

HOUSING

T E N N E S S E E

mtsu.edu/berc/housing.php March 2024

TENNESSEE DASHBOARD 4TH QUARTER 2023 (percent change over the year)

Weekly Unemployment Claims	▲ +16.00	Total Home Permits*	▲ +55.22
Total Nonfarm Employment*	▲ +0.68	Mortgage Tax Collections	▼ -20.43
Unemployment Rate (percentage points)*	▼ -0.03	Real Estate Transfer Tax Collections	▼ -18.23
Homeowner Vacancy Rate (percentage points)	▲ +0.70	Home Prices*	▲ +5.38
Rental Vacancy Rate (percentage points)	▲ +2.10	Mortgages Past Due (percentage points)	▲ +0.09
Single-Family Home Permits*	▲ +34.60	Foreclosure Rate (percentage points)	▼ -0.01

*seasonally adjusted

▲ positive outcome for economy

▼ negative outcome for economy

Economic Overview

Q4 2023 indicators show a mixed trend in Tennessee

In the fourth quarter of 2023, the economic landscape in Tennessee presented a nuanced array of indicators across various sectors. The labor force demonstrated a notable uptick of 1.17% compared to the previous year, signaling overall economic expansion. However, the Services-Providing sector experienced modest annual growth of 0.92%, while the Manufacturing and Goods-Producing sectors saw declines of 1.19% and 0.59%, respectively. Quarterly data further underscored these trends, revealing decreases of 0.61%, 2.18%, and 1.92% across these sectors, respectively. Despite these setbacks, there was an annual increase of 0.68% in Total Nonfarm Employment, although a quarterly reduction of 0.81% was observed. Notably, Weekly Unemployment Claims surged by 16.00% annually, while the Unemployment Rate saw a marginal decrease of 0.03 percentage points.

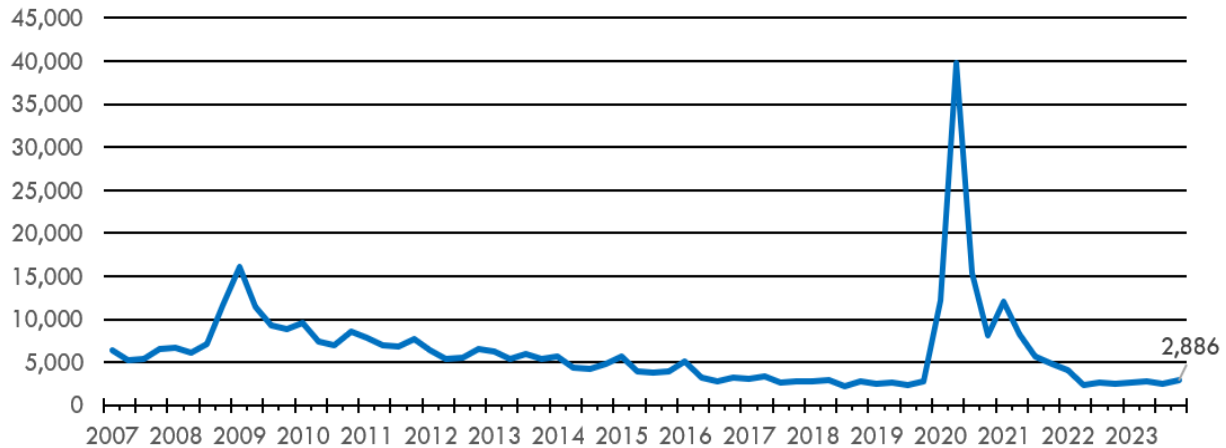
The construction sector displayed robust expansion, with

significant annual growth in Single-Family and Total Home Permits, rising by 34.60% and 55.22%, respectively. Quarterly data indicated a 3.37% increase in Single-Family Permits but a 9.15% decrease in Total Home Permits. Additionally, Home Prices experienced annual growth of 5.38% and a quarterly rise of 1.91%. Conversely, Foreclosure Rates witnessed a slight yearly decline of 0.01 percentage points.

Despite positive trends in other sectors, challenges persisted within the real estate sector during the fourth quarter of 2023. Mortgage Tax Collections and Real Estate Transfer Tax Collections notably decreased annually, with reductions of 20.43% and 18.23%, respectively. Furthermore, there were increases of 0.70, 0.09, and 2.10 percentage points in the Homeowner Vacancy Rate, Mortgages Past Due, and Rental Vacancy, respectively, suggesting potential difficulties in these areas.

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)

(thousands, seasonally adjusted)

	2022.4	2023.1	2023.2	2023.3	2023.4
Employment by Industry (Nonfarm)					
Total Nonfarm	3,273	3,309	3,315	3,323	3,296
Goods-Producing Sectors	521	525	527	528	518
Manufacturing	365	368	370	371	360
Services-Providing Sectors	2,753	2,783	2,789	2,795	2,778
Labor Force	3,344	3,329	3,359	3,382	3,383
Total Employment	3,229	3,214	3,250	3,276	3,266
Unemployed	116	115	109	106	117
Unemployment Rate	3.50%	3.47%	3.27%	3.13%	3.47%

Source: Bureau of Labor Statistics

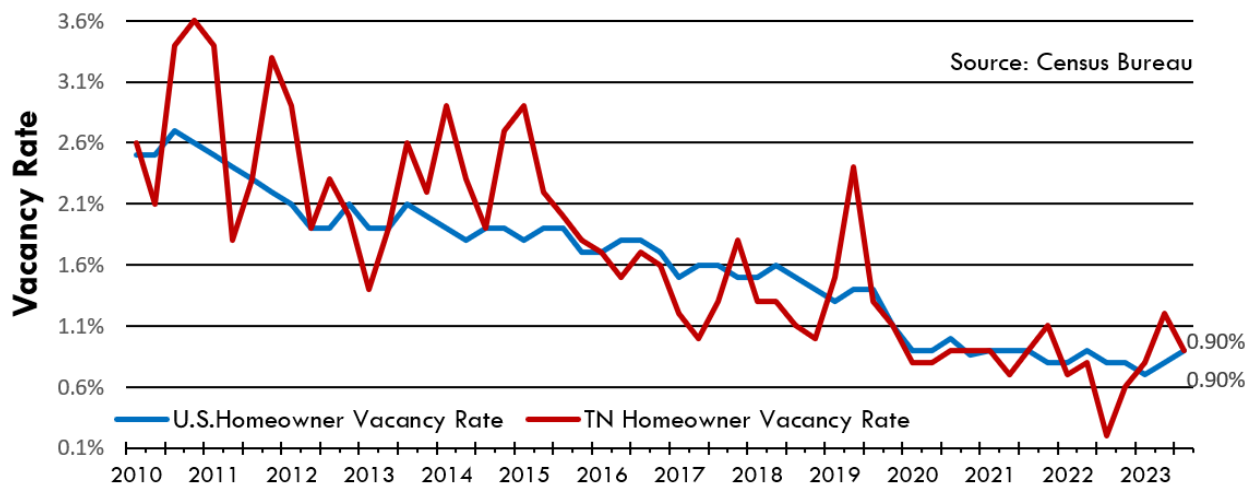
Source: Bureau of Labor Statistics

Vacancy Rate

The homeowner vacancy rates in Tennessee exhibited significant annual and quarterly fluctuations, deviating from national trends. On a yearly basis, Tennessee experienced a 0.70 percentage point increase in homeowner vacancy rates, while quarterly data showed a decrease of 0.30 percentage points. In contrast, the United States saw annual and quarterly increases of 0.10 percentage points.

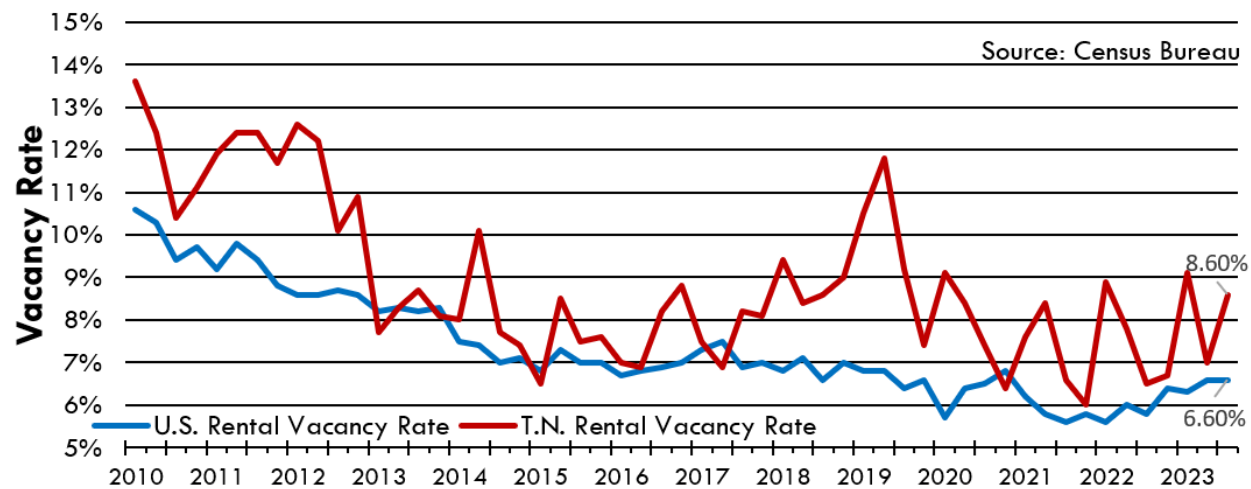
Turning to rental vacancy rates, Tennessee saw a notable annual surge of 2.10 percentage points and a quarterly rise of 1.60 percentage points. This starkly contrasts the national scenario, where the United States reported a yearly uptick of 0.80 percentage points and maintained consistent quarterly figures.

Figure 2. Homeowner vacancy rate



Source: Census Bureau

Figure 3. Rental vacancy rate



Source: Census Bureau

Housing Construction

The issuance of single-family permits in Tennessee, the Southern region, and the United States showcased significant annual and quarterly growth. In the quarterly assessment, Tennessee, the South, and the U.S. all saw increases in single-family permits, with respective growth rates of 3.37%, 2.10%, and 3.26%. Annually, these regions recorded substantial rises of 34.60%, 24.88%, and 26.02%, respectively.

In contrast, multi-family permits across all regions indicated a quarterly reduction but displayed varied annual results. For the current quarter, multi-family permits in Tennessee, the South,

and the U.S. decreased by 25.75%, 14.88%, and 20.06%, respectively. Annually, Tennessee witnessed significant growth of 140.66%, while the South and the U.S. encountered declines of 24.61% and 19.31%, respectively.

Total permits demonstrated mixed quarterly trends. Quarter-over-quarter, total permits in Tennessee and the U.S. experienced declines of 9.15% and 0.42%, respectively, while the South witnessed a growth of 0.37%. Annually, total permits in Tennessee, the South, and the U.S. increased by 55.22%, 4.03%, and 4.04%, respectively.

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

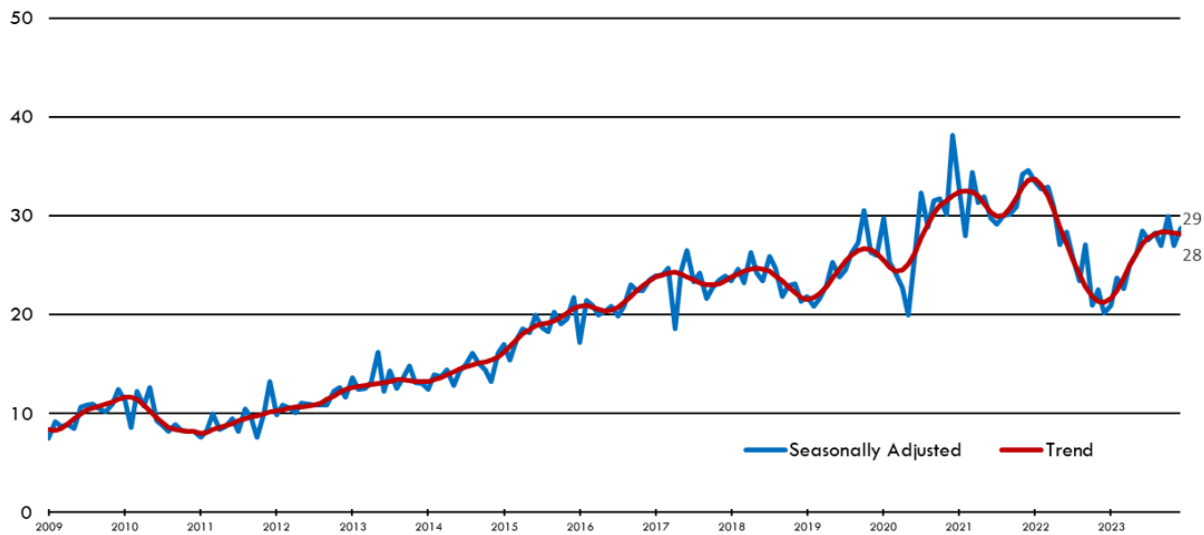


Table 2. Permits issued for privately owned new housing (thousands, seasonally adjusted annual rate)

(numbers shown in thousands)

	Single-Family Permits			Multi-Family Permits			Total Permits		
	Tennessee	South	U.S.	Tennessee	South	U.S.	Tennessee	South	U.S.
2020.4	40.1	677.4	1,173.5	14.6	194.4	485.1	52.9	853.3	1,632.0
2021.1	38.0	638.1	1,154.3	20.1	242.9	566.8	57.4	884.9	1,709.4
2021.2	37.2	654.7	1,119.2	22.8	241.2	549.8	59.9	909.1	1,685.2
2021.3	35.8	625.1	1,056.3	15.8	259.5	603.8	52.0	880.0	1,668.8
2021.4	39.9	653.7	1,114.2	23.0	266.9	688.6	62.3	905.7	1,795.7
2022.1	39.6	670.3	1,161.3	16.1	278.0	666.2	56.8	954.5	1,807.9
2022.2	34.5	607.7	1,016.5	8.5	319.4	685.3	42.8	935.8	1,716.9
2022.3	30.6	524.6	883.1	8.3	327.9	681.3	39.6	852.1	1,570.0
2022.4	25.5	469.4	773.7	5.2	317.1	622.0	29.7	781.0	1,401.0
2023.1	27.0	477.7	789.9	16.3	319.0	660.4	43.6	804.1	1,430.7
2023.2	31.9	546.1	903.0	14.0	253.5	534.8	45.5	807.3	1,456.3
2023.3	33.2	574.2	944.2	16.7	280.9	627.8	50.7	809.5	1,463.9
2023.4	34.3	586.3	975.0	12.4	239.1	501.9	46.1	812.4	1,457.7
Change from previous quarter	3.37%	2.10%	3.26%	-25.75%	-14.88%	-20.06%	-9.15%	0.37%	-0.42%
Change from previous year	34.60%	24.88%	26.02%	140.66%	-24.61%	-19.31%	55.22%	4.03%	4.04%

Source: Census Bureau

Source: Census Bureau

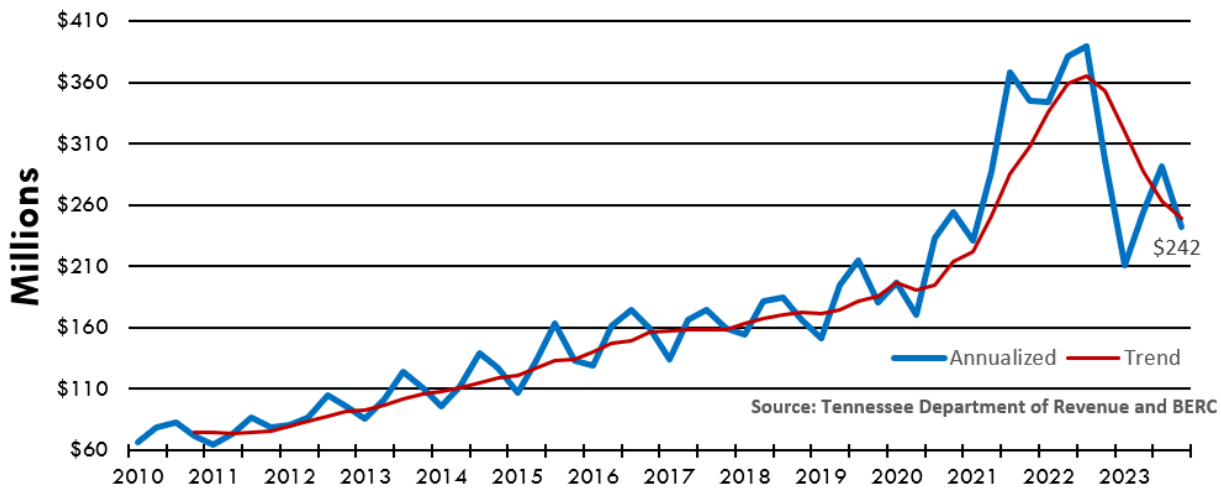
Real Estate Transactions & Mortgages

In the fourth quarter of 2023, the region witnessed a notable decline in real estate transfer tax collections, dropping by 16.97% to slightly over \$20.2 million.

This quarterly downturn is part of a broader annual trend, indicating a more substantial decrease of 18.23%, with the annualized figure reaching approximately \$242 million.

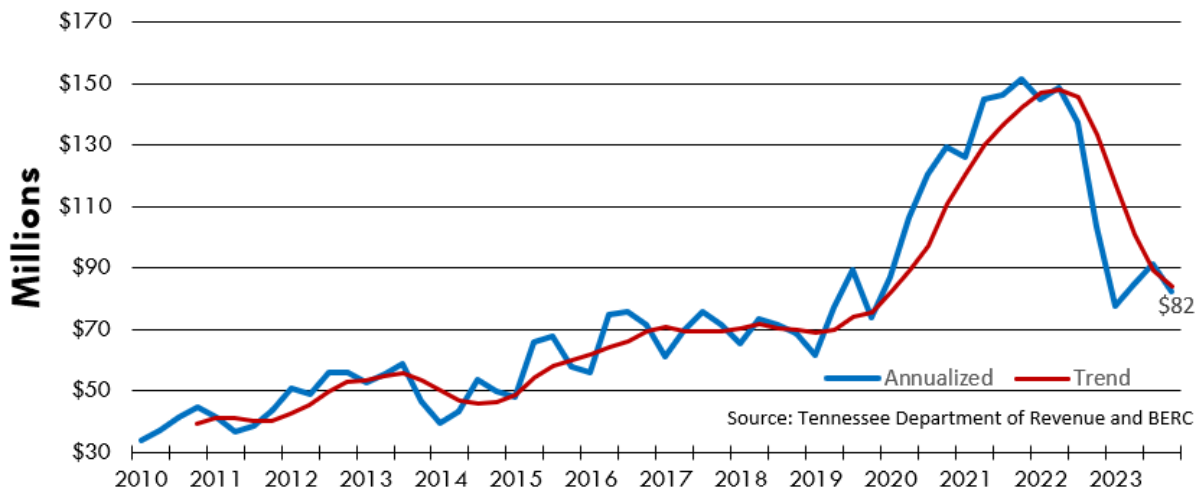
Similarly, mortgage tax collections experienced a significant quarterly reduction of 9.75%, totaling around \$6.9 million during the same period. However, an annual assessment reveals an even more substantial decrease of 20.43%, with the year's total collections amounting to approximately \$82 million.

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)



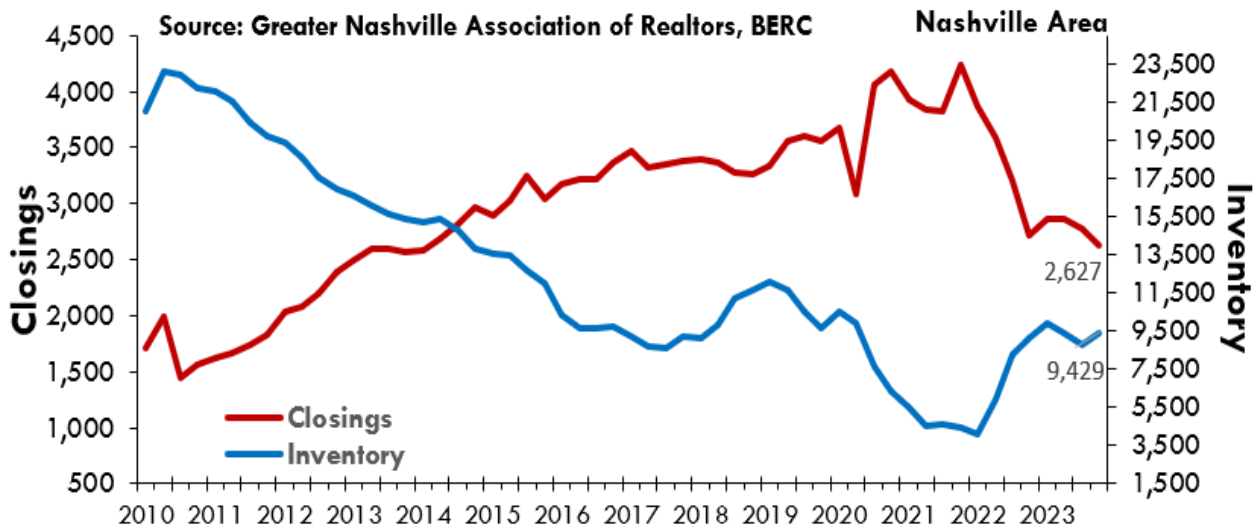
Source: Tennessee Department of Revenue and BERC

Home Sales

Quarterly closing changes across the regions reflected diverse trends. The Memphis area witnessed a significant increase of 9.87%, while Knoxville and Nashville experienced declines of 0.60% and 5.16%, respectively. Conversely, the regions displayed a declining trend in annual home sales closings. Knoxville saw the most notable decline at 7.41%, followed by Nashville at 3.53% and Memphis at 1.94%.

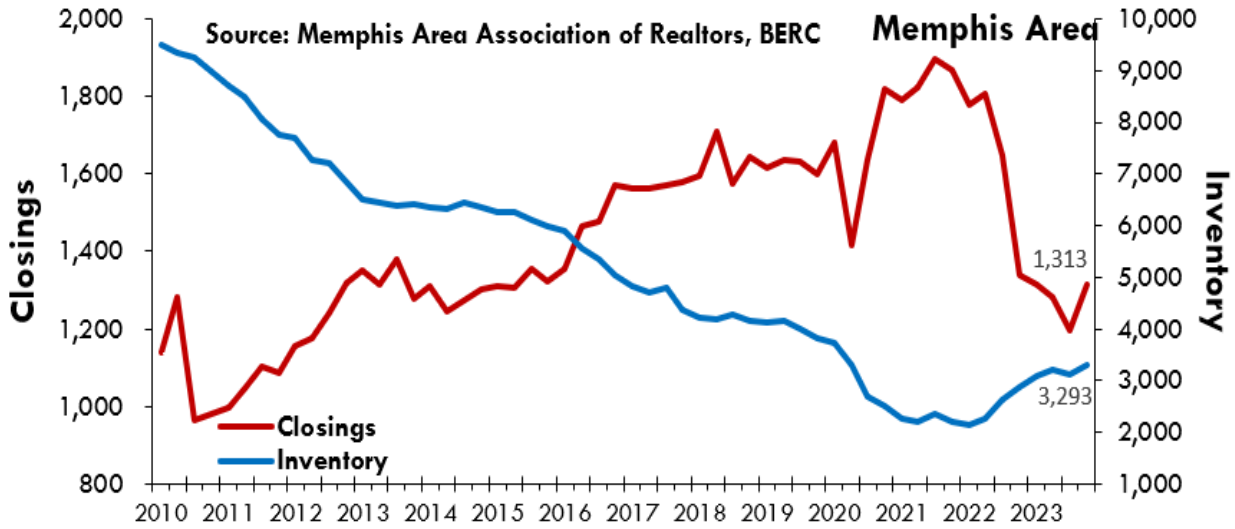
Regarding real estate inventory, the Nashville, Knoxville, and Memphis regions reported growth quarterly and annually. Specifically, Nashville, Knoxville, and Memphis observed quarterly inventory increases of 7.61%, 15.77%, and 5.14%, respectively. Annually, Nashville experienced a 3.27% growth, Knoxville 10.93%, and Memphis 14.38%.

Figure 7.1 Single-family sales and inventory - Nashville Area



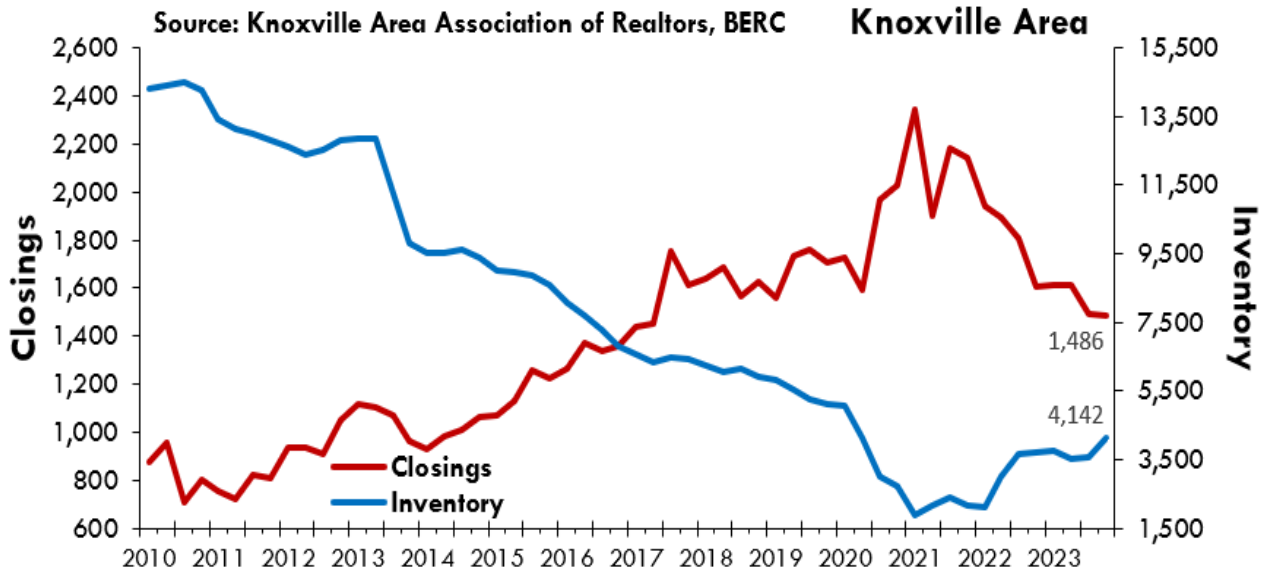
Source: Greater Nashville Association of Realtors, BEREC

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 the fourth quarter of 2023, home prices across various Metropolitan Statistical Areas (MSAs) in Tennessee demonstrated a consistent upward trajectory. Notably, the Cleveland MSA exhibited the highest increase, with a significant growth rate of 14.78%, while the Memphis MSA observed the most modest annual increase at 0.66%. The Chattanooga and Johnson City MSAs reported robust yearly growth rates of 11.32% and 10.00%, respectively.

Tennessee's home prices rose by 1.91%, slightly surpassing the U.S. average quarterly growth of 1.30%. On an annual scale, Tennessee's home price growth stood at 5.38% compared to the national rate of 5.65%.

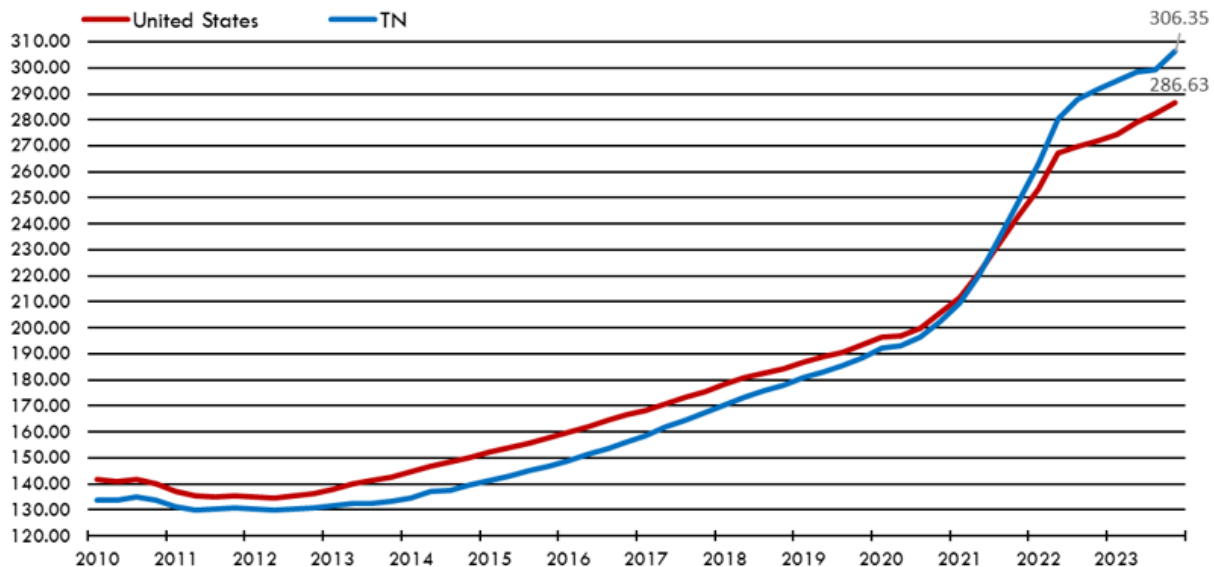
Table 3. Percent change in housing prices year to year

Area	2022.1-2023.1	2022.2-2023.2	2022.3-2023.3	2022.4-2023.4
Chattanooga MSA	13.1%	8.3%	8.3%	11.3%
Clarksville MSA	10.0%	1.2%	4.7%	4.3%
Cleveland MSA	10.3%	9.0%	4.1%	14.8%
Jackson MSA	12.4%	6.7%	8.6%	6.0%
Johnson City MSA	22.9%	9.5%	9.2%	10.0%
Kingsport-Bristol MSA	15.3%	9.0%	10.0%	9.5%
Knoxville MSA	14.5%	11.2%	10.4%	9.0%
Memphis MSA	9.9%	5.0%	2.8%	0.7%
Morristown MSA	13.7%	10.6%	3.3%	6.9%
Nashville MSA	10.8%	3.4%	1.0%	3.5%
Tennessee	12.0%	6.3%	4.4%	5.4%
United States	8.3%	4.6%	11.7%	5.7%

Source: FHFA All Transactions Index.

Source: www.FHFA.gov All Transactions Index

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



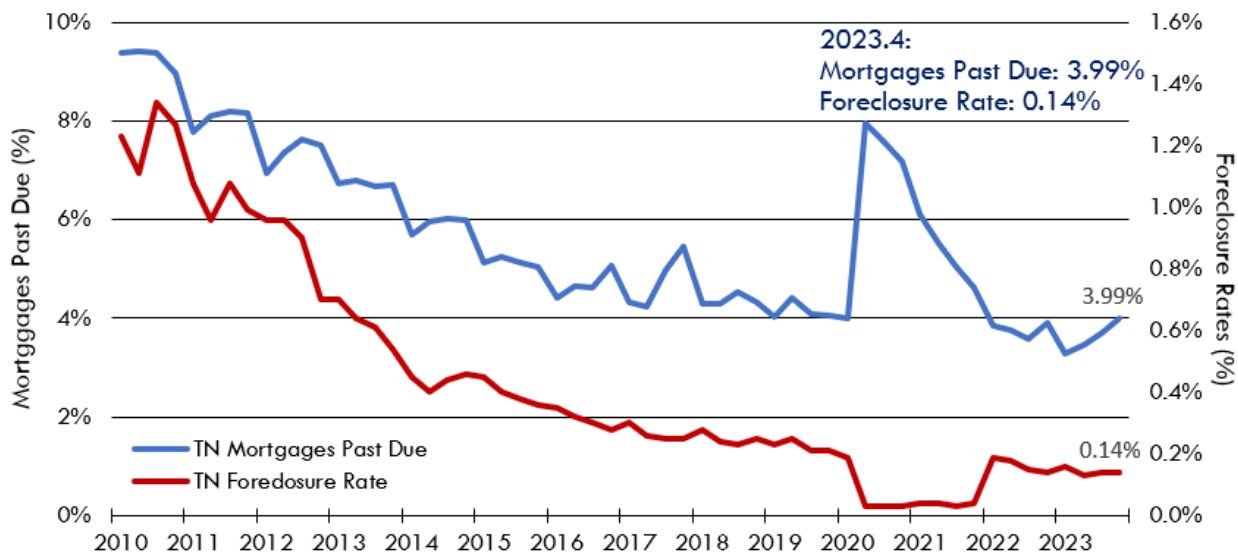
Source: www.FHFA.gov All Transactions Index

Mortgage Delinquencies & Foreclosures

During the fourth quarter of 2023, Tennessee and the United States witnessed an uptick in quarterly mortgage delinquency rates. In Tennessee, mortgage delinquencies rose by 0.31 percentage points, with a marginal decline in foreclosure rates of 0.01 percentage points. Similarly, the United States experienced a comparable trend, with mortgage delinquencies increasing by 0.29 percentage points while foreclosure rates remained steady compared to the previous quarter.

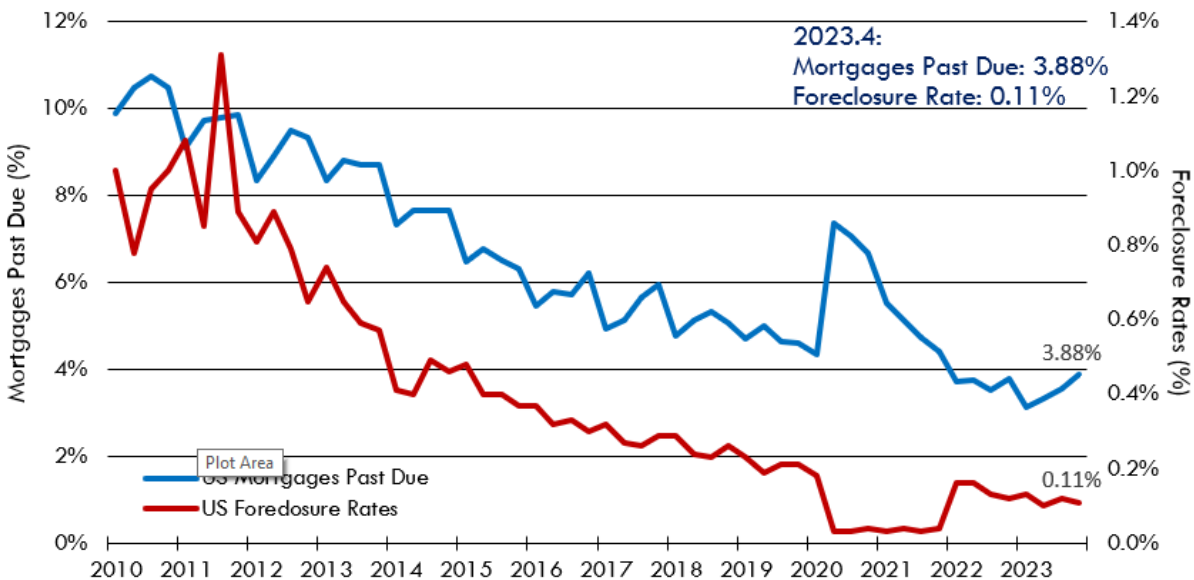
On an annual scale, mortgage delinquency trends in Tennessee and the United States closely mirrored each other. Tennessee observed a modest annual increase of 0.09 percentage points in mortgage delinquencies, slightly higher than the United States increase of 0.07 percentage points. Notably, Tennessee experienced a marginal decrease of 0.01 percentage points in foreclosure rates, while the United States maintained consistent foreclosure rates compared to the preceding year.

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

Conclusion

Navigating Tennessee's Housing Landscape: Challenges and Opportunities

In the fourth quarter of 2023, Tennessee's housing market displayed diverse trends and dynamics. While certain indicators such as Weekly Unemployment Claims, Homeowner Vacancy Rates, Rental Vacancy Rates, Mortgage Tax Collections, and Real Estate Transfer Tax Collections pointed to economic strains, there were also notable positive developments. Total Nonfarm Employment exhibited a 0.68% increase, accompanied by a 0.03 percentage point decrease in the unemployment rate over the past year.

Furthermore, there was a noteworthy uptick in single-

family and total home permits, signaling sustained growth across various home construction segments. Additionally, home prices in Tennessee saw a notable increase of 5.38%.

In summary, Tennessee's housing market is navigating through a phase characterized by various indicators leaning towards a more positive trajectory. While resilience and growth are evident in some metrics, vigilance is warranted to address potential economic challenges. Continuous monitoring and strategic measures will be essential in navigating the evolving landscape of Tennessee's housing 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)