

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

For Q2 2022, Tennessee saw robust to mixed economic outcomes. The metrics where Tennessee struggled over the year were rental vacancy rates, foreclosure rates, and total & single-family home permits.

Tennessee saw positive outcomes in weekly unemployment claims, total non-farm employment, the unemployment rate, homeowner vacancy rates, mortgage tax collections, home prices, and mortgages past due.

Unemployment claims have fallen by 71.98% from last year. Non-farm employment rose by 4.90% annually and 1.11% quarterly. The unemployment rate fell by 1.70 percentage points over the year to 3.27% from 4.97% and 0.10 percentage points over the quarter.

Goods-Producing sectors, Manufacturing, and Services-

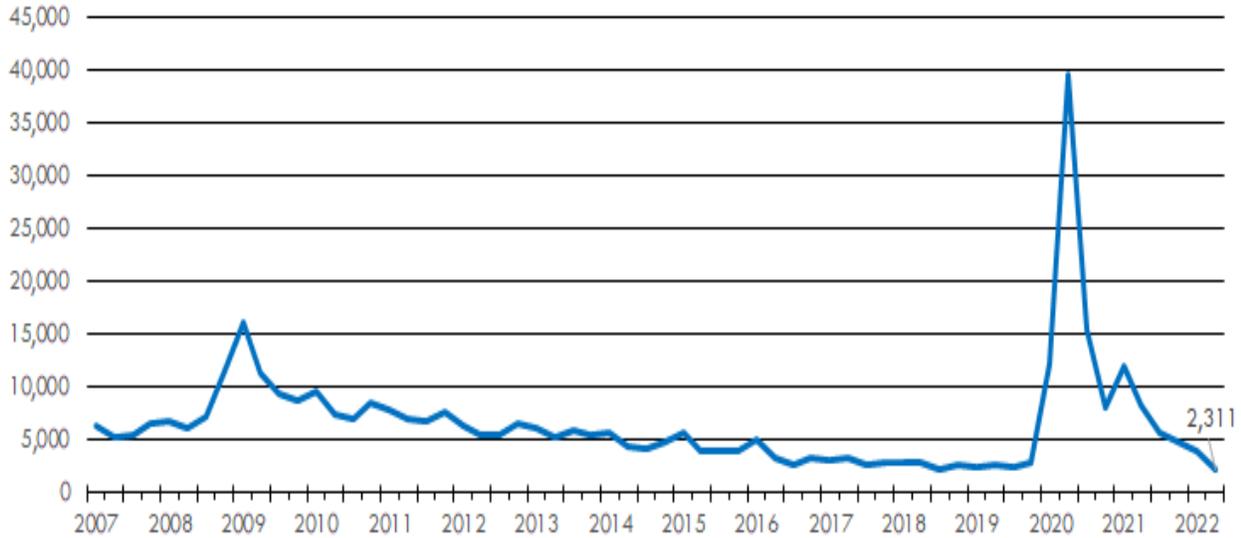
Providing sectors all saw yearly economic growth of 6.57%, 3.52%, and 4.59%, respectively. Quarterly, these sectors grew by 1.16%, 0.26%, and 1.10%, respectively.

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.

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)

	2021.2	2021.3	2021.4	2022.1	2022.2
Employment by Industry (Nonfarm)					
Total Nonfarm	3,074	3,094	3,114	3,189	3,225
Goods-Producing Sectors	479	482	486	504	510
Manufacturing	347	348	352	358	359
Services-Providing Sectors	2,596	2,612	2,628	2,685	2,715
Labor Force	3,331	3,330	3,315	3,358	3,402
Total Employment	3,165	3,177	3,181	3,245	3,291
Unemployed	166	153	134	113	112
Unemployment Rate	4.97%	4.57%	4.00%	3.37%	3.27%

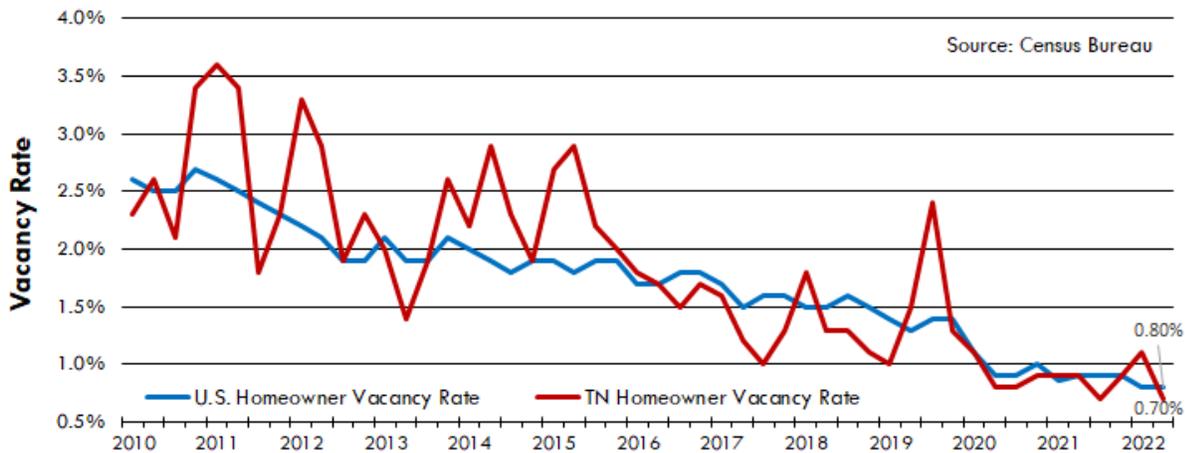
Source: Bureau of Labor Statistics

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.

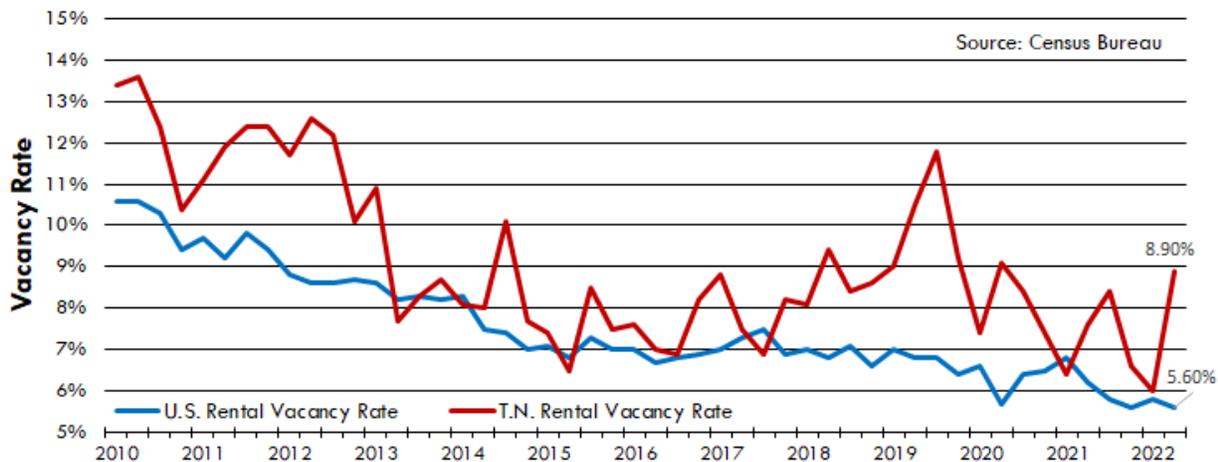
The rental vacancy rates exhibited a different trend than homeowner vacancy rates: Tennessee experienced increases in rental vacancy rates in both quarterly and annual values. In contrast, the United States vacancy rates decreased both quarterly and annually. Tennessee's rental vacancy rate rose by 1.3 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 negative yearly changes in single-family permits (6.07% & 6.39%, respectively), while the United States saw an 8.23% decrease. Single-family permit quarterly changes were collectively negative as Tennessee saw a 6.8% decrease, while the South and the United States experienced quarterly decreases of 4.8% and 7.7%, respectively.

Quarterly and yearly multi-family permits decreased in Tennessee while increasing in both the South and the United States. Tennessee's multi-family permits declined 61.75% yearly

and 39.1% quarterly. The South and the United States multi-family permits for the quarter increased by 10.4% and 5.4%, respectively. Annually, the South increased by 31.07% and the United States by 25.15%.

Total permits varied across all observed regions, both quarterly and yearly. Tennessee recorded quarterly and annual decreases of 18% and 27.23%, respectively. The South and the United States experienced reductions in total permits over the quarter, at 0.4% and 2%, respectively. Conversely, total permits increased over the year by 3.21% for the South and 2.44% for the United States.

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

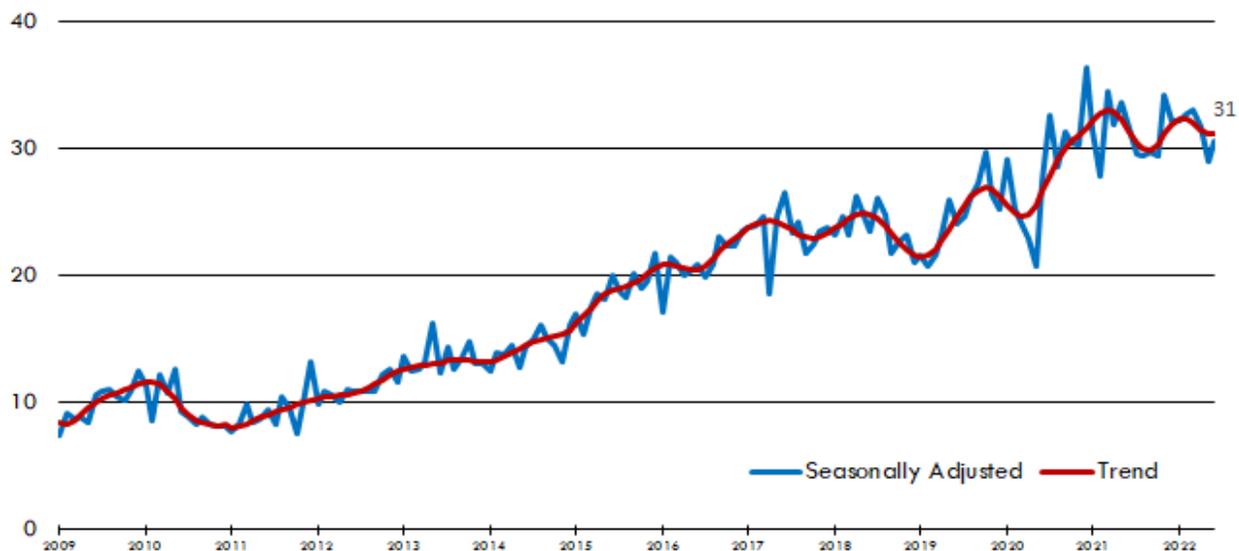


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2019.2	29.3	461.8	835.6	10.4	205.4	473.8	40.2	674.1	1,311.3
2019.3	31.2	500.8	880.1	11.0	233.7	536.2	41.4	728.9	1,421.0
2019.4	32.6	511.9	902.6	14.8	226.0	536.1	46.6	729.4	1,437.5
2020.1	31.4	518.8	927.1	10.7	200.7	470.6	43.6	726.4	1,395.4
2020.2	28.5	449.5	778.7	16.2	200.8	429.2	44.1	658.9	1,210.7
2020.3	37.0	615.7	1,077.0	19.1	202.4	477.7	56.8	806.4	1,558.3
2020.4	38.9	665.8	1,152.7	14.4	194.9	472.0	50.8	845.7	1,604.8
2021.1	37.6	631.1	1,138.6	17.9	242.6	561.1	56.8	884.6	1,696.0
2021.2	38.9	671.4	1,147.1	25.3	234.4	554.5	63.7	920.0	1,714.9
2021.3	35.5	627.1	1,062.5	15.3	266.1	621.9	51.4	878.4	1,683.3
2021.4	38.3	637.4	1,083.5	22.4	267.3	665.3	58.7	893.2	1,749.0
2022.1	39.2	659.9	1,141.0	15.9	278.2	658.3	56.5	953.7	1,793.1
2022.2	36.5	628.5	1,052.7	9.7	307.2	694.0	46.4	949.5	1,756.7
Change from previous quarter	-6.8%	-4.8%	-7.7%	-39.1%	10.4%	5.4%	-18.0%	-0.4%	-2.0%
Change from previous year	-6.07%	-6.39%	-8.23%	-61.75%	31.07%	25.15%	-27.23%	3.21%	2.44%

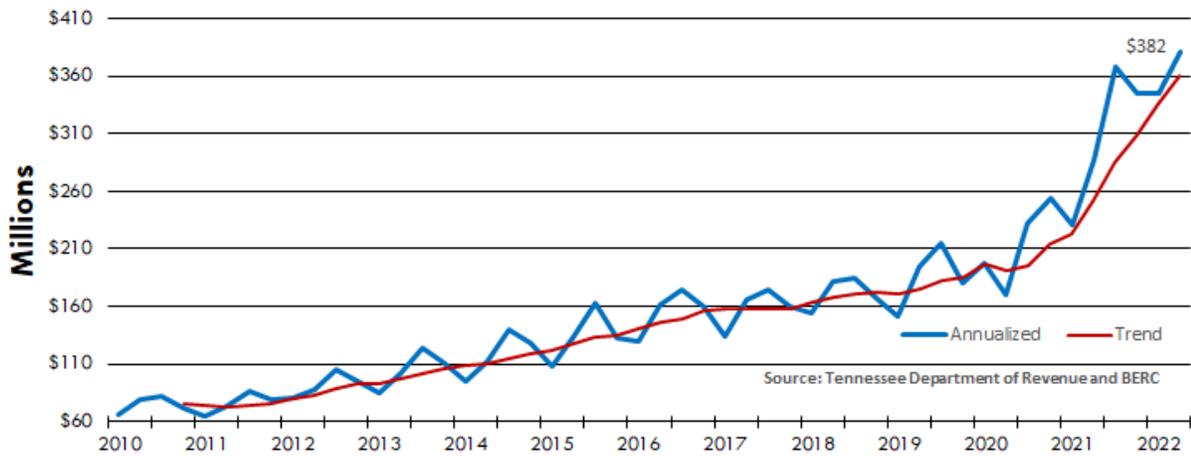
Source: Census Bureau

Real Estate Transactions & Mortgages

Real estate transfer tax collections increased from the first quarter of 2022 (10.74%), and the yearly change was (32.69%). Real estate transfer tax collections averaged roughly 31 million dollars, while annualized collections were approximately 381 million.

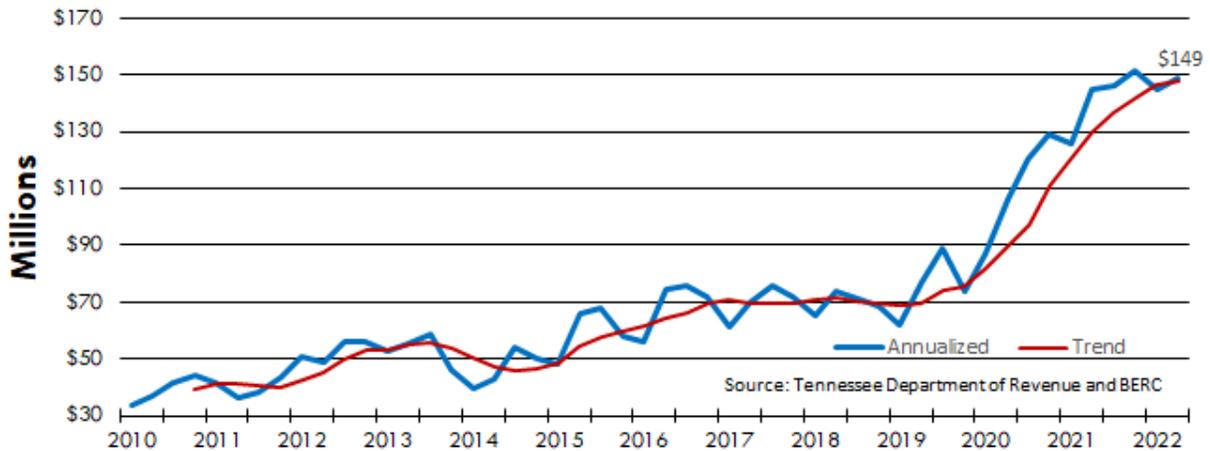
Mortgage tax collections increased from Q1 2022 (2.66%). The yearly change was an increase of 2.8%. The quarterly average for mortgage tax collections was nearly 12.4 million, and the annualized collections were roughly 149 million dollars.

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)



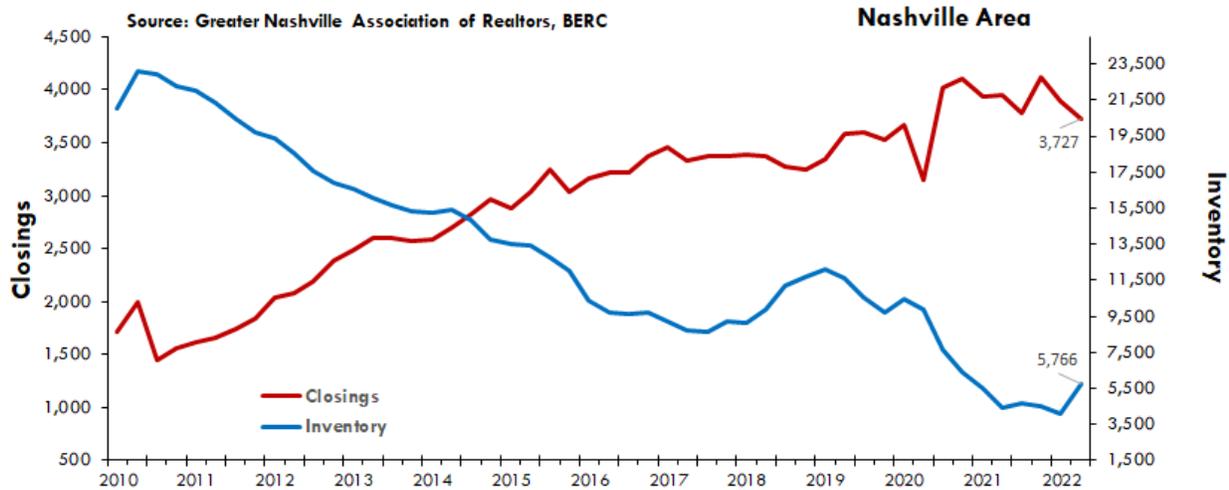
Source: Tennessee Department of Revenue and BEREC

Home Sales

Closings for the Nashville, Knoxville, and Memphis regions were a combination of increases and decreases relative to Q1 2022. The Nashville area saw the most significant decrease of 4.30%, while the Knoxville and Memphis area recorded an increase of 1.68% and 2.87%, respectively, in their closings. Annual changes in closings were most significant for Nashville, with a decrease of 5.64%. Knoxville and Memphis experienced more modest changes, with an increase of 0.39% in the Knoxville region and a reduction of 0.61% in the Memphis region.

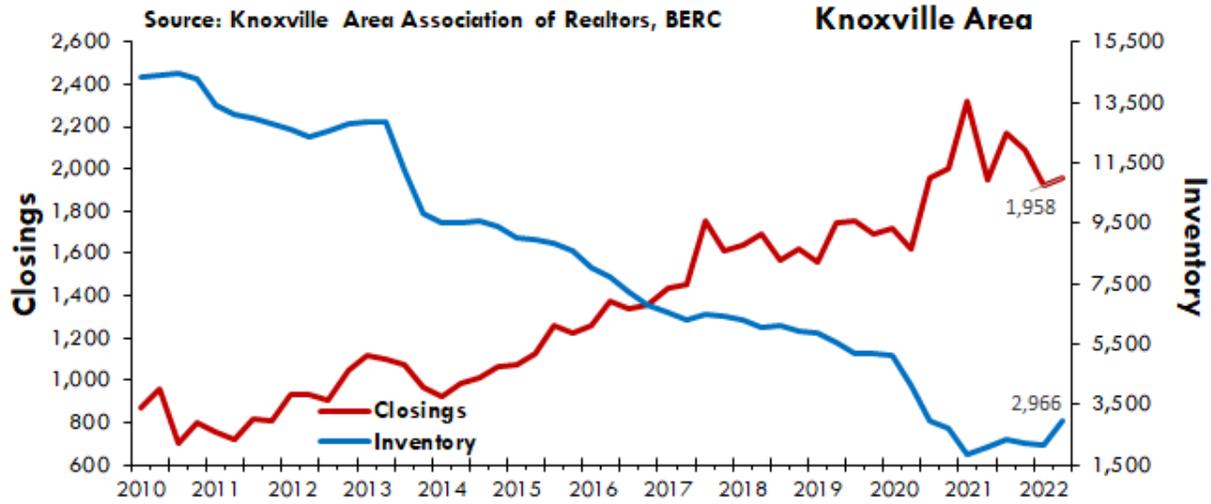
Quarterly changes in inventory among the three regions were all positive. Nashville had the largest expansion of 40.62%, followed by Knoxville with a significant increase of 37.37%, and Memphis with the smallest rise of 3.61%. Annual inventory changes were also positive, with Knoxville experiencing the most significant inventory growth at 39.27%. The Nashville area's inventory increased by 29.08%, while Memphis' inventory increased by 1.64%.

Figure 7.1 Single-family sales and inventory - Nashville Area



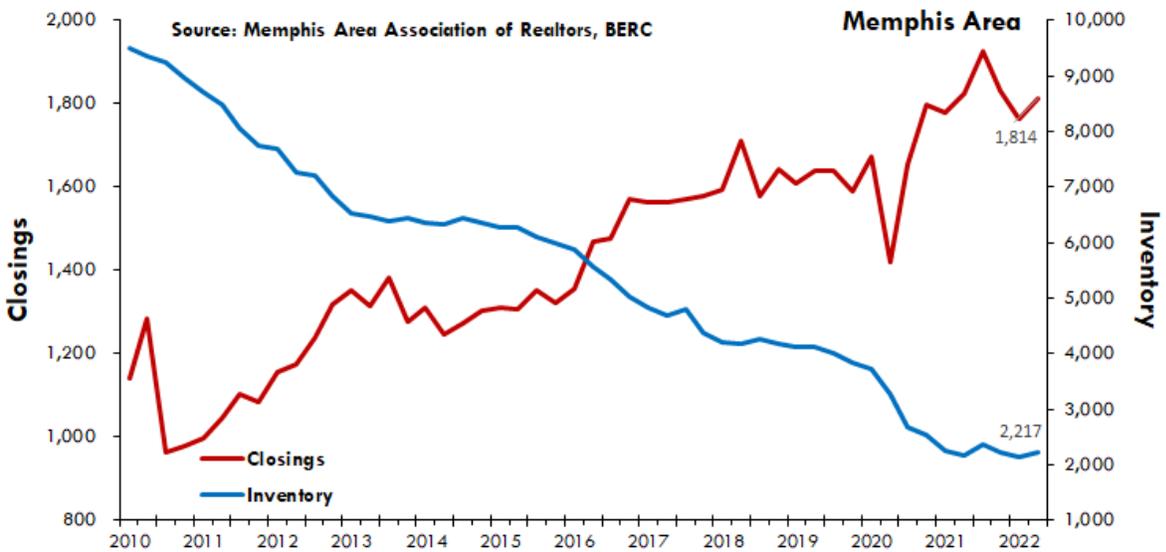
Source: Greater Nashville Association of Realtors, BEREC

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 Q2 2022, the Clarksville MSA saw the most significant increase in home prices from last year of 30.5%, with the Nashville MSA closely behind with an increase of 30.4%. The smallest increases in home prices were recorded in Memphis MSA (20.6%) and Morristown MSA (21.3%).

Tennessee and the United States also continue the trend of rising home prices both quarterly and annually. Tennessee recorded a quarterly increase in home prices of 7.85%, and the United States saw a rise of 6.79%. Annually, increases in home prices were 27.3% in Tennessee and 20.9% in the United States.

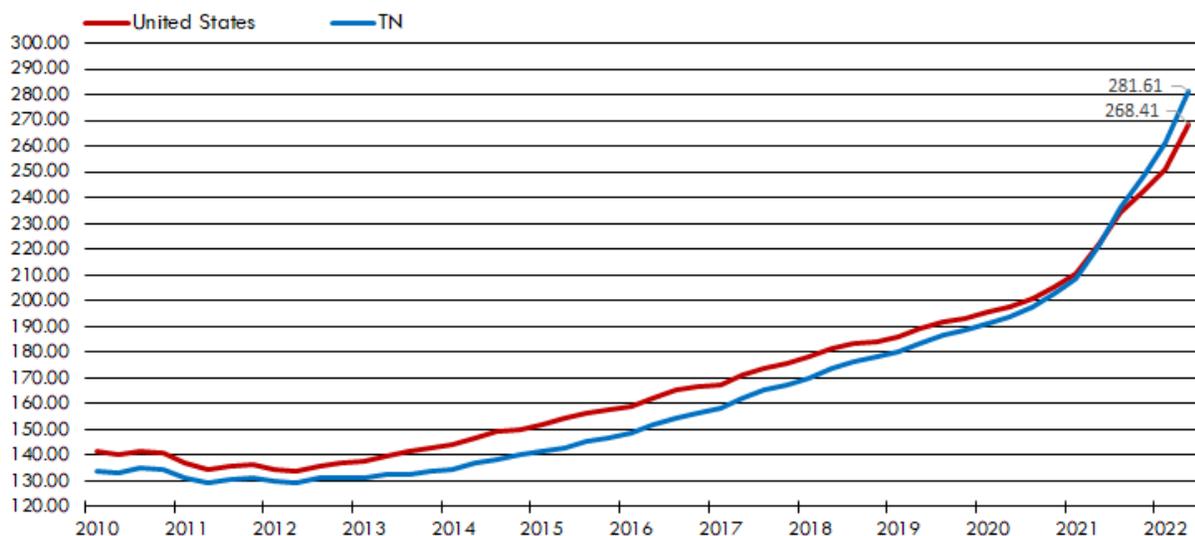
Table 3. Percent change in housing prices year to year

Area	2020.3-2021.3	2020.4-2021.4	2021.1-2022.1	2021.2-2022.2
Chattanooga MSA	19.6%	21.8%	24.7%	24.2%
Clarksville MSA	19.0%	24.2%	26.1%	30.5%
Cleveland MSA	18.5%	21.3%	22.3%	25.6%
Jackson MSA	20.1%	25.0%	28.3%	23.2%
Johnson City MSA	19.4%	19.2%	20.0%	27.4%
Kingsport-Bristol MSA	19.4%	19.2%	20.0%	27.4%
Knoxville MSA	21.6%	23.6%	25.6%	28.8%
Memphis MSA	16.4%	18.8%	20.5%	20.6%
Morristown MSA	19.7%	20.9%	25.4%	21.3%
Nashville MSA	19.5%	23.8%	26.8%	30.4%
Tennessee	19.5%	22.7%	25.3%	27.3%
United States	16.6%	18.0%	25.1%	20.9%

Source: FHFA All Transactions Index.

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



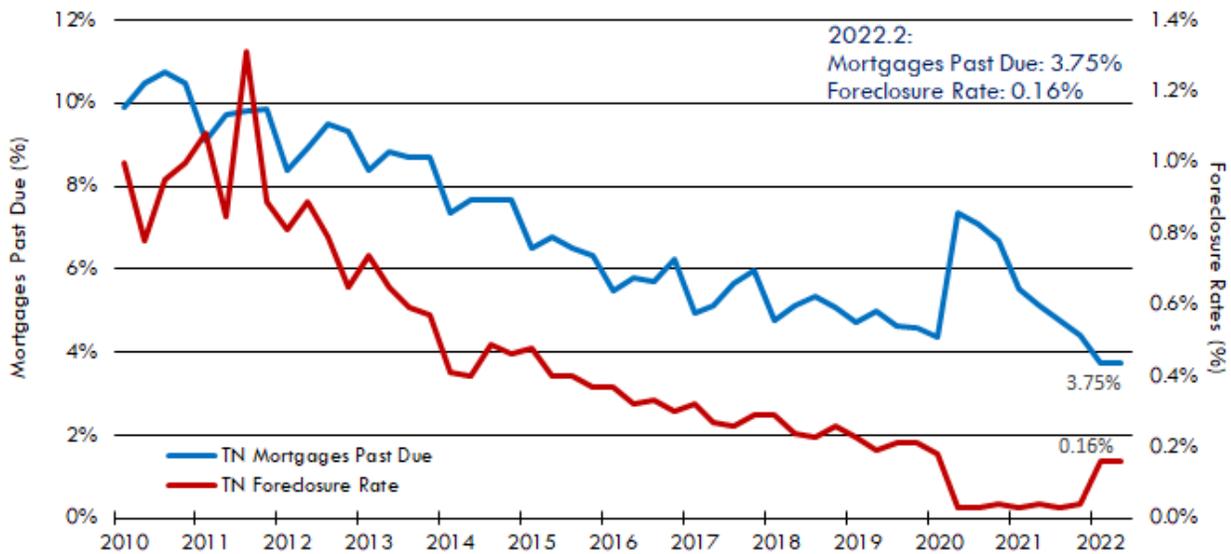
Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies & Foreclosures

In Q2 2022, the United States continues the trend of pre-COVID levels of mortgage delinquencies and foreclosure rates. Tennessee recorded a slight increase in mortgage delinquencies (0.02 percentage points), while foreclosures remained the same over the quarter. The changes in mortgage delinquencies were slightly higher (0.07 percentage points) in the United States. Annual mortgage delinquencies also fell by 1.75 percentage points for the United States and 1.38 percentage points for Tennessee.

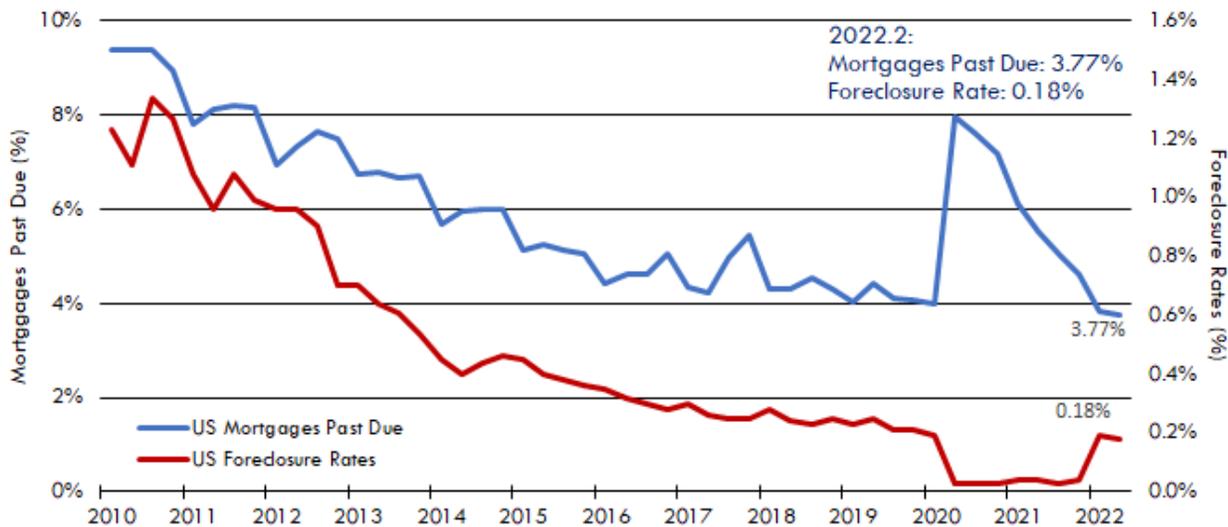
Foreclosure rates have increased annually for the United States (0.14 percentage points) and Tennessee (0.12 percentage points). Quarterly foreclosure rates for Tennessee remain unchanged, while the United States experienced a slight decrease of 0.01 percentage points.

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 second quarter's economic activities suggest robust economic fundamentals. However, a sign of uneasiness emerged in the corners of the housing market as reflected in significant drops in housing permit activities in Tennessee.

It is also important to note that, albeit slight, the annual increase in foreclosure rates suggests an emerging sign of trouble for some homeowners. On the other hand, house price index keeps its upward trend.



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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)