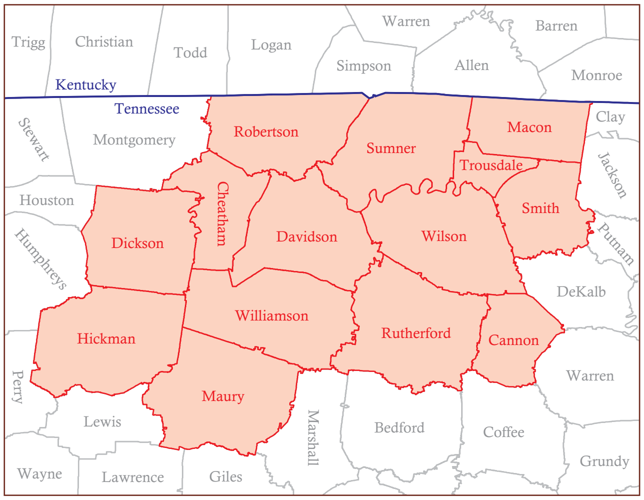
COMPREHENSIVE HOUSING MARKET ANALYSIS

Nashville-Davidson--Murfreesboro--Franklin, Tennessee

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of August 1, 2017

PD&R



Housing Market Area

The Nashville-Davidson--Murfreesboro--Franklin Housing Market Area (hereafter, Nashville HMA) is in the northern part of central Tennessee. For the purposes of this analysis, the HMA encompasses 14 counties, which are divided into three submarkets. The Central submarket consists of Davidson County, including the principal city of Nashville. The Southern Suburbs submarket consists of Rutherford and Williamson Counties. The Remainder submarket consists of Cannon, Cheatham, Dickson, Hickman, Macon, Maury, Robertson, Smith, Sumner, Trousdale, and Wilson Counties.

Summary

Economy

Economic conditions in the Nashville HMA are strong due to job growth of more than double the national rate since 2010. Nonfarm payrolls in the HMA averaged about 969,300 jobs during the 12 months ending July 2017, an increase of 33,600 jobs, or 3.6 percent, from the previous 12 months. Every sector in the HMA added jobs during the period led by the professional and business services sector. Job growth is expected to remain strong at an average annual rate of 3.4 percent during the 3-year forecast period.

Sales Market

Sales housing market conditions are currently balanced in the HMA with job gains and population growth contributing to increased sales prices and new home construction. During the 12 months ending July 2017, approximately 52,150 homes sold, unchanged from the previous 12 months, while the average sales price increased 8 percent to $274,000 (CoreLogic, Inc., with adjustments by the analyst). As of July 2017, only 1.5 percent of home loans in the HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, the lowest figure for a July since 2001. Demand is expected for 28,225 new homes during the forecast period. The 7,550 homes currently under construction will meet some of that demand (Table 1).

Rental Market

The rental housing market in the HMA is balanced with an estimated overall vacancy rate of 6.3 percent, down from 9.3 percent in April 2010. The apartment market is also balanced. During the second quarter of 2017, the apartment vacancy rate in the HMA was 5.0 percent, up from 3.0 percent a year ago (MPF Research). During the forecast period, demand is expected for 16,250 new market-rate rental units in the HMA. The approximately 11,000 rental units currently under construction will satisfy most of the demand during the next 2 years (Table 1).

Market Details

Table 1. Housing Demand in the Nashville HMA* During the Forecast Period

	Nashville HMA*		Central Submarket		Southern Suburbs Submarket		Remainder Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	28,225	16,250	5,675	7,950	13,000	4,575	9,550	3,725
Under Construction	7,550	11,000	2,575	6,450	2,275	2,250	2,700	2,300

** Nashville-Davidson--Murfreesboro--Franklin HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2017. A portion of the estimated 22,800 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is August 1, 2017, to August 1, 2020.

Source: Estimates by analyst

Economic Conditions

The Nashville HMA is a national hub for the education and the healthcare industry, as well as a center for music production and tourism. The economy of the HMA is currently strong with nonfarm payrolls surpassing the prerecession peak in 2012. The rate of job growth slowed slightly during the most recent 12 months but remained at more than double the national rate, continuing a trend that began in 2010. During the 12 months ending July 2017, nonfarm payrolls in the HMA increased by 33,600 jobs, or 3.6 percent, from a year earlier to approximately 969,300 jobs, after expanding 3.9 percent during the 12 months ending July 2016 (Table 2). By comparison, nonfarm payrolls in the nation expanded 1.9 percent during the 12 months ending July 2016 and 1.6 percent during the 12 months ending July 2017. The number of jobs in the HMA is currently 21.4 percent higher than the 798,700 jobs averaged during the 12 months ending July 2008, which was the high before the past economic downturn. Every sector in the HMA added jobs during the most recent 12 months, with the professional and business services, the leisure and hospitality, and the education and health services sectors leading gains, adding 7,100, 5,100, and 5,000 jobs, or 4.6, 4.9, and 3.5 percent, respectively. The fastest job growth was in the mining, logging, and construction sector, which was up 6.8 percent, or by 2,700 jobs, due primarily to high levels of residential construction and several major commercial projects that began in early 2017. Notable recent developments include the 33-story JW Marriott in downtown Nashville

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Nashville HMA,* by Sector

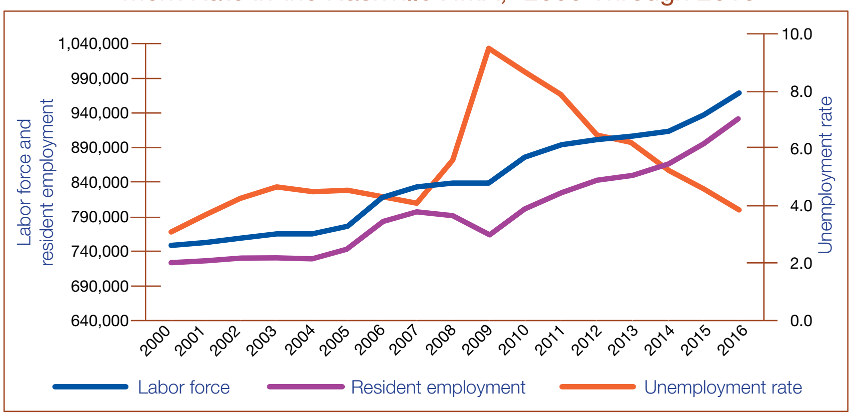
	12 Months Ending July 2016	12 Months Ending July 2017	Absolute Change	Percent Change
Total nonfarm payroll jobs	935,700	969,300	33,600	3.6
Goods-producing sectors	120,100	125,400	5,300	4.4
Mining, logging, & construction	39,500	42,200	2,700	6.8
Manufacturing	80,600	83,200	2,600	3.2
Service-providing sectors	815,600	843,900	28,300	3.5
Wholesale & retail trade	135,700	137,700	2,000	1.5
Transportation & utilities	43,700	45,400	1,700	3.9
Information	22,700	23,500	800	3.5
Financial activities	61,200	63,900	2,700	4.4
Professional & business services	152,800	159,900	7,100	4.6
Education & health services	143,400	148,400	5,000	3.5
Leisure & hospitality	103,400	108,500	5,100	4.9
Other services	38,400	39,300	900	2.3
Government	114,200	117,300	3,100	2.7

** Nashville-Davidson--Murfreesboro--Franklin HMA.*

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through July 2016 and July 2017.

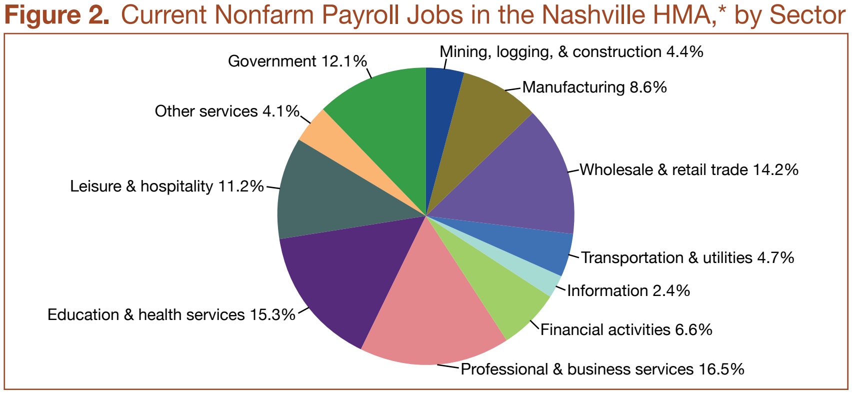
Source: U.S. Bureau of Labor Statistics and the first phase of Northside at McEwan, a $270 million mixed-use development in the city of Franklin that will include commercial, retail, and residential space. Unemployment in the HMA continued to decline as economic conditions have strengthened. The unemployment rate averaged 3.6 percent during the 12 months ending July 2017, down from 3.9 percent during the previous 12 months and well below the high of 9.1 percent recorded during the 12 months ending July 2010. The unemployment rate in the HMA is also 1 percentage point below the rate for Tennessee overall. Figure 1 shows trends in the labor force, resident employment, and the average unemployment rate in the HMA.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Nashville HMA,* 2000 Through 2016



** Nashville-Davidson--Murfreesboro--Franklin HMA.*
Source: U.S. Bureau of Labor Statistics

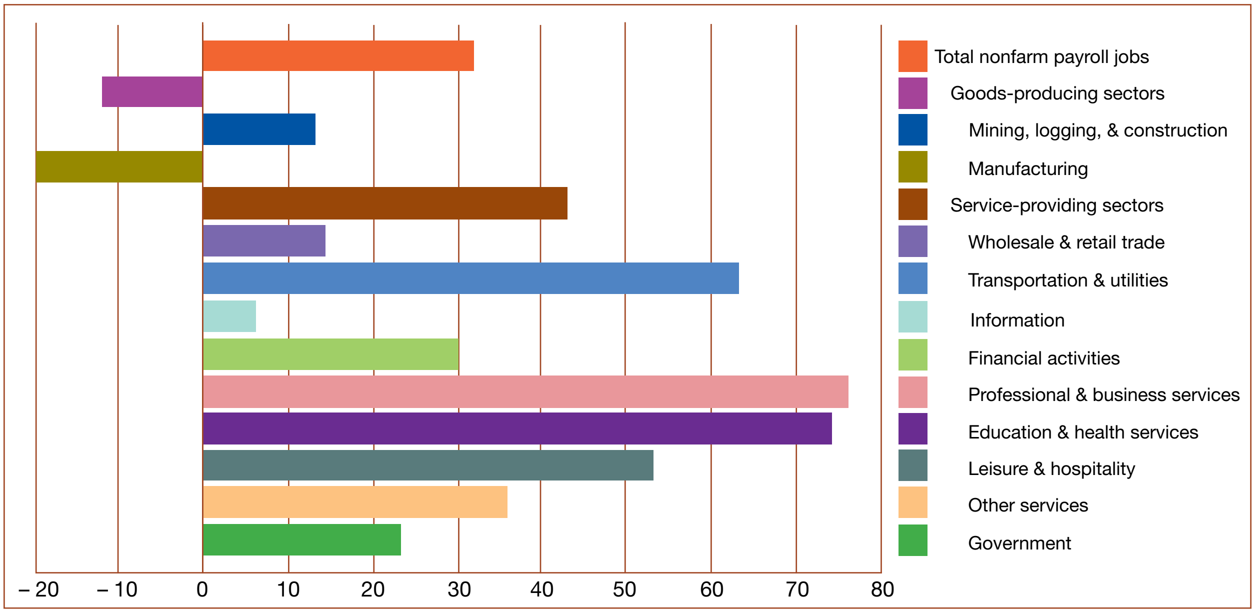
Figure 2. Current Nonfarm Payroll Jobs in the Nashville HMA,* by Sector



** Nashville-Davidson--Murfreesboro--Franklin HMA.*
Note: Based on 12-month averages through July 2017.
Source: U.S. Bureau of Labor Statistics

The HMA, which is currently home to the headquarters of six Fortune 500 companies, has become increasingly attractive for corporations because of its location and educated workforce. More than one-half of the total population of the nation resides within 650 miles of the HMA, and nearly 34 percent of the residents of the HMA have a bachelor's degree or higher (Nashville Area Chamber of Commerce). The professional and business services sector, which includes the temporary help services, technical services, administrative support, and waste management industries, is the largest sector in the HMA, accounting for 159,900 jobs, or 16.5 percent of total nonfarm payrolls, during the 12 months ending July 2017 (Figure 2). The sector currently has 76 percent more jobs than in 2000, the highest rate of any sector in the HMA (Figure 3). Large-scale corporate relocations and expansions, including those at Asurion and Amazon.com, Inc., drove recent growth in the sector. Asurion, a mobile phone insurance provider, added a combined 1,300 jobs after opening an office in downtown Nashville in 2012 and a new support center in the city of Antioch in 2014, which currently employs 4,000 in the HMA. Amazon, which created about 1,650 jobs when it opened new facilities in the cities of Murfreesboro and Lebanon in 2013, now employs more than 2,000 in the HMA. The professional and business services sector also benefits from the significant impact of the healthcare industry, which directly and indirectly supported nearly 250,000 jobs and contributed an estimated $38.8 billion of overall economic benefit to the HMA in 2014 (Nashville Healthcare Council).

Figure 3. Sector Growth in the Nashville HMA,* Percentage Change, 2000 to Current



** Nashville-Davidson--Murfreesboro--Franklin HMA.*
Note: Current is based on 12-month averages through July 2017.
Source: U.S. Bureau of Labor Statistics

The education and health services sector is the second largest in the HMA and accounted for 148,400 jobs, or 15.3 percent of total nonfarm payrolls, during the 12 months ending July 2017. Vanderbilt University Medical Center, which is the largest private employer in the HMA at 26,400 workers, anchored the sector (Table 3). Hospital management companies based in the HMA own or operate approximately one-half of the privately owned hospitals in the nation (Nashville Healthcare Council). Hospital Corporation of America, or HCA Holding, 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, which operates more than 200 hospitals throughout the nation, are both headquartered in the HMA, employing about 10,400 and 4,175 workers, respectively. Since 2000, the sector has expanded at the second fastest rate of any sector in the HMA, 74 percent, and has been the only sector to add jobs each year during the period. The 271-bed Monroe Carell Jr. Children's Hospital at Vanderbilt opened in 2004, and Centennial Medical Center completed a $15.5 million expansion of its Women's Hospital in 2008. More recently, Vanderbilt University completed a $30 million expansion of the Monroe Carell Jr. Children's Hospital in 2012, and HCA added 1,000 jobs when it relocated the offices for two subsidiaries to Nashville in 2016.

Table 3. Major Employers in the Nashville HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Vanderbilt University Medical Center	Education & health services	26,400
HCA Holdings, Inc.	Education & health services	10,400
Nissan North America Inc.	Manufacturing	10,100
Saint Thomas Health	Education & health services	7,100
Community Health Systems	Education & health services	4,175
Randstad Holding NV	Professional & business services	4,350
General Motors	Manufacturing	4,100
Asurion	Professional & business services	4,000
Electrolux Products North America	Manufacturing	3,400
Kroger Co.	Wholesale & retail trade	3,200

** Nashville-Davidson--Murfreesboro--Franklin HMA.*
Source: Nashville Area Chamber of Commerce, Nashville Business Journal

The leisure and hospitality sector has been among the fastest growing in the HMA since 2010, partly because of construction of new convention facilities and increased tourism, particularly associated with the music industry. The HMA welcomed 14 million visitors in 2016, up from 11 million in 2011 (Nashville Convention & Visitors Corporation). Music City Center, a convention facility with more than 350,000 square feet of exhibition space completed in 2013, contributed to a significant increase in the number of conventions held in the HMA, which totaled 687 in 2016, up from 406 in 2011. The Country Music Hall of Fame and Museum, Ryman Auditorium, the Grand Ole Opry, and the Country Music Association Music Festival are among the most popular attractions for visitors. Music production is also a notable part of the economy in the HMA. The city of Nashville is home to offices for Universal Music Group, Sony Music Entertainment, and Warner Music Group, as well as several independent record labels and the headquarters of Gibson Brands, Inc.

Primarily because of layoffs in the manufacturing sector, nonfarm payrolls in the HMA decreased by a combined 10,200 jobs during 2001 and 2002. The HMA rebounded quickly, however, adding 7,200 jobs in 2003 and then expanding by an average of 15,900 jobs, or 2.1 percent, each year from 2004 through 2007. The professional and business services, the education and health services, and the leisure and hospitality sectors accounted for 65 percent of job growth during the period, expanding by averages of 4,400, 3,500, and 2,400 jobs, or 4.8, 3.4, and 3.1 percent, each year, respectively. Nonfarm payrolls declined by an average of 19,200 jobs, or 2.4 percent, annually during 2008 and 2009 as a result of the housing crisis and the accompanying nationwide economic downturn. The manufacturing, the mining, logging, and construction, and the professional and business services sectors accounted for nearly all of the job losses during the period, declining by averages of 9,000, 5,300, and 4,500 jobs, or 11.1, 13.1, and 4.4 percent, each year, respectively. Layoffs at manufacturing facilities contributed significantly to job losses during the period. Manufacturers with major layoffs included General Motors (GM), which laid off more than 2,000 employees with the closing of a facility in the city of Spring Hill in Maury County, and Bridgestone Americas, Inc., which laid off more than 800 employees in the city of La Verne in Rutherford County.

The HMA experienced a strong economic recovery relative to the rest of the nation. From 2010 through 2016, nonfarm payrolls in the HMA expanded an average annual rate of 3.3 percent. By comparison, the recovery in the rest of the nation began later in 2011, and job growth averaged only 1.7 percent from 2011 through 2016. The professional and business services, education and health services, and leisure and hospitality sectors accounted for 59 percent of job growth in the HMA from 2010 through 2016, expanding by averages of 8,700, 3,800, and 3,700 jobs, or 7.3, 2.9, and 4.2 percent, each year, respectively. The manufacturing sector also contributed to job growth as Nissan North America Inc. added 1,700 jobs in the city of Smyrna in Rutherford County during the period, and GM reopened its Spring Hill facility in 2012 and then expanded it to accommodate production of two new mid-sized vehicles in 2015, creating an additional 4,100 jobs.

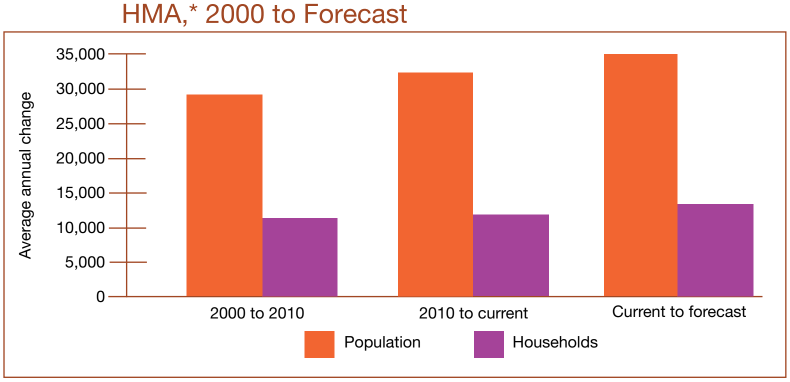
Job growth is expected to slow but remain strong at an average annual rate of 3.4 percent during the 3-year forecast period, with notable gains expected in industries related to business services, healthcare, tourism, and construction. Koninklijke Philips NV, a Dutch healthcare technology company, recently announced plans to build a consolidated customer service, human resources, finance, and marketing facility in the HMA that will create 800 new jobs by 2019, and Under Armour Inc. is expected to add at least 1,000 jobs at its distribution hub in the city of Mt. Juliet by 2020. Vanderbilt University is expected to complete both a $100 million expansion of the Monroe Carell Jr. Children's Hospital and a $24 million expansion of its School of Nursing by 2018. As many as 25 new hotels, representing more than 4,250 new rooms, are expected to be completed in the HMA during the next 3 years, and a combined $40 million of renovations to the facilities at Bridgestone Arena and Music City Center are also expected to create new jobs in the leisure and hospitality sector and construction industry during the period.

Population and Households

The Nashville HMA accounts for 27 percent of the population in Tennessee. As of August 1, 2017, the population of the HMA is estimated at nearly 1.91 million, reflecting an average increase of 32,050, or 1.8 percent, a year since 2010, up from the average gain of 25,100, or 1.5 percent, a year from 2008 to 2010 but below the average gain of 35,400, or 2.3 percent, a year from 2003 to 2008. Strong job growth has attracted new residents to the HMA since 2010 as in-migration has averaged 22,150 a year and has accounted for 69 percent of total population growth. By comparison, weak economic conditions limited in-migration to only 13,850 people a year, or 55 percent of population growth, from 2008 to 2010, well below the average of 24,450 people a year, or 69 percent of population growth, from 2003 to 2008. Figure 4 shows population and household growth in the HMA, and Figure 5 shows components of population growth in the HMA from 2000 to the forecast date.

The current population of the Central submarket, which includes the city of Nashville, is estimated at 695,500 and accounts for 36 percent of the total HMA population. Population growth

Figure 4. Population and Household Growth in the Nashville HMA,* 2000 to Forecast

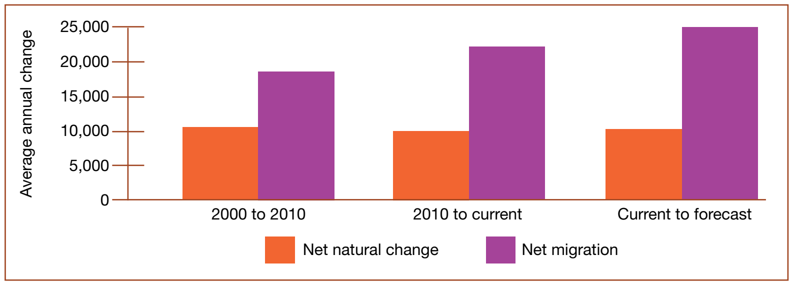


** Nashville-Davidson--Murfreesboro--Franklin HMA.*

Notes: The current date is August 1, 2017. The forecast date is August 1, 2020.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Nashville HMA,* 2000 to Forecast



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Notes: The current date is August 1, 2017. The forecast date is August 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

in the submarket has averaged 9,375 people, or 1.4 percent, a year since 2010, up from an average of 8,025 people, or 1.3 percent, a year from 2008 to 2010 when the HMA lost jobs, and also higher than the average of 7,075 people, or 1.2 percent, a year from 2003 to 2008 during the previous expansion. In-migration has increased since 2008 as the impact of the housing crisis was more pronounced in the submarket than in the HMA as a whole, which led many prospective buyers in the outlying submarkets to take advantage of a relatively high number of homes available through distressed sales. Since 2010, in-migration has averaged 4,500 people a year, higher than both the average annual rate of 3,075 people from 2008 to 2010 and the average annual rate of 2,475 people from 2003 to 2008.

The Southern Suburbs submarket includes the cities of Murfreesboro and Franklin and has the fastest population growth in the HMA. As of August 1, 2017, the population of the submarket is estimated at 543,900, or 29 percent of the total population of the HMA. Population growth in the submarket has averaged 13,400 people, or 2.7 percent, a year since 2010, up from an average of 10,150 people, or 2.3 percent, a year from 2008 to 2010, but below the average of 16,550 people, or 4.4 percent, a year from 2003 to 2008. In-migration has averaged 10,200 people a year since 2010, greater than the average of 6,675 people a year from 2008 to 2010 but less than the average of 13,000 people a year from 2003 to 2008. The submarket benefits from its proximity to the economic center of the HMA, and approximately 34 percent of employed residents of Rutherford and Williamson Counties commute to jobs in the Central submarket (U.S. Census Bureau, Longitudinal Employer-Household Dynamics, 2014 data). Rutherford County, where the average home sales price was approximately 27 percent lower than in the Central submarket during the 12 months ending June 2017, is particularly popular among buyers seeking affordable housing. Williamson County is among the most affluent counties in the nation, with a median household income nearly 85 percent higher than that of the nation (2015 American Community Survey [ACS] 1-year data).

The Remainder submarket, which includes the cities of Hendersonville, Gallatin, Mount Juliet, and Spring Hill, currently accounts for 35 percent of the total population of the HMA.

The population of the submarket was estimated at 666,700 as of August 1, 2017, an average increase of 9,300, or 1.5 percent, a year since 2010. Population growth averaged 11,750 people, or 2.1 percent, a year from 2003 to 2008 but declined to 6,975 people, or 1.2 percent, a year from 2008 to 2010. Improving economic conditions in the HMA has contributed to increased in-migration to the submarket since 2010, but a decrease in net natural change (resident births minus resident deaths) has limited overall population growth. Since 2010, in-migration has averaged 7,475 people a year, up from an average of 4,125 people a year from 2008 to 2010. Net natural change has averaged only 1,825 people a year since 2010, however, below the average of 2,850 people from 2008 to 2010. By comparison, in-migration and net natural change averaged 8,975 and 2,775 people a year, respectively, from 2003 to 2008.

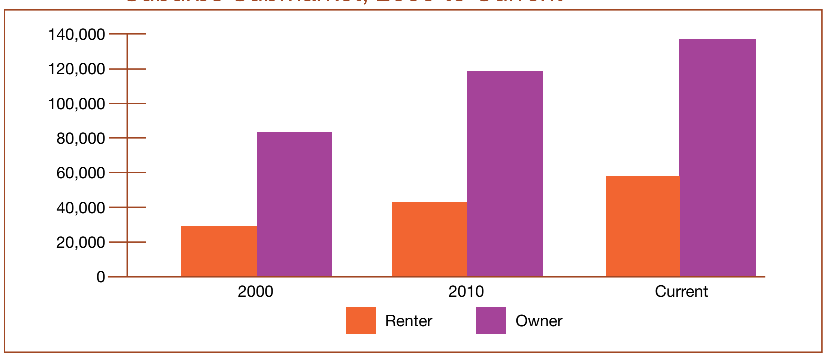
The rate of household growth in the HMA remains below the average rate from 2000 to 2010 but increased compared with the slow growth in the late 2000s. As of August 1, 2017, the number of households in the HMA was estimated at 733,700, reflecting average annual growth of 11,800, or 1.7 percent, since 2010. This growth was greater than the average increase of 11,050 households, or 1.9 percent, a year from 2000 through 2010. The Southern Suburbs submarket has added the most households since 2010, expanding by an average annual rate of 4,550, or 2.6 percent, followed by the Central submarket with an average annual increase of 3,700, or 1.4 percent, and the Remainder submarket with an average annual increase of 3,575, or 1.5 percent. By comparison, from 2000 to 2010, the Southern Suburbs submarket expanded somewhat faster, by an annual average of 5,000 households, or 3.8 percent. The Central submarket expanded somewhat slower, by an annual average of 2,200 households, or 0.9 percent. The Remainder submarket expanded slightly faster, by an annual average of 3,825 households, or 1.9 percent. Although foreclosure rates in the HMA have been below the average for the nation since the late 2000s, the housing crisis resulted in decreased homeownership rates in all three submarkets since 2010. The homeownership rates in the Central, Southern Suburbs, and Remainder submarkets are currently estimated at 53.9, 70.4, and 71.9 percent, down from 55.9, 73.3, and 75.6 percent in 2010, respectively.

During the next 3 years, population growth in the HMA is expected to average 35,000 people, or 1.8 percent, a year. Population growth in the Central submarket is expected to slow to 9,100 people, or 1.3 percent, a year as rising housing costs cause households to look for more affordable housing in the outlying submarkets of the HMA. The population of the Southern Suburbs submarket is expected to increase at an average annual rate of 16,000, or 2.9 percent, and the population in the Remainder submarket is expected to increase by an average of 9,825, or 1.5 percent, a year. Household growth is expected to generally mirror population growth during the 3-year forecast period. The number of households in the HMA is expected to increase by an average annual rate of 12,850, or 1.7 percent. The number of households in the Southern Suburbs submarket is expected to increase by an average annual rate of 5,525 households, or 2.8 percent, the fastest rate in the HMA. Annual household growth in the Central and Remainder submarkets is expected to average 3,575 and 3,775 households, or 1.2 and 1.5 percent, respectively. Figure 6, Figure 7, and Figure 8 show the number of households by tenure in each submarket, and Tables DP-1, DP-2, DP-3, and DP-4 at the end of the report provide additional data.

Figure 6. Number of Households by Tenure in the Central Submarket, 2000 to Current

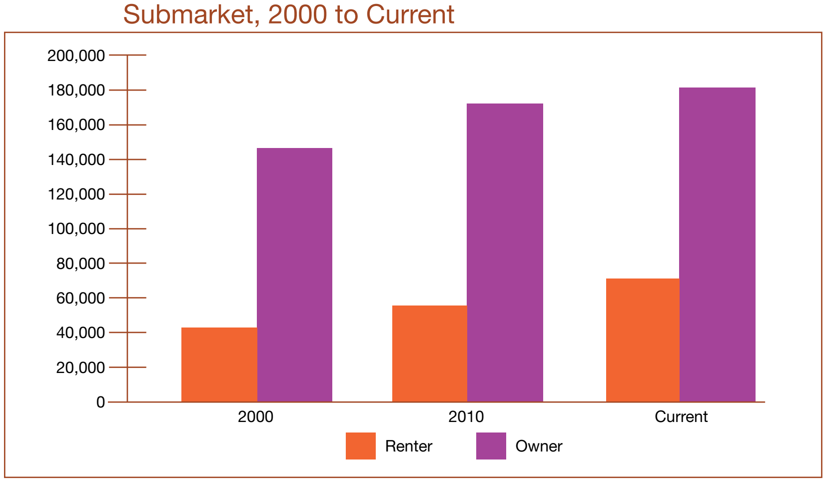
Note: The current date is August 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Southern Suburbs Submarket, 2000 to Current



Note: The current date is August 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Remainder Submarket, 2000 to Current



Note: The current date is August 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market—Central Submarket

Sales housing market conditions in the Central submarket are balanced, with an estimated 2.2-percent vacancy rate, down from 3.5 percent in 2010. Limited new home construction allowed for absorption of excess inventory in the early 2010s; however, new home construction has been at near record high levels since 2015 in response to strong growth in home sales prices. Approximately 16,350 new and existing homes (including single-family homes, condominiums, and townhomes) sold during the 12 months ending July 2017, an 11-percent decrease from the 18,450 sold during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The average home price was $303,500 during the 12 months ending July 2017, a 10-percent increase from the 12 months ending June 2016 and 45 percent above the high of $209,000 during the 12 months ending July 2008, before the local housing market downturn.

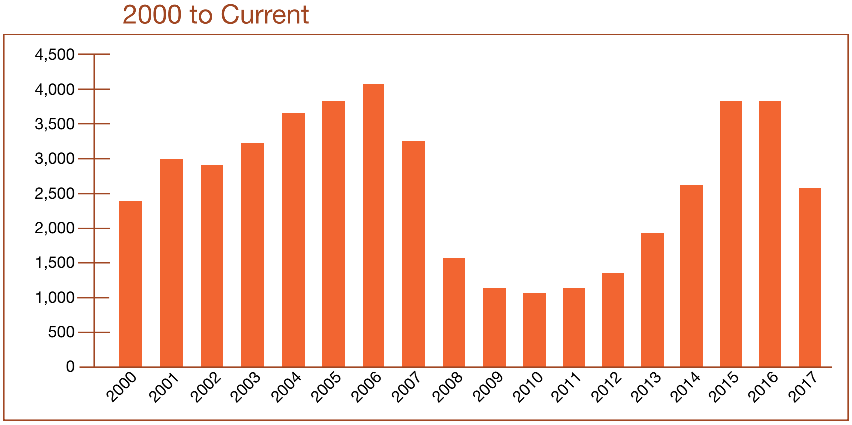
The number of new homes sold in the submarket peaked at approximately 3,800 in 2006 but decreased each of the following years to a low of 950 homes sold in 2013, an average annual decline of 18 percent. As economic conditions in the Nashville HMA improved and the excess supply of existing homes absorbed, the number of new homes sold increased at an average annual rate of 43 percent during the next 3 years to 2,325 homes in 2016. During the 12 months ending July 2017, the number of new homes sold totaled 1,850, down from 2,375 during the 12 months ending July 2016. In terms of new home prices, the impact of the recession and housing crisis was much less severe in the submarket, because new home construction was largely limited to high-end developments in the late 2000s and early 2010s. The average sales price of a new home in the submarket peaked at $239,300 in 2008, before declining at an average annual rate of 4 percent to $219,000 in 2010. The average sales price for new homes increased during 5 of the next 6 years and reached $365,900 during 2016, 53 percent higher than the prerecessionary high. During the 12 months ending July 2017, the average sales price for new homes was $368,300, up 3 percent from $357,300 during the 12 months ending July 2016 and 54 percent higher than the peak of $238,300 in 2008 before the market softened.

During the housing boom in the mid-2000s, condominiums represented a substantial part of the new home development in the submarket, which is the most densely populated in the HMA. Development of new condominium projects, particularly high-rises, declined significantly in the late 2000s and early 2010s, although some notable projects have been completed since late 2014. Condominium sales accounted for 36 percent of all new home sales in the submarket from 2005 through 2008 but declined to about 20 percent from 2011 through 2013 (Metrostudy, A Hanley Wood Company). Twelve Twelve, a 286-unit development in the southwest part of downtown Nashville known as The Gulch was the first major highrise condominium project completed in the submarket after the housing crisis. The project opened in late 2014, with prices starting at $270,000 for units starting at 700 square feet.

More recently, the 81-unit first phase of Alloy, a development that will eventually include 101 units, are now available with prices starting around $200,000.

Sales of existing homes in the submarket declined from a peak of about 17,400 homes sold during 2006 to a recent low of 8,450 homes sold in 2011, an average annual decrease of 13 percent. Job growth and increased in-migration then contributed to absorption of the excess supply of existing homes. The number of existing homes sold increased an average of 14 percent annually during the next 5 years to 16,150 in 2016. Existing home sales totaled 14,500 during the 12 months ending July 2017, a 10-percent decline from the previous 12-month period due, in part, to a 64-percent decline in REO sales. The average sales price of existing homes peaked at $201,600 in 2007 and then declined at an average annual rate of 4 percent to $179,200 in 2010, before increasing at an average annual rate of 7 percent to $275,400 in 2016. During the 12 months ending July 2017, the average sales price of an existing home was $295,200, a 12-percent increase from $262,900 during the 12 months ending July 2016. During the recovery from the housing crisis, existing home sales increased faster relative to existing home prices, partially the result of a high volume of REO sales. From 2010 through 2016, REO sales accounted for 11 percent of all existing homes sold, with an average sales price 50 percent lower than that of regular resales. By comparison, REO properties accounted for 5 percent of all existing home sales from 2000 through 2006, prior to the housing crisis. During the 12 months ending July 2017, REO properties accounted for only 2 percent of all existing sales, down from 4 percent during the previous 12 months. The average sales price of an REO property was only 16 percent lower than that of a regular resale during the 12 months ending July 2017 at $248,200. As of July 2017, 1.5 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 2.0 percent in July 2016 and well below the peak of 5.5 percent during July 2010 (CoreLogic, Inc.).

Figure 9. Single-Family Homes Permitted in the Central Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Single-family home construction in the submarket, as measured by the number of homes permitted, has increased significantly since the early 2010s and currently equals the previous high that occurred in the mid-2000s (Figure 9). During the 12 months ending July 2017, approximately 4,100 single-family homes were permitted, a 2-percent increase from the 4,025 homes permitted during the 12 months ending July 2016. The number of single-family homes permitted peaked at 4,100 in 2006 but declined at an average annual rate of 29 percent to 1,050 in 2010 as the economy and housing market conditions weakened. Since 2011, builders have increased new home construction in response to improving economic conditions and accelerating household growth. From 2011 through 2015, the number of single-family homes permitted increased an average annual rate of 30 percent to 3,825. In 2016, 3,825 homes were also permitted. The combined 7,650 homes permitted in 2015 and 2016 was the second highest total for a 2-year period on record, behind only the 7,900 homes permitted in 2005 and 2006.

A significant portion of the recent new home development occurred in the communities of Antioch and Hermitage, which are to the southeast and northeast of the city of Nashville, respectively. The trend is expected to continue with several notable projects currently in the development pipeline. In Antioch, Lennar Corporation is under contract to buy the 64-acre Davenport Downs subdivision and plans to build as many as 207 single-family homes with prices ranging from $230,000 to $280,000. In Hermitage, Craighead Development and Ole South Properties are expected to develop the 285-acre Binns Farms, a 500-home community targeted to active adults ages 55 years and older. The first phase of the development is expected to be complete in late 2018 or early 2019, with four additional phases to follow. Prices are expected to range from $350,000 to $450,000 for homes ranging in size from 1,600 to 2,600 square feet.

During the 3-year forecast period, demand in the submarket is expected for 5,675 new homes (Table 1). Demand is expected to remain relatively constant during the forecast period, as economic conditions continue to improve but the rate of household growth slows. The 2,575 homes currently under construction will satisfy some of the forecast demand. Table 4 illustrates the estimated demand for new sales housing in the submarket by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Central Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
220,000	294,999	850	15.0
295,000	369,999	1,125	20.0
370,000	444,999	1,125	20.0
445,000	519,999	850	15.0
520,000	594,999	570	10.0
595,000	669,999	570	10.0
670,000	744,999	280	5.0
745,000	and higher	280	5.0

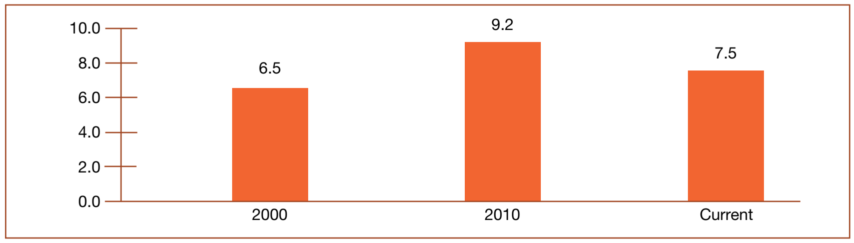
Notes: The 2,575 homes currently under construction and a portion of the estimated 7,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is August 1, 2017, to August 1, 2020.

Source: Estimates by analyst

Rental Market—Central Submarket

The rental housing market in the Central submarket is currently balanced, with an estimated overall vacancy rate of 7.5 percent, down from 9.2 percent in April 2010 (Figure 10). The apartment market is also balanced, as rental household growth outpaced apartment construction during the early 2010s, allowing for absorption of excess vacant units. Apartment construction has been at very high levels since 2013, contributing to increased apartment vacancy rates throughout the submarket during the past year. During the second quarter of 2017, the apartment vacancy rate in the submarket was 5.5 percent, up from 2.9 percent during the second quarter of 2016 (MPF Research). The apartment vacancy rate increased in all six MPF Research-defined market areas that comprise the submarket.

Figure 10. Rental Vacancy Rates in the Central Submarket, 2000 to Current



Note: The current date is August 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

The Central Nashville market area had the highest vacancy rate and the greatest increase in vacancies from a year earlier, with a rate of 11.3 percent during the second quarter of 2017, up from 5.2 percent during the second quarter of 2016. Approximately 2,400 apartment units were completed in the market area during the past year, contributing to a 16-percent increase in the total apartment inventory in the Central Nashville market area, many of which are still in lease-up, contributing to the increased vacancy rate. By comparison, 2,425 units were completed in the remaining five market areas combined, which contributed to an increase of only 4 percent in the apartment inventory. The average market rent in the submarket was $1,116 during the second quarter of 2017, a 6-percent increase from $1,057 a year ago. Average rents in the submarket ranged from $932 in the Southeast Nashville market area to $1,621 in the Central Nashville market area. The wave of new construction limited rent growth to less than 1 percent in the Central Nashville market area, the lowest rate in the submarket. The highest rate of growth, 10 percent, was in the South Nashville market area, where the apartment vacancy rate was only 3.7 percent. During the second quarter of 2017, the average rent in the South Nashville market area was $1,070, up from $992 during the second quarter of 2016.

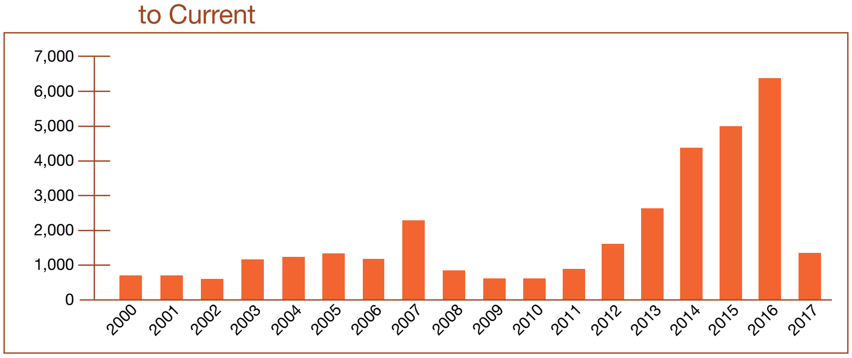
College students significantly affect the rental market in the submarket. Vanderbilt University and Belmont University are directly west of downtown Nashville. Tennessee State University and Lipscomb University are in the northwestern and southwestern parts of the city, respectively. As of the fall of 2016, the four universities enrolled a combined 33,400 students, with an estimated 19,200 students living in off-campus housing. The West Nashville market area, which has a high concentration of students, had the lowest vacancy rate in the submarket during the second quarter of 2016 at 3.1 percent. That rose to 5.4 percent during the second quarter of 2017, as 830 new apartment units were completed in the market area. Those units contributed to a 6-percent increase in the apartment inventory in the market area, the second fastest expansion in the submarket. The average rent in the market area increased 4 percent to $1,189 during the second quarter of 2017, the second highest in the submarket. Vanderbilt and Belmont are both expected to expand dormitory capacity during the 3-year forecast period. Vanderbilt will add space for 100 students when the construction of the new Vanderbilt Barnard residential college is completed in 2018, and Belmont is scheduled to add space for 600 students when construction of a new residence hall is completed in 2019.

Since 2010, more than 90 percent of the multifamily units permitted in the submarket have been apartments. The number of multifamily units permitted averaged 1,125 a year from 2000 through 2007 but declined to an average of only 890 units a year from 2008 through 2012 (Figure 11). Developers responded to strengthening economic conditions and accelerating renter household growth with high levels of multifamily permitting from 2013 through 2016. During the period, an average of 4,575 multifamily units were permitted each year, the highest figure for a 4-year period since 1984 through 1987. The 6,400 units permitted in 2016 represent the most in a single year since 1985. During the 12 months ending July 2017, approximately 2,375 multifamily units were permitted, a 65-percent decrease from 6,825 units during the previous 12 months as builders slowed production in response to increased vacancy rates (preliminary data). Despite the recent slowdown in permitting, an estimated 7,450 units are currently under construction or in planning and expected to be completed during the next 3 years.

From the second quarter of 2016 to the second quarter of 2017, the apartment inventory of the Nashville HMA expanded 6 percent, the second fastest rate of the 100 markets covered by MPF Research. The inventory in the submarket expanded 6 percent, accounting for 63 percent of all units completed in the HMA during the period. Recent development in the submarket has been heavily concentrated in the city of Nashville, particularly in and around the central business district. SkyHouse Nashville, a 25-story apartment building in the Midtown neighborhood, began leasing recently. Rents currently start at $1,525 for studio units, $1,775 for one-bedroom units, $2,650 for two-bedroom units, and $3,800 for three-bedroom units. The project will include 352 units on completion in late 2017. Construction is ongoing at Capitol View Nashville, a mixed-use development that encompasses 32 acres in the North Gulch neighborhood. The first phase included a new headquarters for HCA, and the second phase will include up to 375 apartment units, as well as up to 60,000 square feet of retail space and up to 50,000 square feet of office space. The apartment units are expected to enter the market by late 2018.

During the forecast period, demand is expected for 7,950 new market-rate rental units (Table 1). The 6,450 apartment units currently under construction and the 1,050 units in final planning will satisfy nearly all of the demand during the first 2 years. Table 5 shows the estimated demand by rent level and number of bedrooms for new market-rate rental housing in the submarket during the forecast period.

Figure 11. Multifamily Units Permitted in the Central Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Central Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
850 to 1,049	560	1,100 to 1,299	1,800	1,325 to 1,524	1,675	1,500 to 1,699	870
1,050 to 1,249	120	1,300 to 1,499	420	1,525 to 1,724	420	1,700 to 1,899	240
1,250 to 1,449	80	1,500 to 1,699	280	1,725 to 1,924	280	1,900 to 2,099	160
1,450 or more	40	1,700 to 1,899	140	1,925 to 2,124	280	2,100 to 2,299	160
		1,900 or more	140	2,125 or more	140	2,300 to 2,499	80
						2,500 or more	80
Total	800	Total	2,775	Total	2,775	Total	1,600

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 6,450 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2017, to August 1, 2020.

Source: Estimates by analyst

Sales Market—Southern Suburbs Submarket

The sales housing market in the Southern Suburbs submarket is slightly tight, with a current estimated sales vacancy rate of 1.4 percent, down from 2.2 percent in 2010. New home construction has increased since the early 2010s but remains below the levels of the early and mid-2000s, contributing to the slightly tight market conditions and record high home sales prices.

The number of existing homes sold in the submarket has increased significantly since the early 2010s. The growth was partly offset by a decline in the number of REO sales, and existing home sales remain below the prerecessionary high, however. During the 12 months ending July 2017, the number of existing home sales increased 1 percent to 12,400 following a 2-percent increase during the 12 months ending July 2016. (CoreLogic, Inc., with adjustments by the analyst). After declining at an average annual rate of 15 percent, from a high of 13,200 in 2005 to a low of 6,925 in 2009, the number of existing homes sold increased at an average annual rate of 9 percent from 2010 through 2016. REO sales peaked at 1,250 but declined at an average annual rate of 21 percent from 2011 through 2016. The number of REO sales declined 39 percent to 230 during the 12 months ending July 2017, after declining 30 percent during the previous 12 months. By comparison, the number of regular resales increased 3 percent to 12,050 during the 12 months ending July 2017, after increasing 5 percent during the 12 months ending July 2016. As of July 2017, 1.1 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 1.5 percent in July 2016, and the lowest rate in the Nashville HMA.

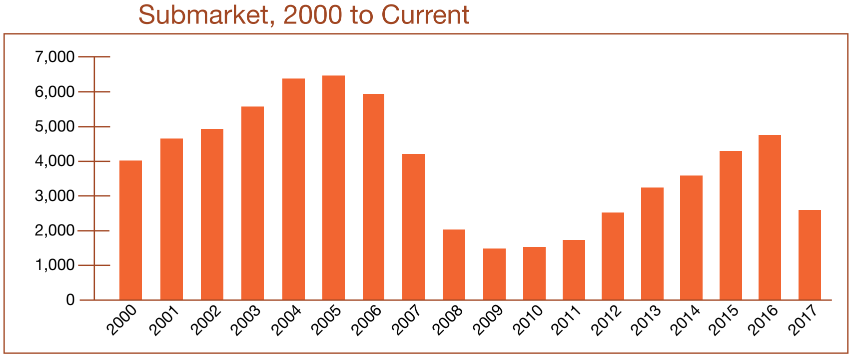
Increased demand associated with population and job growth combined with a declining supply of distressed homes for sale resulted in sharply rising existing home prices in the submarket. The average sales price of an existing home increased to $310,900 during the 12 months ending July 2017, up 10 percent from $283,800 during the 12 months ending July 2016. After declining at an average annual rate of 4 percent from $234,600 in 2007 to a low of $216,300 in 2010, the average sales price of an existing home increased at an average annual rate of 5 percent during the next 6 years, surpassing the prerecessionary high in 2013 and reaching $294,900 in 2016. The average sales price for a regular resale was $312,000 during the 12 months ending July 2017, a 9-percent increase from the previous 12 months and 29 percent above $241,600, the previous peak, which occurred during 2008. The average sales price for an REO home was $316,600 during the 12 months ending July 2017, a 52-percent increase from the previous 12 months.

Absorption of existing inventory has resulted in increased levels of single-family home development and new home sales in the submarket since 2012, although the number of new homes sold remains below the levels of the mid-2000s. During the 12 months ending July 2017, 3,725 new homes sold in the submarket, up 8 percent from the previous 12 months but 29 percent below 5,225, the high during the 12 months ending July 2006. The number of new homes sold peaked at 5,300 during 2005 but declined at an average annual rate of 19 percent from 2006 through 2011, when the number of new homes sold reached a low of 1,450. From 2012 through 2016, the number of new homes sold increased at an average annual rate of 20 percent. The average sales price of a new home was $401,100 during the 12 months ending July 2017, a 5-percent increase from $384,000 during the 12 months ending July 2016 and 24 percent above $323,500, the previous peak, which occurred during the 12 months ending July 2008.

Builders have responded to rising home prices with increasing levels of new home construction since the early 2010s. Single-family homebuilding activity, as measured by the number of single-family homes permitted, remains below the levels of the early and mid-2000s, however. During the 12 months ending July 2017, approximately 4,250 single-family homes were permitted in the submarket, a 10-percent increase from the 3,875 permitted during the previous 12 months (preliminary data). After declining at an average annual rate of 31 percent from a high of 6,550 in 2005 to a low of 1,500 in 2009, the number of single-family homes permitted increased at an average annual rate of 18 percent during the next 7 years to 4,800 in 2016. An average of 5,150 single-family homes were permitted annually from 2000 through 2004 (Figure 12).

Recent new home sales activity in the submarket has been concentrated near Interstates 24 and 65 (I-24 and I-65). Since 2010, the cities of La Vergne and Murfreesboro and the town of Smyrna, which are near I-24 to the southeast of the Central submarket, have accounted for approximately 66 percent of all single-family homes permitted in Rutherford County. During the same period, the cities of Brentwood, Franklin, and Thompson's Station, which are along the I-65 corridor to the southwest of the Central

Figure 12. Single-Family Homes Permitted in the Southern Suburbs Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

submarket, accounted for 67 percent of all single-family homes permitted in Williamson County. Construction recently began at South Haven, a 269-acre development to the west of Murfreesboro. The project will eventually include as many as 571 homes ranging in size from 1,600 to 1,700 square feet with prices starting in the mid-$200,000s. Construction also began recently at Stephens Valley, an 850-acre subdivision that straddles the border between Williamson and Davidson Counties. The development will be built during the next 20 years, with 50 to 75 homes expected to be complete each year. Prices for the first phase of homes are expected to start in the mid-$400,000s.

During the next 3 years, demand is expected for 13,000 new homes in the submarket (Table 1). Demand is expected to increase each year during the period as job growth in the HMA continues and population growth in the submarket accelerates. The 2,275 homes currently under construction will satisfy part of the forecast demand. Table 6 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the submarket during the 3-year forecast period.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Southern Suburbs Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
210,000	284,999	1,300	10.0
285,000	359,999	1,950	15.0
360,000	434,999	1,950	15.0
435,000	509,999	1,950	15.0
510,000	584,999	1,950	15.0
585,000	659,999	1,300	10.0
660,000	734,999	1,300	10.0
735,000	and higher	1,300	10.0

Notes: The 2,275 homes currently under construction and a portion of the estimated 3,800 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is August 1, 2017, to August 1, 2020.

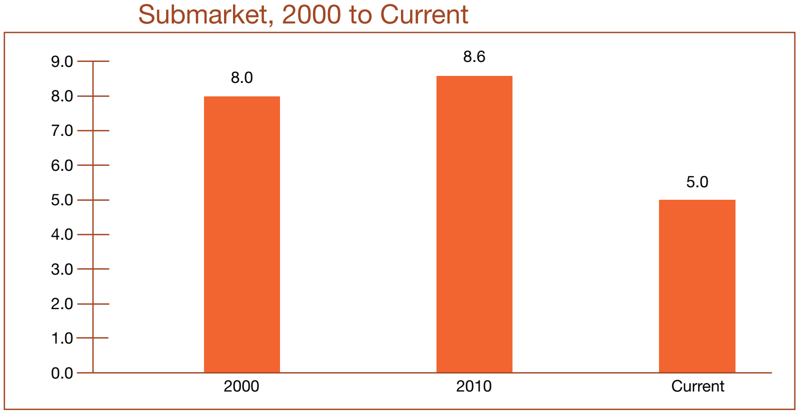
Source: Estimates by analyst

Rental Market—Southern Suburbs Submarket

The rental housing market in the Southern Suburbs submarket is currently balanced, with an estimated overall vacancy rate of 5.0 percent, down from 8.6 percent in April 2010. Limited multifamily construction in the early 2010s allowed for absorption of excess vacant units (Figure 13). Multifamily permitting in the submarket has since increased strongly, although renter household growth has continued to exceed the increase in rental supply. The apartment market is also currently balanced with a vacancy rate of 4.6 percent during the second quarter of 2017, down from both 5.2 percent during the second quarter of 2016 and 6.8 percent during the second quarter of 2010 (MPF Research).

Of the two MPF Research-defined market areas that comprise the submarket, the Murfreesboro/Rutherford County market area had the lowest apartment vacancy rate in the second quarter of 2017 at 4.1 percent, down

Figure 13. Rental Vacancy Rates in the Southern Suburbs Submarket, 2000 to Current

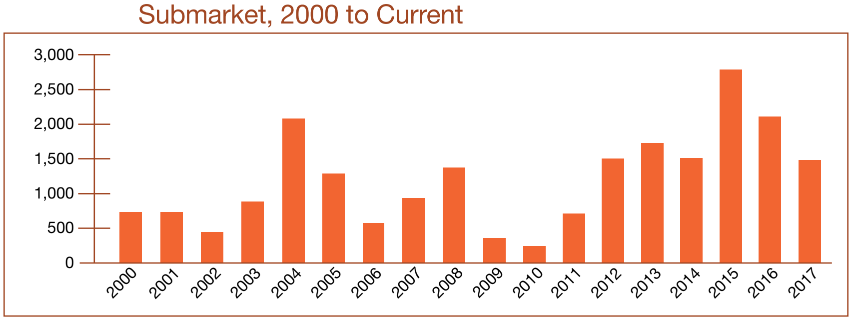


Note: The current date is August 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

from 4.7 percent during the second quarter of 2016. The apartment vacancy rate in the Franklin/Williamson County market area was 5.3 percent during the second quarter of 2017, down from 5.8 percent a year ago. In terms of total units, more recent apartment construction occurred in the Murfreesboro/Rutherford County market area, although the apartment inventory in the Franklin/Williamson County expanded at a faster rate, contributing to the difference in vacancy rates. The apartment inventory in the Murfreesboro/Rutherford County market area expanded 10 percent during the past 2 years, while the apartment inventory in the Franklin/Williamson County market area expanded 15 percent. The average market rent in the submarket was $1,237 during the second quarter of 2017, a 1-percent increase from $1,219 a year ago. Consistent with the differences in incomes, rents are generally higher in the Franklin/Williamson County market area than in the Murfreesboro/Rutherford County market area, although rent growth was faster in the latter during the past year. During the second quarter of 2017, the average rent was $1,432 in the Franklin/Williamson County market area, up 1 percent from $1,411 during the second quarter of 2016. The average rent in the Murfreesboro/Rutherford County market area was $1,112 during the second quarter of 2017, a 3-percent increase from $1,084 a year ago. Middle Tennessee State University (MTSU) significantly affects the rental market in the Murfreesboro/Rutherford County market area. As of fall 2016, the university enrolled 22,050 students, of whom approximately 18,500 lived in off-campus housing (*MTSU Fact Book 2016*). Students, who generally have lower incomes than nonstudents, comprised approximately 16 percent of all rental households in the Murfreesboro/Rutherford County market area, which contributes to relatively low average rents.

Figure 14. Multifamily Units Permitted in the Southern Suburbs Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2017.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Builders in the submarket have responded to declining rental vacancy rates with high levels of multifamily construction since 2012 (Figure 14). The average of about 1,925 multifamily units permitted in the submarket each year from 2012 through 2016 is the highest figure on record for a 5-year period, and the 2,775 units permitted in 2015 is the highest total on record for a single year. By comparison, an average of 1,000 multifamily units were permitted each year from 2000 through 2008, and an average of only 440 units were permitted each year from 2009 through 2011. During the 12 months ending July 2017, 2,075 multifamily units were permitted in the submarket, an 8-percent increase from 1,925 units during the previous 12 months (preliminary data).

As with recent single-family development, recent multifamily construction in the submarket occurred primarily along the I-24 and I-65 corridors. Vintage Blackman, a 240-unit apartment development, was recently completed in Murfreesboro with rents starting at slightly more than $1,100 for one-bedroom units, slightly more than $1,300 for two-bedroom units, and the nearly $1,600 for three-bedroom units. Emblem, a 361-unit apartment project in the city of Franklin, recently began preleasing, with rents starting at $1,225 for one-bedroom units and $1,775 for two-bedroom units. The development is expected to be complete by the end of 2017.

Demand is expected for 4,575 new market-rate rental units in the submarket during the next 3 years (Table 1). The 2,250 apartment units currently under construction and an additional 990 units in the pipeline that are expected to be complete during the next 3 years will satisfy most of the demand. Table 7 shows the estimated demand by rent level and number of bedrooms for new market-rate rental housing in the submarket during the 3-year forecast period.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Southern Suburbs Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
900 to 1,099	160	1,150 to 1,349	1,050	1,375 to 1,574	960	1,525 to 1,724	630
1,100 to 1,299	35	1,350 to 1,549	240	1,575 to 1,774	160	1,725 to 1,924	170
1,300 to 1,499	25	1,550 to 1,749	160	1,775 to 1,974	160	1,925 to 2,124	110
1,500 or more	10	1,750 to 1,949	80	1,975 to 2,174	160	2,125 to 2,324	110
		1,950 or more	80	2,175 to 2,374	80	2,325 to 2,524	55
				2,375 or more	80	2,525 or more	55
Total	230	Total	1,600	Total	1,600	Total	1,150

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 2,250 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2017, to August 1, 2020.

Source: Estimates by analyst

Sales Market—Remainder Submarket

Sales housing market conditions in the Remainder submarket are balanced, with a current estimated vacancy rate of 1.7 percent, down from 2.5 percent in 2010. The sales market benefited significantly from recent job growth in the Nashville HMA, as the total number of home sales has increased each year since 2012. The number of single-family homes permitted has also increased each year since 2012 but remains below the levels of the mid-2000s, contributing to strong growth in average sales prices.

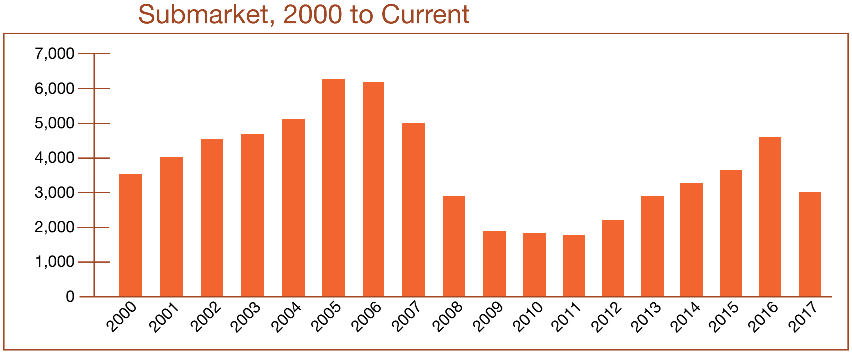
During the 12 months ending July 2017, the number of existing home sales increased 9 percent from a year earlier to about 17,150 homes sold (CoreLogic, Inc., with adjustments by the analyst). The number of regular resales increased 9 percent to 16,350 during the period, while the number of REO sales declined 32 percent to 610. After declining at an average annual rate of 11 percent from 17,400 in 2005 to a low of 8,700 in 2011, the number of existing home sales increased at an average annual rate of 13 percent during the next 5 years to reach 16,300 by 2016. The number of regular resales increased at an average annual rate of 18 percent from 6,700 in 2011 to 15,250 in 2016. Sales of REO properties peaked at 1,900 in 2013 but then declined at an average annual rate of 26 percent during the next 3 years to a low of 780 in 2016. As of July 2017, 1.5 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 2.0 percent in July 2017 and well below the high of 5.5 percent during July 2010. During the 12 months ending July 2017, the average sales price of an existing home in the submarket was $188,200, a 10-percent increase from $171,600 during the previous 12 months and 35 percent above $137,700 during 2008, the previous peak. After peaking in 2008, the average sales price of an existing home declined an average annual rate of 2 percent to $128,800 in 2011, before increasing at an average annual rate of 7 percent during the next 5 years to $179,700 in 2016.

During the 12 months ending July 2017, 2,475 new homes sold in the submarket, up 28 percent from the previous 12 months but 21 percent below the high of 3,150 in 2006. The number of new homes sold declined at an average annual rate of 19 percent from 2007 through 2011, before increasing at an average annual rate of 14 percent during the next 5 years to 2,200 in 2016. New home sales prices have increased rapidly since 2011 and currently exceed those of the mid-2000s. The average sales price of a new home was $299,100 during the 12 months ending July 2017, a 7-percent increase from $280,200 during the 12 months ending July 2016 and 23 percent above the previous peak of $242,700 during 2007. After declining at an average annual rate of 4 percent from 2008 through 2010, the average sales price of a new home increased at an average annual rate of 5 percent during the subsequent 6 years, surpassing the housing boom high in 2013 and reaching $285,700 in 2016.

Developers have responded to increasing home prices in the submarket with increased single-family homebuilding activity, as measured by the number of single-family homes permitted, since 2012 (Figure 15). New home construction remains below the peak levels of the mid-2000s, however. The number of single-family homes permitted increased 9 percent from a year earlier to 4,700 during the 12 months ending July 2017, after increasing 8 percent during the 12 months ending July 2016 and 14 percent during the 12 months ending July 2015 (preliminary data). The number of single-family homes permitted in the submarket averaged 5,825 a year from 2004 through 2006 but declined during the next 5 years to a low of 1,800 in 2011. From 2012 through 2016, the number of single-family homes permitted increased at an average annual rate of 21 percent to 3,300.

As in the Southern Suburbs submarket, recent single-family development in the submarket has been concentrated in areas with convenient access to the central business district of the HMA. Wilson and Sumner Counties, which are immediately east and northeast of the Central submarket, respectively, and Maury County, which is immediately southwest of Williamson County

Figure 15. Single-Family Homes Permitted in the Remainder Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

along I-65, have accounted for a combined 80 percent of all new homes permitted in the submarket since 2010. In the city of Mt. Juliet in the northeastern part of Wilson County near the border with Davidson County, construction began in 2016 at Nichols Vale, a 420-home subdivision in which prices currently range from the mid-$200,000s for townhomes to the low $500,000s for single-family homes. Construction is also under way at Patterson Farms, a new subdivision in the city of Gallatin in the southern part of Sumner County. The planned first phase of 144 single-family homes and 62 townhomes is expected to be complete in late 2017. Prices are expected to start in the low $200,000s for homes ranging in size from 1,425 to 3,800 square feet. In the city of Spring Hill, which straddles the border between Maury and Williamson Counties, Southern Springs, a new subdivision targeting buyers 55 years and older, is under way and will eventually contain 600 homes. The first phase of the project will consist of 100 homes with prices currently ranging from the mid-$200,000s to $500,000.

During the next 3 years, demand is expected for 9,550 new homes in the submarket (Table 1). Demand is expected to increase each year during the period, as economic conditions in the HMA strengthen and household growth continues. The 2,700 homes currently under construction will satisfy part of the forecast demand. Table 8 shows the estimated demand for new market-rate sales housing, by price range, in the submarket during the 3-year forecast period.

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Remainder Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
190,000	239,999	1,425	15.0
240,000	289,999	1,425	15.0
290,000	339,999	1,425	15.0
340,000	389,999	1,900	20.0
390,000	439,999	1,425	15.0
440,000	489,999	960	10.0
490,000	539,999	480	5.0
540,000	and higher	480	5.0

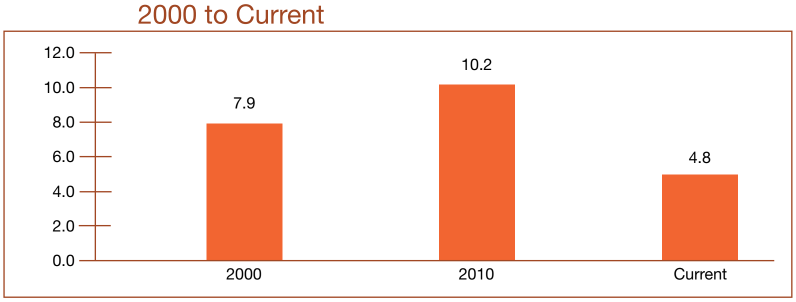
Notes: The 2,700 homes currently under construction and a portion of the estimated 12,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is August 1, 2017, to August 1, 2020.

Source: Estimates by analyst

Rental Market—Remainder Submarket

The rental housing market in the Remainder submarket is currently balanced, with an estimated overall vacancy rate of 4.8 percent, down from 10.2 percent in April 2010 (Figure 16). Single-family homes and mobile homes comprise approximately 61 percent of all rental units in the submarket (2011–2015 ACS 5-year data). The apartment vacancy rate is notably lower. The apartment market in the submarket is slightly tight with a vacancy rate of 3.9 percent during the second quarter of 2017, up from 3.0 percent during the second quarter of 2016 but well below 8.5 percent during the second quarter of 2010 (MPF Research). A surge in apartment completions, which caused

Figure 16. Rental Vacancy Rates in the Remainder Submarket, 2000 to Current



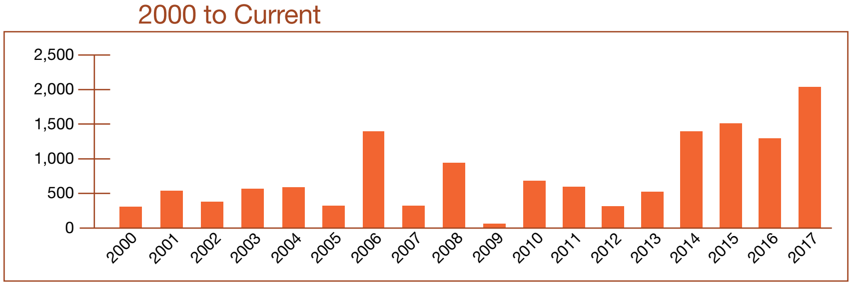
Note: The current date is August 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

the total apartment inventory in the submarket to increase approximately 6 percent, contributed to the vacancy rate increase during the past year.

During the past year, the apartment vacancy rate increased in both of the MPF Research-defined areas in the submarket. In the Sumner County market area, which includes the cities of Gallatin and Hendersonville, the apartment vacancy rate was 3.8 percent during the second quarter of 2017, up from 3.2 percent during the second quarter of 2016. The apartment vacancy rate in the Hermitage/Mount Juliet/Lebanon market area, which encompasses most of Wilson County, was 3.9 percent during the second quarter of 2017, up from 2.8 percent a year ago. The notably larger year-over-year increase in the Hermitage/Mount Juliet/Lebanon market area was due to a 7-percent expansion of the apartment inventory. By comparison, the apartment inventory in the Sumner County market area expanded only 4 percent during the period. The average apartment rent in the submarket was $850 during the second quarter of 2014, a 4-percent increase from $820 a year ago and up 16 percent from $740 during the second quarter of 2010. During the second quarter of 2017, average rent in the submarket was $1,062, a 6-percent increase from $1,004 a year ago. The Hermitage/Mount Juliet/Lebanon market area had the highest average rent at $1,072, a 5-percent increase from the second quarter of 2016. Faster rent growth occurred in the Sumner County market area during the past year, however. The average rent in the Sumner County market area was $1,050 during the second quarter of 2017, up 7 percent from $985 a year ago.

Figure 17. Multifamily Units Permitted in the Remainder Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Developers have responded to low vacancy rates in the submarket by increasing apartment construction activity to record high levels since 2014 (Figure 17). An average of 1,400 multifamily units were permitted each year from 2014 through 2016, the highest figure on record for a 3-year period. By comparison, an average of only 420 units were permitted each year from 2009 through 2013, and an average of 590 units were permitted each year from 2000 through 2008. The number of multifamily units permitted increased from 370 during the 12 months ending July 2016 to 2,250 during the 12 months ending July 2017 (preliminary data).

Recent multifamily construction in the submarket has been concentrated in areas with convenient access to the city of Nashville. Development has been particularly active along the I-65 and I-40 corridors, which run through Sumner and Wilson Counties, respectively. The 280-unit The Point at Waterford Crossing was completed in the city of Hendersonville in Sumner County in mid-2016. Rents at the project currently start at $1,100 for one-bedroom units, $1,250 for two-bedroom units, and $1,625 for three-bedroom units. Construction began recently at Wilson Farms, a 300-acre mixed-use development in the city of Lebanon in Wilson

County. The first phase of the development will include Venue at 109, a 700-unit apartment complex that will contain retail and commercial space. The apartment property is scheduled to open in 2019.

During the 3-year forecast period, demand is expected for 3,725 new market-rate rental units in the submarket (Table 1). Although apartment conditions in the submarket are slightly tight, the 2,300 apartment units currently under construction and the additional 800 units that are expected to be complete will satisfy most of the demand. Table 9 shows the estimated demand by rent level and number of bedrooms for new market-rate rental housing in the submarket during the forecast period.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Remainder Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
800 to 999	170	1,050 to 1,249	780	1,225 to 1,424	970	1,375 to 1,574	560
1,000 or more	20	1,250 to 1,449	110	1,425 to 1,624	150	1,575 to 1,774	140
		1,450 to 1,649	110	1,625 to 1,824	150	1,775 to 1,974	95
		1,650 to 1,849	55	1,825 to 2,024	75	1,975 to 2,174	45
		1,850 or more	55	2,025 or more	75	2,175 to 2,374	45
						2,375 or more	45
Total	190	Total	1,125	Total	1,400	Total	930

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 2,300 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2017, to August 1, 2020.

Source: Estimates by analyst

Data Profiles

Table DP-1. Nashville HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	723,790	802,407	955,400	1.0	2.7
Unemployment rate	3.1%	8.6%	3.6%		
Nonfarm payroll jobs	734,000	762,500	969,300	0.4	3.7
Total population	1,381,287	1,670,890	1,906,000	1.9	1.8
Total households	536,666	647,037	733,700	1.9	1.7
Owner households	359,813	434,446	472,800	1.9	1.2
Percent owner	67.0%	67.1%	64.4%		
Renter households	176,853	212,591	260,900	1.9	2.8
Percent renter	33.0%	32.9%	35.6%		
Total housing units	571,945	702,909	782,500	2.1	1.5
Owner vacancy rate	1.9%	2.7%	1.8%		
Rental vacancy rate	7.1%	9.3%	6.3%		
Median Family Income	$53,700	$64,900	$66,900	1.9	0.5

** Nashville-Davidson--Murfreesboro--Franklin HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through July 2017. Median Family Incomes are for 1999, 2009, and 2015. The current date is August 1, 2017.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Central Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	569,891	626,681	695,500	1.0	1.4
Total households	237,405	259,499	286,700	0.9	1.4
Owner households	131,340	145,115	154,400	1.0	0.8
Percent owner	55.3%	55.9%	53.9%		
Renter households	106,065	114,384	132,300	0.8	2.0
Percent renter	44.7%	44.1%	46.1%		
Total housing units	252,977	283,978	308,000	1.2	1.1
Owner vacancy rate	2.0%	3.5%	2.2%		
Rental vacancy rate	6.5%	9.2%	7.5%		

Notes: Numbers may not add to totals because of rounding. The current date is August 1, 2017.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Southern Suburbs Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	308,661	445,786	543,900	3.7	2.7
Total households	111,168	161,118	194,450	3.8	2.6
Owner households	82,842	118,166	136,900	3.6	2.0
Percent owner	74.5%	73.3%	70.4%		
Renter households	28,326	42,952	57,550	4.3	4.1
Percent renter	25.5%	26.7%	29.6%		
Total housing units	117,621	171,466	203,200	3.8	2.3
Owner vacancy rate	2.2%	2.2%	1.4%		
Rental vacancy rate	8.0%	8.6%	5.0%		

Notes: Numbers may not add to totals because of rounding. The current date is August 1, 2017.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Remainder Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	502,735	598,423	666,700	1.8	1.5
Total households	188,093	226,420	252,550	1.9	1.5
Owner households	145,631	171,165	181,500	1.6	0.8
Percent owner	77.4%	75.6%	71.9%		
Renter households	42,462	55,255	71,050	2.7	3.5
Percent renter	22.6%	24.4%	28.1%		
Total housing units	201,347	247,465	271,300	2.1	1.3
Owner vacancy rate	1.7%	2.5%	1.7%		
Rental vacancy rate	7.9%	10.2%	4.8%		

Notes: Numbers may not add to totals because of rounding. The current date is August 1, 2017.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 8/1/2017—Estimates by the analyst
Forecast period: 8/1/2017–8/1/2020—Estimates by the analyst

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_NashvilleDavidson_Murfreesboro_FranklinTN_17.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.