

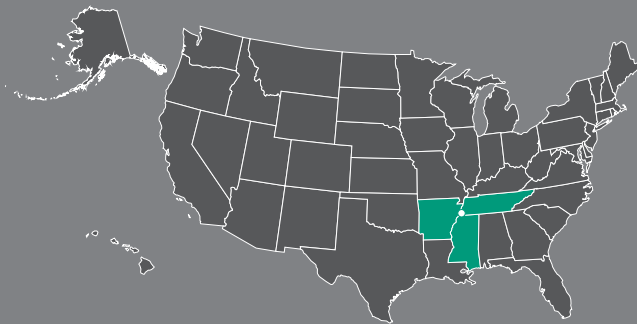
HUD PD&R Housing Market Profiles

Memphis, Tennessee-Mississippi-Arkansas



Quick Facts About Memphis

- **Current sales market conditions: balanced**
- **Current apartment market conditions: balanced**
- **Memphis draws more than 11 million tourists each year. The number one attraction is the Beale Street historic and entertainment district where visitors can enjoy Delta blues, rock 'n' roll, jazz, rhythm and blues, and gospel music.**



By Karen M. Ostrye | As of June 1, 2019

Overview

The Memphis, TN-MS-AR Metropolitan Statistical Area (hereafter the Memphis metropolitan area) is on the southwestern border of Tennessee, spilling over into neighboring Mississippi and Arkansas, and consists of Fayette, Shelby, and Tipton Counties in Tennessee; Crittenden County in Arkansas; and Benton, DeSoto, Marshall, Tate, and Tunica Counties in Mississippi. The largest city on the Mississippi River, it is a leading commercial and transportation hub of the mid-southern United States.

- As of June 1, 2019, the population of the Memphis metropolitan area is estimated at nearly 1.36 million, an average annual increase of 3,325, or 0.2 percent, since 2010.
- Population growth averaged 1,200 people, or 0.1 percent annually from 2012 to 2016. From 2016 to 2018, population growth averaged 2,750 people, or 0.2 percent annually.
- Net natural change has accounted for all the population growth in the metropolitan area since 2006. Net natural change averaged 7,225 people annually but was partly offset by net out-migration of 6,025 people annually from 2012 to 2016. From 2016 to 2018, net natural change averaged 5,675 people annually, partly offset by net out-migration of 2,925 people annually.



PD&R

Economic Conditions

Economic conditions in the Memphis metropolitan area have strengthened every year since 2010. Nonfarm payrolls increased to an average of 653,700 jobs during the 3-month period ending May 2019, an increase of 9,000 jobs, or 1.4 percent, from the 3 months ending May 2018.

During the 3 months ending May 2019—

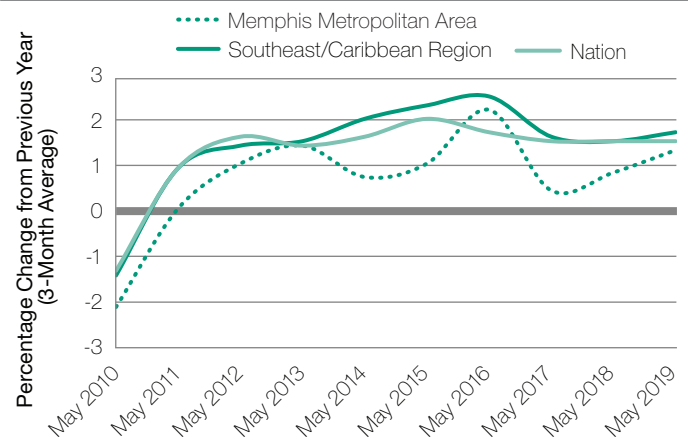
- The mining, logging, and construction sector added 1,300 jobs, or 5.7 percent, compared with a year earlier, the highest percentage increase of any sector. This growth is due to an increase in single-family and multifamily home construction in the metropolitan area, as well as the expansion under way at the Memphis International Airport, which began last year and is expected to continue through 2026.
- The leisure and hospitality sector added the most jobs of any other sector, with an increase of 1,600 jobs, or 2.3 percent.
- The transportation and utilities sector added 1,400 jobs, or 2.0 percent, compared with a year earlier. Transportation company, JNJ Express, is investing \$84 million in a new corporate headquarters in Memphis and plans to create 600 new jobs in the next 5 years.
- The education and health services sector added 1,200 jobs, or 1.3 percent, compared with a year earlier. Some of this growth can be attributed to the recent addition of Baptist

Memorial Hospital in Crittenden County, which once completely staffed later this year, will total 115 added workers.

- The unemployment rate declined to 3.7 percent from 4.0 percent during the same period a year earlier. This is the lowest unemployment rate for the metropolitan area since 2000.

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Nonfarm payroll growth has accelerated in the past 2 years in the Memphis metropolitan area.



Note: Nonfarm payroll job growth.

Source: U.S. Bureau of Labor Statistics

All but two nonfarm payroll sectors have grown in the past 3 months in the Memphis metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	May 2018 (Thousands)	May 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	644.7	653.7	9.0	1.4
Goods-Producing Sectors	66.4	68.3	1.9	2.9
Mining, Logging, & Construction	22.8	24.1	1.3	5.7
Manufacturing	43.5	44.2	0.7	1.6
Service-Providing Sectors	578.4	585.4	7.0	1.2
Wholesale & Retail Trade	101.7	101.6	-0.1	-0.1
Transportation & Utilities	71.4	72.8	1.4	2.0
Information	5.5	5.4	-0.1	-1.8
Financial Activities	29.3	30.1	0.8	2.7
Professional & Business Services	95.7	96.3	0.6	0.6
Education & Health Services	94.7	95.9	1.2	1.3
Leisure & Hospitality	68.9	70.5	1.6	2.3
Other Services	26.7	27.6	0.9	3.4
Government	84.4	85.3	0.9	1.1
	(Percent)	(Percent)		
Unemployment Rate	4.0	3.7		

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

Source: U.S. Bureau of Labor Statistics

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The Memphis metropolitan area is intersected by five railroads and two interstates and is home to the busiest cargo airport in the United States. Late last year, FedEx Corporation, the largest employer in the metropolitan area, announced a \$1 billion capital investment spanning through 2025, to modernize its hub at the Memphis International Airport. Of the 30,000 FedEx employees in the metropolitan area, 11,000 are employed at the airport.

The education and health services sector is the only sector in the metropolitan area that has grown each year since 2000. In 2015, St. Jude Children's Research Hospital developed a 6-year plan, which included a \$7 billion investment and the addition of 1,000 faculty and staff positions. The most recent component of this campus expansion is a \$412 million research tower, which is expected to be completed in 2021. Methodist

Largest Employers in the Memphis Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
FedEx Corporation	Transportation & Utilities	30,000
Tennessee State Government	Government	14,200
U.S. Government	Government	13,200

Note: Excludes local school districts.

Source: Greater Memphis Chamber

Le Bonheur Healthcare, the fourth largest employer in the Memphis metropolitan area, is also expanding and just opened a \$275 million nine-story addition to the existing Methodist South Hospital emergency department in May 2019, adding an undisclosed number of jobs.

Sales Market Conditions

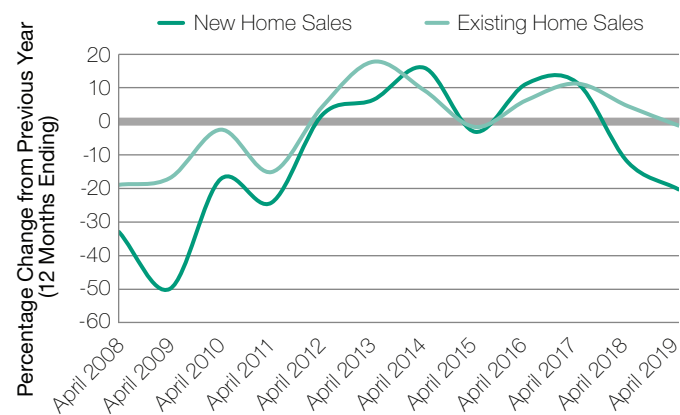
Sales housing market conditions in the Memphis metropolitan area are currently balanced. New and existing home sales prices continue to increase; however, price growth has slowed in the past 2 years. Approximately 27,550 new and existing single-family homes, townhomes, and condominiums sold during the 12 months ending April 2019, down 2 percent from the 28,200 homes sold during the previous 12-month period. Although home sales have declined in the metropolitan area in the past year, sales are 58 percent above the low point of 17,400 in 2011. During the 12 months ending April 2019, the average sales price of new and existing homes increased 2 percent to \$178,600, down from the 3-percent increase in the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst).

During the 12 months ending April 2019—

- New home sales totaled 1,275, down more than 20 percent from the 1,600 sales a year ago. The average sales price for a new home was \$318,000, an increase of 5 percent from a year earlier.
- Existing home sales totaled 26,300, down 1 percent from 26,600 homes sold during the previous 12-month period.
- The average sales price for existing homes was \$171,800, an increase of 3 percent from \$167,700 a year earlier. The current existing home sales price is 36 percent higher than the recent low in 2010 of \$126,100.

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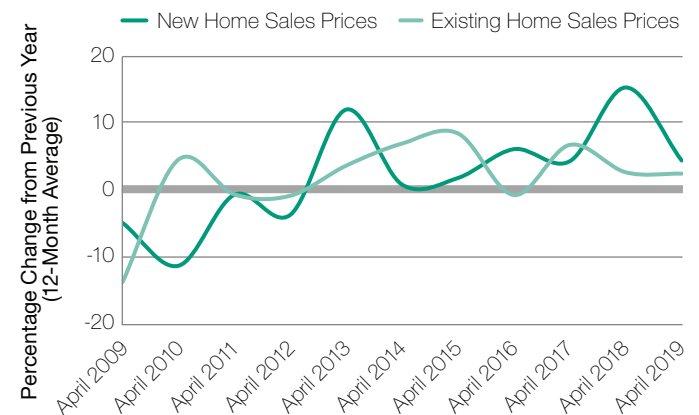
New home sales have declined significantly recently in the Memphis metropolitan area.



Note: New and existing home sales include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

Since April 2018, sales price growth has slowed for new homes and leveled off for existing homes in the Memphis metropolitan area.



Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

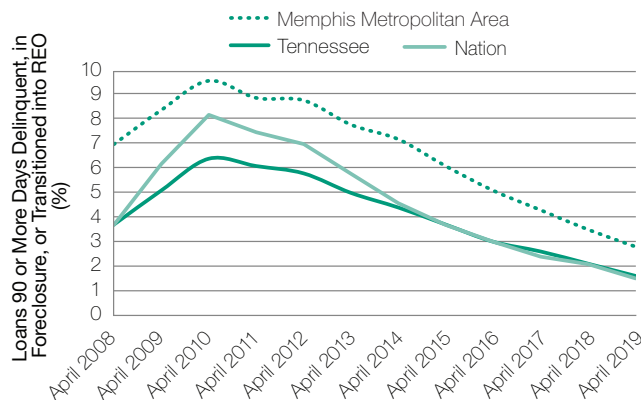
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- REO sales accounted for 5 percent of existing home sales, down from 6 percent a year earlier and from a peak level of 36 percent in 2010.

Improving sales market conditions have contributed to increased single-family home construction since 2011. From 2016 through 2018, an average of 3,125 single-family homes was permitted annually compared with 2,525 homes from 2012 through 2015. During the 12 months ending April 2019, 3,075 single-family homes were permitted in the metropolitan area, a 6-percent decrease from 3,275 homes during the same period a year ago (preliminary data).

- More than 20 percent of all units permitted in 2018 were in the towns of Southaven and Olive Branch in DeSoto County,

The percentage of home loans 90+ days delinquent, in foreclosure, or recently transitioned to REO status in the Memphis metropolitan area has been consistently higher than state and national rates.



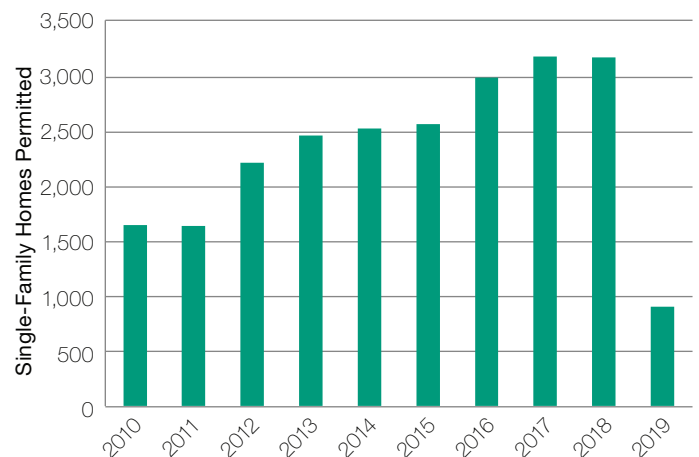
REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by the analyst

Mississippi. Both are near the airport and main arteries leading into the city of Memphis.

- The Forest Hill Community currently has completed 146 of the 168 homes anticipated and is southeast of Olive Branch along Route 78, which leads to Memphis. Homes in this community start at \$270,000 and range from 2,500 to 3,000 square feet.
- New home building is active in Collierville, Tennessee. Magnolia Preserve, which is approximately 30 miles from the city of Memphis, north of the Mississippi border, has sold 20 of the 37 homes to be built. Homes range from 3,500 to 5,500 square feet, and prices start at \$504,600.

The number of single-family homes permitted has been elevated since 2012 in the Memphis metropolitan area.



Note: Includes preliminary data from January 2019 through April 2019.

Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Memphis metropolitan area is currently balanced. Apartment market conditions were soft during the early 2010s, but a shift in preference toward renting has contributed to a decline in the apartment vacancy rate during the past 5 years. During the first quarter of 2019, the apartment vacancy rate in the metropolitan area was 6 percent, unchanged from the first quarter of 2018 (RealPage, Inc.).

During the first quarter of 2019—

- The average asking rent in the Memphis metropolitan area was \$848, a 5-percent increase from \$804 a year earlier. This is comparable to the percentage increase in the average asking rent for the nation, which increased 5 percent to \$1,365 in the first quarter of 2019, from \$1,302 a year ago.

- The RealPage, Inc.-defined Downtown Memphis market area, which contains 30 percent of multifamily units added in the past 5 years, had the highest average asking rent in the Memphis metropolitan area at \$1,164. The vacancy rate in the Downtown area was 4.6 percent in the first quarter of 2019, down from 6.4 percent the previous year, despite the added units.
- The lowest vacancy rate in the Memphis metropolitan area was in the West Memphis, Arkansas market area at 3.8 percent, down from 5.6 percent a year earlier. This area in Crittenden County, Arkansas is on the west side of the Mississippi River and has had no new apartment units added in the past decade.
- The Midtown/East Memphis market area, which includes the University of Memphis, had the highest percentage increase in

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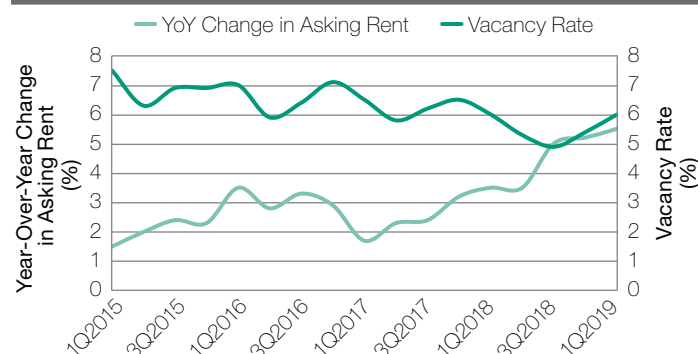
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average asking rent at 7 percent to \$865. The University of Memphis has approximately 19,700 students enrolled and only 2,234 students living on campus. Approximately one-third of all multifamily units currently underway are in this area.

Multifamily construction activity, as measured by the number of units permitted, tends to follow job growth in the Memphis metropolitan area. During the 12 months ending April 2019, when job growth increased, approximately 1,225 multifamily units were permitted in the metropolitan area, compared with 750 units permitted during the previous year (preliminary data). After 2 years of decline in 2013 and 2014, the number of multifamily units permitted averaged 1,375 when the economy strengthened in 2015 and 2016, more than double the 620 units permitted in 2014. Units permitted declined to 670 in 2017, but nearly doubled again in 2018 to 1,300.

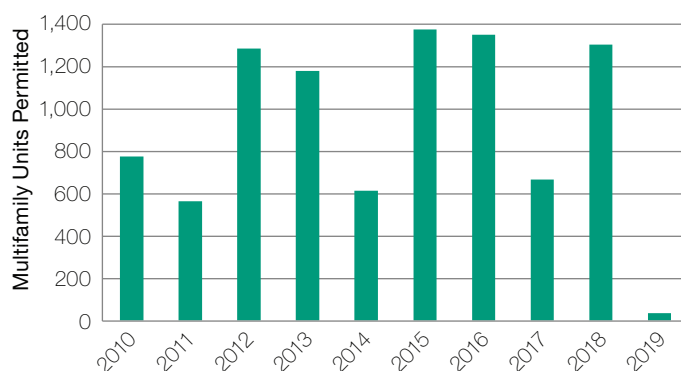
- As of the first quarter of 2019, an estimated 1,850 multifamily units were under construction in the metropolitan area, compared with 1,150 units during the first quarter of 2018 (RealPage, Inc.).
- From 2012 through 2013, multifamily permitting averaged 1,225 units annually compared with an average of 640 units annually from 2008 through 2011. In 2014, the number of multifamily units permitted fell to 620 units. From 2015 through 2016, an average of 1,375 multifamily units were permitted. After a 45-percent decline to approximately 670 units permitted in 2017, 1,300 multifamily units were permitted in 2018.
- The Citizen, a 173-unit property in midtown Memphis, is currently in lease up, with one-bedroom rents ranging from \$1,180 to \$1,810 and two-bedroom rents ranging from \$1,890 to \$2,300.
- In the city of Memphis, the Bakery Apartments is a 293-unit luxury apartment community that is being built in the repurposed Wonder Bread Factory and is expected to be complete in April of 2020, as part of the revitalization of

Since 2018, rents have continued to rise despite increased vacancy rates in the Memphis metropolitan area.



1Q = first quarter. 3Q = third quarter. YoY = year-over-year.
Source: RealPage, Inc.

The number of multifamily units permitted has followed job growth in the Memphis metropolitan area.



Note: Includes preliminary data from January 2019 through April 2019.
Source: U.S. Census Bureau, Building Permits Survey

the Edge District. A long vacant building next to the Civil Rights Museum in the nearby South Main District has been demolished to make way for Museum Lofts, 68-unit apartment building, which is expected to be completed in December 2019. Rents are not yet available for these properties.