

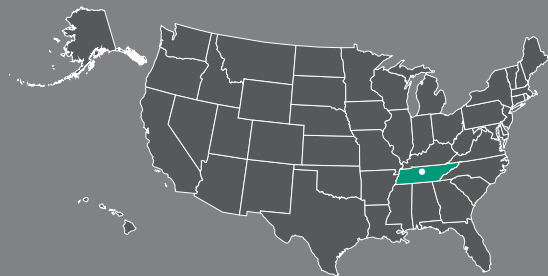
HUD PD&R Housing Market Profiles

Nashville-Davidson—Murfreesboro—Franklin, TN



Quick Facts About Nashville-Davidson—Murfreesboro—Franklin

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **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 Corp., several independent record labels, and the headquarters of Gibson Brands, Inc. The metropolitan area had 16.1 million visitors in 2019, up 6 percent from 2018. The Country Music Hall of Fame and Museum, Ryman Auditorium, the Grand Ole Opry, and the Country Music Association Annual Music Festival (CMA Fest) are among the most popular attractions in the metropolitan area (Nashville Convention & Visitors Corporation).**



Nashville, Tennessee

By Casey M. Blount | As of April 1, 2020

Overview

The Nashville-Davidson—Murfreesboro—Franklin (hereafter, Nashville) metropolitan area includes 14 counties in the northern part of central Tennessee. The metropolitan area is a leading hub in the country for the healthcare industry, which directly employed 121,000 workers and contributed an estimated \$46.8 billion in overall economic benefit in 2018 (Nashville Area Chamber of Commerce).

- As of April 1, 2020, the population of the Nashville metropolitan area is estimated at 1.98 million, representing an average annual increase of 32,750, or 1.8 percent, since 2012 (Census Bureau population estimate as of July 1).
- Population growth averaged only 24,000 people, or 1.5 percent, annually from 2008 to 2011, when weak economic conditions slowed net in-migration. During the most recent peak growth period, from 2003 to 2008, population growth averaged 35,400 people, or 2.3 percent, annually.
- Since 2012, net in-migration has averaged 23,250 people annually and has accounted for 71 percent of total population growth due to strong job growth. By comparison, net in-migration averaged 13,150 people annually from 2008 to 2011 and 24,400 people annually from 2003 to 2008.



Economic Conditions

The Nashville metropolitan area has added jobs at a strong rate since 2010. Nonfarm payrolls rose to an average of 1.06 million jobs during the first quarter of 2020, an increase of 31,500 jobs, or 3.1 percent, from the first quarter of 2019; total jobs were 34.2 percent higher than the previous first quarter peak of 791,400 jobs in 2008. From 2010 through 2019, total nonfarm payrolls expanded an average of 3.3 percent annually, more than double the 1.4-percent annual rate for the nation during the same period.

During the first quarter of 2020—

- Job growth occurred in all but one nonfarm payroll sector. The professional and business services sector added the most jobs, increasing by 6,400 jobs, or 3.7 percent.
- The fastest job growth occurred in the transportation and utilities sector, which expanded by 6,100 jobs, or 11.2 percent, due in part to more than 1,000 new jobs associated with the new Amazon.com, Inc. Operations Center of Excellence. The development is expected to eventually create 5,000 jobs at several facilities throughout the metropolitan area, including a \$230-million tower in downtown Nashville that is slated for completion in mid-2021.
- The leisure and hospitality sector added 5,300 jobs, or 4.6 percent, although a contraction is anticipated in upcoming quarters due in part to countermeasures to limit the contagion of COVID-19. The cancellation of more than 120 group meetings, conventions, and events in the city of Nashville, including the 2020 CMA Fest and the 2020 Southeastern Conference Basketball Tournament, has contributed to an

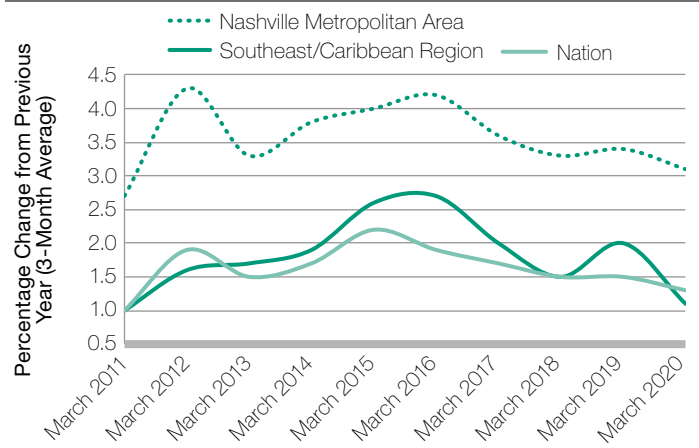
estimated loss of \$32.5 million in direct spending (Nashville Convention & Visitors Corporation).

- The average unemployment rate was 2.8 percent, up slightly from 2.7 percent during the first quarter of 2019, but below the 4.1-percent rate for the nation and a fraction of the 9.5-percent rate during the first quarter of 2010.

The education and health services sector is the second-largest in the metropolitan area, accounting for 157,200 jobs during the first

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The rate of job growth in the Nashville metropolitan area has exceeded the rates for the Southeast/Caribbean region and the nation since early 2011.



Source: U.S. Bureau of Labor Statistics

All private nonfarm payroll sectors in the Nashville metropolitan area added jobs during the past year.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,029.2	1,060.7	31.5	3.1
Goods-Producing Sectors	131.5	133.8	2.3	1.7
Mining, Logging, & Construction	46.9	48.7	1.8	3.8
Manufacturing	84.7	85.1	0.4	0.5
Service-Providing Sectors	897.7	926.9	29.2	3.3
Wholesale & Retail Trade	143.6	146.9	3.3	2.3
Transportation & Utilities	54.5	60.6	6.1	11.2
Information	23.7	24.8	1.1	4.6
Financial Activities	69.7	73.1	3.4	4.9
Professional & Business Services	172.4	178.8	6.4	3.7
Education & Health Services	153.8	157.2	3.4	2.2
Leisure & Hospitality	115.9	121.2	5.3	4.6
Other Services	42.5	42.6	0.1	0.2
Government	121.8	121.7	-0.1	-0.1
Unemployment Rate	2.7%	2.8%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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quarter of 2020, an increase of 3,400 jobs, or 2.2 percent, from a year ago. The sector is anchored by Vanderbilt University Medical Center, which is the largest private employer in the metropolitan area with 27,350 workers. Approximately one-half of the privately-owned hospitals in the nation are owned or operated by hospital management companies based in the metropolitan area (Nashville Health Care Council). HCA Healthcare, Inc., the largest for-profit operator of healthcare facilities in the world, manages more than 270 medical facilities throughout the United States and the United Kingdom, and Community Health Systems, Inc., which operates more than 200 hospitals throughout the nation, are both headquartered in the metropolitan area, employing approximately 10,750 and 4,700 workers, respectively. Notable expansions in the sector have contributed significantly to recent job growth in

the metropolitan area. HCA Healthcare, Inc. created 1,000 jobs when it relocated the offices for two subsidiaries to Nashville in 2016, while Community Healthcare Systems, Inc. has added more than 2,000 jobs since 2017 when its new Shared Services Center opened in the city of Antioch.

Major Employers in the Nashville Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Vanderbilt University Medical Center	Education & Health Services	27,350
Nissan North America, Inc.	Manufacturing	10,750
HCA Healthcare, Inc.	Education & Health Services	10,600

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

Sales Market Conditions

The sales housing market in the Nashville metropolitan area is balanced, with an estimated sales vacancy rate of 1.9 percent as of April 1, 2020, down from 2.7 percent during April 2010. Strong job growth contributed to a significant decline in available for-sale inventory since the early 2010s. As of March 2020, 2.4 months of available inventory were for sale in the metropolitan area, down from 2.9 months a year ago and well below the 10.0 months of inventory during March 2011 (Greater Nashville Realtors, with adjustments by the analyst). The decline in available inventory during the past year was partly due to a decrease in the number of distressed properties (real estate owned [REO] and short sales) on the market. The percentage of home loans in the Nashville metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status was 0.8 percent as of February 2020, down from 1.0 percent a year ago and a fraction of the February high of 6.0 percent in 2010 (CoreLogic, Inc.). The current rate for the metropolitan area is below both the 1.3-percent rate for the nation and the 1.4-percent rate for Tennessee.

During the 12 months ending March 2020—

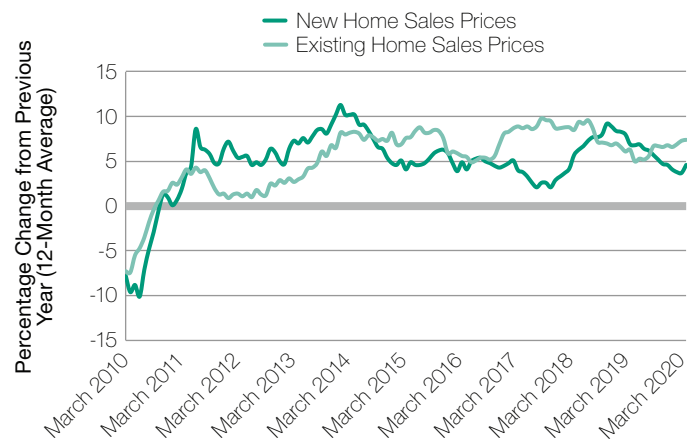
- A total of 10,200 new homes were sold, up 11 percent from the previous 12 months, whereas the average sales price for a new home increased 5 percent to \$418,900 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- Existing home sales totaled 45,900, a 6-percent increase from the previous 12 months. The average sales price for existing homes increased 7 percent to \$319,800.
- A significant decline in REO sales, which fell 9 percent from the previous 12 months to 790, contributed to the increased sales price for existing homes. REO sales accounted for 2 percent of all existing home sales during the most recent 12 months, unchanged from the previous 12-month period but a fraction of the 20-percent high during 2010.
- Condominium construction was largely subdued in the metropolitan area during the late 2000s and early 2010s,

although some new developments have recently been completed in the city of Nashville. Sales at 505, a 45-story building that includes 193 units in the Central Nashville market area, began in early 2019. Prices at the development currently start in the low \$400,000s for one-bedroom units and range to as high as \$5 million for three-bedroom penthouse units. Also in the Central Nashville market area, construction is underway at the Four Seasons Private Residences, a 40-story high-rise tower that will include more than 120 condominium units. Completion is expected by 2023, although prices for the units have yet to be released.

Single-family homebuilding, as measured by the number of homes permitted, has increased significantly since the early 2010s and is currently higher than the levels in the early and mid-2000s. Recent new home construction has been notable in the southern and

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Sales prices for both new and existing homes have increased each year since 2011 in the Nashville metropolitan area.

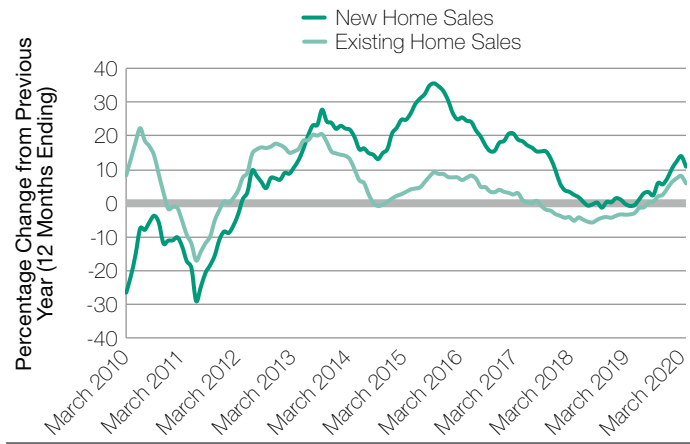


Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst



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After slowing during the 12 months ending March 2019, sales of both new and existing homes increased in the Nashville metropolitan area during the past year.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

eastern parts of the metropolitan area, particularly in areas with convenient access to significant job centers.

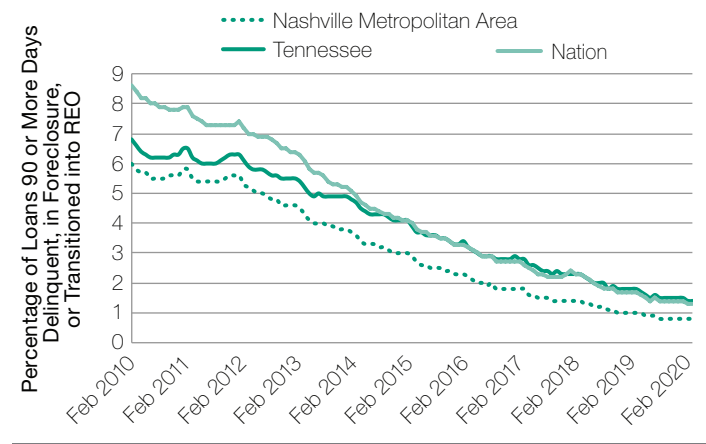
- A total of 14,250 single-family homes were permitted during the 12 months ending March 2020, up 19 percent from 12,000 homes permitted during the 12 months ending March 2019.
- An average of 13,000 homes were permitted each year from 2015 through 2019, up from an average of only 6,300 homes permitted each year from 2008 through 2014. By comparison, an average of 14,050 homes were permitted each year from 2000 through 2007.
- Williamson and Rutherford Counties, which are located south of the city of Nashville along the Interstate 65 and Interstate 74 corridors, respectively, have accounted for a combined 32 percent of all single-family homes permitted in the metropolitan area since the start of 2018. Wilson County, which is located along the Interstate 40 corridor to the east of Nashville, has accounted for an additional 13 percent.

Rental Market Conditions

Rental housing market conditions in the Nashville metropolitan area are currently balanced, with strong renter household growth contributing to relatively low vacancy rates and rapid rent growth during much of the 2010s. The overall rental vacancy rate is currently estimated at 6.0 percent as of April 1, 2020, below the 9.3-percent rate in April 2010. Rental household growth in the metropolitan area has averaged 2.5 percent a year since April 2010, significantly higher than the overall rate of household growth, which has averaged 1.8 percent a year.

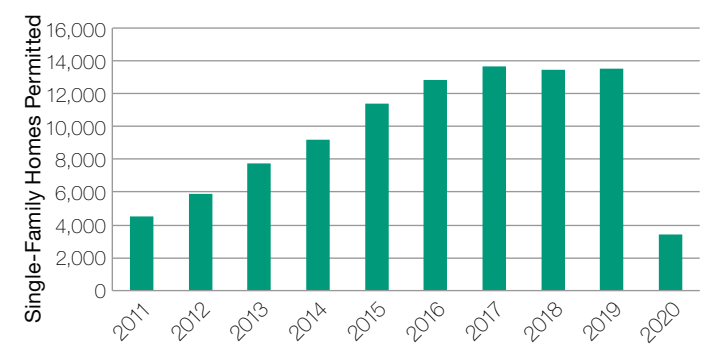
During the first quarter of 2020—

The rate of seriously delinquent mortgages and REO properties in the Nashville metropolitan area has remained below the rates for the state and the nation since 2010.



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

Since the mid-2010s, developers in the Nashville metropolitan area have responded to declining levels of available for-sale inventory with increased levels of single-family construction.



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

- The apartment market in the metropolitan area was balanced, with a vacancy rate of 4.9 percent, down from 5.3 percent a year ago and well below the 7.2-percent rate during the first quarter of 2010 (RealPage, Inc.).
- The average rent in the metropolitan area rose to \$1,297, a 6-percent increase from a year ago. By comparison, the average rent for the nation increased 4 percent to \$1,436.
- Vacancy rates were generally highest in and around the city of Nashville, where large numbers of new units are being absorbed, with lower rates in outlying areas where development

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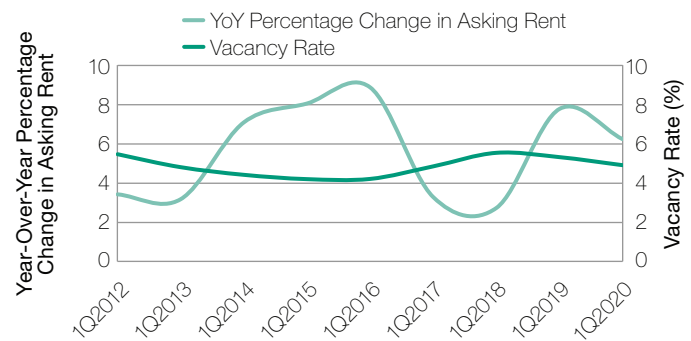
has been relatively sparse. The highest vacancy rate, 5.6 percent, was in the RealPage, Inc.-defined East Nashville market area, and the lowest rate, 3.7 percent, was in the North Nashville market area, which encompasses Cheatham and Robertson Counties.

- Significant new apartment construction has also contributed to relatively high rents in and around downtown Nashville. Average rents in the metropolitan area ranged from \$1,038 in the Southeast Nashville market area to \$1,857 in the Central Nashville market area.

Multifamily construction in the metropolitan area, as measured by the number of units permitted, increased during the past year and has generally been at very high levels since the mid-2010s.

- During the 12 months ending March 2020, multifamily permitting rose to 8,125 units, a 22-percent increase from 6,150 units during the previous 12 months.
- After averaging only 1,150 units a year from 2009 through 2011, multifamily permitting increased to an average of 4,225

Strong renter household growth has contributed to relatively low apartment vacancy rates and rising rents since the early 2010s in the Nashville metropolitan area.

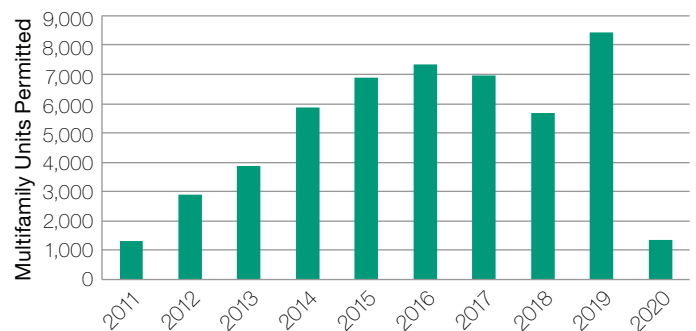


1Q = first quarter. YoY = year-over-year.
Source: RealPage, Inc.

units a year from 2012 through 2014 and again to an average of 7,050 units a year from 2015 through 2019. By comparison, an average of 2,200 units were permitted each year from 2000 through 2008.

- Recent apartment construction has been concentrated in and around the economic core of the metropolitan area. Davidson County, which encompasses the city of Nashville, has accounted for 70 percent of all multifamily units permitted since the start of 2018. Development has been particularly prevalent in the Central Nashville market area, which includes downtown Nashville. New developments in the market area include the 313-unit 1200 Broadway, which began lease-up in late 2019. Rents at the development currently start at \$1,675, \$2,175, \$3,375, and \$6,400, respectively, for studio, one-bedroom, two-bedroom, and three-bedroom units. Broadstone Stockyards was completed in early 2020 and includes 339 apartment units with rents ranging from \$1,500 to \$1,625 for studio units, from \$1,725 to \$3,575 for one-bedroom units, and from \$2,650 to \$3,850 for two-bedroom units.

Multifamily construction was at historically high levels in the Nashville metropolitan area from 2015 through 2019.



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

