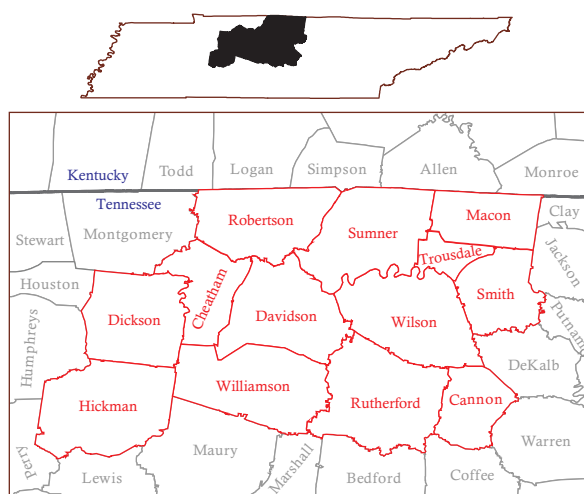




Nashville-Davidson—Murfreesboro—Franklin, Tennessee

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2012

PD&R



Housing Market Area

The Nashville-Davidson—Murfreesboro—Franklin Housing Market Area (HMA) (hereafter, the Nashville HMA) is coterminous with the Nashville-Davidson—Murfreesboro—Franklin, TN Metropolitan Statistical Area (MSA). For purposes of this analysis, the HMA is divided into three submarkets: the Central submarket, which includes Davidson County and the principal city of Nashville, Tennessee's capital; the Southern Suburbs submarket, which includes Rutherford and Williamson Counties; and the Remainder submarket, which consists of Cannon, Cheatham, Dickson, Hickman, Macon, Robertson, Smith, Sumner, Trousdale, and Wilson Counties.

Summary

Economy

The economy of the Nashville HMA improved significantly for the second consecutive year. During the 12 months ending March 2012, nonfarm payrolls increased 2.3 percent compared with an increase of 2.2 percent during the previous 12-month period. The economy of the HMA is expected to recover to the June 2008 peak of 766,500 nonfarm payroll jobs by the end of 2013, midway through the

3-year forecast period. Job gains are likely to remain strong in the education and health services and the professional and business services sectors.

Sales Market

The sales housing market in the HMA is soft, with an estimated sales vacancy rate of 2.8 percent. During the forecast period, employment and population gains are expected to support demand for 18,050 new market-rate sales housing units and an additional 650 mobile homes. The 350 homes currently under construction will satisfy a portion of that demand (Table 1). In addition, a

portion of the 20,250 other vacant units in the HMA may come back on the market and satisfy some of the demand.

Rental Market

The rental housing market in the HMA is currently somewhat soft, with an estimated overall rental vacancy rate of 7.6 percent, relatively unchanged from a year ago, but down 1.6 percentage points from the rate recorded in 2010. During the forecast period, demand is expected for 6,400 rental units (Table 1). The approximately 1,370 apartments currently under construction will satisfy a portion of the forecast demand.

Market Details

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Table 1. Housing Demand in the Nashville HMA,* 3-Year Forecast, April 1, 2012 to April 1, 2015

	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	18,700	6,400	6,050	3,125	8,150	2,725	4,500	550
Under Construction	350	1,370	130	820	140	500	80	50

* 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 April 1, 2012. A portion of the estimated 20,250 other vacant units in the HMA will likely satisfy some of the forecast demand. Sales demand includes mobile homes.

Source: Estimates by analyst

Economic Conditions

The economy of the Nashville HMA continued to improve during the past 12 months, a trend that began in the first quarter of 2010. During the 12 months ending March 2012, nonfarm payrolls increased by 16,700 jobs, or 2.3 percent, to 755,800 jobs (Table 2). By comparison, annual gains from 2005 through 2008 averaged 8,400 jobs, or 1.1 percent.

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

	12 Months Ending March 2011	12 Months Ending March 2012	Percent Change
Total Nonfarm Payroll Jobs	739,100	755,800	2.3
Goods Producing	91,750	95,400	4.0
Mining, Logging, & Construction	31,000	32,850	5.9
Manufacturing	60,750	62,550	2.9
Service Providing	647,400	660,400	2.0
Wholesale & Retail Trade	119,500	121,200	1.5
Transportation & Utilities	29,150	29,550	1.3
Information	19,150	18,750	-2.1
Financial Activities	46,450	47,050	1.3
Professional & Business Services	100,600	108,300	7.6
Education & Health Services	119,500	121,200	1.4
Leisure & Hospitality	76,750	78,350	2.0
Other Services	30,400	32,200	5.8
Government	105,800	103,800	-1.9

* Nashville-Davidson—Murfreesboro—Franklin HMA.

Notes: Based on 12-month averages through March 2011 and March 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

The professional and business services sector not only added the most non-farm payroll jobs during the 12 months ending March 2012, but it was also the fastest growing sector, increasing by 7,700 jobs, or 7.6 percent. Hiring in the sector was widespread among professionals, managers, and administrative and support workers. The mining, logging, and construction sector also recorded significant employment gains during the 12 months ending March 2012, adding 1,850 jobs, a 5.9-percent increase from the 12 months ending March 2011. The construction subsector accounted for approximately 90 percent of the growth. Construction jobs have increased steadily since 2010 because of building activity in downtown Nashville and the cleanup effort after the historic floods that damaged buildings in the HMA during May 2010. According to the Metropolitan Government of Nashville and Davidson County Planning Department, flooding in the HMA resulted in approximately \$2 billion in damage. The increase in construction jobs in downtown Nashville is because of

two significant developments: Music City Center and the Omni Nashville Hotel. Construction on Music City Center started in March 2010 and remains on track for completion in 2013. The \$585 million center is expected to be able to accommodate 75 percent of the nation's convention and visitors market in regards to group size and space. In addition, construction is under way on the \$280 million Omni Nashville Hotel. On completion in the fall of 2013, the hotel will create 300 new full-time jobs.

The education and health services sector also recorded significant nonfarm payroll increases during the 12 months ending March 2012. Expansions at several healthcare-related companies contributed to an increase of 1,700

jobs, or 1.4 percent, compared with the number of jobs recorded during the previous 12-month period. Expansions at Parallon Business Solutions, a healthcare management and supply chain company, and Windsor Health Group, a health plan administrator, created an estimated 400 new jobs. In addition to adding these office jobs, local hospitals added an estimated 800 jobs during the 12 months ending March 2012. A \$30 million expansion at Monroe Carell Jr. Children's Hospital at Vanderbilt is expected to open within the next 60 days. The new facility will add 33 beds and provide room for additional expansions. The largest employers in the area include Vanderbilt University and Medical Center and the State of Tennessee, with 21,400 and 18,750 employees, respectively (Table 3). Figure 1 shows current employment in the HMA by sector.

During the 12 months ending March 2012, gains in the professional and business services and the education and health services sectors more than offset losses in the information and government sectors, the only two sectors in the HMA to record employment declines during the past year. The government sector recorded the greatest decline in the number of jobs during the 12 months ending March 2012, a decrease of 2,000 jobs, or 1.9 percent, with losses occurring primarily in the local government subsector because many cities and municipalities continue to be revenue constrained. The information sector recorded the greatest rate of decline in the HMA, 2.1 percent, a 400-job decrease from the previous period, a result of employment declines in the telecommunications industry. Despite recent job losses in the government and information sectors, employment in the HMA is

Table 3. Major Employers in the Nashville HMA*

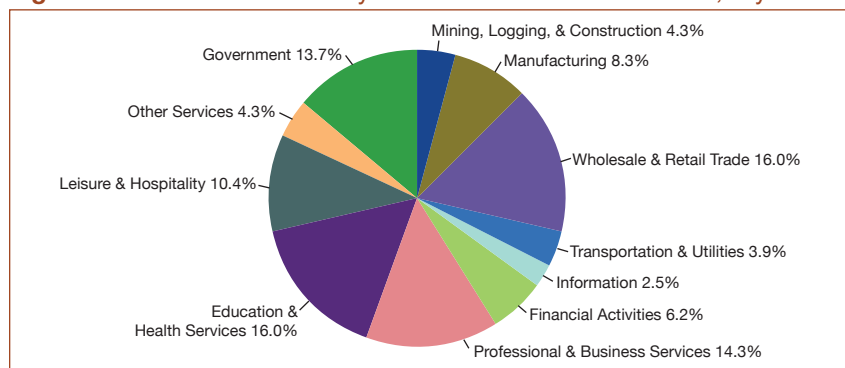
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Vanderbilt University and Medical Center	Education & Health Services	21,400
State of Tennessee	Government	18,750
U.S. Government	Government	12,100
HCA, Inc.	Education & Health Services	7,000
Nissan North America, Inc.	Manufacturing	6,600
Saint Thomas Health	Education & Health Services	6,500
Gaylord Entertainment Company	Leisure & Hospitality	4,000
Asurion	Professional & Business Services	3,500
The Kroger Co.	Wholesale & Retail Trade	3,500

* Nashville-Davidson—Murfreesboro—Franklin HMA.

Note: Excludes local school districts.

Source: 2011 Comprehensive Annual Financial Report; Nashville Area Chamber of Commerce; Rutherford County Chamber of Commerce

Figure 1. Current Nonfarm Payroll Jobs in the Nashville HMA,* by Sector



* Nashville-Davidson—Murfreesboro—Franklin HMA.

Note: Based on 12-month averages through March 2012.

Source: U.S. Bureau of Labor Statistics

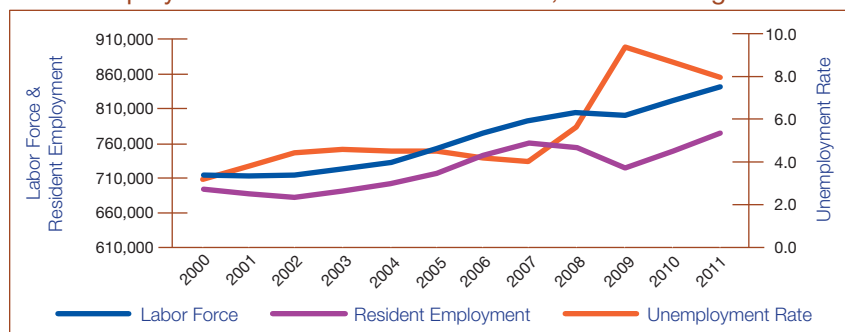
expected to fully recover and surpass the peak of 766,500 nonfarm payroll jobs, recorded in June 2008, by the end of 2013.

The employment growth that occurred during the past 12 months contributed to a decrease in the unemployment rate, which averaged 7.6 percent for

the 12 months ending March 2012, down from the 8.4-percent rate recorded during the previous 12 months. From 2000 to 2007, the unemployment rate averaged 4.2 percent. Figure 2 illustrates trends in the labor force, resident employment, and unemployment rate in the HMA from 2000 through 2011.

Employment growth in the HMA is expected to moderate to 1.5 percent during the next 12 months as payrolls return to prerecession levels. By the end of the 3-year forecast period, however, employment is forecast to increase 2 percent a year, with the professional and business services sector expected to lead job growth. Figure 3 illustrates sector growth in the HMA from 2000 to the current date.

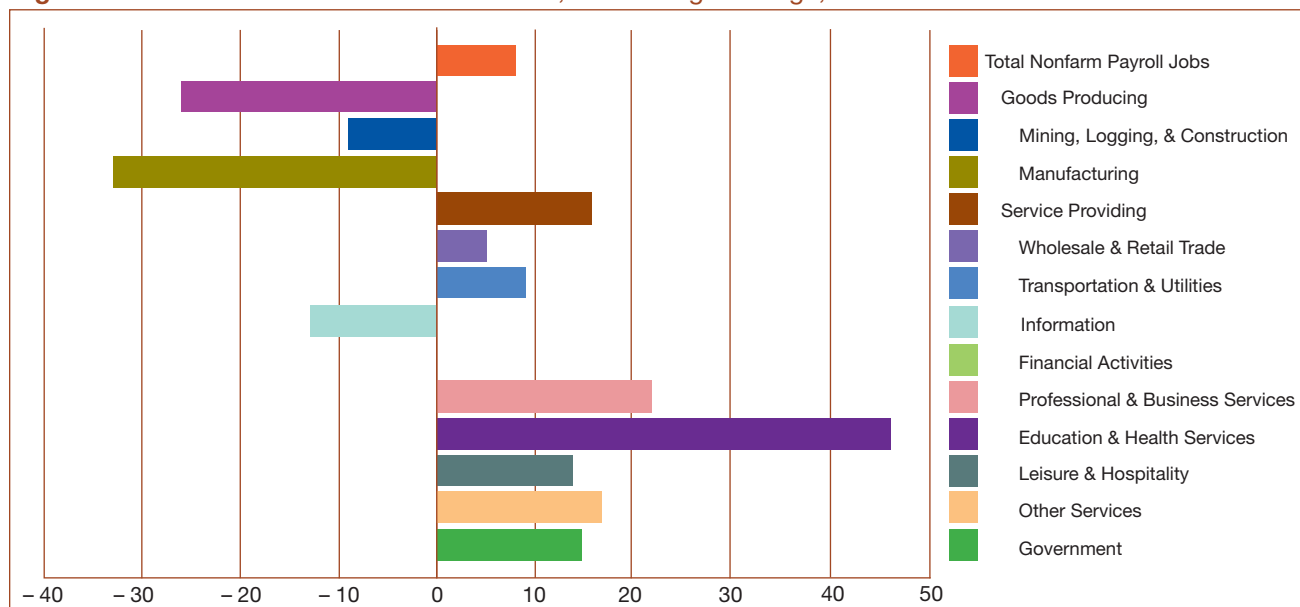
Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Nashville HMA,* 2000 Through 2011



* Nashville-Davidson—Murfreesboro—Franklin HMA.

Source: U.S. Bureau of Labor Statistics

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



* Nashville-Davidson—Murfreesboro—Franklin HMA.

Notes: Current is based on 12-month averages through March 2012. During this period, jobs in the financial activities sector showed no net change.

Source: U.S. Bureau of Labor Statistics

Population and Households

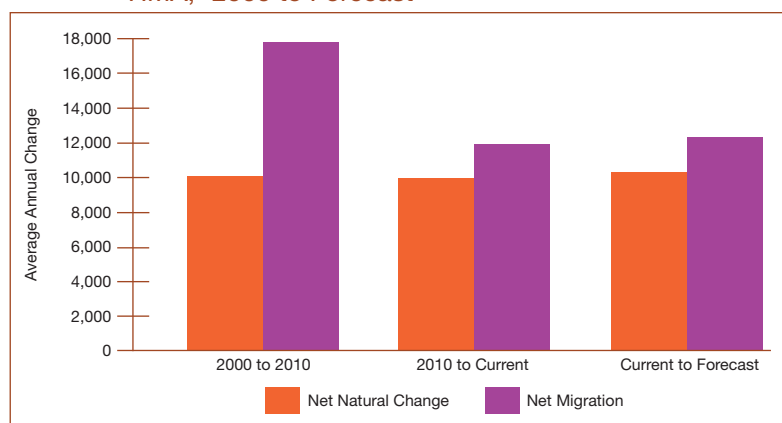
As of April 1, 2012, the population of the Nashville HMA was estimated to be 1.63 million, a 1.4-percent increase from a year earlier. By comparison, population growth from 2000 through 2010 averaged 1.9 percent a year. During the forecast period, the population is expected to increase by 22,650, or 1.4 percent, annually and total 1.70 million by April 1, 2015.

Since 2010, the population of the Central submarket has increased by an average of 7,100, or 1.1 percent, annually, to 640,900. During the same period, net in-migration accounted for approximately one-third of the population growth, an average of 2,375 people a year; the remainder of the growth came from net natural change (resident births minus resident deaths). Net in-migration in the Central submarket is expected to remain relatively stable at 2,500 people a year during the 3-year forecast period. During the next 3 years, the population is expected to increase by an average of 7,300, or 1.1 percent, annually in the Central submarket. Figure 4 illustrates the components of population change in the HMA from 2000 to the forecast date.

Since 2012, the fastest growing portion of the HMA has been the Southern Suburbs submarket, particularly Williamson County. According to the U.S. Census Bureau, from April 1, 2010, to July 1, 2011 (the most recent data available), Williamson County was the fastest growing county in the state, adding more than 5,375 residents, an increase of 2.9 percent. Adjacentutherford County, also in the Southern Suburbs submarket, was the third fastest growing county in the state, adding nearly 6,325 residents, an increase of 2.4 percent. Since 2010, the population of the submarket has increased by an average of 9,450, or 2.1 percent, a year, to 464,700. Net in-migration accounted for nearly 65 percent of the population gain, or 6,100 people a year; the remainder of the growth came from net natural change. Net in-migration is expected to remain relatively unchanged during the 3-year forecast period, averaging 6,300 people a year. During the next 3 years, the population is expected to increase by an average of 9,800, or 2.1 percent, annually in the Southern Suburbs submarket.

The rate of population growth in the Remainder submarket slowed each year from 2006 to 2010, from 2.7 to 1.0 percent, respectively, because of significant declines in net in-migration. One-half of the counties in the Remainder submarket recorded net out-migration in 2010; Robertson, Smith, Sumner, and Wilson Counties did so for the first time in more than a decade. Since 2010, however, the population of the Remainder submarket has increased by an average of 5,325, or 1.0 percent, annually, to 528,100. During the same period, net in-migration accounted for nearly two-thirds of the population growth, an average of

Figure 4. Components of Population Change in the Nashville HMA,* 2000 to Forecast



* Nashville-Davidson—Murfreesboro—Franklin HMA.

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

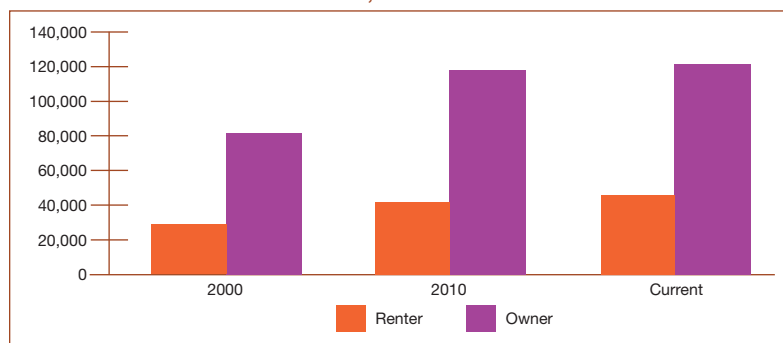
3,375 people a year. Net in-migration in the Remainder submarket is expected to increase to an average of 3,500 people a year during the 3-year forecast

Figure 5. Number of Households by Tenure in the Central Submarket, 2000 to Current



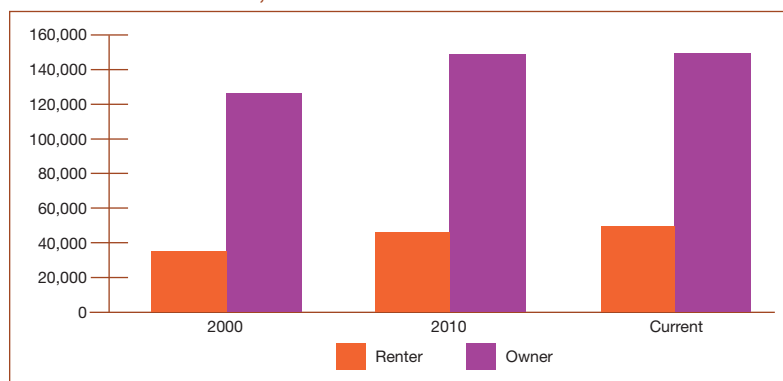
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

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



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

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

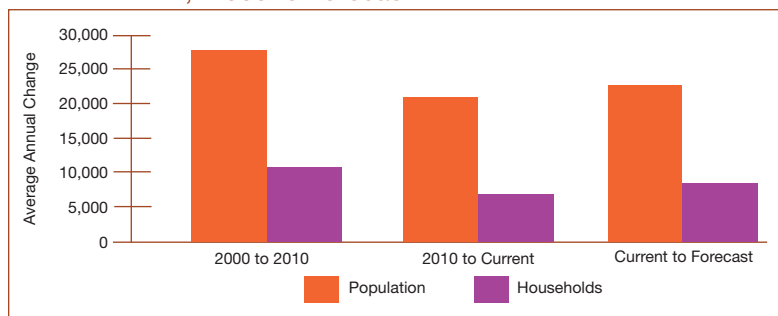


Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

period, because the submarket offers more affordable housing options than do the Central and Southern Suburbs submarkets. During the next 3 years, the population is expected to increase by an average of 5,500, or 1.0 percent, annually in the Remainder submarket.

Largely because of the decline in population growth during the past 2 years, the rate of household growth in the HMA has been slower since 2010 than during the previous decade. Since 2010, the number of households has increased by 6,725, or 1.1 percent, a year compared with an increase of 10,500 households, or 1.9 percent, during the 2000s. Currently, the HMA has 628,800 households. The current homeownership rates are 75.2 percent in the Remainder submarket, 72.2 percent in the Southern Suburbs submarket, and 55.0 percent in the Central submarket. The recent decline in household growth has resulted in an overall decrease in the homeownership rate in the HMA, which is currently estimated to be 66 percent, a decrease of nearly 1 percentage point from the rate recorded in 2010. Figures 5, 6, and 7 illustrate the number of households by tenure in each of the submarkets for 2000, 2010, and the current date.

During the forecast period, the number of households is expected to increase by 8,125, or 1.3 percent, annually to total approximately 653,200 by April 1, 2015. Figure 8 shows population and household growth in the HMA from 2000 to the forecast date. Tables DP-1 through DP-4, at the end of this report, provide demographic data for the HMA and each of the submarkets for 2000, 2010, and the current date.

Figure 8. Population and Household Growth in the Nashville HMA,* 2000 to Forecast

* Nashville-Davidson—Murfreesboro—Franklin HMA.

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

Housing Market Trends

Sales Market—Central Submarket

The sales housing market in the Central submarket is soft because of its large inventory of unsold homes. According to the Greater Nashville Association of REALTORS® Inc. (GNAR), the number of existing homes sold in Davidson County totaled 5,800 in 2011, a 4-percent increase compared with the 5,575 existing homes sold in 2010. By comparison, existing home sales peaked in 2006 at 10,750 homes sold. Although the sales volume is down considerably from the mid-2000s, home sales data during 2011 and through the first 3 months of 2012 indicate that a recovery is under way. The number of existing homes sold in Davidson County totaled 1,350 in the first quarter of 2012, a 26-percent increase compared with the 1,075 homes sold during the first quarter of 2011. The number of condominiums sold in Davidson County totaled 340 for the first quarter of 2012, an increase of 50 from the first quarter of 2011.

Despite the recent increase in home sales in Davidson County, a decrease

in sales of higher priced homes caused the median sales price for existing homes to decline nearly 1 percent, to \$145,400, during the first quarter of 2012 compared with the median sales price during the first quarter of 2011. During the same period, the median sales price for existing condominiums decreased 1 percent, to \$142,900, down nearly 15 percent from the peak price of \$168,300 reached at the end of 2007. Stabilizing home prices in the submarket are expected to result in increased sales activity during the next 3 years. According to LPS Applied Analytics, as of March 2012, 6 percent of home loans in Davidson County were 90 or more days delinquent, in foreclosure, or have transitioned into REO (Real Estate Owned) status, unchanged from March 2011.

Although sales market conditions in the submarket remain soft, home builders have increased new home construction activity. Based on preliminary data for the 12 months ending March 2012, single-family construction

Housing Market Trends

Sales Market—Central Submarket Continued

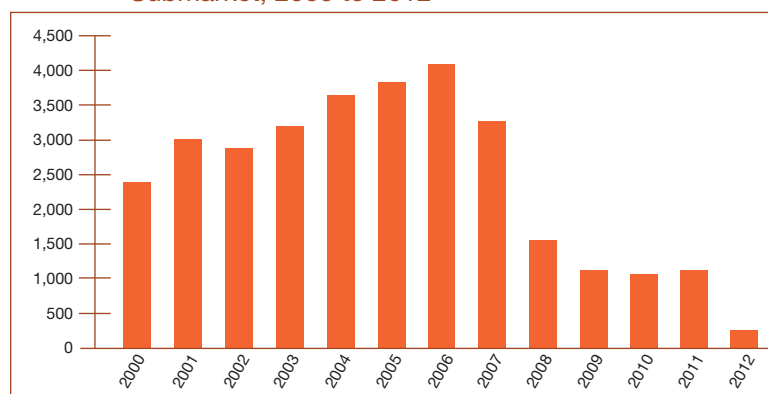
activity, as measured by the number of single-family homes permitted, totaled 1,150 homes, an increase of 21 percent compared with the number of homes permitted during the previous 12 months. Despite the recent increase, single-family construction activity remained well below the decade-high average of 3,850 homes permitted annually from 2004 through 2006. Condominium construction activity has slowed considerably during the past 2 years to allow for the absorption of the more than 2,500 units that

have entered the market since 2006. Despite the decrease in condominium construction, approximately 1,000 additional units are in the planning stage, including a 330-unit third phase at Fifth & Main in downtown Nashville. According to a July 2011 report (the latest data available) by the Nashville Downtown Partnership, condominiums account for 55 percent of the downtown housing inventory compared with 5 percent for traditional single-family homes. Condominiums in the submarket are currently priced as low as \$125,000, with larger luxury units offered at an average of \$675,000.

Figure 9 shows the number of single-family homes permitted in the submarket from 2000 to the current date.

During the 3-year forecast period, demand is estimated for 5,900 new market-rate homes in the submarket. The 130 homes currently under construction (Table 1) and a portion of the 7,700 other vacant units in the submarket that may come back on the market will satisfy some of the forecast demand. Table 4 illustrates the estimated demand for new market-rate sales housing in the submarket by price range. The current surplus of sales housing is expected to satisfy the demand during the first year of the forecast period. Demand is expected for 2,500 homes during the second year and 3,400 homes during the last year of the forecast period. In addition, demand is estimated for 150 mobile homes during the next 3 years. Mobile homes currently make up an estimated 1 percent of the total housing inventory in the submarket.

Figure 9. Single-Family Building Permits Issued in the Central Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Central Submarket, April 1, 2012 to April 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
120,000	124,999	830	14.0
125,000	149,999	1,000	17.0
150,000	174,999	1,125	19.0
175,000	199,999	890	15.0
200,000	249,999	770	13.0
250,000	299,999	590	10.0
300,000	399,999	410	7.0
400,000	and higher	300	5.0

Notes: The 130 homes currently under construction and a portion of the estimated 7,700 other vacant units in the submarket will likely satisfy some of the forecast demand. Excludes mobile homes.

Source: Estimates by analyst

Rental Market—Central Submarket

The rental housing market in the Central submarket is currently somewhat soft, with an estimated overall rental vacancy rate of 7.5 percent, relatively unchanged from a year ago but down nearly 2 percentage points from the rate recorded in 2010 (Figure 10).

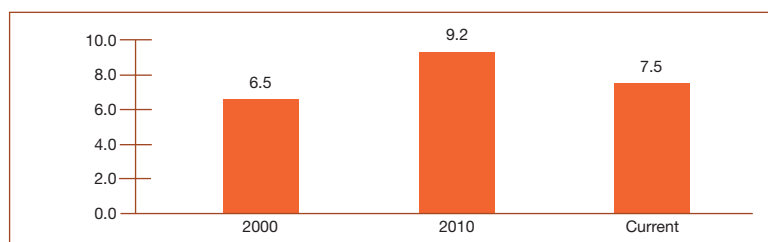
Rental occupancy and average apartment rents have increased since 2010 because of significant job growth and a reduced number of apartments entering the market. Conditions in the apartment market are better than those in the overall rental market. According to the Greater Nashville Apartment Association (GNAA), the apartment market in Nashville is balanced to tight, with a 5.5-percent vacancy rate. Apartment rents outside the downtown area averaged \$660 for a one-bedroom unit, \$810 for a two-bedroom unit, and \$1,025 for a three-bedroom unit. Apartment rents in the West End/Downtown section of the submarket were substantially more,

averaging \$1,125, \$1,450, and \$1,900 for one-, two-, and three-bedroom units, respectively. Average apartment rents throughout the submarket have increased approximately 2 percent annually since 2010.

In response to increasing occupancies, multifamily construction, as measured by the number of multifamily units permitted, more than doubled, to 1,000 units, during the 12 months ending March 2012 compared with 450 units permitted during the 12-month period ending March 2011, based on preliminary data. Despite rapid employment growth during the past 2 years, the pace of multifamily construction has remained well below the average of 1,125 units permitted annually between 2003 and 2006. Approximately 5 percent of multifamily units permitted since 2010 in the submarket were intended for owner occupancy. Currently, 820 multifamily units are under construction. Figure 11 illustrates the number of multifamily units permitted in the submarket from 2000 to the current date.

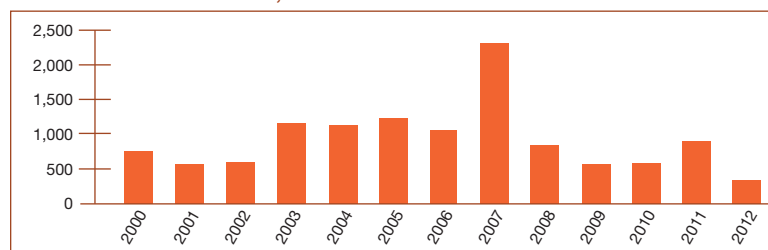
Students at Vanderbilt University occupy a large portion of the submarket rental stock. According to the university, approximately 12,850 students enrolled for the fall 2011 semester. Estimates provided by the university indicate that more than 7,750 students live off campus in the private rental market. Vanderbilt currently offers about 5,100 on-campus dormitory units. The university is expected to demolish the 582-bed Kissam Quadrangle dormitory in the summer of 2012 to make way for College Halls at Vanderbilt. On completion in August 2014, the \$115 million project will

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



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

Figure 11. Multifamily Building Permits Issued in the Central Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

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

Housing Market Trends

Rental Market—Central Submarket Continued

consist of two residential buildings with 660 beds. The university is currently considering a number of housing alternatives for displaced students and an announcement is expected in the fall of 2012.

During the next 3 years, demand is forecast for 3,125 additional market-rate

rental units in the submarket (Table 1), but no new units are needed until the second year of the forecast period to allow for the absorption of the 820 units currently under construction in Davidson County. Table 5 illustrates the estimated demand for rental housing in the submarket by rent.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Central Submarket, April 1, 2012 to April 1, 2015

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
700 to 899	980	900 to 1,099	1,250	1,150 to 1,349	420
900 or more	110	1,100 to 1,299	160	1,350 or more	45
		1,300 or more	160		
Total	1,100	Total	1,575	Total	470

Notes: Numbers may not add to totals because of rounding. The 820 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Southern Suburbs Submarket

The sales housing market in the Southern Suburbs submarket is soft but improving. Sales of existing properties have increased during the past year, in part because prospective buyers have fewer choices for newly constructed homes. According to GNAR, the number of existing homes sold in the submarket totaled 1,300 in the first quarter of 2012, an increase of 16 percent compared with the 1,125 existing homes sold during the first quarter of 2011. Condominium sales in the submarket totaled 100 units for the first quarter of 2012, up from 80 units sold in the first quarter of 2011. Condominium sales were split equally between Rutherford and Williamson Counties and were concentrated primarily in the cities of Murfreesboro and Franklin.

The median single-family home sales price increased significantly in Williamson County during the first quarter of 2012, to \$398,100, up more than

16 percent compared with the price recorded during the first quarter of 2011. Unlike single-family home prices, condominium prices in Williamson County decreased 10 percent, to \$162,000, during the same period. The eastern half of the submarket, Rutherford County, accounted for approximately 55 percent of total sales activity in the submarket during the first quarter of 2012 because of more affordable prices. The median sales price in Rutherford County also increased, although at a much lower rate, to \$143,000, up roughly 1 percent compared with the price recorded during the first quarter of 2011. Condominium prices in Rutherford County, however, increased a substantial 11 percent, to \$93,200, during the same period. According to LPS Applied Analytics, as of March 2012, 6.1 percent of loans in Rutherford County and 2.9 percent of loans in Williamson County were 90 or more days

Housing Market Trends

Sales Market—Southern Suburbs Submarket Continued

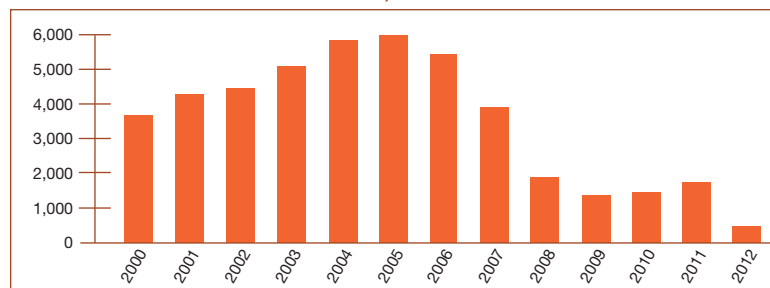
delinquent, in foreclosure, or have transitioned into REO status, unchanged in Rutherford County and down 0.3 percentage points in Williamson County compared with the respective rates in March 2011.

In response to the improving sales market conditions, home builders increased new home construction activity. Based on preliminary data for the 12 months ending March 2012, single-family construction activity, as measured by the number of single-family

homes permitted, totaled 1,825 homes, an increase of 28 percent compared with the number permitted during the previous 12 months. Since 2008, single-family construction activity has remained well below the average of 5,725 homes permitted annually from 2004 through 2006. New home construction in the submarket is primarily in Rutherford County, in the cities of Smyrna and Murfreesboro, with new homes typically starting at \$130,000. New townhome prices can be found as low as \$185,000 in the upscale community of Brentwood, in Williamson County. Figure 12 shows the number of single-family homes permitted in the submarket from 2000 to the current date.

During the 3-year forecast period, demand is estimated for 7,900 new market-rate homes in the submarket. The 140 homes currently under construction (Table 1) and a portion of the 3,650 other vacant units in the submarket that may come back on the market will satisfy some of the forecast demand. Table 6 illustrates the estimated demand for new market-rate sales housing in the submarket by price range. Demand is expected for 2,100 homes during the first year of the forecast period and is expected to increase to 3,100 homes during the last year of the forecast period. In addition, demand is estimated for 250 mobile homes during the next 3 years. Mobile homes currently make up an estimated 4 percent of the total housing inventory in the submarket.

Figure 12. Single-Family Building Permits Issued in the Southern Suburbs Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.

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

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Southern Suburbs Submarket, April 1, 2012 to April 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
130,000	149,999	950	12.0
150,000	174,999	1,100	14.0
175,000	199,999	1,175	15.0
200,000	249,999	1,575	20.0
250,000	299,999	1,175	15.0
300,000	399,999	950	12.0
400,000	499,999	630	8.0
500,000	and higher	320	4.0

Notes: The 140 homes currently under construction and a portion of the estimated 3,650 other vacant units in the submarket will likely satisfy some of the forecast demand. Excludes mobile homes.

Source: Estimates by analyst

Rental Market—Southern Suburbs Submarket

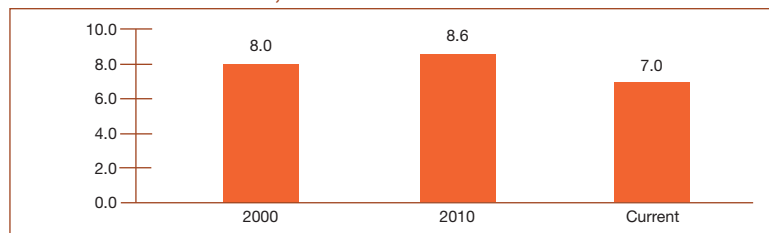
The rental housing market in the Southern Suburbs submarket is currently balanced, with an estimated overall rental vacancy rate of 7.0 percent, down 1 percentage point from a year ago and down approximately 1.5 percentage points from the rate recorded in 2010 (Figure 13). Rental occupancy and average apartment rents improved during the past year because of sustained job growth and a reduced number of apartments that have entered the market since 2008. According to GNAA, during the first quarter of 2012, Murfreesboro, the largest city in the submarket, had a 6.0-percent rental vacancy rate, and apartment rents averaged \$650 for a one-bedroom unit, \$770 for a two-bedroom unit, and \$970 for a three-bedroom unit. The apartment vacancy rate in Franklin

was 4.0 percent and rents were substantially more, averaging \$930, \$1,100, and \$1,375 for one-, two-, and three-bedroom units, respectively. Average apartment rents have increased in Franklin and Murfreesboro by a respective 1 and 2 percent annually since 2010.

In response to increasing occupancies, multifamily construction, as measured by the number of multifamily units permitted, increased substantially to 510 units during the 12 months ending March 2012 compared with no units permitted during the previous 12 months, based on preliminary data. During the past 2 years, the pace of multifamily construction has been well below the average of 1,350 units permitted annually from 2004 through 2005. Figure 14 illustrates the number of multifamily units permitted in the submarket from 2000 to the current date.

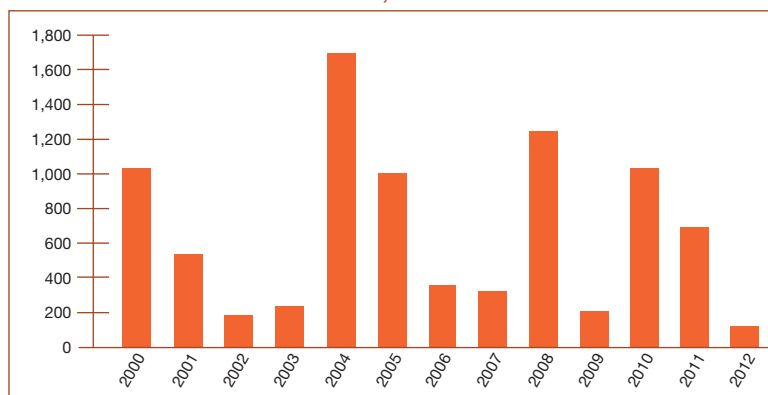
Similar to the effect of students at Vanderbilt on the rental market in the Central submarket, students at Middle Tennessee State University (MTSU), the largest university in the HMA, occupy a large portion of the rental stock in the Southern Suburbs submarket. According to MTSU, approximately 26,400 students enrolled for the fall 2011 semester. MTSU currently houses about 3,500 students in on-campus residence halls and apartments. On-campus apartments rent on a semester basis, with rates of \$2,350 for a shared one-bedroom unit to \$4,700 for a private one-bedroom unit, equating to roughly \$600 to \$1,175 per month. Typical off-campus apartments have monthly rents starting at \$550 for a one-bedroom unit, \$650 for a two-bedroom unit, and \$850 for a three-bedroom unit.

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



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

Figure 14. Multifamily Building Permits Issued in the Southern Suburbs Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

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

Housing Market Trends

Rental Market—Southern Suburbs Submarket *Continued*

Demand is estimated for 2,725 new rental units during the 3-year forecast period (Table 1). New units should not come on line until the second year of the forecast period to allow for the absorption of the 500 units currently under construction and current

surplus of available rental units in Rutherford and Williamson Counties. Table 7 shows estimated demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Southern Suburbs Submarket, April 1, 2012 to April 1, 2015

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
630 to 829	860	730 to 929	1,100	910 to 1,109	370
830 or more	95	930 to 1,129	140	1,110 or more	40
		1,130 or more	140		
Total	950	Total	1,350	Total	410

Notes: Numbers may not add to totals because of rounding. The 500 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Remainder Submarket

The sales housing market in the Remainder submarket is currently soft. According to GNAR, the number of existing homes sold totaled 1,175 units in the first quarter of 2012, an increase of 22 percent compared with 960 units sold during the first quarter of 2011. Note that GNAR data cover only Cheatham, Dickson, Robertson, Sumner, and Wilson Counties in the 10-county submarket. The number of condominiums sold in the submarket totaled 40 units, up from 30 units sold during the first quarter of 2011. Condominium sales in the submarket typically account for less than 10 percent of the overall sales market.

Median sales prices varied widely throughout the submarket. In the first quarter of 2012, sales prices were lowest in Dickson County, in the western part of the submarket, where the median sales price increased 26 percent, to \$120,000, compared with the median sales price recorded in the first quarter of 2011. Wilson County, east of the city of Nashville, had the highest

median sales price, \$179,000, a 2-percent decrease compared with the price recorded in the first quarter of 2011. The greatest number of sales occurred in Sumner County, northeast of the city of Nashville. Sales in Sumner County, primarily in Hendersonville, increased 24 percent in the first quarter of 2012, due in part to a 3-percent decrease in the median sales price. According to LPS Applied Analytics, as of March 2012, 6.2 percent of home loans in the submarket were 90 or more days delinquent, in foreclosure, or in REO, up 0.3 percentage points from March 2011. Rates ranged from a high of 10.6 percent in Hickman County to a low of 4.7 percent in Wilson County, up 0.9 and 0.1 percentage points, respectively, from March 2011.

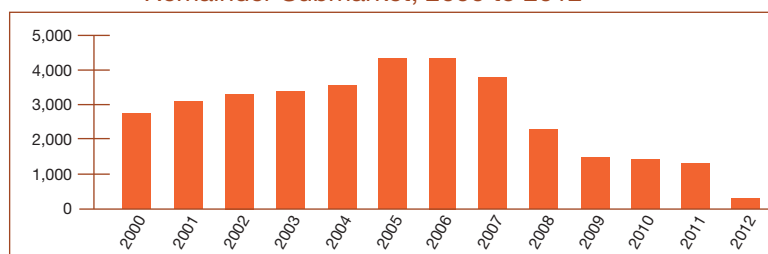
New home construction, as measured by the number of single-family homes permitted, increased during the past year in response to the improving sales market conditions. During the 12 months ending March 2012, the number of

Housing Market Trends

Sales Market—Remainder Submarket *Continued*

single-family homes permitted increased 2 percent, to 1,400 homes, compared with the 1,375 homes permitted during the 12-month period ending March 2011, according to preliminary data. Since 2008, single-family construction activity has remained well below the average of 4,150 homes permitted

Figure 15. Single-Family Building Permits Issued in the Remainder Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.

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

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Remainder Submarket, April 1, 2012 to April 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
90,000	99,999	680	16.0
100,000	124,999	770	18.0
125,000	149,999	980	23.0
150,000	199,999	1,100	26.0
200,000	299,999	550	13.0
300,000	and higher	170	4.0

Notes: The 80 homes currently under construction and a portion of the estimated 8,900 other vacant units in the submarket will likely satisfy some of the forecast demand. Excludes mobile homes.

Source: Estimates by analyst

annually from 2005 through 2007. New home construction in the submarket is primarily in Sumner County, in the cities of Gallatin and Hendersonville, where new home prices typically start at \$165,000. New townhomes are available for as little as \$115,000 in the city of Mt. Juliet in western Wilson County. Figure 15 shows the number of single-family homes permitted in the submarket from 2000 to the current date.

During the 3-year forecast period, demand is estimated for 4,250 new market-rate homes in the submarket. The 80 homes currently under construction (Table 1) and a portion of the 8,900 other vacant units in the submarket that may come back on the market will satisfy some of this demand. Table 8 illustrates estimated demand for new market-rate sales housing in the submarket by price range. Demand is expected for 425 homes during the first year and 2,125 homes during the third year of the forecast period. In addition, demand is estimated for 250 mobile homes during the next 3 years. Mobile homes currently make up an estimated 10 percent of the total housing inventory in the submarket.

Rental Market—Remainder Submarket

The rental housing market in the Remainder submarket is currently soft, with an estimated overall rental vacancy rate of 8.5 percent, relatively unchanged from a year ago but down about 1 percent from the rate recorded in 2010 (Figure 16). Conditions in the apartment market are better than those in the overall rental market. According to GNAA, as of the first quarter of 2012, the vacancy rate in Hendersonville/Gallatin, in Sumner

County, was 4.5 percent, down approximately 3 percentage points from the first quarter of 2011. Apartment rents in Henderson/Gallatin remained relatively unchanged during the past year and averaged \$670 for a one-bedroom unit, \$820 for a two-bedroom unit, and \$1,050 for a three-bedroom unit. The city of Charlotte, in Dickson County, 60 miles west of Hendersonville/Gallatin, had a 4-percent vacancy rate, with slightly lower rents averaging

Housing Market Trends

Rental Market—Remainder Submarket *Continued*

\$610 for a one-bedroom unit, \$720 for a two-bedroom unit, and \$860 for a three-bedroom unit. Vacancy rates and rents were both relatively unchanged during the past year in the Charlotte market.

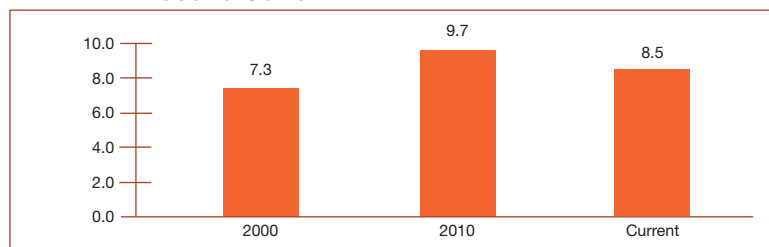
Multifamily construction, as measured by the number of multifamily units permitted, decreased 33 percent, to 80 units, during the 12 months ending March 2012 compared with the 120 units permitted during the 12-month period ending March 2011, based on preliminary data. During the past 2 years, the pace of multifamily construction has been well below the average of 450 units permitted annually from 2003 through 2005. The recent

slowdown in construction activity was to allow for the absorption of the 290 units permitted annually in 2009 and 2010. Figure 17 illustrates the number of multifamily units permitted in the submarket from 2000 to the current date.

Several properties are currently in lease up in the submarket, primarily in Cheatham, Sumner, and Wilson Counties. Vantagepointe at Marrowbone Heights, a 200-unit property in Ashland City, a suburb in Cheatham County, offers average rents of \$750 for a one-bedroom unit, \$890 for a two-bedroom unit, and \$1,050 for a three-bedroom unit. East of Ashland City in Hendersonville, the 300-unit Aventura at Indian Lake Village offers luxury units at substantially higher rents of \$900, \$1,000, and \$1,300 for one-, two-, and three-bedroom units, respectively. Hartmann Plantation, a 125-unit luxury property in Lebanon, a suburb in Wilson County, offers average rents of \$700 for a one-bedroom unit, \$850 for a two-bedroom unit, and \$1,100 for a three-bedroom unit.

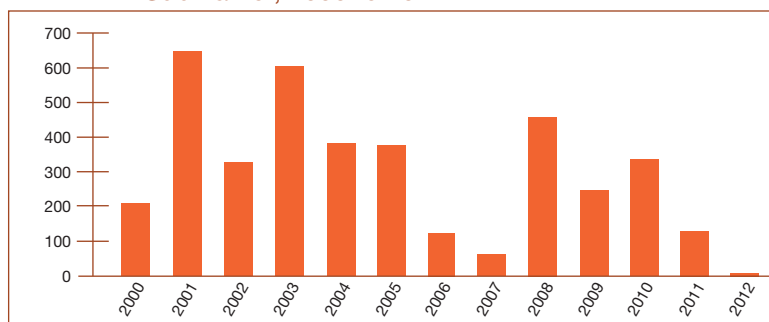
Demand is estimated for 550 new rental units during the 3-year forecast period (Table 1). New units should not come on line until the third year of the forecast period to allow for the absorption of the 50 units currently under construction and the current surplus of available rental units throughout the submarket. Table 9 shows estimated demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

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



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

Figure 17. Multifamily Building Permits Issued in the Remainder Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

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

Housing Market Trends

Rental Market—Remainder Submarket Continued

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Remainder Submarket, April 1, 2012 to April 1, 2015

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
630 to 829	200	740 to 939	220	950 or more	55
830 or more	20	940 to 1,139	30		
		1,140 or more	30		
Total	220	Total	280	Total	55

Notes: Numbers may not add to totals because of rounding. The 50 units currently under construction will satisfy some of the estimated demand.

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	2010 to Current
Total Resident Employment	694,222	750,831	777,000	0.8	2.8
Unemployment Rate	3.2%	8.7%	7.6%		
Nonfarm Payroll Jobs	698,200	734,300	755,800	0.5	2.3
Total Population	1,311,789	1,589,934	1,634,000	1.9	1.4
Total Households	510,222	615,374	628,800	1.9	1.1
Owner Households	340,566	411,633	414,700	1.9	0.4
Percent Owner	66.7%	66.9%	66.0%		
Renter Households	169,656	203,741	214,100	1.8	2.5
Percent Renter	33.3%	33.1%	34.0%		
Total Housing Units	543,271	667,655	678,700	2.1	0.8
Owner Vacancy Rate	1.9%	2.7%	2.8%		
Rental Vacancy Rate	6.9%	9.2%	7.6%		
Median Family Income	\$53,700	\$64,900	\$65,200	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 March 2012. Median family incomes are for 1999, 2009, and 2010.

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	2010 to Current
Total Population	569,891	626,681	640,900	1.0	1.1
Total Households	237,405	259,499	263,500	0.9	0.8
Owner Households	131,340	145,115	145,000	1.0	0.0
Percent Owner	55.3%	55.9%	55.0%		
Rental Households	106,065	114,384	118,500	0.8	1.8
Percent Renter	44.7%	44.1%	45.0%		
Total Housing Units	252,977	283,978	285,900	1.2	0.3
Owner Vacancy Rate	2.0%	3.5%	3.4%		
Rental Vacancy Rate	6.5%	9.2%	7.5%		

Note: Numbers may not add to totals because of rounding.

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	2010 to Current
Total Population	308,661	445,786	464,700	3.7	2.1
Total Households	111,168	161,118	167,000	3.8	1.8
Owner Households	82,842	118,166	120,500	3.6	1.0
Percent Owner	74.5%	73.3%	72.2%		
Rental Households	28,326	42,952	46,500	4.3	4.0
Percent Renter	25.5%	26.7%	27.8%		
Total Housing Units	117,621	171,466	176,900	3.8	1.6
Owner Vacancy Rate	2.2%	2.2%	2.2%		
Rental Vacancy Rate	8.0%	8.6%	7.0%		

Note: Numbers may not add to totals because of rounding.

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	2010 to Current
Total Population	433,237	517,467	528,100	1.8	1.0
Total Households	161,649	194,757	198,300	1.9	0.9
Owner Households	126,384	148,352	149,215	1.6	0.3
Percent Owner	78.2%	76.2%	75.2%		
Rental Households	35,265	46,405	49,090	2.8	2.9
Percent Renter	21.8%	23.8%	24.8%		
Total Housing Units	172,673	212,211	215,900	2.1	0.9
Owner Vacancy Rate	1.7%	2.4%	2.7%		
Rental Vacancy Rate	7.3%	9.7%	8.5%		

Note: Numbers may not add to totals because of rounding.

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: 4/1/2012—Analyst's estimates
 Forecast period: 4/1/2012–4/1/2015—Analyst's estimates

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 the U.S. Department of Housing and Urban Development's (HUD's) analysis, 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 www.huduser.org/publications/pdf/CMARtables_Nashville-Davidson—Murfreesboro—FranklinTN_12.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 HUD's Economic and Market Analysis Division. 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 www.huduser.org/publications/econdev/mkt_analysis.html.