

HOUSING

TENNESSEE

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DECEMBER 2021

TENNESSEE DASHBOARD 3RD QUARTER 2021 (percent change over the year)

Weekly Unemployment Claims	▼	-63.03	Total Home Permits*	▼	-9.07
Total Nonfarm Employment*	▲	+4.09	Mortgage Tax Collections	▲	+21.49
Unemployment Rate (percentage points)*	▲	-3.73	Real Estate Transfer Tax Collections	▲	+58.18
Homeowner Vacancy Rate (percentage points)	▼	-0.10	Home Prices*	▲	+18.72
Rental Vacancy Rate (percentage points)		0.00	Mortgages Past Due (percentage points)	▼	-2.33
Single-Family Home Permits*	▼	-4.22	Foreclosure Rate (percentage points)		0.00

*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Q3 2021 indicators show mostly positive outcomes in Tennessee

For Q3 2021, Tennessee saw nearly unanimous positive outcomes, except for single-family and total housing permits as well as the Tennessee rental vacancy rate. Single-family permits fell by 2.33%, while total housing permits fell by 5.7%, and the Tennessee rental vacancy rate increased by .8% since Q2 2021.

Tennessee's nonfarm employment rose by .64%, and unemployment fell by .4 percentage points to 4.57%. Tennessee also saw a continued sharp decline in unemployment insurance claims of 30.95%. These positive employment outcomes are paired with a quarterly increase of 4.6% in total employment, and an increase in the goods-producing, manufacturing, and services-producing sectors,

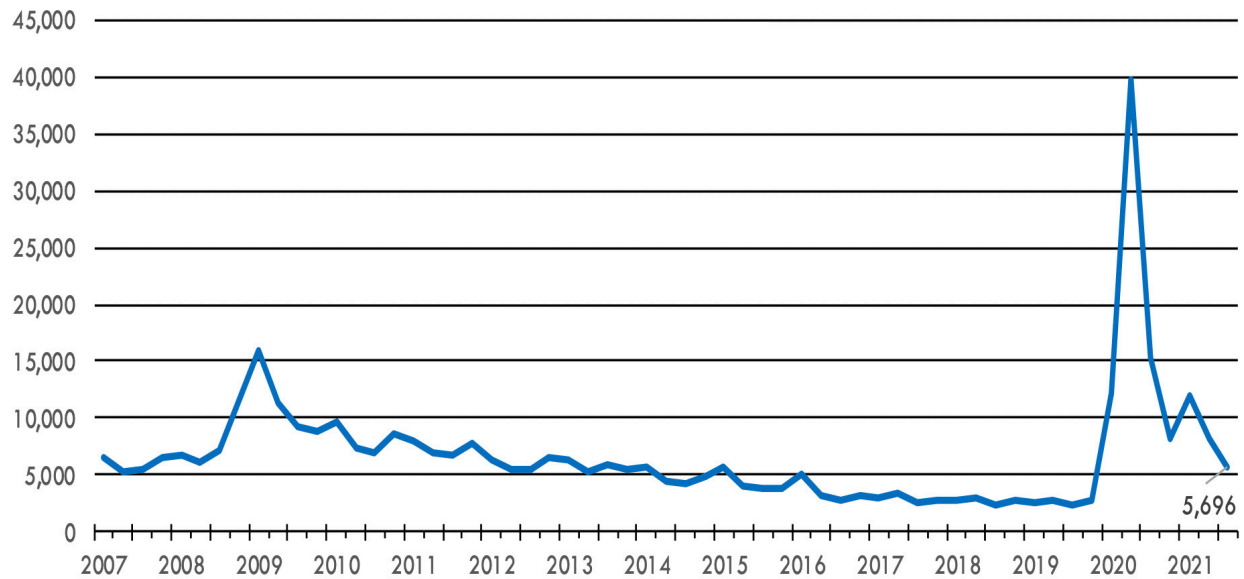
of .61%, .49%, and .65%, respectively.

Mortgage tax collections, real estate transfer tax collections, and housing prices continue to increase exponentially. Tennessee's HPI saw a quarterly increase of 6.19% to 234.03, and a yearly increase of 28.01%. Real estate transfer tax collections also saw a sharp quarterly increase of 58.18% and a yearly increase of 51.18%. Mortgage tax collections saw a quarterly increase of 1.11%. However, the annual increase of 21.49% indicates a trend of nearly vertical growth.

Despite the foreclosure moratorium formally ending in July, foreclosures continue to hover close to zero percent (.03%). Mortgage delinquencies continued a downward trend to pre-COVID levels.

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)

	2020.3	2020.4	2021.1	2021.2	2021.3
Employment by Industry (Nonfarm)					
Total Nonfarm	2,972	3,023	3,040	3,074	3,094
Goods-Producing Sectors	469	476	478	479	482
Manufacturing	336	343	345	347	348
Services-Providing Sectors	2,504	2,547	2,562	2,596	2,612
Labor Force	3,311	3,342	3,314	3,331	3,330
Total Employment	3,037	3,130	3,147	3,165	3,177
Unemployed	274	212	167	166	153
Unemployment Rate	8.30%	6.33%	5.03%	4.97%	4.57%

Source: Bureau of Labor Statistics

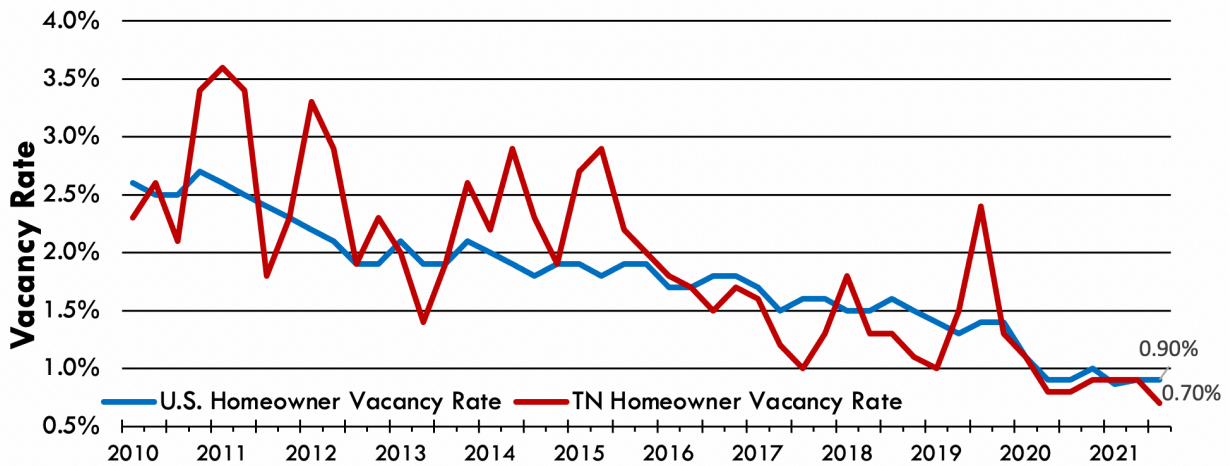
Vacancy Rate

Homeowner vacancy rates for Tennessee and the U.S. have either remained unchanged or decreased. Tennessee homeowner vacancy rates decreased by .2 percentage points to .7%. The U.S. remained at .9% in the third quarter. Yearly changes followed a similar trend to the quarterly changes. Tennessee saw a yearly decrease of .1 percentage

points while the U.S. did not have a change from last year.

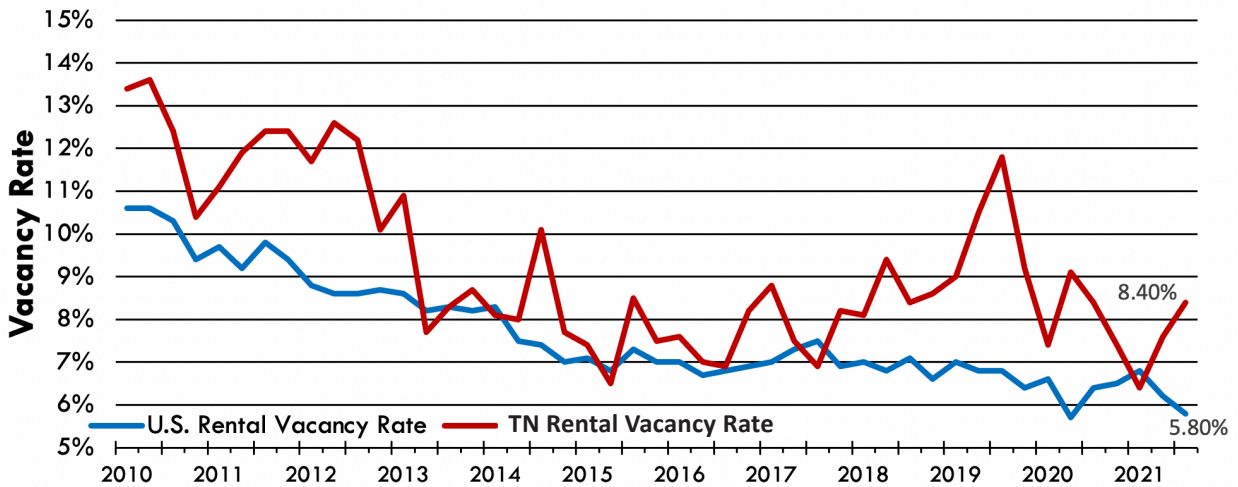
Tennessee's yearly rental vacancy rates remained unchanged while the U.S. yearly rental vacancy rate decreased by .6 percentage points. Tennessee's quarterly vacancy rates increased by .8 percentage points from Q2 2021. The U.S. quarterly rates fell by .6 percentage points.

Figure 2. Homeowner vacancy rate



Source: Census Bureau

Figure 3. Rental vacancy rate



Source: Census Bureau

Housing Construction

Tennessee, the South, and the U.S. all saw quarterly decreases in single-family permits of 7.4%, 7.3%, and 8.2%, respectively. Yearly changes were only slightly more positive, with the South seeing a 1.6% increase. Tennessee and the U.S. fell by 4.22% and 1.64%, respectively.

Multi-family permits saw the most positive quarterly changes. Both the South and the U.S. saw quarterly increases of 8.9%, and 13.3%, but Tennessee saw a quarterly sharp decrease of 33.4%. Yearly changes followed a similar pattern

where the South and the U.S. saw increases of 30.36% and 30.37%, while Tennessee saw a decrease of 19.68%.

Total Permits had strictly negative quarterly outcomes, with Tennessee seeing the largest decrease of 16.7%. The South and the U.S. saw smaller decreases of 5% and 1.8%, respectively. Yearly changes were better for the South and the U.S. as they increased 8.79% and 7.99%, respectively. Tennessee saw a decrease of 9.07%.

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

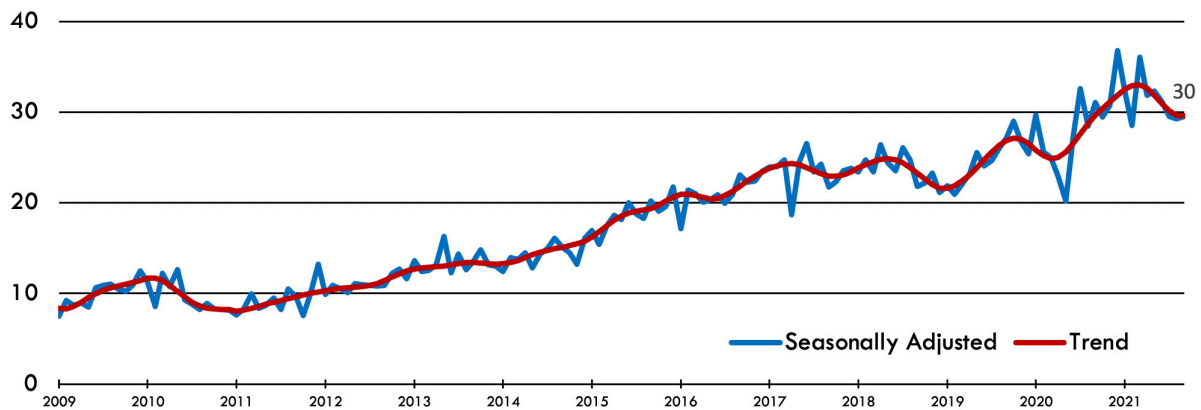


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2018.3	29.0	465.0	846.0	15.5	191.3	437.4	42.9	655.7	1,289.6
2018.4	26.6	455.2	822.7	10.8	217.6	460.2	37.3	669.6	1,282.3
2019.1	25.9	445.5	793.1	11.1	200.6	461.2	37.8	647.4	1,248.2
2019.2	29.1	461.2	835.1	9.6	208.4	472.5	39.9	675.2	1,312.0
2019.3	31.1	498.1	874.8	11.1	232.7	538.6	41.5	728.5	1,417.0
2019.4	32.4	510.7	899.4	15.7	223.5	534.4	47.4	724.4	1,429.4
2020.1	32.1	524.9	941.4	11.0	200.3	471.2	43.8	731.0	1,408.3
2020.2	28.1	448.3	776.4	15.2	205.1	427.5	43.5	659.9	1,209.2
2020.3	36.9	610.4	1,065.9	19.5	200.8	480.0	57.1	805.1	1,553.9
2020.4	38.8	664.2	1,148.0	15.6	192.6	470.6	52.3	838.9	1,594.9
2021.1	38.7	641.8	1,165.6	17.2	242.8	563.4	56.4	893.7	1,721.6
2021.2	38.1	669.2	1,142.7	23.5	240.3	552.1	62.3	921.8	1,708.2
2021.3	35.3	620.2	1,048.5	15.6	261.7	625.8	51.9	875.8	1,678.1
Change from previous quarter	-7.4%	-7.3%	-8.2%	-33.4%	8.9%	13.3%	-16.7%	-5.0%	-1.8%
Change from previous year	-4.22%	1.60%	-1.64%	-19.68%	30.36%	30.37%	-9.07%	8.79%	7.99%

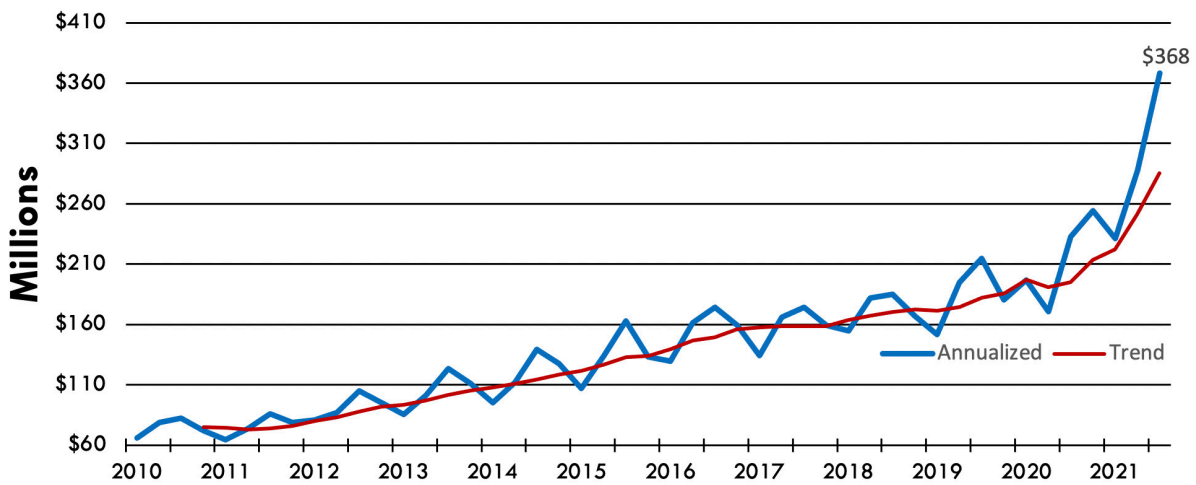
Source: Census Bureau

Real Estate Transactions & Mortgages

Real estate transfer tax collections increased 28.01% from the second quarter of 2021 and increased over the year by 58.18%. Real estate transfer tax collections averaged a little under \$31 million and the annualized collections were \$368 million.

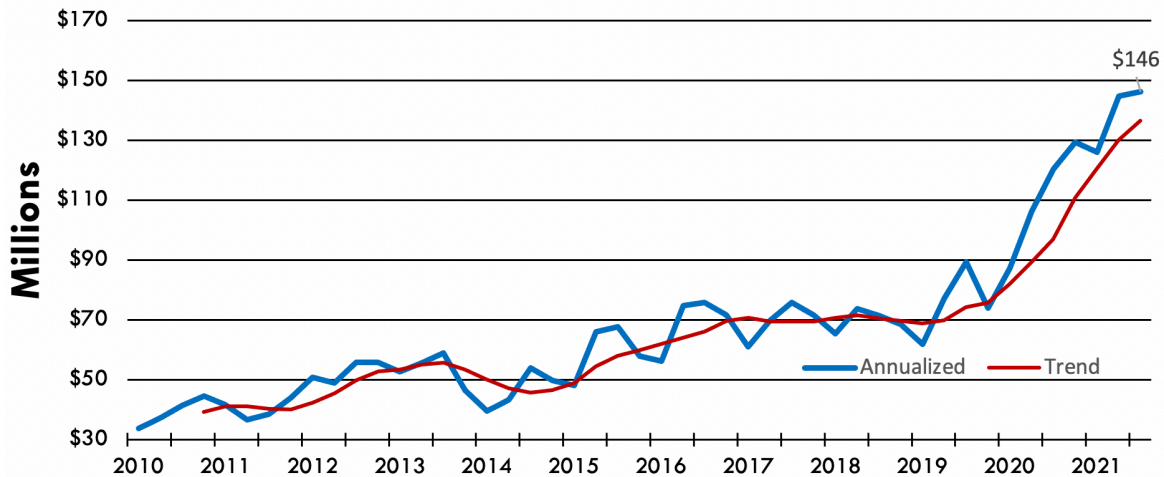
Mortgage tax collections also slightly increased from the previous quarter at 1.11%. The increase over the year was a sharper at 21.49%. The quarterly average for mortgage tax collections was slightly under \$12.2 million, and the annualized collections were \$146 million, respectively.

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



Source: Tennessee Department of Revenue and BERCC

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



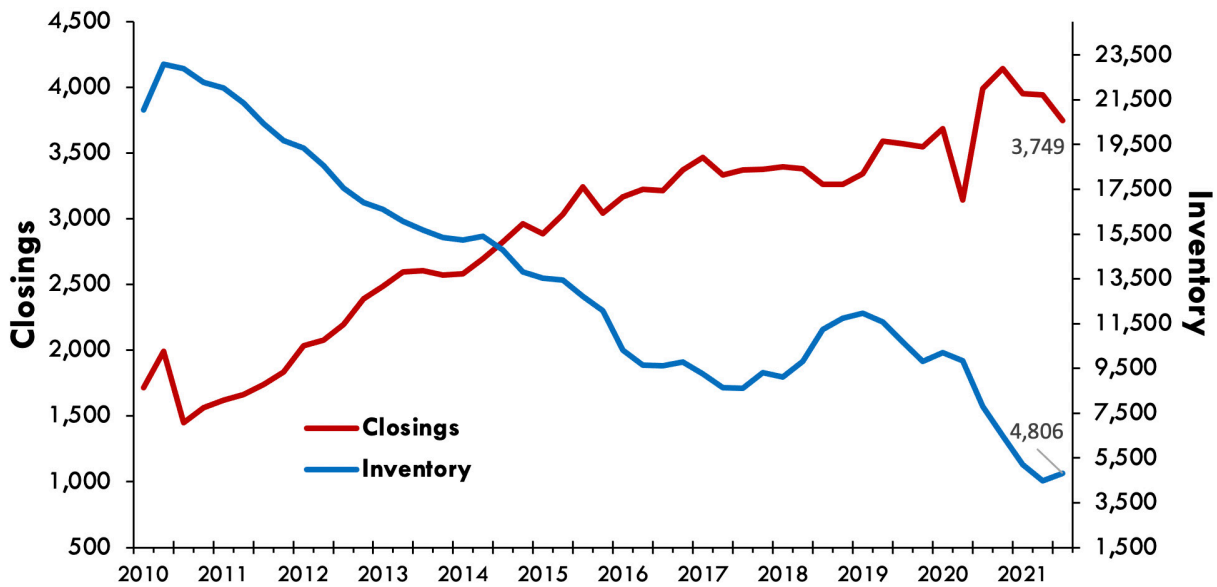
Source: Tennessee Department of Revenue and BERCC

Home Sales

Closings for the Nashville, Knoxville, and Memphis regions had mixed quarterly and yearly outcomes. Nashville and Knoxville decreased in quarterly closings of .01% and 17.64%, while Memphis saw a quarterly increase of 3.45%. When considering annual changes, all three regions saw growth from 2020, in Nashville at 25.50%, Knoxville at 19.90%, and Memphis at 28.28%.

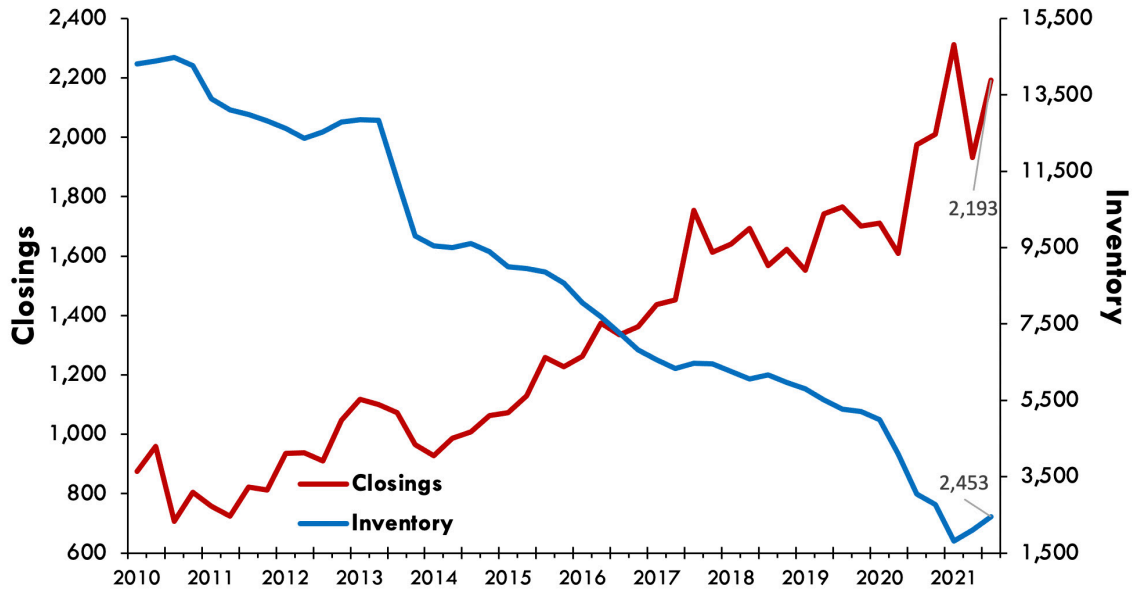
Quarterly changes for inventory among the three regions all saw growth in available inventory. Nashville increased 7.62%, Knoxville increased 6.40%, and Memphis increased 10.42%. Annual inventory changes were strictly negative. Inventory for Nashville fell the most by 38.42%, while Knoxville and Memphis fell 19.56% and 11.42%, respectively.

Figure 7.1 Single-family sales and inventory - Nashville Area



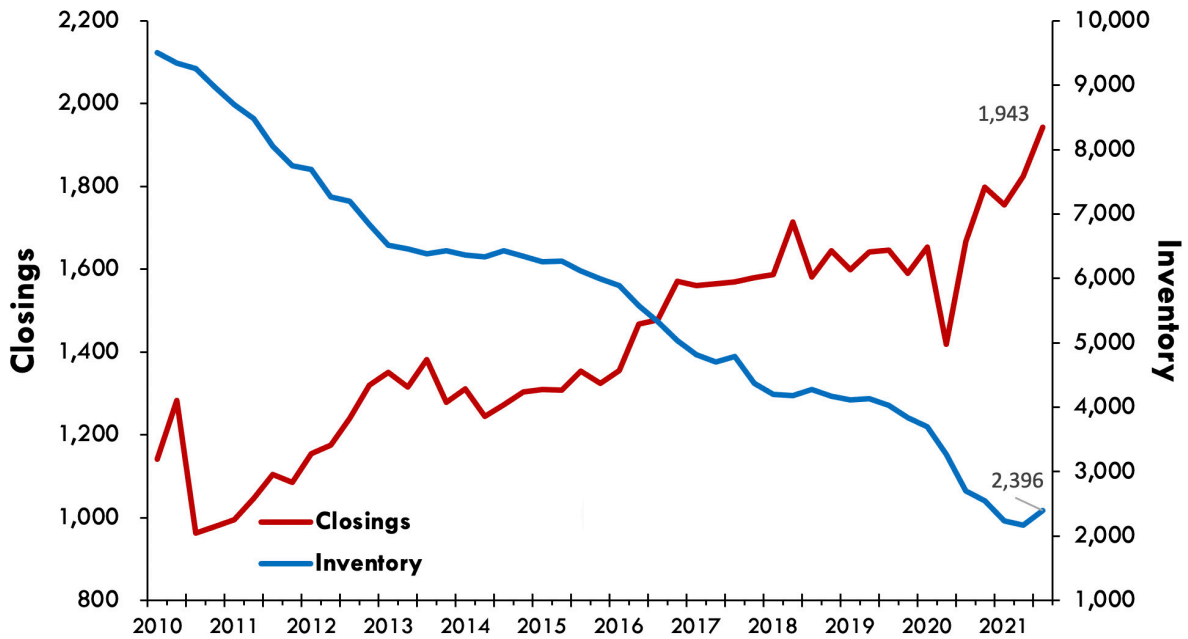
Source: Greater Nashville Association of Realtors, BEREC

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

For the third quarter of 2021, all MSAs in Tennessee saw increases in annual housing prices. The smallest increase was in the Memphis MSA at 16.3%. The largest annual housing price changes came from the Chattanooga MSA, Jackson MSA, and the Knoxville MSA with increases of 19%, 19.6%, and 20.6%, respectively.

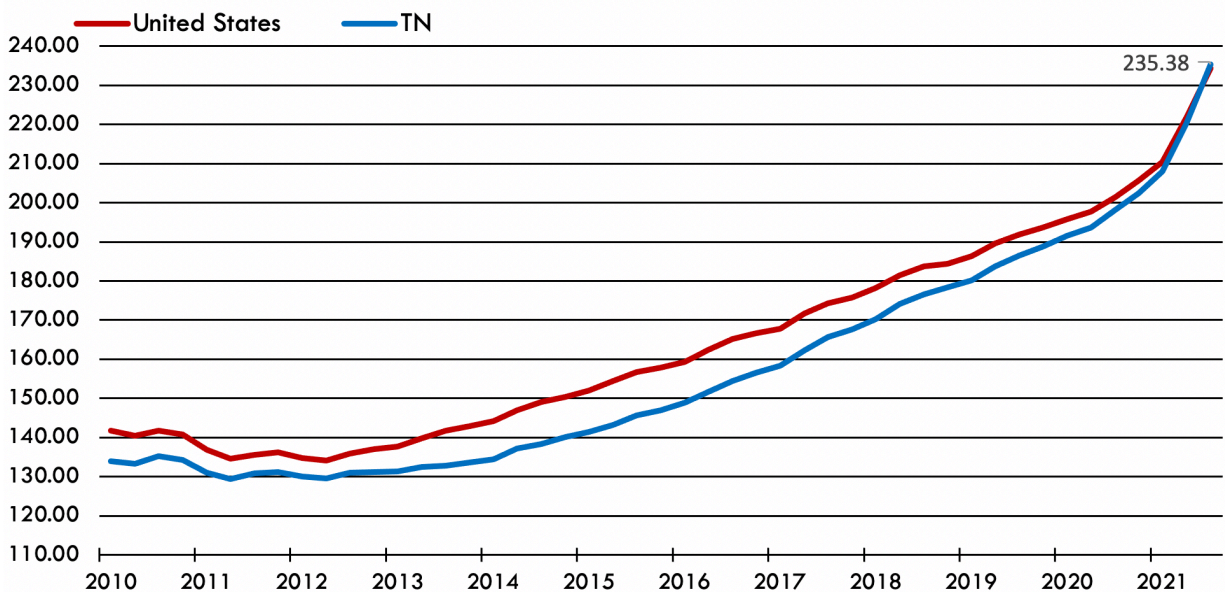
Tennessee and the U.S. followed a pattern of exponential growth, with annual housing price changes of 18.7% and 16.3%, respectively. Quarterly housing price changes for Q3 2021 saw positive growth in the U.S. (5.08%), and in Tennessee (6.19%).

Table 3. Percent change in housing prices year to year

Area	2019.4-2020.4	2020.1-2021.1	2020.2-2021.2	2020.3-2021.3
Chattanooga MSA	7.8%	9.7%	14.3%	19.0%
Clarksville MSA	7.8%	8.5%	14.1%	18.4%
Cleveland MSA	8.4%	10.0%	14.4%	17.8%
Jackson MSA	5.9%	5.9%	15.3%	19.6%
Johnson City MSA	6.3%	8.1%	12.0%	18.2%
Kingsport-Bristol MSA	5.5%	7.4%	12.0%	17.4%
Knoxville MSA	8.6%	9.6%	15.6%	20.6%
Memphis MSA	6.9%	8.2%	12.8%	16.3%
Morristown MSA	7.8%	9.9%	16.9%	18.7%
Nashville MSA	7.0%	7.9%	13.5%	18.9%
Tennessee	7.2%	8.7%	13.9%	18.7%
United States	6.2%	7.5%	14.4%	16.3%

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 Q3 2021, mortgage delinquencies continued a downward trend in Tennessee and the US. (.38% and .48%, respectively). Mortgage delinquencies also fell annually for the U.S. and Tennessee (2.33% and 2.56%, respectively).

Both Tennessee and the U.S. saw a decrease of .01% in foreclosures on the quarterly level. Annual foreclosure rates for the U.S. and Tennessee did not change.

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

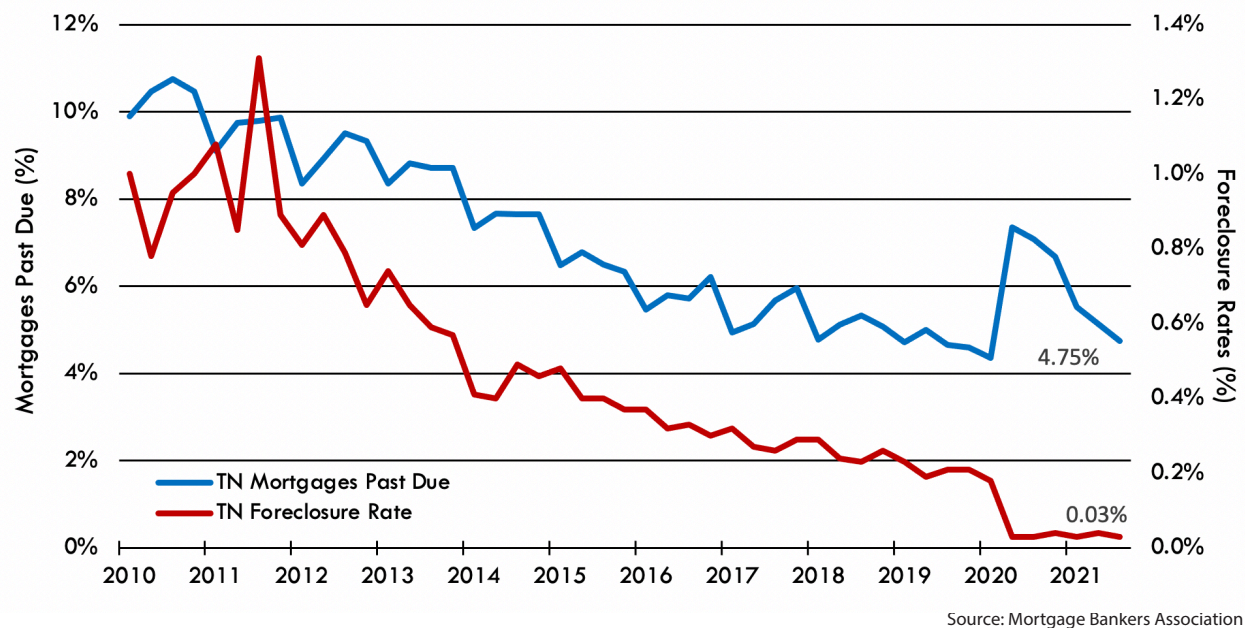
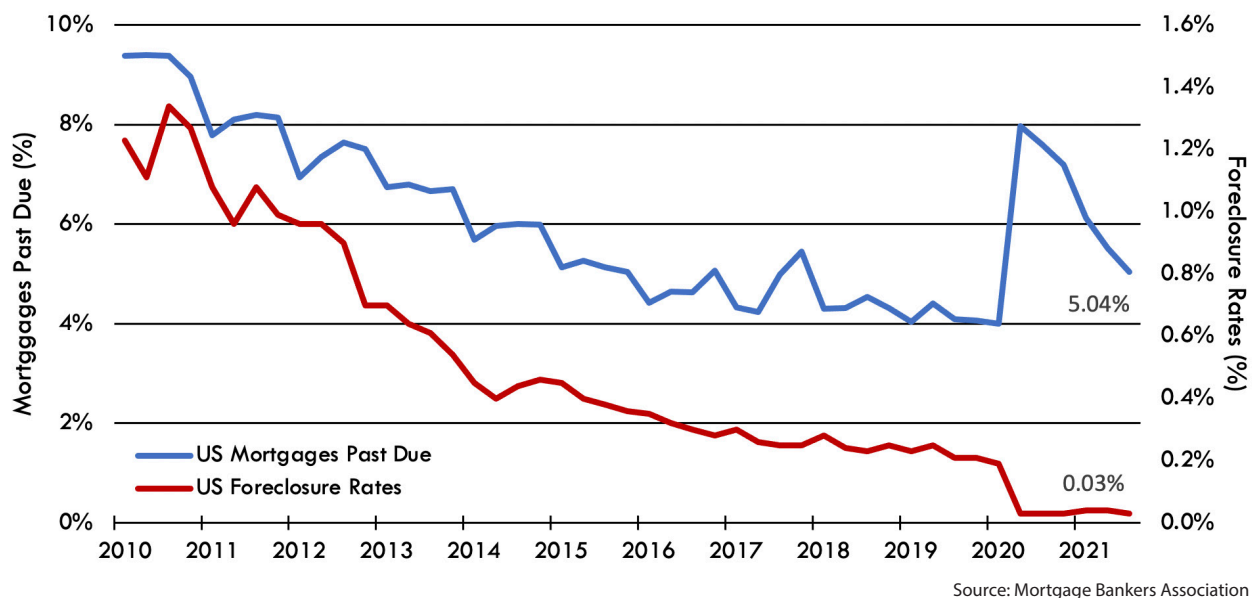


Figure 10. United States mortgages past due and foreclosure rate (percent of mortgages in place)



Conclusion

Positive trend continues as housing inventory increases in Q3 2021

Most data for Q3 2021 followed trends from previous quarters. However, there were a few anomalies. Inventory among Nashville, Knoxville, and Memphis all increased, which deviated from the previous downward trend. Housing construction and permits fell this quarter relative to the previous quarters of continued growth. Foreclosure rates

declined despite the mortgage foreclosure moratorium ending on July 31. Homeowners were given forbearance on their delinquent payments until the end of September. Finally, housing prices continue an upward trend, as the rate of growth has gone from linear to exponential.



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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)