

# HOUSING

T E N N E S S E E

## 4th Quarter 2017

### Tennessee dashboard 4th quarter 2017

(percent change over the year)

Weekly Unemployment Claims	▼ -12.27	Total Home Permits*	▼ -1.00
Total Nonfarm Employment*	▲ +1.17	Mortgage Tax Collections	▼ -4.11
Unemployment Rate (percentage points)*	▼ -1.77	Real Estate Transfer Tax Collections	▼ -4.76
Homeowner Vacancy Rate (percentage points)	▼ -0.24	Home Prices*	▲ +7.90
Rental Vacancy Rate (percentage points)	Unchanged	Mortgages Past Due (percentage points)	▼ -0.04
Single-Family Home Permits*	▲ +2.7	Foreclosure Rate (percentage points)	▼ -0.03

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

## Economic Overview

### Nearly all indicators show continued economic stability and growth in Tennessee.

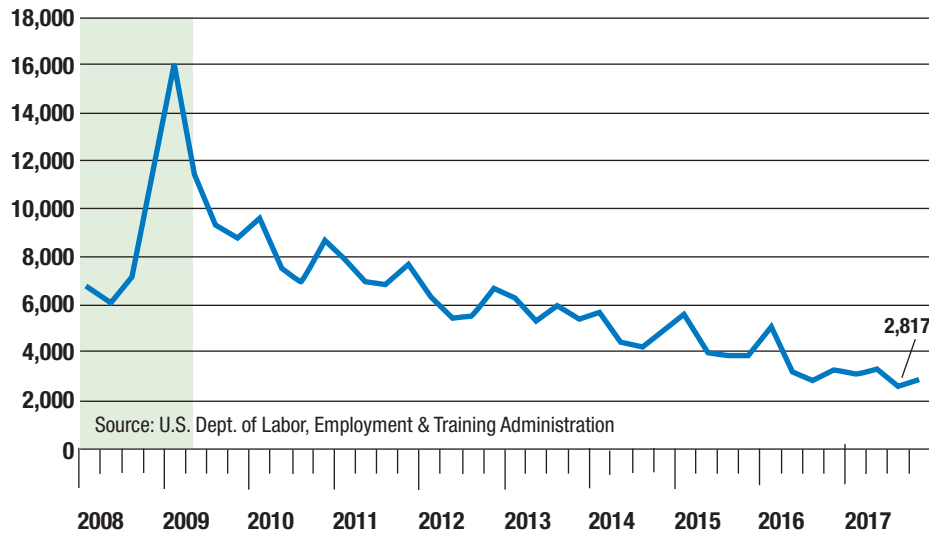
Nearly all fourth-quarter economic indicators in this report show continued economic stability and growth in Tennessee during 2017. Weekly unemployment claims and the unemployment rate showed a slight uptick from the third quarter yet remain among the lowest experienced by the state in five years. The unemployment rate dropped from 5.07 percent in the fourth quarter of 2016 to 3.3 percent at the end of 2017, which contributed, along with nonfarm employment, to a trend of gradual, positive growth in the job market. The most significant quarterly decrease was in total housing permits issued, with a 14 percent

decrease from the third quarter. This can be attributed primarily to a 41 percent decrease in multi-family permits issued. Even so, the annual difference in total permits issued was only 1 percent.

Despite fewer housing permits being issued in the fourth quarter, Tennessee's home prices maintained an upward trend, increasing by 7.9 percent. Mortgage delinquencies and foreclosure rates in Tennessee remained on a par with national averages while also reflecting some of the best numbers for the state in recent years.

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

(quarterly averages of weekly data, seasonally adjusted)



**Weekly unemployment claims and the unemployment rate showed a slight uptick but remain among the lowest in five years.**

**Table 1. Selected Tennessee employment indicators**

(thousands, seasonally adjusted)

	2016.4	2017.1	2017.2	2017.3	2017.4
<b>Employment by industry (nonfarm)</b>					
Total nonfarm	2,991	3,008	3,013	3,024	3,026
Goods-producing sectors	465	473	473	471	473
Manufacturing	344	347	348	346	348
Services-providing sectors	2,526	2,535	2,540	2,552	2,553
Labor force	3,166	3,194	3,180	3,159	3,220
Total employment	3,005	3,026	3,049	3,058	3,113
Unemployed	161	168	131	102	106
Unemployment rate	5.07%	5.27%	4.10%	3.23%	3.30%

Source: Bureau of Labor Statistics

**The state unemployment rate dropped from 5.07 to 3.30 percent over the year.**

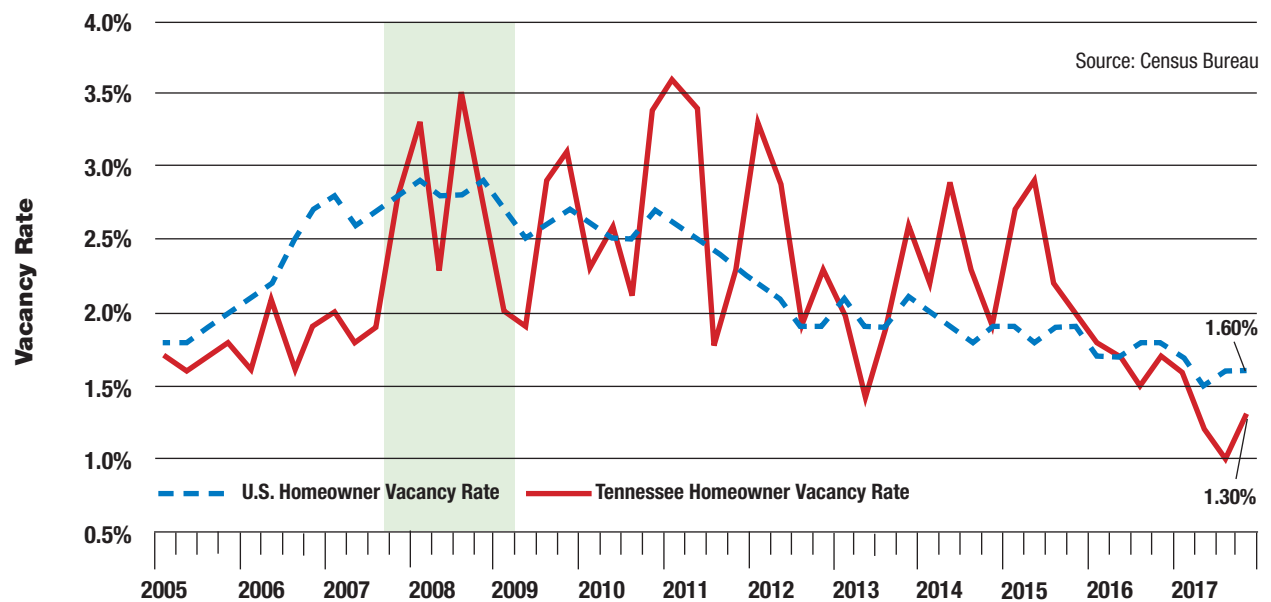
# Vacancy Rates

**Tennessee homeowner and rental vacancies both increased in the fourth quarter.**

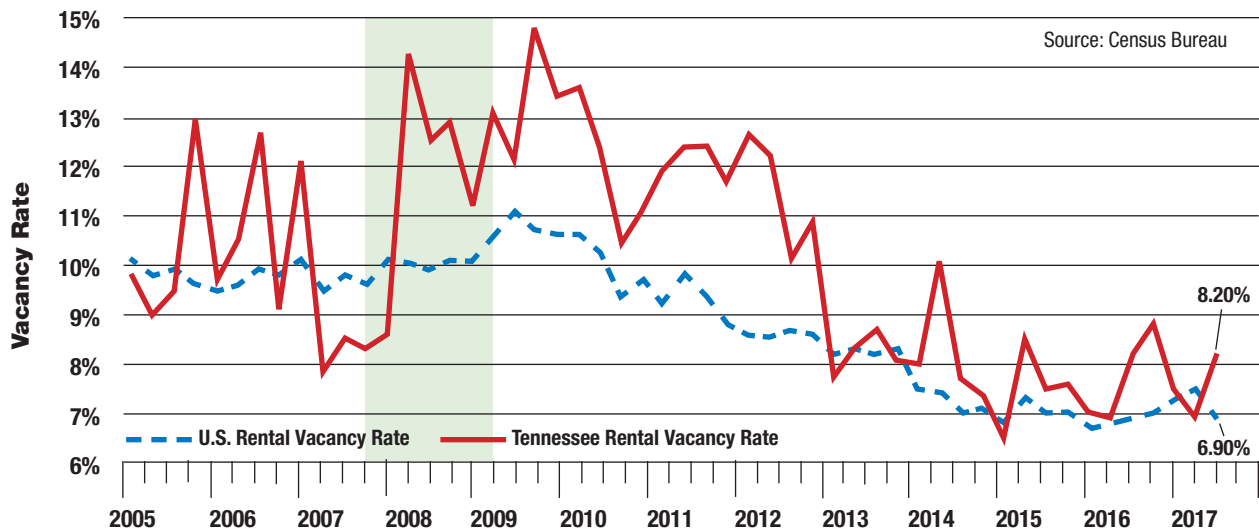
Tennessee saw an increase in both rental and homeowner vacancy rates in the fourth quarter. Homeowner vacancies increased by 0.3 percentage points from last quarter but decreased by 0.4 percentage points over the year. Rental vacancies jumped from 6.9 percent last quarter to 8.2 percent this quarter yet remain consistent with last year's fourth-quarter numbers.

Homeowner vacancies in Tennessee remain below the national average and maintain a historically low average despite this quarter's uptick. Tennessee's rental vacancy averages have increased slightly above the national average and continue, as in the past few years, to show fluctuation within a few percentage points. Rental vacancy rates for Tennessee and the nation are consistent with the fourth quarter of 2016 despite some quarterly changes.

**Figure 2. Homeowner vacancy rate**



**Figure 3. Rental vacancy rate**



## Housing Construction

### Single-family permits exhibited steady growth while multi-family permits dropped.

Single-family permits maintained steady growth from last year, showing a 3 percent annual increase, totaling an annualized number of single-family permits of 28,600. With the exception of the first quarter of this year, that is the highest number of single-family permits issued since the 2008 recession. The total number of permits shows negative growth in large part due to the reduction in multi-family permits issued this quarter. In fact, multi-family permits dropped 41 percent from the third quarter to the fourth quarter, which contributed to a 14 percent decrease in total permits.

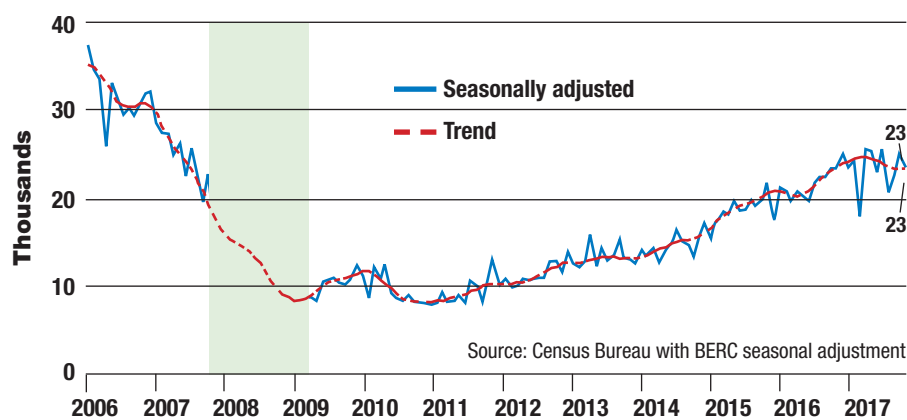
For the South as a whole, permits rose in all categories from the previous year. Single-family permits saw an 8

percent increase, multi-family increased by 3 percent, and total permits increased by 7 percent from the previous year. Quarterly, the South saw an 8 percent decrease in multi-family permits.

Over the year, the U.S. showed a 7 percent increase in total permits, 9 percent increase in single-family permits, and a 3 percent increase in multi-family permits. All three geographies saw an annual increase in single-family permits. In contrast, Tennessee's multi-family permits took a plunge both quarterly and annually. Both the South and the U.S. experienced a 7 percent increase in total permits, whereas Tennessee saw a 1 percent decrease in total permits over the year.

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

(thousands, seasonally adjusted annual rate)



**Tennessee's multi-family permits dropped 41 percent from the third quarter.**

**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.
2014.4	17.5	350.1	646.2	13.3	174.2	403.6	31.1	526.2	1,046.8
2015.1	20.2	355.5	650.8	7.8	175.6	444.5	27.7	532.8	1,078.3
2015.2	22.3	370.8	682.0	10.7	190.8	573.4	33.7	560.9	1,253.3
2015.3	23.0	379.5	700.5	8.5	187.7	429.6	31.8	568.0	1,134.1
2015.4	24.1	391.5	710.4	16.9	197.0	476.7	40.8	586.4	1,193.9
2016.1	23.6	386.4	725.0	17.9	184.2	424.1	39.3	569.6	1,155.0
2016.2	24.1	396.8	742.5	8.7	176.1	409.0	33.5	574.8	1,140.6
2016.3	25.7	403.4	744.3	9.0	186.5	448.1	34.9	591.0	1,193.6
2016.4	27.8	423.3	775.7	10.0	154.6	423.9	37.7	573.0	1,199.9
2017.1	28.8	447.3	809.0	7.9	164.9	448.1	35.7	618.4	1,257.5
2017.2	27.2	439.1	813.2	11.6	167.0	426.5	40.0	607.6	1,236.3
2017.3	28.5	440.0	824.6	15.0	173.8	432.8	43.7	613.6	1,252.6
2017.4	28.6	457.3	841.7	8.8	159.8	436.6	37.4	610.7	1,282.9
<b>Change from previous quarter</b>	<b>0%</b>	<b>4%</b>	<b>2%</b>	<b>-41%</b>	<b>-8%</b>	<b>1%</b>	<b>-14%</b>	<b>0%</b>	<b>2%</b>
<b>Change from previous year</b>	<b>3%</b>	<b>8%</b>	<b>9%</b>	<b>-12%</b>	<b>3%</b>	<b>3%</b>	<b>-1%</b>	<b>7%</b>	<b>7%</b>

Source: Census Bureau

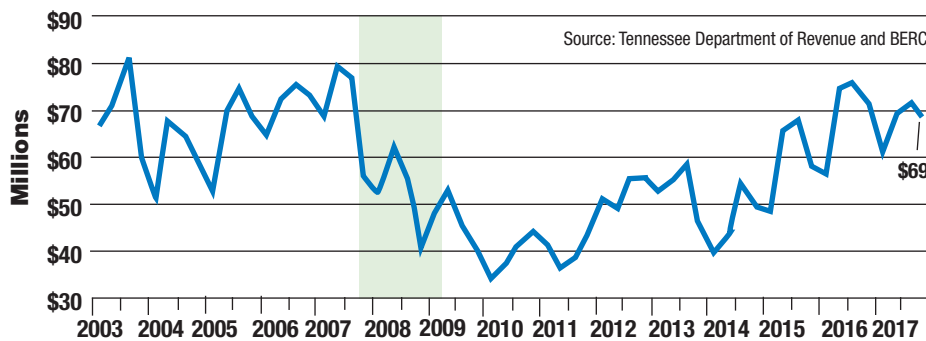
# Real Estate Transactions & Mortgages

The annualized number of real estate transfer and mortgage tax collections took a dip this quarter compared to the third quarter of 2017. Mortgage tax collections decreased by 4.11 percent, or about \$2.8 million. Similarly, real estate transfer tax collections decreased 4.76 percent, equal to about \$18.3 million.

Considering yearly trends, annualized real estate transfer tax collections are up nearly \$8 million from the fourth quarter of 2016. Annualized data of mortgage tax collections show a negative downturn of about \$2.9 million from the fourth quarter of 2016.

**Figure 5. Mortgage tax collections**

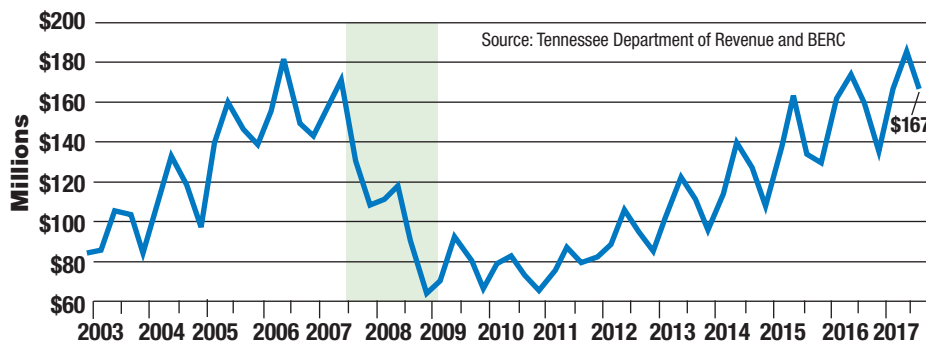
(millions, seasonally adjusted annual rate)



**Mortgage tax collections decreased by 4.11 percent for the quarter.**

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

(millions, seasonally adjusted annual rate)



**Real estate transfer tax collections decreased 4.76 percent.**

# Home Sales\*

## Home closings increased in Nashville and Memphis in the fourth quarter.

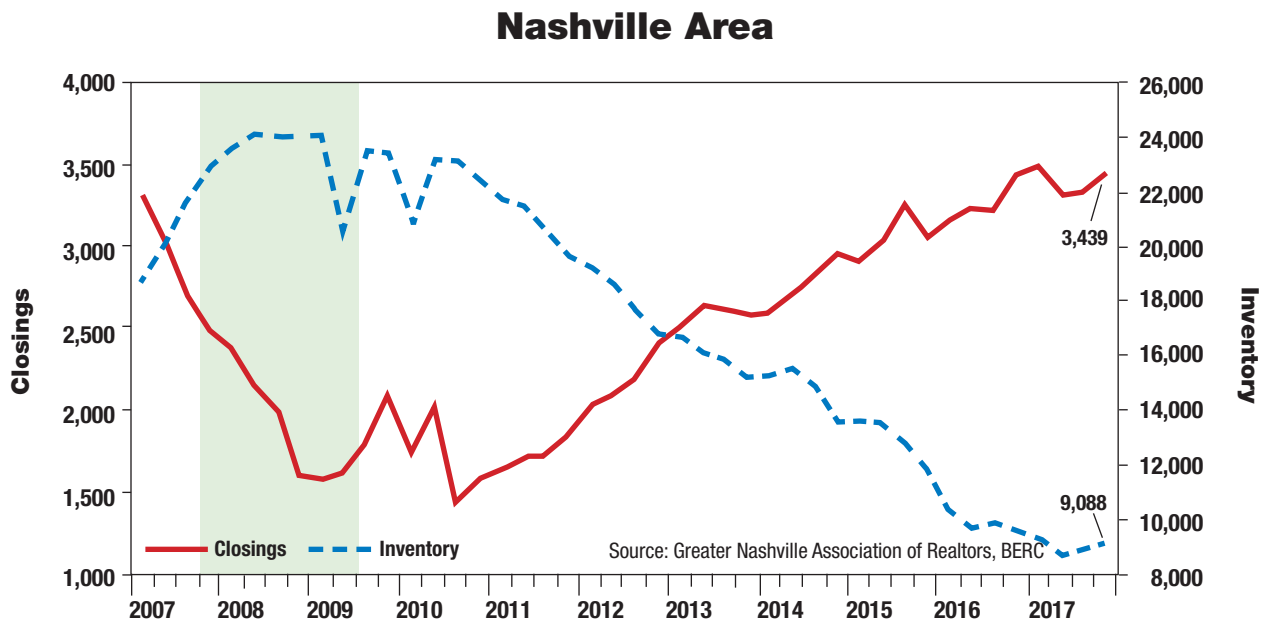
As evidenced by Figure 7 graphs, home closings in the Nashville and Memphis metropolitan areas showed increases from last quarter and a steady home sales market. Memphis continued a trend of decreasing inventory and increased closings, whereas Nashville saw its increased closings paired with an uptick in inventory. Knoxville showed decreased home closings and a gradual increase in inventory.

Although there was some quarterly decline in the metropolitan areas tracked by this report, all three areas show recurring growth since 2014. In addition,

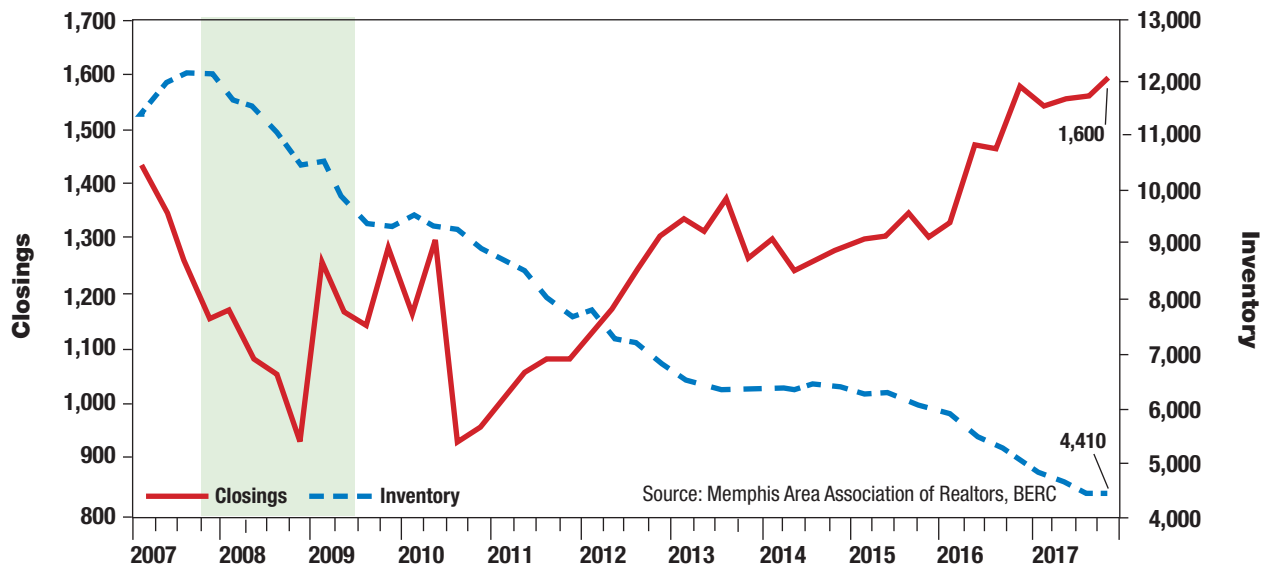
all three experienced some of the highest numbers of closings since the 2008 recession. Evidence supports the presence of varying housing dynamics across Tennessee, but overall the performance of the home sales market is healthy.

\* 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.

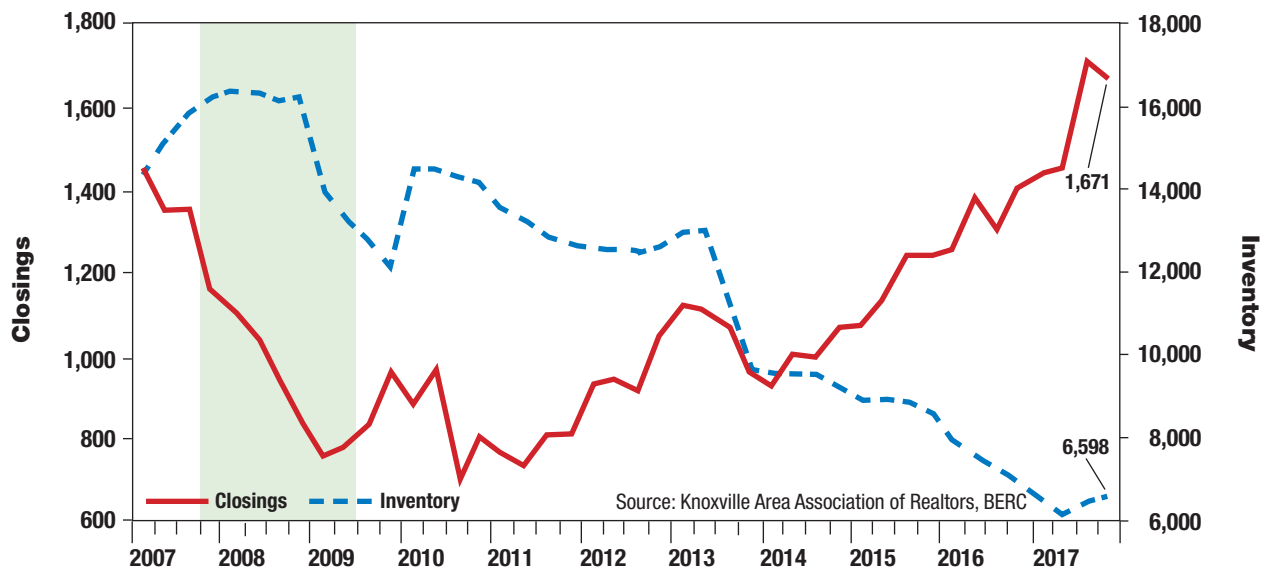
**Figure 7. Single-family sales and inventory**



## 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 by the report shows an increase, some more significant than others. Areas showing the most growth are the Nashville MSA (10.3 percent), Chattanooga

(10.0 percent), and Johnson City (6.4 percent). The Johnson City MSA showed the most significant increase from last quarter, and the Nashville MSA continues to show the highest percentage in the state. Housing prices in the state are up 7.9 percent, which is 1.6 percentage points higher than the national average.

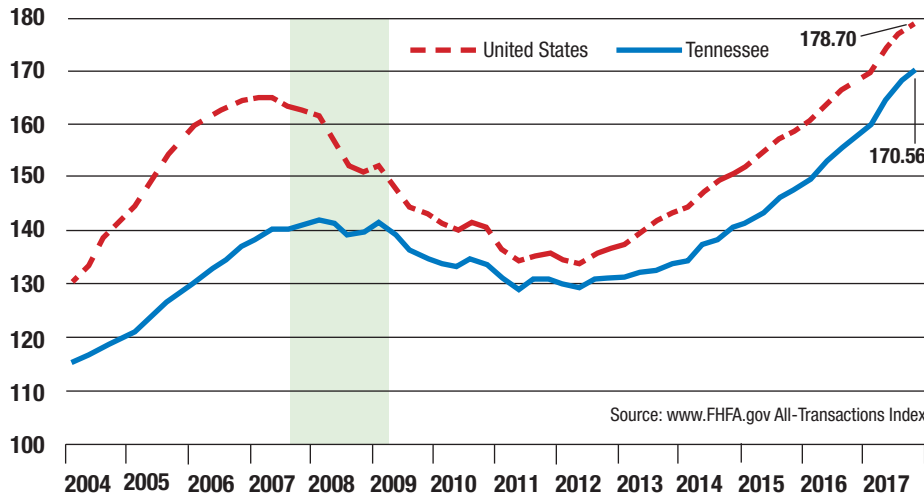
**Table 3. Change in housing prices year to year**

Area	2016.1–2017.1	2016.2–2017.2	2016.3–2017.3	2016.4–2017.4
Chattanooga MSA	4.2%	7.1%	7.8%	10.0%
Clarksville MSA	7.5%	2.9%	3.2%	1.6%
Cleveland MSA	4.5%	4.8%	5.2%	6.1%
Jackson MSA	5.0%	2.3%	3.8%	4.7%
Johnson City MSA	2.2%	4.7%	2.3%	6.4%
Kingsport-Bristol MSA	3.6%	4.0%	1.9%	2.6%
Knoxville MSA	4.5%	5.4%	5.5%	5.3%
Memphis MSA	4.5%	6.8%	7.4%	4.8%
Morristown MSA	1.3%	5.7%	6.1%	5.8%
Nashville MSA	10.6%	10.3%	10.6%	10.3%
Tennessee	6.6%	7.6%	8.1%	7.9%
United States	5.9%	6.6%	6.4%	6.3%

Source: FHFA All-Transactions Index

**Areas showing the most growth this quarter are the Nashville, Chattanooga, and Johnson City MSAs.**

**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

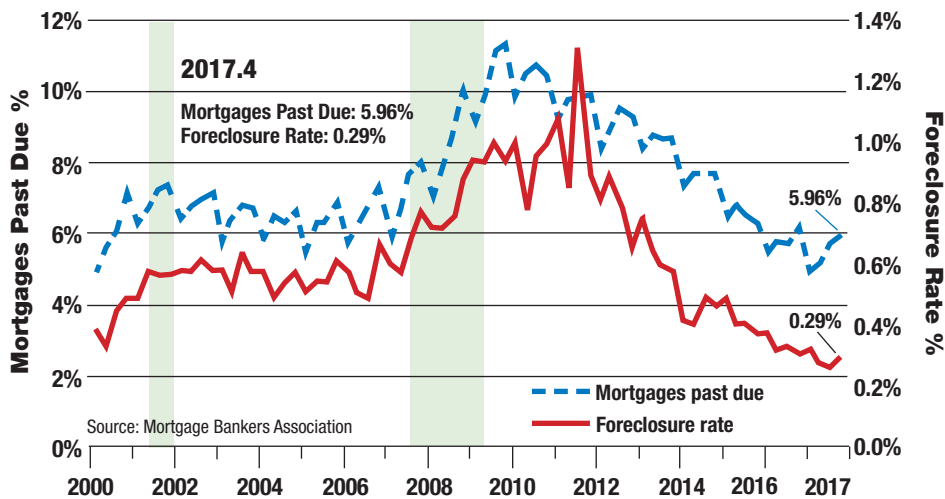
**Tennessee mortgages past due and foreclosures are both up for the quarter.**

**M**ortgages past due are up this quarter compared to the third quarter of 2017. For the state of Tennessee, mortgages past due are up by 0.29 percentage points. Comparatively, mortgages past due in the United States are up by 0.46 percentage points from last quarter.

The foreclosure rate in Tennessee is up by 0.03 percentage points, while the United States experienced no change from last quarter. Annually, both geographies have lower foreclosure rates at the end of 2017 than in 2016. For Tennessee, foreclosure rates dropped 0.01 percentage points from the fourth quarter of last year, to 0.29 percent. The United States saw a percentage drop of 0.03 from last year, ending 2017 at 0.25 percent.

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

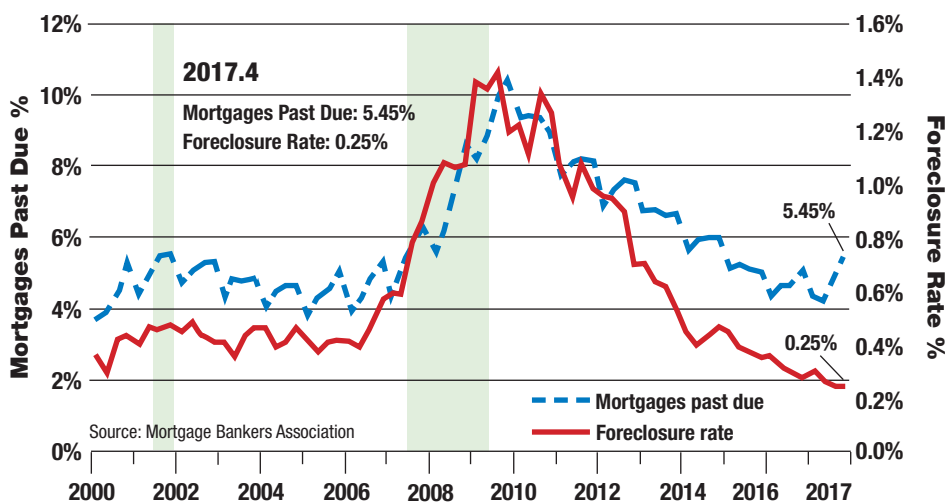
(percent of mortgages in place)



**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)



**The foreclosure rate in Tennessee is up by 0.03 percentage points, while the U.S. showed no change.**

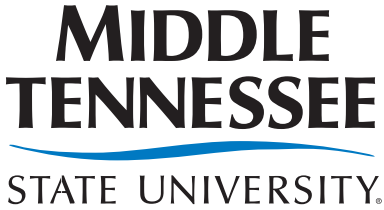
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# Conclusion

## Tennessee’s strong economic climate continues to support an active housing market.

The data this quarter indicate Tennessee continues to maintain a strong economic climate, which helps support an active housing market. Unemployment rates remain low at 3.3 percent, and unemployment claims are at one of the lowest rates in recent history.

The number of single-family home permits is one of the highest post-recession. Home prices in Tennessee continue their upward trend, increasing 7.9 percent in the fourth quarter. The housing price index in Tennessee is the highest seen in this millennium. ■



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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)