

HOUSING

T E N N E S S E E

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September 2024

TENNESSEE DASHBOARD 2ND QUARTER 2024 (percent change over the year)

Weekly Unemployment Claims	▲	+21.56	Total Home Permits*	▼	-3.98
Total Nonfarm Employment*	▲	+0.46	Mortgage Tax Collections	▲	+6.88
Unemployment Rate (percentage points)*	▼	-0.23	Real Estate Transfer Tax Collections	▲	+12.03
Homeowner Vacancy Rate (percentage points)	▲	+0.40	Home Prices*	▲	+5.60
Rental Vacancy Rate (percentage points)	▼	-0.60	Mortgages Past Due (percentage points)	▲	+0.59
Single-Family Home Permits*	▲	+1.38	Foreclosure Rate (percentage points)	◻	+0.00

*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

Tennessee Q2 2024: Steady progress with emerging challenges

Quarterly Overview: In the second quarter of 2024, the labor market displayed mixed results, with modest growth in several key areas. Total nonfarm employment rose by 0.39%, reaching 3,331 thousand. This increase was driven primarily by a 0.47% growth in the services-providing sectors, which expanded to 2,809 thousand jobs. However, the goods-producing sectors declined slightly, down by 0.07% to 521 thousand jobs. Within this category, manufacturing employment decreased by 0.22%, signaling ongoing challenges in the sector.

The labor force saw a 0.43% increase, reaching 3,406 thousand, while total employment rose by 0.71% to 3,302 thousand, contributing to a decrease in the unemployment rate by 0.3 percentage points to 3.03%. Despite these positive indicators, unemployment insurance claims saw a significant quarterly increase of 13.94%, suggesting some emerging

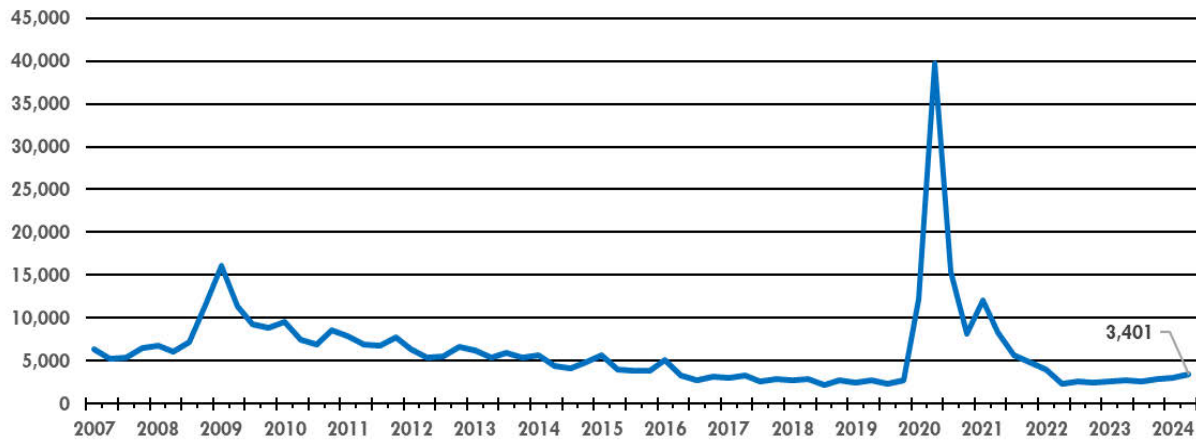
softness in the labor market.

Annual Overview: On an annual basis, the labor market shows a similar mix of growth and contraction. Total nonfarm employment grew by 0.46% over the past year, while the services-providing sectors saw a more substantial annual increase of 0.73%. In contrast, the goods-producing sectors, including manufacturing, experienced declines, with annual reductions of 0.97% and 2.12%, respectively.

The labor force expanded by 1.39%, accompanied by a 1.59% increase in total employment. The unemployment rate also improved, declining by 0.24 percentage points to 3.03%. However, unemployment insurance claims rose sharply by 21.55% year-over-year, highlighting underlying concerns that may affect future labor market stability.

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)

	2023.2	2023.3	2023.4	2024.1	2024.2
Employment by Industry (Nonfarm)					
Total Nonfarm	3,315	3,323	3,296	3,318	3,331
Goods-Producing Sectors	527	528	518	522	521
Manufacturing	370	371	360	363	362
Services-Providing Sectors	2,789	2,795	2,778	2,796	2,809
Labor Force	3,359	3,382	3,383	3,391	3,406
Total Employment	3,250	3,276	3,266	3,279	3,302
Unemployed	109	106	117	113	104
Unemployment Rate	3.27%	3.13%	3.47%	3.33%	3.03%

Source: Bureau of Labor Statistics

Source: Bureau of Labor Statistics

Rental and Homeowner Vacancies: Divergent Paths for Tennessee and the U.S.

Quarterly: In the second quarter of 2024, Tennessee's homeowner vacancy rate remained steady at 1.20%, showing no change from the previous quarter. However, the U.S. homeowner vacancy rate saw a slight increase from 0.80% to 0.90%. This suggests a marginal softening in the housing market at the national level while Tennessee remains stable.

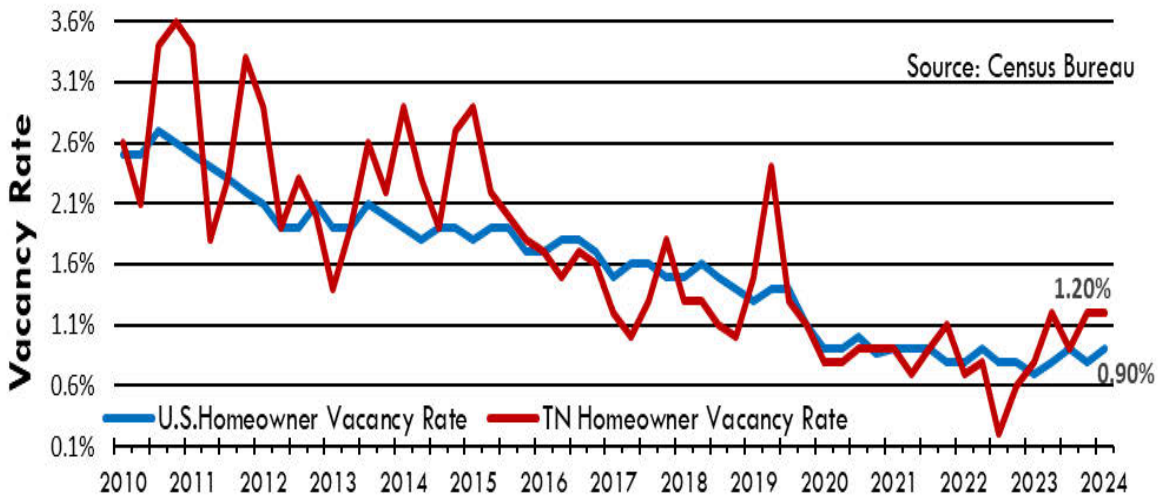
For rental properties, the vacancy rate in Tennessee rose significantly from 7.00% in Q1 2024 to 8.50% in Q2 2024, a substantial quarterly increase of 1.5 percentage points. This sharp rise indicates a potential oversupply or reduced demand in the rental market within Tennessee. In contrast, the U.S. rental vacancy rate remained unchanged at 6.60%, reflecting stability in the national rental market.

Annually: Tennessee's homeowner vacancy rate jumped from 0.80% in Q2 2023 to 1.20% in Q2 2024, reflecting

a substantial 0.4 percentage points increase. This trend suggests an expanding availability of homes in Tennessee, potentially pointing to a cooling housing market. At the national level, the U.S. homeowner vacancy rate increased by 0.2 percentage points, from 0.70% to 0.90% over the same period, indicating similar but less pronounced trends across the country.

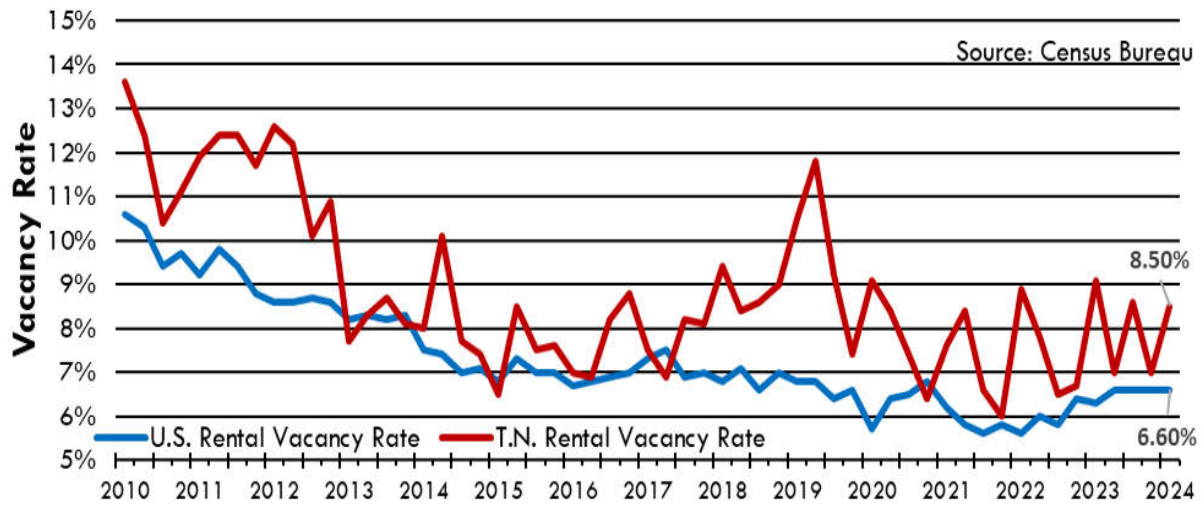
In the rental market, Tennessee's rental vacancy rate fell from 9.10% in Q2 2023 to 8.50% in Q2 2024, a decrease of 0.6 percentage points. This decline suggests a tightening rental market, possibly due to increased demand or reduced supply. Meanwhile, the U.S. rental vacancy rate increased from 6.30% to 6.60%, a 0.3 percentage points annual rise, which shows a slight easing in the national rental market.

Figure 2. Homeowner Vacancy Rate



Source: Census Bureau

Figure 3. Rental vacancy rate



Source: Census Bureau

Home Permit Trends: Diverse trends in the housing market

Quarterly: In the second quarter of 2024, there was a decline in single-family permits across all regions. Tennessee's single-family permits decreased by 3.08%, while the South and the United States saw larger declines of 3.75% and 4.24%, respectively. This downward trend suggests a softening in the single-family housing market. Conversely, multi-family permits presented mixed results. There was a significant increase of 25.58% in Tennessee, indicating robust growth in the multi-family sector. The South also saw an increase in multi-family permits by 8.16%, while the United States experienced a decline of 7.26%, reflecting regional variances in housing development strategies.

Tennessee saw a modest quarterly increase of 1.59% for total permits, while the South also experienced growth of 0.81%. However, the United States saw a decline of 2.67%, suggesting that overall housing permit activity was more resilient in Tennessee and the South compared to the national level.

Annually: On an annual basis, the single-family permits

showed growth in all regions. Tennessee saw a 1.38% increase, while the South and the United States experienced more substantial growth rates of 5.22% and 5.95%, respectively. This growth suggests ongoing demand for single-family housing across these areas over the past year, with national growth outpacing regional increases. However, the multi-family permit data showed a more challenging picture. Tennessee experienced a significant annual decline of 12.66%, and the South saw a reduction of 9.31%. The United States recorded the steepest drop of 13.92% in multi-family permits.

Total permits in Tennessee decreased by 3.98% annually, while the South recorded a slight increase of 0.71%. The United States saw a minor decline of 0.82%, indicating that while there was some regional growth, the overall permit activity was slightly down from the previous year.

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

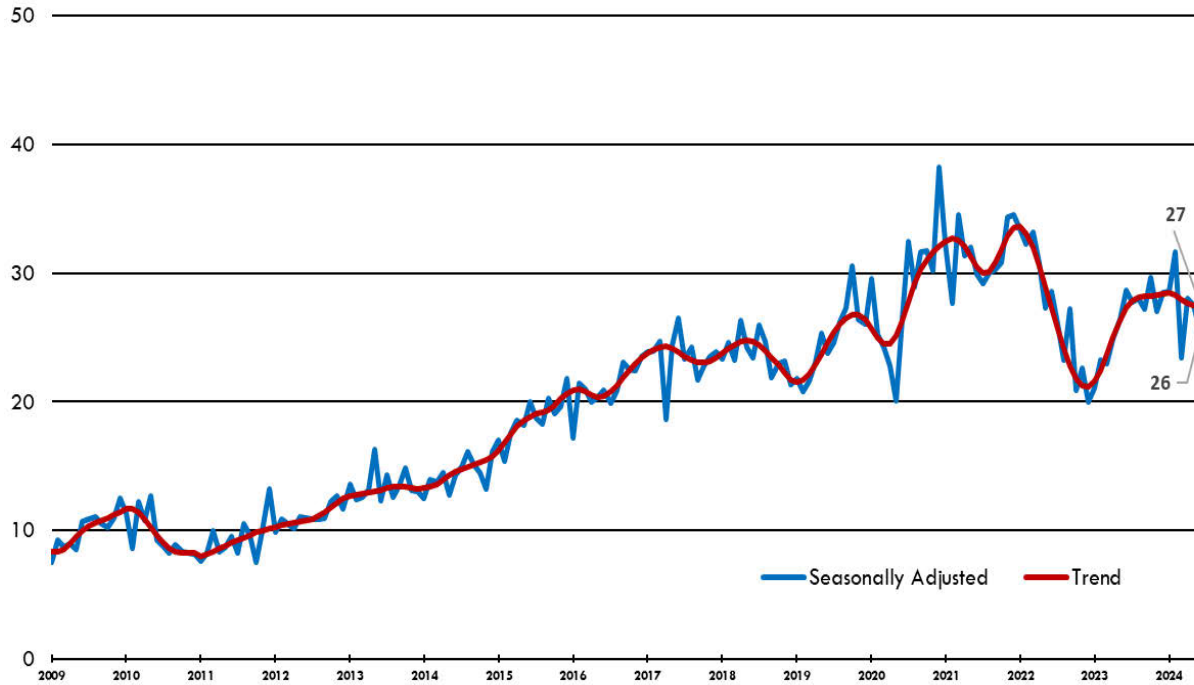


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2021.2	37.3	652.7	1,117.2	23.5	239.1	553.0	60.0	905.5	1,681.6
2021.3	35.8	627.3	1,062.8	15.6	258.7	603.8	52.0	884.2	1,676.0
2021.4	39.9	657.3	1,118.4	22.5	265.6	690.2	62.2	909.2	1,806.1
2022.1	39.6	667.7	1,151.3	16.4	284.5	658.3	56.6	951.0	1,791.8
2022.2	34.6	604.2	1,014.3	8.7	316.2	691.8	43.1	929.4	1,712.2
2022.3	30.6	527.6	889.6	8.2	325.9	674.9	39.5	858.3	1,579.0
2022.4	25.4	473.0	778.2	5.0	314.3	628.7	29.6	784.8	1,412.1
2023.1	26.9	475.5	781.1	15.7	330.0	649.3	42.8	799.5	1,412.3
2023.2	32.0	541.4	901.3	14.2	250.7	540.9	46.1	800.1	1,452.0
2023.3	33.2	579.1	952.2	16.5	278.1	621.1	50.2	817.2	1,473.7
2023.4	34.1	591.2	981.2	12.0	236.5	506.9	45.8	816.6	1,470.1
2024.1	33.5	591.9	997.2	9.8	210.2	502.1	43.6	799.3	1,479.6
2024.2	32.4	569.7	954.9	12.4	227.3	465.6	44.3	805.8	1,440.1
Change from previous quarter	-3.08%	-3.75%	-4.24%	25.58%	8.16%	-7.26%	1.59%	0.81%	-2.67%
Change from previous year	1.38%	5.22%	5.95%	-12.66%	-9.31%	-13.92%	-3.98%	0.71%	-0.82%

Source: Census Bureau

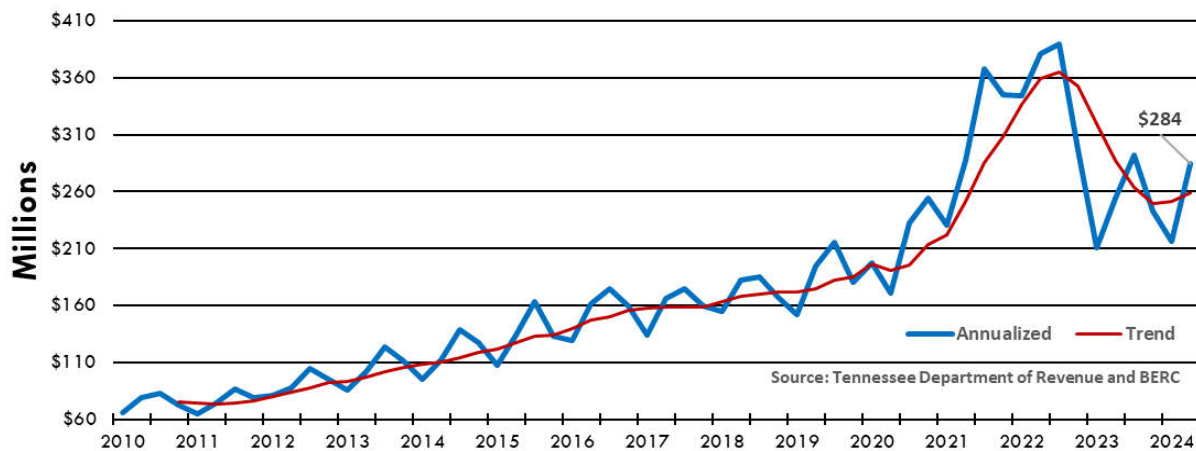
Source: Census Bureau

Tennessee's Q2 2024: Robust Growth in Real Estate Taxes and Mortgage Collections

Quarterly: In the second quarter of 2024, state finances experienced a notable boost driven by significant increases in real estate transfer tax and mortgage tax collections. The real estate transfer tax surged by 30.88%, rising from \$217 million to \$284 million, indicating a substantial increase in property transactions or transfers. Similarly, mortgage tax collections increased by 31.88%, from \$69 million to \$91 million, reflecting a solid rise in mortgage activity, which could suggest increased refinancing or new home purchases.

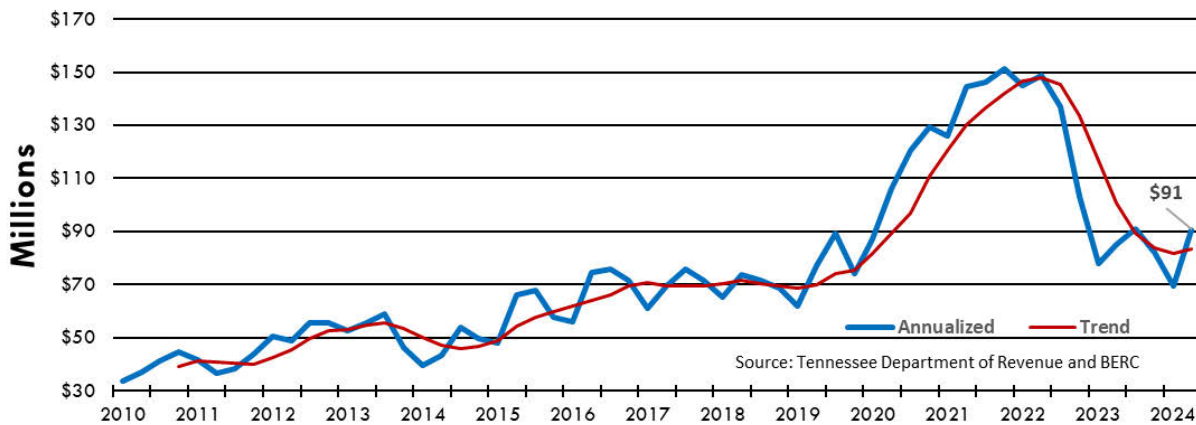
Annually: On an annual basis, the real estate transfer tax rose by 11.81%, moving from \$254 million in the second quarter of 2023 to 284 in the second quarter of 2024. Meanwhile, mortgage tax collections also saw a yearly increase of 7.06%, from \$85 million to \$91 million over the same period.

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

Tennessee's Real Estate Pulse: Mixed Trends in Home Closings and Inventory Growth Across Regions

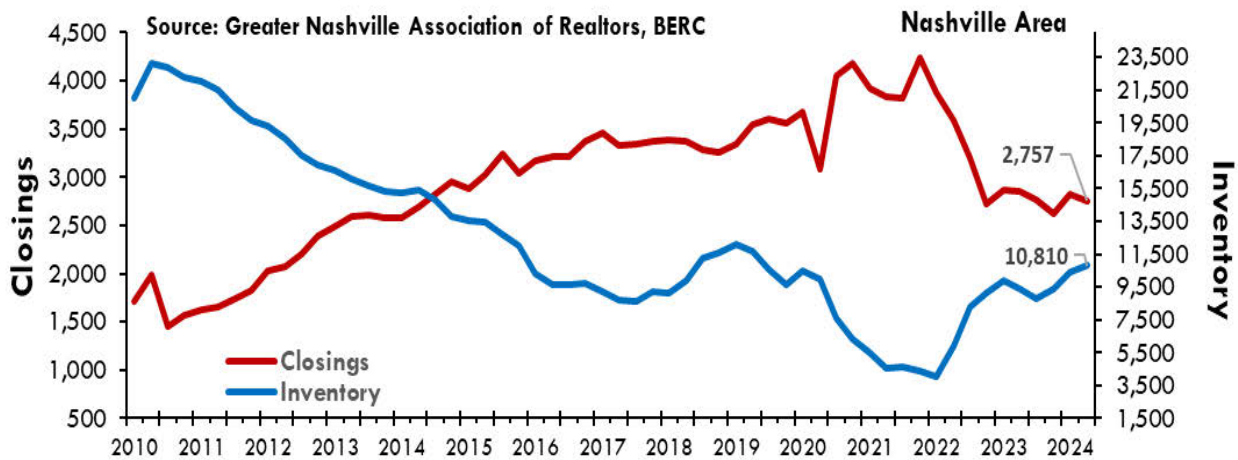
The Nashville housing market is experiencing a decline in home closings alongside a notable increase in inventory. Home closings decreased by 2.44% quarter-over-quarter and 3.64% year-over-year, indicating a slowdown in buyer activity. Meanwhile, inventory rose 4.04% from the previous quarter and surged 14.68% year-over-year. This trend suggests a cooling market with more available homes and fewer transactions.

In Memphis, the market shows a slightly different dynamic. Home closings fell by 1.19% quarter-over-quarter but increased by 9.82% annually, indicating some recovery,

or stabilization compared to the previous year. Inventory in Memphis rose by 0.95% quarterly and 12.69% annually, pointing to a gradual increase in the supply of homes.

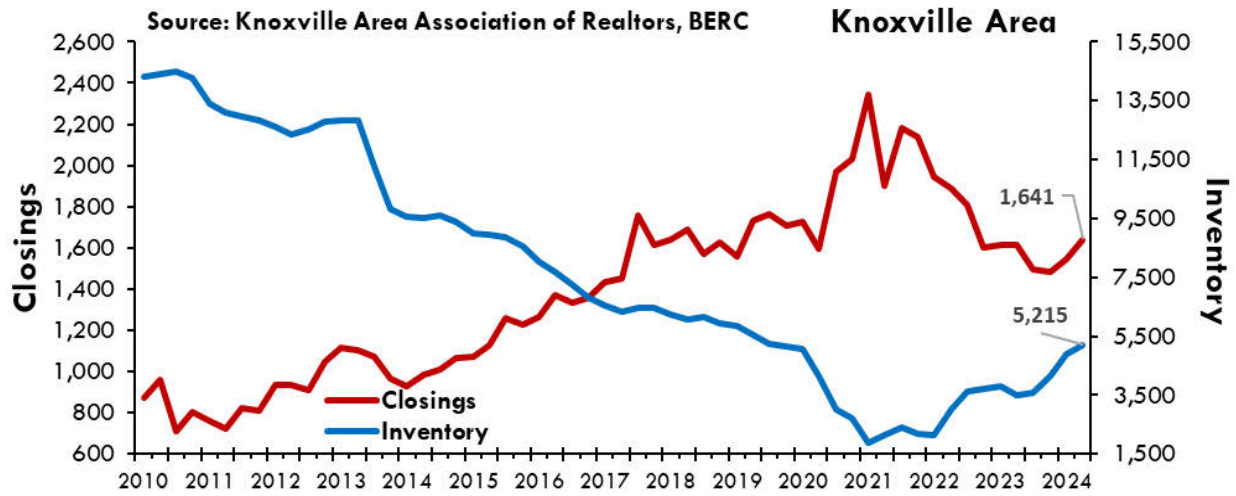
Knoxville's housing market appears more robust, with home closings rising by 6.14% over the quarter and 1.80% year-over-year. Inventory levels have also increased significantly, up by 6.91% from the last quarter and an impressive 48.32% annually. The growth in closings and inventory indicates a healthy market with strong demand and ample supply.

Figure 7.1 Single-family sales and inventory - Nashville Area



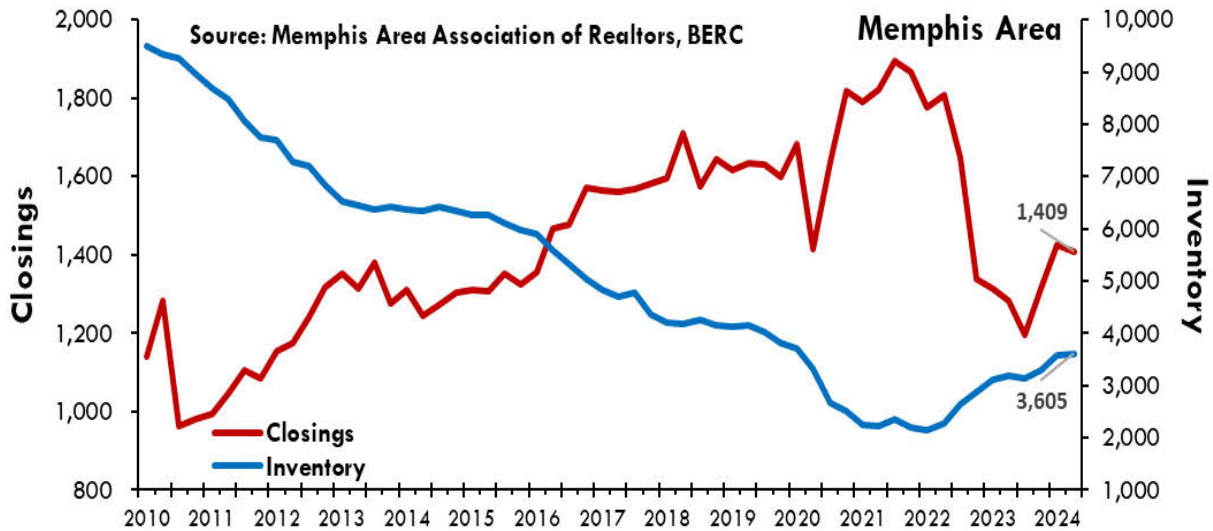
Source: Greater Nashville Association of Realtors, BERG

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 Rise in Tennessee MSAs: Big variations across the region

In the second quarter of 2024, house prices in Tennessee increased by 2.02% over the previous quarter, reaching an index value of 675.37. Annually, this represents a 5.60% rise. Meanwhile, the U.S. house price index grew by 1.95% quarterly to 683.82 and saw a 5.50% increase annually. This indicates that Tennessee's house price growth slightly outpaces the national average, reflecting a relatively strong housing market in the state compared to the broader U.S. market. Across Tennessee's MSAs, house price trends display a range of growth patterns:

Strong Growth Areas: Several MSAs exhibit robust price increases, with the Jackson MSA (5.46% quarterly and 12.69% annually) and Kingsport-Bristol MSA (5.95% quarterly and 13.40% annually) showing the highest growth rates. Johnson City MSA (5.22% quarterly and 9.65%

annually) and Clarksville MSA (2.33% quarterly and 9.35% annually) also demonstrate significant annual gains.

Moderate Growth Areas: Other regions, such as Chattanooga MSA (3.21% quarterly and 9.33% annually), Cleveland MSA (2.13% quarterly and 9.55% annually), and Nashville MSA (2.64% quarterly and 4.55% annually), continue to see moderate increases in house prices.

Mixed and Slower Growth Areas: Memphis MSA shows modest growth (1.68% quarterly and 1.86% annually). The Morristown MSA exhibits a slight quarterly increase (1.16%) but a substantial annual rise (15.57%).

Declining Area: The Knoxville MSA stands out with a negative growth trend, experiencing a 4.35% decline in house prices from the previous quarter and a 6.32% annual decrease.

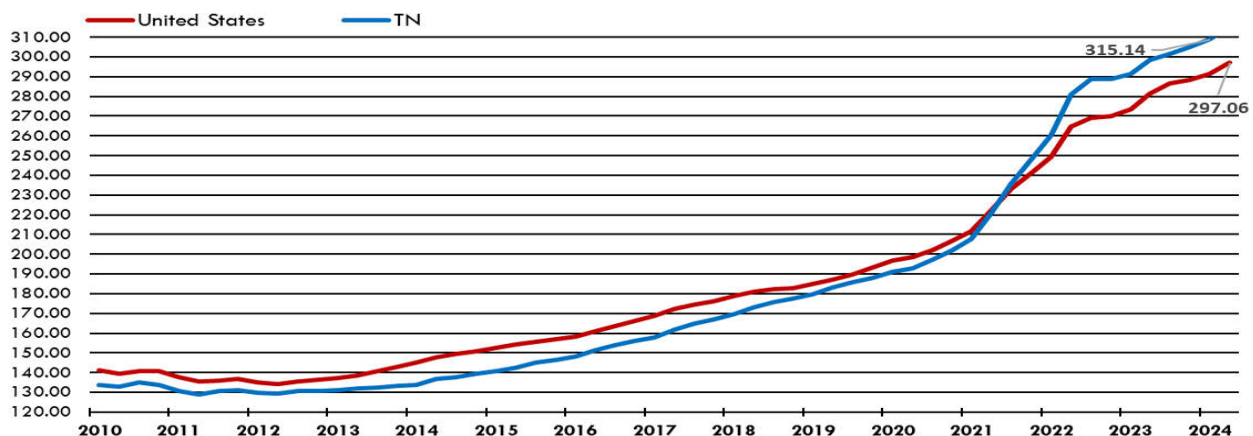
Table 3. Percent change in Housing Prices Year to Year

Area	2022.3-2023.3	2022.4-2023.4	2023.1-2024.1	2023.2-2024.2
Chattanooga MSA	7.7%	11.4%	7.4%	9.3%
Clarksville MSA	10.0%	9.4%	8.8%	9.4%
Cleveland MSA	4.7%	14.7%	15.3%	9.5%
Jackson MSA	6.8%	5.6%	5.9%	12.7%
Johnson City MSA	9.3%	5.3%	5.3%	9.6%
Kingsport-Bristol MSA	14.2%	14.3%	11.3%	13.4%
Knoxville MSA	10.4%	9.7%	11.6%	6.7%
Memphis MSA	2.9%	0.5%	0.5%	1.9%
Morristown MSA	3.3%	7.8%	12.9%	15.6%
Nashville MSA	1.1%	3.9%	3.7%	4.5%
Tennessee	4.3%	5.7%	6.0%	5.6%
United States	6.5%	6.8%	6.5%	5.5%

Source: FHFA All Transactions Index.

Source: www.FHFA.gov All Transactions Index

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



Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies and Foreclosure Rates: Quarterly Trends in Tennessee and the U.S.

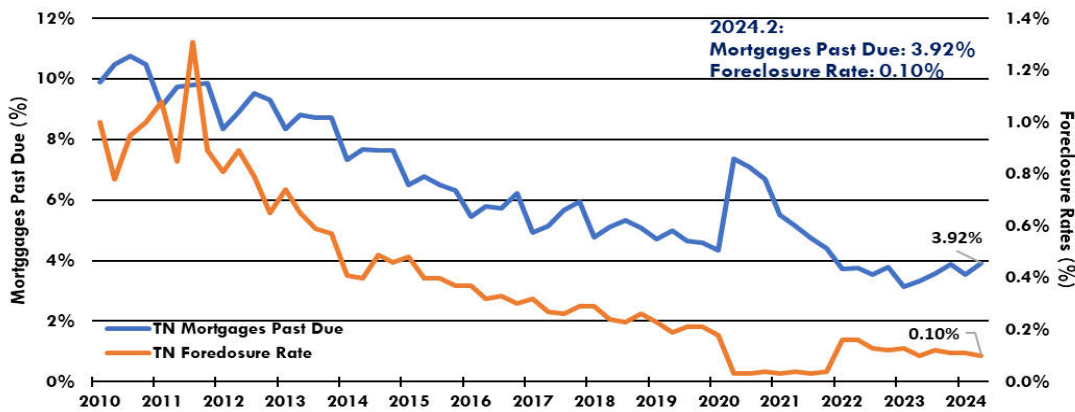
Quarterly: In the second quarter of 2024, the U.S. mortgage market experienced a noticeable increase in delinquencies. The U.S. mortgage delinquency rate rose by 0.35 percentage points from 3.63% in Q1 2024 to 3.98% in Q2 2024. Annually, this rate increased by 0.52 percentage points from 3.46% in Q2 2023. These rising delinquency rates suggest growing financial stress among borrowers.

The U.S. foreclosure rate, however, remained stable over the year, staying flat at 0.13%. On a quarterly basis, the foreclosure rate saw a slight decline of 0.01 percentage points from 0.14% in Q1 2024 to 0.13% in Q2 2024, reflecting continued stability in foreclosure activities despite the uptick in delinquencies

Annually: In Tennessee, the mortgage delinquency rate saw a slightly larger quarterly increase of 0.38 percentage points, rising from 3.54% in Q1 2024 to 3.92% in Q2 2024. Annually, the delinquency rate grew by 0.59 percentage points, up from 3.33% in Q2 2023.

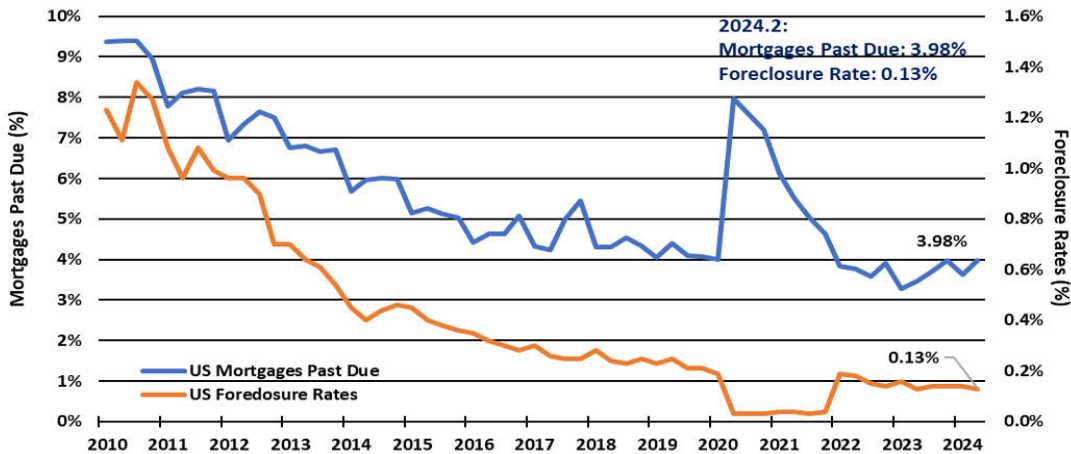
The foreclosure rate in Tennessee remained constant year-over-year at 0.10%. On a quarterly basis, there was a marginal decrease of 0.01 percentage points from 0.11% in Q1 2024 to 0.10% in Q2 2024. This stability indicates that, despite the rising delinquency rates, the state has not seen a corresponding increase in foreclosure activities.

Figure 9. Tennessee mortgages past due and foreclosure rates (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

Mixed Signals: Navigating Strong Growth Amid Emerging Challenges in Tennessee's Housing Market

The housing market across Tennessee presents a complex and evolving landscape marked by regional disparities and mixed signals. While the state exhibits stronger house price growth than the national average, with a 5.60% annual increase, dynamics vary significantly among its metropolitan areas.

Inventory levels are rising across key MSA's such as Nashville and Memphis, suggesting a cooling in some markets, while Knoxville sees strong growth in both closings and available inventory. Mortgage delinquency rates are climbing statewide and nationally, although

foreclosure rates remain stable, indicating financial strains that have yet to translate into significant foreclosures. Real estate tax revenues are up, driven by increased transfer and mortgage activity, providing a short-term boost to state finances.

Tennessee's housing market shows a mix of growth, stability, and caution. The state's housing outlook is cautious optimism, grounded in a diverse and dynamic market.



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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)