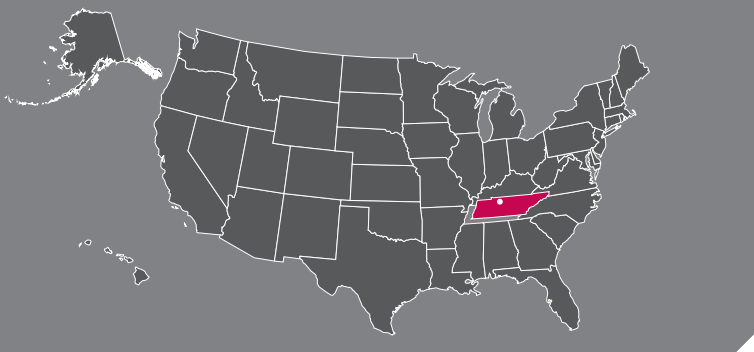


HUD PD&R Housing Market Profiles

Nashville-Davidson—Murfreesboro—Franklin, Tennessee

Quick Facts About Nashville-Davidson—Murfreesboro—Franklin

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: tight.**
- **Known as “Music City,” the city of Nashville is a major music production center. It is home to offices for Universal Music Group, Sony Music Entertainment, Warner Music Group, and several independent record labels and to the headquarters of Gibson Guitar Corporation. The metropolitan area welcomed more than 12.2 million visitors in 2013, with the Country Music Hall of Fame and Museum, Ryman Auditorium, the Grand Ole Opry House, and the Country Music Association Music Festival among the most popular attractions (Nashville Convention & Visitors Corporation).**



By Casey M. Blount | As of July 1, 2014

Overview

For purposes of this report, the Nashville-Davidson—Murfreesboro—Franklin, TN Metropolitan Statistical Area (hereafter, Nashville metropolitan area) consists of 13 counties in the northern part of central Tennessee. The metropolitan area is a leading hub in the country for the healthcare industry, which directly employs more than 110,000 workers and contributes an estimated \$30 billion of overall economic benefit each year (Nashville Health Care Council).

- As of July 1, 2014, the population of the Nashville metropolitan area was estimated at 1.7 million, an average annual increase of 29,250, or 1.8 percent, since July 2011.
- Population growth averaged only 25,550 people, or 1.6 percent, annually from 2008 through 2011, when a relatively high unemployment rate slowed net in-migration. During the most recent peak growth period, from 2003 through 2007, population growth averaged 31,450 people, or 2.2 percent, annually.
- Net in-migration has averaged 19,850 people annually and has accounted for 68 percent of total population growth since 2012 because of strong job growth. By comparison, net in-migration averaged 14,950 people annually from 2008 through 2011 and 21,500 people annually from 2003 through 2007.



Recent job gains in the Nashville metropolitan area occurred in all but two nonfarm payroll sectors.

	3 Months Ending		Year-Over-Year Change	
	June 2013 (thousands)	June 2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	805.0	829.9	24.9	3.1
Goods-producing sectors	103.8	109.0	5.2	5.0
Mining, logging, and construction	32.6	36.0	3.4	10.4
Manufacturing	71.2	73.0	1.8	2.5
Service-providing sectors	701.2	720.9	19.7	2.8
Wholesale and retail trade	124.8	127.3	2.5	2.0
Transportation and utilities	34.7	34.7	0.0	0.0
Information	20.6	20.2	-0.4	-1.9
Financial activities	50.9	50.7	-0.2	-0.4
Professional and business services	119.0	131.9	12.9	10.8
Education and health services	127.0	127.1	0.1	0.1
Leisure and hospitality	88.9	93.2	4.3	4.8
Other services	33.2	33.6	0.4	1.2
Government	102.0	102.2	0.2	0.2
	(percent)	(percent)		
Unemployment rate	6.8	5.2		

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

Economic Conditions

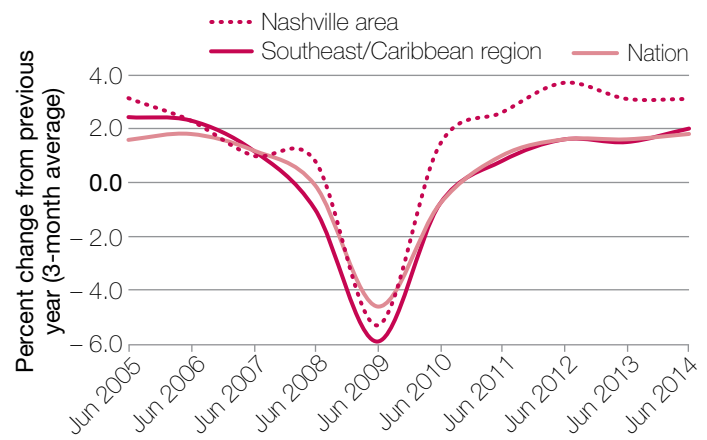
Economic conditions in the Nashville metropolitan area have improved significantly since 2010, and total nonfarm payrolls currently exceed the previous peak of 762,500 jobs in 2007. From 2010 through 2013, nonfarm payrolls expanded by an average annual rate of 2.7 percent, nearly triple the 1.0-percent annual rate for the nation.

During the 3 months ending June 2014—

- Nonfarm payrolls increased to an average of 829,900 jobs, up 24,900 jobs, or 3.1 percent, from the 3 months ending June 2013 after an increase 24,550 jobs, or 3.1 percent, during the same period a year earlier.
- All but two nonfarm payroll sectors expanded. The professional and business services and the leisure and hospitality sectors added the most jobs, increasing by 12,900 and 4,300 jobs, or 10.8 and 4.8 percent, respectively.
- The mining, logging, and construction sector averaged 36,000 jobs, an increase of 3,400 jobs, or 10.4 percent, from the same period in 2013. The sector added jobs each year from 2011 to 2013 but remains well below a peak of 41,700 jobs in 2007.
- The average unemployment rate was 5.2 percent, down from 6.8 percent during the 3 months ending June 2013 and much less than the high of 10.0 percent during the 3 months ending June 2010.

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Nonfarm payrolls in the Nashville metropolitan area have increased each year since 2010, partially because of expansions in the healthcare and manufacturing industries.



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

Largest private employers in the Nashville metropolitan area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Vanderbilt University & Medical Center	Education and health services	23,000
Nissan North America, Inc.	Manufacturing	8,500
HCA Holdings, Inc.	Education and health services	7,000

Note: Excludes local school districts.
Source: Nashville Business Journal



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Vanderbilt University and Medical Center, with 23,000 employees, is the largest private employer in the metropolitan area. It is scheduled to begin construction in 2015 on a four-story addition to the Monroe Carell Jr. Children's Hospital at Vanderbilt. HCA Holdings, Inc., which operates more than 160 hospitals throughout the United States and the United Kingdom, currently employs 7,000 workers in the metropolitan area. HCA plans to add 1,000 jobs by 2017, when it relocates the headquarters of two subsidiaries to the city of Nashville. Manufacturing, particularly associated with the automotive

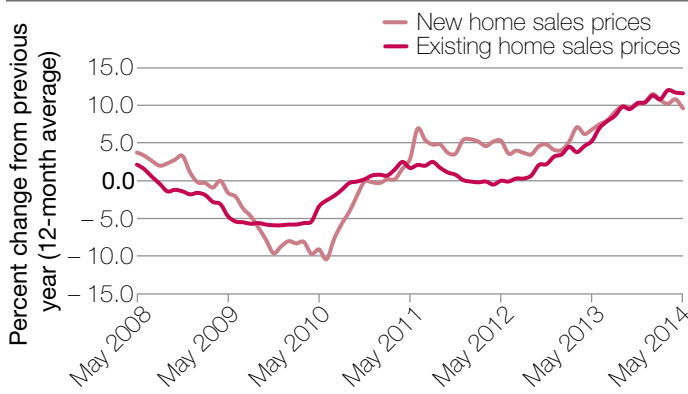
industry, has been an important part of the economic recovery in the metropolitan area. Nissan North America, Inc., has created 1,700 jobs since 2012 and currently employs 8,500 workers in the metropolitan area, including 7,000 at its plant in Smyrna. General Motors Company recently reopened its plant in Spring Hill, which had ceased operations in late 2010, and plans to create an additional 2,200 jobs by the end of 2015, bringing total employment at the facility to more than 4,000 workers.

Sales Market Conditions

Sales housing market conditions in the Nashville metropolitan area are currently balanced, with job growth and increased net in-migration contributing to increased home sales prices and single-family home construction. Approximately 36,100 existing single-family homes, townhomes, and condominiums sold during the 12 months ending May 2014, up 10 percent from the 32,950 homes sold during the previous 12-month period. By comparison, existing home sales averaged 46,000 a year during a 3-year peak from 2004 through 2006 but only 24,800 a year from 2009 through 2011. During the 12 months ending May 2014, the average sales price of an existing home increased 12 percent, to \$208,000 (CoreLogic, Inc.).

- New home sales, which represent approximately 12 percent of all home sales in the Nashville metropolitan area, increased to 5,075 during the 12 months ending May 2014, up 15 percent from the 4,400 new homes sold during the 12 months ending May 2013 and up 28 percent from the average of 3,950 new homes sold each year from 2009 through 2011 (CoreLogic, Inc.).

New home sales prices in the Nashville metropolitan area have increased since 2011, while growth in existing home sales prices remained slow until 2012 due to a high number of distressed sales.



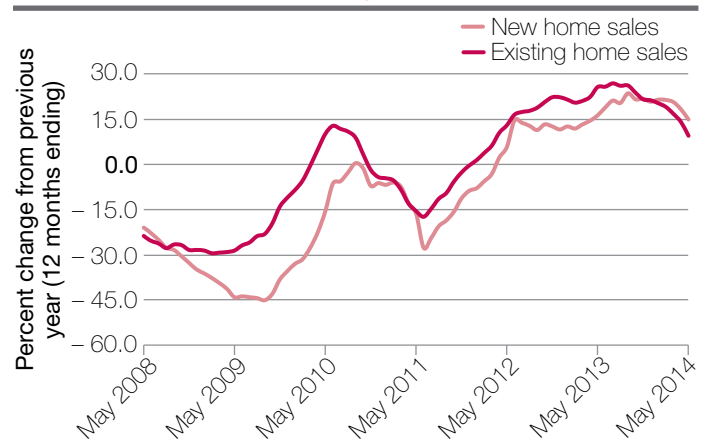
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

- The average sales price of a new home was \$307,800 during the 12 months ending May 2014, a 10-percent increase from \$280,900 during the previous 12 months and a 27-percent increase from \$242,900 during the 12 months ending May 2010 (CoreLogic, Inc.).
- As of June 2014, 3.7 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 4.5 percent a year earlier (Black Knight Financial Services, Inc.).
- Distressed sales (REO plus short sales) accounted for 15 percent of total existing home sales during the 12 months ending May 2014, down from 21 percent during the previous 12-month period. The average sales price for distressed properties was \$133,800, or 36 percent less than the average sales price for all existing homes in the metropolitan area during the 12 months ending May 2014 (CoreLogic, Inc.).

Improving sales market conditions have contributed to increased single-family home construction since 2011. During the 3 months ending June 2014, 2,300 single-family homes were permitted in

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Existing home sales in the Nashville metropolitan area began to increase in January 2012, 3 months before new home sales began to recover.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.



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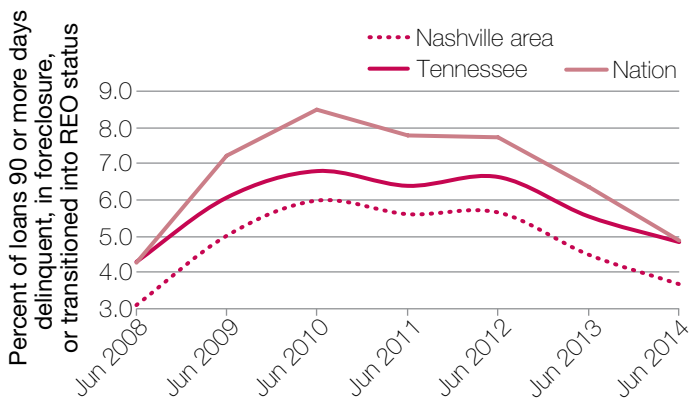
the Nashville metropolitan area, a 12-percent increase from 2,050 homes during the same period in 2013 (preliminary data).

- By comparison, an average of 1,350 single-family homes were permitted in the metropolitan area during the same 3-month periods from 2008 through 2010.
- The number of single-family homes permitted in Davidson, Rutherford, and Williamson Counties, which have accounted for 65 percent of the single-family homes permitted in the metropolitan area since 2011, totaled 1,700 during the 3 months ending June 2014, up 48 percent from the same period in 2013.
- During the 3 months ending June 2014, the number of single-family homes permitted increased in 10 of the 13 counties in the metropolitan area. The greatest percentage increase occurred in

Smith County, where the number of single-family homes permitted more than doubled. The greatest percentage decrease occurred in Dickson County, where the number of single-family homes permitted declined 46 percent.

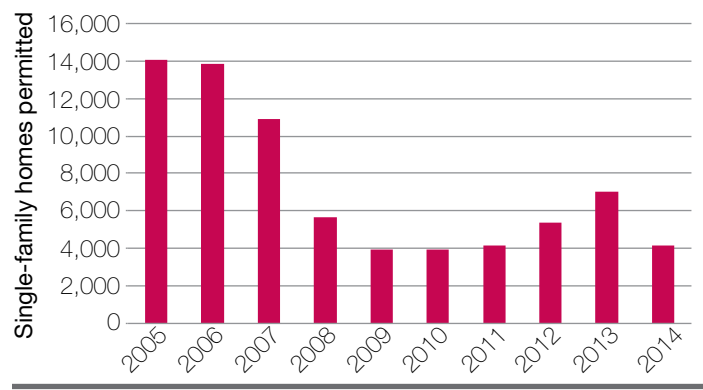
- Condominiums have accounted for only 8 percent of new home sales in the metropolitan area since 2012, after accounting for 27 percent of new home sales from 2005 through 2008 and 21 percent of new home sales from 2009 through 2011 (Metrostudy, A Hanley Wood Company; adjustments by the analyst). Twelve Twelve, a 288-unit building in the city of Nashville, will be the first new highrise condominium project in the metropolitan area since 2009, with construction scheduled to be complete in July 2014. Prices range from \$270,000 to more than \$1 million for units ranging in size from 700 to 1,875 square feet.

The declining percentage of distressed mortgages and REO properties in the Nashville metropolitan area has been the primary driver of the declines in both REO and short sales.



REO = Real Estate Owned. Source: Black Knight Financial Services, Inc.

Single-family home permitting in the Nashville metropolitan area has increased each year since 2011 but remained well below the levels recorded in the mid-2000s.



Note: Includes preliminary data from January 2014 through June 2014. Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Nashville metropolitan area is currently tight. During the second quarter of 2014, the apartment vacancy rate was 3.8 percent, down from 4.2 percent during the second quarter of 2013 (Axiometrics Inc.). The average asking rent was \$974, a 7.3-percent increase from \$907 a year earlier.

During the second quarter of 2014—

- Apartment vacancy rates in the nine Axiometrics-defined market areas within the Nashville metropolitan area ranged from 3.2 percent in the Belle Meade-West Nashville area to 4.8 percent in the Brentwood-Williamson County area.
- The greatest apartment vacancy rate decline occurred in the Airport-Briley Parkway area, where the apartment vacancy rate was 4.4 percent, down from 5.6 percent a year ago.

- Asking apartment rents increased from the second quarter of 2013 in all nine market areas, ranging from a 3.8-percent increase in the Northeast-Madison-Rivergate-Hendersonville area to a 9.5-percent increase in the Donelson-Hermitage-Wilson County area.
- The Downtown-West End-Green Hills area had the highest asking apartment rent, at \$1,525.

Students represent a significant share of the rental housing market in some parts of the metropolitan area. As of the fall of 2013 (the most recent data available), the combined enrollment at Vanderbilt University, Middle Tennessee State University (MTSU), Belmont University, and Lipscomb University was approximately 48,200. An estimated 35,000 students live off campus, with the greatest concentration of off-campus students residing near MTSU in Murfreesboro. The apartment vacancy rate in the Murfreesboro-Smyrna

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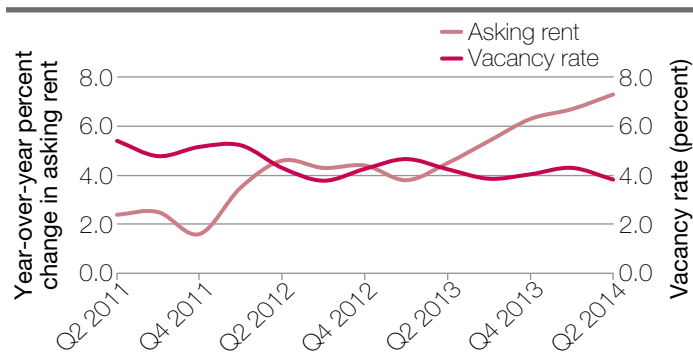
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market area was 3.4 percent during the second quarter of 2014, down from 3.9 percent a year earlier. During the same period, the average asking rent rose 6.3 percent, to \$872.

In response to tightening rental market conditions, the number of multifamily units permitted in the Nashville metropolitan has increased each year since 2010. Approximately 3,875 multifamily units were permitted in 2013, the most since 1996.

- During the 3 months ending June 2014, 880 multifamily units were permitted, down from 1,350 during the same period in 2013 (preliminary data).
- The number of multifamily units permitted averaged 2,425 each year from 2003 to 2008; however, an average of only 1,150 multifamily units were permitted each year from 2009 through 2011.
- Multifamily construction was highly concentrated in the central and southern parts of the Nashville metropolitan area, where Davidson, Rutherford, and Williamson Counties accounted for 91 percent of all multifamily permitting activity in 2013 and 2014.

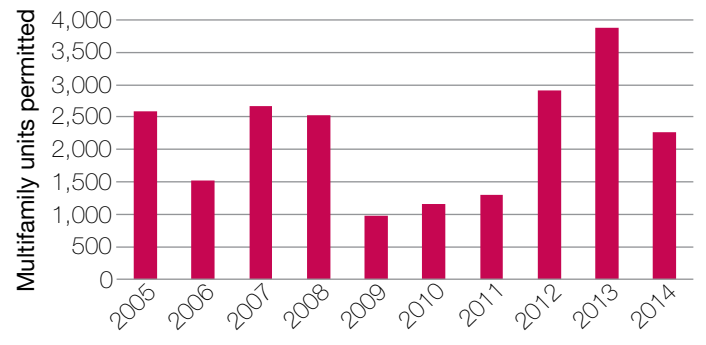
Despite increased multifamily construction in the Nashville metropolitan area, vacancy rates have continued to fall while rents have continued to rise.



Source: Axiometrics Inc.

- An estimated 4,125 rental units are currently under construction in the metropolitan area, including 2,600 units in Davidson County, which includes the city of Nashville.
- Several notable projects currently under construction include The Flats at Taylor Place, which will consist of 280 units in the Germantown neighborhood of the city of Nashville. Rents are projected to range from \$1,200 for studio units, from \$1,350 to \$1,775 for one-bedroom units, and from \$2,150 to \$2,650 for two-bedroom units. Preleasing began in March 2014 and construction is scheduled to be complete by August 2014. As of July 2014, construction is nearing completion at Glass Creek Village, a 360-unit project in Mount Juliet, with rents ranging from \$930 to \$950 for one-bedroom units, from \$1,050 to \$1,200 for two-bedroom units, and from \$1,400 to \$1,425 for three-bedroom units.

Builders have responded to tightening rental market conditions as multifamily permitting in the Nashville metropolitan area has increased each year since 2010.



Note: Includes preliminary data from January 2014 through June 2014. Source: U.S. Census Bureau, Building Permits Survey

