

HOUSING

TENNESSEE

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December 2022

TENNESSEE DASHBOARD 3RD QUARTER 2022 (percent change over the year)

Weekly Unemployment Claims	▼ -54.78	Total Home Permits*	▼ -24.08
Total Nonfarm Employment*	▲ +4.93	Mortgage Tax Collections	▼ -6.28
Unemployment Rate (percentage points)*	▼ -1.20	Real Estate Transfer Tax Collections	▲ +5.84
Homeowner Vacancy Rate (percentage points)	▲ +0.10	Home Prices*	▲ +23.22
Rental Vacancy Rate (percentage points)	▼ -0.60	Mortgages Past Due (percentage points)	▼ -1.22
Single-Family Home Permits*	▼ -14.53	Foreclosure Rate (percentage points)	▲ +0.10

*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Q3 2022 leading indicators show mixed results

For Q3 2022, Tennessee's current economic performance is strong, while leading indicators show mixed results. The weekly unemployment claims, total nonfarm employment, unemployment rate, rental vacancy rate, home prices, real estate transfer tax collections, and mortgages past due show signs of improvements from the previous year. However, there are areas of concern: homeowner vacancy rates, foreclosure rates, mortgage tax collections, and single-family and total home permits suggest potential tightening in the economy.

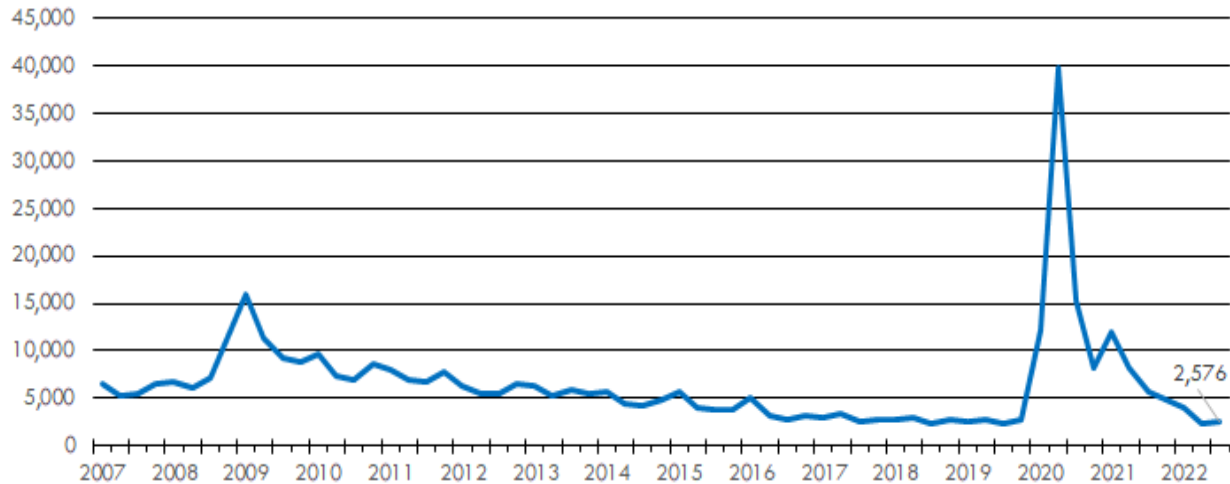
Specifically, unemployment claims have fallen by 54.78% from last year. Nonfarm employment rose by 4.93% annually and 0.67% quarterly. The unemployment rate declined by 1.20 percentage points over the year to 3.37% from 4.57% and increased by 0.10 percentage points over the quarter.

Goods-Producing sectors, Manufacturing, and Services-Providing sectors all saw yearly economic growth of 6.85%, 3.73%, and 4.58%, respectively. Quarterly, these sectors grew by 0.87%, 0.70%, and 0.63%, respectively.

On the housing front, Tennessee experienced mixed results for Q3 2022. Although Tennessee's rental vacancy rate (up by 0.6 percentage points), mortgage delinquency rates (down by 1.22 percentage points), and housing prices (up by 23.22%) performed better than last year, the leading housing indicators (single-family and multi-family permits) experienced both annual and quarterly decline. In addition, both foreclosure rates and homeowner vacancy rates increased by 0.10 percentage points.

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)

	2021.3	2021.4	2022.1	2022.2	2022.3
Employment by Industry (Nonfarm)					
Total Nonfarm	3,094	3,114	3,189	3,225	3,246
Goods-Producing Sectors	482	486	504	510	515
Manufacturing	348	352	358	359	361
Services-Providing Sectors	2,612	2,628	2,685	2,715	2,732
Labor Force	3,330	3,315	3,358	3,402	3,398
Total Employment	3,177	3,181	3,245	3,291	3,284
Unemployed	153	134	113	112	114
Unemployment Rate	4.57%	4.00%	3.37%	3.27%	3.37%

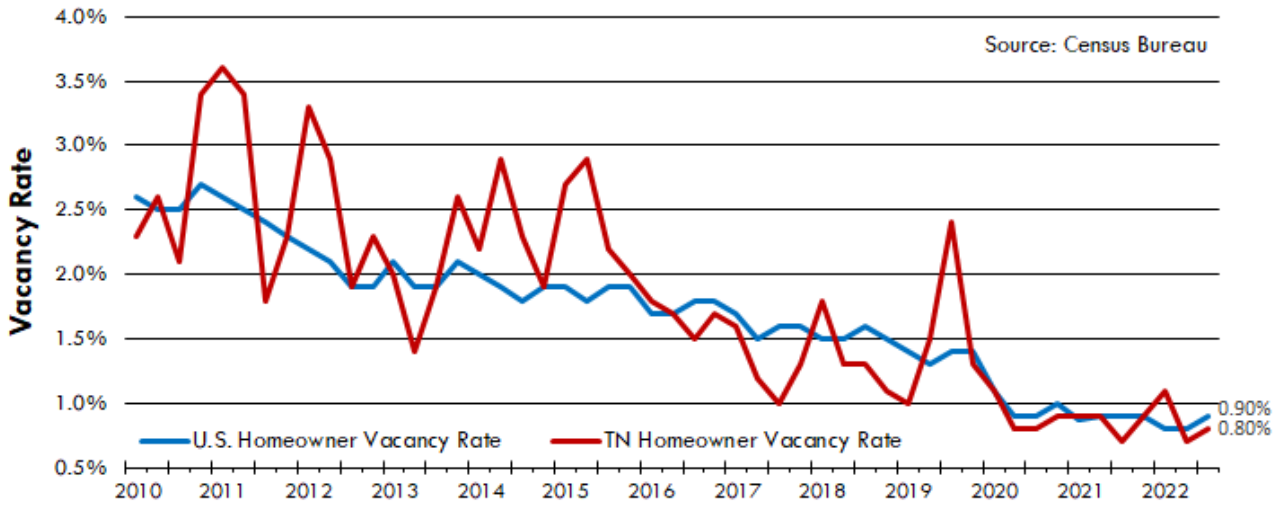
Source: Bureau of Labor Statistics

Vacancy Rate

Yearly homeowner vacancy rates increased in Tennessee and remained unchanged in the United States. Quarterly homeowner vacancy rates for Tennessee and the United States increased from the previous quarter. Tennessee homeowner vacancy rates increased by 0.10 percentage points for both the quarter and the year. The United States had no annual change in homeowner vacancy rates and saw a 0.10 percentage point increase from the previous quarter.

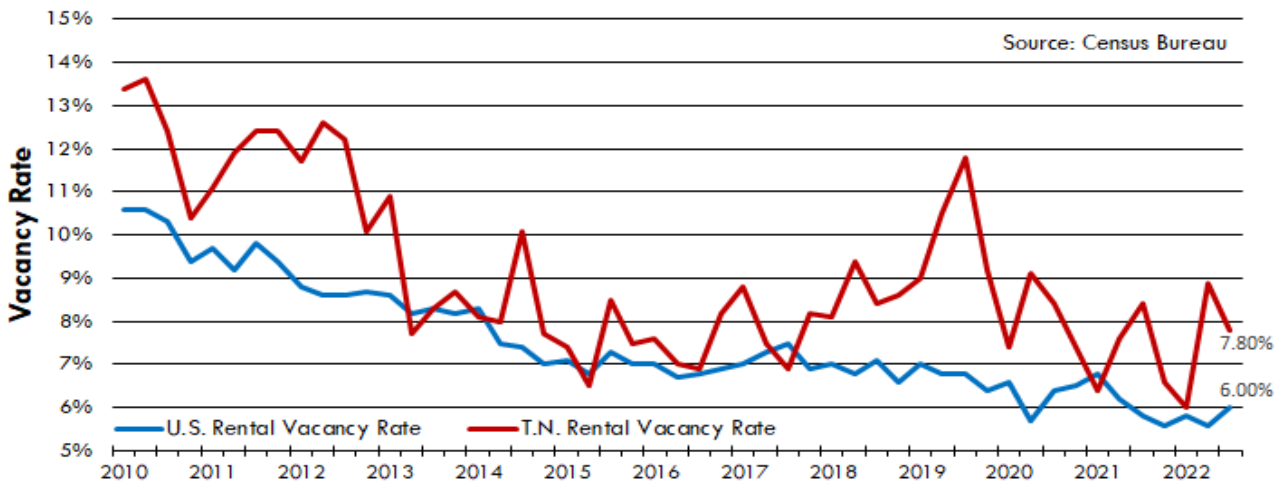
The rental vacancy rates in Tennessee declined in both quarterly and annual values. In contrast, the United States rental vacancy rates increased both for the quarter and the year. Tennessee's vacancy rates fell annually by 0.60 percentage points and quarterly by 1.10 percentage points. In the United States, rental vacancy rates rose by 0.20 percentage points for the year and 0.40 percentage points for the quarter.

Figure 2. Homeowner vacancy rate



Source: Census Bureau

Figure 3. Rental vacancy rate



Source: Census Bureau

Housing Construction

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

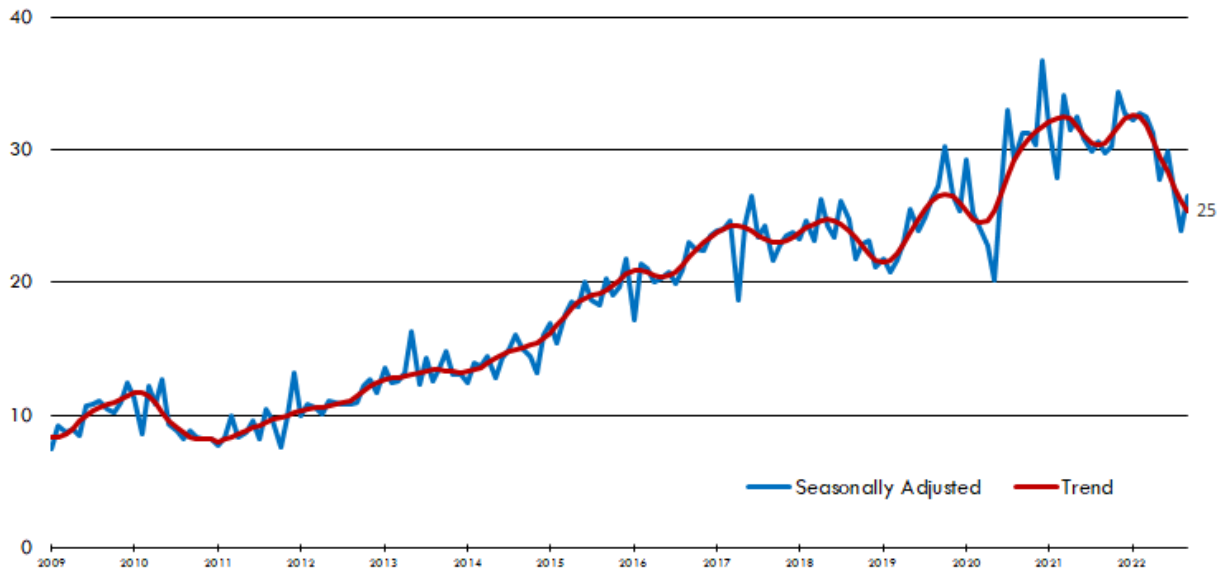


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

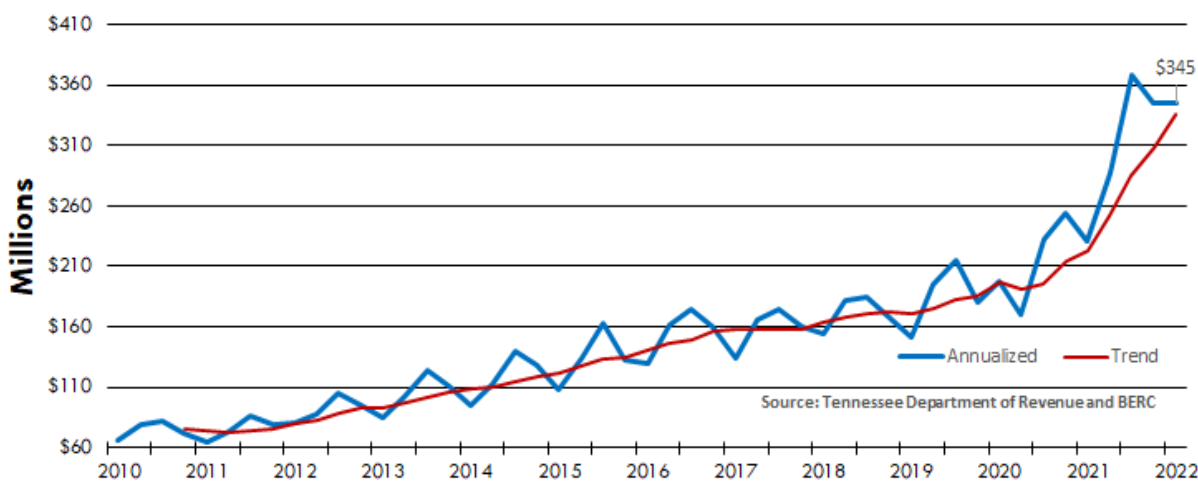
Source: Census Bureau

Real Estate Transactions & Mortgages

Real estate transfer tax collections slightly decreased from the fourth quarter of 2021 (-0.08%), and the yearly change was (49.16%). Real estate transfer tax collections averaged roughly 29 million dollars, while annualized collections were approximately 345 million.

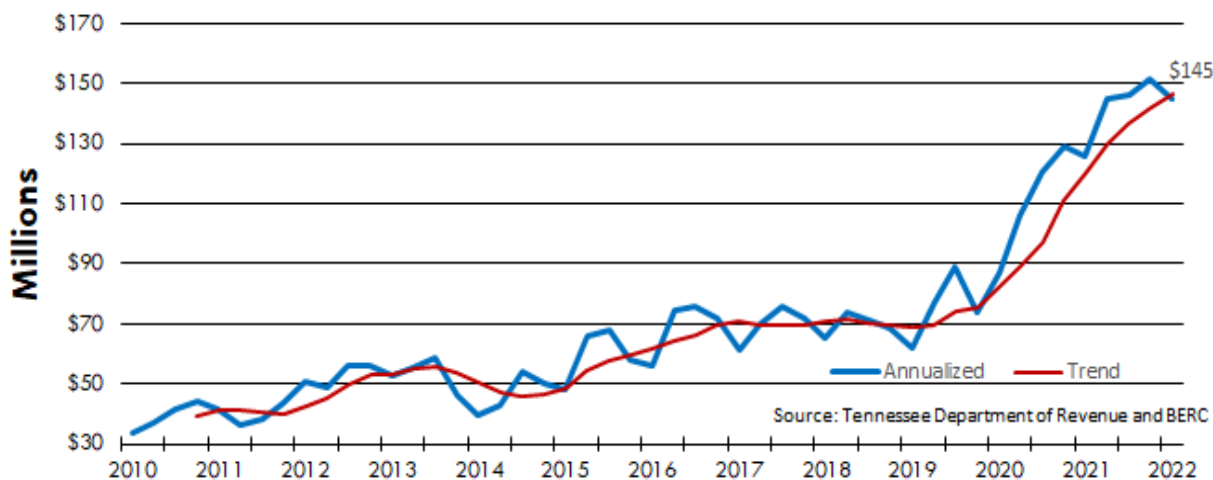
Mortgage tax collections decreased from Q4 2021 (-4.36%). The yearly change was an increase of 15.06%. The quarterly average for mortgage tax collections was over 12 million, and the annualized collections were around 145 million dollars, respectively.

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)



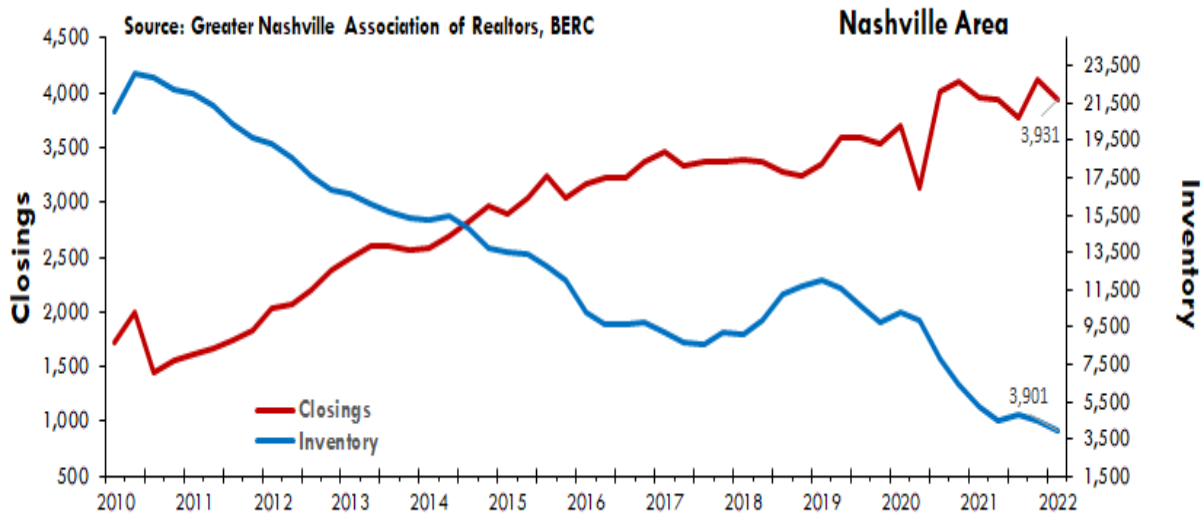
Source: Tennessee Department of Revenue and BEREC

Home Sales

Closings for the Nashville, Knoxville, and Memphis regions were negative relative to Q4 2021. The Knoxville area saw the most significant decrease of 7.87%, the Nashville area saw a decline of 4.48, and the Memphis area saw a decrease of 3.81% in its closings. Annual changes were also negative for all three areas. Knoxville again saw the most significant decrease of 17%, Memphis saw a decline of 1.02%, and Nashville saw a slight decrease of 0.82% from last year.

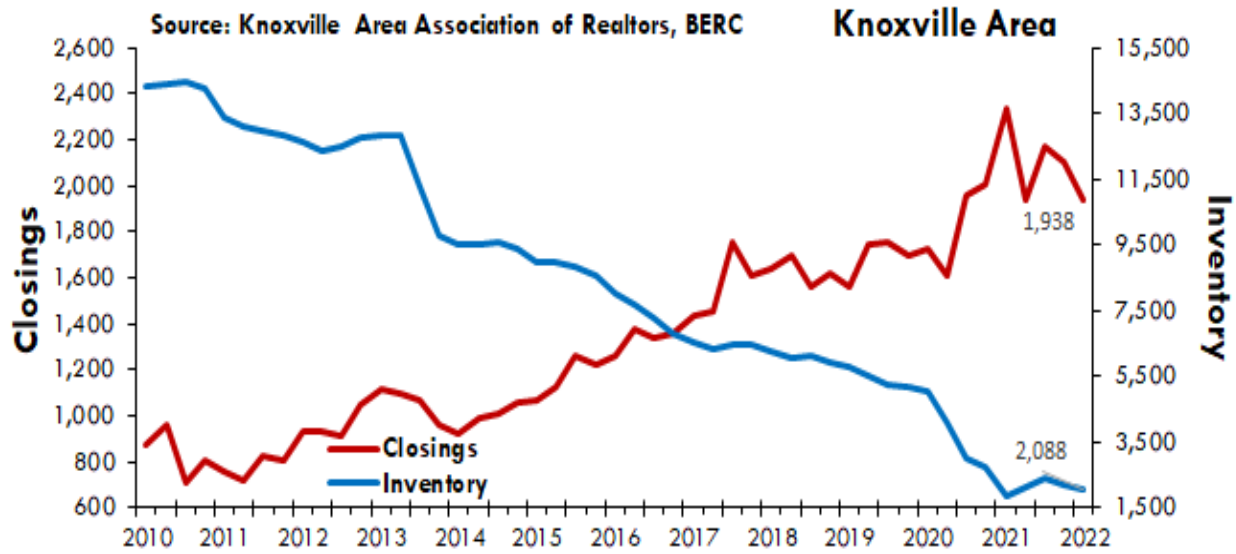
Quarterly changes in inventory among the three regions were also negative. Nashville saw the largest decrease of 12.77%, Knoxville saw the decrease of 5.80%, and Memphis saw the smallest drop of 5.50%. Annual inventory changes were mostly negative except for the Knoxville area. Nashville inventory fell by 25.91% from Q1 2021, while the Memphis area saw a decrease of 5.94% from last year. The only positive outcome from last year was the Knoxville area’s annual inventory change from the previous year, 13.59%.

Figure 7.1 Single-family sales and inventory - Nashville Area



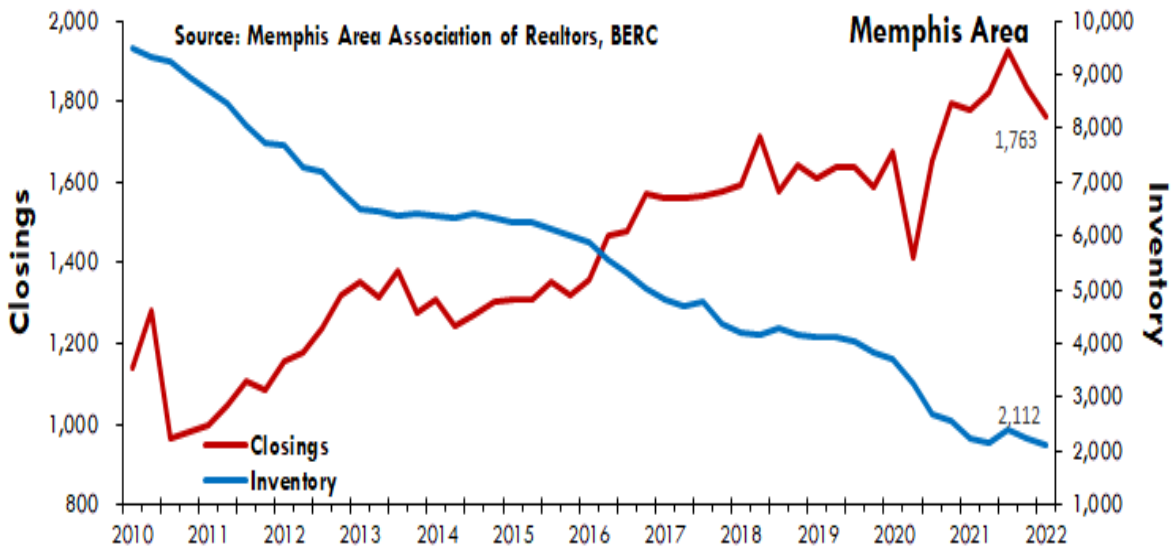
Source: Greater Nashville Association of Realtors, BEREC

Figure 7.2 Single-family sales and inventory - Knoxville Area



Source: Knoxville Area Association of Realtors, BERC

Figure 7.3 Single-family sales and inventory - Memphis Area



Source: Memphis Area Association of Realtors, BERC

Home Prices

Rising home prices continue to trend upward for all MSAs in Tennessee. In Q1 2022, the Jackson MSA saw the largest increase in home prices from last year of 27.1%, with the Nashville MSA and Clarksville MSA following close behind with annual increases of 26.8% and 26.1%, respectively.

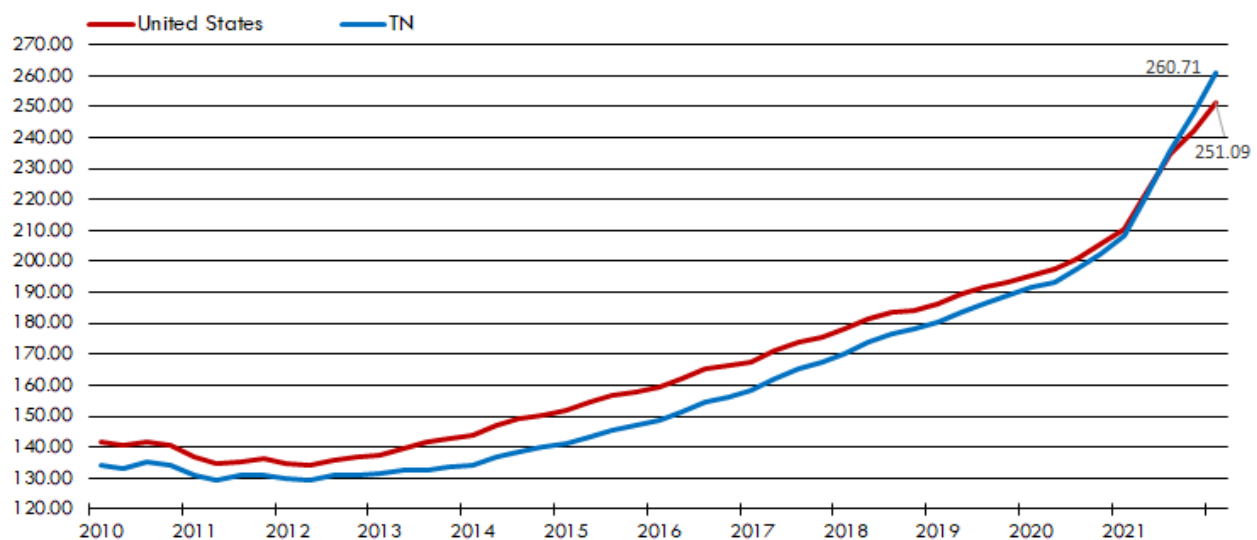
Tennessee and the United States also continue the trend of rising home prices both quarterly and annually. Tennessee saw a quarterly increase in home prices of 5.06%, and the United States saw a rise of 3.60%. Annually Tennessee saw an increase of 25.2% in home prices while the United States saw an increase of 19.5%.

Table 3. Percent change in housing prices year to year

Area	2020.2-2021.2	2020.3-2021.3	2020.4-2021.4	2021.1-2022.1
Chattanooga MSA	14.9%	19.3%	21.7%	24.4%
Clarksville MSA	14.0%	18.9%	24.0%	26.1%
Cleveland MSA	14.8%	18.4%	20.9%	21.5%
Jackson MSA	16.6%	19.9%	25.0%	27.1%
Johnson City MSA	12.4%	19.1%	19.0%	20.3%
Kingsport-Bristol MSA	13.0%	17.5%	20.1%	23.3%
Knoxville MSA	16.0%	21.3%	23.4%	25.7%
Memphis MSA	13.0%	16.2%	18.7%	20.3%
Morristown MSA	17.2%	19.5%	20.4%	24.7%
Nashville MSA	13.9%	19.4%	23.7%	26.8%
Tennessee	14.3%	19.2%	22.5%	25.2%
United States	12.4%	16.5%	22.8%	19.5%

Source: FHFA All Transactions Index

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



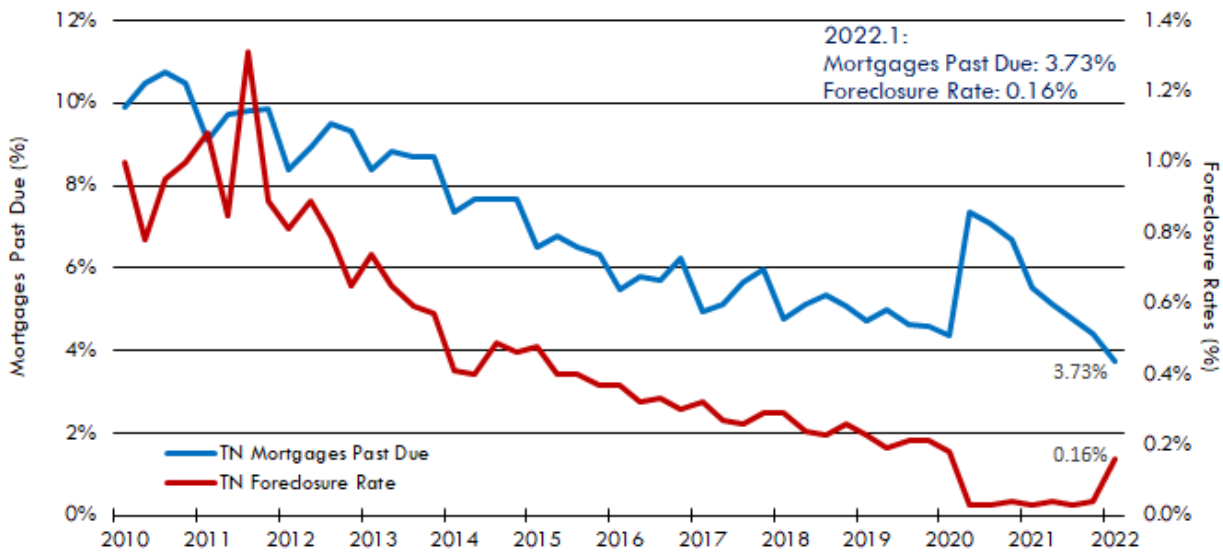
Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies & Foreclosures

In Q1 2022, the United States and Tennessee homeowners continued the trend of catching up on their delinquent mortgages from the height of the pandemic. The United States saw a quarterly decline of 0.67%, and Tennessee saw a decline of 0.79% in mortgage delinquencies. Annual mortgage delinquencies also fell by 1.79% for the United States and 2.28% for Tennessee.

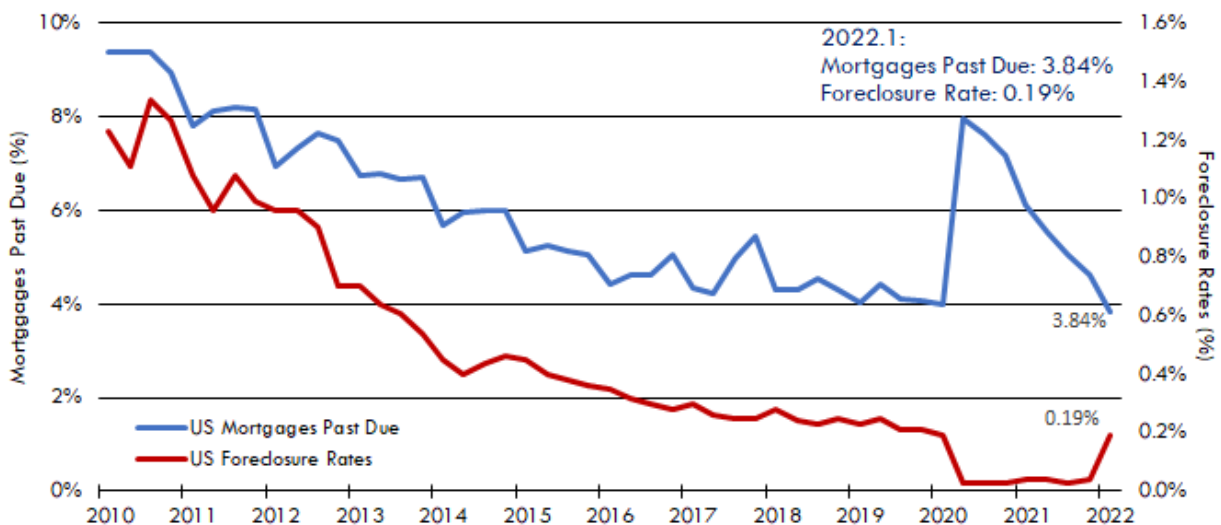
Foreclosures have increased for both the United States and Tennessee quarterly and annually. The United States saw a quarterly and annual increase in foreclosures of 0.15%, while Tennessee saw a quarterly foreclosure rate increase of 0.12% and a yearly increase of 0.13%.

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 two aspects of note are the tandem increase of home prices with the general price level of goods and the changes in foreclosure rates concerning mortgage delinquencies. Tennessee home prices are increasing exponentially while the United States, though growing, is increasing at a decreasing rate relative to Tennessee.

The foreclosure rates are interesting for both Tennessee and the United States because, even though homeowners are more caught up on their mortgages than they were prior to the pandemic, we see foreclosure rates that are around the same as pre-pandemic levels.



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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)