



Nashville-Davidson-Murfreesboro-Franklin, Tennessee

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2010



Significant flooding affected the Nashville-Davidson-Murfreesboro-Franklin Housing Market Area in early May 2010. This report reflects housing market conditions before the impact of the flood. A followup report with a post-flood analysis is forthcoming.

Housing Market Area



The Nashville-Davidson-Murfreesboro-Franklin Housing Market Area (HMA) (hereafter, the Nashville HMA) is coterminous with the Nashville-Davidson-Murfreesboro-Franklin Metropolitan Statistical Area. For purposes of this analysis, the HMA is divided into three submarkets: the Central submarket, which includes Davidson County and the principal city of Nashville, Tennessee’s state capital; the Southern Suburbs submarket, which includes Rutherford and Williamson Counties; and the Remainder submarket, which consists of Cannon, Cheatham, Dickson, Hickman, Macon, Robertson, Smith, Sumner, Trousdale, and Wilson Counties.

Summary

Economy

The economy of the Nashville HMA has weakened dramatically during the year ending April 1, 2010. During the 12 months ending March 2010, nonfarm payrolls declined by 4.6 percent compared with a decrease of 1.5 percent during the previous 12-month period. Despite the recent downturn, by the end of the 3-year forecast period, jobs are expected to grow by 2 percent a year, with most gains likely to be in the education and health services sectors. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

The sales housing market in the HMA is somewhat soft, with an estimated sales vacancy rate of 1.8 percent. During the forecast period, anticipated employment and population gains are expected to support demand for 25,250 new market-rate sales housing

units and an additional 950 mobile homes. The 1,150 homes currently under construction will satisfy a portion of that demand (see Table 1). In addition, a portion of the 25,000 other vacant units in the HMA may come back on the market and satisfy some of the demand.

Rental Market

The rental housing market in the HMA is currently soft, with an estimated overall rental vacancy rate of 8.5 percent, which is relatively unchanged from a year earlier but up nearly 2 percent from the rate recorded in 2000. During the forecast period, the existing vacant rental housing supply and the 1,150 units currently under construction can satisfy nearly all the demand for rental units (see Table 1). Demand for new units is expected in the Southern Suburbs submarket during the third year of the forecast period.

Market Details

Economic Conditions	2
Population and Households	5
Housing Market Trends	7
Data Profiles	16

Table 1. Housing Demand in the Nashville HMA,* 3-Year Forecast, April 1, 2010 to April 1, 2013

	Nashville HMA*		Central Submarket		Southern Suburbs Submarket		Remainder Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	26,200	1,225	7,950	0	9,650	1,075	8,600	150
Under Construction	1,150	1,150	350	450	400	250	400	450

* Nashville-Davidson-Murfreesboro-Franklin HMA.

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, 2010. Total sales demand includes an estimated demand for 950 mobile homes in the HMA. A portion of the estimated 25,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

The economy of the Nashville HMA weakened substantially during the past 12 months, a trend that began in December 2008. During the 12 months ending March 2010, nonfarm payroll jobs decreased by 34,600 jobs, or 4.6 percent, to 718,700 jobs (see Table 2). In comparison, annual gains from 2005 through 2008

averaged 8,400 jobs, or an increase of 1.1 percent.

During the 12 months ending March 2010, gains in the education and health services and the government sectors were more than offset by losses in all remaining sectors. The manufacturing sector recorded the largest decline during the 12 months ending March 2010, with a decrease of 10,000 jobs, or 14.2 percent, because losses mounted among automotive specialty suppliers in the plastics, glass, metals, and automotive stamping industries. Despite the recent declines, Nissan North America, Inc., closed on a \$1.4 billion federal loan in January 2010 that will be used to build electric vehicles and lithium-ion battery packs in Smyrna. Nissan anticipates as many as 1,300 jobs could be created when the car and battery plants are operating at full capacity. Although it is unclear when the plants will reach full capacity, Nissan expects the new battery plant to open in late 2012.

Significant declines were also recorded in the professional and business services sector during the 12 months ending

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

	12 Months Ending March 2009	12 Months Ending March 2010	Percent Change
Total Nonfarm Payroll Jobs	753,300	718,700	- 4.6
Goods Producing	108,200	91,000	- 15.9
Mining, Logging, & Construction	37,500	30,300	- 19.2
Manufacturing	70,700	60,650	- 14.2
Service Providing	645,100	627,700	- 2.7
Wholesale & Retail Trade	123,400	118,300	- 4.1
Transportation & Utilities	29,800	27,250	- 8.6
Information	21,050	20,150	- 4.3
Financial Activities	45,550	44,200	- 3.0
Professional & Business Services	99,050	91,550	- 7.6
Education & Health Services	113,100	115,700	2.3
Leisure & Hospitality	78,650	75,950	- 3.4
Other Services	30,700	30,050	- 2.1
Government	103,800	104,700	0.9

* Nashville-Davidson-Murfreesboro-Franklin HMA.

Notes: Based on 12-month averages through March 2009 and March 2010. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

March 2010, because layoffs for administrative workers, clerks, and management positions contributed to a decrease of 7,500 jobs, or 7.6 percent, compared with the previous period. Likewise, nonfarm payroll declines in the mining, logging, and construction sector totaled 7,200 jobs, or 19.2 percent, compared with a decrease of 4,400 jobs, or 11 percent, during the 12 months ending March 2009. Losses were primarily in the construction subsector as builders responded to softening sales and rental housing markets by slowing the production of new units.

The education and health services sector not only added the most jobs during the 12 months ending March 2010, but it was also the fastest growing sector, increasing by 2,500 nonfarm payroll jobs, or 2.3 percent. Most of the job growth in the sector was from hiring at local hospitals, healthcare companies, and ambulatory and outpatient services. Growth in the sector is expected to continue through the forecast period because of the planned Nashville Medical

Trade Center. Upon completion in 2013, the \$250 million expansion of the old Nashville Convention Center is expected to draw more than 150,000 visitors a year and will be solely dedicated to the exchange of goods, services, and ideas for the healthcare industry. The government sector, primarily at the local level, was the only other sector in the HMA to record positive job growth, adding 900 positions, or 0.9 percent, during the 12 months ending March 2010. Leading employers in the area include Vanderbilt University Medical Center and the Tennessee state government, with 20,950 and 20,000 employees, respectively (see Table 3). Figure 1 shows current nonfarm payroll jobs in the HMA by sector.

The negative job growth that occurred during the past 12 months, contributed to an increase in the unemployment rate, which averaged 9.5 percent for the 12 months ending March 2010, up from 6.7 percent for the previous 12 months. From 2000 to 2007, the unemployment rate averaged 4.3 percent. Figure 2 illustrates trends in the labor force, resident employment, and unemployment rate in the HMA from 1990 through 2009.

Nonfarm payrolls in the HMA are expected to continue to decrease by 1 percent during the next 12 months. By the end of the 3-year forecast period, however, nonfarm payroll jobs are expected to increase by 2 percent a year, with the education and health services sector expected to lead job growth. Figure 3 illustrates sector growth in the HMA from 1990 to the current date.

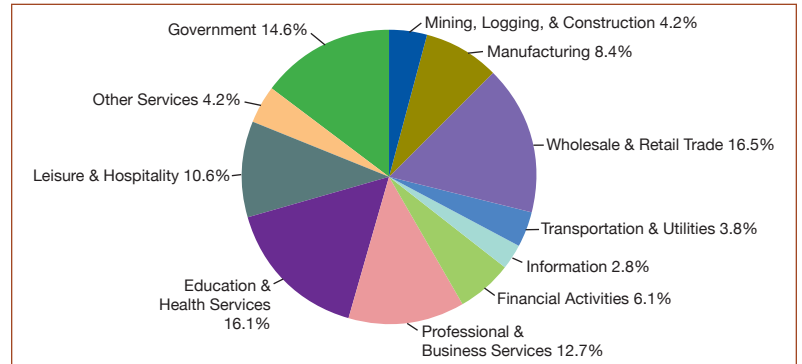
Table 3. Major Employers in the Nashville HMA*

Name of Employer	Employment Sector	Number of Employees
Vanderbilt University Medical Center	Education & Health Services	20,950
State of Tennessee	Government	20,000
U.S. Government	Government	11,500
Metropolitan Nashville Public Schools	Government	10,650
Metropolitan Government of Nashville and Davidson County, Tennessee	Government	9,500
St. Thomas Health	Education & Health Services	6,500
Nissan North America, Inc.	Manufacturing	5,850
HCA Holdings, Inc.	Education & Health Services	5,450
Gaylord Entertainment	Leisure & Hospitality	4,500
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	4,500

* Nashville-Davidson-Murfreesboro-Franklin HMA.

Source: Nashville Area Chamber of Commerce; 2010 Book of Lists

Figure 1. Current Nonfarm Payroll Jobs in the Nashville HMA,* by Sector

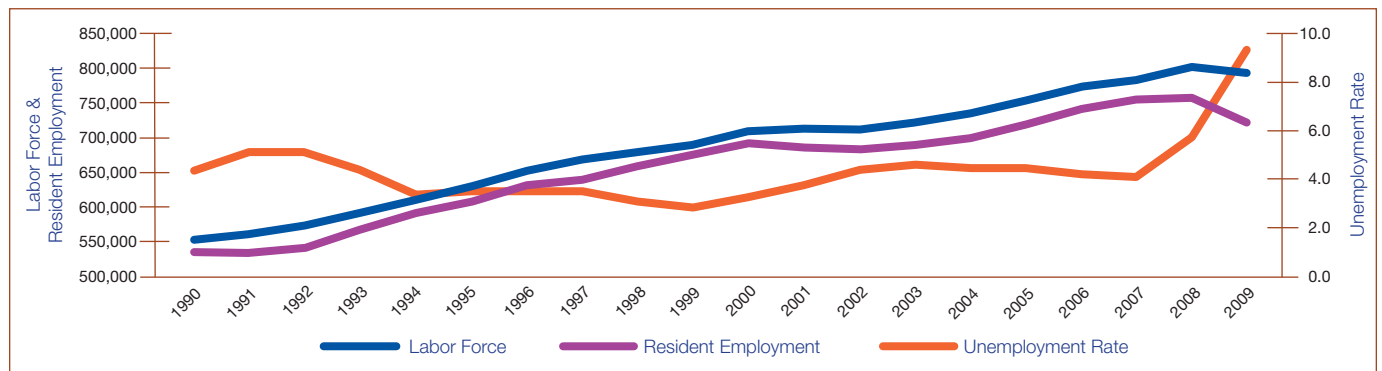


* Nashville-Davidson-Murfreesboro-Franklin HMA.

Note: Based on 12-month averages through March 2010.

Source: U.S. Bureau of Labor Statistics

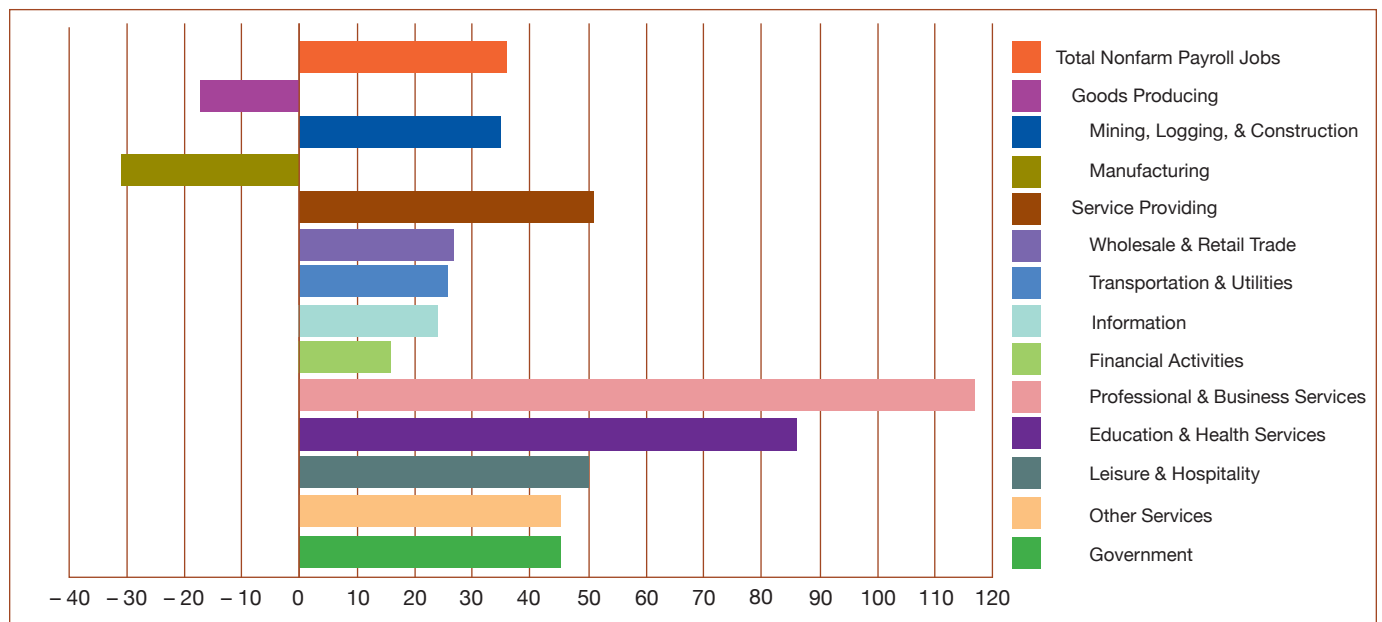
Figure 2. Trends in Labor Force, Resident Employment, Unemployment Rate in the Nashville HMA,* 1990 to 2010



* Nashville-Davidson-Murfreesboro-Franklin HMA.

Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Nashville HMA,* Percentage Change, 1990 to Current



* Nashville-Davidson-Murfreesboro-Franklin HMA.

Note: Current is based on 12-month averages through March 2010.

Source: U.S. Bureau of Labor Statistics

Population and Households

As of April 1, 2010, the population of the Nashville HMA is estimated to be 1.6 million, reflecting an increase of 1.7 percent from a year earlier. In comparison, population growth from 2000 through 2005 averaged 1.8 percent a year, but an expanding economy accelerated growth to 2.4 percent annually from 2006 through 2008. The lower population growth rate during the year ending April 1, 2010, is attributed to decreased in-migration that occurred when the economy contracted significantly during the past 18 months. During the forecast period, the population is expected to increase by 24,900, or 1.5 percent, annually and total nearly 1.7 million by April 1, 2013.

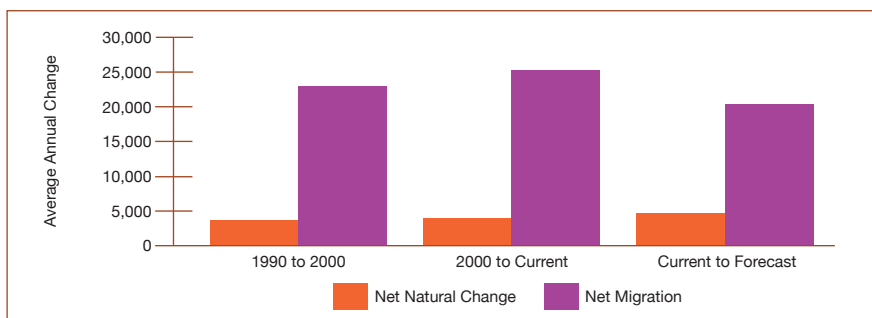
Since 2000, the population of the Central submarket increased by an average of 7,150, or 1.2 percent, annually. During the same period, net in-migration accounted for 40 percent of the population growth, with an average annual increase of 2,825 people; the remainder of the growth came from net natural change (resident births minus resident deaths). Net in-migration in the Central submarket is expected to decrease to 2,100 people a year during the 3-year forecast period due to continued job losses and the availability of more affordable housing in outlying counties of the HMA.

See Figure 4 for the components of population change in the HMA from 1990 to the forecast date.

Since 2000, the fastest growing portion of the HMA has been the Southern Suburbs submarket, particularly Rutherford County. According to the U.S. Census Bureau, from April 1, 2000, to July 1, 2009 (the most recent data available), Rutherford County was the fastest growing county in the state, increasing by 75,000 residents, or 41 percent. Nearby Williamson County, also in the Southern Suburbs submarket, was the second fastest growing county in the state, increasing by 50,200 residents, or 40 percent. Since 2000, the population of the submarket increased by an average of 13,350 a year, or 3.7 percent. Net in-migration accounted for slightly more than 75 percent of the annual population gain, or 10,250 people; the remainder of the growth came from net natural change. Net in-migration is expected to average 6,400 people a year during the 3-year forecast period, representing approximately 65 percent of the future growth.

The rate of population growth in the Remainder submarket declined each year from 2006 to 2009, from 2.7 to 1.4 percent, respectively, because of significant declines in net in-migration in every county, except in Sumner and Trousdale Counties. Since 2000, the population of the Remainder submarket has increased by an average of 8,475, or 1.8 percent, annually. During the same period, net in-migration accounted for nearly 75 percent of the population growth, an average of 6,300 people a year. Net in-migration in the Remainder submarket is expected to decrease to an average of 5,200 people a year during the 3-year forecast period.

Figure 4. Components of Population Change in the Nashville HMA,* 1990 to Forecast



* Nashville-Davidson-Murfreesboro-Franklin HMA.

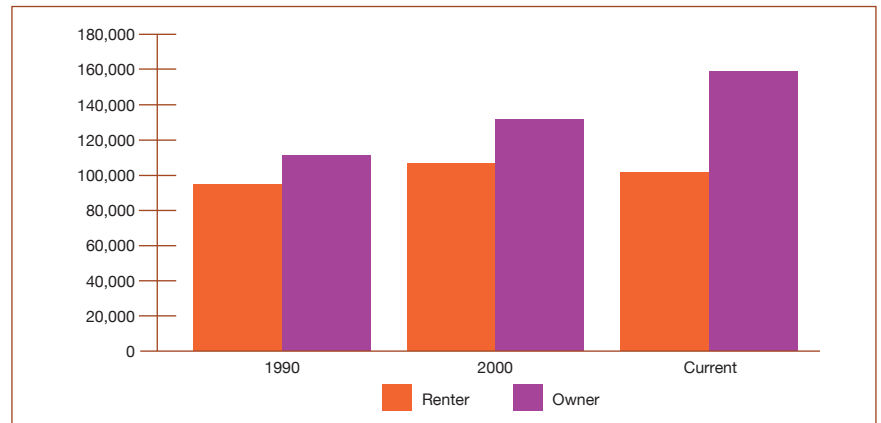
Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Largely because of the decline in population growth during the 2 years ending April 1, 2010, the rate of household growth in the HMA has been slower since 2000 than during the previous decade. Since 2000, the number of households has increased annually by 10,350, or 1.9 percent, compared with an average annual increase of 11,050, or 2.5 percent, during the 1990s. Currently, the HMA has 613,500 households. Current homeownership rates range from 74 percent in the Southern Suburbs submarket to 77 percent in the Remainder submarket, and were lowest in the Central submarket where nearly 39 percent of

all households were renters. Despite the recent rate of decline in household growth, the homeownership rate for the HMA is up nearly 3 percentage points from the rate recorded in 2000. Figures 5, 6, and 7 illustrate the number of households by tenure in each of the submarkets for 1990, 2000, and the current date.

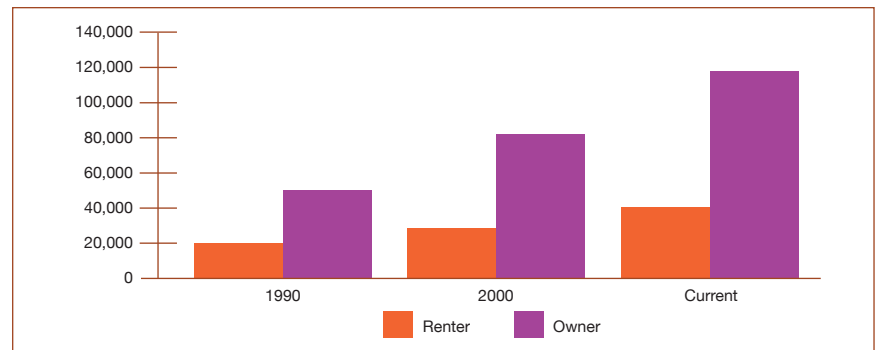
During the forecast period, the number of households is expected to increase by 8,100, or 1.3 percent, annually and total approximately 637,800 by April 1, 2013. Figure 8 shows population and household growth in the HMA from 1990 to the forecast date.

Figure 5. Number of Households by Tenure in the Central Submarket, 1990 to Current

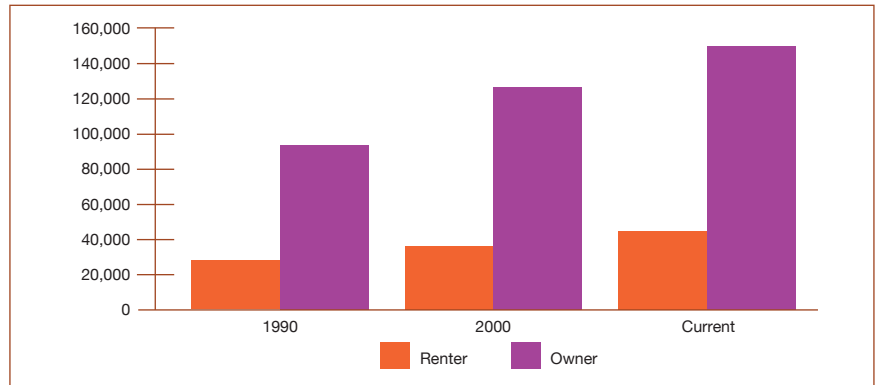


Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

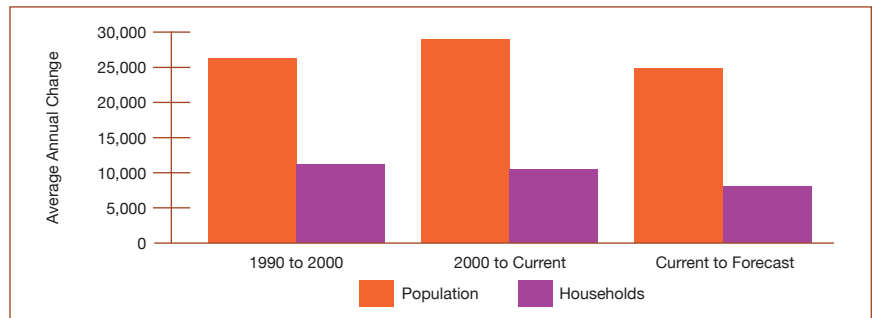
Figure 6. Number of Households by Tenure in the Southern Suburbs Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Remainder Submarket, 1990 to Current

Sources: 1990 and 2000–1990 Census and 2000 Census; current—estimates by analyst

Figure 8. Population and Household Growth in the Nashville HMA,* 1990 to Forecast

* Nashville-Davidson-Murfreesboro-Franklin HMA.

Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market—Central Submarket

The sales housing market in the Central submarket is soft because of decreased demand resulting from a weak economy and an increasing supply of newly constructed homes for sale. According to the Greater Nashville Association of REALTORS® Inc. (GNAR), sales of existing homes in Davidson County totaled 6,075 homes in 2009, a decrease of 12 percent compared with the 6,900 homes sold in 2008 and down substantially from the decade high level of 10,750 homes sold in 2006. Although significantly reduced, sales of existing homes in Davidson

County totaled 1,150 homes in the first quarter of 2010, an increase of 10 percent compared with the 1,050 homes sold during the first quarter of 2009. Condominium sales in Davidson County totaled 380 condominiums for the first quarter of 2010, 40 more than for the first quarter of 2009.

Despite the recent increase in home sales, the median sales price for existing homes in the Central submarket decreased to \$147,500, or by nearly 2 percent, during the first quarter of 2010 compared with the sales price

Housing Market Trends

Sales Market—Central Submarket *Continued*

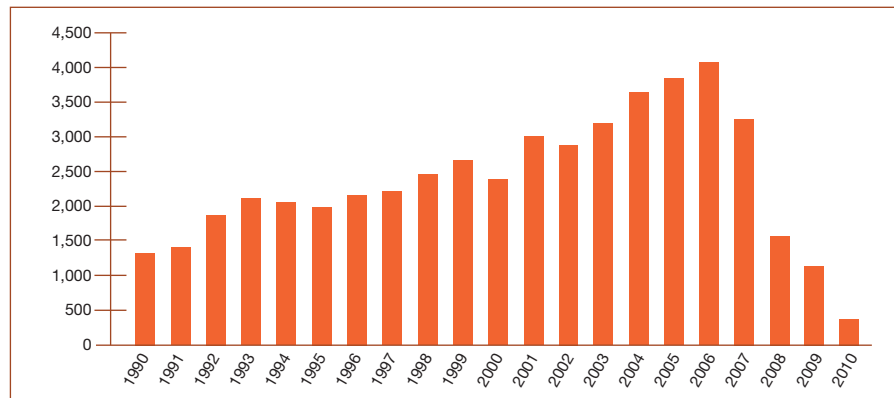
during the first quarter of 2009, which was due to a decrease in sales in higher priced homes. Likewise, the median sales price for existing condominiums decreased by 3 percent to \$157,100 during the first quarter of 2010 and was down nearly 7 percent from the peak sales price of \$168,300 at the end of 2007. According to LPS Applied Analytics, as of April 2010, 6.4 percent of loans in Davidson County were classified as 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), up 1.5 percentage points from April 2009.

In response to the soft sales market conditions, home builders have reduced new home construction activity. Based on preliminary data for the 12 months ending March 2010, single-family

construction activity, as measured by the number of single-family permits issued, totaled 1,225 homes, a decrease of 4 percent compared with the number of permits issued during the previous 12 months. Since 2008, single-family construction activity has remained well below the decade-high average of 3,725 permits issued annually from 2005 through 2007. Figure 9 shows the number of single-family building permits issued in the Central submarket from 1990 to the current date. Condominium construction activity has come to a halt during the 3 months ending April 1, 2010, because the market became saturated with more than 2,000 completed units during the 2 years ending April 1, 2010. Despite the large inventory of vacant available new condominiums, approximately 600 additional units are in the planning and proposed stages. New condominiums in the Central submarket are offered as low as \$180,000, and larger luxury units are offered starting at \$850,000. Despite the availability of lower priced units, the average price of downtown condominiums sold in the first quarter of 2010 was \$304,000 due to high home sales prices in communities such as Icon in the Gulch, Terrazzo in the Gulch, and Adelia-Midtown.

During the 3-year forecast period, demand is estimated for 7,700 new market-rate sales homes in the Central submarket. The 350 homes currently under construction will meet a portion of this demand (see Table 1). In addition, a portion of the 12,000 other vacant units may come back on the market and satisfy some of the forecast demand. Table 4 illustrates estimated demand for new market-rate sales housing in the Central submarket by price range. Demand

Figure 9. Single-Family Building Permits Issued in the Central Submarket, 1990 to 2010



Notes: Includes only single-family units. Includes data through March 2010.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Central Submarket, April 1, 2010 to April 1, 2013

Price Range (\$)		Units of Demand	Percent of Total
From	To		
120,000	124,999	920	12.0
125,000	149,999	1,300	16.9
150,000	174,999	1,550	20.1
175,000	199,999	1,225	15.9
200,000	249,999	1,000	13.0
250,000	299,999	770	10.0
300,000	399,999	540	7.0
400,000	and higher	390	5.1

Notes: Excludes mobile homes. A portion of the estimated 12,000 other vacant units in the Central submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Housing Market Trends

Sales Market—Central Submarket *Continued*

is expected to average 2,500 homes during 2010 and is expected to increase to 3,600 homes during the last year of the forecast period. In addition, demand is estimated for

250 mobile homes during the forecast period. Mobile homes currently make up an estimated 1 percent of the total housing inventory in the Central submarket.

Rental Market—Central Submarket

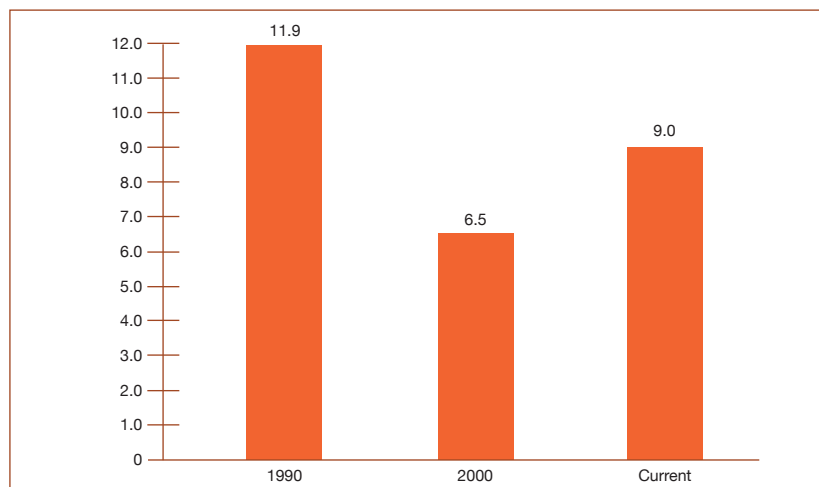
The rental housing market in the Central submarket is currently soft, with an estimated overall rental vacancy rate of 9 percent, which is relatively unchanged from April 1, 2009, but is up nearly 3 percentage points from the rate recorded in 2000 (see Figure 10). Rental occupancy and average apartment rents have decreased since 2007 due to diminishing job growth and a large number of apartments entering the market. Conditions in the apartment market are better than in the overall rental housing market. According to the Greater Nashville Apartment Association (GNAA), the apartment market in Nashville was somewhat soft, with an 8 percent vacancy rate. Apartment rents outside of the downtown area averaged \$740 for a one-bedroom unit, \$820 for a two-bedroom unit, and \$1,075 for a three-bedroom unit. Apartment rents in the West

End/Downtown submarket were substantially higher averaging \$975, \$1,350, and \$1,775 for one-, two-, and three-bedroom units, respectively.

Multifamily construction, as measured by the number of multifamily units permitted, decreased by 52 percent to 470 units during the 12 months ending March 2010 compared with 970 units permitted during the 12-month period ending March 2009, based on preliminary data. During the 2 years ending April 1, 2010, the pace of multifamily construction has declined well below the average of 1,125 units permitted annually between 2003 and 2006 when condominium construction activity was more prevalent and nonfarm payroll jobs were increasing more rapidly. Approximately 35 percent of multifamily units permitted since 2000 in the Central submarket were intended for owner occupancy. Currently, 450 multifamily units are under construction. Figure 11 illustrates the number of multifamily building permits issued in the Central submarket from 1990 to the current date.

Students at Vanderbilt University occupy a large portion of the local rental stock. According to the university, fall enrollment figures for 2010 totaled approximately 12,700 students. Estimates provided by the university indicate that more than 7,600 students live off campus in the private rental housing market. Vanderbilt currently offers around 5,100 on-campus

Figure 10. Rental Vacancy Rates in the Central Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

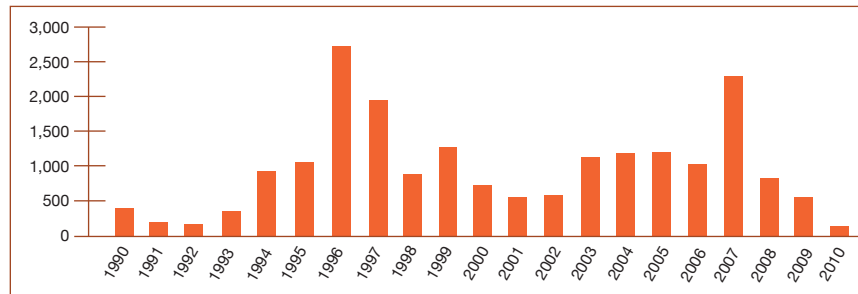
Housing Market Trends

Rental Market—Central Submarket *Continued*

dormitory units. Although the university does not currently offer any off-campus apartments, they do offer an off-campus referral service. Typical off-campus apartments provided by the private market within a 5-mile

radius of the university have rents that range from \$800 to \$1,200 a month. Apartments located near the university typically command much higher rents because of their proximity to downtown compared with units farther out in Davidson County.

Figure 11. Multifamily Building Permits Issued in the Central Submarket, 1990 to 2010



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2010.

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

During the forecast period, no demand is anticipated for additional market-rate rental units in the HMA. The units under construction and the supply of excess vacant units are expected to exceed demand for rental housing units for the forecast period. The addition of new rental units to the housing stock will only prolong the current soft market conditions.

Sales Market—Southern Suburbs Submarket

The sales housing market in the Southern Suburbs submarket is somewhat soft because of decreased demand resulting from a weak economy. Slower new home construction has helped spark an increase in the sale of existing properties because prospective buyers have fewer choices for newly constructed homes. According to GNAR, sales of existing homes in the Southern Suburbs submarket totaled 1,175 units in the first quarter of 2010, an increase of 15 percent compared with the 1,025 units sold during the first quarter of 2009. Condominium sales in the submarket totaled 100 units for the first quarter of 2010, up from the 80 units sold in the first quarter of 2009. Condominium sales were primarily concentrated in the city of Murfreesboro in Rutherford County.

The median single-family home sales price declined dramatically in Williamson County during the first quarter of 2010 to \$335,000, down more than

8 percent compared with the price recorded during the first quarter of 2009. Unlike single-family homes, condominium prices in Williamson County increased more than 2 percent to \$190,000 during the same period. Rutherford County to the east accounted for approximately 60 percent of the sales activity in the submarket during the first quarter of 2010 because of more attractive prices. Identical to the trend in Williamson County, the median home sales price in Rutherford County decreased as well, although at a much slower rate, to \$141,000, down roughly 1 percent in the first quarter of 2010 compared with the price recorded during the first quarter of 2009. Condominium prices, however, were down substantially in Rutherford County, with a decrease of 17 percent to \$100,900 during the same period. According to LPS Applied Analytics, as of April 2010, 6.2 percent of loans in Rutherford County and 3.4 percent of loans in Williamson County were classified

Housing Market Trends

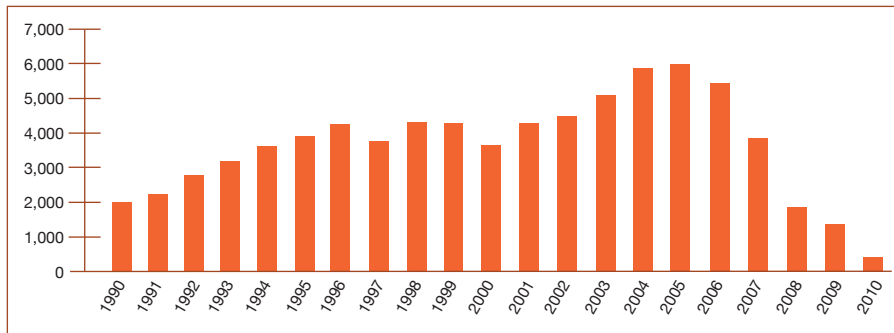
Sales Market—Southern Suburbs Submarket *Continued*

as 90 or more days delinquent, in foreclosure, or in REO, up 1.4 and 1.3 percentage points, respectively, from April 2009.

In response to the softening sales market conditions, home builders have reduced new home construction activity. Based on preliminary data for the 12 months ending March 2010, single-family construction activity, as measured by the number of single-family permits issued, totaled 1,575 homes, a decrease of 5 percent compared with the number issued during the previous 12 months. Since 2008, single-family

construction activity has remained well below the decade-high average of 5,725 permits issued annually from 2004 through 2006. New home construction in the Southern Suburbs submarket is primarily located in Rutherford County in the cities of Smyrna and Murfreesboro, where prices of new homes typically start at \$140,000. New townhomes are selling for as low as \$160,000 in the upscale community of Brentwood in Williamson County. Figure 12 shows the number of single-family building permits issued in the Southern Suburbs submarket from 1990 to the current date.

Figure 12. Single-Family Building Permits Issued in the Southern Suburbs Submarket, 1990 to 2010



Notes: Includes only single-family units. Includes data through March 2010.

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

Table 5. Estimated Demand for New Market-Rate Sales Housing in the Southern Suburbs Submarket, April 1, 2010 to April 1, 2013

Price Range (\$)		Units of Demand	Percent of Total
From	To		
130,000	174,999	1,125	12.0
150,000	199,999	1,300	13.9
175,000	249,999	1,400	15.0
200,000	299,999	1,875	20.1
250,000	349,999	1,400	15.0
300,000	399,999	1,125	12.0
400,000	499,999	750	8.0
500,000	and higher	370	4.0

Notes: Excludes mobile homes. A portion of the estimated 4,500 other vacant units in the Southern Suburbs submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

During the 3-year forecast period, demand is estimated for 9,350 new market-rate homes in the Southern Suburbs submarket. The 400 homes currently under construction will meet a portion of this demand (see Table 1). In addition, a portion of the 4,500 other vacant units may come back on the market and satisfy some of the forecast demand. Table 5 illustrates estimated demand for new market-rate sales housing in the Southern Suburbs submarket by price range. Demand is expected to average 3,100 homes during 2010 and is expected to increase to 3,650 homes during the last year of the forecast period. In addition, demand is estimated for 300 mobile homes during the forecast period. Mobile homes currently make up an estimated 4 percent of the total housing inventory in the Southern Suburbs submarket.

Rental Market—Southern Suburbs Submarket

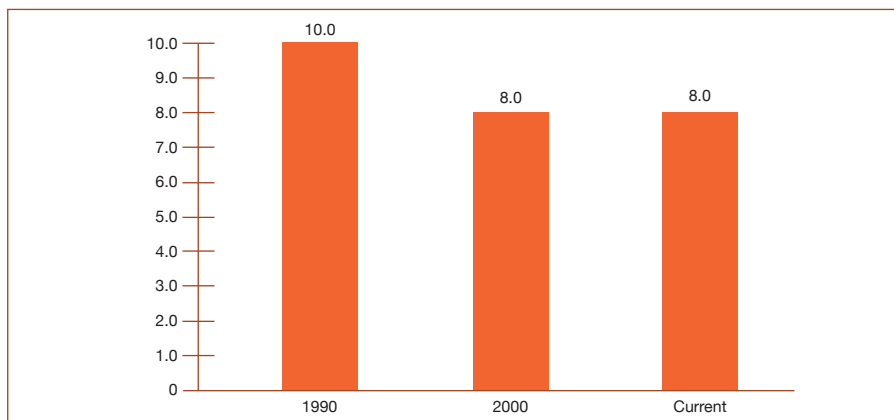
The rental housing market in the Southern Suburbs submarket is currently soft, with an estimated overall rental vacancy rate of 8 percent, unchanged from the rate recorded in 2000 (see Figure 13). Rental occupancy rates and average apartment rents have remained flat during the year ending April 1, 2010, because of diminishing job growth and the large number of apartments that entered the market in 2008. According to GNAA, Murfreesboro, the largest city in the submarket, had an 8-percent vacancy rate during the first quarter of 2010, and apartment rents averaged \$650 for a one-bedroom unit, \$750 for a two-bedroom unit, and \$920 for a three-bedroom unit. The apartment vacancy rate in Franklin

was 6 percent, and rents were substantially higher averaging \$875, \$1,000, and \$1,350 for one-, two-, and three-bedroom units, respectively.

Multifamily construction, as measured by the number of multifamily units permitted, decreased substantially to 350 units during the 12 months ending March 2010 compared with 1,000 units permitted during the 12-month period ending March 2009, based on preliminary data. During the 2 years ending April 1, 2010, the pace of multifamily construction has declined well below the average of 1,350 units permitted annually between 2004 and 2005 when nonfarm payroll jobs were increasing. Currently, 250 multifamily units are under construction. Figure 14 illustrates the number of multifamily building permits issued in the Southern Suburbs submarket from 1990 to the current date.

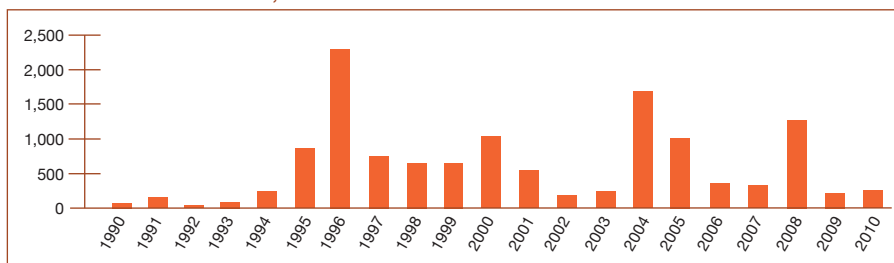
As with the university demographics of the Central submarket, students at Middle Tennessee State University (MTSU), the largest university in the HMA, occupy a large portion of the local rental stock. According to the university, fall enrollment figures for 2010 totaled approximately 26,400 students. MTSU currently houses around 3,500 students in on-campus residence halls and apartments. On-campus apartments are rented on a semester basis, with rates of \$2,800 to \$4,300 for a one-bedroom unit, equating to roughly \$700 to \$1,075 per month. Monthly rents for typical off-campus apartments average \$500 for a one-bedroom unit, \$600 for a two-bedroom unit, and \$800 for a three-bedroom unit.

Figure 13. Rental Vacancy Rates in the Southern Suburbs Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 14. Multifamily Building Permits Issued in the Southern Suburbs Submarket, 1990 to 2010



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2010.

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

Housing Market Trends

Rental Market—Southern Suburbs Submarket *Continued*

Demand is estimated for 1,075 new rental units during the 3-year forecast period. To allow the current surplus of available rental units to be absorbed, new units should not come on line until the third year of the forecast

period. Table 6 shows estimated demand for new market-rate rental housing in the Southern Suburbs submarket categorized by rent level and number of bedrooms.

Table 6. Estimated Demand for New Market-Rate Rental Housing in the Southern Suburbs Submarket, April 1, 2010 to April 1, 2013

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
630 to 829	340	730 to 929	430	910 to 1,109	150
830 to 1,029	40	930 to 1,129	50	1,110 to 1,309	20
1,030 to 1,229	0	1,130 to 1,329	50	1,310 to 1,509	0
Total	380	Total	530	Total	170

Source: Estimates by analyst

Sales Market—Remainder Submarket

The sales housing market in the Remainder submarket is currently balanced. According to GNAR, sales of existing homes totaled 1,000 units, an increase of 8 percent in the first quarter of 2010 compared with 925 units sold during the first quarter of 2009. It should be noted that GNAR data covers only Cheatham, Dickson, Robertson, Sumner, and Wilson Counties in the 10-county Remainder submarket. Condominium sales in the Remainder submarket totaled 30 units, unchanged from the first quarter of 2009. Condominium activity in the Remainder submarket is not a significant part of the overall sales housing market.

Median home sales prices varied widely throughout the Remainder submarket. In the first quarter of 2010, sales prices were lowest in the western part of the submarket in Dickson County, where the median sales price decreased 2 percent to \$119,900 compared with the median sales price recorded in the first quarter of 2009. Wilson County, east of the city of Nashville, had the highest

median sales price during the first quarter of 2010, with an increase of 6 percent to \$190,500 compared with the price recorded in the first quarter of 2009. The largest number of sales occurred in Sumner County, which is northeast of the city of Nashville. Sales in Sumner County, primarily in Hendersonville, increased slightly, by 6 percent, in the first quarter of 2010 due partly to a 9-percent decrease in the median sales price. According to LPS Applied Analytics, as of April 2010, a high of 10.8 percent of loans in Hickman County and a low of 4.8 percent of loans in Wilson County were classified as 90 or more days delinquent, in foreclosure, or in REO, up 2.8 and 0.8 percentage points, respectively, from April 2009.

New home construction, as measured by the number of single-family building permits issued, decreased primarily due to a slowdown in nonfarm payroll job growth. During the 12 months ending March 2010, the number of single-family permits issued declined 13 percent to 1,600 compared with 1,850 issued during the 12-month

Housing Market Trends

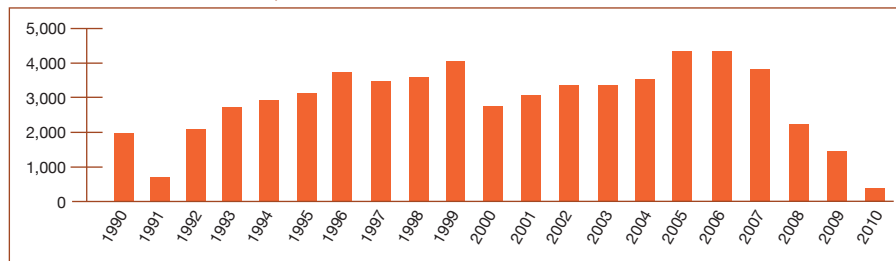
Sales Market—Remainder Submarket *Continued*

period ending March 2009, according to preliminary data. Since 2008, single-family construction activity has remained well below the decade-high average of 4,150 permits issued annually from 2005 through 2007. New home construction in the Remainder submarket is primarily located in Sumner County in the cities of Gallatin and Hendersonville, where

prices of new homes typically start at \$170,000. New homes are selling for as low as \$120,000 in the city of Mt. Juliet in western Wilson County. Figure 15 shows the number of single-family building permits issued in the Remainder submarket from 1990 to the current date.

During the 3-year forecast period, demand is estimated for 8,200 new market-rate sales homes in the Remainder submarket. The 400 homes currently under construction will meet a portion of this demand (see Table 1). In addition, a portion of the 8,500 other vacant units may come back on the market and satisfy some of this demand. Table 7 illustrates estimated demand for new market-rate sales housing in the Remainder submarket by price range. Demand is expected to average 2,475 homes during 2010 and is expected to increase to 3,350 homes during the last year of the forecast period. In addition, demand is estimated for 400 mobile homes during the forecast period. Mobile homes currently make up an estimated 10 percent of the total housing inventory in the Remainder submarket.

Figure 15. Single-Family Building Permits Issued in the Remainder Submarket, 1990 to 2010



Notes: Includes only single-family units. Includes data through March 2010.

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

Table 7. Estimated Demand for New Market-Rate Sales Housing in the Remainder Submarket, April 1, 2010 to April 1, 2013

Price Range (\$)		Units of Demand	Percent of Total
From	To		
90,000	99,999	1,300	15.9
100,000	124,999	1,475	18.0
125,000	149,999	1,875	22.9
150,000	199,999	2,125	26.0
200,000	299,999	1,075	13.1
300,000	and higher	330	4.0

Notes: Excludes mobile homes. A portion of the estimated 8,500 other vacant units in the Remainder submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Remainder Submarket

The rental housing market in the Remainder submarket is currently soft, with an estimated overall rental vacancy rate of 8 percent, relatively unchanged from April 1, 2009, and up nearly 1 percent from the rate recorded in 2000 (see Figure 16). Rental occupancy and average apartment rents have remained flat during the year ending April 1, 2010, due to diminishing job growth and the large number of apartments that entered the market toward the end of 2008.

Conditions in the apartment market are identical to the trends in the overall rental housing market. According to GNAA, the vacancy rate in Gallatin and Hendersonville in Sumner County, as of the first quarter of 2010, was 8 percent, and apartment rents averaged \$600 for a one-bedroom unit, \$750 for a two-bedroom unit, and \$990 for a three-bedroom unit. In Dickson County, Charlotte, which is 60 miles to the west of Gallatin and Hendersonville, had a 10-percent

Housing Market Trends

Rental Market—Remainder Submarket *Continued*

vacancy rate, with slightly lower rents averaging \$580 for a one-bedroom unit, \$640 for a two-bedroom unit, and \$740 for a three-bedroom unit.

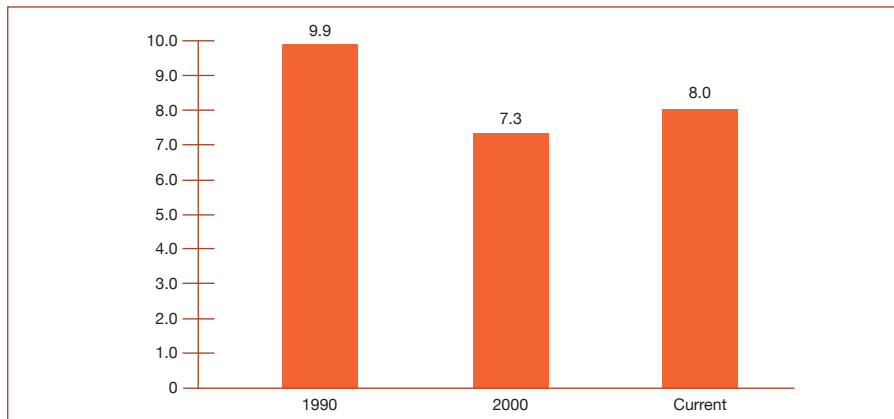
Multifamily construction, as measured by the number of multifamily units permitted, increased 9 percent to 500 units during the 12 months end-

ing March 2010 compared with 450 units permitted during the 12-month period ending March 2009, based on preliminary data. During the 2 years ending April 1, 2010, the pace of multifamily construction has mirrored the average of 450 units permitted annually between 2003 and 2005 when nonfarm payrolls were increasing more rapidly due to the steady in-migration and increased demand primarily in Sumner County. Currently, 450 multifamily units are under construction. Figure 17 illustrates the number of multifamily building permits issued in the Remainder submarket from 1990 to the current date.

Several properties are currently in lease up in the Remainder submarket, primarily in Sumner and Wilson Counties. Wellington Farms, a 410-unit property in Gallatin, has rents at \$600 for one-bedroom units, \$725 for two-bedroom units, and \$900 for three-bedroom units. Southwest of Gallatin, in Hendersonville, the 252-unit Grove at Waterford Crossing offers luxury units at substantially higher rents of \$800, \$950, and \$1,100 for one-, two-, and three-bedroom units, respectively. Deerfield at Providence, a 294-unit luxury property in Mt. Juliet is also in lease up. Rents in Deerfield, a suburb of Wilson County, averaged \$720 for a one-bedroom unit, \$1,000 for a two-bedroom unit, and \$1,300 for a three-bedroom unit.

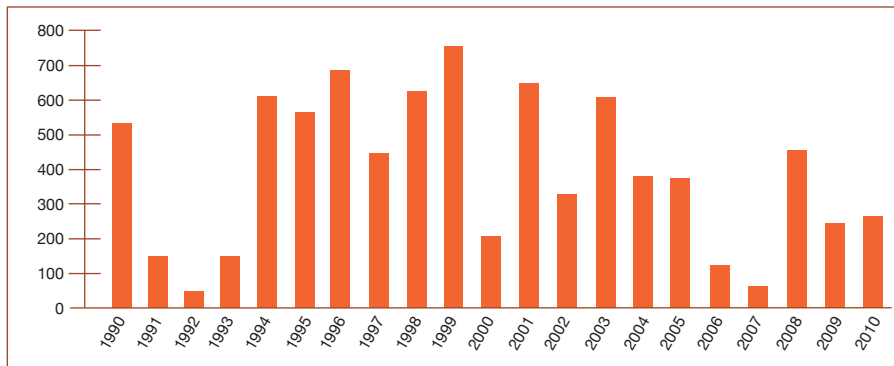
After accounting for the current surplus, demand is estimated for 150 new rental units during the 3-year forecast period. The 450 units currently under construction will more than meet this demand. Table 8 shows estimated demand for new market-rate rental housing in the Southern Suburbs submarket categorized by rent level and number of bedrooms.

Figure 16. Rental Vacancy Rates in the Remainder Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 17. Multifamily Building Permits Issued in the Remainder Submarket, 1990 to 2010



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2010.

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

Table 8. Estimated Demand for New Market-Rate Rental Housing in the Remainder Submarket, April 1, 2010 to April 1, 2013

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
630 to 829	50	740 to 939	60	950 to 1,149	20
830 to 1,029	10	940 to 1,139	10	1,150 to 1,349	0
1,030 to 1,229	0	1,140 to 1,339	10	1,350 to 1,549	0
Total	60	Total	80	Total	20

Note: The 450 units currently under construction will meet this demand.

Source: Estimates by analyst

Table DP-1. Nashville HMA* Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	533,280	694,222	718,300	2.7	0.4
Unemployment Rate (%)	4.3	3.2	9.5		
Nonfarm Employment	526,600	698,000	718,700	2.9	0.3
Total Population	1,048,216	1,311,789	1,601,700	2.3	2.0
Total Households	399,565	510,222	613,500	2.5	1.9
Owner Households	256,345	340,566	425,900	2.9	2.3
Percent Owner (%)	64.2	66.7	69.4		
Renter Households	143,220	169,656	187,600	1.7	1.0
Percent Renter (%)	35.8	33.3	30.6		
Total Housing Units	437,463	543,271	664,000	2.2	2.0
Owner Vacancy Rate (%)	2.8	1.9	1.8		
Rental Vacancy Rate (%)	11.3	6.9	8.5		
Median Family Income	NA	NA	\$61,964	NA	NA

* Nashville-Davidson-Murfreesboro-Franklin HMA.

NA = data not available.

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through March 2010. Median family incomes are for 1989, 1999, and 2009.

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

Table DP-2. Central Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	510,784	569,891	641,300	1.1	1.2
Total Households	207,530	237,405	260,800	1.4	0.9
Owner Households	111,691	131,340	158,900	1.6	1.9
Percent Owner (%)	53.8	55.3	60.9		
Renter Households	95,839	106,065	101,900	1.0	- 0.4
Percent Renter (%)	46.2	44.7	39.1		
Total Housing Units	229,064	252,977	286,425	1.0	1.2
Owner Vacancy Rate (%)	3.3	2.0	2.2		
Rental Vacancy Rate (%)	11.9	6.5	9.0		
Median Family Income	NA	NA	\$61,964	NA	NA

NA = data not available.

Note: Median family incomes are for 1989, 1999, and 2009.

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

Table DP-3. Southern Suburbs Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	199,591	308,661	442,300	4.5	3.7
Total Households	70,046	111,168	158,300	4.7	3.6
Owner Households	50,036	82,842	117,600	5.2	3.6
Percent Owner (%)	71.4	74.5	74.3		
Renter Households	20,010	28,326	40,700	3.5	3.7
Percent Renter (%)	28.6	25.5	25.7		
Total Housing Units	75,630	117,621	168,500	4.5	3.7
Owner Vacancy Rate (%)	2.8	2.2	1.8		
Rental Vacancy Rate (%)	10.0	8.0	8.0		
Median Family Income	NA	NA	\$61,964	NA	NA

NA = data not available.

Note: Median family incomes are for 1989, 1999, and 2009.

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

Table DP-4. Remainder Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	337,841	433,237	518,100	2.5	1.8
Total Households	121,989	161,649	194,400	2.9	1.9
Owner Households	94,618	126,384	149,400	2.9	1.7
Percent Owner (%)	77.6	78.2	76.9		
Renter Households	27,371	35,265	45,000	2.6	2.5
Percent Renter (%)	22.4	21.8	23.1		
Total Housing Units	132,769	172,673	209,075	2.7	1.9
Owner Vacancy Rate (%)	2.2	1.7	1.5		
Rental Vacancy Rate (%)	9.9	7.3	8.0		
Median Family Income	NA	NA	\$61,964	NA	NA

NA = data not available.

Note: Median family incomes are for 1989, 1999, and 2009.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 4/1/2010—Analyst's estimates

Forecast period: 4/1/2010–4/1/2013—Analyst's estimates

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 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.

Torrential rains heavily flooded the Nashville-Davidson-Murfreesboro-Franklin Metropolitan Statistical Area on May 1 and 2, 2010. Two-day rain totals in some areas were more than 19 inches, which resulted in extensive flooding, especially in areas close to the Cumberland River. Water damage to infrastructure, commercial buildings, and residential housing units significantly impacted the economy and housing markets of the metropolitan area. The current statistical data used in the analysis has an as-of date of April 1, 2010, and excludes the impact of the floods.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_Nashville-Davidson-Murfreesboro-FranklinTN_11.pdf.

Contact Information

L. David Vertz, Economist
Fort Worth HUD Regional Office
817-978-9414
leon.d.vertz@hud.gov

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (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/publications/econdev/mkt_analysis.html.