

HOUSING

TENNESSEE

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June 2022

TENNESSEE DASHBOARD 1ST QUARTER 2023 (percent change over the year)

Weekly Unemployment Claims	▼	-33.77	Total Home Permits*	▼	-22.97
Total Nonfarm Employment*	▲	+3.74	Mortgage Tax Collections	▼	-46.26
Unemployment Rate (percentage points)*	▲	+0.10	Real Estate Transfer Tax Collections	▼	-38.88
Homeowner Vacancy Rate (percentage points)	▼	-0.50	Home Prices*	▲	+11.76
Rental Vacancy Rate (percentage points)	▲	+0.70	Mortgages Past Due (percentage points)	▼	-0.59
Single-Family Home Permits*	▼	-32.18	Foreclosure Rate (percentage points)	▼	-0.03

*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Q1 2023 indicators show mixed outcomes in Tennessee

For Q1 2023, Tennessee saw mixed economic indicators. Weekly unemployment claims, total nonfarm employment, homeowner vacancy rate, home prices, mortgage past due, and foreclosure rates saw annual improvements. The areas of concern include the unemployment rate, rental vacancy rate, single-family home permits, total home permits, mortgage tax collections, and real estate transfer tax collections. From last year, unemployment claims have fallen by 33.77%.

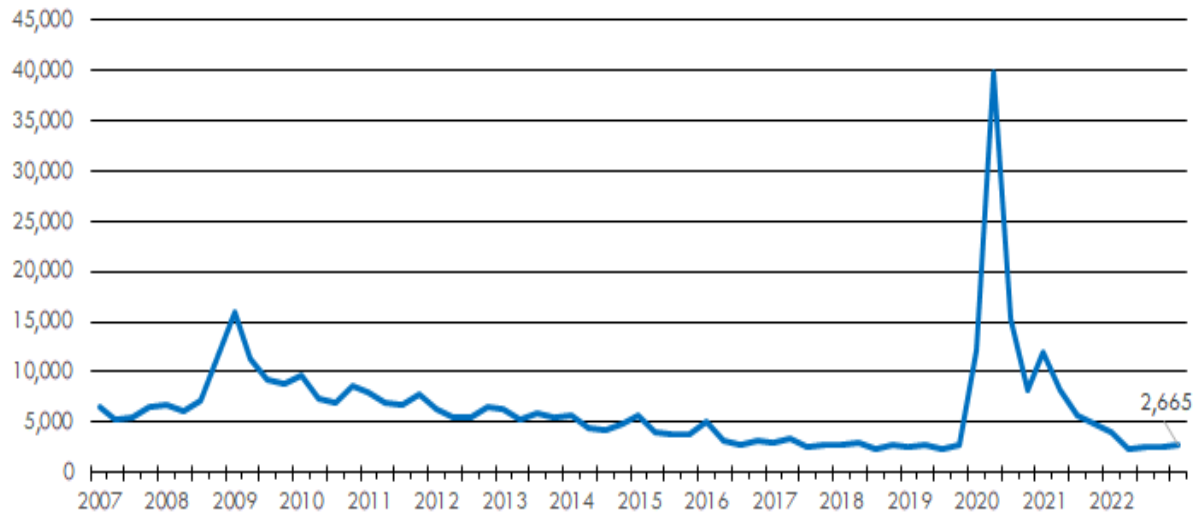
Nonfarm employment rose by 3.74% annually and 1.08% quarterly. The unemployment rate grew by 0.10 percentage points annually and declined by 0.03 percentage points quarterly. Goods-Producing, Manufacturing, and Services-Providing sectors saw annual growth of 4.17%, 2.82%, and 3.66%, respectively. Quarterly, these sectors grew by 0.90%, 0.92%, and 1.12%, respectively.

Housing indicators also show varied outcomes in the first quarter of 2023. Homeowner vacancy rates declined by 0.50 percentage points for the year, while rental vacancy rates increased by 0.70 percentage points.

Annually, housing prices increased by 11.8%. Single-family and total home permits declined annually while growing quarterly. Mortgages past due and foreclosure rates declined by 0.59 percentage points and 0.03 percentage points, respectively.

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)

	2022.1	2022.2	2022.3	2022.4	2023.1
Employment by Industry (Nonfarm)					
Total Nonfarm	3,189	3,225	3,246	3,273	3,309
Goods-Producing Sectors	504	510	515	521	525
Manufacturing	358	359	361	365	368
Services-Providing Sectors	2,685	2,715	2,732	2,753	2,783
Labor Force	3,358	3,402	3,398	3,344	3,329
Total Employment	3,245	3,291	3,284	3,229	3,214
Unemployed	113	112	114	116	115
Unemployment Rate	3.37%	3.27%	3.37%	3.50%	3.47%

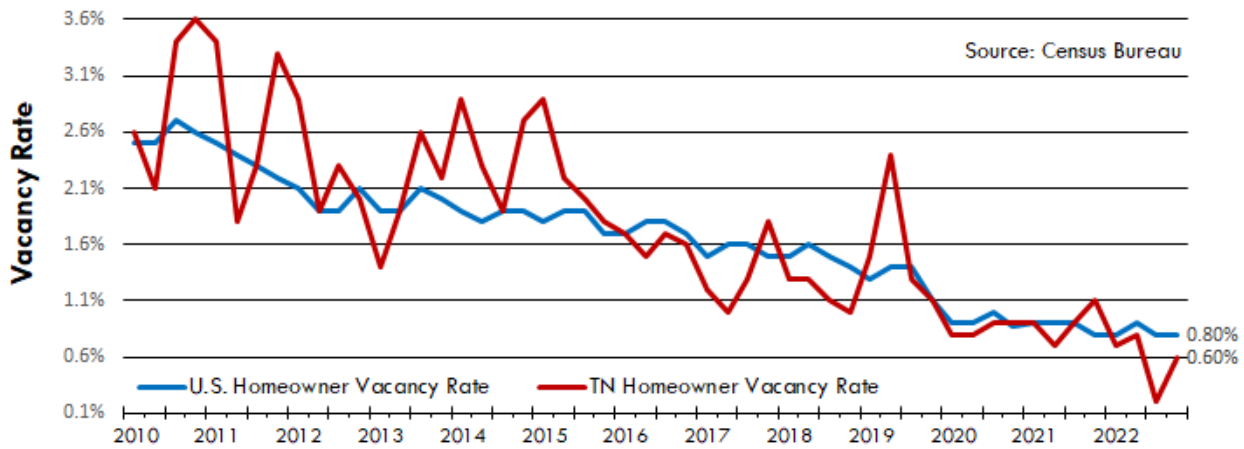
Source: Bureau of Labor Statistics

Vacancy Rate

Vacancy rates varied both annually and quarterly in Tennessee and the United States. Tennessee homeowner vacancy rates decreased by 0.50 percentage points annually and increased by 0.40 percentage points quarterly. In comparison, the United States homeowner vacancy rates remained the same annually and quarterly.

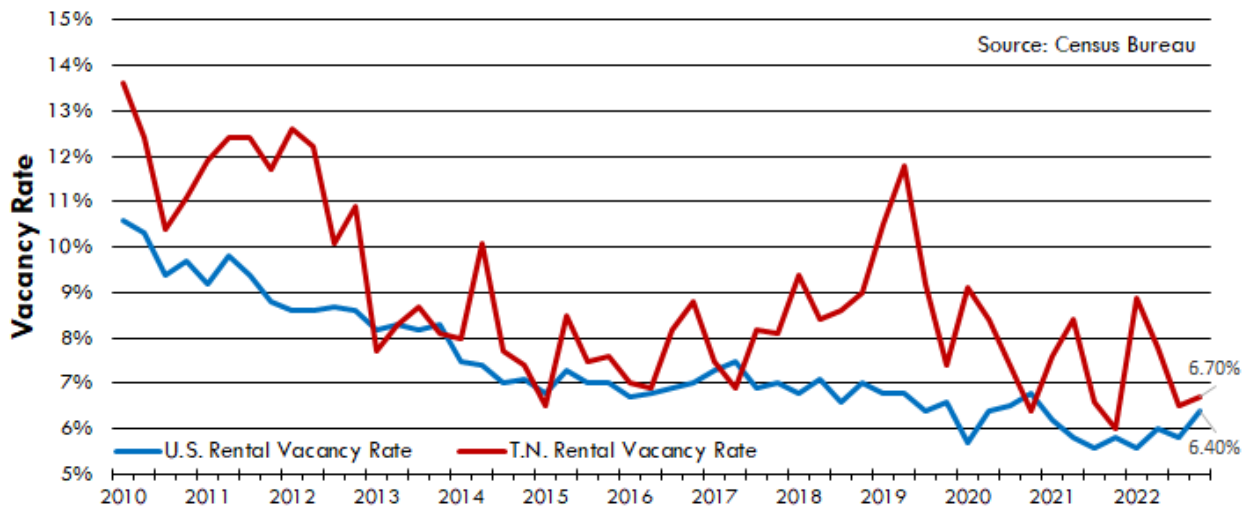
Tennessee and the United States rental vacancy rates rose both annually and quarterly. Tennessee's rental vacancy rate grew by 0.70 percentage points for the year and by 0.20 percentage points for the quarter. Similarly, rental vacancy rates in the United States increased by 0.60 percentage points annually and quarterly.

Figure 2. Homeowner vacancy rate



Source: Census Bureau

Figure 3. Rental vacancy rate



Source: Census Bureau

Housing Construction

Single-family permits in Tennessee, the South, and the United States decreased annually and increased quarterly. Quarterly, single-family permits grew by 4.7% in Tennessee, 0.7% in the South, and 0.8% in the United States. Annually, the single-family permits fell by 32.18% in Tennessee, 28.94% in the South, and 32.23% in the United States.

Multi-family permits increased quarterly in all observed regions and had mixed annual outcomes. From the previous quarter,

multi-family permits expanded by 228.6% in Tennessee, 2.7% in the South, and 6.8% in the United States. From the last year, multi-family permits grew by 1.61% in Tennessee and 15.25% in the South while contracting by 0.88% in the United States.

Total permits saw a quarterly increase and annual decrease in Tennessee, the South, and the United States. Total permits for the quarter rose by 46.2% in Tennessee, 2.2% in the South, and 1.3% in the United States. Conversely, total permits for the year declined by 22.97% in Tennessee, 15.94% in the South, and 21.03% in the United States.

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

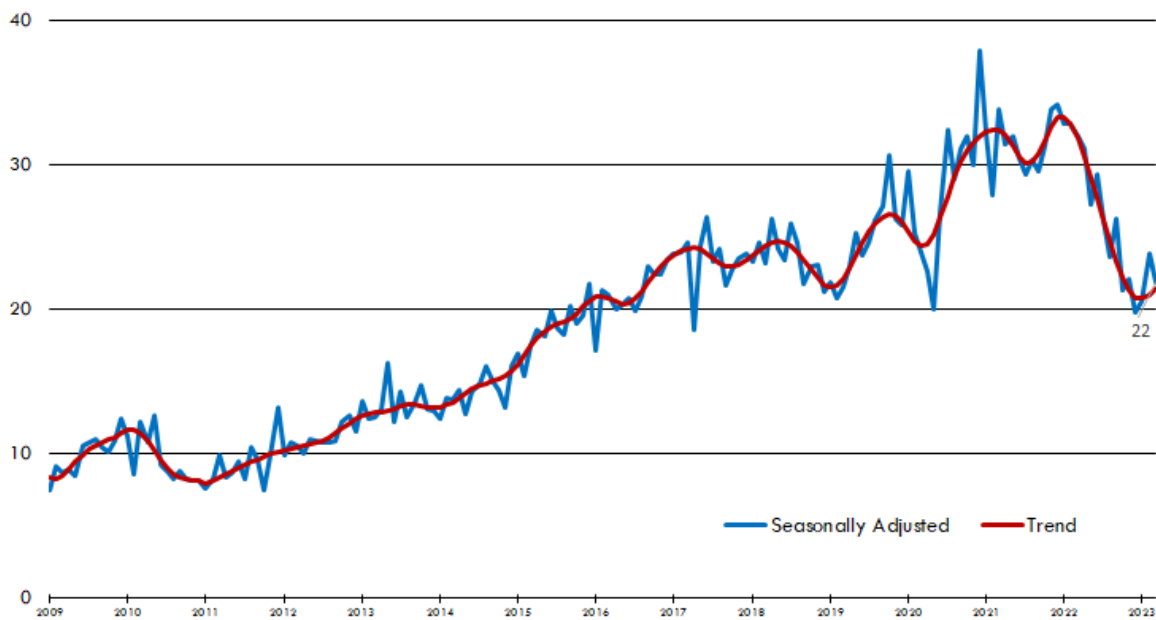


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2020.1	31.6	521.6	933.8	10.8	202.0	473.0	43.5	726.5	1,403.7
2020.2	27.8	442.5	767.0	14.9	202.3	424.4	42.8	651.4	1,193.2
2020.3	37.1	614.2	1,073.2	19.3	200.1	473.1	57.0	809.3	1,552.1
2020.4	40.0	678.6	1,174.9	14.8	194.3	479.6	52.6	855.6	1,634.5
2021.1	37.6	635.8	1,147.9	20.0	246.0	565.5	56.4	884.2	1,705.7
2021.2	37.6	656.0	1,121.1	23.1	235.9	546.3	60.8	905.5	1,679.5
2021.3	35.8	625.3	1,059.4	15.8	261.9	614.0	52.1	882.2	1,675.7
2021.4	39.8	654.5	1,114.6	22.9	266.9	681.2	61.8	908.2	1,797.7
2022.1	39.1	665.8	1,150.2	16.2	283.3	664.8	55.7	952.2	1,800.5
2022.2	35.1	610.2	1,021.6	8.7	308.8	680.9	43.8	931.3	1,711.4
2022.3	30.5	525.3	886.6	8.1	332.8	691.0	39.5	855.3	1,578.2
2022.4	25.3	469.6	773.3	5.0	318.0	617.1	29.3	783.0	1,403.0
2023.1	26.5	473.1	779.4	16.5	326.5	658.9	42.9	800.4	1,421.8
Change from previous quarter	4.7%	0.7%	0.8%	228.6%	2.7%	6.8%	46.2%	2.2%	1.3%
Change from previous year	-32.18%	-28.94%	-32.23%	1.61%	15.25%	-0.88%	-22.97%	-15.94%	-21.03%

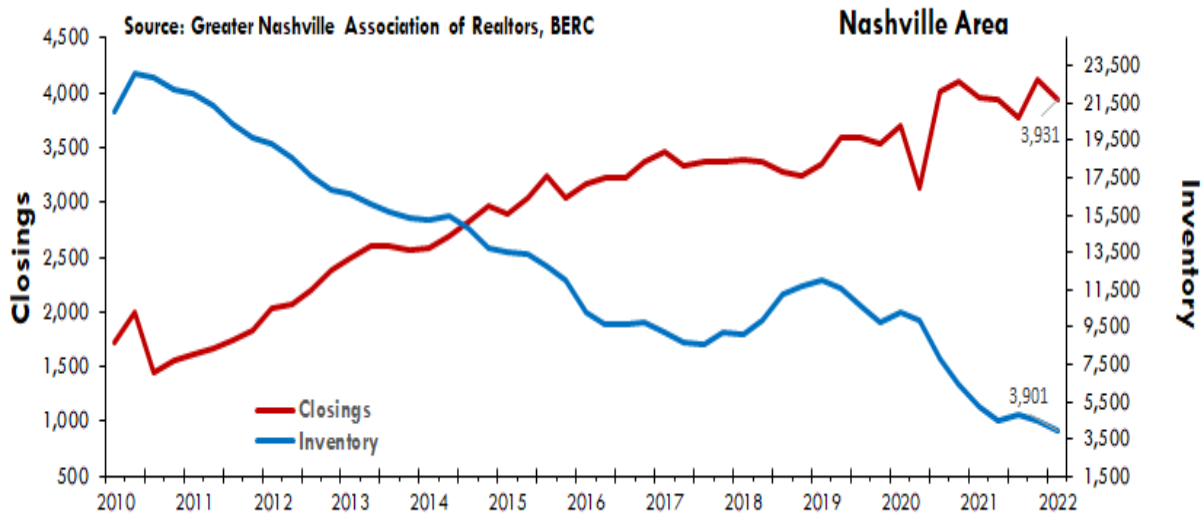
Source: Census Bureau

Home Sales

Closings for the Nashville, Knoxville, and Memphis regions were negative relative to Q4 2021. The Knoxville area saw the most significant decrease of 7.87%, the Nashville area saw a decline of 4.48, and the Memphis area saw a decrease of 3.81% in its closings. Annual changes were also negative for all three areas. Knoxville again saw the most significant decrease of 17%, Memphis saw a decline of 1.02%, and Nashville saw a slight decrease of 0.82% from last year.

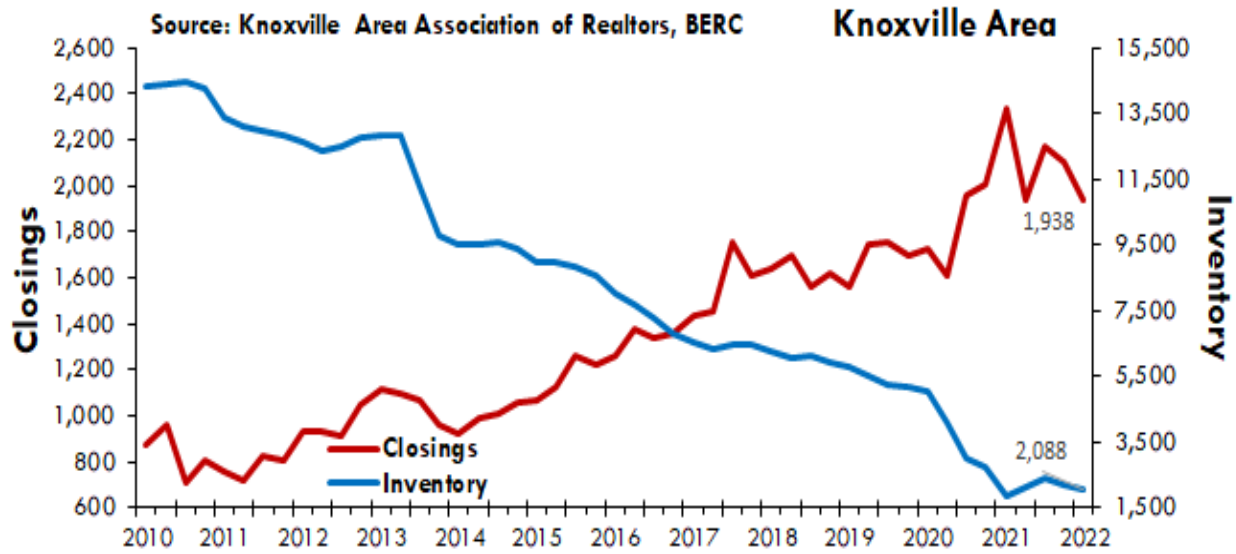
Quarterly changes in inventory among the three regions were also negative. Nashville saw the largest decrease of 12.77%, Knoxville saw the decrease of 5.80%, and Memphis saw the smallest drop of 5.50%. Annual inventory changes were mostly negative except for the Knoxville area. Nashville inventory fell by 25.91% from Q1 2021, while the Memphis area saw a decrease of 5.94% from last year. The only positive outcome from last year was the Knoxville area’s annual inventory change from the previous year, 13.59%.

Figure 7.1 Single-family sales and inventory - Nashville Area



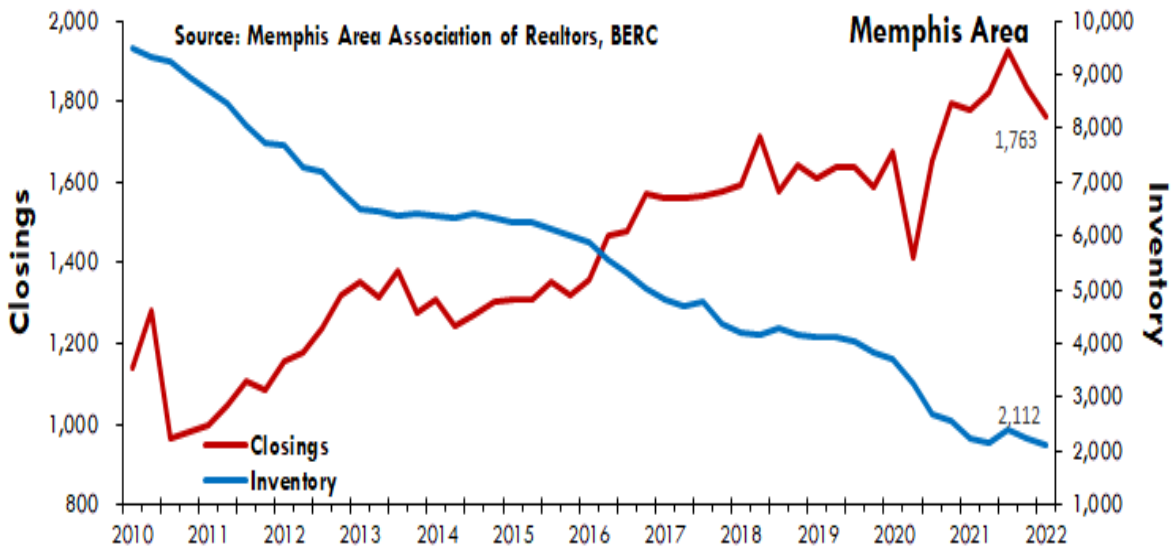
Source: Greater Nashville Association of Realtors, BEREC

Figure 7.2 Single-family sales and inventory - Knoxville Area



Source: Knoxville Area Association of Realtors, BERC

Figure 7.3 Single-family sales and inventory - Memphis Area



Source: Memphis Area Association of Realtors, BERC

Home Prices

Rising home prices continue to trend upward for all MSAs in Tennessee. In Q1 2022, the Jackson MSA saw the largest increase in home prices from last year of 27.1%, with the Nashville MSA and Clarksville MSA following close behind with annual increases of 26.8% and 26.1%, respectively.

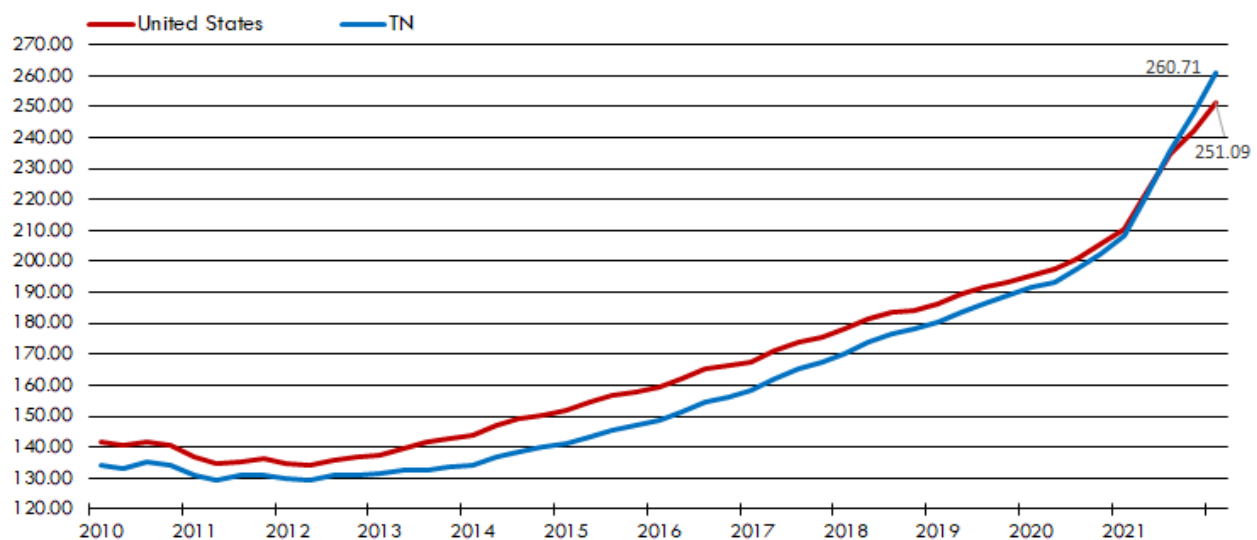
Tennessee and the United States also continue the trend of rising home prices both quarterly and annually. Tennessee saw a quarterly increase in home prices of 5.06%, and the United States saw a rise of 3.60%. Annually Tennessee saw an increase of 25.2% in home prices while the United States saw an increase of 19.5%.

Table 3. Percent change in housing prices year to year

Area	2020.2-2021.2	2020.3-2021.3	2020.4-2021.4	2021.1-2022.1
Chattanooga MSA	14.9%	19.3%	21.7%	24.4%
Clarksville MSA	14.0%	18.9%	24.0%	26.1%
Cleveland MSA	14.8%	18.4%	20.9%	21.5%
Jackson MSA	16.6%	19.9%	25.0%	27.1%
Johnson City MSA	12.4%	19.1%	19.0%	20.3%
Kingsport-Bristol MSA	13.0%	17.5%	20.1%	23.3%
Knoxville MSA	16.0%	21.3%	23.4%	25.7%
Memphis MSA	13.0%	16.2%	18.7%	20.3%
Morristown MSA	17.2%	19.5%	20.4%	24.7%
Nashville MSA	13.9%	19.4%	23.7%	26.8%
Tennessee	14.3%	19.2%	22.5%	25.2%
United States	12.4%	16.5%	22.8%	19.5%

Source: FHFA All Transactions Index

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



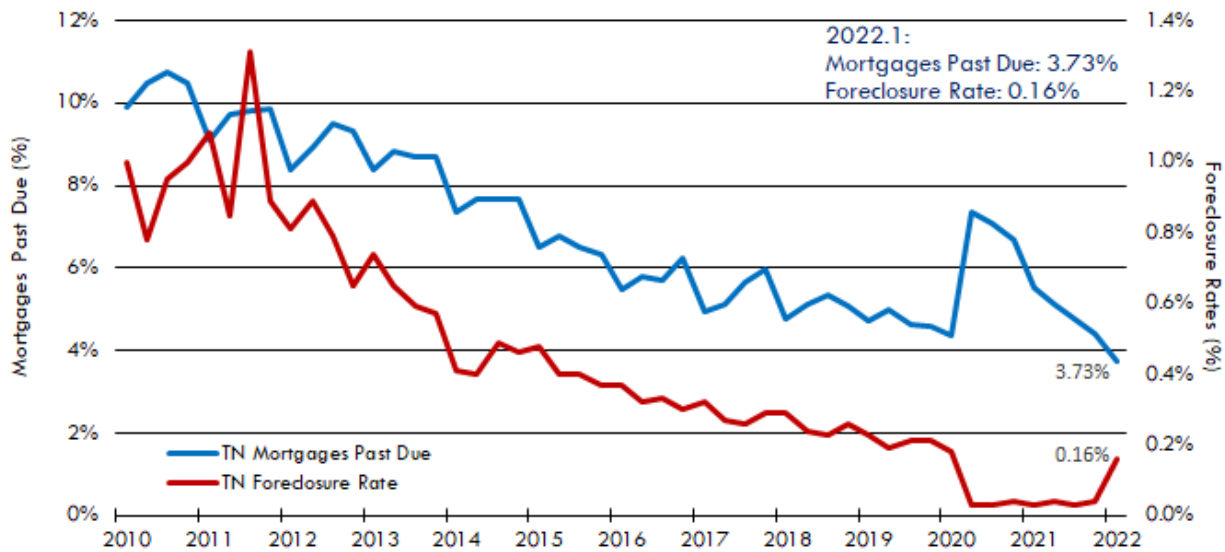
Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies & Foreclosures

In Q1 2022, the United States and Tennessee homeowners continued the trend of catching up on their delinquent mortgages from the height of the pandemic. The United States saw a quarterly decline of 0.67%, and Tennessee saw a decline of 0.79% in mortgage delinquencies. Annual mortgage delinquencies also fell by 1.79% for the United States and 2.28% for Tennessee.

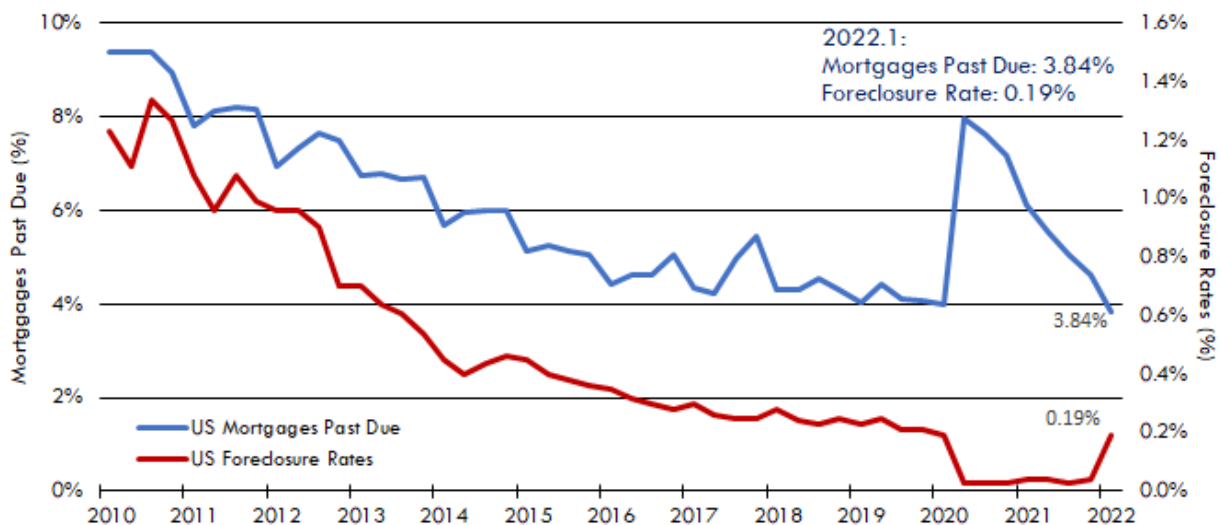
Foreclosures have increased for both the United States and Tennessee quarterly and annually. The United States saw a quarterly and annual increase in foreclosures of 0.15%, while Tennessee saw a quarterly foreclosure rate increase of 0.12% and a yearly increase of 0.13%.

Figure 9. Tennessee mortgages past due and foreclosure rate (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

Conclusion

Positive trend continues as house price index surged in q1 2022

The two aspects of note are the tandem increase of home prices with the general price level of goods and the changes in foreclosure rates concerning mortgage delinquencies. Tennessee home prices are increasing exponentially while the United States, though growing, is increasing at a decreasing rate relative to Tennessee.

The foreclosure rates are interesting for both Tennessee and the United States because, even though homeowners are more caught up on their mortgages than they were prior to the pandemic, we see foreclosure rates that are around the same as pre-pandemic levels.



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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)