

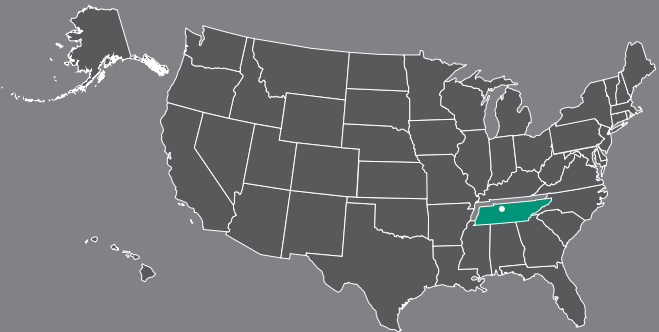
# HUD PD&R Housing Market Profiles

## Nashville-Davidson--Murfreesboro--Franklin, Tennessee



### Quick Facts About Nashville-Davidson--Murfreesboro--Franklin

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced.**
- **Known as “Music City,” the city of Nashville is a major music production center. It is home to offices for Universal Music Group, Sony Music Entertainment, Warner Music Group, and several independent record labels and to the headquarters of Gibson Brands, Inc. The metropolitan area welcomed an all-time high of 13.9 million visitors in 2016, with the Country Music Hall of Fame and Museum, Ryman Auditorium, the Grand Ole Opry, and the Country Music Association Music Festival among the most popular attractions (Nashville Convention & Visitors Corporation).**



By Casey M. Blount | As of March 1, 2017

### Overview

The Nashville-Davidson--Murfreesboro--Franklin, TN Metropolitan Statistical Area (hereafter, Nashville metropolitan area) consists of 14 counties in the northern part of central Tennessee. The metropolitan area is a leading hub in the country for the healthcare industry, which directly employed more than 125,900 workers and contributed an estimated \$39 billion of overall economic benefit in 2014 (Nashville Health Care Council).

- As of March 1, 2017, the population of the Nashville metropolitan area is estimated at 1.79 million, an average annual increase of 32,100 people, or 1.9 percent, since 2011 (Census Bureau population estimate as of July 1).
- Population growth averaged only 23,200 people, or 1.5 percent, annually from 2008 to 2011, when weak economic conditions slowed net in-migration. During the most recent peak growth period, from 2003 to 2007, population growth averaged 34,050 people, or 2.4 percent, annually.
- Net in-migration has averaged 22,400 people annually and has accounted for 70 percent of total population growth since 2011 because of strong job growth. By comparison, net in-migration averaged 13,000 people annually from 2008 to 2011 and 23,750 people annually from 2003 to 2007.



Job growth exceeded 3 percent in 7 of 11 sectors in the Nashville area.

	3 Months Ending		Year-Over-Year Change	
	February 2016 (thousands)	February 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	935.4	966.5	31.1	3.3
Goods-producing sectors	118.9	125.3	6.4	5.4
Mining, logging, and construction	38.6	41.6	3.0	7.8
Manufacturing	80.3	83.7	3.4	4.2
Service-providing sectors	813.5	841.2	27.7	3.4
Wholesale and retail trade	136.1	138.6	2.5	1.8
Transportation and utilities	44.4	45.4	1.0	2.3
Information	22.8	23.5	0.7	3.1
Financial activities	60.9	63.5	2.6	4.3
Professional and business services	151.4	159.0	7.6	5.0
Education and health services	143.4	147.9	4.5	3.1
Leisure and hospitality	100.7	105.8	5.1	5.1
Other services	38.1	39.0	0.9	2.4
Government	115.7	118.5	2.8	2.4
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	3.8	4.0		

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

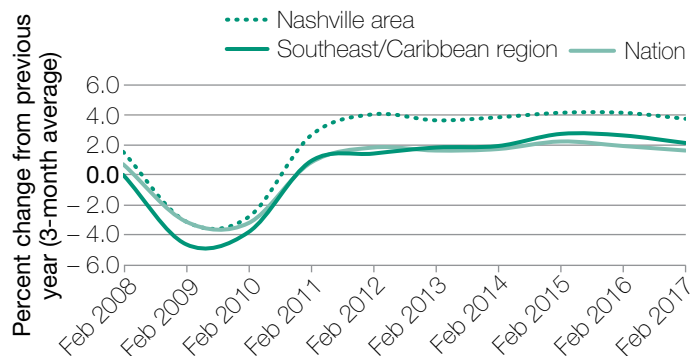
## Economic Conditions

Economic conditions in the Nashville metropolitan area have strengthened each year since 2012. Nonfarm payrolls increased to an average of 966,500 jobs during the 3 months ending February 2017, an increase of 31,100 jobs, or 3.3 percent, from the 3 months ending February 2016, and 21 percent more than the prerecessionary high for a 3-month period ending with February of 796,700 jobs, which occurred during the 3 months ending February 2008. From 2012 through 2016, total nonfarm payrolls expanded an average of 4.5 percent annually, triple the 1.5-percent annual rate for the nation during the same period.

During the 3 months ending February 2017—

- Job growth occurred in every nonfarm payroll sector. The professional and business services sector added the most jobs, increasing by 7,600 jobs, or 5.0 percent. The sector benefited significantly from expansions by companies such as HCA Holdings, Inc., which currently employs 10,400 workers in the metropolitan area after adding 1,000 jobs when it relocated the headquarters of two subsidiaries to the city of Nashville in 2016.
- The leisure and hospitality sector added 5,100 jobs, or 5.1 percent, resulting from a 3-percent increase in the number of visitors to the metropolitan area from 2015 to 2016.
- The fastest job growth occurred in the mining, logging, and construction sector, which averaged 41,600 jobs, an increase of

## The Nashville area has added jobs at more than double the national rate for most of the period since 2011.



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

## Largest employers in the Nashville area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Vanderbilt University & Medical Center	Education and health services	24,700
Nissan North America, Inc.	Manufacturing	10,900
HCA Holdings, Inc.	Education and health services	10,400

Note: Excludes local school districts.  
Sources: *Nashville Business Journal*; Nashville Chamber of Commerce

3,000 jobs, or 7.8 percent, from the same period a year ago and near the prerecessionary high of 42,350 jobs, which occurred during the 3 months ending February 2008. Construction of major mixed-use developments, such as the \$1 billion Ovation in

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the city of Cool Springs and the \$750 million Capitol View in the North Gulch neighborhood in the city of Nashville, contributed to job growth in the sector.

- The average unemployment rate was 4.0 percent, up slightly from 3.8 percent during the 3 months ending February 2016 but less than one-half the high of 9.5 percent during the 3 months ending February 2010.

Vanderbilt University Medical Center, with 24,700 employees, is the largest private employer in the metropolitan area. In 2016, construction began on a four-story addition to the Monroe Carell Jr. Children’s Hospital at Vanderbilt, which is expected to be completed

in early 2019. Construction of a 29,950-square-foot expansion of the Vanderbilt University School of Nursing is expected to begin by mid-2017 and be completed by August 2018. Manufacturing, particularly associated with the automotive industry, has been an important part of the economic growth since 2012. General Motors currently employs 3,300 people in the metropolitan area after creating 650 jobs by adding a third shift at its Spring Hill facility in January 2017. Nissan North America, Inc., which currently employs 10,900 workers in the metropolitan area, is expected to create as many as 1,000 additional jobs by the end of 2017, when a new supplier park and logistics center is completed at its facility in the city of Smyrna.

## Sales Market Conditions

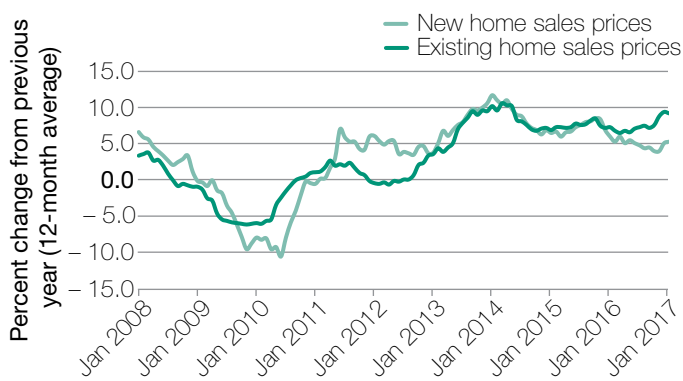
Sales housing market conditions in the Nashville metropolitan area are currently balanced, with job growth and increased net in-migration contributing to increased demand, which is causing an increase in both home sales prices and single-family home construction. Approximately 44,750 existing single-family homes, townhomes, and condominiums sold during the 12 months ending January 2017 (the best representative data available), up 3 percent from the 43,500 homes sold during the previous 12-month period. By comparison, existing home sales averaged 46,000 a year during a 3-year peak from 2004 through 2006 but only 24,800 a year from 2009 through 2011. During the 12 months ending January 2017, the average sales price of an existing home increased 9 percent from a year ago to \$247,200, which is 33 percent more than the prerecessionary high of \$186,000 for the 12-month period ending with January 2008 (CoreLogic, Inc., with adjustments by the analyst). An estimated 3.3 months of for sale inventory was available

in the Nashville metropolitan area as of February 2017, down from 3.9 months during February 2016 (Greater Nashville Realtors with adjustments by the analyst).

- New home sales, which represent approximately 16 percent of all home sales in the metropolitan area, increased to 8,275 during the 12 months ending January 2017, up 16 percent from the 7,125 new homes sold during the 12 months ending January 2016 and more than double the average of 3,975 new homes sold each year from 2009 through 2012.
- The average sales price of a new home was \$357,800 during the 12 months ending January 2017, a 5-percent increase from \$340,000 during the previous 12 months and 33 percent more than \$269,700 during the 12 months ending January 2008, the prerecessionary high for a 12-month period ending with January.

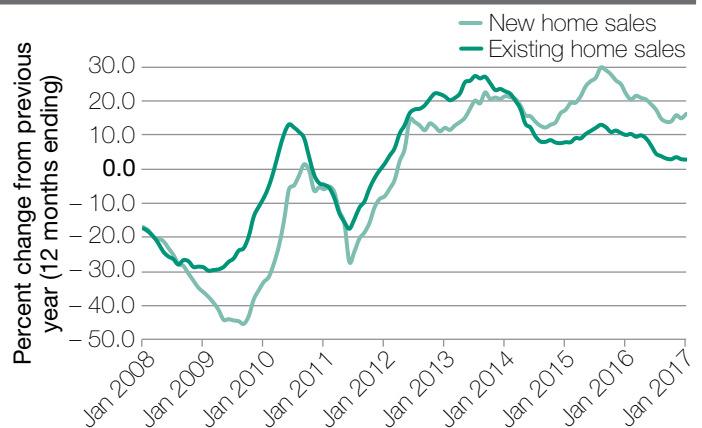
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**Strengthening economic conditions and accelerating population growth have contributed to increasing sales prices in the Nashville area since 2012.**



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

**Declining levels of REO sales in the Nashville area limited growth of existing home sales during the past 24 months. New home sales continued to increase more than 10 percent a year, however.**



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



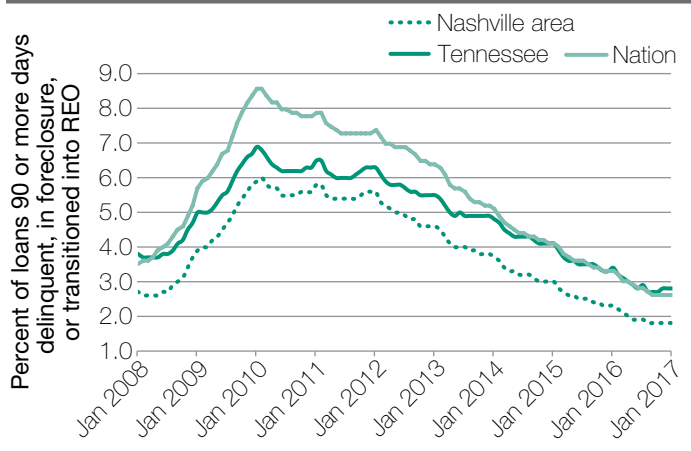
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- As of January 2017, 1.8 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or had transitioned into real estate owned (REO) status, down from 2.3 percent a year earlier and notably less than both the 2.8-percent rate for the state of Tennessee and the 2.6-percent rate for the nation (CoreLogic, Inc.).
- Distressed sales (REO and short sales) accounted for 5 percent of total existing home sales during the 12 months ending January 2017, down from 7 percent during the previous 12-month period. The average sales price for distressed properties in the metropolitan area was \$154,400, or 39 percent less than the average sales price for non-distressed properties in the metropolitan area during the 12 months ending January 2017.

Improving sales market conditions have contributed to increased single-family home construction since 2011. During the 3 months ending February 2017, 2,950 single-family homes were permitted in the metropolitan area, a 15-percent increase from 2,575 homes during the same period a year ago (preliminary data).

- An average of 860 single-family homes were permitted in the metropolitan area during the 3-month periods ending in February from 2009 through 2011, and an average of 3,400 single-family homes were permitted during the same 3-month periods from 2005 through 2007.

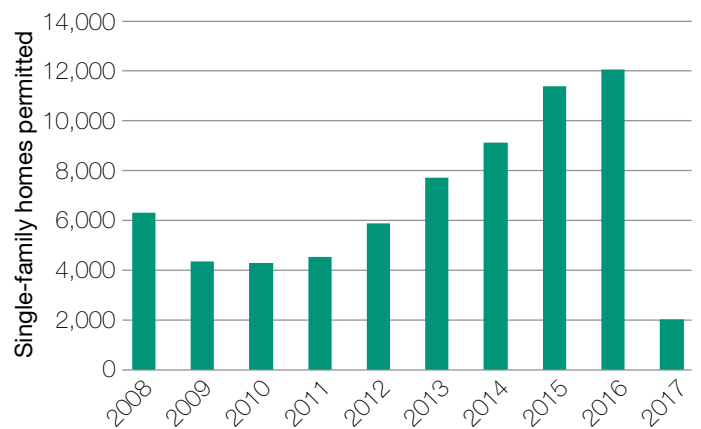
**The rate of seriously delinquent mortgages and properties in REO status in the Nashville area has declined significantly since 2010 and remained below the national rate.**



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

- During the 3 months ending February 2017, the number of single-family homes permitted increased in 11 of the 14 counties in the metropolitan area. The number of single-family homes permitted in Davidson, Rutherford, and Williamson Counties, which have accounted for approximately 65 percent of the single-family homes permitted in the metropolitan area since 2011, totaled 2,050 during the 3 months ending February 2017, up 8 percent from the 3 months ending February 2016.
- Single-family permitting increased notably in several suburban counties in the metropolitan area. Dickson, Maury, Sumner, and Wilson Counties combined accounted for 25 percent of all single-family homes permitted in the metropolitan area during the 3 months ending February 2017, up from 21 percent during the same period a year ago. The number of single-family homes permitted in the four counties increased 73, 39, 41, and 27 percent respectively.
- New home development has been particularly active in Sumner County during the past year. Construction at Durham Farms, which encompasses 470 acres to the northeast of Nashville in the city of Hendersonville, began in 2016. To date, approximately 20 of a planned 1,000 new homes sold, with prices currently starting in the low \$300,000s.

**The number of single-family homes permitted in the Nashville area has increased each year since 2011 but remained below the peak levels of the mid-2000s.**



Note: Includes preliminary data from January 2016 through February 2017.  
Source: U.S. Census Bureau, Building Permits Survey



## Apartment Market Conditions

The apartment housing market in the Nashville metropolitan area is currently balanced. Apartment market conditions were tight for much of the early 2010s, but very high levels of apartment construction, particularly in and around the urban core, have contributed to a notable increase in the apartment vacancy rate during the past year. The rate remains generally low, and rent growth was much greater than the rate for the nation. During the fourth quarter of 2016, the apartment vacancy rate in the metropolitan area was 4.2 percent, up from 3.6 percent during the fourth quarter of 2015 (MPF Research). The average asking rent was \$1,104, a more than 7.1-percent increase from \$1,031 a year earlier. By comparison, the average asking rent was \$1,284 for the nation, more than a 3-percent increase from \$1,243 a year ago.

During the fourth quarter of 2016—

- Apartment vacancy rates in the 10 MPF Research-defined market areas within the Nashville metropolitan area ranged from 2.3 percent in the North Nashville area to 6.2 percent in the West Nashville area.
- The apartment vacancy rate declined in 7 of the 10 market areas relative to a year ago. The largest apartment vacancy rate decline occurred in the Southeast Nashville market area, where the apartment vacancy rate was 3.1 percent, down from 4.7 percent a year ago. The largest increase, 2.6 percentage points, occurred in the West Nashville market area, where 755 units, or approximately 6 percent of the total apartment inventory, were completed during the past year.
- The Central Nashville market area, which accounts for approximately 12 percent of the apartment units in the metropolitan area, had an apartment vacancy rate of 5.0 percent, up from 4.3 percent a year ago, partially because 2,725 apartment units

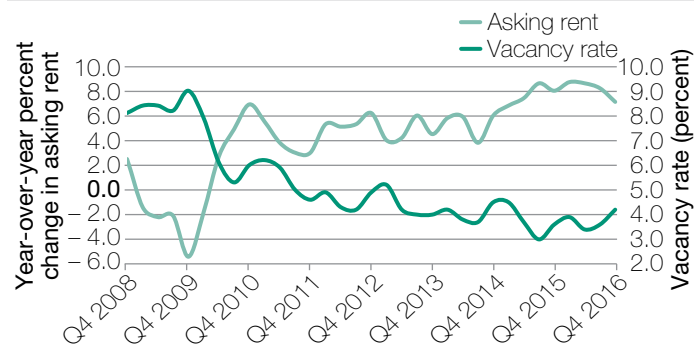
were completed in the area during the past year. Most of the new units are high-end developments in and around downtown, and the market area had the highest asking apartment rent in the metropolitan area at \$1,589, up more than 4 percent from the fourth quarter of 2015.

- Asking apartment rents increased from the fourth quarter of 2015 in all 10 market areas, ranging from a nearly 4-percent increase in the Murfreesboro-Smyrna area to a nearly 10-percent increase in the East Nashville area.

In response to tightening rental market conditions in the early 2010s, multifamily construction in the metropolitan area has been at very high levels since 2012. During the 3 months ending February 2017, 1,200 multifamily units were permitted in the metropolitan area, a 54-percent decline from the same period a year ago. The 2,625 units permitted during the 3 months ending February 2016 is the highest figure on record for a 3-month period ending with February, 64 percent more than the previous high of 1,600 units permitted during the 3 months ending February 2005.

- An average of 4,875 multifamily units were permitted each year from 2012 through 2015, the highest average for a 4-year period since an average of 5,925 units was permitted each year from 1985 through 1988. An average of only 1,150 multifamily units was permitted each year from 2009 through 2011, after an average of 2,500 units was permitted each year from 2003 through 2008.
- An estimated 7,900 units were added to the apartment inventory in the metropolitan area from the fourth quarter of 2015 to the fourth quarter of 2016. That figure represents a 6-percent expansion of the existing inventory during the period, the second-highest growth rate of the 100 market areas surveyed by MPF Research.

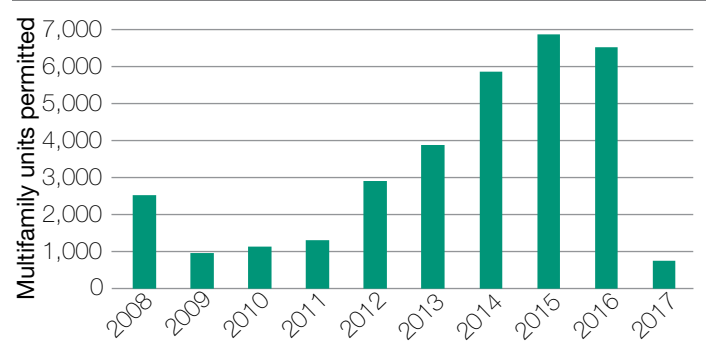
**A significant wave of new apartment construction in the Nashville area resulted in an increased apartment vacancy rate during the past year. Rent growth remained strong, however.**



Q4 = fourth quarter.  
Source: Reis, Inc.

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**Multifamily permitting has been at near-record levels in the Nashville area since 2012.**



Note: Includes preliminary data from January 2016 through February 2017.  
Source: U.S. Census Bureau, Building Permits Survey



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- Recent multifamily construction was highly concentrated in the central and southern parts of the metropolitan area with Davidson, Rutherford, and Williamson Counties accounting for approximately 91 percent of all multifamily permitting activity since 2012.
- An estimated 13,400 apartment units are currently under construction in the metropolitan area, including 9,075 units in Davidson County, which includes the city of Nashville (Real Data). Construction is particularly active in and around downtown Nashville. Aertson Midtown, a 17-story, 600,000-square-foot, mixed-use building near Vanderbilt University, will eventually

include 350 apartment units, a hotel and 35,000 square feet of retail space. Most of the apartment units are currently available for lease, although completion of the project is not expected until mid-2017. Rents currently range from as low as \$1,525 for a 530-square-foot studio unit to as high as \$7,350 for a 1,550-square-foot three-bedroom unit. M Residences, southwest of downtown Nashville in the Music Row neighborhood, will include 320 apartment units and 6,200 square feet of ground floor restaurant space. Project completion is expected by fall 2017, with rents expected to range from as low as \$1,500 for one-bedroom units to as high as \$3,500 for three-bedroom units.