

Multifamily Metro Outlook:

Memphis - Q2 2024

Overview:

- Memphis's economy is no longer bleeding jobs but remains somewhat lackluster compared with peers in the southeast of the country. Memphis experienced a noteworthy recovery in 2021 and through 2023, albeit slightly below national average rates. The logistics and health care industries will buoy the market and should help Memphis regain its footing. Health care and logistics are finding their strides again, growing faster than the national average. Economic conditions are likely to ease in late 2024, as the economy is no longer experiencing a rebound and is facing an uncertain national economic environment.
- New apartment supply continues to be added to the market, with an additional 835 units delivered in 2023 and an annual inventory growth of a modest 0.9%. At the end of Q2 2024, there were 2,600 units under construction, with 1,400 of those units scheduled to be completed in the next four quarters.

Market Strengths:

- Memphis has a low cost of living (9% below the average) and doing business (5% below the average), making it an attractive place to relocate or expand, given its central geographic location. Its core industry, the transportation and distribution sector, is a stabilizing force in the economy, producing new jobs as it expands to meet the needs of other businesses seeking higher efficiencies. However, recently these industries in Memphis have not escaped the steadiness of the national economy.
- Job growth is expected to be close to, though slightly behind, national averages going forward, continuing the area's modest growth through 2029. Recently South Korea-based LG Chem began construction on a \$3.2 billion electric vehicle battery cathode material factory that is expected to employ 860 people once completed, and FedEx has committed to a \$1.6 billion expansion of its headquarters, which will also add to the job base.

Market Weaknesses:

- Memphis is poised for a decrease in demand, albeit slight, for apartments in the next several years, according to CoStar. The metro's age 20-34 cohort (the key demographic for renters) shrank -0.7% in 2023. However, the total population of young adults is in line with national averages at 20.6% of the population.
- Memphis also lacks scale: its economic base is quite diverse, so the overall area economy is not likely to be significantly stimulated were one industry sector to experience beneficial growth. The job types in the metro are also lower paying than average, likely further curtailing extraordinary growth.

Development:

- Single-family detached housing has been the primary type of recent development, with an additional of 3,000 single-family permits in 2023 and 2024.

Outlook:

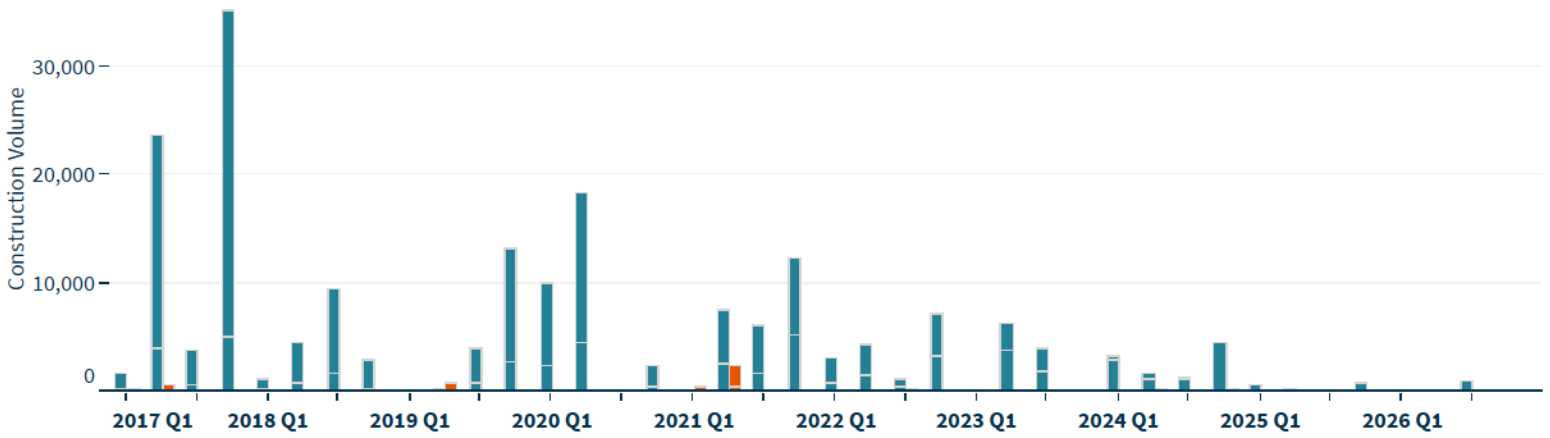
- Apartment market conditions stabilized in the second half of 2023, and there were noticeable signs stabilization through mid-2024. The lack of significant change in development, economics, or demographics has allowed Memphis to maintain a rental equilibrium, though it would be better with stronger rent growth and improving vacancy. While the metro has modestly positive economic and demographic growth prospects over the forecast horizon, the demand for new rental housing will be limited, and the area is likely facing a lull of additional external investment in the metro. In addition, the metro has structurally higher vacancy rates than the typical market. But measured new inventory, in line with growth and once the nation is in a sustained expansion, should be easily absorbed without significantly altering market conditions in this slowly but modestly growing market.
- Memphis's economic structure indicates that it will likely be in a modest growth period for the foreseeable future, once the national economy transitions into a sustained expansion. Its foundational industry — trade and transportation — is likely to continue modestly expanding after the uncertainty subsides. It's a reliable industry, but it is unlikely to provide outsized economic growth for the metro in the longer term.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

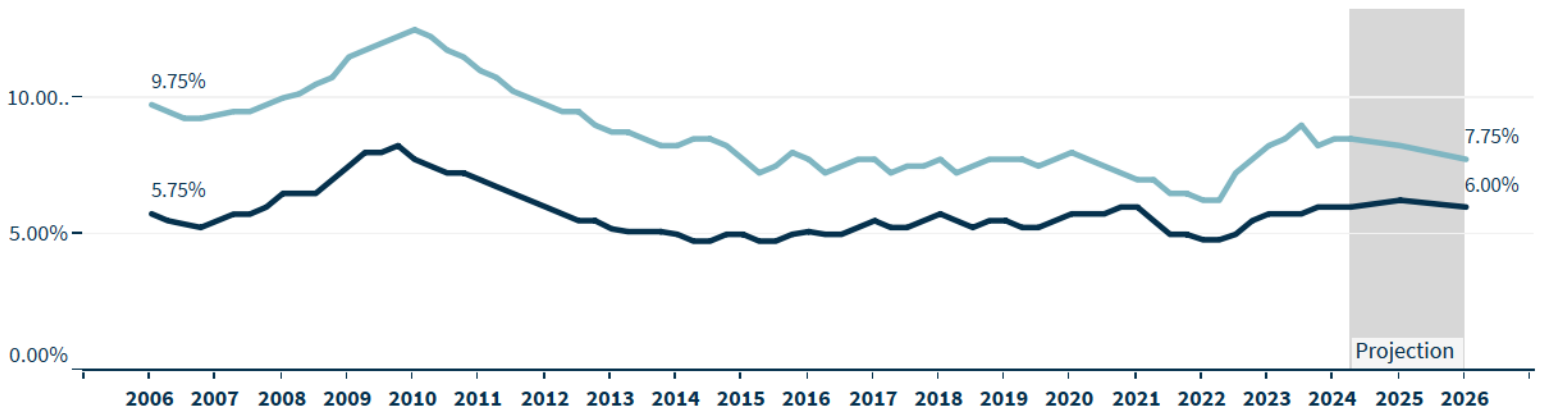
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Memphis | National

Q2 2024 Vacancy Rate:

8.50%

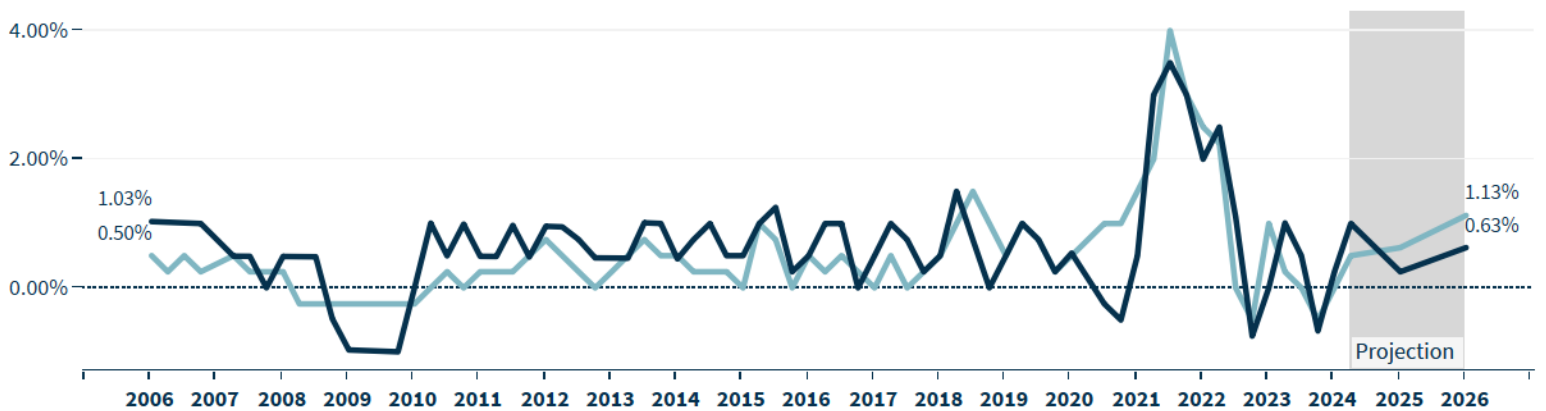


Asking Rent Growth

Memphis | National

Q2 2024 Asking Rent:

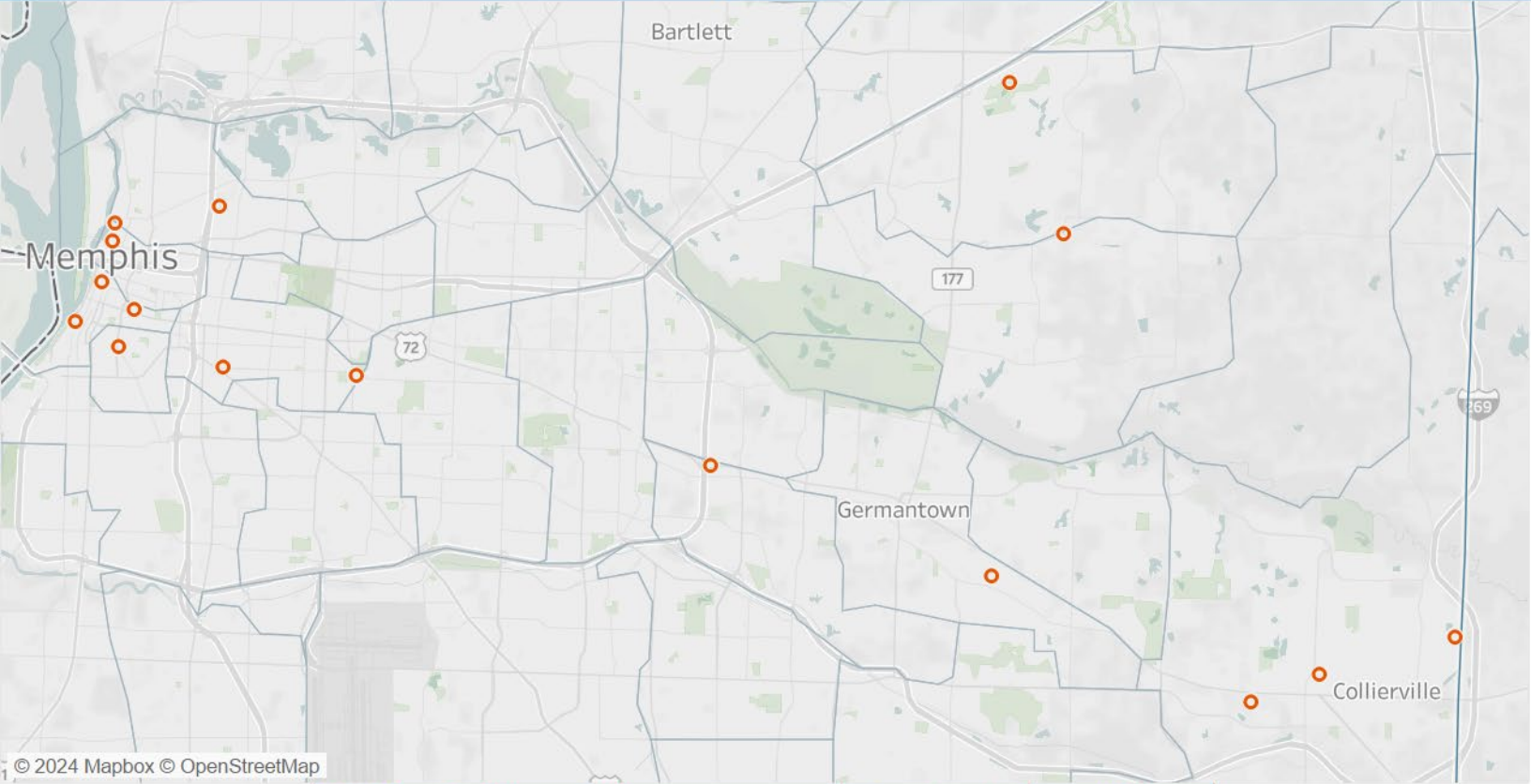
\$1,060



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Cordova/Bartlett	2	626
Downtown Memphis	6	1,168
Germantown/Collierville	4	527
Midtown/East Memphis	3	275
North Memphis	1	40
Grand Total	16	2,636

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

Multifamily Metro Outlook: Memphis Q2 2024

Multifamily Economics and Market Research Team

Tim Komosa, Economic and Strategic Research

Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.