

# Housing Market Profile

Southeast/Caribbean • HUD Region IV



## Nashville-Davidson-Murfreesboro-Franklin, Tennessee

The Nashville-Davidson-Murfreesboro-Franklin metropolitan area comprises 13 counties in Middle Tennessee. Located in Davidson County, the city of Nashville, also known as Music City, is the state capital. As of March 1, 2009, the population of the metropolitan area was estimated at nearly 1.6 million; this figure reflects an average increase of 29,300, or 2.1 percent, annually since 2000. More than 90 percent of the population growth during this period occurred in the central counties of Davidson, Robertson, Rutherford, Sumner, and Williamson.

The Nashville economy has followed the national downturn, declining in the past year. During the 12 months ending February 2009, nonfarm employment decreased by 9,800 jobs, or 1.3 percent, compared with the number of nonfarm jobs recorded during the previous 12-month period. This job loss is the first decline in employment in the metropolitan area since 2002. The manufacturing sector led the decline with a decrease of 5,800 jobs, or 7.4 percent. Cutbacks by local automakers and auto suppliers contributed to the large job losses. Employment in the professional and business services sector declined by 3,100 jobs, or 3 percent, from the number of jobs posted during the previous 12-month period. The mining, logging, and construction sector lost 3,000 jobs, a 7.1-percent decrease, mainly due to the large cutback in construction projects in the metropolitan area. During the 12 months ending February 2009, the unemployment rate increased to 5.7 percent compared with 3.9 percent for the 12 months ending February 2008.

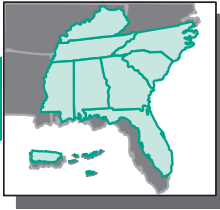
Only three employment sectors increased during the past 12 months. The education and health services sector, which includes the three leading employers in the area, had the highest growth, increasing by 2,700 jobs, or 2.4 percent. Contributing to this growth was the expansion of BioMimetic Therapeutics, Inc., a developer of drug-device medical products, which added 180 jobs. Vanderbilt University, including Vanderbilt Medical Center, is the leading employer in the metropolitan area, employing approximately 18,950 people, followed by HCA Inc. (Hospital Corporation of America) and Saint Thomas Health

Services, with approximately 8,700 and 8,200 employees, respectively. The government sector added 2,000 jobs, an increase of 2 percent, due to 1,700 new local government jobs. The information sector increased by 1,000 jobs, or 5 percent. Asurion, the leading provider of cell phone insurance, announced in December 2008 that it was expanding its headquarters by 300 jobs within the next 2 years.

Conditions in the metropolitan area home sales market are slightly soft as existing home sales continue to decline as a result of the weakening economy. According to the Greater Nashville Association of REALTORS® Inc., during the 12 months ending February 2009, 18,800 existing single-family homes were sold compared with 26,000 homes sold during the previous 12 months, a 28-percent decline. During the period, condominium sales declined by 34 percent, or 1,575 units. The inventory of existing unsold units has increased by 3 and 7 percent for single-family homes and condominiums, respectively. The median price of an existing single-family home declined by 5 percent, from \$168,000 in February 2008 to \$160,000 in February 2009. The median price of an existing condominium decreased by 2 percent, from \$154,700 in February 2008 to \$151,100 in February 2009.

The rising inventory of unsold homes has led to a slowdown in single-family homebuilding, as measured by the number of single-family building permits issued, during the past 2 years. During the 12 months ending February 2009, 5,075 single-family permits were issued, a 48-percent decline from the 9,850 permits issued during the previous 12 months. During the 12 months ending February 2008, the number of permits issued decreased by 28 percent compared with the number issued during the 12-month period ending February 2007. During the most recent 12-month period, permits were down by nearly two-thirds from the peak level of 14,100 issued in 2005.

Despite the slowdown in new home construction, a number of developments currently are under construction. Three condominium projects expected to open in downtown Nashville in the spring of 2009 include Rhythm at Music Row, with 99 units priced starting in the \$200,000s; Terrazzo, with 117 units priced from the \$300,000s; and Velocity, with 265 units priced starting in the \$200,000s. Kelsey Glen, a community of 530 single-family homes on 29 acres, is also under development in Mount Juliet, in west Wilson County, with prices starting in the low \$200,000s.



Multifamily construction, as measured by the number of units permitted, has also declined in the past year, but to a lesser degree than single-family homebuilding. During the 12 months ending February 2009, 2,150 multifamily units were permitted, a decline of 14 percent from the 2,500 units permitted during the previous 12-month period. Multifamily construction has fluctuated since the peak of 3,350 units permitted in 2004. After declining in 2005 and 2006, multifamily building activity rose by 76 percent in 2007 as a result of increased condominium construction. Condominiums accounted for approximately 57 percent of all multifamily completions in 2008, according to Reis, Inc.

Rental housing market conditions in the Metropolitan area are currently soft. Approximately 2,125 apartment units were added in the past year, up from an average of 1,575 units added annually during the previous 2 years.

An increasing number of single-family homes and condominiums offered for rent have also contributed to a rising apartment vacancy rate. According to the Greater Nashville Apartment Association, as of the fourth quarter of 2008 (the latest data available), the apartment vacancy rate was 9.4 percent, up from 5.8 percent as of the fourth quarter of 2007. The highest vacancies were in North Nashville, with a vacancy rate of approximately 12 percent. Rutherford County had the lowest vacancies, with a rate of approximately 6 percent. According to Reis, Inc., as of the fourth quarter of 2008, average rents were \$649 for a one-bedroom unit, \$790 for a two-bedroom unit, and \$998 for a three-bedroom unit. Rents have remained relatively stable during the past 12 months. The apartment market is expected to soften further as the 2,100 rental units currently under construction come on the market within the next year.