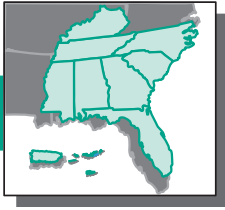


Housing Market Profile

Southeast/Caribbean • HUD Region IV



Memphis, Tennessee- Mississippi-Arkansas

Memphis is the second largest metropolitan area in Tennessee, behind Nashville. The Memphis metropolitan area comprises Crittenden County in Arkansas; DeSoto, Marshall, Tate, and Tunica Counties in Mississippi; and Fayette, Shelby, and Tipton Counties in Tennessee. As of April 1, 2011, the population of the metropolitan area is estimated at 1.323 million, up 6,900, or 0.5 percent, since April 1, 2010, but down slightly from the 8,500, or 0.6 percent, annual average growth from 2006 through 2009. From 2005 through 2007, net in-migration averaged 5,100 people a year, but, since 2008, net out-migration has averaged an estimated 2,000 people a year because of job losses and a slowing economy. As a result, all population growth is a result of net natural change (resident births minus resident deaths).

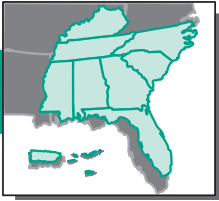
Located along Interstate 240 (I-240) and I-55, Memphis International Airport, the world's busiest cargo airport, has a local economic impact of \$28.6 billion annually, according to the Sparks Bureau of Business and Economic Research/Center for Manpower Studies at The University of Memphis. The airport shipped more than 4 million tons of cargo in 2009 and serves as the primary hub for FedEx shipping. FedEx is the leading employer in the area, with 30,000 employees, followed by Methodist Le Bonheur Healthcare and Baptist Memorial Health Care Corporation, with 8,700 and 6,850 employees, respectively. Memphis also has the second-busiest cargo port on the Mississippi River, behind the Port of New Orleans. The University of Memphis enrolls more than 22,400 students and employs more than 2,500 faculty members and staff.

The economic downturn that began in the first quarter of 2008 has continued into 2011. During the 12 months ending February 2011, nonfarm payrolls averaged 586,800 jobs, a decrease of 10,300, or 1.7 percent, when compared with the number of jobs recorded during the previous 12 months. During the 12 months ending February 2011, job losses were greatest in the leisure and hospitality, trade, and manufacturing sectors with declines of 3,300, 1,600, and 1,500 jobs, or 5.0, 1.5, and 3.4 percent, respectively. The manufacturing sector is expected to improve when Electrolux, a manufacturer of home appliances, starts construction on a 700,000-square-foot manufacturing center in early 2011, at an

investment of more than \$190 million. The facility is expected to employ more than 1,200 people when it starts production in mid-2012 and is expected to be fully operational by 2013. The education and health services sector added 900 jobs, or 1 percent, during the 12 months ending February 2011, following a 1.3-percent increase during the previous 12 months. The only other sector to add jobs during the 12 months ending February 2011 was the professional and business services sector, increasing by 200 jobs, or 0.2 percent, when compared with the number of jobs in the previous 12 months. During the 12 months ending February 2011, the average unemployment rate in the metropolitan area was 10 percent, unchanged from the rate recorded during the previous 12 months.

Sales housing market conditions in the Memphis metropolitan area are soft. Based on data from Memphis Area Association of REALTORS® for the 12 months ending February 2011, the number of new and existing single-family homes sold in the area totaled 9,925, a decrease of almost 10 percent compared with the 11,000 homes sold during the same period a year earlier and well below the annual average of 12,750 homes sold during the 2007-through-2009 period. The expiration of the first-time homebuyer tax credit in 2010, along with tighter lending standards by mortgagees, contributed to the decline in home sales. The average home sales price remained relatively flat at \$145,500 during the 12 months ending February 2011, a decline of less than 1 percent, compared with the average price during the previous 12 months. The number of new and existing single-family homes sold has continued to decline every year since 2007, when 14,800 homes sold at an average price of \$173,100. Condominium sales make up a small portion of the home sales market, accounting for nearly 4 percent of all sales. During the 12 months ending February 2011, the number of condominiums sold totaled 370, down from 440 sold a year earlier. During the 12 months ending February 2011, the average condominium sales price increased to \$142,600, or by nearly 4 percent compared with the average price during the previous 12 months. According to LPS Applied Analytics, as of February 2011, 10.1 percent of total loans, or 16,575 loans, were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 11.2 percent a year earlier but substantially higher than the 6.7-percent rate for the state of Tennessee during the same period.

As the number of home sales has continued to decline, builders in the Memphis metropolitan area have curtailed the production of new homes—a trend that began



in 2005, when the number of homebuilding permits issued reached 9,700. Building permits were issued for 1,650 single-family homes during the 12 months ending February 2011, down 1 percent from the previous 12 months, based on preliminary data. In comparison, an average of 8,250 single-family homes were permitted annually from 2003 through 2007. In Shelby County, 660 homes were permitted, representing about 40 percent of single-family permits in the metropolitan area.

Rental market conditions in the metropolitan area are soft but have continued to improve since the first quarter of 2010. According to Reis, Inc., the apartment vacancy rate declined from 13.2 percent in the first quarter of 2010 to 11.2 percent in the first quarter of 2011, and the average asking rent increased by more than 1 percent to approximately \$680. The University of Memphis has approximately 19,200 students residing off campus, a number of whom are located in the submarkets surrounding the university. During the 12 months ending February 2011, multifamily construction

activity, as measured by the number of units permitted, totaled 675 units, a 41-percent increase from the 12 months ending February 2010, based on preliminary data. In comparison, an average of 1,475 multifamily units were permitted annually from 2003 through 2007. The Lyon's Ridge Apartments complex, with 102 affordable and public housing units in south Memphis, is scheduled for completion in the second quarter of 2011. Subsidized rents for one-bedroom and two-bedroom apartments at Lyon's Ridge are expected to start at \$280 and \$320, respectively. In 2010, the Memphis Housing Authority received a \$22 million HUD HOPE VI Revitalization grant to transform the Cleaborn Homes public housing development into a mixed-income community. Plans for the community include demolishing 460 units and replacing them with new units during four phases of development, beginning with the construction of 84 units for senior citizens; the remaining 316 units would be a mixture of townhomes and walkup apartments, which are scheduled for completion by 2015.