

# Housing Market Profile

Southeast/Caribbean • HUD Region IV



## Memphis, Tennessee- Mississippi-Arkansas

The Memphis metropolitan area is located in the southwest corner of Tennessee and comprises Fayette, Shelby, and Tipton Counties in Tennessee; DeSoto, Marshall, Tate, and Tunica Counties in Mississippi; and Crittenden County in Arkansas. As of July 1, 2012, the population of the metropolitan area was estimated at 1.32 million, up 7,450 annually, or 0.6 percent, since April 1, 2010, slightly slower than the average annual growth of 8,150, or 0.6 percent, from 2007 through 2010. According to the Memphis Economic Development Plan, more than 10 million people visit Memphis annually, spending \$3.1 billion on attractions such as Graceland and Beale Street in downtown Memphis, known for its blues and rock 'n' roll music clubs.

Two sectors form the foundation of the Memphis metropolitan area economy: transportation and utilities and education and health services. FedEx Corporation is the leading employer in the area, with 31,000 employees. In 2011, the Memphis airport ranked as the largest cargo airport by cargo volume in the nation; FedEx handled 98 percent of the 4.3 million tons of cargo. The education and health services sector is supported by the stable enrollment of 22,725 students and employment of 2,500 faculty and staff at the University of Memphis, which has a \$1.43 billion economic impact on the area, according to the university. Methodist Le Bonheur Healthcare is the second leading employer in the metropolitan area, with 8,900 employees. In 2011, Methodist Le Bonheur Healthcare began construction of a \$137 million, 100-bed hospital that is expected to create 500 jobs in the area during the next few years.

Economic conditions in the metropolitan area have improved since the second quarter of 2011 after declines during the past 2 years. During the 12 months ending June 2012, nonfarm payrolls averaged 600,600 jobs, an increase of 10,700 jobs, or 1.8 percent, compared with the number of jobs recorded during the previous 12 months. During the 12 months ending June 2012, job gains were largest in the professional and business services and education and health services sectors, with increases of 5,200 and 3,900 jobs, or 6.7 and 4.8 percent, respectively. Four of the largest employers in the area support the education and health services sector; namely, Methodist Le Bonheur Healthcare, Baptist Memorial Health Care Corporation,

The University of Tennessee Health Science Center, and St. Jude Children's Research Hospital, which, combined, employ more than 22,575 people. Despite the overall job gains, the financial activities sector lost 400 jobs, or 1.4 percent, during the past 12 months. Since 2008, the financial activities sector has declined due to the consolidation, relocation, or closing of many financial institutions, including the recent sale and subsequent layoffs of 70 employees at Morgan Keegan & Co., Inc.

Sales housing market conditions in the Memphis metropolitan area are soft. Based on data from the Memphis Area Association of REALTORS®, for the 12 months ending June 2012, the number of new single-family homes sold in the area totaled 480, a decrease of 11 percent compared with the 540 new homes sold during the same period a year earlier. During the 12 months ending June 2012, 12,200 existing single-family homes sold in the area, an increase of 12 percent compared with the 10,900 existing homes sold during the same period a year earlier. Current new and existing home sales are 10 percent less than the 3-year average of 14,150 homes sold between 2008 and 2010. The median new home sales price increased to \$245,300 in June 2012, an increase of 23 percent compared with June 2011. According to the Chandler Reports, in the second quarter of 2012, the average size of a new home was 2,600 square feet, an increase of 280 square feet, or 12 percent, when compared with the average size during the second quarter of 2011, contributing to the higher new home sales prices. The median sales price of existing homes sold, including distressed sales, during June 2012 was \$89,600, up 5 percent compared with the median price in June 2011, comparably higher than 2008 and 2009, when the median home sales price was \$85,000. Distressed property sales, such as REO (Real Estate Owned) homes, made up 31 percent of existing home sales in the 12 months ending June 2012, down from 34 percent during the same period a year earlier; although the median sales price of distressed homes sold in June 2012 was \$42,600, a decrease of 5 percent when compared with the price in June 2011. According to LPS Applied Analytics, as of June 2012, 10.3 percent of total loans in the metropolitan area, or 16,500 loans, were 90 or more days delinquent, in foreclosure, or in REO, up from 9.5 percent a year earlier, but substantially higher than the 6.6-percent rate for Tennessee during the same period.

Building permits were issued for 2,000 single-family homes during the 12 months ending June 2012, up 38 percent from the previous 12 months in response to a 12-percent decrease in the inventory of unsold homes to 7,025 homes. The 6.3-month supply of unsold inventory



in June 2012 is down from an 8-month supply in June 2011. Because of soft market conditions, however, building activity is still 33 percent less than the average from 2007 through 2010, when 2,825 single-family homes were permitted annually.

Rental housing market conditions in the Memphis metropolitan area are soft but have improved since the first quarter of 2011. According to Reis, Inc., the apartment vacancy rate declined from 11 percent in the second quarter of 2011 to 9.2 percent in the second quarter of 2012, and the average asking rent increased by more than 2 percent, to approximately \$700. The University of Memphis enrolls 22,725 students and provides on-campus housing for 2,200 students; most of the remaining 20,525 students reside off campus in the area surrounding the university. In the second quarter of 2012, the area near the university had a vacancy rate of 7.8 percent, which is the lowest rate within the metropolitan area, down from 10.6 percent in the second quarter of 2011. In the second quarter of 2012, the asking rent near the university increased by approximately 2 percent to \$630.

In response to increasing rents and decreasing vacancy rates, rental housing market conditions have improved enough to spur significant additional multifamily development. During the 12 months ending June 2012, multifamily construction activity, as measured by the number of units permitted, totaled 1,025 units, more than double the units permitted in the 12 months ending June 2011, based on preliminary data. By comparison, an average of 1,125 multifamily units was permitted annually from 2007 through 2010. An estimated 530 multifamily rental units are currently under construction. Orleans Place at Walnut Grove, a 180-unit apartment complex, is under construction and expected to be completed in 2012. Asking rents at Orleans Place start at \$850 for a one-bedroom unit, \$990 for a two-bedroom unit, and \$1,200 for a three-bedroom unit. Grand Island Apartments, a 204-unit apartment complex located on Mud Island in downtown Memphis, was recently completed and is now leasing. Asking rents start at \$940 for a one-bedroom unit, \$1,325 for a two-bedroom unit, and \$1,600 for a three-bedroom unit.