

HOUSING

T E N N E S S E E

4th Quarter 2019

RELEASED MARCH 2020

Tennessee dashboard 4th quarter 2019

(percent change over the year)

Weekly Unemployment Claims	▲	+1.17	Total Home Permits*	▲	+27.10
Total Nonfarm Employment*	▲	+1.42	Mortgage Tax Collections	▲	+7.86
Unemployment Rate (percentage points)*	▼	-0.23	Real Estate Transfer Tax Collections	▲	+8.22
Homeowner Vacancy Rate (percentage points)	▲	+0.20	Home Prices*	▲	+5.93
Rental Vacancy Rate (percentage points)	▲	+0.60	Mortgages Past Due (percentage points)	▼	-0.48
Single-Family Home Permits*	▲	+22.58	Foreclosure Rate (percentage points)	▼	-0.05

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

Economic Overview

Nine of 12 indicators showed positive economic growth in the fourth quarter

Tennessee has shown positive economic outcomes for nine of the 12 economic indicators over the last year. The most significant positive outcomes for Tennessee's economy are related to the housing market. Single-family and total housing permits have grown significantly, increases of 22.58% and 27.10%, respectively. Further, mortgage tax collections and real estate transfer tax collections have increased for the year. However, homeowner and rental vacancy rates have risen slightly.

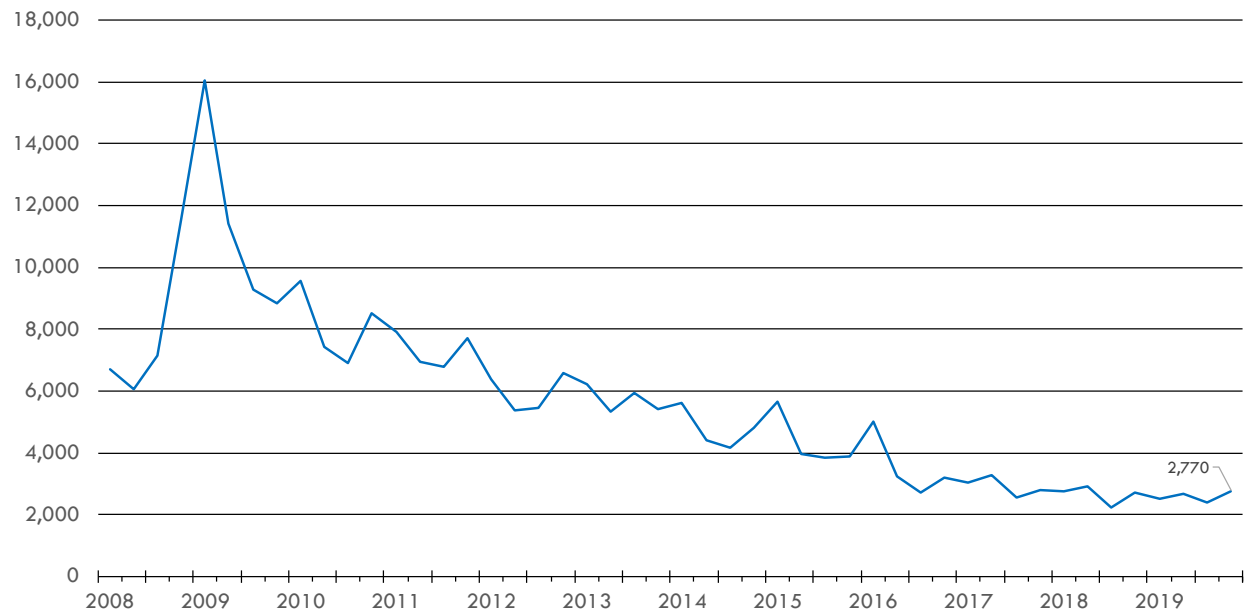
Quarterly data shows promise for Tennessee's economy as well. Once again, housing construction has increased, with single-family, multi-family, and total permits showing considerable growth. While

homeowner and rental vacancy rates have increased over the year, quarterly data shows strong declines in these indicators: homeowner vacancy rates decreased 1.10 percentage points and rental vacancy rates decreased 2.60 percentage points.

All of Tennessee's employment indicators show positive outcomes for the economy when compared to the previous year. Total nonfarm employment increased 1.42% and has shown growth every quarter over the year. Tennessee's total employment increased 3.54%. Further, Tennessee's unemployment rate decreased by 0.2 percentage points. However, it should be noted there is a 1.17% increase for weekly unemployment claims.

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 ¹

(thousands, seasonally adjusted)

Employment by industry (nonfarm)	2018.4	2019.1	2019.2	2019.3	2019.4
Total Nonfarm	3,088	3,096	3,104	3,120	3,132
Goods-Producing Sectors	485	487	488	489	485
Manufacturing	355	356	356	357	357
Services-Providing Sectors	2,604	2,608	2,632	2,631	2,647
Labor Force	3,255	3,276	3,321	3,327	3,364
Total Employment	3,140	3,170	3,212	3,239	3,251
Unemployed	115	106	109	117	113
Unemployment Rate	3.53%	3.23%	3.30%	3.50%	3.30%

Source: Bureau of Labor Statistics

¹ BLS figures for December 2019 were in preliminary stages during data collection

Vacancy Rates

Tennessee's homeowner vacancy rate is the lowest in 14 years

Tennessee homeowner (1.30%) and rental vacancy rates (9.20%) have increased over the year, 0.20 and 0.60 percentage points, respectively. However, quarterly rates show much promise. Homeowner vacancy rates decreased 1.10 percentage points and rental vacancy rates decreased a resounding 2.60 percentage points.

Homeowner vacancy rates in the United States (1.40%) decreased 0.10 percentage points over the year, but remained the same compared to the previous quarter. Rental vacancy rates in the United States (6.40%) decreased both annually and quarterly, decreases of 0.20 and 0.40 percentage points, respectively.

Figure 2. Homeowner vacancy rate

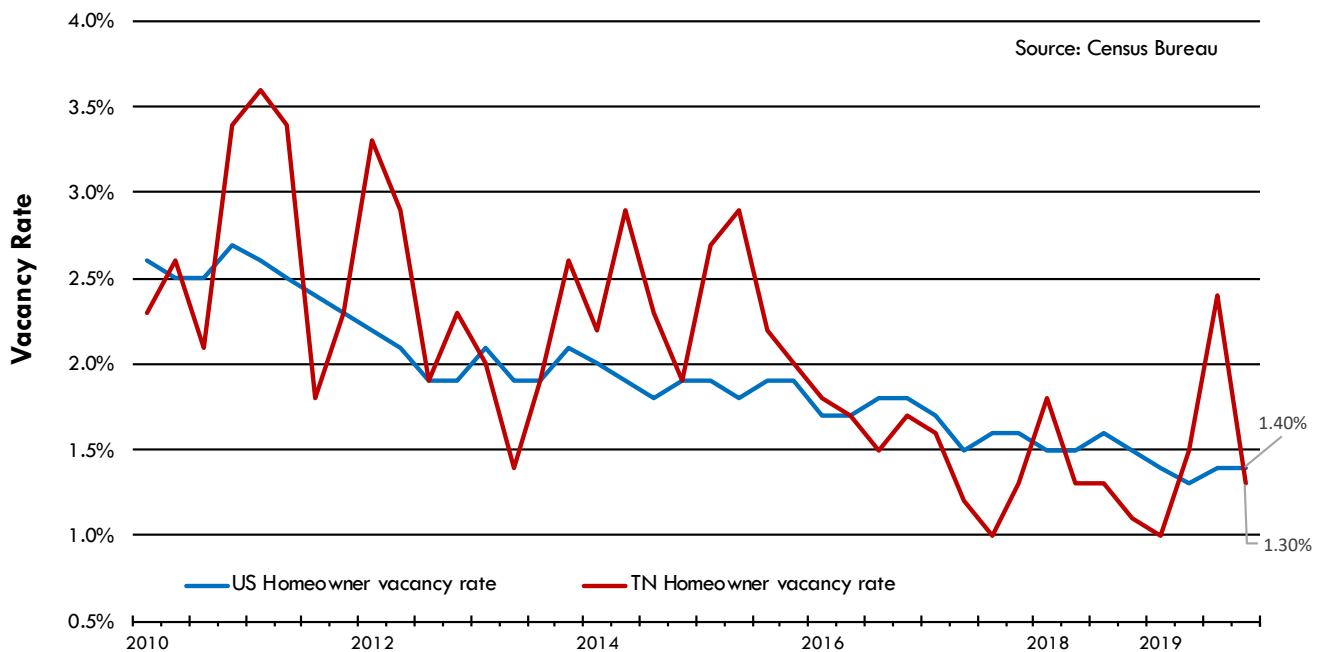
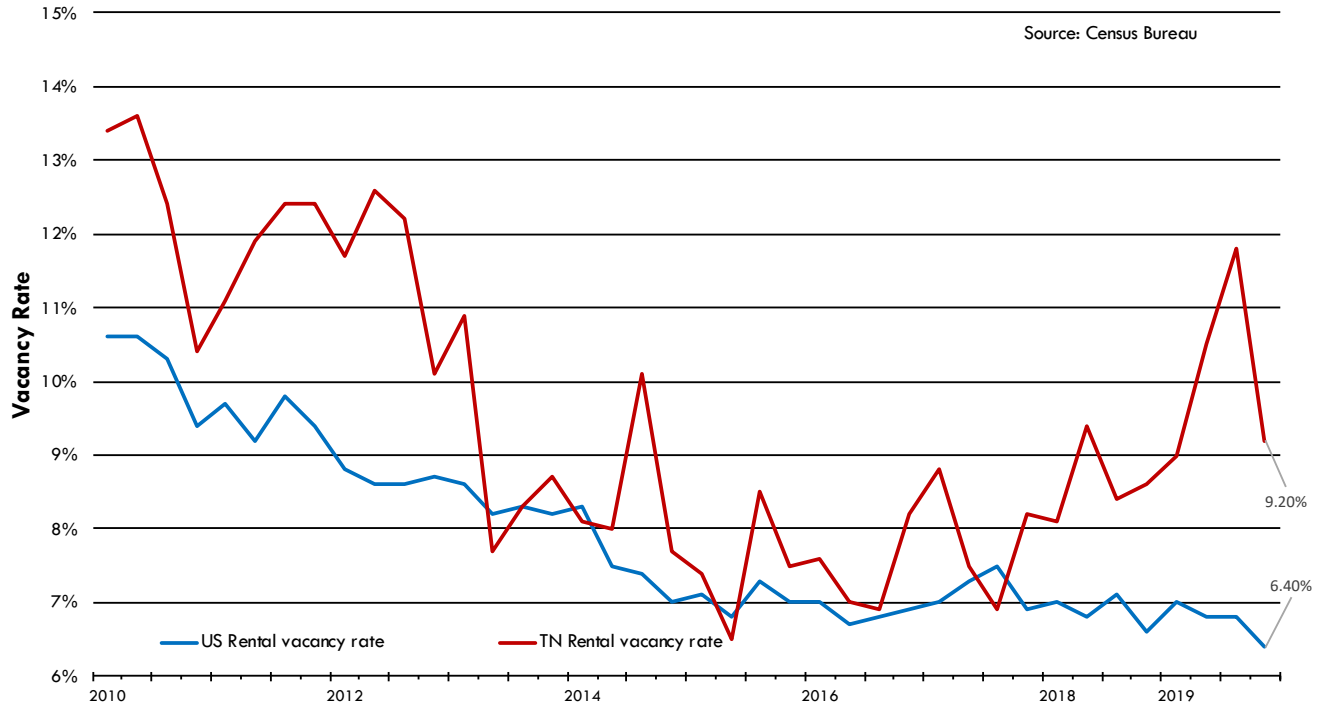


Figure 3. Rental vacancy rate



Housing Construction

Tennessee's construction sector has strong showing with continued growth

Compared to the previous quarter, Tennessee experienced growth in single-family, multi-family and total permits: increases of 7.4%, 37.8%, and 14.4%, respectively.

Further, housing permits have shown significant growth when compared to the previous year. Single-family permits increased 22.6%. Multi-family permits increased a resounding 44.6%. Total permits increased an impressive 27.1%.

Tennessee's growth in single-family home and total permits have experienced positive growth every quarter for the previous four quarters, while multi-family permits have shown increases for the previous three quarters, suggesting a strong and vibrant housing construction market.

Tennessee has experienced the most significant growth in housing permits when compared to the South and the United States for both quarterly and annual comparisons.

Figure 4. Tennessee single-family home permits

(thousands, seasonally adjusted annual rate)

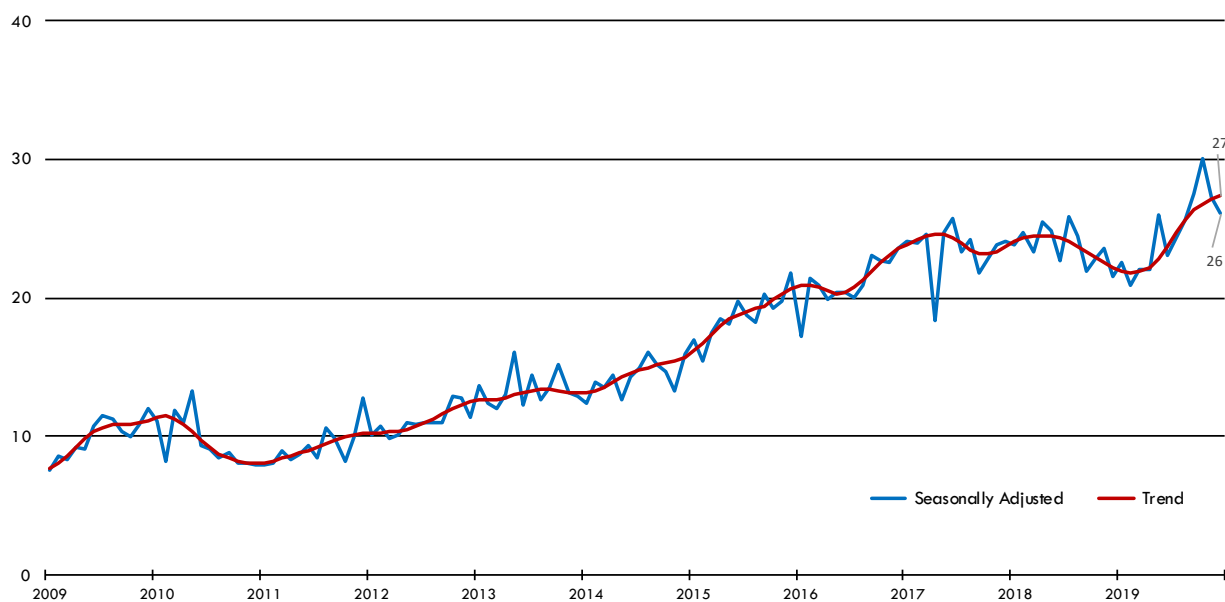


Table 2. Permits issued for privately owned new housing

(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.
2016.4	27.5	417.7	774.4	9.7	158.4	419.9	37.1	572.1	1,185.9
2017.1	29.1	455.4	827.8	8.1	170.3	428.4	37.6	628.8	1,261.4
2017.2	27.6	436.9	802.3	11.8	164.2	438.8	39.8	599.7	1,232.6
2017.3	27.8	435.4	808.8	14.4	166.0	434.2	41.5	603.7	1,249.7
2017.4	28.2	451.9	843.3	8.1	163.9	434.5	35.8	611.4	1,271.1
2018.1	28.7	470.0	878.7	5.2	185.3	473.6	34.7	658.6	1,353.4
2018.2	29.3	472.2	860.2	11.3	210.5	465.6	41.5	676.2	1,321.7
2018.3	29.0	462.8	843.3	14.6	191.9	430.9	42.8	657.7	1,279.7
2018.4	27.2	460.3	833.3	10.4	214.0	459.4	37.0	675.5	1,295.2
2019.1	26.1	453.7	809.9	11.0	198.4	467.9	38.3	656.8	1,280.4
2019.2	28.5	450.5	813.6	10.4	214.5	471.5	39.5	656.1	1,280.2
2019.3	31.0	496.3	871.9	10.9	233.4	531.6	41.1	732.5	1,405.4
2019.4	33.3	519.5	915.6	15.1	216.5	532.3	47.1	732.5	1,449.6
Change from previous quarter	7.4%	4.7%	5.0%	37.8%	-7.2%	0.1%	14.4%	0.0%	3.1%
Change from previous year	22.58%	12.9%	9.9%	44.6%	1.2%	15.9%	27.1%	8.4%	11.9%

Source: Census Bureau

Real Estate Transactions & Mortgages

Real estate transfer tax collections in Tennessee averaged an approximate \$15.1 million a month in this quarter, bringing the annualized collections to \$181 million. Quarterly collections decreased 15.99% when compared to the previous quarter. However, they increased 8.22% over the year.

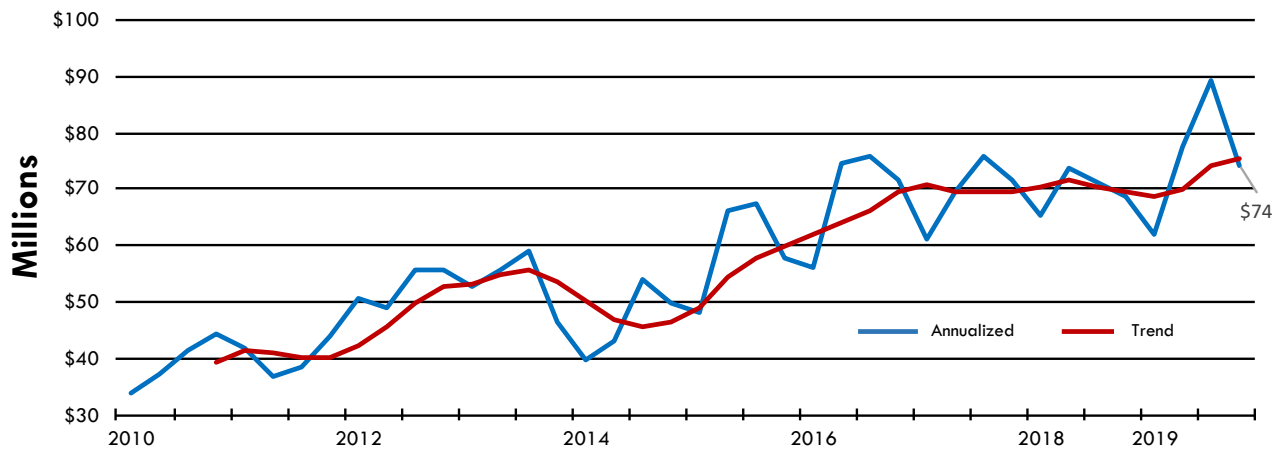
Similarly, Tennessee's mortgage tax collections have

decreased 17.13% for the quarter and increased 7.86% for the year. Quarterly tax collections averaged \$6.2 million per month, bringing the annualized collection rate to \$74 million.

Despite the quarterly decreases, historical data suggests an upwards trend.

Figure 5. Mortgage tax collections

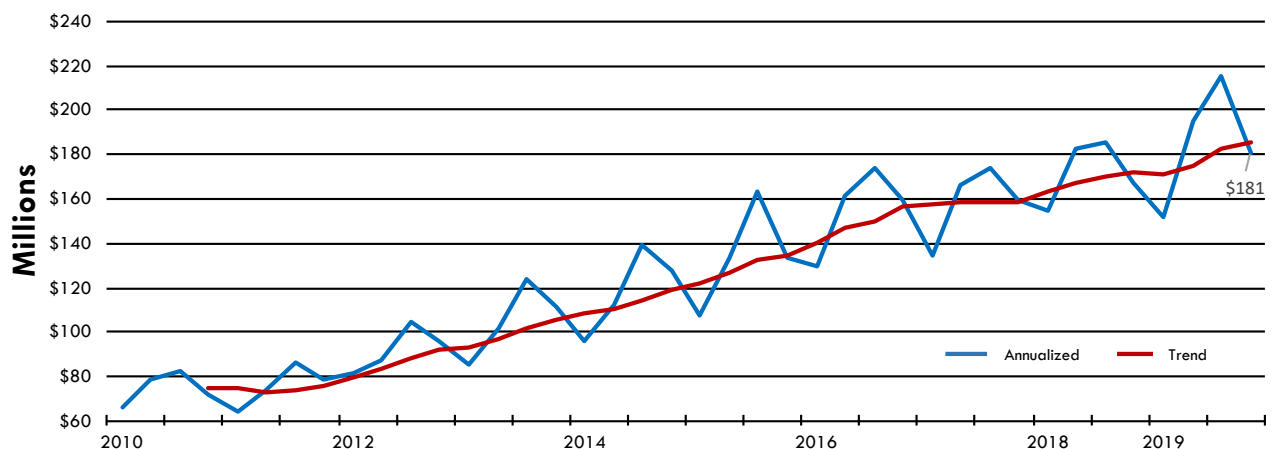
(millions, seasonally adjusted annual rate)



Source: Tennessee Department of Revenue and BERCC

Figure 6. Real estate transfer tax collections

(millions, seasonally adjusted annual rate)



Source: Tennessee Department of Revenue and BERCC

Home Sales

Nashville closings increase, but inventory drops for the quarter

Quarterly data indicate that Nashville and Knoxville have experienced increases in closings, Nashville closings increased 3.49% and Knoxville increased 1.99%. Memphis experienced a decrease of 3.63% in closings. All three areas experienced decreases in inventories for the quarter: Nashville inventory decreased 8.80%, Knoxville inventory decreased 0.46%, and Memphis inventory decreased 1.79%.

Over the year, all three areas have continued to experience decreases in inventory: Nashville inventories declined 16.44%, Memphis declined 7.76%, and Knoxville declined 12.40%. Nashville and Knoxville experienced increases in closings for the year: 9.89% and 5.97%, respectively. Memphis experienced a 2.46% decrease in closings for the year.

Figure 7. Single-family sales and inventory

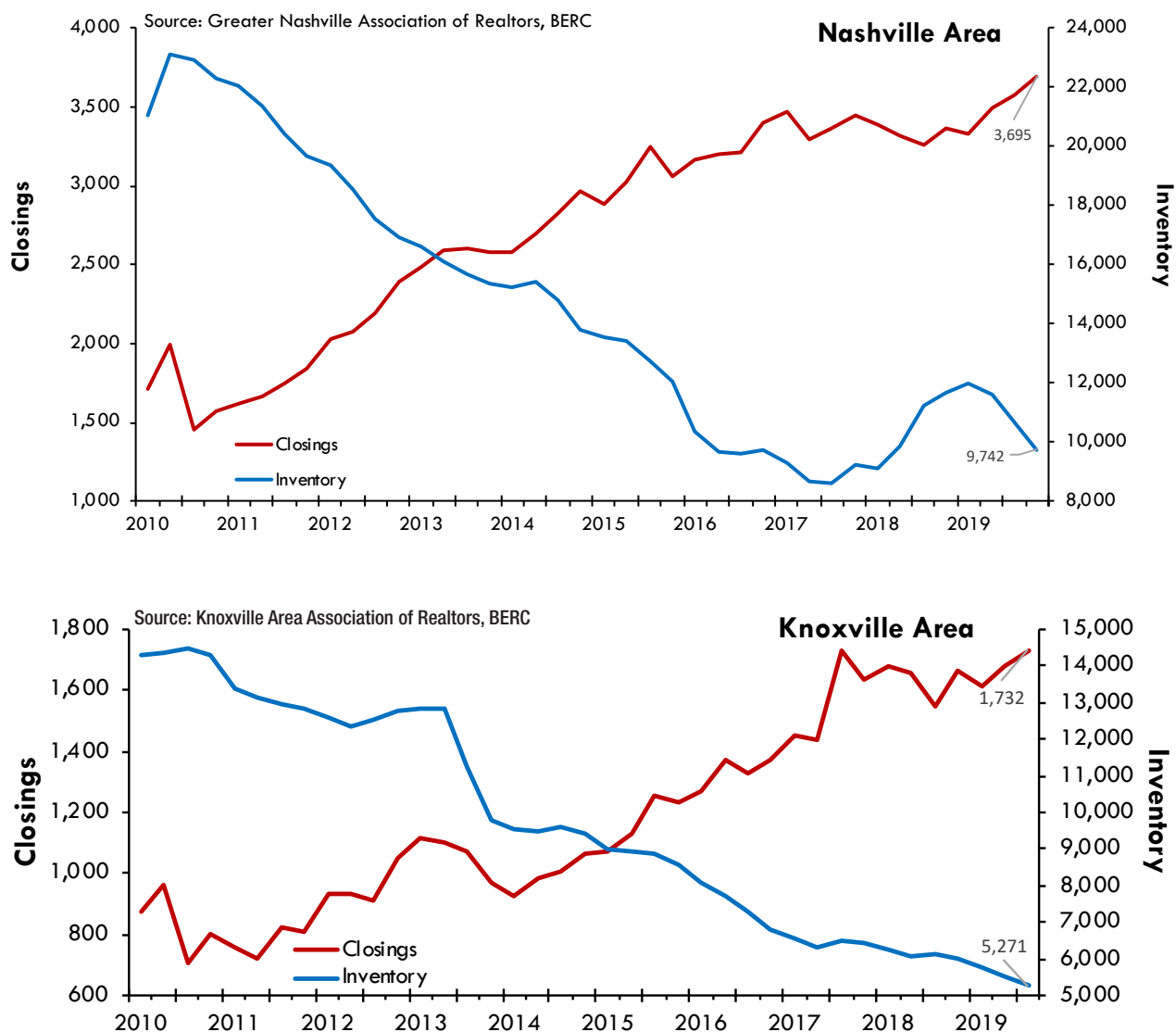
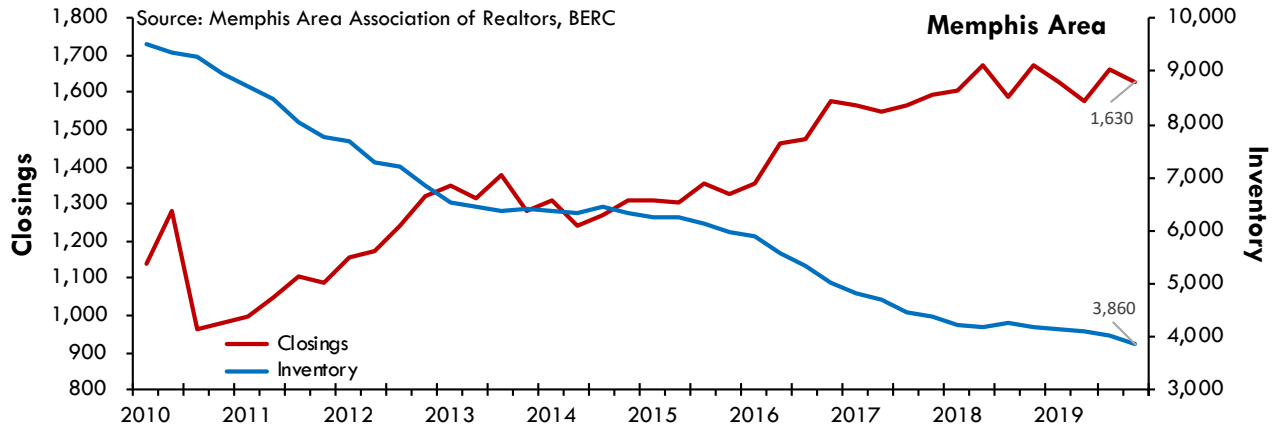


Figure 7. Single-family sales and inventory (continued)



Home Prices

Home prices increased across all MSAs, Tennessee, and the U.S. over the year

Compared to the fourth quarter of 2018, housing prices have increased across all MSAs, Tennessee and the United States. The most significant increases were in Morristown (10.0%) and Johnson City (8.6%). The least significant of these increases was in the Jackson MSA (1.4%). All but two MSAs' annual change in housing prices have exceeded the United States.

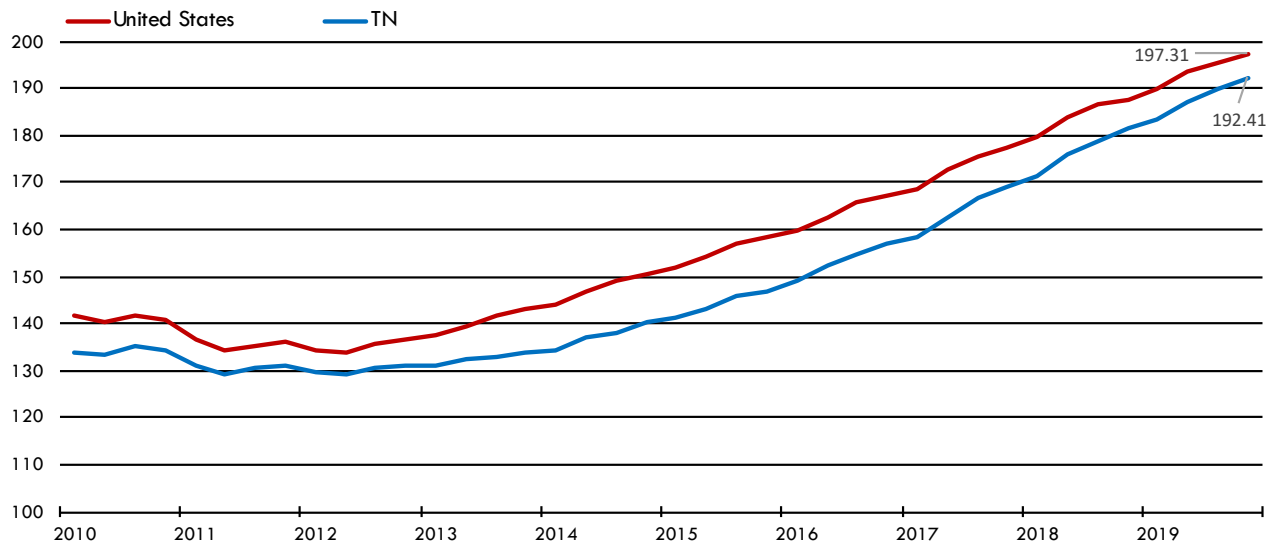
However, the quarterly growth rate slowed in six of the 10 MSAs and in Tennessee. Of these quarterly growth rate declines, Jackson MSA was the most significant, decreasing 2.8 percentage points.

Table 3. Change in housing prices year to year

Area	2018.1-2019.1	2018.2-2019.2	2018.3-2019.3	2018.4-2019.4
Chattanooga MSA	6.7%	6.2%	6.3%	6.7%
Clarksville MSA	5.5%	5.2%	6.3%	4.8%
Cleveland MSA	3.6%	9.7%	6.7%	5.6%
Jackson MSA	5.5%	7.0%	4.2%	1.4%
Johnson City MSA	2.9%	8.0%	3.8%	8.6%
Kingsport-Bristol MSA	1.4%	9.1%	5.7%	7.8%
Knoxville MSA	7.7%	6.4%	6.7%	5.8%
Memphis MSA	6.6%	5.4%	6.7%	6.5%
Morristown MSA	6.8%	4.9%	8.8%	10.0%
Nashville MSA	7.7%	6.4%	5.5%	5.4%
Tennessee	6.8%	6.4%	6.1%	6.0%
United States	5.5%	5.1%	4.8%	5.1%

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, U.S. foreclosure rates are flat for the quarter, but decrease over the year

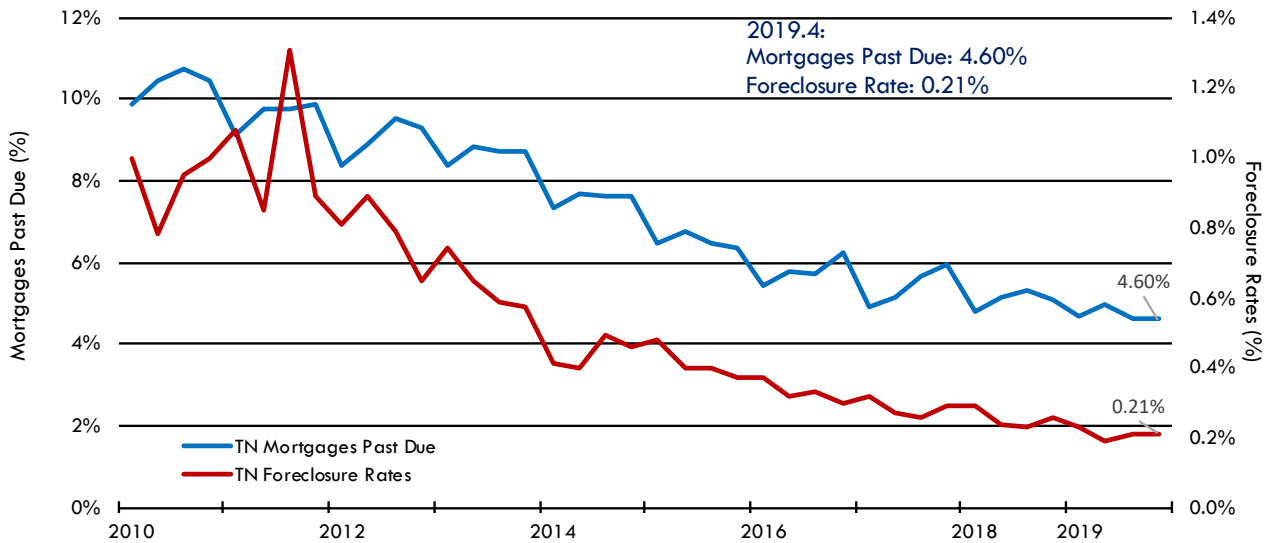
Foreclosure rates in Tennessee are at 0.21%. This is the same rate as last quarter. Compared to last year, this is a 0.05 percentage point decrease. Foreclosures in the United States are also at 0.21%. This is the same rate as the previous quarter and a 0.04 percentage point decrease when compared to the previous year.

Tennessee's mortgage delinquency rate is 4.60%,

the lowest rates since the first quarter of 2000. This is a decrease of 0.05 percentage points compared to last quarter, and a decrease of 0.48 percentage points when compared to last year. The United States' mortgage delinquency rate is 4.07%, a decrease of 0.02 percentage points for the quarter and a decrease of 0.25 percentage points for the year.

Figure 9. Tennessee mortgages past due and foreclosure rate

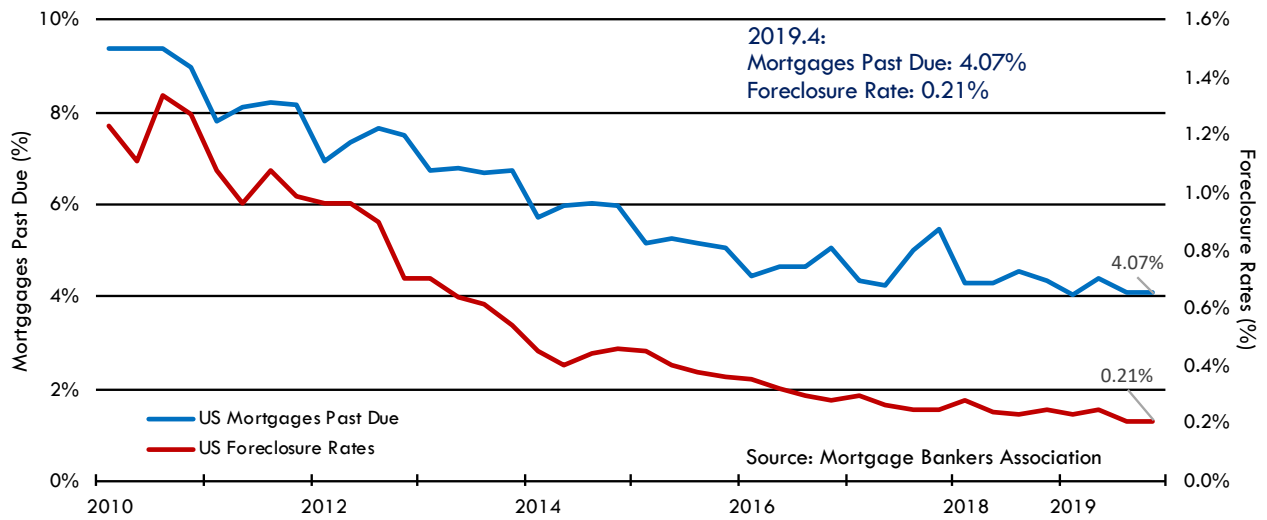
(percent of mortgages in place)



Source: Mortgage Bankers Association

Figure 10. United States mortgages past due and foreclosure rate

(percent of mortgages in place)



Conclusion

Housing market sees exponential growth; employment indicators show positive signs

Despite a few hiccups, such as homeowner and rental vacancy increases for the year, Tennessee's economy appears very promising for the fourth quarter of 2019. Tennessee has seen exponential growth in its housing market, as single-family, multi-family and total permits have seen considerable increases for the quarter and the year. Housing prices have continued

to increase with all but two MSAs exceeding United States average growth. In addition, there have been sharp declines in Tennessee's homeowner and rental vacancy rates when compared to last quarter. Further, all of Tennessee's employment indicators show positive outcomes for the economy.



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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)