

# HOUSING

T E N N E S S E E

## 3rd Quarter 2017

### Tennessee dashboard 3rd quarter 2017

(percent change over the year)

Weekly Unemployment Claims	▼	-5.62	Total Home Permits*	▲	+24.9
Total Nonfarm Employment*	▲	+1.58	Mortgage Tax Collections	▼	-5.79
Unemployment Rate (percentage points)*	▼	-1.60	Real Estate Transfer Tax Collections	▲	+6.26
Homeowner Vacancy Rate (percentage points)	▼	-0.50	Home Prices*	▲	+7.90
Rental Vacancy Rate (percentage points)		Unchanged	Mortgages Past Due (percentage points)	▼	-0.05
Single-Family Home Permits*	▲	+10.9	Foreclosure Rate (percentage points)	▼	-0.07

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

## Economic Overview

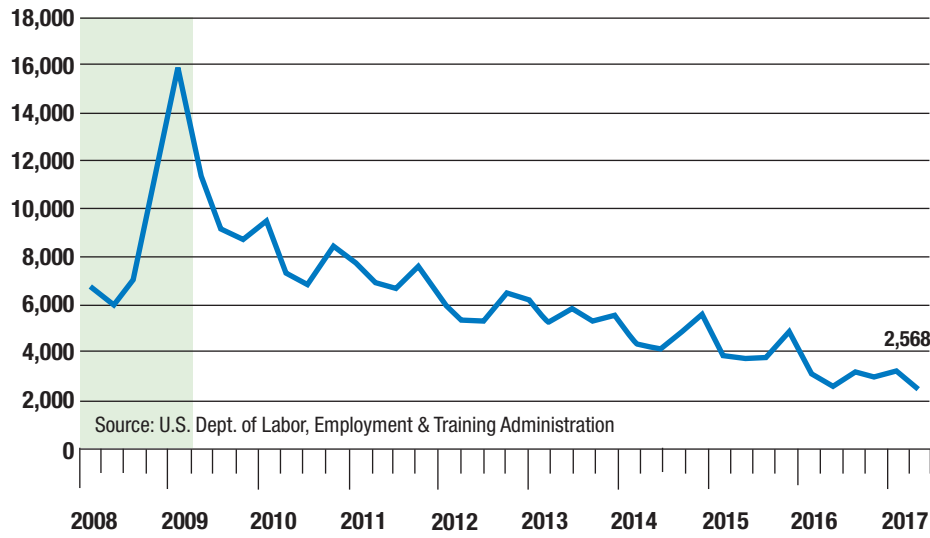
Third-quarter 2017 economic indicators suggest a robust economy in Tennessee. It is apparent the positive economic climate has had an impact on local housing dynamics profiled in this report. The unemployment rate is extremely low at 3.23 percent, the lowest in several decades. A related indicator, the number of unemployed, is just over 100,000, down more than 22 percent for the quarter and 33 percent over the year. In addition, both nonfarm employment and the total number of employed are up by one-third of a percent since the second quarter.

### The positive economic climate has had an impact on local housing dynamics.

Initial claims for unemployment are down this quarter after a slight uptick in the second quarter of 2017. The current level of average weekly unemployment claims is just over 2,500, representing a 22 percent decrease from the previous quarter and a 6 percent decrease from this time last year.

**Figure 1. Tennessee initial claims for unemployment insurance**

(quarterly averages of weekly data, seasonally adjusted)



**Tennessee average weekly unemployment claims are down 22 percent for the quarter and 6 percent over the year.**

**Table 1. Selected Tennessee employment indicators**

(thousands, seasonally adjusted)

	2016.3	2016.4	2017.1	2017.2	2017.3
<b>Employment by industry (nonfarm)</b>					
<b>Total nonfarm</b>	2,977	2,991	3,008	3,013	3,024
<b>Goods-producing sectors</b>	465	465	473	473	471
<b>Manufacturing</b>	345	344	347	348	346
<b>Services-providing sectors</b>	2,512	2,526	2,535	2,540	2,552
<b>Labor force</b>	3,151	3,166	3,194	3,180	3,159
<b>Total employment</b>	2,999	3,005	3,026	3,049	3,058
<b>Unemployed</b>	153	161	168	131	102
<b>Unemployment rate</b>	4.83%	5.07%	5.27%	4.10%	3.23%

Source: Bureau of Labor Statistics

**The state unemployment rate, at 3.23 percent, is the lowest in several decades.**

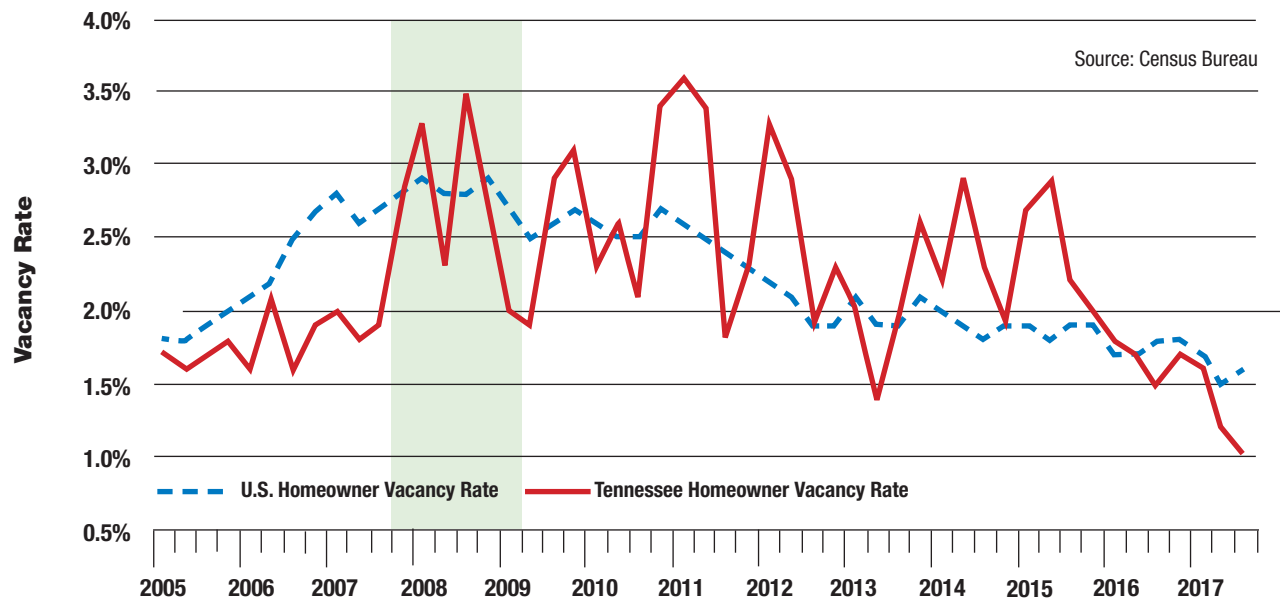
# Vacancy Rates

## Tennessee homeowner and rental vacancies both decreased in the third quarter.

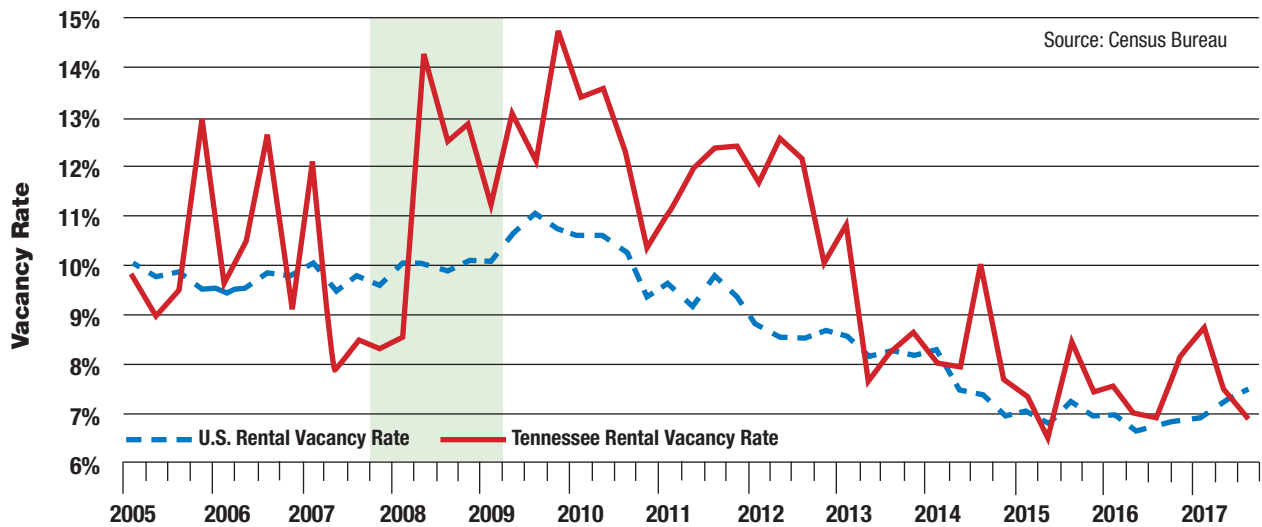
**H**ousing vacancy rates are extremely low this quarter. Both homeowner and rental vacancy rates decreased since the second quarter in Tennessee. The homeowner vacancy rate fell 0.20 percentage points to 1 percent vacancy, the lowest rate in over a decade. The rental vacancy rate continued its steep decline, dropping to 6.9 percent, the lowest quarterly rate in two years.

For the United States, both homeowner and rental vacancy rates increased from the second quarter. The homeowner vacancy rate is up one-tenth of a percentage point, and the rental vacancy rate is up by .20 percentage points. Compared to this time last year, the homeowner vacancy rate is down, while the rental vacancy rate is over half of a percent higher.

**Figure 2. Homeowner vacancy rate**



**Figure 3. Rental vacancy rate**



## Housing Construction

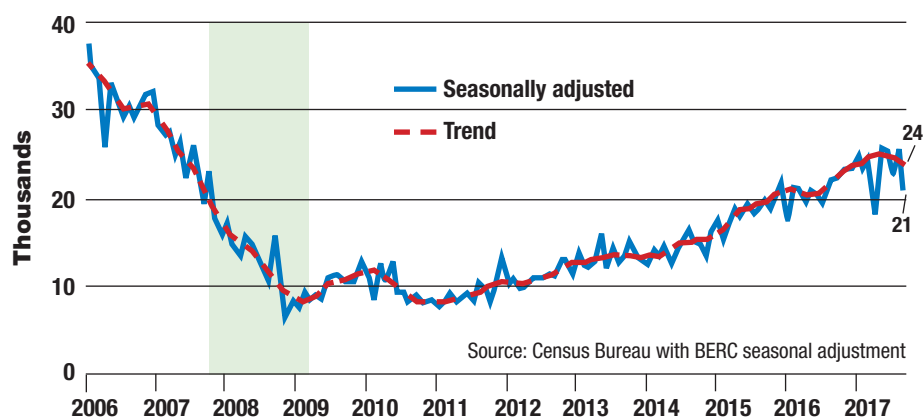
### Permits for new construction in Tennessee rose in the third quarter.

Considering the low vacancy rates, it is not surprising that permits for new construction are also up for the state this quarter. Multi-family permits for Tennessee rose 31 percent this quarter and 65 percent over the third quarter of 2016. Single-family permits and total permits are up by 5 percent and 8 percent, respectively.

Other geographies tracked in this report showed robust numbers this quarter. Multi-family permits are up 4 percent in the South and 7 percent for the nation. Over the year, nearly every category in every geography has shown a substantial increase. In particular, single-family permits are up 9 percent for the South and 11 percent for the United States.

**Figure 4. Tennessee single-family home permits**

(thousands, seasonally adjusted annual rate)



**Tennessee's multi-family permits rose 31 percent for the quarter and 65 percent over the year.**

**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.
2014.3	18.6	348.2	634.3	3.4	170.7	411.4	22.5	521.2	1,048.0
2014.4	17.5	351.6	646.3	13.1	173.7	404.5	30.1	525.7	1,049.4
2015.1	20.2	356.9	650.3	7.8	177.5	449.7	27.7	534.0	1,079.3
2015.2	22.3	371.7	681.9	10.8	190.7	563.2	34.3	561.0	1,252.8
2015.3	23.1	379.2	700.8	8.7	186.8	434.9	32.4	566.8	1,130.0
2015.4	24.0	389.5	711.0	16.6	196.4	477.7	39.2	585.7	1,198.4
2016.1	23.6	387.2	724.2	17.9	184.6	431.8	40.0	571.4	1,156.0
2016.2	24.1	398.7	742.1	8.7	175.5	395.3	34.5	574.9	1,139.8
2016.3	25.8	404.4	744.6	9.2	186.3	457.9	35.7	589.6	1,187.9
2016.4	27.8	418.0	776.6	9.7	153.4	425.2	35.5	571.9	1,206.4
2017.1	28.8	448.8	808.2	7.9	167.5	455.7	35.9	621.0	1,258.3
2017.2	27.2	445.0	812.6	11.6	166.3	412.7	41.3	607.7	1,235.1
2017.3	28.6	440.1	824.6	15.2	173.6	440.5	44.5	611.9	1,246.2
<b>Change from previous quarter</b>	<b>5%</b>	<b>-1%</b>	<b>1%</b>	<b>31%</b>	<b>4%</b>	<b>7%</b>	<b>8%</b>	<b>1%</b>	<b>1%</b>
<b>Change from previous year</b>	<b>11%</b>	<b>9%</b>	<b>11%</b>	<b>65%</b>	<b>-7%</b>	<b>-4%</b>	<b>25%</b>	<b>4%</b>	<b>5%</b>

Source: Census Bureau

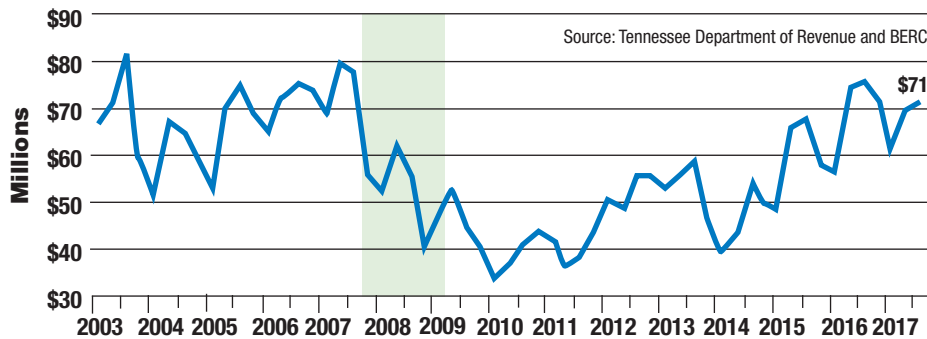
# Real Estate Transactions & Mortgages

**M**ortgage and real estate transfer tax collections are both up this quarter. Mortgage tax collections increased conservatively to an annualized rate of \$71 million, a 3 percent increase from the second quarter. Over the year, mortgage tax collections are down by around 6 percent.

On the other hand, real estate transfer tax collections are rapidly increasing as they did in the second quarter. This quarter, collections are up by over 11 percent. Over the year, the rate is up more than 6 percent. The current annualized rate is \$185 million, the highest rate in over 15 years.

**Figure 5. Mortgage tax collections**

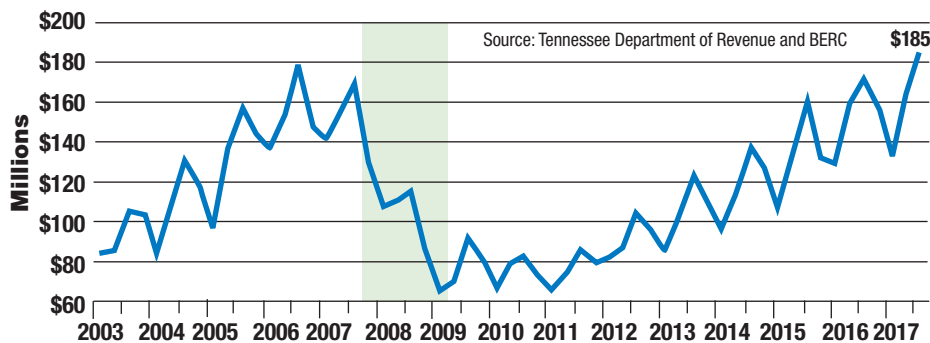
(millions, seasonally adjusted annual rate)



**Mortgage tax collections increased 3 percent over the quarter.**

**Figure 6. Real estate transfer tax collections**

(millions, seasonally adjusted annual rate)



**Real estate transfer tax collections are the highest in over 15 years.**

# Home Sales\*

## Inventories are up slightly in Knoxville, Memphis, and Nashville for the quarter.

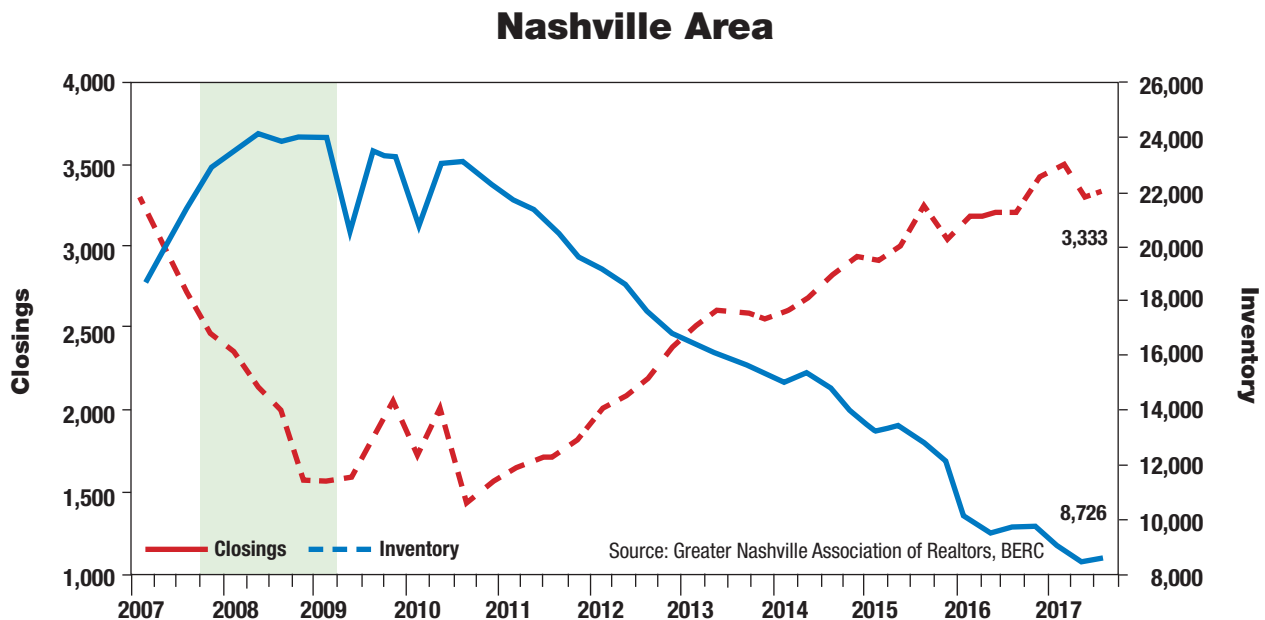
Home sales data seems to be shifting this quarter compared to historical performance. For the first time in many years, inventories are up slightly in all three geographies: Knoxville, Memphis, and Nashville. Memphis and Knoxville increased the most: 3 percent and 4 percent, respectively. Over the year, inventories are down in all three areas. Specifically, inventory has decreased by 11 percent in Knoxville and 10 percent in Memphis and Nashville.

Closings are still increasing although at a very conservative rate for some areas. Nashville and

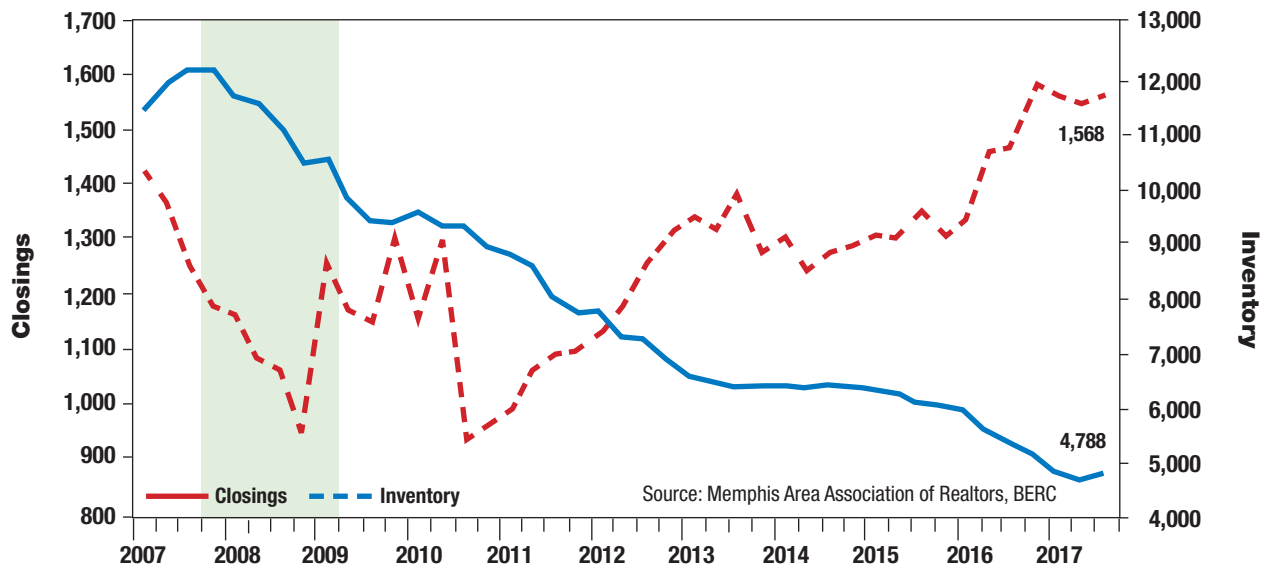
Memphis closings are up by 1 percent each. The exception is the Knoxville area, in which closings are up 17 percent since the second quarter. Compared to this time last year, closings are higher in all three areas, up 31 percent in Knoxville and 7 percent in Memphis.

\* In June 2017, RealTracs Inc., the regional multiple listing service through which the Greater Nashville Association of Realtors (GNAR) obtains market statistics, adjusted its statistical reporting to more accurately reflect market activity. Adjustments to historical statistical data have been made for 2016 and 2017 for Nashville area data.

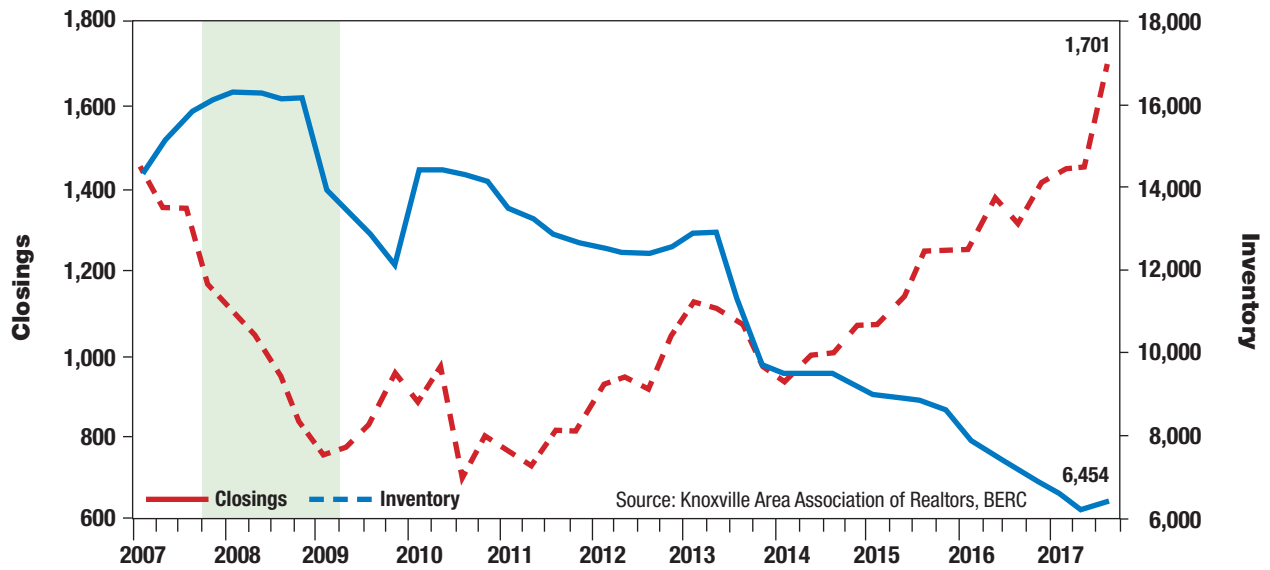
Figure 7. Single-family sales and inventory



## Memphis Area



## Knoxville Area





# Home Prices

**Every MSA covered in this report showed a quarterly housing price increase.**

The housing price index as reported by the Federal Housing Finance Agency (FHFA) shows that home prices in Tennessee are rising. In fact, every MSA covered in this report showed a quarterly increase, some more significant than others. Areas showing the most growth are the Nashville MSA (10.4 percent), the

Chattanooga MSA (7.7 percent), and the Memphis MSA (7.3 percent). The increase in housing prices for the state is 7.9 percent, 1.6 percentage points higher than for the nation. Other areas worth noting are the Jackson and Clarksville MSAs, both reporting much stronger growth than in the previous quarter.

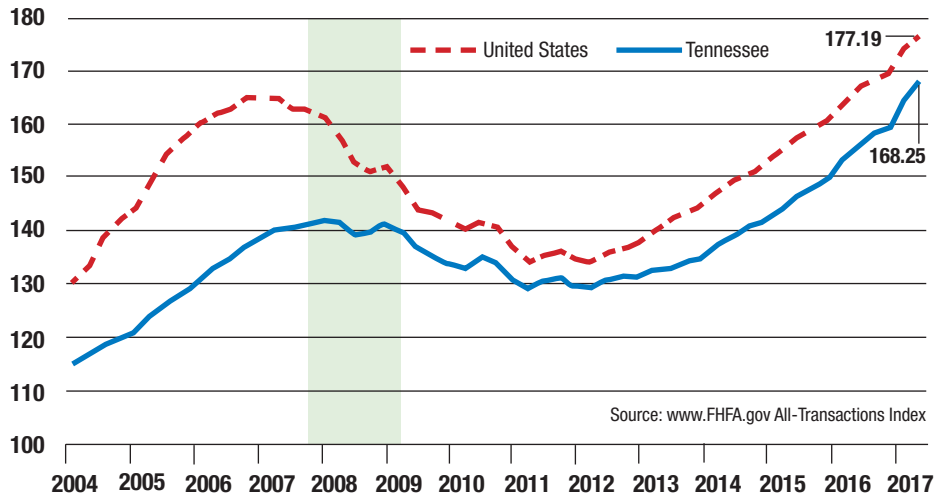
**Table 3. Change in housing prices year to year**

Area	2015.4–2016.4	2016.1–2017.1	2016.2–2017.2	2016.3–2017.3
Chattanooga MSA	2.6%	4.2%	7.4%	7.7%
Clarksville MSA	5.6%	6.2%	2.6%	3.3%
Cleveland MSA	3.5%	4.5%	4.7%	4.4%
Jackson MSA	2.1%	5.5%	2.2%	5.6%
Johnson City MSA	2.4%	3.4%	4.6%	1.6%
Kingsport-Bristol MSA	1.4%	3.6%	3.9%	1.8%
Knoxville MSA	5.1%	4.5%	5.3%	5.2%
Memphis MSA	5.0%	4.5%	6.9%	7.3%
Morristown MSA	0.8%	2.5%	5.9%	5.6%
Nashville MSA	10.0%	10.3%	10.4%	10.4%
Tennessee	7.0%	6.5%	7.6%	7.9%
United States	5.8%	5.8%	6.6%	6.3%

Source: FHFA All-Transactions Index

**The Nashville, Chattanooga, and Memphis MSAs showed the most growth for the quarter.**

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



**Housing prices for the state are up 7.9 percent for the quarter.**

## Mortgage Delinquencies, Foreclosures

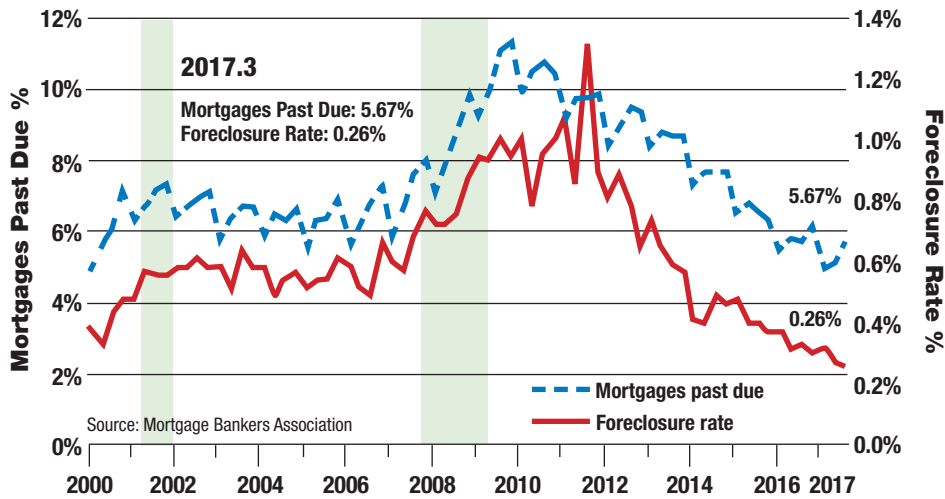
**Foreclosure rates for Tennessee and the United States are the lowest in over 17 years.**

**C**ompared to the second quarter of 2017, mortgages past due are up 0.53 percentage points for Tennessee and 0.75 percentage points for the nation.

The foreclosure rate is down 0.01 percentage points for the quarter in both the state and the nation. Over the year, the rate is down 0.07 percentage points to 0.26 percent in Tennessee and down 0.05 percentage points to 0.25 percent for the United States. Both of these rates are the lowest in over 17 years.

**Figure 9. Tennessee mortgages past due and foreclosure rate**

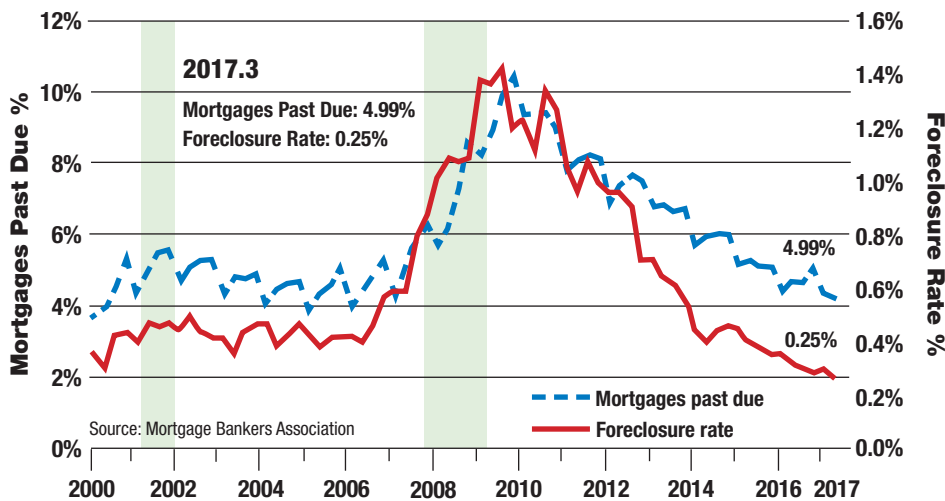
(percent of mortgages in place)



**Mortgages past due are up in both Tennessee and the nation for the quarter.**

**Figure 10. United States mortgages past due and foreclosure rate**

(percent of mortgages in place)



**Foreclosure rates are down for the state and the nation both for the quarter and over the year.**

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# Conclusion

## Tennessee's strong economic climate supports a vibrant housing market.

**D**ata this quarter indicate a strong economic climate that supports a vibrant housing market. Unemployment at 3.23 percent is one of the lowest rates in several decades. Initial unemployment claims are also down more than 22 percent this quarter.

In terms of housing market indicators, the state's foreclosure rate fell to 0.26%, the lowest rate in this millennium, and the homeowner vacancy rate is down to 1.00%, the lowest rate in over 10 years. ■



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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)