

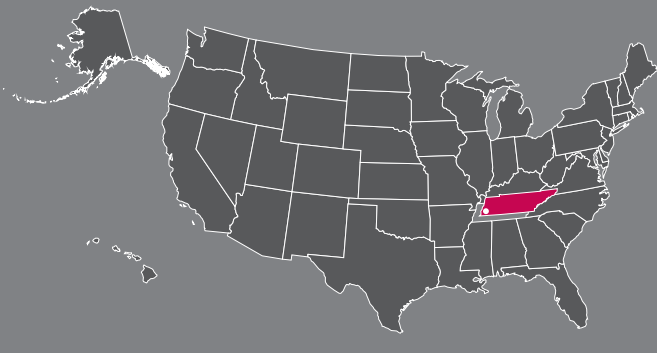
# HUD PD&R Housing Market Profiles

## Memphis, Tennessee-Mississippi-Arkansas



### Quick Facts About Memphis

- **Current sales market conditions: soft.**
- **Current apartment market conditions: soft.**
- **The Memphis metropolitan area is known as a distribution center, primarily because it is home to the Memphis International Airport, which handled 8.8 billion pounds of cargo in 2013, making it the busiest cargo airport in the United States.**



By Gareth Amon | As of July 1, 2014

### Overview

The Memphis metropolitan area comprises Fayette, Shelby, and Tipton Counties in Tennessee; DeSoto, Marshall, Tate, and Tunica Counties in Mississippi; and Crittenden County in Arkansas. The core counties are Shelby County, which includes the city of Memphis, and DeSoto County, which historically has led population growth outside Shelby County. These two counties comprise an estimated 70 and 13 percent of the population of the metropolitan area, respectively. The anchor institutions in the metropolitan area are the Memphis International Airport (MEM) and FedEx Corporation. MEM has a \$23.3 billion economic impact on the metropolitan area annually and supports nearly 140,000 direct and indirect jobs (University of Memphis, Sparks Bureau of Business and Economic Research). FedEx is the largest employer, with 32,000 employees and, in 2013, shipped 99 percent of the 8.8 billion pounds of cargo handled at MEM (Memphis-Shelby County Airport Authority).

- As of July 1, 2014, the population of the Memphis metropolitan area was an estimated 1.34 million, which reflects an average annual gain of 5,225, or 0.4 percent, since April 2010. The city of Memphis is the largest city in Tennessee, with a population of 653,500 in 2013.

continued on page 2



continued from page 1

- The population of the metropolitan area grew by an average of 13,350, or 1.1 percent, annually from July 2002 to July 2006, when the economy was expanding. Population growth then slowed to an average of 8,550 people, or 0.6 percent, annually from July 2007 to July 2009 as a result of the recession.
- Net natural increase has accounted for all the net population growth since 2007; net out-migration has averaged 2,950

people annually since 2010, because the economy is recovering slowly from job losses during the local downturn that occurred from 2007 through 2010. By comparison, from July 2002 to July 2006, net in-migration averaged 4,600 people annually because of the expanding economy and high homebuilding activity in DeSoto County.

## Economic Conditions

Nonfarm payrolls have increased in the Memphis metropolitan area since 2011, but the rate of growth slowed during the past year, when the rates of growth in the Southeast/Caribbean region and in the nation increased. As a result of the national recession, which lasted from December 2007 until June 2009, nonfarm payrolls in the Memphis metropolitan area declined by 50,700 jobs from 2007 through 2010. Nonfarm payrolls recovered from 2011 through 2013, increasing by an average of 5,000 jobs, or 0.9 percent, annually.

- Nonfarm payrolls increased by 4,200 jobs, or 0.7 percent, to 610,000 jobs during the 3 months ending June 2014 compared with nonfarm payrolls during the 3 months ending June 2013. The wholesale and retail trade sector, which was the largest sector in the metropolitan area, comprising 16 percent of all nonfarm payroll jobs, led growth.

- The wholesale and retail trade sector increased by 2,500 jobs, or 2.6 percent, from the same period a year earlier because of improvements in the local economy and increased tourism, which accounted for \$3.2 billion in consumer spending annually in the metropolitan area (Memphis Convention & Visitors Bureau).
- During the 12 months ending June 2014, the government sector declined by 2,800 jobs, or 3.3 percent, from the same period a year earlier, with 55 percent of the losses in the local government subsector. The government sector, the fourth largest sector in the metropolitan area, has declined every year since 2009.
- The University of Memphis and the University of Tennessee Health Science Center respectively employ 2,450 and 3,925 faculty and staff, enroll 20,000 and 2,825 students, and have annual economic

continued on page 3

**Overall job growth occurred in the Memphis area despite large losses in the transportation and utilities and the government sectors.**

|                                    | 3 Months Ending          |                          | Year-Over-Year Change   |         |
|------------------------------------|--------------------------|--------------------------|-------------------------|---------|
|                                    | June 2013<br>(thousands) | June 2014<br>(thousands) | Absolute<br>(thousands) | Percent |
| Total nonfarm payrolls             | 605.8                    | 610.0                    | 4.2                     | 0.7     |
| Goods-producing sectors            | 65.7                     | 66.4                     | 0.7                     | 1.1     |
| Mining, logging, and construction  | 20.7                     | 20.6                     | -0.1                    | -0.5    |
| Manufacturing                      | 45.0                     | 45.8                     | 0.8                     | 1.8     |
| Service-providing sectors          | 540.1                    | 543.6                    | 3.5                     | 0.6     |
| Wholesale and retail trade         | 97.5                     | 100.0                    | 2.5                     | 2.6     |
| Transportation and utilities       | 64.3                     | 62.7                     | -1.6                    | -2.5    |
| Information                        | 6.0                      | 5.9                      | -0.1                    | -1.7    |
| Financial activities               | 27.2                     | 29.1                     | 1.9                     | 7.0     |
| Professional and business services | 85.5                     | 87.7                     | 2.2                     | 2.6     |
| Education and health services      | 86.3                     | 86.1                     | -0.2                    | -0.2    |
| Leisure and hospitality            | 64.8                     | 65.8                     | 1.0                     | 1.5     |
| Other services                     | 24.1                     | 24.9                     | 0.8                     | 3.3     |
| Government                         | 84.3                     | 81.5                     | -2.8                    | -3.3    |
|                                    | <b>(percent)</b>         | <b>(percent)</b>         |                         |         |
| Unemployment rate                  | 9.4                      | 7.7                      |                         |         |

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

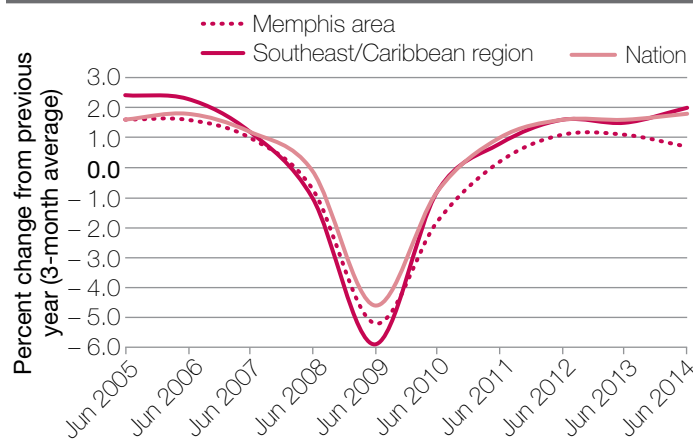


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impacts of \$1.4 and \$2.3 billion on the metropolitan area (University of Memphis; University of Tennessee Health Science Center).

- The unemployment rate declined from 9.4 percent during the 3 months ending June 2013 to 7.7 percent during the same period in 2014, primarily due to a labor force decline of 14,350 workers, or 2.1 percent.

**Since 2010, nonfarm payrolls in the Memphis area have increased at lower rates than payrolls in the Southeast/Caribbean region and the nation.**



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

The mining, logging, and construction sector lost an average of 1,975 jobs, or 7.3 percent, annually from 2007 through 2010, in part, because of declines in homebuilding activity that began in 2005 and worsened significantly in 2007 and 2008. In 2011 and 2012, the sector gained an average of 650 jobs, or 3.3 percent, annually. During 2013, however, the declines resumed, and nonfarm payrolls in the sector decreased by 200, or 1.0 percent. During the 3 months ending June 2014, the mining, logging, and construction sector decreased by 100 jobs, or 0.5 percent, despite several recent commercial construction projects. Bass Pro Shops® is investing \$191 million to convert the Pyramid Arena in downtown Memphis into a retail store and hotel that will employ up to 1,000 workers when complete in December 2014. St. Jude Children’s Research Hospital is building a \$198 million medical tower, which is scheduled to open in October 2014 and add 35 skilled medical professionals to the 3,700 people currently employed.

**Largest employers in the Memphis area**

| Name of Employer                         | Nonfarm Payroll Sector        | Number of Employees |
|--|-------------------------------|---------------------|
| FedEx Corporation                        | Transportation and utilities  | 32,000              |
| Methodist Le Bonheur Healthcare          | Education and health services | 10,200              |
| Baptist Memorial Health Care Corporation | Education and health services | 8,600               |

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

**Sales Market Conditions**

The sales housing market in the Memphis metropolitan area is soft, with a 2.0-percent vacancy rate, down from 2.7 percent in April 2010. Because of the slow economic recovery, slow population growth, and inclement winter weather, new home sales decreased during the past 12 months. Existing home sales increased, in part, because of REO (Real Estate Owned) sales, which account for 19 percent of total sales compared with approximately 10 percent of total sales nationwide. During the 12 months ending May 2014, 1,100 new single-family homes, townhomes, and condominiums sold, a decrease of approximately 13 percent compared with the number sold a year ago (CoreLogic, Inc.; adjustments by the analyst). During the same period, the average new home sales price increased 2 percent, to \$239,100. During the 12 months ending May 2014, 19,950 existing single-family homes, townhomes, and condominiums sold, an increase of 3 percent compared with the number sold a year ago. During the same period, the average existing home sales price increased 7 percent, to \$144,900.

- The percentage of existing home sales in the metropolitan area that were REO transactions peaked at 33 percent in the 12 months ending May 2009 before declining every year, to 25 percent during the 12 months ending May 2014.

- As of June 2014, 7.9 percent of home loans were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 9.0 percent a year earlier and below the peak of 11.4 percent in January 2010 (Black Knight Financial Services, Inc.).
- Shelby County accounts for an estimated 80 percent of home sales in the metropolitan area and most of the inventory for sale (CoreLogic, Inc.; adjustments by the analyst). The inventory of new homes in Shelby County comprised a 10.6-month supply in the second quarter of 2014, down from an 11.9-month supply in the same period a year earlier (Chandler Reports).
- The inventory of unsold homes in Shelby County comprised a 4.6-month supply in June 2014, relatively unchanged from June 2013. During January 2014, however, because of inclement winter weather, the inventory of unsold homes temporarily rose to a 5.7-month supply (Memphis Area Association of REALTORS®; adjustments by the analyst).
- Condominium sales in Shelby County decreased during the 12 months ending June 2014 by 20 homes, or 4 percent, compared with a year ago, to 480 homes (Memphis Area Association of REALTORS®). During the same period, the average price of condominiums sold was \$127,500, up \$6,100, or nearly 5 percent.

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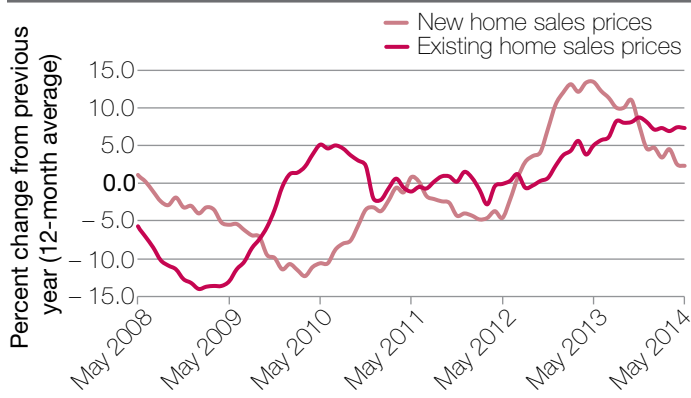


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During the past 6 years, homebuilding activity was minimal as builders decreased production in response to declining new home sales. During the 12 months ending June 2014, permits were issued for approximately 2,450 single-family homes, unchanged from the number permitted a year earlier (preliminary data).

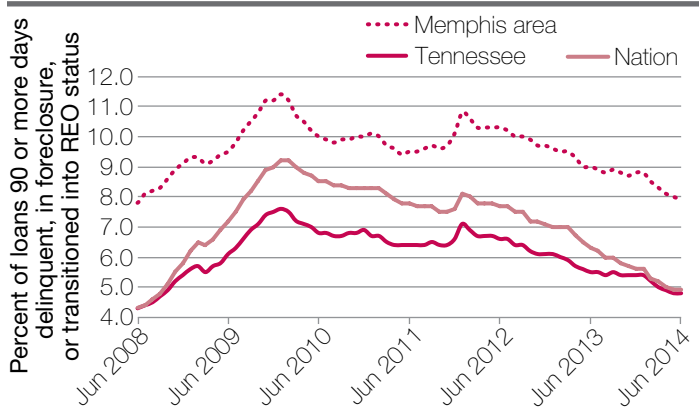
- Single-family home permitting during the second quarter of 2014 remained unchanged at 760 homes when compared with permitting during the second quarter of 2013 after a slight decline during the previous quarter from the first quarter of 2013 because builders temporarily scaled back production because of inclement weather.

**Home sales prices in the Memphis area have increased during the past 2 years, and existing home price growth has outpaced new home price growth since November 2013.**



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

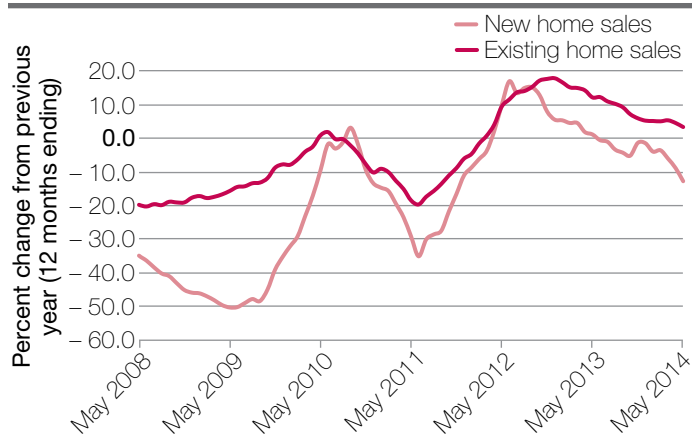
**The percentage of distressed loans and REO homes in the Memphis area remained higher than the percentages in Tennessee and the nation.**



REO = Real Estate Owned. Source: Black Knight Financial Services, Inc.

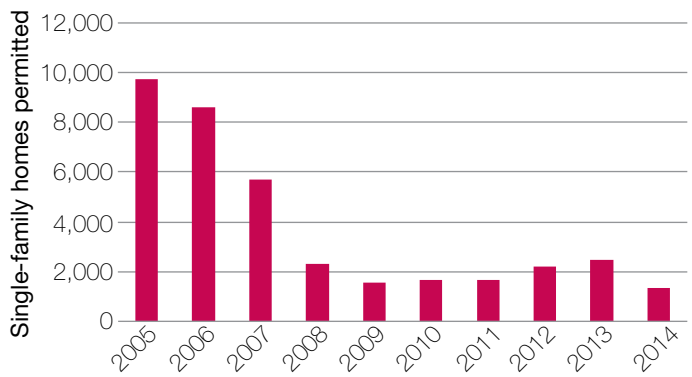
- In 2010 and 2011, permits were issued for an average of 1,650 homes a year. As local economic conditions began to improve during 2012 and 2013, permits were issued for an average of 2,350 homes a year.
- Homebuilding activity declined from 2006 through 2009 by an average of 2,025 homes, or 21 percent, annually, to a low of 1,575 homes permitted in 2009.
- At Fountain Brook, a 330-lot development, 200 lots remain for sale and development. During the second quarter of 2014, 10 homes, with an average price of \$191,000, sold. During 2013, Fountain Brook sold 45 homes, up from 20 homes sold in 2012, and the average price increased by \$11,000, or 6 percent, to \$193,000 (Chandler Reports).

**New home sales in the Memphis area have declined since May 2013, and the rate of existing home sales increases has slowed.**



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

**Single-family home permitting in the Memphis area has been low for more than 6 years.**



Note: Includes preliminary data from January 2014 through June 2014. Source: U.S. Census Bureau, Building Permits Survey



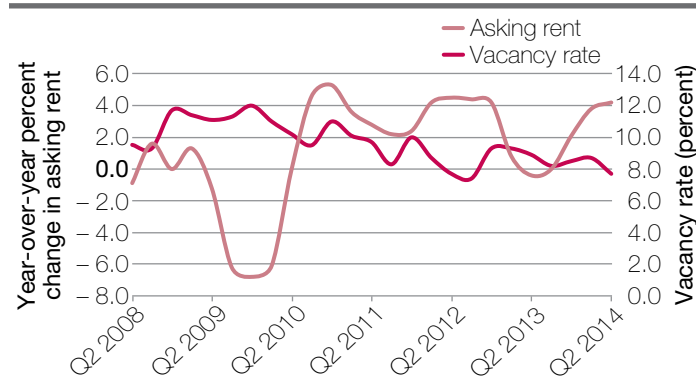
## Apartment Market Conditions

The apartment market in the Memphis metropolitan area is currently soft because older Class B and Class C apartments, which typically have higher vacancy rates than Class A apartments, account for an estimated 60 percent of the apartment housing stock. The apartment vacancy rate for the approximately 21,450 apartment units built before 1980 was 10.5 percent, down from 13.7 percent in the second quarter of 2013 and significantly lower than the high of 15.9 percent in the first quarter of 2010 (MPF Research; adjustments by the analyst). The average apartment rent for units built before 1980 increased 3.4 percent, from \$590 during the second quarter of 2013 to \$610 during the second quarter of 2014.

During the second quarter of 2014—

- The apartment vacancy rate in the metropolitan area was 7.7 percent, down from 8.9 percent in the second quarter of 2013, and has declined gradually since the peak of 12.0 percent in the fourth quarter of 2009, largely due to a low supply of new units entering the market (MPF Research).
- The average apartment rent in the metropolitan area increased 4 percent, to \$750, from \$720 during the second quarter of 2013. The average asking rents for one-, two-, and three-bedroom units were \$680, \$750, and \$920, respectively.
- Vacancy rates varied greatly among the MPF Research-defined market areas, but the vacancy rate was lowest in the Downtown Memphis area, where it remained unchanged at 4.9 percent from the second quarter of 2013. The average apartment rent in the Downtown Memphis area was \$980, up 7.7 percent from \$910 during the second quarter of 2013 and the highest in the metropolitan area.

**The apartment market in the Memphis area tightened as vacancy rates declined and rents increased.**



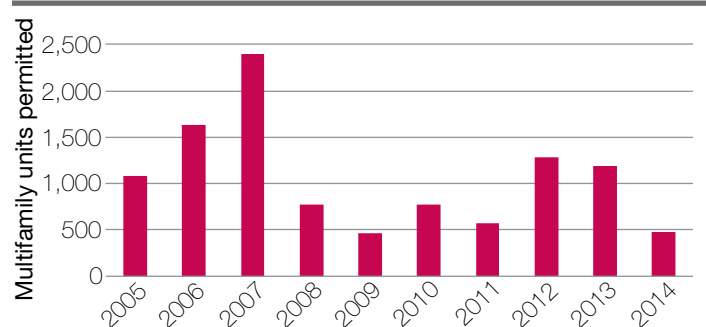
Source: MPF Research

- Rental concessions, which averaged \$55 a month, were offered by 15 percent of properties (MPF Research). By comparison, during the second quarter of 2013, 20 percent of properties offered concessions, which averaged \$60 a month.

Multifamily construction, as measured by the number of multifamily units permitted, increased in the Memphis metropolitan area during the 12 months ending June 2014 as builders responded to vacancy rate decreases and rent increases.

- During the 12 months ending June 2014, permits were issued for approximately 1,450 multifamily units, up 610 units, or 73 percent, from the number permitted a year earlier, due to 700 units being permitted in September and October of 2013 (preliminary data).
- Multifamily permitting activity averaged 640 units annually from 2008 through 2011, when builders decreased production in response to higher vacancy rates and relatively low average rent increases. In 2012 and 2013, as local economic conditions began to improve, approximately 1,225 units were permitted annually.
- Approximately 1,300 multifamily rental units are under construction in the metropolitan area, including 110 units at Cleaborn Pointe at Heritage Landing, a mixed-income community financed, in part, by a \$22 million U.S. Department of Housing and Urban Development HOPE VI revitalization grant.
- Westbrook Crossing, a 227-unit development, opened in December 2013 with rents starting at \$1,150 for a one-bedroom/one-bathroom unit and \$1,400 for a two-bedroom/two-bathroom unit.
- The University of Memphis houses 2,500 students in on-campus housing, and the remaining 17,500 students reside off campus throughout the metropolitan area, accounting for an estimated 5,825 households, or 3 percent of the overall renter households in the metropolitan area. The University of Memphis has a \$53 million residence hall under construction that is expected to be complete in 2015 and house 750 students.

**Multifamily permitting has increased in the Memphis area during the past 2 years as builders responded to improving conditions.**



Note: Includes preliminary data from January 2014 through June 2014.

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

