

HOUSING

TENNESSEE

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September 2022

TENNESSEE DASHBOARD 2ND QUARTER 2022 (percent change over the year)

Weekly Unemployment Claims	▼	-71.98	Total Home Permits*	▼	-27.23
Total Nonfarm Employment*	▲	+4.90	Mortgage Tax Collections	▲	+2.80
Unemployment Rate (percentage points)*	▼	-1.70	Real Estate Transfer Tax Collections	▲	+32.69
Homeowner Vacancy Rate (percentage points)	▼	-0.20	Home Prices*	▲	+27.30
Rental Vacancy Rate (percentage points)	▲	+1.30	Mortgages Past Due (percentage points)	▼	-1.38
Single-Family Home Permits*	▼	-6.07	Foreclosure Rate (percentage points)	▲	+0.12

*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Q2 2022 indicators saw robust to mixed economic outcomes

Goods-producing sectors, Manufacturing, and Services-

Providing sectors all saw yearly economic growth of 6.57%, 3.52%, and 4.59%, respectively. Quarterly, these sectors grew by 1.16%, 0.26%, and 1.10%, respectively.

In addition to the excellent employment data, housing data was also positive. The housing indicators with negative outcomes of note were Tennessee's rental vacancy rate which sharply increased by 2.90%, and mortgage delinquencies which grew over the quarter by 0.02%.

Tennessee's housing metric that struggled the most over the quarter was housing permits. Single, Multi, and Total family permits all fell both quarterly and yearly. Tennessee's housing metrics that saw notable growth were housing prices and real estate transfer & mortgage tax collections which saw yearly increases of 27.3%, 32.69%, and 2.8%, respectively.

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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)

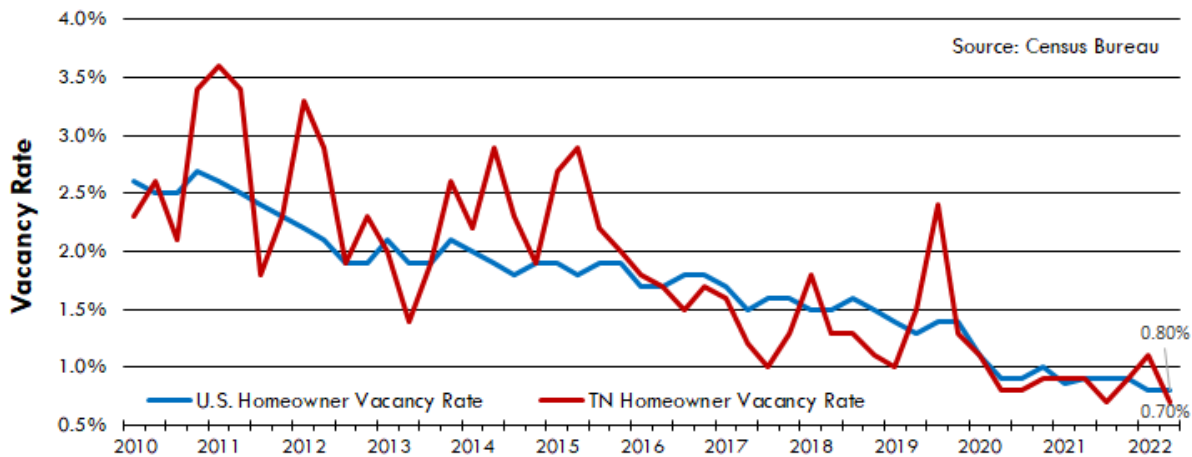
Source: Bureau of Labor Statistics

Vacancy Rate

Yearly homeowner vacancy rates decreased for Tennessee and the United States. Quarterly homeowner vacancy rates for Tennessee's also decreased while the United States remained unchanged from the previous quarter. Quarterly Tennessee homeowner vacancy rates decreased by 0.4%, and annual vacancy rates decreased by 0.2%. The United States saw a yearly decrease of 0.1% with no quarterly change in homeowner vacancy rates.

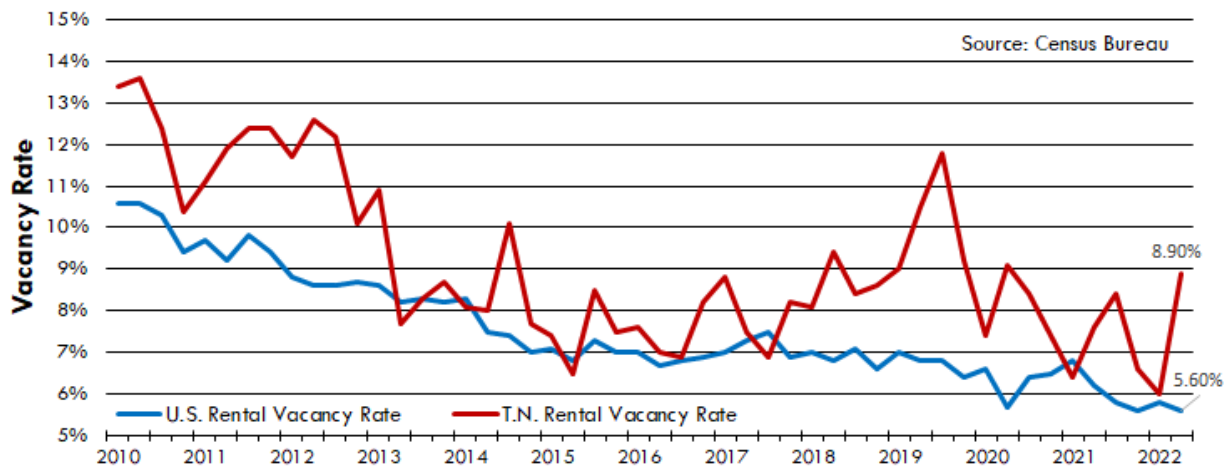
The rental vacancy rates exhibited a different trend than homeowner vacancy rates: Tennessee experienced increases in rental vacancy rates in both quarterly and annual values. In contrast, the United States vacancy rates decreased both quarterly and annually. Tennessee's rental vacancy rate rose by 1.3 percentage points annually and 2.9 percentage points quarterly. The United States saw an annual decline of 0.6 percentage points and a quarterly decrease of 0.2 percentage points.

Figure 2. Homeowner vacancy rate



Source: Census Bureau

Figure 3. Rental vacancy rate



Source: Census Bureau

Housing Construction

Tennessee and the South had positive yearly changes in single-family permits (4.92% & 2.72%, respectively), while the United States saw a 2.67% decrease. Single-family permit quarterly changes were universally positive as Tennessee saw a 3.5% increase, while the South and the United States saw quarterly increases of 2.9% and 4%, respectively.

Multi-family permits were positive in all regions and among yearly and quarterly changes. Tennessee, the South, and the

United States increased over the quarter by 12.4%, 5.6%, and 0.7%, respectively, while yearly increases were 38.15%, 16.86%, and 19.76%, respectively.

Total permits followed the trend of multi-family permits in that all metrics were again positive. Tennessee, the South, and The United States saw quarterly increases of 6.3%, 4.4%, and 2.9%, respectively, while yearly increases were 9.49%, 5.07%, and 5.24%, respectively.

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

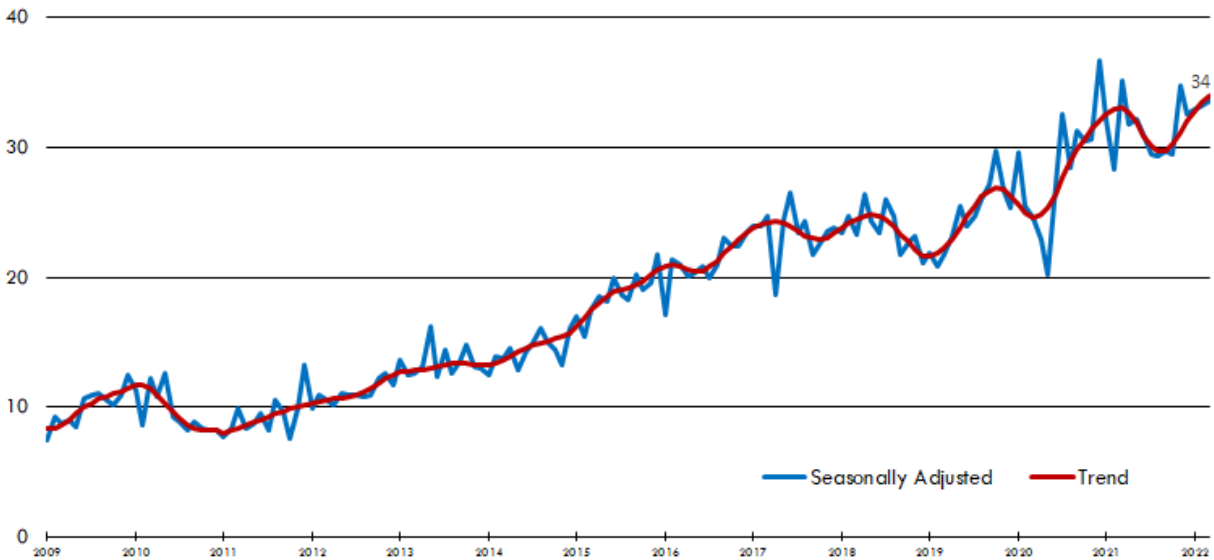


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2019.1	25.8	444.5	791.2	11.7	200.5	461.7	38.2	645.9	1,248.1
2019.2	29.0	460.6	833.6	9.5	206.8	471.0	39.7	672.3	1,307.9
2019.3	31.2	499.4	877.4	11.0	233.8	537.2	41.4	729.5	1,416.9
2019.4	32.7	511.7	901.1	15.1	225.2	537.6	47.1	729.5	1,437.2
2020.1	31.8	523.0	936.6	11.2	199.3	471.5	44.1	728.0	1,405.8
2020.2	28.1	447.5	774.8	14.9	203.2	425.3	43.2	656.7	1,204.8
2020.3	36.9	612.6	1,070.8	19.3	202.2	479.0	56.8	806.5	1,552.9
2020.4	39.2	665.6	1,151.0	14.8	194.0	474.1	51.5	846.0	1,605.8
2021.1	38.2	638.5	1,155.9	18.9	240.2	562.5	57.8	887.2	1,712.6
2021.2	38.1	667.6	1,140.1	23.1	238.4	549.1	61.7	917.2	1,704.1
2021.3	35.4	622.9	1,054.4	15.5	265.4	624.2	51.6	877.9	1,676.9
2021.4	38.7	637.3	1,082.2	23.3	265.9	669.2	59.6	893.3	1,751.7
2022.1	40.1	655.9	1,125.0	26.1	280.7	673.6	63.3	932.2	1,802.3
Change from previous quarter	3.5%	2.9%	4.0%	12.4%	5.6%	0.7%	6.3%	4.4%	2.9%
Change from previous year	4.92%	2.72%	-2.67%	38.15%	16.86%	19.76%	9.49%	5.07%	5.24%

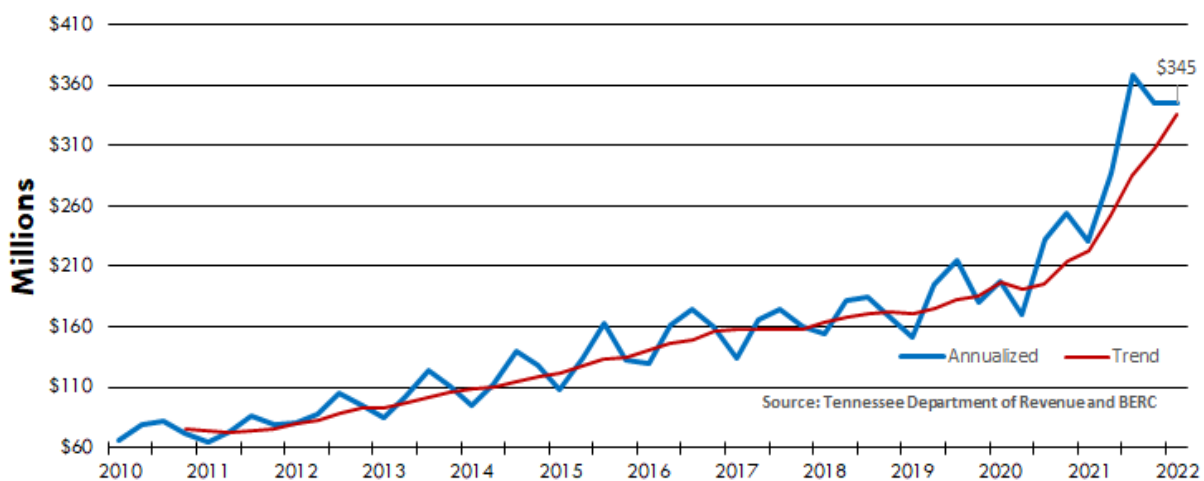
Source: Census Bureau

Real Estate Transactions & Mortgages

Real estate transfer tax collections slightly decreased from the fourth quarter of 2021 (-0.08%), and the yearly change was (49.16%). Real estate transfer tax collections averaged roughly 29 million dollars, while annualized collections were approximately 345 million.

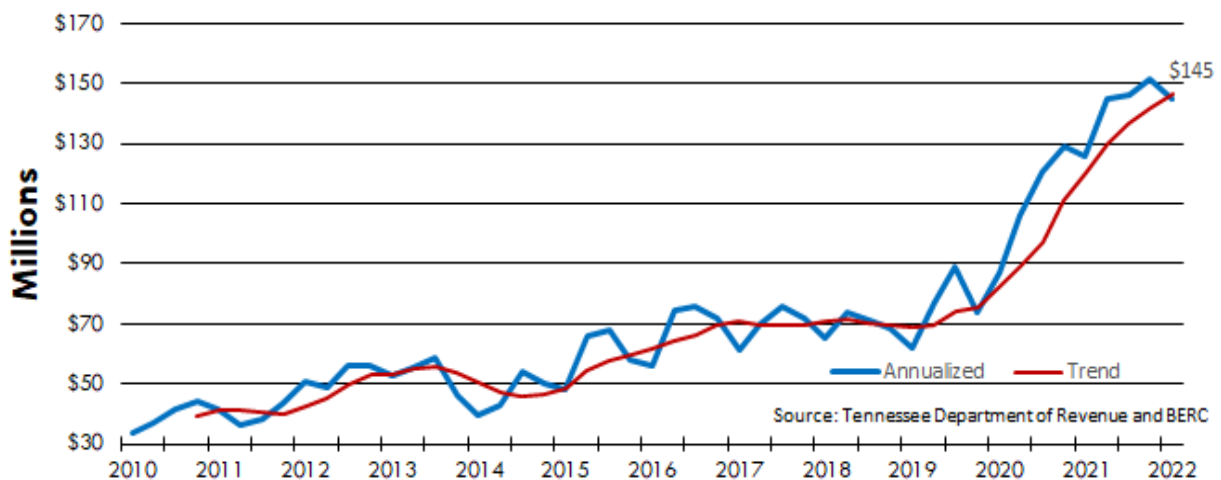
Mortgage tax collections decreased from Q4 2021 (-4.36%). The yearly change was an increase of 15.06%. The quarterly average for mortgage tax collections was over 12 million, and the annualized collections were around 145 million dollars, respectively.

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



Source: Tennessee Department of Revenue and BEREC

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



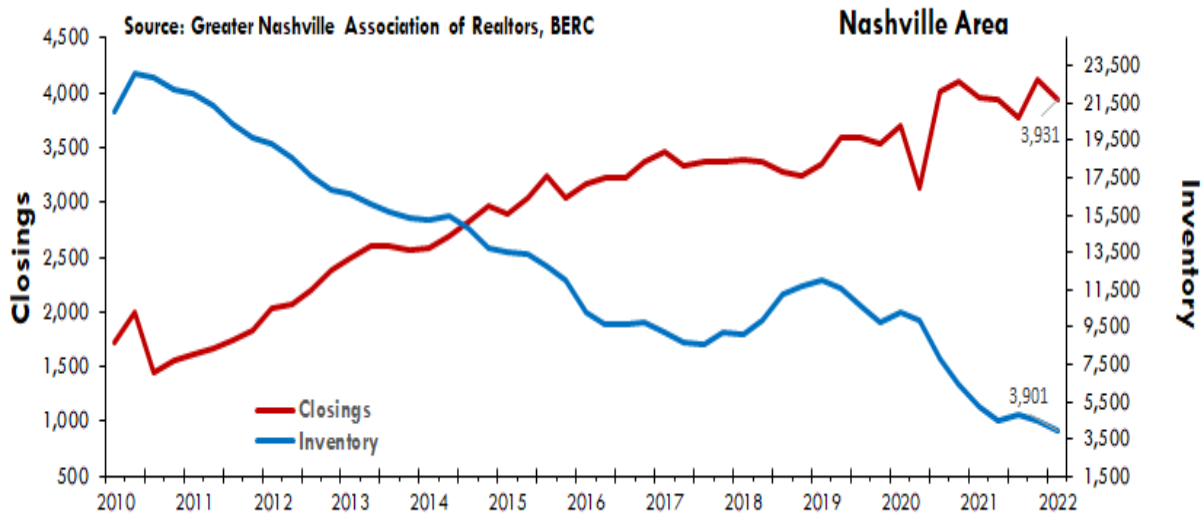
Source: Tennessee Department of Revenue and BEREC

Home Sales

Closings for the Nashville, Knoxville, and Memphis regions were negative relative to Q4 2021. The Knoxville area saw the most significant decrease of 7.87%, the Nashville area saw a decline of 4.48, and the Memphis area saw a decrease of 3.81% in its closings. Annual changes were also negative for all three areas. Knoxville again saw the most significant decrease of 17%, Memphis saw a decline of 1.02%, and Nashville saw a slight decrease of 0.82% from last year.

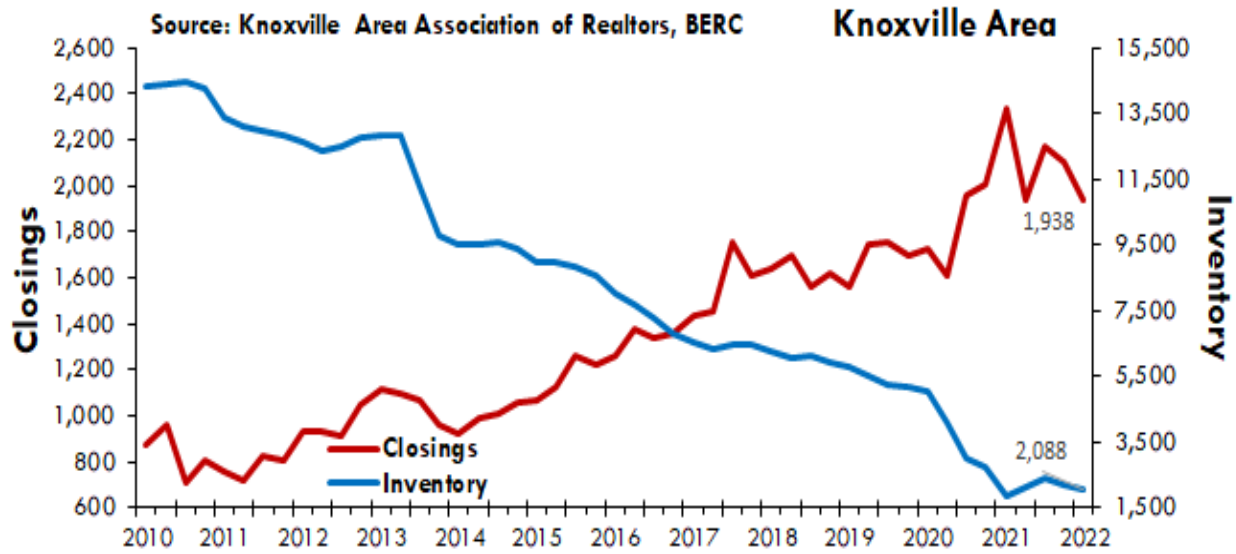
Quarterly changes in inventory among the three regions were also negative. Nashville saw the largest decrease of 12.77%, Knoxville saw the decrease of 5.80%, and Memphis saw the smallest drop of 5.50%. Annual inventory changes were mostly negative except for the Knoxville area. Nashville inventory fell by 25.91% from Q1 2021, while the Memphis area saw a decrease of 5.94% from last year. The only positive outcome from last year was the Knoxville area’s annual inventory change from the previous year, 13.59%.

Figure 7.1 Single-family sales and inventory - Nashville Area



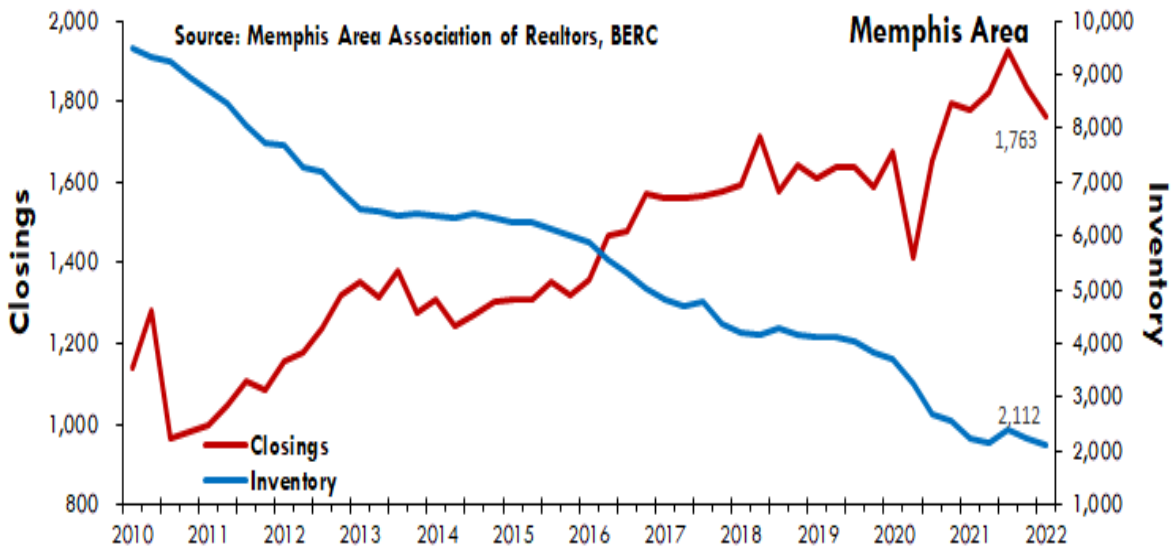
Source: Greater Nashville Association of Realtors, BEREC

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

Rising home prices continue to trend upward for all MSAs in Tennessee. In Q1 2022, the Jackson MSA saw the largest increase in home prices from last year of 27.1%, with the Nashville MSA and Clarksville MSA following close behind with annual increases of 26.8% and 26.1%, respectively.

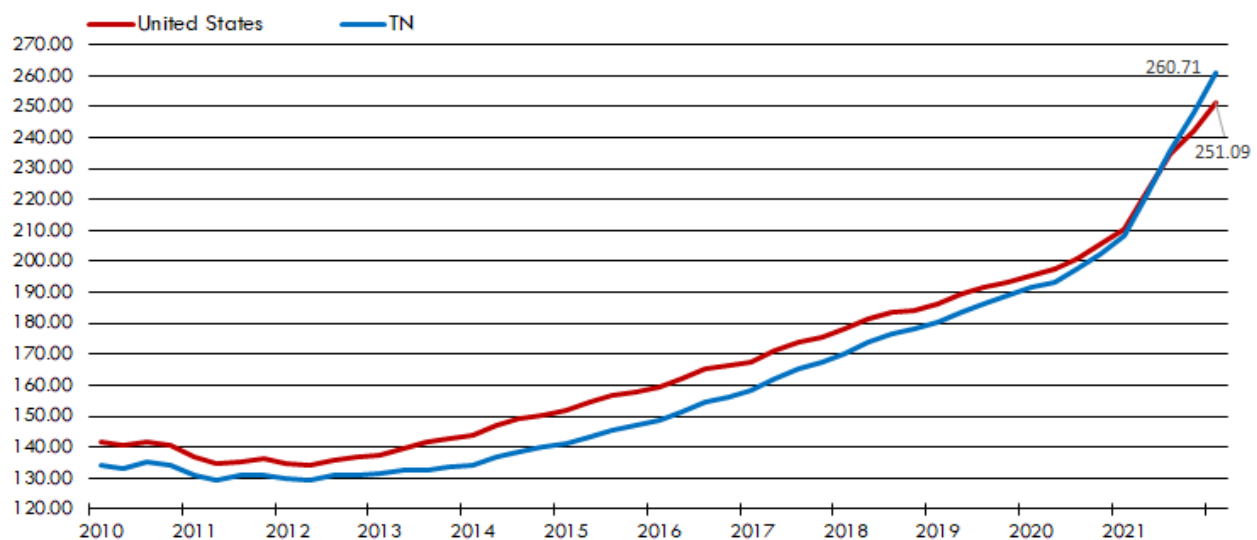
Tennessee and the United States also continue the trend of rising home prices both quarterly and annually. Tennessee saw a quarterly increase in home prices of 5.06%, and the United States saw a rise of 3.60%. Annually Tennessee saw an increase of 25.2% in home prices while the United States saw an increase of 19.5%.

Table 3. Percent change in housing prices year to year

Area	2020.2-2021.2	2020.3-2021.3	2020.4-2021.4	2021.1-2022.1
Chattanooga MSA	14.9%	19.3%	21.7%	24.4%
Clarksville MSA	14.0%	18.9%	24.0%	26.1%
Cleveland MSA	14.8%	18.4%	20.9%	21.5%
Jackson MSA	16.6%	19.9%	25.0%	27.1%
Johnson City MSA	12.4%	19.1%	19.0%	20.3%
Kingsport-Bristol MSA	13.0%	17.5%	20.1%	23.3%
Knoxville MSA	16.0%	21.3%	23.4%	25.7%
Memphis MSA	13.0%	16.2%	18.7%	20.3%
Morristown MSA	17.2%	19.5%	20.4%	24.7%
Nashville MSA	13.9%	19.4%	23.7%	26.8%
Tennessee	14.3%	19.2%	22.5%	25.2%
United States	12.4%	16.5%	22.8%	19.5%

Source: FHFA All Transactions Index

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



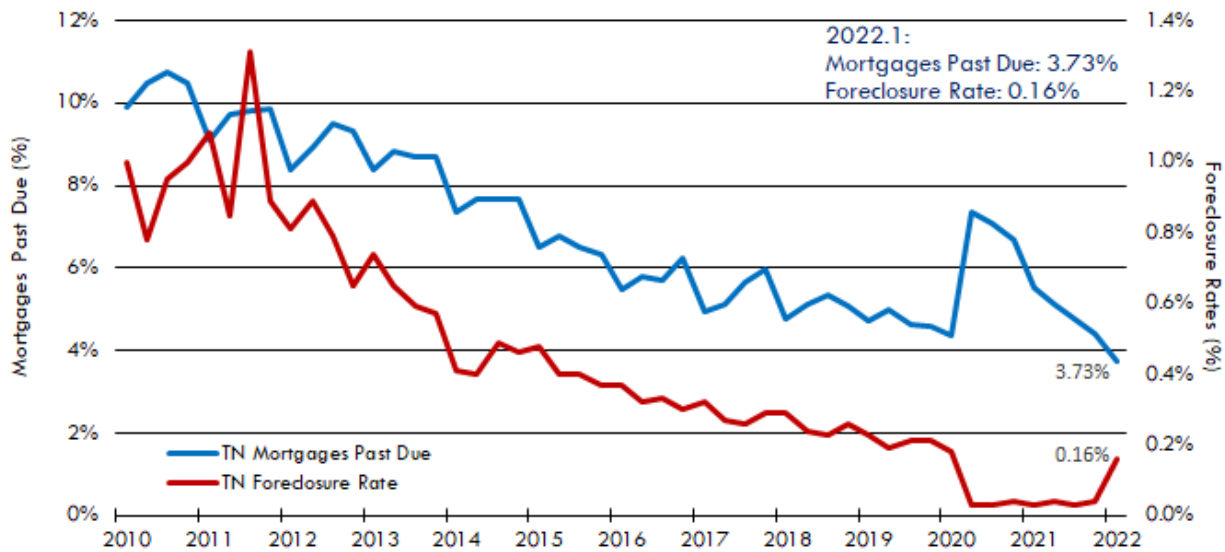
Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies & Foreclosures

In Q1 2022, the United States and Tennessee homeowners continued the trend of catching up on their delinquent mortgages from the height of the pandemic. The United States saw a quarterly decline of 0.67%, and Tennessee saw a decline of 0.79% in mortgage delinquencies. Annual mortgage delinquencies also fell by 1.79% for the United States and 2.28% for Tennessee.

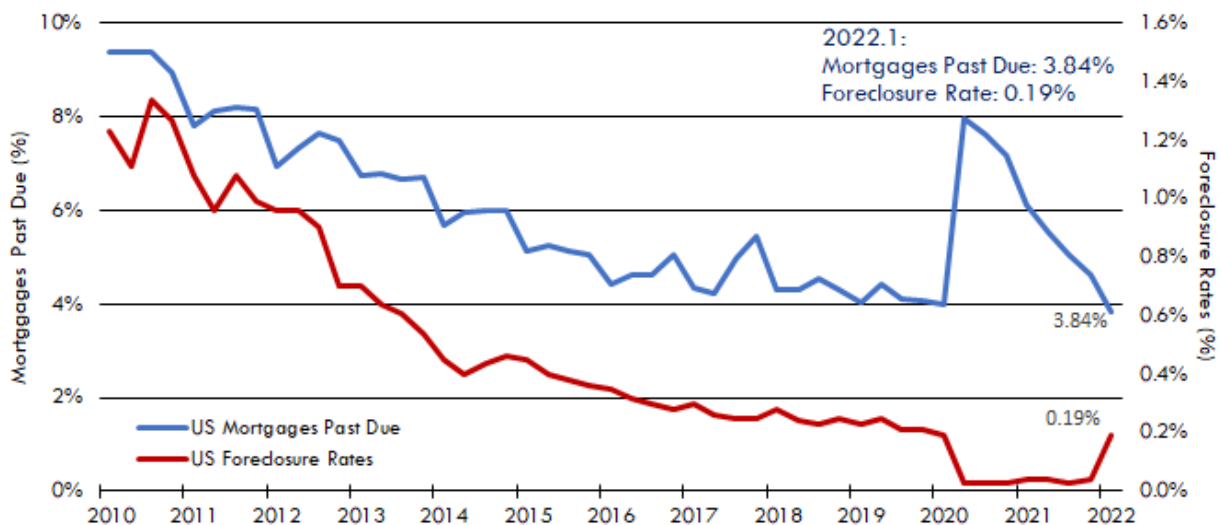
Foreclosures have increased for both the United States and Tennessee quarterly and annually. The United States saw a quarterly and annual increase in foreclosures of 0.15%, while Tennessee saw a quarterly foreclosure rate increase of 0.12% and a yearly increase of 0.13%.

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 house price index surged in q1 2022

The two aspects of note are the tandem increase of home prices with the general price level of goods and the changes in foreclosure rates concerning mortgage delinquencies. Tennessee home prices are increasing exponentially while the United States, though growing, is increasing at a decreasing rate relative to Tennessee.

The foreclosure rates are interesting for both Tennessee and the United States because, even though homeowners are more caught up on their mortgages than they were prior to the pandemic, we see foreclosure rates that are around the same as pre-pandemic levels.



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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)