

# Housing Market Profile

Southeast/Caribbean • HUD Region IV



## Memphis, Tennessee- Mississippi-Arkansas

The Memphis metropolitan area consists of Fayette, Shelby, and Tipton Counties in southwest Tennessee; DeSoto, Marshall, Tate, and Tunica Counties in northwest Mississippi; and Crittenden County in northeast Arkansas. The metropolitan area is a major transportation and shipping hub due to its location on the Mississippi River and at the intersection of seven U.S. highways and the fact that it is home to the world's largest cargo airport, Memphis International Airport. FedEx Corporation, with 32,000 employees, is the leading employer in the area and transports approximately 95 percent of all cargo through Memphis International Airport. Since the 2000 Census, the population of the metropolitan area has increased by an average of 10,000, or 0.8 percent, a year to an estimated 1.3 million as of July 1, 2009. Population growth was strongest from 2005 to 2006, when it increased by 1.4 percent. Since 2006, growth has slowed to an annual rate of less than 1 percent.

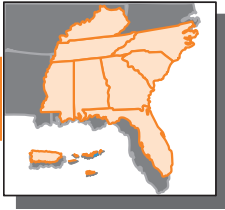
Recent job losses in the metropolitan area have reduced employment to 2005 levels. The number of nonfarm jobs peaked at 640,800 in 2007 before declining to 626,700 during the 12 months ending May 2009. The current level of nonfarm employment represents a decrease of 12,800 jobs, or 2 percent, when compared with the level of employment recorded during the previous 12 months. During the 12 months ending May 2009, the goods-producing sectors decreased by a total of 4.7 percent, or 3,700 jobs. More than one-half of these losses occurred in the manufacturing sector, which declined by 4.5 percent, or 2,300 jobs. The decline in this sector during the past 12 months was more substantial than the average of 1,600 manufacturing jobs lost a year from 2000 to 2008. During the 12 months ending May 2009, the service-providing sectors decreased by a total of 1.6 percent, or 9,100 jobs, compared with the number recorded during the previous 12 months. Nearly one-half of the decline occurred in the trade sector, which lost 4,400 jobs, a decrease of 4 percent. Approximately 70 percent of the total losses in the trade sector were in retail trade as a result of cutbacks in consumer spending. In April 2009, FedEx laid off approximately 500 local employees. Despite overall declines in employment during the past 12 months, the education and health services sector, the other services sector, and the government sector increased by a combined total of 3,000 jobs. Two of the top three leading private-sector employers in the

Memphis area are in the education and health services sector; Methodist Healthcare has 8,925 employees and Baptist Memorial Health Care Corporation has 6,800 employees. The unemployment rate increased from 5.7 percent during the 12 months ending May 2008 to a decade-high 7.9 percent during the 12 months ending May 2009.

As a result of declining economic conditions and tighter lending standards, sales housing market conditions are currently soft in the Memphis area. According to the Memphis Area Association of Realtors® (MAAR), during the 12 months ending May 2009, 11,375 new and existing homes were sold, a 16-percent decrease compared with the approximately 13,575 new and existing homes sold during the 12 months ending May 2008. During the most recent 12-month period, the average sales price of new and existing homes decreased 14 percent, from \$165,000 to \$141,500. Despite the decline in new and existing home sales, during the 12 months ending May 2009, the inventory of active listings declined from a monthly average of 11,900 homes to the current level of 10,450 homes. From 2007 to 2008, the number of foreclosure filings doubled to approximately 15,525 a year, according to RealtyTrac® Inc. Despite the increase in foreclosure filings, the number of foreclosure sales decreased 28 percent, from 2,900 in the first 5 months of 2008 to 2,075 in the first 5 months of 2009, according to MAAR.

The Center City Commission reported 2,100 condominiums in downtown Memphis as of the first quarter of 2009. According to MAAR, during the 12 months ending May 2009, the number of condominiums sold totaled 440 units, a 29-percent decrease compared with the 620 units sold during the previous 12 months. As condominium sales declined, the average price decreased approximately 5 percent, from \$150,700 to \$142,400. A 40-unit condominium project in East Memphis is expected to be completed in the fall of 2009, with prices starting at \$210,000.

Recent conversions of condominium units to rental apartments have negatively impacted an already soft apartment market in the Memphis area. Apartment market conditions have remained soft since 2000. Reis, Inc., reported a 12.4-percent apartment vacancy rate as of the first quarter of 2009, up from 10.4 percent as of the first quarter of 2008. The highest submarket vacancy rate of 16.6 percent was recorded in Frayser, in North Memphis; the lowest submarket vacancy rate of 7.1 percent was recorded in Germantown/Collierville, a southeastern suburb. Although



the Germantown/Collierville submarket has some of the highest rents in the area, vacancies remain low because of relatively higher population and household growth rates in the submarket. Despite the increase in vacancy rates, the average market rent in the metropolitan area increased 2 percent, from \$665 as of the first quarter of 2008 to \$678 as of the first quarter of 2009. Apartments currently under construction include 134 units in the first phase of the new mixed-income Legends Park neighborhood. The \$19.5 million first phase is a mixed-use project that will redevelop the Dixie Homes neighborhood; the first units are expected to be completed in late 2009. The second phase of the Legends Park neighborhood will include an additional 120 apartment units, but the construction timeline for this phase has not been announced.

Responding to soft conditions in both the sales and rental housing markets, builders have cut back on the construction of single-family and multifamily homes, as measured by the number of building permits issued. During the 12 months ending May 2009, single-family permits totaled 1,675 homes, a 59-percent decrease compared with the 4,050 homes permitted during the previous 12 months. The number of single-family homes permitted is down 83 percent from the record peak of 9,700 homes permitted in 2005. The number of multifamily units permitted was also down during the 12 months ending May 2009, decreasing by 32 percent from 1,225 to 830 units.