

# HUD PD&R Housing Market Profiles

## Memphis, Tennessee-Mississippi-Arkansas



### Quick Facts About Memphis

Memphis, Tennessee

By Karen M. Ostrye | As of November 1, 2020

- Current sales market conditions: balanced
- Current apartment market conditions: balanced
- Namesake to the Egyptian city along the Nile, Memphis is situated high above the Mississippi River, which makes it safe from floods and an ideal location for trade and transportation.

### Overview

The Memphis metropolitan area is on the southwestern border of Tennessee and crosses into neighboring Arkansas and Mississippi. The metropolitan area includes Fayette, Shelby, and Tipton Counties in Tennessee; Crittenden County in Arkansas; and Benton, DeSoto, Marshall, Tate, and Tunica Counties in Mississippi. Memphis is the largest city on the Mississippi River and is home to the busiest cargo airport in North America. The music and entertainment attractions in the metropolitan area—such as Beale Street Historic District, the Memphis Rock ‘n’ Soul Museum, and Graceland—typically draw more than 12 million tourists each year.

- As of November 1, 2020, the population of the Memphis metropolitan area is estimated at nearly 1.36 million—an average annual increase of 3,200, or 0.2 percent, since 2010.
- Population growth averaged 1,100 people, or 0.1 percent, annually from 2012 to 2016 in the wake of the Great Recession. From 2016 to 2019, population growth averaged 3,275 people, or 0.2 percent, annually, as the local economic recovery strengthened.

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- Net natural change has accounted for all the population growth in the metropolitan area since 2006. From 2012 to 2016, net natural change averaged 7,200 people annually but was partly offset by net out-migration of 6,100 people

annually. From 2016 to 2019, net natural change averaged 5,675 people annually, partly offset by the net out-migration of 2,400 people annually.

## Economic Conditions

After nearly a decade of payroll gains, economic conditions in the Memphis metropolitan area have weakened. Nonfarm payrolls increased by an average of 1.1 percent annually from 2011 through 2019, surpassing the 2007 prerecession peak of 642,100 in 2018. Economic activity declined after the World Health Organization declared COVID-19 a pandemic on March 11, 2020; the state of Tennessee issued a stay-at-home order beginning on April 3, 2020. Among other restrictions, the order resulted in the closure of all restaurant dining rooms, theme parks, and bars in the state and required that all nonessential businesses limit their activity to minimum basic operations. Although the order expired on April 30, 2020, commerce has contracted because of ongoing public health concerns. Nonfarm payrolls decreased to an average of 625,900 jobs during the 3 months ending October 2020—a decrease of 31,100 jobs, or 4.7 percent, from the 3 months ending October 2019.

During the 3 months ending October 2020—

- The wholesale and retail trade sector was the only sector to add nonfarm payrolls, expanding by 600 jobs, or

0.6 percent. That increase was related to greater online commerce, as many consumers continued to avoid public spaces to reduce exposure to COVID-19.

- The leisure and hospitality sector declined by 7,400 jobs, or 10.6 percent, compared with a year earlier—the largest sector loss during the period. Some of those losses were due to layoffs at hotels, including a 157-job reduction at the Peabody Hotel Group in August 2020, as travel decreased amid efforts to limit the spread of COVID-19.
- The transportation and utilities sector, which accounts for 12 percent of all payrolls in the Memphis metropolitan area, declined by 4,000 jobs, or 5.2 percent, compared with a year earlier. In September 2020, Amazon.com, Inc. added 500 employees to staff the newly completed \$200 million fulfillment center in northeast Memphis.
- The manufacturing sector lost 5,800 jobs, or 12.9 percent. The closure of rms Surgical in August, which affected 58 workers, partly resulted from reduced demand for non-emergency medical devices during the pandemic.

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### Most of the payroll sectors in the Memphis metropolitan area have declined in the 3 months ending October 2020.

	3 Months Ending		Year-Over-Year Change	
	October 2019 (Thousands)	October 2020 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	657.0	625.9	-31.1	-4.7
Goods-Producing Sectors	68.8	63.0	-5.8	-8.4
Mining, Logging, & Construction	24.0	23.8	-0.2	-0.8
Manufacturing	44.9	39.1	-5.8	-12.9
Service-Providing Sectors	588.2	562.9	-25.3	-4.3
Wholesale & Retail Trade	98.8	99.4	0.6	0.6
Transportation & Utilities	77.1	73.1	-4.0	-5.2
Information	5.5	5.4	-0.1	-1.8
Financial Activities	29.7	27.4	-2.3	-7.7
Professional & Business Services	95.6	90.6	-5.0	-5.2
Education & Health Services	99.1	96.1	-3.0	-3.0
Leisure & Hospitality	69.7	62.3	-7.4	-10.6
Other Services	27.7	25.3	-2.4	-8.7
Government	84.8	83.3	-1.5	-1.8
<b>Unemployment Rate</b>	4.1%	10.3%		

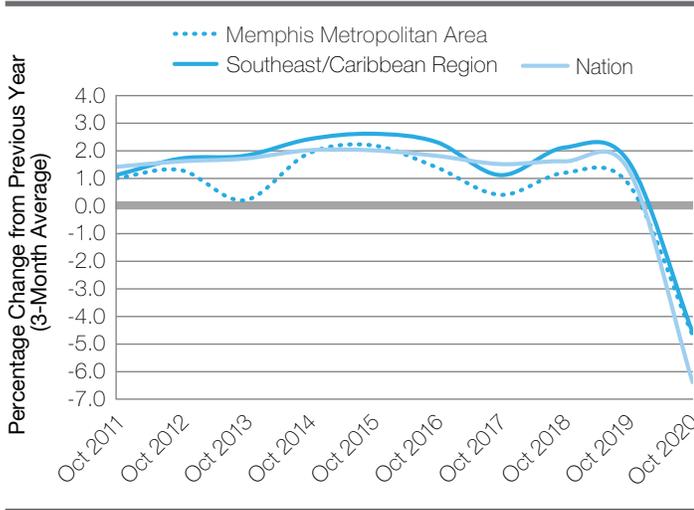
Note: Numbers may not add to totals due to rounding.  
Source: U.S. Bureau of Labor Statistics



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- The financial activities sector declined by 2,300 jobs, or 7.7 percent. Partners Central Business Office, LLC—a company that provided third-party billing—permanently closed in September 2020 and 67 workers were laid off as the local economy contracted.
- The average unemployment rate increased to 10.3 percent from 4.1 percent during the same period a year earlier—the highest rate for the metropolitan area since 2010.

### Nonfarm payroll decline in the Memphis metropolitan area has been slower than that of the nation since mid-2020.



Source: U.S. Bureau of Labor Statistics

The intersection of five railroads and two interstates and the presence of the busiest cargo airport in North America have contributed to the growth of the Memphis metropolitan area as an international shipping hub. National e-commerce increased during the second and third quarters of 2020 by 44.4 and 37.1 percent, respectively, from the previous year (U.S. Census Bureau Quarterly Retail E-Commerce Sales estimates, 3rd quarter 2020), as the pandemic contributed to increased online shopping. This trend has created an increase in cargo volume at the Memphis International Airport (MEM). FedEx Corporation (hereafter, FedEx), the largest employer in the metropolitan area, uses 34 million square feet of distribution space and is investing \$1 billion to expand its hub at MEM. Of the 30,000 FedEx employees in the metropolitan area, more than 11,000 are employed at the airport, 500 of whom were added at the end of August 2020. United Parcel Service, Inc.—currently occupying 293,000 square feet of space at MEM, with 1,300 workers—announced plans at the beginning of 2020 to spend \$216 million on an expansion that is expected to add jobs.

### Largest Employers in the Memphis Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
FedEx Corporation	Transportation and Utilities	30,000
Methodist Le Bonheur Healthcare	Education and Health Services	13,000
The Kroger Co.	Wholesale and Retail Trade	6,925

Note: Excludes local school districts.

Source: Greater Memphis Chamber of Commerce

## Sales Market Conditions

Sales housing market conditions in the Memphis metropolitan area are currently balanced. Approximately 24,800 new and existing single-family homes, townhomes, and condominiums sold during the 12 months ending October 2020—up 1 percent from the 24,550 homes sold during the previous 12-month period and up 68 percent from the recent low of 14,750 homes sold during 2011 (Zonda). During the 12 months ending October 2020, the average sales price of new and existing homes increased 13 percent, to \$231,800, compared with a 2-percent increase during the previous 12-month period. This sharp increase occurred partially because of a recent decrease in mortgage rates to historic lows, making higher priced homes more attainable. The percentage of home loans in the Memphis metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 5.7 percent in September 2020—up from 2.7 percent a year ago but well below the peak of 10.5 percent in January 2010 (CoreLogic, Inc.). The current delinquency rate for the metropolitan area is higher than the

rates for Tennessee and the nation, which were 3.9 and 4.3 percent, respectively.

During the 12 months ending October 2020—

- New home sales totaled 2,100—up 13 percent from 1,875 sales a year ago. The average sales price for a new home was \$345,300—an increase of 5 percent from a year earlier. The current new home sales price has increased an average of 5 percent annually from a low in 2010.
- Existing home sales totaled 22,700—unchanged from the previous 12-month period.
- The average sales price for an existing home was \$221,800—an increase of 14 percent from \$195,100 a year earlier. The current existing home sales price increased an average of 5 percent annually from a low in 2012.
- REO sales accounted for 7 percent of existing home sales—down from 8 percent a year earlier and from a peak of 45 percent in 2010.

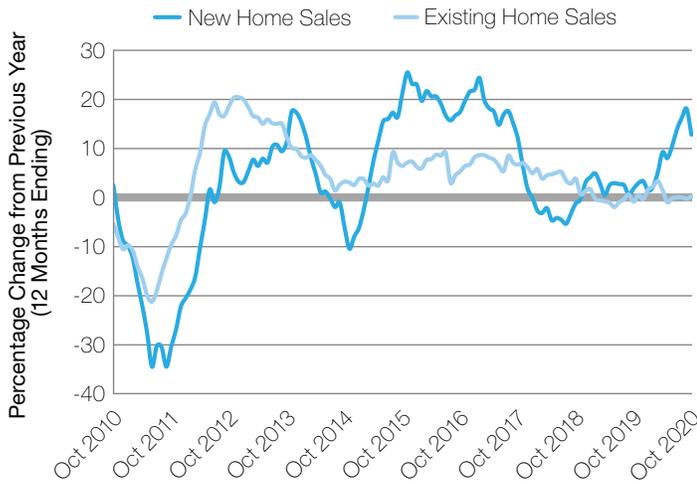
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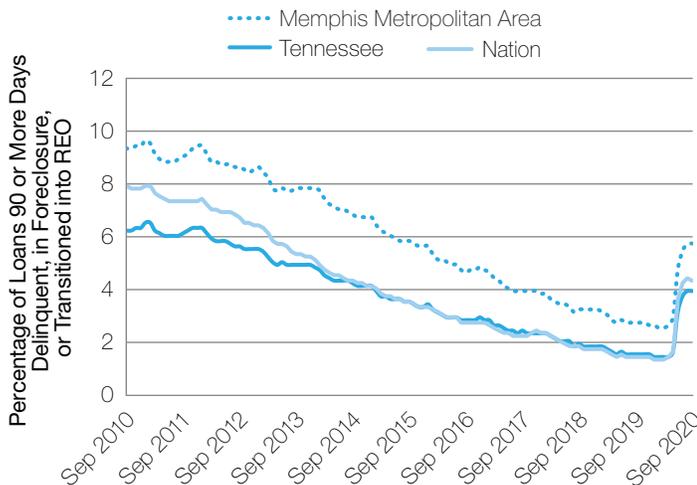
Strengthening sales market conditions have contributed to increased rates of single-family home construction since 2011. From 2016 through 2019, an average of 3,175 single-family homes were permitted annually, compared with 2,300 homes from 2011 through 2015. During the 12 months ending October 2020, 3,650 single-family homes were permitted in the metropolitan area—a 16-percent increase from 3,150 homes during the same period a year ago (preliminary data).

**New home sales increased and existing home sales remained flat in the Memphis metropolitan area in the past year.**



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

**The percentage of homes loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status increased during the past year in the Memphis metropolitan area.**



REO = real estate owned. Source: CoreLogic, Inc.

- Nearly one-fourth of all units permitted during the past 5 years were in the towns of Southaven, Horn Lake, and Olive Branch in DeSoto County—in Mississippi, near the northern border—due to their proximity to MEM and main arteries leading into the city of Memphis.

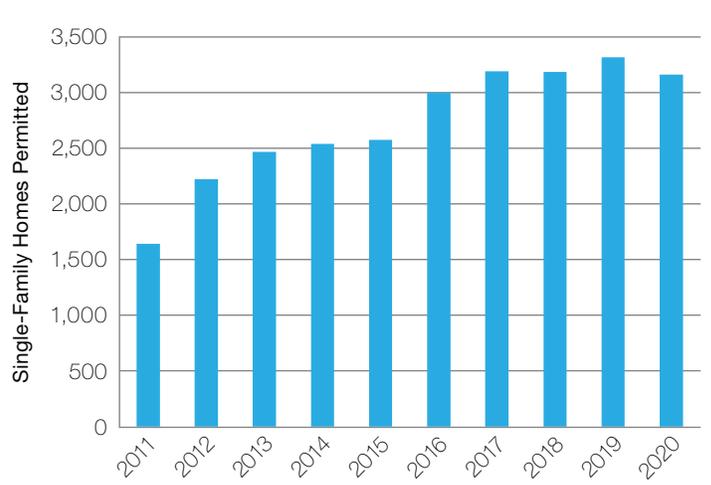
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**The average price growth of a new home slowed and the average price growth of an existing home accelerated in the Memphis metropolitan area in the past year.**



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

**The number of single-family homes permitted annually in the Memphis metropolitan area has trended upward since 2011.**



Note: Includes preliminary data from January 2020 through October 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



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- The Stonecrest of Mississippi community, north of Olive Branch, has completed 165 of the 183 homes anticipated at buildout. Homes in that community start at \$290,000 and range from 2,200 to 2,500 square feet.
- Cordova is a community on the eastern boundary of the city of Memphis, south of Interstate 40, and includes Woodland

Hills, which has sold 96 of the 117 homes planned at buildout. Homes range from 2,700 to 3,400 square feet, and prices start at \$365,000.

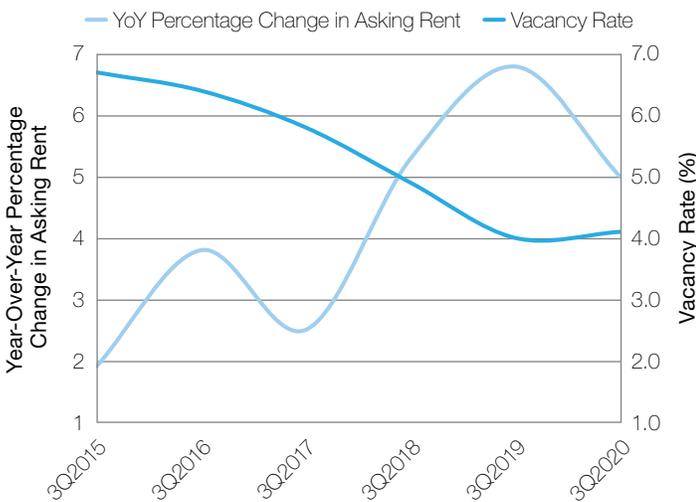
## Apartment Market Conditions

The apartment market in the Memphis metropolitan area is currently balanced. A shift in preference toward renting has contributed to an overall decline in the apartment vacancy rate since the 2010s, when apartment market conditions were soft. More recently, an increase in multifamily home construction has caused vacancy rates to stabilize since 2019. During the third quarter of 2020, the apartment vacancy rate in the metropolitan area was 4.1 percent—up from 4.0 percent during the third quarter of 2019 (RealPage, Inc.) but down from 9.6 percent in the third quarter of 2010.

During the third quarter of 2020—

- The average asking rent in the Memphis metropolitan area was \$953—a 5-percent increase from \$908 a year earlier (RealPage, Inc.). By comparison, the average asking rent for the nation decreased 1 percent, to \$1,417, in the third quarter of 2020 from \$1,426 a year ago.

### Rent growth has slowed and vacancy rates have stabilized since 2019 in the Memphis metropolitan area.



3Q = third quarter. YoY = year-over-year. Source: RealPage, Inc.

- The RealPage, Inc.-defined North Memphis market area (hereafter, market area) had the highest percentage increase in average asking rent, at 6 percent, to \$777. The vacancy rate in the North Memphis market area was 3.4 percent in the third quarter of 2020—up from 3.3 percent the previous year.
- The Downtown Memphis market area had the highest average asking rent in the Memphis metropolitan area, at \$1,248. The vacancy rate in the Downtown market area was 5.8 percent in the third quarter of 2020—up from 2.9 percent the previous year. Some of that increase was attributed to 700 new units that are still in lease up. More than 2,100 units have been added to the Downtown Memphis market area in the past 5 years.
- The lowest vacancy rate in the Memphis metropolitan area was in the West Memphis, Arkansas market area, at 2.9 percent—up from 1.9 percent a year earlier. The vacancy rate was low partly because no new apartment units have been added in more than a decade.

In response to job growth and strong rental demand, multifamily construction in the metropolitan area, as measured by the number of multifamily units permitted, has increased significantly since 2011. After a peak in 2018, the number of multifamily units permitted has trended downward.

- As of November 1, 2020, an estimated 2,100 multifamily units were under construction in the metropolitan area. Nearly one-half of those units were underway in the Midtown/East Memphis market area.
- From 2013 through 2016, multifamily permitting averaged 1,700 units annually, compared with an average of 1,150 units annually during 2011 and 2012. In 2017, the number of multifamily units permitted fell to 990 units before peaking at 2,025 units permitted during 2018. During the 12 months ending October 2020, 1,400 multifamily units were permitted in the metropolitan area—down from 1,600 units during the previous 12 months.
- Building has been active in the town of Collierville, Tennessee, which borders Interstate 269 and forms a

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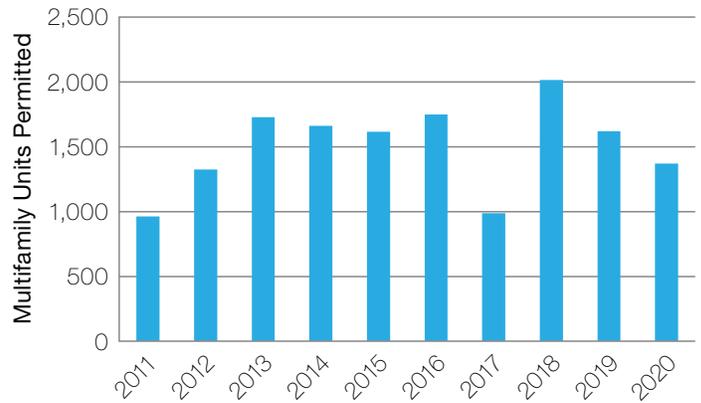


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semicircle around the city of Memphis. The Springs at Forest Hill, a 296-unit property in Memphis near Collierville, was completed in the spring of 2020 and is currently leasing, with rents for studios, one-bedroom, two-bedroom, and three-bedroom units starting from \$1,180, \$1,234, \$1,575, and \$1,811, respectively.

- In the city of Memphis, Madison at McLean, a 108-unit community in the Midtown/East Memphis market area, began leasing in October 2020 and is expected to be fully finished in January 2021. One-bedroom units at that property range from \$975 to \$2,211, and two-bedrooms range from \$1,575 to \$1,625.

The annual number of multifamily units permitted in the Memphis metropolitan area peaked in 2018 and has been dropping since then.



Note: Includes preliminary data from January 2020 through October 2020.  
 Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst