

# HOUSING

## TENNESSEE

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December 2022

### TENNESSEE DASHBOARD 3RD QUARTER 2022 (percent change over the year)

Weekly Unemployment Claims	▼	-54.78	Total Home Permits*	▼	-24.08
Total Nonfarm Employment*	▲	+4.93	Mortgage Tax Collections	▼	-6.28
Unemployment Rate (percentage points)*	▼	-1.20	Real Estate Transfer Tax Collections	▲	+5.84
Homeowner Vacancy Rate (percentage points)	▲	+0.10	Home Prices*	▲	+23.22
Rental Vacancy Rate (percentage points)	▼	-0.60	Mortgages Past Due (percentage points)	▼	-1.22
Single-Family Home Permits*	▼	-14.53	Foreclosure Rate (percentage points)	▲	+0.10

\*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

## Economic Overview

### Q3 2022 leading indicators show mixed results

For Q3 2022, Tennessee's current economic performance is strong, while leading indicators show mixed results. The weekly unemployment claims, total nonfarm employment, unemployment rate, rental vacancy rate, home prices, real estate transfer tax collections, and mortgages past due show signs of improvements from the previous year. However, there are areas of concern: homeowner vacancy rates, foreclosure rates, mortgage tax collections, and single-family and total home permits suggest potential tightening in the economy.

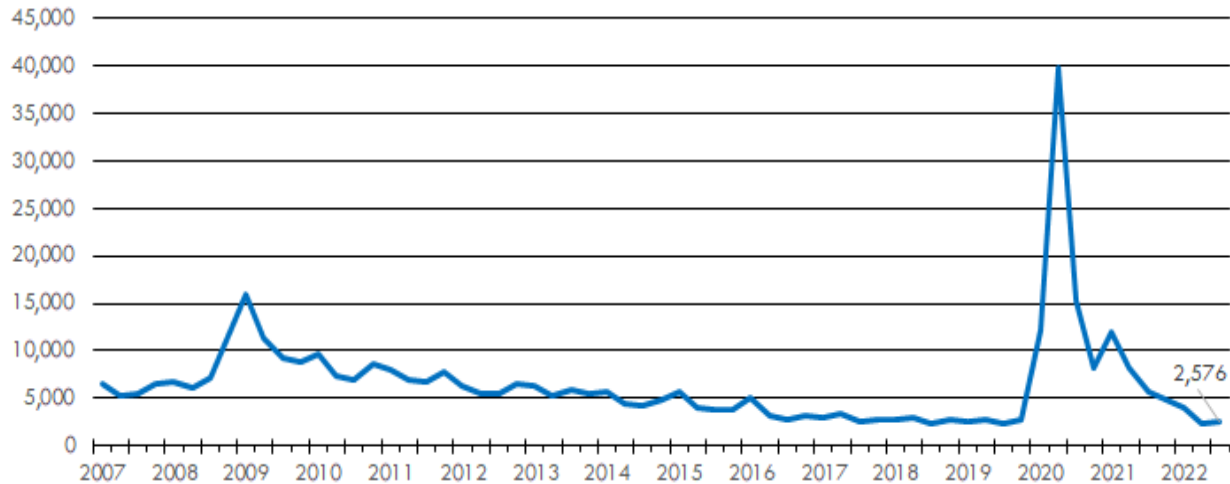
Specifically, unemployment claims have fallen by 54.78% from last year. Nonfarm employment rose by 4.93% annually and 0.67% quarterly. The unemployment rate declined by 1.20 percentage points over the year to 3.37% from 4.57% and increased by 0.10 percentage points over the quarter.

Goods-Producing sectors, Manufacturing, and Services-Providing sectors all saw yearly economic growth of 6.85%, 3.73%, and 4.58%, respectively. Quarterly, these sectors grew by 0.87%, 0.70%, and 0.63%, respectively.

On the housing front, Tennessee experienced mixed results for Q3 2022. Although Tennessee's rental vacancy rate (up by 0.6 percentage points), mortgage delinquency rates (down by 1.22 percentage points), and housing prices (up by 23.22%) performed better than last year, the leading housing indicators (single-family and multi-family permits) experienced both annual and quarterly decline. In addition, both foreclosure rates and homeowner vacancy rates increased by 0.10 percentage points.

**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)

	2021.3	2021.4	2022.1	2022.2	2022.3
<b>Employment by Industry (Nonfarm)</b>					
Total Nonfarm	3,094	3,114	3,189	3,225	3,246
Goods-Producing Sectors	482	486	504	510	515
Manufacturing	348	352	358	359	361
Services-Providing Sectors	2,612	2,628	2,685	2,715	2,732
Labor Force	3,330	3,315	3,358	3,402	3,398
Total Employment	3,177	3,181	3,245	3,291	3,284
Unemployed	153	134	113	112	114
Unemployment Rate	4.57%	4.00%	3.37%	3.27%	3.37%

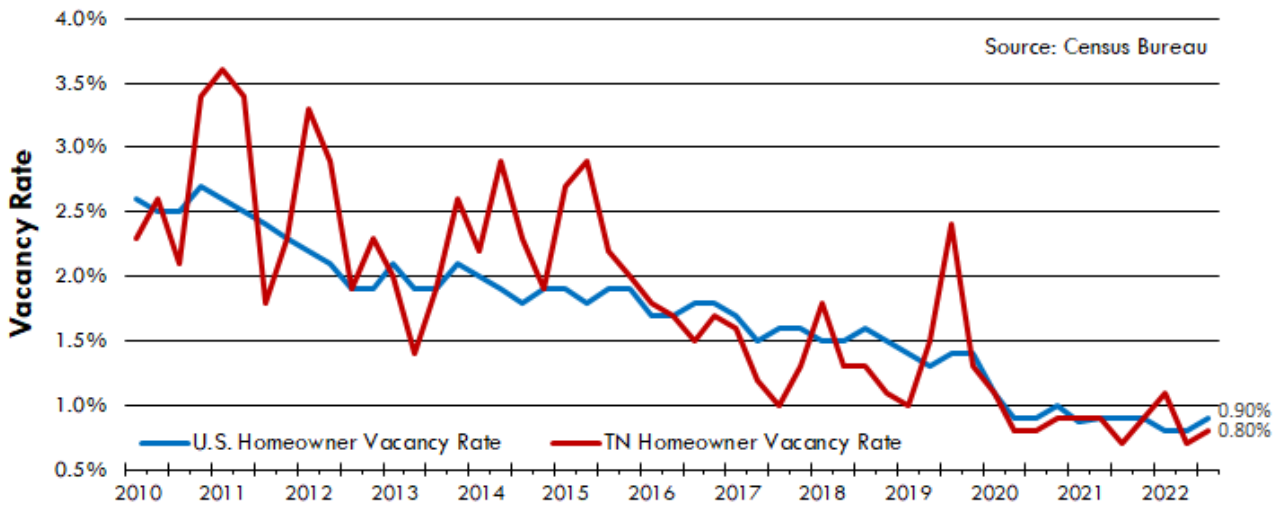
Source: Bureau of Labor Statistics

# Vacancy Rate

Yearly homeowner vacancy rates increased in Tennessee and remained unchanged in the United States. Quarterly homeowner vacancy rates for Tennessee and the United States increased from the previous quarter. Tennessee homeowner vacancy rates increased by 0.10 percentage points for both the quarter and the year. The United States had no annual change in homeowner vacancy rates and saw a 0.10 percentage point increase from the previous quarter.

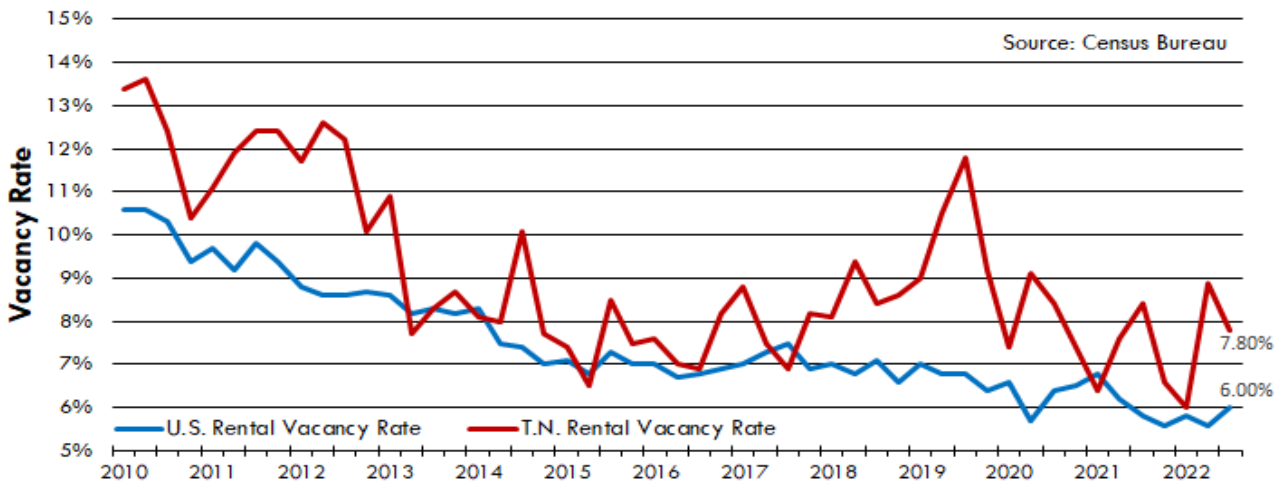
The rental vacancy rates in Tennessee declined in both quarterly and annual values. In contrast, the United States rental vacancy rates increased both for the quarter and the year. Tennessee's vacancy rates fell annually by 0.60 percentage points and quarterly by 1.10 percentage points. In the United States, rental vacancy rates rose by 0.20 percentage points for the year and 0.40 percentage points for the quarter.

**Figure 2. Homeowner vacancy rate**



Source: Census Bureau

**Figure 3. Rental vacancy rate**



Source: Census Bureau

# Housing Construction

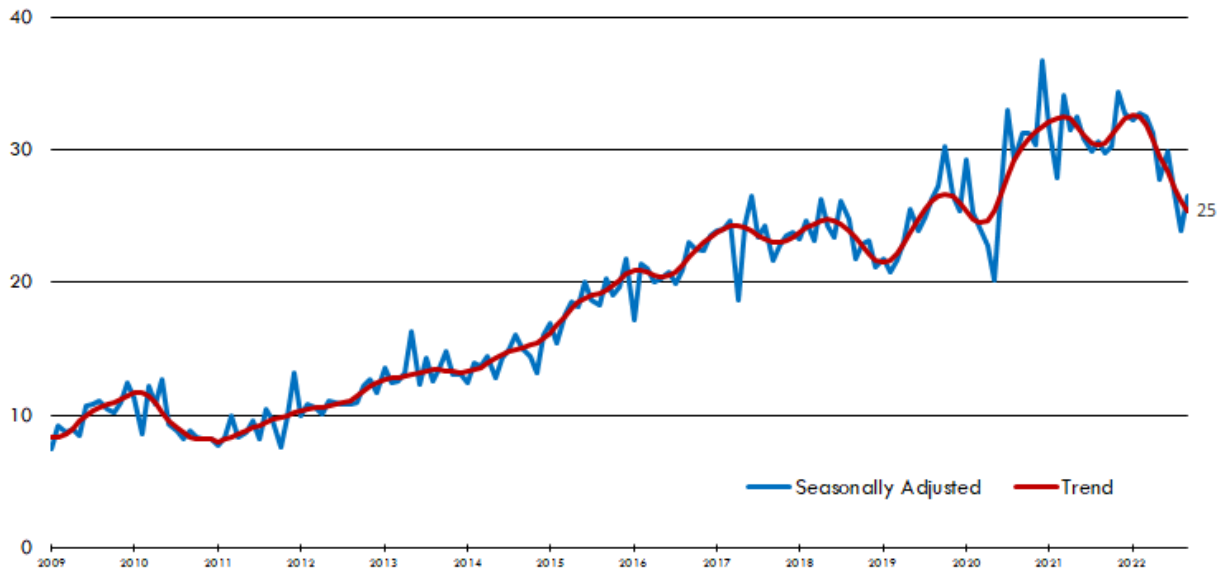
Single-family permits saw a unanimous decline in Tennessee, the South, and the United States. Quarterly, single-family permits decreased by 13% in Tennessee, 13.5% in the South, and 12.5% in the United States. Annually, the single-family permits declined by 14.53% in Tennessee, 15.76% in the South, and 16.09% in the United States.

Multi-family permits decreased annually and quarterly for Tennessee while increasing in the South and the United States.

Tennessee’s multi-family permits declined by 48.77% annually and 13.1% quarterly. The South and the United States multi-family permits for the quarter increased by 7.9% and 3.2%, respectively. Annually, the South increased by 27.04% and the United States by 13.11%.

Quarterly and yearly total permits decreased in all observed regions. Tennessee’s quarterly decline was the most significant at 12.3%, while the South and the United States were 7.5% and 6.7%, respectively. Annually, total permits declined by 24.08% in Tennessee. The South and the United States had yearly decreases of 2.84% and 5.5%, respectively.

**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.
2019.3	31.4	502.5	884.7	10.9	233.0	538.8	41.6	734.5	1,428.0
2019.4	32.9	514.6	905.6	14.5	225.7	536.0	46.7	729.2	1,441.2
2020.1	31.5	519.0	925.6	10.8	200.7	470.2	43.5	725.5	1,394.0
2020.2	28.0	444.5	771.1	15.5	202.4	426.9	43.7	653.2	1,199.5
2020.3	37.4	619.6	1,087.0	19.3	201.0	480.0	57.4	815.9	1,572.1
2020.4	39.4	670.8	1,158.3	14.1	194.5	471.9	51.0	845.6	1,610.6
2021.1	37.5	631.0	1,135.2	19.8	242.8	560.6	56.6	882.2	1,692.5
2021.2	37.9	661.0	1,130.7	24.2	236.6	550.7	62.7	909.5	1,692.1
2021.3	36.1	633.2	1,077.9	15.6	264.0	628.3	52.4	892.9	1,706.0
2021.4	38.9	643.3	1,089.8	21.9	266.7	665.2	58.9	892.6	1,756.3
2022.1	39.0	659.0	1,135.5	16.2	278.3	657.4	56.1	949.4	1,787.1
2022.2	35.5	617.0	1,034.0	9.2	310.7	688.5	45.3	937.5	1,728.7
2022.3	30.9	533.4	904.4	8.0	335.4	710.7	39.8	867.5	1,612.1
Change from previous quarter	-13.0%	-13.5%	-12.5%	-13.1%	7.9%	3.2%	-12.3%	-7.5%	-6.7%
Change from previous year	-14.53%	-15.76%	-16.09%	-48.77%	27.04%	13.11%	-24.08%	-2.84%	-5.50%

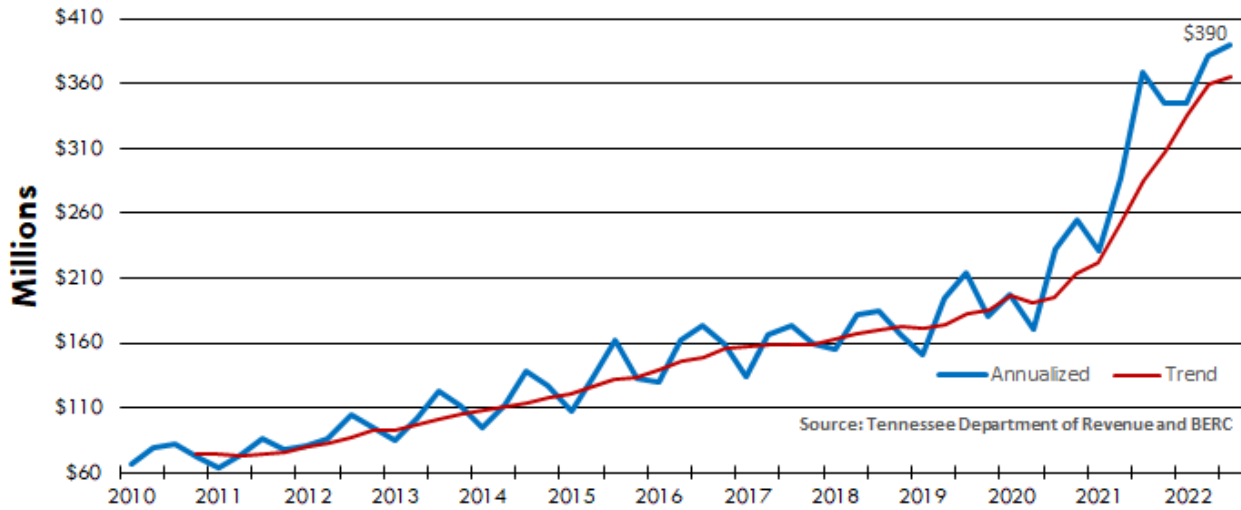
Source: Census Bureau

# Real Estate Transactions & Mortgages

Real estate transfer tax collections increased from the second quarter of 2022 (2.10%), while the annual rate rose by 5.84%. Real estate transfer tax collections averaged 32 million dollars, while annualized collections were approximately 390 million.

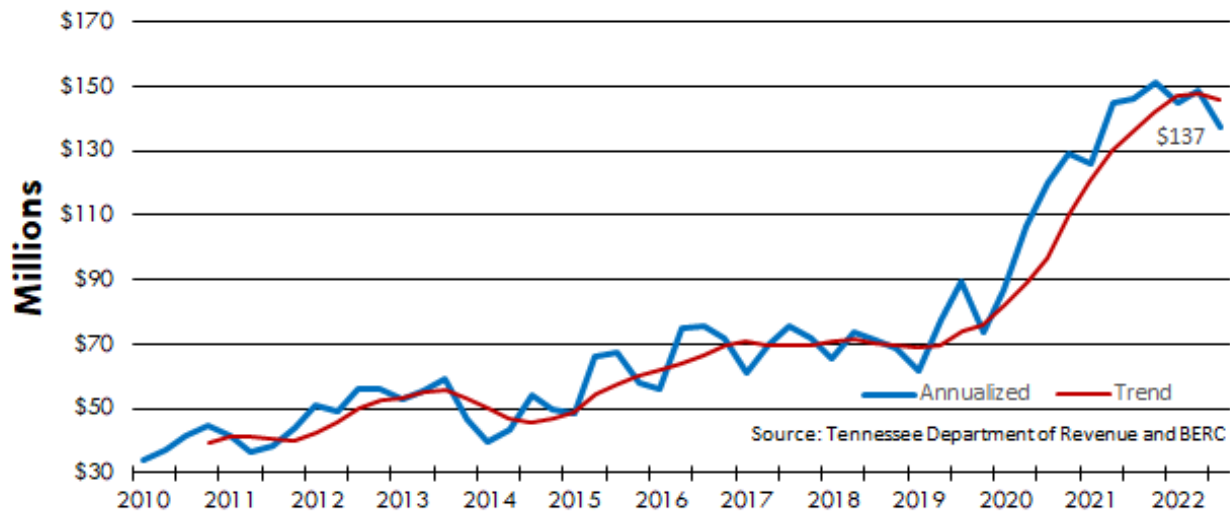
Mortgage tax collections decreased from Q2 2022 by 7.83% and fell by 6.28% over the quarter. The quarterly average for mortgage tax collections was roughly 11 million dollars, and the annualized collections were just over 137 million.

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



Source: Tennessee Department of Revenue and BERG

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



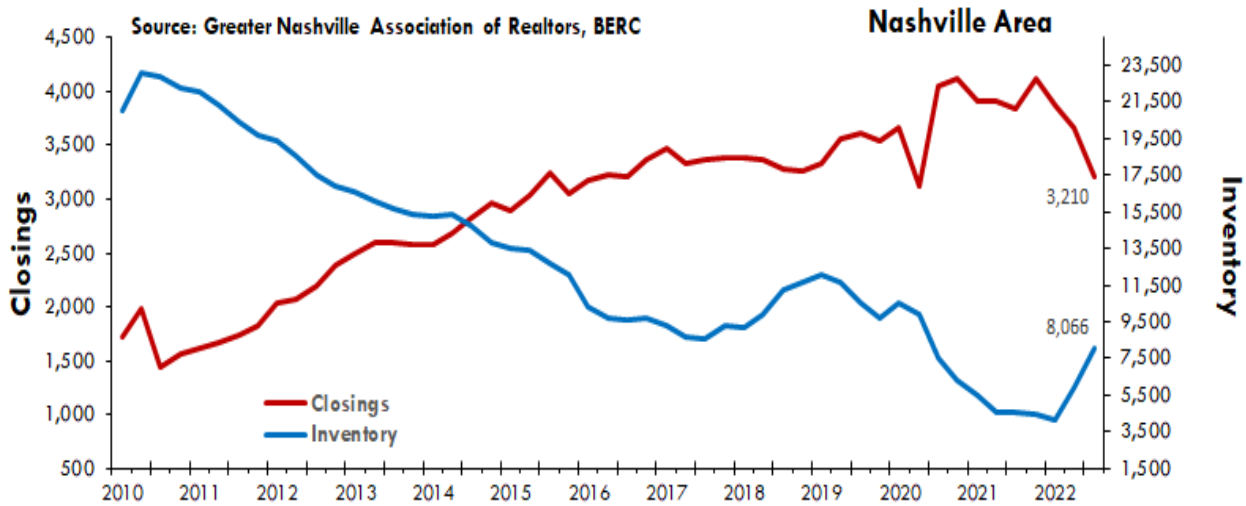
Source: Tennessee Department of Revenue and BERG

# Home Sales

Quarterly and yearly changes for closings in the Nashville, Knoxville, and Memphis regions were all negative. The Nashville area experienced the most significant quarterly decrease of 12.61%, while the Knoxville and Memphis area had declines of 7.34% and 6.32%, respectively. Annual changes in closings were most significant for Nashville and Knoxville, with a decrease of 16.36% and 16.37%, correspondingly. Memphis saw a reduction of 11.73% in annual closings.

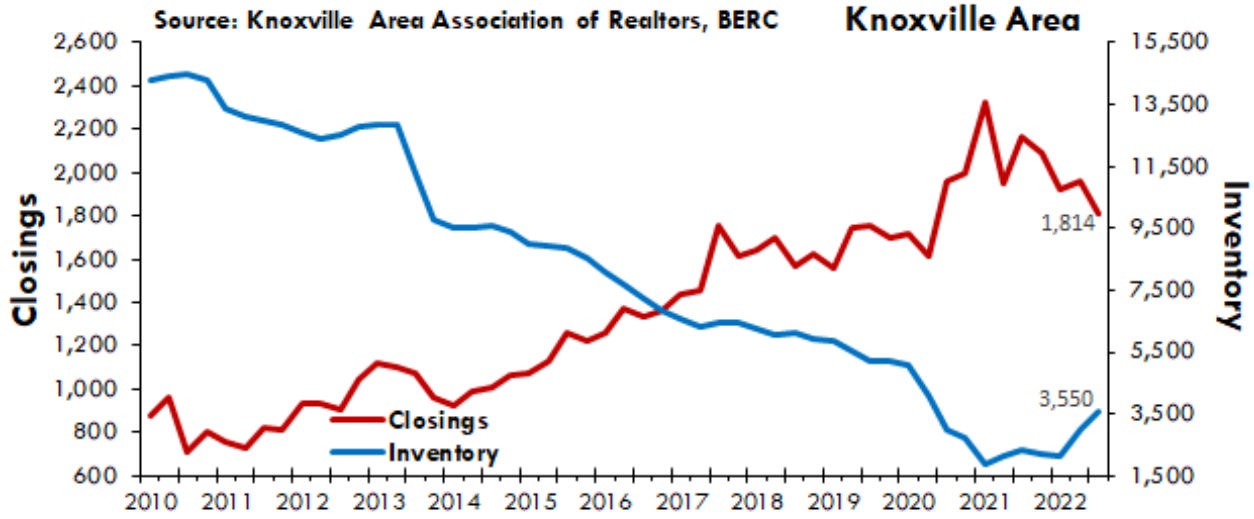
Inventory changes were positive for all observed regions, both quarterly and annually. Nashville had the largest quarterly growth of 36.48%, followed by Knoxville with 19.67% and Memphis with 16.51%. For annual inventory changes, Nashville similarly had the most significant increase at 75.94%. Knoxville observed a 50.78% yearly expansion in inventory, and Memphis saw a more moderate rise of 9.46%.

Figure 7.1 Single-family sales and inventory - Nashville Area



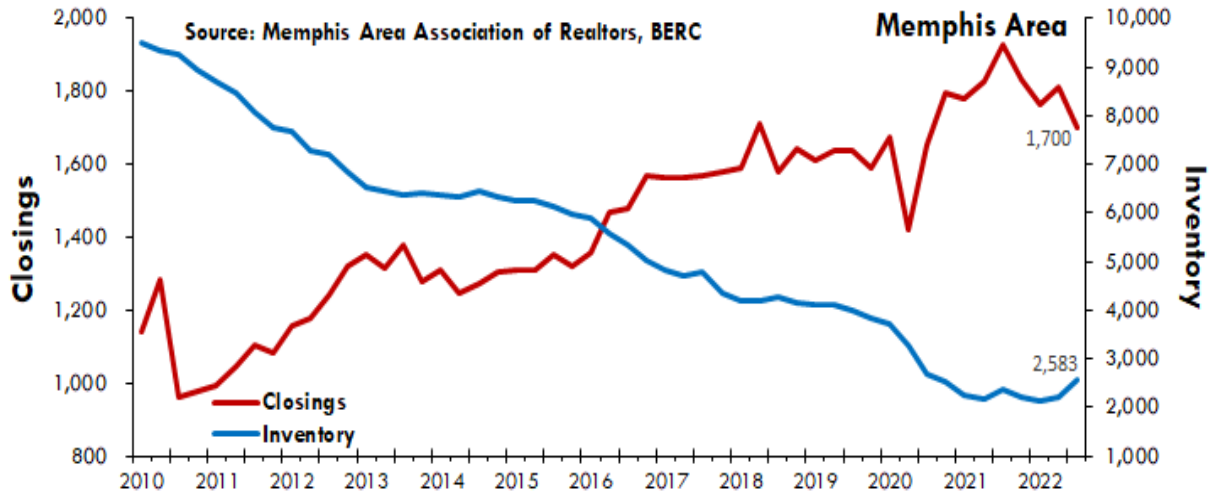
Source: Greater Nashville Association of Realtors, BEREC

Figure 7.2 Single-family sales and inventory - Knoxville Area



Source: Knoxville Area Association of Realtors, BEREC

Figure 7.3 Single-family sales and inventory - Memphis Area



Source: Memphis Area Association of Realtors, BEREC

# Home Prices

In Q3 2022, home prices for all MSAs in Tennessee increased. However, the home price increase was not as rigorous as the increase in the second quarter, except for the Morristown MSA, which grew 25.1% in home prices (three percentage points higher). The Memphis MSA had the smallest annual growth of 17.3 percent.

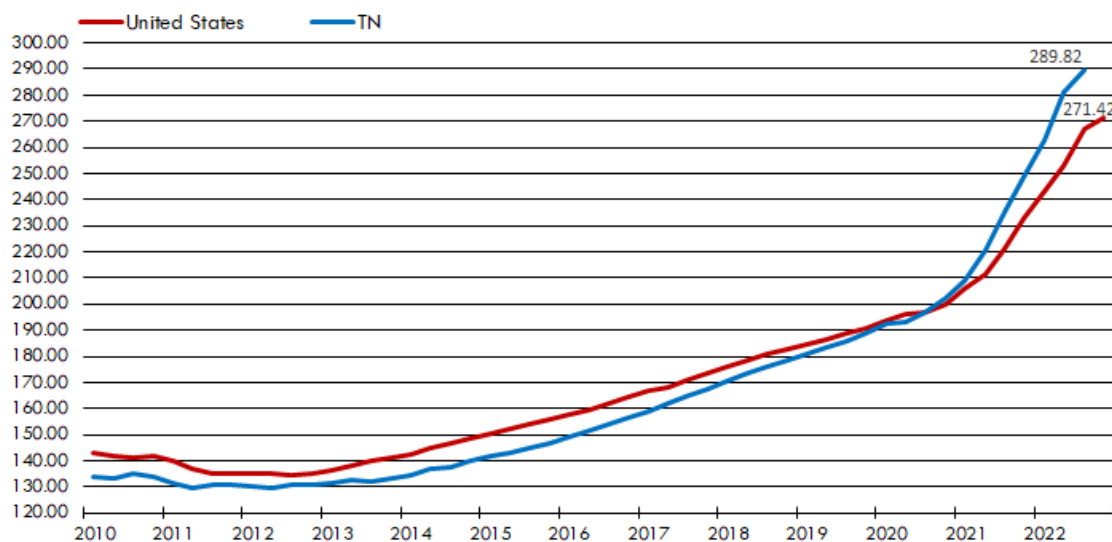
Both Tennessee and the United States experienced an increase in home prices from the previous quarter. The growth rate in Tennessee was nearly twice as large as the growth rate in the United States. Annually, both Tennessee and the United States recorded increases in home prices by 23.2% and 16.5%, respectively. Since the first quarter of 2021, home price increases in Tennessee have been faster than the increase in the United States, reversing the trend in the last two decades.

**Table 3. Percent change in housing prices year to year**

Area	2020.4-2021.4	2021.1-2022.1	2021.2-2022.2	2021.3-2022.3
Chattanooga MSA	21.9%	24.8%	24.4%	20.5%
Clarksville MSA	24.1%	26.3%	29.7%	22.7%
Cleveland MSA	21.4%	22.4%	24.9%	22.8%
Jackson MSA	25.1%	28.1%	24.2%	23.0%
Johnson City MSA	19.1%	20.3%	27.5%	26.2%
Kingsport-Bristol MSA	20.3%	24.1%	29.3%	22.3%
Knoxville MSA	23.8%	26.2%	29.0%	24.5%
Memphis MSA	19.0%	20.4%	21.0%	17.3%
Morristown MSA	20.8%	25.4%	22.0%	25.1%
Nashville MSA	23.8%	27.0%	30.5%	25.3%
Tennessee	22.8%	25.5%	27.4%	23.2%
United States	18.3%	19.7%	29.8%	16.5%

Source: FHFA All Transactions Index

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



Source: www.FHFA.gov All Transactions Index

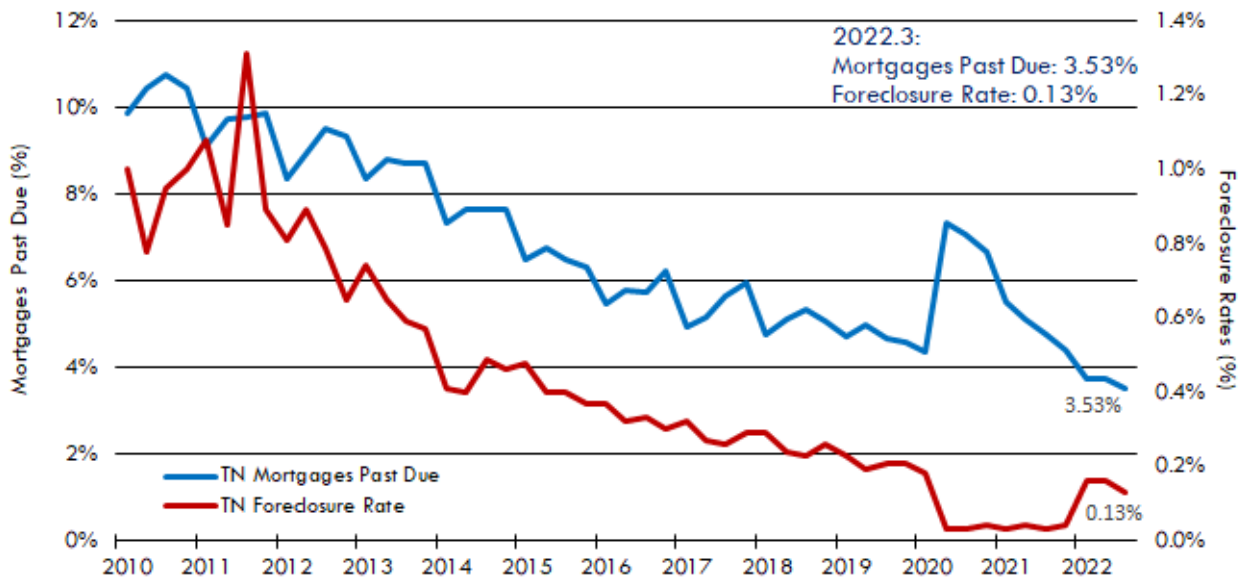


# Mortgage Delinquencies & Foreclosures

In Q3 2022, Tennessee recorded a slight decrease in mortgage delinquencies (0.22 percentage points) and foreclosure rates (0.03 percentage points) from the previous quarter. The United States similarly had small declines in mortgage delinquencies and foreclosure rates over the quarter at 0.18 percentage points and 0.03 percentage points, respectively.

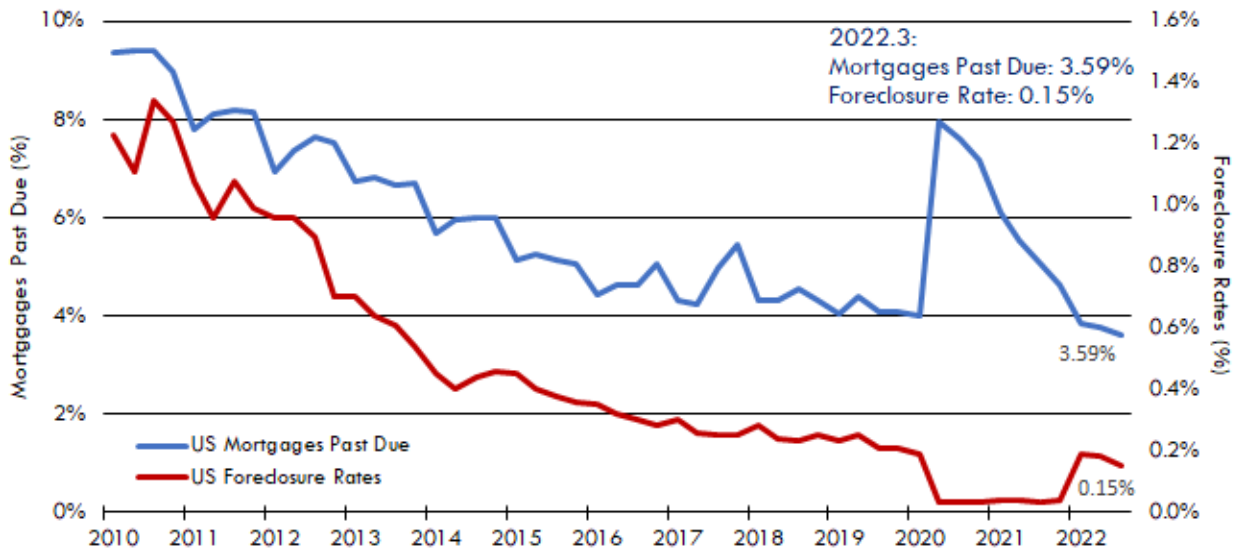
Foreclosure rates increased annually for both Tennessee and the United States. Tennessee experienced a 0.10 percentage-point increase, while the United States saw a 0.12 percentage-point increase. Annual mortgage delinquencies for Tennessee and the United States have decreased by 1.22 percentage points and 1.45 percentage points, correspondingly.

**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

## House price index keeps its upward momentum in Q3 2022

Compared to Q3 2021, Tennessee's current economic indicators show a solid economic performance. However, the leading housing indicators (building permits) in the third quarter suggest a slowing economic activity in the housing sector.

Home prices still show an upward trend but are not as rigorous as the growth in the previous quarter across the MSAs in Tennessee.



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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)