

HOUSING

T E N N E S S E E

2ND Quarter 2019

Tennessee dashboard 2nd quarter 2019

(percent change over the year)

Weekly Unemployment Claims	▼ -9.17	Total Home Permits*	▼ -2.36
Total Nonfarm Employment*	▲ +1.54	Mortgage Tax Collections	▲ -5.02
Unemployment Rate (percentage points)*	▼ -0.17	Real Estate Transfer Tax Collections	▲ -7.10
Homeowner Vacancy Rate (percentage points)	▼ -0.25	Home Prices*	▲ +6.39
Rental Vacancy Rate (percentage points)	▲ +1.10	Mortgages Past Due (percentage points)	▼ -0.12
Single-Family Home Permits*	▼ -0.55	Foreclosure Rate (percentage points)	▼ -0.05

*seasonally adjusted

▲ positive outcome for economy ▼ negative outcome for economy

Economic Overview

Most indicators showed positive growth in the second quarter

Tennessee experienced growth in nine of 12 indicators, according to annual comparisons, for the second quarter of 2019. Most significant were the 9.17% decrease in unemployment claims and the 7.10% increases in real estate transfer tax collections. Regionally, there was an 18.53% increase in Nashville home inventories over the year.

Both mortgage and real estate transfer tax collections showed significant quarterly growth of 25.14% and 28.64%, respectively.

Tennessee's employment indicators all reflect a positive outcome over the year: total employment increased 2.75% and the unemployment rate decreased 0.17 percentage points, though over the quarter the unemployment rate increased 0.07 percentage points.

Further, both labor force and employment have shown continuous growth since the second quarter of 2018. Tennessee's foreclosure rates are at their lowest since our data collection began in 2000.

Figure 1. Tennessee initial claims for unemployment insurance

(quarterly averages of weekly data, seasonally adjusted)

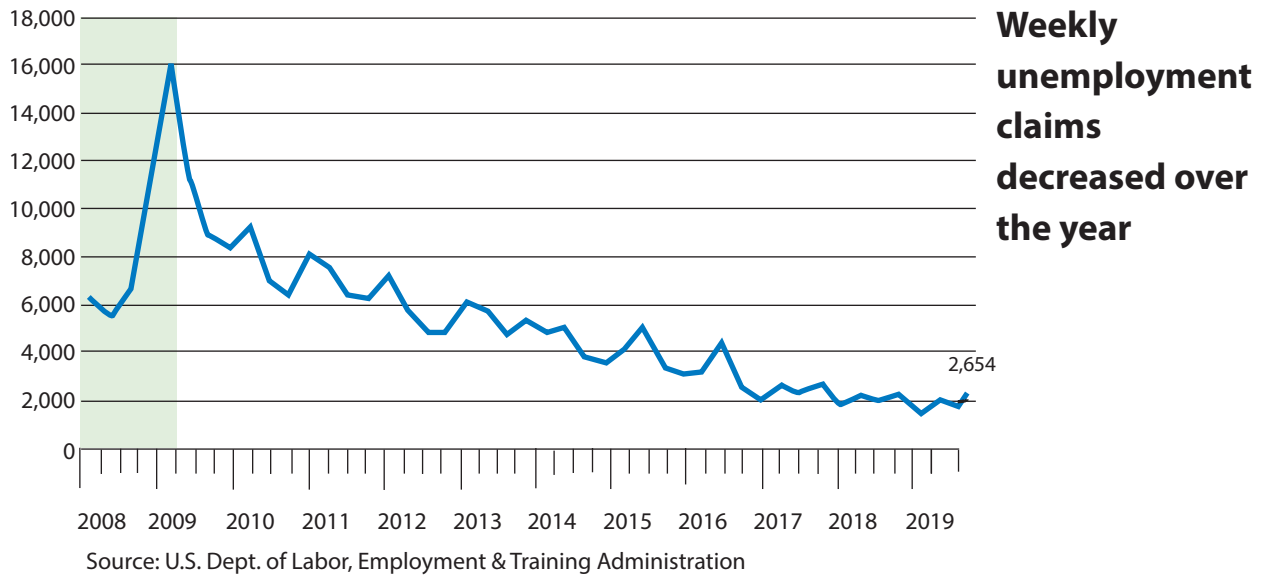


Table 1. Selected Tennessee employment indicators

(thousands, seasonally adjusted)

	2018.2	2018.3	2018.4	2019.1	2019.2
Employment by industry (nonfarm)					
Total nonfarm	3,057	3,073	3,088	3,096	3,104
Goods-producing sectors	476	480	485	487	488
Manufacturing	350	354	355	356	356
Services-providing sectors	2,581	2,592	2,604	2,608	2,632
Labor force	3,238	3,254	3,255	3,276	3,321
Total employment	3,126	3,138	3,140	3,170	3,212
Unemployed	112	116	115	106	109
Unemployment rate	3.47%	3.57%	3.53%	3.23%	3.30%

Source: Bureau of Labor Statistics

Total nonfarm and labor force recorded positive growth over both the quarter and the year

Vacancy Rates

Rental vacancy rates spiked both over the quarter and the year

The homeowner vacancy rate in Tennessee decreased 0.25 percentage points over the year, however the vacancy rate increased by 0.05 percentage points over the quarter. Rental vacancy rates increased both over the quarter (1.50 percentage points) and the year (1.10 percentage points).

For the United States, homeowner vacancy rates fell 0.20 percentage points over the

year and 0.10 percentage points over the quarter. The rental vacancy rate decreased 0.20 percentage points over the quarter, matching the previous year at 6.80%.

Longitudinally, the Tennessee rental vacancy rate is at its highest since the first quarter of 2013.

The U.S. homeowner vacancy rate is at its lowest since 2005.

Figure 2. Homeowner vacancy rate

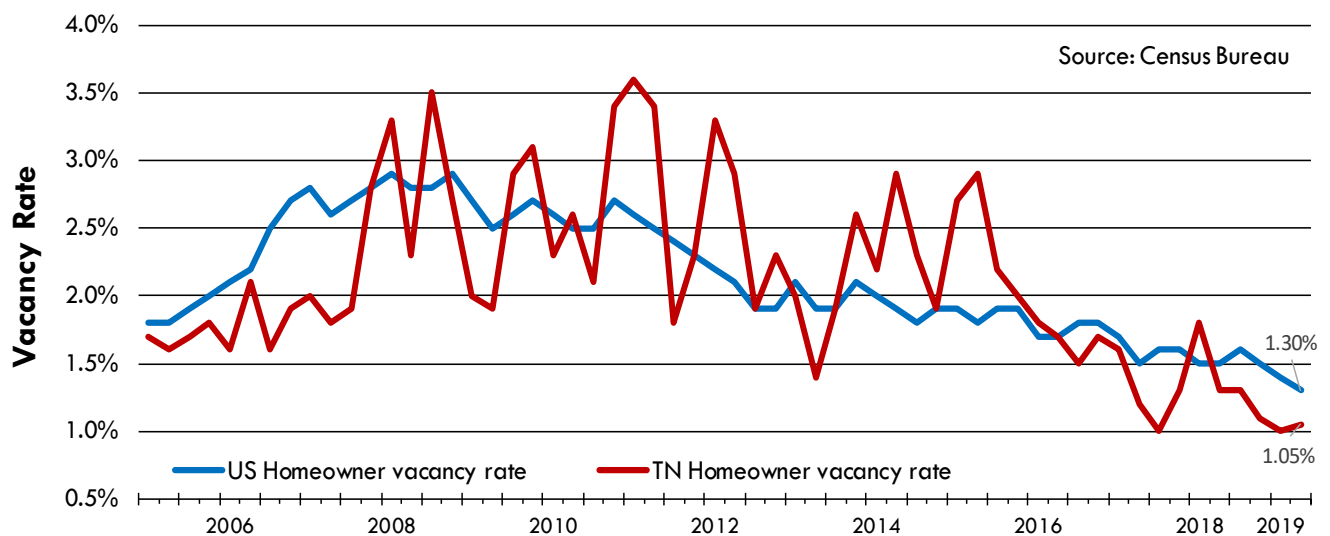
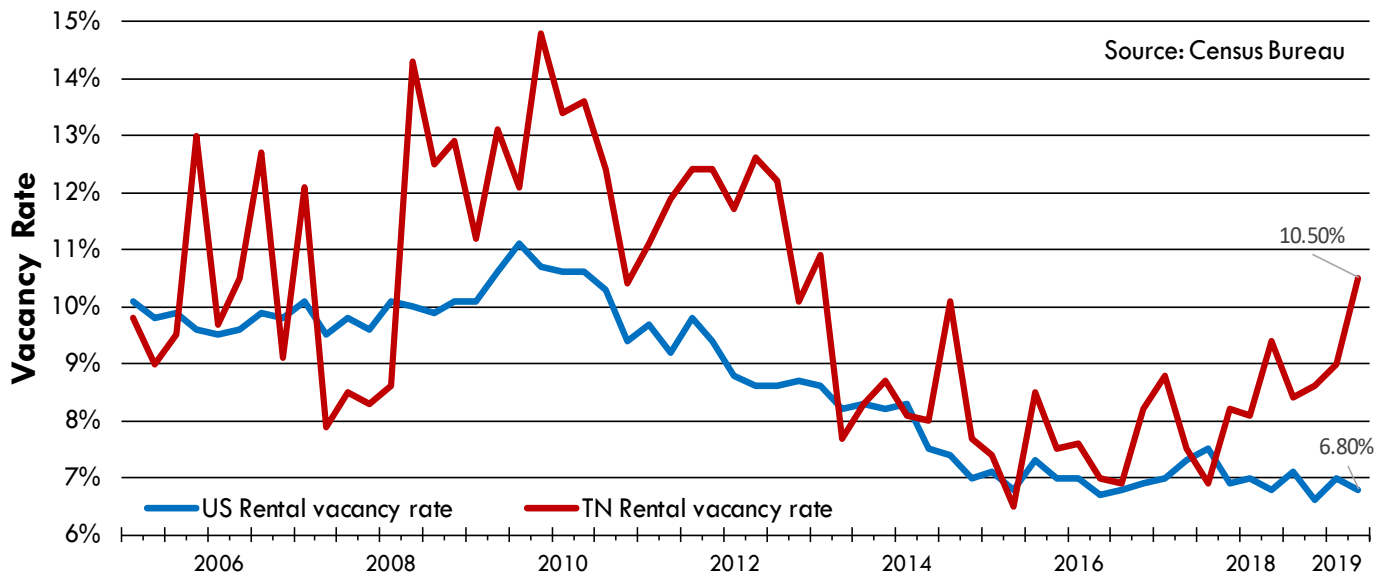


Figure 3. Rental vacancy rate



Housing Construction

All housing construction indicators fell over the year

On a quarterly basis, Tennessee single-family permits increased 7.4%, while multifamily permits recorded a decrease of 7.9%. However, total permits increased 1.9% from the previous quarter.

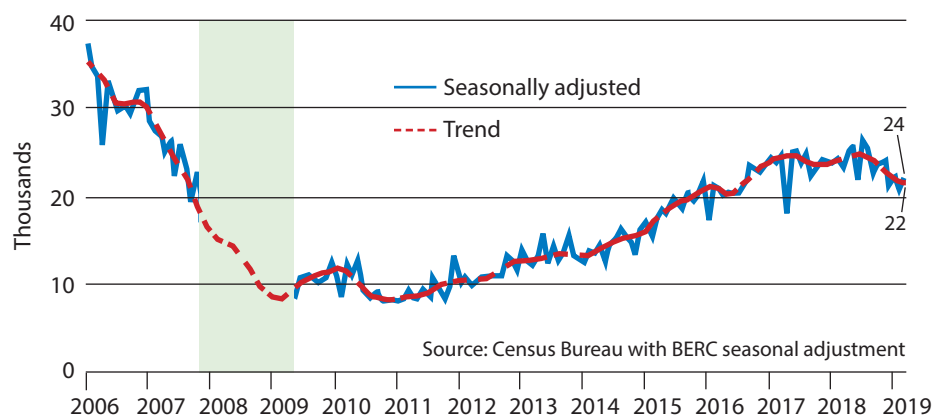
Compared to the previous year, Tennessee’s single-family, multifamily and total permits fell by 0.6%, 6.8% and 2.4%, respectively, suggesting that the

housing market is not as vibrant as the previous year.

Compared to the South and the United States, Tennessee displayed the most significant positive growth in single-family and total permits over the quarter. Tennessee also displayed the most significant negative annual and quarterly growth for multifamily permits.

Figure 4. Tennessee single-family home permits

(thousands, seasonally adjusted annual rate)



Single family permits fell 0.6% over the year

Table 2. Permits issued for privately owned new housing

(thousands, seasonally adjusted annual rate)

Quarter	Single-Family Permits			Multifamily Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2016.2	23.8	395.9	742.1	8.9	175.3	410.0	32.6	574.0	1,144.8
2016.3	25.4	403.9	740.3	8.2	181.4	454.2	33.1	588.8	1,197.1
2016.4	27.8	424.4	778.3	9.9	160.2	429.7	38.3	572.6	1,208.1
2017.1	29.1	445.3	812.3	8.6	167.3	430.7	35.6	623.1	1,241.8
2017.2	27.4	439.5	811.7	11.9	166.0	428.1	39.9	606.3	1,236.0
2017.3	28.0	440.3	818.4	14.1	168.4	439.8	42.7	611.0	1,257.9
2017.4	28.6	459.2	845.6	8.7	166.6	443.7	36.7	611.0	1,292.5
2018.1	29.2	467.1	864.5	5.3	181.5	474.7	35.3	651.4	1,353.7
2018.2	28.6	469.1	866.1	11.2	210.1	457.0	39.8	688.3	1,307.4
2018.3	29.2	467.3	854.0	14.4	194.1	437.6	43.1	665.0	1,289.0
2018.4	27.0	460.4	831.4	11.4	211.4	459.8	37.8	658.2	1,294.5
2019.1	26.5	451.8	809.1	11.4	196.8	480.1	38.1	658.1	1,286.9
2019.2	28.4	453.2	815.1	10.5	213.2	460.7	38.8	666.1	1,279.0
Change from previous quarter	7.4%	0.3%	0.7%	-7.9%	8.4%	-4.0%	1.9%	1.2%	-0.6%
Change from previous year	-0.6%	-3.4%	-5.9%	-6.8%	1.5%	0.8%	-2.4%	-3.2%	-2.2%

Source: Census Bureau

Real Estate Transactions & Mortgages

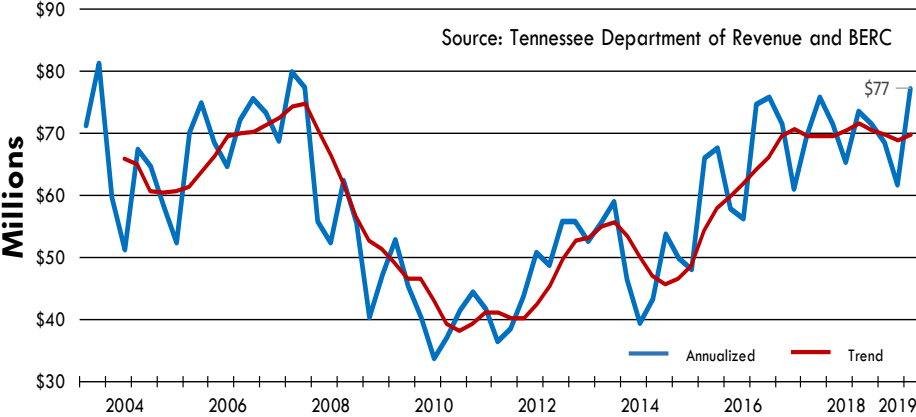
This quarter, Tennessee exhibited a sharp increase in real estate transfer tax collections, with an approximate annual transfer rate of \$195 million. Real estate transfer tax collections increased 28.6% for the quarter and 7.1% over the year, reversing the trend of the previous two quarters.

The average quarterly mortgage tax collection

was \$6.4 million per month, bringing the annual collection rate to approximately \$77 million. This is an increase of 25.14% for the quarter and an increase of 5.02% over the year.

Longitudinally, real estate transfer tax collections are at their highest since 2003, and mortgage tax collections are at their highest since the third quarter of 2007.

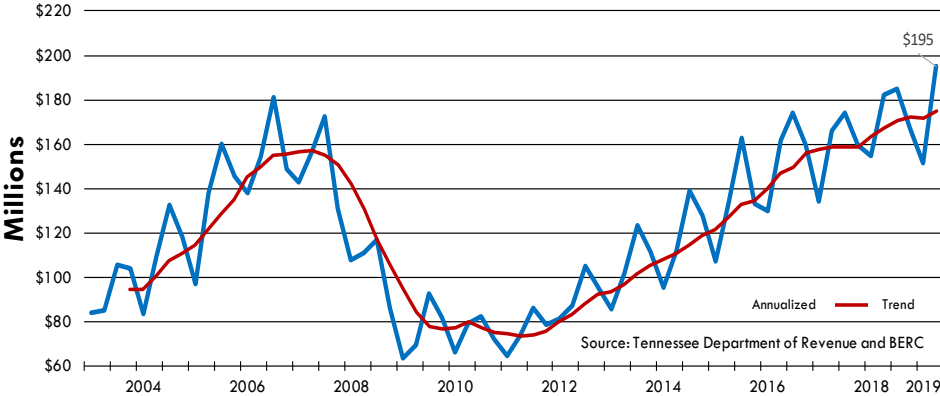
Figure 5. Mortgage tax collections



Mortgage tax collections recorded 25% growth from previous quarter

Figure 6. Real estate transfer tax collections

(millions, seasonally adjusted annual rate)



Real estate transfer tax increased over the year

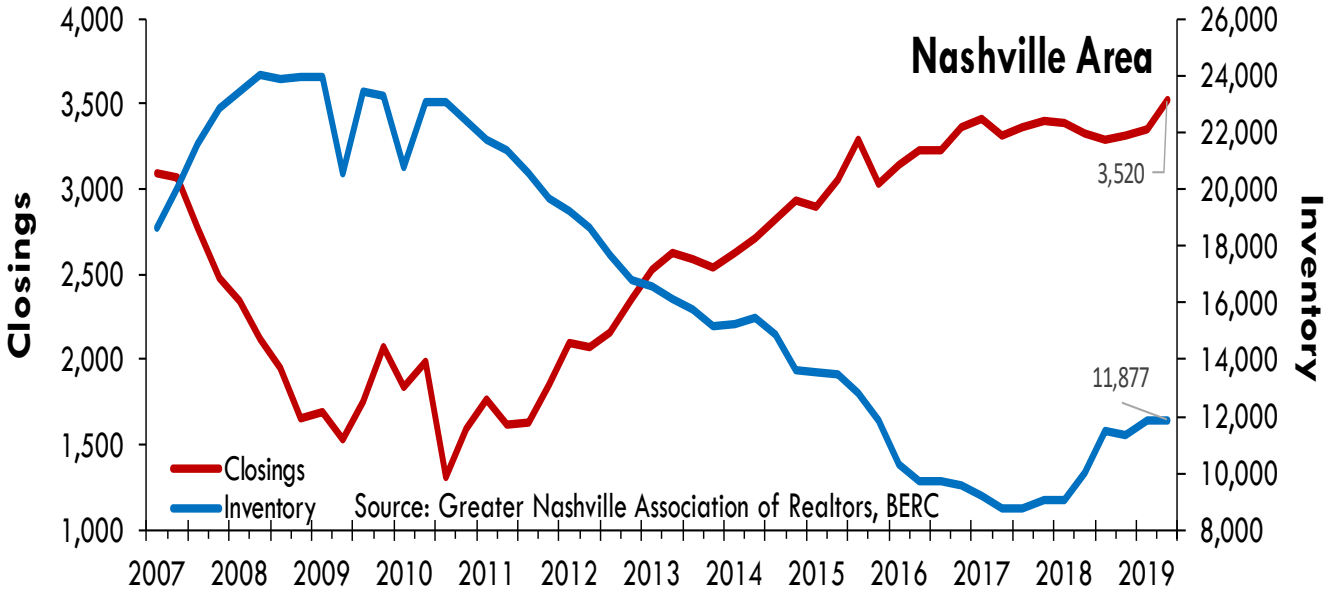
Home Sales

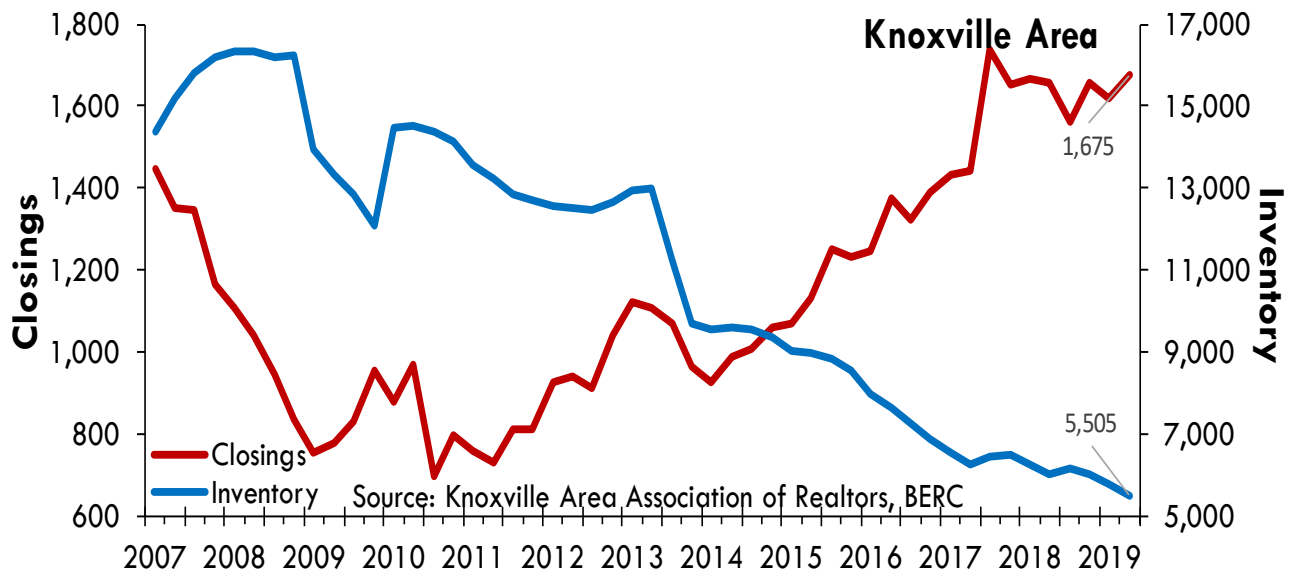
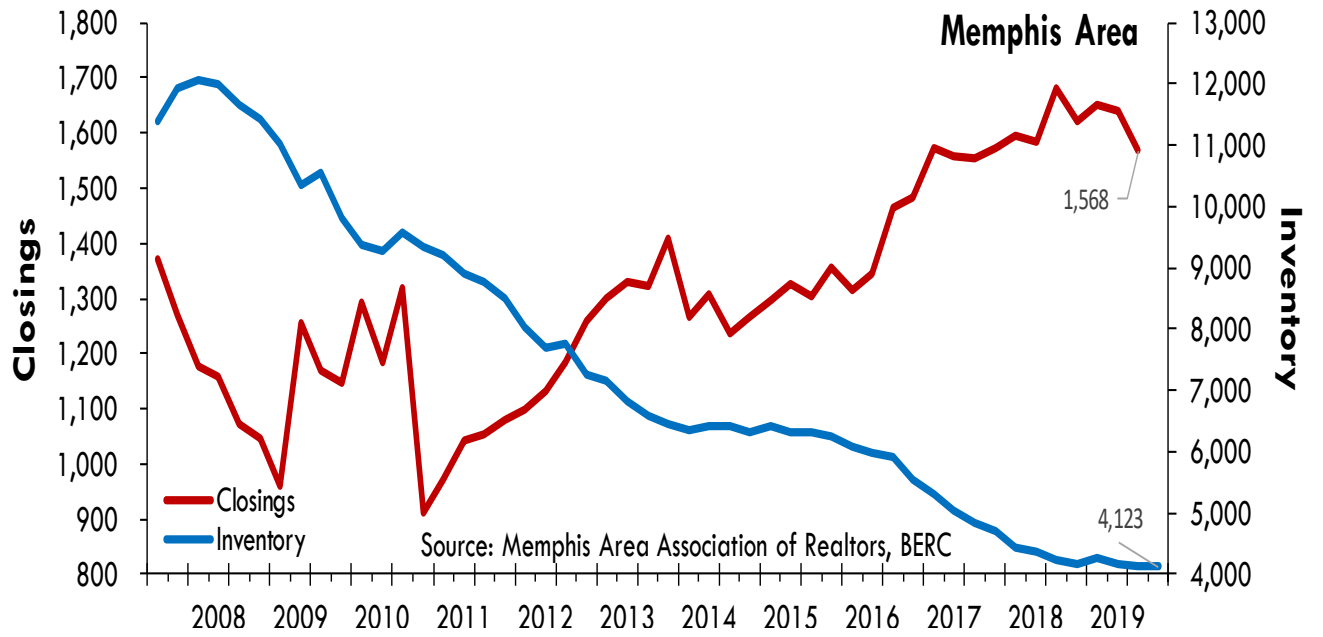
Nashville closings and inventory rose for the quarter

Quarterly data indicate that Nashville and Knoxville areas exhibited growth in closings of 0.32% and 3.37%, respectively. Memphis experienced a 4.30% decrease in closings. Only Nashville showed an increase in inventory for the quarter, approximately 5.16%, while inventories declined 4.78% in Knoxville and 0.06% in Memphis.

Over the year, Nashville inventory rose 18.53%, while inventories fell 8.53% in Knoxville and 1.32% in Memphis. Nashville and Knoxville increased closings over the year by 5.87% and 1.10%, respectively. Memphis closings decreased by 6.68%.

Figure 7. Single-family sales and inventory





Home Prices

Home prices increased across all MSAs

Compared to 2018’s second quarter, housing prices increased across all MSAs, Tennessee and the United States. The most significant increases in housing prices are in the Kingsport-Bristol (9.5%) and Cleveland (8.7%) MSAs. The least significant changes were in the Memphis and Morristown MSAs, increases of 5.3% each.

Tennessee’s annual housing price increased 6.4%, exceeding the U.S. increase of 5.0%.

Further, all of Tennessee’s MSAs exceeded the U.S. housing price increase.

The quarterly growth rate slowed in five of the 10 MSAs, Tennessee and the United States. The most significant decrease was in the Nashville MSA (2.3 percentage points). Four of the 10 MSAs experienced positive growth, most significantly Kingsport-Bristol MSA (7.9 percentage points).

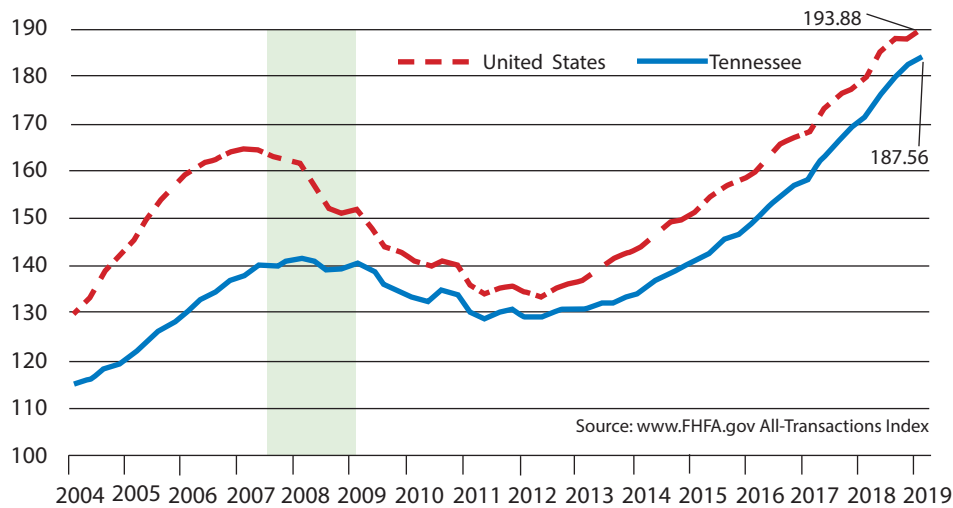
Table 3. Change in housing prices year to year

Area	2017.3–2018.3	2017.4–2018.4	2018.1–2019.1	2018.2–2019.2
Chattanooga MSA	6.2%	6.1%	6.3%	7.0%
Clarksville MSA	10.1%	9.6%	4.4%	6.2%
Cleveland MSA	5.1%	8.6%	3.7%	8.7%
Jackson MSA	6.6%	8.2%	7.5%	7.5%
Johnson City MSA	6.5%	2.4%	3.1%	7.4%
Kingsport-Bristol MSA	4.6%	3.3%	1.6%	9.5%
Knoxville MSA	7.1%	9.3%	7.9%	6.6%
Memphis MSA	6.0%	6.7%	7.0%	5.3%
Morristown MSA	6.0%	6.7%	7.0%	5.3%
Nashville MSA	9.6%	9.1%	8.6%	6.3%
Tennessee	7.7%	7.9%	7.2%	6.4%
United States	6.6%	6.1%	5.6%	5.0%

Source: FHFA All-Transactions Index

The most significant increases in home prices were in Kingsport-Bristol and Cleveland

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



Housing price increase in Tennessee was greater than in U.S.

Mortgage Delinquencies, Foreclosures

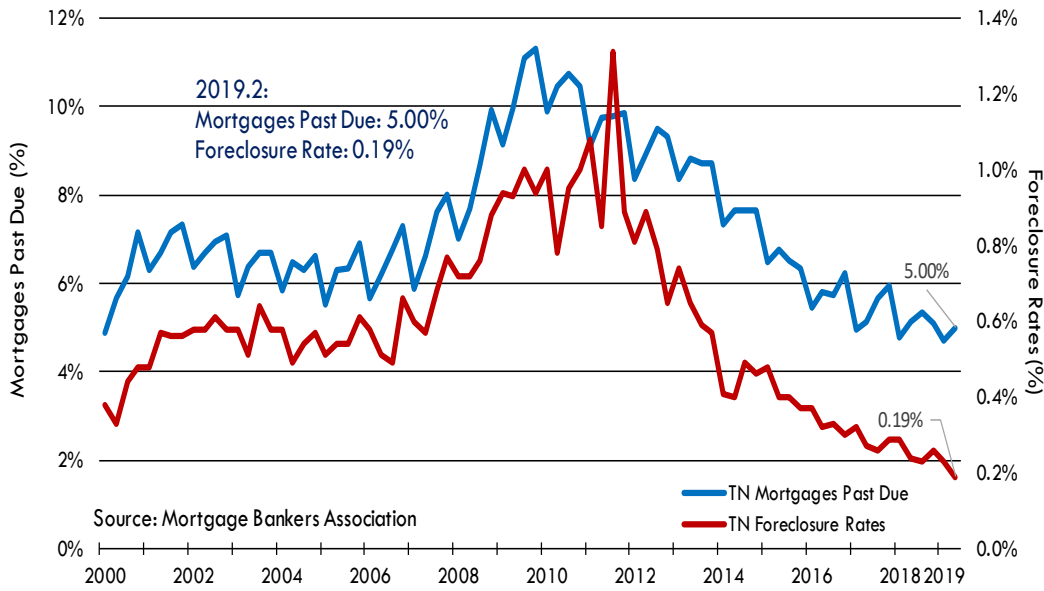
Foreclosure rates are the lowest since 2000

Foreclosure rates in Tennessee are at 0.19%. This is a decrease when compared to the previous quarter and year, in which foreclosure rates were at 0.23% and 0.24%, respectively. Foreclosures in the United States are 0.25%. This is an increase in foreclosures when compared to both the previous quarter and year: increases of 0.02 and 0.01 percentage

points, respectively.

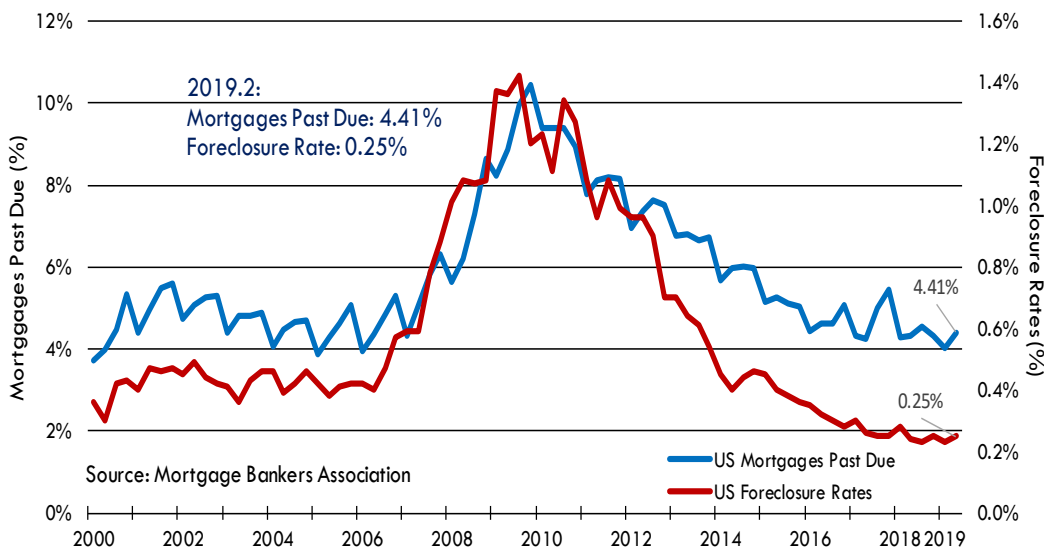
Tennessee's mortgage delinquency is 5.00%, a quarterly increase of 0.29 percentage points but an annual decrease of 0.12 percentage points. The United States' mortgage delinquency is 4.41%, a quarterly increase of 0.37 percentage points and an annual increase of 0.10 percentage points.

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



Foreclosure rates in Tennessee at 0.19% for the second quarter

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



Tennessee delinquency rates are slightly higher than the U.S.

Conclusion

Economic fundamentals are strong in the second quarter; however, construction indicators not as strong as past year.

Tennessee's housing report for the second quarter of 2019 shows promising signals for the economy. Various economic indicators show a strong upward trend. Real estate transfer tax collections are at their highest since our data collection began, equating to approximately \$195 million.

Further, Tennessee's total employment and labor force has shown continuous growth since the second quarter of 2018.

However, there are still negative outcomes for the economy. The housing market is not as vibrant in comparison to last year. Further, Tennessee's rental vacancy rate is at its highest since the first quarter of 2013.



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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)