

# HOUSING

## T E N N E S S E E

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JUNE 2020

### TENNESSEE DASHBOARD 1ST QUARTER 2020 (percent change over the year)

Weekly Unemployment Claims	▲	+381.60	Total Home Permits*	▲	+14.80
Total Nonfarm Employment*	▲	+1.48	Mortgage Tax Collections	▲	+41.13
Unemployment Rate (percentage points)*	▼	-0.10	Real Estate Transfer Tax Collections	▲	+30.00
Homeowner Vacancy Rate (percentage points)	▲	+0.10	Home Prices*	▲	+6.30
Rental Vacancy Rate (percentage points)	▼	-1.60	Mortgages Past Due (percentage points)	▼	-0.36
Single-Family Home Permits*	▲	+24.68	Foreclosure Rate (percentage points)	▼	-0.05

\*seasonally adjusted    ▲ positive outcome for economy    ▼ negative outcome for economy

## Economic Overview

### Tennessee's Q1 2020 indicators mostly positive at onset of COVID-19 pandemic impact

The recent COVID-19 pandemic has placed Tennessee and the rest of the United States into unprecedented territory. BERC is expecting to get a better picture of pandemic's impact in the next quarterly housing report, as measures taken to curtail the virus began in mid-March. Not all indicators were able to capture the impact of the COVID-19 in this quarter's report. This report represents the calm before the storm. Figuratively speaking, the only cloud in the sky in this quarter is the unemployment insurance claims.

Tennessee shows promising results for eight of the ten economic indicators. The most significant positive outcomes were Tennessee's mortgage and real estate

transfer tax collections, which increased 41.13% and 30% over the year, respectively. Further, single-family housing permits have increased by 24.68% over the year. This was the third consecutive report with annual increases in single-family housing permits.

However, some indicators started showing the impact of COVID-19. For example, there was a staggering increase in initial claims for unemployment insurance. This quarterly average increased 381.6% over the year, and 339% over the quarter. Claims this significant have not been seen since the Great Recession period. Significant increases began in the third week of March, reflecting the concern regarding the COVID-19 outbreak

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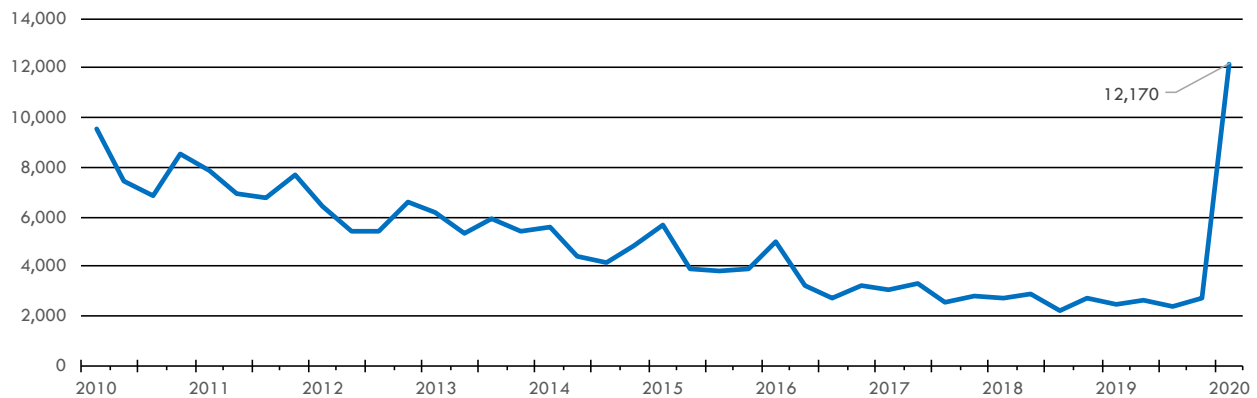
and economic consequences of the subsequent response. Peak claims came during the last week of March, with 92,500 initial claims filed. Further, Tennessee's homeowner vacancy rate increased by 0.10 percentage points.

While the real impact of COVID-19 on Tennessee's workforce is currently being realized, employment indicators showed positive outcomes for Tennessee's employment sector for the first quarter of 2020. Total

nonfarm employment increased for both the quarter and the year, increases of 0.38% and 1.48%, respectively. Services-providing sectors increased by 1.83% for the year and 0.45% for the quarter. However, there are some negative outcomes revealed. Tennessee's unemployed increased by 0.89% for the quarter. Further, both the goods-producing and manufacturing sectors are not as vibrant as they were last year, though they remain healthy.

**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)

	2019.1	2019.2	2019.3	2019.4	2020.1
<b>Employment by Industry (Nonfarm)</b>					
<b>Total Nonfarm</b>	3,107	3,115	3,128	3,141	3,153
<b>Goods-Producing Sectors</b>	489	490	491	487	487
<b>Manufacturing</b>	355	356	356	353	354
<b>Services-Providing Sectors</b>	2,618	2,625	2,637	2,654	2,666
<b>Labor Force</b>	3,317	3,335	3,355	3,367	3,364
<b>Total Employment</b>	3,203	3,220	3,242	3,256	3,251
<b>Unemployed</b>	114	115	113	112	113
<b>Unemployment Rate</b>	3.43%	3.50%	3.40%	3.33%	3.33%

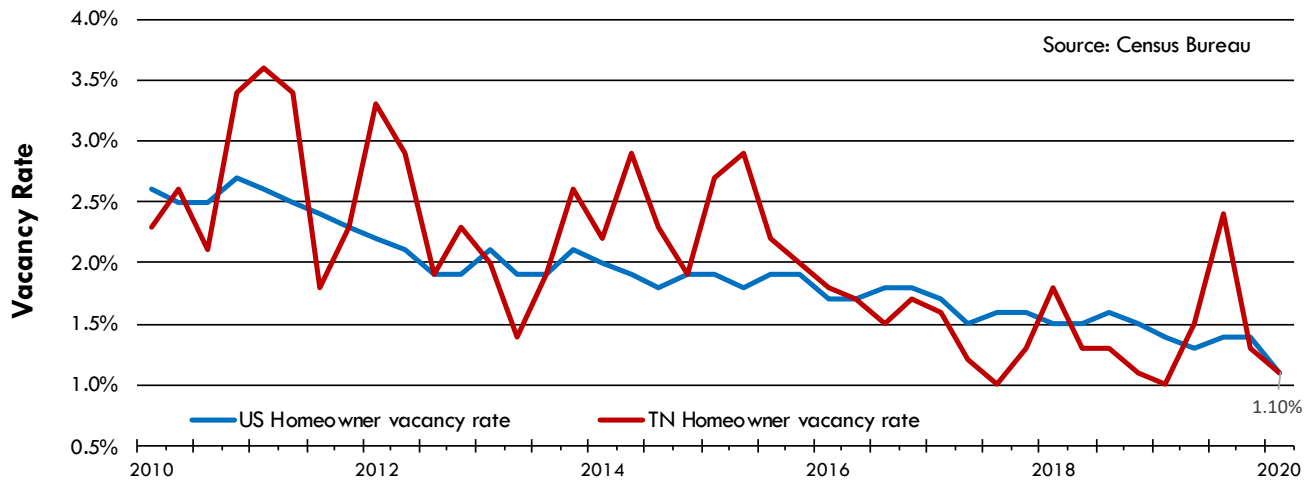
Source: Bureau of Labor Statistics

# Vacancy Rate

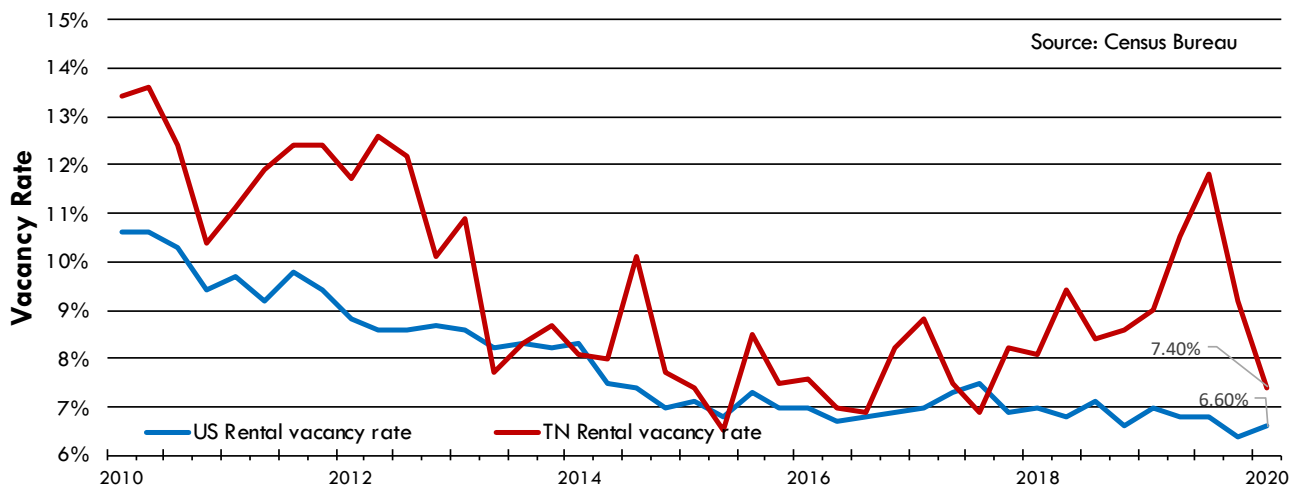
Tennessee's homeowner vacancy rate (1.10%) increased by 0.10 percentage points over the year but decreased by 0.20 percentage points for the quarter. Rental vacancy rate in Tennessee (7.40%) fell for both the quarter and the year, 1.80 percentage points, and 1.60 percentage points, respectively. This is considerably lower than the 3rd Quarter of 2019, where the rental vacancy rate in Tennessee were 11.80%.

The homeowner vacancy rate in the United States (1.10%) decreased by 0.30 percentage points when compared to both the previous quarter and year. The rental vacancy rate in the United States decreased by 0.40 percentage points when compared to last year. However, it showed a slight increase, 0.20 percentage points, when compared to the previous quarter.

**Figure 2. Homeowner vacancy rate**



**Figure 3. Rental vacancy rate**



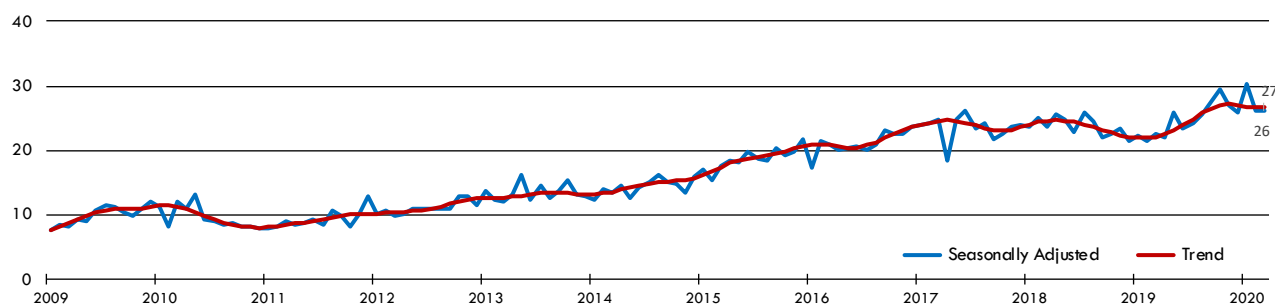
# Housing Construction

Compared to the previous quarter, Tennessee experienced negative growth in single-family, multi-family, and total permits: -0.1%, -29.9%, and -4.1%, respectively. However, when compared to the previous year, only multi-family permits in Tennessee decreased (-9.7%), while single-family and total permits increased considerably: increases of 24.68% and 14.8%, respectively.

When compared to the United States and the South, Tennessee experienced the greatest variations, positive or negative, for each permit type annually and quarterly. Of these variations, the most significant negative change was in multi-family permits, over the quarter. The most considerable positive change was in single-family permits, over the year.

**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)

Quarter	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2017.1	29.2	455.6	826.3	8.5	171.7	435.6	37.9	628.7	1,260.6
2017.2	27.8	437.3	805.0	11.5	164.3	433.1	39.6	599.9	1,235.9
2017.3	27.7	435.0	807.3	14.3	165.8	434.4	41.5	603.6	1,250.0
2017.4	28.1	451.7	845.5	8.1	162.4	431.7	35.7	611.0	1,267.7
2018.1	28.9	470.4	874.5	5.4	187.4	483.7	35.0	658.9	1,352.6
2018.2	29.4	472.6	864.5	11.0	210.9	460.1	41.1	676.5	1,325.4
2018.3	28.8	462.2	841.3	14.6	191.5	431.2	42.8	657.3	1,279.3
2018.4	26.9	460.1	835.8	10.4	211.0	455.9	36.8	674.9	1,291.2
2019.1	26.4	454.3	803.4	11.7	202.4	480.2	39.1	657.8	1,279.6
2019.2	28.7	450.7	818.7	9.7	214.6	465.9	39.0	656.3	1,283.9
2019.3	30.8	495.3	871.0	10.9	232.5	532.2	41.1	731.4	1,404.3
2019.4	33.0	519.2	918.2	15.1	213.7	527.4	46.8	731.6	1,443.7
2020.1	32.9	537.5	956.8	10.6	204.3	494.8	44.9	745.5	1,454.4
<b>Change from previous quarter</b>	-0.1%	3.5%	4.2%	-29.9%	-4.4%	-6.2%	-4.1%	1.9%	0.7%
<b>Change from previous year</b>	24.68%	18.3%	19.1%	-9.7%	0.9%	3.1%	14.8%	13.3%	13.7%

Source: Census Bureau

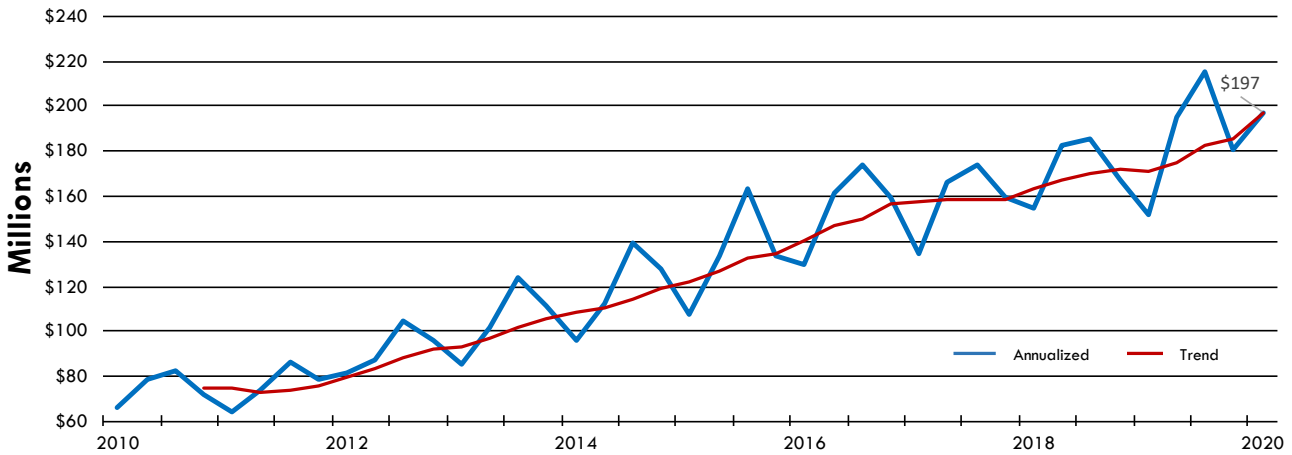
# Real Estate Transactions & Mortgages

Real estate transfer tax collections increased by 9.12% over the quarter and 30.00% over the year in Tennessee. Collections averaged \$16.4 million, and annualized collections came to \$197 million.

Mortgage tax collections have increased at higher rates both over the quarter and year, at 17.87% and 41.13% consecutively. These collections averaged \$7.3 million, with annualized collections being \$87 million.

**Figure 5. Real estate transfer tax collections**

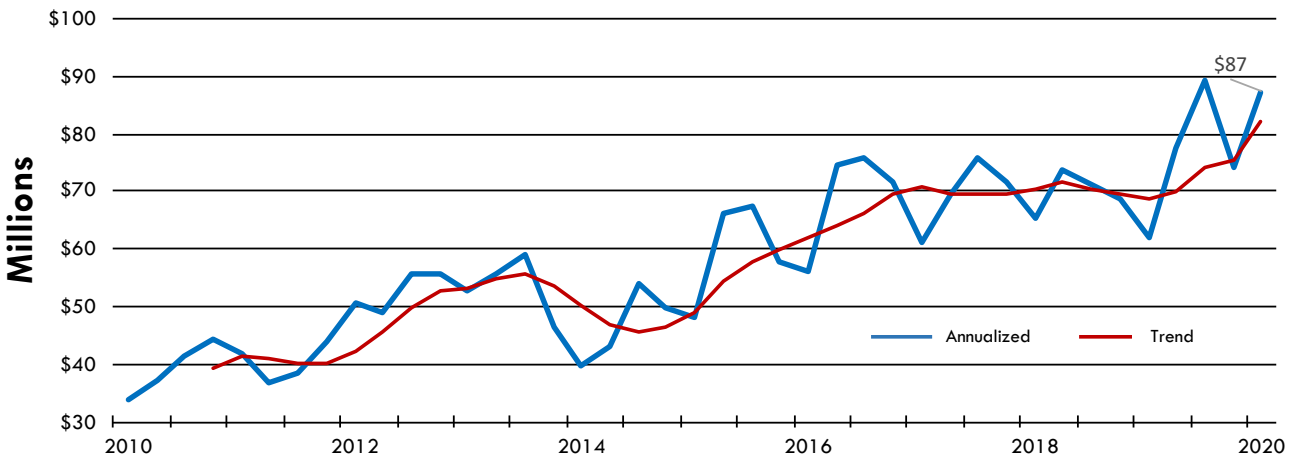
(millions, seasonally adjusted annual rate)



Source: Tennessee Department of Revenue and BEREC

**Figure 6. Mortgage tax collections**

(millions, seasonally adjusted annual rate)



Source: Tennessee Department of Revenue and BEREC

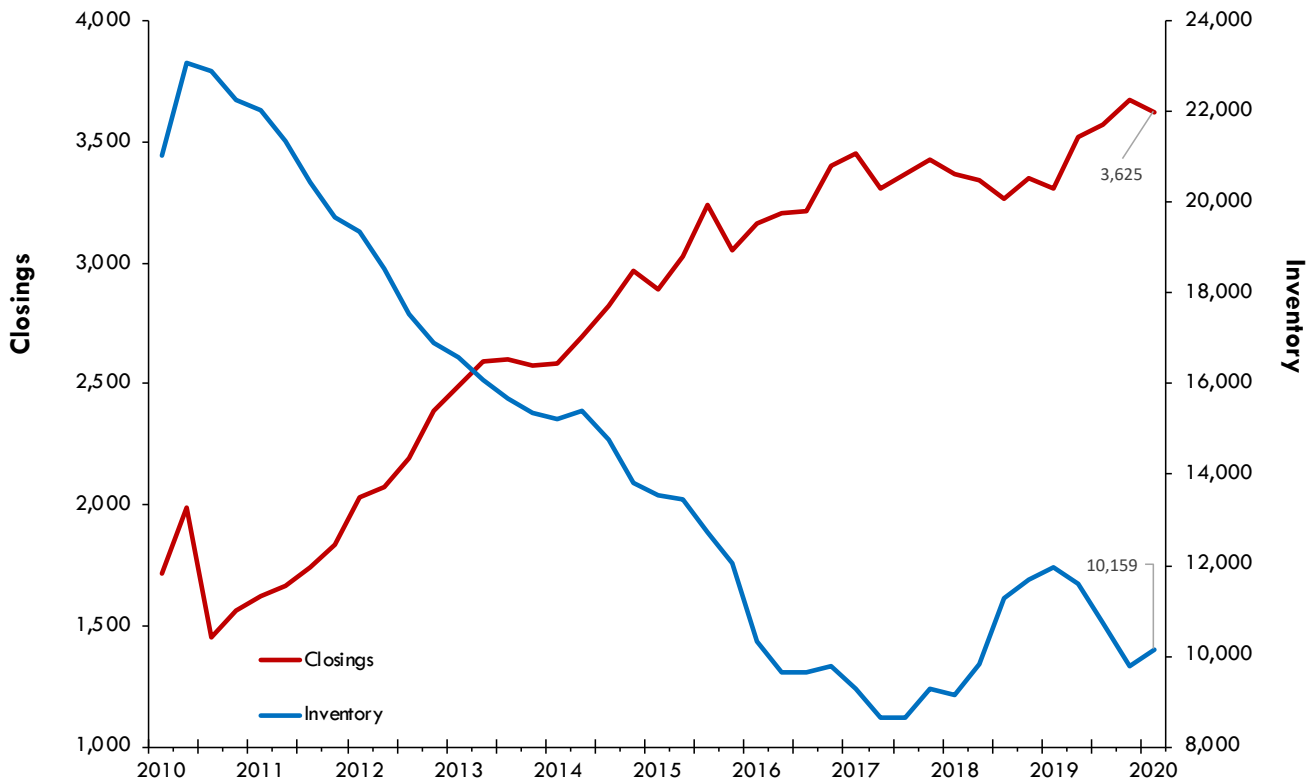
# Home Sales

Quarterly data indicate that Nashville experienced negative growth in closings, as there was a 1.41% decrease over the quarter. However, both Knoxville and Memphis experienced positive growth in closings over the quarter: Knoxville closings increased by 2.89%, and Memphis increased by 3.46%. Conversely, Nashville experienced an increase of 3.92% in inventory over the quarter, while Knoxville and Memphis experienced

decreases, of 5.93% and 3.85%, respectively.

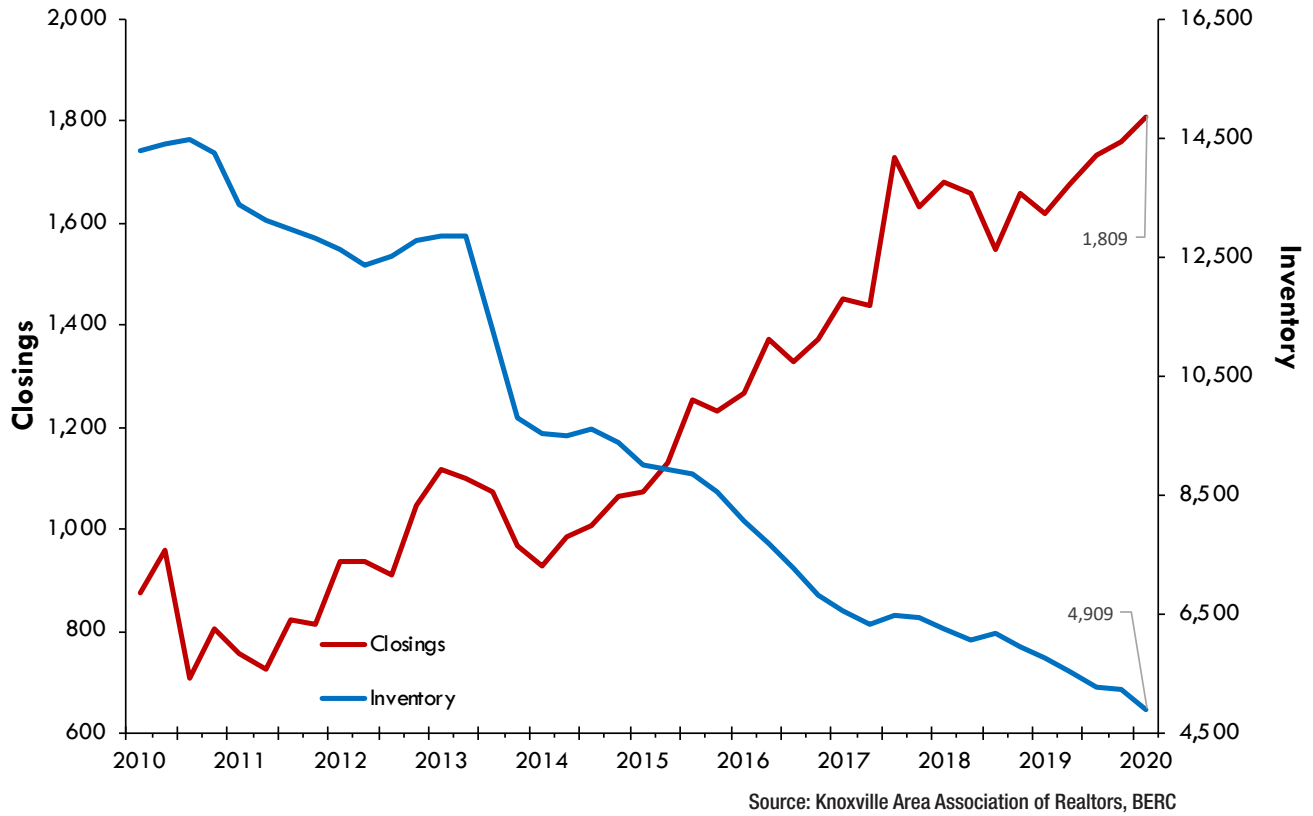
Nashville, Knoxville, and Memphis each experienced increases in closings for the year: 9.67%, 11.77%, and 3.72%, respectively. Over the year, all three areas have continued to experience decreases in inventory: Nashville inventories declined 14.96%, Knoxville declined 15.01%, and Memphis declined 10.09%.

**Figure 7.1 Single-family sales and inventory - Nashville Area**

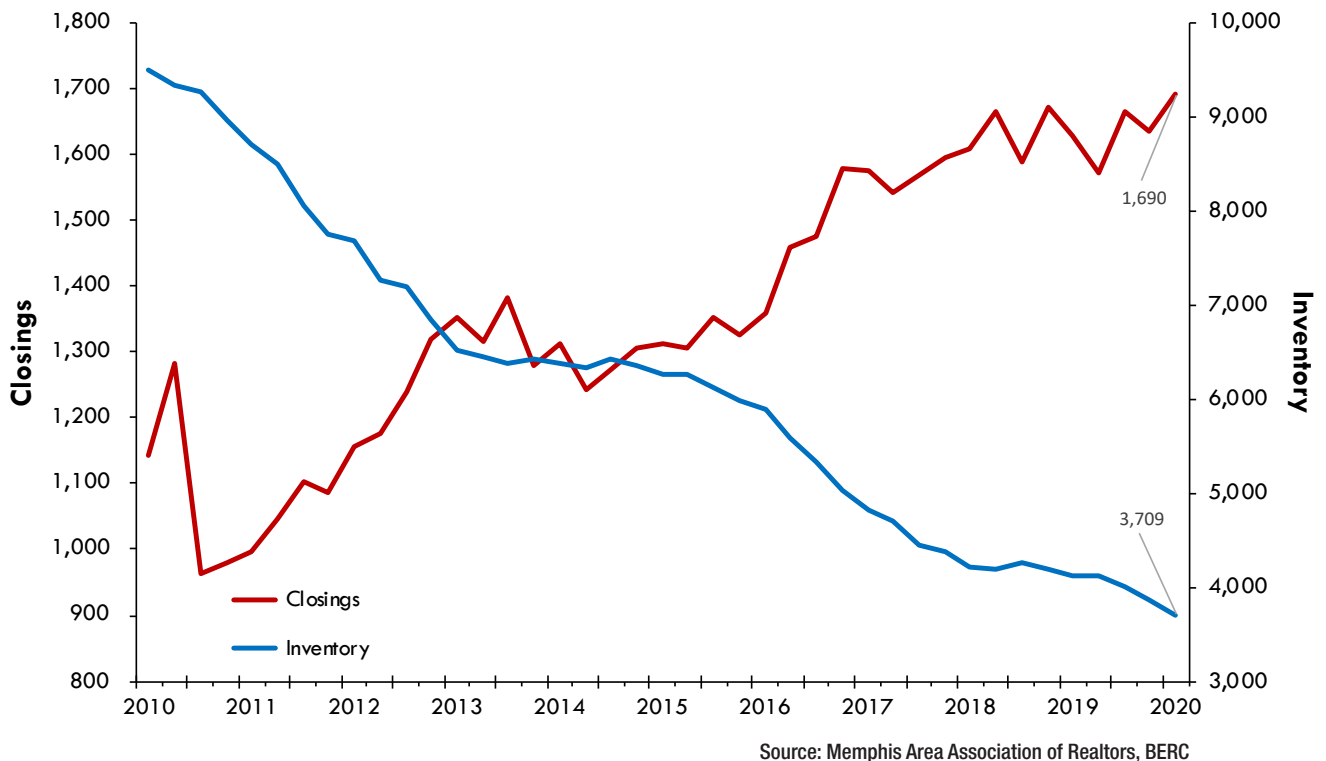


Source: Greater Nashville Association of Realtors, BEREC

**Figure 7.2 Single-family sales and inventory - Knoxville Area**



**Figure 7.3 Single-family sales and inventory - Memphis Area**



# Home Prices

Compared to the first quarter of 2019, housing prices increased across all MSAs, Tennessee, and the United States. The most significant increases were in Clarksville (9.4%) and Morristown (8.8%). The least significant of these increases was in the Kingsport-Bristol MSA (4.0%). All but one MSA's annual change in housing prices exceeded the United States (5.0%).

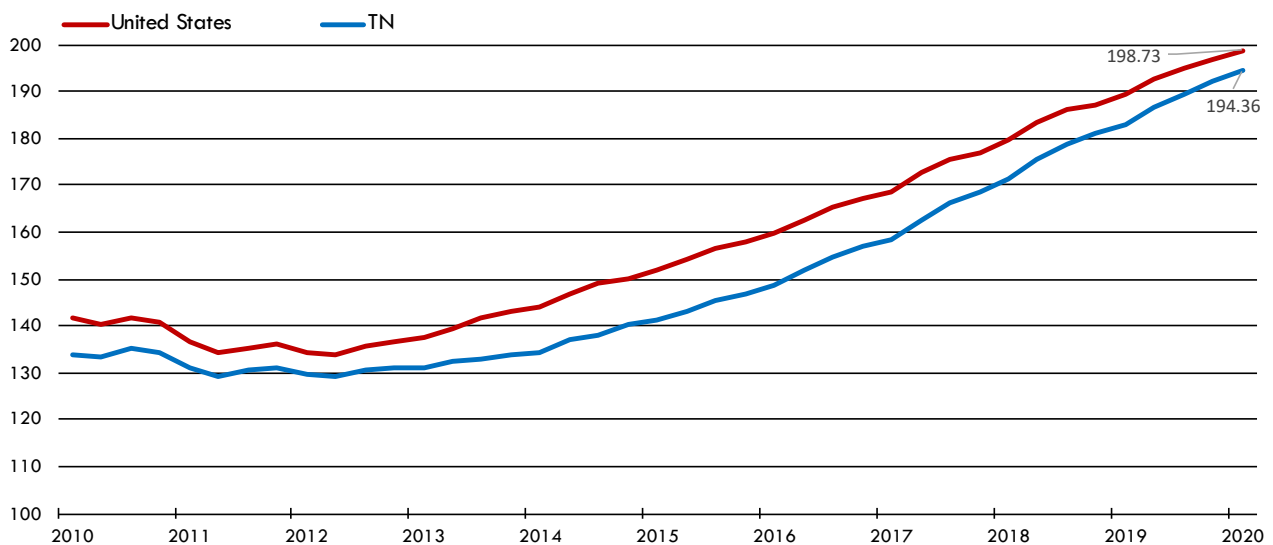
Compared to the previous quarter, the growth rate slowed in three of the 10 MSAs and the United States. Of these, Kingsport-Bristol MSA was the most significant, decreasing 3.3 percentage points. However, there was promising growth in Jackson MSA (4.0 percentage points), which had the lowest annual percentage change in the fourth quarter of 2019.

**Table 3. Change in housing prices year to year**

Area	2018.2-2019.2	2018.3-2019.3	2018.4-2019.4	2019.1-2020.1
Chattanooga MSA	5.7%	6.2%	6.8%	7.0%
Clarksville MSA	5.2%	6.1%	3.6%	9.4%
Cleveland MSA	9.3%	6.5%	5.3%	6.3%
Jackson MSA	7.2%	4.1%	2.7%	6.7%
Johnson City MSA	7.7%	3.4%	7.6%	5.3%
Kingsport-Bristol MSA	8.7%	5.7%	7.4%	4.0%
Knoxville MSA	6.2%	6.5%	6.2%	6.7%
Memphis MSA	5.4%	6.7%	6.3%	7.2%
Morristown MSA	5.3%	8.1%	9.6%	8.8%
Nashville MSA	6.1%	5.6%	5.5%	5.6%
Tennessee	6.2%	6.0%	6.1%	6.3%
United States	5.0%	4.8%	5.2%	5.0%

Source: FHFA All Transactions Index

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



Source: www.FHFA.gov All Transactions Index

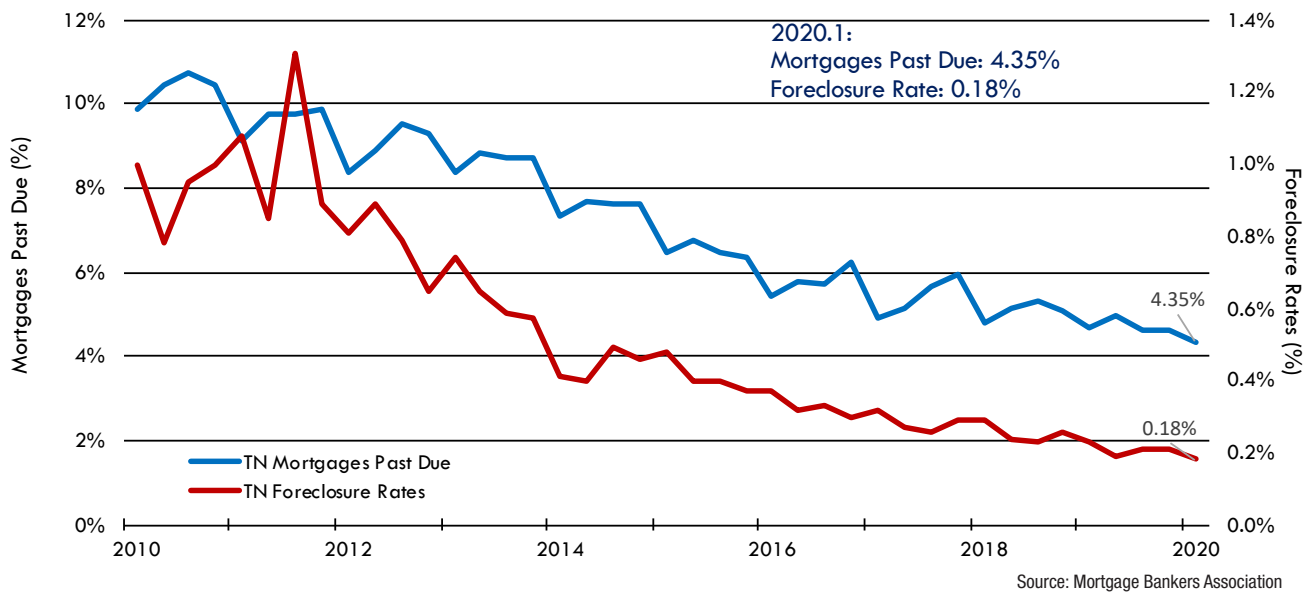


# Mortgage Delinquencies & Foreclosures

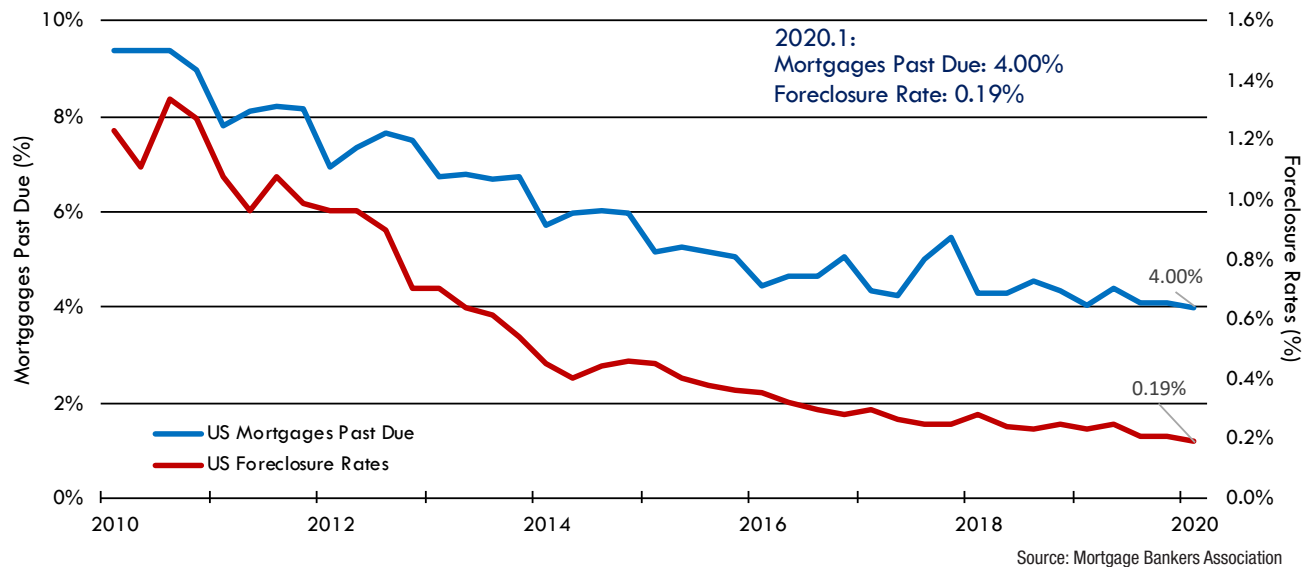
Foreclosure rates in Tennessee decreased 0.18% for this quarter, a 0.03 percentage point decrease from the fourth quarter of 2019. Foreclosure rates in the United States rose 0.01 percentage point higher than Tennessee, at 0.19%. However, this was 0.02 percentage points less than the fourth quarter of 2019.

Tennessee's mortgage delinquency rate is 4.35%. Compared to the last quarter of 2019, this was a 0.25 percentage point decrease and a 0.36 percentage point decrease when compared to the previous year. The United States' mortgage delinquency rate is 4.00%, which is 0.07 percentage points less than the last quarter.

**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

## Indicators show strong Q1 2020 performance in Tennessee ahead of full COVID-19 impact

While the full COVID-19 impact remains uncertain, Tennessee did experience a strong first quarter of 2020. Tennessee’s mortgage and real estate tax collections grew exponentially. Mortgage tax collections had not grown at this level since the 2nd quarter of 2015, while real estate tax collections in 2020 Q1 were at the highest growth level since BERC began quarterly reporting. Further, single-family permits saw

considerable annual growth for the third consecutive quarter.

However, the COVID-19 impact on initial unemployment insurance claims must be underscored. A 381.6% increase is unprecedented. Tennessee also experienced more significant negative growth for multi-family permits, both annually and quarterly, than either the United States or the South.



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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)