

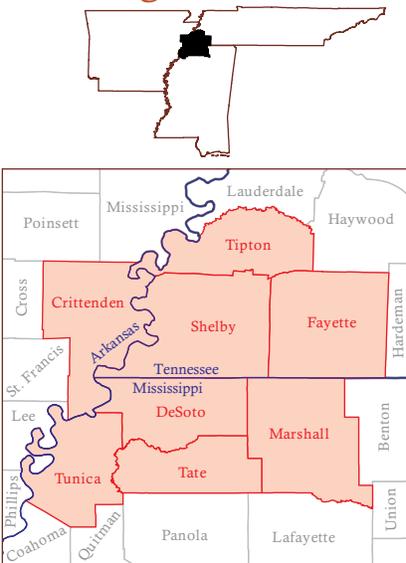


Memphis, Tennessee-Mississippi-Arkansas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2014



Housing Market Area



The Memphis Housing Market Area (HMA) is coterminous with the Memphis, TN-MS-AR Metropolitan Statistical Area and is home to the busiest cargo airport in the United States. For purposes of this report, the HMA is divided into two submarkets: the Shelby County submarket, which includes the city of Memphis, and the Remainder submarket, which comprises Fayette and Tipton Counties in Tennessee; DeSoto, Marshall, Tate, and Tunica Counties in Mississippi; and Crittenden County in Arkansas.

Market Details

- Economic Conditions2
- Population and Households6
- Housing Market Trends8
- Data Profiles18

Summary

Economy

The economy of the Memphis HMA has improved since 2011, although nonfarm payrolls are 35,400 jobs fewer than the peak number recorded in 2007. During the 12 months ending March 2014, nonfarm payrolls increased by 1,900 jobs, or 0.3 percent, to 605,400 jobs, compared with nonfarm payrolls during the 12 months ending March 2013. The average unemployment rate during the 12 months ending March 2014 was 9.0 percent, down from 9.2 percent in the previous 12 months. Table DP-1 at the end of this report includes population and employment data for the HMA.

Sales Market

The overall sales housing market in the HMA is soft, with a 2.0-percent vacancy rate, down from 2.7 percent in April 2010. The Shelby County submarket comprised an estimated

70 percent of home sales in the HMA during the past 12 months. The number of new and existing home sales and average home sales prices increased during the past 12 months. During the forecast period, demand is expected for 6,775 new homes in the HMA (Table 1). The 1,060 homes currently under construction and a portion of the estimated 24,700 other vacant units in the HMA that may reenter the market will satisfy some of the forecast demand.

Rental Market

The overall rental housing market in the HMA is soft, with an estimated vacancy rate of 10.4 percent, down from 14.1 percent in April 2010. No additional units should be constructed in the Shelby County submarket during the forecast period. Demand is estimated for 370 new market-rate rental units in the Remainder submarket during the forecast period (Table 1).

Table 1. Housing Demand in the Memphis HMA During the Forecast Period

	Memphis HMA		Shelby County Submarket		Remainder Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	6,775	370	4,425	0	2,350	370
Under construction	1,060	1,375	410	1,325	650	50

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2014. A portion of the estimated 24,700 other vacant units in the HMA will likely satisfy some of the forecast demand. Sales demand in the Remainder submarket includes an estimated demand for 200 mobile homes. The forecast period is April 1, 2014, to April 1, 2017.

Source: Estimates by analyst

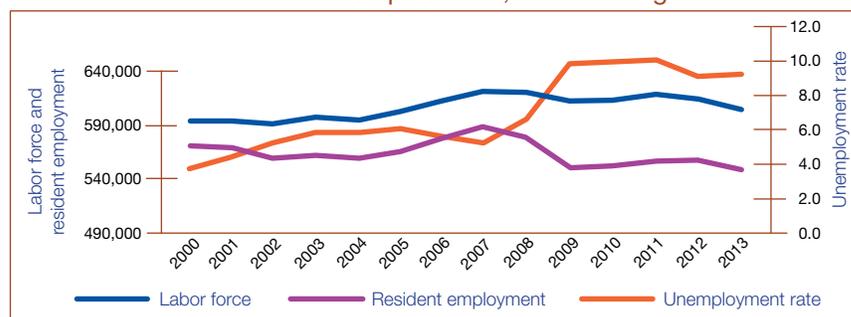
Economic Conditions

Economic conditions in the Memphis HMA are slowly improving since the loss of 50,700 nonfarm payroll jobs from 2007 through 2010. As a result of the national recession, which lasted from December 2007 until June 2009, nonfarm payroll sector job losses were widespread, with the wholesale and retail trade and the leisure and hospitality sectors having the most losses. Nonfarm payrolls increased from 2011 through 2013 by an average of 5,000 jobs, or 0.9 percent, annually, led by the education and health services and the professional and business services sectors. From 2002 through 2007, nonfarm payroll jobs increased by an average of 5,550 jobs, or 0.9 percent, annually as the economy recovered from the national recession in 2001. During this period, the education and health services sector led growth, increasing by an average of 1,950 jobs, or 2.9 percent,

annually, mostly because three hospitals in the HMA expanded. Peak economic growth in the HMA occurred from 2004 through 2006, when nonfarm payrolls increased by an average of 10,400 jobs, or 1.7 percent, annually.

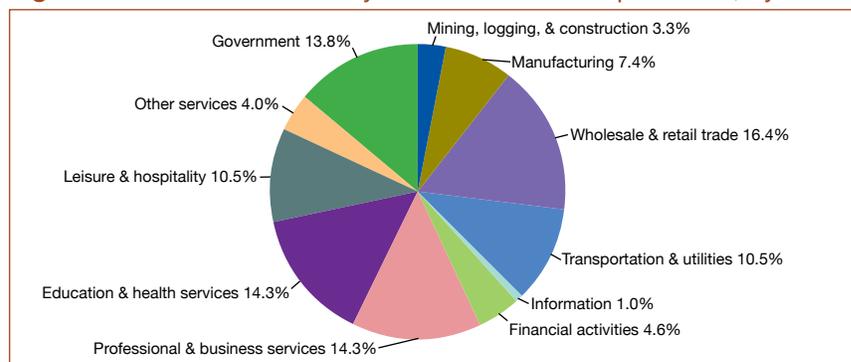
During the 12 months ending March 2014, economic growth slowed as nonfarm payrolls increased by 1,900 jobs, or 0.3 percent, to 605,400 jobs, compared with an increase of 7,800 jobs, or 1.3 percent, during the 12 months ending March 2013. Nonfarm payrolls are 35,400 jobs fewer than the peak number of 640,800 recorded in 2007. The unemployment rate in the HMA was 9.0 percent during the 12 months ending March 2014, down from 9.2 percent during the 12 months ending March 2013. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2013.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Memphis HMA, 2000 Through 2013



Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Memphis HMA, by Sector



Note: Based on 12-month averages through March 2014.

Source: U.S. Bureau of Labor Statistics

Wholesale and retail trade is the largest nonfarm payroll sector in the HMA, with 99,200 jobs, or 16 percent of all nonfarm payroll jobs (Figure 2), down from 17 percent in 2000 and 20 percent in 1990. Large declines in the sector during recessions have been followed by slow job recoveries, as other sectors such as education and health services, expanded more rapidly. During the 12 months ending March 2014, the wholesale and retail trade sector increased by 2,100 jobs, or 2.2 percent, compared with the 12 months ending March 2013. Gains in the wholesale and retail trade sector can be partly attributed to overall increases in the economy and increased consumer spending. Likewise, the retail trade subsector has benefited from increased tourism in the HMA. During the 12 months ending March 2014, the retail trade subsector increased by

1,475 jobs, or 2.3 percent, to 64,900, while the wholesale trade subsector increased by 600 jobs, or 1.8 percent, to 34,300, compared with the previous 12 months. In contrast to the recent gains, losses in the wholesale and retail trade sector occurred from 2007 through 2011, when declines averaged 2,900 jobs, or 2.6 percent, annually. Wholesale and retail trade sector losses were widespread, but a portion of the losses can be attributed to two retail establishments, Barnes & Noble, Inc., and Belk, Inc., which lost 210 and 200 jobs, respectively, during the period.

The HMA is known as a distribution center because of its five railroads, the fourth largest inland port, and the busiest cargo airport in the United States. The transportation and utilities sector is the fifth largest sector in the HMA and represents nearly 11 percent of all nonfarm payroll jobs, more than double the corresponding rate for the sector in the state of Tennessee. During the 12 months ending March 2014, the transportation and utilities sector decreased by 1,300 jobs, or 2.0 percent, compared with the number of jobs during the previous 12 months. A portion of these losses can be attributed to downsizing at the Memphis International Airport (MEM). Delta Air Lines ceased its hub operations at MEM in 2013, resulting in a loss of 540 jobs, and has reduced passenger flights an estimated 48 percent since 2010 (Memphis-Shelby County Airport Authority). Pinnacle Airlines, with its headquarters formerly located in the HMA, emerged from bankruptcy in 2013 using financing from Delta Air Lines and moved its headquarters to the Minneapolis-St. Paul International Airport, resulting in 600 job losses in the HMA (Greater Memphis

Chamber). Pinnacle Airlines changed its name to Endeavor Air and is now a subsidiary of Delta Air Lines.

Although passenger flights have decreased at MEM, cargo shipments are increasing; the airport ranks as the second busiest cargo airport in the world, just 0.2 percent behind Hong Kong International Airport (HKG) in tonnage shipped (Airports Council International). The largest employer in the Memphis HMA is FedEx Corporation, which employs 32,000 people. During 2012, companies doing business at MEM had a \$23.3 billion economic impact on the HMA and supported 139,800 direct and indirect jobs (University of Memphis, Sparks Bureau of Business and Economic Research). Companies that provide services at MEM generated \$12.5 billion in revenues, with the greatest portion from cargo operations, which accounted for \$11.9 billion. In 2013, FedEx Corporation shipped an estimated 99.1 percent of the 8.8 billion pounds of cargo shipped at MEM (Memphis-Shelby County Airport Authority).

In 2013, 10 million visitors to the HMA spent \$3.2 billion visiting local attractions, relatively unchanged from 2012 but up from 2006, when 9 million visitors spent \$2.5 billion in the HMA (Memphis Convention & Visitors Bureau). The Beale Street Historic District in downtown Memphis attracts 4 million visitors annually and is the most visited attraction in Tennessee. During the 12 months ending March 2014, the leisure and hospitality sector increased by 500 jobs, or 0.8 percent, to 63,600, compared with the number of jobs during the 12 months ending March 2013. Compared with other sectors, the leisure and hospitality

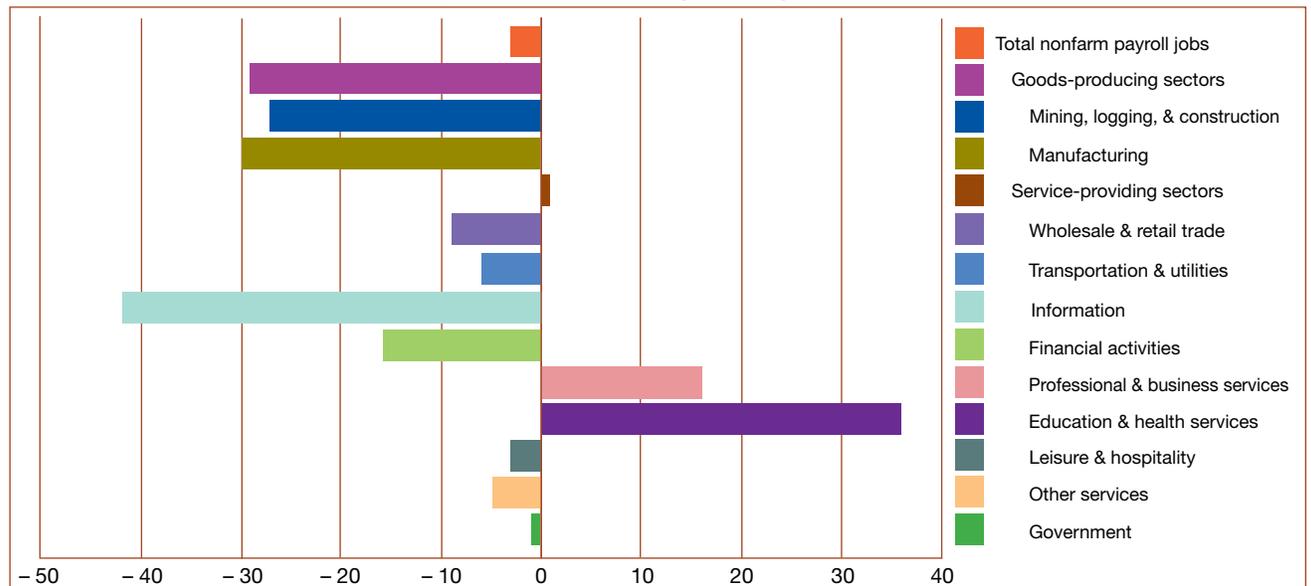
sector lost the second most number of jobs from 2008 through 2012, behind the wholesale and retail trade sector, declining by an average of 1,950 jobs, or 2.7 percent. An estimated 56 percent of the losses occurred in the gaming industry based in Tunica County. Since the first quarter of 2008, the gaming industry has declined by 5,525 jobs, or 44 percent, to 6,925 jobs at the 10 casinos and hotels in Tunica County. Jobs in the gaming industry are expected to decline during the forecast period because Harrah's Casino Tunica is expected to close in 2014, resulting in more than 1,200 job losses.

The largest job gains since 2000 have been in the education and health services sector, which has increased by an average of 1,775 jobs, or 2.8 percent, annually and did not have any annual job losses during the downturn from 2008 through 2010 (Figure 3). During the 12 months ending March 2014, the education and health services sector increased by 1,200 jobs, or 1.4 percent (Table 2), to 86,400 jobs, making it the second largest sector in the HMA

along with professional and business services. The largest employer in the education and health services sector and the second largest employer in the HMA is Methodist Le Bonheur Healthcare, with 10,200 employees. Table 3 lists the largest employers in the HMA.

Along with the transportation and utilities sector, two additional sectors had significant losses during the 12 months ending March 2014: the mining, logging, and construction and the government sectors decreased by 500 and 1,900 jobs, or 2.4 and 2.2 percent, respectively. The mining, logging, and construction sector lost an average of 1,975 jobs, or 7.3 percent, annually from 2007 through 2010, and jobs remain 7,100 fewer than the peak number of 27,200 jobs in 2006. From 2007 through 2013, residential building activity, as measured by the number of single-family homes and multi-family units permitted, was down approximately 66 percent compared with residential building activity during the previous 7 years, resulting in a

Figure 3. Sector Growth in the Memphis HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through March 2014.

Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Memphis HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	March 2013	March 2014		
Total nonfarm payroll jobs	603,500	605,400	1,900	0.3
Goods-producing sectors	65,100	64,700	- 400	- 0.6
Mining, logging, & construction	20,600	20,100	- 500	- 2.4
Manufacturing	44,500	44,600	100	0.2
Service-providing sectors	538,400	540,700	2,300	0.4
Wholesale & retail trade	97,100	99,200	2,100	2.2
Transportation & utilities	64,800	63,500	- 1,300	- 2.0
Information	6,000	6,000	0	0.0
Financial activities	27,300	27,600	300	1.1
Professional & business services	85,300	86,600	1,300	1.5
Education & health services	85,200	86,400	1,200	1.4
Leisure & hospitality	63,100	63,600	500	0.8
Other services	24,100	24,100	0	0.0
Government	85,500	83,600	- 1,900	- 2.2

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2013 and March 2014.

Source: U.S. Bureau of Labor Statistics

slow recovery for the sector. Government job losses were concentrated in the local government subsector, which lost 770 jobs at Memphis City Schools during the past 12 months because of budget issues and a merger with Shelby County School District. The University of Memphis and The University of Tennessee Health Science Center, which employed 2,450 and 3,925 faculty and staff, respectively, in 2014 enrolled 20,000 and 2,825 students in the spring semester of 2014,

and have annual economic impacts of \$1.43 and \$2.3 billion, respectively, on the HMA (The University of Memphis and The University of Tennessee Health Science Center).

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 3,325 jobs, or 0.5 percent, annually. Job growth is expected to occur in the wholesale and retail trade and the education and health services sectors. The number of jobs in the wholesale and retail trade sector is expected to increase by 600, to 1,000 jobs, in December 2014, when Bass Pro Shops completes a \$191 million conversion of the Pyramid Arena in downtown Memphis into a retail store and hotel. The number of jobs in the education and health services sector is expected to increase as a result of the construction at St. Jude Children's Research Hospital of a \$198 million medical tower, which is scheduled to open in October 2014 and add 32 new skilled medical professional jobs.

Table 3. Major Employers in the Memphis HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
FedEx Corporation	Transportation & utilities	32,000
Methodist Le Bonheur Healthcare	Education & health services	10,200
Baptist Memorial Health Care Corporation	Education & health services	8,600
Wal-Mart Stores, Inc.	Wholesale & retail trade	6,000
University of Tennessee Health Science Center	Government	3,925
St. Jude Children's Research Hospital	Education & health services	3,700
Technicolor	Wholesale & retail trade	3,500
University of Memphis	Government	2,450
NIKE, Inc.	Wholesale & retail trade	1,900
Caesars Entertainment Corporation (Horseshoe Casino & Hotel, Roadhouse Casino)	Leisure & hospitality	1,725

Note: Excludes local school districts.

Source: Greater Memphis Chamber

Population and Households

As of April 1, 2014, the population of the Memphis HMA was an estimated 1.34 million. The population of the Shelby County submarket was an estimated 941,600, or approximately 70 percent of the HMA's population. The city of Memphis, in Shelby County, is the largest city in Tennessee, with a population of 653,500 (Census Population Estimates Program, July 2013). As of April 1, 2014, the population of the Remainder submarket was an estimated 394,900, with DeSoto County comprising an estimated 43 percent of the submarket population.

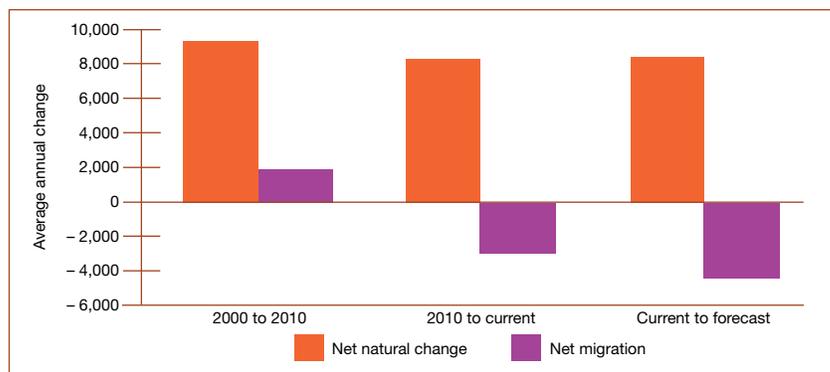
Since 2010, the population of the HMA has increased by an average of 5,225, or 0.4 percent, annually. By comparison, from 2000 to 2010, the HMA population increased by 11,100, or 0.9 percent, annually, to 1.32 million, in April 2010. The greatest increase in population growth since 2000 occurred during 2005 and 2006, when the population increased by an average of 16,300, or 1.3 percent, annually, and corresponds to the peak years of economic expansion and home sales. During 2005 and 2006 in the Remainder submarket, the population increased by an average of 11,050, or 3.2 percent, annually, representing 70 percent of

the growth in the HMA during that period. Growth in the Remainder submarket was facilitated by concentrated homebuilding activity in DeSoto County.

Net out-migration in the HMA has averaged 2,950 people annually since 2010, because the economy did not recover job losses from the downturn that occurred from 2007 through 2010. By comparison, from 2000 to 2010, net in-migration averaged 1,875 people a year when the economy was expanding during the middle part of the decade. The change in migration patterns since 2010 is mostly because the Remainder submarket shifted from net in-migration to net out-migration. From 2000 to 2010, annual net in-migration in the Remainder submarket averaged 5,775 people, but since 2010 net out-migration has averaged 200 people. Partly because of the slow economic recovery, fewer people are moving out of Shelby County to buy homes in DeSoto County; instead, they are residing in Tennessee, which has no earned income tax. Since 2010, net out-migration in the Shelby County submarket has averaged 2,875 people annually, which is 26 percent less than it was from 2000 to 2010, when net out-migration averaged 3,900 people annually. Net natural change (resident births minus resident deaths) since 2010 has accounted for all the population growth in the HMA, averaging 8,175 people per year. By comparison, from 2000 to 2010, net natural change averaged 9,225 people, or 83 percent of population growth in the HMA. Figure 4 shows the components of population change in the HMA from 2000 to the forecast date.

An estimated 501,500 households currently reside in the Memphis HMA,

Figure 4. Components of Population Change in the Memphis HMA, 2000 to Forecast



Notes: The current date is April 1, 2014. The forecast date is April 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

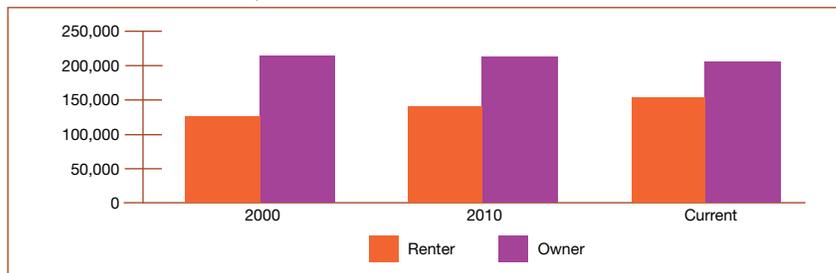
which represents an average annual increase of 2,575 households, or 0.5 percent, since 2010. From 2000 to 2010, the number of households in the HMA increased by an average of 4,275, or 0.9 percent, annually. The number of households in the Shelby County submarket increased by an average of 1,600, or 0.5 percent, annually, since 2010, compared with an average annual increase of 1,250 households, or 0.4 percent, from 2000 to 2010 (Table DP-2 at the end of this report). Changes in the rate of household growth in the Remainder submarket were more pronounced and reflect the changing patterns in migration and slow job growth. The number of households in the Remainder submarket increased by an average of 980 households, or 0.7 percent,

annually since 2010 compared with an average increase of 3,000 households, or 2.4 percent, annually from 2000 to 2010, when the submarket recorded a high level of in-migration, a higher level of homebuilding activity, and job growth during most of the decade (Table DP-3 at the end of this report).

The homeownership rate in the HMA decreased from 66 to 64 percent from 2000 to 2010 and to 61.2 percent as of the current date, partly because of the increase in apartment construction during the past decade and a high foreclosure rate after the economic downturn in 2007. Among the submarkets, the Remainder submarket has the highest homeownership rate, at 71 percent, significantly higher than the 57.2 percent rate in the Shelby County submarket, where a higher number of older homes and apartment units are located. Figures 5 and 6 show the number of households by tenure for 2000, 2010, and the current date in the Shelby County submarket and the Remainder submarket, respectively.

During the 3-year forecast period, the population and the number of households in the HMA both are expected to increase at a slightly slower pace compared with the 2010 to current period because of the slow economic recovery and net out-migration in the HMA. The population in the HMA is estimated to increase by an average of 4,000, or 0.3 percent, annually, and the number of households in the HMA is estimated to grow by an average of 1,975 households, or 0.4 percent, annually. Figure 7 shows population and household growth in the HMA from 2000 to the forecast date.

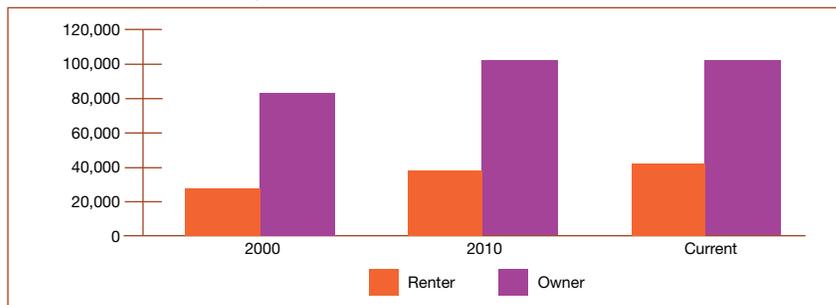
Figure 5. Number of Households by Tenure in the Shelby County Submarket, 2000 to Current



Note: The current date is April 1, 2014.

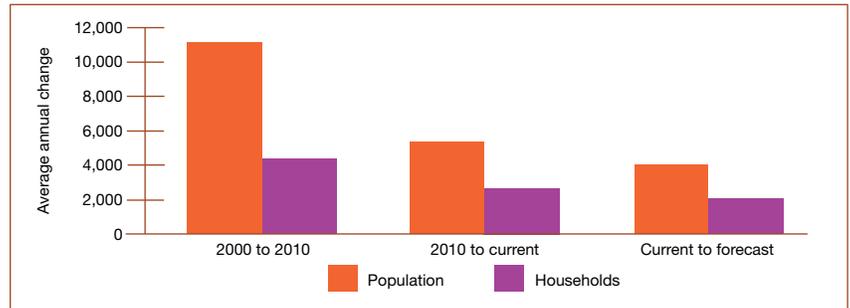
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Number of Households by Tenure in the Remainder Submarket, 2000 to Current



Note: The current date is April 1, 2014.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Population and Household Growth in the Memphis HMA, 2000 to Forecast

Notes: The current date is April 1, 2014. The forecast date is April 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market—Shelby County Submarket

Sales housing market conditions in the Shelby County submarket are currently soft, with an estimated 2.0-percent vacancy rate, down from 2.8 percent in April 2010. During the 12 months ending March 2014, 10,450 existing homes (including single-family homes, townhomes, and condominiums) sold, a 16-percent increase compared with the number sold during the 12 months ending March 2013 (CoreLogic, Inc.). By comparison, from 2007 through 2011, existing home sales declined by an average of 2,275, or nearly 13 percent, annually, from 18,250 homes sold in 2007 to 6,825 homes sold in 2011. The largest declines in existing home sales occurred from 2007 through 2009, when sales decreased by an average of 3,400 homes, or almost 19 percent, annually, to 7,925. During the peak years of existing home sales, which occurred from 2004 through 2006, existing home sales averaged 18,100 annually. As sales have increased and homebuilding activity has remained low, the inventory of

unsold homes has declined to a 5.4-month supply in March 2014, down from a 5.9-month supply in March 2013 and significantly less than the 8.7-month supply in March 2009 (Memphis Area Association of REALTORS® and adjustments by the analyst).

Average existing home sales prices have returned to peak 2007 levels after declines in 2008, 2009, and 2011. During 2010, home sales prices increased in part because of the first-time homebuyer tax credit program. During the 12 months ending March 2014, the average sales price for existing homes was \$158,900, a 7-percent increase compared with the average price during the 12 months ending March 2013. The decrease in the inventory of unsold homes has contributed to the increase in sales prices. From 2007 through 2011, the average price for existing homes changed less than 5 percent, either up or down, and averaged \$151,700 during the period. The greatest changes in sales prices

Housing Market Trends

Sales Market—Shelby County Submarket *Continued*

during the period were from 2008 through 2009, when the average price for existing homes declined by an average of \$4,900, or 3 percent, annually and averaged \$151,000.

New home sales (including single-family homes, townhomes, and condominiums) represented 7 percent of the total sales in the Shelby County submarket during the 12 months ending March 2014, down from 8 percent in the 12 months ending March 2013 and down from an average of 16 percent from 2005 through 2007, when mortgage lending and home sales were peaking. New homes sales increased during the 12 months ending March 2014 by 60 homes, or 8 percent, to 790, compared with the number sold during the 12 months ending March 2013. From 2010 through 2012, new home sales declined by an average of 50 homes, or 6 percent, annually, and averaged 790 during the period. The largest declines during the past decade occurred from 2007 through 2009, when new home sales declined by an average of 850 homes, or 25 percent, and averaged 1,475 annually. During the peak years, from 2004 through 2006, new homes sales averaged 3,750.

New home sales prices have increased during the past 2 years after 4 years of declines. During the 12 months ending March 2014, the average sales price for new homes in the Shelby County submarket was \$247,000, up \$4,200, or 2 percent. By comparison, during the 12 months ending March 2013, the average price increased by \$33,550, or 16 percent, when nonfarm payroll jobs were increasing at a faster rate. From 2008 through 2011, the average price for new homes declined by an average of \$15,300, or 6 percent, annually, when tighter lending standards

constrained the market. By comparison, from 2004 through 2007, new home prices increased by an average of \$17,500, or nearly 8 percent, annually, to \$270,300 in 2007.

As of March 2014, approximately 7,925 home loans were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, comprising 8.5 percent of home loans in the Shelby County submarket, down from 9.7 percent of home loans in March 2013 (Black Knight Financial Services, Inc.). The rate of distressed mortgages in the Shelby County submarket remains above the rates for Tennessee and the nation, which are 5.0 and 5.2 percent, respectively.

During the past 7 years, homebuilding activity has been low because home builders responded to the 8 years of declining new home sales from 2005 through 2012 and to the relatively small increases in new home sales during the past 12 months. Homebuilding activity, as measured by the number of single-family homes permitted, decreased by 155 homes, or almost 14 percent, to 970 homes permitted during the 12 months ending March 2014 (preliminary data). Homebuilding activity declined from 2006 through 2009 by an average of 1,050 homes, or 22 percent, annually, to a low of 610 homes permitted in 2009. Homebuilding activity remained low for 3 years, from 2009 through 2011, when an average of 750 homes were permitted annually. Current homebuilding activity mirrors the low number of new home sales and is approximately 85 percent less than the peak number during the years from 2004 through 2005, when an average of 4,750 homes were permitted annually.

Figure 8 shows the number of single-family homes permitted annually in the Shelby County submarket since 2000.

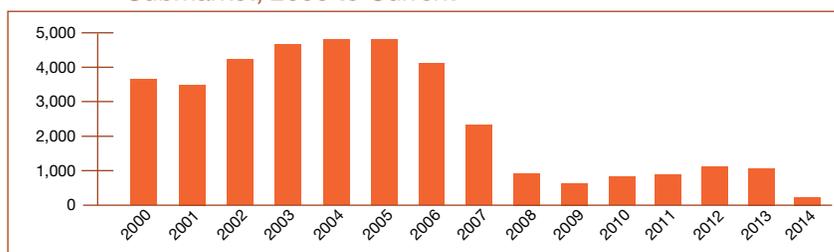
More than 25 single-family developments are under construction in the Shelby County submarket, including Fountain Brook and Schilling Farms, which had the most sales in 2013. Fountain Brook is a 330-lot development with more than 200 lots remaining for sale and development. During 2013, the most recent data available, Fountain Brook sold 45 homes, up 95 percent from the 20 homes sold in 2012, and the average sales price increased by \$11,000, or 6 percent, to \$193,000 (Chandler Reports). Schilling Farms is a 300-lot development with 25 lots remaining for sale and development. Construction in the development should be complete during the first year of the forecast period. During 2013, Schilling Farms sold 40 homes, up 78 percent from the 25 homes sold in 2012, and the average sales price increased by \$3,000, or 1 percent, to \$295,000 (Chandler Reports).

Downtown Memphis has 2,100 condominiums, most of which were built from 2000 through 2009 and represent 16 percent of the housing stock in downtown Memphis (Memphis

Center City Commission). Condominium construction has been limited since 2009 and no units are under construction in downtown Memphis. Condominium sales increased during the 12 months ending March 2014 by 20 homes, or 4 percent, to 520, compared with sales during the 12 months ending March 2013 (Memphis Area Association of REALTORS®). During the 12 months ending March 2014, the average sales price of condominiums sold was \$128,000, up \$5,600, or nearly 5 percent, compared with the average price during the 12 months ending March 2013. From 2007 through 2008, condominium sales peaked and averaged 650 sold; however, sales decreased by an average of 90 units, or 14 percent, annually from 2009 through 2011, to 380 sold in 2011. The average price for condominiums from 2007 through 2008 was \$217,000 but declined to average \$133,000 from 2009 through 2011, down nearly 40 percent.

During the next 3 years, demand is expected for an estimated 4,425 new homes in the Shelby County submarket (Table 1). Demand is expected to be uniform during the next 3 years because new home sales have been relatively flat for 5 years. The 410 homes under construction and a portion of the estimated 18,500 other vacant units that may reenter the market will satisfy a portion of that demand. Demand for new homes is expected to be strongest in the \$200,000 to \$249,999 price range. Table 4 illustrates estimated demand for new sales housing in the Shelby County submarket by price range.

Figure 8. Single-Family Homes Permitted in the Shelby County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Shelby County Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
51,000	99,999	220	5.0
100,000	149,999	310	7.0
150,000	199,999	1,025	23.0
200,000	249,999	1,050	24.0
250,000	299,999	710	16.0
300,000	349,999	440	10.0
350,000	399,999	310	7.0
400,000	and higher	350	8.0

Notes: The 410 homes currently under construction and a portion of the estimated 18,500 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2014, to April 1, 2017.

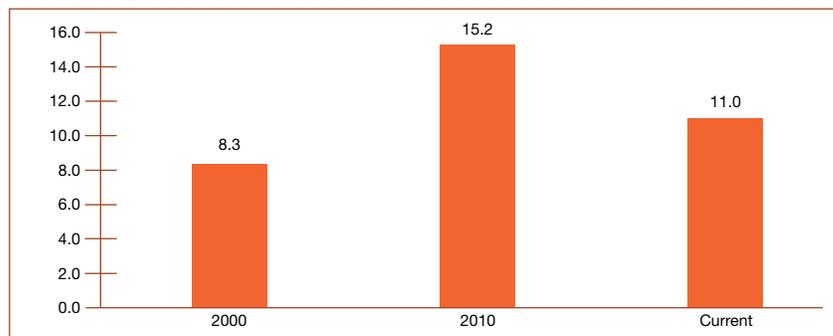
Source: Estimates by analyst

Rental Market—Shelby County Submarket

The rental housing market in the Shelby County submarket is currently soft, with an estimated vacancy rate of 11.0 percent as of April 1, 2014, down from 15.2 percent during April 2010 (Figure 9). Approximately 39 percent of all renter households live in single-family homes and mobile homes, up from 37 percent in 2010 (American Community Survey). The apartment market in the Shelby County submarket is also soft, with an 8.5-percent vacancy rate in the first quarter of 2014, down from 8.8 percent in the first quarter of 2013 and significantly down from 13.2 percent in the first quarter of 2010 (Reis, Inc.). The average asking rent in the first quarter of 2014 was \$690,

up nearly 3 percent from the same quarter a year earlier. Rental concessions averaged \$65 a month during the first quarter of 2014, with 19 percent of properties offering concessions (MPF Research). During the first quarter of 2013, the average rent concession was \$55 a month, with 23 percent of properties offering concessions. By comparison, during the first quarter of 2010, when vacancy rates were highest, rental concessions averaged \$74 a month, with 60 percent of properties offering concessions because of high vacancy rates.

Class A apartments make up approximately 42 percent of the apartment housing stock in the Shelby County submarket and Class B and Class C apartments make up 58 percent. During the past year, 670 Class A apartment units were completed and 570 units were absorbed, resulting in a slight increase in the vacancy rate (Reis, Inc.). The Class A apartment vacancy rate in the first quarter of 2014 was 5.3 percent, up slightly from 5.1 percent in the first quarter of 2013 (Reis, Inc.). The average asking rent in Class A apartments in the first quarter of 2014

Figure 9. Rental Vacancy Rates in the Shelby County Submarket, 2000 to Current

Note: The current date is April 1, 2014.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

was \$900, up 1 percent from the same quarter a year earlier. The average vacancy rate for Class B and Class C apartments in the first quarter of 2014 was 10.6 percent, down from 11.2 percent in the first quarter of 2013. The average asking rent in Class B and Class C apartments in the first quarter of 2014 was \$610, up nearly 2 percent from the same quarter a year earlier.

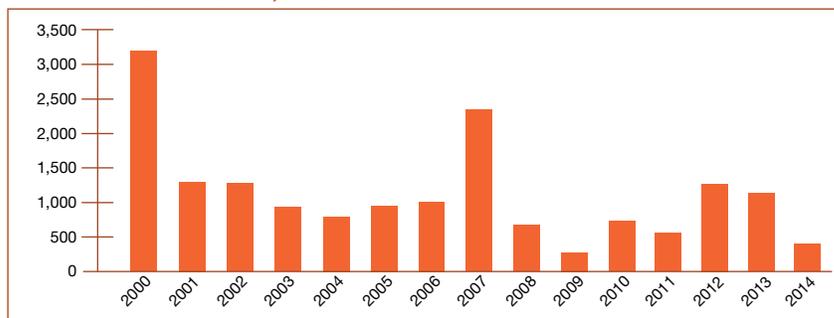
Multifamily permitting has increased since 2012 because builders responded to improving rental market conditions during the past 3 years. During the 12 months ending March 2014, construction activity for new multifamily units, as measured by the number of units permitted, totaled 1,325 units, unchanged from the 12 months ending March 2013 (preliminary data). By comparison, from 2008 through 2011, the number of multifamily units permitted averaged 560 annually and then increased to average 1,200 units from 2012 through 2013. In 2007, the final year of significant multifamily production, the number of multifamily units permitted reached 2,350, more than double the number permitted in 2006. In 2008, builders responded to declining conditions and reduced the number of units permitted more than 70 percent. From 2000 to 2009, approximately 12 percent of multifamily

units were condominiums; however, as the recession took a toll on the housing industry, condominium production in 2010 and 2011 decreased and represented only about 5 percent of multifamily permitting. Since 2012, no known condominium construction has started. Figure 10 shows the number of multifamily units permitted annually in the Shelby County submarket since 2000.

A 230-unit, market-rate apartment development, Westbrook Crossing, was recently completed; rents for one- and two-bedroom units range from \$1,050 to \$1,100 for a one-bedroom unit and \$1,300 to \$1,600 for a two-bedroom unit. In addition, Carrington at Schilling Farms will add 110 units when it is complete in the fall of 2014; rents are expected to start at \$1,000 for one-bedroom units, \$1,300 for two-bedroom units, and \$1,500 for three-bedroom units.

The University of Memphis, which enrolls 20,000 students, houses 2,500 students in on-campus housing; the remaining 17,500 students reside off campus. Students account for an estimated 5,825 households, or 4 percent of the overall renter households in the Shelby County submarket. The University of Memphis has a \$53 million residence hall under construction that is expected to be complete in 2015 and house 750 students. The Gather on Southern, a student apartment project near the University of Memphis is under construction and is expected to be complete in early 2015. The Gather on Southern is currently leasing 72 units with 264 beds; rents are expected to start from \$800 per bed for two-bedroom units, \$690 per bed for three-bedroom units, and \$620 per bed for four-bedroom units.

Figure 10. Multifamily Units Permitted in the Shelby County Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

During the next 3 years, no new market-rate units should be built to allow for the absorption of the current supply of excess vacant available

units and the absorption of the 1,325 units already under construction. Any additions to the supply will contribute to prolonged soft market conditions.

Sales Market—Remainder Submarket

Sales housing market conditions in the Remainder submarket are currently soft, with an estimated 1.9-percent vacancy rate, down from 2.3 percent in April 2010. Although the submarket has had net out-migration since 2011, the overall improvement in the economy during the past 3 years has resulted in increased home sales throughout the submarket. DeSoto, Marshall, Tate, and Tunica Counties in Mississippi accounted for approximately two-thirds of home sales in the submarket during the past year and home sales are comparable with sales during the years after the peak years of home sales in 2005 and 2006. Increasing apartment rents in the HMA have made owning a home in the Remainder submarket an affordable alternative to renting, resulting in an increased number of homes sold. During the 12 months ending March 2014, new and existing home sales (including single-family homes, townhomes, and condominiums) in the four Mississippi counties totaled 3,175, an increase of 900 homes, or nearly 40 percent, compared with the number sold during the 12 months ending March 2013 (Northwest Mississippi Association of REALTORS® [NWMAR]). By comparison, from 2010 through 2012, home sales averaged 2,550 annually, significantly down from the peak years from 2005 through 2006, when home sales averaged 4,775 annually. Home sales declined during 2010 and 2011 by an average of 100 homes, or nearly 8 percent, annually before

increasing in 2012 by 175 homes, or 7 percent. As a result of the economic downturn in the HMA, the largest declines in the submarket were from 2007 through 2009, when home sales declined by 700 homes, or 15 percent, annually to 2,650 homes sold in 2009. Although the number of sales increased during the 12 months ending March 2014, the inventory of unsold homes declined to a 6.5-month supply, down from a 7.4-month supply in the previous 12 months and significantly less than the 11.8-month supply in 2008 (NWMAR).

Average home sales prices in the four Mississippi counties have improved since 2011 but are still approximately 12 percent less than the previous peak prices from 2005 through 2006. During the 12 months ending March 2014, the average sales price for new and existing homes (including single-family homes, townhomes, and condominiums) sold in DeSoto, Marshall, Tate, and Tunica Counties was \$147,000, a 4-percent increase compared with the average price during the 12 months ending March 2013 (NWMAR). From 2010 through 2012, the average price was \$140,600, down from the peak years from 2005 through 2006, when the average price was \$160,800. In 2007, sales prices remained relatively unchanged before decreasing from 2008 through 2009, when the average price declined by \$13,000, or 8 percent, annually to \$141,900. In 2010, the average price remained relatively stable at \$142,900, buoyed by the

first-time homebuyer tax credit program, then declined nearly 4 percent in 2011 to \$137,800.

Tipton and Fayette Counties in Tennessee accounted for approximately 26 percent of home sales in the Remainder submarket during the past year. During the 12 months ending March 2014, existing home sales (including single-family homes, townhomes, and condominiums) in Tipton and Fayette Counties totaled 1,100, an increase of 200 homes, or 22 percent, compared with the number sold during the 12 months ending March 2013 (CoreLogic, Inc.). By comparison, from 2003 through 2005, home sales averaged 2,400 annually but began to decline in 2006. From 2006 through 2011, home sales declined by an average of 290 homes, or 12 percent, annually, to 770 homes sold in 2011, before increasing in 2012 by 160 homes, or nearly 21 percent, to 920. The largest declines during the past decade were from 2008 through 2009, when home sales decreased by an average of 520 homes, or 32 percent.

Existing homes sales prices in Tipton and Fayette Counties have increased since declining 6 percent in 2011, to \$132,300. During the 12 months ending March 2014, the average sales price for existing homes (including single-family homes, townhomes, and condominiums) sold in Tipton and Fayette Counties was \$148,600, a 7-percent increase compared with the average price during the 12 months ending March 2013 (CoreLogic, Inc.). By comparison, from 2003 through 2005, home sales prices averaged \$107,300 annually; from 2006 through 2010, home prices increased by an average of \$4,550, or 4 percent, annually and averaged \$137,200.

New home sales represented nearly 13 percent of the total homes sold in Tipton and Fayette Counties during the 12 months ending March 2014, relatively unchanged from an average of 14 percent, from 2010 through 2012, and less than the average of 22 percent from 2006 through 2008. During the 12 months ending March 2014, new home sales in Tipton and Fayette Counties increased by 25 homes, to 160, compared with the number sold during the 12 months ending March 2013 (CoreLogic, Inc.). By comparison, from 2007 through 2011, new home sales declined by an average of 100 homes annually, to 130, before increasing in 2012 by 20 homes, to 150. During the 12 months ending March 2014, the average sales price for new homes in Tipton and Fayette Counties was \$236,200, up 5 percent, compared with the average sales price during the 12 months ending March 2013. From 2007 through 2011, the average price of new homes sold was \$235,800, up approximately 17 percent compared with the average price of \$201,500 from 2005 through 2006.

Crittenden County in Arkansas accounted for approximately 8 percent of home sales in the Remainder submarket during the past year. During the 12 months ending March 2014, new and existing home sales (including single-family homes, townhomes, and condominiums) in Crittenden County totaled 410, an increase of 70 homes, or nearly 21 percent, compared with the number sold during the 12 months ending March 2013 (Arkansas REALTORS® Association). By comparison, from 2011 through 2012, home sales averaged 360 annually, down from 2010 when 470 homes sold. During the 12 months ending

March 2014, the average sales price for new and existing homes sold in Crittenden County was \$120,900, a decrease of more than 4 percent compared with the average sales price during the 12 months ending March 2013. Sales prices declined nearly 5 percent in 2011 to \$109,100, increased 15 percent in 2012 to \$125,900, and then declined 1 percent in 2013 to \$120,900.

Foreclosures and distressed loans continued to negatively impact the sales market, although the percentage of distressed mortgages in the submarket decreased during the past year. The percentage of home loans that were 90 or more days delinquent, were in foreclosure, or transitioned into REO status was 7.9 percent in March 2014, down from 8.9 percent in March 2013 (Black Knight Financial Services, Inc.). The rate of distressed mortgages in the Remainder submarket remains above the rates for the states of Arkansas, Mississippi, and Tennessee, which are 5.7, 7.6, and 5.0 percent, respectively, and above the national average of 5.2 percent.

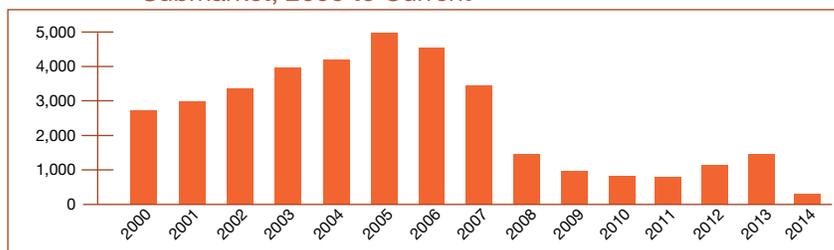
During the past year, home builders responded to the increases in new and existing home sales by increasing homebuilding activity in the Remainder submarket, with 58 percent of the

permitting activity occurring in DeSoto County. Homebuilding activity increased by 275 homes in the submarket, or nearly 23 percent, to 1,500 homes permitted during the 12 months ending March 2014 (preliminary data). In 2012, homebuilding activity increased by 370 homes permitted, or 46 percent, to 1,175, after 6 years of declines. From 2006 through 2011, homebuilding activity declined by an average of 690 homes, or 14 percent, annually, to 800 homes permitted in 2011. From 2004 through 2006, during the peak years of home permitting, 4,550 homes were permitted annually, mostly because of the corresponding peak in net in-migration in the submarket; however, in the ensuing years, as net in-migration slowed and the economy began to decline, the peak level of homebuilding was unsustainable. Figure 11 shows the number of single-family homes permitted annually in the Remainder submarket since 2000.

A few single-family developments with a small number of lots are under construction, including Bakersfield, and will continue to be built out during the forecast period. Bakersfield, in DeSoto County, has 30 new lots being developed for new homes; sales prices will begin at \$249,900 for a 2,875-square-foot home and increase to \$331,900 for a 4,125-square-foot home.

During the next 3 years, demand is expected for an estimated 2,350 new homes in the Remainder submarket (Table 1), including 200 mobile homes. Demand is expected to be relatively uniform during the next 3 years. The 650 homes under construction and a portion of the estimated 6,175 other

Figure 11. Single-Family Homes Permitted in the Remainder Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market—Remainder Submarket *Continued*

Table 5. Estimated Demand for New Market-Rate Sales Housing in the Remainder Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
50,000	99,999	45	2.0
100,000	149,999	240	11.0
150,000	199,999	620	29.0
200,000	249,999	600	28.0
250,000	299,999	370	17.0
300,000	349,999	170	8.0
350,000	399,999	45	2.0
400,000	and higher	65	3.0

Notes: The 650 homes currently under construction and a portion of the estimated 6,175 other vacant units in the submarket will likely satisfy some of the forecast demand. Includes an estimated demand for 200 mobile homes. The forecast period is April 1, 2014, to April 1, 2017.

Source: Estimates by analyst

vacant units that may reenter the market will satisfy a portion of the demand. Demand is expected to be strongest for new homes in the \$150,000 to \$199,999 price range. Table 5 illustrates estimated demand for new sales housing in the submarket by price range.

Rental Market—Remainder Submarket

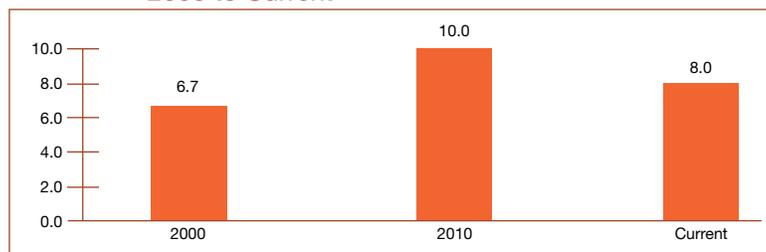
The rental housing market in the Remainder submarket is currently soft, with an estimated 8.0-percent vacancy rate as of April 1, 2014, down from 10.0 percent during April 2010 (Figure 12). Of all renter households in the submarket, approximately 48 percent live in single-family homes, 41 percent live in multifamily units, and 11 percent live in mobile homes, which is similar to the data for renter households in 2009 (American Community Survey).

Of the estimated 21,800 single-family rental units in the Remainder submarket, an estimated 8,100 units, or 37 percent, are in DeSoto County and an estimated 4,375 units, or 20 percent, are in Crittenden County. Approximately 5,000 rental mobile homes are in the submarket, with an estimated

1,200 units, or 24 percent, in Tipton County and 920 units, or 19 percent, in Marshall County. Of the estimated 18,600 multifamily rental units in the submarket, 12,350 units are apartments in structures with five or more units. DeSoto County comprises an estimated 6,775 apartment units, or 55 percent, of the apartment units in the submarket, followed by Crittenden County, which has 2,975 apartment units, or 24 percent.

The apartment market in DeSoto County is balanced, with a 6.1-percent vacancy rate in the first quarter of 2014, up from 4.0 percent during the first quarter of 2013; to the increase is the result of net out-migration in the submarket since 2011 (Apartment Association of Greater Memphis). The increase in the vacancy rate is also partly a result of renter households moving closer to the core area of the HMA and partly a result of an improving economy. The lack of apartment construction in the Remainder submarket during the past few years has contributed to an increase in apartment rents. The average effective rent in the first quarter of 2014 was \$770,

Figure 12. Rental Vacancy Rates in the Remainder Submarket, 2000 to Current



Note: The current date is April 1, 2014.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Rental Market—Remainder Submarket *Continued*

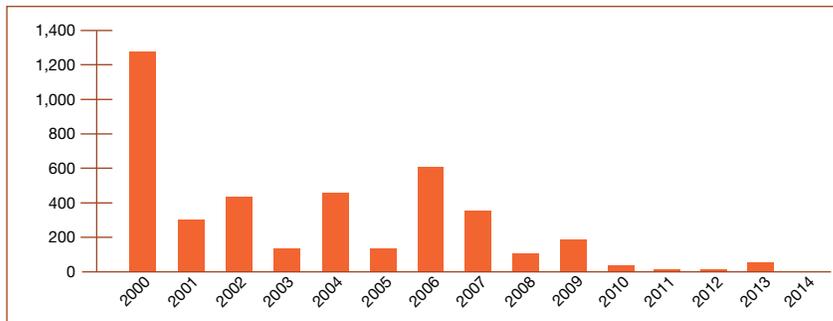
up nearly 3 percent from the same quarter a year earlier. The average effective rent by number of bedrooms is \$700 for one-bedroom units, \$790 for two-bedroom units, and \$930 for three-bedroom units.

The number of multifamily units permitted for construction during the 12 months ending March 2014 was 55, up from 15, compared with the number of units permitted during the 12 months

ending March 2013. By comparison, from 2007 through 2009, the number of units permitted averaged 210 annually, before decreasing from 2010 through 2012, when the average was 20 units permitted annually. No large apartment developments have been completed since 2010. Figure 13 shows the number of multifamily units permitted annually in the Remainder submarket since 2000.

During the next 3 years, demand is expected for 370 new market-rate rental units in the Remainder submarket (Table 1). The 50 units currently under construction will satisfy some of the demand. New supply should be targeted to come on line in the third year of the 3-year forecast period to allow for the absorption of the current excess supply of vacant available units and units under construction. Table 6 shows the estimated demand by rent and number of bedrooms.

Figure 13. Multifamily Units Permitted in the Remainder Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Rental Housing in the Remainder Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
600 and above	10	700 to 899	100	800 to 999	180	900 to 1,099	10
		900 and above	10	1,000 and above	45	1,100 and above	30
Total	10	Total	110	Total	220	Total	40

Notes: Numbers may not add to totals because of rounding. The 50 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2014, to April 1, 2017.

Source: Estimates by analyst

Data Profiles

Table DP-1. Memphis HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	570,963	551,269	545,500	- 0.4	- 0.3
Unemployment rate	3.8%	10.1%	9.0%		
Nonfarm payroll jobs	624,400	590,100	605,400	- 0.6	0.8
Total population	1,205,204	1,316,100	1,337,000	0.9	0.4
Total households	448,473	491,198	501,500	0.9	0.5
Owner households	295,806	314,430	306,800	0.6	- 0.6
Percent owner	66.0%	64.0%	61.2%		
Renter households	152,667	176,768	194,700	1.5	2.4
Percent renter	34.0%	36.0%	38.8%		
Total housing units	480,845	550,896	554,800	1.4	0.2
Owner vacancy rate	1.8%	2.7%	2.0%		
Rental vacancy rate	8.0%	14.1%	10.4%		
Median Family Income	\$48,600	\$57,800	\$59,100	1.7	0.7

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2014. Median Family Incomes are for 1999, 2009, and 2012. The current date is April 1, 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Shelby County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	897,472	927,644	941,600	0.3	0.4
Total households	338,366	350,971	357,400	0.4	0.5
Owner households	213,360	212,016	204,400	- 0.1	- 0.9
Percent owner	63.1%	60.4%	57.2%		
Rental households	125,006	138,955	153,000	1.1	2.4
Percent renter	36.9%	39.6%	42.8%		
Total housing units	362,954	398,274	399,000	0.9	0.0
Owner vacancy rate	1.9%	2.8%	2.0%		
Rental vacancy rate	8.3%	15.2%	11.0%		

Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Remainder Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	307,732	388,456	394,900	2.4	0.4
Total households	110,107	140,227	144,150	2.4	0.7
Owner households	82,446	102,414	102,400	2.2	0.0
Percent owner	74.9%	73.0%	71.0%		
Rental households	27,661	37,813	41,750	3.2	2.5
Percent renter	25.1%	27.0%	29.0%		
Total housing units	117,891	152,622	155,900	2.6	0.5
Owner vacancy rate	1.7%	2.3%	1.9%		
Rental vacancy rate	6.7%	10.0%	8.0%		

Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 4/1/2014—Analyst's estimates
 Forecast period: 4/1/2014–4/1/2017—Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated December 1, 2009, and does not reflect changes defined by the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures

are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_MemphisTN-MS-AR_14.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/portal/ushmc/chma_archive.html.