The CURRENT HOUSING MARKET SITUATION- MEMPHIS, TENNESSEE

as of June 1, 1973

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
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Foreword

This current housing situation report has been prepared for the assistance and guidance of the Department of Housing and Urban Development in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The report does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Economic and Market Analysis Division of the Knoxville Area office under the direction of Donald Gebauer, Area Economist, on the basis of information available on the "as of" date from both local and national sources. Subsequent market developments may, of course, occasion modifications in the conclusions of this report.

The prospective demand estimates suggested in the report are based upon an evaluation of the factors available on the "as of" date. They should not be construed as forecasts of building activity, but rather as estimates of the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Economic and Market Analysis Division
Knoxville Area Office

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The Memphis, Tennessee, Housing Market Area (HMA) is defined as being coterminous with Shelby County, Tennessee. It is located in the southwest corner of Tennessee, 220 miles west of Nashville, Tennessee.

Recent Residential Construction Activity

During the past two and one-half years, residential construction activity in the HMA has been at a very high level, as reflected by the 13,455 building permits issued in 1971, 18,049 issued in 1972, and 7,054 issued during the first five months of 1973. Vacancy rates, however, have increased only slightly. It is estimated that the homeowner vacancy rate has actually decreased slightly from 1.4 percent as reported by the 1970 census to an estimated 1.3 percent, while the available rental vacancy rate has increased from 5.3 percent to 5.9 percent. Based on the number of units under construction, the sales vacancy rate is expected to remain relatively constant, or perhaps decline slightly. The rental vacancy rate is expected to increase significantly as the large number of multifamily units currently under development become available for occupancy. Because of the high level of multifamily development currently underway and the expected increases in vacancy rates, it is suggested that additions to such activity be sharply curtailed from levels which prevailed during the past two and one-half years.

Anticipated Housing Demand

Based on the projected level of household growth during the forecast period, current vacancy levels, expected inventory losses, and the present level of residential construction activity, it is estimated that an adequate demand for housing will exist to justify building permits being obtained annually for 3,900 new, single-family, nonsubsidized housing units and 2,600 nonsubsidized rental units in Shelby County during the three-year period ending June 1, 1976. An additional annual demand for 550 housing units is expected to be satisfied by mobile homes. The qualitative distributions of the projected demand by sales price, monthly rent range, and size of unit are presented in table I.

In reference to subsidized housing, an estimated 500 units can be absorbed annually under the provisions of the Section 235 program during the three-year period ending June 1, 1976.[1] For Section 236 housing for families, it is recommended that no more such housing proceed, in addition to the 812 Section 236 units in projects now under development, until satisfactory occupancy is obtained in the two in the initial rent-up stage, and in three which are currently under construction.

Concerning Section 236 housing for senior citizens, it is also recommended that no more such units proceed, in addition to the 593 units under development until satisfactory occupancy experience is obtained.

For low-rent public and rent supplement housing, the demand in Shelby County far exceeds any supply that may be forthcoming in the proximate future. There are only a total of 745 low-rent public and rent supplement housing units currently under development in the HMA; the Memphis Housing Authority alone has about 4,800 applications on file for its housing.

Population and Households

The Memphis Housing Market had a 1970 population of 722,014, which reflected an average annual increase of about 9,500 persons between 1960 and 1970. Since April 1, 1970, it is estimated that the population of the area has increased at an annual rate of 16,100 persons per year, to an estimated population of 772,900 as of June 1, 1973. For June 1, 1976, it is projected that the HMA's population will reach 823,000, indicating an increase of 16,700 per year for the three-year period.

The total number of households in the Memphis HMA was estimated at 235,000 as of June 1, 1973, reflecting an increase of about 6,750 annually since the 1970 Census.

Between 1960 and 1970 the number of households increased by 3,877 a year, and growth at 6,435 a year is anticipated for the 1973-1976 period. (see table VI).

1/ The occupancy potentials referred to in this analysis are dependent upon the capacity of the market in view of existing vacancy strength or weakness. The successful attainment of the calculated market for subsidized housing may well depend upon construction in suitable accessible locations, as well as upon the distribution of rents and selling prices over the complete range attainable for housing under the specified programs. These estimates are not affected by the January 1973 "hold" on additional commitments for these programs; they will be applicable if funding is resumed or as a guide to local decisions with regard to the use of special revenue sharing or other alternatives for housing subsidies.

Current Employment Estimate

Preliminary estimates prepared by the Tennessee Department of Employment Security place the total average nonagricultural wage and salary employment in the Memphis SMSA[1/] at 307,600 during the twelve months which ended in April 1973. Also, preliminary figures indicate that nonagricultural wage and salary employment averaged 303,200 during 1972, an increase of 18,200 over the 1971 average. This compares with increases of 10,000 to 1971 and 2,000 from 1969 to 1970.

As shown in tables I and II, manufacturing employment comprised 16.9 percent of total employment for the twelve months which ended April 1973, compared to 18.8 percent for 1966. A large portion of total employment gains, therefore, have been in the nonmanufacturing sector, mainly in trade, services, and government. This trend is expected to continue in the future.

Based on past trends, announcements of major expansions by existing firms and locations of new firms in the SMSA, it is estimated that nonagricultural wage and salary employment in the SMSA will increase by almost 8,100 jobs per year during the three-year forecast period ending June 1, 1976.

Unemployment

According to the Tennessee Department of Employment Security, unemployment averaged 3.1 percent for the twelve months ended April 1973. This represents a continuing decrease from the annual rate of 4.2 percent in 1971 and 3.4 percent in 1972. It is, however, only slightly lower than the seven year average rate of 3.3 percent for the years 1966-1972.

Income Levels

As shown in table IV, the estimate of current incomes of all families in the Memphis HMA indicates that 12 percent have incomes under $4,000, 6 percent between $4,000 and $5,000, 5 percent between $5,000 and $6,000, and 15 percent between $6,000 and $9,000. All families with incomes below $4,000 and a large percentage of families with incomes between $4,000 and $5,000 are eligible for admission to low-rent public housing. The Section 235-236 market in the Memphis SMSA is primarily the $5,000 to $8,000 income range with income limits ranging from $6,210 for a two-person household to $8,910 for a ten-person household.

1/ Employment data for the Memphis area are available only on the basis of the two-county SMSA, consisting at that time of Shelby County, Tennessee, and Crittenden County, Arkansas.

Postal Vacancy Surveys

Postal Vacancy Surveys were conducted in the Memphis HMA in December 1969 and May 1973. These surveys indicate that the rental vacancy rate increased slightly from 3.7 percent in 1969 to 3.8 percent in 1973, while the homeowner vacancy rate decreased from 1.2 percent to 1.1 percent between the two dates.

Rental Market

During 1971 and 1972, building permits were issued for 7,981 and 13,592 multifamily units, respectively. This level of multifamily activity significantly exceeds such past activity in Memphis. The 1971-1972 annual average of 10,786 permits was 3.5 times greater than the eleven year average of 3,091 from 1960 through 1970.

New garden apartments in the Raleigh area rent usually from $150 to $165 for a one-bedroom unit and $180 to $200 for a two-bedroom unit. In the southeast sector of the city, newer units rent for $145 to $160 for a one-bedroom and $170 to $200 for a two-bedroom.

The Sales Market

The 1971-1972 average annual building permit level for single-family construction was 4,965, 42 percent higher than the 1960 through 1970 average.

A substantial portion of new construction activity during 1971 and 1972 has been insured under Section 235. For these two years, approximately 17 percent of the single-family units completed were insured under Section 235.

The January 1973 unsold inventory study conducted by the Memphis Insuring Office indicates that 14.1 percent of the new single-family houses completed in subdivisions with five or more completions in Shelby County during 1972 were sold before construction began. This compares to 16.1 percent in 1971 and 19.1 percent in 1970. Of those speculatively built in 1972, nearly 11 percent were unsold in January 1973, compared with ratios of 3 percent a year earlier and 18 percent in January 1971.

Subsidized Housing

The Memphis Housing Authority operates 6,941 low-rent public housing units with a vacancy rate of less than 1 percent. An additional 406 low-rent units are under development, including 206 specifically designed for senior citizen occupancy. Of the 6,941 units available, 621 are designated for senior citizens.

The Memphis Housing Authority has approximately 4,800 applications on file, including 800 filed by senior citizens.

In addition to the above mentioned low-rent public housing, the Millington Housing Authority has 90 units under management; the Authority does not have any under development. Also, the Shelby County Housing Authority has 175 units, including 30 for senior citizens, under development; the Authority does not have any units completed.

There are 1,241 rent supplement units that are complete. These units have a vacancy rate of 2.3 percent. An additional 164 rent supplement units are under development.

There are 1,599 moderate-income rental units for families (BMIR and Section 236) completed in the Memphis HMA. Breezy Point and Rolling Hills Section 236 projects, with a total of 321 units, are still in the initial rent-up period. Excluding Breezy Point and Rolling Hills, the vacancy rate in the moderate-income units is 8.6 percent. Only one moderate-income apartment development for senior citizens is complete. The project, which has 196 units, rarely has a vacancy.

Table I

Estimated Annual Demand for Nonsubsidized Housing
Memphis, Tennessee, Housing Market Area
June 1, 1973 - June 1, 1976

(A) Single-family

Sales price	Number of units	Percent of total
$17,500 - $19,999	525	13
20,000 - 22,499	350	9
22,500 - 24,999	325	8
25,000 - 29,999	750	19
30,000 - 34,999	725	19
35,000 - 39,999	350	9
40,000 - 44,999	300	8
45,000 - 49,999	250	7
50,000 and over	325	8
Total	3,900	100

(B) Multifamily

Gross monthly rent a/	Unit size			
	Efficiency	One bedroom	Two bedrooms	Three bedrooms
$120 - $129	60	-	-	-
130 - 149	60	-	-	-
150 - 169	20	630	-	-
170 - 189	10	270	490	-
190 - 209	-	110	280	70
210 - 229	-	50	150	50
230 - 249	-	20	90	30
250 - 269	-	10	50	20
270 - 289	-	-	30	20
290 - 309	-	-	20	10
310 and over	-	-	20	30
Total	150	1,090	1,130	230

a/ Gross rent is shelter rent plus the cost of utilities.

Source: Estimated by Economist.

Table II

Trend of Civilian Work Force Components
Memphis, Tennessee-Arkansas, SMSA*
Annual Averages in Thousands, 1966 - 1973

Component	1966	1967	1968	1969	1970	1971	1972	May 1972 - April 1973
Civilian work force	297.0	308.9	320.2	332.4	338.5	350.8	368.2	371.4
Employed	288.2	298.8	310.1	322.4	324.4	336.0	355.5	359.6
Agricultural	12.0	11.4	11.2	11.2	11.4	11.4	11.5	N/A
Nonagricultural	276.2	287.4	298.9	311.2	313.0	324.6	344.0	N/A
Wage & salary	238.5	249.9	261.4	273.0	275.0	285.0	303.2	307.6
Other nonagricultural a/	37.7	37.5	37.5	38.2	38.0	39.6	40.8	N/A
Unemployed	8.7	9.5	9.6	9.5	12.3	14.7	12.5	11.5
Unemployment rate	2.9	3.1	3.0	2.9	3.6	4.2	3.4	3.1
Persons involved in labor disputes	0.1	0.6	0.5	0.5	1.8	0.1	0.2	0.3

* Employment data available for SMSA only.
a/ Self-employed, domestics, unpaid family workers.
Source: Tennessee Department of Employment Security.

Table III

Trend of Nonagricultural Wage and Salary Employment
Memphis, Tennessee-Arkansas, SMSA*
Annual Averages in Thousands, 1965 - 1973

	1965	1966	1967	1968	1969	1970	1971	1972	May 1972 - April 1973
Total wage & salary **	222.2	238.5	249.9	261.4	273.0	275.0	285.0	303.2	307.6
Manufacturing	49.6	54.2	57.1	60.1	63.0	59.8	57.9	60.2	60.9
Durable goods	22.3	25.8	28.1	24.9	29.5	26.5	25.2	26.9	27.2
Lumber (ex. furn.)	5.4	5.3	5.0	5.0	5.1	4.2	4.0	4.3	4.2
Furniture & fixtures	3.1	3.2	2.9	3.0	3.1	2.8	2.9	3.1	3.2
Fabricated metal products	2.6	2.9	3.3	3.8	4.1	4.2	4.1	4.5	4.6
Nonelectrical machinery	3.7	4.3	4.0	4.7	5.0	4.9	4.9	5.6	5.7
Electrical machinery	N/A	4.1	6.5	5.7	5.9	4.7	2.9	2.6	2.6
All other	7.5	6.0	6.4	7.2	6.3	5.7	6.4	6.8	6.9
Nondurable goods	27.3	28.4	29.0	30.7	33.5	33.3	32.7	33.3	33.7
Food products	9.0	9.1	9.5	9.7	10.1	10.3	10.4	10.6	10.8
Apparel	2.3	2.3	2.4	2.4	2.4	2.2	2.0	1.9	1.9
Paper products	3.9	4.2	4.5	4.9	5.2	5.2	5.3	5.3	5.4
Printing & publishing	2.5	5.6	2.8	2.9	3.0	3.1	3.3	3.8	3.9
Chemicals	4.2	4.5	4.6	4.8	6.5	6.4	5.9	5.6	5.5
All other	5.4	5.6	5.2	6.0	6.3	6.1	5.8	6.1	6.2
Nonmanufacturing	172.6	184.3	192.8	201.3	210.0	2.5.2	227.1	243.0	246.7
Mining	0.2	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Construction	12.8	13.1	13.8	14.1	14.5	13.5	16.6	16.3	15.6
Trans., comm. & pub. util.	17.0	18.2	19.3	19.4	20.2	20.1	20.3	20.5	20.7
Trade	58.0	62.1	63.6	66.7	68.3	69.6	73.0	80.2	81.0
Wholesale trade	21.1	22.8	23.1	24.2	25.0	25.2	N/A	N/A	N/A
Retail trade	36.9	39.3	40.5	42.5	43.3	44.4	N/A	N/A	N/A
Fin., ins., & real estate	12.1	12.9	13.3	14.1	14.8	15.3	16.0	17.5	17.9
Service	33.1	36.3	38.7	41.3	43.8	45.7	48.5	52.7	53.9
Government	39.4	41.4	43.9	45.5	48.2	50.8	52.4	55.6	57.4

* Employment data available for SMSA only.
** This data comparable to nonagricultural wage and salary, except domestics, Table II.
Source: Tennessee Department of Employment Security.

Table IV

Estimated Percentage Distribution
Of All Families and Renter Households by Annual Income
Shelby County, Tennessee
1969 - 1973

Income	All families 1969	All families 1973	Renter households[1/] 1969	Renter households[1/] 1973
Under $3,000	13	5	16	9
$3,000 - 3,999	6	7	7	8
4,000 - 4,999	6	6	8	6
5,000 - 5,999	6	5	8	6
6,000 - 6,999	7	5	9	7
7,000 - 7,999	7	5	8	6
8,000 - 8,999	7	5	7	6
9,000 - 9,999	7	6	7	5
10,000 - 11,999	10	9	11	9
12,000 - 14,999	14	13	10	14
15,000 - 24,999	13	25	4	18
25,000 and over	4	9	5	6
Total	100	100	100	100
Median	$8,700	$11,200	$7,300	$9,400

Source: Estimated by Economist.

1/ Excludes one person households

Table V

Housing Units Authorized By Building Permits
Shelby County, Tennessee
1960 - May 1973

Year	Nonsubsidized housing units			Subsidized housing units				Total housing units Authorized
	Single-family	Multi-family	Total	LRPH and RS housing	BMIR and Section 236 housing	Section 235 housing[a/]	Total	
1960	3,794	1,218	5,012	90	0	0	90	5,102
1961	2,521	1,575	4,096	0	0	0	0	4,096
1962	3,421	1,317	4,738	0	0	0	0	4,738
1963	3,322	3,925	7,247	0	0	0	0	7,247
1964	3,774	2,486	6,260	0	0	0	0	6,260
1965	3,414	3,688	7,102	0	214	0	214	7,316
1966	3,118	3,177	6,295	0	0	0	0	6,295
1967	4,060	4,864	8,924	0	0	0	0	8,924
1968	3,792	3,495	7,287	989	0	0	0	8,278
1969	2,528	4,201	6,729	600	0	2	991	7,514
1970	3,586	1,065	4,651	852	554	185	785	6,910
1971	3,855	6,207	10,062	908	866	853	2,259	13,455
1972	3,366	12,287	15,653	439	866	1,619	3,393	18,049
Jan.-May 1973	2,145	4,209	6,354	0	700	1,091	2,396	7,054
						0	700	

a/ Estimated by Economist

Table VI

Trend of Population and Household Growth
Shelby County, Tennessee
April 1960 - June 1976

					Average Annual Change					
					1960 - 1970		1970 - 1973		1973 - 1976	
Population	April 1960	April 1970	June 1973	June 1976	Number[b]	Rate[a]	Number[b]	Rate[a]	Number[b]	Rate[a]
Shelby County	627,019	722,014	772,900	823,000	9,500	1.4	16,065	2.2	16,700	2.1
Households										
Shelby County	174,758	213,527	235,000	254,300	3,877	2.0	6,750	3.1	6,435	2.6

a/ Average annual rates computed on a compound basis.

b/ Rounded.
Sources: 1960 and 1970 Censuses of Population and Housing; estimates and projections by Economist.

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