

NASHVILLE EXECUTIVE SUMMARY

(Revised 11/14/2017) **Third Quarter 2017**

ECONOMIC OVERVIEW

The Nashville employment statistics through Sept. 2017 show that the region has experienced positive job growth through the third quarter of 2017. Total nonfarm jobs increased by 29,900, up 3.1% from one year ago. Total employment now stands at 991,000 positions.

Nashville's largest employment sector, Trade Transportation & Utilities, has a 19% market share and employs 186,300 people, up 3% YoY adding 5,400 new jobs. The second largest job sector is Professional and Business services, with a 17% market share, grew by 4.4% and added 6,900 new jobs YoY. Education and Health services is the third largest sector, with a 16% market share. This sector grew by 2.6% YoY and added 3,800 new jobs. The Construction sector makes up 4% of all jobs and grew by 4.9% YoY, adding an additional 2,000 new jobs to its payroll. The construction sector now employs 43,000 people. Its previous peak employment occurred back in September 2007 when 44,700 persons worked in this field and building activity was near its all-time record high.

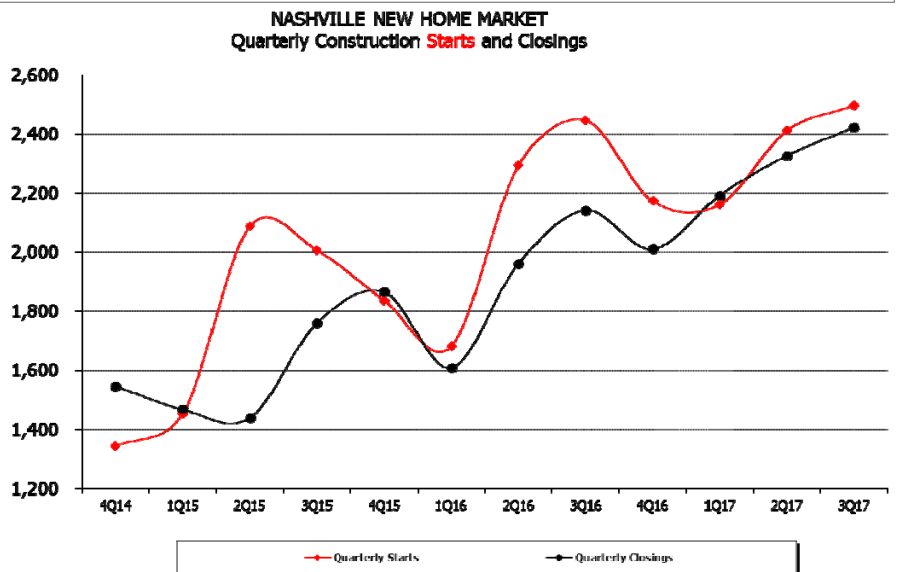
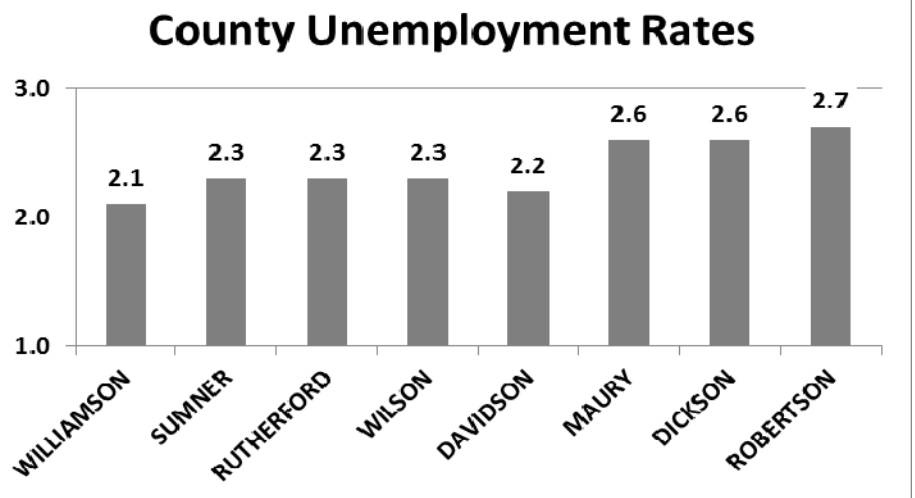
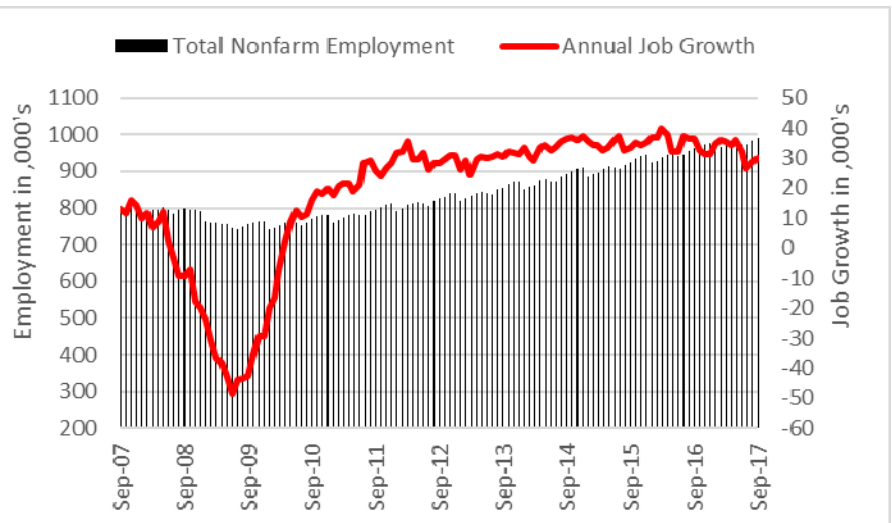
In Sept., Nashville's unemployment rate was 2.3%, which is a record low. One year ago, the rate was 4.1%. The Sept. Tennessee unemployment rate declined to 3.0% and the national rate declined to 4.2%. The low unemployment in middle Tennessee will continue to help push wage growth in 2017.

RESALES (Analysis using Metrosearch PA system)

There were 40,911 single-family resale properties sold over the past 12 months ending in Sept. This includes REO transactions, which make up only 4.4% of these closings (one year ago it was 6.5%). Detached home closings make up 79% of all resale property types sold. The 3Q17 detached median resale price was \$239,900, which is 12.5% above the year over year median sale price of \$213,050. Note: The average sales price will always be higher than the median and was \$299,856 for a detached resale in 3Q17.

Sept. MLS listings (single-family inventory) again declined by 5% YoY to 6,380 units and the months' supply declined to a record low of 2.1 months. Equilibrium or a normal month's supply of inventory, for the region was about 6 months. A new, lower, equilibrium for the region may need to be implemented in the coming quarters as resale inventory will remain low through the end of the calendar year and might take several years to return to a 6-month inventory level.

In Sept. pending home sales were 3,292 which is 2% above last year's Sept. number and the average days on the market was 27.



New Home Construction Starts and Closings

The Nashville MSA recorded **2,497 Quarterly Starts** in 3Q17, up 2.1% year over year from the 3Q16 quarterly construction starts of 2,447.

Annual Starts from the past 12 months ending in Sept. 2017 were at **9,245** units, up 11.9% year over year from the 3Q16 annual new home starts of 8,260.

The Nashville area recorded **2,422 Quarterly Closings** in 3Q17, up 13% YoY from when closings reached 2,145 units in 3Q17.

Annual Closings for 3Q17 were up as well at **8,950** new homes sold during the past 12 months, up 18.2% YoY from when closings ended 3Q16 at 7,577 units sold.

NEW HOME ABSORPTION AND INVENTORY

The uptick in construction starts also increased the total number of units currently under construction. Units Under Construction increased by 5% year-over-year and now stands at 4,311 units, and increased from the past quarter by 152 units. Model homes were up slightly from last quarter however, the total active community count decreased quarter-over-quarter from 717 to 701. Total housing inventory, which combines the model homes, units under construction, and finished vacant units, increased by 6% year over year to 5,283 units. Although total housing inventory rose above last year's number, the months supply for total housing inventory has declined from 7.2 months to 7.1. Equilibrium for the regions is a level of 7 to 8 months.

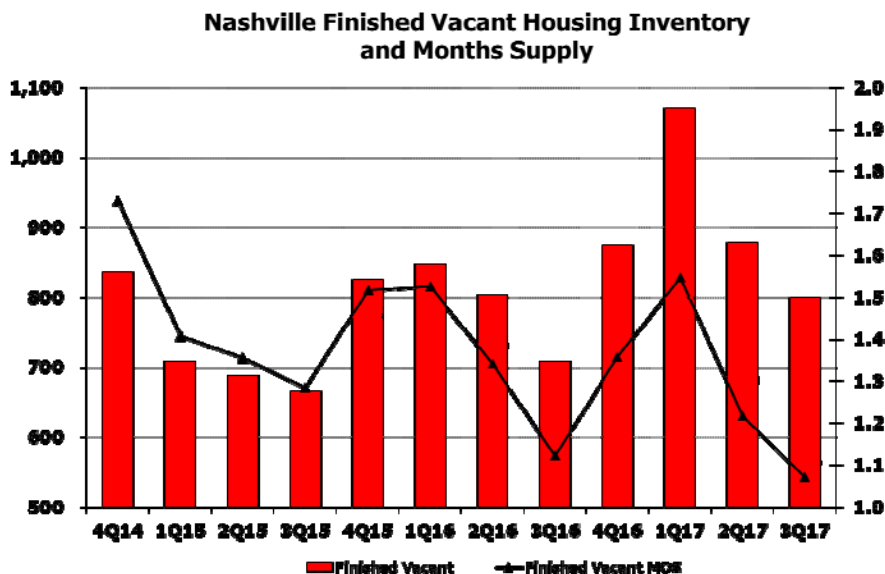
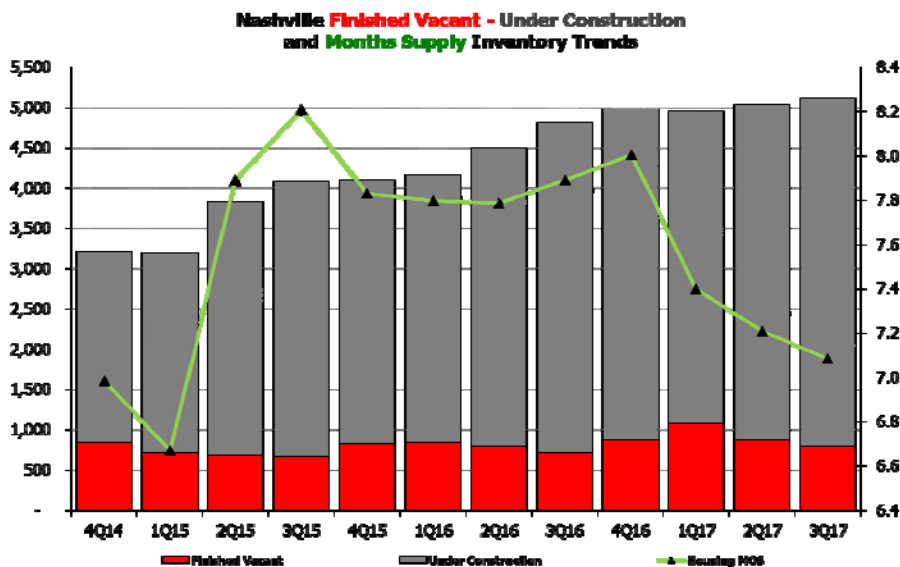
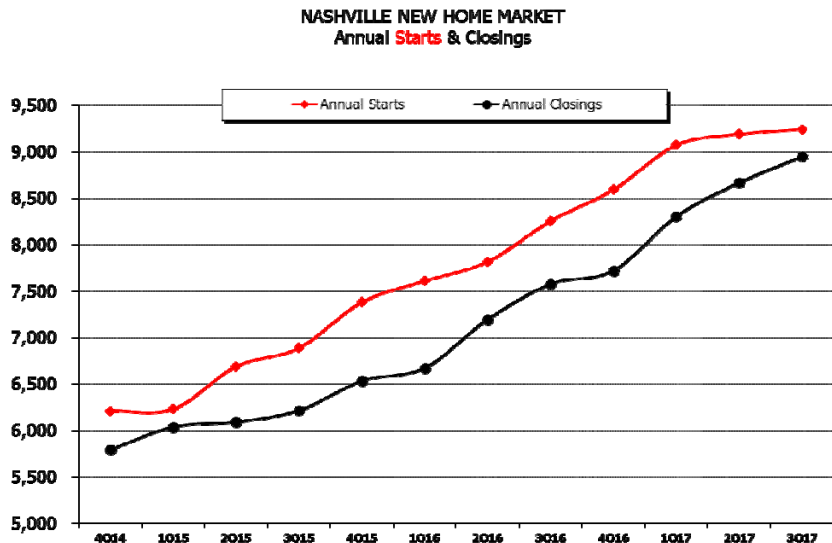
Perhaps the most important metric used to measure the health of housing inventory levels is the Finished but Vacant housing inventory months of supply (FV MOS). The regions finished housing supply inventory recorded 799 units, a 13% increase YoY but a 10% decrease from the past quarter. Finished Inventory now stands at its lowest level since 3Q16, and the finished inventory months supply remains low at only 1.1 months supply, and reflects the continued strong demand for new homes. One year ago the FV months supply was also 1.1 months. Equilibrium for the region is about 2 to 2.5 months of finished supply.

The single-family detached median new home price in 3Q17 was \$353,200, up 10.4% from the same period last year. The average price point will always be higher and came in at \$437,898.

LOT DEVELOPMENT

The Nashville region had 8,925 new lots delivered over the past 12 months ending in Sept. 2017. Although lot deliveries are higher, up 19% from last year's deliveries, the region continues to suffer from a lot shortage.

Vacant Developed Lot Inventory (VDL's) declined by 320 units YoY and 461 units from last quarter. The VDL count ended the quarter at 8,487 units. The VDL months supply continues to slip down to 11 months, which is an all-time record low. One year ago, the VDL MOS was at 12.8 and two years ago, it was at 16.7. A normal months supply of finished lots for the Nashville region is from 18 to 24.



LOT DEVELOPMENT continued

The lot shortage dilemma continued for most of the counties with the most severe shortage existing in Rutherford, which sits at 6.4 months, Davidson County at 8.5 months, Williamson ticked up to at 13.7 months, and Wilson was up to 13.2 months.

Metrostudy is tracking over 52,700 potential (Future) lots in various stages of development, but about 68% are still in the raw land stage. The other 32% are active but still in the process of getting them delivered and ready to be built-out, which has been slower than in the past. Skilled labor shortages, municipality issues and higher material cost are partly to blame but whatever the cause, the delivery of additional finished lots is not keeping pace with the demand for them.

CONCLUSIONS

Net jobs in Nashville, through Sept. 2017, increased by 29,900 positions, up 3.1% year over year. Total employment stands at 991,000.

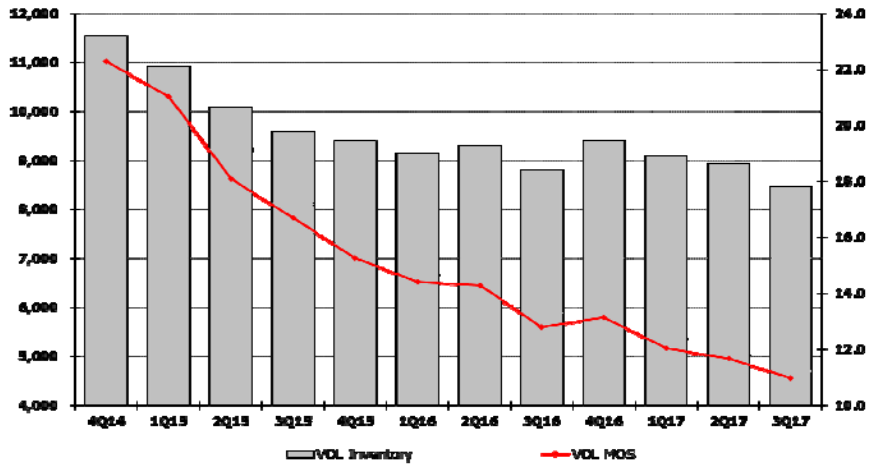
Low unemployment will continue to place pressure on employers to increase wages in 2017.

The Finished but Vacant months supply is a key metric for measuring the health of the housing market. Normally a healthy supply for finished vacant housing inventory would be about 2 to 2.5 months for the region. In Sept, the new home Finished Vacant MOS was to 1.1 months. (Second lowest in the county only ahead of an Diego, CA)

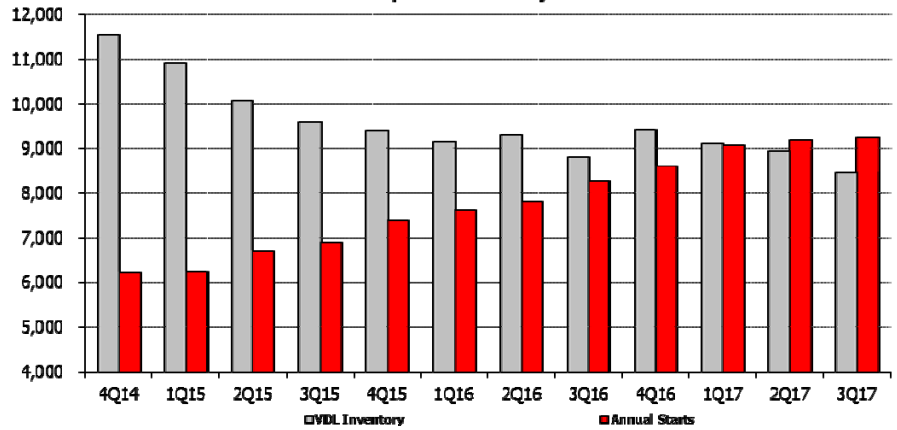
Nashville also has one of the lowest finished lot supplies (Vacant Developed Lots) in the country at only 11 months and the primary counties are even lower (18 to 24 months supply is considered normal). Metrostudy expects a continued low lot supply in 2018 as well, even though lot deliveries should increase by the end of the year.

Lastly, affordability is starting to put pressure on rising home prices. With prices at or above previous peaks, the new homebuyer pool may weaken slightly, especially at the higher end of the market, as mortgage rates continue to increase in 2017. Careful monitoring of home prices and preparation for overvaluation will be required for success.

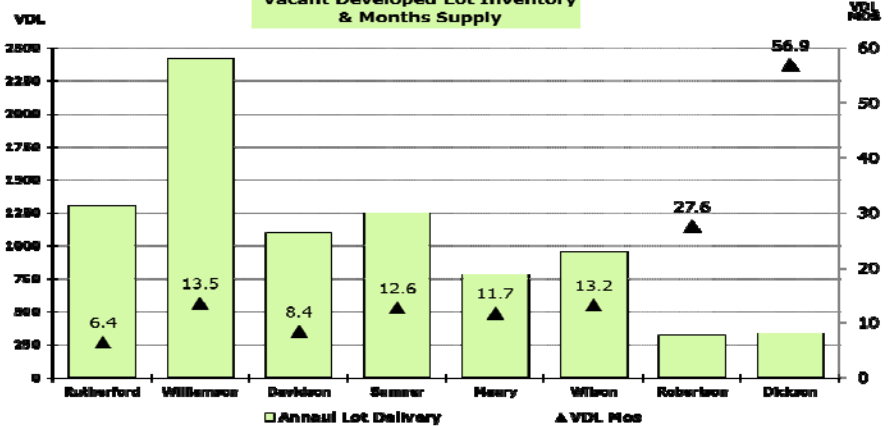
NASHVILLE FINISHED LOTS
Vacant Developed Lot Inventory & Months of Supply



NASHVILLE FINISHED LOTS VS STARTS
Vacant Developed Lot Inventory & Annual Starts



NASHVILLE FINISHED LOTS
Vacant Developed Lot Inventory & Months Supply



Metrostudy is the leading provider of primary and secondary market information to the housing and related industries nationwide. In addition to providing information, the company is recognized for its consulting expertise on development, marketing and economic issues, and is a key source of research studies evaluating the feasibility of residential and commercial real estate projects. Services are offered through an extensive network of offices strategically located in major metropolitan areas throughout the country.

