2000 through 2010.



PD&R

The professional and business services sector led nonfarm payroll growth in the Nashville area.

	3 Months Ending		Year-Over-Year Change	
	July 2012 (thousands)	July 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	782.1	812.1	30.1	3.8
Goods-producing sectors	99.2	105.5	6.3	6.4
Mining, logging, and construction	32.4	34.4	2.0	6.2
Manufacturing	66.8	71.1	4.3	6.4
Service-providing sectors	682.9	706.6	23.8	3.5
Wholesale and retail trade	125.1	128.6	3.5	2.8
Transportation and utilities	32.2	33.6	1.4	4.3
Information	20.6	20.8	0.2	1.0
Financial activities	48.7	48.3	-0.4	-0.8
Professional and business services	114.0	125.5	11.5	10.1
Education and health services	124.1	127.9	3.8	3.1
Leisure and hospitality	85.9	90.8	4.9	5.7
Other services	32.5	31.8	-0.7	-2.2
Government	99.9	99.4	-0.5	-0.5
	(percent)	(percent)		
Unemployment rate	6.9	6.8		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

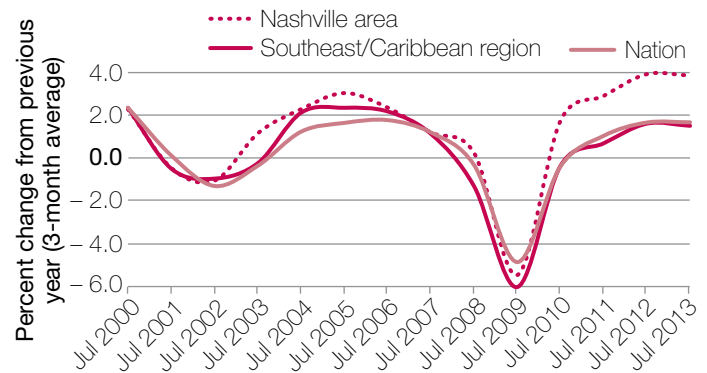
Economic conditions in the Nashville metropolitan area were weak from the third quarter of 2008 through the first quarter of 2010 as a result of the national economic recession, but they have improved during the past 3 years.

During the 3 months ending July 2013—

- Nonfarm payrolls in the metropolitan area increased by 30,100 jobs, or 3.8 percent, to 812,100 jobs compared with the 782,100 jobs recorded a year earlier.
- The professional and business services sector led growth, increasing by 11,500 jobs, or 10.1 percent. Convergys Corporation hired 190 customer-management employees, and the rest of the job increases were widespread.
- The leisure and hospitality sector increased by 4,900 jobs, or 5.7 percent, largely because the spending of more than 11 million visitors annually contributes to an estimated \$4 billion impact on the local economy annually (Nashville Convention & Visitors Corp.).
- The manufacturing sector increased by 4,300 jobs, or 6.4 percent, and is expected to benefit from a major expansion at automobile manufacturer Nissan North America, Inc., that is expected to result in 810 new employees in 2013 and 1,350 new employees when the expansion is complete in 2015.

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Nonfarm payrolls in the Nashville area were at record highs, as the growth rate surpassed those of the Southeast/Caribbean region and nation since 2010.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Nashville area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Vanderbilt University	Education and health services	21,400
HCA Holdings, Inc.	Education and health services	7,000
Nissan North America, inc.	Manufacturing	6,600

Note: Excludes local school districts.
Source: Nashville Area Chamber of Commerce



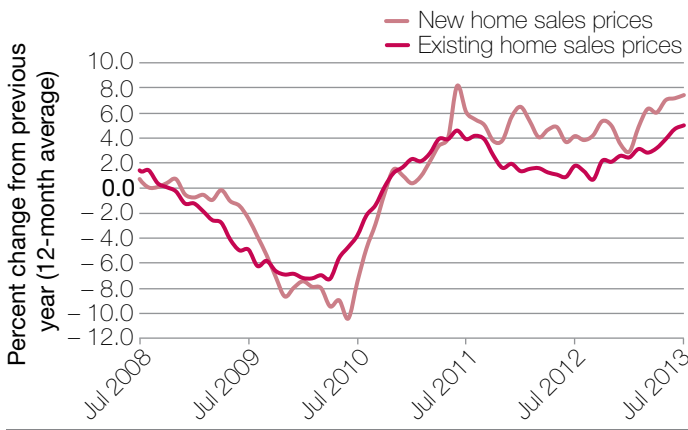
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- The unemployment rate decreased to 6.8 percent compared with 6.9 percent during the same period a year earlier and the high of 9.5 percent recorded during the first quarter of 2010.
- The government sector declined by 500 jobs, or less than 1 percent, from the same period a year ago, to 99,400 jobs.

Sales Market Conditions

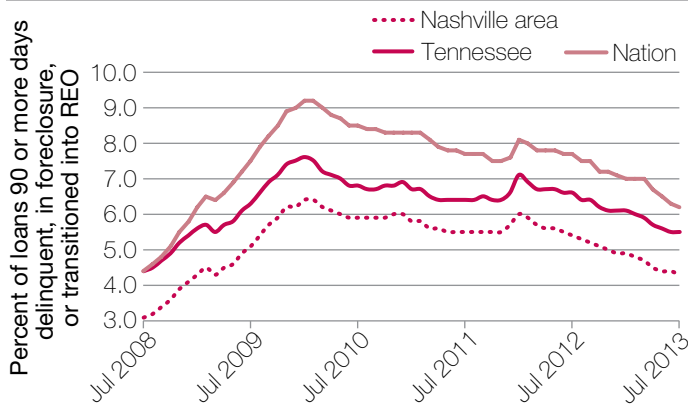
The sales housing market in the Nashville metropolitan area is balanced and tightening. As of August 1, 2013, the sales vacancy rate was an estimated 2.1 percent compared with the rate of 2.7 percent recorded in April 2010. As a result of 3 years of job growth,

Home sales prices in the Nashville area have increased in every month since November 2010.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

The distressed loan rate in the Nashville area continued to rank below the rates in Tennessee and the nation.



REO = Real Estate Owned.
Source: LPS Applied Analytics

The government sector is the fourth largest sector in the metropolitan area because the city of Nashville is the state capital.

Vanderbilt University is the metropolitan area's largest employer, with 21,400 employees. Vanderbilt's annual economic impact in Tennessee is \$8.6 billion, with \$3.4 billion in labor income (Vanderbilt University).

existing home sales (including single-family homes, townhomes, and condominiums) increased 29 percent, to 31,350 homes sold, during the 12 months ending July 2013 compared with the number sold a year earlier (Metrostudy, A Hanley Wood Company). The average existing home sales price increased 5 percent, to \$203,800, from \$194,100 a year earlier. New home sales increased 16 percent, to 3,925 homes sold, and the average new home sales price

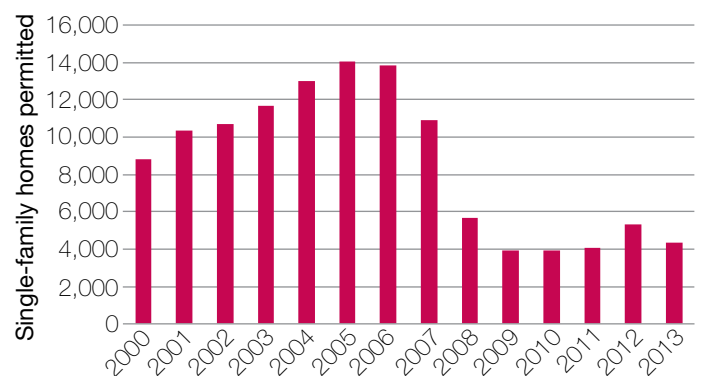
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Home sales in the Nashville area have increased since the significant downturn in 2011.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

Single-family permitting in 2013 (to date) outpaced recent trends in the Nashville area.



Note: Includes preliminary data from January 2013 through July 2013.
Source: U.S. Census Bureau, Building Permits Survey



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increased approximately 7 percent, to \$291,400. Tighter mortgage lending restrictions continue to be a factor for first time homebuyers, but historically low mortgage rates are attracting investors and buyers of second homes.

- As a result of the stringent lending standards and weak economy, existing home sales averaged 22,350 and the existing home sales price averaged \$186,100 annually from 2009 through 2010.
- New home sales averaged 3,825 and the new home sales price averaged \$251,000 annually from 2009 through 2010.
- As home sales increased, the inventory of existing homes on the market (including single-family homes, townhomes, and condominiums) decreased 12 percent, to 11,700 homes, in July 2013 compared with the inventory in July 2012, and the number of days a home was on market decreased to 70 in July 2013 from 80 in July 2012 (Greater Nashville Association of REALTORS® Inc.).
- As of July 2013, 4.3 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or

transitioned into REO (Real Estate Owned), down from 5.4 percent in July 2012 and less than the 5.5-percent rate in Tennessee (LPS Applied Analytics).

Increased home sales and an expanding economy led to an increase in homebuilding activity, as measured by the number of single-family homes permitted, during the 3 months ending July 2013.

- During the 3 months ending July 2013, permits were issued for 1,925 single-family homes, up 28 percent from the 1,500 homes permitted during the same period in 2012 (preliminary data).
- An average of 4,525 homes were permitted annually from 2008 through 2010, and an average of 13,900 homes were permitted annually during the peak years from 2005 through 2006.
- New subdivisions under construction include Lake Providence, Creekside at Station Camp, and Stonebridge, which offer new homes with average prices ranging from \$230,000 to \$290,000.

Rental Market Conditions

Overall rental housing market conditions in the Nashville metropolitan area are currently balanced, with an estimated vacancy rate of 7.0 percent compared with the rate of 9.3 percent in April 2010. The apartment market is also balanced; during the past eight quarters, the apartment vacancy rate was at or less than 5.0 percent, and rents increased from 2.5 to 6.4 percent each quarter during the same eight quarters.

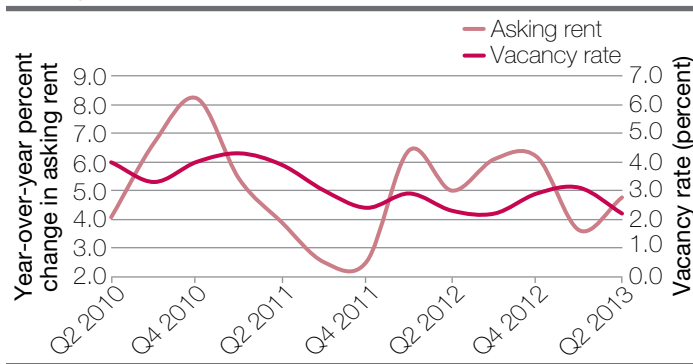
During the second quarter of 2013—

- The apartment vacancy rate in the metropolitan area was 4.2 percent compared with the rates of 4.3 percent a year earlier and 9.1 percent during the fourth quarter of 2009 (MPF Research).

- As a result of a tightening apartment market, the average rent was \$880, up nearly 5 percent from a year earlier.
- The tightest submarket in the metropolitan area was the Far East Nashville/Wilson County submarket, where the vacancy rate decreased to 2.9 percent from 4.3 percent a year earlier and the average rent was \$820, up more than 1 percent.
- The percentage of apartments offering concessions declined across the entire metropolitan area to less than 5 percent, down from 6 percent in the same period a year earlier; no concessions were offered in the Far East Nashville/Wilson County submarket.

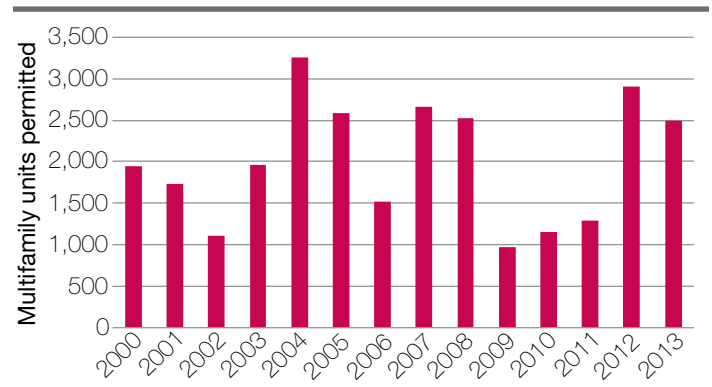
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Vacancy rates in the Nashville area have trended downward since 2010, but rents have increased during the same period.



Source: MPF Research

In 2012 and 2013 (to date), multifamily permitting has exceeded the 3-year low from 2009 through 2011 in the Nashville area.



Note: Includes preliminary data from January 2013 through June 2013.

Source: U.S. Census Bureau, Building Permits Survey



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The average concession remained about 6 percent of monthly rent, virtually unchanged from the second quarter of 2012 (MPF Research).

Multifamily building activity, as measured by the number of units permitted, increased during the 3 months ending July 2013 as builders responded to increased demand and a tight apartment market.

- During the 3 months ending July 2013, 1,600 multifamily units were permitted, up from 600 units during the same period a year ago (preliminary data).
- The 2,900 units permitted in 2012 exceeded the average of 1,150 units permitted annually from 2009 through 2011.
- During the second quarter of 2013, construction was completed on 1,850 apartments, up from 125 apartments completed during the second quarter of 2012 (Greater Nashville Apartment Association).
- West End Village, a recently completed, 244-unit apartment property, currently in lease up, offers asking rents that start at \$1,250 and \$1,975 for one- and two-bedroom units, respectively.
- Vanderbilt University currently enrolls 12,750 students, 5,000 of whom live on campus and the remainder of whom comprise approximately 3 percent of the rental market in the metropolitan area. The university has four residence halls under construction that will house 660 students when complete in the fall of 2014, when enrollment is expected to increase 1 percent.
- During the second quarter of 2013, 6,025 apartment units were under construction, up from 3,850 units a year earlier.