

HOUSING

TENNESSEE

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December 2024

TENNESSEE DASHBOARD 3RD QUARTER 2024 (percent change over the year)

Weekly Unemployment Claims	▲ +18.64	Total Home Permits*	▼ -4.97
Total Nonfarm Employment*	▲ +0.39	Mortgage Tax Collections	▲ +6.08
Unemployment Rate (percentage points)*	▼ -0.03	Real Estate Transfer Tax Collections	▲ +0.38
Homeowner Vacancy Rate (percentage points)	▲ +0.20	Home Prices*	▲ +5.93
Rental Vacancy Rate (percentage points)	▲ +1.10	Mortgages Past Due (percentage points)	▲ +0.28
Single-Family Home Permits*	▼ -0.14	Foreclosure Rate (percentage points)	▼ -0.01

*seasonally adjusted

▲ positive outcome for economy ▼ negative outcome for economy

Tennessee Q3 2024: Steady Economic Growth with Emerging Labor Market Challenges

Quarterly Overview: In the third quarter of 2024, Tennessee’s labor market showed mostly positive results. Total nonfarm employment increased by 0.14% from the previous quarter, reaching 3,335,000 jobs. This growth was primarily driven by a 0.88% rise in goods-producing sectors, which expanded to 526,000 jobs. Within this category, manufacturing employment increased by 0.11%. The services-providing sectors experienced a slight increase of 0.01%, totaling 2,809,000 jobs. The labor force expanded to 3,412,000 individuals, increasing by 0.17%. Additionally, unemployment insurance claims saw a significant quarterly decrease of 10.94%. Despite these positive indicators, the unemployment rate increased by 0.07 percentage points to 3.10%.

Annual Overview: Over the past year, Tennessee’s labor market presented a mix of growth and contraction. Total nonfarm employment grew by 0.39% over the past year, while the services-providing sectors saw an annual increase of 0.52%. In contrast, the goods-producing sectors, including manufacturing, experienced declines, with annual reductions of 0.32% and 2.18%, respectively. The labor force expanded by 0.87% year-over-year, accompanied by a 0.89% increase in total employment. The unemployment rate improved slightly, declining by 0.03 percentage points to 3.10%. However, unemployment insurance claims rose sharply by 18.64% compared to the previous year, indicating underlying concerns that may affect future labor market stability.

Figure 1. Tennessee initial claims for unemployment insurance

(quarterly averages of weekly data, seasonally adjusted)

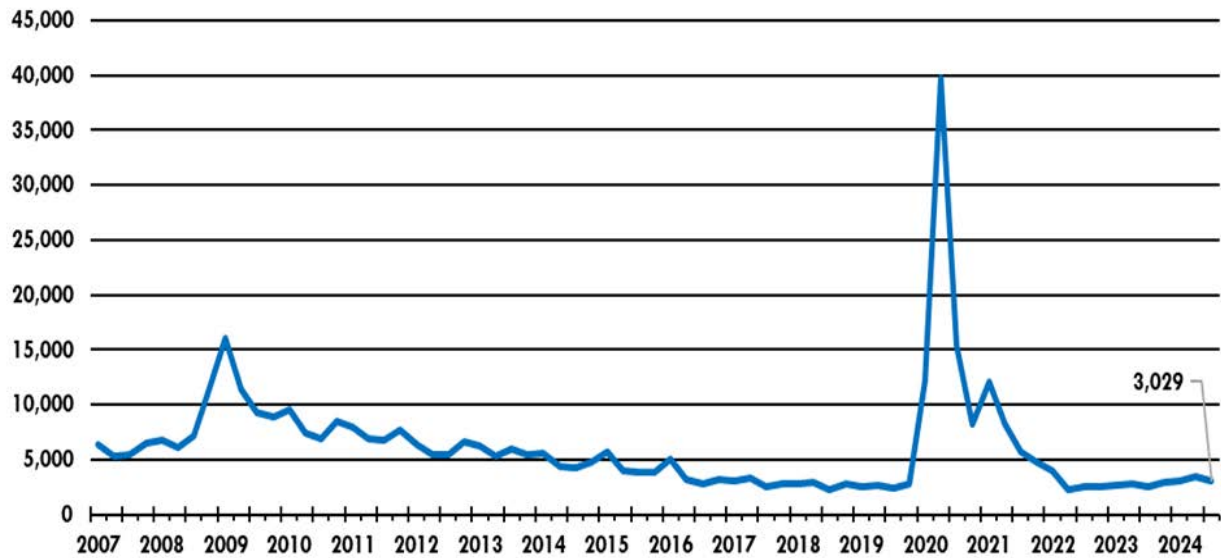


Table 1. Selected Tennessee employment indicators (thousands, seasonally adjusted)

	2023.3	2023.4	2024.1	2024.2	2024.3
Employment by Industry (Nonfarm)					
Total Nonfarm	3,323	3,296	3,318	3,331	3,335
Goods-Producing Sectors	528	518	522	521	526
Manufacturing	371	360	363	362	363
Services-Providing Sectors	2,795	2,778	2,796	2,809	2,809
Labor Force	3,382	3,383	3,391	3,406	3,412
Total Employment	3,276	3,266	3,279	3,302	3,305
Unemployed	106	117	113	104	107
Unemployment Rate	3.13%	3.47%	3.33%	3.03%	3.10%

Source: Bureau of Labor Statistics

Source: Bureau of Labor Statistics

Rental and Homeowner Vacancies: Rising Trends and Market Shifts

Quarterly: In the third quarter of 2024, Tennessee's homeowner vacancy rate increased notably by 0.2 percentage points, rising from 1.20% in Q2 2024 to 1.40% in Q3 2024. In comparison, the U.S. homeowner vacancy rate also saw a modest rise of 0.1 percentage points from 0.90% to 1.00%. This suggests a slight softening in the national housing market while Tennessee continues to experience a steady increase in the availability of homes. Tennessee's vacancy rate for rental properties declined slightly by 0.4 percentage points, decreasing from 8.50% in Q2 2024 to 8.10% in Q3 2024. Meanwhile, the U.S. rental vacancy rate rose by 0.3 percentage points, from 6.60% to 6.90%, indicating a small uptick in national rental vacancies.

Annually: Tennessee's homeowner vacancy rate increased from 1.20% in Q3 2023 to 1.40% in Q3 2024, reflecting a rise of 0.2 percentage points. This suggests a gradual expansion of the housing supply in Tennessee. Similarly, the U.S. homeowner vacancy rate also increased by 0.2 percentage points, from 0.80% to 1.00%, reflecting a parallel trend at the national level. In the rental market, Tennessee saw a significant annual increase in rental vacancies from 7.00% in Q3 2023 to 8.10% in Q3 2024, marking a 1.1 percentage point increase. In comparison, the U.S. rental vacancy rate saw a modest rise of 0.3 percentage points, increasing from 6.60% to 6.90%, reflecting a slight easing in the national rental market.

Figure 2. Homeowner Vacancy Rate

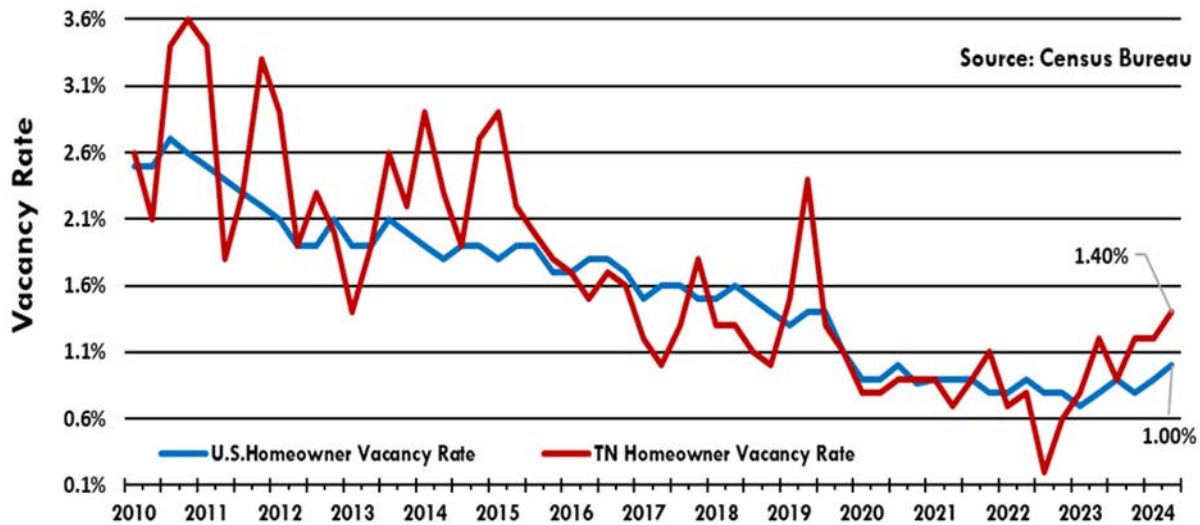
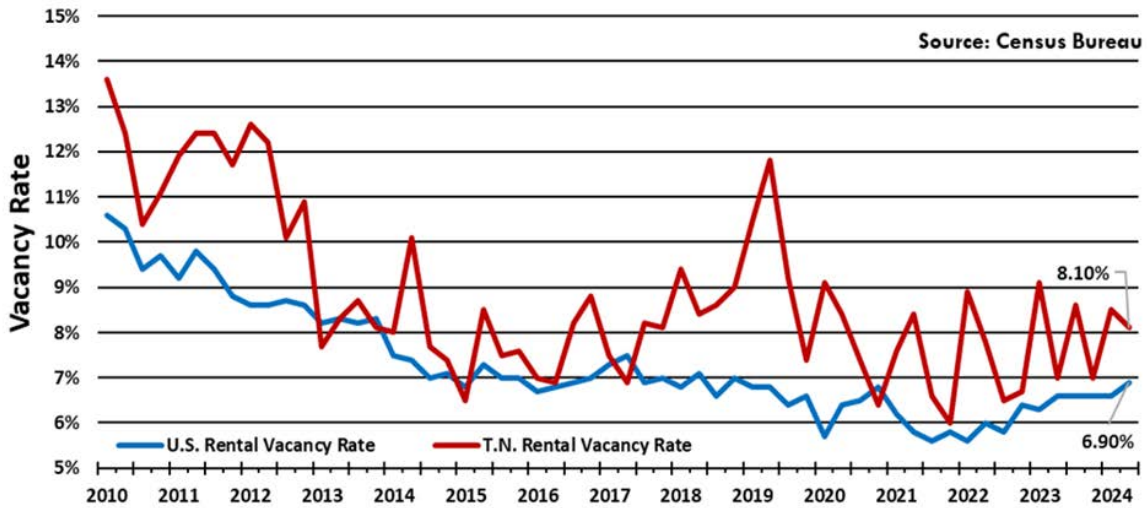


Figure 3. Rental vacancy rate



Source: Census Bureau

Home Permit Trends: Growth and Declines in Construction Activity

Quarterly: In the third quarter of 2024, single-family permits increased across all regions. Tennessee's single-family permits rose by 1.92%, indicating slight growth in new single-family home construction within the state. The South and the United States also saw increases of 0.28% and 1.41%, respectively, showing that Tennessee's growth in single-family permits was stronger than both regional and national trends.

Conversely, multi-family permits showed mixed results. Tennessee experienced an increase of 4.82%, reflecting stronger demand for multi-family housing in the state. However, the South and the U.S. saw declines of 5.59% and 0.37%, respectively, in multi-family permits.

Total permits increased in Tennessee and the U.S. by 6.44% and 0.25%, respectively. In contrast, the South experienced a decline of 1.72%, suggesting that Tennessee had a significantly higher increase in overall permits

compared to other regions.

Annually: On an annual basis, single-family permits showed mixed results. The United States saw a 2.65% increase, indicating steady national growth in single-family home construction. However, the South and Tennessee experienced declines of 0.54% and 0.14%, respectively.

The multi-family permits data showed a more challenging picture, with declines across all regions. Tennessee experienced a decline of 13.97%, the South by 21.86%, and the U.S. by 25.29%.

Total permits also saw a decrease in all regions. Tennessee declined by 4.97%, the South by 2.70%, and the U.S. by 1.27%, indicating a broader contraction in overall construction activity, with Tennessee experiencing the largest reduction.

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

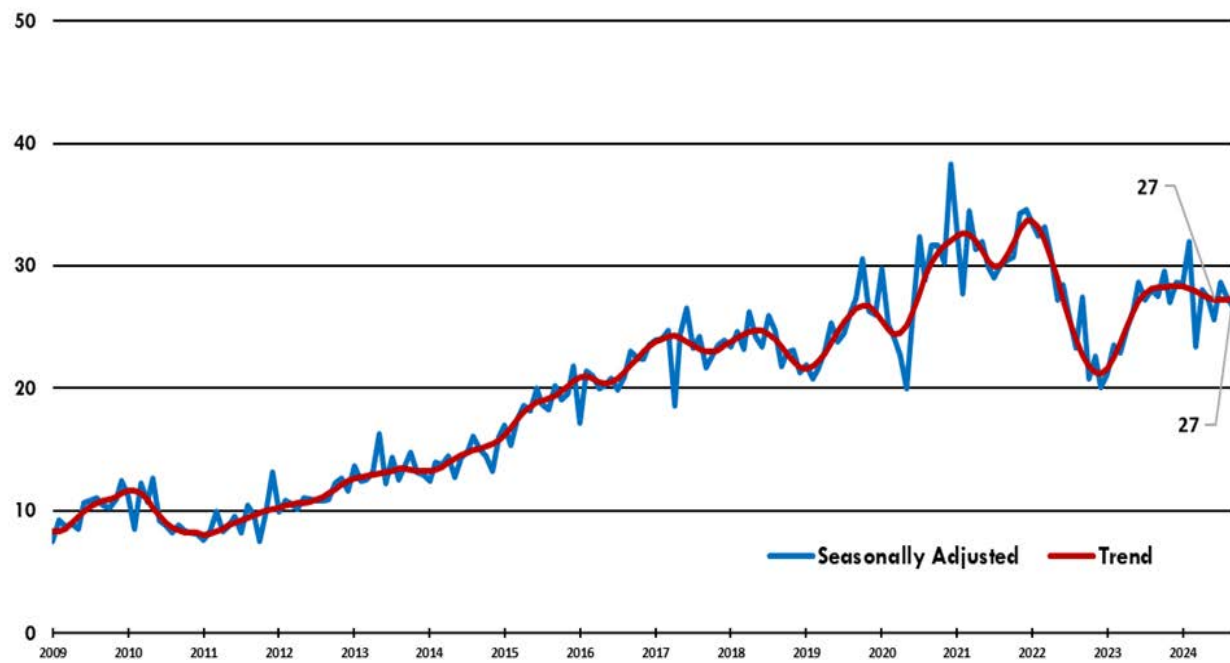


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2021.3	35.8	627.4	1,061.6	14.8	256.9	601.4	51.7	884.4	1,674.3
2021.4	39.9	656.7	1,117.0	22.8	266.3	687.8	62.2	909.1	1,804.9
2022.1	39.7	667.3	1,151.9	16.6	284.7	662.5	56.8	950.8	1,792.0
2022.2	34.6	605.4	1,017.0	8.9	317.5	692.5	43.1	930.2	1,716.5
2022.3	30.6	527.2	887.9	7.8	323.0	678.3	39.1	858.2	1,575.9
2022.4	25.4	472.3	776.3	5.1	316.0	621.3	29.6	784.6	1,410.5
2023.1	27.0	475.0	781.4	16.0	330.8	654.2	42.9	799.3	1,412.5
2023.2	32.0	543.7	905.5	14.5	251.4	541.3	46.2	801.9	1,457.8
2023.3	33.1	577.8	949.4	15.3	275.0	624.5	49.8	816.2	1,469.4
2023.4	34.1	590.0	977.7	12.3	238.4	501.3	45.9	816.3	1,467.8
2024.1	33.6	591.1	997.6	10.1	210.8	503.6	43.7	799.2	1,480.1
2024.2	32.4	573.1	961.0	12.5	227.6	468.3	44.4	808.0	1,447.2
2024.3	33.1	574.7	974.6	13.1	214.9	466.5	47.3	794.1	1,450.8
Change from previous quarter	1.92%	0.28%	1.41%	4.82%	-5.59%	-0.37%	6.44%	-1.72%	0.25%
Change from previous year	-0.14%	-0.54%	2.65%	-13.97%	-21.86%	-25.29%	-4.97%	-2.70%	-1.27%

Source: Census Bureau

Source: Census Bureau

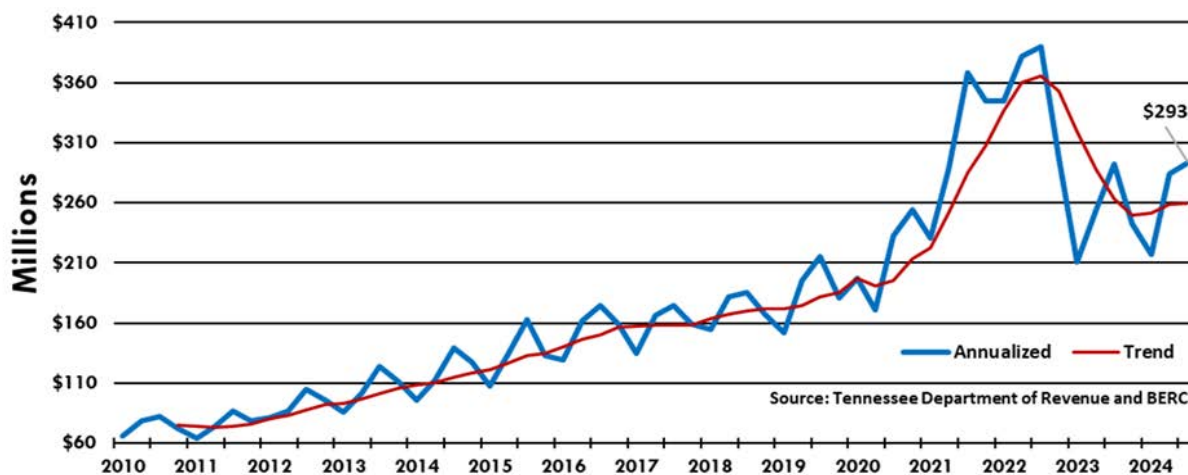
State Tax Revenue Growth: Real Estate and Mortgage Taxes Show Strong Performance

Quarterly: In the third quarter of 2024, state finances improved significantly, driven by notable growth in real estate transfer tax and mortgage tax collections. The real estate transfer tax rose by 3.04%, from \$284 million to \$293 million, indicating a substantial increase in property transactions or transfers. Similarly, mortgage tax collections increased by 6.60%, from \$91 million to \$97 million, indicating a rise in mortgage activity, potentially due to new

home purchases.

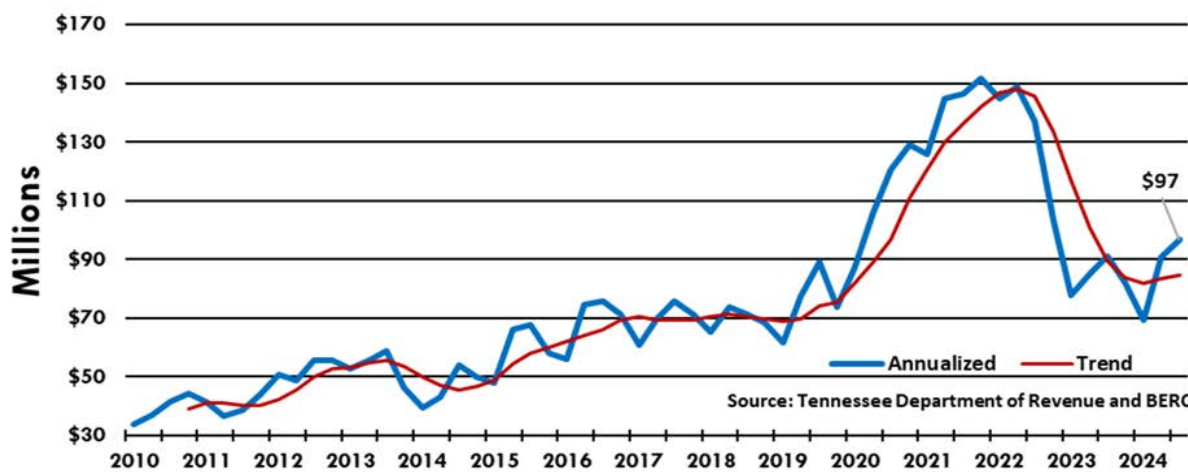
Annually: On an annual basis, the real estate transfer tax saw a slight increase of 0.38%, moving from \$292 million in Q3 2023 to \$293 million in Q3 2024. Mortgage tax collections also experienced a yearly increase of 6.08%, from \$91 million to \$97 million during the same period.

Figure 5. Real estate transfer tax collections (millions, seasonally adjusted annual rate)



Source: Tennessee Department of Revenue and BERC

Figure 6. Mortgage tax collections (millions, seasonally adjusted annual rate)



Source: Tennessee Department of Revenue and BERC

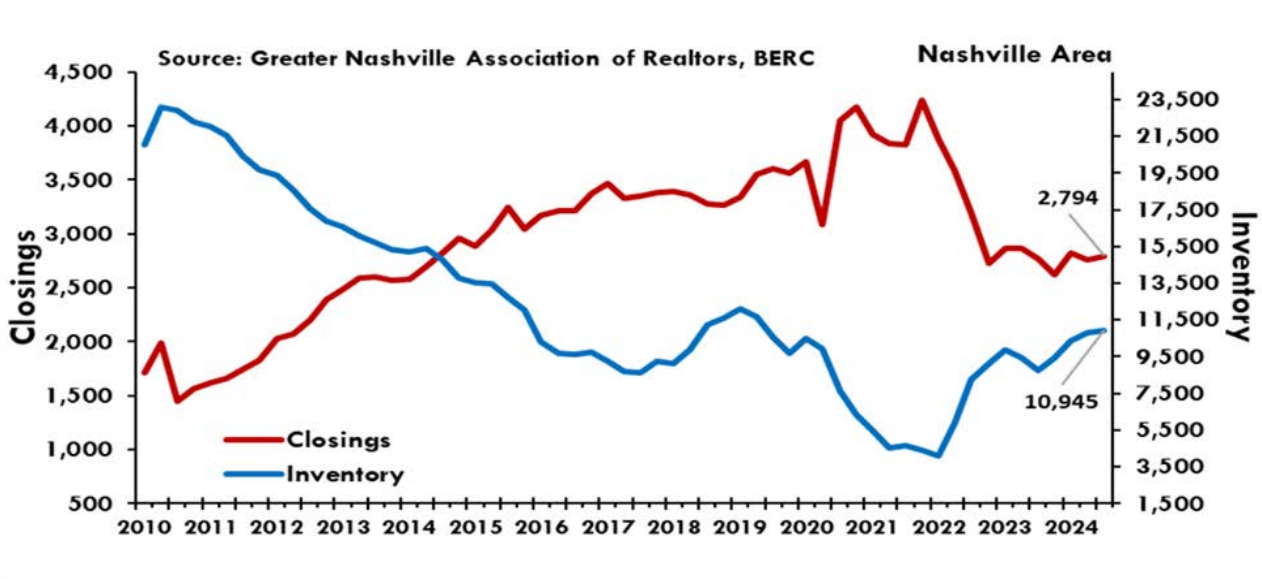
Regional Housing Market Trends: Growth in Home Closings and Inventory Across Nashville, Memphis, and Knoxville

Nashville's housing market showed a slight growth. Home closings increased by 1.36% quarterly and 0.87% annually, reflecting steady demand for homes in the market. Home Inventory rose by 1.25% quarterly and 24.92% annually, indicating that more homes are becoming available. In Memphis, the market shows a slightly different dynamic. Home closings fell by 12.78% quarterly but rose by 2.84% annually, suggesting a temporary slowdown in the short term but a positive long-term trend. Home Inventory

remained unchanged from the previous quarter but increased by 15.12% over the year, indicating more homes are becoming available.

Knoxville's home closings decreased by 3.89% over the quarter yet showed a positive increase of 5.53% annually, signaling a strong yearly demand despite short-term fluctuations. Home Inventory grew by 4.10% from the previous quarter and saw a substantial increase of 51.72% annually, indicating a significant increase in housing supply.

Figure 7.1 Single-family sales and inventory - Nashville Area



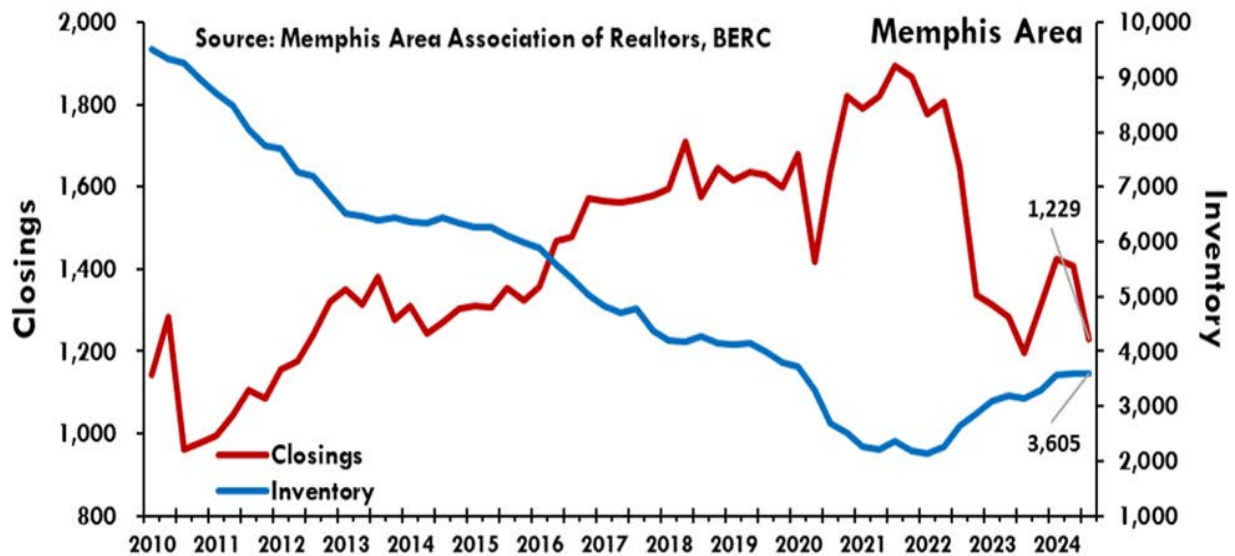
Source: Greater Nashville Association of Realtors, BERC

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: Notable variations across the region

In the third quarter of 2024, house prices in Tennessee increased by 1.06% from the previous quarter, reaching an index of 682.19. Annually, this represents a 5.78% rise. Meanwhile, the US house price index grew by 0.45% quarterly to 684.95 and saw a 4.01% 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 US market.

Across Tennessee's MSAs, house price trends exhibit a range of growth patterns:

Strong Growth Areas: Some MSAs saw robust price increases, with the Knoxville MSA (2.34% quarterly and 8.16% annually) and Kingsport-Bristol MSA (1.44% quarterly and 10.21% annually) showing the highest growth rates.

Moderate Growth Areas: Other MSAs, such as Nashville MSA (1.05% quarterly and 5.42% annually) and Memphis MSA (0.80% quarterly and 2.44% annually), continue to exhibit moderate increases in house prices.

Mixed and Slower Growth Areas: Clarksville MSA shows modest growth (0.51% quarterly and 5.36% annually), Johnson City MSA (0.32% quarterly and 6.19% annually), and Chattanooga MSA has the least growth, with 0.16% quarterly and 6.39% annually.

Declining Areas: The Jackson MSA stands out with a negative growth trend, experiencing a 1.44% decline in house prices from the previous quarter, although it still saw a 6.36% annual increase. The Cleveland MSA and Morristown MSA also experienced quarterly declines of 1.42% and 1.09%, respectively.

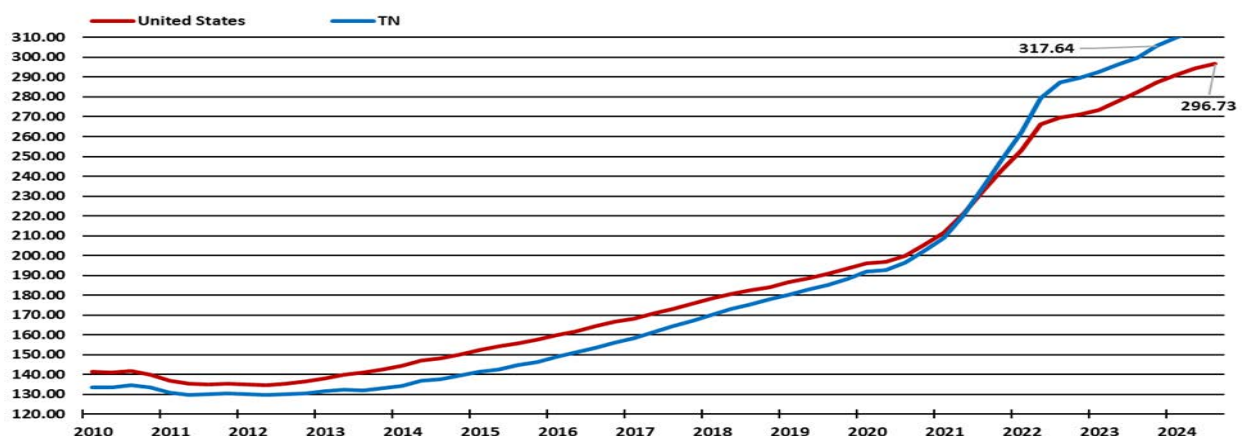
Table 3. Percent change in Housing Prices Year to Year

Area	2022.4-2023.4	2023.1-2024.1	2023.2-2024.2	2023.3-2024.3
Chattanooga MSA	11.2%	7.8%	9.4%	6.5%
Clarksville MSA	5.3%	5.6%	8.6%	5.0%
Cleveland MSA	12.9%	14.7%	9.8%	9.8%
Jackson MSA	6.2%	5.8%	12.4%	6.4%
Johnson City MSA	9.8%	5.6%	9.8%	6.2%
Kingsport-Bristol MSA	11.2%	5.4%	12.6%	10.1%
Knoxville MSA	9.9%	11.7%	7.3%	8.2%
Memphis MSA	0.2%	1.0%	2.0%	2.7%
Morristown MSA	8.3%	15.2%	14.4%	12.2%
Nashville MSA	3.9%	3.7%	4.4%	5.5%
Tennessee	5.6%	6.0%	5.7%	5.9%
United States	6.0%	6.5%	6.0%	5.1%

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: Q3 2024 Trends in Tennessee and the U.S.

In the third quarter of 2024, the U.S. mortgage market experienced a small increase in delinquencies. The U.S. mortgage delinquency rate rose by 0.01 percentage points from 3.98% in Q2 2024 to 3.99% in Q3 2024, indicating a minor uptick in mortgage payment issues. Annually, this rate increased by 0.29 percentage points from 3.70% in Q3 2023, reflecting a broader trend of rising financial strain for some homeowners.

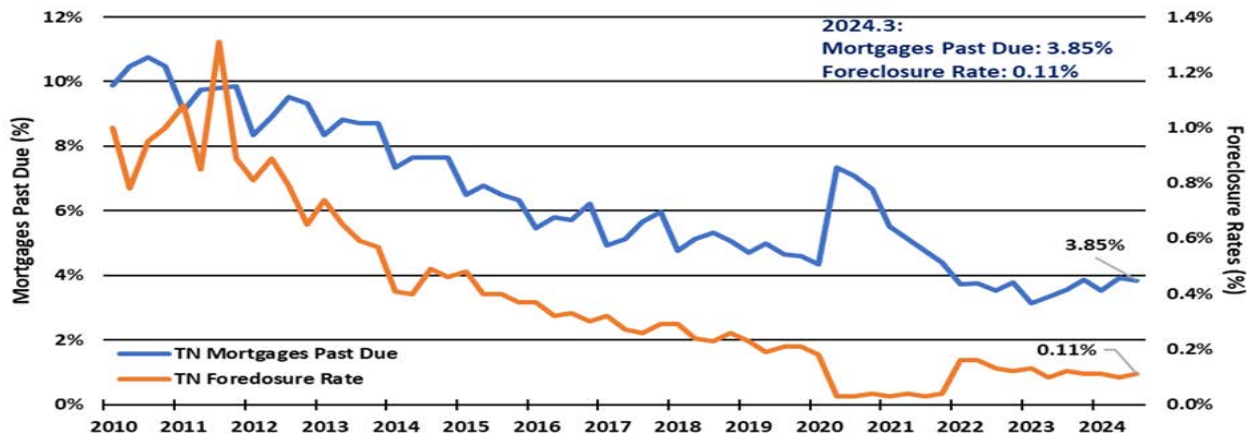
The U.S. foreclosure rate slightly increased 0.01 percentage points from 0.13% to 0.14%. On an annual basis, the U.S. foreclosure rate remained constant from the previous year at 0.14%.

In Tennessee, the mortgage delinquency rate decreased

slightly by 0.07 percentage points, from 3.92% in Q2 2024 to 3.85% in Q3 2024, indicating a slight improvement in mortgage payment performance. Annually, the delinquency rate grew by 0.28 percentage points, up from 3.57% in Q3 2023, signaling a slower upward trend than the national level.

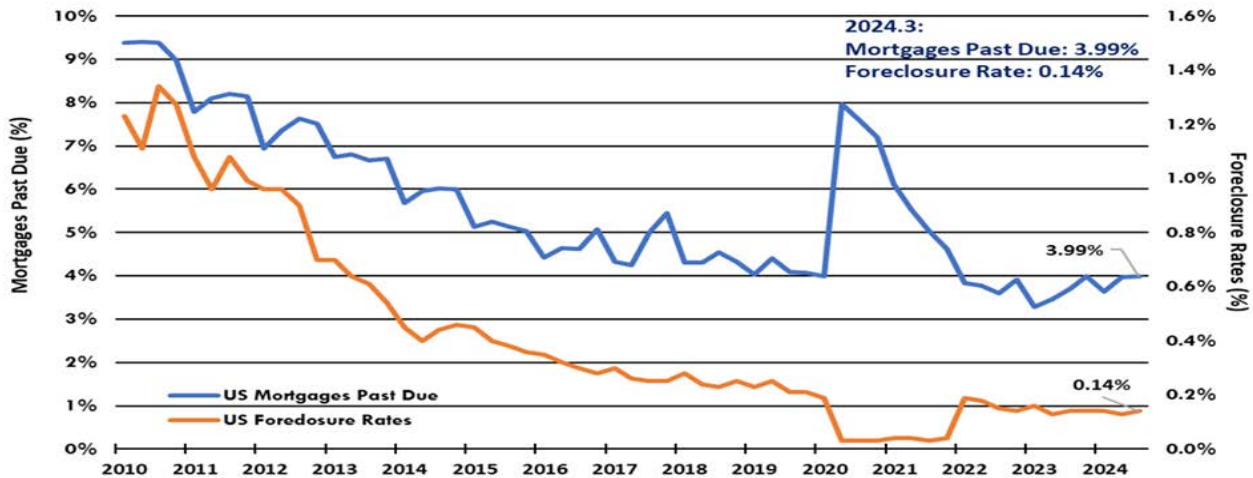
The foreclosure rate in Tennessee rose slightly by 0.01 percentage points from 0.10% to 0.11% quarterly. On an annual basis, there was a marginal decrease of 0.01 percentage points from 0.12% in Q3 2023 to 0.11% in Q3 2024, suggesting a stable or slightly improving foreclosure environment in the state despite the increase in delinquencies.

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: A Steady Housing Market with Emerging Pressures in Tennessee

In Q3 2024, Tennessee's housing market displayed steady growth, with home prices rising by 1.06% from the previous quarter and 5.78% annually, surpassing the national growth rate. Strong price increases were seen in markets like Knoxville and Kingsport-Bristol, while areas like Jackson and Morristown experienced price declines. There has also been a rise in the number of homes available for sale, yet rental vacancies have decreased, signaling less pressure in the rental market compared to previous quarters. Despite this growth, mortgage delinquencies

have slightly risen, indicating some financial strain on homeowners. However, foreclosure rates have remained stable, suggesting that while there are challenges, they have not yet translated into significant foreclosures. Overall, Tennessee's housing market is in a stable position with healthy real estate tax revenue from increased property transactions, though attention is needed to manage rising delinquencies and ensure the continued health of the housing sector.



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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)