

1ST QUARTER 2021



HOUSING

TENNESSEE

mtsu.edu/berc/housing.php

JUNE 2021

TENNESSEE DASHBOARD 1ST QUARTER 2021 (percent change over the year)

Weekly Unemployment Claims	▲ -1.04	Total Home Permits*	▲ +29.07
Total Nonfarm Employment*	▼ -3.44	Mortgage Tax Collections	▲ +44.41
Unemployment Rate (percentage points)*	▲ +1.16	Real Estate Transfer Tax Collections	▲ +17.21
Homeowner Vacancy Rate (percentage points)	▼ -0.20	Home Prices*	▲ +8.23
Rental Vacancy Rate (percentage points)	▼ -1.00	Mortgages Past Due (percentage points)	▲ +1.17
Single-Family Home Permits*	▲ +20.85	Foreclosure Rate** (percentage points)	▼ -0.15

*seasonally adjusted

**FHA foreclosure ban remains in effect

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Q1 2021 indicators show mixed to positive outcomes in Tennessee

Tennessee's economic indicators continue to show mixed to positive outcomes for the first quarter of 2021. Average weekly unemployment claims have increased from Q4-2020 to 12,044 from 8189. (47.08% increase). This may indicate that unemployment claims could potentially trend upward again, and that the effects of the COVID-19 pandemic may yet still linger. Despite the quarterly increase, the percentage change from an annual level have decreased by 1.04%. Nonfarm employment has also dropped by 3.44% while the unemployment rate increased by 1.16 percentage points since the past year. Despite the low employment numbers, there is a slight growth in employment from Q4 2020. Manufacturing leads in employment growth by 0.77% from Q4 2020, but all indicators are getting closer to recovering to

pre-COVID numbers.

In contrast to the glut in employment, housing permits and mortgage tax collections continues to increase on pace with previous quarters growth. Total home permits for Tennessee increased by 29.07 %, and mortgage tax collections increased by 44.41%.

Overall, despite the slow economic recovery, the housing numbers for Tennessee remain positive. Permits, mortgage tax collections, home prices, homeowner vacancy rates, rental vacancy rates, real estate transfer tax collections, and foreclosure rates continue to remain positive with the one exception of mortgages that are past due. This could indicate future problems as past due mortgages could become foreclosures.

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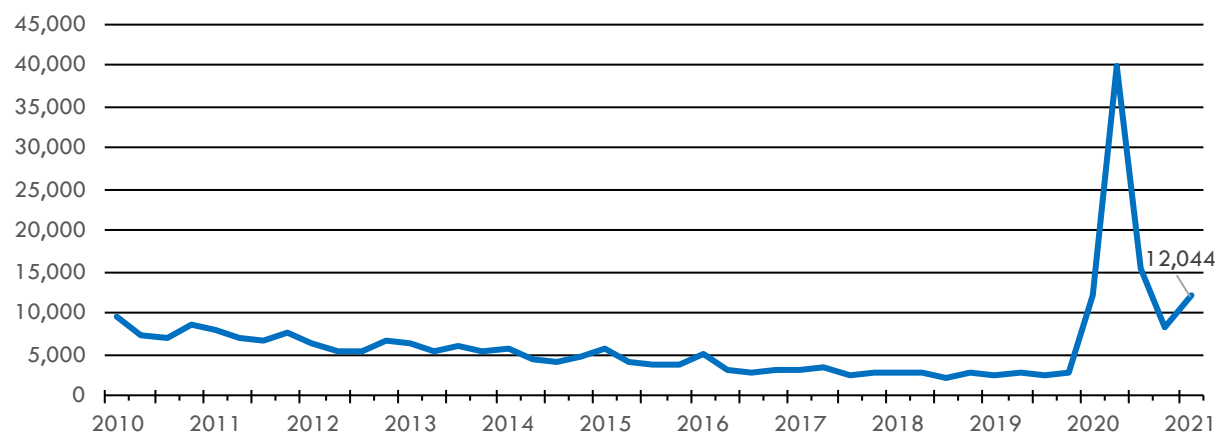


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Figure 1. Tennessee initial claims for unemployment insurance

(quarterly averages of weekly data, seasonally adjusted)



Source: U.S. Dept. of Labor, Employment & Training Administration

Table 1. Selected Tennessee employment indicators (thousands, seasonally adjusted)

	2020.1	2020.2	2020.3	2020.4	2021.1
Employment by Industry (Nonfarm)					
Total Nonfarm	3,148	2,848	2,972	3,023	3,040
Goods-Producing Sectors	491	438	469	476	478
Manufacturing	354	307	336	343	345
Services-Providing Sectors	2,657	3,410	2,504	2,547	2,562
Labor Force	3,333	3,163	3,311	3,342	3,314
Total Employment	3,204	2,797	3,037	3,130	3,147
Unemployed	129	367	274	212	167
Unemployment Rate	3.87%	11.57%	8.30%	6.33%	5.0%

Source: Bureau of Labor Statistics

Vacancy Rate

Homeowner vacancy rates for Tennessee and the United States continue a downward trend. Tennessee did not see a quarterly decrease, and the United States saw a quarterly decrease of .13%. Yearly changes were slightly larger. Tennessee went from a homeowner vacancy rate of 1.10% in Q1 2020 to .9% in Q1 2021, which is a .2% decrease. The United States saw a decrease in homeowner vacancy rates from 1.10% to .87%.

Rental vacancy rates were mixed but overall good for Tennessee. Tennessee's rental vacancy rates fell slightly below that of the United States to 6.4% where the U.S. is 6.8%. Tennessee saw a decrease in rental vacancy rates of 1% for both yearly and quarterly values. The United States saw a quarterly increase of .3% and a yearly increase of .2%.

Figure 2. Homeowner vacancy rate

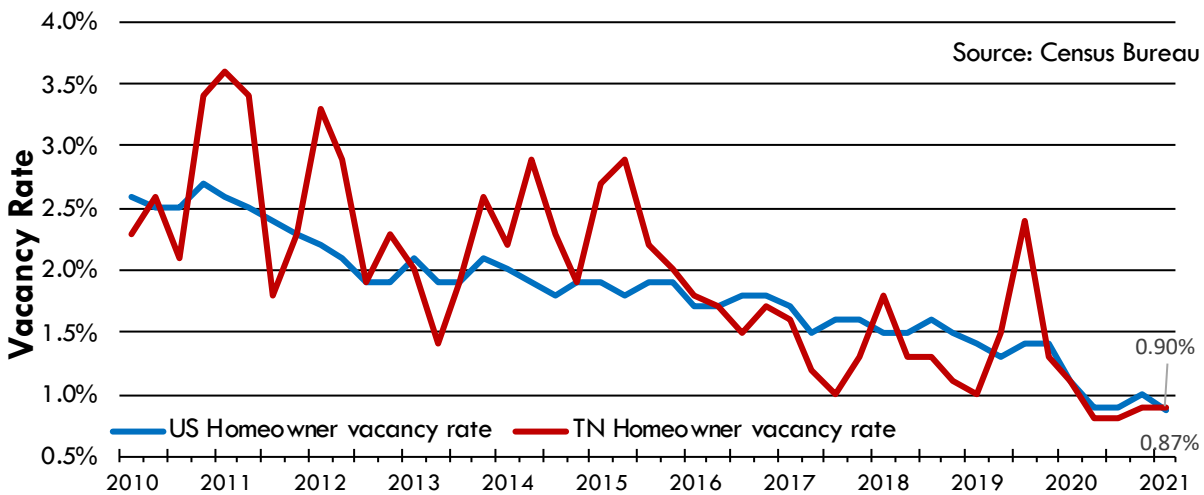
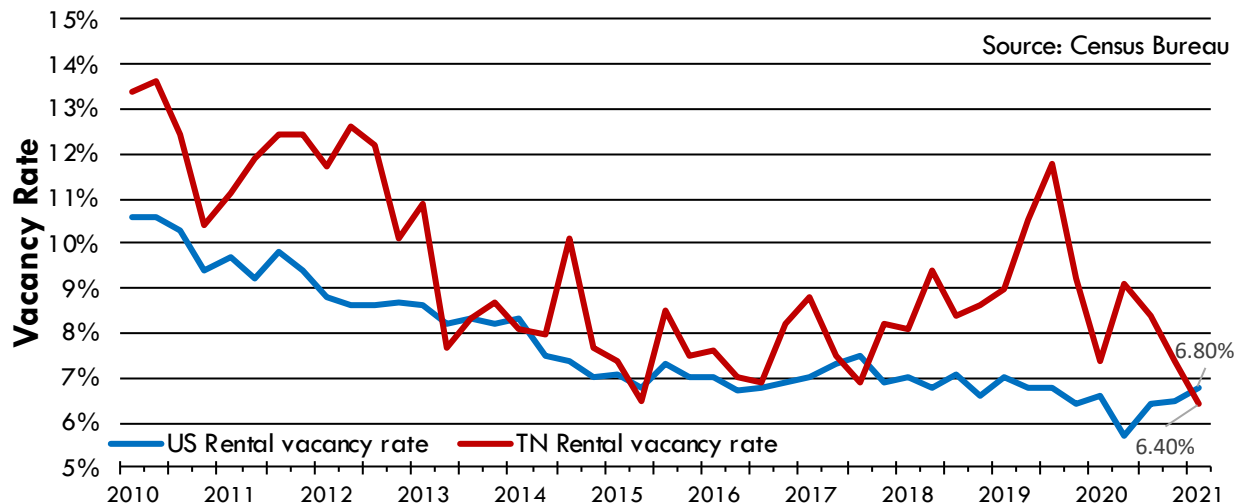


Figure 3. Rental vacancy rate



Housing Construction

For both the South and Tennessee, single-family permits fell from the previous quarter with a drop of 1.5% and .4%, respectively. In contrast, the U.S. saw an increase of 3.5%. Despite the quarterly drop for Tennessee and the South, all regions saw a yearly rise in single-family housing permits. The increase for the U.S., South, and Tennessee were 24.3%, 22.6%, and 20.8%, respectively.

Multi-family permits for all regions were growing on a substantial level, particularly in Tennessee. Tennessee saw a

yearly increase of 58%, while the South and the U.S. only saw half the growth at 21.4% and 19.2%, respectively. Quarterly increases for multi-family permits were not as good for Tennessee, but each region still saw growth.

Overall, total-family permits increased for each region both quarterly and yearly. The United States saw the most significant quarterly growth of 9.7%, but Tennessee made up the largest yearly growth of 29.1%.

Figure 4. Tennessee single-family home permits (thousands, seasonally adjusted annual rate)

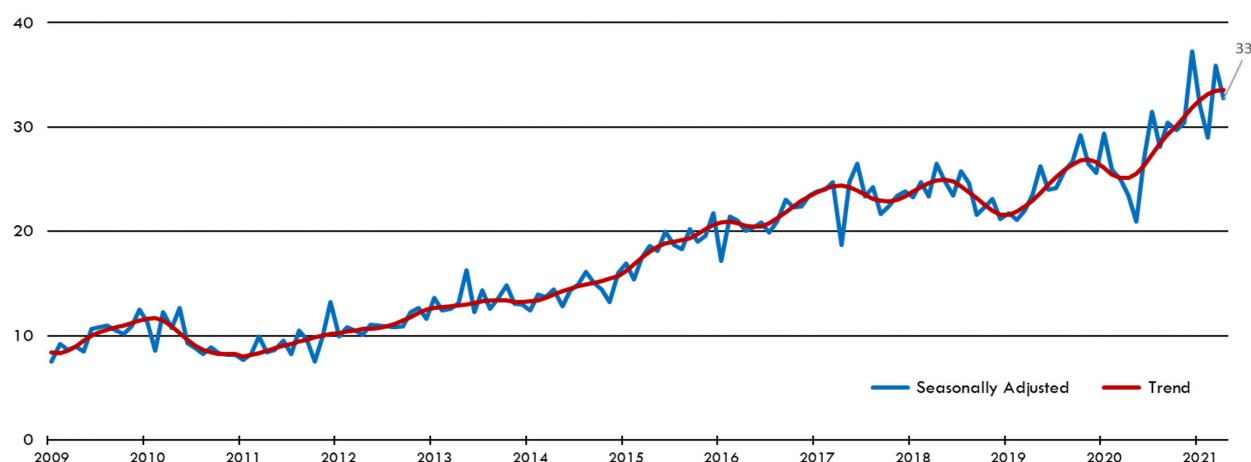


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

(numbers shown in thousands)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2018.1	28.5	466.3	870.7	5.4	186.9	471.7	34.4	651.6	1,339.4
2018.2	29.9	482.3	879.1	10.9	205.6	462.9	41.8	692.0	1,338.6
2018.3	28.8	460.3	839.3	14.8	191.2	435.9	42.5	652.2	1,284.7
2018.4	26.6	453.4	820.2	10.8	218.9	458.4	37.4	669.4	1,281.5
2019.1	25.9	449.2	799.5	11.2	201.0	465.9	37.8	649.0	1,260.3
2019.2	29.5	465.7	841.5	9.9	205.9	469.4	40.5	678.0	1,309.1
2019.3	30.7	490.4	863.4	10.7	232.6	538.8	40.6	722.0	1,407.3
2019.4	32.5	508.4	895.7	15.8	225.4	531.6	47.7	724.8	1,428.1
2020.1	32.1	531.1	952.7	11.1	201.1	477.8	43.9	734.6	1,426.7
2020.2	28.6	454.3	783.4	15.7	202.2	423.4	44.6	663.0	1,204.9
2020.3	36.0	598.0	1,047.4	18.6	200.4	480.3	55.1	795.2	1,537.7
2020.4	39.0	661.0	1,143.8	15.7	194.3	470.2	52.8	840.4	1,594.6
2021.1	38.8	651.3	1,184.3	17.5	244.0	569.4	56.7	899.4	1,750.0
Change from previous quarter	-0.4%	-1.5%	3.5%	11.8%	25.6%	21.1%	7.3%	7.0%	9.7%
Change from previous year	20.85%	22.6%	24.3%	58.0%	21.4%	19.2%	29.1%	22.4%	22.7%

Source: Census Bureau

Real Estate Transactions & Mortgages

Real estate transfer tax collections decreased -9.19% from the previous quarter, but collections increased 17.21% over the past year. Real estate transfer tax collections averaged \$19.3 million, and the annualized collections were \$231 million.

Mortgage tax collections also decreased 2.59% from the previous quarter. The yearly increase was 44.41%. Overall, both tax collections are growing with their respective trends. The quarterly average for mortgage tax collections was 10.5 million, and the annualized collections were \$126 million, respectively.

Figure 5. Real estate transfer tax collections (millions, seasonally adjusted annual rate)

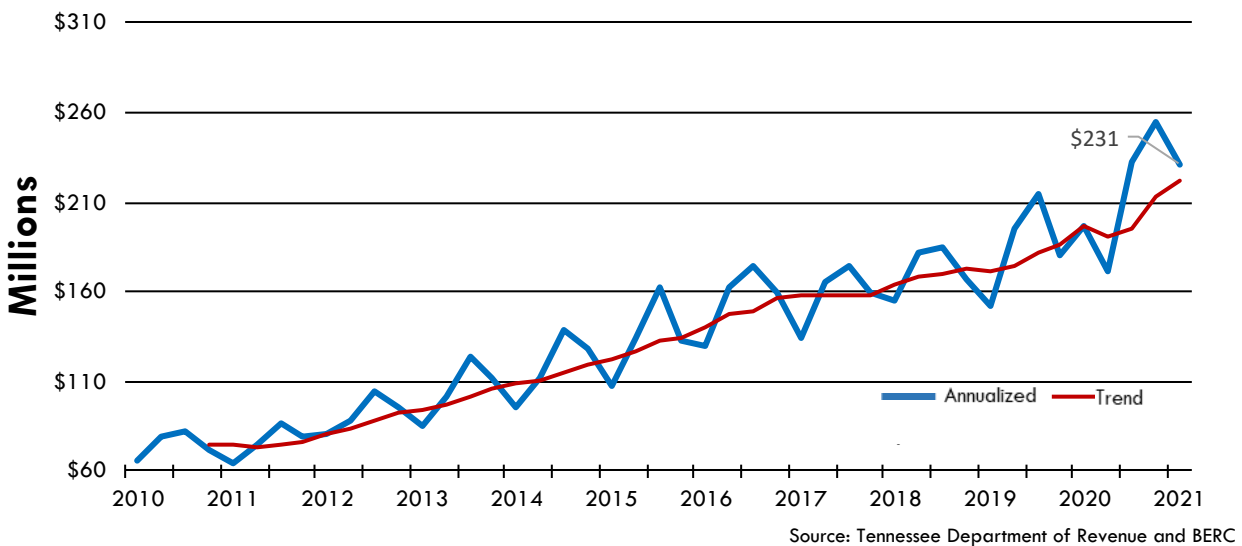
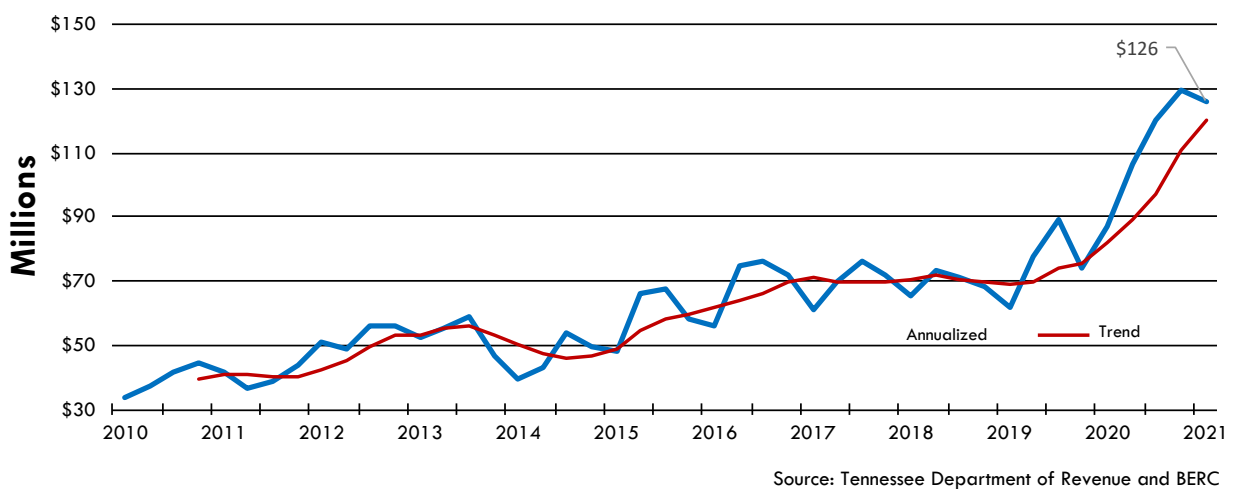


Figure 6. Mortgage tax collections (millions, seasonally adjusted annual rate)



Home Sales

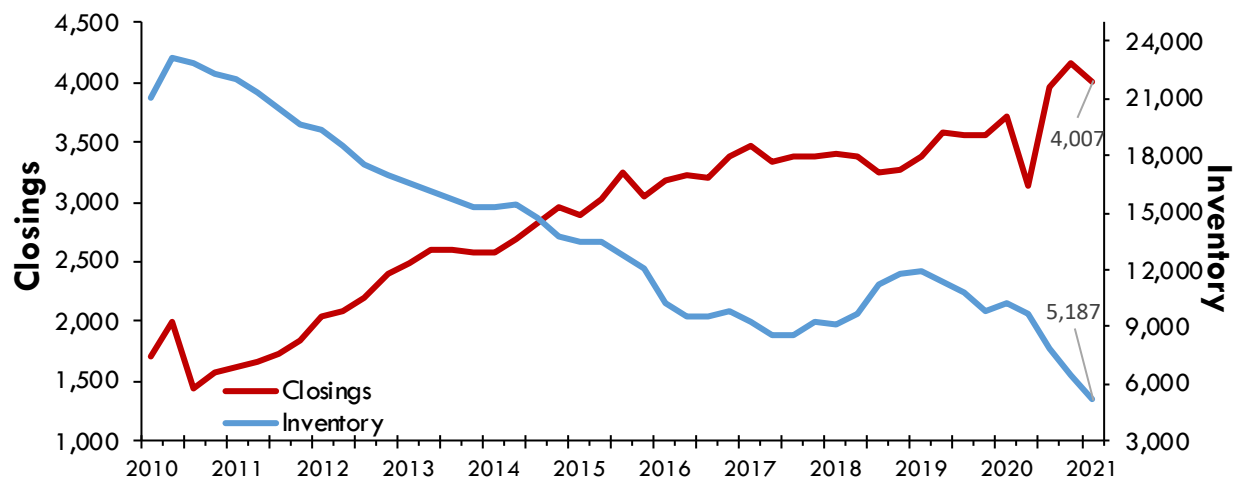
Closings for all regions increased on an annual level, but only Knoxville saw an increase in quarterly closings (15.17%). In comparison, Memphis and Nashville saw a decline in quarterly closings by 3.25% and 3.67%, respectively. The largest annual increase went to Knoxville (36.01%), while Nashville and Memphis lagged (7.58% & 6.01%, respectively).

Inventory was more uniform for each region, both for

quarterly and annual values. Knoxville again has the most significant change, with a quarterly decline of 36.18% in inventory while also seeing a decline of 64.02% in annual values. Memphis decreased its quarterly and annual inventory by 14.45% and 39.78%, respectively.

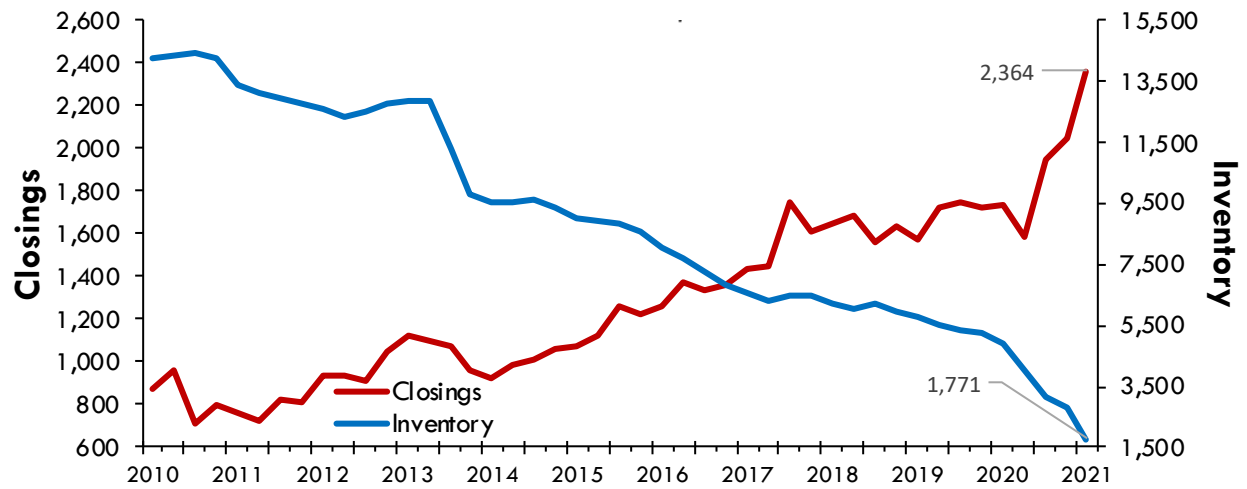
Nashville fell between the other cities with a quarterly decline in inventory of 20.57% and an annual inventory of 49.10%.

Figure 7.1 Single-family sales and inventory - Nashville Area



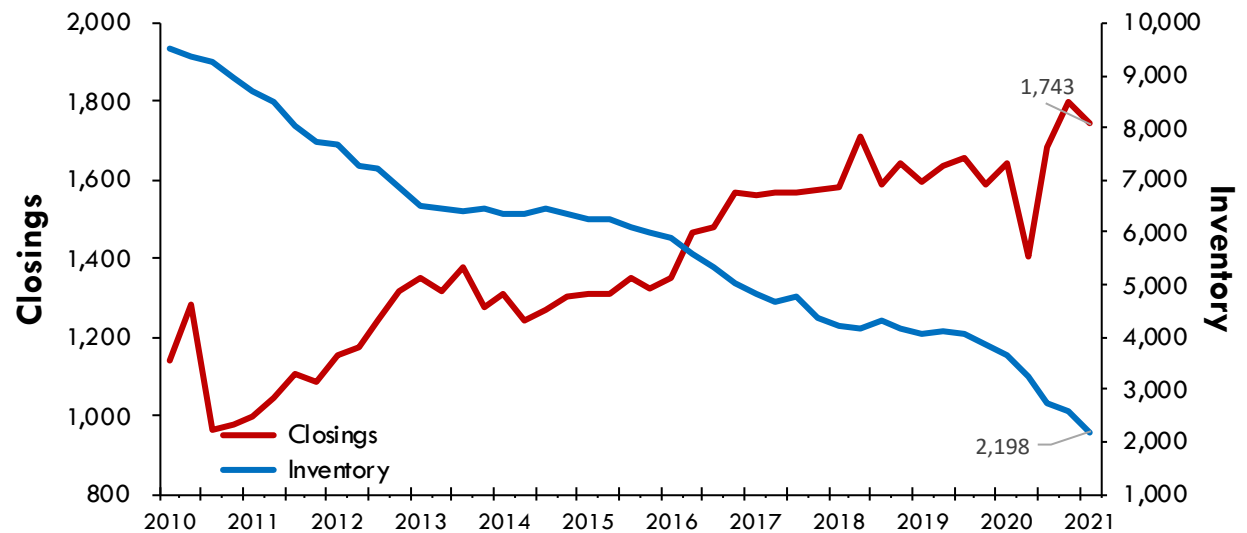
Source: Greater Nashville Association of Realtors, BEREC

Figure 7.2 Single-family sales and inventory - Knoxville Area



Source: Knoxville Area Association of Realtors, BEREC

Figure 7.3 Single-family sales and inventory - Memphis Area



Source: Memphis Area Association of Realtors, BEREC

Home Prices

All home prices saw an increase from the previous year. The Morristown MSA saw the highest growth at 10%. Almost all MSAs saw an increase in home prices from the previous quarter save the Jackson MSA and the Clarksville MSA. The Clarksville MSA stayed at an 8.4% yearly growth, but the Jackson MSA decreased by .5 percentage points.

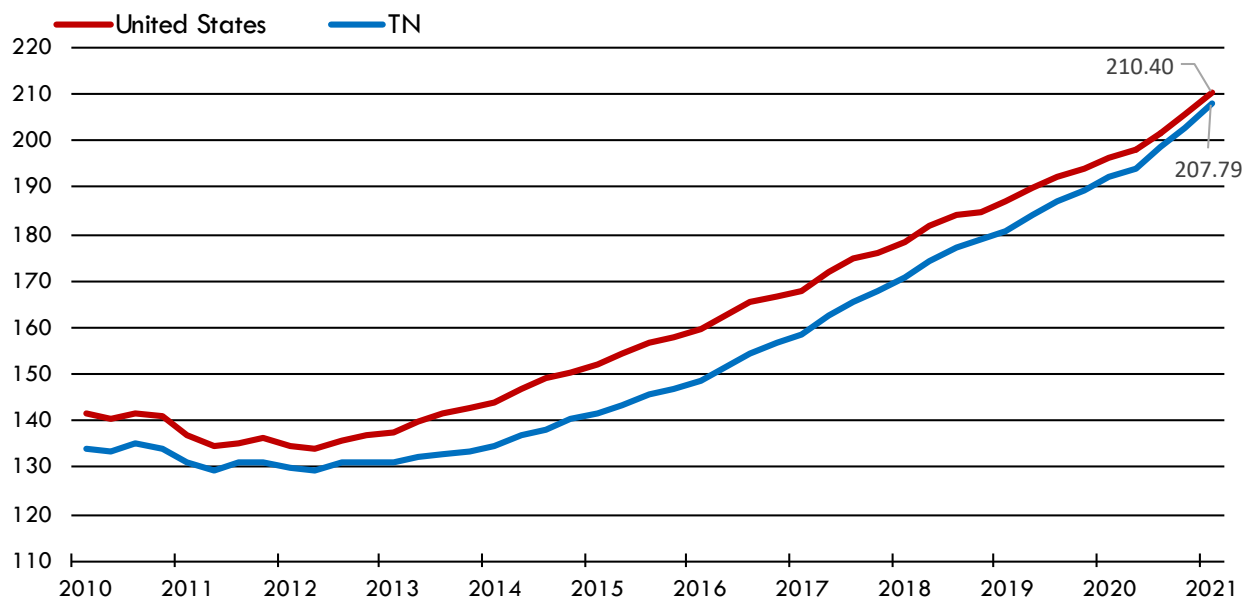
The first quarter of 2021 continues the trend of home prices increasing for Tennessee and the United States. Both the rate of home prices for the U.S. and Tennessee increased by roughly the same amount. The U.S. saw an increase of 2.17% from the previous quarter, with Tennessee experiencing a slightly larger increase in home prices of 2.51%.

Table 3. Change in housing prices year to year

Area	2019.2-2020.2	2019.3-2020.3	2019.4-2020.4	2020.1-2021.1
Chattanooga MSA	5.5%	7.1%	7.7%	9.4%
Clarksville MSA	6.4%	8.9%	8.4%	8.4%
Cleveland MSA	3.5%	7.6%	8.8%	9.9%
Jackson MSA	3.0%	5.4%	6.7%	6.2%
Johnson City MSA	5.3%	5.2%	6.3%	8.0%
Kingsport-Bristol MSA	3.7%	6.0%	5.4%	7.2%
Knoxville MSA	6.5%	6.7%	8.4%	9.3%
Memphis MSA	5.4%	6.5%	7.1%	8.1%
Morristown MSA	5.5%	6.2%	8.3%	10.0%
Nashville MSA	5.1%	5.9%	6.9%	7.4%
Tennessee	5.5%	6.3%	7.2%	8.2%
United States	4.4%	4.9%	6.1%	7.2%

Source: FHFA All Transactions Index

Figure 8. Tennessee FHFA house price index (2000 = 100.0)



Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies & Foreclosures

Q1 2021 saw a quarterly decrease in mortgage delinquencies for Tennessee and the U.S. (1.16% and 1.07%, respectively). Despite the quarterly decreases, mortgage delinquencies increased on a yearly level for the U.S. and Tennessee (2.12% and 1.17%, respectively).

Foreclosure rates overall saw decreases from both the U.S. and Tennessee except for the quarterly change for the U.S. The U.S. had a slight increase in foreclosures of .01%, while Tennessee experienced a quarterly decrease of 1.16%. For both regions, there was a decrease in annual foreclosures of .15%.

Figure 9. Tennessee mortgages past due and foreclosure rate (percent of mortgages in place)

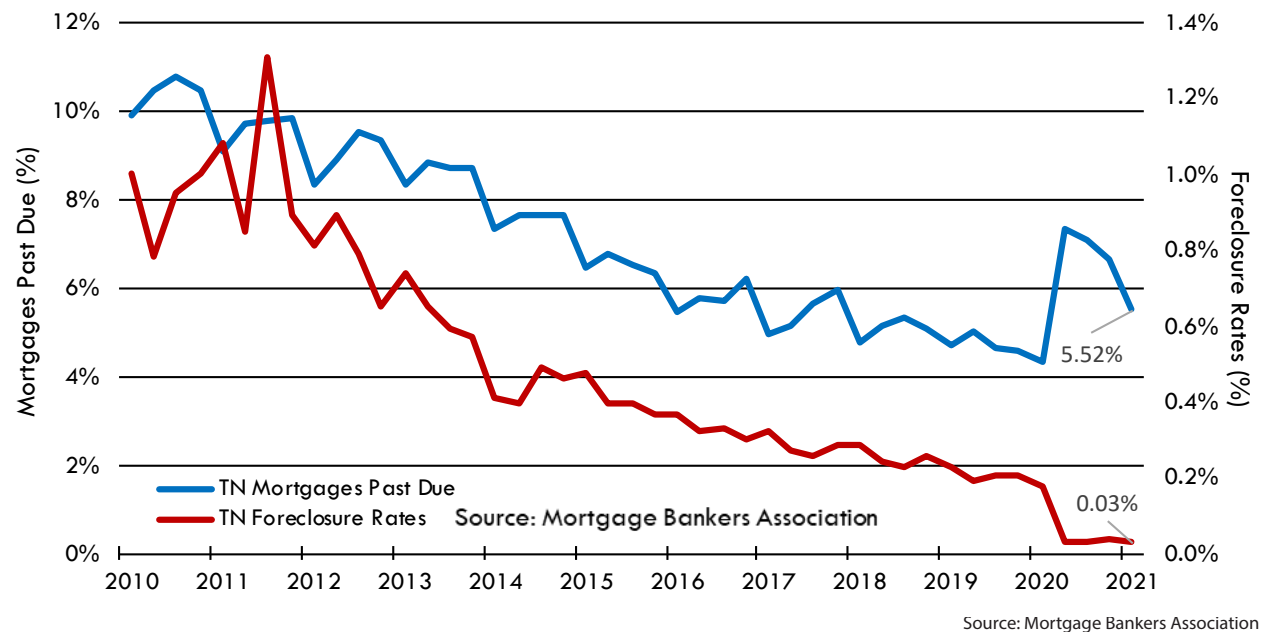
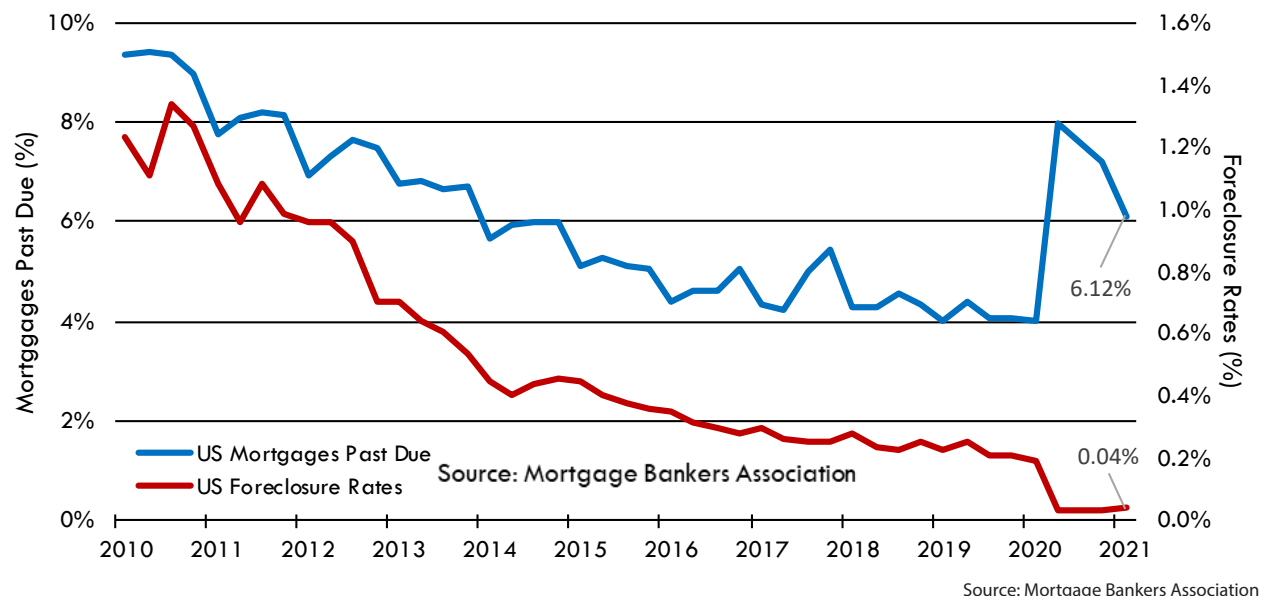


Figure 10. United States mortgages past due and foreclosure rate (percent of mortgages in place)



Conclusion

Q1 2021 data: Unemployment claims up, but mortgage delinquencies fall for quarter

The first-quarter data of 2021 continues to follow similar trends from previous quarters. The data indicate that the U.S. and Tennessee economies continue to recover from the height of the COVID-19 virus. Mortgage delinquencies are continuing a downward trend to pre-COVID numbers, which should lessen the chance of foreclosures in the future.

However, unemployment claims have increased to 12,044 from the last quarter (8,189). Unemployment claims are still lower in this quarter than in the previous first quarter of 2020. Despite the mixed results seen in the data, the overall trend is positive as numbers return to pre-COVID levels with continued economic growth.



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Murat Arik, PhD, PDBP, Director

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Glossary

Home Closings/Inventory.

Number of houses sold/number of houses with active listings. A high number of closings and a low number of inventories would demonstrate a positive step for the economy. (Source: Greater Nashville Association of Realtors, Memphis Area Association of Realtors, and Knoxville Area Association of Realtors)

Homeowner/Rental Vacancy Rate.

Number of vacant units divided by total number of units. A high vacancy rate indicates poor market conditions, a low one strong market conditions. (Source: Census Bureau)

Labor Force.

All persons employed and unemployed but actively looking for a job. Net changes in number of people employed and unemployed are important gauges of the health of the U.S. job market. (Source: Bureau of Labor Statistics)

Mortgage/Real Estate Transfer Tax Collections.

Amount of taxes collected for realty transfers and mortgages, which together account for a large portion of privilege taxes. (Source: Tennessee Department of Revenue)

Mortgages Past Due and Foreclosures Started.

Percentage of mortgages past due and percentage of new foreclosures started, indicating individuals in financial distress. (Source: Mortgage Bankers Association)

Single/Multi-Family Home Permits.

Level of new single- and multi-family housing construction. Housing permits can be early indicators of housing market activity. New residential housing construction generally leads to other types of economic production. (Source: Census Bureau)

Total Nonfarm Employment.

Total number of paid U.S. workers of any business, excluding government, farm, nonprofit, and private household employees; one of the key economic statistics used to analyze whether the economy is expanding or contracting. (Source: Bureau of Labor Statistics)

Unemployment Insurance Claims.

Weekly average layoff figures. The smaller the number, the better the economy is performing. (Source: U.S. Department of Labor)

Unemployment Rate.

Percentage of unemployed individuals divided by the labor force, a determinant of future conditions, used to determine overall economic health. (Source: Bureau of Labor Statistics)