

HOUSING

TENNESSEE

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FEBRUARY 2022

TENNESSEE DASHBOARD 4TH QUARTER 2021 (percent change over the year)

Weekly Unemployment Claims	▼ -41.36	Total Home Permits*	▼ -15.83
Total Nonfarm Employment*	▲ +3.01	Mortgage Tax Collections	▲ +17.19
Unemployment Rate (percentage points)*	▲ -2.33	Real Estate Transfer Tax Collections	▲ +35.56
Homeowner Vacancy Rate (percentage points)	▼ 0.00	Home Prices*	▲ +22.44
Rental Vacancy Rate (percentage points)	▼ -0.80	Mortgages Past Due (percentage points)	▼ -2.28
Single-Family Home Permits*	▼ -1.23	Foreclosure Rate (percentage points)	▼ 0.00

*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Q4 2021 indicators show mostly positive outcomes in Tennessee

Q4 2021 follows the same trend from the previous quarter with only positive outcomes, except for single-family home permits and total home permits. Total home permits and single-family permits decreased by 15.83% and 1.23%, respectively. Year-end results for employment indicators had almost unanimously positive outcomes, with only the exception of the labor force, which saw a decrease of .82%. Tennessee's total nonfarm employment rose by 3.01%, and the unemployment rate decreased by 2.33 percentage points from 6.33% in Q4 2020 to 4% this quarter. Last quarter, rental vacancy rates did not change over the year, and homeowner vacancy rates remain unchanged from last year while rental vacancy rates declined by .8%.

Year-end changes for mortgage tax collections and real estate transfer tax collections continued their steady pattern of growth over time, seeing increases of 17.19% and 35.56%, respectively. In quarterly changes, mortgage tax collections increased 3.56%,

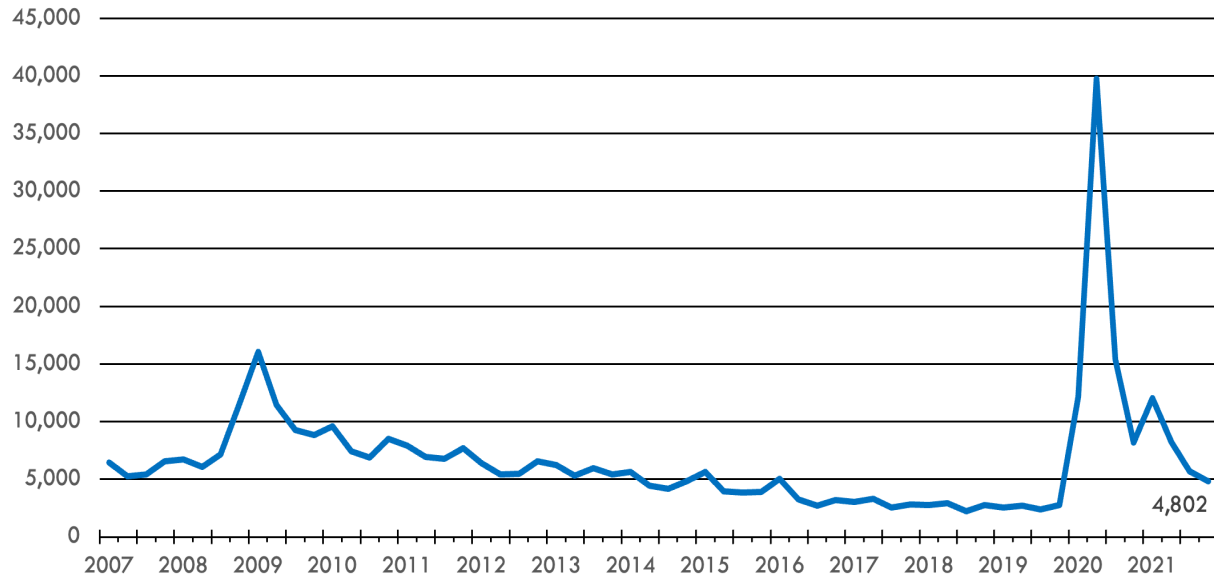
while real estate transfer tax collections decreased 6.31% from Q3 2021.

Tennessee HPI also continued its exponential increase by 22.44% to a normalized value of 247.58 (Year 2000 = 100). This HPI increase puts Tennessee housing prices 2.14% higher than the United States' normalized HPI value of 242.39.

Even with the moratorium on housing evictions ending in the middle of Q3 2020, foreclosures continue to hover around zero percent at .004% for Tennessee and the United States. In addition to low foreclosures, homeowners in Tennessee are becoming less delinquent on their mortgage payments as mortgage delinquencies fell by 2.28 percentage points from the previous year to 4.40%, which is only .05 percentage points higher than the pre-COVID level of delinquencies in Tennessee (4.35% in Q1 2020).

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)

	2020.4	2021.1	2021.2	2021.3	2021.4
Employment by Industry (Nonfarm)					
Total Nonfarm	3,023	3,040	3,074	3,094	3,114
Goods-Producing Sectors	476	478	479	482	486
Manufacturing	343	345	347	348	352
Services-Providing Sectors	2,547	2,562	2,596	2,612	2,628
Labor Force	3,342	3,314	3,331	3,330	3,315
Total Employment	3,130	3,147	3,165	3,177	3,181
Unemployed	212	167	166	153	134
Unemployment Rate	6.33%	5.03%	4.97%	4.57%	4.00%

Source: Bureau of Labor Statistics

Vacancy Rate

Tennessee homeowner vacancy rates saw a .2% quarterly increase, while the United States saw no change from Q3-2021. Year-to-date changes reflected a better outlook. In annual comparisons, the U.S. remained unchanged at .9%, while Tennessee saw a decrease of .1% to .9%. Tennessee had the largest percentage change with a 1.8%

decrease in rental vacancy rates from the previous quarter, while the U.S. saw a .2% quarterly decrease. Tennessee's yearly rental vacancy rates remained unchanged while the U.S. yearly rental vacancy rate decreased by .6 percentage points. Tennessee's quarterly vacancy rates increased by .8 percentage points, and the U.S. quarterly rates fell by .6 percentage points.

Figure 2. Homeowner vacancy rate

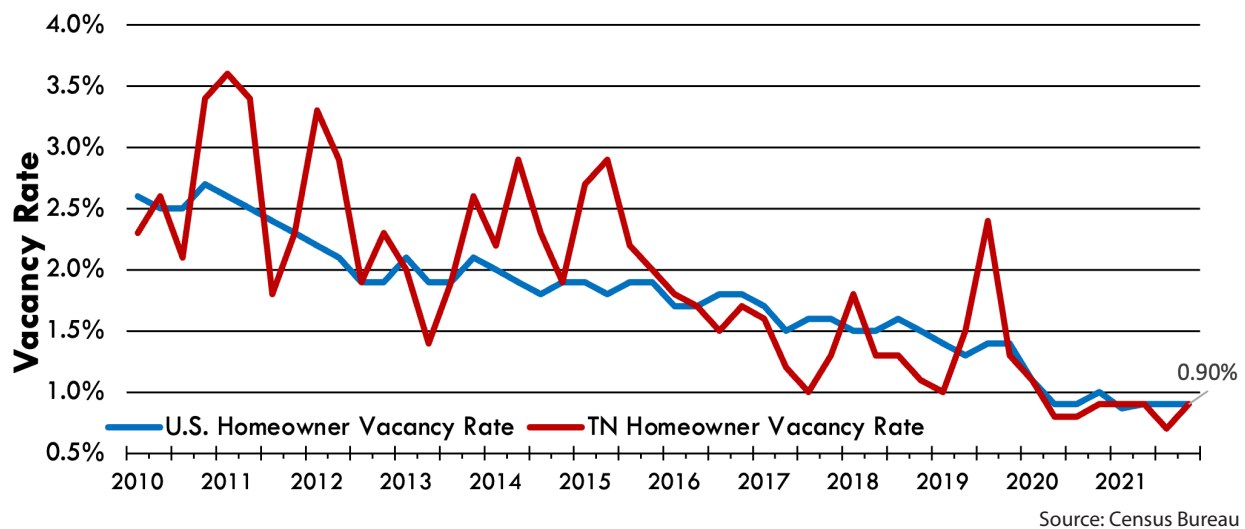
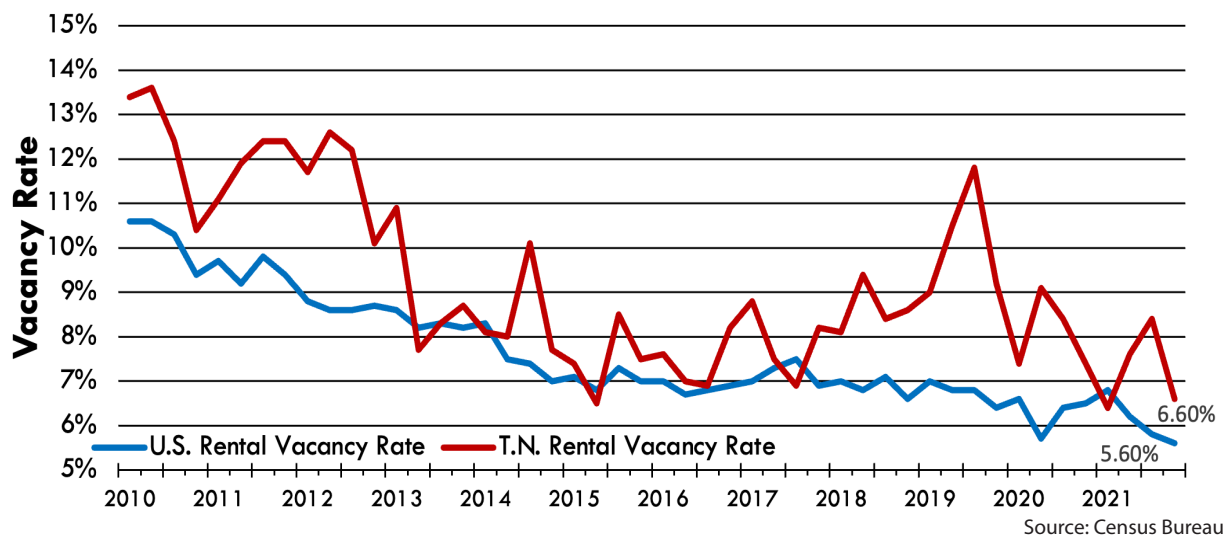


Figure 3. Rental vacancy rate



Housing Construction

Tennessee, the South, and the United States saw increases in single-family permits from the previous quarter. Tennessee saw the largest percentage at 8.9%, while the South had a 2.2% increase, and the U.S. followed with a 1.8% quarterly increase. Yearly changes were negative for all relevant areas, with the U.S. having the largest year-end decrease of 6.16%, followed by the South, and Tennessee with 4.33% and 1.23% decreases, respectively.

Multi-family permits and total permits saw increases in both quarterly and yearly changes. Tennessee had the largest quarterly and yearly increases in multi-family permits at 51.3% and 57.78%, respectively, and a 16.2% quarterly and 15.83% yearly increase for

total permits.

The South had the smallest quarterly and yearly increases in both multi-family and total permits categories. The South saw a .3% quarterly increase and a 36.90% increase over the year for multi-family permits. The South saw a quarterly increase of 2.1% and an annual increase of 5.52% for total permits.

The U.S. had middling increases relative to the South and Tennessee. The U.S. saw quarterly and yearly increases of 7.6%, and 41.20%, respectively in multi-family permits. Total permits saw a quarterly increase of 4.4%, and the U.S. saw a year-end increase in total permits by 9.02%.

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

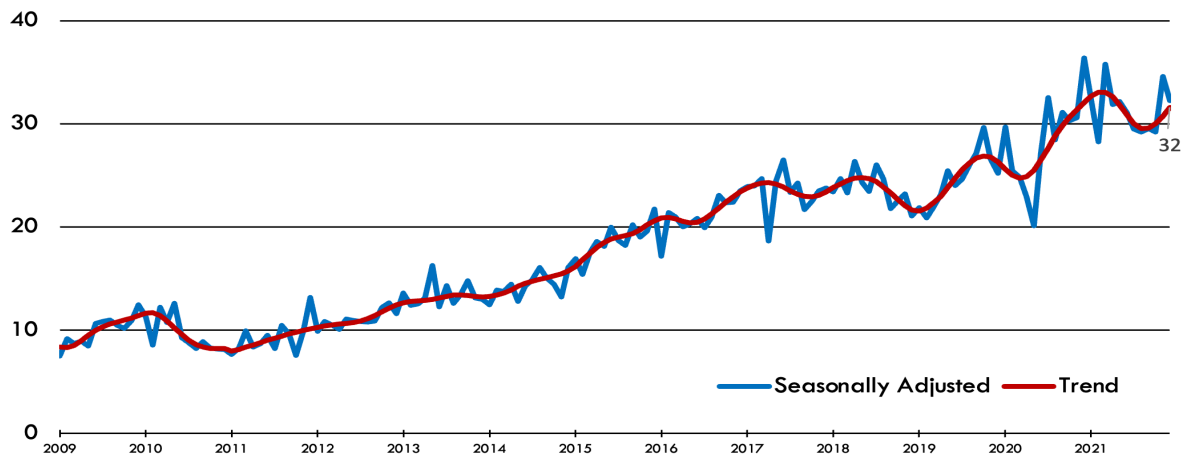


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2018.4	26.7	455.2	820.6	10.8	217.7	461.6	37.4	672.9	1,286.3
2019.1	25.9	444.8	794.0	11.0	200.5	461.2	37.8	647.0	1,246.3
2019.2	29.1	461.4	834.6	9.7	206.9	471.6	39.7	672.1	1,308.8
2019.3	31.1	498.5	876.4	11.3	233.6	537.0	41.5	727.3	1,417.1
2019.4	32.6	510.7	895.7	15.5	224.9	537.9	47.6	729.8	1,436.9
2020.1	32.0	524.0	942.6	11.0	199.9	470.5	43.8	730.6	1,403.9
2020.2	28.1	448.5	776.0	15.2	203.1	425.9	43.3	656.4	1,205.8
2020.3	36.9	611.1	1,068.7	19.7	201.8	478.8	57.1	803.1	1,552.5
2020.4	38.9	663.4	1,140.8	15.2	193.7	474.7	52.1	845.3	1,604.8
2021.1	38.6	640.9	1,166.7	17.1	241.6	561.7	56.5	892.6	1,712.6
2021.2	38.1	669.1	1,142.1	23.6	237.7	549.8	61.9	916.7	1,705.2
2021.3	35.3	621.1	1,051.6	15.9	264.4	622.9	51.9	873.4	1,675.7
2021.4	38.4	634.6	1,070.5	24.0	265.2	670.3	60.3	892.0	1,749.6
Change from previous quarter	8.9%	2.2%	1.8%	51.3%	0.3%	7.6%	16.2%	2.1%	4.4%
Change from previous year	-1.23%	-4.33%	-6.16%	57.78%	36.90%	41.20%	15.83%	5.52%	9.02%

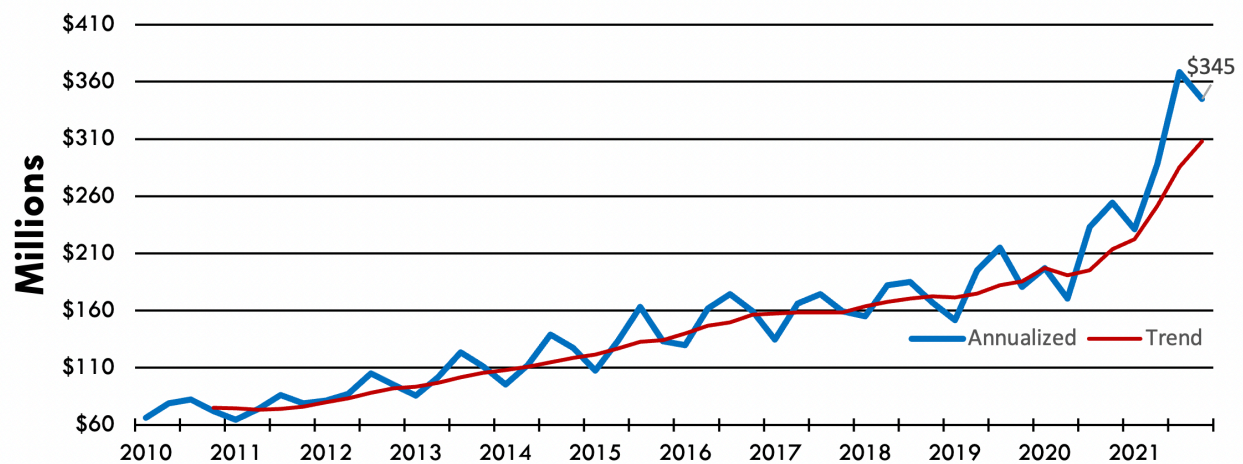
Source: Census Bureau

Real Estate Transactions & Mortgages

Collections of real estate transfer taxes decreased from Q3 2020 by 6.31%, but year-end changes from Q4 2020 found an increase of 35.56%. Average real estate transfer tax collections were roughly \$28 million. Annualized collections were \$368 million.

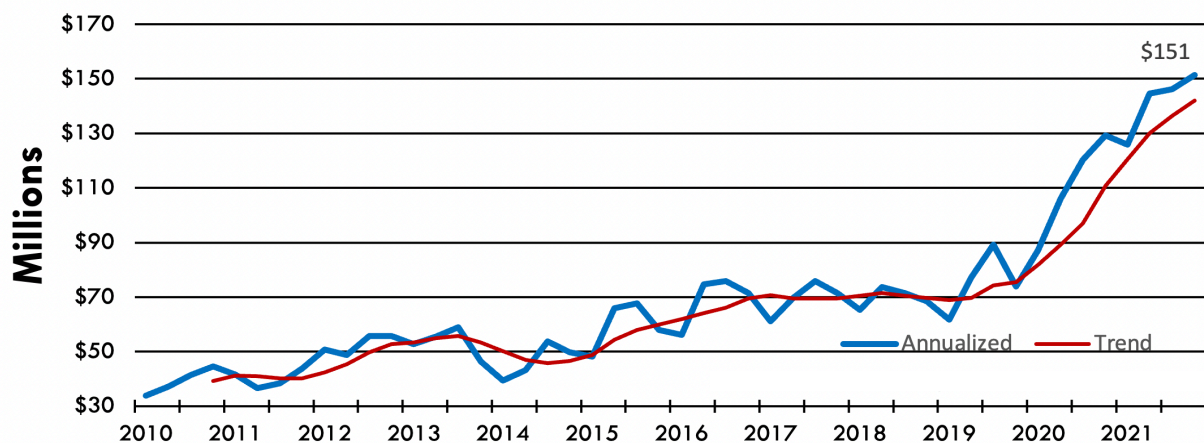
Mortgage tax collections increased by 3.56% from the previous quarter, while the year-end change from Q4 2020 was 17.19%. The average mortgage tax collections for Q4 2021 were roughly \$13 million, while annualized collections were \$151 million.

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



Source: Tennessee Department of Revenue and BERC

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



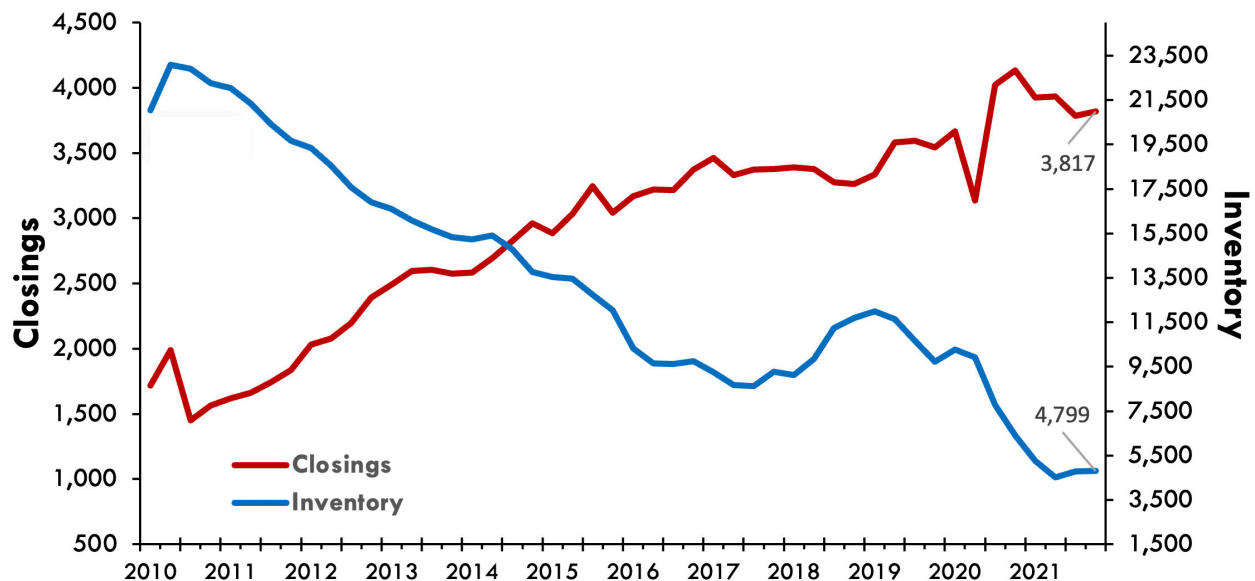
Source: Tennessee Department of Revenue and BERC

Home Sales

Quarterly closing values for the three MSA areas were mostly positive, with Memphis seeing the only decrease of 2.15%. Nashville and Knoxville saw quarterly increases of .85% and 2.04%, respectively. Year-end changes for closings were also mostly positive, Knoxville and Memphis had yearly increases of 9.51% and 5.24% respectively, while the Nashville MSA fell 7.61%.

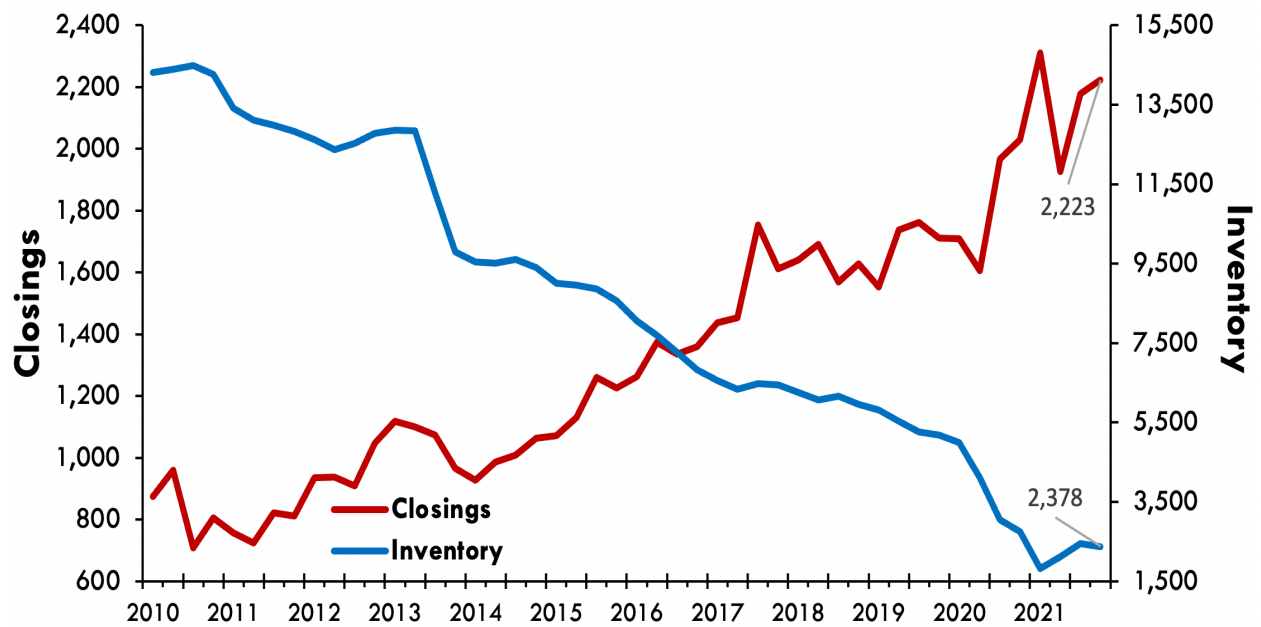
Quarterly changes for inventory among the three regions all decreased except for Nashville with a slight increase of .2% in available inventory. Knoxville and Memphis quarterly inventory decreased 2.95% and 1.26% respectively. Year-end inventory changes saw unanimous decreases for all three areas. Nashville saw the largest decrease in year-end inventory of 24.97%, followed by Knoxville and Memphis at 13.41%, and 7.41%, respectively.

Figure 7.1 Single-family sales and inventory - Nashville Area



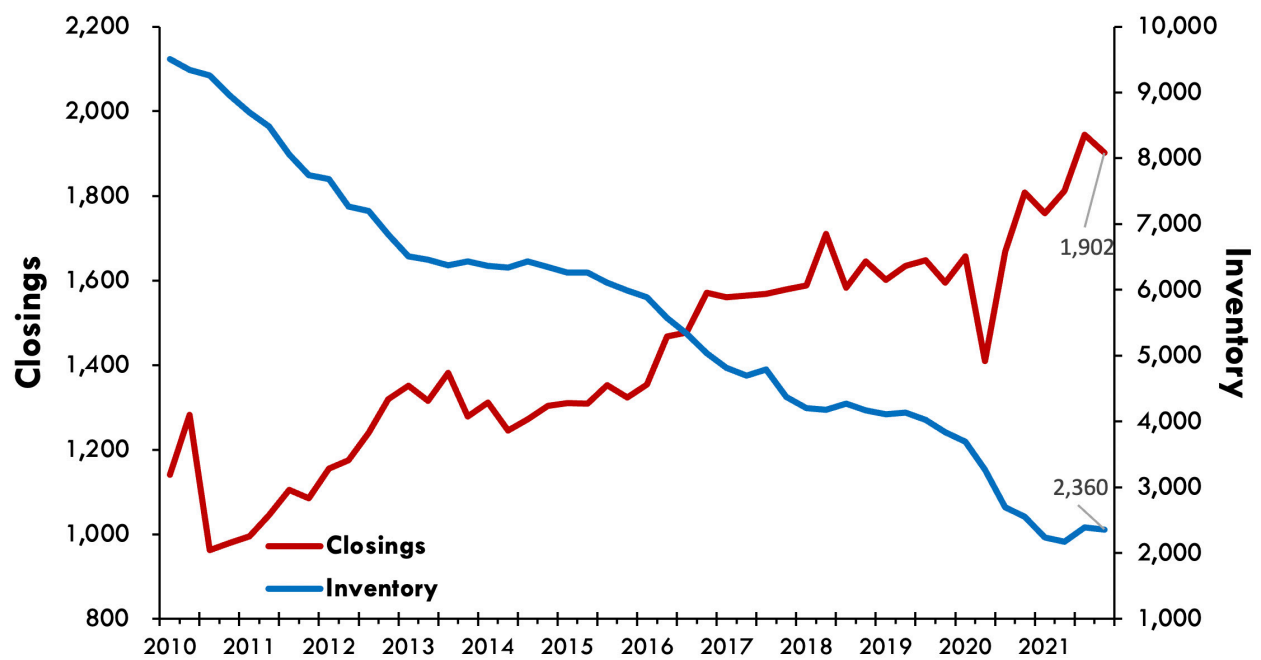
Source: Greater Nashville Association of Realtors, BEREC

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

Year-end values for all MSA home prices were positive relative to Q4 2020. Tennessee's housing prices on average grew by 22.4% from last year. The Jackson MSA had the most growth with an annual increase of 25.0% while the Memphis MSA had the smallest growth at 18.6%. Memphis still had larger growth than the United States' average housing price growth of 17.8%.

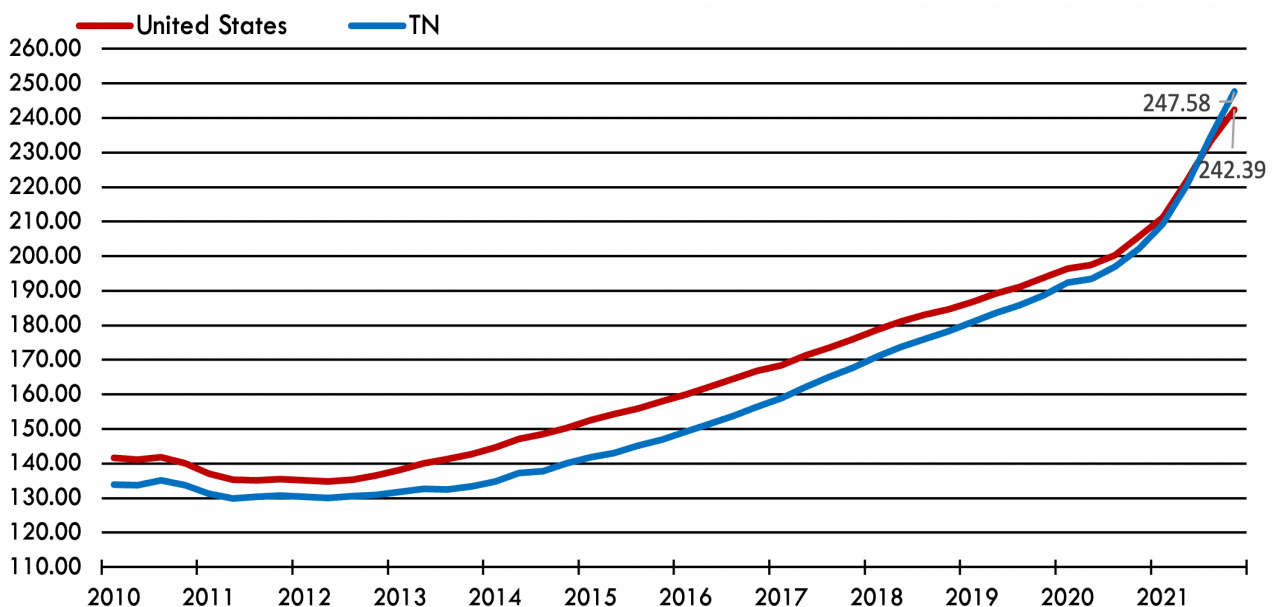
Quarterly changes for Tennessee and the United States were also positive as well following the continued pattern of exponential growth. Tennessee saw a 5.56% quarterly increase from Q3-2020, and the United States saw a quarterly increase of 3.91%.

Table 3. Percent change in housing prices year to year

Area	2020.1-2021.1	2020.2-2021.2	2020.3-2021.3	2020.4-2021.4
Chattanooga MSA	9.7%	14.7%	19.1%	21.4%
Clarksville MSA	8.7%	14.0%	18.4%	23.4%
Cleveland MSA	9.8%	14.2%	18.3%	20.8%
Jackson MSA	6.1%	16.1%	19.7%	25.0%
Johnson City MSA	8.6%	11.8%	18.5%	18.9%
Kingsport-Bristol MSA	6.9%	12.5%	17.7%	20.0%
Knoxville MSA	9.9%	15.8%	21.3%	23.5%
Memphis MSA	8.3%	13.0%	16.3%	18.6%
Morristown MSA	10.0%	17.3%	19.2%	20.0%
Nashville MSA	8.0%	13.6%	19.2%	23.6%
Tennessee	8.8%	14.1%	19.0%	22.4%
United States	7.6%	12.3%	18.8%	17.8%

Source: FHFA All Transactions Index

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



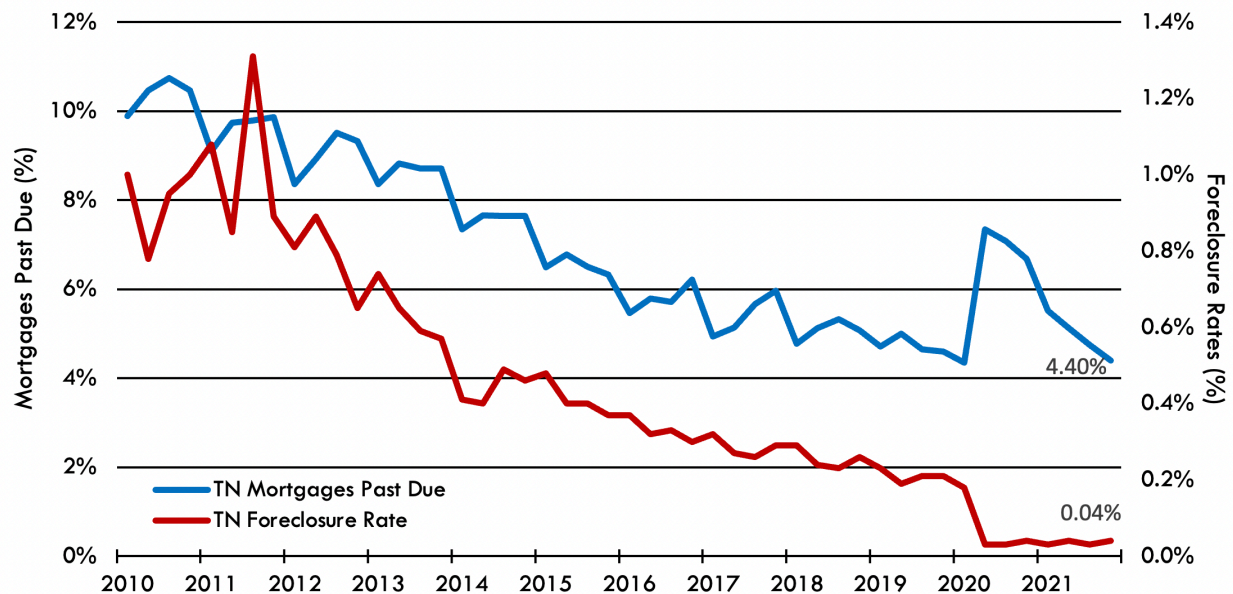
Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies & Foreclosures

Tennessee and the United States saw a continued trend to pre-COVID levels of mortgage delinquencies with negative quarterly changes of .35% and .41%, respectively. Year-end changes followed a similar trend with Tennessee seeing a 2.28% drop and a 2.56% decrease for the U.S.

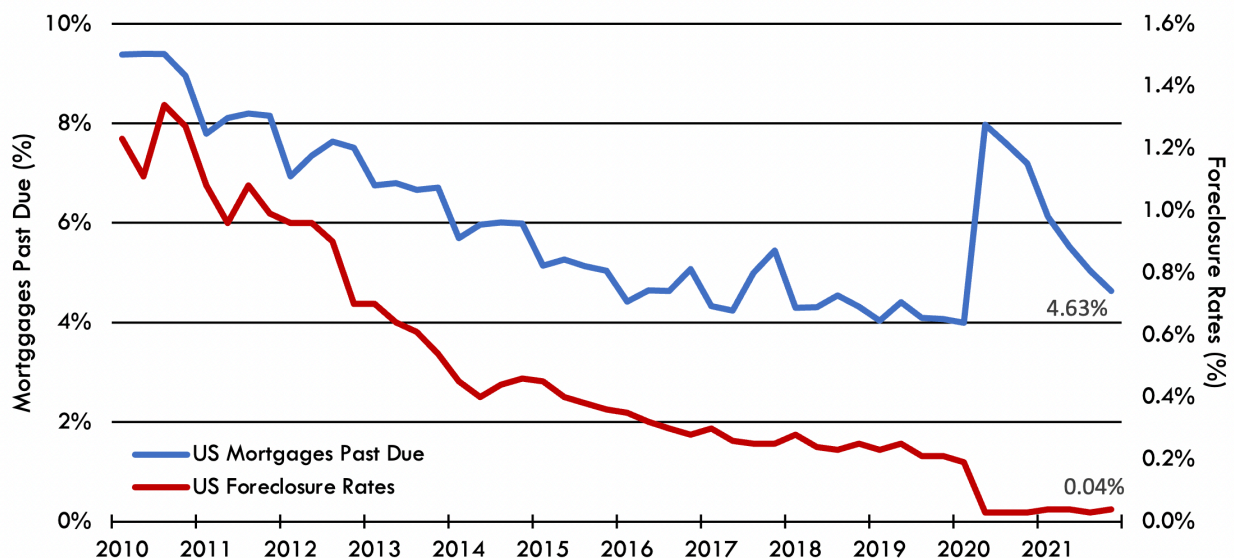
Tennessee and the U.S. experienced .01% increases in foreclosures. However, the U.S. had a .01% increase in foreclosures over the year, while Tennessee saw no yearly changes in foreclosure rates.

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



Source: Mortgage Bankers Association

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



Source: Mortgage Bankers Association

Conclusion

Positive trend continues as housing inventory increases in Q4 2021

Tennessee's economy continues to follow continued growth back to pre-pandemic levels. Despite Tennessee's single-family housing permits not reaching their most recent peak of 38.9 in Q4 2020, or Tennessee's total family permits not surpassing their recent peak of 61.9 in Q2 2021, housing permits continue an upward trend. Housing prices continue

to increase exponentially while inventory and closings continue to remain at healthy levels for homebuyers in their respective local economies. Mortgage delinquencies decline for Tennessee as banks continue to hold off on engaging in foreclosures despite no legal constraints preventing them from doing so.



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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)