

HOUSING

T E N N E S S E E

3rd Quarter 2016

Tennessee dashboard 3rd quarter 2016

(percent change over the year)

Weekly Unemployment Claims	▼	-29%	Total Home Permits*	▲	+5.0%
Total Nonfarm Employment*	▲	+2.3%	Mortgage Tax Collections	▲	+12.1%
Unemployment Rate (percentage points)*	▼	-1.17	Real Estate Transfer Tax Collections	▲	+6.9%
Homeowner Vacancy Rate (percentage points)	▼	-0.7	Home Prices*	▲	+6.1%
Rental Vacancy Rate (percentage points)	▼	-1.60	Mortgages Past Due (percentage points)	▼	-0.78
Single-Family Home Permits*	▲	+5.3%	Foreclosure Rate (percentage points)	▼	-0.07

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

Economic Overview

Employment numbers have improved dramatically since the third quarter of 2015.

Employment dynamics remained relatively unchanged this quarter compared to the past four quarters tracked by this report. However, initial claims for unemployment took a dive, falling more than 15%.

Since the third quarter of 2015, total nonfarm employment has been slowly but steadily increasing. The trend continues this quarter with overall total nonfarm employment up around 1% and the goods-producing, services-producing, and manufacturing sectors relatively unchanged. The unemployment rate rose by a quarter of a percentage point to 4.43% from

a recent historical low of 4.17% in the second quarter. The number of unemployed individuals increased more than 6% this quarter.

Compared to the third quarter of 2015, employment indicators have improved dramatically. Total nonfarm employment is up around 2% with the largest gains in the goods-producing sector at over 3%. Particularly improved over the year is unemployment. The number of people unemployed is down nearly 19%, and the unemployment rate is down over a percentage point. Initial claims for unemployment are down almost 30%.

Figure 1. Tennessee initial claims for unemployment insurance

(quarterly averages of weekly data, seasonally adjusted)



Over the year, initial claims for unemployment insurance are down almost 30% in Tennessee.

Table 1. Selected Tennessee employment indicators

(thousands, seasonally adjusted)

	2015.3	2015.4	2016.1	2016.2	2016.3
Employment by industry (nonfarm)					
Total nonfarm	2,903	2,929	2,952	2,948	2,968
Goods-producing sectors	452	457	466	463	466
Manufacturing	333	336	341	343	342
Services-providing sectors	2,451	2,472	2,485	2,485	2,502
Labor force	3,052	3,063	3,117	3,142	3,137
Total employment	2,881	2,892	2,964	3,011	2,997
Unemployed	171	172	154	131	139
Unemployment rate	5.60%	5.60%	4.93%	4.17%	4.43%

Source: Bureau of Labor Statistics

The state's total nonfarm employment is up around 2% over the year.

Vacancy Rates

This quarter, Tennessee homeowner vacancy rates are at 1.5%, one of the lowest rates in the past 10 years and down 0.20 percentage points from the previous quarter. The U.S. homeowner vacancy rate rose 0.10 percentage points this quarter to 1.80%.

Over the year, the state's rates for homeowner vacancy are down 0.70 percentage points from 2.20% in the third quarter of 2015. Comparatively, the U.S. homeowner vacancy rate fell 0.10 percentage points.

Compared to the second quarter of 2016, rental vacancies in Tennessee dropped to 6.90% from 7.0%.

State homeowner vacancy rates are among the lowest in 10 years.

Nationally, the rate of rental vacancies rose 0.10 percentage points.

Since the third quarter of 2015, rental vacancy rates have fallen dramatically for both the state and the country. Tennessee's rate fell 1.6 percentage points from 8.5% to 6.9%. Similarly, the national rate fell half a percentage point, from 7.3% to 6.8%.

Figure 2. Homeowner vacancy rate

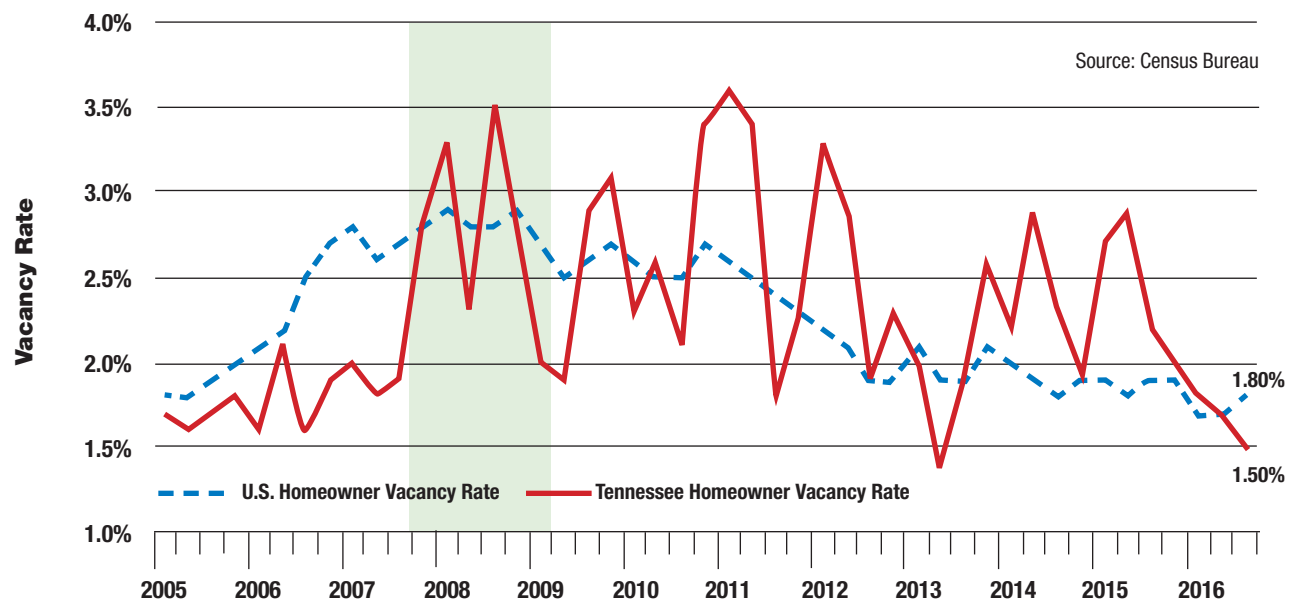
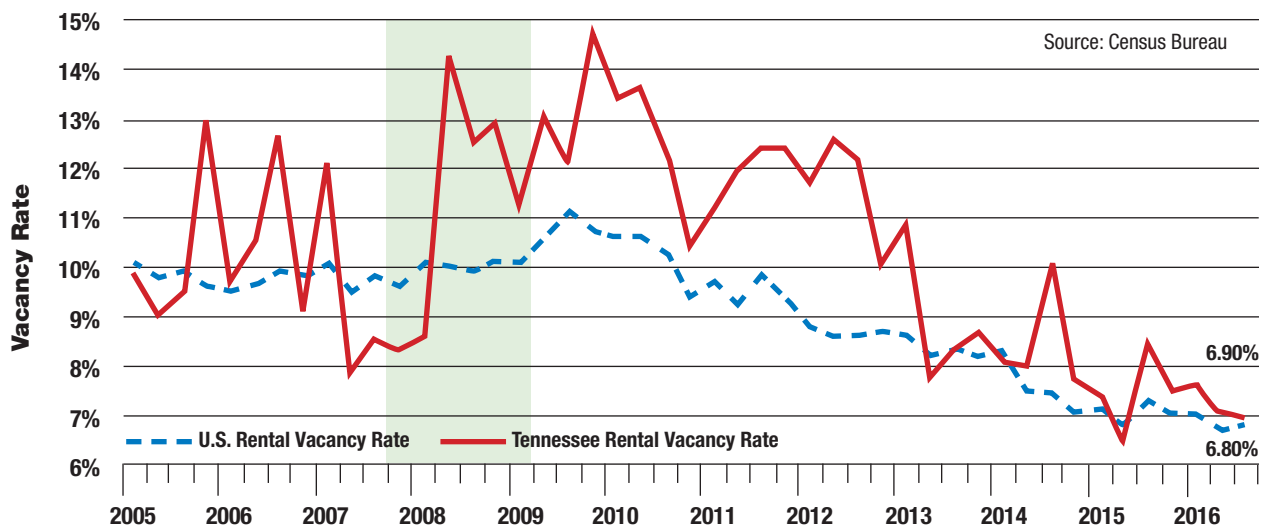


Figure 3. Rental vacancy rate



Housing Construction

Over the year, Tennessee housing permits outperformed the South and the U.S.

This quarter, housing permits increased in nearly every area tracked by this report. In Tennessee, single-family permits rose by around 3%. Perhaps the largest growth was in Tennessee multi-family permits, with a gain of more than 17%. Tennessee’s total permits were up 3%.

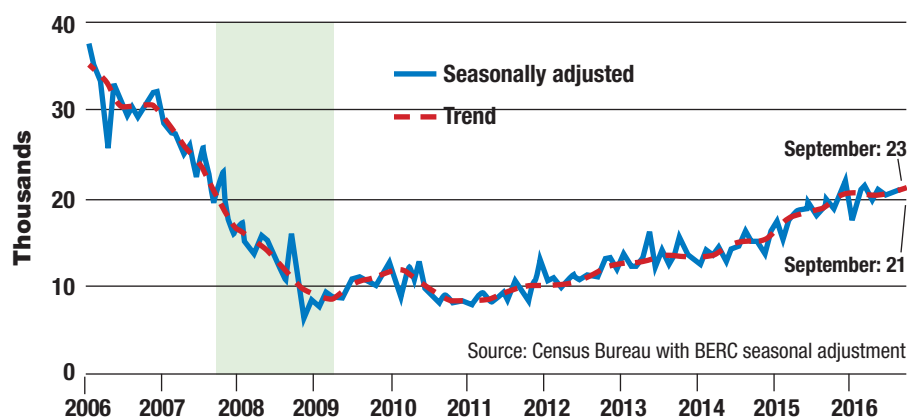
Over the year, housing permits in the state rose 12% for single-family, 6% for multi-family, and 10% for total permits. Single-family permits are at their highest rate in more than three years.

Other areas tracked by this report showed positive growth in multi-family and total permits. Multi-family new construction increased by 7% for the South and 10% for the United States. Single-family permits decreased or remained unchanged for these areas.

Compared to a year ago, the seasonally adjusted annual rate of single-family permits increased by 6% for the South and 5% for the United States. For the nation, multi-family and total permits increased by 5%.

Figure 4. Tennessee single-family home permits

(thousands, seasonally adjusted annual rate)



Tennessee single-family permits are at their highest rate in over three years.

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.
2013.3	15.8	326.8	617.4	8.0	141.5	343.5	24.7	472.1	966.4
2013.4	17.0	325.8	619.6	6.4	161.0	381.0	21.5	486.9	998.1
2014.1	16.4	325.4	604.0	9.6	170.1	388.0	25.2	493.0	977.3
2014.2	16.2	329.1	615.8	7.2	165.3	390.9	25.2	494.3	1,016.7
2014.3	18.3	347.2	631.6	4.4	172.9	415.0	23.4	522.8	1,047.4
2014.4	17.8	349.4	647.6	12.3	171.9	405.3	28.4	520.8	1,048.0
2015.1	20.3	358.5	651.2	7.7	174.7	430.7	27.1	532.0	1,076.8
2015.2	22.9	374.1	678.9	10.7	192.2	588.5	35.5	566.4	1,257.9
2015.3	22.8	377.6	691.9	9.7	190.0	437.9	33.2	569.5	1,129.4
2015.4	23.7	386.3	720.4	15.6	193.1	509.0	37.6	578.8	1,195.5
2016.1	23.7	388.6	734.4	17.6	185.9	418.4	40.8	571.7	1,153.4
2016.2	24.8	402.7	735.2	8.8	177.4	414.8	35.7	580.7	1,145.5
2016.3	25.6	402.0	728.6	10.3	189.9	457.6	36.6	592.9	1,186.3
Change from previous quarter	3%	0%	-1%	17%	7%	10%	3%	2%	4%
Change from previous year	12%	6%	5%	6%	0%	5%	10%	4%	5%

Source: Census Bureau

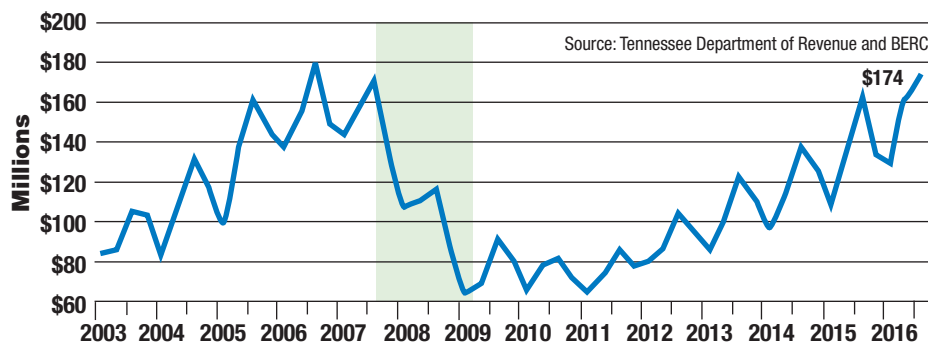
Real Estate Transactions & Mortgages

Mortgage and real estate tax collections have moderately increased since the second quarter of 2016. The annual rate for mortgage tax collections is \$76 million, representing a 2% increase. Real estate transfer tax collections are up by 8% to an annual rate of \$174 million.

Compared to the third quarter of 2015, tax collections have increased. Mortgage tax collections are up \$8 million, or 12%, while real estate transfer tax collections have increased by \$11 million, or 7%.

Figure 5. Real estate transfer tax collections

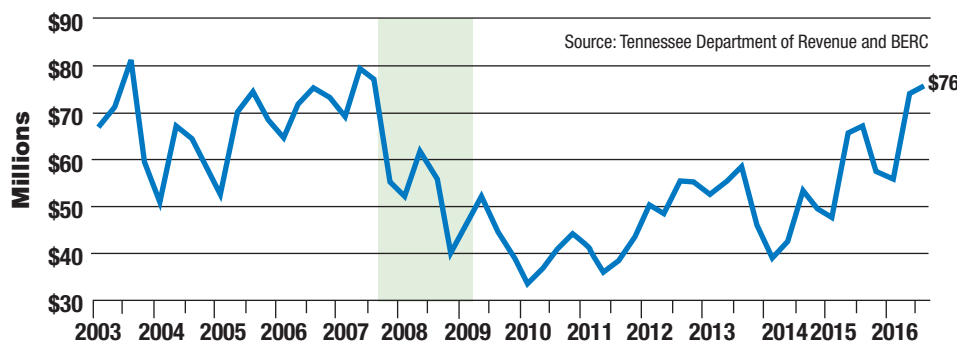
(millions, seasonally adjusted annual rate)



Real estate transfer tax collections rose 7 percent over the year.

Figure 6. Mortgage tax collections

(millions, seasonally adjusted annual rate)



Mortgage tax collections are up 12 percent over the year.

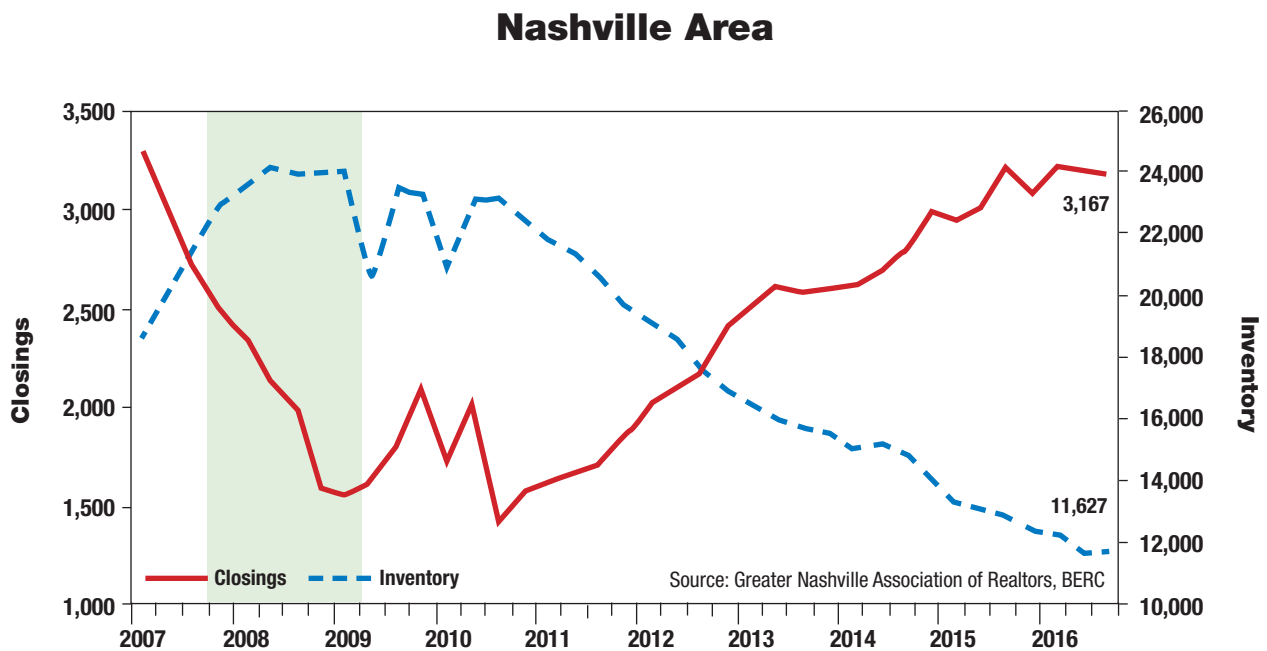
Home Sales

The Memphis area's housing inventory decreased by 18% over the year.

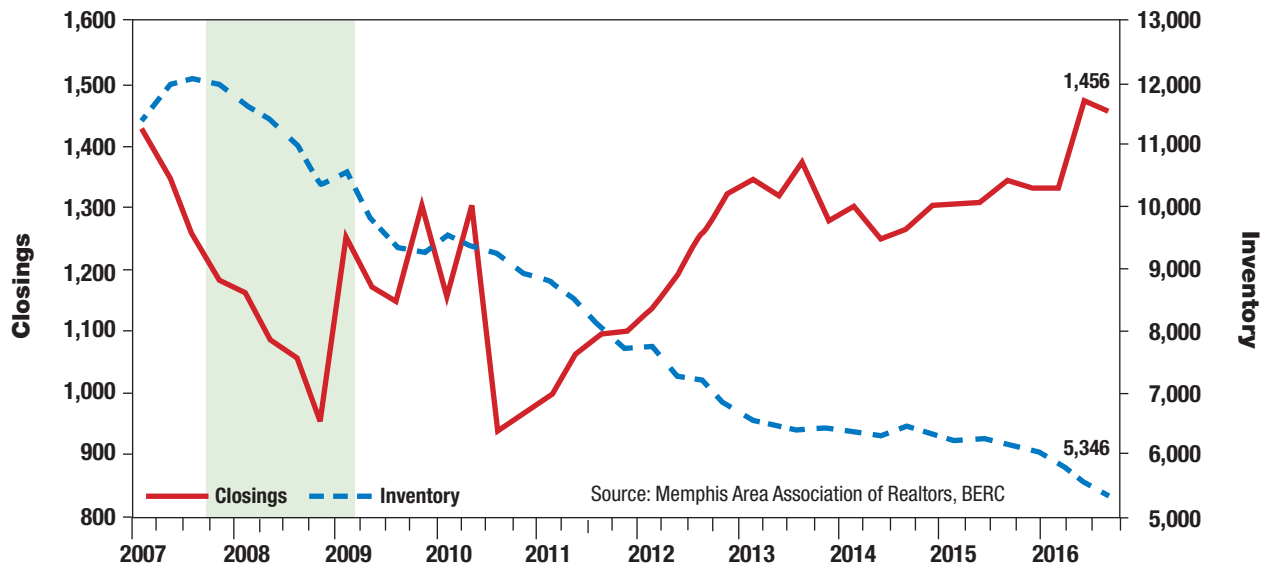
This quarter, the housing market areas tracked by this report showed a favorable change in inventories, which decreased 5% in Memphis, 4% in Knoxville, and 1% in Nashville. Over the year, these numbers drastically increase. Most notably, inventory decreased by 18% in Memphis, followed by 13% in Knoxville and 10 percent in Nashville.

Home closings in the Memphis and Nashville regions are now above pre-recession levels. However, in the third quarter of 2016, closings in the three geographies decreased, falling around 4 percent. Compared to the third quarter of 2015, findings are generally positive. Closings are up 9% in Knoxville and 5% in Memphis. The Nashville region declined slightly, falling 1%.

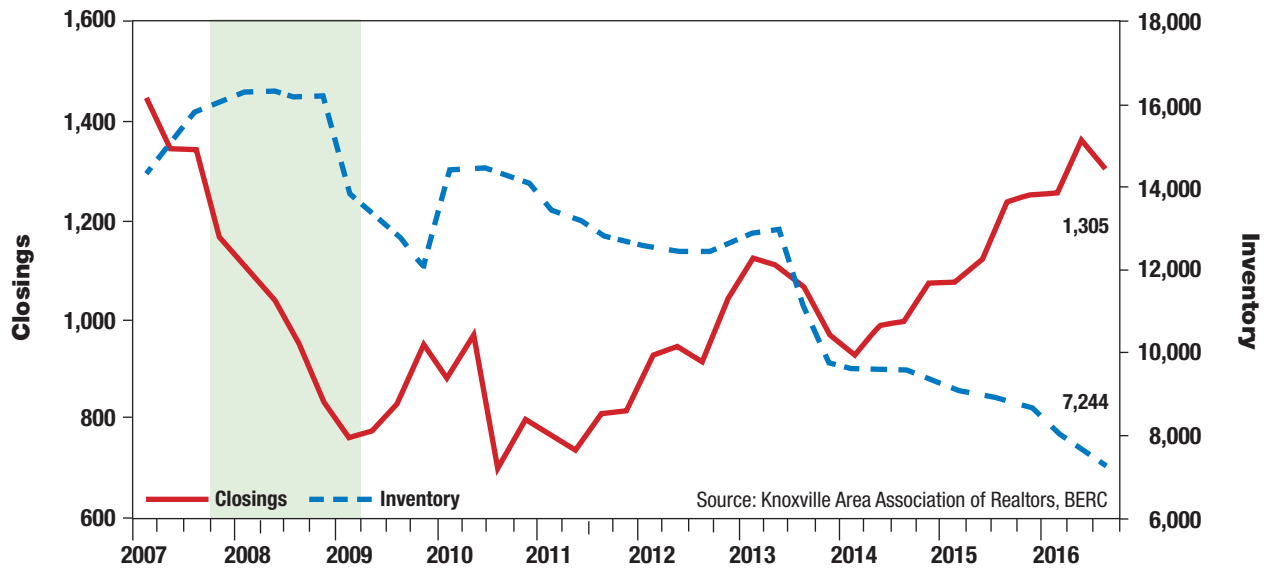
Figure 7. Single-family sales and inventory



Memphis Area



Knoxville Area



Home Prices

Nashville area housing prices rose 9% over the year.

Over the past year, housing prices rose in every geography tracked by this report. Most distinctly, Nashville MSA housing prices increased 9% this year compared to just 6.1% for the state and 5.6% for

the nation. Other metro areas experiencing notable increases include Morristown, up 6.1%; Johnson City, up 4.9%; and Memphis, up 4.3%.

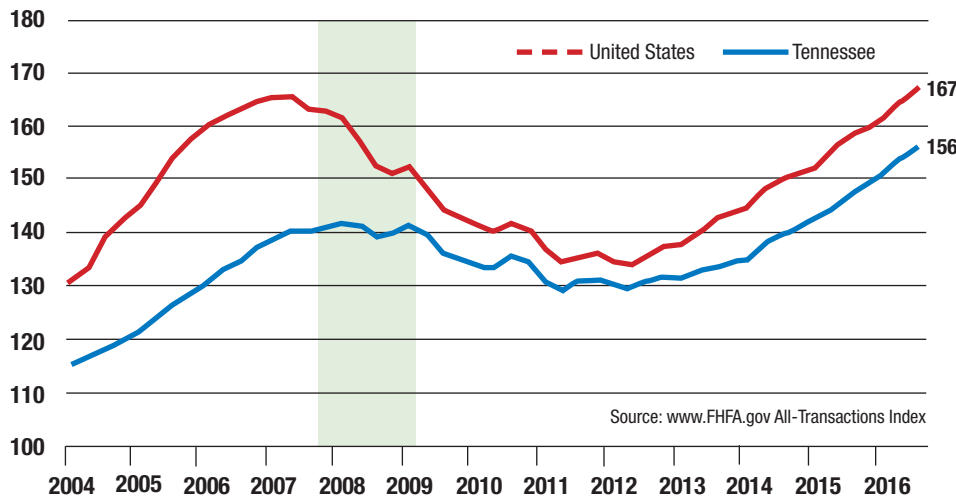
Table 3. Change in housing prices year to year

Area	2014.4–2015.4	2015.1–2016.1	2015.2–2016.2	2015.3–2016.3
Chattanooga MSA	4.7%	5.7%	4.9%	3.9%
Clarksville MSA	2.3%	2.1%	4.2%	2.3%
Cleveland MSA	3.3%	-0.7%	5.5%	3.2%
Jackson MSA	3.3%	6.9%	4.0%	3.4%
Johnson City MSA	-0.6%	-0.6%	2.2%	4.9%
Kingsport-Bristol MSA	4.3%	-0.4%	2.0%	1.1%
Knoxville MSA	2.6%	2.7%	4.4%	4.0%
Memphis MSA	3.4%	3.9%	3.4%	4.3%
Morristown MSA	5.0%	-0.5%	4.6%	6.1%
Nashville MSA	8.7%	9.3%	10.0%	9.0%
Tennessee	5.6%	5.9%	6.5%	6.1%
United States	5.6%	5.6%	5.6%	5.6%

Source: FHFA All-Transactions Index

The Morristown, Johnson City, and Memphis metro areas experienced notable housing price increases.

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



Over the year, housing prices continued to increase more in Tennessee than in the nation.

Mortgage Delinquencies, Foreclosures

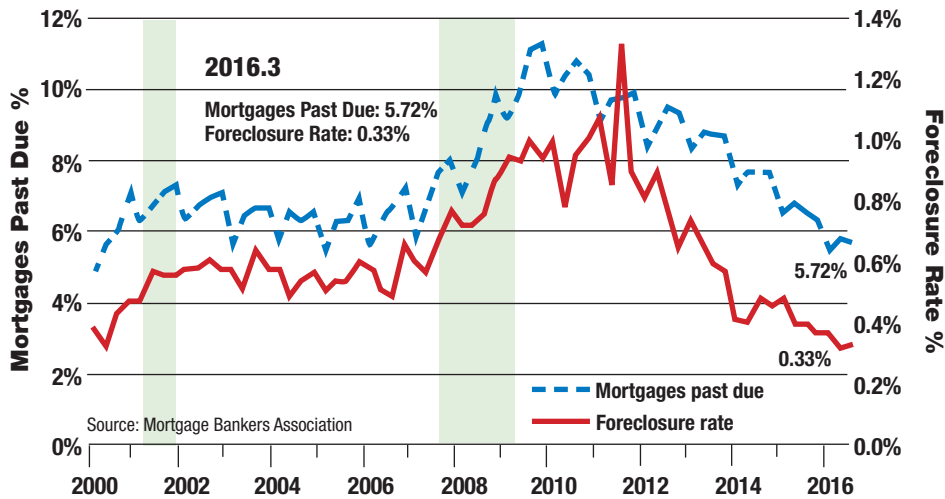
State mortgages past due fell while foreclosure rates rose slightly.

In Tennessee, mortgages past due fell .07 percentage points for the quarter to 5.72%. Compared to one year ago, this figure shows a dramatic decline of 0.78 percentage points. Foreclosure rates slightly increased to 0.33%, a .01 percentage point increase. Over the year, the rate is down by .07 percentage points.

For the United States, delinquency rates are at some of the lowest levels in 10 years. The current rate of mortgages past due is 4.63%, the second lowest since 2007. Foreclosures are very low at only 0.30%—a rate not seen since the second quarter of 2000.

Figure 9. Tennessee mortgages past due and foreclosure starts

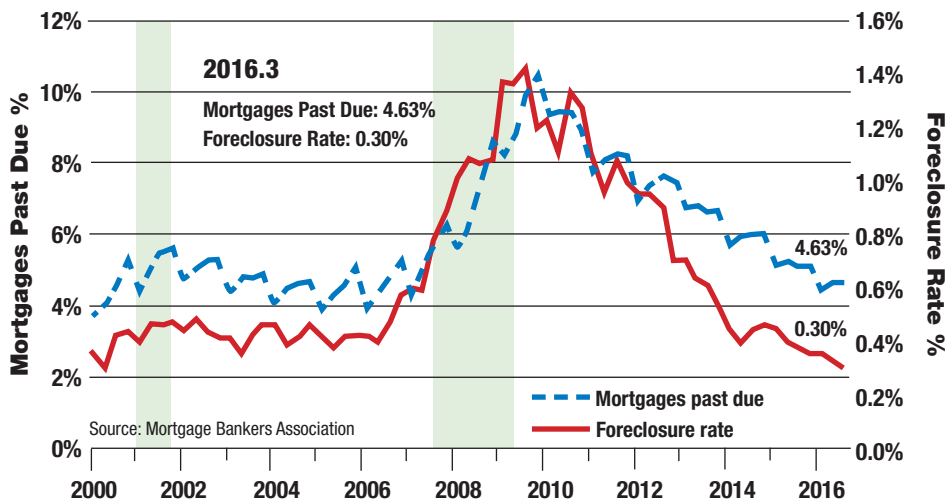
(percent of mortgages in place)



Over the year, Tennessee mortgages past due fell 0.78 percentage points.

Figure 10. United States mortgages past due and foreclosure starts

(percent of mortgages in place)



The nation's foreclosure rate is 0.30%, a 16-year low.

Conclusion

Overall, indicators depict a strong financial foundation in the state. The housing market is performing considerably well. Initial claims for unemployment are down 16% to a weekly average of 2,721 claims, a recent historical low. Delinquency rates are at some of the lowest levels in over 10 years.

Low rental vacancy rates and increased multi-family construction permits suggest a vibrant housing market.

State indicators reveal a strong housing market and financial foundation.

Last, housing prices increased by half a percentage point more for the state than for the nation. Additionally, Nashville MSA housing prices increased by 9% over the year—nearly 3 percentage points higher than the state and 3.5 percentage points higher than the country. ■



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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)