

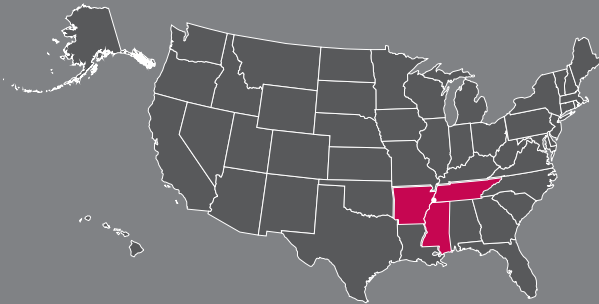
HUD PD&R Housing Market Profiles

Memphis, Tennessee-Mississippi-Arkansas



Quick Facts About Memphis

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: balanced.**
- **The Memphis International Airport processed the second highest level of cargo in the world during 2015, behind only Hong Kong International Airport (Airports Council International). The largest employer in the Memphis metropolitan area is FedEx Corporation, which employs approximately 30,000 people in the area. The transportation and utilities sector, with 68,600 employees, is the fifth largest nonfarm payroll sector.**



By [Gabriel A. Labovitz](#) | As of September 1, 2016

Overview

The Memphis, TN-MS-AR Metropolitan Statistical Area (hereafter, the Memphis metropolitan area) consists of nine counties in Tennessee, Mississippi, and Arkansas. Memphis is the largest city on the Mississippi River and, because of its strategic location, has significant shipping, warehousing, and trade development. The largest employment sectors are the wholesale and retail trade, professional and business services, and education and health services sectors, which contribute 16.6, 15.2, and 14.4 percent of nonfarm payrolls, respectively, to the metropolitan area's jobs base. The metropolitan area is known for its contributions to the American music scene, and attractions such as the Beale Street Historic District, Graceland, the Gibson Guitar Factory, and the Memphis Rock 'n' Soul Museum, as well as the National Civil Rights Museum, help attract more than 10.5 million visitors annually, contributing approximately \$3.2 billion to the Memphis metropolitan area economy during 2015 (Memphis Convention and Visitors Bureau).

continued on page 2



continued from page 1

- As of September 1, 2016, the estimated population of the Memphis metropolitan area is 1.35 million, an average annual increase of 3,500, or 0.3 percent, since 2010. This expansion includes annual gains averaging 0.5 percent, or 6,975, from April 1, 2010, to July 1, 2012. Since July 1, 2012, population growth has fallen to 1,675 people, or 0.1 percent, annually because of higher levels of net out-migration.
- Net out-migration averaged 1,250 people annually from 2010 to 2012 and has increased to an average of 5,625 people moving out of the area annually since July 2012. Since 2012, nonfarm payroll growth in the metropolitan area has averaged 1.3 percent

annually, below the national rate of 1.9 percent annually. Despite a moderately improving economy in the metropolitan area, economic prospects were more positive elsewhere.

- Shelby County, Tennessee, which includes the city of Memphis, has contributed all the net out-migration from the metropolitan area since 2012; the remaining eight counties registered net in-migration during that time. Population growth is occurring in the central part of the city of Memphis, however. The four ZIP Codes that generally comprise the downtown area recorded population expansion of approximately 1.5 percent annually from 2011 to 2014.

Economic Conditions

Nonfarm payrolls have averaged annual gains of 1.3 percent since the economy in the Memphis metropolitan area emerged from the recent recession in late 2011. By comparison, annual nonfarm payroll growth in the state of Tennessee and the nation has averaged 2.3 and 1.9 percent, respectively, since 2011. The metropolitan area has not yet recovered all the nonfarm payroll jobs lost during the previous recession, with the current total approximately 2 percent below the peak in 2007. By comparison, the state of Tennessee and the nation both surpassed prerecession nonfarm payroll totals during 2014.

During the 3 months ending August 2016—

- Nonfarm payrolls averaged 631,400, an increase of 5,800 jobs, or 0.9 percent, from a year ago. The wholesale and retail trade sector, which rose 3.5 percent, led the gain. Employment in the wholesale trade subsector expanded by 2,700 jobs, contributing 77 percent of the sector’s 3,500-job gain. The education and health services and the other services sectors recorded the next highest job growth, of 2,100 and 900 jobs, or 2.4 and 3.7 percent, respectively.

continued on page 3

Nonfarm payrolls increased in six sectors but declined in five in the Memphis area.

	3 Months Ending		Year-Over-Year Change	
	August 2015 (thousands)	August 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	625.6	631.4	5.8	0.9
Goods-producing sectors	68.1	69.1	1.0	1.5
Mining, logging, and construction	22.3	22.6	0.3	1.3
Manufacturing	45.8	46.5	0.7	1.5
Service-providing sectors	557.5	562.3	4.8	0.9
Wholesale and retail trade	101.4	104.9	3.5	3.5
Transportation and utilities	68.0	68.6	0.6	0.9
Information	5.8	5.7	-0.1	-1.7
Financial activities	27.7	27.3	-0.4	-1.4
Professional and business services	96.7	96.0	-0.7	-0.7
Education and health services	88.8	90.9	2.1	2.4
Leisure and hospitality	67.4	66.9	-0.5	-0.7
Other services	24.6	25.5	0.9	3.7
Government	77.2	76.5	-0.7	-0.9
	(percent)	(percent)		
Unemployment rate	6.7	5.5		

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



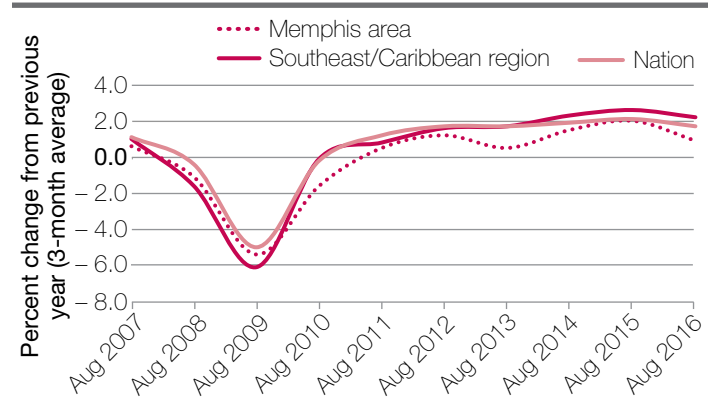
continued from page 2

- Five sectors recorded job losses. The government sector fell by 700 jobs, or 0.9 percent, primarily because local government subsector payrolls declined by 500 jobs, or 1.0 percent. Since averaging 56,700 jobs during 2008, local government subsector payrolls have declined 1.0 percent annually to the current total of 49,400 jobs, in part because of the continuing effects of the recent recession, which negatively affected local government revenues. The professional and business services sector also fell by 700 jobs, or 0.7 percent, and the leisure and hospitality sector contracted by 500 jobs, also 0.7 percent.
- The unemployment rate declined to 5.5 percent from 6.7 percent during the same 3 months a year earlier because of slow labor force growth.
- In June 2016, ServiceMaster Global Holdings, Inc., announced plans to renovate a building in downtown Memphis into a new headquarters and move approximately 1,200 of its 2,200 employees in the metropolitan area to the new site. The renovation and move, expected to be complete by the end of 2017, includes an investment of nearly \$30 million to renovate the facility. This renovation is part of an estimated \$4.2 billion in investments in downtown Memphis that are recently completed, under construction, or planned (Downtown Memphis Commission).

Employment in the transportation and warehousing industry represented more than 12 percent of jobs in the Memphis metropolitan area during 2015, the highest concentration of such jobs in any metropolitan area in the country (Bureau of Labor Statistics, Quarterly Census of Employment and Wages). By contrast, transportation and warehousing contributes less than 4 percent of total jobs nationwide. The largest employer in the Memphis metropolitan area, FedEx Corporation, recently announced plans to hire more than 2,500 seasonal employees to cover peak shipping during the upcoming holiday season. FedEx announced that some of those

employees could become permanent. These hires will join approximately 2,000 seasonal hires by Williams-Sonoma, Inc., to work in its two distribution centers in the metropolitan area during the fall and winter of 2016. United Parcel Service, Inc., which operates a freight hub less than 1 mile from the Memphis International Airport, is finishing a \$70 million expansion that will result in 350 new jobs when complete during 2017.

Nonfarm payroll gains in the Memphis area trailed growth in the Southeast/Caribbean region and the nation.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Memphis area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
FedEx Corporation	Transportation and utilities	30,000
Methodist Healthcare	Education and health services	12,000
Baptist Memorial Health Care Corporation	Education and health services	7,300

Note: Excludes local school districts.
Source: Memphis Regional Chamber

Sales Market Conditions

The sales housing market in the Memphis metropolitan area currently is slightly soft, with an estimated vacancy rate of 1.7 percent, down from 2.6 percent in April 2010. Single-family home construction has increased since the recent low of 1,650 homes permitted during 2011, but permitting remains constrained compared with construction activity during the early to mid-2000s. The recent comparatively low levels of single-family home permitting enabled the sales housing market to absorb excess inventory. In April 2010, approximately 7,900 homes were for sale in the Memphis metropolitan area, a figure that dropped to 4,775 in August 2016 (Yahoo!-Zillow Real Estate Network).

The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure)

or had transitioned into real estate owned (REO) status was 4.8 percent during July 2016, down from 5.8 percent a year earlier. In Tennessee, the rate was 2.9 percent, down from 3.5 percent, and for the nation the rate was 2.8 percent, down from 3.6 percent during July 2015 (CoreLogic, Inc.).

During the 12 months ending July 2016—

- The number of new homes sold totaled 1,050, down more than 18 percent from the 1,275 new home sales recorded during the previous 12 months and nearly 21 percent fewer than the 1,325 new homes sold annually from 2011 through 2013 (CoreLogic, Inc., with adjustments by the analyst).

continued on page 4

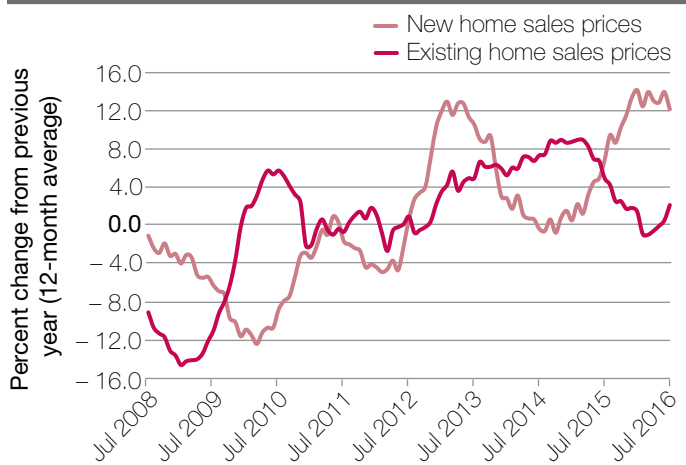


continued from page 3

- The average sales price for new homes was \$280,100, 12 percent higher than a year earlier and also above than the pre-recession maximum of \$256,900 averaged during 2007. Average sales prices for new homes registered a recent low of \$205,200 during 2011.
- Existing home sales totaled 21,850, approximately 3 percent more than were sold during the previous 12-month period. The increase in existing home sales occurred despite a modest drop in distressed sales (REO and short sales) during the same period. Regular resales during the past 12 months totaled 17,700, up nearly 5 percent from the 16,850 regular resales recorded during the previous 12 months.
- The average sales price for existing homes was \$156,200, or 2 percent higher than a year earlier. Distressed sales contributed 19 percent of all existing home sales. The average sales price for a regular, nondistressed resale home was \$168,900.

Because of improving economic conditions and increasing new home sales prices, home builders have increased single-family home construction, as measured by the number of single-family homes permitted, from the levels recorded from 2008 through 2014.

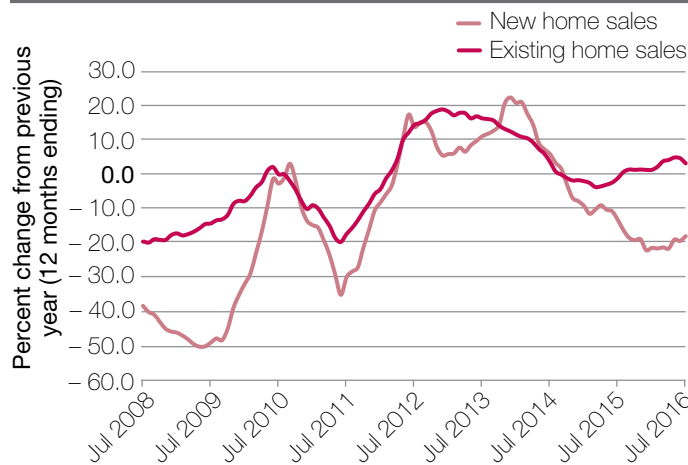
In the Memphis area, new home sales prices have been increasing since late 2014, and existing home sales prices declined during early 2016 but have begun to grow recently.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

- The number of single-family homes permitted during the 12 months ending August 2016 totaled 2,850, 13 percent more than the 2,525 homes permitted during the previous 12-month period (preliminary data).
- Single-family homebuilding averaged 1,800 homes annually from 2008 through 2011, when the economy in the Memphis metropolitan area was weak. The number of single-family homes permitted rose to 2,225 during 2012 and increased again, averaging 2,500 during 2013 and 2014.
- The Artesian condominium development, in the South End neighborhood in downtown Memphis, includes 143 units. The Artesian opened in 2015 and has currently sold nearly 90 percent of the units. Prices range from \$169,000 to \$955,000.
- In Olive Branch, Mississippi, Phases 10 and 11 of Forest Hill are being marketed. The development includes single-family homes with three, four, and five bedrooms priced from \$230,000 to \$250,000. As of the current date, 39 homes on 65 available lots have been sold.

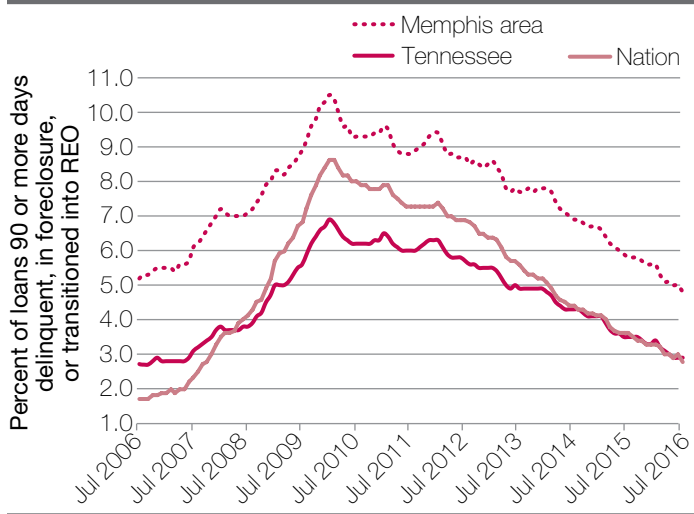
New and existing home sales in the Memphis area began to decline in mid-2014; new home sales continued to fall, but existing home sales began to increase in late 2015.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

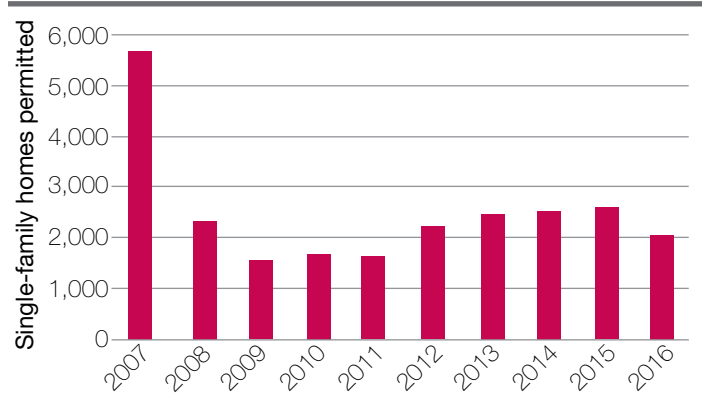


The rate of seriously delinquent loans and REO properties in the Memphis area declined but remained above the rates for Tennessee and the nation.



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

Single-family permitting in the Memphis area has increased steadily since the recent low in 2011 but remained below prerecession levels.



Note: Includes preliminary data from January 2016 through August 2016.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Memphis metropolitan area is currently balanced, following soft conditions from 2010 through 2014. A shift to renter tenure among households in the metropolitan area has helped the market absorb newly constructed and existing apartment units. An estimated 40 percent of all households in the metropolitan area were renters as of July 2015 compared with 37 percent in July 2010 (2010 and 2015 American Community Survey 1-year data).

During the second quarter of 2016—

- The apartment vacancy rate in the metropolitan area was 5.2 percent, down from 6.6 percent during the second quarter of 2015 (MPF Research). During that same period, an estimated 820 new apartment units entered the market. The apartment vacancy rate has not been below 5 percent since before 2008.
- Apartment vacancy rates in the eight MPF Research-defined market areas (hereafter, areas) ranged from 0.9 percent in the West Memphis area to 8.9 percent in the North Memphis area.
- The average asking rent was \$775, more than 3 percent higher than the average rent reported a year earlier.
- The highest average rent was \$1,053 in the Downtown Memphis area, and the largest annual rent increase was in the Midtown/East Memphis area, where the rent rose nearly 6 percent, resulting in an average rent of \$824.

Multifamily construction activity, as measured by the number of units permitted, declined during the past year, but multifamily permitting remains at a relatively high level compared with the rate of construction from 2008 through 2011.

- During the 12 months ending August 2016, approximately 1,200 multifamily units were permitted in the Memphis metropolitan area, 10 percent fewer than the level of permitting during the previous 12-month period (preliminary data).
- Multifamily construction was relatively low during the recent recession, averaging 640 units permitted annually from 2008 through 2011. As the economy in the Memphis metropolitan area improved, multifamily permitting increased, and construction activity averaged 1,225 units permitted annually during 2012 and 2013, dipped to 620 units permitted during 2014, then increased to the current levels.
- Multifamily development has typically been concentrated in Shelby County, including the city of Memphis, and has become more so since 2010. From 2007 through 2009, approximately 83 percent of multifamily units permitted in the Memphis metropolitan area were in Shelby County; from 2010 through 2015, the ratio increased to 97 percent.

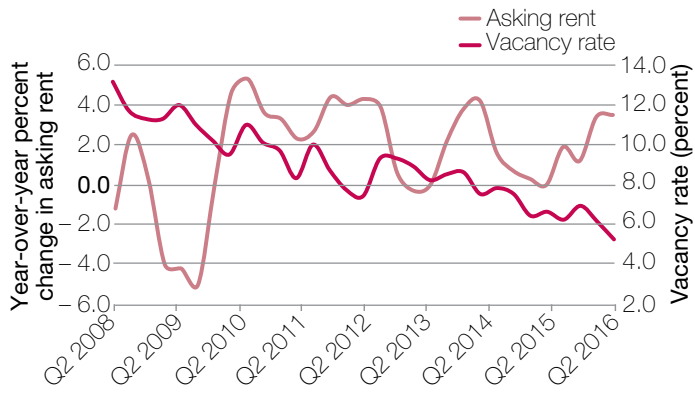
continued on page 6

continued from page 5

- South Junction apartments, in the South Main neighborhood in the city of Memphis, is nearing completion on a second phase of 84 units to total 281 at the property. Studio, one-bedroom, and two-bedroom units are listed from \$800, \$975, and \$1,305,

respectively. Park's Edge at Shelby Farms Apartments, in suburban Shelby County, recently began leasing 66 one-, two-, and three-bedroom apartments, with rents starting at \$847, \$998, and \$1,247, respectively.

The apartment vacancy rate in the Memphis area has declined since 2008; annual rent growth declined briefly in the second quarters of 2013 and 2015.



Source: MPF Research

Multifamily permitting in the Memphis area increased to the highest level since before the recent recession.



Note: Includes preliminary data from January 2016 through August 2016. Source: U.S. Census Bureau, Building Permits Survey